NTN Corporation

Financial Results Briefing for the Fiscal Year Ended March 2024

May 17, 2024

Event Summary

[Company Name]	NTN Corporation	
[Company ID]	6472-QCODE	
[Event Language]	JPN	
[Event Type]	Earnings Announcement	
[Event Name]	Financial Results Briefing for the Fiscal Year Ended March 2024	
[Fiscal Period]	FY2024 Annual	
[Date]	May 17, 2024	
[Number of Pages]	36	
[Time]	13:30 – 14:39 (Total: 69 minutes, Presentation: 37 minutes, Q&A: 32 minutes)	
[Venue]	Webcast	
[Venue Size]		
[Participants]		
[Number of Speakers]	6	
	Eiichi Ukai	Director, Representative Executive Officer, President, Executive Officer, CEO
	Hideaki Miyazawa	Director, Representative Executive Officer, Executive Officer, Corporate General Manager, CVJ & Axle Bearing Business HQ
	Masaaki Yamamoto	Director, Executive Officer, CFO
	Etsu Harima	Executive Officer, Corporate General Manager, Bearing Business HQ
	Tatsuo Nagao	Corporate Communications Dept., Group Management HQ.
	Kazuhisa Kouge	Corporate Communications Dept., Group Management HQ.

[Analyst Names]*	Tsubasa Sasaki	Morgan Stanley MUFG Securities
	Tomohiko Sano	JPMorgan Securities
	Hirosuke Tai	Daiwa Securities

*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A or whose questions were read by moderator/company representatives.

Presentation

Nagao: Now it's time to begin the financial results briefing for the fiscal year ended March 2024 of NTN Corporation. Thank you very much for taking time out of your busy schedule today to attend our IR briefing on our financial results.

First, let me introduce the attendees.

Mr. Ukai, President, Executive Officer, CEO.

Ukai: I'm Ukai. Thank you.

Nagao: Mr. Yamamoto, Executive Officer, CFO.

Yamamoto: I'm Yamamoto. Thank you.

Nagao: Mr. Miyazawa, Corporate General Manager, CVJ & Axle Bearing Business HQ.

Miyazawa: I'm Miyazawa. Thank you.

Nagao: Mr. Harima, Executive Officer, Corporate General Manager, Bearing Business HQ.

Harima: I'm Harima. Thank you.

Nagao: I, Nagao, and Mr. Kouge of the Corporate Communications Dept. will serve as the Secretariat.

Kouge: Thank you very much.

Nagao: Thank you very much.

Today, we will provide an explanation along with the briefing materials that we distributed to your registered e-mail address. The documents are also available on our website, so if you do not have them, please check our website.

Today, President Ukai will first explain the key points of the financial results, followed by CFO Yamamoto's presentation on the financial results for FY2023 and the outlook for FY2024. After the presentation, there will be a Q&A session and the briefing is scheduled to end at 3:00 PM.

Now, President Ukai, please begin your explanation.

Ukai: My name is Ukai of NTN Corporation. Thank you very much for taking time out of your busy schedule today to attend our briefing. We would also like to take this opportunity to thank our shareholders and analysts for their continued support.

CFO Yamamoto will explain the details of the financial results and forecasts, as well as the analysis of profit increase/decrease, in detail. I will explain the key points of the financial results for FY2023.

1. Key Points of FY2023 Financial Results

NTN

Sales and income increased YoY and compared to announced forecast

- **Sales increased** by positive effect of exchange rate despite decreased demand in industrial machinery applications
- **Operating income increased** by price pass-on measures, cost reduction and positive effect of exchange rate despite decrease in volume and price hike in material cost. **Turned profitable** from FY2023 Q2 and **for the first time in five years for full year** in Automotive Business

(billion yen)	FY2022 Results	FY2023 Results	FY2023 Year on year	FY2023 Previous forecast at 3Q	FY2023 Difference	FY2023 4Q Results
Net sales	774.0	**836.3**	+62.3(+8%) Excl. forex +17.6(+2.3%)	830.0	6.3(+1%) Excl. forex (4.1)(0.5%)	**215.7**
Operating income	17.1	**28.1**	+11.0	25.0	+3.1	**12.8**
Operating margin	2.2%	**3.4%**	+1.2pt	3.0%	+0.4pt	**5.9%**
Ordinary income	12.0	**20.0**	+8.0	17.5	+2.5	**10.2**
Extraordinary income (loss)	(1.2)	**(3.4)**	(2.2)	(2.1)	(1.3)	**(4.7)**
Profit attributable to owners of parent	10.4	**10.6**	+0.2	9.0	+1.6	**2.9**
Inventories	239.4	**264.8**	+25.4	243.0	+21.8	
Capital expenditure	22.3	**26.6**	+4.3	25.0	+1.6	
FCF	20.4	**40.1**	+19.8	29.0	+11.1	
Exchange rates US$	¥135.5	¥144.5	+¥9.0	¥142.4	+¥2.1	
€	¥140.9	¥156.7	+¥15.8	¥155.2	+¥1.5	

 3

See page three.

Net sales totaled JPY836.3 billion. Although demand for industrial machinery decreased, sales increased by JPY62.3 billion from the previous year due to an increase in demand from the automotive industry, improved selling prices in response to soaring raw material prices, and the effect of the yen's depreciation. Sales increased by JPY6.3 billion compared to the February's forecast, but demand for automotive applications was lower than expected in Japan, Europe, and China, resulting in a decrease in sales excluding exchange rate effects.

Operating income was JPY28.1 billion. Although volume was lower than expected, the price pass-on measures of soaring procurement costs, such as steel products and acceptance of price hikes from suppliers, and improvement of selling prices in unprofitable businesses contributed to the results. This, combined with the effect of yen depreciation, resulted in an increase of JPY11 billion from the previous year, and an increase of JPY3.1 billion in the previous forecast as well. In particular, the automotive business has remained profitable since Q2, and for the full year, it was able to achieve an operating income for the first time in five fiscal years.

Ordinary income was JPY20 billion. Extraordinary losses amounted to JPY3.4 billion due to the Noto Peninsula earthquake and restructuring costs, resulting in profit attributable to owners of parent of JPY10.6 billion.

Inventories were JPY264.8 billion, up JPY25.4 billion from the previous year, mostly due to the impact of foreign exchange.

Free cash flow was positive JPY40.1 billion, mainly due to an increase in ordinary income and continued restraint on capital investment.

2. FY2023 Financial Results: Comparison with Target of Medium-term Management Plan

- FCF (72.0 billion yen/3 years) and improvement of financial structure achieved the target.
- Need to strengthen earning power (operating income and inventory turnover ratio)
- **Aim to achieve operating margin 6% and ROE 8% in the third year of New Medium-term Management Plan**

(billion yen)	FY2020 Results	DRIVE NTN100 Phase 2 ①	FY2023 Results ②	Diff. ② - ①
Net sales	562.8	**700.0 or more**	**836.3**	**+136.3**
Operating income	(3.1)	**42.0 or more**	**28.1**	**(13.9)**
Operating margin	(0.6%)	**6% or more**	**3.4%**	**(2.6pt)**
FCF	18.5	**27.0 or more**	**40.1**	**+13.1**
Inventory turnover ratio	3.2	**4.1**	**3.2**	**(0.9)**
Equity to capital ratio	20.4%	**20% or more**	**29.0%**	**+9.0pt**
Net D/E ratio	1.6	**1.5 or less**	**0.9**	**(0.6)**
ROIC	(0.4%)	**5% or more**	**3.2%**	**(1.8pt)**
ROE	(7.1%)	**8% or more**	**4.4%**	**(3.6pt)**

 4

See page four.

FY2023 was the final year of DRIVE NTN100 Phase 2, a plan to revitalize NTN Corporation and improve and strengthen its financial position. The business environment has changed dramatically since the medium-term business plan was formulated, including semiconductor supply shortages, rising inflation mainly in raw material and energy prices, rising interest rates, and a stagnant Chinese economy triggered by the re-expansion of the COVID-19 pandemic.

Despite these conditions, a steady recovery in business performance, the sale of idle assets, and thorough financial management within the Group resulted in a free cash flow surplus of more than JPY70 billion over the three-year period, and we improved our financial position, including equity to capital ratio and net D/E ratio, to achieve the goals of the medium-term management plan.

On the other hand, operating income and inventory turnover fell short of targets, and management indices such as ROE failed to achieve their targets.

Under the new medium-term management plan, we will strengthen our earning power and aim for an operating margin of 6% and ROE of 8% in the third year.

3. FY2024 Forecast

NTN

Sales will increase slightly in volume
Promote profit improvement by improving selling price and cost reduction

- Automotive production will be the same level as previous year and demand recovery in industrial machinery market is expected from 2H of FY2024
- Continue to promote improving selling price for unprofitable business and inflation cost
- Increase capital expenditure within the scope of depreciation compared to previous fiscal year or before

(billion yen)	FY2023 1H Results	FY2023 2H Results	FY2023 Full year Results①	FY2024 Forecast②	FY2024 YoY ①vs②
Net sales	409.6	426.6	836.3	**860.0**	+237(+2.8%) Excl. forex+23.7(+2.8%)
Operating income	6.8	21.4	28.1	**32.0**	+3.9
Operating margin	1.7%	5.0%	3.4%	3.7%	+0.3pt
Ordinary income	4.9	15.1	20.0	**22.0**	+2.0
Extraordinary income (loss)	(0.4)	(3.1)	(3.4)	**(8.0)**	(4.6)
Profit (loss) attributable to owners of parent	4.1	6.5	10.6	**5.0**	(5.6)
Exchange rate 1USD	¥140.8	¥148.1	¥144.5	¥145.0	+¥0.5
Exchange rate 1EURO	¥153.3	¥160.1	¥156.7	¥160.0	+¥3.3
Inventories	256.1	264.8	264.8	**242.0**	(22.8)
Capital expenditure	10.5	16.1	26.6	**37.0**	+10.4
FCF	24.2	16.0	40.1	**24.0**	(16.1)

 5

See page five. I would like to explain our earnings forecast for FY2024.

With regard to the business environment, although automobile production grew significantly due to the recovery from the shortage of semiconductors in the previous fiscal year, we expect it to remain flat for the current fiscal year. In addition, we expect that the business environment for industrial machinery will continue to be difficult as in the previous fiscal year, but that a gradual recovery can be expected from H2 of the fiscal year onward.

In this business environment, we expect net sales of JPY860 billion, operating income of JPY32 billion, operating margin of 3.7%, and ordinary income of JPY22 billion for FY2024.

In addition, we have factored in extraordinary losses of JPY8 billion, including restructuring costs mainly in Europe and China, and expect profit attributable to owners of parent of JPY5 billion.

