

# Consolidated Financial Results for the First Half of FY2023



November 2, 2023

**NTN Corporation**

- I. Key Points of Financial Result and Progress of “DRIVE NTN100” Phase 2
- II. Financial Result of First Half of FY2023 and Forecast of FY2023

# 1.Key Points of Financial Result for the First Half

## Increased sales and profits from the previous year and the announcement

- ◆ Net sales **increased** thanks to easing of semiconductor shortages, improvement in selling prices and foreign exchange effects
- ◆ Operating income **increased** due to improvement in selling prices and reduction of expenses, despite decrease in sales volume
- ◆ Inventories increased due to foreign exchange effects, and FCF remained positive

(billion yen)	FY2022		FY2023			
	1H result <sup>①</sup>	Full year result	1H result <sup>②</sup>	YoY <sup>①</sup> vs <sup>②</sup>	1H(announced) <sup>③</sup>	Difference <sup>②</sup> vs <sup>③</sup>
Net sales	371.7	774.0	<b>409.6</b>	+37.9, +10.2% Exclu. Forex +5.3%	<b>404.0</b>	+5.6, +1.4% Exclu. Forex (2.0%)
Operating income	3.9	17.1	<b>6.8</b>	+2.9	<b>6.5</b>	+0.3
Operating margin	1.0%	2.2%	1.7%	+0.7pt	1.6%	±0pt
Ordinary income	3.6	12.0	<b>4.9</b>	+1.3	<b>4.5</b>	+0.4
Profit attributable to owners of parent	(1.6)	10.4	<b>4.1</b>	+5.8	<b>4.5</b>	(0.4)
Exchange rate 1USD	133.9	135.5	<b>140.8</b>	+6.9	136.1	+4.7
(JPY) 1EURO	138.7	140.9	<b>153.3</b>	+14.6	149.7	+3.6
Inventories	247.6	239.4	<b>256.1</b>	+16.7 (compared to March)		
Capital expenditure	9.5	22.3	<b>10.5</b>	+1.0		
Free cash flow	13.5	20.4	<b>24.2</b>	+10.6		

# 2.Key Points of Financial Results for the First Half by Business Segment

Profits in Aftermarket and Industrial Machinery Business decreased YoY  
Automotive Business became profitable in 2Q

## Aftermarket

- ◆ Demand in Japan declined as the recovery from the pandemic ran its course
- ◆ While selling prices improved more than planned in the first half of the year, **profits decreased from the previous fiscal year and the announcement** due to lower factory operating rates resulting from decreased demand for industrial machinery

## Industrial Machinery

- ◆ **Sales decreased from the previous fiscal year** due to lower demand in major industries such as construction machinery, agricultural machinery, and gearboxes
- ◆ While selling prices in Europe improved more than planned, **profits decreased from the previous fiscal year and the announcement** due to decreased sales volume

## Automotive

- ◆ **Sales increased from the previous fiscal year and the announcement** thanks to easing of semiconductor shortages
- ◆ In 2Q (Jul.-Sep.), selling prices improved more than planned and cost reductions progressed, resulting in **increase in profits from the previous fiscal year and the announcement**

(billion yen)	Aftermarket			Industrial Machinery			Automotive			All		
	FY2023			FY2023			FY2023			FY2023		
	1Q	2Q	1H	1Q	2Q	1H	1Q	2Q	1H	1Q	2Q	1H
Net sales	35.5	34.4	69.8	32.9	31.9	64.8	132.4	142.6	275.0	200.8	208.9	409.6
YoY	+3.1	+0.8	+3.9	(1.2)	(3.0)	(4.3)	+26.3	+12.0	+38.3	+28.2	+9.8	+37.9
Difference from August IR (Announced)			+0.3			+0.3			+5.0			+5.6
Operating income	4.8	4.1	8.9	0.9	0.5	1.4	(4.1)	0.6	(3.5)	1.5	5.3	6.8
YoY	+0.2	(1.2)	(1.1)	(0.4)	(0.9)	(1.3)	+2.5	+2.8	+5.3	+2.3	+0.6	+2.9
Difference from August IR (Announced)			(1.6)			(0.6)			+2.5			+0.3
Operating margin	13.5%	11.9%	12.7%	2.6%	1.7%	2.2%	(3.1%)	0.4%	(1.3%)	0.7%	2.5%	1.7%

# 3.Key Points of the Second Half and Full-year Forecast

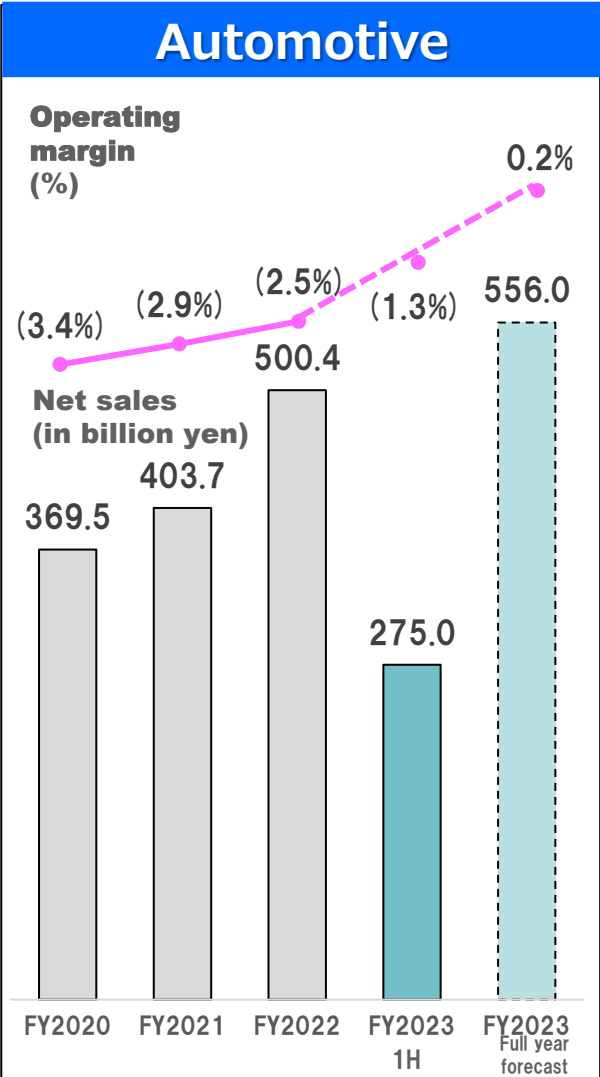
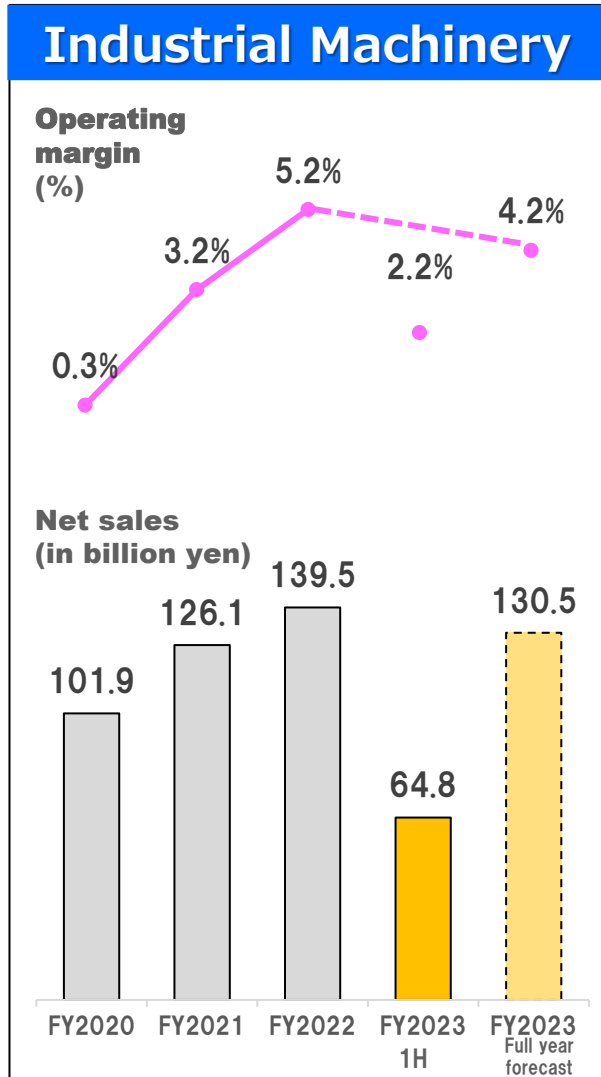
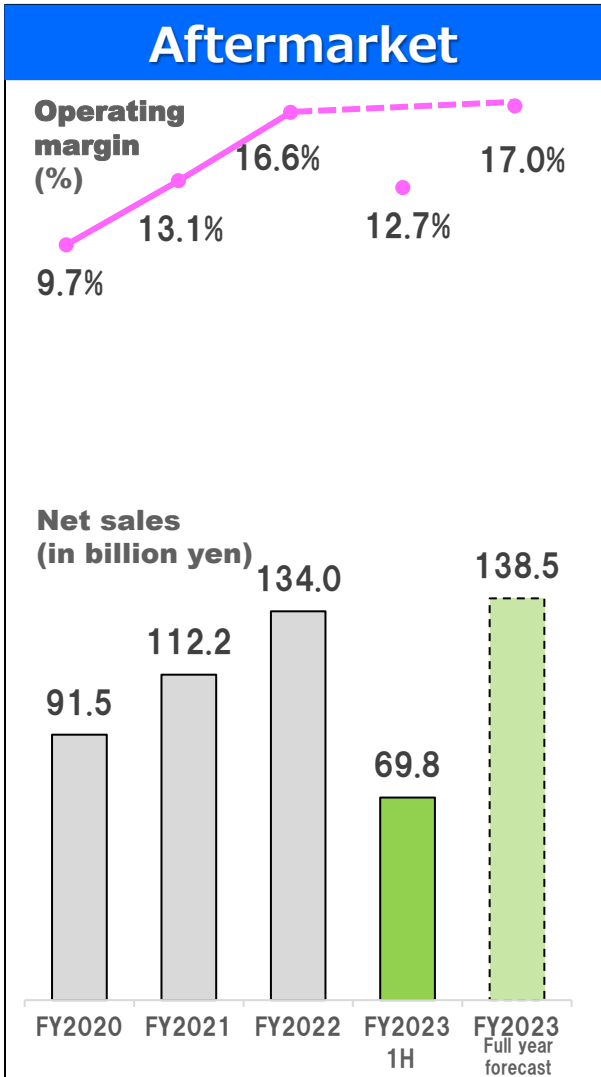
## Full-year forecasts remain unchanged from the previous announcement

