

New Medium-term Management Plan

NTN
Make the world **NAMERAKA**

DRIVE
Digitalization Resources Innovation Variable cost reformation Efficiency improvement
NTN100
Final

Presentation material May 31, 2024
NTN Corporation



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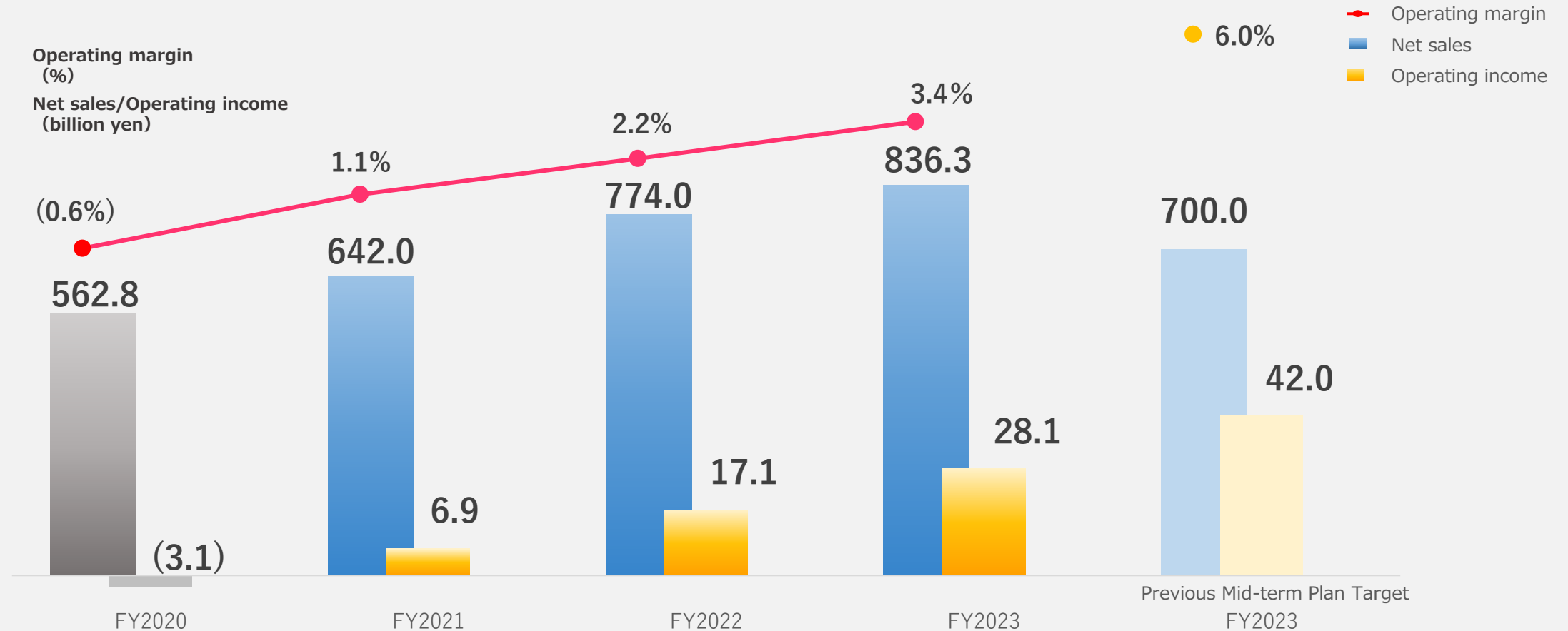
An aerial photograph of a two-lane asphalt road cutting through a dense, lush green forest. The road is dark and has a white dashed line in the center. A small white car is visible on the right side of the road. The forest is composed of many tall trees with thick foliage, creating a textured green canopy.

1

Review of the Previous Medium-term Management Plan “DRIVE NTN100” Phase 2

Net Sales and Operating Income

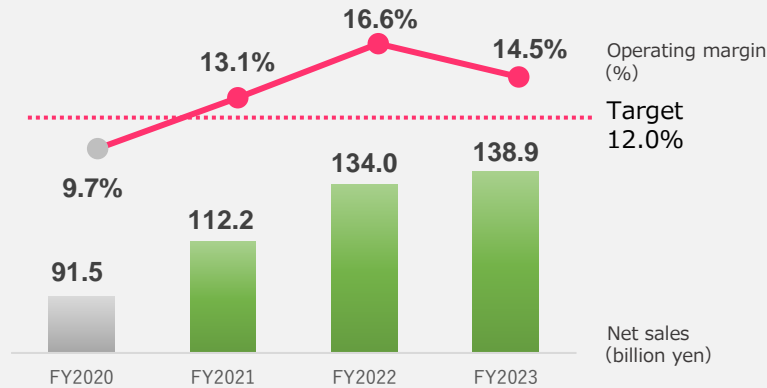
- Net sales achieved the target by positive effect of exchange rate
- Operating income did not achieve the target due to delay in passing on higher procurement cost mainly in automotive business



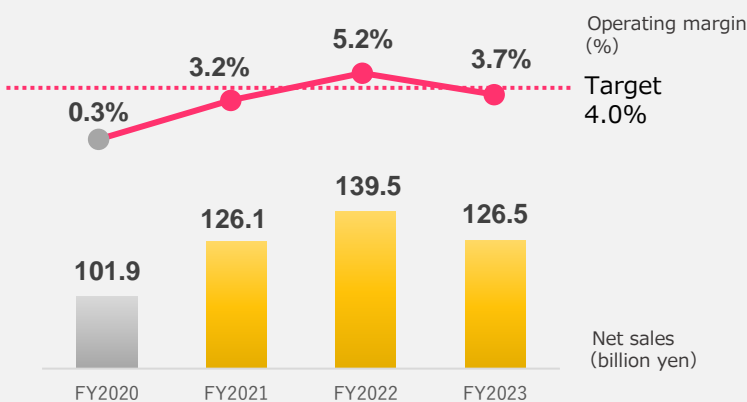
Comparison with Target of Medium-term Management Plan by Business Segment

