



NTN Corporation

Consolidated Financial Results for the First Half of FY2024

November 6, 2024

Event Summary

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[Venue]	Webcast	
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[Participants]		
[Number of Speakers]	6	
	Eiichi Ukai	Director, Representative Executive Officer, President, Executive Officer, CEO
	Masaaki Yamamoto	Director, Executive Officer, CFO
	Hideaki Miyazawa	Director, Representative Executive Officer, Executive Officer, Corporate General Manager, CVJ&Axle Bearing Business HQ
	Etsu Harima	Executive Officer, Corporate General Manager, Bearing Business HQ
	Tatsuo Nagao	Manager, Corporate Communications Department, Group Management HQ
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Presentation

Nagao: The scheduled time has come, we will begin the IR presentation of NTN Corporation's financial results for Q2 of the fiscal year ending March 31, 2025.

Thank you very much for taking time out of your busy schedule today to participate in our financial results IR presentation. To begin, I would like to introduce the attendees.

Mr. Ukai, Executive Officer, CEO.

Ukai: My name is Ukai. Thank you.

Nagao: Mr. Yamamoto, Executive Officer, CFO.

Yamamoto: My name is Yamamoto. Thank you.

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

Miyazawa: My name is Miyazawa. Thank you.

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

Harima: My name is Harima. Thank you.

Nagao: The secretariat will be headed by myself, Nagao, and Kouge from Corporate Communications Department. Thank you.

Kouge: Thank you.

Nagao: Today's briefing will follow the briefing materials distributed to your registered email address. The documents are also available on our website, if anyone does not have them, please check it.

Today, first of all, president Ukai will explain the key points of the financial results, and then CFO Yamamoto will explain the results for Q2 of the fiscal year ending March 2025 and the full-year forecast.

After the presentation, there will be a Q&A session, and the briefing will end at 6:45 PM. Now then, President Ukai, please begin.

Ukai: My name is Ukai from NTN. Thank you very much for taking time out of your busy schedule to attend our financial results briefing today. 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, earnings forecast, and profit increase/decrease analysis in detail, and I will explain the key points of the financial results and the progress of the medium-term management plan DRIVE NTN100 Final.

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1. Key Points of FY2024 H1 Financial Results



Sales and operating income increased YoY , decreased compared to announced forecast due to the significant impact of declined scale

- Sales decreased compared to announced forecast due to sluggish automobile production and demand in industrial machinery market.
- Operating income decreased compared to announced forecast due to impact of declined scale despite the improvement of selling prices and cost reductions.
- Loss was recorded due to impact of tax effects, etc. Profits decreased YoY and compared to announced forecast.
- Inventories reduced compared to the end of the previous fiscal year, despite a decline in demand.

(billion yen)	FY2023		FY2024			
	H1 Results ①	Full Year Results	H1 Results ①	YoY ① vs ② Excl. forex (4.2%)	Previous (Forecast) at Q1③	Diff. ② vs ③ Excl. forex (4.9%)
Net sales	409.6	836.3	413.9	+4.3(+1.0%)	430.0	(16.1)(3.7%)
Operating income	6.8	28.1	9.9	+3.2	11.0	(1.1)
Operating margin	1.7%	3.4%	2.4%	+0.7pt	2.6%	(0.2pt)
Ordinary income	4.9	20.0	3.5	(1.4)	6.0	(2.5)
Profit (loss) attributable to owners of parent	4.1	10.6	(2.1)	(6.2)	2.0	(4.1)
Exchange rate	1USD 1EURO	¥140.8 ¥153.3	¥144.5 ¥156.7	+¥11.6 +¥12.5	¥150.4 ¥163.8	+¥2.1 +¥1.9
Inventories	256.1	264.8	255.3	*(9.5)	* vs FY2023 Full year results	
Capital expenditure	10.5	26.6	11.4	+1.0		
FCF	24.2	40.1	2.8	(21.4)		

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See page three.

In H1, both sales and operation income increased YoY, but decreased compared to the announced forecast. Sales totaled JPY413.9 billion. Sales increased by JPY4.3 billion YoY due to the impact of foreign exchange rates but decreased by JPY16.1 billion from the announced forecast due to the delayed recovery of automobile production and the industrial machinery market.

Operating income was JPY9.9 billion. Compared to the previous fiscal year, the increase was JPY3.2 billion, due to the effect of improved selling prices and cost reductions, as well as the impact of foreign exchange rates. Although we made progress in reducing fixed costs and other expenses and improving sales prices, we were unable to cover the decline in scale, and it fell by JPY1.1 billion compared to the forecast.

Ordinary income was only JPY3.5 billion due to foreign exchange losses resulting from the sharp appreciation of the yen at the end of Q2. Interim net income attributable to owners of the parent company was a loss of JPY2.1 billion, due in part to tax effects from weak results in the Americas and Europe.

Inventories decreased JPY9.5 billion versus the end of the previous fiscal year. Free cash flow was positive JPY2.8 billion, partly due to a decrease in inventories.

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2. Key Points of FY2024 H2 and FY2024 Forecast



Full-year forecasts were revised downward reflecting lower sales and acceleration of structural reforms

- Recovery of demand in the automotive and industrial machinery markets will be delayed in the H2, and sales are expected to decline in the Americas, Europe, China, and other regions.
- Reduce variable costs price pass-on measures, procurement reform, etc., and thoroughly control fixed costs
- 7.0 billion yen of expenses will be added in H2 to accelerate structural reform for accomplishment of revitalization of NTN.

(billion yen)	FY2023		FY2024		Previous (Forecast) at Q1①	YoY ①vs②	
	Full Year Results	H1 Results	H2 Forecast	Full Year Forecast ②			
Net sales	836.3	413.9	401.1	815.0	860.0	(45.0)	
Operating income	28.1	9.9	12.1	22.0	32.0	(10.0)	
Operating margin	3.4%	2.4%	3.0%	2.7%	3.7%	(1.0pt)	
Ordinary income	20.0	3.5	5.5	9.0	22.0	(13.0)	
Extraordinary income (loss)	(3.4)	(0.6)	(14.4)	(15.0)	(8.0)	(7.0)	
Profit (loss) attributable to owners of parent	10.6	(2.1)	(13.9)	(16.0)	5.0	(21.0)	
Exchange rate	1USD	¥144.5	¥152.5	¥145.0	¥148.7	¥147.7	+¥1.1
	1EURO	¥156.7	¥165.8	¥160.0	¥162.9	¥161.9	+¥1.0
Inventories	264.8	255.3	242.0	242.0	242.0	0.0	
Capital expenditure	26.6	11.4	25.6	37.0	37.0	0.0	
FCF	40.1	2.8	12.2	15.0	24.0	(9.0)	

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See page four. I will explain the key points for H2 and the forecast for the full-year.

We expect sales to decline in H2 too due to a slow recovery in global demand in the automotive and industrial machinery markets. In terms of costs, the current prices of steel and other materials have settled down, but labor costs continue to rise in some regions, and we will continue our efforts to minimize the impact by passing these costs on to selling prices. At the same time, we will reduce variable costs to the maximum extent possible through procurement reforms and other measures.

In order to accelerate the structural reforms necessary to complete NTN's revitalization, we have included a new expense of JPY7.0 billion in extraordinary loss. As a result, we have revised its full-year results forecasts downwards, with sales of JPY815.0 billion, operating income of JPY22.0 billion, ordinary income of JPY9.0 billion, extraordinary loss of JPY15.0 billion, and a net loss attributable to owners of the parent company of JPY16.0 billion.

Inventories will be reduced and remain unchanged from the initial forecast of JPY242 billion to generate free cash flow.

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3. FY2024 Forecast by Business Segment



Full-year forecasts were revised downward reflect lower sales

	(billion yen)	FY2024						Previous announcement					
		1H Results		Latest 2H Forecast		Full Year Forecast		1H		2H		Full Year	
Net sales	Bearing and others	168.1	40.6%	166.9	41.6%	335.0	41.1%	176.3	41.0%	180.7	42.0%	357.0	41.5%
Composition ratio	CVJ/Axle	245.8	59.4%	234.2	58.4%	480.0	58.9%	253.7	59.0%	249.3	58.0%	503.0	58.5%
	Total	413.9	100.0%	401.1	100.0%	815.0	100.0%	430.0	100.0%	430.0	100.0%	860.0	100.0%
Operating income	Bearing and others	6.6	3.9%	7.7	4.6%	14.3	4.3%	6.1	3.5%	12.5	6.9%	18.7	5.2%
Operating margin	CVJ/Axle	3.3	1.3%	4.3	1.8%	7.6	1.6%	4.8	1.9%	8.5	3.4%	13.3	2.6%
	Total	9.9	2.4%	12.1	3.0%	22.0	2.7%	11.0	2.6%	21.0	4.9%	32.0	3.7%

Net Sales (billion yen)

Operating income (billion yen)



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See page five. The forecast is shown by business segment.

Due to continued inventory adjustments by customers in the aftermarket in H1, a delayed recovery in demand for agricultural machinery and gearbox from industrial machinery OEMs, and lower demand for automobiles in the Americas, Europe, and China, sales of bearings and others will be down JPY22.0 billion for the full year compared to the August forecast.

The full-year forecast has been revised to JPY335.0 billion in sales and JPY14.3 billion in operating income, incorporating these reductions in scale into the operating income.

Like bearings and others for automotive products, CVJ/Axles will see a JPY23.0 billion decrease in sales for the full-year compared to the announced forecast in August due to a decline in demand in the Americas, Europe, and China. The full-year forecast has been revised to JPY480.0 billion in sales and JPY7.6 billion in operating income, incorporating these reductions in scale into the operating income.