- ◆ It is difficult to forecast situations due to recovery from the U.S. auto strike, stagnation in the Chinese real estate market, and the impact of the situations in Ukraine and the Middle East as well as the continuous effects of global monetary tightening, exchange rates, inflation, etc.

(billion yen)	FY2022 Full Year Results	FY2023			
		1H Results	Full Year Forecast	Full Year (previous announcement)	Difference from Previous Announcement
Net sales	774.0	409.6	825.0	825.0	0.0
Operating income	17.1	6.8	30.0	30.0	+0.0
Operating margin	2.2%	1.7%	3.6%	3.6%	Opt
Ordinary income	12.0	4.9	23.0	23.0	+0.0
Profit attributable to owners of parent	10.4	4.1	11.0	11.0	+0.0
Exchange rate 1USD	135.5	140.8	137.9	135.5	+2.4
(JPY) 1EURO	140.9	153.3	151.7	149.8	+1.9
Inventories	239.4	256.1	230.0	230.0	0.0
Capital expenditure	22.3	10.5	28.0	28.0	0.0
Free cash flow	20.4	24.2	29.0	29.0	0.0

# 4. Earning Forecast by Business Segment






















Forecasts remain unchanged from the previous announcement by business segment as well



# 5. Issues and Measures in Aftermarket and Industrial Machinery Business

## Issues in 2H

- ◆ Aftermarket demand remains flat
- ◆ In Industrial Machinery Business, there is a risk that demand conditions in 1H continue or decline further

Sales overview by industry	FY22 2H FY23 1H	FY23 1H FY23 2H
Construction machinery 		
Gearbox 		
Agricultural machinery 		
Aerospace 		
Wind turbines 		
Machine tools 		
Railway rolling stock 		

- ◆ As in 1H, there is a risk of profit margin deterioration due to lower factory operating rates as demand for industrial machinery declines

## Measures for profit improvement

- ◆ Continue improvements in selling prices in line with inflation
- ◆ Accelerate price increases and downsizing of unprofitable businesses
- ◆ Allocate production capacity for industrial machinery to shipments and inventory enhancement for aftermarket in response to declining demand for industrial machinery



Completion ceremony of Wakayama Works (Oct.)

- ◆ Expand procurement from optimal locations
- ◆ Prompt fixed cost reductions in response to decreased sales volume

### TOPICS



Sensor Integrated Rolling Bearing "Talking Bearing" receives Machinery Components of 'CHO' MONODZUKURI Innovative Parts and Components Award 2023

# 6. Progress of initiatives to turn profitable in Automotive Business

## Strengthen price revision activities

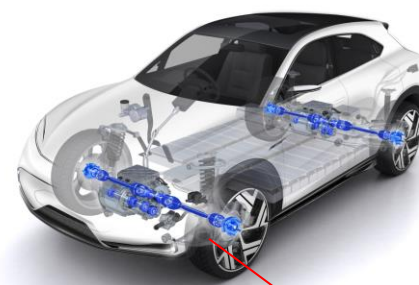
- ◆ Continue to improve selling prices in line with inflation
- ◆ Improve profit of unprofitable businesses (cost reduction, price increase, withdrawal)

## Cost reduction through procurement reforms

- ◆ Start adoption of Chinese and Korean suppliers for Europe and the U.S.
- ◆ Expand centralized steel purchasing negotiations

## Contribution of new orders in target segments such as electrification and commercial vehicles

- ◆ Launch of large-size products in Europe for commercial vehicles and High Efficiency Fixed Type CVJ “CFJ”
- ◆ Start mass-production for CVJs switched from in-house by an automotive manufacturer in Japan



## Cost reduction through optimization of fixed costs

- ◆ Fixed cost reductions in line with decreased sales volume from peak demand for passenger cars
- ◆ Improve employee turnover rate and productivity in U.S.



High Efficiency Fixed Type CVJ “CFJ”

**Return to profitability for the first time since FY2020 4Q**  
**Achieve profitability for the full year**

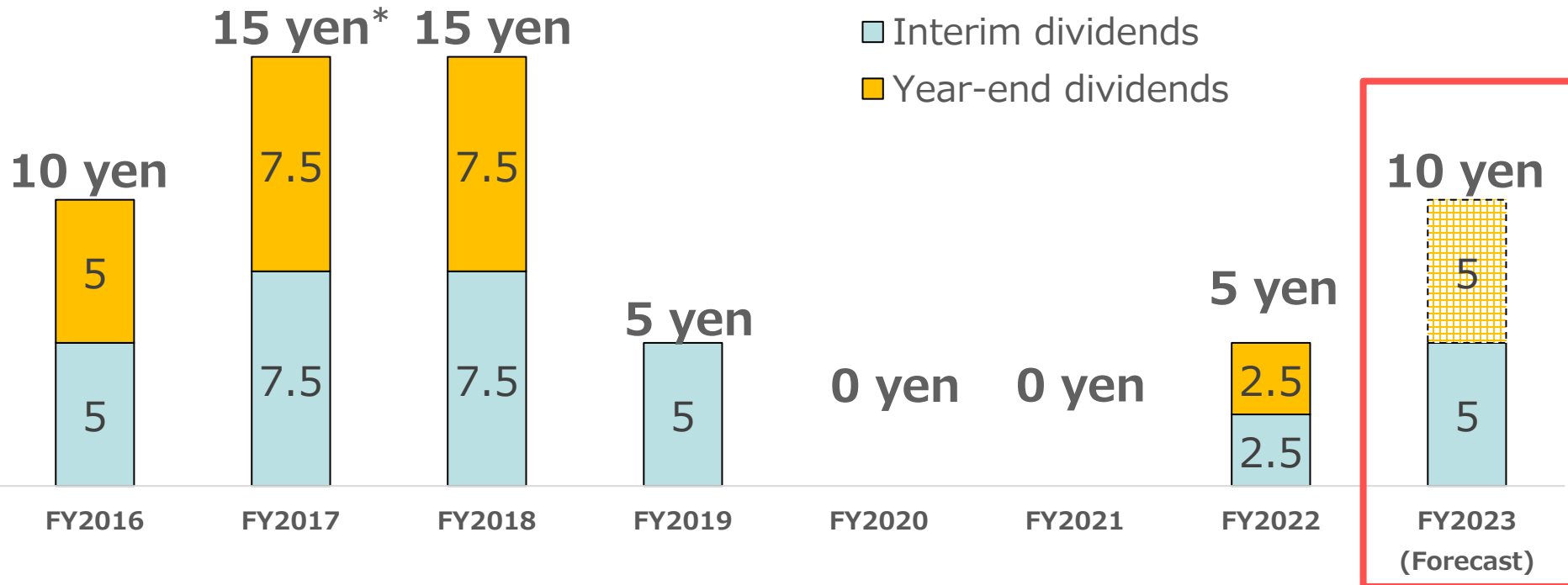


# 7. Forecast of Shareholder Return

- ◆ Pay dividends in proportion to operating results while maintaining stable dividend payments from medium- to long-term perspective
- ◆ Stable dividend target: DOE 4%

## Dividends in FY2023

- ◆ Dividends for FY2023 are expected to be 10 yen per share, unchanged from the forecast at the beginning of the year



