

NTN Report 2021

For the fiscal year ended March 31, 2021



NTN®

Make the world **NAMERAKA**



Make the World "NAMERAKA"

NAMERAKA is a Japanese word that means smooth. Bearing technology is used to smoothen the rotating parts of any type of machine. With more precise bearing technology, shafts can rotate more smoothly, minimizing energy loss as much as possible. Bearings are thus a technology for saving energy. The technology developed with bearings will help make electric vehicles, robots and even a natural energy-based society function more smoothly.

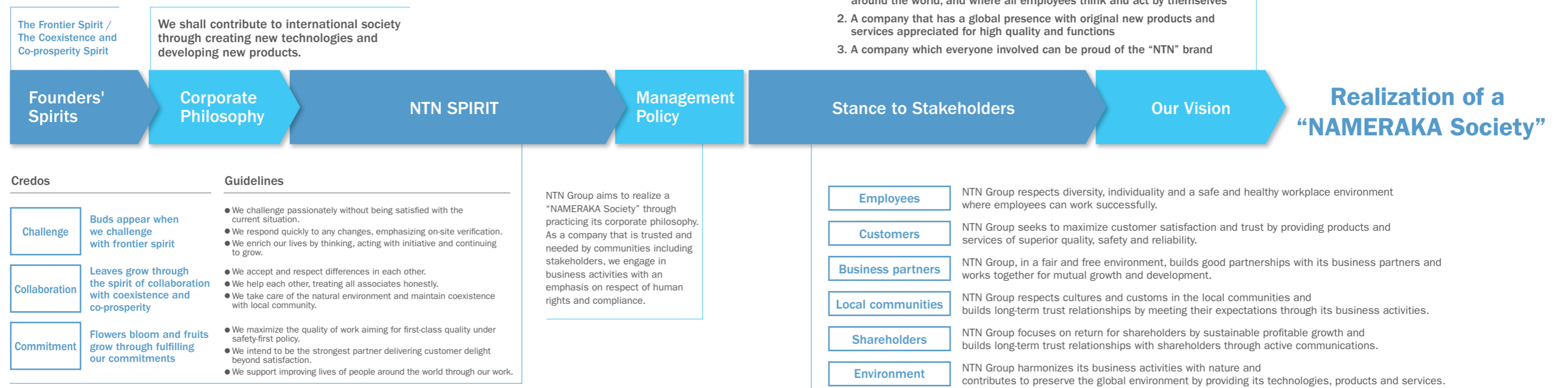


Brand statement



NTN has newly established "Make the world NAMERAKA" as a brand statement in order to make the NTN Group's purpose of being widely recognized both in Japan and overseas, and communicate globally our goal to realize a sustainable "NAMERAKA Society."

Overview for realizing a "NAMERAKA Society*"



* NAMERAKA Society: A society where people can easily lead a secure and fulfilling life in harmony with nature.

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Editorial Policy

The NTN Group believes that building trusting relationships with shareholders and investors, customers, business partners, the international society, local communities, and employees and contributing to the global environment will lead to enhancement of corporate value. In order to report our business activities and sustainability activities to our stakeholders, we have published the "NTN Report (Integrated Report)" since the fiscal year ended March 31, 2010. We will use this report as a means of communicating with our stakeholders to deepen their understanding of us, thereby contributing to the realization of a "NAMERAKA Society."

Concepts behind the Production of "NTN Report 2021"

In the fiscal year ended March 31, 2021, business activities were significantly stagnant due to the impact of the spread of the new coronavirus infections. In April 2021, Mr. Ukai was newly appointed as President and the new Medium-term Management Plan "DRIVE NTN 100" Phase 2 has been started. We will not change the business management policy of accelerating the transformation of the business structure shown in "DRIVE NTN 100." For the next three years, we will focus on strengthening our financial structure and develop measures to plant seeds for future growth. At the same time as the Phase 2 initiatives were formulated, we have newly identified materiality (important issues). Through the Group's business, we will work to resolve global social issues and contribute to the achievement of the SDGs. This report describes these topics

Organization Covered and Reporting Period

Reporting Period
Fiscal year ended March 31, 2021 (April 1, 2020-March 31, 2021)
Includes some activities for the fiscal year ending March 31, 2022

Organization Covered
NTN Group
Includes some reports about NTN only

Reference Guidelines

We are enhancing disclosures with reference to the following guidelines and others.

- International Integrated Reporting Council (IIRC) "International Integrated Reporting Framework"
- Ministry of Economy, Trade and Industry "Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation"
- GRI (Global Reporting Initiative)
- "Sustainability Reporting Standards"
- SASB (U.S. Sustainability Accounting Standards Board) Standards

Disclaimer

This report contains outlooks and forecasts regarding NTN's future plans, strategies, and business results. Please understand that actual business results may vary from the forecasts made herein by the Company.

Types of Information Provided by NTN



This report presents both financial and non-financial information, focusing on especially important topics. More detailed information is available in the Securities Reports and Financial Reports. Detailed information on the Company's sustainability activities is also available on our website.

<https://www.ntnglobal.com/en/index.html>

Since its founding, NTN has maintained the quality-first approach, and built up reputation and achievements with its high level of technological expertise.

We will continue to contribute to international society through creating new technologies and developing new products.

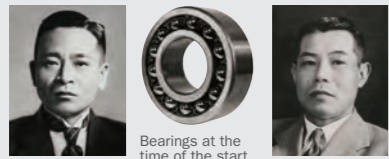
1918

"Frontier Spirit" and "Coexistence and Co-prosperity Spirit" inherited since its foundation

Start of ball bearing research and manufacturing at Nishizono Ironworks

NTN's Founders' Spirit, which has been valued since its founding in 1918, consists of two elements: "Frontier Spirit" that leads us to always take on challenges and "Coexistence and Co-prosperity Spirit" that leads us to develop together with society. The Founders' Spirit has been incorporated into NTN's corporate philosophy as DNA, and it has been inherited over 100 years.

Young engineer Jiro Nishizono started the Nishizono Ironworks in Kuwana, Mie Prefecture in 1918 when he was 21 years old. Noboru Niwa (later the Company's first President) was running a machinery and tool trading company called Tomoe Trading Co. that he had started in Osaka at the age of 22. In 1922, Tomoe Trading Co. successfully bid for cargo of bearings that had been loaded in a Swedish vessel that sank off the coast of Japan. Niwa had transactions with Nishizono Ironworks before, and asked Nishizono Ironworks to refurbish the bearings. Niwa sold the bearings and bought grinders with the proceeds from the sale. Thus, bearing manufacturing got fully underway. The Company's products have carried the NTN logo, which stands for Niwa, Tomoe and Nishizono, since the start of the production.



Noboru Niwa Bearings at the time of the start of the business Jiro Nishizono

1927

Establishment of NTN Mfg. Co., Ltd. with capital of 50,000 yen

1937

Name changes to the Toyo Bearing Mfg. Co., Ltd.



Old head office building

1954

NTN becomes the first Japanese machinery manufacturer to win the Deming Prize*

The Deming Prize is one of the world's most prestigious awards for TQM (total quality management). NTN is not only the first bearing manufacturer, but also the first Japanese machinery manufacturer to win the award. The Company was one of the first machinery manufacturers to adopt statistical quality control, and the quality control was applied throughout the Company. This effort was recognized, resulting in this honor.

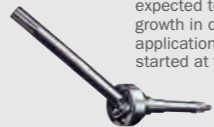


*Deming Prize: A prize created by the Japanese Union of Scientists and Engineers to honor the achievements of W. Edwards Deming, a U.S. engineer, statistician, professor, author, lecturer, and management consultant who popularized statistical quality control in postwar Japan and built the foundation needed to raise the quality of Japanese products to world standards.

1963

Start of driveshaft manufacturing

Technology partnership was formed with UK manufacturer Hardy Spicer to produce driveshafts (constant velocity joints), a promising product expected to enjoy rapid future growth in demand for automotive applications, and production started at the Kuwana Plant.



First driveshaft model produced

1964

NTN supplies journal bearings for the first O Series Shinkansen

NTN has helped enable faster and lighter rolling stocks by developing technology tailored to the evolution of high-speed rail and providing high-quality, high-reliability products. NTN's products have been adopted for the first O Series Shinkansen as well as the latest model Shinkansen. Our journal bearings for O Series Shinkansen were recognized as Tribology Heritage* by the Japanese Society of Tribologists.



* Tribology Heritage: Tribology-related technology and things recognized by the Japanese Society of Tribologists as having a particularly important contribution to the development of science and technology.

1960-1970s

Overseas sales and production strengthening/expansion

Since 1950, we have enjoyed more opportunities to expand exports of bearings. In 1961, NTN established its first overseas sales company in Dusseldorf, Germany, to create a system that can respond flexibly to local demand. In terms of production, NTN established a manufacturing subsidiary in Germany in 1971. It was the first Japanese manufacturer in Europe. In the same year, we established a bearing manufacturing subsidiary in the U.S. Subsequently, we strengthened the local production system by establishing not only plants for finished products, but also plants for the pre-production process.

Through these overseas expansions, we have promoted the local production to manufacture products for customers around the world in places where they need our products.



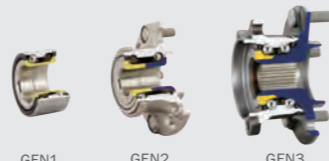
Germany Mettmann Plant

The late 1970s

Evolution of hub bearings

The latter half of the 1970s saw NTN release its axle bearings (GEN1) that were the forerunners of our hub bearings that now have the world's No.1 market share. In the 1980s, these products evolved into hub bearings (GEN2) by combining the axle bearings with peripheral components such as knuckles in a single unit. The evolution into GEN3 was subsequently accomplished by packaging additional parts such as hub bolts, flanges and knuckles into a single unit to improve ease of assembly on automobile assembly lines. The GEN3 began mass-production in Japan for the first time in the mid-1980s.

The lineup has continued to evolve. Refinements are still being made today, such as adding sensors and improving ease of assembly.



GEN1 GEN2 GEN3

1986

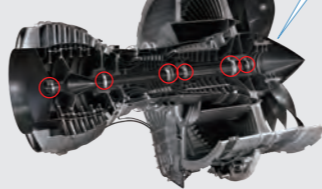
Construction of Japan's first aerospace bearing plant

NTN has been producing bearings for aerospace applications with high function and high quality. We are a certified supplier of main shaft bearings to the world's four major jet engine manufacturers, a currently unrivaled achievement among Japanese manufacturers.

Jet engine main shaft bearings



Jet engine cross-section



1989

Name changes to NTN Corporation

In line with the company name change, we also changed the meaning of NTN to represent "For New Technology Network," and adopted it as a new direction moving into the future.



Current head office building

2000-

Technical service units driving worldwide

At our sales bases around the world, we visit customers by technical service units. Technical service units are completely custom-made multifunctional vans equipped with product samples and maintenance tools. We provide technical diagnostics and technical workshops as well as detailed support for resolving customer issues.

Even after our products are delivered, we use technical service units to support enhancement in productivity and safe operation of our customers' facilities. Through direct dialog with customers, we are working to learn the problems of "customers around the world" to resolve problems in society.



2008

SNR ROULEMENTS acquisition

Seeking to expand business in the European market, NTN invested in French bearing manufacturer SNR ROULEMENTS in 2007, making it a consolidated subsidiary the following year. The addition of SNR ROULEMENTS to the NTN Group has boosted our European sales, making our business development more geographically balanced, with sales from Japan, the Americas, Europe, and Asia and other regions each accounting for approximately 25% of the total.



Current head office building of NTN-SNR ROULEMENTS

2014

Provide bearings to the Hayabusa 2 asteroid probe

The H-IIA Launch Vehicle No. 26 with the Asteroid Explorer Hayabusa 2 onboard was launched from the Tanegashima Space Center.

Our spherical plain bearings are used in the hinges that open the solar panels on the Hayabusa 2 in outer space, contributing to the successful completion of its mission in outer space.



Spherical plain bearing adopted for Hayabusa 2

2018-

Company's 100th anniversary

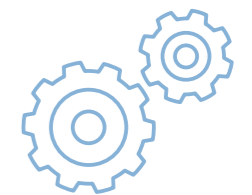
On March 1, 2018, NTN celebrated its 100th anniversary and adopted a communication key phrase: "Make the World NAMERAKA, NTN."

We are putting out products including bearings on the market that move machines smoothly. We will continue our efforts to realize a "NAMERAKA Society" by making the lives of people and society around us a bit smoother. In order to achieve sustainable growth over the next 100 years, we also established our long-term vision, and to realize it, created a Medium-term Management Plan "DRIVE NTN100."



NTN's Strengths (Competitive Advantages)

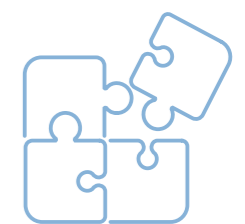
→ P.11



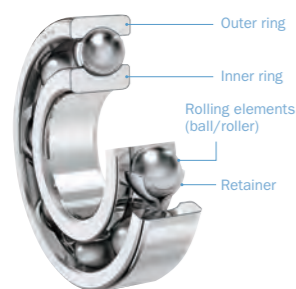
Original Technologies



Quality



Services



About Bearings

Bearings are eco-products that reduce energy consumption by supporting various rotating mechanical parts and reducing friction.

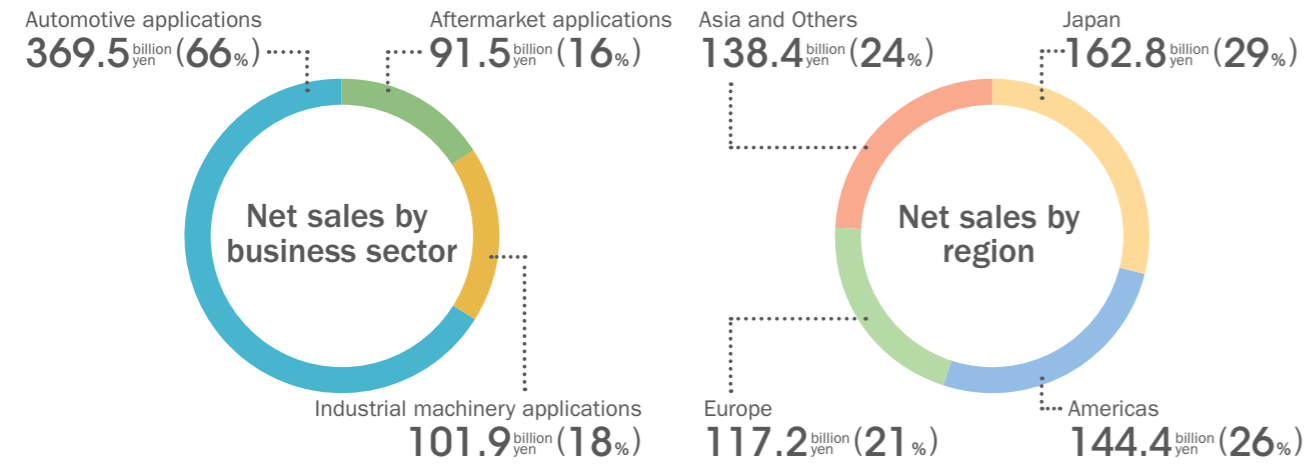
The coefficient of friction of a smoothly rotating bearing is 0.001. This means that you can move a 1,000kg object placed on the ground with a force of pulling an approximately 1kg object. Use of bearings makes it possible to move things with light force, contributing to reduction of energy consumption.

Bearings are mounted inside machinery and are usually hidden from view. But they play a key role in improving the safety and reliability of machinery, helping realize a "NAMERAKA Society."

General-purpose bearings are composed of four types of components: inner rings, outer rings, rolling elements (balls/rollers) and retainers. While the structure seems simple, any irregularities or cracks in the rings or rolling elements will prevent the bearings from turning smoothly. Every ball used in bearings must be manufactured with a high degree of technological expertise and enough precision to ensure that surface roughness is less than one ten thousandth of a millimeter.

Net Sales 562.8 billion yen

Fiscal year ended March 31, 2021



Aftermarket applications → P.79-80

Mining machinery <p>ULTAGE spherical roller bearings with high-strength cage EMA Type</p>	Metal industry equipment <p>ULTAGE sealed four-row tapered roller bearings CROU..LL</p>	Paper-making machinery <p>ULTAGE spherical roller bearings Type EA, Type EM</p>	Food processing machinery <p>PolyLube sealed bearings for food processing machinery</p>	Cement equipment <p>Plummer blocks</p>
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Remote technical support services

NTN PORTABLE VIBROSCOPE

Auto parts

Part kits with combinations of several bearings

Technical training / maintenance tools

Induction heater

Self-centering hydraulic puller with arms

Technical service units

Industrial machinery applications → P.81-82

Construction machinery <p>Applications for resource mining and civil engineering</p>	Gearboxes <p>Helping ensure high robot productivity</p>	Agricultural machinery <p>Helping ensure stable food production</p>	Wind turbines <p>Meeting growing renewable energy demand</p>	Aerospace <p>Used for worldwide jet engine applications</p>
Machine tools <p>Helping ensure high machining precision</p>	Rolling stock <p>Helping ensure safety of worldwide high-speed railways</p>	Office equipment <p>Helping ensure precision operation of copier/multifunctional printer</p>	Electronic devices <p>Used for hard disc drive and thin fan motor applications</p>	Medical equipment <p>CT scanner and artificial heart applications</p>

Automotive applications → P.83-84

Engines

- Split needle roller bearings (for camshafts)
- High-density, high-strength sintered gears for starter motors
- Pulley bearings for high-speed rotation
- Auto tensioner with the variable damper mechanism for ISG-equipped engine

Accessories

- Mechanical clutch units for next-generation steering systems

Steering components

- Needle roller bearings for rocker arms
- Clutches for seat lifters

Seats

- Hub bearings

World's No. 1 market share

World's No. 2 market share

Axle/Drivetrain

- Driveshafts

Brakes

- Ball screw drive modules for electric hydraulic brakes

Automatic/manual transmissions

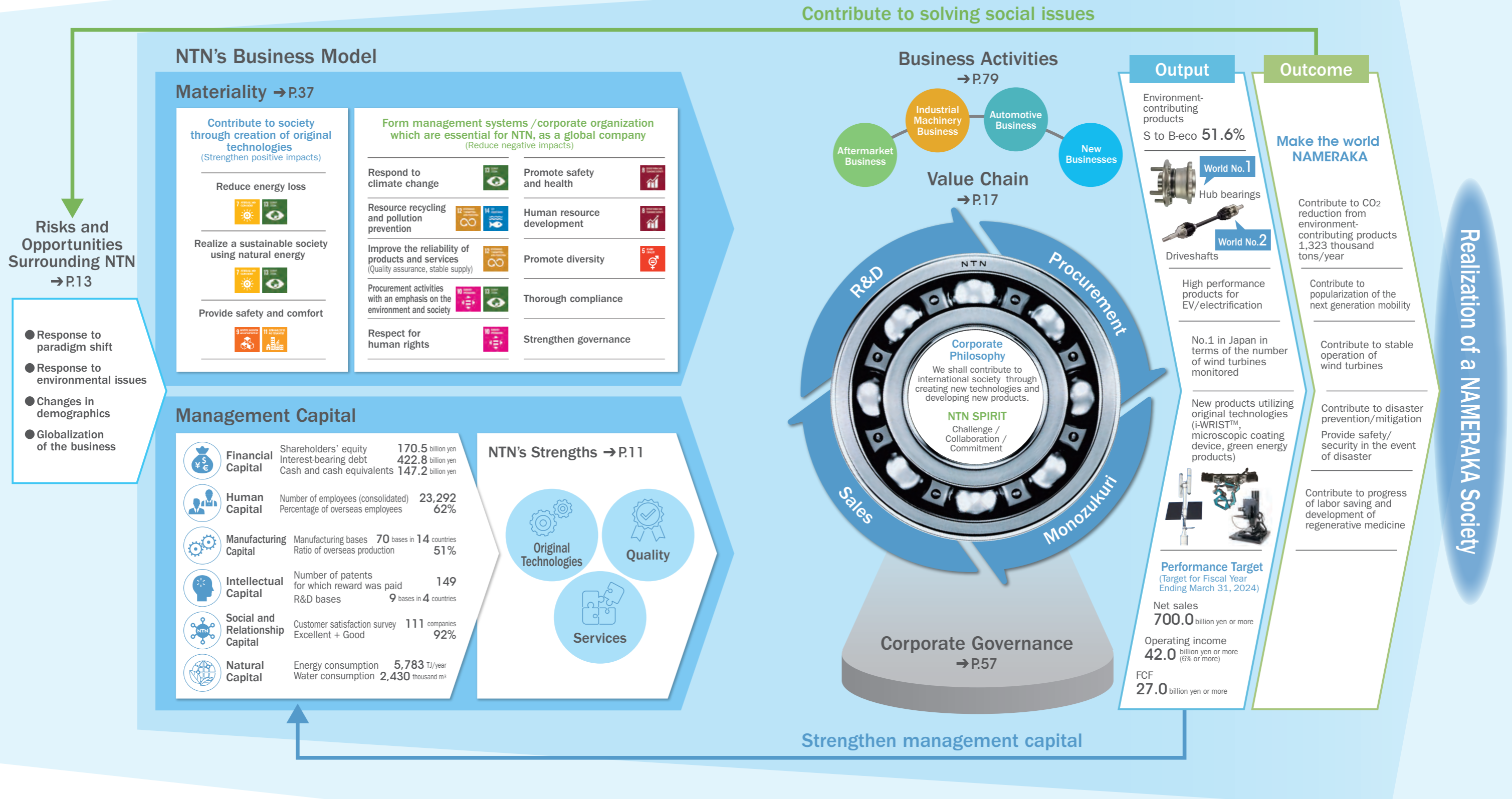
- Needle roller and cage assembly bearings for planetary gear

Transmissions CVTs

- Long-life series TAB bearings
- ULTAGE tapered roller bearings for automotive applications
- BEAREE seal rings
- Thrust needle roller bearings

NTN Group has identified materiality responding to SDGs in order to contribute to solving social issues. Taking advantage of management capital developed over more than 100 years and the unique features of NTN, we conduct business activities based on our corporate philosophy through the value chain.

By providing products such as bearings and driveshafts as well as technical services, and creating environmental and social value, we aim to realize a "NAMERAKA Society" where people can easily lead a secure and fulfilling life in harmony with nature. We will continue to promote ESG management to achieve sustainable growth and contribute to solving social issues.



Three Strengths of NTN



Original technologies

Tribology technology


- Our strengths in manufacturing technologies include heat treatment, precision machining, and precision measurement, which are indispensable for the manufacture of bearings, and we pursue tribology technologies through R&D of bearings
- Not only rolling bearings, but also a wide range of materials such as resins, sintered metals, and magnetic materials, as well as advanced technologies such as fluidic dynamic pressure type technology for the development of units and module products consisting of sliding bearings, and electrical and machine parts, and we market them as composite material products

Sensing technology

- Develop and provide products and the Multi Track Magnetic Ring equipped with a high resolution rotational sensor developed based on NTN-SNR's ASB® (Active Sensor Bearing), a global standard technology
- Develop monitoring services for large wind turbines by CMSs (Condition Monitoring System). Capture the top market share in Japan by providing enhanced support, as the number of installed units exceeds 200

Product quality

- High reliability demonstrated by the long-standing track record of developing the first quality control system that won the Deming Prize in the Japanese machinery industry and supplying it for life-supporting applications such as the Shinkansen and aerospace
- Acquired world-class market share for axle/drivetrain products that support safe driving of automobiles




Quality

Quality of human resources and work

- Human resource development programs to pass on know-how, such as the Global QC Circle Convention, NTN Technical Skills Competition, and TQM Convention
- Promote the practice of the Corporate Philosophy through the "NTN PROUD AWARD"

Global network

- Provide products and services to customers from approximately 200 bases in 34 countries around the world
- Respond to market needs in various locations with R&D system in four regions



Services

Problem-solving customer responsiveness

- No.1 domestic aftermarket share with the largest domestic distributor network
- Provide remote technical support services globally
- Contribute to solving all customer issues through detailed responses (From products to service-oriented (solutions))

Future Direction

- Differentiation through advances of cultivated technology, including low friction and diversification of functions of hub bearings, which have the No. 1 global market share
- Develop hydrogen-related and other products to achieve carbon neutrality

- Respond to new market needs of CASE such as autonomous driving and sharing
- Develop and upgrade AI algorithm to predict residual life
- Develop "talking bearings" with built-in sensors in the bearing to issue an alert for abnormalities

- Stable supply of high-performance products
- Spread sophisticated quality control practices using IoT/AI to manufacturing divisions, including suppliers

- Strengthen the development of human resources who "think and act by themselves" to achieve workplace goals
- The corporate philosophy is understood by all employees around the world

- Expand sales in the Middle East and Africa

- Provide advanced preventive maintenance services by using big data
- Expand remote technical support services and on-line technical workshops for end-users

Development of Strengths in Each Business

Aftermarket business → P.79

Expanding services through hardware and software

In the aftermarket for all types of machinery, the need for maintenance services and solution businesses not for a single bearing but for the entire facility is expanding, thanks to the popularization of AI and IoT.
NTN has achieved the top aftermarket share in Japan through its leading distributor network and services, and has expanded its overseas network. In the future, we will expand our services by utilizing our expertise in sensing technology, etc. as well as digital technologies, thereby further capturing demand.

Industrial machinery business → P.81

Response to climate change

Introduction of renewable energy is expanding to achieve carbon neutrality and realize a decarbonized society.
NTN has a strong position in large bearings for main shafts of wind turbines, and has the largest market share for wind turbine's condition monitoring systems (CMS) in Japan. We also sell green energy products that utilize our proprietary blade technologies. We expect these products to grow along with the future growth of the market.

Responding to Robotization

At manufacturing sites, there is a growing demand for manpower savings and further efficiency improvements due to labor shortages.
NTN is contributing to labor saving and automation through the use of high value-added products such as bearings with built-in sensors and Multi Track Magnetic Ring in addition to Wrist Joint Module "i-WRIST™" that applies CVJ-technology. We expect sales of related products to expand in line with the growing demand for robotization.

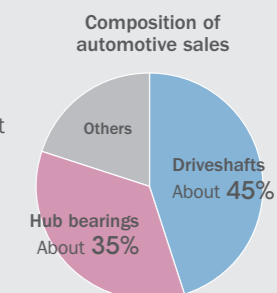
Automotive business → P.83

Responding to the shift to EVs





In the automotive market, as response to the environment is required, fuel efficiency and CO2 emission regulations have been strengthened in various countries, and the government-driven adoption of EVs and electrification has been accelerating.

NTN boasts the world's No. 1 market share for hub bearings, which support tire rotations, and the world's No. 2 market share for driveshafts, which pass the rotations of engines and motors to tires. NTN has its strength in strong technological capabilities and overwhelming market share for axle/drivetrain products.

Driveshafts and hub bearings are our mainstay products, which account for approximately 80% of our net sales for automotive applications, and are essential not only for ICEV (internal combustion vehicles), but also for HEVs and EVs. Demand is expected to continue expanding in the future. We will ensure superiority in the marketplace by pursuing even lighter weight, higher efficiency, and lower friction, and by providing high performance products.



NTN Group views the global trend of carbon neutrality (environmental impact reduction and decarbonization), the accelerating electrification to achieve the carbon neutral goal, and a business environment facing labor shortages and human rights issues from the perspectives of "Response to paradigm shift," "Response to environmental issues," "Changes in demographics," and "Globalization of the business." We will contribute to solving social issues while continually growing through our business activities by implementing countermeasures in line with the materiality of anticipated risks and opportunities.

NTN's Business Environment		Risks for the Company	Opportunities for the Company
Response to paradigm shift 	Spread of next-generation mobility	<ul style="list-style-type: none"> ● Decrease in the total number of bearings used per unit ● Demand for higher performance products such as lighter weight products ● Reorganization of the automotive industry 	<ul style="list-style-type: none"> ● Expansion of sales channels due to entry of new EV manufacturers ● Expanding sales opportunities for driveshafts and hub bearings that support not only gasoline-powered vehicles and HEVs but also axle/drivetrain of EVs ● Increase in ASP (average sales price) due to size-up of driveshafts corresponding to the motor's output characteristics ● Using driveshafts' patented technologies to propose products that are smaller and lighter ● Growing demand for high performance products for EVs ● A possibility of growth in demand for parts replacement as car sharing increases the operating rate of vehicles
	Electrification of industrial machinery	<ul style="list-style-type: none"> ● Reduced use of bearings due to electrification of internal combustion and hydraulic equipment 	<ul style="list-style-type: none"> ● Demand for high performance products such as higher efficiency products ● Increasing demand for high value-added products such as bearings with built-in sensors
	Spread of AI and IoT	<ul style="list-style-type: none"> ● Difficulty in securing digital talent, for which demand is increasing ● Rationalization of distributor network ● Securing of aftermarket demand using industrial IoT Platforms (PFs) (missed demand opportunities outside PFs) 	<ul style="list-style-type: none"> ● Advances in equipment-related manpower saving ● Rising demand for bearings with sensors ● Growing demand for analysis and analytical technologies ● Development of new fields ● Introduction of smart factories in the company
	Spread of infectious diseases (COVID-19)	<ul style="list-style-type: none"> ● Decrease in scale of sales due to economic stagnation ● Crisis of business continuity ● Damage to employees' health and safety ● Shutdown of business activities due to the spread of infectious diseases within the workplace ● Disconnection of supply chain 	<ul style="list-style-type: none"> ● Growing demand for manpower-saving technologies ● Utilizing microscopic coating technologies for drug discovery
Response to environmental issues 	Reduction in CO2 emissions	<ul style="list-style-type: none"> ● Rising procurement and energy costs ● Decline in product needs due to the declining usage of general-purpose machinery ● Requirements for carbon neutrality in business activities ● Suspension of dealing with customers and deterioration of corporate image in the event of failure to respond to the demands of society 	<ul style="list-style-type: none"> ● Increasing demand for wind turbines, including offshore ones ● Increasing demand for railways ● Increasing demand for green energy products ● Increasing needs for improvement of fuel efficiency (electricity consumption efficiency) ● Expansion of next-generation mobility (EVs, hydrogen-related)
	Requests for energy-saving machinery	<ul style="list-style-type: none"> ● Decrease in the number of parts where bearings are used due to changes in the energy transmission type and structure of machines ● Establishment of a new mechanical structure that does not require bearings 	<ul style="list-style-type: none"> ● Increasing demand for energy-saving products ● Responding to new needs
	Reduction in environmental impact	<ul style="list-style-type: none"> ● Decrease in corporate image/ESG rating when environmental impact cannot be reduced ● Cost increase due to incurrence of costs by suppliers and limitation on suppliers that can meet environmental standards 	<ul style="list-style-type: none"> ● Development of new customers through compliance with advanced environmental and customers' standards ● Increasing demand for high-quality, long operating life products ● Promotion of environment-friendly business activities ● Pursuit of circular economy
	Response to natural disasters	<ul style="list-style-type: none"> ● Shutdown due to a disaster ● Spillage of oil, chemical substances, etc. caused by natural disasters ● Disconnection of supply chain 	<ul style="list-style-type: none"> ● Increasing demand for emergency power source ● Expansion of partnerships
Changes in demographics 	Medium- to long-term labor shortage	<ul style="list-style-type: none"> ● Impact of a human-dependent production system on stability of operations 	<ul style="list-style-type: none"> ● Accelerating labor saving and automation of production lines
	Growth of emerging countries	<ul style="list-style-type: none"> ● Entry of emerging manufacturers ● Soaring procurement prices due to the entry of competitors ● Shortage of limited materials and resources 	<ul style="list-style-type: none"> ● Expansion of sales opportunities due to increasing demand ● Increasing demand for new driveshafts due to transition to front-wheel drive (FF) vehicles ● Increasing demand for high performance products that meet environmental regulations
	Issue of business succession	<ul style="list-style-type: none"> ● Suppliers and sales distributor going out of business 	<ul style="list-style-type: none"> ● Start of business with new suppliers
Globalization of the business 	Trade friction and tariffs	<ul style="list-style-type: none"> ● Sluggish global demand ● Disconnection of supply chain caused by dependence on one country (China risk, etc.) ● Downward pressure on profits due to higher tariff costs ● Rapid exchange-rate fluctuations 	<ul style="list-style-type: none"> ● Expanding opportunities to supply products and services utilizing global networks
	Prevention of child labor (human rights)	<ul style="list-style-type: none"> ● Stopping the supply of parts ● Suspension of dealing with customers and deterioration of corporate image in the event of failure to respond to human rights issues 	<ul style="list-style-type: none"> ● Improvement of corporate image through active response to human rights issues
	Response to conflict minerals	<ul style="list-style-type: none"> ● Deterioration of quality ● Suspension of dealing with customers and deterioration of corporate image in the event of failure to respond to conflict minerals issues 	<ul style="list-style-type: none"> ● Improvement of corporate image through active response
	Rise of low-cost products	<ul style="list-style-type: none"> ● Intensified price competition due to aggressive sales by emerging manufacturers ● Loss of sales opportunities ● Loss of brand value due to lower prices 	<ul style="list-style-type: none"> ● Growing demand for high performance, highly functional products due to lower quality of products on the market ● Demonstrating competitive advantage through differentiation of products and services





Materiality → P.37

Contribute to society through creation of original technologies
(Strengthen positive impacts)