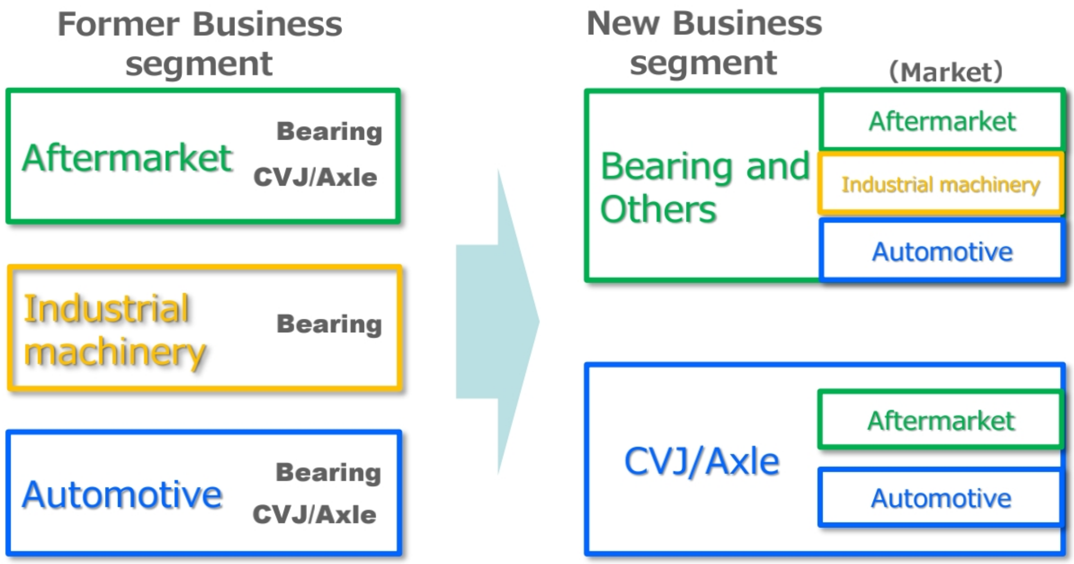
Exchange rates are assumed to be JPY145 to the US dollar and JPY160 to the euro.

Inventories are expected to be JPY242 billion, capital expenditures JPY37 billion, and free cash flow is projected to be JPY24 billion.

4. Structural Reforms : Business Segment Change

NTN

- Consolidating Bearing Business to strengthen our supply capabilities and propose optimal solutions for sales expansion in Aftermarket Business
- Increasing profit and responding new needs such as electrification in CVJ/Axle Business



 6

See page six.

Effective April 1 of this year, we have changed our organizational structure from the market axis to a product axis in order to expand our aftermarket business and to respond to and promote changes in the industrial structure, electrification, and the shift to EVs.

By consolidating our dispersed bearing business, we will strengthen our service and supply capabilities, and aim to generate profits by integrating the aftermarket and OEM operations.

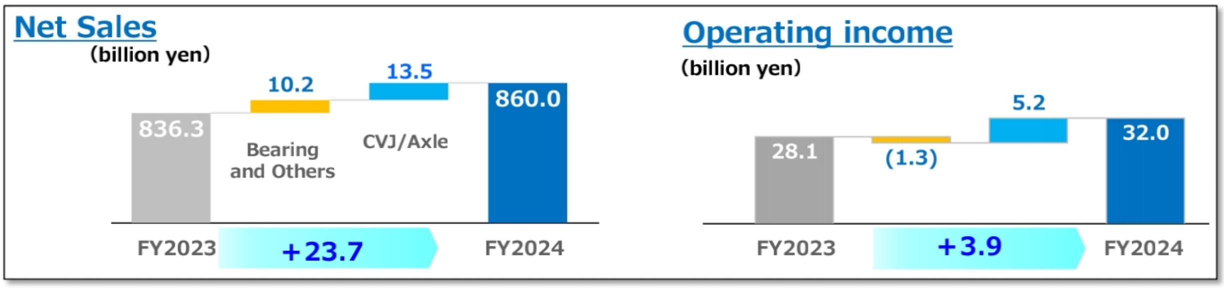
We will also concentrate on the CVJ/Axle as our product axis to respond to new needs such as electrification and to build a muscular business foundation.

5. FY2024 Forecast: By Business Segment

NTN

Sales will increase in both Bearing and Others and CVJ/Axle
Operating income is expected to decrease in Bearing and Others

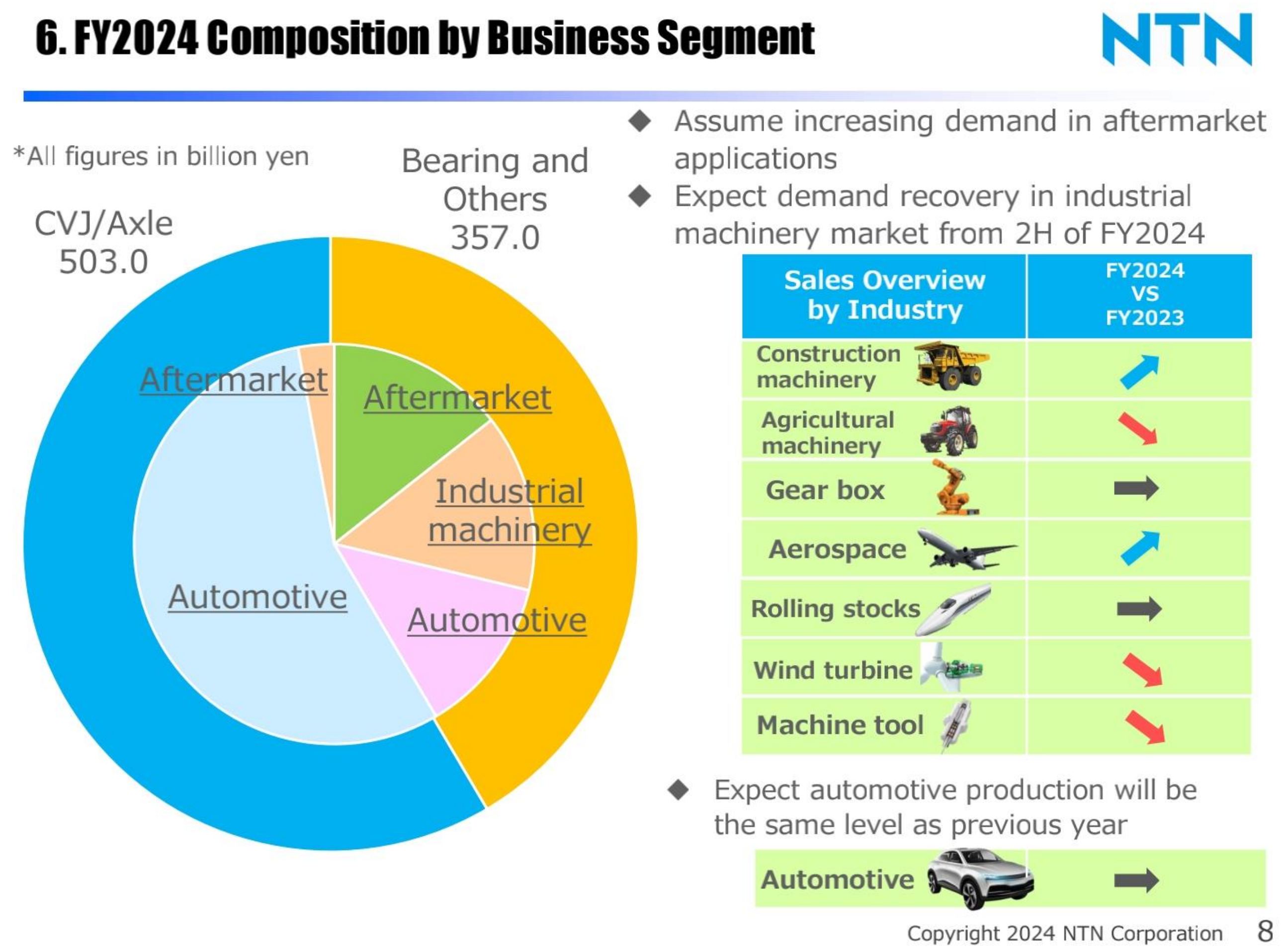
(billion yen)		FY2023 Results		FY2024 Forecast		YoY
Net sales Composition ratio	Bearing and Others	346.8	41.5%	**357.0**	**41.5%**	**+10.2**
	CVJ / Axle	489.5	58.5%	**503.0**	**58.5%**	**+13.5**
	Total	836.3	100.0%	**860.0**	**100.0%**	**+23.7**
Operating income Operating margin	Bearing and Others	17.7	5.1%	**16.4**	**4.6%**	**(1.3)**
	CVJ / Axle	10.4	2.1%	**15.6**	**3.1%**	**+5.2**
	Total	28.1	3.4%	**32.0**	**3.7%**	**+3.9**



See page seven. The table above shows a breakdown of the earnings forecast by business segment.

As for the bearings and others, we expect net sales to increase by JPY10.2 billion from the previous year, taking into account the expansion of the aftermarket business and price increases in unprofitable businesses. On the other hand, operating income is expected to decrease by JPY1.3 billion from the previous year for the industrial machinery, due to a decrease in production resulting from inventory reductions and expenses for equipment maintenance, etc.

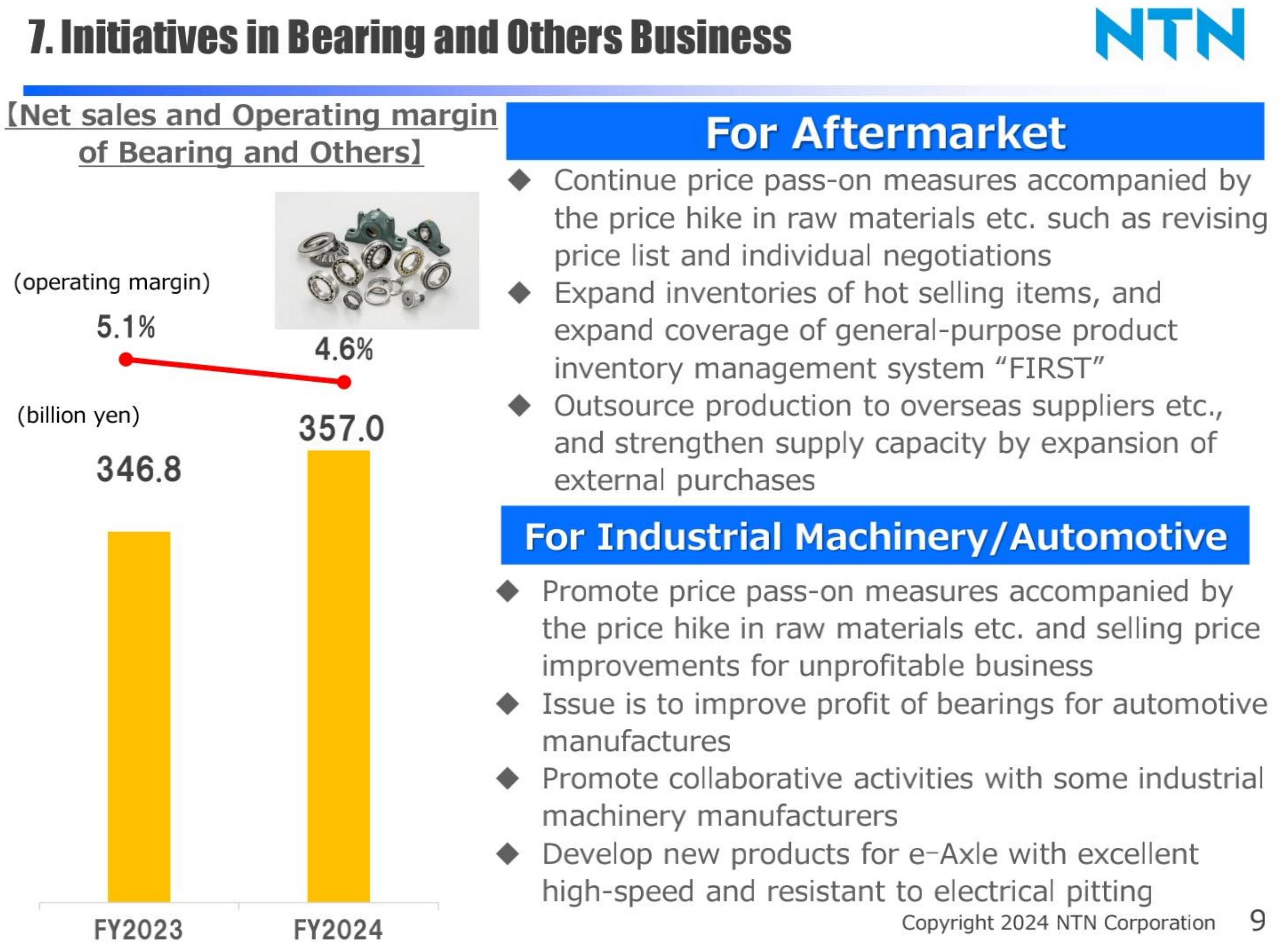
For the CVJ/Axle, we expect automobile production to remain flat from the previous year, including the Americas, where the recovery production due to the resolution of the semiconductor shortage is expected to slow down. On the other hand, we expect net sales to increase by JPY13.5 billion and operating income by JPY5.2 billion from the previous year, factoring in the launch of new mass production and increased production projects, price increases in unprofitable businesses, and reductions in variable costs.