◆ Comparison with Target of Medium-term Management Plan by Business Segment

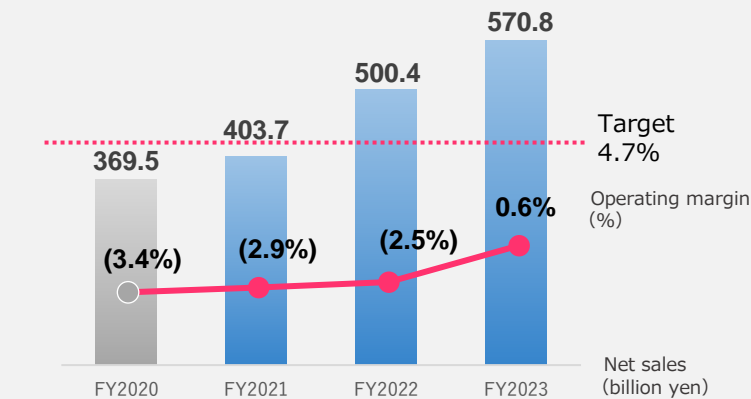
Aftermarket



Industrial machinery

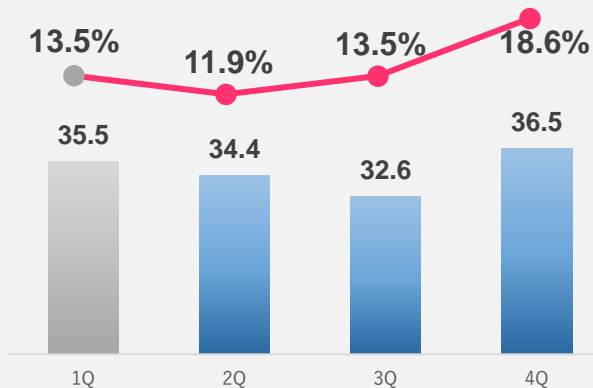


Automotive

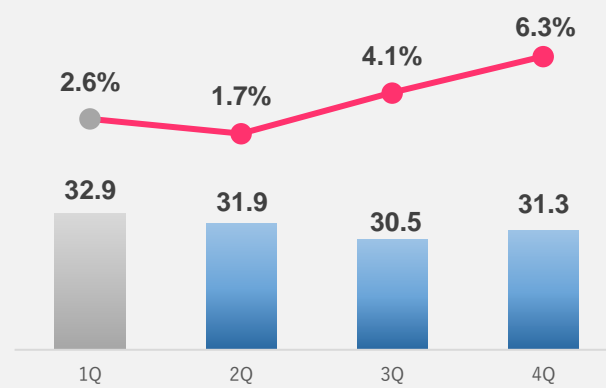


◆ FY2023 quarterly transition of Net sales and Operating margin

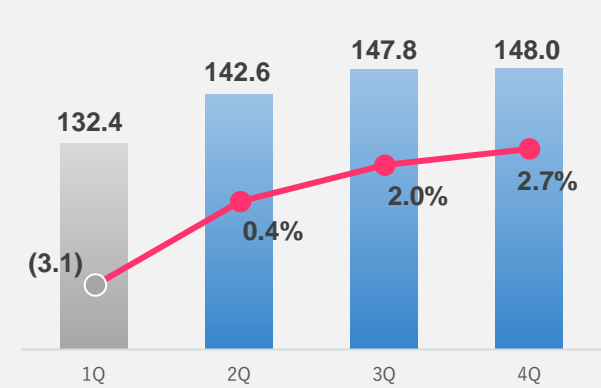
Aftermarket



Industrial machinery



Automotive



Review on Major Measures

Variable cost reformation

Neutral

- ◆ Strengthen of competitiveness by exploring suppliers in India and South Korea
- ◆ Issue: overseas expansion involving engineering/design departments

Strengthen of Aftermarket business

Neutral

- ◆ Increased net sales and profits and expanded capital investments
- ◆ Issue: drastic increase in supply capacity and development of supply source

Promotion of reorganization of production

Poor

- ◆ Delays in outsourcing production to overseas suppliers
- ◆ Delays in consolidating/restructuring bases to increase profits

R&D of new products and acceleration of business creation

Neutral

- ◆ Product launch in line with market needs such as for EVs
- ◆ Insufficient acceleration of business creation for new product

Improvement of productivity using digital technology

Neutral

- ◆ Largely reconstructed of IT core system
- ◆ Issue: expanding smart factories and labor-saving measures

Strengthen of financial structure

Good

- ◆ Generated cash flow by selling cross-shareholdings and refraining investment etc.
- ◆ Improved net D/E ratio and equity to capital ratio

Financial Results: Comparison with Target of Previous 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)



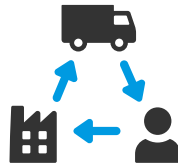
- FCF (72.0 billion yen/3 years) and improvement of financial structure achieved the target.
- Need to strengthen earning power (= to improve operating margin and reduce inventories)

2

Long-term Vision

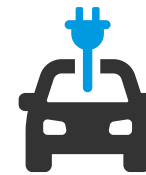
Changes of NTN's Business Environment

Uncertain global situation



- Rise of hegemonism and protectionism due to security concerns
- Impact on raw material prices and supply chain

Changes in business environment



- Intensify competition and low-priced sales by appearance of emerging competitors
- Acceleration of EV and electrification in automotive market
- Risk of sudden exchange rate fluctuations

Social requirements for sustainability



- Specified targets and initiatives for achieving carbon neutrality
- Increased information security risks and natural disasters such as earthquakes and floods
- Respond for diverse work styles

External environment is increasingly uncertain, and structure is changing from the past
Increased demand for sustainability

The NTN Group's Vision for FY2035

Vision for FY2035

A company trusted and needed by stakeholders with enhanced corporate value

- **Generate sustainable profits that exceed capital cost** -

Economic value

Achieve and further improve ROE that constantly exceeds shareholder capital cost even under economic fluctuation

- **Transformation of business structure**
- **Sales ratio: Aftermarket 40%, OEM 60%**
- Create and develop new businesses

Environmental/social value

Achieve carbon neutrality, fulfill prosperous human development

- Achieve carbon neutral target (Scope1, 2)
- Foster an organizational culture that works to increase economic and environmental/social value and develop diverse human resources that can work with job satisfaction