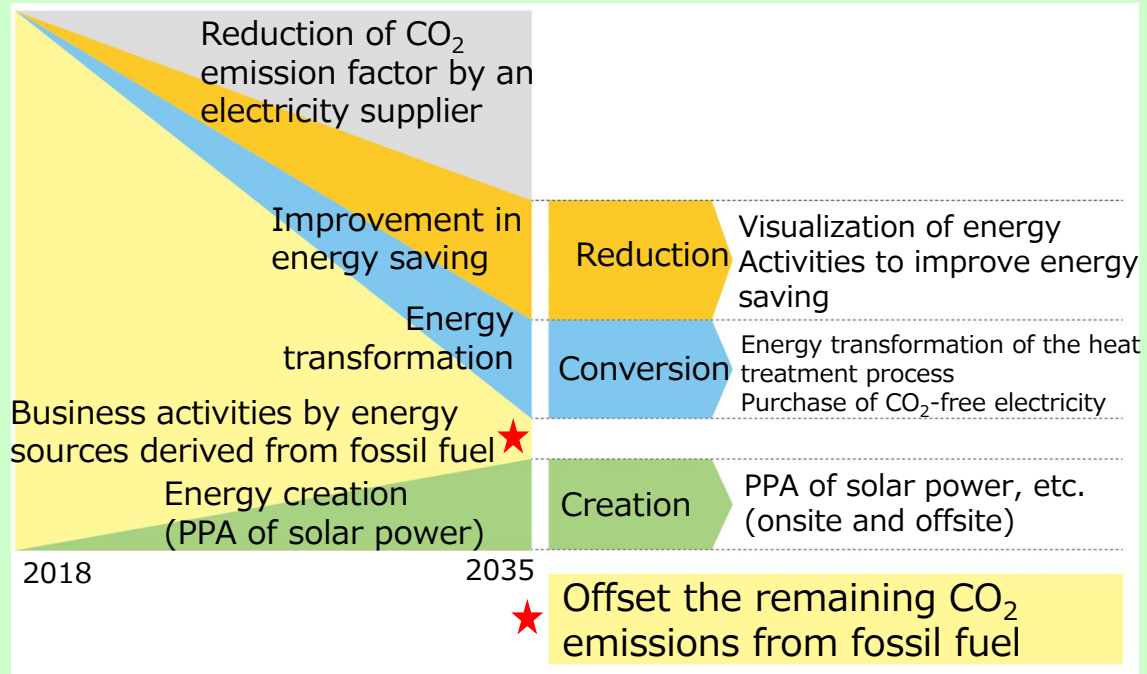
\*Including 100th anniversary commemorative dividends

# 8.ESG Management Initiatives

For more information on ESG initiatives, please refer to the Integrated Report "NTN Report"  
<https://www.ntnglobal.com/en/csr/ntnreport.html>

## E:Environment

### ◆ Carbon neutrality realization image



### ◆ "Carbon Neutrality Promotion Committee" established

## G:Governance

### ◆ "Sustainability Committee" reports to the Board of Directors on its initiatives

## S:Social

- ◆ Executive Officers hold Town Hall Meetings in business sites around the world
- ◆ Announcement of charging station model of Transportable Independent Power Supply "N<sup>3</sup> N-CUBE"

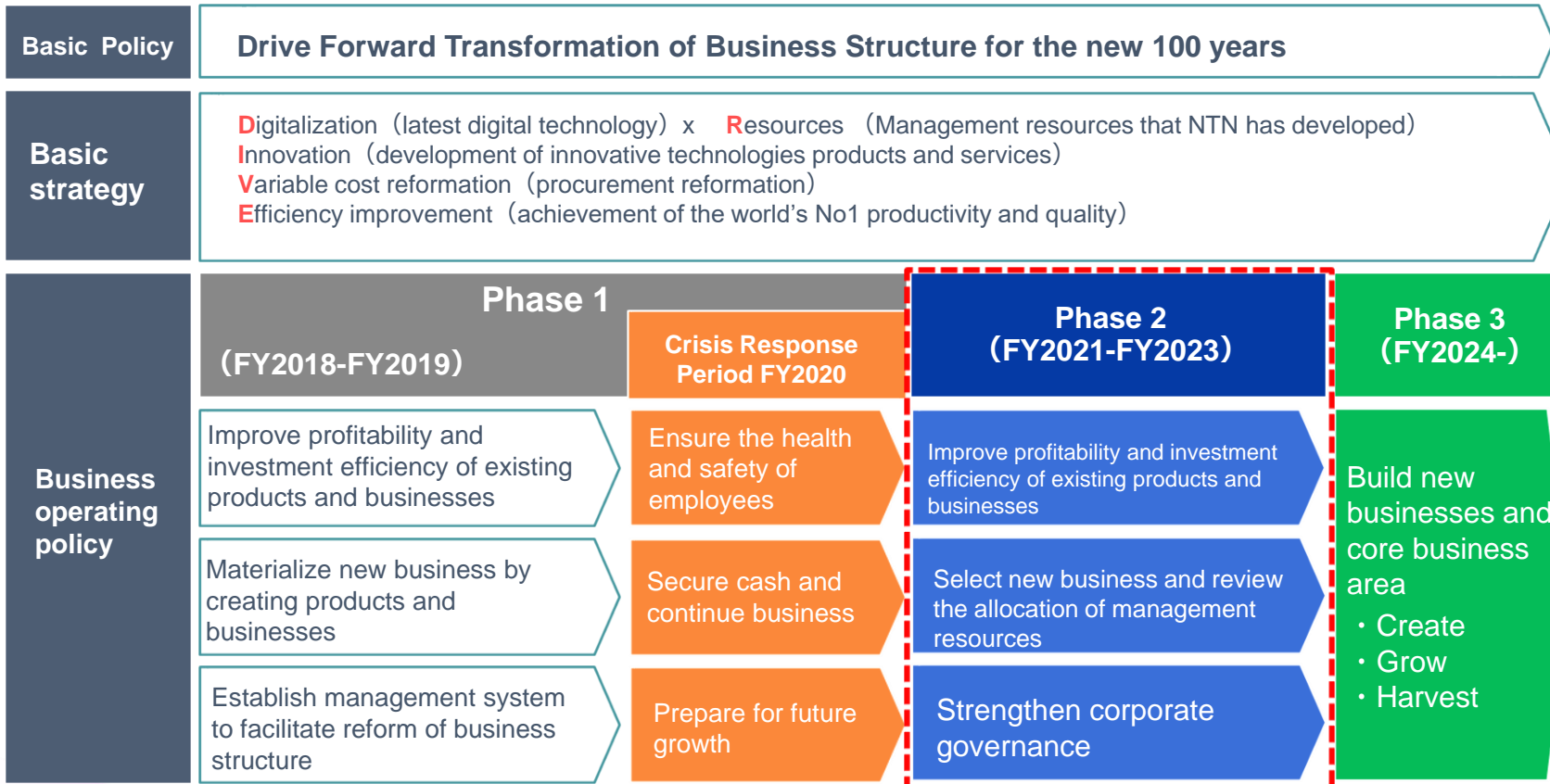


【Charging station model】

# Reference : Business Operation Policy for the Medium-Term Plan (from Medium-term plan)

\*Please refer to the NTN HP for more detail : <https://www.ntnglobal.com/en/investors/mtermplan.html>

## DRIVE NTN100



**NTN in FY2027**

Net sales growth  
**GDP growth rate in each region + something extra**

Operating margin  
**10% or more**

Total asset turnover  
**1.0 or more**

Foreign exchange sensitivity  
**50% reduction**

**Phase 1**  
 Sharp deterioration of financial structure

**External Environment**  
 EV, electrification, and re-acceleration of DX  
 COVID-19 (uncertainty)  
 Emphasize on safety  
 Changes in work styles

**Phase 2**  
 1. Focus on NTN Revitalization in the next 3 years (rebuild BS and improve CF)  
 2. Seeding for future growth

- I. Key Points of Financial Result and Progress of “DRIVE NTN100” Phase 2
- II. Financial Result of First Half of FY2023 and Forecast of FY2023