See page eight. This is the composition by business segment for FY2024.

The bearings and others segment consists of about one-third each for the aftermarket, the industrial machinery, and the automotive businesses.

As for the CVJ/Axle, automotive OEMs account for approximately 90% of the total, with the remainder going to the aftermarket, mainly in Europe and the US.



See page nine. This section describes the bearing and other business.

In the aftermarket, we will continue to revise the price list for distributors and raise contract prices for users to pass on to selling prices the soaring prices of raw materials and energy, as well as rising labor costs, including those of suppliers.

In addition, we will further expand our available inventory for the aftermarket and strengthen our immediate delivery system to ensure that sales opportunities are not missed and that sales are steady.

In addition, in order to expand supply capacity for the aftermarket, NTN Corporation will actively utilize external procurement of finished products and production outsourcing, with technical support and quality control guidance from NTN Corporation.

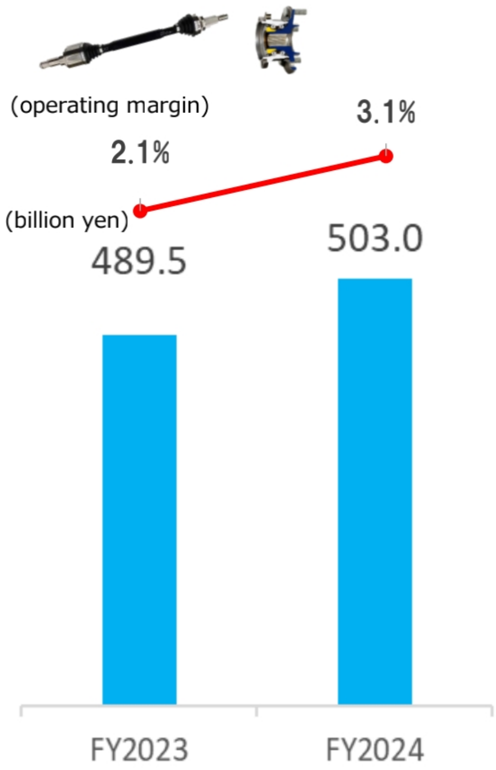
For the industrial machinery, we will continue to strengthen activities to raise prices in unprofitable businesses. In addition, as a partner to our customers, we will work to improve profits through collaborative creation with our customers by sharing mutual challenges and promoting cost reductions.

In the area of bearings for automotive OEMs, the most important issue is to improve profits. As the shift to EVs continues, we will respond to changes in the business environment by strongly promoting improvement of selling prices in existing businesses and developing new products for EVs.

8. Initiatives in CVJ/Axle Business

NTN

【Net sales and Operating margin of CVJ/Axle】



For Automotive

- ◆ Promote price pass-on measures accompanied by the price hike in raw materials etc. and selling price improvements for unprofitable business
- ◆ Expand procurements from competitive suppliers in China, Korea, India, etc. for Europe and the U.S.
- ◆ Optimize fixed costs through reorganization of production bases in the Americas, Europe, and China
- ◆ Accelerate development of new products for EV

For Aftermarket

- ◆ Promote a plan to relocate automotive aftermarket headquarters functions to Europe
- ◆ Enhance lineup of automotive aftermarket products by expansion of external purchases

 10

See page 10. I will explain the CVJ/Axle's approach.

In the automotive business, as in other businesses, we will continue to promote the improvement of selling prices, as in the previous fiscal year, for cost increases and unprofitable businesses.

In addition, the supply of parts from competitive China, Korea, India, and other countries, which has been effective since the previous fiscal year, is expected to expand this fiscal year, mainly to North America. To accelerate the effect, we will consider optimal design and quality that meet customers' functional and cost requirements and increase the effect of variable cost reduction.

Furthermore, it is necessary to optimize fixed costs in line with the market environment and demand and following the CVJ base in South America in the previous fiscal year, we will accelerate our production restructuring by considering Europe and China regions from this fiscal year onward.

At the same time, in order to respond to changes in the business environment, such as EVs, we will develop new products that meet the needs of EVs for large size, high angle, low vibration, etc.

In the automotive aftermarket, we plan to relocate our headquarters functions to the European region, where demand is high and where we have bases for sales, production, technology, etc. We will also expand our product lineup by increasing the number of products purchased from external suppliers. We will expand our business by making prompt decisions in demand areas and developing sales activities on a global basis.

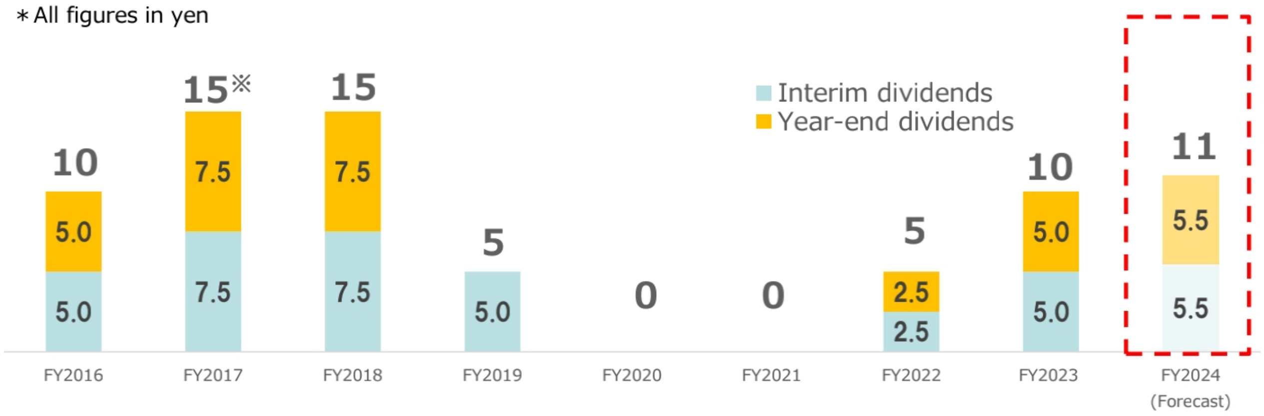
9. FY2024 Forecast: Return to Shareholders

NTN

◆ Continue to implement dividends according to business results in a stable and continuous manner from a medium -to long-term viewpoint.

Dividends Forecast in FY2024

◆ Annual dividend per share is expected to be 11 yen (YoY +1 yen)



*Including 100th anniversary commemorative dividends

 11

See page 11. I will explain the outlook for shareholder returns.

Our policy is to pay stable and continuous dividends according to business performance from a medium- to long-term perspective. In line with the recent recovery in business performance, for FY2024, we plan to pay an interim and year-end dividend of JPY5.5 each, for a total annual dividend of JPY11.

We are committed to management that is conscious of cost of capital with the aim of achieving sustainable growth and increasing corporate value over the medium to long term. During the past three years of our medium-term management plan, we have been working to optimize our asset holdings, including the sale of strategic equity holdings.

In addition, with the goal of maintaining a stable ROE of 10% or more over the medium to long term, we will first steadily implement each of the measures in our medium-term management plan, which will be newly launched this fiscal year, and aim for an ROE of 8% in the third year.

The details of the new medium-term management plan will be explained in detail on Friday, May 31, as separately announced.

That is all from me.

Nagao: Thank you, President Ukai.

Next, CFO Yamamoto will explain the financial results for FY2023 and the outlook for FY2024.

CFO Yamamoto, please begin.

1-1. Key Financial Indicators (vs Previous Announcement)

NTN

(billion yen)	FY2022 Results ①	FY2023 Forecast ②	FY2023 Results ③	Diff. ③-② Total	Diff. ③-② Volume	Diff. ③-② Forex	Diff. ③-① Total	Diff. ③-① Volume	Diff. ③-① Forex
Net sales	774.0	830.0	836.3	6.3	(4.1)	10.4	62.3	17.6	44.7
Operating income	17.1	25.0	28.1	3.1	0.8	2.4	11.0	0.4	10.6
Operating margin	2.2%	3.0%	3.4%	0.4%			1.2%		
Ordinary income	12.0	17.5	20.0	2.5	(0.1)	2.6	8.0	(2.9)	10.8
Extraordinary income (loss)	(1.2)	(2.1)	(3.4)	(1.3)	(1.3)	(0.1)	(2.2)	(1.2)	(1.1)
Profit (loss) attributable to owners of parent	10.4	9.0	10.6	1.6	(0.2)	1.8	0.2	(6.1)	6.3
Inventories	239.4	243.0	264.8	21.8	7.4	14.4	25.4	4.0	21.4
FCF	20.4	29.0	40.1	11.1	-	-	19.8	-	-
Exchange rate 1USD	¥135.5	¥142.4	¥144.5	¥2.1			¥9.0		
Exchange rate 1EURO	¥140.9	¥155.2	¥156.7	¥1.5			¥15.8		

 13

Yamamoto: My name is Yamamoto.

Now, slide 13, please. This shows consolidated key indicators for FY2023.