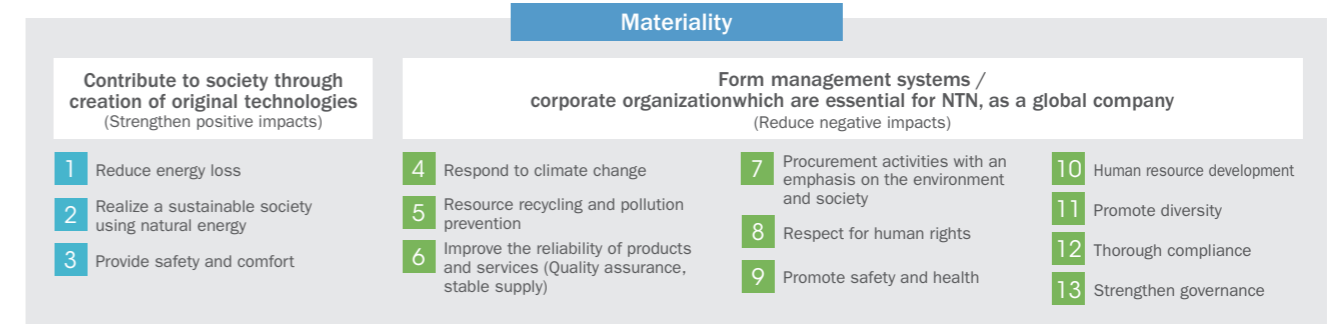
- 1 Reduce energy loss
- 2 Realize a sustainable society using natural energy
- 3 Provide safety and comfort

Form management systems / corporate organization which are essential for NTN, as a global company
(Reduce negative impacts)

- 4 Respond to climate change
- 5 Resource recycling and pollution prevention
- 6 Improve the reliability of products and services (Quality assurance, stable supply)
- 7 Procurement activities with an emphasis on the environment and society
- 8 Respect for human rights
- 9 Promote safety and health
- 10 Human resource development
- 11 Promote diversity
- 12 Thorough compliance
- 13 Strengthen governance

NTN's Business Environment		Main Measures			Related Materiality		
Response to paradigm shift 	Spread of next-generation mobility	<ul style="list-style-type: none"> Provide lighter-weight, higher efficiency driveshafts and low friction hub bearings Provide next-generation mobility modules for EVs Concentrate production of high performance products for EVs (a new plant in Wakayama) 	<ul style="list-style-type: none"> Develop hydrogen-related products Promote production reform and reorganization aimed at improving productivity Strengthen the automotive aftermarket business 		1 2 3 6		
	Electrification of industrial machinery	<ul style="list-style-type: none"> Strengthen development of products for electrification and high value-added products Provide next-generation mobility modules for industrial machinery 			1		
	Spread of AI and IoT	<ul style="list-style-type: none"> Provide service solutions through CMS technology, etc. Develop service-oriented businesses that lead to product sales and transform into new business formats 	<ul style="list-style-type: none"> Strengthen CAE analysis technology Develop "talking bearings" (= use of sensors for bearings) Provide robot-related modules such as i-WRIST™ in response to labor-saving issues 	<ul style="list-style-type: none"> E-commerce based on the new IT core system Realization of smart factories, including a new plant in Wakayama Strengthen external collaboration 		2 3	
	Spread of infectious diseases (COVID-19)	<ul style="list-style-type: none"> Life science-related R&D centered on microscopic coating technology Provide robot-related modules such as i-WRIST™ in response to labor-saving issues Promote the work style reform 				3 9 10	
Response to environmental issues 	Reduction in CO2 emissions	<ul style="list-style-type: none"> Increase sales of large bearings and CMSs for wind turbines Increase sales for rolling stock Expand sales of green energy products 	<ul style="list-style-type: none"> Promote development of environment-contributing products Promote use of energy-saving production equipment Use renewable energy 	<ul style="list-style-type: none"> Develop lighter-weight, higher efficiency driveshafts and low friction hub bearings Provide next-generation mobility modules Develop hydrogen-related products 		1 2 4	
	Requests for energy-saving machinery	<ul style="list-style-type: none"> Provide compact, lightweight and low-torque products Product development utilizing original technologies 				1	
	Reduction in environmental impact	<ul style="list-style-type: none"> Selection of business partners that can comply with green procurement and CSR procurement standards Reduce environmental impact in manufacturing processes (conserve water, increase the recycling rate, reduce the use of hazardous materials, etc.) 		<ul style="list-style-type: none"> Develop and provide long operating life products Strict control of environmentally hazardous substances contained in products 	<ul style="list-style-type: none"> Expand bearing refurbish business and MRO business 		5 6 7
	Response to natural disasters	<ul style="list-style-type: none"> Formulation of BCPs and BCP drills at the NTN Group Provide independent power supply utilizing renewable energy-based power generation and storage technologies 					2 3 9
Changes in demographics 	Medium- to long-term labor shortage	<ul style="list-style-type: none"> Provide robot-related modules such as i-WRIST™ in response to labor-saving issues Realize smart factories, including a new plant in Wakayama Promote and maximize the diversity of employees 		<ul style="list-style-type: none"> Promoting production reform and reorganization Promote the work style reform 		3 6 9 10 11	
	Growth of emerging countries	<ul style="list-style-type: none"> Stable supply of basic products 	<ul style="list-style-type: none"> Global production supporting optimal supply 	<ul style="list-style-type: none"> Realize the best mix of global and local procurement 		6	
	Issue of business succession	<ul style="list-style-type: none"> Support business continuity through dialog with suppliers 	<ul style="list-style-type: none"> Develop new business partners 	<ul style="list-style-type: none"> Reorganize suppliers and shorten supply chain 		6 7	
Globalization of the business 	Trade friction and tariffs	<ul style="list-style-type: none"> Realize the best mix of global and local procurement through variable cost reformation 				6	
	Prevention of child labor (human rights)	<ul style="list-style-type: none"> Promote human rights due diligence Globalization of compliance 	<ul style="list-style-type: none"> Implement various training programs in compliance with laws and regulations in each region 	<ul style="list-style-type: none"> Start business with new suppliers Acquire new human resources 		6 7 8 12	
	Response to conflict minerals	<ul style="list-style-type: none"> Promote human rights due diligence Implement CSR questionnaire surveys of suppliers 		<ul style="list-style-type: none"> Respond to conflict minerals surveys conducted by customers Stable supply of adapted products 		6 7 8	
	Rise of low-cost products	<ul style="list-style-type: none"> Expand product lineup and inventory Develop markets for the aftermarket business 	<ul style="list-style-type: none"> Promote development of service-oriented businesses Active outsourcing of general-purpose products 	<ul style="list-style-type: none"> Integrated sales strategy in aftermarket and industrial machinery businesses Differentiation by services 		6	

NTN Group is promoting initiatives in line with materiality for responding to SDGs by leveraging our strengths in each process of R&D, procurement, Monozukuri and sales. As we carry out our business activities based on our corporate philosophy of "We shall contribute to international society by creating new technologies and developing new products," we create value in the value chain, leading to sustainable growth.

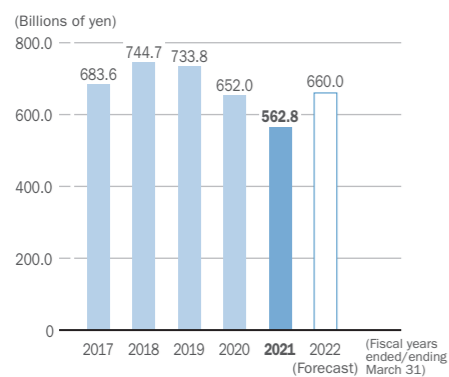


* From NTN Report 2021, the ratio of direct materials procurement in own country (region) is calculated and presented.

Financial Data

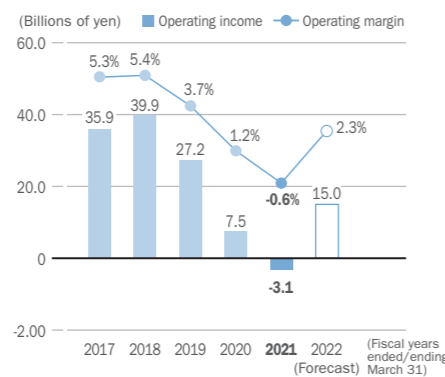
Net Sales

562.8 billion yen



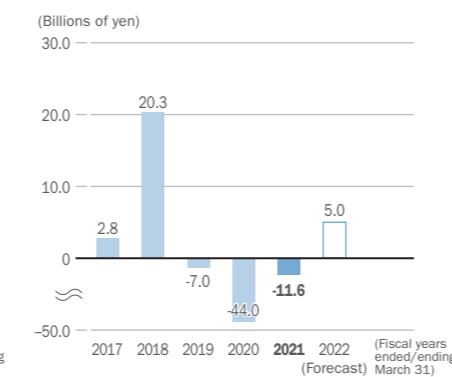
Operating Income/Operating Margin

Operating income **-3.1** billion yen
Operating Margin **-0.6%**



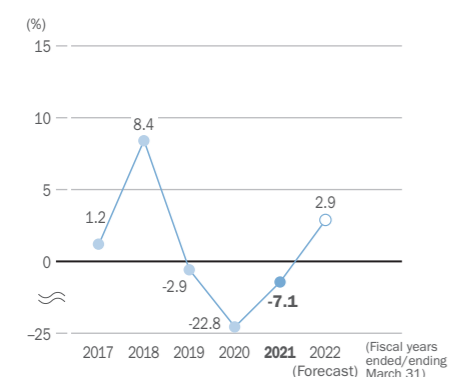
Profit (Loss) Attributed to Owners of Parent

-11.6 billion yen



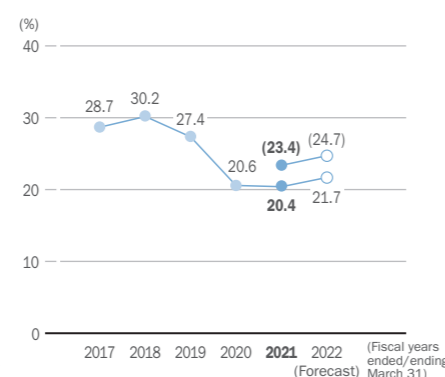
Net Income (Loss)/Average Shareholders' Equity (ROE)

-7.1%



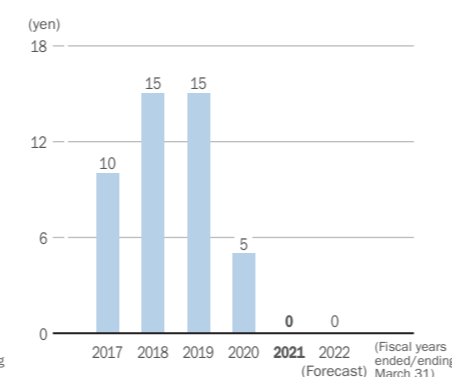
Equity to Capital Ratio^{*1}

20.4(23.4) %



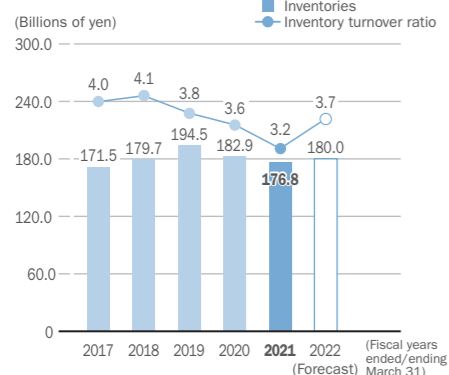
Cash Dividends

0 yen



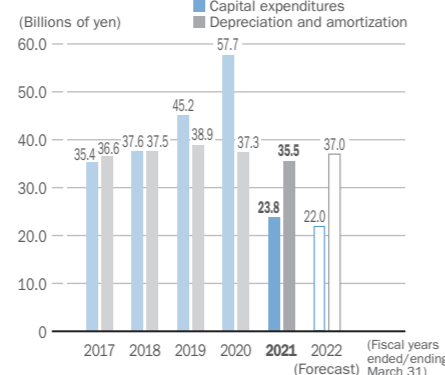
Inventories / Inventory Turnover Ratio

Inventories **176.8** billion yen
Inventory Turnover Ratio **3.2**



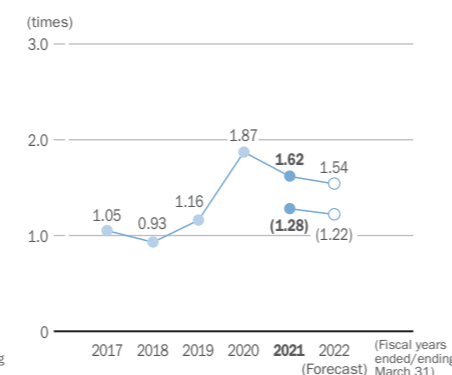
Capital Expenditures / Depreciation and Amortization

Capital Expenditures **23.8** billion yen
Depreciation and Amortization **35.5** billion yen



Net D/E Ratio^{*1}

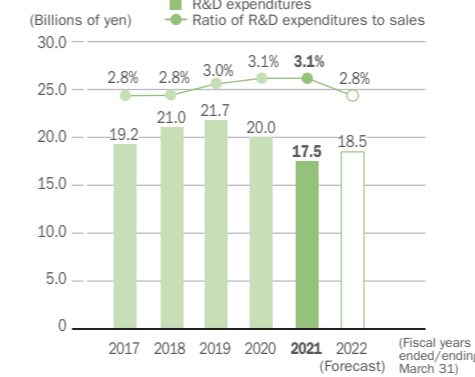
1.62(1.28) times



Non-financial Data

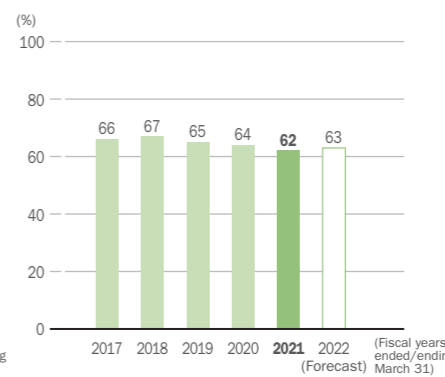
R&D Expenditures; Ratio of R&D Expenditures to Sales

R&D expenditures **17.5** billion yen
Ratio of R&D expenditures to sales **3.1%**



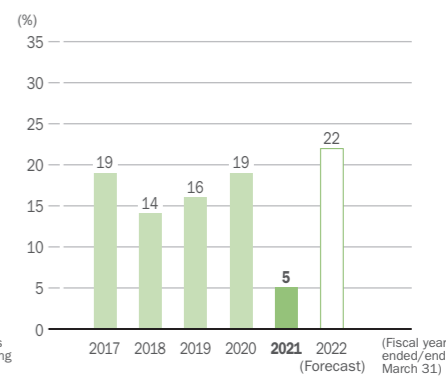
Percentage of Employees Overseas

62%



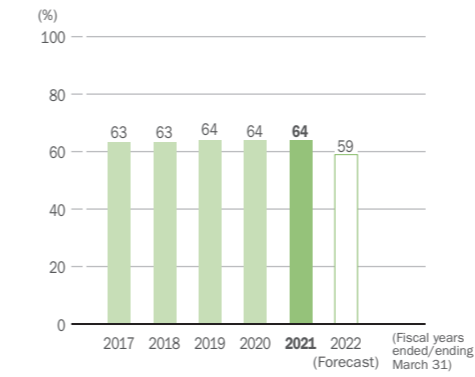
Percentage of Hired Female Graduates^{*2}

5%



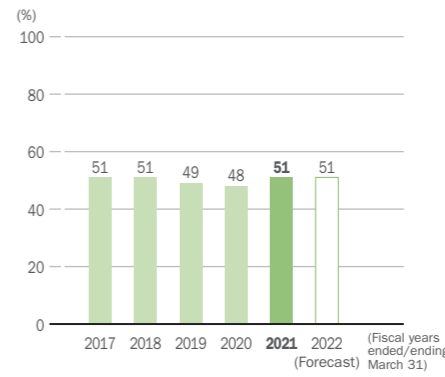
Ratio of Local Procurement^{*3}

64%

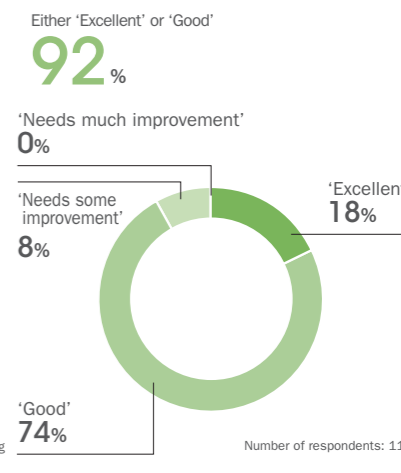


Ratio of Overseas Production

51%

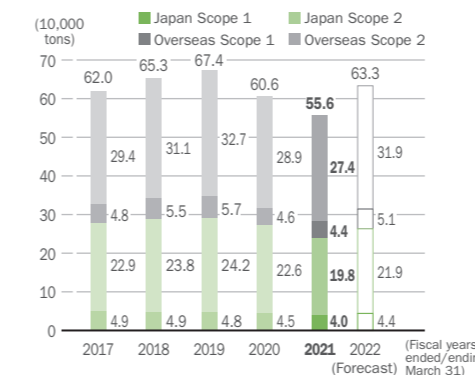


Customer Satisfaction Survey Responses^{*4}



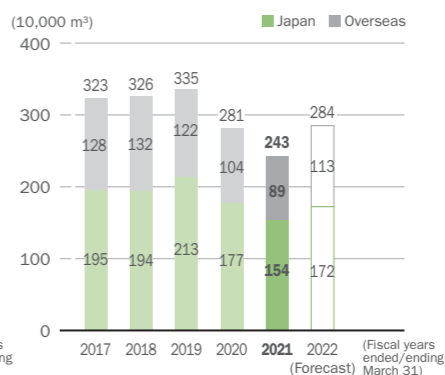
CO2 Emissions [Scopes 1 and 2]

Japan Scope 1 **40** thousand tons
Japan Scope 2 **198** thousand tons
Overseas Scope 1 **44** thousand tons
Overseas Scope 2 **274** thousand tons



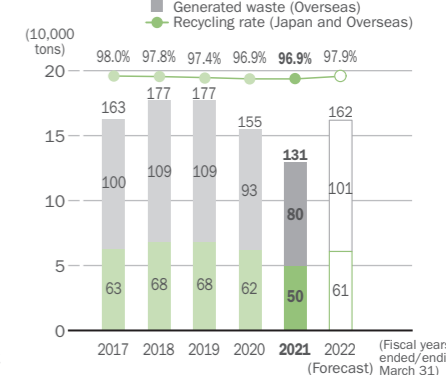
Water Consumption

Japan **1,540** thousand m³
Overseas **890** thousand m³



Generated Waste and Recycling Rates

Generated waste **131** thousand tons
Recycling rate **96.9%**



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

*2 Organization covered: NTN only

*3 From NTN Report 2021, the ratio of direct materials procurement in own country (region) is calculated and presented.

*4 Survey period: From October 2019 to September 2020



Steadily Implementing the Medium-Term Management Plan toward a Newly Reborn NTN with a Focus on Attainment of Management Goals in the Final Fiscal Year of the Plan

Director
Representative Executive Officer, President
CEO (Chief Executive Officer)

Eiichi Ukai

Taking over efforts and achievements of the predecessor and driving forward transformation of business structure

My name is Eiichi Ukai. I assumed the position of Representative Executive Officer, President and CEO (Chief Executive Officer) on April 1st of this year. Amid the very tough management environment, while being aware of the great responsibility that goes with my role, I will implement initiatives in a positive and logical manner by thinking globally and acting locally and make every effort to produce results that meet your expectations.

NTN was established by placing importance on the Frontier Spirit and the Coexistence and Co-prosperity Spirit. Based on these, we uphold the corporate philosophy “We shall contribute to international society through creating new technologies and developing new products.” For more than 100 years since its inception in 1918, the Company has aimed to realize a “NAMERAKA Society” where people can easily lead a secure and fulfilling life in harmony with nature. I consider that these founders’ spirits and the corporate philosophy go well with our current ESG management.

My predecessor, Hiroshi Ohkubo, worked on the transformation for the next 100 years during his seven-year term of office. As a part of the transformation, NTN shifted to a company with a nominating committee, etc. in 2019, and recently I was elected as a new Representative Executive Officer, President and CEO as recommended by the Nominating Committee consisting of 3 Outside Directors and 2 Directors and as decided according to a resolution by the Board of Directors.

While accelerating the transformation of the Group’s business structure by steadily implementing the Medium-Term Management Plan “DRIVE NTN100” Phase 2 of which final fiscal year will end in March 31, 2024, we will strengthen our financial structure. Through these activities, we will make our utmost efforts to build a business structure that can respond to changes in business environments.

My confidence as a top executive based on experiences in the forefront of manufacturing and sales operations

While my predecessor Ohkubo’s experience was based in finance, I was deeply involved in manufacturing with a focus on quality assurance when I joined NTN. In those days, training for new employees continued for

about three years. In the first year, I learned the basics of research and development in Kuwana Works in Mie Prefecture and in the second year, I learned about heat treatment, working under a day and night three-shift system in Takarazuka Works in Hyogo Prefecture which operated until 2009. There, I acquired knowledge about all operations and inspections of more than ten types of furnaces.

Thereafter, in the third year, I was entrusted with operating a mass production line for ball bearings in Iwata Works in Shizuoka Prefecture. The ball bearings serve as our core products. I remember that four young employees (including myself) with less experience hustled under a day and night shift system. When I was young, shift work was hard for me, but I still remember what I learned in those three years by practicing until it became automatic. This experience was helpful when I learned theories on a later date and, moreover, was a good opener for me to understand the real nature of manufacturing. Now that I hold the top position in the Company, it is clear to me that gaining adequate knowledge about the cornerstone to manufacturing in my early days at the Company was a valuable, indispensable experience. In addition, this experience gives me confidence that I can cope with great challenges to be addressed in order to transform into a newly reborn NTN.

After the three-year period, I engaged in quality assurance and plant management in Japan, Canada and China and in recent years, I’ve served as the general manager of the ASEAN/India region and was stationed in Singapore for two years since 2013 and in Thailand for two years. In doing so, I accumulated management experience not only in manufacturing but also in sales. The sales office in Singapore contributed to generation of profits in the past but was in the red for two years before I assumed the post there. This worsened situation affected the entire region. What I have given importance to in my career is for a leader pulling an organization together to get to the bottom of a problem. I keenly felt it important in solving various management issues that facing various problems in sales activities, I myself discuss face-to-face with customers and on-site personnel to discover what the real problem is until I am satisfied with the answer.

Urgent need for reformation of cost structure in manufacturing

I have been deeply involved both in manufacturing and

sales for approximately 40 years. During this period, I was transferred about 15 times in Japan and abroad. I had opportunities to learn the real nature of NTN's manufacturing first hand in Japan, while I gained knowledge and experience related to manufacturing and sales in overseas areas from the global perspective. Based on these experiences, I believe that it is the strengthening of the on-site frontline operations that brings added value to businesses and I, as a person holding the top position in the executive team, will straightforwardly tackle issues in the frontline operations of manufacturing and sales.

To prepare for such activities, I think it is important that all officers and employees of NTN share information on the potential and strengths of the Company once again. Currently, approximately 70% of net sales of the Group come from automotive businesses. Of those, approximately 80% are derived from driveshafts and hub bearings. Times are rapidly changing to electrification of automobiles but there is no change in the fact that driveshafts and hub bearings are important safety parts supporting the axle/drivetrains of automobiles and they will continue to be key parts even if it becomes common to use electric automobiles. So, I think the Company can further exert its potential by strengthening those core products in terms of functionality, such as low torque, low vibration and high rigidity.

Meanwhile, it is urgent to reform our cost structure in manufacturing in order to survive the global competition coming in the future. In the past, bearing manufacturers including the Company strongly believed in self-sufficiency and the Made-in-Japan myth. Self-sufficiency is an approach you can boast to the world because it enables products with reliable quality to be delivered to customers. However, in a situation where cost competition is intensifying due to the progress of globalization, a disciplined approach to ensuring not only quality but also reduced costs is essential.

Going forward, we will continue to manufacture products on our own that require high functionality, such as low torque, low vibration and high rigidity, but regarding standard products and general-purpose products, we will break away from self-sufficiency by outsourcing and reorganizing production and simultaneously drastically revise procurement routes. In short, we will employ a polarization strategy. To advance such reformation, it is essential for all employees of the Company to enhance sensitivity to changes in the times. At the same time, it is important to remove barriers of organizations that tend to be rigid, and

cultivate a corporate culture that takes on challenges to transformation efforts. In line with the variable cost reformation, our supply chain needs to be reviewed but we will implement measures that basically aim to ensure stable procurement with a focus on quality and cost under the spirit of Coexistence and Co-prosperity with suppliers.

Improving availability and establishing the pricing policy to pursue an increase in the profit ratio

NTN is a bearing manufacturer with its sales ranked 4th in the world. According to a quality survey conducted regularly by the Company, however, its products do not just have quality that is comparable to that of the world's top class manufacturers' products; rather, the Company's products have better quality and performance. In this respect, we will attach more confidence to our strengths accumulated over many years and further enhance our technological edge.

However, to pursue an increase in the profit ratio, we need to overcome various issues. First, in relation to the aftermarket, many areas for improvement in terms of "availability" of services and other items remain. From the customers' perspective, if a defect occurs in a bearing of equipment, they want to replace the bearing with a new one or one with appropriate specifications and resume the operation of a production line as soon as possible. By meeting such needs in a timely manner, we can provide value sought after by customers.

Since 2013, I have closely watched front-line sales operations in overseas markets. Each time I learned about the actual circumstances, I pointed out the importance of improving availability at a Global Management Meeting and other occasions. We need to be a manufacturer that can be of help to customers by delivering their necessary products when the customers are in trouble. This represents the provision of value of availability and in "DRIVE NTN100" Phase 2, we will channel our energy into strengthening our supply capacity and services with the aim of accelerating the transformation of our business structure.

From now on, we will aim to build a business model that can demonstrate availability. The Company sells bearings for MRO of machinery for mining, paper production and steel production and automotive aftermarket parts called auto parts, as well as aftermarket bearings for general machinery. For the aftermarket business, it is important to win OEM

(direct sales) orders with appropriate profits secured, deliver products from the initial phase of installation of machinery and equipment by customers, thereby securing an advantage in winning replacement orders for bearings, and reduce production costs by utilizing mass-production lines for OEM.

To strengthen coordination with the OEM business from the above two perspectives, we will take measures for each of the following processes: buying materials, then producing and selling products. With regard to the process of buying materials and parts, we will break away from self-sufficiency by implementing the variable cost reformation and accelerate our efforts to strengthen cost competitiveness, for example by combining global procurement and local procurement in an optimal manner. In the manufacturing sites, production reformation will be carried out by introducing overall optimization measures, thereby aiming to increase throughputs.

In sales activities, we will negotiate prices with customers if it is necessary to do so even after we have made our utmost efforts to reduce costs. Although those negotiations are hard for frontline sales personnel, I will also provide my utmost support. After assuming my current post, I set up opportunities for me to communicate information on those activities directly to employees in Japan and abroad using my own words. I recognize we cannot avoid this process if we really intend to obtain authentic customer trust and become a true partner of customers.

As a manufacturer, we will enhance corporate competitiveness by strengthening each of the processes for buying materials, then producing and selling products and generate profits by improving availability.

Improving the profit ratio by lowering the break-even point

In "DRIVE NTN100" Phase 2, strengthening the financial structure is another important issue. We will move forward with transformation to build a financial structure that can stably secure profits without relying on the demand environment. In Phase 1, we worked to reduce fixed costs since the fiscal year ended March 31, 2020, and, as a result, successfully lowered the break-even point to a target value in the fiscal year ended March 31, 2021. However, due to external factors such as U.S.-China trade friction, we cannot say we have sufficiently improved the profit ratio.



In Phase 2, we will devote our energy into reducing variable costs through the variable cost reformation and other measures, while working to reduce investments and improve productivity through production reorganization and production reformation. More specifically, we will aim to further lower the break-even point with a focus on reducing variable costs. Meanwhile, of fixed costs, the ratio of variable fixed costs that fluctuate with an increase in sales, such as personnel, logistics and other expenses, is set at 15% or less relative to an increase in net sales, and an increase in other fixed cost will be contained. Through those activities, we will aim to maximize the economy of scale. In line with this, we intend to increase added value by moving forward with reduction or withdrawal from deficit businesses. Through these efforts, we are planning to lower the break-even point for net sales by 20 billion yen from 590 billion yen in the fiscal year ended March 31, 2021 to 570 billion yen in the fiscal year ending March 31, 2024.

Reformation to shift to a new business model based on service solutions

In "DRIVE NTN100" Phase 2, concentration of resources on research and development activities for sustainable growth of NTN is yet another important issue. The direction of our research and development activities is to continue to respond to the carbon neutral movement and pursue safety, security and comfort.

Target fields on which resources are concentrated are the following six fields: service/solution; robot-related module; next-generation mobility module; renewable energy-related; hydrogen-related; and life science-related.

For service solutions (one of the target fields), we will attach sensors to bearings to make it possible to monitor bearings. Our aim is to attach micro-sensors to bearings and realize so-called “talking bearings,” a mechanism for quickly recognizing and alerting any abnormality that occurs during operation. For example, sensors for measuring vibrations or temperatures are installed in this mechanism so that an alert is issued when a value exceeding a standard is detected. The biggest problem with industrial machinery is suspension of operation due to non-conforming parts and we have accelerated technological development to solve that problem. For these efforts, we go beyond in-house development activities and are strengthening a cooperative relationship with external bodies, such as an academic-industrial partnership.

Service solutions for which we will accelerate our efforts going forward aim not only to sell products but also to rebuild the cornerstone of our businesses in order to focus on solving troubles faced by customers. In addition, we will channel energy into developing software that controls sensors. Furthermore, the replacement frequency of aftermarket bearings can be estimated by using the software to collect and analyze data on the operation status of machinery of customers. This will lead to a pull manufacturing system for producing a necessary quantity of products on an



as-needed basis and enabling us to take measures such as reducing inventories of bearings, parts and materials, which will contribute to improvement of profitability. Also, we will build a business model that utilizes big data generated through such activities in order to increase the brand value of NTN.

Promoting ESG management toward medium- to long-term sustainable growth

Throughout “DRIVE NTN100” Phase 2, the top priority issue is to pave the way for a newly reborn NTN. However, I think it is also important to aim to balance economic value and social value for the purpose of achieving sustainable growth for a medium to long term. In terms of three fields including the environment, society and governance, NTN has identified 13 items with materiality and intends to steadily advance ESG management by setting key performance indicators (KPI) going forward.

Regarding environmental conservation efforts in particular, our products minimize energy loss of rotating bodies in the first place, and as described in the beginning, we pursue the realization of a “NAMERAKA Society.” Therefore, I think we can make a great contribution to meeting the needs of the times. In addition, we will contribute to the realization of a sustainable society using natural energy by offering bearings for wind turbines and other products. NTN manufactures a large bearing with a diameter of more than three meters for wind turbines. By exhibiting such potential in manufacturing, we will contribute to communities through development of our creative technologies from the viewpoint of “E (Environment)” of ESG management. As a company trusted by communities, we will work on various issues, such as a response to climate changes, reduction of charge-in raw materials, and sustainable use of resources through reuse and recycling of waste materials. This May, we announced our support of the Task Force on Climate-related Financial Disclosures (TCFD) and will prepare a management strategy by recognizing and factoring in climate change risks and opportunities.

Regarding “S (Society),” we will endeavor to solve social issues by offering safety and comfort. More specifically, we are moving ahead with developing electric modules for electric automobiles and new products related to drug discovery and diagnosis, as well as robot-related modules for which a new market is expected to be developed and expanded. In terms

of personnel, we will continue our efforts to promote diversity, foster and use a diverse range of human resources regardless of nationality, culture, gender, age, disability, etc. and join various values together, thereby accelerating transformation.

Turning to “G (Governance),” we worked to strengthen our corporate governance framework including compliance and risk management in Phase 1, and will continue to thoroughly assure compliance and strengthen governance in Phase 2 as well.

Our efforts to realize a “NAMERAKA Society” contribute to attainment of sustainable development goals (SDGs) adopted by the United Nations. Of SDGs, 17 development goals share many common interests with efforts made by NTN in its history. Based on those past results, we will accelerate our efforts by clarifying points that need to be strengthened. Furthermore, in 2015 we endorsed the United Nations Global Compact which aims to build a framework for the international community to realize sustainable growth. We advocate ten principles in four areas including human rights, labour, the environment and anti-corruption. Going forward, we will continue to promote activities to put the ten principles of the United Nations Global Compact into practice and achieve SDGs.