# 1. Key Financial Indicators

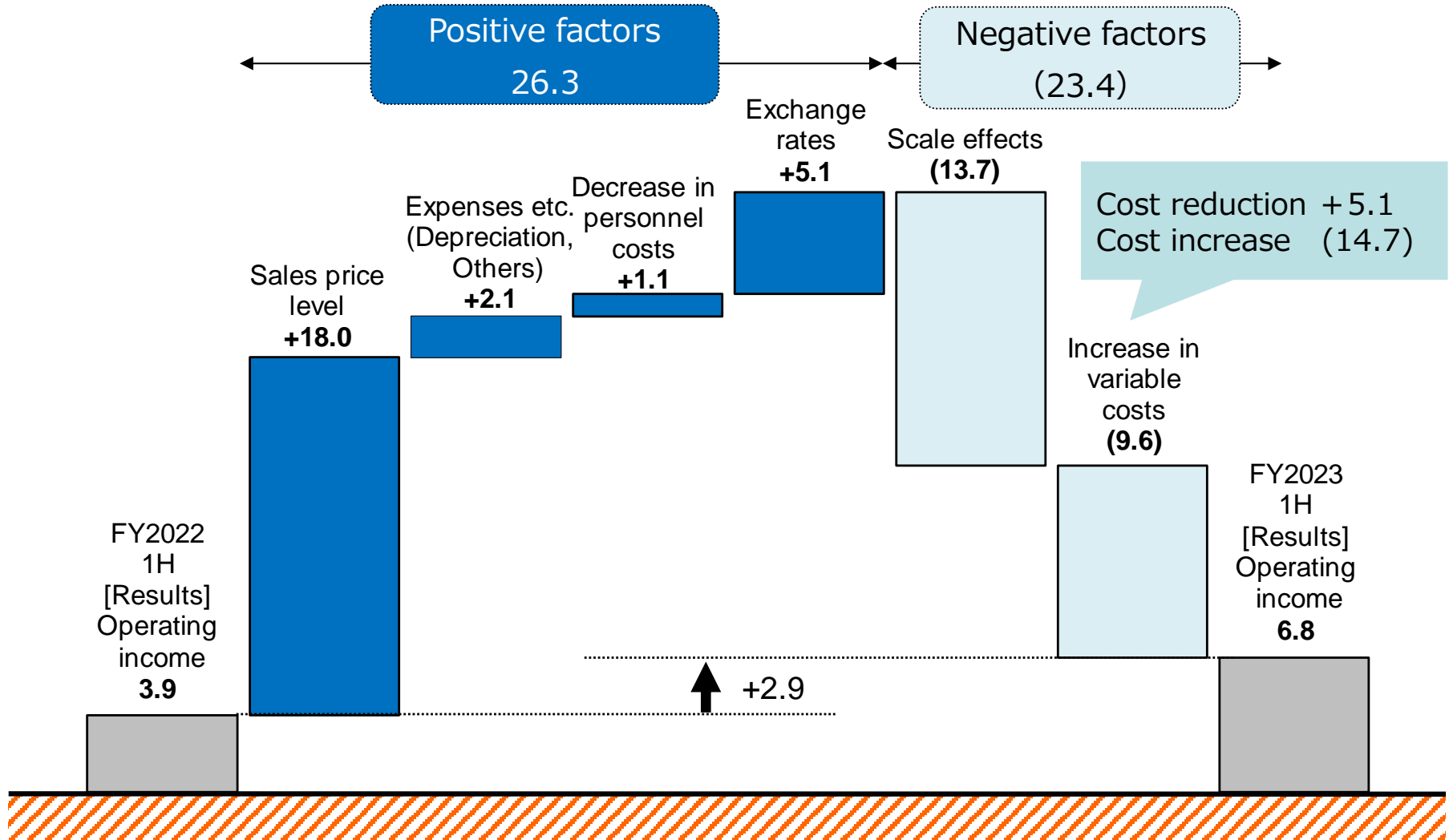


	FY2022			FY2023		Year on Year			(Reference)	
	1H Results	2H Results	Full Year Results	1H Results	Full Year Forecast	②-①			1H Forecast	Full Year Forecast
	①			②	(Latest)	Total	Volume	Forex	(Previous)	(Previous)
(billion yen)										
Net sales	371.7	402.3	774.0	<b>409.6</b>	<b>825.0</b>	<b>37.9</b>	<b>19.9</b>	<b>18.1</b>	<b>404.0</b>	<b>825.0</b>
Operating income / loss (-)	3.9	13.3	17.1	<b>6.8</b>	<b>30.0</b>	<b>2.9</b>	<b>(2.2)</b>	<b>5.1</b>	<b>6.5</b>	<b>30.0</b>
Operating margin	1.0%	3.3%	2.2%	<b>1.7%</b>	<b>3.6%</b>	<b>0.6%</b>			<b>1.6%</b>	<b>3.6%</b>
Ordinary income / loss (-)	3.6	8.5	12.0	<b>4.9</b>	<b>23.0</b>	<b>1.3</b>	<b>(3.9)</b>	<b>5.2</b>	<b>4.5</b>	<b>23.0</b>
Extraordinary income / loss (-)	-	(1.2)	(1.2)	<b>(0.4)</b>	<b>(4.0)</b>	<b>(0.4)</b>	<b>(0.4)</b>	<b>(0.0)</b>	<b>0.0</b>	<b>(4.0)</b>
Profit attributable to owners of parent / loss (-)	(1.6)	12.0	10.4	<b>4.1</b>	<b>11.0</b>	<b>5.8</b>	<b>2.3</b>	<b>3.5</b>	<b>4.5</b>	<b>11.0</b>
Inventories *	247.6	239.4	239.4	<b>256.1</b>	<b>230.0</b>	<b>16.7</b>	<b>(0.2)</b>	<b>16.9</b>	<b>237.0</b>	<b>230.0</b>
FCF	13.5	6.8	20.4	<b>24.2</b>	<b>29.0</b>	<b>10.6</b>	-	-	<b>19.2</b>	<b>29.0</b>
Exchange rate	1USD	¥133.9	¥137.0	¥135.5	<b>¥140.8</b>	<b>¥137.9</b>	<b>¥6.9</b>		<b>¥136.1</b>	<b>¥135.5</b>
	1EURO	¥138.7	¥143.1	¥140.9	<b>¥153.3</b>	<b>¥151.7</b>	<b>¥14.6</b>		<b>¥149.7</b>	<b>¥149.8</b>

\* Increase/decrease from the end of Mar. 2023

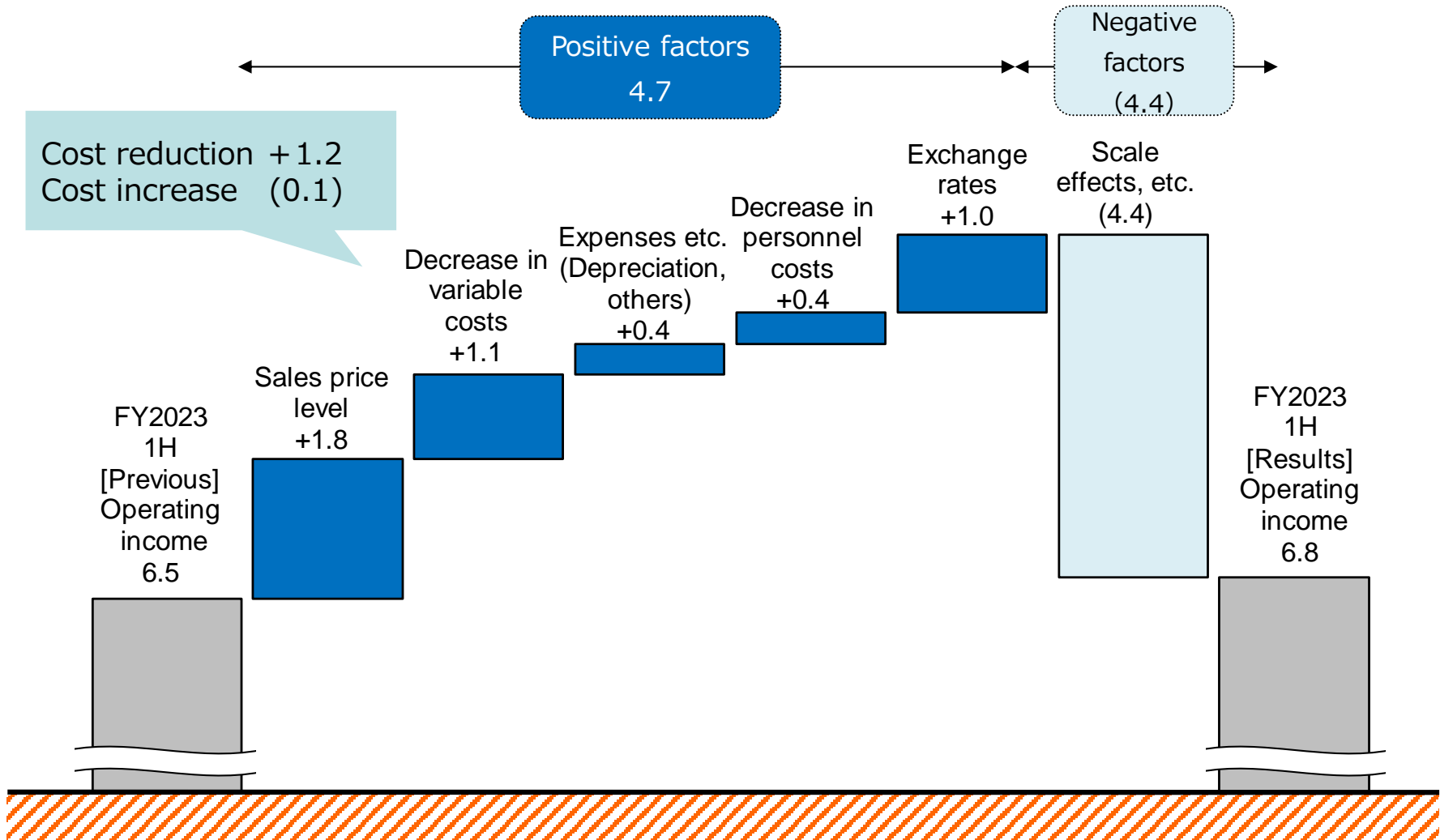
# 2-1. Analysis of Operating Income (FY2022 1H Results vs FY2023 1H Results)