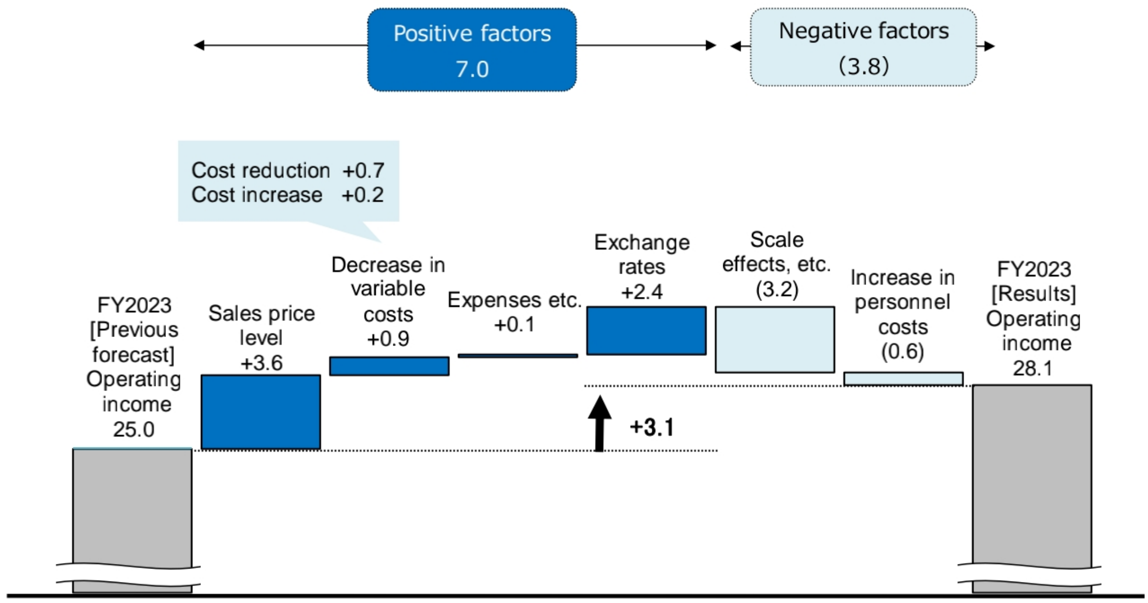
The right-hand side shows the increase/decrease. Compared to the full-year forecast, excluding the effect of foreign exchange rates, net sales were JPY4.1 billion lower and operating income was JPY0.8 billion higher. Then, compared to the previous year, at ③-①, excluding the effect of foreign exchange rates, net sales were JPY17.6 billion higher and operating income was JPY0.4 billion higher. This increase or decrease will be explained on the next page.

The Company also posted a JPY3.4 billion in extraordinary losses. The breakdown is JPY4.6 billion in extraordinary gains, half of which, JPY2.3 billion, is from the sale of land in Europe. The remaining JPY2.3 billion is the gain from the dissolution of cross-held shares, as explained earlier by Ukai.

On the other hand, JPY8 billion was posted as extraordinary losses. The main reason for this was the impact of the earthquake disaster, which amounted to JPY0.7 billion. Other than that, we posted expenses for the improvement of our business structure in Europe, Japan, and other regions.

1-2. Analysis of Operating Income (FY2023 Forecast (previous) vs FY2023 Results)

＊All figures in billion yen



	FY2023 Forecast (Previous)	FY2023 Results	Diff.			
				Forex	Sales price	Volume
Net Sales	830.0	836.3	**+6.3**	+10.4	+3.6	(7.7)

 14

Slide 14, please. This is the profit analysis.

The leftmost figure is the previous forecast value of JPY25 billion, and the rightmost figure is the current actual value of JPY28.1 billion.

The table above shows the changes in sales, broken down by exchange rate, selling price, and volume.

As you can see, profit from sales price increased by JPY3.6 billion, which is the most significant factor for the increase in profit on the left side.

Also, as for the variable cost, profit increased JPY0.7 billion due to cost reduction and JPY0.2 billion due to cost increase.

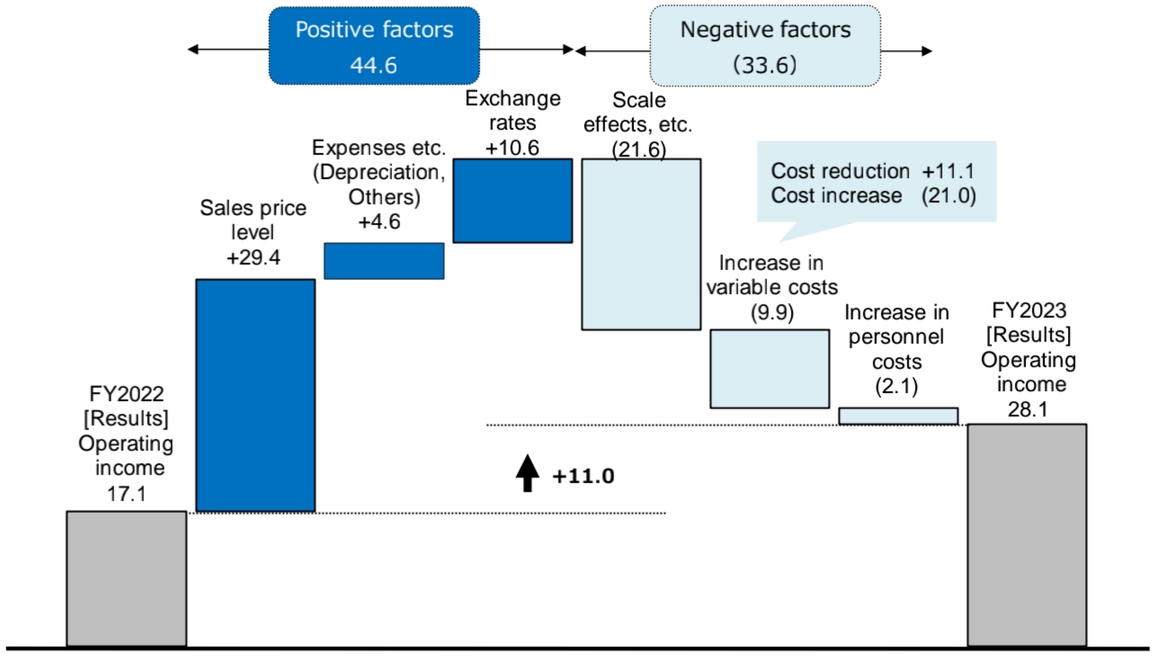
Expenses, etc., are almost in line with the plan, and the impact of foreign exchange rates is positive JPY2.4 billion.

On the other hand, the scale effects, etc., if we multiply the JPY7.7 billion sales of decrease of volume by the alternative marginal profit ratio, we get an impact of about JPY3.2 billion.

Also, the impact from personnel expenses is minus JPY0.6 billion, but this is mainly due to increased personnel expenses in Europe.

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

＊All figures in billion yen



	FY2022 Results	FY2023 Results	Diff.	Forex	Sales price	Volume
Net Sales	774.0	836.3	**+62.3**	+44.7	+29.4	(11.7)

See slide 15. This is an operating income analysis for the full year of the previous year and for the full year ended March 31, 2024.

The leftmost figure is the actual results for the fiscal year ended March 31, 2023, JPY17.1 billion, and the rightmost figure is the actual results for the fiscal year ended March 31, 2024, JPY28.1 billion.

In the table above, changes in sales are broken down into foreign exchange, selling price, and volume.

The biggest factor is still the selling price. The impact from selling price was plus JPY29.4 billion, which was the most significant factor in the increase in profit.

Also, the impact from expenses and other costs is plus JPY4.6 billion. The main breakdown of this is the rebound of JPY5.6 billion in transportation costs, which soared in the fiscal year ended March 31, 2023. On the other hand, a provision for doubtful accounts of JPY1 billion was recorded. The net result was a decrease in expenses of JPY4.6 billion.

Also, the foreign exchange impact was plus JPY10.6 billion.

The scale and other factors resulted in a very large negative figure of JPY21.6 billion. This was the same through Q3, but the impact of the decrease in sales due to the JPY11.7 billion decrease in volume was approximately JPY2.4 billion. The negative JPY14 billion was a reaction to the considerable accumulation of production inventories in the fiscal year ended March 31, 2023. The impact of the closure of the Brazilian operations is minus JPY1 billion, and the impact of the deterioration in the product mix is about JPY4.2 billion.

As for variable costs, the impact of cost increase is minus JPY21 billion, of which steel products account for about JPY4 billion. The impact of other factors is about JPY17 billion, and the impact of cost reduction is JPY11.1 billion.

Also, the impact of higher personnel costs, mainly in the European region, is plus JPY2.1 billion.

2-1. FY2024 Key Financial Indicators (vs Previous Fiscal Year)

NTN

(billion yen)		FY2022 Results	FY2023 Results ①	FY2024 Forecast ②	Diff. ②-① Total	Volume	Forex
Net sales		774.0	836.3	860.0	23.7	23.7	0.0
Operating income		17.1	28.1	32.0	3.9	3.5	0.4
Operating margin		2.2%	3.4%	3.7%	0.4%		
Ordinary income		12.0	20.0	22.0	2.0	1.8	0.2
Extraordinary income (loss)		(1.2)	(3.4)	(8.0)	(4.6)	(4.4)	(0.2)
Profit (loss) attributable to owners of parent		10.4	10.6	5.0	(5.6)	(5.9)	0.3
Inventories		239.4	264.8	242.0	(22.8)	(13.4)	(9.4)
FCF		20.4	40.1	24.0	(16.1)	-	-
Exchange rate	1USD	¥135.5	¥144.5	¥145.0	¥0.5		
	1EURO	¥140.9	¥156.7	¥160.0	¥3.3		

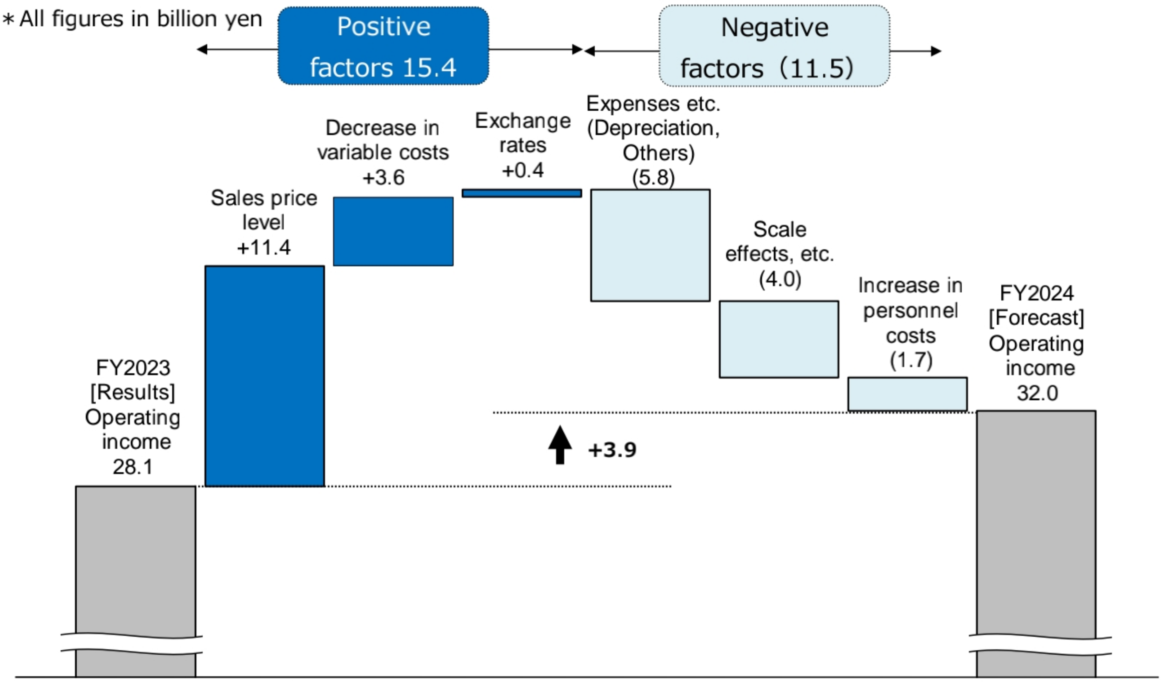
 16

See slide 16. This is a comparison of key financial indicators for the year ended March 31, 2024, with the forecast for the year ending March 31, 2025.

Excluding foreign exchange effects, net sales are expected to increase by JPY23.7 billion and operating income by JPY3.5 billion. I will explain this later.