Only 20 to 30% progress to goals However, the path is clear and goals can be seen

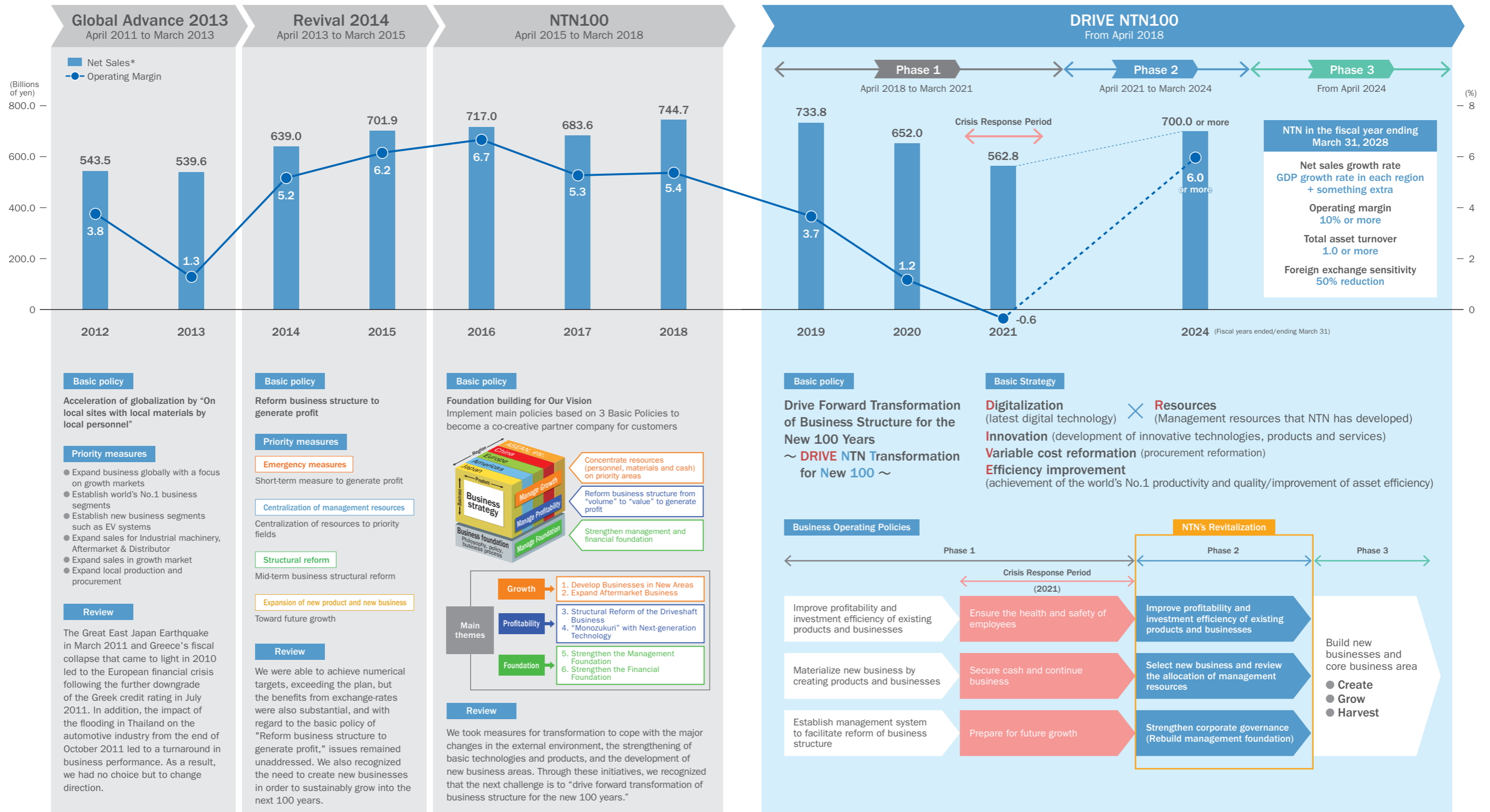
Currently, the external business environment is challenging but we will improve profitability by steadily implementing “DRIVE NTN100” Phase 2 to transform into a newly reborn NTN. I am determined to make every effort to achieve the management goals without fail in the fiscal year ending March 31, 2024, which is the final fiscal year of the plan.

If using the summit of a mountain as an analogy for our transformation into a newly reborn NTN, we are still at the second or third station on our way up. However, as described earlier, the path to climb is clear and the third-year goal to be attained can be seen. If all 23,000 employees share issues with each other and take even just half a step forward, it will exhibit great power. I believe that we can achieve net sales growth at an annual rate of 3% by overcoming each issue in areas ranging from procurement to manufacturing and sales in this fiscal year onward, and there is a good chance that we can attain the goals of at least 700 billion yen in net sales and at least 42 billion yen in operating income (with the operating income ratio being at least 6%) in the fiscal year ending March 31, 2024.

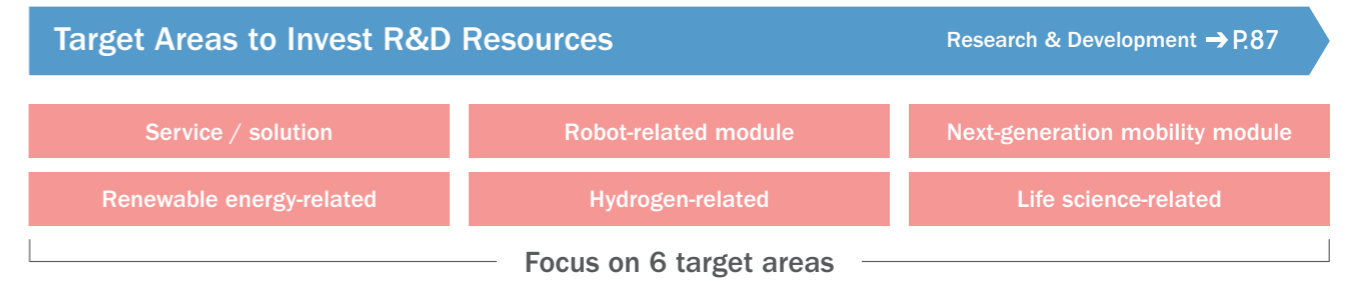
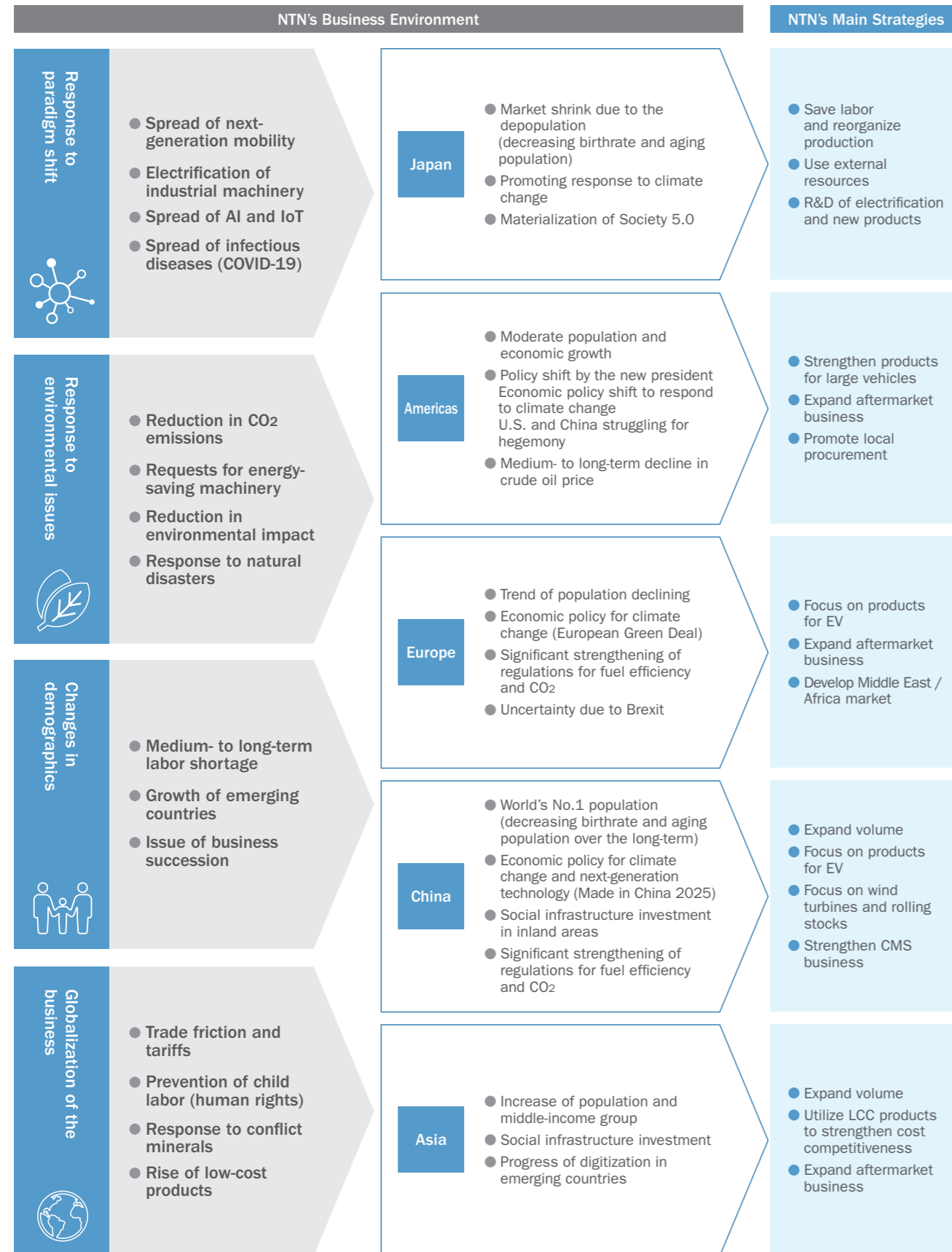
We kindly request the continued understanding and support of all our investors and other stakeholders.



In 2018, when we celebrated our 100th anniversary, we launched the Medium-term Management Plan “DRIVE NTN100” to drive forward transformation of the business structure for the new 100 years. For the three years from the fiscal year ending March 2022 to the fiscal year ending March 2024, we are working on various measures as initiatives for the Medium-term Management Plan “DRIVE NTN100” Phase 2.



* "Loyalty," which was previously included in "non-operating income," has been changed to be included in "net sales" from the fiscal year ended March 31, 2021. The period for retroactive adjustment is after the fiscal year ended March 31, 2017, which is subjected to audit by an audit firm.



Rebuild Business Portfolio and Product Portfolio

Business Strategies → P.79

We categorize NTN's main businesses into a "Creation sector," "Growth sector," and "Harvest sector" and concentrate management resources on these sectors. As to business portfolio, we focus on expansion of aftermarket business.

	Industrial machinery business	Aftermarket business	Automotive business
Creation sector Establish new areas for future growth	<ul style="list-style-type: none"> ● Life sciences (drug discovery and regenerative medicine) ● Hydrogen energy market ● Expand market for wrist joint robots ● Condition Monitoring (CMS) 	<ul style="list-style-type: none"> ● Expand sales in the Middle East and Africa ● Develop "Talking bearing" and "Thinking bearing" 	<ul style="list-style-type: none"> ● Products adapting to electrification eHUB, sHUB ● Electric brake
Growth sector Expand businesses Concentrate resources	<ul style="list-style-type: none"> ● Green energy products ● Robot / gearbox ● Wind turbines (ultra-large size bearing) ● Machine tools (European market) ● Rolling stock (Chinese market) 	<ul style="list-style-type: none"> ● From product sales business to service-oriented business ● Strengthen MRO ● Bearing refurbishment business ● Failure detection 	<ul style="list-style-type: none"> ● Products adapting to electrification ● Electric module products ● Existing products fitting EV ● Low friction, higher efficiency
Harvest sector Secure stable profit	<ul style="list-style-type: none"> ● Improve profitability by enhancing cost competitiveness ● Construction machinery (electrification and high-performance products) ● Agricultural machinery (sales expansion of CVJ for industrial machinery) ● Aerospace 	<ul style="list-style-type: none"> ● Secure saleable inventory ● Highly competitive products (BU, etc.) ● Use of overseas production and external procurement 	<ul style="list-style-type: none"> ● Focus on the vehicle segment where NTN's strengths can be utilized ● Optimize customers portfolio ● Secure volume in growth markets

Reduce fixed cost and expand supply capacity by outsourcing manufacturing (breaking away from self-sufficiency) of standard products such as ball bearings

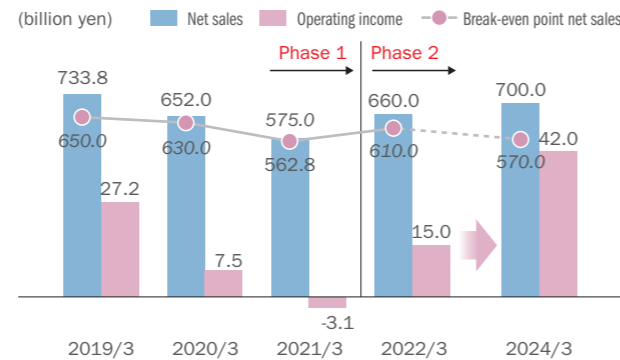
	Fiscal year ended March, 2021		Fiscal year ending March 2031	
Business composition ratio	Aftermarket business	16%	Aftermarket business	} 40%
	Industrial machinery business	18%	Industrial machinery business (OEM)	
	Automotive business	66%	Automotive business	

Lower Break-even Point

CFO Message → P.33

Toward NTN's revitalization

- Further lower the breakeven point focusing on **reducing variable costs**
- Restrain a proportional increase in fixed costs to 15% or less and maximize scale effect
- Downsize or withdraw from unprofitable business and aim to increase added value



Reduce Variable Cost / Procurement Reformation



Achievements of "DRIVE NTN100" and steady implementation of new measures

Achievements of reform **20.0 billion yen / 3rd year**

Accelerate procurement reformation

The urgent need to reform our variable cost structure and the economic cycles with less predictable and increasingly brutal variations, of strong amplitude, make the Transformation of Procurement a key factor to revive in the market. NTN must intensify its globalization, and Mr. Brelaud has been Head of Global Procurement HQ since 2020 to accelerate expansion of overseas procurement that accounts for more than 50%.

Transforming means fundamentally reviewing our processes, our decision criteria, our procurement routes and therefore requires a deep revision of our view of procurement and the relationship that we intend to develop with our business partners. Category Management, central to transformation in Phase 1, will be intensified, with a global deployment in the group and the establishment of a specific organization and innovative methodologies. Firstly focused on our first two product lines, Hub Bearings and driveshafts, multidisciplinary Cost Reduction Task Forces were set up in Japan, with mirror organizations in each Region.

The teams are physically gathered in one place, close to production, for efficient decision-making and execution and alignment of all sectors on the priorities decided as a team. Priority areas of work: the accelerated introduction of new suppliers, standardization and simplification of

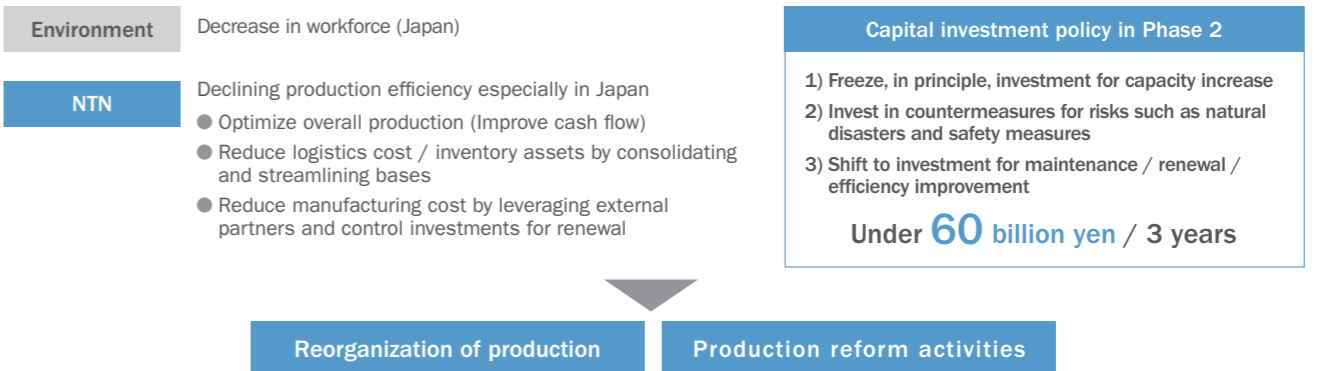
designs and specifications and listening better to our suppliers' proposals for improvements.

The implementation of centralized procurement in our core regions during Phase 1 will enable the accelerated deployment of a global purchasing policy, and optimally combine local procurement, and development of global partners with the opportunity offered by NTN to global markets. The centralization of purchases and the globalization of volumes are essential vectors for reducing costs. We intend to benefit from the high potential of competitive areas, such as China and India. Our purchasing strategy will be based on the logistics reform already initiated, aimed at obtaining a shorter, flexible, responsive and competitive supply chain.

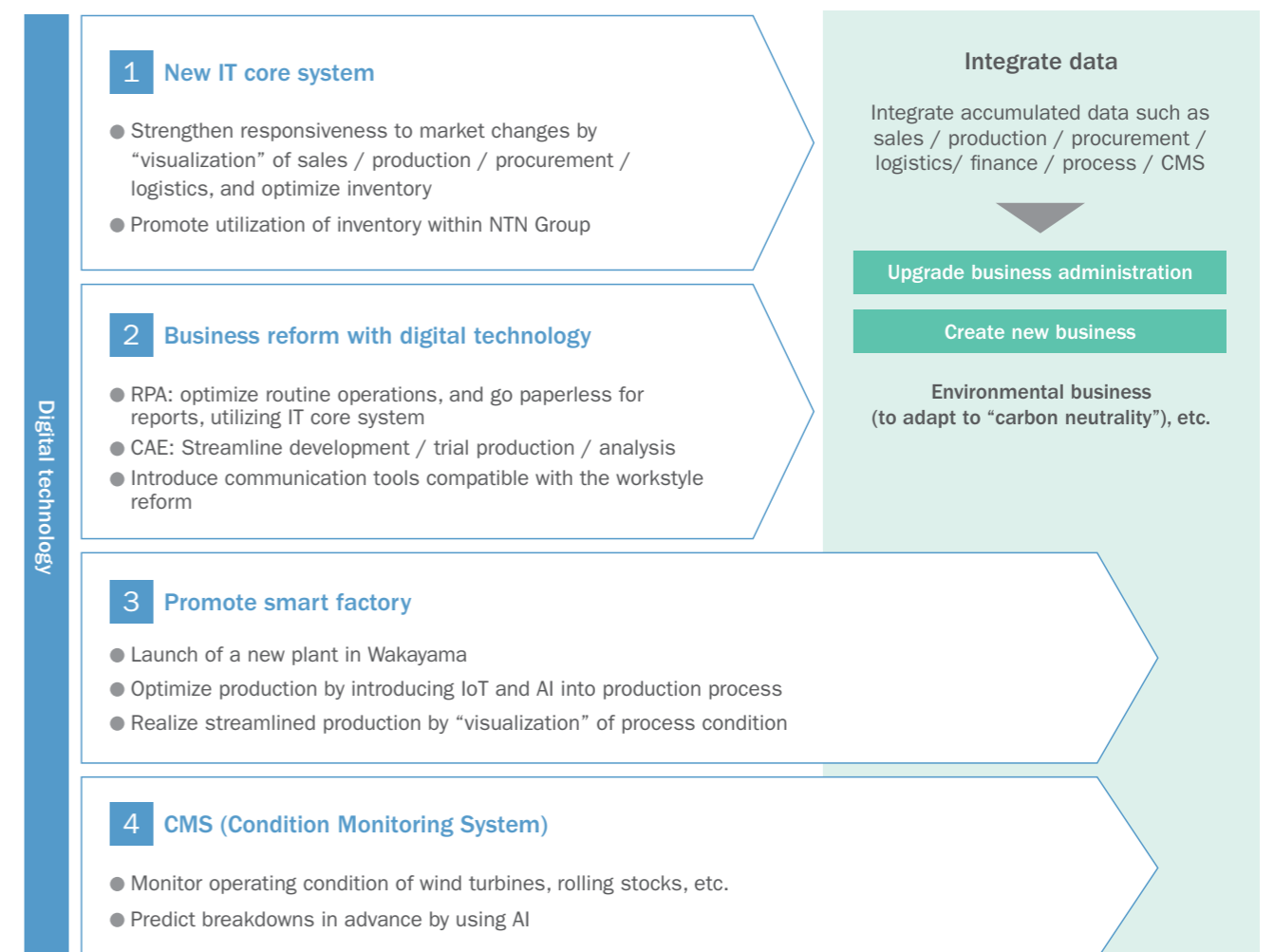
NTN has built its history and development on a culture of strong partnership and mutual respect with its business partners based on Co-prosperity Spirit. It is an essential basis for developing value through technological innovation, product quality, production improvement, supply chain optimization and services. Finally we consider the commitments requested to our business partners, CSR, SDG, Green Procurement, Compliance, as great opportunities for transformation, performance and innovation.

Control Increase of Fixed Costs / Improve Assets Turnover

Monozukuri → P.85



Promotion of DX (Digital Transformation)



Toward Establishing a Management Base to Realize Sustainable Growth as a Global Company

In last year's CFO Message, I explained the "NTN Revitalization Scenario" that we are determined to achieve by the fiscal year ending March 31, 2024. In this message, I will focus on how we will achieve the scenario, and hereinafter describe its progress based on actual results for the fiscal year ended March 31, 2021, and issues to be addressed to promote the progress.

Executive Officer
CFO (Chief Financial Officer)

Tetsuya Sogo



Actual results for the fiscal year ended March 31, 2021 and forecasts for the fiscal year ending March 31, 2022

Points of financial results for the fiscal year ended March 31, 2021

For the fiscal year ended March 31, 2021, net sales significantly decreased year-on-year due to the impact of the COVID-19 pandemic and the operating loss amounted to 12.3 billion yen in the first half. However, as a result of our efforts to reduce costs with a focus on fixed cost reduction, as well as recovery of demand, we achieved a turnaround in the second half with the operating income coming to 9.2 billion yen. Due to this, we successfully managed to drive down the full-year operating loss to 3.1 billion yen. Additionally, in the fiscal year ended March 31, 2020, we posted an extraordinary loss of 32.3 billion yen including an impairment loss of 29.0 billion yen, but in the fiscal year ended March 31, 2021 we recorded an extraordinary income of 4.5 billion yen due partially to a gain on sales of investment securities. However, as a decrease in net sales resulted in poor business performance, deferred tax assets were written off and we recorded 11.6 billion yen of loss attributable to owners of parent. Meanwhile, as net sales significantly decreased amid the COVID-19 pandemic, we negotiated a price increase, reduced discount offerings, took thorough measures to cut down fixed costs and inventory assets, and reduced investments to the minimum required level. Through these activities, we achieved a positive free cash flow for the first time in three years and significantly lowered the net D/E ratio.

Points of forecasts for the fiscal year ending March 31, 2022

In the fiscal year ending March 31, 2022, semiconductors will continue to be insufficiently supplied under the continuation of the COVID-19 pandemic. However, we assume recovery of demand in terms of all businesses and have a plan so that net sales as a whole will return to the 660.0 billion-yen level, which was recorded two years ago. Turning to operating income, we have a plan for achieving 15.0 billion yen of operating income by factoring in plenty of room for personnel expenses, etc. in order to respond

to rapid recovery in demand in addition to recent surges in steel material prices and logistics costs. In addition, we expect extraordinary income and profit attributable to owners of parent to come to 0 billion yen and 5.0 billion yen, respectively by factoring in 4.0 billion yen of extraordinary loss as business restructuring expenses and costs related to the Anti-Monopoly Act and 4.0 billion yen of extraordinary income as proceeds from sales of assets. However, because far more demand than in the current plan is expected in the aftermarket business of the Americas Region (where our profit ratio is particularly high) and other regions, we need to strengthen our supply system to respond to such demand as much as possible. Therefore, critical issues we need to tackle are: to achieve a reduction of variable costs, which has been planned in each business site; and to effectively allocate fixed costs (which have been set with sufficient room for responding to a surge in demand) to activities for increasing aftermarket sales.

Positive results of reduction in fixed costs and issues

In the past two years, we successfully reduced fixed costs by more than 40.0 billion yen according to the plan, but in the fiscal year ending March 31, 2022, almost all that we gained from our fixed cost reduction efforts in the past year is expected to be lost. For the fiscal year

Consolidated Statements of Operation

	(billion yen)		
	2020/3 Results	2021/3 Results	2022/3 Forecast
Net sales	652.0	562.8	660.0
Operating income	7.5	-3.1	15.0
Operating margin	(1.2%)	(-0.6%)	(2.3%)
Ordinary income	-1.7	-5.7	10.0
Extraordinary income/loss	-32.3	4.5	0.0
Profit attributable to owners of parent	-44.0	-11.6	5.0
Exchange rate			
US\$	108.7	106.0	107.0
EURO	120.8	123.7	128.0

ending March 31, 2022, our sales size will increase by approximately 100.0 billion yen, and if the current policy of "an increase in fixed costs must be limited to not more than 15% of an increase in net sales" is followed, an increase in fixed costs needs to be not more than approximately 15.0 billion yen. On the other hand, for a planned increase in fixed costs, an additional increase of 10.0 billion yen is factored in and therefore fixed costs are planned to increase by more than 25.0 billion yen. As such, operating income for the fiscal year ending March 31, 2022 should be theoretically estimated to be approximately 25.0 billion yen instead of 15.0 billion yen.

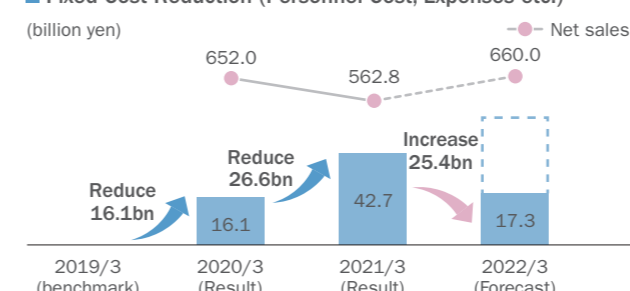
Negative factors for a fixed cost plan and a handling policy

We estimate an approximately 4.0 billion yen increase in logistics costs due to frequent uses of emergency air shipments, a rapid increase in sea freight rates and other factors resulting from the current turbulent situation surrounding marine transport. Even if these external factors are taken into consideration, operating income should amount to more than 20.0 billion yen. However, taking into consideration internal factors, such as an increase in depreciation costs due to the start of operation of new ERP system, in a conservative manner, we forecast that operating income will come to 15.0 billion yen. For the fiscal year ending March 31, 2022, personnel expenses and other fixed costs are planned by leaving plenty of room for margin so that our production and supply system will not be disrupted as demand bounces back. Therefore, our policy is that, by setting the amount of fixed costs planned this time as the upper limit, we will work to reduce fixed costs with an eye on demand trends at each business site and will allocate extra fixed costs to activities for strengthening the production and supply system in order to, among other purposes, respond to demand recovery in the aftermarket business in particular as much as possible, which recovery is significantly greater than currently expected by us.

Improvement in the D/E ratio

In the "NTN Revitalization Scenario," a mandatory goal is to lower the net D/E ratio to 1.5 or less in three years, or by the fiscal year ending March 31, 2024. Furthermore,

Fixed Cost Reduction (Personnel Cost, Expenses etc.)



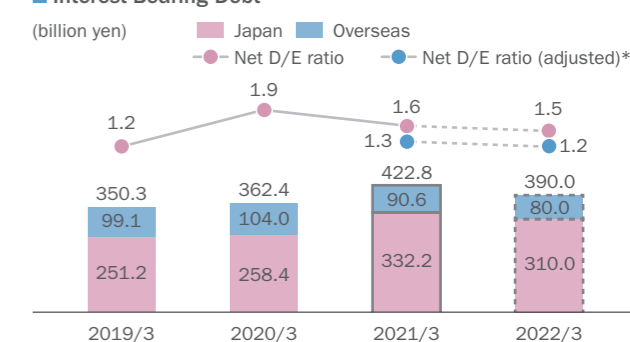
Main factors of increased fixed costs in 2022/3

- Proportional increase with scale recovery (¥15.0bn=sales increase×15%)
- Including recent cost increase in logistics (¥4.0bn)
- Normalization of salary increase, bonus and others (¥2.5bn)
- Increased depreciation for core IT system and New Plant in Wakayama (¥2.0bn)
- Increased personnel costs and others for rapid demand recovery

we have a plan so that we can reduce the net D/E ratio to 1.0 or less in five years, or by the fiscal year ending March 31, 2026. Meanwhile, the net D/E ratio was 1.6 in the fiscal year ended March 31, 2021, which represents a greater improvement than we initially forecasted. The primary factor for the significant improvement of the net D/E ratio is that the sales divisions, administrative divisions and production divisions united as one to take thorough measures for managing and reducing inventory assets; investments were curtailed by selecting only the minimum necessary investments; and 18.5 billion yen of free cash flow was generated including proceeds from sales of investment securities in a stepwise manner, thereby reducing the net interest-bearing liabilities (the numerator of the net D/E ratio) by 15.7 billion yen. Also, the secondary factor is that the shareholders' equity (the denominator of the net D/E ratio) increased by 14.3 billion yen due to external factors including yen depreciation and a rise in market value of investment securities held by NTN. In particular, a reduction in inventory assets resulted in improving cash flow by 13.5 billion yen. Based on these results, we have a plan to reduce the net D/E ratio to 1.5 in the fiscal year ending March 31, 2022, and the mandatory goal regarding the net D/E ratio in the NTN Revitalization Scenario is expected to be attained two years ahead of schedule.

In addition, we made a public offering of and issued 50.0 billion yen of hybrid bonds as a five-year temporary capital reinforcement measure which will be implemented until the net D/E ratio is improved to 1.0 or less in five years. 50% of the issued amount of 50.0 billion yen is regarded as equity, and if an adjustment is made with that portion taken into consideration, the actual net D/E ratio for the fiscal year ended March 31, 2021 and the forecast for the net D/E ratio for the fiscal year ending March 31, 2022 are improved significantly to 1.3 and 1.2, respectively.

Interest-Bearing Debt



	(billion yen)			
	2019/3 Results	2020/3 Results	2021/3 Results	2022/3 Forecast
Interest-bearing debt	350.3	362.4	422.8	390.0
(Overseas)	(99.1)	(104.0)	(90.6)	(80.0)
(Japan)	(251.2)	(258.4)	(332.2)	(310.0)
Net Interest-bearing debt	266.9	291.3	275.6	270.0

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

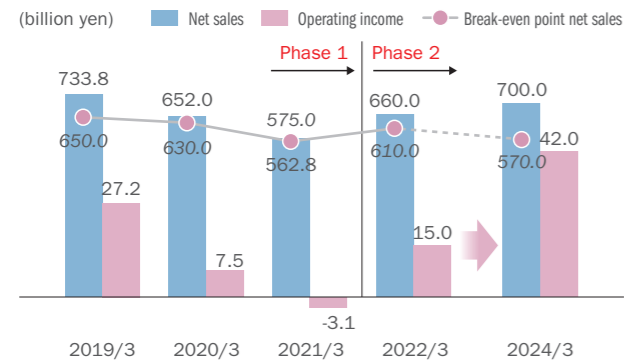
Lowering the break-even point

Changes in the break-even point

In the past two years, we mainly focused on reducing

fixed costs and ensured that an increase in fixed costs was 15% or less of an increase in sales whenever net sales increase. In doing so, we continuously lowered the break-even point. However, for the fiscal year ending March 31, 2022, the break-even point is expected to rise due to increases in steel material prices and logistics costs and an increase in fixed costs that were set with plenty of room for responding to a sharper increase in sales than expected. Meanwhile, in the new Medium-term Management Plan for the coming three-year period, we will promote the variable cost reformation and other measures to thoroughly reduce variable costs.

Lower Break-even Point



Concept of the break-even point for achieving mandatory targets of the “NTN Revitalization Scenario”

1 The theoretical amount of fixed costs for the fiscal year ending March 31, 2022 is roughly calculated as follows based on the actual results for the fiscal year ended March 31, 2021: because an increase in net sales is approximately 100.0 billion yen, it is assumed that fixed costs will increase by 15.0 billion yen (15% of that 100.0 billion yen) to 275.0 billion yen; 285.0 billion yen is obtained by adding 10.0 billion yen (which is set as a margin to cope with an external factor including an increase in logistics costs and internal factors including normalization of pay raises, bonuses, etc., an increase in depreciation costs for new ERP system and the new plant in Wakayama and an increase in personnel expenses, etc. for responding to a sharp recovery in demand) to that 275.0 billion yen; however, 3.3 billion yen of fixed costs was recorded as loss resulting from low operating capacity in the extraordinary loss category in the fiscal year ended March 31, 2021 and therefore, if an adjustment is made with this taken into consideration, the theoretical amount of fixed costs is 288.0 billion yen; in addition, compared with the actual exchange rate (\$1 = 106.0 yen; €1 = 123.7 yen) for the fiscal year ended March 31, 2021, a slightly weaker yen (\$1 = 107.0 yen; €1 = 128.0 yen) was adopted as an exchange rate for a plan for the fiscal year ending March 31, 2022 and the effect of this arrangement is 5.0 billion yen; and we forecast that the amount of fixed costs will be 293.0 billion yen in the fiscal year ending March 31, 2022.

2 Next, let's take a look at how the theoretical amount of fixed costs for the fiscal year ending March 31, 2024 is roughly calculated based on the actual results for the fiscal year ended March 31, 2021 on the assumption that exchange rates will be the same as the actual ones. The calculation is made as follows: because an increase in net sales is

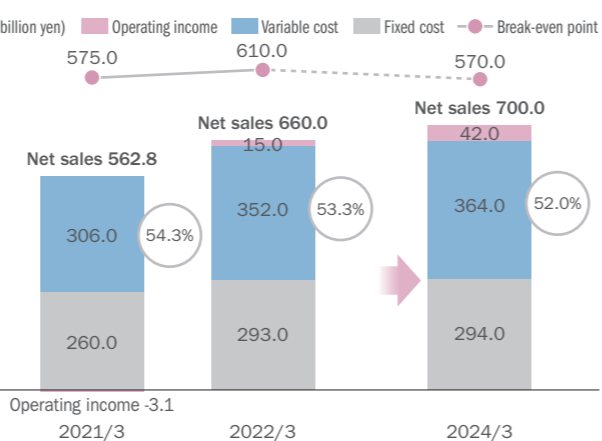
approximately 140.0 billion yen, it is assumed that fixed costs will increase by 21.0 billion yen (15% of that 140.0 billion yen) to 281.0 billion yen; on the assumption that 10.0 billion yen (by which fixed costs will increase in the fiscal year ending March 31, 2022) will remain as is, fixed costs will amount to 291.0 billion yen; also, if an adjustment is made with loss resulting from low operating capacity, the amount of fixed costs will be 294.0 billion yen.

3 Meanwhile, if the theoretical amount of fixed costs for the fiscal year ending March 31, 2024 is roughly calculated based on a fixed cost plan for the fiscal year ending March 31, 2022, the calculation is made as follows: because an increase in net sales is 40.0 billion yen, it is assumed that fixed costs will increase by 6.0 billion yen (15% of that 40.0 billion yen) to 299.0 billion yen; 294.0 billion yen is obtained by deducting 5.0 billion yen in adjustments related to exchange rates for the fiscal year ending March 31, 2022 from that 299.0 billion yen.