FY2024 to FY2026

**New Medium-term
Management Plan**

Measures designed by
backcasting
from the vision
for FY2035

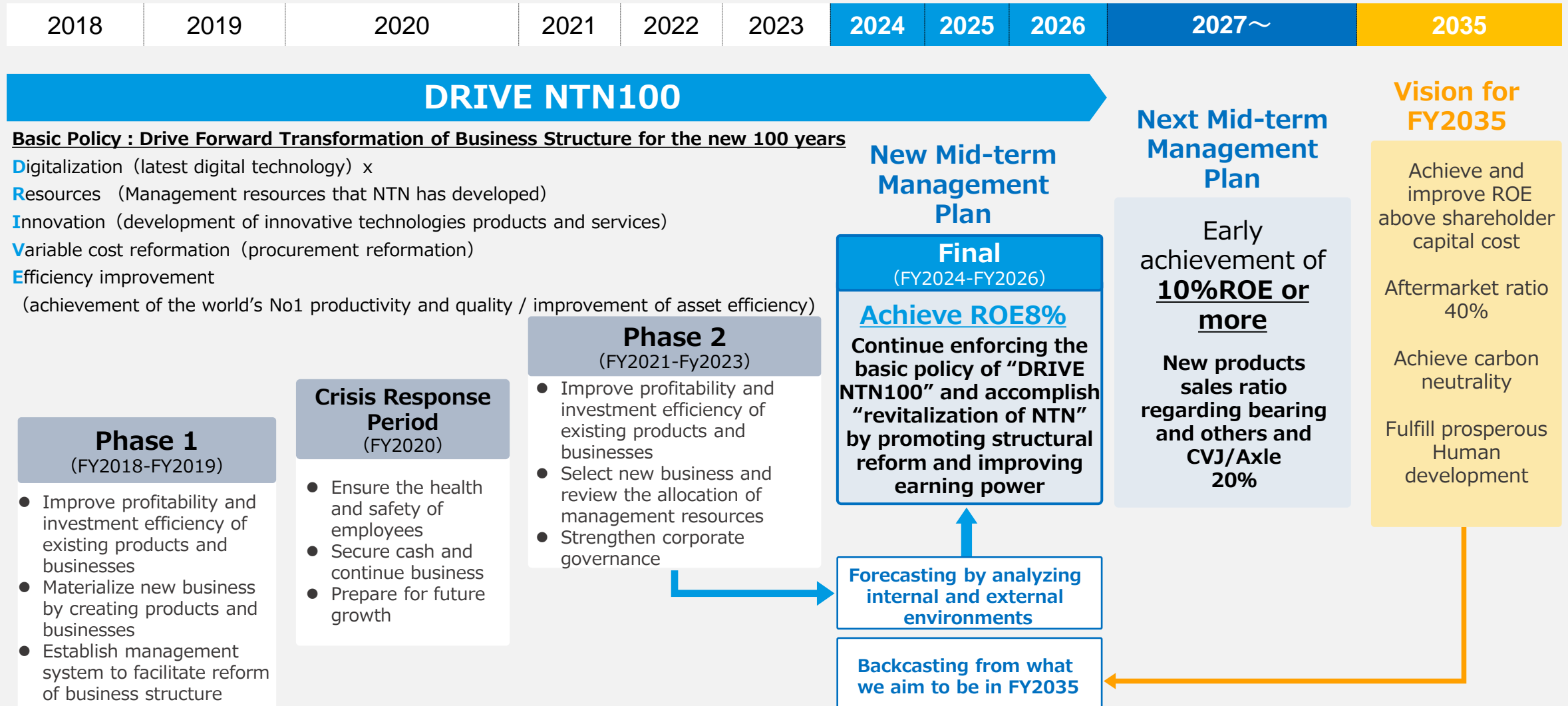
Vision

**A NAMERAKA
Society**

3

Positioning of New Medium-term Management Plan
“DRIVE NTN100” Final

Positioning of New Medium-term Management Plan “DRIVE NTN100” Final



4

“DRIVE NTN100” Final

(1) Management Indicators: Management Indicators of "DRIVE NTN100" Final

Target Management Indicators (billion yen)		FY2023 Results ①	FY2024 Forecast	FY2025 Target	FY2026 Target ②	Diff. ② - ①
Net sales		836.3	860.0	840.0	830.0	(6.3)
Operating income		28.1	32.0	44.0	50.0	+21.9
Operating margin		3.4%	3.7%	5.2%	6.0%	+2.6pt
Extraordinary income(loss)		(3.4)	(8.0)	(17.5)	(5.0)	-
Net income		10.6	5.0	9.0	21.5	+10.9
Inventory turnover ratio		3.2	3.6	4.0	4.5	+1.3
ROIC		3.2%	3.9%	5.4%	6.2%	+3.0pt
ROE		4.4%	2.1%	3.7%	8.0%	+3.6pt
Equity to capital ratio		29.0%	27.9%	29.5%	30.0%	+1.0pt
Net D/E ratio		0.9	0.9	0.8	0.7	0.2pt improved
Exchange rate	1USD	¥144.5	¥145.0	¥140.0	¥140.0	(¥4.5)
	1EURO	¥156.7	¥160.0	¥150.0	¥150.0	(¥6.7)

(1) Management Indicators: New Organization to Promote Transformation of Business Structure

- Strengthen our supply capabilities and proposing optimal solutions for sales expansion in aftermarket business by consolidating bearing business and integrating OEM and aftermarket
- Increase profits and respond to new needs such as electrification in CVJ/Axle business

Former Organization (by market)

Prior to FY2023

Aftermarket

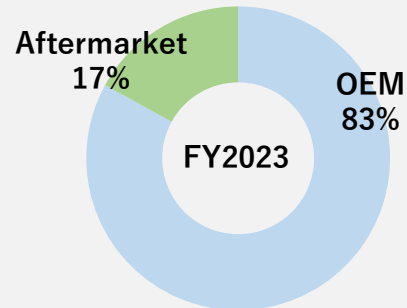
Bearing
CVJ/Axle

Industrial
machinery

Bearing

Automotive

Bearing
CVJ/Axle



New Organization (by products)

From FY2024

Bearing and
Others

Aftermarket

Industrial machinery

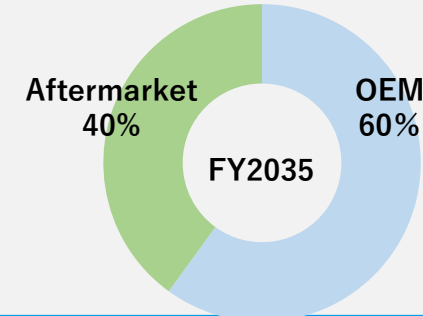
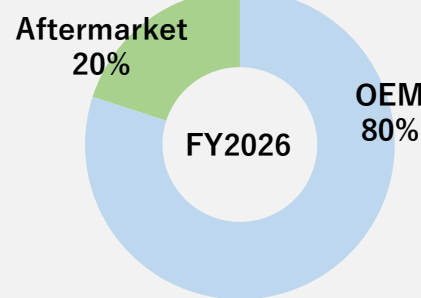
Automotive