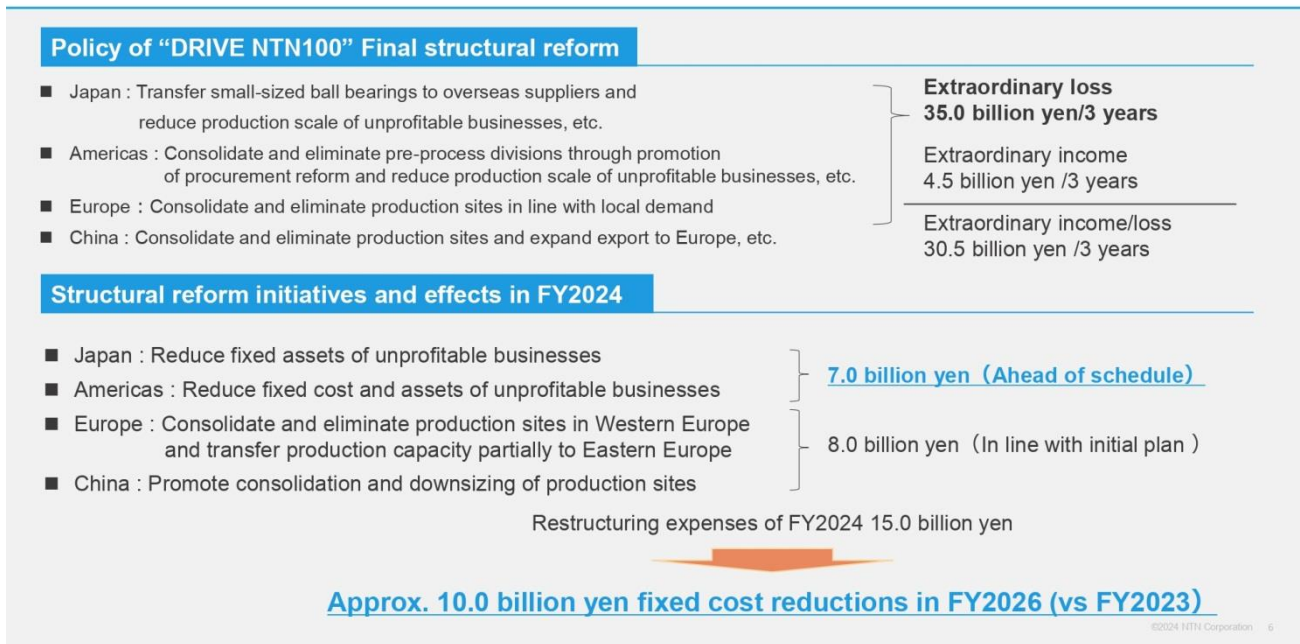
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4. Promotion of Structural Reform



See page six. I will explain the progress of structural reforms.

In DRIVE NTN100 Final, the promotion of structural reforms is a key issue to complete NTN's revitalization.

As for the cost of structural reforms, we expect to incur an extraordinary loss of JPY35.0 billion over the three-year period from FY2024 to FY2026. In revising the forecast for this fiscal year, we increased the extraordinary loss by JPY7.0 billion from JPY8.0 billion to JPY15 billion, but the total amount remains unchanged.

The JPY7.0 billion increase this fiscal year is mainly due to accelerated structural reforms in Japan and the Americas. In FY2026, we expect to reduce fixed costs by approximately JPY10.0 billion compared to FY2023 and reduce variable costs by reviewing the supply chain.

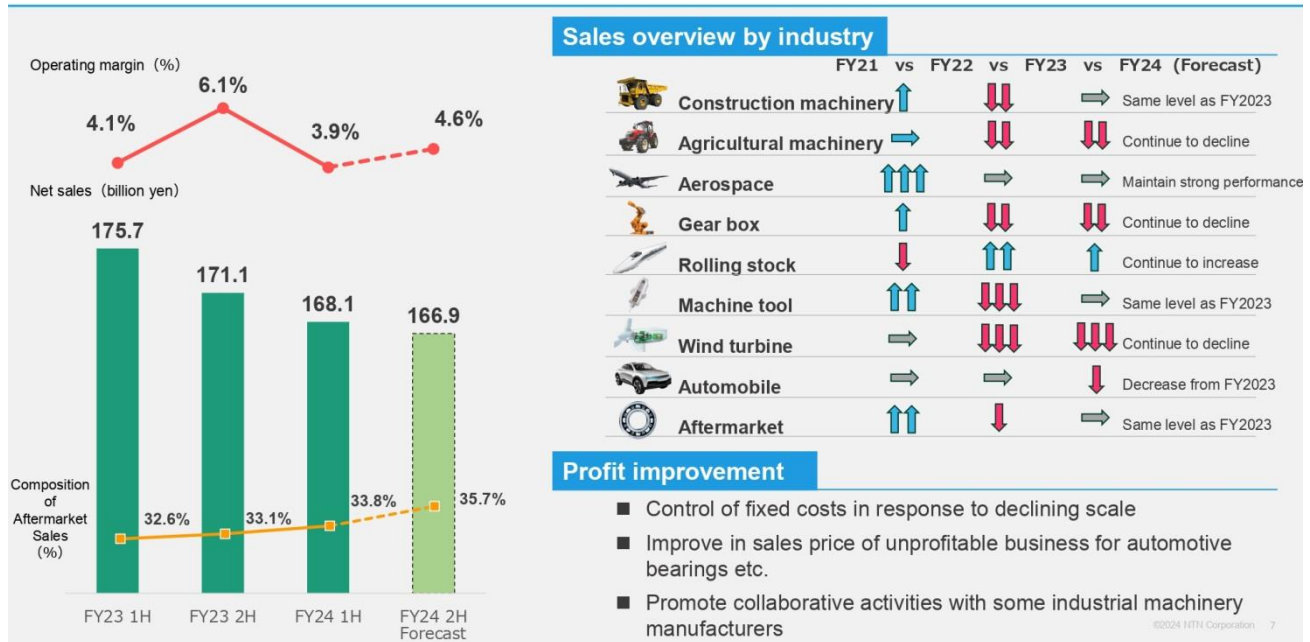
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5-1. Initiatives of FY2024 in Bearing and others



See page seven. This is a summary of sales in bearings and others by industry.

Market conditions for construction machinery and machine tool are softer than initially expected at the beginning of the period. Sales of agricultural machinery are expected to recover slightly in H2, but sales are expected to decline for the full-year as inventory adjustments continue due to a decline in purchasing power caused by inflation.

Sales for gearbox are also expected to decline following the previous fiscal year, as full recovery has been delayed, although customers are beginning to digest their inventories.

Meanwhile, aerospace demand is exceeding pre-COVID-19 levels, and demand for rolling stock is recovering in Europe, China, and elsewhere.

In the automotive sector, vehicle prices soared in the Americas. In Europe, in addition to a sharp rise in vehicle prices, we expect a decline in consumer confidence due to economic stagnation, and in China, demand from Japanese automakers, our main customer base, are expected to be sluggish.

The aftermarket declined in H1, but is expected to recover from inventory adjustments in the Americas and other regions in H2 and turn around to an increase.

Profit margin will be improved by controlling fixed costs in line with the overall decrease in scale and by improving unprofitable business for automobiles.

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5-2. Progress of “DRIVE NTN100” Final in Bearing and others



Expand aftermarket business

Strengthen supply capability

- Complete transfer of small-sized ball bearings to overseas suppliers by the end of this fiscal year
- Reorganize domestic production, including Wakayama Works and strength supply capability
- Expand inventories for popular products for the aftermarket (from end of previous fiscal year +35%)

Strengthen engineering services

- Conduct training for customer engineers in North America, South America, Europe, ASEAN, India, etc., and gradually expanding the number of participants.
- Expand service businesses such as bearing diagnostic and refurbishment, etc.


Expand global sales network

- Expand an introduction of for “FIRST,” a system for immediate delivery of general-purpose product inventory, to our global sales companies
- Strengthen distributor network with a focus on Latin America, ASEAN, Africa, etc. Combine and complement new distributor openings or e-commerce utilization
- Complete relocation of automotive aftermarket headquarters to Europe

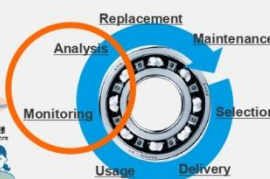
Improve profit in OEM business

Develop new product that meet market needs


- Large Diameter Deep Groove Ball Bearings for Coaxial e-Axles
- “High Speed and Long Operating Life Grease” for Grease Lubricated Bearings for Machine Tool Spindles
- “Lubricating Unit for Grease Lubricated Bearings for Machine Tool Spindles”



Exhibited at JIMTOF2024



[Bearing life cycle management]



Sensor Integrated Bearing “Talking Bearing”
NTN Portable Vibroscope
Condition monitoring system for industrial machine

See page eight. I will explain the progress of the DRIVE NTN100 Final initiative in bearings and others.

Expansion of the aftermarket business is an important issue not only for the current mid-term plan but also for the realization of the mid- to long-term goal of FY2035. As for strengthening our product supply capabilities, we expect to complete the transfer of small-sized ball bearings to our overseas suppliers this fiscal year, which has been underway.

We will continue to reorganize and strengthen our domestic production including Wakayama Works.

The expansion of our popular inventories is also expected to increase by 35% from the previous fiscal year by the end of this fiscal year by reallocating the OEM's production capacity.

We will expand the global sales network by expanding an introduction of “FIRST”, a system for immediate delivery of general-purpose product inventory, to our sales companies and by combining the increase in the number of distributors with e-commerce.

In strengthening our engineering services, we are promoting training of our customers' engineers around the world and developing products and services to support life cycle management of bearings, from use to maintenance and operation.

In the OEM business, we will continue to develop and propose new products that meet customer needs and bring them to market.

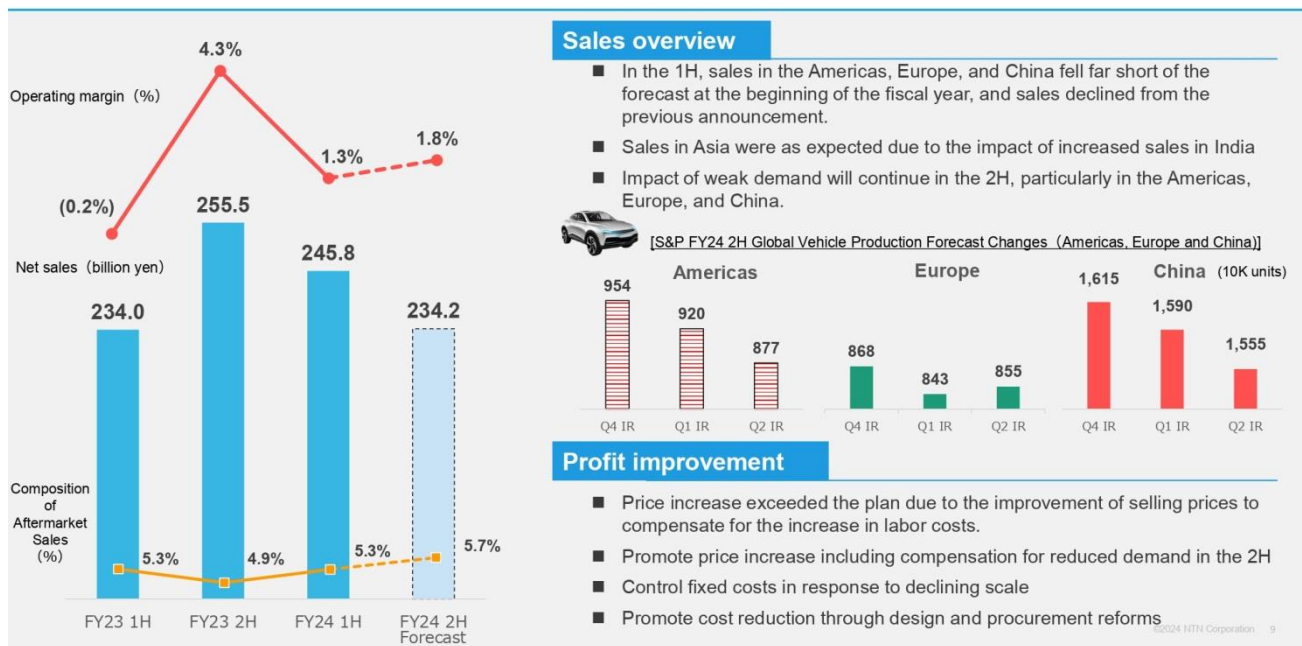
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6-1. Initiatives of FY2024 in CVJ and Axle bearings



See page nine.