4 In addition, regarding variable costs for the fiscal year ending March 31, 2024, we assume that we will reduce variable costs by 20.0 billion yen in the three-year period as planned and lower the variable cost ratio to 52%. On this assumption, operating income and the break-even point are calculated. The break-even point at each fiscal year in time is calculated in the following manner: 15% of net sales at each point in time is deducted as variable fixed costs from fixed costs; and then variable fixed costs are regarded as variable costs to calculate the break-even point. In short, the figure below shows that even if it is assumed that the fixed portion of fixed costs that were increased by leaving plenty of room for margin in the fiscal year ending March 31, 2022 cannot be reduced in any way, if the variable cost ratio is reduced to 52% as planned, mandatory targets of 700.0 billion yen of net sales and 42.0 billion yen of operating income can be achieved.

5 As such, it is critical to carry out the variable cost reformation and other variable cost reduction measures as planned, and each business site needs to strictly control the fixed costs that were set by leaving plenty of room for margin in the fiscal year ending March 31, 2022. Separately, we will consider significantly reducing fixed costs in the three-year period through further sales of assets and elimination and consolidation of businesses, but this is not included in the above trial calculations.

Lower Break-even Point (MUST Achieve Revitalization Scenario)



*Changes in each item include the effects of exchange rate fluctuations.

Transformation of each business site's attitude toward a Business Plan - To achieve mandatory targets of the NTN Revitalization Scenario by forming a global learning organization -

Conventional attitude

- ◆ The head office formulates a Business Plan and requires each business site to achieve the plan.
- ◆ Before the final version of a Business Plan is decided, the head office may allocate additional profit requests to each region. As such, each business site should not prepare a challenging plan on its own at the beginning of the term.
- ◆ Therefore, a Business Plan should be prepared as conservatively as possible.
- ◆ As a result, management tends to be passive, just seeking to achieve numerical targets set by the head office. It is difficult to foster commitment and accountability in terms of business management.

Changes in the business environment

- ◆ There is significant uncertainty in the business environment, and we are no longer in the era when a Business Plan can be implemented as planned.
- ◆ Therefore, even if ex-post analysis of a gap between planned values and actual results is conducted, gaps are just filled in an ad hoc manner and new gaps continue to occur.
- ◆ We are in the era when, to prevent the occurrence of a gap, we need to continuously implement measures and follow-up actions based on forecasts while keeping an eye on preconditions (hypotheses) on which a Business Plan is based.
- ◆ Unless responsive measures for securing planned business value are taken promptly according to the above method without waiting for financial reports and analysis results of financial numbers, we cannot keep up with changes in the business environment.

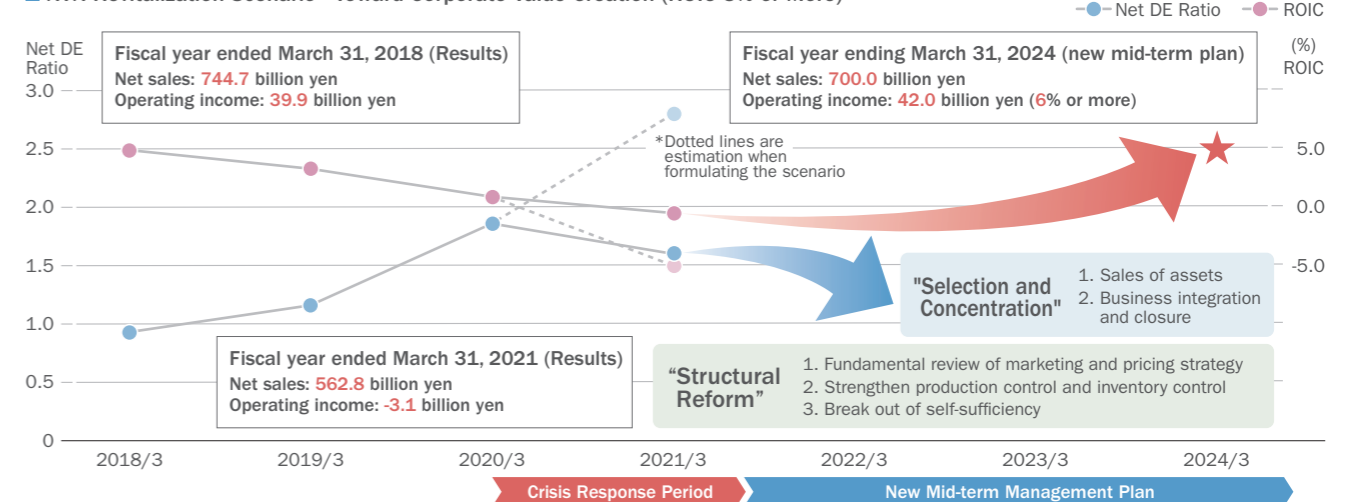
Future approach

- ◆ A Business Plan represents a scenario in which each company and division in each region presents its own business value improvement plan on its own

- management responsibility.
- ◆ Regarding preconditions (hypotheses) on which the scenario is based, it is important for each business site to share an understanding with the head office, distinguish between internal hypotheses and external hypotheses and clarify management commitment and accountability.
- ◆ It is necessary to promptly and continuously implement responsive measures for securing business value and corporate value while keeping an eye on the gap between hypotheses and reality.
- ◆ If a gap occurs between a hypothesis and reality, thorough measures for KPI for achieving planned EVA should be taken. Even if there is difficulty in maintaining EVA, an attempt should be made to achieve planned ROIC as the minimum requirement and capital invested should be reduced.

In the fiscal year ending March 31, 2022 in particular, it is critical for each business site to take thorough measures for reducing variable costs, flexibly control the fixed costs with a view to demand trends and increase sales in the aftermarket business through coordination within the NTN Group as a whole. In a situation where it will become increasingly difficult to make forecasts, no matter what changes occur to the environment, we will further accelerate establishment of organizational culture where all regional business sites and divisions autonomously pursue overall optimization for survival by sharing the perspective of corporate value maximization, in other words, establishment of a global learning organization. For this purpose, each business site needs to enhance the autonomy of its daily management and administration work to promptly respond to changes in a situation surrounding the business site under close coordination within the entire NTN Group so that the business site can use its relationship with the head office as a stepping stone for making a leap forward. On the other hand, the head office will focus on formulating and promoting a global financial strategy, brand strategy, business portfolio strategy, production/technology strategy, etc. and enhance the cohesion of the entire Group by stepping up the functions of the head office as a global strategic headquarters.

NTN Revitalization Scenario - Toward Corporate Value Creation (ROIC 5% or More)-

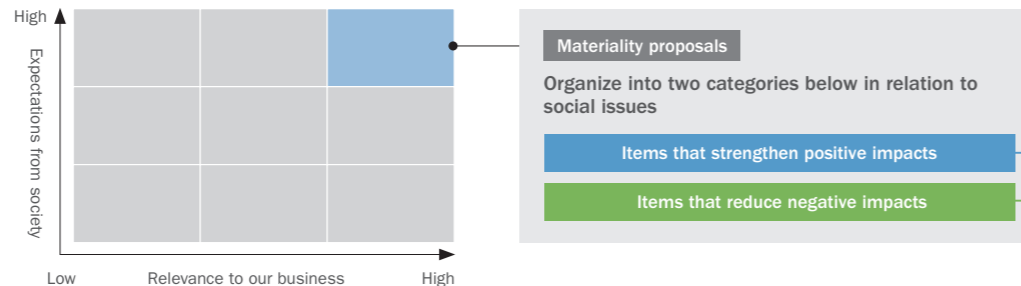
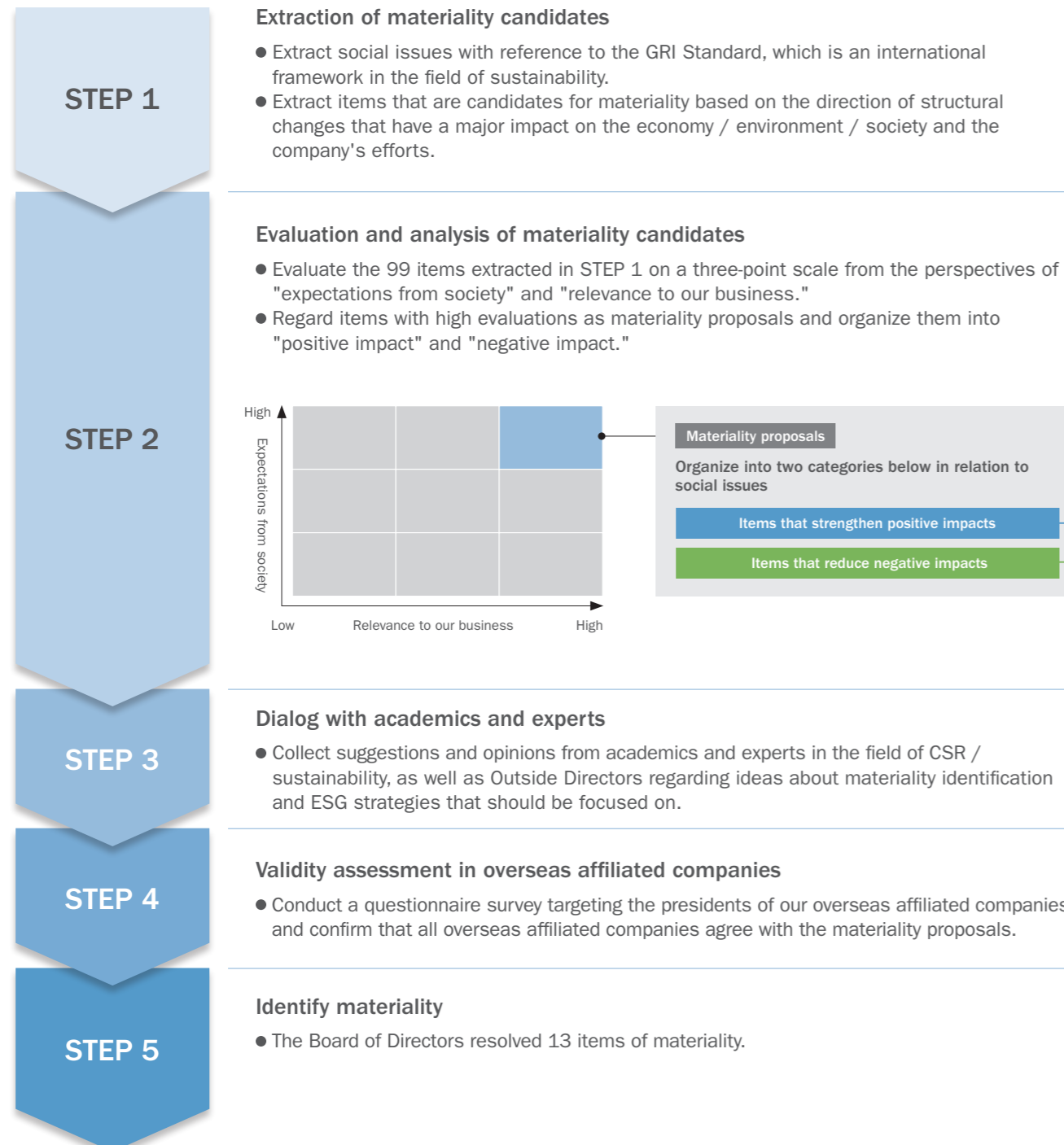


Achieve ROIC 5% or more, maintain ROE 8% or more, return 4% to shareholders, and allocate the remaining 4% to sustainable growth in the future.

In March 2015, we signed the United Nations Global Compact, which is a global framework for the international community to achieve sustainable growth, and we are aiming to realize the SDGs. In December 2020, we identified 13 items of materiality that our group should prioritize toward the realization of the SDGs. This initiative has been resolved by the Board of Directors based on consideration by the Sustainability Committee, which is organized across departments.



Identification process



Materiality

We aim to realize a "NAMERAKA Society" through the implementation of our corporate philosophy. This pursues the same goal as SDGs that aim to realize a sustainable society. The 13 items of materiality are linked to the two perspectives of "Contribute to society

through creation of original technologies" and "Form management systems / corporate organization which are essential for NTN, as a global company" set forth in our corporate philosophy, and we will contribute to the achievement of SDGs by prioritizing these initiatives.

Corporate Philosophy

We shall contribute to international society through creating new technologies and developing new products

1. Creation of original technologies
2. Offering the technologies for additional value and service that are suitable for each customer and end user.
3. Improvement of employees' standard of living, distribution of fair returns to stockholders, and contribution to society based on the steady growth of our business.
4. Promotion of globalization, and formation of management systems/corporate organization which are essential for NTN, as an international leading company.

Materiality

Contribute to society through creation of original technologies (Strengthen positive impacts)

	Materiality	Related SDGs	Detail page
Environment	Reduce energy loss		
	Realize a sustainable society using natural energy		→ P.39
Social	Provide safety and comfort		

Form management systems / corporate organization which are essential for NTN, as a global company (Reduce negative impacts)

	Materiality	Related SDGs	Detail page
Environment	Respond to climate change		→ P.42
	Resource recycling and pollution prevention		→ P.44
Social	Improve the reliability of products and services (Quality assurance, stable supply)		→ P.45
	Procurement activities with an emphasis on environment and society		→ P.47
	Respect for human rights		→ P.49
	Promote safety and health		→ P.50
	Human resource development		→ P.52
	Promote diversity		→ P.54
Governance	Thorough compliance		→ P.55
	Strengthen governance		→ P.57

Support for TCFD recommendations

We expressed our support of recommendations from "Task Force on Climate-related Financial Disclosures (hereafter TCFD)" in May 2021. Efforts in line with TCFD recommendations will lead to materiality measures such as "Respond to climate change" and "Reduce energy loss," and we will incorporate those measures into our business activities by setting targets.



Social Contribution through Original Technologies and Products

Of the 13 materiality items, the 3 items for strengthening positive impacts are initiatives that contribute to society through original technologies and products. In each item,

1. Reduce energy loss with low-friction products
2. Realize a society based on natural energy by providing main shaft bearings for large wind turbines and developing a condition monitoring business to observe vibrations, temperatures, etc.
3. Provide safe driving and comfort for automobiles by developing module products that combine hub bearings with general-purpose components such as motors

As part of our "Technical Materiality Circle" activities that leverage our core competencies, we aim to realize a sustainable society by sharing and standardizing technologies to develop products.



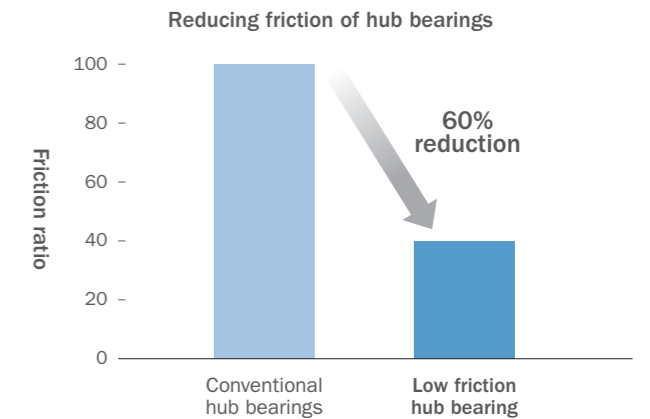
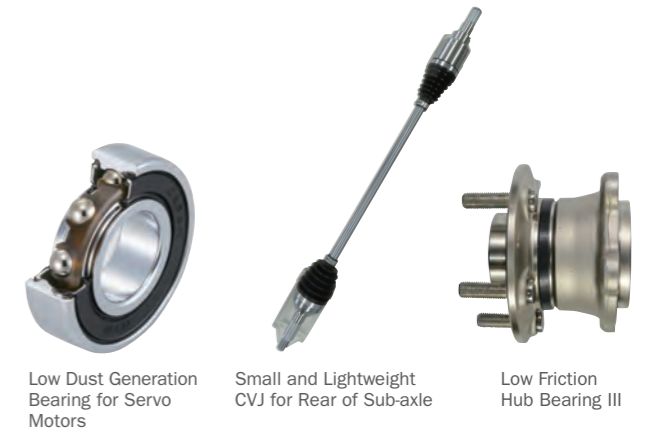
Strengthen positive impacts

1 Reduce energy loss

In the industrial sector, attention is focused on low-torque products that contribute to reducing CO2 emissions and serve as a responsive measure for climate change. In the automotive field, for hub bearings, for which we enjoy the largest market share, "Low Friction Hub Bearing III" which reduces friction by 60% compared to our conventional products through developing a new low-torque grease and optimizing seals geometry and internal preload has been launched to market. "Ultra-low Friction Sealed Ball Bearing" for transmissions which reduces friction by 80% compared to our conventional products is also being mass produced. In addition, for sliding constant velocity joints, "Small and Lightweight CVJ for Rear of Sub-axle" which reduces weight by 29% compared to our conventional products through a review of the max operating angle and optimized designs has been developed, thereby moving forward with miniaturization and weight reduction.

In the industrial machinery field, we are mass-producing "Low Dust Generation Bearing for Servo Motors" for robot joints, which have 50% less friction than our conventional products.

We will contribute to saving energy in the entire industry by further promoting higher efficiency, miniaturization and weight reduction of these products.



2 Realize a sustainable society using natural energy

In addition to land wind turbines, we expect to see progress in offshore turbines in the future. In order to meet the needs for stable operation of wind turbines, we are developing "Asymmetrical Spherical Roller Bearings" for large wind turbine main shafts to improve their service life under actual load conditions. In addition, DLC (diamond like carbon) film, which is excellent in wear resistance even under differential slip unique to spherical roller bearings, has been treated on roller surfaces. This has enhanced the reliability of the bearings.

Meanwhile, with the aim of improving wind turbine utilization rates, we are developing a condition monitoring system (CMS) business using the monitoring device "Wind Doctor™" that observes bearing vibration, temperature and other factors. Such system offered by us is being used by wind power generation companies. In the future, the life expectancy forecast technology will be developed using AI algorithms to help ensure planned maintenance of bearings and prevent damage.

In addition, we have developed the "Green Power Station (GPS)," an independent power supply unit equipped with a compact wind turbine, which has been adopted by local governments as an emergency power source in the event of an accident. We will contribute to the realization of being carbon neutrality by expanding sales of GPS.



3 Provide safety and comfort

In the automotive field, attention is focused on electrified products that are compatible with CASE. We have developed the world's first high-performance module products for next-generation automobiles, such as "eHUB" which combines a hub bearing with a motor generator, and "sHUB" which combines hub bearing's mechanical design, manufacturing technology, and motor control technology and integrates a mechanism that adjusts the steering angle of the tires into a hub bearing. In addition, to improve vehicle driving performance and improve safety when avoiding hazards, we have developed the "Ra-sHUB" which allows the steering angle on the rear wheels of automobiles to be controlled separately for each of the left and right sides. "Ra-sHUB" mounts on the rear wheels of the front-wheel-drive (FF) vehicle and controls the optimal angular position for each of the left and right wheels based on the steering angle at which the steering wheel is turned and the vehicle speed. These products are rated highly by automotive manufacturers for their expected contribution to automated driving in the future.

We will create new product value and provide customers with safe and comfortable products by developing module products that combine core products with general-purpose components such as motors.



Development of environment-contributing product

NTN develops business activities based on our corporate philosophy "We shall contribute to international society through creating new technologies and developing new products," and Paragraph 1 of the NTN Environment Policy "Technologies to help prevent global warming." As bearings and driveshafts, which are main products of NTN, contribute to the reduction of energy loss in final goods of our customers equipped with them, all of these products can be considered as environmentally friendly products. They include products which are already commonly used in society because of the achievement of predecessors, as well as those with environmental contributions further enhanced by NTN's engineering and development capabilities. In addition, green energy products are environment-contributing products that contribute to reduction of CO2 emissions by creating renewable energy.

NTN continues unwavering efforts to realize its corporate philosophy by developing and providing higher-grade products that contribute to the environment while classifying the products according to environmental contribution levels based on our standards.

Definition of environment-contributing product

Classification and grades of NTN products and their definition

Classification	Grade	Definition
Environment-contributing product	S-eco (Super eco)*	Products are classified according to environmental factor standards specified for different products in line with technology standards across the world.
	A-eco (Advanced eco)	
	B-eco (Brilliant eco)	
	C-eco (Creative eco)	
	D-eco (Diffused eco)	
		Products that help to reduce energy loss of final goods at the same performance level as that of around 1997

*Green energy products fall under the S-eco category.

Calculation methods for environmental factors and eco-efficiency

To quantify products' environmental friendliness, NTN adopted environmental factors and eco-efficiency that are defined in formula ① and ② as follows.

$$\text{Environmental factors} = \frac{\text{Eco-efficiency of developed products}}{\text{Eco-efficiency of benchmark products}^{*1}} \dots \textcircled{1}$$

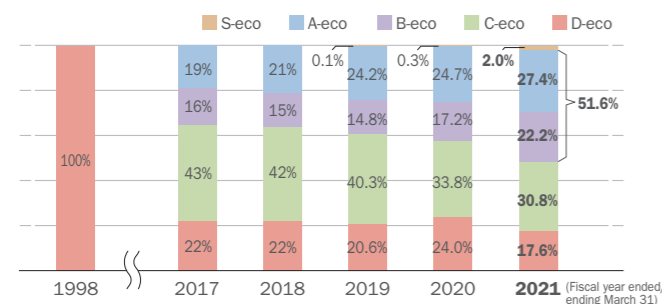
$$\text{Eco-efficiency} = \frac{\text{Product value}^{*2}}{\text{Environmental impact}^{*3}} \dots \textcircled{2}$$

- *1. D-eco product
- *2. Values are quantified by using the QFD method (including CO2 reduction contribution of finished products)
- *3. From the perspective of evaluating contribution toward measures against climate change, environmental impact is calculated as CO2 emissions generated throughout the process of raw materials mining to production (using the LCI calculation tool by the Japan Auto Parts Industries Association)

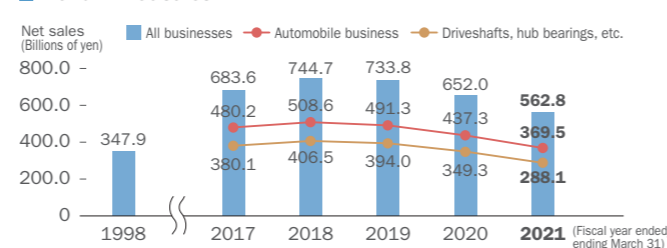
Trend in achievements and forecasts

Driveshafts and hub bearings, which are our main products and account for about 50% of our net sales, and green energy products contributed 1,323 thousand tons of CO2 reduction in the fiscal year ended March 31, 2021. Sales of S- to B-eco grade environmentally friendly products, which are the result of our recent development efforts, comprised 51.6% of net sales in the fiscal year ended March 31, 2021.

Trend in composition of environment-contributing products by grade (driveshafts and hub bearings)

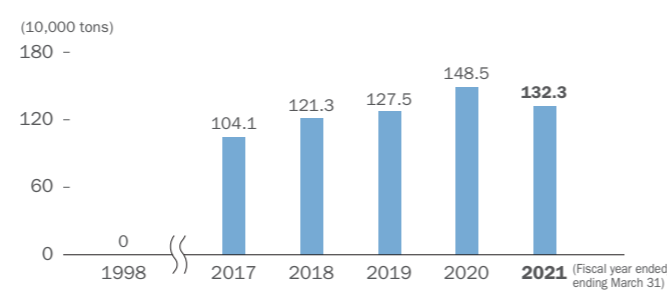


Trend in net sales*4



*4 From the fiscal year ended March 2017 to the fiscal year ended March 2020, loyalty has been included in net sales for all businesses only.

Contribution to CO2 reduction*5



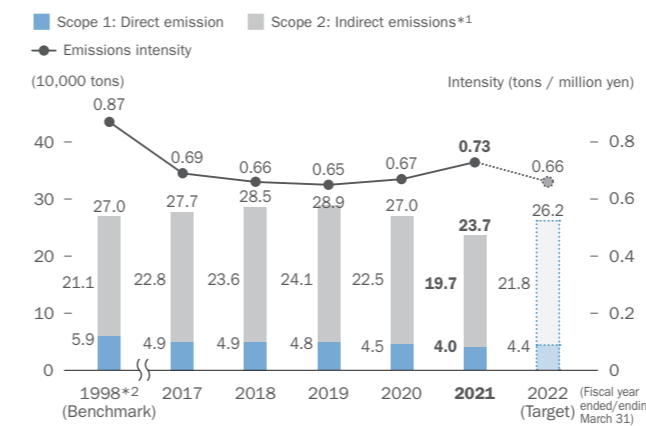
Calculation standard
JAPIA LCI Calculation Guidelines by Japan Auto Parts Industries Association (Consumer Use-phase LCI calculation tool)
*5 Applicable to S to C-eco products

Reduction of CO2 emissions

The NTN Group is working to reduce CO2 emissions and emissions intensity throughout its business activities. In order to ensure the reliability of the data, we undergo third-party verification.

In addition, we are promoting the use of renewable energy sources to accelerate the reduction of CO2 emissions.

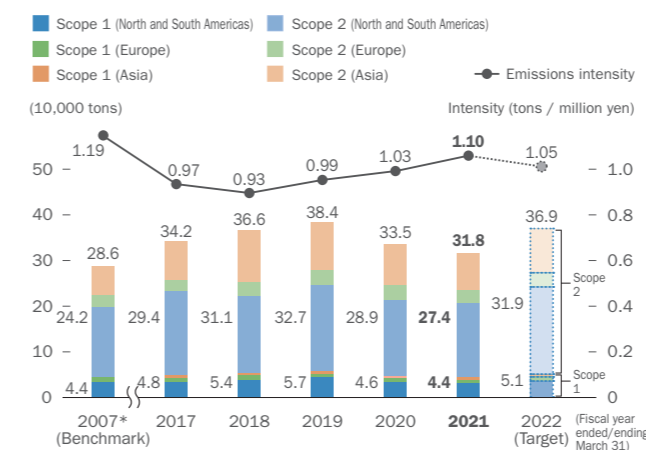
CO2 emissions/emission intensity [Japan]



- *1 Japan figures are calculated using a fixed emissions factor of 0.381 for electricity.
- *2 The first year of production is used as the benchmark for business sites established after the fiscal year ended March 31, 1998.

The Verification statement by SGS Japan can be viewed on our website.

CO2 emissions/emission intensity [Overseas]



* The first year of production is used as the benchmark for business sites established after the fiscal year ended March 31, 2007.

Business sites subject to CO2 emission/emission intensity can be viewed on our website.

Energy conservation efforts in manufacturing processes

Reduction of CO2 emissions in heat treatment processes

In order to reduce CO2 emissions from heat treatment facilities, the NTN Group is switching to LPG* and city gas as fuel, and is expanding the use of high-frequency heating equipment and electric furnaces with superior energy efficiency. Kuwana Works has recently introduced an electrically heated vacuum carburizing furnace. In the future, we will consider the use of ammonia and hydrogen, which do not emit CO2.

*Liquefied Petroleum Gas



Okayama Works
City gas burner heating type furnace



Kuwana Works
Electrically heated vacuum carburizing furnace

Introduction of renewable energy

The NTN Group is working to reduce CO2 emissions (Scope 2) by installing power generation facilities for renewable energy at its business sites and purchasing carbon-free energy through PPAs*1.

In the fiscal year ended March 31, 2021, we generated 619,614 kWh/year in Japan and 12,158,778 kWh/year overseas, achieving CO2 reductions of 236 tons-CO2/year in Japan and 6,393 tons-CO2/year overseas.*2

*1 PPA (Power Purchase Agreement): A contract to install a solar power generation system owned by a third party power generation company on a roof, etc. and purchase the power from the system.
 *2 CO2 emission reductions using the "Electricity emission factor based on market standards": 280 tons-CO2/year in Japan; 8,184 tons-CO2/year overseas.

Installed onsite solar power generation equipment

The NTN Group is promoting the installation of solar power generation equipment at its business sites through self-investment and PPAs.

Introductory example in Japan

Kuwana Works signed our first PPA in Japan, with MUL Utility Innovation Company Limited, under which it installed a total of 900 solar panels on the roof of the east wing of its extra-large bearing plant. In April 2021, it started power generation, which is expected to generate 344,630 kWh/year and reduce CO2 emissions by 131 tons-CO2/year. *



Kuwana Works east wing of its extra-large bearing plant

Overseas introductory example

Guangzhou NTN-Yulon Drivetrain Co., Ltd. (Guangzhou NTN, China) installed a total of 7,810 solar panels on its factory roof through a PPA. In September 2020, it started power generation, which is expected to generate 2,212,000 kWh/year and reduce CO2 emissions by 1,265 tons-CO2/year.*



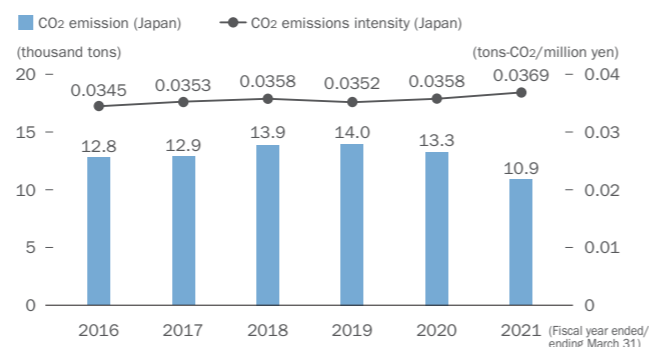
Guangzhou NTN

*Greenhouse gas emissions reductions using the "Market-based electricity emission factors": 147 tons-CO2/year in Japan; 1,779 tons-CO2/year overseas.

Reducing CO2 emissions in logistics

The NTN Group is working to reduce CO2 emissions during product transportation by improving logistics efficiency. The main measures are shortening transportation distances by integrating distribution bases; increasing the loading ratio by expanding the use of module outer boxes; improving the efficiency of packaging operations by unifying distribution routes; and promoting the reuse and recycling of wooden pallets. In the fiscal year ended March 31, 2021, we achieved a reduction of CO2 emissions from domestic product transportation of 10.9 thousand tons-CO2/year (compared with our target reduction of 12.7 thousand tons-CO2/year), and CO2 emissions intensity was 0.0369 tons-CO2/million yen (compared with our target of 0.0345 tons-CO2/million yen). While we achieved our CO2 emissions target, we did not achieve our CO2 emissions intensity target.

CO2 emissions/emission intensity in logistics

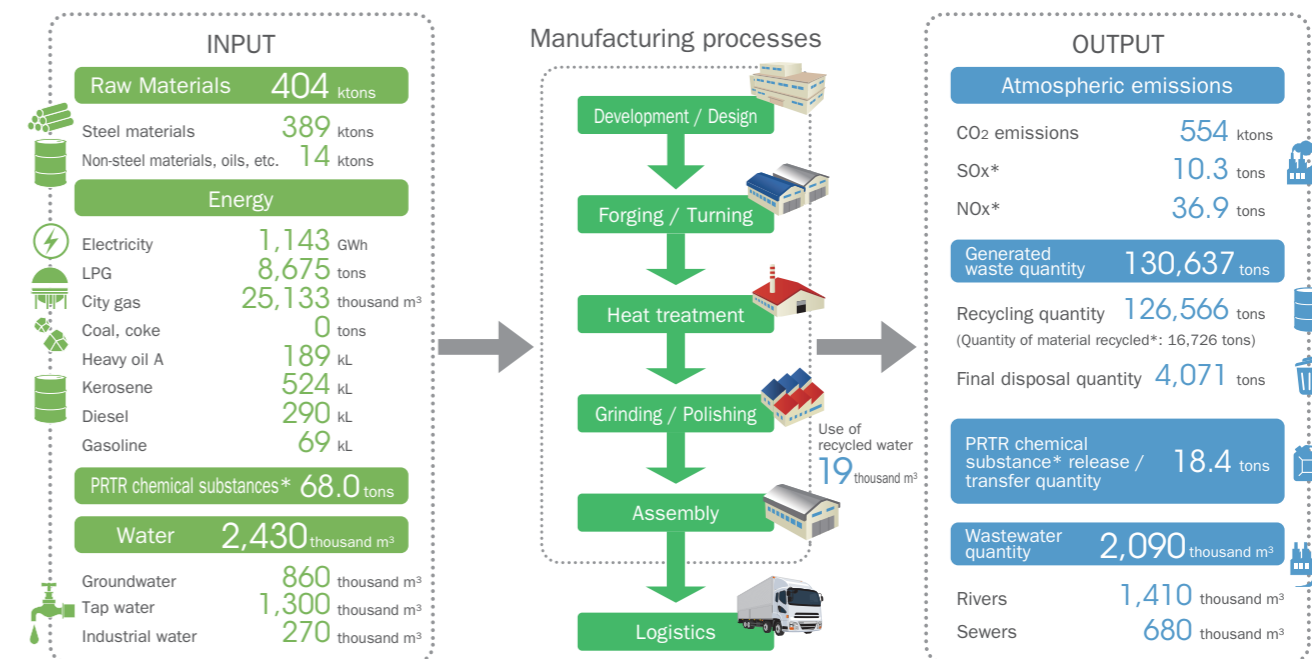


Initiatives for resource recycling

The NTN Group monitors the material flow in its business activities, and is working to ensure sustainable use of resources by reducing and reusing input resources such as raw materials and water, and recycling production by-products. We have set environmental targets for reducing water consumption and waste generation, which we are working to achieve.

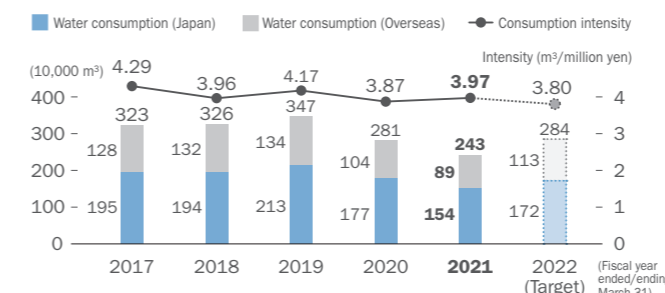
Specific initiatives can be viewed on our website.