Also, as Mr. Ukai explained, there is an extraordinary loss of JPY8 billion. This is mainly due to the anticipated cost of structural reforms in Europe and China.

2-2. Analysis of Operating Income (FY2023 Results vs FY2024 Forecast)



	FY2023 Results	FY2024 Forecast	Diff.	Forex	Sales price	Volume
Net Sales	836.3	860.0	**+23.7**	+0.0	+11.4	+12.2

See page 17. This is the analysis graph of operating income of JPY28.1 billion for the full year ended March 31, 2024, and the forecast of JPY32 billion for the full year ending March 31, 2025.

Below the graph is a table of sales. Of the change in sales, plus JPY11.4 billion is from selling prices and plus JPY12.2 billion is from volume.

Of the factors contributing to the increase in profit on the left side, JPY11.4 billion in selling prices is the largest.

Also, plus JPY3.6 billion in variable costs. This is expected to be approximately plus JPY10 billion from cost reduction and minus JPY6.4 billion from cost increase. Of cost increase, we expect about JPY2.1 billion related to steel.

Foreign exchange impact is very small, plus JPY0.4 billion.

We also expect minus JPY5.8 billion from expenses and other items. As Mr. Ukai explained earlier, this is due to domestic maintenance costs and transportation costs, all of which are expected to increase compared to the previous fiscal year. Also, we expect amortization expenses.

The impact of scale and other factors is expected to be minus JPY4 billion. The increase in sales is JPY2.4 billion, which is equivalent to the JPY12.2 billion increase in sales volume, which I explained earlier. Also, we will work hard to reduce inventory, so we will drop production and inventory. This impact is expected to be minus JPY6.4 billion. We are looking at a net amount of minus JPY4 billion.

Regarding personnel expenses minus JPY1.7 billion, this is mainly due to base increases in Japan.

3. Net Sales by Region

(billion yen)	FY2022 Results ①	FY2023 Results ②	FY2024 Forecast ③	Diff. ②-① Total	Diff. ②-① Volume	Diff. ②-① Forex	Diff. ③-② Total	Diff. ③-② Volume	Diff. ③-② Forex
Japan	201.6	210.0	222.5	8.4	8.4	0.0	12.5	12.5	(0.0)
Americas	246.2	274.7	273.0	28.5	9.3	19.2	(1.7)	(1.2)	(0.5)
Europe	155.2	171.5	183.5	16.3	(1.0)	17.3	12.0	8.2	3.9
Asia and others	170.9	180.1	181.0	9.1	0.9	8.3	0.9	4.2	(3.3)
Total	774.0	836.3	860.0	62.3	17.6	44.7	23.7	23.7	0.0

 18

See slide 18. Sales by region are arranged by three periods. These are FY2022, FY2023, and FY2024. I will explain this increase or decrease.

First, FY2023 vs. FY2022, excluding the effect of exchange rates, the increase was JPY17.6 billion, but if we subtract the JPY29.4 billion increase in selling prices that I explained earlier, the impact of volume was minus JPY11.7 billion.

The volume impact by region was minus JPY3.5 billion in Japan and minus JPY7 billion in Europe and China, respectively. And plus JPY0.4 billion in the Americas, plus JPY5.3 billion in Asia and other regions. As expected, Europe and China experienced large decreases during the year.

On the right side, at ③-②, a comparison between FY2024 and FY2023 is shown. The total sales excluding foreign exchange is plus JPY23.7 billion, but I mentioned earlier that the impact of selling prices is JPY11.4 billion, so the increase in volume is JPY12.2 billion to JPY12.3 billion. First, in Japan, we expect an increase of JPY4.5 billion in volume, and in the Americas, we expect a decrease of JPY2.3 billion. We also expect Europe to add JPY6.2 billion, China to remain almost flat, and Asia and other areas to add JPY3.6 billion to JPY3.7 billion.

4. Net Sales and Operating Income by Business Segment

NTN

<Net Sales by Business Segment>

(billion yen)	FY2022 Results ①	FY2023 Results ②	Diff. ②-① Total	Diff. ②-① Volume	Diff. ②-① Forex	FY2023 Forecast (Latest)
Aftermarket	134.0	138.9	4.9	(3.7)	8.6	138.0
Industrial machinery	139.5	126.5	(13.0)	(19.1)	6.2	126.5
Automotive	500.4	570.8	70.4	40.5	29.9	565.5
Total	774.0	836.3	62.3	17.6	44.7	830.0

<Operating Income by Business Segment>

(billion yen)	FY2022 Results ①	FY2023 Results ②	Diff. ②-①	FY2023 Forecast (Latest)
Aftermarket	22.3	20.1	(2.2)	18.5
Industrial machinery	7.3	4.6	(2.7)	4.0
Automotive	(12.4)	3.4	15.8	2.5
Total	17.1	28.1	11.0	25.0

 19

See slide 19. This is a table of net sales and operating income by business segment for FY2023. The upper row shows net sales, and the lower row shows operating income.

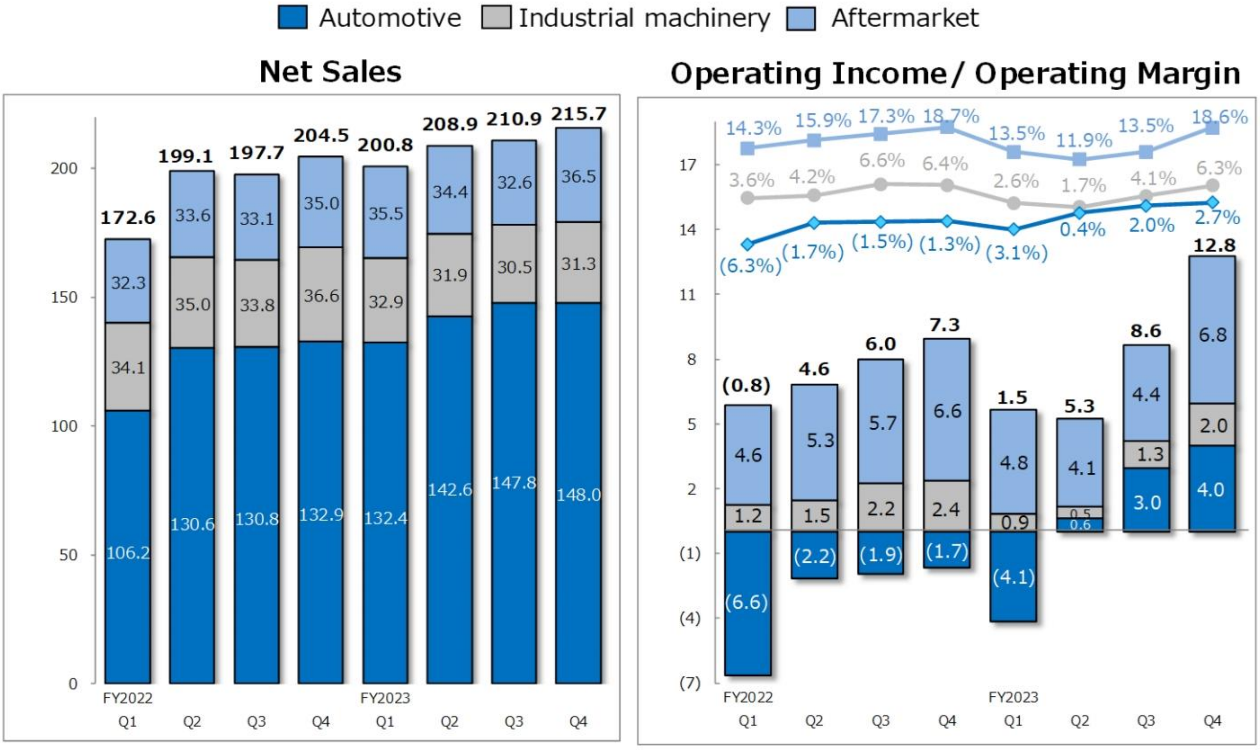
First of all, if you look at the net sales diff excluding exchange rate impact in the upper row, the figure is JPY17.6 billion, which includes the impact of selling prices increases, so I will show you the base figure excluding them. In the aftermarket, excluding the impact of selling prices, sales were down JPY8.6 billion, sales of the industrial machinery were down JPY23.6 billion, and sales of the automotive were up JPY20.4 billion.

As you can see in the operating income column above, the aftermarket and industrial machinery businesses, which have been significantly affected by the decrease in scale, have seen a decrease in income since FY2022. On the other hand, the automotive business increased by JPY15.8 billion YoY to a profit of JPY3.4 billion, thanks to an increase in the scale of the business and the firm implementation of price increase activities.

Also, for your reference, on the far right is the FY2023 forecast as of February. Against this forecasted profit, all businesses have increased their profits.

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

＊All figures in billion yen



Copyright 2024 NTN Corporation 20

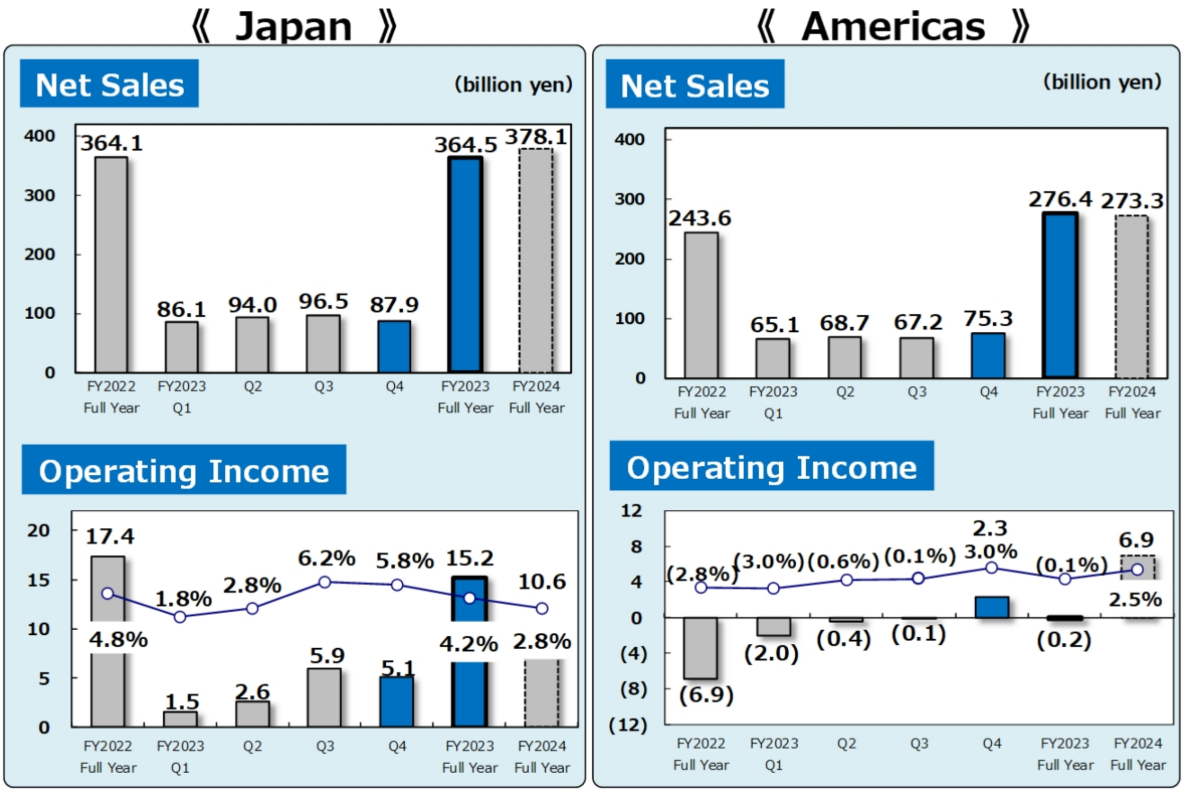
See slide 20. This is the quarterly financial results by business segment, as I explained earlier. On the left is a bar graph of net sales and on the right is a bar graph of operating income and a line graph of operating margin.