Sales of CVJ/Axles in H1 increased YoY, but sales in the Americas, Europe, and China fell short of the forecasts at the beginning of the year and were lower than announced forecast in August.

The middle right of the slide shows the forecast for vehicle production volumes in North America, Europe, and China. The quarterly downward revision forced us to reevaluate sales for H2. Profits exceeded the plan at the beginning of the year due to such factors as the transfer of labor cost increases to selling prices ahead of schedule in H1.

In H2, we will continue our efforts for price pass-on measures, including compensation for reduced demand. In addition, fixed costs will be reduced to compensate for the decrease in scale and variable costs will be reduced by accelerating procurement reforms, which have already yielded favorable results, as well as by reviewing designs.

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6-2. Progress of “DRIVE NTN100” Final in CVJ and Axle bearings

Regional Strategy

- **Accelerate structural reforms and reorganization of production** in the Americas, in addition to Europe and China, to realize early effects and improve asset efficiency
 - Japan **Reinforce** Strengthen partnerships with customers who recognize the value we provide. Improve efficiency of investment in labor saving, modernization, etc. Perform as an export bases to each region
 - Americas **Selection & Concentration** **Reorganize production ahead of schedule**, promote cost reduction through expanded procurement reforms
 - Europe **Selection & Concentration** **Promote reorganization of production**, reduce cost by utilizing imported products from the China region
 - China **Selection & Concentration** **Reduce cost by promoting reorganization of production**, expand exports to Europe
 - Asia **Reinforce** Expand business in emerging countries where market growth is expected
 - India **Reinforce** Strengthen partnerships with customers who recognize the value we provide. Enhance R&D functions

Promotional activities with new products

- Promote new products such as High Efficiency Fixed Type CVJ “CFJ”, Low Friction Hub Bearing, etc. and contribute to profit improvement



High Efficiency Fixed Type CVJ
“CFJ”

Fixed Type CVJ



Shudderless Sliding Type CVJ
“PTJ”

Sliding Type CVJ



Low Friction Hub Bearing

Value chain reform

- Realize cost reduction by expanding procurement of parts from China, Korea, India, etc.
- Review designs and materials not constrained by conventional design concepts
- Reduce inventories by shortening production and parts synchronization

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See page 10. I will explain the progress of the DRIVE NTN100 Final initiative at CVJ/Axle.

As I mentioned at the outset, structural reform is a key issue for the completion of NTN's revitalization. With global vehicle production volume peaking in FY2017 and declining, we will improve asset efficiency while optimizing production capacity and fixed costs.

Although we have had to revise our earnings forecast, we will move up our plan to reorganize our production bases in the Americas in addition to Europe and China, which we had planned at the beginning of the period.

It is also important to introduce new products that meet market needs, such as larger vehicles such as SUVs, or electrification of cars. We are promoting new products to automakers, including local Chinese automakers, and have received specific inquiries. We will link these projects to orders and mass production, leading to a better mix and higher profit margins.

In addition, we will strive to further reduce variable costs and inventories by promoting reforms throughout the value chain, including in the procurement area, where results have already been achieved.

By accelerating business restructuring and strengthening competitiveness in this way, we will realize profit improvement when demand recovers.

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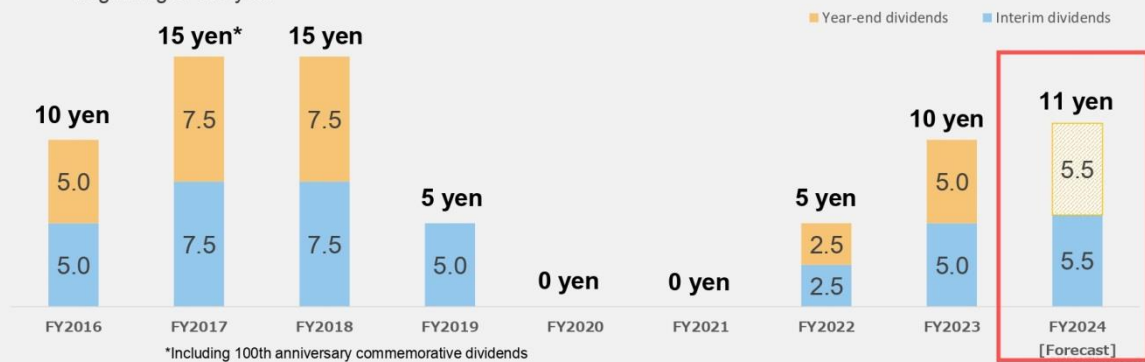
7. FY2024 Forecast : Return to Shareholders

Dividends Policy

- Continue to implement dividends according to business results in a stable and continuous manner from a medium -to long-term viewpoint
- DOE2.5% is the lower limit and we aim to DOE4% after accomplishing the target of "DRIVE NTN100" Final

Dividends in FY2024

- Dividends for FY2024 are expected to be 11 yen per share, unchanged from the forecast at the beginning of the year



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

Currently, we are targeting a minimum DOE of 2.5%, with a target of 4% after the completion of the DRIVE NTN100 Final, based on our policy of stable and continuous shareholder returns.

Although we have revised our earnings forecast downward, in accordance with this policy, we plan to maintain our forecast at the beginning of the year and pay an annual dividend of JPY11 per share.

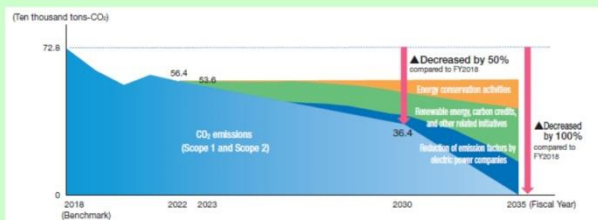
8. ESG Management Initiatives

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

NTN Report 2024 to be published in October (in Japanese) ; ESG meeting scheduled for December 20

E:Environment

- Publish a carbon neutrality roadmap
- Progressing as planned : visualization of electricity at production sites, energy-saving measures, and utilization of renewable energy



G:Governance

- Strengthen the Audit Committee's on-site audits
- Monitor workplace conditions using staff engagement survey

S:Social

- Publish NTN's human resources strategy for enhancement of corporate value
- Contribute to enhancement of corporate value from the perspectives of both "securing human resources" and "fostering organizational culture"



See page 12. Here is the status of ESG management initiatives.

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The Group has set a goal of achieving carbon neutrality in its entire supply chain by FY2050. In our integrated report, NTN Report 2024, published in October (Japanese version), we have released a new roadmap for achieving our carbon neutrality goal.

In H1 of this fiscal year, energy-saving measures at production sites and visualization of power consumption were promoted, and emission reductions were achieved at a level that met the annual target in Japan and are continuing steadily.

In addition, important measures to be taken under DRIVE NTN100 Final, such as human resource strategies that will lead to sustainable enhancement of corporate value, were also disclosed in the Integrated Report. These ESG management initiatives will be explained in detail at a separate ESG briefing session scheduled for December.

That is all from me.

Nagao: Thank you, President Ukai. Mr. Yamamoto, CFO, will then present the results for Q2 of the current fiscal year and the forecast for the full-year. CFO Yamamoto, you may begin.

1. Key Financial Indicators of FY2024



(billion yen)	H1 Results ①	FY2023 H2 Results	Full Year Results	FY2024		Diff. ②-①			(For reference) FY2024	
				H1 Results ②	Full Year Forecast (Latest)	Total	Volume	Forex	H1 Forecast (Previous Announcement)	Full Year Forecast (Previous Announcement)
Net sales	409.6	426.6	836.3	413.9	815.0	4.3	(17.4)	21.7	430.0	860.0
Operating income	6.8	21.4	28.1	9.9	22.0	3.2	(1.8)	5.0	11.0	32.0
Operating margin	1.7%	5.0%	3.4%	2.4%	2.7%	0.8%			2.6%	3.7%
Ordinary income	4.9	15.1	20.0	3.5	9.0	(1.4)	(6.4)	5.0	6.0	22.0
Extraordinary income (loss)	(0.4)	(3.0)	(3.4)	(0.6)	(15.0)	(0.2)	(0.2)	-	-	(8.0)
Profit (loss) attributable to owners of parent	4.1	6.4	10.6	(2.1)	(16.0)	(6.2)	(9.5)	3.2	2.0	5.0
Inventories	256.1	264.8	264.8	255.3	242.0	* (9.5)	(1.8)	(7.8)	-	242.0
FCF	24.2	16.0	40.1	2.8	15.0	(21.4)	-	-	-	24.0
Exchange rate	1USD	¥140.8	¥148.1	¥144.5	¥152.5	¥11.6			¥150.4	¥147.7
	1EURO	¥153.3	¥160.1	¥156.7	¥165.8	¥12.5			¥163.8	¥161.9
FY2024 Annual Dividend			¥11.0 (Interim ¥5.5 / Year-end ¥5.5)							

* Increase/decrease from the end of Mar.2024

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Yamamoto: Yes. I will explain from here. First, please see page 14. Here are the consolidated key financial indicators.

Results for H1 were sales of JPY413.9 billion, operating income of JPY9.9 billion, ordinary income of JPY3.5 billion, and unfortunately a net loss of JPY2.1 billion. Analysis of the increase/decrease in sales and operating income, inventories, and cash flows will be explained later.

The main reason for the YoY deterioration in ordinary income was foreign exchange gains/losses. While a foreign exchange gain of JPY1.2 billion was recorded in H1 of the previous fiscal year, a foreign exchange loss of JPY2.2 billion was conversely recorded in H1 of this fiscal year due to the temporary appreciation of JPY at the end of the period.