Environmental impact (Scope: Japan and Overseas)



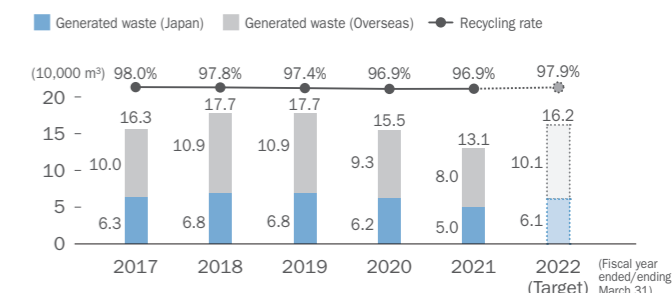
*Actual results in Japan are presented for NOx, SOx, PRTR chemical substances and the amount of materials recycled

Water consumption and water consumption intensity [Japan/Overseas]



The results of the water stress analysis via Aqeduct and water consumption by region can be viewed on our website.

Generated waste and recycling rates [Japan/Overseas]



Generated waste and recycling rates can be viewed on our website.

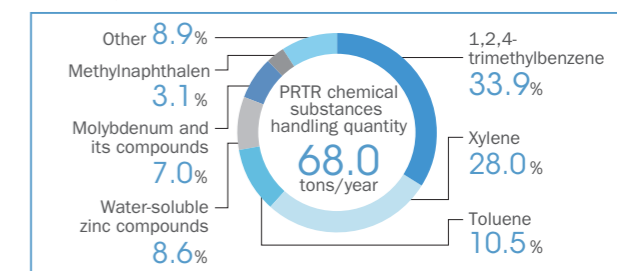
Initiatives for preventing pollution

For pollution prevention, we are working on measures to prevent leaks of oil and other substances at our workplaces, and to control and reduce environmentally hazardous substances contained in our products.

Reducing the amount of PRTR chemical substances used

We are working to reduce the use of substances subject to PRTR Law* in our manufacturing processes in Japan and replace them with less hazardous substances. In particular, we are focusing on reducing and replacing the use of the six substances listed in the figure below.

Amount of PRTR chemical substances used (fiscal year ended March 2021)



Fiscal year ended March 2020: 82.5 tons/year

*Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof

Improve the Reliability of Products and Services (Quality Assurance, Stable Supply)

Quality creation to improve customer satisfaction

As customers pursue lightweight products, quietness, low-torque products that lead to energy savings, long operating life, etc., customer needs are changing with the times. In order to satisfy our customers and ensure that they use our products, it is important to respond swiftly to customer demands, which change over time, and to build relationships of trust with customers. We strive to maintain and improve product quality globally in accordance with our Basic Quality Policy, which constitutes the basic philosophy for all of our manufacturing practices, in order to create quality that satisfies our customers.

In addition, we conduct customer satisfaction surveys to directly listen to the opinions of customers on their satisfaction levels, requests, and other topics. In a survey conducted in 2020, a total of 111 customers responded, and 92% of respondents said that their overall ratings were "Excellent" or "Good." Going forward, we will continue to provide quality that is responsive to customer needs in order to further improve satisfaction.

Secure stable quality

To ensure the stable quality of new products, reviews are conducted at each step from development to mass production. All relevant divisions participate in the reviews and confirm and evaluate from their respective perspectives to ensure early detection and prevention of quality risks and reliable quality assurance.

Improvement activities to improve quality

Every November (which is "Quality Month"), we conduct a variety of activities with the aim of further raising the quality awareness of all employees. This year's theme is "The basics remain the same in these days of rapid change. You shape NTN Quality." By setting the theme, we provide an opportunity for each individual to reaffirm their basic quality behavior, and encourage each individual to take action to create NTN quality. Each division is promoting priority measures and working to improve quality at NTN globally.



Quality month poster

Quality management system

In order to improve customer satisfaction and provide products/services in a consistent manner, the Group's domestic and overseas manufacturing sites have acquired ISO9001 certification, which is an international management system standard. We are steadily working to acquire certification for new businesses and newly launched plants. 100% of our domestic and overseas consolidated subsidiaries related to manufacturing have acquired certification for their quality management systems.

We have also acquired IATF16949 certification, a standard for the automotive industry, and JISQ9100 and Nadcap, standards for the aerospace industry, as well as IRIS (Europe) and CRCC (China) certification for the railroad industry.

Building a foundation for stable supply

Building an efficient production system for domestic plants

In August 2020, we started the operation of a new core system in the supply chain management (SCM) field. With this new core system, we will build an efficient production system that generates the maximum output by effectively utilizing the domestic resources (plants) possessed by the Group.

Under the new system, in addition to orders and the latest forecast information from domestic customers and information from domestic and overseas Group sales companies, we update demand information for the following 12 months on a daily basis utilizing statistical forecasts. We will implement the following measures based on this demand data to realize an efficient production system.

- Secure stable procurement of materials, processed materials, parts, etc.
- Change the operation shifts and secure personnel in line with changes in demand by verifying up-front load at manufacturing sites
- Prior implementation of production support and production transfers between multiple sites
- Reduce inventory assets by promptly implementing production adjustments (production cutbacks) when demand declines

Going forward, we will work to ensure a more stable supply of our products to our customers on a global basis and to respond flexibly to changes in the market and economic conditions.

Establishment and maintenance of logical inventory standards by part numbers

Production plans for the new core system are automatically drafted based on demand forecasts using order information and the latest demand information from customers and statistical methods, as well as logical "standard inventory" settings by item. These standard inventory settings are calculated by combining manufacturing lead times, production frequency, and safety factors based on the accuracy of demand planning. The master setting to the system is made for each shipping item. By adhering to standard inventory, we can respond to demand fluctuations by using reserve inventory to ensure a stable supply to customers. We will also prevent excessive inventory and curb inventory assets. We will renew this masters periodically monitoring trends in sales results and the accuracy of demand planning

Controlling production, sales, and inventories across business divisions

In conjunction with the restructuring of the core system, we established the Supply and Demand Center (which is independent from the sales and production divisions) at our headquarters. Until now, several organizations were involved in the supply-demand adjustments, and business processes were complicated. In the future, however, in order to further ensure a stable supply of products in line with customer and market demands, we aim to have the Supply and Demand Center control and adjust sales, production, and inventory across all business divisions.

Using the system, we will verify the upfront loads of manufacturing sites based on demand information for the following 12 months, and in the event of an overload, we will consider expanding production capacity, scrutinize demand information and make adjustments. Production and sales meetings are also held as necessary, and based on the revised demand information and the standard inventory set for each item, production plans are automatically formulated through the system and deployed as production instructions to each plant. Through these measures, we will transform from an optimum supply-demand adjustments for individual business divisions to a cross-business division supply and demand adjustment system that seeks overall optimization.

Utilization of digital technology for stable supply

Stabilization of the new core system

Our core system has been in operation for nearly 40 years and has become aging. Currently, we are promoting company-wide project activities in order to standardize business processes and systems using

new package systems such as ERP*, improve business speed and service level, and improve business efficiency and accuracy. Restructuring in areas such as finance, accounting, personnel and salaries, and engineering had already been completed by 2020, and is being rolled out to domestic Group companies.

In August 2020, we launched a new system for sales, logistics, supply and demand management and inventory control of finished products in the SCM field, which is the most important for the restructuring of core systems. We are currently promoting activities to introduce this system into the production, procurement, product process, work-in-process, and product cost areas of our plants.

The operation of the new system in the SCM field has enabled us to improve the efficiency of drawing and prototype management through the digitization of sales activities and the introduction of a project management system, to speed up price and delivery response, and to improve the accuracy of inventory management. In addition to receiving customer demand and ordering information using EDI, e-commerce, and other methods, we aim to take flexible measures to ensure a stable supply to customers and cope with fluctuations in demand by linking forward-looking demand plans using statistical forecasts to plants based on fresh demand information, inventory information, and sales results.

*Abbreviation of Enterprise Resource Planning. Package software that controls a company's core operations, including sales, logistics, production, accounting, and human resources

Strengthening information security

We are promoting information security measures from the following viewpoints to ensure a stable supply of our products to customers in response to computer viruses and cyber-attacks aimed at companies that are becoming increasingly complex and sophisticated every day.

- Establish an emergency response system for information security
- Protect critical data and expedite recovery response
- Strengthen a detection mechanism to minimize damage and a protection mechanism to reduce the risk of damage

We are also working to ensure thorough compliance with rules and governance. For example, we provide threat information to all employees and provide information security training through e-learning. In addition, telework is expanding against the backdrop of work style reform and the new coronavirus (COVID-19) pandemic, so that employees can conduct operations safely and securely without being limited by location constraints. To this end, we have introduced a detection and defense mechanism that reduces the risk of cyber-attacks even while teleworking, and are strengthening information security by monitoring everything on a daily basis.

Procurement Activities with an Emphasis on Environment and Society

Basic approach to procurement activities

In April 2021, we formulated a Procurement Policy corresponding to each SDGs. Based on the perspectives of "Fairness/impartiality," "Compliance with Laws and Regulations," "Green Procurement," and "Coexistence and Co-prosperity," purchasing departments at our head office play a central role in building a relationship of trust with business partners and we are conducting purchasing activities. Based on the "NTN Group Green Procurement Standards," we are promoting green procurement, which prioritizes environmental preservation efforts and procurement from business partners with superior environmental quality. We have also established "NTN CSR Procurement Guidelines" and are requesting active promotion of CSR activities. We are also working to achieve local procurement at all of our manufacturing sites, including those outside Japan, and to procure materials from optimal locations globally.

Various procurement policy

Green Procurement Standards

Failure to comply with environmental laws and environmentally-hazardous substance regulations in the supply chain is a management risk that leads to shut-down of operations and compensation for damages to customers. We are promoting environmental control throughout the supply chain by establishing green procurement standards that require our business partners to establish an environmental control system and define the standards of environmentally-hazardous substances, which constitute the important quality characteristics of delivered products.

CSR Procurement Guidelines

We have established NTN CSR Procurement Guidelines to promote activities throughout the entire supply chain in response to social issues such as human rights, labor, the environment and anti-corruption. We request our business partners to promote CSR activities in areas such as compliance and anti-corruption, human rights and labor, the environment, quality and safety, information-security, business continuity, and social contribution. We promote procurement activities that respond to social demands under a fair and free environment.

Procurement complying with environmental regulations

In order to comply with environmentally-hazardous substance regulations in Japan and overseas and customer standards, we, as a general rule, actively switch regulated substances regardless of applications,

destinations, or manufacturing locations. To comply with the RoHS Directive which was revised in July 2019 and prohibits phthalates (DEHP, BBP, DBP and DIBP), we have established a system for incoming inspection according to the risks involved. We are promoting the switching from lead-containing procured products that are currently used for applications exempted from the RoHS Directive, assuming future tightening of regulations.

CSR questionnaires for suppliers

We conduct annual survey of business partners to further raise awareness of "NTN CSR Procurement Guidelines" and to confirm compliance.

In the current situation of business partners, the ratios of human rights, labor, quality and safety are more than 80% each, indicating that business partners are also highly conscious. However, the ratios of business continuity management (BCM), social contribution and CSR procurement are still around 60%, and at this stage, their awareness is not high.

In recent years, companies have been required to not only achieve corporate performance (economic value), but also to be an entity that is needed by society (social value). To help business partners understand that social value is important, we will continue to engage in awareness-raising activities.

■ CSR questionnaire for suppliers

Questionnaire items

1	Compliance
2	Human rights and labor
3	Environment
4	Quality and safety
5	Information security
6	Business Continuity Management (BCM)
7	Social contribution
8	CSR procurement

Degree of achievement according to CSR questionnaire results



Compliance with the Subcontract Act

We conduct self-audits of subcontract transactions with the aim of optimizing subcontract transactions. In order to voluntarily audit the status of compliance with the Subcontracting Act, each business site in Japan has been responsible for implementing a certification system for "subcontract transaction self-auditors" since 2017. In 2020, when the first certified auditors finished their 3-year term, an e-learning course was held and 34 employees renewed their term, bringing the total number of self-auditors to 100.

In the fiscal year ended March 31, 2021, self-audits were conducted at our 23 business sites in Japan, with the self-auditors playing a leading role in such audits.

At the same time, 2,311 employees (including those from affiliated companies) completed the e-learning basic course on the Subcontracting Act in order to widely disseminate the contents of the Subcontracting Act within the company. Even after the completion of the training period, we have opened and operated a new e-learning course for self-development.

We will continue to conduct activities aimed at understanding and complying with the Subcontracting Act and at ensuring proper subcontracting practices.

Risk management for suppliers

From the viewpoint of risk management, we begin transactions with our business partners after checking their management structure, quality, and environmental management.

We also conduct annual survey for business partners, which we have already conducted transactions with, to continuously monitor their business conditions. If we determine that a transaction involves a high risk, we strive to minimize our procurement risk and ensure stable procurement by implementing risk reduction measures commensurate with the magnitude of the impact, taking into consideration procurement parts, transaction amounts, etc.

With regard to a natural disaster or an infectious disease, we have established a risk management database, and in the event of an emergency, we immediately confirm the safety of business partners and manage the risk associated with ensuring a stable supply of our products throughout the supply chain.

In the fiscal year ended March 2021, a survey of business partners was conducted to check whether there is any issue associated with the supply chain, etc. Regarding business partners who answered that there was an issue and for whom we judged that a follow-up survey needs to be conducted, we are currently carrying out those checks.

Supply chain BCP

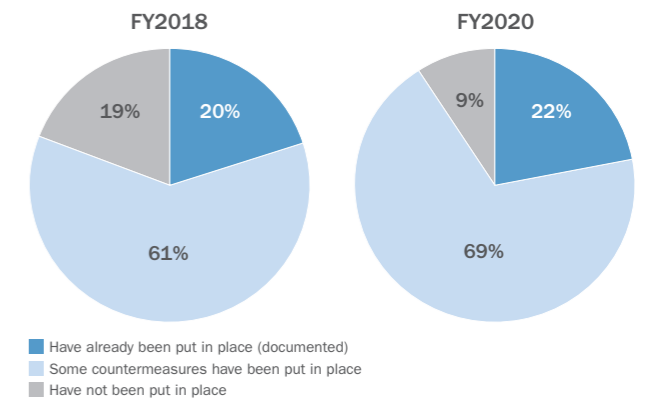
We are promoting supply chain BCP activities involving logistics companies and business partners in order to ensure stable procurement.

We are strengthening crisis-management in preparation for natural disasters such as earthquakes and typhoons at our business partners and logistics sites. In addition, in the event of a widespread crisis such as a pandemic, we will cooperate with our business partners to ensure business continuity, and promote infrastructure development such as on-line business operations with our business partners, and sharing of safety information and the code of conduct.

As a future initiative, we aim to further stabilize procurement by eliminating concentration in specific regions and promoting the use of double-track procurement.

■ Supplier questionnaire results

Q: Have countermeasures been put in place against the anticipated disaster risk at your production site (at each site)?



Basic approach to human rights

In accordance with the "United Nations Guiding Principles on Business and Human Rights," we have committed to engaging in business activities with an emphasis on respect for human rights as set forth in the Management Policy. (December 2019)

In July 2020, we established our Human Rights Policy, in which we will work to establish a human rights due diligence structure not only for our group, but also for the entire supply chain.

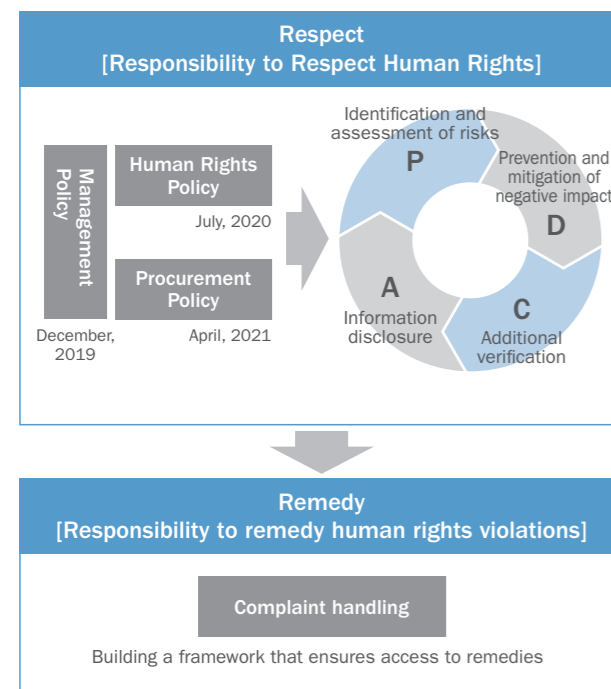
We have set "Respect for human rights" as one of the Group's materiality items, and will embody our efforts to respect human rights and contribute to the realization of a sustainable society globally.

Human rights due diligence

The Group works to establish a human rights due diligence framework. We will prioritize "Responding to human rights risks in the supply chain," "Responding to human rights risks in employees" and "Building a framework that ensures access to remedies" from the two perspectives of respect and remedy as set forth in the "Guiding Principles on Business and Human Rights."

■ Overview of human rights due diligence

United Nations Guiding Principles on Business and Human Rights



Human Rights Policy

In order to further promote human rights initiatives, we have formulated a Human Rights Policy in which all Group employees share common sense of values related to human rights and which serves as the basis for their day-to-day activities and business activities. In doing so, we are making efforts to ensure that human rights are respected.

Based on the Human Rights Policy, we will address human rights issues which are gaining more and more global attention, as exemplified by the Sustainable Development Goals (SDGs) and the UK's Modern Slavery Act, and fulfill our corporate responsibility for respecting human rights.

Outline of Human Rights Policy

1. NTN will respect internationally-recognized human rights.
2. NTN will not violate the human rights of others.
3. NTN will respond appropriately to any negative impacts its business activities may have on human rights.

Responding to human rights risks in employees

Sound labor-management relations based on labor-management consultations

We strive to share the content of each measure between labor and management in a forum where labor and management can exchange information with each other. We hold quarterly "Labor-Management Roundtable Meetings," in which executive managers provide thorough explanations about the Business Management Policy, management environment, and other topics to the labor union and listen to the views of the labor union. In addition, we hold labor-management committee meetings as appropriate according to each measure that leads to improvement of "motivation to work" and "ease of work," with the aim of exchanging opinions to deepen mutual understanding and deciding on work styles that lead to improvement of attractiveness of a place to work.

Responding to human rights risks in the supply chain

Based on our Procurement Policy, we have provided an item entitled "Human rights and labor" in our CSR questionnaires for suppliers that is annually conducted for business partners in an effort to identify human rights risks in the supply chain. (⇒ Details P47)

In addition, we periodically investigate whether or not certain minerals contained in materials or components used for our products are sources of funds of armed groups in conflict areas, which leads to human rights violations, illegal mining and smuggling. In this way, we verify that conflict minerals are not used in our products.

Safety and Health Basic Policy

As the foundation of our management, ensuring the health and safety of all employees is the most important value that takes precedence over all of our other business activities. Based on this basic stance, we aim to realize a work environment where employees can work safely, healthily and actively.

We have formulated a Safety and Health Basic Policy based on the 6 items indicated below as basic principles.

We will raise safety awareness of employees and organization and further enhance corporate value by presenting this basic policy to employees, shareholders, customers and business partners, etc.

Outline of Safety and Health Basic Policy

1. Compliance with laws and regulations
2. Promotion of continuous improvement through the operation of an occupational safety and health management system
3. Elimination and reduction of hazardous / harmful risks
4. Promotion of employee education and training
5. Maintain and promote mental and physical health
6. Create safety culture

Safety and health efforts

Under the Safety and Health Basic Policy, we will promote safety and health activities based on the following 3 priority measures.

■ 3 pillars of priority measures



Creating structures to support safety

We are promoting the introduction of an occupational safety and health management system to develop a framework that supports the Group's safety. By continually implementing the management system, we will strive to comply with laws and regulations and improve the level of safety and health.

All of our manufacturing sites have completed the acquisition of ISO45001*1 certification, which

is an international standard. Domestic affiliated manufacturers is first moving forward with the introduction of OSHMS*2 (domestic standards), and currently three companies have acquired OSHMS certification. In the future, we will proceed with the gradual acquisition of certification. We are also promoting the acquisition of GSC*3 certification for small-scale affiliated companies, one of which has been acquired. Three overseas affiliated companies have also acquired ISO45001 certification.

*1 ISO45001: International standard for occupational safety and health management systems
 *2 OSHMS: Japanese standard in compliance with the MHLW's "Guidelines on Occupational Safety and Health Management Systems" (OSHMS Guidelines)
 *3 GSC: MHLW's project for assessing occupational safety and health of small and medium-sized business sites (Good Safety Company)

Nurturing strong safety consciousness

Through in-house training, we train a number of risk assessment (RA) trainers at each business site, and conduct RA implementation guidance by RA trainers on a workplace-by-workplace basis to promote the improvement of RA capabilities of employees. Similarly, we have trained risk prediction (KY) trainers, implemented KY training on a workplace-by-workplace basis, and improved the KY capabilities of employees to develop people who are well-versed in safety practices and who do not act unsafely.

To prevent human error, we provide training to managers with the aim of improving social skills that cannot be attained only by providing systems or knowledge, such as status awareness, decision-making, communications and leadership. In addition, we are using the Safety Assessor qualification system to train engineers who can promote the intrinsic safety of equipment.

Intrinsic safety of equipment

Risk assessment (RA) is conducted for equipment at the time of installation, after a certain period of time elapses after installation, when equipment or content of work is modified, when something is pointed out as a result of safety patrols, or when near misses occur, in order to improve the intrinsic safety of equipment.

To deal with risks that are identified in RAs, we implement safety initiatives using engineering measures, such as safety covers and interlocks, in addition to intrinsic measures for reviewing operations. Furthermore, we consider risk reduction by means of managerial measures (procedures, rules, etc.) and protective equipment. Remaining risks are recorded in the residual risk management sheet in accordance with the unified company-wide residual risk management operation. Based on this, stickers indicating residual risk levels are put on the equipment for visualization. Furthermore, training on the residual risk of the equipment is provided to operators to make sure that they know where the hazardous risk lies.

Approach to Kenko Keiei (health management)*

Maintaining and promoting the health of employees (health management)

In view of the fact that proactive efforts to maintain and promote the health of employees are important management factors that will affect the sustainable growth of the Company, we will promote workplace health, mental health, and physical health based on our "Health Declaration" in collaboration with the health insurance association.

Moreover, in recognition of our efforts, we were certified as a "White 500", one of the top 500 corporations in "Health and Productivity Management Organization 2021 (Large enterprise category)", and as a company that practices excellent health management, by the Ministry of Economy, Trade and Industry and the Japan Health Council.



Certification mark of "Health and Productivity Management Organization 2021 Large enterprise category (White 500)"

NTN Health Declaration

We recognize the health of our employees and their family members as the foundation of the sustained growth of the NTN Group. We hereby declare that we will actively promote measures aimed at improving health and preventing disease and will strive to create lively workplace environments in which each and every employee works passionately, living up to their full potential.

Eiichi Ukai

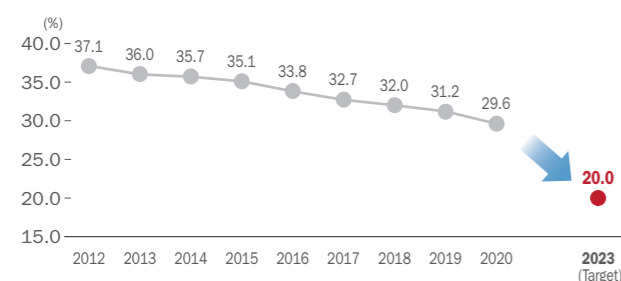
Representative Executive Officer, President
CEO (Chief Executive Officer)
NTN CORPORATION

*Kenko Keiei (health management) is a registered trademark of the NPO Health Management Research Association.

Measures to protect employees from smoking-related health hazards

The smoking rate is on a downward trend year by year, but we promulgated the "Non Smoking Declaration" with the aim of lowering the smoking rate of employees to 20% or less by 2023. We will continue to promote initiatives to reduce the health risk of smoking, including passive smoking.

■ Trends in smoking rate of NTN



NTN Non Smoking Declaration

The NTN Group is actively promoting various measures to encourage health improvement and disease prevention while creating vibrant workplaces so that all employees can work enthusiastically and maximize their capabilities.

As part of these efforts, we declare that we will vigorously implement initiatives to reduce the health risks of smoking, including passive smoking.

Toshinori Shiratori

Executive Officer
Corporate General Manager for Safety and Health
NTN CORPORATION

Sports initiatives to promote health

We support a number of in-house club activities, including skiing, snowboarding, tennis, and futsal. We also hold regular sporting events for employees, such as a marathon relay race and softball tournament, at our domestic plants. We are also conducting radio gymnastic exercises for employees in our manufacturing divisions and promoting standing meetings for employees in our indirect divisions.

In recognition of these efforts, we received the "Sports Yell Company 2021" certification from the Sports Agency.



Response to the expansion of the new coronavirus (COVID-19) infections

We are promoting measures to prevent infections and minimize the impact on our business activities, placing top priority on ensuring the safety of employees and their families, in order to prevent an outbreak of the new coronavirus.

We have gathered information from each country and region, responded to requests from public authorities and implemented measures to temporarily return employees on loan to Japan, as well as timely responses in line with local circumstances and other factors.

In addition to thoroughly implementing basic preventive measures, such as temperature measurements before going to work, hand sanitation, and avoidance of crowds, we are implementing measures such as working-from-home recommendations, which expanded teleworking, which had been introduced as part of work style reform.

The new coronavirus vaccinations have also progressed, and a trend toward convergence of the new coronavirus is expected worldwide. We will continue to implement measures in response to changes in circumstances by collaborating globally and gathering information in a timely manner.

Basic approach to human resource development

Our human resource development is based on the basic policy of realizing the NTN Corporate Philosophy through activities of human resources who grow as self-sustaining individuals, and aims to cultivate human resources that can achieve business objectives and swiftly respond to changes in the business environment.

To achieve this goal, we have adopted a basic policy for human resource development that aims to develop three types of human resources, namely: (i) Global, (ii) Self-support, and (iii) Creative. Our human resource development is based on personal self-development and on-the-job training (OJT). In addition to providing opportunities and various support systems to promote the above-mentioned development, we continuously implement systematic, well-planned and organizational training programs for employees as off-the-job-training (Off-JT)* on an as-needed basis from a long-term perspective.

*Education and training outside the workplace

NTN's human resource development structure

In order to ensure that employees acquire the mindset, knowledge, and techniques necessary to meet the level of skills (such as qualifications) required

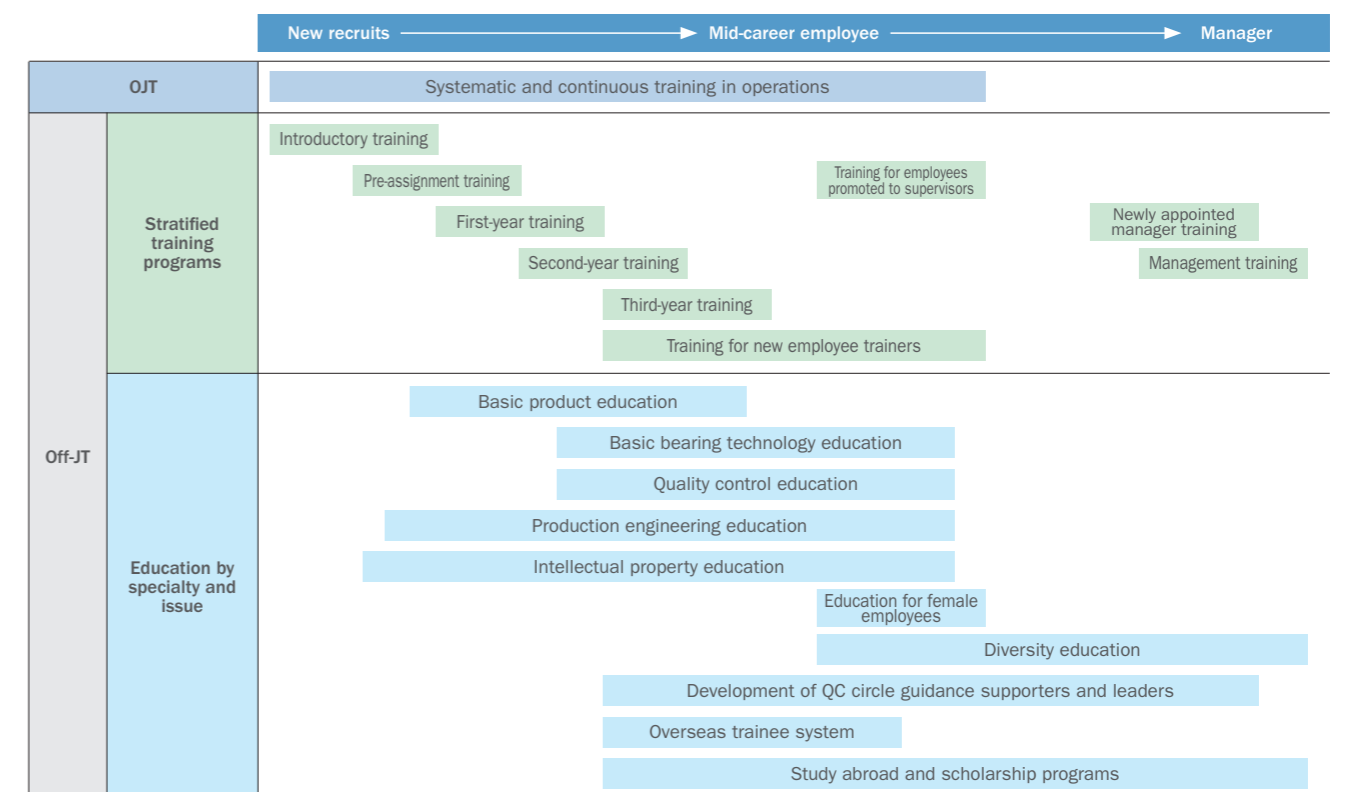
according to job grades and can enhance their ability to perform their duties, we are implementing human resource development programs at all levels that enable employees to think and act for themselves. In order to expand our business over the next 100 years, it is essential to develop human resources capable of playing an active role not only in Japan but also overseas. As a program to foster outstanding human resources and international human resources by raising the spirit of improvement, we are also utilizing overseas studies and scholarships. Through in-house e-learning programs, we are working to raise the education level of all employees by enhancing contents such as corporate knowledge and expertise courses.

Promotion of the work style reform

Fair evaluations and compensation

We have implemented a performance evaluation system that aims to further revitalize employees and improve management efficiency by evaluating the degree of achievement of business objectives over a certain period, the degree of contribution made in carrying out work, and the degree of demonstration of job performance capabilities, and properly reflect them in salary increases, bonuses, promotions, career advancement, and education and training for the purpose of ensuring fair management of personnel, as well as "fostering the job skills of employees" for the

■ Training structure



development of the Company's business.

To ensure thorough implementation of this system, we conduct annual performance appraisal trainings. We are working to disseminate the mechanism through which the results of the performance appraisals are reflected in compensation, and we link the appraisal results to human resource development.

Realization of diverse work styles

We have introduced telecommuting and flextime systems to expand the flexibility of working hours and locations and to create an environment where a diverse range of employees can thrive. Since April 2021, we have been expanding our telecommuting system, centered in our head office and Tokyo office. We have also expanded the flexible-time system to cover non-regular employees. In these ways, we are working to help as many employees as possible achieve a work-life balance. Work-life balance job ranks have been established so that managers also can work shorter working hours and under a flextime system, thereby striking a balance between childcare and nursing care and their managerial duties. Through these measures, we ensure that childcare and nursing care do not hinder their career advancement.

In addition to these initiatives for existing employees, we have introduced an NTN job-return system that allows employees who have resigned due to factors such as marriage, giving birth, fertility treatment, nursing care, and career advancement to return to work at the Company. This environment enables us to utilize the experience, knowledge, and know-how that they have cultivated while at work or after resignation.

We will promote the creation of workplaces where many employees can fully thrive, and will realize diverse work styles.

Flexible response to the new coronavirus pandemic

Immediately after the Declaration of State of Emergency in April 2020, we encouraged employees to use the flextime system, staggered working hours, and telecommuting system to ensure employees' security and business continuity. We promptly developed a network environment and communications tools for telecommunicating, mainly at our head office and sales offices.

As of April 2021, approximately 1,000 employees had registered for the telecommuting system, up from approximately 300 registered employees prior to the spread of the new coronavirus. After implementing the telecommuting system on a trial basis, we have been working to make the system an official one at our works (mainly in the technical division).

In addition, in response to the closing of elementary schools and other facilities due to the spread of the new

coronavirus infections, we encouraged employees who take care of children to work from home. In addition, as a temporary measure, we established a special public holiday due to the closing of elementary schools. Approximately 200 employees took advantage of this special public holiday.

In response to the recent spread of the new coronavirus, we are advancing initiatives with an eye on the after-corona world to realize a variety of working styles that are not bound by time or place.

Introduction of communications tools to respond to the work style reform

To promote the work style reform and prevent the spread of the new coronavirus, we are developing an environment that enables flexible telework that is not restricted by location. With the aim of revitalizing communication and improving productivity during telework, we are introducing communication tools with functions such as cloud-based web conferences, business chat, scheduling and file sharing. In fiscal 2020, we completed the introduction of these tools in the head office and sales divisions.

We are also working to strengthen the information-security capabilities of our communications tools so that employees can conduct business safely and with peace of mind anytime, anywhere.

Promotion of RPA utilization

In Japanese society, where the shrinkage of workforce is unavoidable due to the decreasing birthrate and aging population, improving productivity per capita is a major issue.

In order to achieve sustainable growth amid this environment, it is essential to promote work style reform to improve productivity and increase operational results more than ever before.

As part of this effort, we are reforming the operations of indirect divisions through the rebuilding of the core system.

In particular, we are working to improve time-efficiency and make a shift to high-value-added operations by automating manual work through the use of Robotic Process Automation (RPA) and by standardizing company-wide common operations, such as payroll processing and slip processing, which are common to each division.