\* All figures in billion yen



# 2-2. Analysis of Operating Income (FY2023 1H Forecast [previous] vs FY2023 1H Results)

\* All figures in billion yen



### 3. Net Sales by Region



(billion yen)	FY2022			FY2023		Year on Year			(For reference)	
	1H Results	2H Results	Full Year Results	1H Results	Full Year Forecast	②-①			1H Forecast	Full Year Forecast
	①			②	(Latest)	Total	Volume	Forex	(Previous)	(Previous)
Japan	95.5	106.1	201.6	<b>104.7</b>	<b>217.0</b>	<b>9.1</b>	<b>9.1</b>	<b>0.0</b>	<b>105.5</b>	<b>217.0</b>
Americas	118.6	127.7	246.2	<b>133.2</b>	<b>263.0</b>	<b>14.7</b>	<b>7.1</b>	<b>7.6</b>	<b>130.0</b>	<b>263.0</b>
Europe	72.0	83.2	155.2	<b>84.2</b>	<b>173.0</b>	<b>12.2</b>	<b>4.2</b>	<b>8.0</b>	<b>85.0</b>	<b>173.0</b>
Asia and others	85.6	85.3	170.9	<b>87.6</b>	<b>172.0</b>	<b>2.0</b>	<b>(0.5)</b>	<b>2.5</b>	<b>83.5</b>	<b>172.0</b>
Total	371.7	402.3	774.0	<b>409.6</b>	<b>825.0</b>	<b>37.9</b>	<b>19.9</b>	<b>18.1</b>	<b>404.0</b>	<b>825.0</b>



# 4. Net Sales and Operating Income by Business Segment



## <Net Sales by Business Segment>

(billion yen)	FY2022			FY2023		Year on Year			(For reference)	
	1H Results	2H Results	Full Year Results	1H Results	Full Year Forecast	②-①			1H Forecast	Full Year Forecast
	①			②	(Latest)	Total	Volume	Forex	(Previous)	(Previous)
Aftermarket	65.9	68.1	134.0	69.8	138.5	3.9	0.2	3.7	69.5	138.5
Industrial machinery	69.1	70.4	139.5	64.8	130.5	(4.3)	(6.8)	2.6	64.5	130.5
Automotive	236.7	263.7	500.4	275.0	556.0	38.3	26.5	11.8	270.0	556.0
Total	371.7	402.3	774.0	409.6	825.0	37.9	19.9	18.1	404.0	825.0

## <Operating Income by Business Segment>

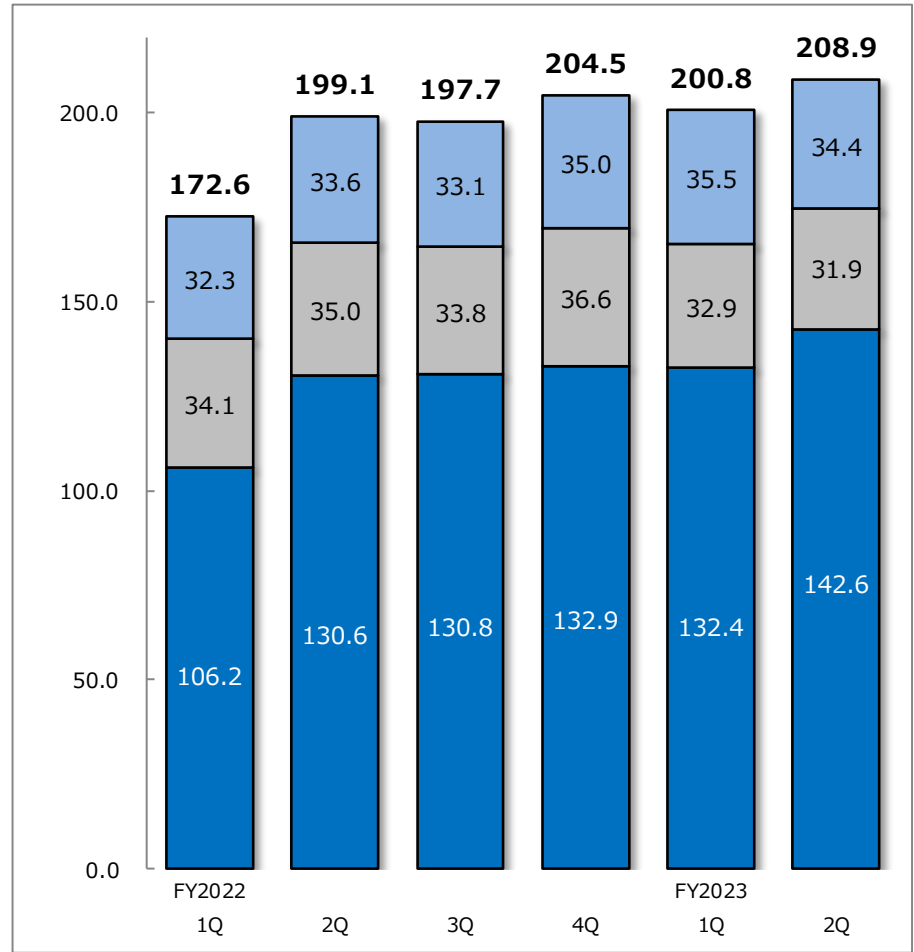
(billion yen)	FY2022			FY2023		Year on Year ②-①	(For reference)	
	1H Results	2H Results	Full Year Results	1H Results	Full Year Forecast		1H Forecast	Full Year Forecast
	①			②	(Latest)		(Previous)	(Previous)
Aftermarket	10.0	12.3	22.3	8.9	23.5	(1.1)	10.5	23.5
Industrial machinery	2.7	4.6	7.3	1.4	5.5	(1.3)	2.0	5.5
Automotive	(8.8)	(3.6)	(12.4)	(3.5)	1.0	5.3	(6.0)	1.0
Total	3.9	13.3	17.1	6.8	30.0	2.9	6.5	30.0