First of all, as you can see in the bar graph on the right, the automotive business was minus JPY4.1 billion in Q1, but it posted a profit in Q2, Q3, and Q4, and was profitable for the full year.

Also, the line graph above, comparing FY2022 Q4 to FY2023 Q4, the aftermarket and the industrial machinery suffered from the decline in scale, but the operating margin improved to almost the same level as the previous year's Q4.

As for the automotive, again, the performance is recovering, from minus 1.3% to plus 2.7%.

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



See slide 21. This graph shows net sales and operating income by company location, Japan and the Americas, with the upper row showing sales and the lower row showing operating income.

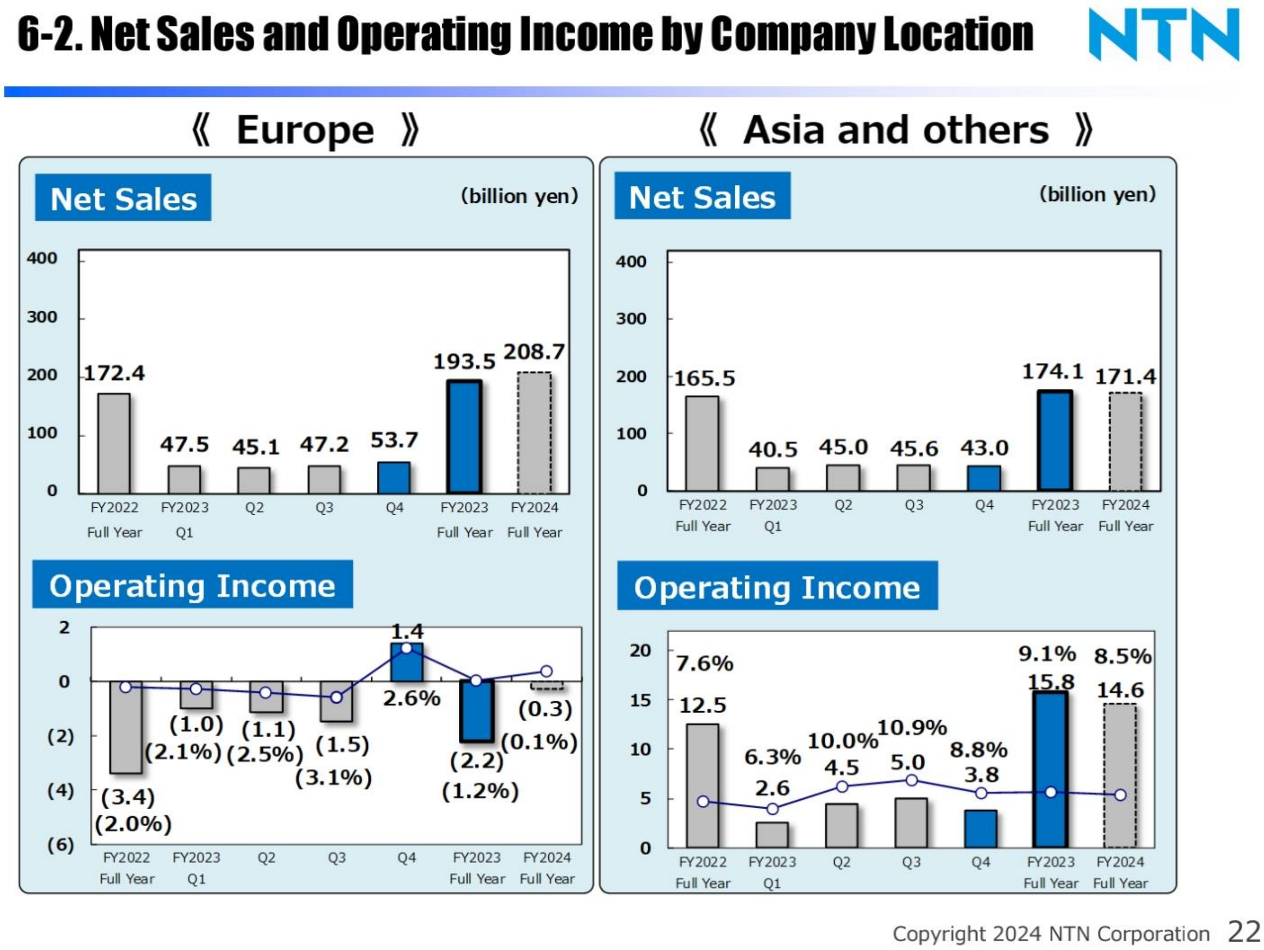
In Japan, Q4 was affected by the New Year vacations, production stoppages at some automobile customers, and the earthquake disaster, and as a result, the scale of operations declined and the operating margin fell to around 5.8%.

For the current fiscal year, as I have already explained, we expect an operating margin of about 2.8% for the next fiscal year, down from 4.2% for the previous fiscal year, due to an increase in fixed costs in Japan.

As for the Americas, if we compare Q3 and Q4, the scale of Q4 will be larger than Q3 because of the Christmas vacations in Q3. Also, we were able to raise prices, and in Q4, we posted an operating income of JPY2.3 billion or 3%.

As a result, we have almost recovered to the point of a slight minus JPY0.2 billion or minus 0.1% for the full year.

For the current fiscal year, we are projecting an operating margin of about 2.5%, due to the keynote in Q4 and the elimination of the expenses for the closure of the Brazilian operations in FY2023.



See slide 22. The is also by location, Europe and Asia and others.

In Europe, as in the Americas, there is a long vacation in Q3 for Christmas, so Q4 is also larger and price increase activities could be done at the end of the period. As a result, the operating margin in Q4 rose to 2.6%. However, the losses in Q1, Q2, and Q3 were significant, resulting in a negative JPY2.2 billion for the full year. However, the operating margin improved by about 0.8 percentage points compared to the previous year.

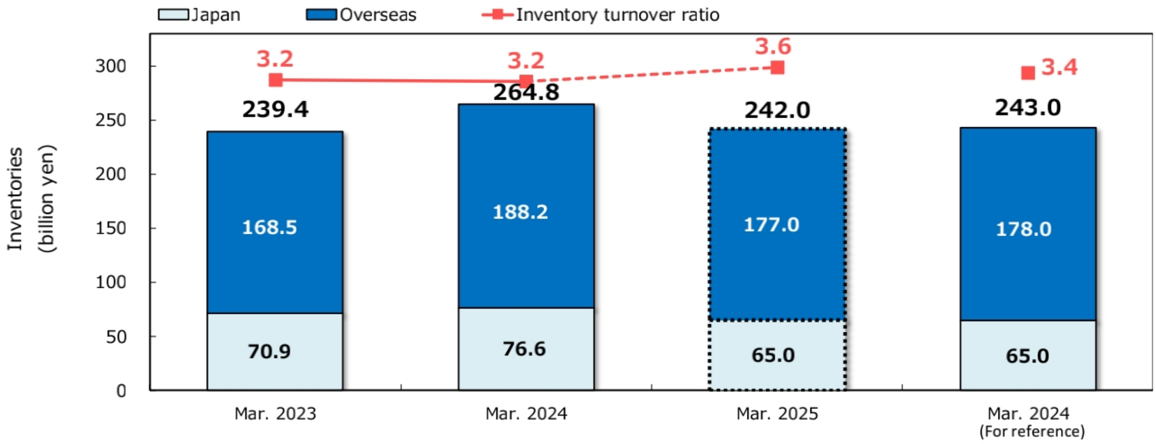
For the current fiscal year, we aim to achieve a break-even result, but we expect an operating margin of minus JPY0.3 billion, or about minus 0.1%.

In Asia and other regions, unlike in Europe and the US, Q4 includes the Chinese New Year, which inevitably results in a decline in the scale of operations. As a result, the operating profit margin also deteriorated to 8.8% compared to Q3. However, the full-year operating margin was 9.1%, an increase over the fiscal year ended March 31, 2023 full-year figure.

For the current fiscal year, we expect the operating margin to be about 8.5%, taking into account the negative impact of foreign exchange rates, which are expected to be negative in this region.

7. Inventories

NTN



(billion yen)	Mar. 2023 Results	Mar. 2024 Results	Mar. 2025 Forecast	Mar. 2024 Forecast (Previous)
Inventories	239.4	264.8	242.0	243.0
[Overseas]	168.5	188.2	177.0	178.0
[Japan]	70.9	76.6	65.0	65.0
Inventory turnover ratio [times]	3.0	3.2	3.6	3.4

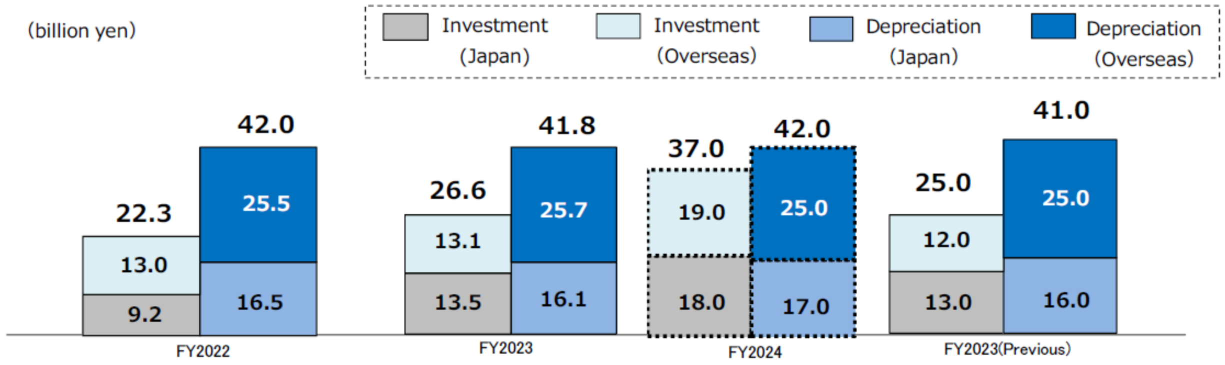
See slide 23. Inventories.

FY2023 was JPY264.8 billion. Earlier, Mr. Ukai explained that the YoY increase was almost entirely due to foreign exchange. The impact of exchange rates was JPY21.4 billion, and the impact of volume was approximately JPY4 billion. One of the main reasons for this is that we have built up a large inventory for aftermarket in Japan, while another reason is that we have built up an inventory of materials in progress in Europe, where the availability of materials and parts has become quite difficult.

The forecast for FY2024, which is second from the right, is JPY242 billion. This is a decrease of JPY22.8 billion from the end of March 2024, of which JPY9.4 billion is due to foreign exchange and JPY13.4 billion is due to inventory reduction in terms of volume.