Going forward, we will make maximum use of RPA as a complementary mechanism to our core systems in areas such as production control, which supports manufacturing, and cost control, which is directly linked to earnings. By thoroughly automating our regular operations and streamlining and standardizing our business processes, we will strengthen our competitiveness and realize work style reform.

Basic approach to diversity

The economic condition and social structure surrounding us have been drastically and rapidly changing, including the shrinkage of the labor force population and the new normal lifestyle with/after the new coronavirus (COVID-19). We are working on "transformation" so that we can respond flexibly and actively to such rapid changes in the environment and continue to grow sustainably. One of the important strategies for this "transformation" is diversity. By combining these diverse values and creating flexible ideas, we will accelerate "transformation." We are working to create a workplace environment in which a variety of people, irrespective of nationality, culture, gender, age, or disability, can create better ideas based on open-minded thinking, and demonstrate his or her abilities to the fullest. We will realize our corporate philosophy, "We shall contribute to international society through creating new technologies and developing new products," by promoting diversity.

Encouraging more active roles for female employees

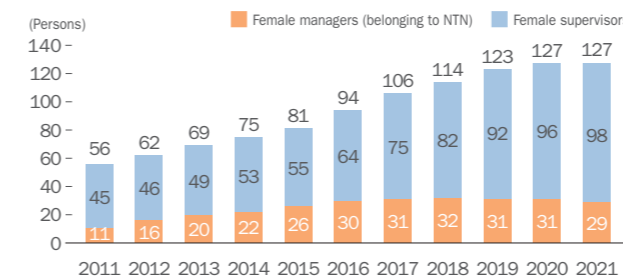
Assigning women to managerial positions

One of the biggest challenges in achieving diversity is promoting female advancement in the workplace and closing the gender gap.

Currently, the percentage of female managers at the Company is 14.0% globally, and looking at such percentage by region, the percentage in Japan is low. Therefore, we believe that we need to further promote female advancement. By assigning many women to high responsibility positions and encouraging them to participate in important judgments and decisions, we expect that innovation will be created based on diverse opinions and flexible ideas, resulting in the creation of value and the strengthening of our organization.

The Global Human Resource Development has introduced a leadership development program for female employees and held seminars in a planned manner. Also, the department holds an awareness-raising workshop for superiors of female employees and an unconscious bias seminar for managers, thereby establishing an environment where women can try to become a manager, so that the gender gap will be eliminated.

■ Trend in the number of female managers and supervisors at NTN (employees belonging to NTN) / As of April 1



Acquisition of certification mark "Eruboshi"

As an excellent company in terms of the promotion of female advancement in the workplace, we were awarded the highest 3-star grade in "Eruboshi" certification by the Minister of Health, Labour and Welfare. "Eruboshi" certifies companies that have formulated and shared an action plan based on the Act on Promotion of Women's Participation and Advancement in the Workplace, and have excellent conditions regarding promotion of women's advancement. We were recognized for our efforts to hold seminars to train manager candidates, develop their skills such as thorough time management and striking a work-life balance. Going forward, we will further promote women's active participation through the promotion of diverse working styles and the development of a friendly work environment for women.



The "Eruboshi" certification logo

Balancing work and childcare

In 2019, we obtained a "Kurumin" certification as a company supporting child-rearing, and are implementing initiatives to create a work environment to support employees balancing childcare and work.

For both men and women, we distribute a handbook summarizing in-house systems, laws and regulations relating to child-rearing from the time they become aware of their pregnancy to the time they take maternity leave, childcare leave, and return to work. In this way, we disseminate the in-house systems within the Company. In addition, in order to encourage men to participate in childcare, we conducted awareness-raising activities, including displaying posters to encourage men to take childcare leave. In fiscal 2020, the rate of men taking childcare leave was 5 times higher than the previous year. Furthermore, as an initiative aimed at managers, we distribute a childcare handbook for managers to deepen their understanding of childbirth and childcare, and create an environment where employees who give birth and raise children can maximize their capabilities.

Promotion of employment of persons with disabilities

As a workplace where people with disabilities can take the lead and work safely, we have established three "Dream Workshops" at Kuwana, Iwata and Okayama Works. In addition, we are working to create a comfortable working environment for people with disabilities, through actions such as promoting barrier-free workplaces.

"Collaboration" is being promoted in every workplace, not only the manufacturing sites but also various workplaces such as headquarters and sales divisions, to utilize the strengths of a variety of people and encourage them to play an active role.

Basic approach to compliance

We believe that earning the trust of society is essential for us to contribute to the realization of a sustainable society and to continue to be a company needed by society. Accordingly, we are placing importance on compliance in our Management Policy. We formulated the Business Code of Conduct to specify the policy of actions which officers and employees should observe so that we can conduct business activities in accordance with laws and regulations and generally accepted standards and practices in each country, and our internal rules. We have also established and have been operating the compliance promotion structure that includes rules related to compliance, a whistle-blower system, the Compliance Committee, and the Fair Trade Monitoring Committee.

Compliance promotion structure

We have established and have been operating the Compliance Committee and the Fair Trade Monitoring Committee to promote compliance through the activities of both committees. (See page 62 for details of the activities of the two committees.)

Aside from the efforts made by the two committees, the Legal Department in CSR Headquarters conducts the rank-based training and the topic-specific training for officers and employees as part of compliance-related educational and awareness-raising activities. In addition, we hold a group training session for Compliance Promotion Activities Supervisors in Japan once a year. By sharing information and exchanging opinions on important issues, we are enhancing the promotion activities at each business site and providing support for the initiatives at each business site. Furthermore, with regard to activities for global compliance risks such as corruption prevention, we regularly exchange information and opinions with the Internal Control Section at each Office of the General Manager in the 5 overseas regions and legal/compliance departments of overseas subsidiaries, thereby confirming each other's ongoing activities and setting new agendas.

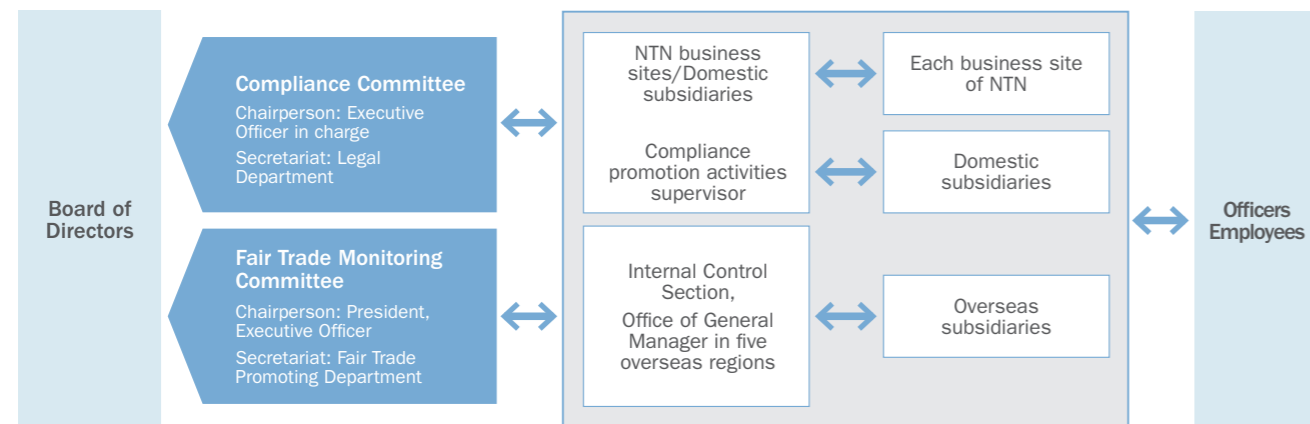
In addition, we have established the Fair Trade Promoting Department in CSR Headquarters as an

overall supervisory department for compliance with antimonopoly law. Under the direction of the Fair Trade Monitoring Committee, the department conducts various activities (such as education, instruction and audit) for relevant divisions. Additionally, overseas subsidiaries are monitored for the implementation status of compliance with antimonopoly law in cooperation with the Internal Control Section of the Office of the General Manager in each region.

Major actions to enhance compliance

Category	Actions	Commencement (YYYY/MM)	
Development of Structures/Policies/Rules	Rules for management of compliance promotion activities are established	2015/04	
	Compliance Committee is held (twice a year)	2015/04	
	"NTN CSR Procurement Guidelines" for business partners, including compliance contents are issued	2016/04	
	July 26 is designated as "Compliance Day" and a message from President is delivered to all NTN Group employees (once a year).	2016/07	
Educational / Awareness-raising activities	Topic-specific training for important departments which especially need to be familiar with compliance by the Legal Dept., the Fair Trade Promoting Dept., Etc. (as needed)	2012/01	
	Compliance training for Operating Officer is implemented (as needed)	2012/08	
	Rank-based compliance training for new managers, new employees, Etc. by the Legal Dept. (as needed)	2015/04	
	Original compliance training for each business unit by compliance promotion activities supervisors is implemented (as needed)	2015/04	
	Mass training meeting for compliance promotion activities supervisors, and persons in charge by the Legal Dept. is implemented (once a year)	2015/04	
	NTN's Compliance, which is a database for sharing compliance related information, such as compliance-related incidents and introduction of compliance promotion structure is operated	2016/08	
	E-learning program about corruption prevention and antimonopoly laws is implemented (once a year)	2017/04	
	Audit/Monitoring activities	Audits on antimonopoly compliance are implemented	2012/11
		Audits on rules for corruption prevention are implemented	2018/05

Structure



Internal corporate culture survey

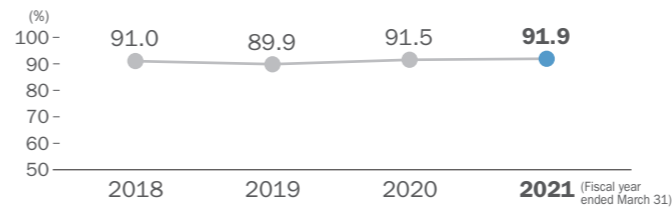
As part of our fraud prevention efforts, we are examining employees' assessment of the attitudes of affiliated companies' presidents and senior executives in the manufacturing division.

It is said that improper actions within a company will be more likely to occur when a triangle of motivations, pressures, opportunities, and justification is formed. It is important to develop rules and penalties, and at the same time, to develop an internal corporate culture and environment.

By disclosing the survey results to senior executives, we are making use of the survey results to create an internal corporate culture that "does not cause fraud" based on the awareness that fraud is constantly seen within the company and by the head office, and to build better relationships with employees.

In the fiscal year ended March 31, 2021, we conducted a survey of approximately 2,100 employees at 48 of our affiliates (12 in Japan and 36 outside Japan) and approximately 1,700 employees in manufacturing divisions.

Percentage of employees who evaluated positively the attitude of senior executives as "good"



Corruption prevention initiatives

Initiatives in Japan

We have established and have been applying in-house rules and regulations based on domestic and overseas anti-corruption laws and social norms. Our in-house rules and regulations not only prohibit bribery from and to domestic and overseas public officials and business partners, but also specify the rules and procedures regarding provision of property or profit by our officers or employees, and rules and procedures to prevent bribery via our business partners. In addition, under the circumstance that some countries even impose restraints on the transfer of property or profit between private companies, we have established rules and procedures for the receipt of property or profit in order to prevent bribery by our officers and employees, to thoroughly ensure the conduct of fair trade, and to prevent our officers and employees from engaging in conflicts of interest. Furthermore, we have made it a policy to refuse to receive gifts and entertainment from our business partners in principle.

We conduct in-house training and e-learning programs to raise awareness of the contents of our in-house rules and regulations, and conduct self-audits once a year to ensure thorough awareness of the anti-corruption rules and regulations. Domestic subsidiaries have also established and have been applying their own internal regulations that are consistent with the Company's policies.

Overseas Initiatives

Our overseas subsidiaries have developed and have been operating in-house rules and regulations that are localized to reflect relevant laws, regulations, and generally accepted standards and practices in each

country. They also conduct audit activities related to these rules and regulations as needed. The Legal Department is regularly sharing information and exchanging views with the Internal Control Section at the Office of the General Manager in each region on related initiatives, and maintaining and managing a structure in which the Group unites as one to prevent bribery.

Helpline (whistle-blower system) and educational activities

In Japan, the whistle-blower system called Helpline has been established within and outside the Company and has been operated as a contact point for providing consultation regarding violations of laws, Business Code of Conduct, and in-house regulations. Helpline provides consultation for cases such as suspected violations of labor-related laws, including harassment, as well as violations of in-house regulations, and conducts investigation in accordance with Helpline Management Rules that stipulate ensuring the confidentiality and prohibition of detrimental treatment against the whistle-blower. Through provision of information in various compliance training sessions and in the Code of Conduct Guidebook, we have established a structure where all employees can utilize Helpline, not only as a tool to report misconduct, but also as a means of raising questions and expressing opinions and complaints regarding the Business Code of Conduct, and maintaining satisfactory relationships between the company, officers, employees, and business partners. Whistle-blower systems are being progressively created and operated also in overseas regions, where they are tailored to local needs and circumstances.



Antimonopoly law compliance initiatives

We think that all antimonopoly law violations represent a potential risk for the whole NTN Group. To ensure thorough antimonopoly law compliance, the Fair Trade Promoting Department and the Internal Control Section in each region conduct education and awareness-raising activities related to antimonopoly law compliance in accordance with local laws and circumstances.

In addition, we have established a system that requires officers and employees to submit advance applications and follow-up reports when there is a possibility of contact with competitors in any event, such as at exhibits or meetings. Thus, we can ascertain whether and how employees contact competitors. Furthermore, we strengthen the compliance system by conducting annual self-audits and internal audits. Based on those results, each department proactively plans and implements improvement measures.

We work to put fair and free competition into practice by continuing to upgrade our educational activities and raising the awareness of officers and employees.

Basic Approach

Strengthening and enhancing our corporate governance is one of our top management priorities. We take steps to make management more efficient and robust while working to increase management transparency by disclosing information to shareholders and investors in a prompt and accurate manner.

We made a transition from a Company with a Board of Company Auditors to a Company with a

Nominating Committee, etc. in June 2019 with the aim of establishing a prompt decision-making structure and operational execution organization, strengthening the supervision of management, and improving management transparency and fairness. Under this structure, we will work on further improvement of corporate value over the medium- and long-term.

Members composing Nominating Committee, Compensation Committee, and Audit Committee

Fiscal year ending March 31, 2022 (As of June 25, 2021)			
Director	Nominating Committee	Compensation Committee	Audit Committee
Eiichi Ukai	○	○	
Hideaki Miyazawa			
Toshinori Shiratori		○	
Masaki Egami			
Hiroshi Ohkubo	○		
Keiji Ohashi			○
Noboru Tsuda ★(Non-standing)	◎	○	
Kouji Kawahara ★	○		◎
Ryo Kawakami ★(Non-standing)		◎	○
Tomonori Nishimura ★(Non-standing)	○		○
Yuriya Komatsu ★(Non-standing)		○	

* Please note that persons with ★ are Outside Directors, persons with ◎ are Chairpersons of committees, and persons with ○ are members of committees.

Inside Director Outside Director Chairperson

5 Management Meeting
The Management Meeting discusses important matters relating to operational execution, as a supporting body for decisionmaking of President, Executive Officer. The meeting is composed of President, Executive Officer, and Executive Officers who are designated by him, and held twice a month in principle.

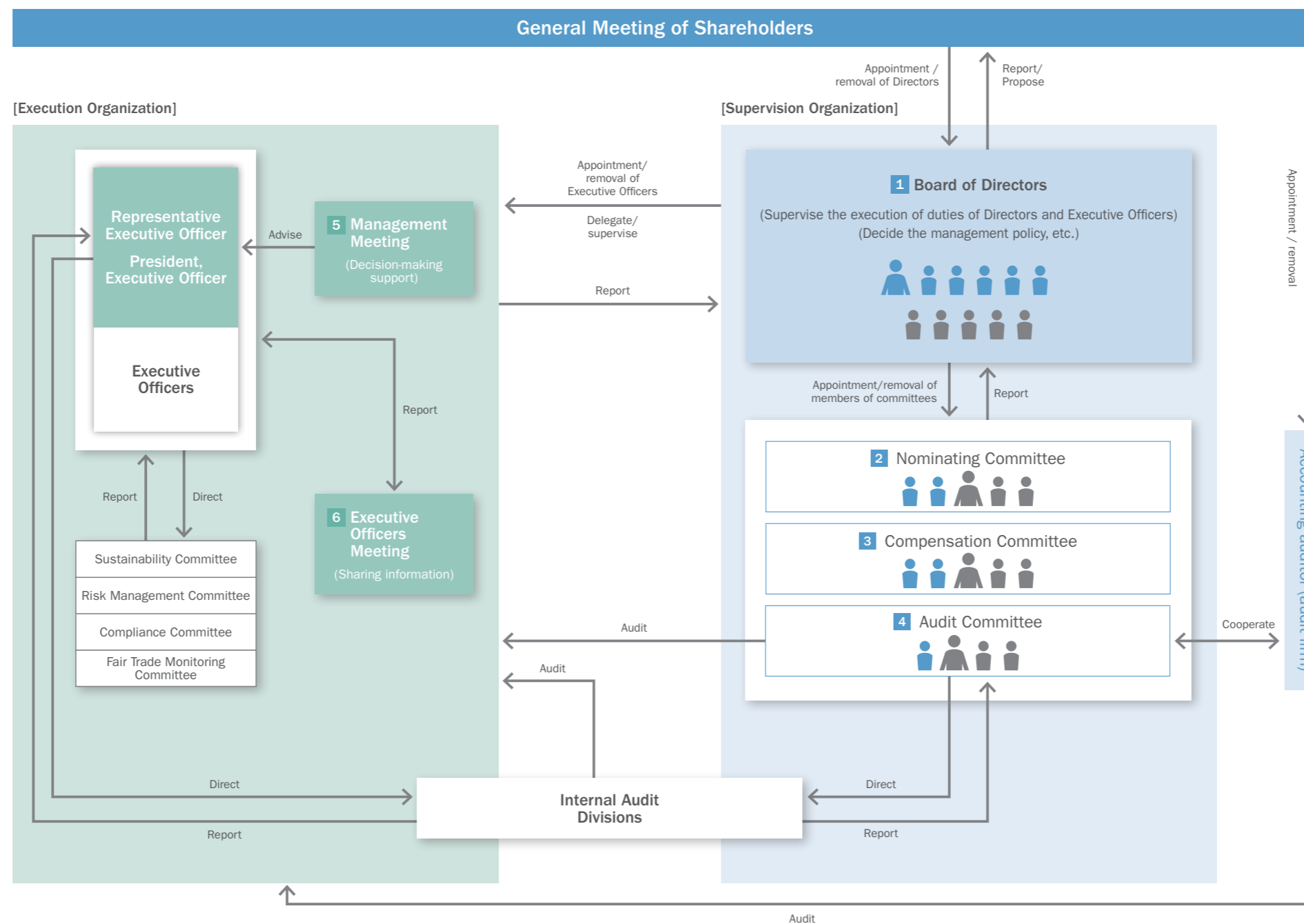
6 Executive Officers Meeting
The Executive Officers Meeting is held by President, Executive Officer under the attendance of all Executive Officers. Matters resolved at the Board of Directors are instructed, and each Executive Officer reports about the status of operational execution. This meeting is held once a month in principle, to make operational execution more efficient and effective by sharing information among Executive Officers.

Executive Officers
Executive Officers are elected by the resolution of the Board of Directors, and are in charge of executional decision making and execution of operations delegated by the Board of Directors. Its term of office is specified as a year by the Articles of Incorporation. The number of Executive Officers is 11 as of June 25, 2021.

Basic information

Organizational design	Company with Nominating Committee, etc.
Directors	11
Of those, independent Outside Directors	5
Term of office of Directors	1 year
Executive Officers	11
Of those, Executive Officers who have the authority of representation	2
Executive Officers concurrently serving as Directors	4
Structure to support duties of Audit Committee	Available (Internal Audit Divisions)
Accounting auditor	Ernst & Young ShinNihon LLC

Corporate governance structure (as of June 25, 2021)



1 Board of Directors

The Board of Directors decides the basic management policies, and supervises the execution of duties of Directors and Executive Officers. Except matters stipulated by laws and regulations or the Articles of Incorporation to be resolved at the Board of Directors, the Board of Directors delegated substantial authority to Executive Officers with the aim to strengthen the supervision of management, and make decisions more promptly. The Board of Directors is held once a month in principle, but it is also held flexibly as needed.

The Articles of Incorporation specify that the term of office of Directors shall be one year, and the number of Directors shall be within 15. The number of Directors is 11 as of June 25, 2021, and five of them are Outside Directors. The Board of Directors is chaired by Non-Executive Director.

2 Nominating Committee

The Nominating Committee decides on the content of a proposal regarding appointment/ removal of Directors, which is submitted to the General Meeting of Shareholders. The majority of the members are Outside Directors. Three out of the five members of the committee are Outside Directors, and the committee is chaired by an Outside Director.

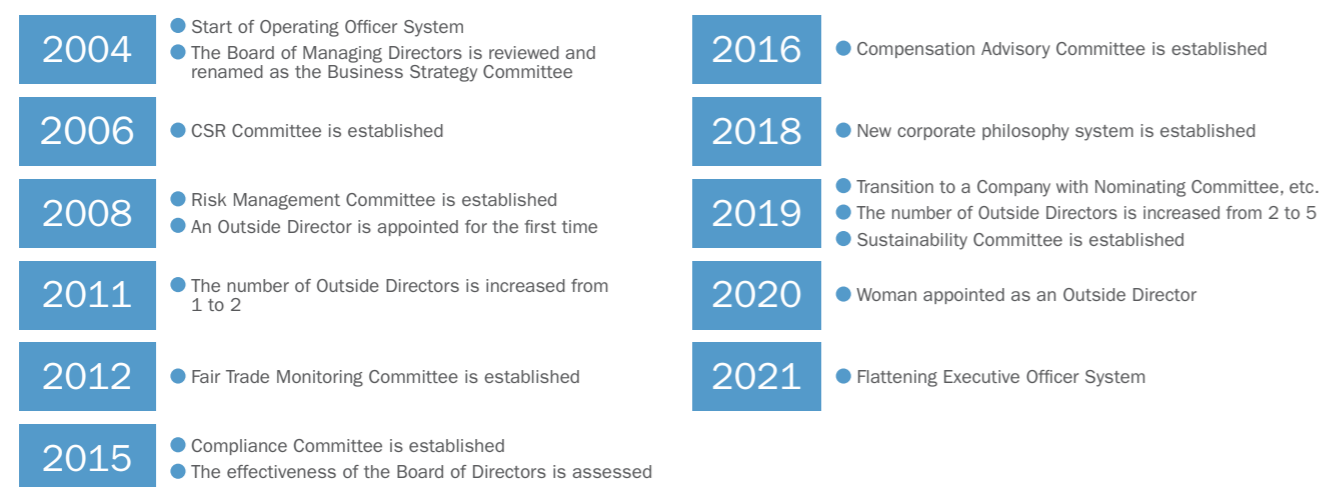
3 Compensation Committee

The Compensation Committee decides on the policy for compensation for Directors and Executive Officers, and details of compensation for individual persons. The majority of the committee are Outside Directors. Three out of the five members of the committee are Outside Directors, and the committee is chaired by an Outside Director.

4 Audit Committee

The Audit Committee audits the execution of duties of Directors and Executive Officers, and decides on the content of a proposal regarding appointment/removal of the accounting auditor, which is submitted to the General Meeting of Shareholders. The majority of the members are Outside Directors. Three out of the four members of the committee are Outside Directors, and the committee is chaired by an Outside Director. Also, assistants, including the Audit Preparation and Support Office, are appointed from the Internal Audit Divisions to support the duties of the Audit Committee. Regarding matters relating to appointment, personnel relocation, disciplinary punishment, evaluation, etc. of assistants, the approval from the Audit Committee shall be required for decision.

Governance-strengthening transition



Board of Directors

Approach of Board of Directors

Directors other than Outside Directors are appointed from a wide range of fields, including manufacturing, marketing, technology, and administrative divisions. In addition, Outside Directors are appointed after considering diversity and balance, such as being a person with knowledge of finance, experienced management, and being a lawyer. We believe that the current number of Directors is an appropriate size for strengthening corporate governance and expanding our global businesses.

Diversity of Directors

Upon the approval of the General Meeting of Shareholders in the fiscal year ended March 2020, a female Director (Outside Director) was newly appointed for the first time at the Company. The female Director

with experience in a different industry than ours will supervise management. This will enable us to integrate diverse values and accelerate transformation aimed at achieving sustainable growth.

Assessment of effectiveness of the Board of Directors

We conducted a self-assessment of the Board of Directors by sending out questionnaires to Directors from the viewpoints such as role/structure/management of the Board of Directors and management of committees. The result was generally positive, but there were comments regarding a succession plan of top management (CEO) and others. Based on those, discussions were held on future actions and others at the Board of Directors. We will continue to analyze and evaluate the effectiveness of the Board of Directors on a regular basis to make improvements.

The main areas of experience of Directors (Skill matrix)

Name	Main areas of experience required of Directors									
	Corporate management	Manufacturing	Technology and R&D	Marketing	Corporate and business planning	Finance and administration	Legal affairs, internal controls, compliance	Global experience	Experience of other industries, diversity	
Eiichi Ukai	●	●		●				●		
Hideaki Miyazawa	●	●		●	●			●		
Toshinori Shiratori	●			●	●	●	●	●		
Masaki Egami			●							
Hiroshi Ohkubo	●				●	●	●	●		
Keiji Ohashi	●					●	●			
Noboru Tsuda	●				●	●	●		●	
Kouji Kawahara				●		●	●		●	
Ryo Kawakami							●		●	
Tomonori Nishimura	●		●	●					●	
Yuriya Komatsu					●	●	●	●	●	

Nominating Committee

Members, the number of meetings, and attendance

Name	Title	Attendance	Number of attendances
Noboru Tsuda	Chairperson Outside Director	100%	4 times/4 times
Kouji Kawahara	Outside Director	100%	4 times/4 times
Tomonori Nishimura	Outside Director	100%	4 times/4 times
Hiroshi Ohkubo	Director	100%	4 times/4 times
Toshinori Shiratori	Director	100%	4 times/4 times

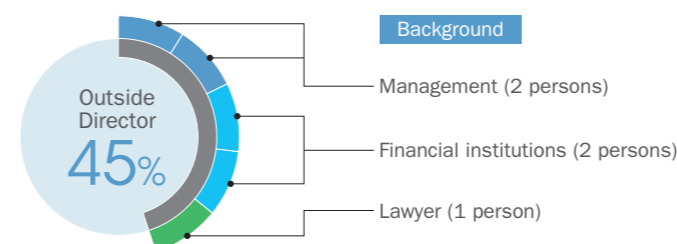
Discussions on Nominating Committee

The Nominating Committee was established in conjunction with the transition to a Company with a Nominating Committee, etc. in 2019. The committee was held four times for the year ended March 31, 2021, with discussions and resolutions mainly on the standards for selection of Directors, skill matrix related to such standards for selection and the standards regarding the independence of Outside Directors.

About Outside Directors

As of June 25, 2021, the Board of Directors consists of 11 members, including six Inside Directors and five Outside Directors, and the ratio of Outside Directors is 45%. In this way, we strengthen the supervision of management and improve management transparency and fairness. In addition, in order to ensure appropriate corporate governance, we have established our own standards regarding the independence of Outside Directors, stipulating qualification and independence standards for them. These standards are used for appointing Outside Directors. Also, all the Outside Directors are designated as Independent Officers as defined by the rules of the Tokyo Stock Exchange, Inc. (TSE), and are reported to TSE as such.

For Outside Directors, we have established an environment where active discussions can be held at the Board of Directors through actions such as explaining the issues as necessary prior to a relevant meeting of the Board of Directors. Moreover, we continuously provide information necessary to effectively fulfill the roles and responsibilities of an Outside Director by creating opportunities to deepen their understanding of our business through on-site inspection of business sites and other means.



Standards for Selection of Directors

Candidates for Directors will be selected from inside and outside the Company based on standards for selection of Directors as described below, considering the diversity and balance of the Board of Directors (including gender and internationality), after careful deliberation by the Nominating Committee.

- Must be in good condition both physically and mentally.
- Must have a high sense of ethics and a law-abiding spirit.
- Must be able to engage in constructive discussion from an objective viewpoint.
- Must be highly motivated to improve their abilities.
- Must have excellent decision-making skills from a company-wide and medium- to long-term perspective.
- Must have excellent insight and foresight concerning changes to the overall environment and to society.
- Must have a sufficient record of performance and expertise in relevant fields. (Corporate manager or expertise)
- Outside Directors must (1) have sufficient time to accomplish their duties, (2) satisfy the standards regarding the independence of Outside Directors, (3) ensure diversity between the Outside Directors, and (4) have the requisite abilities to accomplish duties as a member of any of the three Committees.

The appointment of Executive Officer

The appointment of an Executive Officer shall be determined after careful deliberation by the Board of Directors, comprehensively considering whether they possess personalities, insights, capabilities, experience/performance, etc. that are appropriate for fulfilling their duties. In addition, if it becomes clear that an Executive Officer lacks the required qualifications, he/she will be promptly dismissed by the Board of Directors.

Since June 25, 2021, the Company has removed the Managing Executive Officers and eliminates hierarchical relationships among Executive Officers and makes them one team. It enables all Executive Officers to activate discussions and respond to various issues quickly toward further enhancement of its corporate value.

Compensation Committee

Members, the number of meetings, and attendance

Name	Title	Attendance	Number of attendances
Ryo Kawakami	Chairperson Outside Director	100%	6 times/6 times
Noboru Tsuda	Outside Director	100%	6 times/6 times
Yuriya Komatsu*	Outside Director	100%	4 times/4 times
Hiroshi Ohkubo	Director	100%	6 times/6 times
Toshinori Shiratori	Director	100%	6 times/6 times

*The number of attendances after becoming as a member of the Committee

Discussions at the Compensation Committee

The Compensation Committee aims to improve fairness, transparency, and objectivity of procedures regarding the decision making of compensation for Directors and Executive Officers and enhance corporate governance. Also, the committee passed resolutions regarding the details of compensation (such as compensation specified for each individual) of Officers.

Compensation Committee (April 1, 2020 to March 31, 2021)

1st	<ul style="list-style-type: none"> Special measures regarding stock delivery, etc. of BIP Trust for compensation of Officers
2nd	<ul style="list-style-type: none"> Points granted for BIP Trust for compensation of Officers Bonus for Executive Officers in 2020 Directors' and Executive Officers' compensation reduction Summer bonus for Operating Officers in 2020
3rd	<ul style="list-style-type: none"> Decision of the order of substitution for the chairperson in the event of an accident Policy for determining the amount of compensation or the method of calculating such amount Director compensation Annual activity plans
4th	<ul style="list-style-type: none"> New Medium-term Management Plan's medium-to long-term performance-linked compensation system for Officers Compensation for Officers stationed overseas Examination of the level of compensation and compensation structure of Officers Winter bonus for Operating Officers in 2020 Compensation Committee report
5th	<ul style="list-style-type: none"> Compensation for Officers stationed overseas
6th	<ul style="list-style-type: none"> Executive Officer's compensation determination Performance indicators of New Medium-term Management Plan's medium-to long-term performance-linked compensation system for Officers

Policies for determining the amount, or method of calculation, of compensation, etc., for Officers

The system and level of compensation for Officers, compensation specified for each individual, etc. are determined in the Compensation Committee chaired by an Outside Director using objective information including the level and trends of other companies as reference. Compensation for Executive Officers and compensation for Directors are determined separately, and if a Director also serves as an Executive Officer, those compensations are added up.

Compensation for Executive Officers

Compensation for Executive Officers consists of fixed compensation and performance-linked compensation, which fluctuates according to performance. The ratio of

fixed compensation to performance-linked compensation is approximately 6:4 as a standard.



Fixed compensation

Fixed compensation shall be determined based on a relevant Executive Officer's role and increased in the case of, for example, Executive Officers who have the right to represent.

Performance-linked compensation

Annual incentives

For Executive Officers, the Company determines whether or not to provide payment of monetary compensation that reflects the performance of a single fiscal year, based on consolidated financial results indicators, etc. of the previous fiscal year and, in the case of providing such payment, the total amount. The payment or non-payment to each Executive Officer, and in the case of payment, the amount, is determined within the total amount of provision by considering the Executive Officer's progress on priority target measures. Indicators related to the calculation of bonuses are based on consolidated financial results: net sales, operating income and net income from the perspective of emphasizing the achievement of earnings growth. The provision is made once a year in June after the determination of the Compensation Committee.

Medium-to long-term incentives

The Company's shares shall be issued based on the achievement level of major target figures in the Medium-term Management Plan (money equivalent to the converted amount of shares shall be paid for a certain portion) as incentives to motivate them to achieve the targets in the Medium-term Management Plan and contribute to raising shareholder value, and in order to promote the holding of the Company's shares.

Medium- to long-term performance targets include key performance indicators (consolidated operating margin, consolidated net sales, etc.) that take into account the Company's management policies.

Compensation for Directors

Compensation for a Director consists only of fixed compensation. Fixed compensation shall be calculated by increasing basic compensation (which is determined based on his/her concurrent duties as an Executive Officer and whether he/she works full-time or part-time), taking into account a committee to which a Director belongs and his/her role at the committee.

Audit Committee

Members, the number of meetings, and attendance

Name	Title	Attendance	Number of attendances
Kouji Kawahara	Chairperson Outside Director	93%	14 times/15 times
Ryo Kawakami	Outside Director	100%	15 times/15 times
Tomonori Nishimura*	Outside Director	100%	10 times/10 times
Keiji Ohashi*	Director	100%	10 times/10 times

*The number of attendances after becoming as a member of the Committee

Discussions at the Audit Committee

Major items to be discussed at the Audit Committee include the formulation of the Audit Committee's auditing standards, the formulation of auditing policies and auditing plans, the evaluation of the content of auditing plans of the independent auditors, the assessment of the selection of independent auditors, and the assessment of the status of development and operation of internal control systems.