# 5. Financial Results by Business Segment (Quarterly Trend) NTN

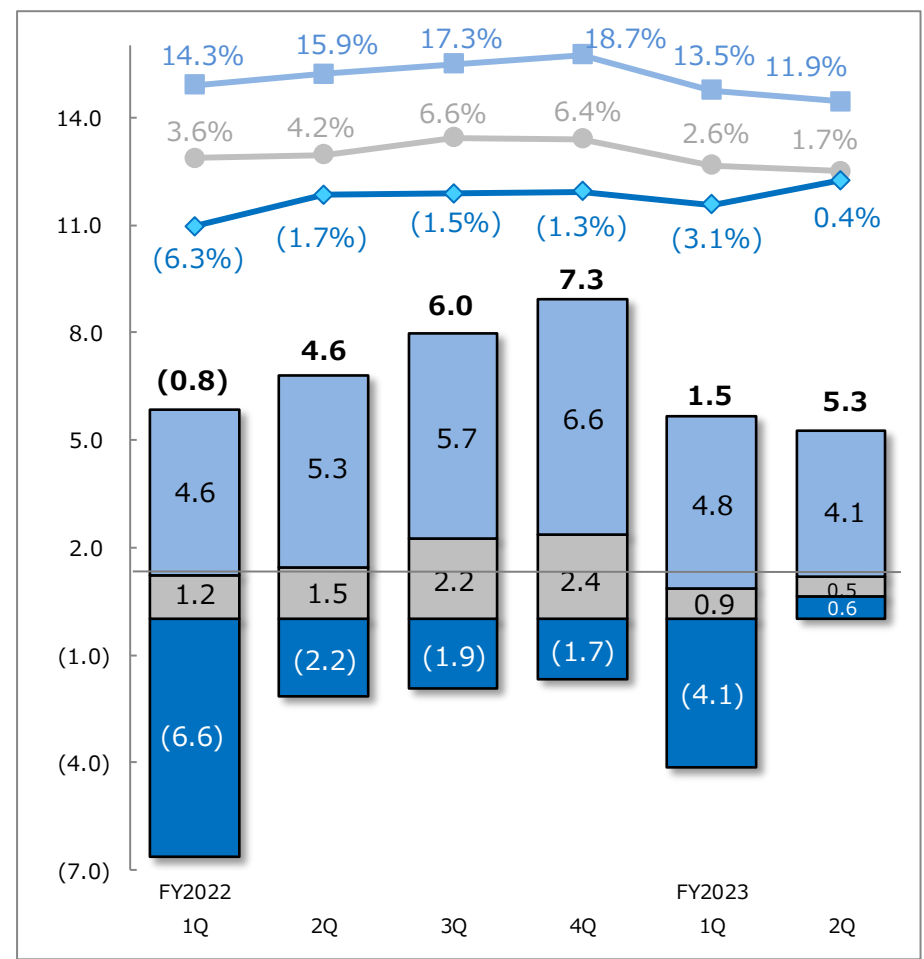
\* All figures in billion yen

■ Automotive 
 ■ Industrial machinery 
 ■ Aftermarket

### Net Sales



### Operating Income/ Operating Margin

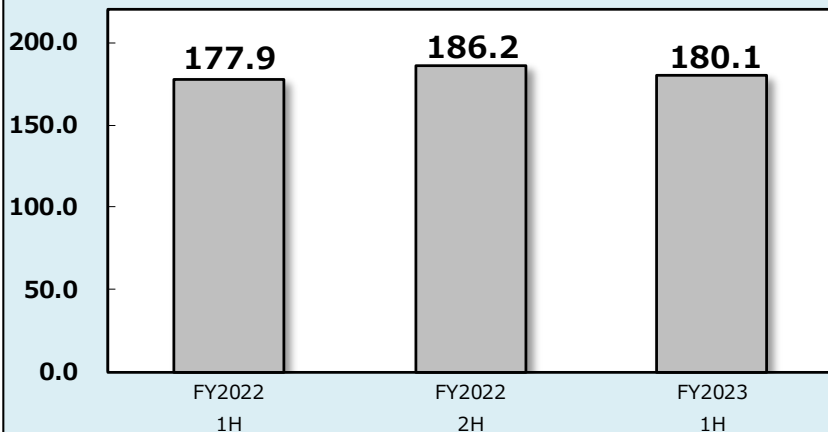


# 6-1. Net Sales and Operating Income by Company Location

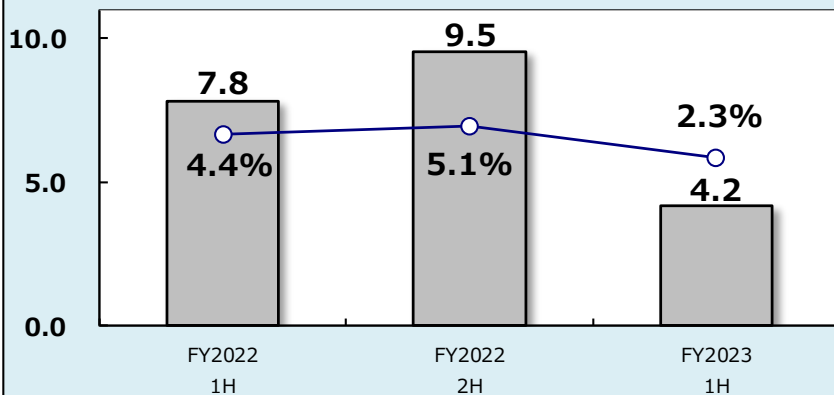
\* All figures in billion yen

## 《 Japan 》

### Net Sales

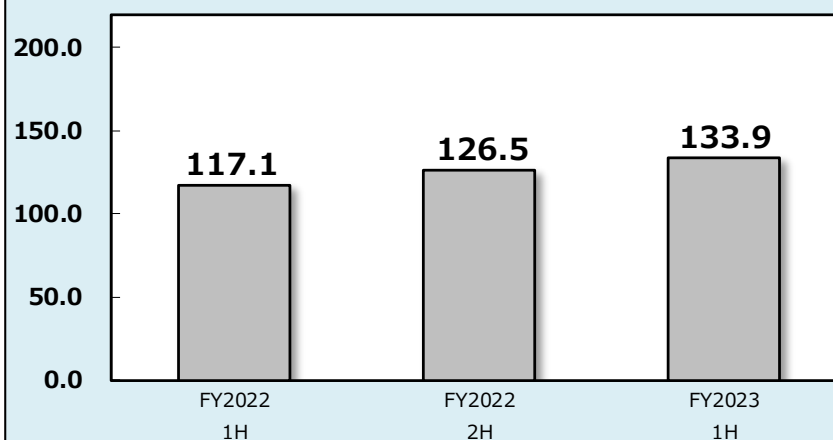


### Operating Income

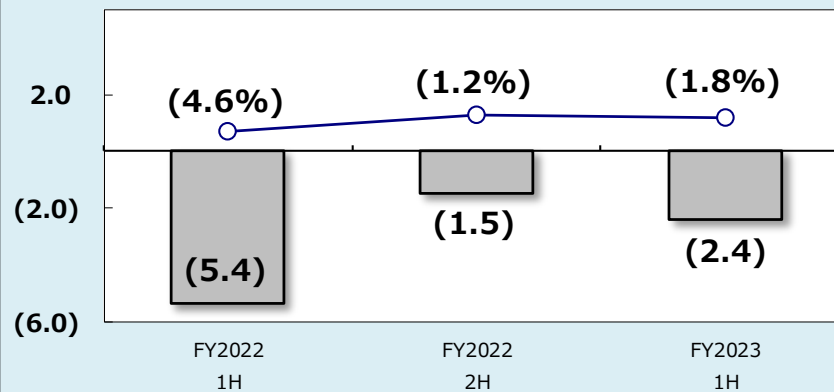


## 《 Americas 》

### Net Sales



### Operating Income

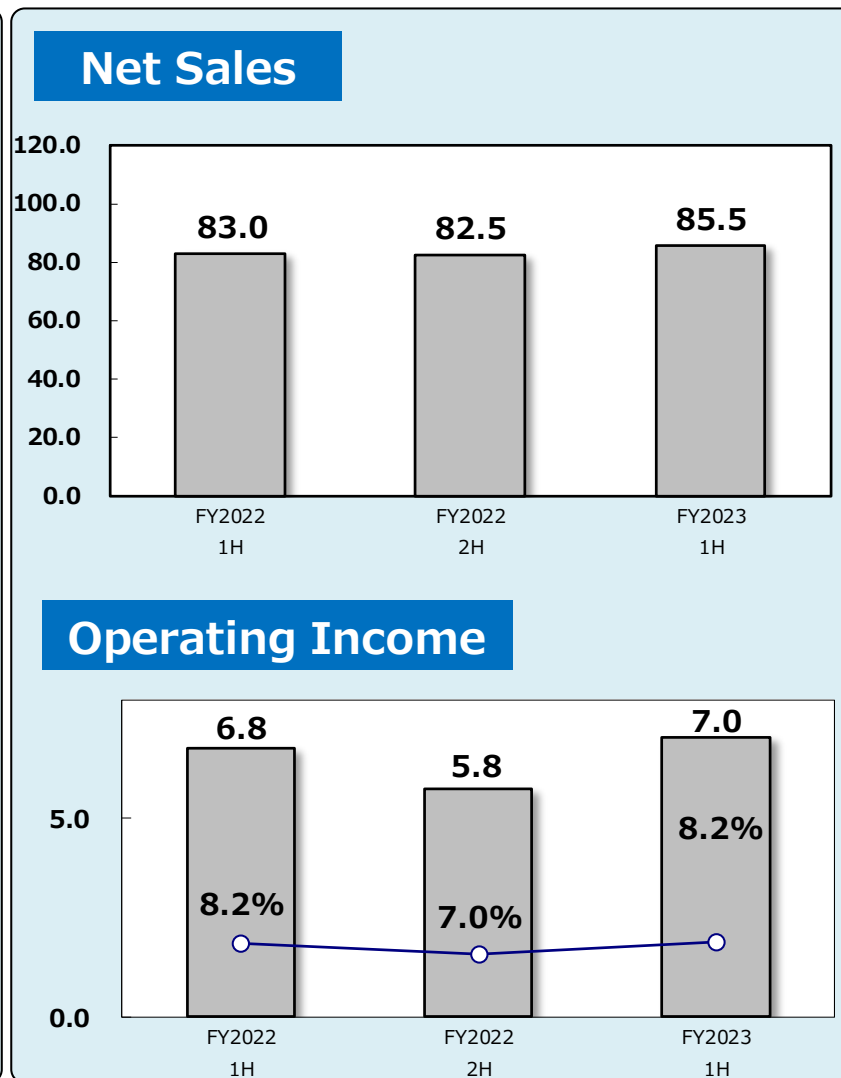
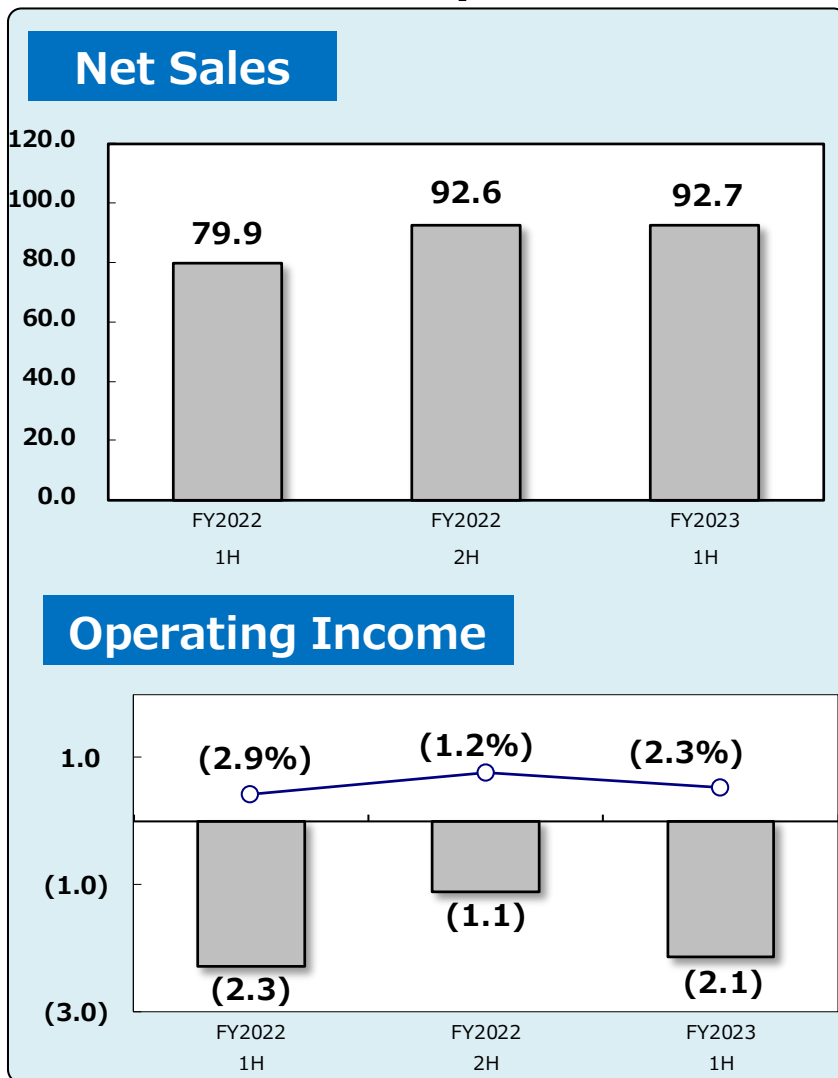