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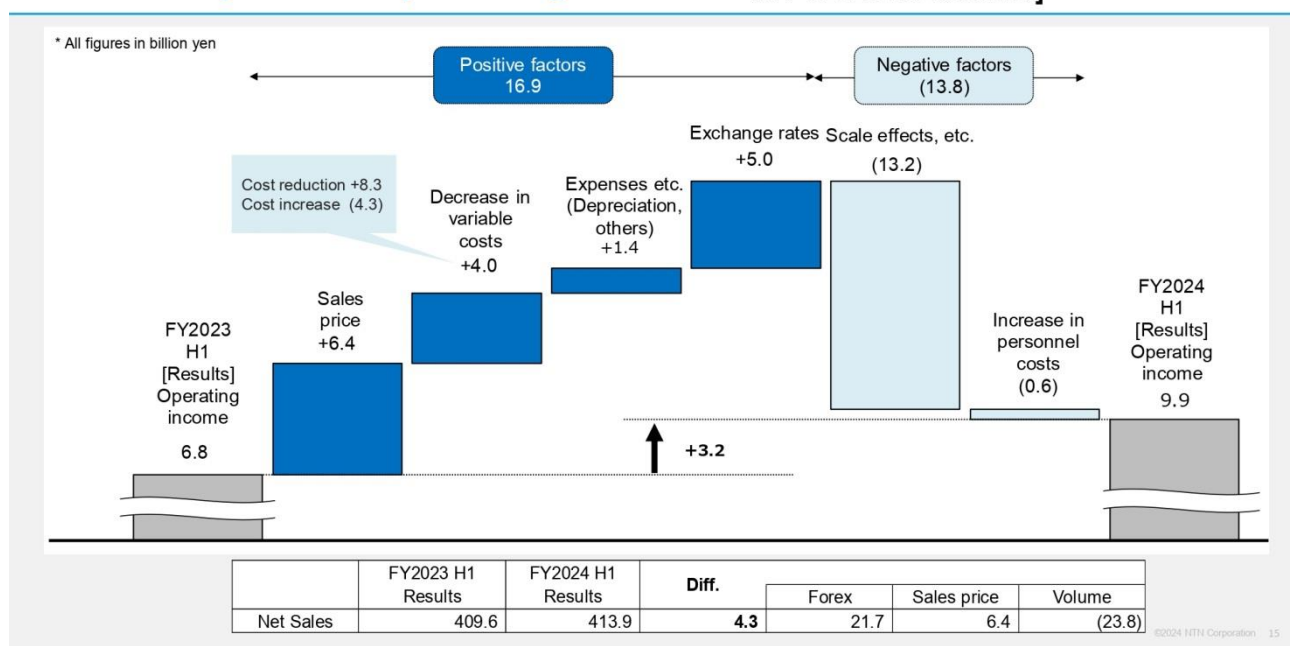
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The main reason for the net loss was the impact of tax-effect accounting due to weak performance in Europe and Americas.

Based on the results for H1, we have revised our full-year results forecast downward, so we will also explain the analysis of the increase/decrease in operating income between the previous and current announced forecasts.

2-1. Analysis of Operating Income [FY2023 H1 Results vs FY2024 H1 Results]



Next, please see page 15. The graph below is an analysis of the increase/decrease in operating income compared to the results of H1 of the previous fiscal year. The left end shows the amount of operating income for H1 of the previous fiscal year, and the right end shows the amount of operating income for H1 of the current fiscal year.

Below the graph you will find a table of sales increase/decrease, please see the far right side. Excluding foreign exchange and selling prices, sales volume decreased by JPY23.8 billion YoY.

The largest factor of the profit decrease on the right side of the upper graph is JPY13.2 billion, which is the result of the decrease in sales and production, inventory valuation, and other factors. Personnel expenses were also a factor in the JPY0.6 billion decrease in profit. This was mainly due to higher personnel expenses in Europe.

On the left side, the factors that increased profits include an increase of JPY6.4 billion in selling price level, JPY4.0 billion in variable cost, JPY1.4 billion in cost reduction, and JPY5.0 billion in foreign exchange effects.

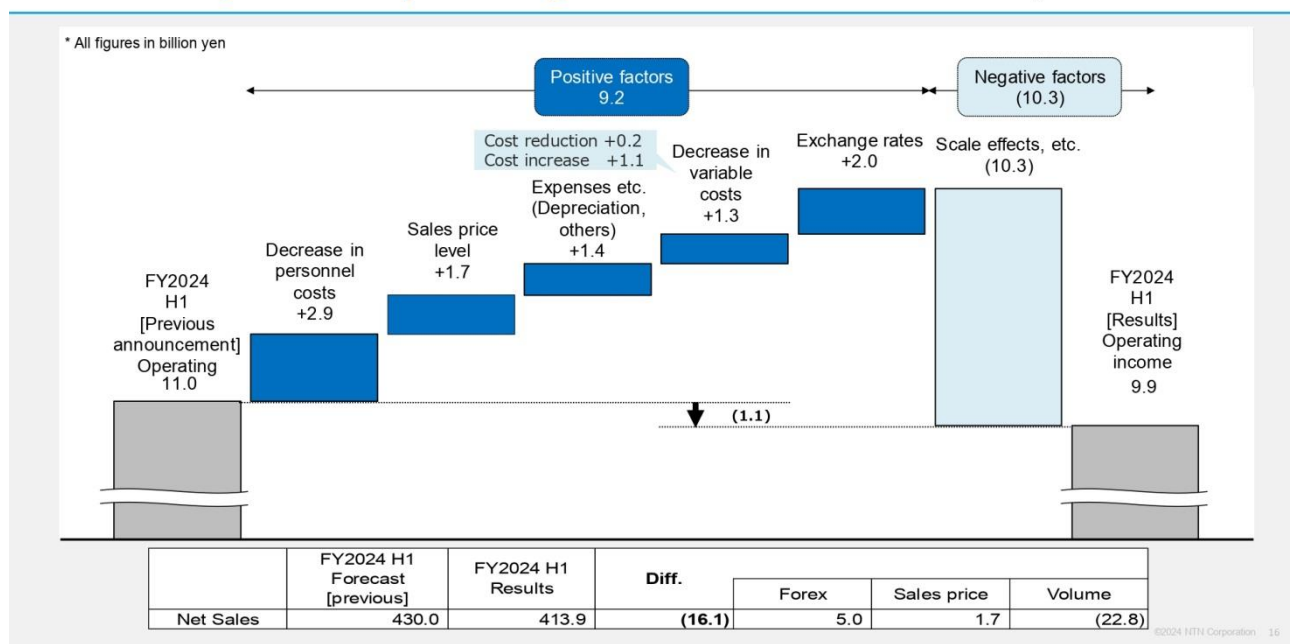
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2-2. Analysis of Operating Income [FY2024 H1 Forecast [previous] vs FY2024 H1 Results]



Next, please see page 16. This is a graph showing the analysis of the increase/decrease in operating income between H1 forecast announced last time and the actual results for H1.

The leftmost figure is the operating income in the previously announced H1 forecast. The rightmost figure shows the actual operating income for H1. There is also a sales increase/decrease table below the graph. On the rightmost side, the sales volume excluding exchange rate and selling prices was JPY22.8 billion, which is less than the forecast.

The right side of the graph shows profit decrease of JPY10.3 billion due to the scale effects such as the sales decrease, production decrease, and inventory valuation. In contrast, factors increasing profits on the left side include: JPY2.9 billion in reduced personnel expenses, JPY1.7 billion in improved selling price levels, JPY1.4 billion in reduced expenses, and JPY1.3 billion in improved variable costs. In addition, there was a foreign exchange effect of JPY2.0 billion, but this was not enough to cover the impact of scale, resulting in a decrease of JPY1.1 billion compared to the announced forecast.

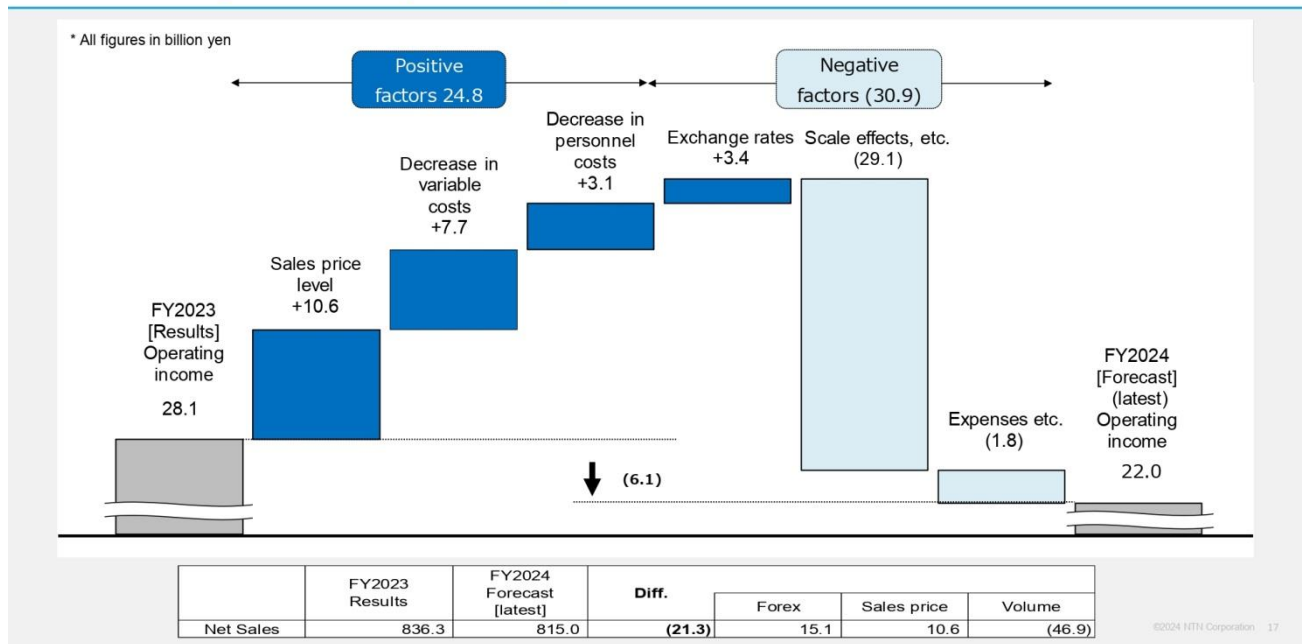
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2-3. Analysis of Operating Income [FY2023 Results vs FY2024 Forecast [latest]]



See page 17. This graph shows the increase/decrease analysis of operating income between the full-year results of the previous fiscal year and the full-year forecast announced this time.

The leftmost figure is the operating income for the previous fiscal year, and the rightmost figure is the full-year operating income forecast announced this time. There is also a sales increase/decrease table below the graph. Please look at the rightmost of the table of changes in sales. We expect a JPY46.9 billion decrease in sales volume, excluding foreign exchange and selling prices, compared to the previous fiscal year.

The largest factor of profit decrease on the right side is a negative JPY29.1 billion of scale effects, such as the decrease in sales and production, and inventory valuation. Also, expenses increased mainly due to machine repair costs in Japan and an increase in domestic transportation costs. This is expected to be JPY1.8 billion.

On the other hand, the factors that are expected to increase profits on the left side include a JPY10.6 billion increase in the selling price level despite a reduction in scale, a JPY7.7 billion reduction in variable costs, a JPY3.1 billion reduction in personnel expenses, and a JPY3.4 billion impact from foreign exchange rates.