8. Capital Expenditures and Depreciation

NTN



(billion yen)	FY2022 Results ①	FY2023 Results ②	②-①	FY2024 Forecast	(For reference) FY2023 Forecast (Previous)
Capital expenditure	22.3	* 26.6	**4.3**	37.0	**25.0**
[Overseas]	13.0	13.1	**0.1**	19.0	**12.0**
[Japan]	9.2	13.5	**4.3**	18.0	**13.0**

*In addition, capital expenditure for intangible fixed assets (FY2023 Results : ¥2.4 billion, FY2024 Full Year Foreacst : ¥5.0 billion)

(billion yen)	FY2022 Results ①	FY2023 Results ②	②-①	FY2024 Forecast	FY2023 Forecast (Previous)
Depreciation	42.0	41.8	**(0.2)**	42.0	**41.0**
[Overseas]	25.5	25.7	**0.2**	25.0	**25.0**
[Japan]	16.5	16.1	**(0.4)**	17.0	**16.0**

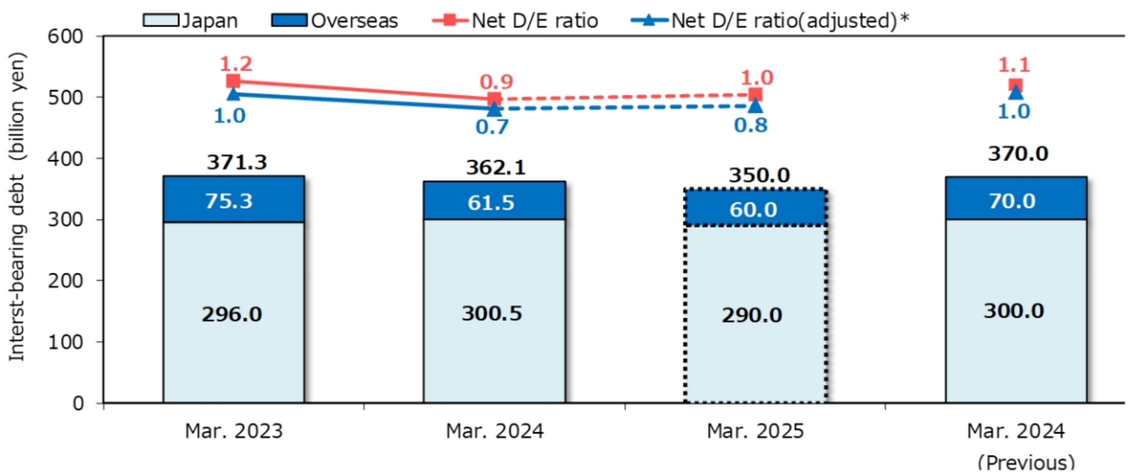
 24

See slide 24. This is the change in capital expenditures and depreciation. See table.

Capital expenditures for FY2023 were JPY26.6 billion. The main breakdown is as follows: JPY13.5 billion in Japan, JPY6.7 billion in Europe, which is now undergoing restructuring, JPY3.4 billion in the Americas, and JPY3.1 billion in China, Asia, and other areas.

For FY2024, we plan to raise this figure to about JPY37 billion. However, the plan is to keep it less than depreciation. In particular, we expect to invest JPY37 billion in maintenance, renewal, manpower saving, restructuring, and environment-related investments.

9. Interest-Bearing Debt



(billion yen)	Mar. 2023 Results	Mar. 2024 Results	Mar. 2025 Forecast	Mar. 2024 Forecast (Previous)
Interest-bearing debt	371.3	362.1	350.0	370.0
[Overseas]	75.3	61.5	60.0	70.0
[Japan]	296.0	300.5	290.0	300.0
Net Interest-bearing debt	260.6	234.8	228.0	245.0

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

 25

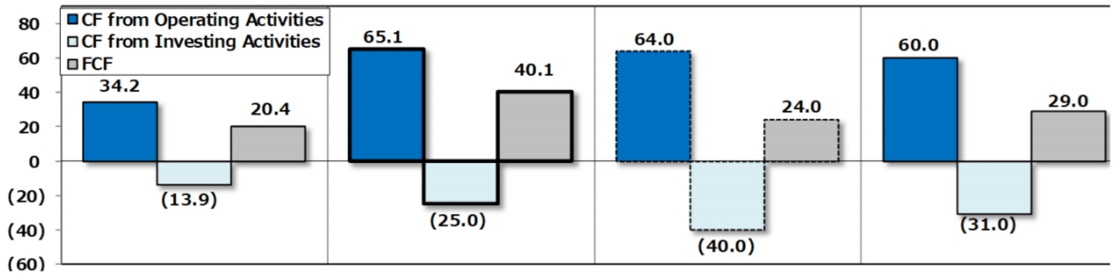
See slide 25. This is the status of interest-bearing debt.

As you can see in the table above, net interest-bearing debt was JPY234.8 billion for FY2023, a significant decrease from JPY260.6 billion the previous year, as planned. For FY2024, we are forecasting a further reduction in net interest-bearing debt to JPY228 billion.

As a result, the net D/E ratio is expected to be 0.9 for FY2023 and 0.9 for FY2024.

10. Cash Flows

(billion yen)	FY2022 Results ①	FY2023 Results ②	②-①	FY2024 Forecast	(For reference) FY2023 Forecast (Previous)
Ⅰ. Cash flow from operating activities	34.2	65.1	30.9	64.0	60.0
Ⅱ. Cash flow from investing activities	(13.9)	(25.0)	(11.1)	(40.0)	(31.0)
Ⅰ+Ⅱ. Free cash flow	20.4	40.1	19.8	24.0	29.0
Ⅲ. Cash flow from financing activities	(33.3)	(30.2)	3.0	(29.0)	(17.0)
Ⅳ. Effect of exchanging rate translation on cash and cash equivalents	2.1	6.7	4.6	(0.3)	2.3
Ⅴ. Net increase in cash and cash equivalents	(10.8)	16.6	27.4	(5.3)	14.3



 26

See slide 26. This is the status of cash flows.

As mentioned earlier, free cash flow for FY2023 was JPY40.1 billion, a significant improvement from the previous forecast of JPY29 billion.

For FY2024, we expect to increase investment cash flow by about JPY10 billion, and some restructuring-related cash outflows are also expected in the operating cash flow. So, we expect that the amount will be about JPY24 billion from JPY40.1 billion in FY2023.

That is all I have to explain.

Nagao: Thank you very much, CFO Yamamoto.

Question & Answer

Nagao [M]: We will now move on to the Q&A session.

During the Q&A session, the secretariat will designate the person with questions.

Well, thank you very much for your prompt attention.

Mr. Sasaki of Morgan Stanley MUFG Securities, please ask your questions.

Sasaki [Q]: Thank you very much for your explanation today. My name is Sasaki from Morgan Stanley. I would like to ask three brief questions.

First, I would like to ask about slide seven. Your company has changed its business segments this time, and I would like to confirm your concept of revenue. Until now, it has been disclosed in aftermarket, industrial machinery, and automotive, I think.

In the former aftermarket, there was a profit of about JPY20 billion, and industrial machinery had a profit of just over JPY4 billion. Looking at the bearing alone, some of which are the CVJ/Axle, industrial machinery and aftermarket alone generated about JPY25 billion in profits in the former segment.

Considering that, although there has not been much disclosure so far, is it correct to say that this automotive bearing was in a fairly, in fact, quite tough profit/loss situation? First of all, could you please let me confirm that?

On top of that, I would appreciate it if you could tell me what to do with the profit and loss of the automobile, especially with these bearings and such. Thank you.

Miyazawa [A]: Now, I, Miyazawa, would like to explain this.

In the area of bearings for automobiles, we are developing our business mainly in Japan and Europe, but the competition was much tougher than with the CVJ/Axle, so we were in a difficult situation. The other is that automotive bearings have a very long model life, and unlike CVJ axles, the bearing model does not change when the car model changes. Therefore, there was a very high tendency to continue with the previous prices. Although we made very vigorous efforts to correct prices, we did not have as much success as we did with the CVJ/Axle.

As for future measures, we will basically ask our customers to bear the cost of inflation, but we also anticipate that the demand for bearings for automobiles itself will decline to a certain extent due to the shift to EVs, and we intend to negotiate with our customers to share the cost increase associated with this decline. We are now working to ultimately improve the profit structure of bearings for automobiles through these efforts.

Sasaki [Q]: Thank you very much.

The second point is regarding the automotive business, particularly CVJ/Axle. As Mr. Yamamoto and the President mentioned in their presentation, the profit margin for automobiles has been improving this fiscal year, and as explained, I believe that CVJ/Axle has improved considerably.

I would like to ask Mr. Miyazawa if it is safe to assume that CVJ/Axle's profit structure has improved considerably, and if the profit margin will improve further in the next fiscal year compared to the current fiscal year. I would like to know why the profit margin is expected to improve further.

Miyazawa [A]: I, Miyazawa, would like to explain this matter as well.

The data we are presenting shows that CVJ/Axle's profits have been improving, but by region, not all of our offices are making profits that are necessarily satisfactory.

As I mentioned earlier, we have improved by closing unprofitable operations in Brazil, and there are still several such facilities in Europe and the US, so one of the first steps is to change the business structure, including production reorganization in those areas.

The second is that the shift to EVs will lead to larger CVJ in particular. The larger size will allow us to shift into areas where we are relatively competitive, and we will be able to offer our prices to our customers in a situation where they do not have many choices. We are also able to receive orders in the areas we are aiming for, though not necessarily on our own initiative.

Another trend among automobile manufacturers today is to work closely with specific manufacturers, dig deep, and promote cooperative creation activities, rather than to engage in costly competitions. We have received requests from Western companies as well as Japanese companies, and we expect to do more business with customers who value functionality, product supply capabilities, and service delivery capabilities rather than focusing on cost.

Sasaki [Q]: Thank you very much.

So, basically, profit/loss improvement will continue through restructuring, and as Mr. Miyazawa mentioned, you will continue to add value, including EVs, and improve the model mix, so is it correct to say that the CVJ/Axle's profit margin is improving?

Miyazawa [A]: I think that is generally how you understand it.

Sasaki [Q]: I understand. Thank you very much.

Finally, the third question, what is your approach to cash flow? It is on page 26. In the previous fiscal year, you generated free cash flow of JPY40 billion, and this fiscal year, you mentioned that operating cash flow itself is at a fairly high level. Compared to the profit level, I have the impression that cash flow is now quite high. Please tell us how your company's cash flow management, including inventory management, has been developed and how this cash flow generation capability has changed.

In addition, capital investment in the past was generally well below depreciation, but current fiscal year you have decided to accelerate capital investment for the first time in a long time, to JPY37 billion. Please tell us what led you to increase capital expenditures and the reasons for such decisions, if any.

Yamamoto [A]: Yamamoto will answer your question.

First of all, although the inventory turnover ratio has not been improving well, other expenditures have been well controlled. That is why operating cash flow has been increasing.

In addition, investments for FY2023 were minus JPY26.6billion. In terms of the scope of amortization, the situation is that it has been considerably suppressed and has accumulated to JPY40.1 billion so far in FY2023.

In addition, employees' and the Company's awareness of cash flow management has also improved, and the collection of accounts receivable, for example, has become much better managed.

Then, in FY2024, investment cash flow will be negative JPY40 billion. We are looking at an investment of JPY37 billion in tangible fixed assets, and another JPY40 billion in intangible fixed assets, including this investment.