# 6-2. Net Sales and Operating Income by Company Location

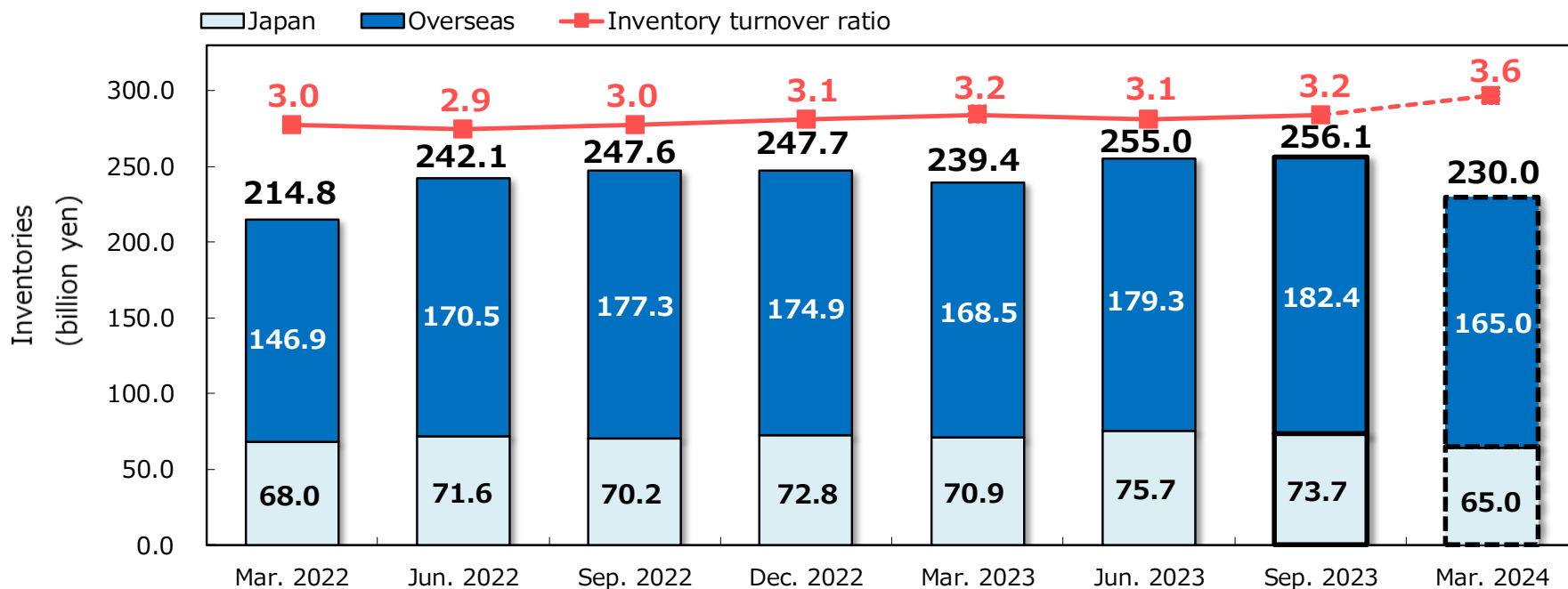
\* All figures in billion yen

## 《 Europe 》

## 《 Asia and others 》

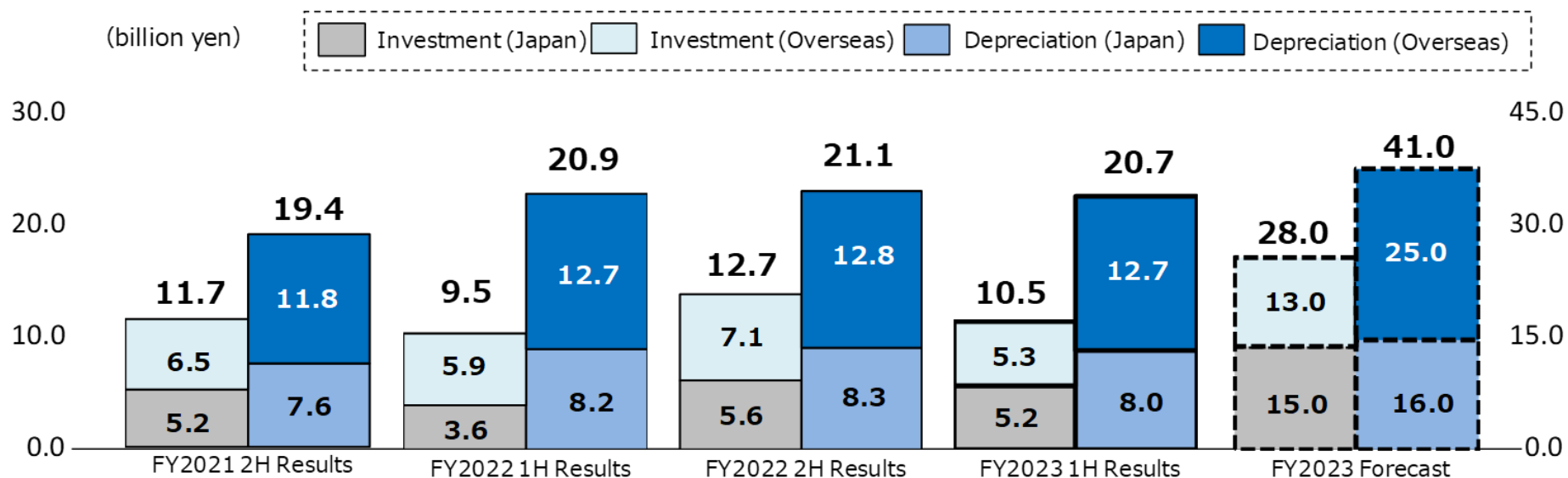


# 7. Inventories



	Mar. 2022	Jun. 2022	Sep. 2022	Dec. 2022	Mar. 2023	Jun. 2023	Sep. 2023	Mar. 2024
(billion yen)	Results	Results	Results	Results	Results	Results	Results	Forecast
Inventories	214.8	242.1	247.6	247.7	239.4	255.0	256.1	230.0
[Overseas]	146.9	170.5	177.3	174.9	168.5	179.3	182.4	165.0
[Japan]	68.0	71.6	70.2	72.8	70.9	75.7	73.7	65.0
Inventory turnover ratio	3.0	2.9	3.0	3.1	3.2	3.1	3.2	3.6