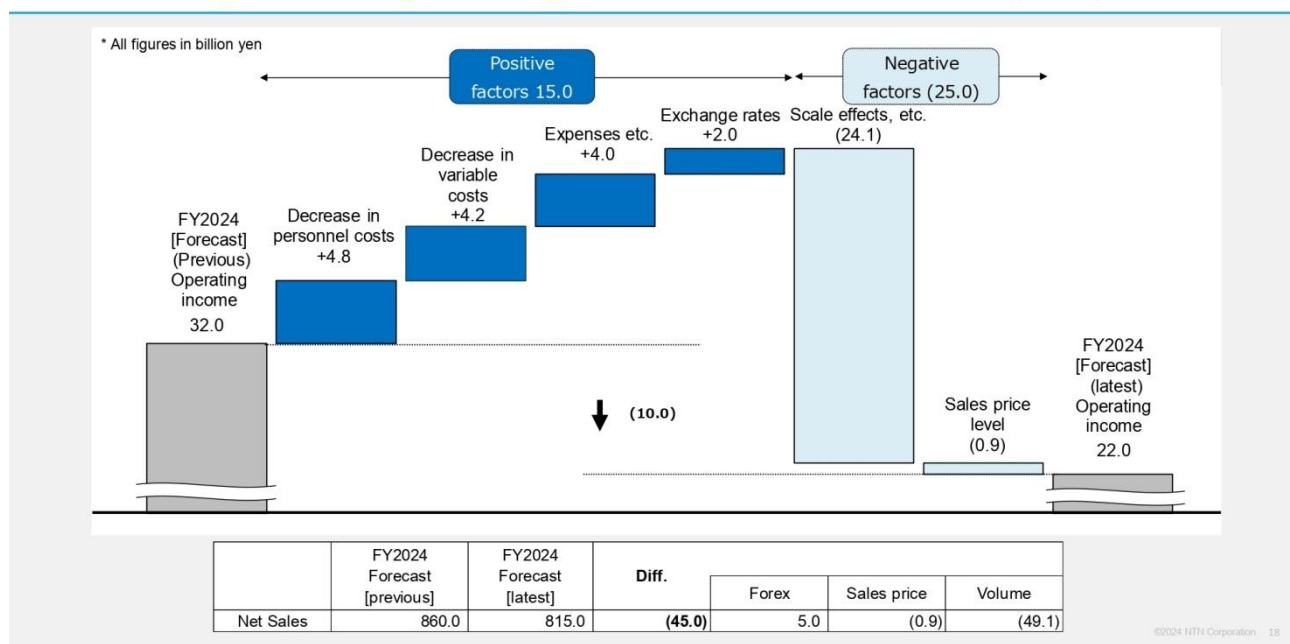
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2-4. Analysis of Operating Income [FY2024 Forecast [previous] vs FY2024 Forecast [latest]



Next, please see page 18. The graph below is an analysis of the increase/decrease in operating income between the previously announced full-year forecast and the newly announced full-year forecast.

The leftmost figure is the previously announced operating income. The rightmost figure is the newly announced operating income plan. Also, please look at the far-right side of the chart below the graph. We expect a JPY49.1 billion decrease in sales volume, excluding foreign exchange and selling prices, compared to the previously announced forecast.

The decrease factor on the right side is a negative JPY24.1 billion due to scale effects, such as the sales and production decrease and inventory valuation, as I mentioned earlier. We also conservatively expect that the negative JPY0.9 billion in selling price level will reduce the effect of the price increase due to the decrease in the scale of sales.

On the other hand, the factor increasing profit on the left side is a JPY4.8 billion reduction in personnel expenses. JPY4.2 billion in variable cost. JPY4.0 billion in cost reduction. In addition, we expect a foreign exchange effect of JPY2.0 billion. This is the effective amount for H1, since the exchange rate was not changed in H2.

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3. Net Sales by Company Location (Excluding intragroup sales)

(billion yen)	FY2023			FY2024		Diff.		
	H1 Results ①	H2 Results	Full Year Results	H1 Results ②	Full Year Forecast (Previous Announcement)	Total	Volume ②-①	Forex
Japan	108.0	108.1	216.1	104.5	211.5	(3.5)	(3.5)	0.0
Americas	132.0	140.2	272.3	139.8	268.0	7.8	(1.9)	9.7
Europe	89.9	98.0	188.0	92.4	185.5	2.5	(5.0)	7.5
Asia and others	79.7	80.3	160.0	77.2	150.0	(2.5)	(7.0)	4.5
Total	409.6	426.6	836.3	413.9	815.0	4.3	(17.4)	21.7

*From this time, sales by region have been changed to sales by company location.

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Next, please see page 19. It shows the sales by company location.

See the volume, excluding ②-①, in difference column. The total decrease in sales was JPY17.4 billion, but as I have already explained, this includes an increase of JPY6.4 billion in the selling price level, so excluding the selling price, the decrease is JPY23.8 billion in the volume.

Looking at the volume-based decrease by region, Japan was down JPY7.1 billion, the Americas was down JPY3.7 billion, Europe was down JPY5.8 billion, and Asia and other regions were down JPY7.3 billion, of which China was down JPY4.9 billion. Sales are expected to decrease in all regions.

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4. Net Sales and Operating Income by Business Segment NTN

<Net Sales by Business Segment>									
(billion yen)	FY2023			FY2024		Diff.			FY2024 Full Year Forecast (Previous Announcement)
	H1 Results ①	H2 Results	Full Year Results	H1 Results ②	Full Year Forecast (Latest)	②-①			
						Total	Volume	Forex	
Bearing and others	175.7	171.1	346.8	168.1	335.0	(7.5)	(15.4)	7.9	357.0
CVJ/Axle	234.0	255.5	489.5	245.8	480.0	11.8	(1.9)	13.8	503.0
Total	409.6	426.6	836.3	413.9	815.0	4.3	(17.4)	21.7	860.0

<Operating Income by Business Segment>									
(billion yen)	FY2023			FY2024		Diff.			FY2024 Full Year Forecast (Previous Announcement)
	H1 Results ①	H2 Results	Full Year Results	H1 Results ②	Full Year Forecast (Latest)	②-①			
Bearing and others	7.2	10.5	17.7	6.6	14.3	(0.5)			18.7
CVJ/Axle	(0.4)	10.9	10.4	3.3	7.6	3.7			13.3
Total	6.8	21.4	28.1	9.9	22.0	3.2			32.0

[Notes] After disclosing the results for the fiscal year ended March 31, 2024, at the financial results briefing on May 17, 2024, we have refined our common cost allocation criteria for several overseas subsidiaries. As a result, common expenses allocated to Bearings and others decreased, while common expenses allocated to CVJ/Axles increased (Impact on operating income)

- FY2024 H1 results Bearings and others **++¥1.1 billion** CVJ/Axle **(¥1.1) billion**
- FY2024 Full year forecast Bearings and others **++¥2.3 billion** CVJ/Axle **(¥2.3) billion**

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Please continue to page 20. Sales and operating income by business segment.

See the volume, excluding ②-①, in difference column. The total of negative 17.4 billion includes the increase of JPY6.4 billion in the selling price level, so excluding this, the decline on a volume basis is negative JPY23.8 billion. The breakdown is as follows: bearings and others decreased by JPY18.6 billion, and CVJ/Axles decreased by JPY5.2 billion.

Next is operating income in the lower row. In the bearings and others segment, there were positive factors such as favorable foreign exchange rates, improved selling prices, better variable costs, and fixed cost reductions, but these were not enough to offset the impact of the decline in scale, resulting in a JPY0.5 billion decrease in operating income.

On the other hand, CVJ/Axles posted an increase of JPY3.7 billion, as favorable foreign exchange rates, improved selling prices, and better variable costs offset the impact of the decline in the scale.

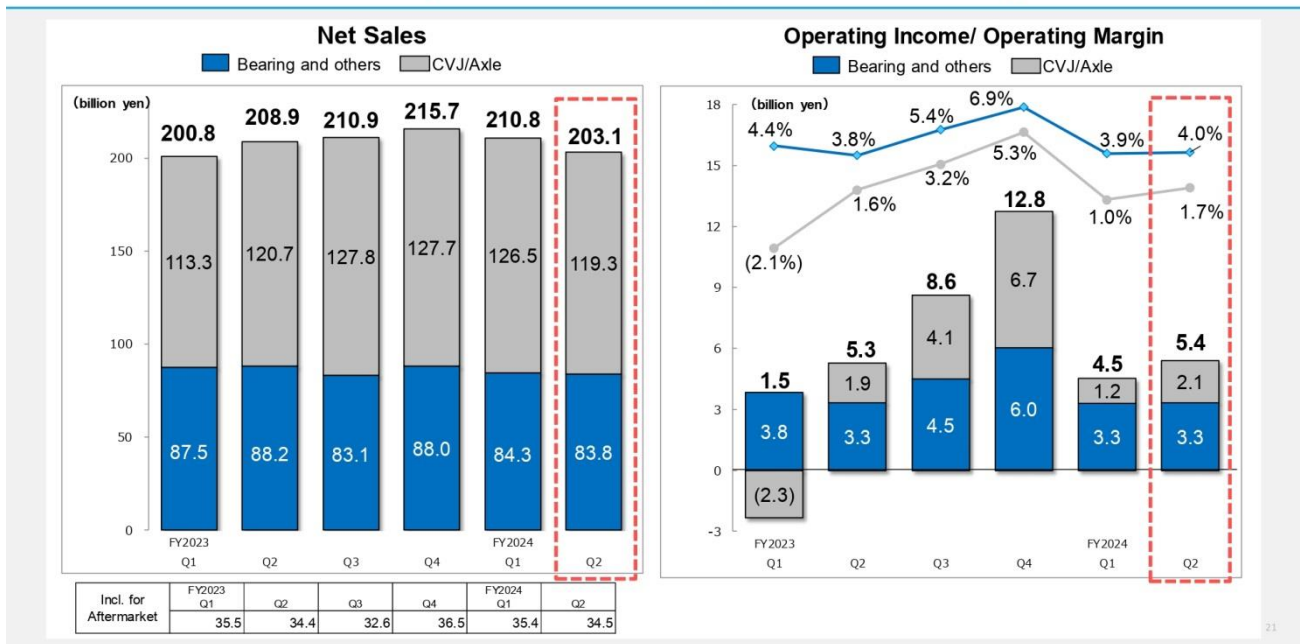
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5. Financial Results by Business Segment (Quarterly Trend) NTN



Next, please see page 21. This shows the quarterly changes in sales, operating income, and profit margin by business segment, as I have just explained.

The graph on the left shows the change in sales, and the graph on the right shows the change in operating income and margin. I will explain the comparison with Q1.

Sales of bearings and others declined by JPY0.5 billion in Q2, partly due to the impact of foreign exchange rates. CVJ/Axles sales decreased by JPY7.1 billion.