Audit Status

The Audit Committee members attend meetings of the Board of Directors and other major meetings in

accordance with auditing standards, policies, and plans determined by the Audit Committee. The Audit Committee receives reports or hears from Directors, Executive Officers, employees, etc. on the status of the execution of their duties, and audits the execution of duties by Directors and Executive Officers. In addition to the Board of Directors and Executive Officers Meeting, members of the Audit Committee attend and monitor the Sustainability Committee, the Risk Management Committee, the Compliance Committee, and the Fair Trade Monitoring Committee, which operate internal control systems.

Overview of the Committees

Sustainability Committee

The Sustainability Committee is chaired by the Executive Officer, who is in charge of the CSR Division, and is vice-chaired by the corporate general manager of the division. Members of the committee consist of the heads of ESG-and materiality-related divisions. The committee stipulates that each employee in our group should promote sustainability activities based on the 3 fundamental principles of our "Corporate Philosophy", "CSR Policy", and "Business Code of Conduct" in our day-to-day business activities. The committee is responsible for identifying materiality and establishing targets for achieving SDGs in order to examine initiatives related to sustainability.

Risk Management Committee

To respond to various risks surrounding the businesses of the Group, we have established the Risk Management Committee, chaired by the Executive Officer (Chief Management Officer of risk management), who is in charge of the Global Risk Management Department, as an advisory body on risk management to prevent risks from occurring and to minimize damage in the event of a crisis. The committee mainly consists of the general managers of the promotion departments of the risk management. The committee regularly checks activities including identification, analysis, evaluation, and treatment with regard to risks that have a major impact on the management of the NTN Group. The result of discussion at the Risk Management Committee is reported to the Board of Directors and instructions are fed back to the relevant departments.

Compliance Committee

The Compliance Committee, chaired by the Executive Officer in charge of CSR Headquarters (Overall Control Administrator of Compliance Promotion Activities), handles global compliance risks, excluding violation risks of the Anti-Monopoly Act and the Subcontracting Act. The committee members are comprised primarily of the heads of related risk management divisions. The committee members formulate and implement risk mitigation measures in cooperation with the Compliance Promotion Activities Supervisors appointed at each business site in Japan and the Internal Control Section established at each Office of the General Manager in 5 overseas regions, and reports to the committee on action plans and the status of implementation. The committee deliberates on the contents of such reports and then reports the findings to the Board of Directors.

Fair Trade Monitoring Committee

The Fair Trade Monitoring Committee is chaired by the President and Executive Officer and consists of Executive Officers in charge of sales and procurement divisions, an Outside Director, external lawyer and so on. In principle, this meeting is held twice a year to discuss the implementation plans and the performance reports for compliance with the Antimonopoly Act and the Subcontracting Act, and to provide supervision and guidance on effective control for fair trade practices along with education and awareness-raising activities. In addition, we have established the Fair Trade Promoting Department in CSR Headquarters as an overall supervisory department for compliance with antimonopoly law. Under the direction of the Fair Trade Monitoring Committee, the department conducts various activities (such as education, instruction and audit) for relevant divisions. Furthermore, overseas subsidiaries are monitored for the implementation status of compliance with antimonopoly law in cooperation with the Internal Control Section in each region.

Internal Control/Internal Audit

Basic approach to internal control

Based on the Internal Control Policy resolved by the Board of Directors, we recognize risk management and compliance as one of our most important managerial issues and maintain and operate an internal control system.

Regarding internal control over financial reporting, the evaluation is conducted in accordance with the generally accepted evaluation criteria for internal control of financial reporting, which was announced by the Business Accounting Council.

In the fiscal year ending March 2021, we evaluated the effectiveness of the internal control for 50 domestic and overseas companies of the Group.

With the aim of enhancing cooperation between the Audit Committee and the internal audit divisions and effectiveness of audit operations, we changed the organization of the internal audit divisions in April 2021.

The general management function related to the internal control system, which was previously handled by the former Internal Audit Department, has been transferred to the Internal Control Department newly established in the CSR Headquarters, and a system has been established to further promote control improvements.

By reviewing the internal control system in response to changes in the business environment, we will improve the soundness and efficiency of the management of the entire NTN Group.

Internal audit activities

In our company, the Internal Audit Department is in charge of internal audit operations. The Internal Audit Department, as an organization that is independent of executive organizations, conducts internal audits of the status of the execution of operations by each division of the Company and domestic and overseas Group companies from the viewpoint of compliance with laws and internal regulations, and the appropriateness, effectiveness and efficiency of business activities.

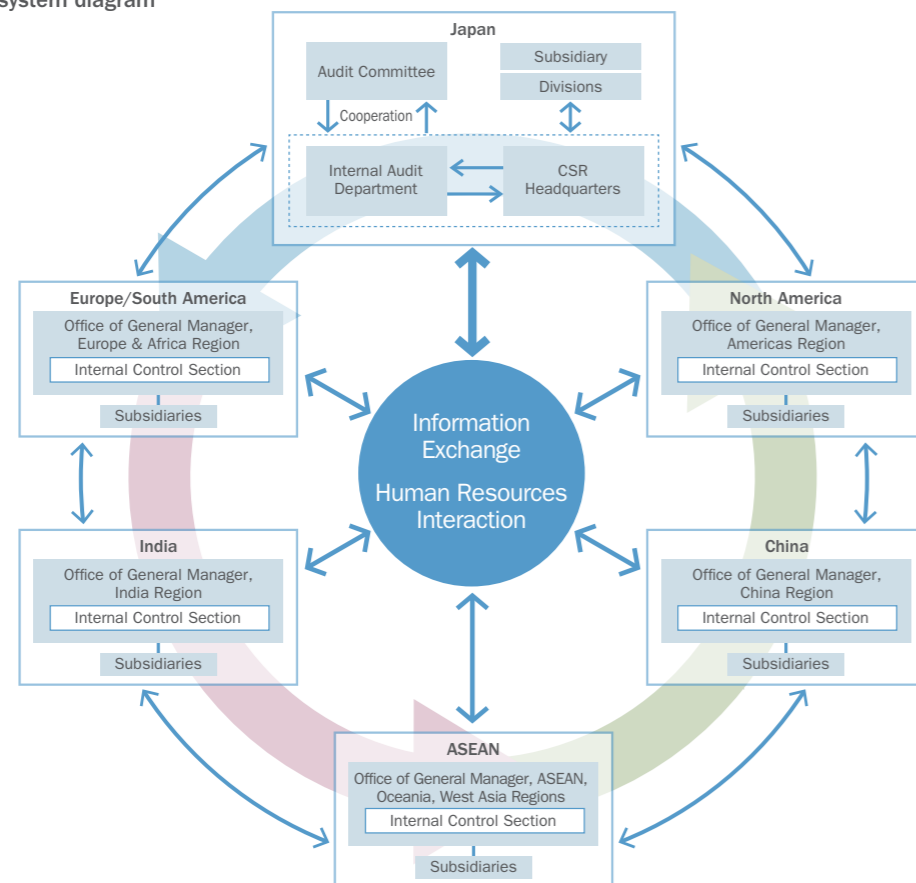
Based on the results of internal audits, we provide advice and recommendations on improvements to the departments subject to audits. We also confirm the status of implementation of improvement measures and conduct follow-up audits.

The results of internal audits are reported to the President and the Audit Committee.

Outside Japan, an Office of the General Manager has been established in each region to oversee and monitor operations, each having an Internal Control Section within it. The Internal Control Section works with the Internal Audit Department and CSR Headquarters to implement policies specific to each region and country in accordance with local needs and characteristics.

The Audit Committee, the Internal Audit Department and the Accounting Auditor work to improve efficiency and effectiveness of audits by regularly holding meetings and exchanging information and opinions about the policies, plans, and results of audits.

Internal control system diagram



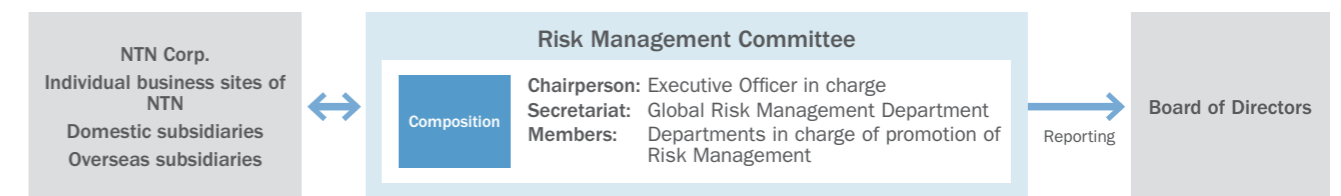
Risk Management

Basic approach to risk management

We have developed a Risk Management Policy that outlines our basic approach to prevention and handling of risks that may hamper the execution of the Group's business, and the Risk Management Regulations that set forth risk management organizations and their roles. Through these measures, we promote group-wide risk and crisis-management and BCP/BCM (Business Continuity Planning/Business Continuity Management).

We convene the Risk Management Committee as an advisory body for risk management twice a year, in principle. The committee regularly checks risk management process including identification, analysis, evaluation, and treatment with regard to risks that have a major impact on the management of the NTN Group in light of changes in the internal and external environment and other factors. The results of the discussion at the Risk Management Committee are reported to the Board of Directors.

Structural diagram



Risk Category

We have classified risks into the following 12 categories from the perspective of ensuring completeness. After that, an administrative manager and a promotion department have been determined for each specific risk that will have a significant impact on the management of the NTN Group. Through these measures, we endeavor to reduce risks.

Risk Category

- 1 Risks related to technology and R&D
- 2 Risks related to procurement and logistics
- 3 Risks related to production and inventory
- 4 Risks related to quality
- 5 Risks related to sales and marketing
- 6 Risks related to personnel and labor
- 7 Risks related to the environment and health & safety
- 8 Risks related to information systems
- 9 Risks related to finance and accounting
- 10 Risks related to legal affairs and compliance
- 11 Risks related to fire and disaster prevention, etc.
- 12 Others

Promotion of BCP/BCM

We have been developing a BCP/BCM structure designed to respond to major earthquakes in Japan and are working to strengthen our disaster response systems, including those of our group companies.

We have completed the formulation of BCP to enable early disaster recovery at all domestic production sites. Now we have also implemented BCP training to assess the effectiveness of the formulated action plans and have taken necessary advance measures. In doing so, we are moving ahead with development of BCM. As part of our supply chain management, we are also working to formulate BCP at our logistics bases.

Response to the new coronavirus (COVID-19)

In response to the spread of the new coronavirus, we established the Central Headquarters. Based on the basic concept shown below, we are promoting necessary measures globally.

1. Give top priority to ensuring the safety of employees and their families
2. Thorough precautions should be taken to prevent an increase of infected persons as much as possible
3. Efforts are made to ensure customer business continuity

Officers (As of June 25, 2021)

Directors



Internal Director

■ Members of Nominating Committee
 ■ Members of Audit Committee
■ Members of Compensation Committee
 ★ Chairperson of each committee

1 Eiichi Ukai ■ ■

Number of years as Director: **4 years** Number of shares of the Company held: **62,000 shares**

Past experience

April 1980	Joined the Company	January 2007	Deputy General Manager, TAKARAZUKA WORKS
April 2001	General Manager, Quality Assurance Department, OKAYAMA WORKS	(concurrently) General Manager, Quality Assurance Department, TAKARAZUKA WORKS	
February 2003	General Manager, Quality Assurance Department, IWATA WORKS	February 2009	General Manager, Quality Assurance Department
January 2005	General Manager, Quality Assurance Department	April 2011	Operating Officer
February 2006	General Manager, Quality Assurance Department, TAKARAZUKA WORKS	April 2014	Managing Operating Officer
		June 2017	Director (current position)
		June 2019	Managing Executive Officer
		April 2021	President, Executive Officer (current position)

2 Hideaki Miyazawa ■ ■

Number of years as Director: **7 years** Number of shares of the Company held: **81,600 shares**

Past experience

April 1983	Joined the Company		
October 2007	Deputy Corporate General Manager, Automotive Product Headquarters (concurrently) General Manager, Automotive Planning Department		
October 2009	Deputy General Manager, China Region		
October 2013	Deputy Corporate General Manager, Automotive Business Headquarters (concurrently) General Manager, Business Planning Department		
April 2014	Operating Officer		
June 2014	Director		
June 2015	Managing Director		
June 2019	Director (current position)		
June 2019	Senior Managing Executive Officer		
June 2021	Executive Officer (current position)		

3 Toshinori Shiratori ■

Number of years as Director: **6 years** Number of shares of the Company held: **59,100 shares**

Past experience

April 1982	Joined the Company		
April 2005	General Manager, Production Planning Department, Production Headquarters		
November 2007	General Manager, Human Resources Department, Human Resources Headquarters		
August 2010	Deputy Corporate General Manager, Corporate Strategy Headquarters		
December 2010	Deputy Corporate General Manager, Corporate Strategy Headquarters (concurrently) General Manager, Information Planning Department		
April 2011	Operating Officer		
June 2015	Director (current position)		
June 2019	Managing Executive Officer		
June 2021	Executive Officer (current position)		

4 Masaki Egami ■ ■

Number of years as Director: **11 months** Number of shares of the Company held: **21,200 shares**

Past experience

April 1980	Joined the Company	April 2014	Deputy Corporate General Manager, Automotive Business Headquarters
July 2009	General Manager, Element Technology R&D Center		
April 2011	General Manager, Advanced Technology R&D Center	October 2014	General Manager, New Product Development R&D Center
April 2012	General Manager, Environment & Intellectual Property Department	April 2015	Operating Officer
August 2012	General Manager, Environment & Intellectual Property Department (concurrently) General Manager, Product Innovation Strategy Department	April 2017	Managing Operating Officer
		June 2019	Executive Officer (current position)
		July 2020	Director (current position)

5 Hiroshi Ohkubo ■

Number of years as Director: **9 years** Number of shares of the Company held: **134,100 shares**

Past experience

April 1977	Joined the Company		
April 2004	Deputy General Manager, Finance Department		
August 2009	Director, NTN Wälzlager (Europa) GmbH		
April 2010	Operating Officer		
June 2012	Director		
June 2013	Managing Director		
April 2014	Executive Vice President and Director		
June 2014	President and Director		
June 2019	Director (current position)		
	President, Executive Officer		

6 Keiji Ohashi ■

Number of years as Director: **11 months** Number of shares of the Company held: **117,400 shares**
(other than above, served as Director from June 2012 to June 2019)

Past experience

April 1979	Joined the Company		
April 2003	General Manager, Management Department, KUWANA WORKS		
April 2006	General Manager, Management Department, IWATA WORKS		
April 2007	Deputy General Manager, IWATA WORKS (concurrently) General Manager, Management Department, IWATA WORKS		
January 2008	General Manager, General Affairs Department		
April 2010	Operating Officer		
June 2012	Director		
June 2014	Managing Director		
June 2019	Senior Managing Executive Officer		
July 2020	Director (current position)		

Outside Director

7 Noboru Tsuda ★ ■

Number of years as Director: **5 years** Number of shares of the Company held: **26,300 shares**

Past experience

April 1973	Joined Mitsubishi Kasei Industries Corporation (currently Mitsubishi Chemical Corporation)		
June 2005	Executive Officer (retired in April 2009)		
October 2005	Executive Officer, Mitsubishi Chemical Holdings Corporation		
April 2009	Managing Executive Officer		
April 2013	Senior Managing Executive Officer		
	Member of the Board, Mitsubishi Rayon Co., Ltd. (currently Mitsubishi Chemical Corporation) (retired in April 2015)		
June 2013	Member of the Board, Senior Managing Executive Officer, Mitsubishi Chemical Holdings Corporation		
April 2014	Member of the Board (Representative Director), Vice President, Executive Officer		
June 2015	Advisor (retired in June 2016)		
June 2016	Director, the Company (current position)		
	Outside Director, Tokyu Fudosan Holdings Corporation (retired in June 2018)		

8 Kouji Kawahara ■ ★

Number of years as Director: **2 years** Number of shares of the Company held: **45,700 shares**

Past experience

April 1983	Joined The Sanwa Bank, Limited (currently MUFG Bank, Ltd.)		
June 2010	Executive Officer, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (currently MUFG Bank, Ltd.) (retired in June 2011)		
	Corporate Executive, Mitsubishi UFJ Financial Group, Inc. (retired in May 2011)		
June 2011	Managing Executive Officer, Mitsubishi UFJ NICOS Co., Ltd. (retired in June 2015)		
June 2015	Standing Audit & Supervisory Board Member, the Company		
June 2019	Director (current position)		

9 Ryo Kawakami ■ ★

Number of years as Director: **2 years** Number of shares of the Company held: **0 shares**

Past experience

April 1999	Registered as an attorney at law (Osaka Bar Association)		
	Osaka Nishi Law Office (currently Osaka Nishi Law Office, Legal Professional Corporation) (current position)		
April 2011	Specially Appointed Professor, Osaka University Law School		
June 2015	Audit & Supervisory Board Member, the Company		
June 2019	Director (current position)		
April 2020	Professor, Osaka University Law School (current position)		

10 Tomonori Nishimura ■ ■

Number of years as Director: **11 months** Number of shares of the Company held: **800 shares**

Past experience

April 1979	Joined NEC Corporation		
April 2008	Senior Vice President		
April 2010	Executive Vice President		
April 2017	Advisor to the President (retired June 2019)		
July 2019	Business Owner, NT Consul Biz. (current position)		
July 2020	Director, the Company (current position)		

11 Yuriya Komatsu ■

Number of years as Director: **11 months** Number of shares of the Company held: **10,000 shares**

Past experience

April 1986	Joined Nomura Securities Co., Ltd.		
April 1988	Joined Credit Suisse Trust and Banking Co., Ltd.		
April 1990	Joined SPARX Asset Management Co., Ltd. (currently SPARX Group Co., Ltd.)		
May 1996	Joined The Dreyfus Corporation		
December 1999	Joined Fiduciary Trust Company International		
September 2000	Joined IntelAsset, Inc.		
November 2004	Joined Worldeye Capital Inc.		
June 2006	Joined Olympus Capital Holdings Asia		
July 2010	Joined Daiwa Quantum Capital Limited		

Past experience

August 2010	Executive Officer, Otsuka Chemical Co., Ltd.		
August 2012	Advisor, DWANGO Co., Ltd.		
January 2013	Advisor, Otsuka Chemical Co., Ltd. (current position)		
	Executive Director, DWANGO Co., Ltd.		
October 2014	Director, KADOKAWA DWANGO CORPORATION (currently KADOKAWA CORPORATION)		
	Director, DWANGO Co., Ltd. (to be retired in June 2021)		
June 2017	Executive Officer, KADOKAWA DWANGO CORPORATION (currently KADOKAWA CORPORATION) (retired in February 2019)		
July 2020	Director, the Company (current position)		
June 2021	Outside Director, Dream Incubator Inc. (current position)		

Directors	Number of Board of Directors and Committee attended	Reasons for selection
Internal Directors	Eiichi Ukai	100% Board of Directors 14/14 Mr. Eiichi Ukai possesses operational experience in areas such as the Quality Assurance Division and Overseas Division, and broad knowledge of the management of the Company promoting business globally based on these achievements, among others, and has served as President, Executive Officer of the Company since April this year. The Company selects him with an aim to continuously improve corporate value, utilizing his experience and knowledge, etc. for management.
	Hideaki Miyazawa	100% Board of Directors 14/14 Mr. Hideaki Miyazawa possesses operational experience in areas such as the Business Division for the automotive market and Overseas Division, and broad knowledge based on these achievements, among others. The Company selects him with an aim to continuously improve corporate value, utilizing his experience and knowledge, etc. for management.
	Toshinori Shiratori	100% Board of Directors 14/14 Nominating Committee 4/4 Compensation Committee 6/6 Mr. Toshinori Shiratori possesses operational experience in areas such as the Human Resources Division and Corporate Strategy Division, and broad knowledge based on these achievements, among others. The Company selects him with an aim to continuously improve corporate value, utilizing his experience and knowledge, etc. for management.
	Masaki Egami	100% Board of Directors 10/10 Mr. Masaki Egami possesses operational experience in areas such as the Engineering Division and Research Division, and broad knowledge based on these achievements, among others. The Company selects him with an aim to continuously improve corporate value, utilizing his experience and knowledge, etc. for management.
	Hiroshi Ohkubo	100% Board of Directors 14/14 Nominating Committee 4/4 Compensation Committee 6/6 Mr. Hiroshi Ohkubo possesses broad knowledge based on the achievements through his operational experience in areas such as the Finance Division and Overseas Division, and also through his serving as President and Director of the Company since June 2014 and as President, Executive Officer of the Company since June 2019 until March this year. The Company selects him with an aim to continuously improve corporate value, utilizing his experience and knowledge, etc. for management.
	Keiji Ohashi	100% Board of Directors 10/10 Audit Committee 10/10 Mr. Keiji Ohashi possesses operational experience in areas such as the Finance Division and General Affairs Division, and broad knowledge based on these achievements, among others. The Company selects him with an aim to continuously improve corporate value, utilizing his experience and knowledge, etc. for management.
	Noboru Tsuda	100% Board of Directors 14/14 Nominating Committee 4/4 Compensation Committee 6/6 Mr. Noboru Tsuda possesses broad knowledge, etc. based on extensive experience in the management of other companies. The Company selects him with an expectation to continuously improve corporate value by conducting supervision from the viewpoint to increase transparency and fairness of management through his duties such as providing appropriate opinions on the independent standpoint from business executors.
	Kouji Kawahara	92.8% Board of Directors 13/14 100% Nominating Committee 4/4 93.3% Audit Committee 14/15 Mr. Kouji Kawahara possesses extensive experience in banking over many years and broad knowledge including finance, among others. The Company selects him with an expectation to continuously improve corporate value by conducting supervision from the viewpoint to increase transparency and fairness of management through his duties such as providing appropriate opinions on the independent standpoint from business executors.
	Ryo Kawakami	100% Board of Directors 14/14 Audit Committee 15/15 Compensation Committee 6/6 Although Mr. Ryo Kawakami has not been directly involved in corporate management, he possesses broad knowledge, etc. based on extensive experience as a lawyer familiar with corporate legal affairs. The Company selects him with an expectation to continuously improve corporate value by conducting supervision from the viewpoint to increase transparency and fairness of management through his duties such as providing appropriate opinions on the independent standpoint from business executors.
	Tomonori Nishimura	100% Board of Directors 10/10 Nominating Committee 4/4 Audit Committee 10/10 Mr. Tomonori Nishimura possesses broad knowledge, etc. based on extensive experience in the management of other companies. The Company selects him with an expectation to continuously improve corporate value by conducting supervision from the viewpoint to increase transparency and fairness of management through his duties such as providing appropriate opinions on the independent standpoint from business executors.
Outside Directors	Yuriya Komatsu	100% Board of Directors 10/10 Compensation Committee 4/4 Ms. Yuriya Komatsu possesses broad knowledge, etc. based on extensive experience in the management of other companies. The Company selects her with an expectation to continuously improve corporate value by conducting supervision from the viewpoint to increase transparency and fairness of management through her duties such as providing appropriate opinions on the independent standpoint from business executors.

Executive Officers (As of August 1, 2021)



<p>1 Representative Executive Officer, President, Executive Officer Eiichi Ukai* CEO (Chief Executive Officer)</p>	<p>2 Representative Executive Officer, Executive Officer Hideaki Miyazawa* Corporate General Manager, Automotive Business Headquarters Global Procurement Headquarters</p>	<p>3 Executive Officer Yoshinori Terasaka Europe & Africa Region General Manager, Office of General Manager-Europe & Africa Region Americas Region</p>
<p>4 Executive Officer Isao Ozako Production Headquarters Production Engineering R&D Center Composite Material Product Division Quality Assurance Headquarters NTN Korea Co., Ltd. ASEAN, Oceania & West Asia Region India Region</p>	<p>5 Executive Officer Toshinori Shiratori* Human Resources Headquarters CSR Headquarters Information Technology Department General Affairs Department EHS (Environment, Health & Safety) Integrated Management Department</p>	<p>6 Executive Officer Hiroyuki Ichikawa Deputy Corporate General Manager, Automotive Business Headquarters General Manager, Global Strategy Management Department, Automotive Business Headquarters General Manager, Iwata Works, Automotive Business Headquarters</p>
<p>7 Executive Officer Masaki Egami* CTO (Chief Technology Officer) Research Division New Product and Business Strategic Planning Headquarters Green Energy Products Division</p>	<p>8 Executive Officer Masayuki Kaimi Corporate General Manager, Production Headquarters Supply & Demand Center Cost Planning Department China Region</p>	<p>9 Executive Officer Tetsuya Sogo CFO (Chief Financial Officer) Corporate General Manager, Finance Headquarters</p>
<p>10 Executive Officer Etsu Harima Corporate General Manager, Aftermarket Business Headquarters Industrial Business Headquarters</p>	<p>11 Executive Officer Masaaki Yamamoto Corporate General Manager, Corporate Strategy Headquarters</p>	

* Executive Officers concurrently serving as Directors

Outside Director Dialog



Outside Director
Noboru Tsuda

Outside Director
Yuriya Komatsu

Outside Director
Tomonori Nishimura

Every year, the NTN Report provides an opportunity for Outside Directors to discuss NTN's management and governance-related issues. The content of discussion is published as "Outside Director Dialog." This year again, Director Tsuda, and Director Nishimura and Director Komatsu, who were appointed to Outside Directors last year, had a frank and honest talk about NTN's management issues including governance and ESGs.

Topic 1 NTN's current issues

Could you talk about the fact that results have not kept pace while in the last few years internal consolidation thinking has grown?

Tsuda: In the fiscal year ended March 2021, the main factor of the decrease in profit was a major reduction in production by automotive manufacturers, our main customers, due to the coronavirus pandemic. However, there were other factors: the investment in replacing the core IT system has increased from the initial assumption; there is still a long way to shift to aftermarket and industrial machinery businesses, which have a higher income; and impairment loss was recognized because returns from past capital investments did not reach initial assumptions. These do not easily produce positive results in numerical terms. Unfortunately, we must say that our management of capital investment has been inadequate. Nevertheless, looking back over the past year, cash flow turned positive. Inventory and fixed cost have also been reduced significantly. The break-even point is also declining. I think we can applaud the fact

that the Company is producing results in terms of what it has planned. We have not yet completed structural reform that we should implement, including the reorganization of our domestic bases. Despite the impact of the shortage of semiconductors, automotive business is now recovering, and the Company will work to resolve the issues while restoring its financial strength. I feel this is where executive managers can show their skills.

Nishimura: I praise the fact that in the past year, we have cut fixed cost in order to lower the break-even point, and I feel that things are breaking well in terms of management. On the other hand, there are two things that I felt were essential challenges, although I have less than one year of experience.

The first issue concerns the decision-making process. I feel that while a decision is made at an important meeting, management's consensus building and sense of satisfaction are inadequate. Despite the fact that a decision applies to the entire Company, actions are concentrated in some divisions and company-wide action is not taken. Therefore, even if we can make progress in what can be improved through the efforts of specific divisions, we have not yet generated any company-wide effects. I feel that it is

necessary to dramatically change the direction of management to "team management" in the future. For this reason, I think it is necessary to flatten the organization as much as possible and change it so that the results of decision-making and consensus-building can be shared swiftly throughout the organization.

The other is about investment. Currently, most of the investment projects that are being discussed internally are concentrated on capital investment. Until now, the Company had been able to do business if it manufactured bearings and their application products. As a result, sufficient investment has not been made in further enhancing the added value of the products. Although technological research and development has been conducted, there has not been sufficient market research on the value of new products. This means that the Company is not fully aware of where its current position in providing value lies. It may be necessary to take a birds-eye view to ascertain how we are seen from the customer's standpoint. In this sense, we should invest a little more in marketing, technological development aimed at further enhancing added value, and product development. We have a variety of options, including alliances with external specialist companies, and technical cooperation or alliance with companies in other sectors. To this end, it is necessary to further improve profitability, to clearly incorporate it into investment items in the budget, and to select a person responsible for promoting it.

Komatsu: From the investor's point of view, there may be a problem with the business portfolio. Investment is biased toward automotive OEMs, which are businesses whose future growth is difficult to ascertain, and they account for the majority of our portfolio. Even if we would otherwise want to focus on aftermarket business and other businesses with high gross profit, we would be forced to devote personnel, investment, and other resources to automotive OEMs, and we cannot take measures in a flexible manner. In addition, if we have a high level of internal reserves, we may be able to act quickly with a sense of urgency in transforming our business portfolio, but we will only proceed slowly because we currently have modest internal reserves. While this is understandable, it is essential to make a decision on at least the direction and share it with all employees in order to transform the Company. It may not be at the speed that investors ask for, but if the Company can transform itself at an adequate speed to achieve sustainable development, I think we will become a company with high profit margins.

Tsuda: In terms of transformation, President Ukai, who assumed his position this year, has been involved in industrial machinery and aftermarket businesses for many years and has abundant experience in Southeast Asia. In order to strengthen the high-margin aftermarket business, he has a clear policy of discontinuing operations and transferring resources to the aftermarket business if income cannot be achieved even if the number of automotive OEM projects increases. Of course, there have already been such discussions, but things didn't go as we expected. For inventories, rather than uniformly reducing them, we must have a fixed number of products required for the aftermarket business, and must have a system in place

to enable immediate delivery. The President has engaged in such activities. I hope that President Ukai will boldly take on the challenges we face.

Komatsu: That's right. There is another thing I would like to consider after becoming Outside Director. It is the delay in updating management accounting in line with the current situation. Management accounting is still functioning at present, but I do not think that all executives and employees share the same numbers, can make business decisions quickly and accurately, and operating income under financial accounting is automatically increased. All employees want to proceed with business after allocating all costs based on criteria that employees are satisfied with, understanding the costs correctly, and recognizing immediately whether they are making money or not. I think it would be better to pay attention to setting KPIs for evaluation. There are many Japanese companies (other than us) that set income before allocation of headquarter costs as KPI. However, if operating income under financial accounting is not shared with employees as a KPI, even though a department is achieving its goals, if the company-wide earnings are tight and the remuneration is reduced, employees at the department will be strongly dissatisfied and their motivation will decrease. If we can quickly determine a series of processes, such as allocating all costs as fairly as possible, sharing them as KPIs, and reflecting those KPIs in evaluations, we will be able to understand costs in a timely manner and quickly determine whether orders should be received. I think that the mindset of employees will change and earnings will pick up faster. The accounting division knows the issues of management accounting. However, we do not see any noticeable progress at present because the start of operation of the core IT system has been delayed across the company. As these issues are shared by the Board of Directors, we believe that progress will be made going forward.

In terms of the personnel system, we are also moving forward with a plan for changing the evaluation system for executives. I'm not sure if it can be implemented during the period ending March 2022, but discussions are proceeding.

Topic 2 Roles of Nominating Committee

The President was changed for the first time since we migrated to a Company with a Nominating Committee, etc. Please tell us about the process for the President change.

Tsuda: The Nominating Committee consists of 3 outside members, including myself (the chairman of the committee), and 2 inside members. One of the 2 inside members was the President, and the other was the director in charge of human resources. The resignation of the President and appointment of their successor were difficult to discuss at a meeting of all members, and we held discussions among the 3 Outside Directors and convened the Nominating Committee after holding a dialog with the former President Ohkubo and exchanging views with other Outside Directors. After evaluating his execution, planning, and previous

experience, we decided unanimously that Mr. Ukai was suitable for the position, and recommended him to the Board of Directors.

Nishimura: I also exchanged views with former President Ohkubo on the successor. As mentioned earlier, I recognize that the transition to "team management" is a major issue, and recommend President Ukai because he is qualified as a person capable of guiding the transformation with enthusiasm. I have great expectations for his management skills. Not only the President but also all other executives have things they are not good at. By complementing each other and functioning as a "team," management can make firm management decisions that realize a company-wide, long-term transformation. I think it will be important in the future how he positions this as a management decision-making process, and how he leads not only executives but also capable human resources to work as a team.

Topic 3 NTN's sustainability

This year, NTN has identified materiality and are working to promote sustainability management in earnest. How do you see these developments?

Komatsu: It is certainly true that we are seriously committed to sustainability management. Since Mr. Ukai assumed the position of the President in particular, the Company has been working with a strong sense of urgency on the world issue of decarbonization. I think the entire Company is making serious efforts not only to reduce emissions, but also to ensure our products contribute to environmental conservation. On the other hand, with regard to diversity and other issues, it seems that the environment-related challenges are so great that those issues are placed on the back burner. Given that it is difficult to cover all ESG issues and that environmental conservation is an urgent issue, it is not a mistake to place emphasis on the environment. However, what surprised me was that there are few female managers. All of our male executives are not biased against women, but when evaluating them, there is a possibility that criteria for choosing managers are unknowingly slanted in favor of male employees. There may also be an idea that it would be a pity if we let women do this kind of work, and that it would be a tough job because women need to take care of their family. Some women are happy with such treatment, while others are not. If working styles change, there are cases where more women want to become managers. I feel that it is necessary to talk to female employees and managers about these matters.

It is also important that not only women but also non-Japanese people play an active role. As with the case of women, there is no desire to exclude foreigners. The Company will be forced to change in the future. No matter what the business model will be, I believe that innovation will progress as human resources from various countries and women come in.

Nishimura: This time, we expressed our support of TCFD recommendations as part of our sustainability management, which is a major business opportunity.

We are a global company with approximately 70% of its sales coming from overseas. We have many production, sales, and research bases in Asia, Europe, and the Americas globally, and if those bases cooperate with each other, we can continuously provide services without interruption 24 hours a day. In other words, this expression of support means that we declare that we will engage in the global standard business in which services are continuously provided to our customers through complementary collaboration between our bases, even if there are risks arising from climate change. To this end, we must promote global standardization of procurement, manufacturing, sales, and logistics, as well as information-sharing and strengthening of governance. In this way, we must work together as the "One NTN." We should be conscious of the concept of the "global standard" from an early stage and from a company-wide perspective, at least with regard to new products and service businesses that we will work on in the future.