As I mentioned earlier, we will allocate cash to investments in manpower saving and maintenance, investments in restructuring, and investments in the environment. Investment cash flow for FY2024 is expected to be minus JPY40 billion and free cash flow JPY24 billion.

That is all.

Sasaki [Q]: Thank you very much.

I'm sorry, I have one additional point, but regarding inventory, compared to the past, could you tell us, at the end, if there are any changes in inventory turnover, inventory management, or improvements in efforts to reduce inventory?

Yamamoto [A]: As I mentioned earlier, we were not able to decrease the inventory this time, and we had to carry inventory for aftermarket in Japan. Also, the cash flow situation in Europe, especially for suppliers, cooperative manufacturers, and steel manufacturers, has become very severe.

We used to buy only what we used, but now we are purchasing some of it on our end. As a result, the inventory turnover in FY2023 did not meet the target. First of all, this is the background of the situation.

In other areas, such as the horizontal development of production reform activities in Japan, I believe that awareness of the need to increase inventory turnover has spread throughout the Company. Therefore, for FY2024, our first priority is to raise the turnover ratio to 3.6.

That is all.

Sasaki [M]: Yes, I understand very well. Sorry it took so long. Thank you very much.

Yamamoto [M]: Thank you very much.

Nagao [M]: Thank you very much, Mr. Sasaki.

Next, Mr. Sano of JPMorgan Securities.

Sano [Q]: Thank you for your explanation. My name is Sano from JPMorgan.

The first point is that I would like to ask you about these results, especially with regard to the selling price. Unfortunately, operating income did not meet the medium-term plan, but on the other hand, one of the reasons for the upward swing after the downward revision is the selling price, and looking back over the past three years, I think there have been moves to transfer the inflation and to increase labor costs and labor-related expenses.

I'm not sure if it is correct to speak in terms of wins and losses, but after reviewing the situation in terms of selling price vs. inflation, please tell us how you plan to approach FY2024.

Ukai [A]: Ukai will answer your question.

As I have explained at IR meetings in the past, we have always pursued fair prices. At the time of COVID-19 pandemic, ocean freight rates rose substantially, labor costs increased substantially, and we are now entering a situation that is slightly different from the conventional situation that Mr. Sano just mentioned.

In such an environment, one of the main tasks of our front-line sales staff was to prevent customers from discounting our products. We have been working for the past several years to provide the proper evidence and ask for appropriate prices, and this has gradually been producing results.

We must not let these activities of the Company be a one-time thing, and we must continue to develop value that our customers can see, and then seek appropriate prices while continuing to master our technology.

In addition, there are some products that have been unprofitable for various reasons in the past, and we will continue to work on them, although we do not know how much we are not able to show the cost structure now. In some cases, such as in the case of bearings for automobiles, as we move toward EVs in the future, the volume of transmissions and engines will decrease, so the volume of these parts will also decrease. We are thinking that we will have to put even more effort into negotiating prices with customers.

Therefore, we will continue to follow the same direction that we are taking now. Although we have received many harsh comments from our customers, the government also encourages the proper reflection in selling prices of the rising cost of labor and other various prices. We would like to make further efforts to discuss this trend with our customers.

I hope I have answered your question, Mr. Sano.

Sano [Q]: Yes, thank you.

I think this may be for Mr. Yamamoto, but could you please add some additional information on how you formulated the sales price level for this year, in terms of whether you can already see this, or whether you want to go this far, and what kind of figures you can be sure of?

Yamamoto [M]: That's about on the slide 17, selling price level JPY11.4 billion.

Sano [M]: Yes, yes.

Yamamoto [A]: I understand.

First, of JPY11.4 billion, there is a portion that was not taken up in FY2023. This was especially true for European automakers, which were in a very challenging situation.

As Mr. Ukai mentioned earlier, METI has issued a guideline to pass on inflationary costs to the selling price in Japan, so we would like to and can take out this part in Japan and Europe. We will take out this part.

I hope that answers your question.

Sano [Q]: Yes, that's fine. Thank you very much.

Now, let me move on to the next question. I would like to know about the costs and benefits of structural reforms. I think you have included structural reform expenses, mainly in Europe and China. This may be related to what you are talking about in the medium-term business plan, but will you continue to use reform expenses in the next fiscal year and the fiscal year after next? I am interested in how the effects of the reforms implemented in the current and previous fiscal years will be reflected in the current, next, and next fiscal years. Please give us some additional information on this point.

Ukai [A]: Let me start with an overview from Ukai.

First, in the medium-term, we named the title "DRIVE NTN100 FINAL." As for the details, as you mentioned earlier, we will be holding a medium-term report briefing at the end of this month, and the reason why we named it "FINAL" is because there are still some projects in which we have invested excessively in the past, or have invested but the investment did not lead to successful business. Such things are dragging down management.

We are planning to wipe them out in the next three years, especially in the first two years, and in the third year, we are planning to lighten the cost burden in this area as much as possible. In FY2024 and FY2025, we will focus on improving our financial position even if we have to sacrifice some of our net income figures.

However, for the third year, as I have just reported, we are going into this third year with a strong desire to achieve an ROE of 8%, and beyond that, for the next medium term, to build a corporate structure that can continue to exceed that level.

If you have any questions about the details or numbers, I can't give you the numbers today, so I would like to ask for more details on the 31st.

Sano [Q]: Thank you very much.

Finally, one thing I would like to ask Mr. Ukai, focusing on industrial machinery, is the current situation in China improving or not changing much?

Also, I'm sorry for being greedy. Mr. Miyazawa, please let us know the status of the automotive pipeline buildup over 1 to 2 years. That's it.

Ukai [A]: First of all, regarding your first question about industrial machinery in China, especially after the dawn of the pandemic, the movement of people has started, and there has finally been a movement in the area of what is called "high speed rail," or bullet trains in Japan, and demand is increasing in this area.

So, while there is demand for building new vehicles and repairing existing vehicles, in general, we understand that the rest of the economy is in a very difficult environment.

In addition, the Chinese government is promoting the revitalization of the industry by domestic manufacturers. In wind power generation, in particular, Chinese companies have been emerging more and more, and due to various government measures, there are cases where the cost structure is completely different from the cost structure of external suppliers. It is impossible to compete in price competition.

It is not just economic trends, but the national policy within China and so on is changing rapidly.

However, as I mentioned earlier, the key to success will be how we can provide added value that Chinese manufacturers cannot. We want to fight in those areas, and I think this is the same for automobiles.

Miyazawa [M]: Okay, from Miyazawa.

Mr. Sano, should I explain the status of the orders?

Sano [M]: Yes, yes. Thank you.

Miyazawa [A]: This medium-term plan covers 2024, 2025, and 2026, but we have already almost completed the commercial season up to 2026. This year, 2024 to 2026, the amount of money that will be generated from new orders will roughly average JPY20 billion to JPY25 billion per year, and will be launched in 2024, 2025, and 2026.

We are just about to start the commercial season for 2027 and beyond. Basically, we have already achieved a certain level of scale up to 2026, so we are trying to promote orders that will further improve the mix of orders from 2027 onward. We believe that we will proceed with the order details that I mentioned earlier, which will give our customers a full understanding of the value we provide.

Sano [M]: I understand. Thank you very much. That's all from me.

Nagao [M]: Thank you very much, Mr. Sano.

Does anyone have any other questions?

Mr. Tai of Daiwa Securities, please go ahead.

Tai [Q]: My name is Tai.

First, I'm sorry if this is a very uncomfortable question, but is there any reason why you did not announce the medium-term plan out today and will announce it on a different date?

Yamamoto [A]: My name is Yamamoto.

The reason why we decided to hold them on to a different day is because we felt that if we put the financial statements and the medium-term report together, both the financial statements and the medium-term report would be rather blurred.

Tai [Q]: I understand. Thank you very much. Then, I am looking forward to it.

The second is about slide four. Once again, what was the biggest reason why operating income did not reach JPY42 billion and ended up at JPY28 billion? Inflation and other factors come to mind, but what is the most significant cause?

Yamamoto [A]: My name is Yamamoto.

By industry, we have achieved the originally planned profit margin for the aftermarket. In the industrial machinery business, we fell slightly short of our medium-term target, but our operating margin was almost in line with our medium-term target.

In H1 of the fiscal year, production of automobiles did not pick up due to the shortage of semiconductors, and the impact of price hikes, especially for consumer goods, was very large, and there were inevitably delays in passing on the inflationary costs. We were able to turn a profit in the final year, but we fell far short of the operating margin of the original plan. The most significant cause was the slump in the automotive business.

Tai [Q]: Simply put, is that most likely due to the timing of the impact of inflation and the timing of passing it on to price increases?

Yamamoto [A]: Yes, that's right. In addition, business in Europe and the US was quite severe.

Tai [Q]: I understand.

When you think about what you wanted to do, such as product development, market launch, market share, and various other so-called unique scenarios for NTN Corporation, do you feel that to some extent you have been able to do what you wanted to do as much as you wanted to do? I am not trying to say that this is not true, but I simply want to clarify.

Ukai [A]: My name is Ukai.

As Mr. Tai mentioned, the development of new products with customers is coming along as planned, and new types of constant velocity joints with new added value and various other products are also coming along as planned. I think it is undeniable that there has been a delay within the Company, especially when compared to industrial machinery and OEMs in the industrial machinery and automotive, in taking a serious approach to price increase activities.

Therefore, while it is of course true that demand has decreased due to the external environment caused by semiconductors, it is a major point of reflection as to why we could not improve the profit margin earlier in this situation.

As Mr. Yamamoto just said, we recognize that if we had only had the aftermarket and industrial machinery, that is, if there had been no negative impact from the automotive, we would have been able to generate a profit close to our plan.

Therefore, based on that reflection, now that the automotive have finally turned to the positive side, we will strive to firmly increase earning power and raise corporate value so that we do not make the same mistake in the future.

Tai [Q]: I understand.

As deflation turns into inflation, the debate over cost increases and price hikes has been gaining momentum for the past 1 to 2 years, and it is not limited to your company. If this inflation normalizes to some extent, it will be normal to raise prices, and I have a feeling that the discussion of the effects of inflation and price increases will gradually become meaningless.

In that sense, at least for the past 2 or 3 years, there have been discussions about the timing of the revival, but other than that, it is safe to say that to some extent you have been able to do what you wanted to do for the revival.

Ukai [A]: Yes. At the very least, I believe that as a manufacturer, we have been able to respond to the technological areas demanded by our customers.

Tai [M]: I see. Thank you very much. That is all.

Yamamoto [M]: Thank you very much.

Nagao [M]: Thank you very much, Mr. Tai.

Does anyone have any other questions?

Now, the secretariat would like to make one final point. As already announced, we will hold a briefing on the new medium-term plan on May 31, at the end of this month. The details of the briefing are also included in the e-mail that we sent to you when we announced today's financial results briefing. We encourage you to register in advance via the web-based registration system.

Please be advised that media representatives are expected to attend the briefing on the new medium-term management plan.

This concludes the financial results briefing for the fiscal year end March 2024 of NTN Corporation.

Thank you very much for your participation today.

[END]

Document Notes

1. *Portions of the document where the audio is unclear are marked with [Inaudible].*
2. *Portions of the document where the audio is obscured by technical difficulty are marked with [TD].*
3. *Speaker speech is classified based on whether it [Q] asks a question to the Company, [A] provides an answer from the Company, or [M] neither asks nor answers a question.*
4. *This document has been translated by SCRIPTS Asia.*

Disclaimer