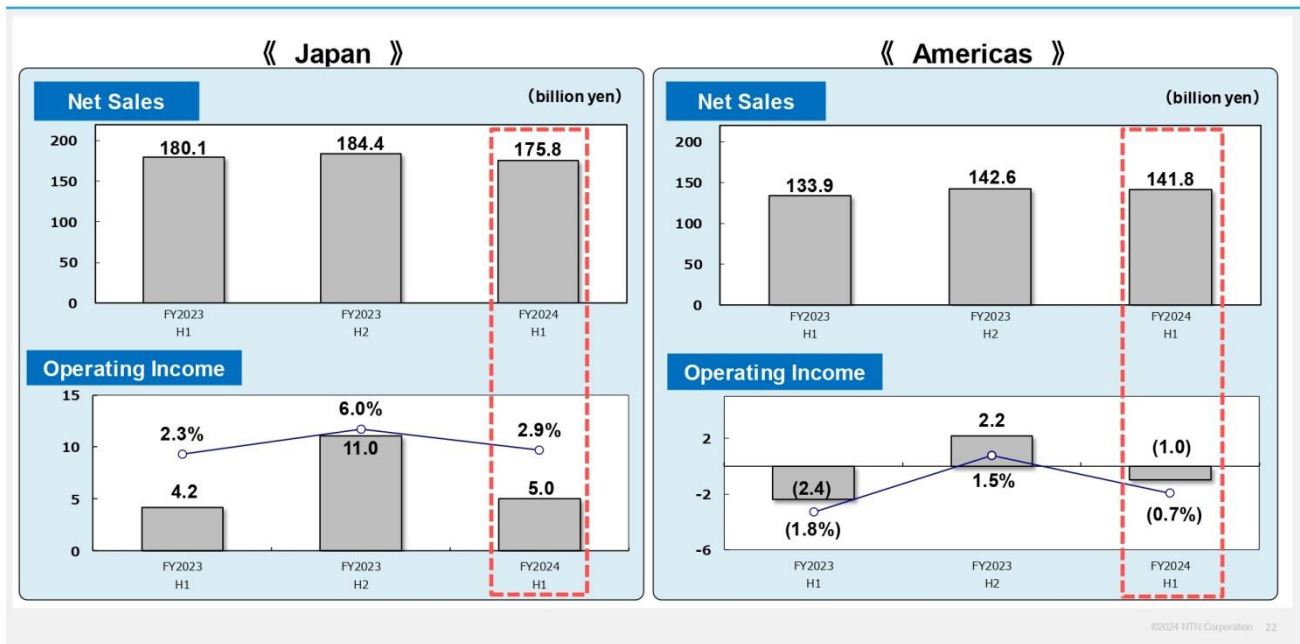
On the other hand, operating income was able to cover the impact of the decrease in scale through measures such as improving the selling price level and reducing fixed costs, and the operating margin improved from Q1 for both bearings and others and CVJ/Axles.

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



Next, please see page 22. Here are semiannual sales and operating income by location.

Japan is on the left and the Americas on the right. The explanation is based on comparisons with H1 of the previous fiscal year.

Sales in Japan totaled JPY175.8 billion. Excluding JPY3.4 billion from impact of foreign exchange rates, this represents a JPY7.6 billion decrease YoY.

Operating income, on the other hand, was impacted by a decrease in scale. However, an improvements in selling prices, fixed cost reductions, and favorable foreign exchange rates resulted in an increase of JPY0.8 billion YoY, and the operating margin improved by 0.6 percentage points.

Next, on the right side, the sales in the Americas were JPY141.8 billion. The impact of foreign exchange rate fluctuations was JPY9.9 billion. Excluding the figure, there was a decrease of JPY2.0 billion in sales YoY.

Sales decreased by JPY2.0 billion, but operating income increased by JPY1.4 billion YoY, mainly due to improvements in selling price levels and variable costs.

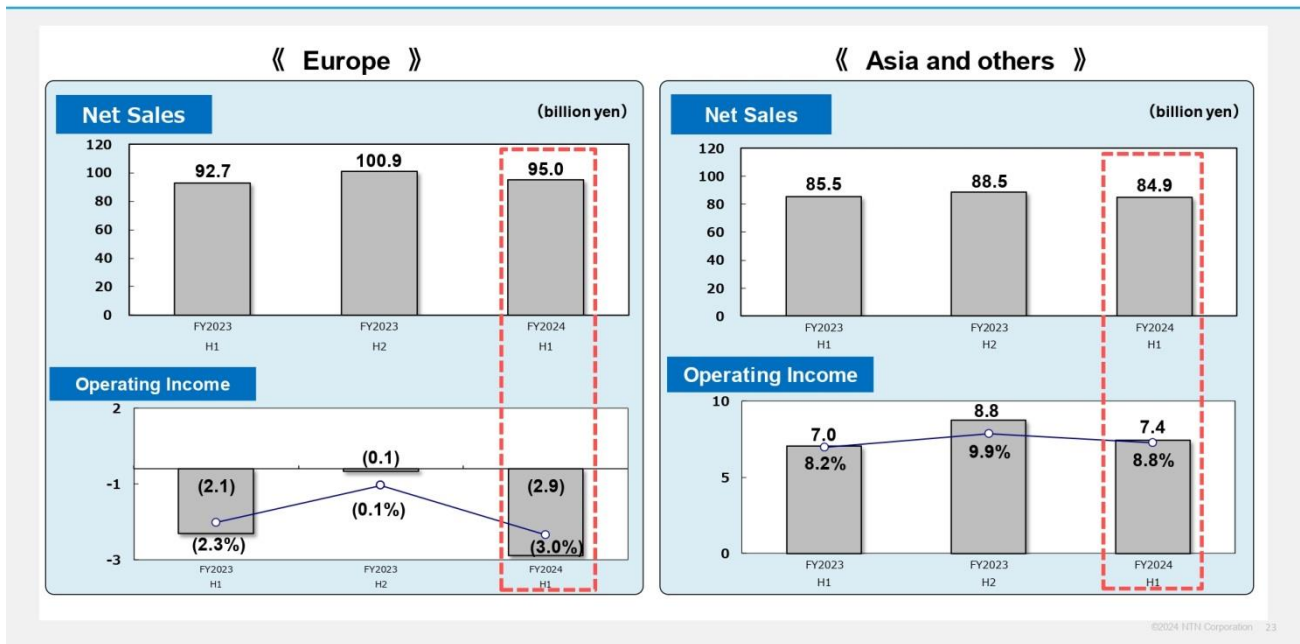
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6-2. Net Sales and Operating Income by Company Location NTN



Next, please see page 23. This shows a semiannual trend of sales and operating income by company location.

Europe is on the left and Asia and others on the right. Sales in Europe were JPY95.0 billion. Excluding the positive impact of JPY7.5 billion from foreign exchange, there was a decrease in sales of JPY5.2 billion YoY. Operating income decreased by JPY0.8 billion YoY. Despite improvements in selling price levels and reductions in variable costs, but this still could not offset the impact of the scale.

On the other hand, sales in Asia and other areas on the right were JPY84.9 billion due to the slump in China. Excluding the positive impact of JPY5.0 billion from foreign exchange, there was a decrease in sales of JPY5.6 billion YoY. However, despite this revenue decline, the operating margin shows that we continue to record a stable operating margin.

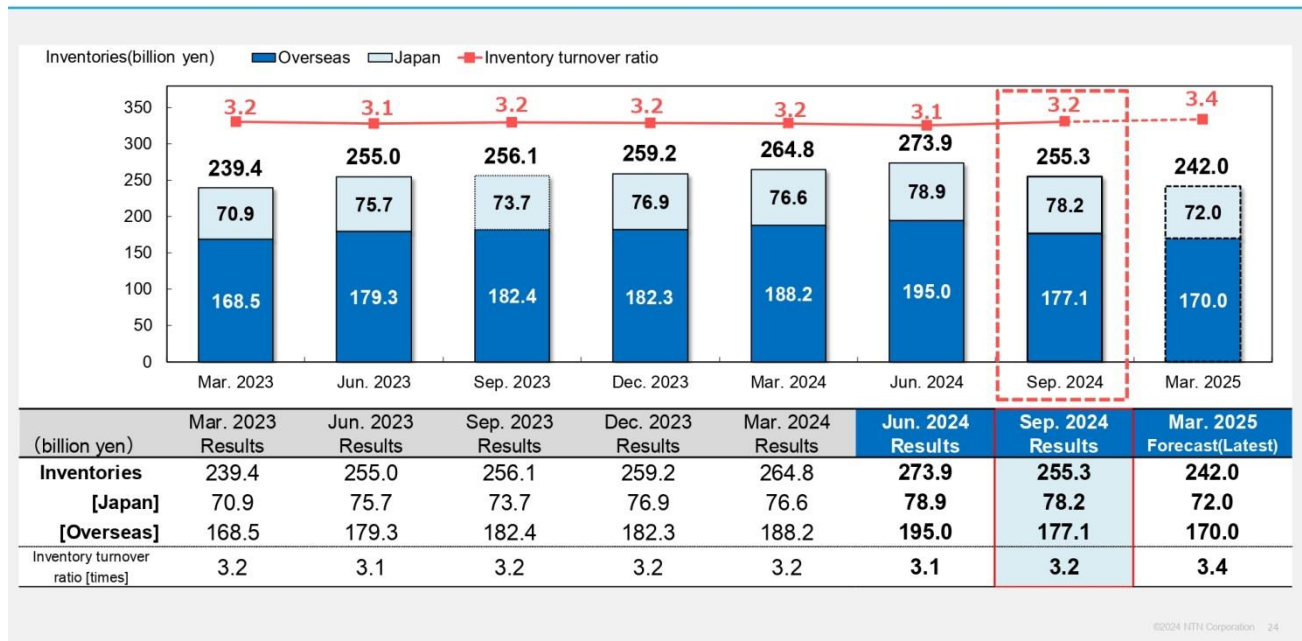
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7. Inventories



Next, please see page 24. It shows inventories by quarter.

Inventories at the end of September 2024 were JPY255.3 billion. The decrease was JPY9.5 billion compared to the end of March 2024, but the impact of the exchange rate was a negative JPY7.8 billion, resulting in a JPY1.8 billion decrease in volume.

Our forecast for the end of March 2025 is JPY242.0 billion, with a target turnover ratio of 3.4 times. To achieve this goal, we will continue to reduce inventories, especially of work in process, parts, and materials.

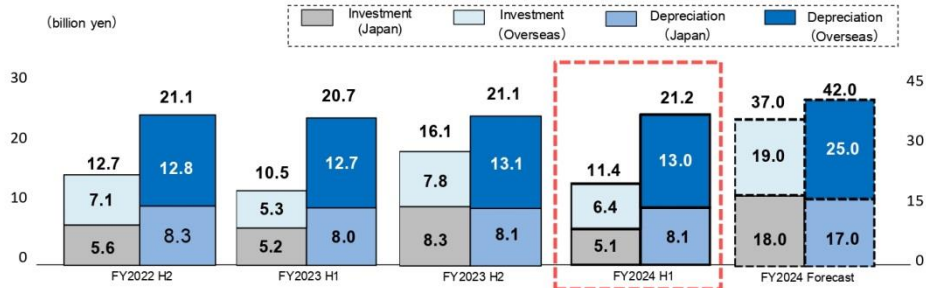
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8. Capital Expenditures and Depreciation



	FY2022	FY2023		FY2024	Diff.	FY2024
(billion yen)	H2 Results	H1 Results①	H2 Results	H1 Results②	(②-①)	Full Year Forecast
Capital expenditure	12.7	10.5	16.1	* 11.4	1.0	37.0
[Japan]	5.6	5.2	8.3	5.1	(0.1)	18.0
[Overseas]	7.1	5.3	7.8	6.4	1.1	19.0

*In addition, capital expenditure for intangible fixed assets (FY2024 H1 Results : ¥1.3 billion, FY2024 Full Year Forecast : ¥5.0 billion)

	FY2022	FY2023		FY2024	Diff.	FY2024
(billion yen)	H2 Results	H1 Results①	H2 Results	H1 Results②	(②-①)	Full Year Forecast
Depreciation	21.1	20.7	21.1	21.2	0.5	42.0
[Japan]	8.3	8.0	8.1	8.1	0.1	17.0
[Overseas]	12.8	12.7	13.1	13.0	0.4	25.0

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Please continue to page 25. This is capital expenditures and depreciation.