CVJ/Axle

Aftermarket

Automotive

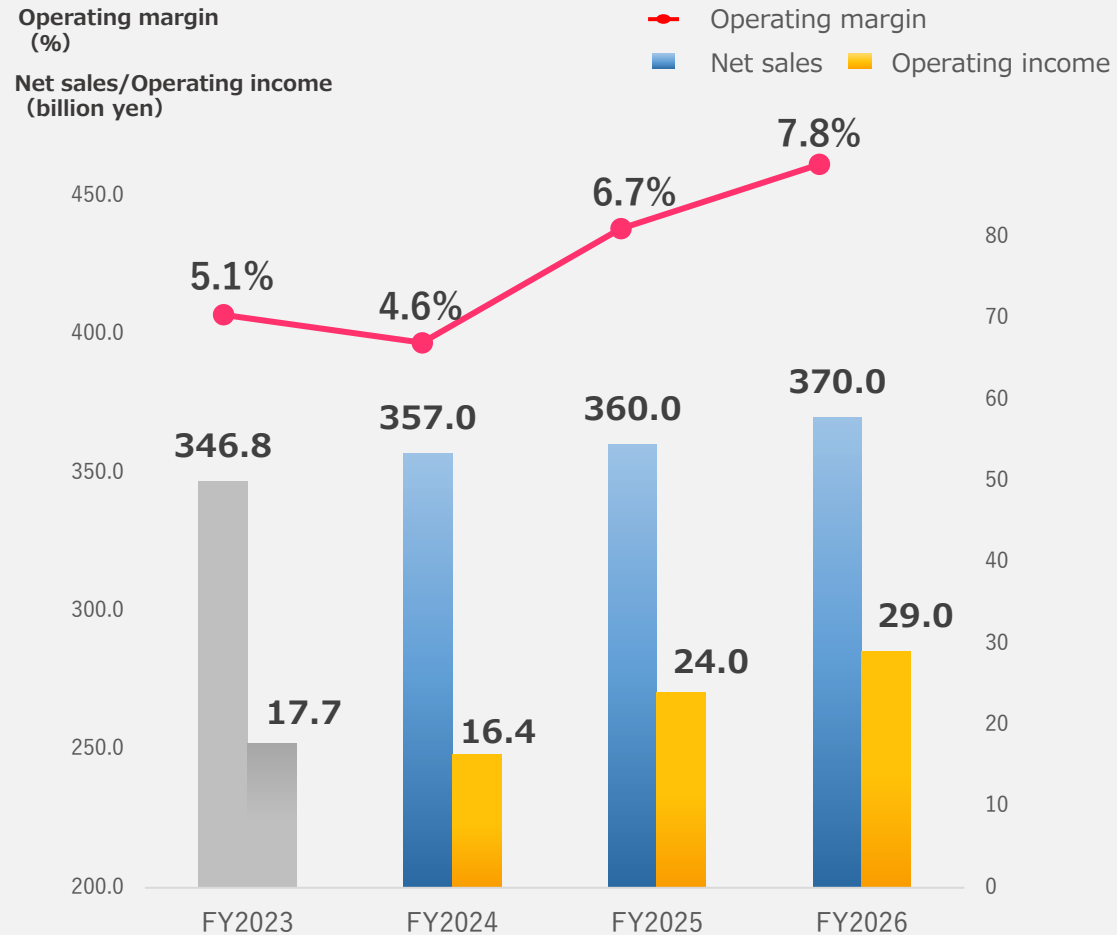
Market



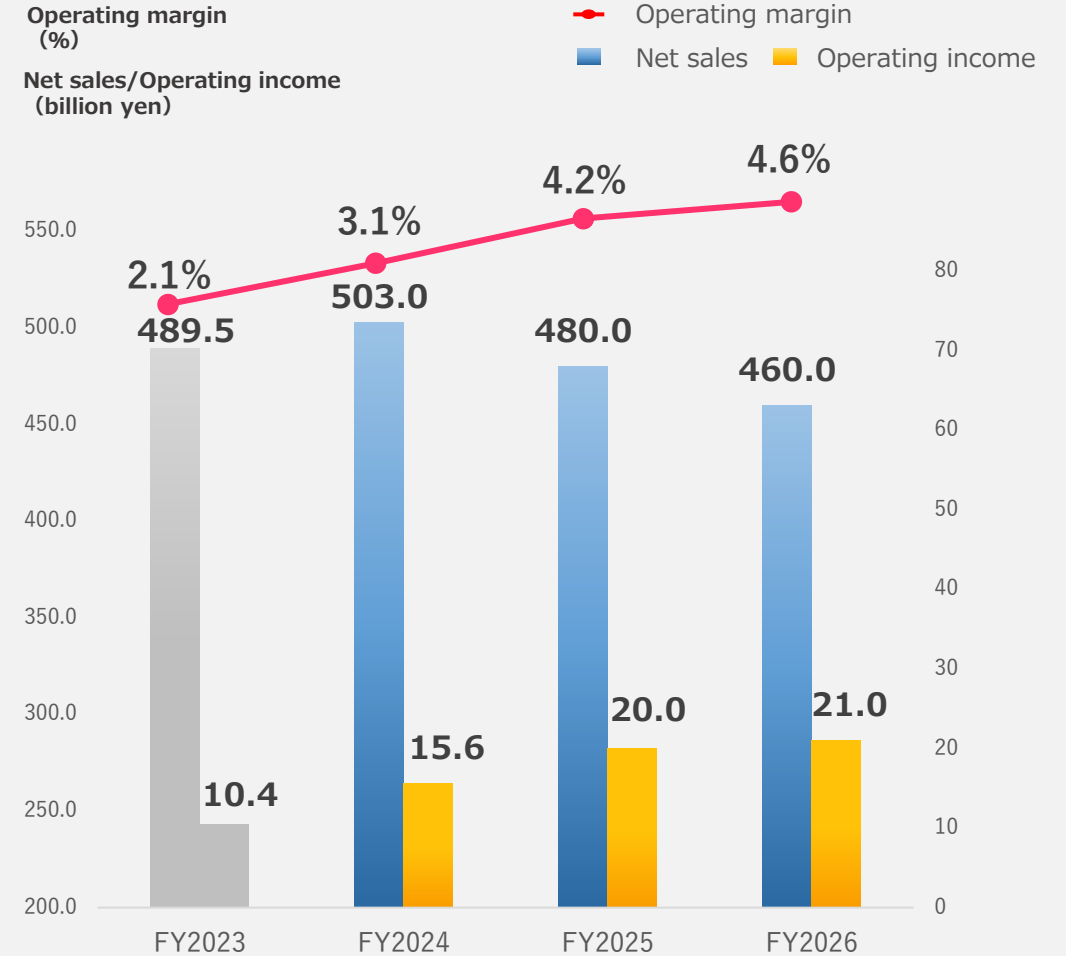
Aftermarket business 6% annual growth

(1) Management Indicators: Target of Net sales and Operating Income by Business Segment