# 8. Capital Expenditures and Depreciation

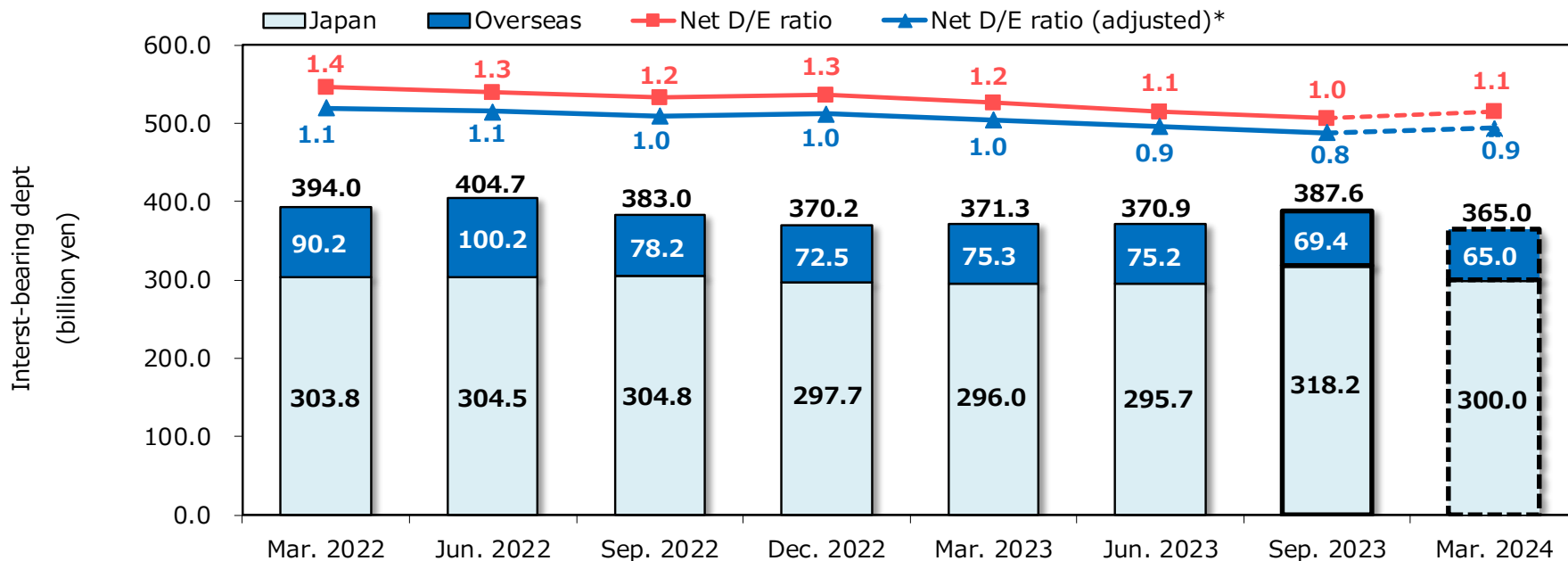


(billion yen)	FY2021 2H Results	FY2022 1H Results①	FY2022 2H Results	FY2023 1H Results②	②-①	FY2023 Forecast
Capital expenditure	11.7	9.5	12.7	10.5 *	1.0	28.0
[Overseas]	6.5	5.9	7.1	5.3	(0.6)	13.0
[Japan]	5.2	3.6	5.6	5.2	1.6	15.0

\*In addition, capital expenditure for intangible fixed assets (FY2023 1H Results : ¥1.3 billion, FY2023 Full Year Forecast : ¥5.0 billion)

(billion yen)	FY2021 2H Results	FY2022 1H Results①	FY2022 2H Results	FY2023 1H Results②	②-①	FY2023 Forecast
Depreciation	19.4	20.9	21.1	20.7	(0.2)	41.0
[Overseas]	11.8	12.7	12.8	12.7	(0.1)	25.0
[Japan]	7.6	8.2	8.3	8.0	(0.2)	16.0

# 9. Interest-Bearing Debt

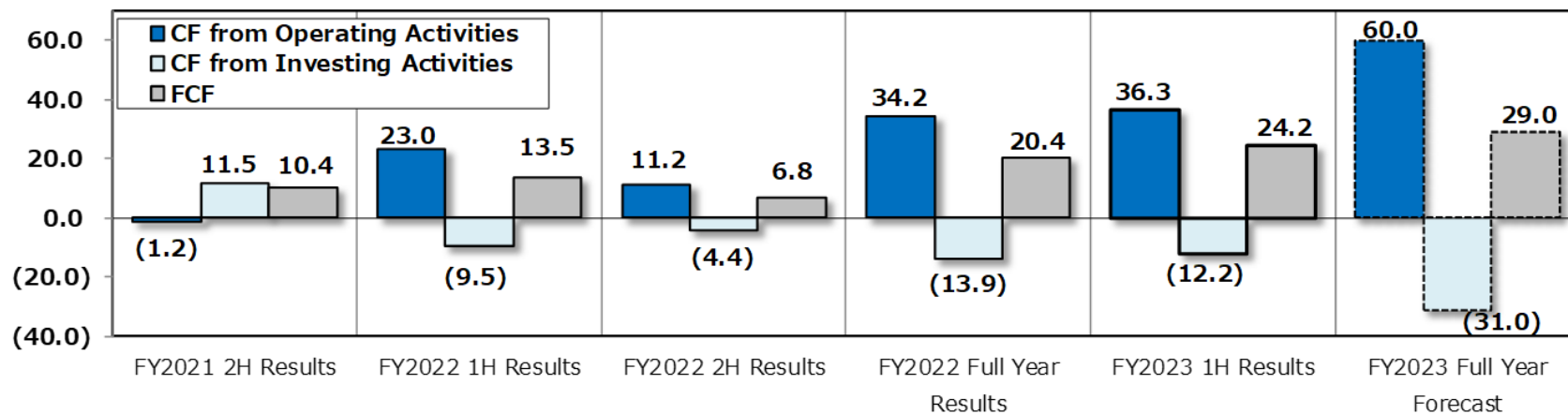


	Mar. 2022	Jun. 2022	Sep. 2022	Dec. 2022	Mar. 2023	Jun. 2023	Sep. 2023	Mar. 2024
(billion yen)	Results	Results	Results	Results	Results	Results	Results	Forecast
Interest-bearing debt	394.0	404.7	383.0	370.2	371.3	370.9	387.6	365.0
[Overseas]	90.2	100.2	78.2	72.5	75.3	75.2	69.4	65.0
[Japan]	303.8	304.5	304.8	297.7	296.0	295.7	318.2	300.0
Net Interest-bearing debt	272.6	278.6	268.8	265.0	260.6	253.7	243.4	243.0

\*Taking into account a part of the subordinated bonds through public offering that is recognized as equity (50%).

# 10. Cash Flows

(billion yen)	FY2021		FY2022		FY2023	②-①	FY2023 Full Year Forecast
	2H Results	1H Results①	2H Results	Full Year Results	1H Results②		
I. Cash flow from operating activities	(1.2)	23.0	11.2	34.2	36.3	13.3	60.0
II. Cash flow from investing activities	11.5	(9.5)	(4.4)	(13.9)	(12.2)	(2.7)	(31.0)
I + II. Free cash flow	10.4	13.5	6.8	20.4	24.2	10.6	29.0
III. Cash flow from financing activities	(18.5)	(25.0)	(8.3)	(33.3)	4.2	29.2	(17.0)
IV. Effect of exchanging rate translation on cash and cash equivalents	4.1	4.1	(2.0)	2.1	5.0	0.9	(2.7)
V. Net increase in cash and cash equivalents	(4.0)	(7.3)	(3.5)	(10.8)	33.3	40.7	9.3





# 11. Issuance of Zero Coupon Convertible Bonds due 2025

## I . Purpose and Use of Proceeds

To increase corporate value while flexibly responding to changes in the business environment

- It is essential to **“invest for sustainable growth”** through selection and concentration and to **“build a strong financial position”**
- Decided to issue the Bonds, taking into consideration the market environment, the impact on existing shareholders, and financing costs, etc.

Investments on  
growth industries  
Approx. ¥10 billion

Investments on productivity  
enhancement and strategic  
production reorganisation  
Approx. ¥10 billion

Cash reserve to be used  
in response to  
a carbon neutral society  
Approx. ¥2 billion

## II . Overview

1. Payment Date	September 22, 2023 (GMT)
2. Maturity Date	December 19, 2025
3. Issue Amount	JPY 22.0 billion
4. Coupon	0.00%
5. Initial Conversion Price	JPY 339.5 (Conversion Premium 11.97%)
6. Rider Clauses	①Soft Call Option
	②Net Cash Settlement (Acquisition at the Option of the company)
7. Potential Dilution	12.2% (total number of dilutive shares / total number of issued shares «excluding treasury stock »)

\*as of August 31, 2023

# DRIVE

*Digitalization Resources Innovation Variable cost reformation Efficiency improvement*

# NTN100

*Phase 2*

- This presentation and comments made in this conference or during the following Q&A session include forward-looking statements about future performance and future business strategies, all of which are based on decisions of the management of the Company currently available.
- These statements represent the best judgment of the management of the Company based on the information currently available. However, there can be no assurance that future results will meet any expectation, estimate or projection conveyed by these statements or comments. Actual results may differ materially from Management projections depending on various factors such as changes in product demand, exchange rates and interest rates, and contingent liabilities.