The H1 results are circled in red. Capital expenditures totaled JPY11.4 billion, and depreciation totaled JPY21.2 billion. Depreciation is on the line with the full-year forecast. The progress on capital expenditures in H1 has been slightly delayed.

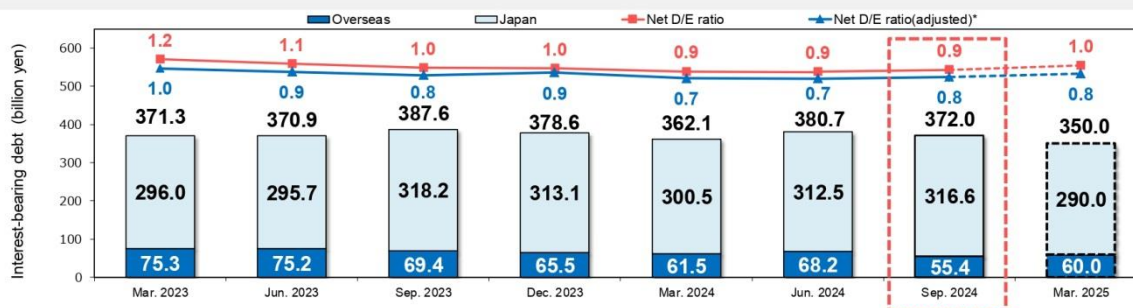
The breakdown of capital investment of JPY11.4 billion by region is as follows: JPY5.1 billion in Japan, JPY1.5 billion in the Americas, JPY3.3 billion in Europe, and JPY1.6 billion in Asia and other regions.

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9. Interest - Bearing Debt



(billion yen)	Mar. 2023 Results	Jun. 2023 Results	Sep. 2023 Results	Dec. 2023 Results	Mar. 2024 Results	Jun. 2024 Results	Sep. 2024 Results	Mar. 2025 Forecast
Interest-bearing debt	371.3	370.9	387.6	378.6	362.1	380.7	372.0	350.0
[Japan]	296.0	295.7	318.2	313.1	300.5	312.5	316.6	290.0
[Overseas]	75.3	75.2	69.4	65.5	61.5	68.2	55.4	60.0
Net Interest-bearing debt	260.6	253.7	243.4	232.7	234.8	243.2	234.7	237.0

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

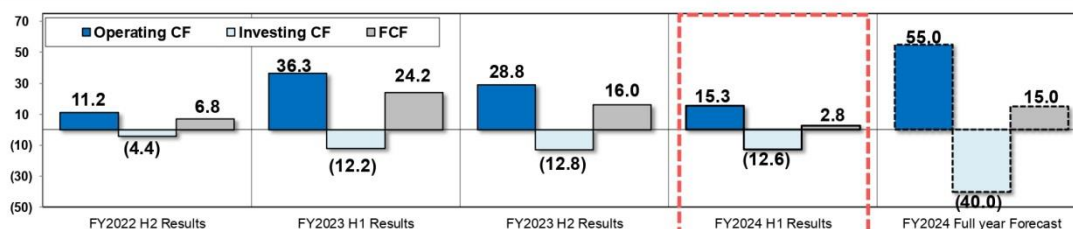
Please continue to page 26. It shows interest-bearing debt.

Interest-bearing debt at the end of September 2024 was JPY372 billion. Net interest-bearing debt was JPY234.7 billion. Also, the net DE ratio was 0.9, unchanged from the previous quarter.

Interest-bearing debt at the end of March 2025 is expected to be JPY350.0 billion, with net interest-bearing debt of JPY237.0 billion and a net DE ratio of 1.

10. Cash Flows

(billion yen)	FY2022		FY2023		FY2024	②-①	FY2024
	H2 Results	H1 Results①	H2 Results	Full Year Results	H1 Results②		Full Year Forecast
I. Cash flow from operating activities	11.2	36.3	28.8	65.1	15.3	(21.0)	55.0
II. Cash flow from investing activities	(4.4)	(12.2)	(12.8)	(25.0)	(12.6)	(0.4)	(40.0)
I + II. Free cash flow	6.8	24.2	16.0	40.1	2.8	(21.4)	15.0
III. Cash flow from financing activities	(8.3)	4.2	(34.4)	(30.2)	8.6	4.4	(29.0)
IV. Effect of exchanging rate translation on cash and cash equivalents	(2.0)	5.0	1.7	6.7	(1.3)	(6.3)	(0.3)
V. Net increase in cash and cash equivalents	(3.5)	33.3	(16.8)	16.6	10.1	(23.2)	(14.3)



Please continue to page 27. Regarding cash flows.

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First, operating cash flow for H1, circled in red, was JPY15.3 billion.

As a breakdown by quarter, operating cash flow was JPY14.4 billion in Q2, compared to JPY0.9 billion in Q1. Operating cash flow deteriorated temporarily in Q1, but we believe it returned to normal levels in Q2.

Operating cash flow for the full-year is JPY55.0 billion. Free cash flow is expected to be JPY15.0 billion.

That is all from me.

Nagao: Thank you very much, CFO Yamamoto.

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Question & Answer

Nagao [M]: We will now move on to the Q&A session. During the Q&A session, the secretariat will nominate those who have questions.

We have received questions. Now, Mr. Tai of Daiwa Securities, please ask your questions.

Tai [Q]: My name is Tai. Two questions, please. The first may be a bit sensitive, but in Mr. Ukai's presentation on page six, where he talks about bringing forward the extraordinary loss this time. I fully understand the timing issue within the three-year budget.

Could you please give us some background or the story of what is going to happen, with a focus on the extraordinary loss in Japan and the US?

Ukai [A]: Yes, thank you. I am Ukai.

The first is that, as mentioned earlier in the presentation, the outlook for automobiles has been in a steady decline since 2017, and this is a situation that is now a little less likely to recover. New projects were postponed or canceled, especially including EVs.

In the midst of these movements, we were previously trying to do a three-year structural reform to bring that production capacity back to normal as quickly as possible. The biggest reason for speeding this up is automobiles, especially those related to North America.

Another situation in Japan is the need to reduce the scale of production in unprofitable businesses. The main point is to quickly return production capacity to an appropriate level in this area as well.

The purpose of this accelerated structural reform is to accelerate the implementation of these reforms.

Tai [Q]: Mr. Ukai, is it difficult to provide specifics about which sites will be closed and when, or which plants will be transferring operations to other sites?

Ukai [A]: We are making preparations as part of our management's intention, but I apologize for the inconvenience at this point. We are unable to disclose this information.

Tai [Q]: Okay. This may be Mr. Yamamoto, but you say you are aiming for a fixed cost reduction effect of JPY10.0 billion in 2026. For example, it may be a bit sensitive to start talking about the number of employees, but for example, the scale of total assets is about JPY900.0 billion now, but how much will it be, say, JPY800.0 billion, JPY700.0 billion, or whatever, by 2026? Do you have any reference figures other than this JPY10.0 billion reduction in fixed costs that you can share with us?

Yamamoto [A]: Yamamoto will answer. At this point, we cannot disclose anything other than these 10.0 billion reductions in fixed costs.

In reality, there is a portion where depreciation and other expenses are eliminated by reducing assets. As Ukai mentioned earlier, we have not disclosed this information yet, so please understand that the fixed cost effect is about 10.0 billion.

Tai [Q]: Okay. We have received questions. One more thing. This is a bit of a big subject, I'm afraid. I think the question is for Mr. Ukai and Mr. Miyazawa. Each is fine.

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There has been talk of SKF spinning off its automotive bearing business. Will it impact your business? Do you consider participating in this project? I'm not sure if it's an opportunity or a risk. Anything is okay. I would appreciate it if there is anything you share with us.

Miyazawa [A]: I would like to introduce a few things. We have some competition with SKF in the area of bearings. However, SKF has specifically announced its withdrawal from production in some areas, and we have received some inquiries related to that.

However, our intention is not to expand the volume of our business, but to do business of high quality. We have received the inquiries, but we would like to take action only after carefully examining the details of the project itself. That is all.

Tai [Q]: Would this be an opportunity for your company?

Miyazawa [A]: There may be such a thing in certain regions, but we have not yet progressed to a concrete stage.

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

Nagao [M]: Thank you very much, Mr. Tai. Next questions is from Mr. Sano of JP Morgan Securities.

Sano [Q]: Yes. Thank you for your continued support. This is Sano from JP Morgan. Thank you for your explanation. Two questions, please.

The first is about the concept of capital investment. Regarding the previous conversation, I believe that not only your company and SKF but also companies including Schaeffler and NSK are moving toward elimination and consolidation of production sites.

Please tell us about any key points in the structural reforms that have been reviewed in the last six months' movement, and I would like to know if there are any areas that may be reviewed in terms of the amount or quality of investment.

With the uncertainties surrounding the US presidential election, I think that it may be difficult to say where and what to produce in the future. Focusing on capital investment, please tell us about your current thinking and any changes you have made.

Ukai [A]: Ukai will answer first. This may be a qualitative talk, but the areas in which we need to strengthen our investment are related to EVs, and we will see various parts converting to electric power that were previously driven by hydraulic power.

For example, ball screws, something that was not produced that much before, will come up as a new application. One of the things we are trying to do is to invest in such new products and new applications.

Another point is that, in the process of consolidation and elimination, the automobiles will be converted to EVs, which will lead us to provide larger and more efficient products. We have developed CFJ, an evolution of CVJ, in which the track grooves are not straight but crossed, which reduces costs and improves fuel efficiency.

We are now marketing these products and actively investing in areas where we are receiving inquiries from customers, as the equipment will change.

Sorry but we do not have a cost estimate for this, but we would like to invest in such areas.

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Sano [Q]: Thank you, President Ukai. One more question is about the future, and I would like to ask Mr. Miyazawa about this.

As Mr. Ukai mentioned earlier regarding the status of EVs, we would like to know quantitatively about the projects that you are receiving orders for in the future in the automotive sector. I would like to know whether there has been a slowdown in these areas compared to three or six months ago.