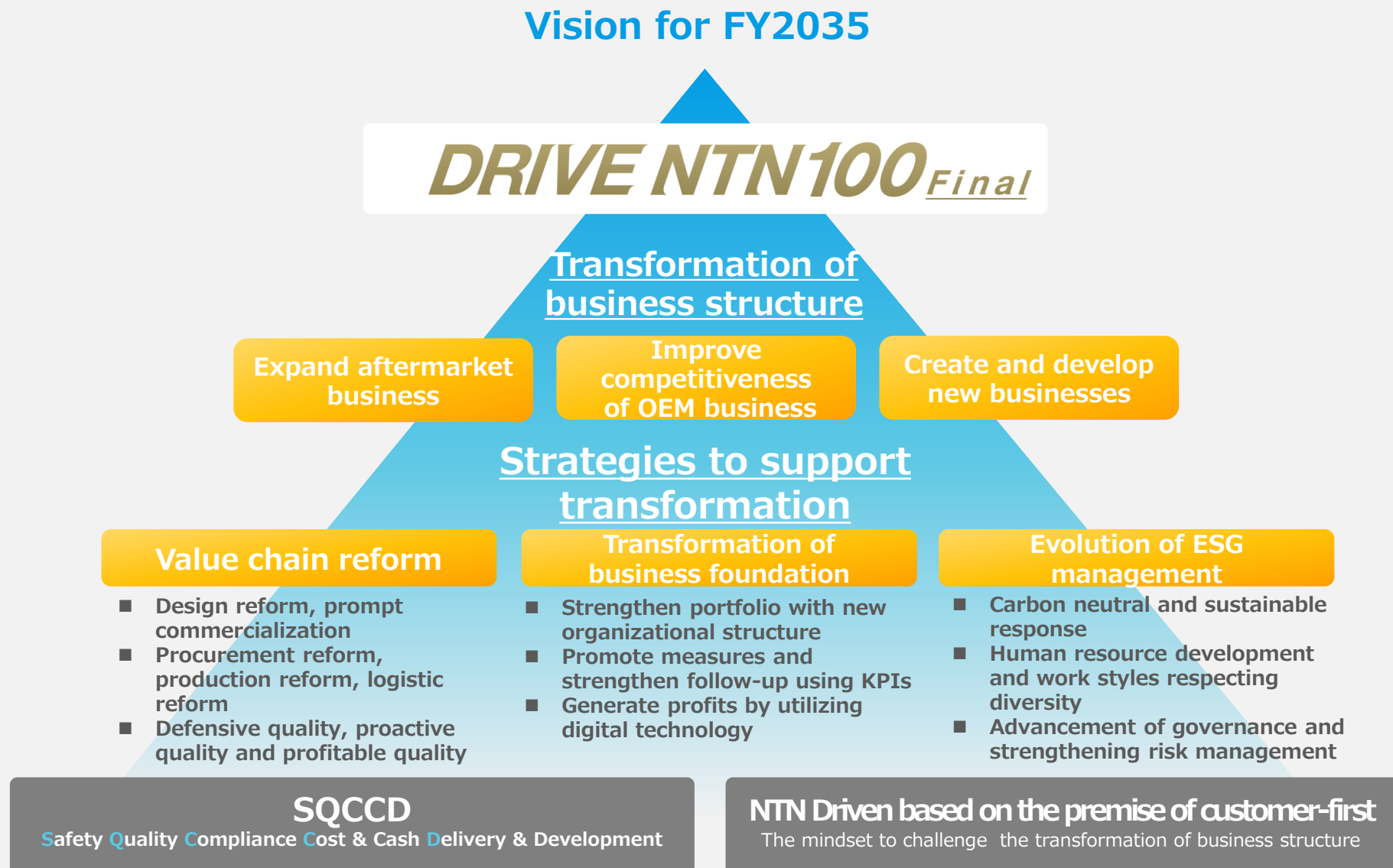
Bearing and others



CVJ/Axle



(2) Basic Strategies: Basic Strategies of "DRIVE NTN100" Final



(3) Key Measures: Expand Aftermarket Business

Responsiveness that keeps customers' machines and plants running and engineering solutions considerate of customers to solve problems

Strengthen supply capability

<Industrial machinery aftermarket>

- Expand external purchasing and outsourcing for the aftermarket products
- Optimal allocation and expansion of production capacity through integrated OEM/aftermarket operations
- Expand inventories of popular products for the aftermarket

<Automotive aftermarket>

- Expand product lineup by utilizing external purchasing and outsourcing



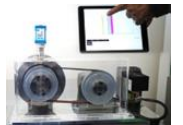
Overseas supplier



Strengthen engineering solutions

<Industrial machinery aftermarket>

- Strengthen "bearing life cycle management" through integrated OEM/aftermarket operations
- Expand sales by expert organization for engineering solutions
- Expand service business such as bearing diagnosis and refurbish



NTN Portable Vibroscope

<Automotive aftermarket>

- Expand sales to Europe and America and strengthen marketing to other regions



Remote service center

(3) Key Measures: Improve competitiveness of OEM business

Cash flow oriented business operation and providing value to meet market needs and functional requirement from customers

Structural reform

- Improve asset efficiency by reorganization of production bases in the Americas, Europe, China and Japan
- Drastic review on costs through production at optimal site
- Price increases and reduction in unprofitable business



Procurement/design reform and expand external purchasing

- Cost reduction by reviewing designs and materials not constrained by conventional design concepts
- Maximize profits by restructuring the supply chain of parts and finished products

Develop new products that meet market needs and bring them to market speedy

- Accelerate development of new products that meet market needs such as EV and electrification etc.



Deep Groove Ball Bearings
for EVs and HEVs



Special Heat Treatment
Technology "HA-C"



High Efficiency Fixed Type CVJ
"CFJ"



Low Friction
Hub Bearing

**Contribution to profit
improvement
Further new product
development**

(3) Key Measures: Create New Products and Develop New Businesses

Accelerate development speed through a one-stop organization and incorporate advanced technology through external collaboration

- Accelerate product development by establishing Innovation & Business Development HQ. in charge of ascertaining needs, product planning/development, and mass production
- Build in quality, cost and delivery through advanced manufacturing development linked to product development
- Rebuild ball screw technology and strengthen elemental technology development leading to new product creation
- Collaborate with NTN Next Generation Research Alliance Laboratory and external research institutes to discover and utilize advanced technology ,and to develop human resources



NTN Next Generation Research Alliance Laboratory



i-WRIST for visual inspection



Ball screw for electric brakes



N³ N-CUBE as an eco toilet

Strengthen development of new module products and system products

- Accelerate development and commercialization of mobility module products such as ball screws for electric brakes
- Accelerate product development and commercialization of robot-related module products to facilitate labor saving and carbon neutrality
- Create organizations to manage compliance with international standards for electrification, and develop human resources in fields such as electronic control development
- Expand green energy products business (NTN Green Power Stations, N³ N-CUBE)

(3) Key Measures: Value Chain Reform

Engineering Chain Management (ECM)

ECM reform (Quality)

- Defensive quality
- Proactive quality
- Profitable quality

Market research

Product planning

Design

Prototype

ECM reform (Design)

- Review of design standards
- Review of material procurement
- Digitalization of design work
- Commercialization of products in growth field

Sales

Procure-
-ment

Manufac-
-turing

Logistics

Distribution

Supply Chain Management (SCM)

SCM reform (Procurement)

- Global optimal procurement
- Purchase price optimization
- Development of new suppliers

SCM reform (Manufacturing)

- Production reform and streamlining
- Digitalization of manufacturing work
- Investment in labor saving and CN

SCM reform (Logistics)

- Redesigning logistics network
- Improving truck loading rate
- Response to 2024 problem

(3) Key Measures : Transformation of Business Foundation- Generate Profits utilizing Digital Technology

Basic policy of digital utilization

- Reduction in operational costs by enhancing the functionality of core systems
- Objective and rapid decision making by developing a data-driven environment
- Improvement of work efficiency and accuracy by utilization of advanced digital technology



Wakayama Works

Sales and administration

- Integrate core systems globally
- Reduce lead time and costs based on data analysis
- Improve efficiency of prediction, search and documentation using AI

Research and development

- Shorten development period by analysis system utilizing AI
- Expand abnormality detection services and condition monitoring by sensors

Manufacturing and procurement

- Achieve automaton and labor saving in line work by expanding smart factory
- Improve productivity by smart device utilization

Develop digital human resources



- Reskill employees to improve their digital literacy
- Secure and develop highly skilled digital human resources for utilization of advanced digital technology

Enhance information security continuously



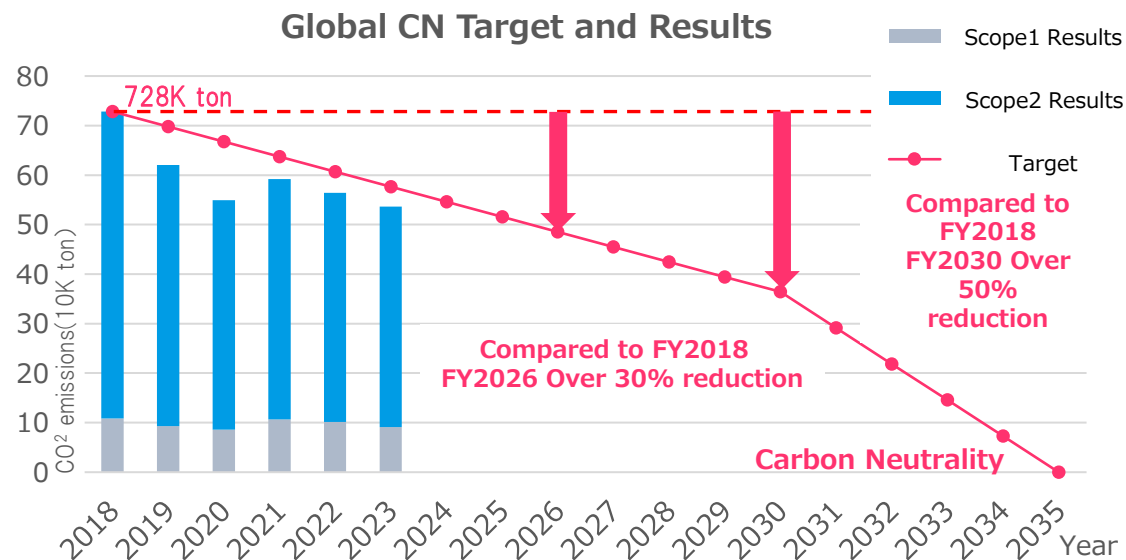
- Expand security measures within plants, on products and the entire supply chain
- Develop NTN-CSIRT globally and strengthen security education

(3) Key Measures: Evolution of ESG management

E:Environment

Promote activities to achieve CN

- Reduce CO₂ emissions by more than 30% by FY2026 compared to FY2018 toward achievement of carbon neutrality
- Develop and provide products and services that reduce energy loss to the utmost limit



S:Social

Fulfill prosperous human development

- Secure and develop diverse human resources
 - Expand support for self-directed career development
 - Establish the job-standard manager personnel system
 - Introduce performance-linked compensation (bonus) system
 - Develop next-generation management
- Foster an organizational culture
 - Strengthen support measures for balancing work and childcare/elderly care
 - Enhance employee engagement through workplace improvement activities etc.
 - Implement and continue town hall meetings by management

G:Governance

Advancement of governance

- Evaluate after transition to a Company with a Nominating Committee, etc. and promote continuous improvement activities
- Dialog between Outside Directors and stakeholders
- Enhance and strengthen internal controls based on Internal Control Policy
- Strengthen risk management system

(4) Basic Policies and Strategies by Business Sector: Bearing and others

Business target

FY2026 **Operating margin 7.8%**

Policy

1. Expand aftermarket business
2. Improve profits in bearing OEM business
3. Develop products for electrification and strengthen market competitiveness by reviewing application standards and design criteria
4. Enlarge service solutions

Main strategy

Expand aftermarket business

- **Strengthen supply capability**
 - Expand external purchasing and outsourcing
 - Optimal allocation and expansion of production capacity through integrated OEM and aftermarket operation
 - Expand inventories of popular products for the aftermarket
- **Strengthen engineering services**
 - Strengthen "bearing life cycle management" through integrated OEM/aftermarket operations
 - Expand sales by expert organization for engineering solutions
 - Expand service business such as bearing diagnosis and refurbishment

Market environment



Construction machinery Earthquake reconstruction projects, stable growth associated with infrastructure development and progress in automation and electrification



Agricultural machinery Population growth in emerging countries, and electrification and automation by labor shortages and aging populations in Japan, U.S. and Europe



Gear box Growth in the robot market due to labor-saving measures to address labor shortages



Aerospace Growing passenger demand, and increasing communication satellite services to stimulate the space industry



Rolling stock Infrastructure development in emerging countries due to the economic growth and addressing environmental issues



Wind turbine Increasing wind power generation to achieve a carbon neutral society



Machine tool Energy savings through automation and enhanced efficiency using IoT

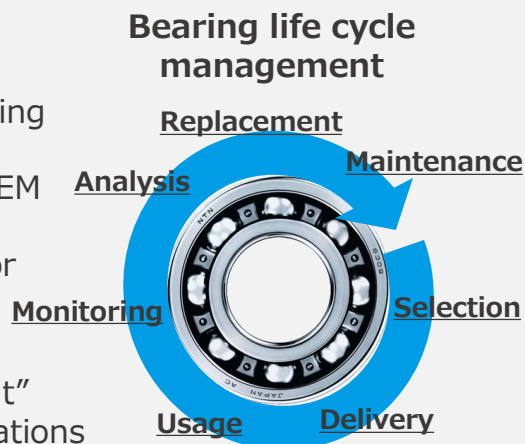


Automobile Decrease in engine vehicles and expansion of electric vehicles, especially BEVs



Aftermarket (Industrial machinery) Expanding demand in the aftermarket due to economic expansion in emerging countries

(Automotive) Increase in the number of vehicles on the road due to global population growth and longer vehicle life



Improve profits in OEM business

- **Improve asset efficiency by reorganization of production bases in the Americas, Europe, China and Japan**
- **Drastic review on costs through production at optimal site**
- **Price increases and reduction in unprofitable business**
- **Develop new products that meet market needs and bring them to market speedily**