Miyazawa [A]: Yes. Now, Miyazawa would like to talk a little about EV-related issues. The automotive industry shifted to EVs two to three years ago, and we have been taking advantage of this trend to promote orders mainly for EVs, as I have already mentioned.

However, the shift to EVs is being slowed down significantly. One major reason is that EVs themselves are still not selling well. Also, because the social infrastructure is not yet fully developed, the convenience of EVs is very poor, and automakers are making major changes in their EV strategies.

We have already received orders for EVs, but the number of EVs has fallen far short of our initial contract volume, and some new development projects have been postponed or canceled.

We are still trying to assess whether this situation will be seen as a plateau until EVs expand and grow in the future, or whether they will significantly change their strategy. Each company is different, but those companies that have shifted their focus to EVs in Europe and the US have faced a significant challenge, and are forced to make a major shift. That is all.

Sano [Q]: Thank you very much. I would like to ask one more question to President Ukai. I think it hasn't been that long since you changed the segments, including the bearings and CVJ.

In the face of such a drastic change in the business environment, I am hoping that the change in segmentation will have some positive effects on our operations. It would be helpful if you could let us know if the change has made it easier to operate the entity in any way.

Ukai [A]: Yes, thank you. The first point is that the CVJ/Axle business was separated from the automotive segment because, as we have explained in previous briefings, they are components that are adjacent to the other part and have a high market share, and it is also used in EVs.

This makes it easier for us to focus on technical synergies and campaigns for the customers.

One more thing, there was a 20% bearings portion in what we used to call the automotive business. The CVJ/Axles accounts for 80% of the total. The CVJ/Axles has been separated from the automotive segment, and the 20% bearings part, is in the focus of attention.

These bearings were mainly used in transmissions and engines. As EVs become more widespread, the demand for these bearings will decrease over time. I believe the advantage is that we are now able to concentrate on developing our earning power as a viable business without causing inconvenience to our customers in terms of our selling price structure and cost structure.

In addition, by combining the bearings business with industrial machinery and aftermarket, as our portfolio, we are aiming to increase the aftermarket sales ratio to 40% of the total over the next 10 years.

As a result, we are moving in various aspects in that direction in terms of a portfolio of high-margin products that can earn a certain level of profit, and in terms of a single organization that can concentrate and strengthen the business in a single integrated manner.

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I believe that the organizational changes, which improve and strengthen the company's structure and enhance our corporate value, will produce results in the future, and I believe that this is a point at which we must produce good results. That is all.

Sano [M]: Thank you for your response. That's all from me.

Nagao [M]: Thank you very much, Mr. Sano. Next questions are from Mr. Ito of Mizuho Securities, please ask your questions.

Ito [Q]: My name is Ito of Mizuho Securities. Thank you for your time today. I have two questions. The first one is about the volume on page seven. I would like to know about the volume from the perspective by industry.

I believe that the growth rate assumed at the beginning of the period, the arrow between the current year and the last year, has changed. I think the same is true for construction machinery, agricultural machinery, and gearbox, but could you please focus on the areas where there have been major changes and explain a little more about what has changed so much?

Harima [A]: I am Harima in charge of the bearing business. I will now explain in a little more detail in response to your question. I think that the arrows are pointing downwards for both construction machinery, agricultural machinery, and gearbox for robots, when comparing the previous fiscal year or this fiscal year's forecast.

As reported in newspapers and other media, we originally expected that these industries would recover at least in H2 of this fiscal year. I think it was the same for our customers. However, the recovery of demand for construction machinery, agricultural machinery, and gearbox has been slow, although the circumstances are different for each.

In particular, robots, construction machinery, and now ongoing JIMTOF, machine tools are said to be delayed to H1 of 2025, so we are impacted by that.

As for wind power generation, the environment has changed dramatically over the past two years. Our main fields were the Americas and China, where the rise of Chinese domestic manufacturers has been particularly significant, and this is partly due to the Chinese government's policy, but our market share has decreased significantly.

I think we are in an environment where offshore wind will increase in the future, but we are at a point where we need to pause, stop, and wait for a little time.

This is going to be a bit of a long story, but after the end of the COVID-19 pandemic, there was a huge increase in demand for both rolling stock and aerospace. In particular, the demand for rolling stock parts, especially for aftermarket in China, has significantly increased, which is why the blue arrow is pointing upward. That is all.

Ito [Q]: Thank you for your explanation. The second question is about the changes in the production volume forecast for CVJ/Axles. I believe the relevant information is on page nine of the document you have provided.

In this regard, I would like to reconfirm your plans for each region. I know this is qualitative, but my purpose is to ask how you are currently analyzing the situation in terms of areas where you are being overly cautious and areas where you are not.

I believe that the drop in the North American market is large compared to the results at the beginning of the period, and I wonder if such a drop is necessary, but there is also the OEM mix, so it is difficult to analyze from

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the outside. Therefore, I would like to ask what kind of risk buffers are included in each region, and whether there are any problems that would be difficult to solve if you looked at the actual situation.

If possible, since you likely have both Japanese OEMs and European OEM customers, it would be helpful if you could discuss things from the perspective of these customers. It would also be appreciated if you could provide more background on the assumptions regarding automotive production volume this time.

Miyazawa [A]: Now Miyazawa would like to explain a little about automobile-related production. In North America, in particular, the US is in the midst of the presidential election of Mr. Trump and Ms. Harris, and there seems to be some reluctance to buy as a result.

Therefore, although there is a possibility that demand may return once again depending on the results of this election, we are not making a prediction at this time.

On the other hand, however, inventories of finished vehicles have recently become excessive, and Japanese companies, including those that export vehicles from Japan, and especially those that mainly export, are making adjustments to their production volume in Japan as well.

In Europe, there was not a big difference from August, but there is still a sense of uncertainty about the economic outlook due to the conflicts in Ukraine and the Middle East, and overall car sales are sluggish.

At the time, there were many incentives from the government, but when these incentives were no longer available, the high price of the vehicles and the convenience issues I mentioned earlier meant that EVs were not selling well.

In addition, the general ICE cars are not selling well due to the uncertain economic outlook, and we expect this to continue for the foreseeable future.

As for China, the largest figures are shown here, and the downward trend is also shown a little here, but if we look only at vehicle production, we can see a certain degree of growth, mainly in Chinese vehicles.

Our main customers, Japanese automotive manufactures in China, have been struggling in China, and we believe that the demand fluctuations in China will have a significant impact on our company. That is all.

Ito [Q]: Thank you. My apologies for another question. In the Q&A session earlier, I think you mentioned that some of the EV models have been postponed, suspended, and some are still backlogged.

I am not sure if the resulting impairment loss would be on a line-by-line or project-by-project basis, but would you not have to consider such expenses?

As a result, it may come into the figures of structural reform and reorganization of production in your company, but does this mean that, rather than just bringing forward costs, the total amount of costs for structural reform will increase? Could it be necessary to do something separate from that, like organizing a storyline like impairment? What are your current thoughts on that in terms of the cost side?

Miyazawa [A]: I would like to explain this as well. As I mentioned earlier, the fact is that EV sales have caused companies to reduce production, postpone new projects, and cancel projects.

On the other hand, although not to compensate for this, we are extending the production of current models or increasing the volume of some of them.

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It is true that there are negative effects due to a delay in the start-up of EVs and cancellation, but we expect to be able to cover these effects to a certain extent by extending the production of current vehicles and by increasing the production volume.

On the other hand, we are currently negotiating with our customers to receive full compensation for new investments in new EV projects, tooling, and production preparations. Although there may be a certain amount of loss, we do not foresee any significant impact on our business. That is all.

Ito [M]: Thank you for your explanation. That is all.

Nagao [M]: Thank you very much, Mr. Ito. Next questions are from Ms. Wang of Nomura Securities, please ask your questions.

Wang [Q]: Thank you for your continued support. I am Wang of Nomura Securities Co. We have received questions. I would like to ask you two questions.

The first, the selling price level, is that in the full-year forecast, this area has been lowered a bit because of the decrease in volume.

On the other hand, looking at H1, while volumes were lower than expected, some sales price levels were higher than expected. In your explanation, you mentioned that the company is a little conservative, so are there any factors that could cause the company to exceed its forecasts in H2?

Yamamoto [A]: Yes, Yamamoto will explain. As you can see on the screen now, as I mentioned earlier, the minus JPY0.9 billion in the selling price level is a conservative estimate for the decrease in volume.

Another reason for the upward swing in H1 despite the decline in the scale was the discounting due to the drop in the price of steel products. This has been negotiated and pushed back considerably in some areas. Therefore, we are looking at a negative figure of JPY0.9, but we are hopeful that negotiations will yield a slightly positive result in terms of sales price.

Wang [Q]: Thank you very much. In terms of regions, on page 19, we have received real volume reductions for each region. If we subtract out the sales price increase in H1, we see that there was a large increase in sales price in Japan and the Americas, but not so much in Europe and other parts of Asia.

Will there be another recovery in Europe and Asia in H2? Or is it in the form of Japan and the Americas continuing to come out at higher selling price levels? Could you also tell us how you see it by region?

Yamamoto [A]: Yes. The selling price levels in Japan and the Americas were significantly positive in H1, so we don't expect them to be as high in H2.

Also, since H1 positive growth in Europe was very small, we expect to reduce discounts slightly compared to the current forecast for this region.

Wang [Q]: Thank you very much. Secondly, in your explanation of CVJ and other segments, you have been promoting new products to other companies, including local Chinese companies, and you have received concrete discussions with them.

It seems that you have received some orders from the local Chinese market. I would like to ask what kind of product line and whether there are any changes in the needs of the customers. In addition, we would appreciate your guidance on the profitability aspect.

Miyazawa [A]: I would like to answer that question.

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As you know, China is already making overwhelming progress in the development of electric vehicles rather than ICE vehicles, and almost all of the inquiries we receive are related to electric vehicles.

Electric vehicles are different from current gasoline vehicles, so the performance requirements for their parts are also slightly different. As I mentioned earlier, the vehicle itself is loaded with batteries, so the vehicle weight is much heavier than an ICE vehicle.

On the other hand, there is a need to make the main components of electric vehicles as light as possible in order to improve energy efficiency. We provide the driveshafts and hub bearings, and some of them are made of high rigidity or are used because our high-efficiency products are highly evaluated. Some companies have expressed their willingness to use such products.

In this area, we are not yet in competition with all local manufacturers, so we are able to develop our business on our own initiative to a certain extent.

However, in general, the competitive environment in China is tough, and not all businesses necessarily work out that way, but we are developing such businesses for customers who recognize the value we provide. That is all.

Wang [M]: Thank you very much. That's all from me.

Nagao [M]: Thank you very much, Ms. Wang. If anyone has any questions, please feel free to press the button "Raise my hand". Does anyone have questions?

Thank you. This is a little earlier than the time we had planned, but we will now conclude our questions.

This concludes the Company's IR presentation for Q2 of the current fiscal year. Thank you very much for your participation today.

[END]

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