"Resin Mold Insulated Bearing" for e-Axle

(4) Basic Policies and Strategies by Business Sector: CVJ/Axle

Business target

FY2026 **Operating income 4.6%**

Policy

1. Pass-on price and set selling price appropriately
2. Improve profit margin of existing projects by value chain reform
3. Ensure profits and return on investment expected when receiving new orders
4. Respond to EV market needs

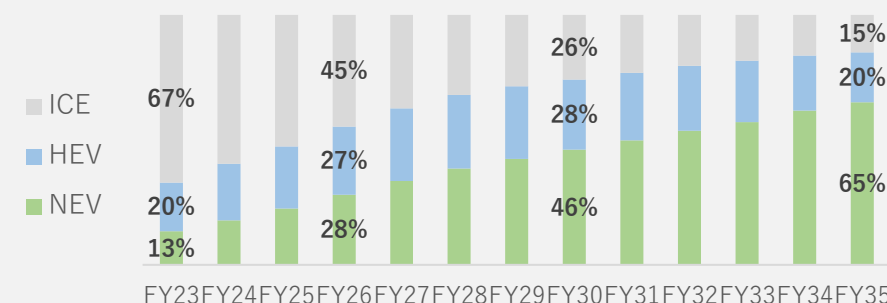
Main strategy

Improve profits of OEM business

- Improve asset efficiency by reorganization of production bases in the Americas, Europe, China and Japan
- Price increases and reduction in unprofitable business
- Deepen partnerships with customers based on problem-solving and proposal capabilities
- Procurement reform, design reform, and cost reduction by reviewing designs and materials not constrained by conventional design concepts
- Maximize profits by expanding external purchasing, and restructuring supply chain of parts and finished products
- Develop new products that meet market needs and bring them to market speedily

Market environment

- Automotive markets will expand moderately, while weakness in Japan and Europe
- HEVs will peak out around 2028
- NEVs will consistently grow in ratio



- Expansion of the automotive aftermarket based on an increase in the number of vehicles on the road due to global population growth and longer vehicle life

Expand aftermarket business

- Strengthen supply capability
 - Develop alternative products and outsourcing
 - Expand product lineup through external purchasing
 - Establish LCC brand and expand sales
- Relocate aftermarket headquarters functions to Europe and establish sales expansion system



High Efficiency Fixed Type CVJ "CFJ"



Shudderless Sliding Type CVJ "PTJ"

Fixed Type CVJ

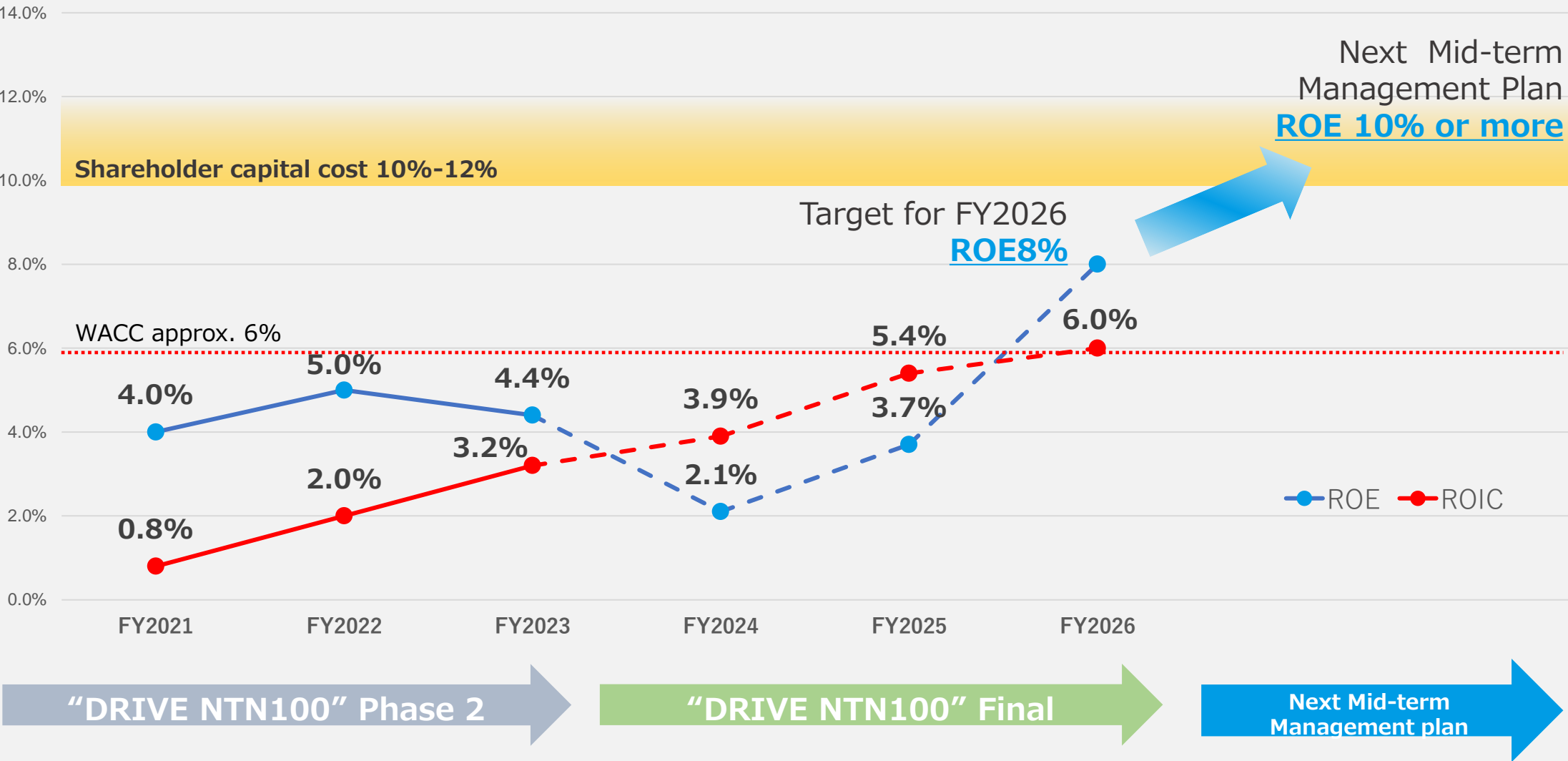
Sliding Type CVJ

5

**Realize Management that is Conscious of Cost of Capital
and Stock Price**

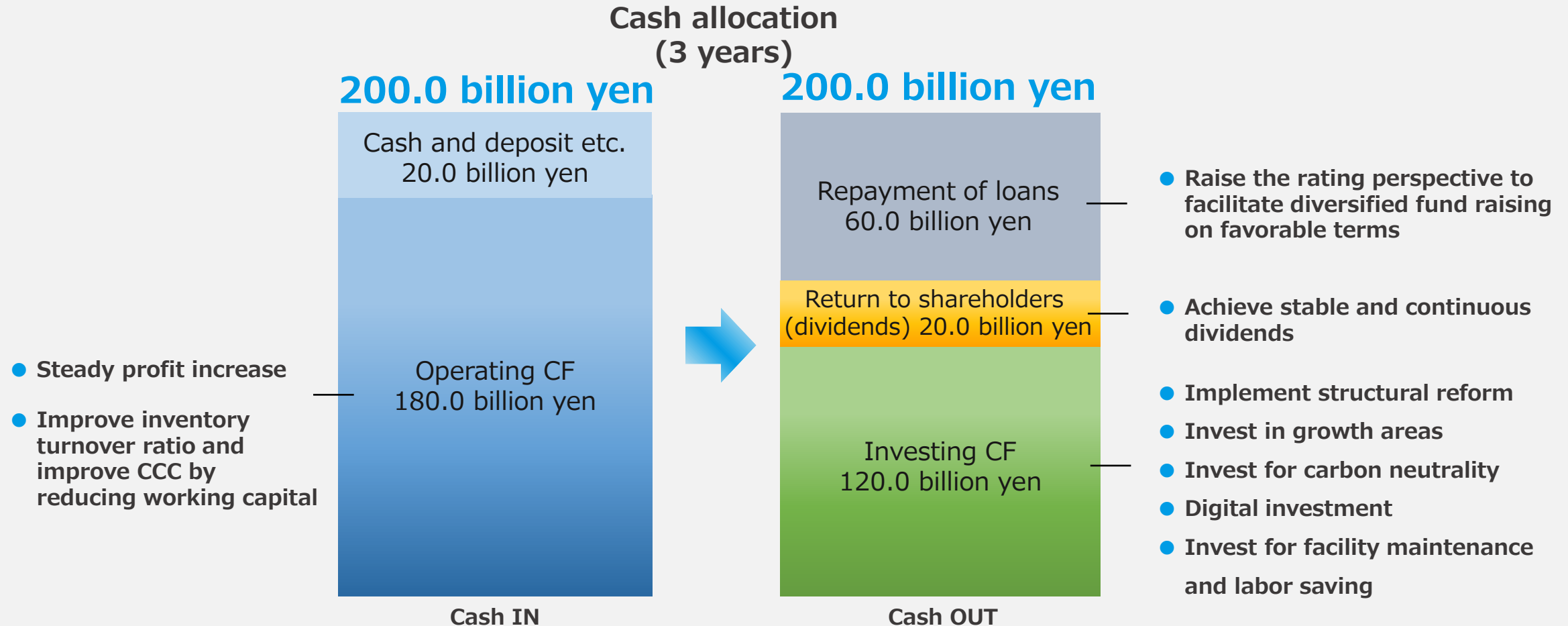


Cost of Capital and ROE: Current Status and Future Targets



Cash Allocation

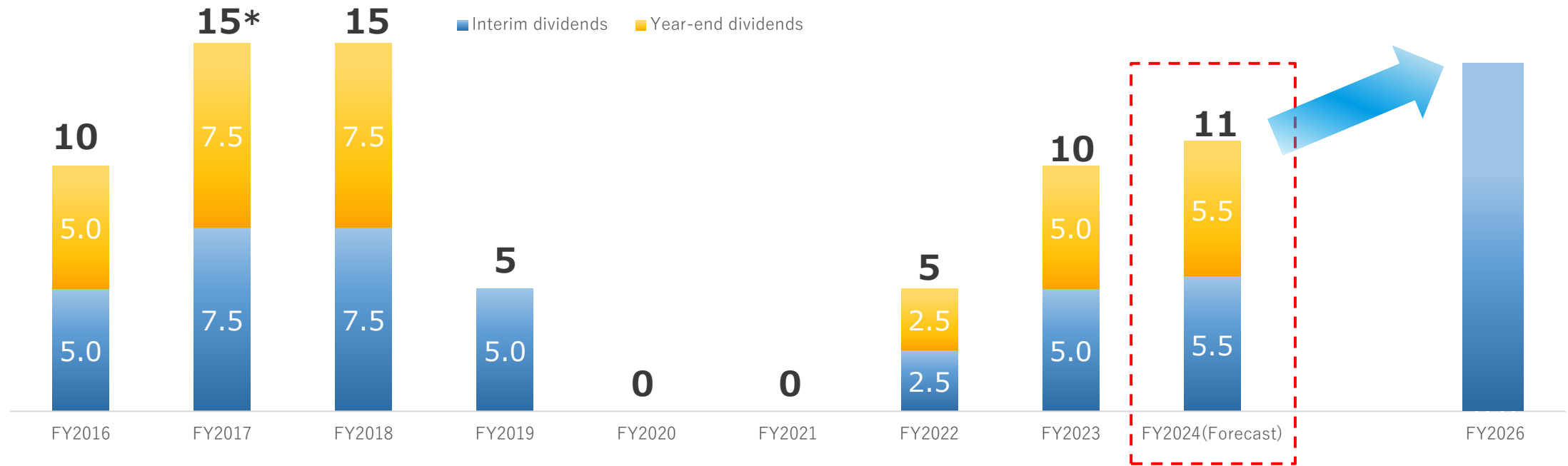
- Aim to increase corporate value by achieving both business growth and improved financial soundness



Policy of Return to Shareholders

- 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

* All figures in yen



* Including 100th anniversary commemorative dividends

For improvement of ROE

ROE

FY2026 8.0%
↑
FY2023 4.4%

Net income margin

FY2026 2.4% or more

FY2023 1.3%

×

Total asset turnover

FY2026 1.0 or more

FY2023 0.92

×

Financial leverage

FY2026 3.3 times

FY2023 3.4 times

||

||

||

Net income

FY2026 20.0 billion yen
or more

- Expand aftermarket business
- Improve profits in CVJ/Axle business

Net sales

FY2026 830.0 billion yen
or more

- Increase aftermarket ratio
- Expand new business and new products ratio

Total assets

FY2026 4.5

(Inventory turnover ratio)

- Expand and accelerate production reform activities
- Overall supply chain optimization and lead time reduction
- Accelerate structural reform

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Net sales

FY2026 830.0 billion yen
or more

- Increase aftermarket ratio
- Expand new business and new products ratio

Total assets

FY2026 4.5

(Inventory turnover ratio)

- Expand and accelerate production reform activities
- Optimize the entire supply chain and reduce lead time
- Accelerate structural reform

Equity

FY2026

Equity to capital ratio 30%

- Achieve steady profits improvement
- Reduce interest-bearing debt

Capital cost
reduction

Strengthen and facilitate dialog with stakeholders

- Disclose video and script of IR meeting in both Japanese and English
- Enhance business briefing and plant tour for shareholders and investors
- Strengthen direct dialog between shareholders/investors and senior management/Outside Directors
- Educate employees about the importance of dialog and collaborate with IR-related departments



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