In addition, it is expected that many countries and companies will change their direction significantly toward the realization of a carbon-free society in the future. We have continued to realize a NAMERAKA society since our foundation. Taking advantage of this strength, we need to take a step further to lead society in areas such as renewable energy, new energy, and development of new materials. On this occasion, we should take one step closer to customers, aiming to sell higher-value-added products to them. Achievement of carbon neutrality will be very difficult in all countries and companies in the future, and it is imminent that supply will not keep pace with the demand for new energy. This may be an opportunity to pursue an unprecedented alliance. As we play a key role in the wind turbine business, I think it is important to aim to become a global company with a culture of openness.

Tsuda: In the future, proposals will come from the Sustainability Committee, and it is important to hold discussion with the question "what do we do and by when?" in mind. How will we set goals, tackle them, and lead them to evaluation? It is the role of the Board of Directors to discuss this point. At present, we are focusing on climate change, but I believe that we need to pay attention to and visualize employees' sense of satisfaction from work.

Komatsu: Materiality is also identified in the Social and Governance segments other than Environment. It is crucial that directors make sense of this well-balanced identification of materiality, and penetrate it to the frontline staff of the organization. It would be a pity if it is not implemented.

Topic 4 Sustainability and executive compensation

What do you think about the trend toward linking the achievements of sustainability management with remuneration?

Komatsu: Discussion is currently underway on KPIs related to ESGs. The Compensation Committee holds discussion so that at least KPIs that have been set

should be linked to the assessment of executives.

Tsuda: Currently, equity-linked remuneration is included in the medium- to long-term incentives of executives. However, only economic indicators, such as consolidated operating income rate and total assets turnover rate during the period of the medium-term management plan, have been used to assess the performance of executives. We discuss in what direction we should go in relation to how to incorporate social indicators in the assessment process and their direction. Furthermore, some pointed out that there is a need to set social indicator targets not only for executives but also at business sites, so that bonuses will be raised if they are achieved. Since NTN is now prioritizing the rebirth of NTN, it is difficult to work on the publication of social indicator targets. However, we recognize that it is necessary to present planned and actual figures.

Topic 5 Globalization/Integration of Japan and overseas

How is the progress of globalization and integration of Japan and overseas, which have been emerging as challenges for some time?

Tsuda: I have spoken about the challenges of our globalization and the integration of Japan and overseas in previous dialogs as well. CSR activities are becoming a global initiative. Manufacturing and quality also involve exchanges of opinions and technology with overseas sites, but I don't think that each department at the head office regards itself as a part of the "global headquarters" to a satisfactory extent. For example, committees and the Board of Directors should include overseas topics in their reports, but the main topics are still domestic ones in some cases. I think we will have to keep pointing this out for some time.

Topic 6 Contribution to NTN

Finally, what contributions will you, as Outside Directors, make to NTN?

Nishimura: During the past year, as an Audit Committee member, I visited the business divisions of the head office and manufacturing plants and affiliated companies nationwide wherever possible in order to conduct operational audits. I have learned not only issues at the front lines, but also a number of other aspects, such as attractive human resources and the progress made in significantly promising production reforms. Overall, however, I have an impression that communication and information sharing between headquarters and plants, as well as between plants, is inadequate or scarce. We have no time to spare in achieving "team management," which aims for total optimization rather than individual optimization. In my previous job, I learned many things as a member of the management team of a company that shifted from "charisma management" to "team management." I believe that this experience will also be very helpful to




the Company's transformation. In addition to proposing an ideal form of "team-based management" that is appropriate for the Company, I am committed to pursuing it together with employees.




Another issue I would like to mention is promoting collaboration with companies in other sectors. In my previous job, I worked actively in collaboration with governments, local governments, related organizations, and companies to build social infrastructure for customers such as government agencies and companies in the finance, healthcare, and broadcasting sectors. While there is still a major hurdle for the Company to aggressively enter the social infrastructure business, I hope to play a key role in collaborating with companies in other sectors with regard to promising new business fields, further expanding the social value of the Company, and becoming a company that will lead the next generation's "global standard."

Komatsu: I think I can make a balanced proposal on governance because I have experience in working for an institutional investor in the global capitalism world and working in the domestic entertainment publishing industry. I would like to help the Company solve issues related to diversity, ESGs and management accounting as soon as possible by holding an interview and making proposals, even if I may be considered intrusive. In doing so, I would like to contribute to the enhancement of corporate value. From past experiences, I also know all too well the importance of monitoring. If we properly perform monitoring, we can revise our trajectory and respond in a timely manner. Verification of investment results not only increases the probability of future investment success, but also makes it easier to take on challenges. I would like to constantly ask "what happened after that?" in order to avoid a situation where no results are produced after an investment or declaration is made.

Tsuda: We are not making much progress in terms of marketing in areas other than the automobiles and industrial machinery sectors and collaboration such as joint development with companies in other sectors. Even if we try to enter new businesses, it is often impossible for us to do so by ourselves, so we need to take slightly more aggressive measures. Since the Company has conducted business with specific customers so far, I think that the Company may have difficulty creating a connection. I know that "saying is one thing and doing is another," but I must continue to say that. I feel unhappy about what I, as an Outside Director, have done over the past 5 years. I have long felt that we have not been able to sufficiently evaluate and analyze what we have planned and implemented. It is important to analyze what results are produced and what is bad if you cannot produce results. Ms. Komatsu also mentioned that, and I would like to ask such questions persistently. Regarding items to be reported to the Board of Directors, information to be reported that is needed by directors must be sorted out a little more, so that more productive reports will be submitted to directors. There are still many areas for improvement, and this time again I feel I have become outspoken, but I would like to continue working to realize a newly reborn NTN and increase its corporate value.

Engagement with Stakeholders

Stakeholders	Stance to Stakeholders	Main Activities
Employees 	NTN Group respects diversity, individuality and a safe and healthy workplace environment where employees can work successfully.	<ul style="list-style-type: none"> Activities to spread the corporate philosophy We hold interactive workshops to cultivate empathy for and understanding of our corporate philosophy among employees. In addition, we hold the NTN PROUD AWARD as a forum for implementing our corporate philosophy and encourage employees to take on a "Challenge to transformation." Incentive payment patent system We are working to raise the motivation of employees and encourage job inventions by establishing the "Patent Management Rule" as well as the "Patent Reward Rule" and providing performance-based compensation for job inventions. Global QC Circle Convention We strive to improve safety, quality, and productivity on a global basis, and with the convention as a forum for international exchange, we exchange information on a variety of activities.
Customers 	NTN Group seeks to maximize customer satisfaction and trust by providing products and services of superior quality, safety and reliability.	<ul style="list-style-type: none"> Nationwide Distributors' Meeting We invite distributors from across Japan to briefing sessions on account settlement overview and aftermarket business measures to strengthen our bond with distributors. Technical service units We run completely-tailored, multi-functional technical service units worldwide, equipped with teaching materials and exhibits to introduce our products, and hold bearing technical seminars for our customers.
Business partners 	NTN Group, in a fair and free environment, builds good partnerships with its business partners and works together for mutual growth and development.	<ul style="list-style-type: none"> Briefing for suppliers We share information on our globalization initiatives and the business environment surrounding our company with our business partners and have external lecturers deliver lectures targeting the business partners. Promotion of CSR procurement Through CSR questionnaires based on the CSR Procurement Guidelines, we promote activities with our business partners to help them understand the importance of CSR procurement.

Stakeholders	Stance to Stakeholders	Main Activities
Local communities 	NTN Group respects cultures and customs in the local communities and builds long-term trust relationships by meeting their expectations through its business activities.	<ul style="list-style-type: none"> Activities that contribute to the local community (family tours, summer festivals, etc.) We hold family tours and summer festivals at each business site as an opportunity to interact with employees' families and neighboring residents. NTN Rotating School As an environmental education program for children who will lead the next generation, mobile-type schools have been opened in various places to deepen regional development. Conservation of biodiversity In cooperation with local residents and NPOs, we are working to protect the environment of Satoyama (village forest) areas around our business sites and to protect endangered species.
Shareholders and investors 	NTN Group focuses on return for shareholders by sustainable profitable growth and builds long-term trust relationships with shareholders through active communications.	<ul style="list-style-type: none"> Shareholders' Meeting The Shareholders' Meeting is a forum for communication to build long-term relationships of trust with shareholders. ESG briefing In addition to holding results briefings for investors, we also hold ESG briefings to promote understanding of our ESG initiatives. The opinions we receive at the briefing are used to improve our sustainability activities.
Environment 	NTN Group harmonizes its business activities with nature and contributes to preserve the global environment by providing its technologies, products and services.	<ul style="list-style-type: none"> Reducing environmental impact in business activities We are working to minimize harmful environmental impacts by monitoring and reducing emissions of CO2 and regulated chemicals in our business activities. Sustainable resource use We are striving for sustainable resource utilization by reducing the use of resources such as raw materials and water, and by thoroughly implementing the 3Rs (reduce, reuse, and recycle) of waste. Developing environment-contributing products We are contributing to the realization of a carbon-free society by developing products that can help reduce CO2 emissions during product use and natural energy-related products.

7th Stakeholder Dialog

To reflect the opinions of our stakeholders in our sustainable corporate activities, we have annually held dialog with academics and experts in various fields of sustainability since 2015. For this fiscal year, the 7th dialog was held in July.

Last year, we established the Human Rights Policy. We have also identified 13 items of materiality for responding to SDGs and have begun working on them. In May of this year, we expressed our support of TCFD recommendations. In the future, we will analyze the risks and opportunities posed by climate change in our business, set targets, and proceed with activities.

In this dialog, we exchanged opinions with experts on the evaluation of the status of these activities and how to proceed in the future. Based on the recommendations we received, we will promote company-wide initiatives to further increase corporate value.

Topics of the dialog

Topic 1

Evaluation of sustainability activities over the past year and proposals

Topic 2

Setting of materiality targets and integration into management

Topic 3

Human rights due diligence

Topic 4

Initiatives based on TCFD recommendations

Experts



Katsuhiko Kokubu
Professor, Kobe University
Graduate School of Business
Administration



Masaru Kaizaki
General Manager in charge
of Sustainability Office,
OMRON Corporation



Hideki Matsuoka
Special Project Manager,
Asia-Pacific Human Rights
Information Center



Eriko Nashioka (Facilitator)
Representative Director of
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NTN

Executive Officer in charge of Human Resources, CSR, Information Technology, General Affairs, and EHS (Environment, Health & Safety) Integrated Management

Toshinori Shiratori

Manager of EHS (Environment, Health & Safety) Integrated Management Department

Masayuki Yamazaki

Executive Officer and Corporate General Manager of Corporate Strategy Headquarters

Masaaki Yamamoto

Deputy Corporate General Manager of Human Resources Headquarters and Manager of Personnel Department

Toshiyuki Kawaguchi

Operating Officer and Corporate General Manager of Human Resources Headquarters and in charge of General Affairs/EHS (Environment, Health & Safety) Integrated Management

Kenji Nono

Manager of Procurement/Logistics Department, Global Procurement Headquarters

Ryuma Mano

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Shumpei Kinoshita

Corporate General Manager of CSR Headquarters

Masaaki Masumoto

Manager of Corporate Communications Department, Corporate Strategy Headquarters

Youichirou Mochida

Manager of Corporate Value Promotion Department, CSR Headquarters

Kouhei Iguchi



Topic 1

Evaluation of sustainability activities over the past year and proposals

NTN: The Sustainability Committee, which was established 2 years ago, took the lead in establishing the Human Rights Policy and identifying materiality in the previous fiscal year. In May of this year, following the resolution by the Board of Directors, the Company also expressed our support of TCFD recommendations. First of all, could you please give us an evaluation of our efforts over the past year?

Kokubu: It can be said that NTN's sustainability activities are advanced with consideration given to its industry type and the size of the Company. I think you have the same level of strategic planning as other top companies in terms of support of TCFD recommendations and materiality identified. However, if practice diverges from philosophy, the philosophy is meaningless. Going forward, it will be important to successfully link strategies and initiatives.

Kaizaki: Over the past year, I had the impression that the story has been successfully formed with factors such as the corporate philosophy, the value creation process, materiality, and NTN's strengths. How do you link this to your business? In addition, if you are able to complete the story by achieving a resultant increase in corporate value, I think it will be even better.

Matsuoka: A framework for human rights initiatives is also being formulated. What I always tell companies is that it's hard to create a framework, but it gets even harder after it's created. Efforts to disseminate the system within the Company and ensure that each

individual understands it will become important in the future.

Topic 2

Setting of materiality targets and integration into management

NTN: Last year, the Company identified 13 items of materiality for responding to SDGs. Currently, we are setting targets for identified materiality and KPIs and drafting specific measures. Regarding the setting of targets and KPIs, we are advancing discussions, including whether quantitative targets are necessary or whether qualitative targets are acceptable depending on the items. We are also seeking ways in which each employee will regard targets for the identified materiality "as his/her own targets."

Kokubu: Many companies may misunderstand materiality. They consider materiality as "important for them." Materiality originally refers to how a company has an impact on important social issues, and does not constitute strategic importance for the company. In that respect, NTN probably identified materiality without any misunderstanding. However, it is still unclear what specific involvement the Company will have. Sustainability activities involve solving social issues using the 6 types of capital a company possesses. Important is a vision in which, even if a company does not gain profit in the short term, society will gain benefits from a long-term perspective.

Regarding the setting of targets, if you are seriously addressing social issues as a company, qualitative targets are also acceptable. However, from a strategic perspective, qualitative information does not convey the actual status of activities. Quantitative information may

also be useful to show that your efforts are not just words on paper. In addition, setting quantitative targets makes it easier for employees to tackle issues and make it easier to understand the direction of activities.

Kaizaki: I think it is important to set materiality targets and KPIs based on the time horizon with attention paid to "by when." However, people will never focus only on quantitative targets. If the Company provides a story of what value will be created, even if it is qualitative, the story will impress stakeholders. Conversely, even quantitative information would not make sense if a story that impresses stakeholders could not be presented. For example, regarding diversity, it is important to consider what the Company wants to be like as a result of setting KPIs for the number of women in managerial positions.

In addition, in order to disseminate materiality throughout the Company, it would be better to link the corporate philosophy with materiality. By showing the path that the implementation of the corporate philosophy is linked to materiality targets, I believe that each and every employee can regard materiality targets "as his/her own targets."

NTN: We would like to review materiality once a year with the participation of management. However, human rights issues and the like cannot be addressed by the Company alone. The reality is that we are thinking about how far we should go while taking measures.

Kaizaki: With regard to human rights, it is difficult in reality to look at all aspects of the supply chain, and it is also necessary to narrow down to important suppliers or otherwise set a certain range. For example, not only employees of the Company but also employees from temporary staff companies and subcontractors working at the Company's business sites can be set as targets. I think that a scope can be set on the importance of human rights issues by expressing that human rights issues occurring within the Company's business sites need to be proactively addressed by the Company.

Matsuoka: Regarding human rights issues, although it is a prerequisite to identify human rights issues across all operations, we cannot watch all operations. The "Guiding Principles on Business and Human Rights" also state that companies should prioritize their efforts.

Topic 3

Human rights due diligence

NTN: We established the "Management Policy" in December 2019. The policy states that we conduct business by placing an emphasis on respect for human rights. The "Management Policy" is the backbone of all our policies. In other words, this means we respect human rights in all of our activities, including those of

our domestic and overseas group companies. Subsequently, in July last year, we established the "Human Rights Policy" and announced that we will work to establish a mechanism for human rights due diligence not only within the Company, but also across the entire supply chain. We have also identified "Respect for human rights" as one of our materiality issues. In April of this year, we redefined our "Procurement Policy" under the Management Policy. We are currently revising our "CSR Procurement Guidelines" and asking our suppliers to address human rights issues.

We have finally begun full-fledged efforts, but we would like to hear your recommendations on how to proceed with human rights due diligence and on the promotion of CSR by business partners.

Matsuoka: I think it is effective to link this with your corporate philosophy in order to instill your activities for respecting human rights into overseas regions. In conjunction with activities to disseminate NTN's corporate philosophy at home and abroad, what about taking measures so that the efforts to respect human rights will take root throughout the entire NTN Group? The point to note is that even if international human rights standards are common, perceptions of human rights may differ depending on the country, region, religion, etc. Taking a look at NTN's CSR questionnaire surveys, how respondents interpret concepts may differ depending on the country and region. I think you should proceed while being conscious of the necessity of responding on a case-by-case basis.

Kaizaki: To ensure that awareness of human rights permeates the entire Company, employees need to be encouraged to understand the significance of human rights initiatives, risks associated with human rights issues, and the advantage that a company working on such issues can be chosen by customers. With regard to penetration beyond the company, it is important to understand that human rights issues are connected within the entire supply chain. Both NTN and the Company may audit business partners, but on the other hand, NTN and the Company are also suppliers and parties to be audited from the viewpoint of another company. In this way, I believe it is important to be aware that human rights-related issues are connected in operations from upstream to downstream throughout the supply chain.

Matsuoka: It is very difficult for the Company alone to check subcontractors and sub-subcontractors of its primary suppliers. Procurement standards of many companies seem to require the suppliers of a company surveyed (secondary suppliers for the surveyor company) to be verified. In a chain reaction, third and fourth suppliers will be surveyed, but up to end suppliers cannot be investigated after all. In the case of SMEs, the definition of words may not be correctly understood, so it may be necessary to explain carefully



or to divide or simplify the content of the questionnaire according to the size of a company.

Topic 4

Initiatives based on TCFD recommendations

NTN: We have expressed our support of TCFD recommendations in May of this year. Currently, a cross-departmental team consisting of the Sustainability Committee and the heads of related divisions is in the process of conducting scenario analysis. Please advise us on how to proceed in the future.

Kokubu: Many Japanese companies express their support of TCFD recommendations, and the revised Corporate Governance Code now requires climate change disclosures based on TCFD or its equivalent international framework. TCFD recommendations originally called on financial institutions to disclose the financial impacts of climate-related risks and opportunities. Of course, even in the case of operating companies, those that generate a large amount of CO₂ also need to disclose information based on TCFD recommendations. However, for a company like NTN whose CO₂ emissions are not so significant in society as a whole, I think it would be better to consider qualitatively showing both the risks and opportunities related to climate change without focusing on disclosing quantitative targets.

Kaizaki: OMRON expressed its support of TCFD recommendations in February 2019. Accordingly, we continue to discuss what business risks and

opportunities exist in accordance with the framework of the recommendations. Last year, the Energy Solutions Headquarters conducted scenario analysis of risks and opportunities. In addition to reflecting the results in its business plan, the company included them as TCFD initiatives in last year's integrated report and this year's securities report. The company plans to disclose information from the perspective of what risks and opportunities it has in other businesses, but the company is proceeding cautiously without focusing on quantitative information.

Kokubu: As with TCFD recommendations, in the past year or two, the importance of disclosing ESG-related information has significantly grown in society. On the other hand, it is also a matter of concern that various guidelines may require more than what is really necessary. Many companies probably think that they should do something even bigger than what they should do in the first place. Rather than trying to follow developments in countries around the world on a superficial basis, what is important is keeping an eye on each of these trends, and to proceed with steady initiatives that can be put into practice in-house. ESGs should not be words on paper. I would like to look forward to seeing initiatives produce actual results.

NTN: We received an evaluation of our efforts over the past year. We have indicated the path that we should take going forward, and based on the content of the recommendations we received, we intend to continue our activities by disseminating such philosophy and systems throughout the Company, including Group companies. Thank you very much.

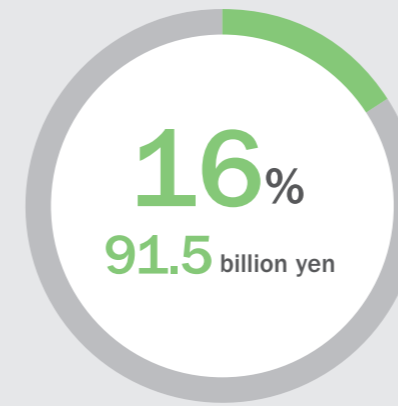
NTN provides various products for industrial machinery and automotive maintenance needs. In industrial aftermarket applications, we provide bearings for general machinery and bearings for equipment repairs such as in mining, papermaking, steel, cement and food industries. In automotive aftermarket applications, we satisfy customer needs with a product lineup of repair parts (auto parts) composed of bearings and peripheral components.

Since our visits to customers are restricted due to the coronavirus pandemic, our activities go beyond delivering products and include holding the “NTN Aftermarket Academy” to help customers learn about bearings through online lectures and practical training as well as promoting remote technical support services. Also, we contribute to improvement of productivity and stable operation of customers’ facilities, for example, by providing a condition monitoring system utilizing the NTN PORTABLE VIBROSCOPE and bearing refurbish services.

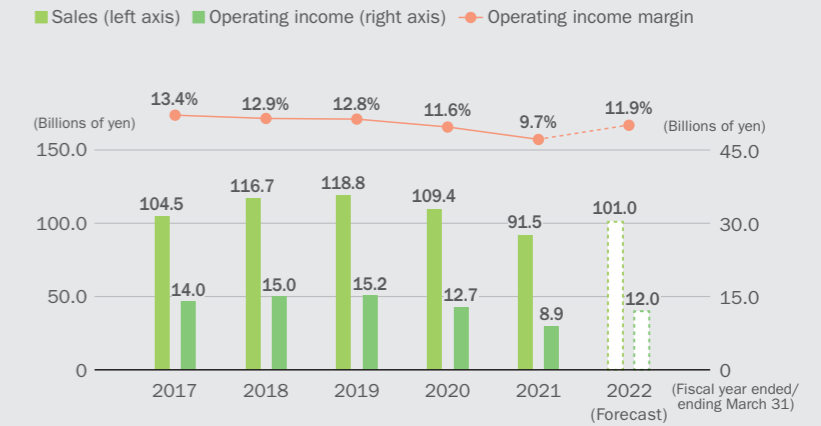
Executive Officer **Etsu Harima**



■ Percentage of total sales



■ Trend in business performance



Business environment

- Rise of LCC products (improvement in quality of products made in China, etc.) through commoditization of general-purpose bearings
- Increase in the role expected of bearing suppliers by customers, such as the provision of a wide range of services
- Aftermarket overseas: Strong brand presence of European and U.S. competitors in the marketplace
- Expansion of the e-commerce market
- Sophistication of counterfeit bearings

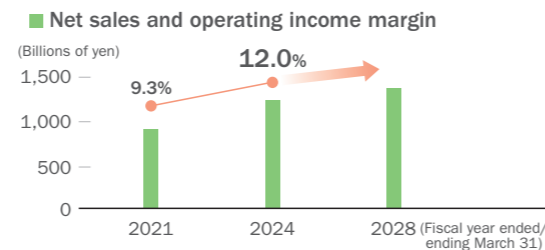
Our Vision

Transform from a “Manufacturing Company” into a “Company that Delivers Values to Customers through Products and Services.”

The business environment such as the development of AI, IoT, and other digital technologies, environmental issues, and demographic shifts has been changing continually and companies are required to be flexible in accommodating new market needs to ensure sustained growth. In the aftermarket business of bearings, suppliers are faced with new expectations in addition to traditional requirements, including high-quality products, broad product lineups and timely delivery. The role of suppliers, particularly those in the equipment aftermarket business for steel, paper and other industries, is gradually changing from a bearing supplier into a provider of comprehensive maintenance services for equipment and peripheral components.

In addition to utilizing remote technical support services and the “NTN PORTABLE VIBROSCOPE,” we also provide new business models such as monitoring

the operation status of customer’s equipment and bearings, prediction of replacement timing utilizing know-how including sensing technology and digital technology such as AI and IoT, and bearing refurbish business. In this way, we will further enhance our brand value and aim to be No.1 in customer satisfaction in the aftermarket business.



Results for the fiscal year ended March 31, 2021 and forecast for the fiscal year ending March 31, 2022

In the fiscal year ended March 31, 2021, net sales was 91.5 billion yen which was below the previous year’s level due to a substantial drop in demand and adjustments for distributor inventory due to poor market conditions in both industrial aftermarket and automotive aftermarket that were heavily impacted by the new coronavirus. Operating income also fell to 8.9 billion

yen, largely due to a decline in demand, despite efforts to reduce fixed costs such as personnel costs and expenses as well as variable cost. For the year ending March 31, 2022, we expect net sales of 101 billion yen and operating income of 12 billion yen based on the assumption of normalization of economic activities and restoration of demand after the end of the pandemic.

“DRIVE NTN100” Phase 2 strategy

Efforts to focus on in three years

- By sharing sales strategies across different types of businesses, concentrate resources on important industries
- Strengthen e-commerce
- Strengthen organizational structure to improve supply capacity, service response, and profitability
- Promote business development in the service-oriented business

One of the issues we face in expanding our aftermarket business is our low brand awareness abroad. To improve brand value, we need to enhance our competitiveness in aftermarket business from a variety of perspectives, including the promotion of business development in the service-oriented business, such as bearing refurbish services, remote

technical support services, reinforcement of technical support such as on-line seminars, reinforcement of supplying capabilities by securing available stock for aftermarket, and reinforcement of our system and organization to focus on priority industries through integrated actions from OEM to aftermarket. Over the next three years, we will focus on these measures.

Initiatives to strengthen for sales expansion (medium-to long-term)

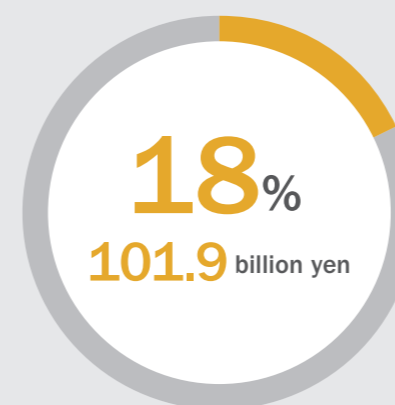
2020	2021-2023	2024
	Rebuild revenue base	From products to services
Increasing the brand value		
Strengthen product-and-service business	Expand bearing refurbish business Use of NTN PORTABLE VIBROSCOPE (In addition to sales of devices, analysis report business)	Commercialize the condition monitoring of customers’ equipment by utilizing sensor technology and IoT and grasp the demand for bearing aftermarket
Strengthen service response	Strengthen technical support functions in overseas sales companies (ASEAN and India regions) Technical service units activities and technical seminars for distributors Further strengthen measures against counterfeit bearings	Develop and expand technical service through the use of remote support cameras
Strengthen the ability to supply	Maintain available stock for aftermarket Prioritize production capacity for aftermarket (use of new IT core system) Expand use of overseas manufacturing sites and external procurement	Accelerate “Made by NTN” by actively utilizing products manufactured overseas Strengthen the network system with distributors and expand e-commerce
Strengthen structure and organization	Expand sales in growing industries through integrated response from OEM to aftermarket Improve profitability by short-term concentration through task force activities for key market Strengthen sales structure in the Middle East and Africa (A sales company established in UAE in January 2021)	Relocate automotive aftermarket’s headquarters functions to Europe Expand sales in potential markets such as China through the use of resources in Europe



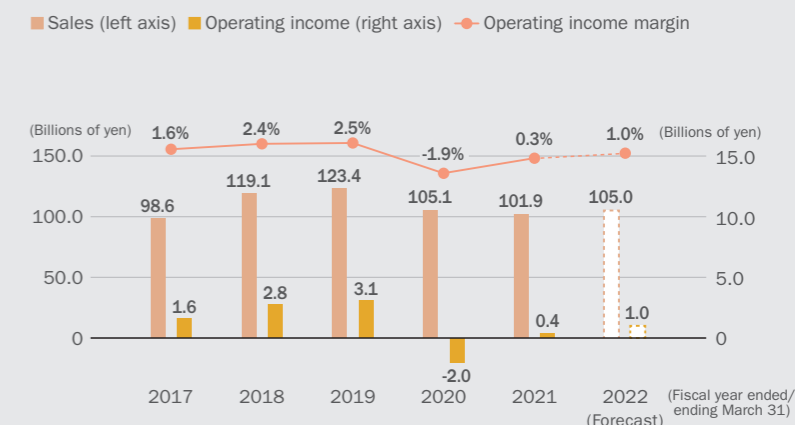
We are responding to the demands of our customers for long operating life, improved loading capacity, and higher speed, all of which are required by all types of industrial machinery, with the world's highest standard new-generation bearings, the ULTAGE Series. In addition, through constant R&D efforts, we will launch bearings with even lower torque, more compactness and lighter weight to the marketplace, enabling environmental impact reduction in a variety of industrial machinery fields. Looking ahead to the next generation, we will promote modularizations and intelligentization by deepening bearing technologies and integrating sensors and precision equipment technologies. In addition to developing high value-added products, we will develop new products and services by utilizing the abnormality detection technology, condition monitoring system (CMS), and IoT. Specifically, we will promote sales expansion of the Wind Doctor™ condition monitoring system for wind turbines and the i-WRIST™, a Wrist Joint Module that contributes to automation and labor saving at manufacturing sites. By providing these products and services, we will contribute to the development of industry and the creation of a sustainable society.

Executive Officer **Etsu Harima**

Percentage of total sales



Trend in business performance



Business environment

- Increased demand for social infrastructure such as wind turbines and rolling stocks
- Increased demand for robot-related products
- Increased needs for automated machine operation and sensing
- Competition to develop high value-added products
- Intensified competition due to influx of low cost products

Against the backdrop of trends toward the realization of a decarbonized society, the demand for social infrastructures for wind turbines and rolling stock will continue to grow, and as the labor force population declines, the demand for robot-related products that realize labor saving will expand, and the need for automated operation of machinery and condition

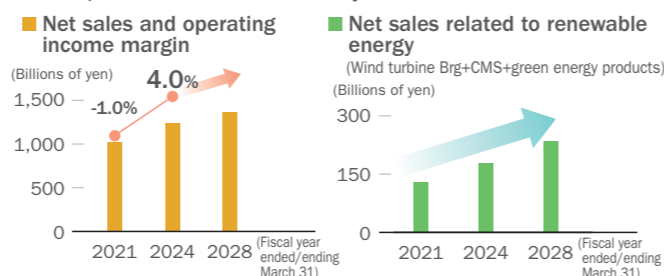
monitoring systems will increase. Under this environment, we will escape competition in the field of low-priced products and focus on high value-added products based on our proprietary technologies such as the i-WRIST™, magnetic rings, and sensor bearings in order to meet customer needs in line with changes in the social structure.

Our Vision

Company that customers rely on most for its exceptional technological competence

The industrial machinery market is comprised of a variety of industries, and bearings are used in a wide range of machinery. We supply bearings with a wide range of sizes, from miniature sizes of several millimeters in outer diameter used in electronic machinery to ultra-large sizes of several meters used in wind turbines and large mining equipment. In addition, products used in aircraft and high-speed railways require extremely high reliability because the stoppage of machinery affects human lives. We have accumulated product and manufacturing technologies for many years, and we utilize these technologies to respond to a variety of market needs. In recent years, the external environment has been constantly changing due to factors such as increasing awareness of the global environment issues and changes in population dynamics, and changes in the industrial structure can also be seen as a result of a

rapid progress in IT-related technologies including IoT and AI. Under these circumstances, we will utilize digital technology based on bearing technology in the industrial machinery business, thereby continuing to be an indispensable company in the industry, and will support the development of the world industry.



Results for the fiscal year ended March 31, 2021 and forecast for the fiscal year ending March 31, 2022

In the fiscal year ended March 31, 2021, sales increased for wind turbines in China, which swiftly overcame the effects of new coronavirus impact and for agricultural machinery in North America and Europe because of the steady worldwide demand for grains even in the pandemic. On the other hand, sales for construction machinery fell sharply due to a decline in economic activity following the spread of the new coronavirus infections. Sales for aircrafts and rolling stock declined due to a decrease in passenger

demand. As a result, net sales was 101.9 billion yen. Operating income was 400 million yen due to a review of unprofitable products and a reduction in variable cost. For the year ending March 31, 2022, the impact of new coronavirus is expected to continue for aircrafts and rolling stock, but demand recovery is expected for construction machinery and gearboxes. We forecast net sales of 105 billion yen and operating income of 1.0 billion yen.

“DRIVE NTN100” Phase 2 strategy

Efforts to focus on in three years

- Select target areas
- Improve selling price and reduce or withdraw from unprofitable areas
- Reduce costs by procuring materials and parts from optimal locations (actively utilize materials from China and India)
- Expand sales of Wrist Joint Module “i-WRIST™”
- Expand service / solution business (CMS)
- Expand renewable energy-related products

We will reorganize our business into the following 3 fields and restructure our business and product portfolios by throwing management resources in a concentrated manner.

- “Create sector”: Establish new business areas for Wrist Joint Module “i-WRIST™”, servicing solutions (CMSs) and hydrogen-energy

- “Grow sector”: Focus on wind turbines and rolling stock in response to decarbonization trend to expand business and throw management resources in a concentrated manner
- “Harvest sector”: Secure stable earnings from sales of products for construction machinery and agricultural machinery by adding more value and strengthen cost-competitiveness.

Initiatives to strengthen by industry (medium- to long-term)

	2020	2021-2023	2024-
		Rebuild the revenue base	VS FY2020 Growth strategy to respond to market change
Creation sector	Robot-related business (i-WRIST™)	Gain large customers Promote acquisition of overseas certified standard	↑↑↑ Expand overseas business Develop new applications and derivatives
	Service / solution business (CMS)	Establish maintenance service for wind turbine bearings and overseas expansion	↑↑↑ Gain bearing demand by leveraging CMS technology
	Gearbox	Develop RV gearbox bearing Expand sales of elastic bearings for wave motion gears	↑↑↑ Expand sales in China (Follow changes in the industry)
Growth sector	Wind turbine	Focus on capturing demand in China Drive sales and profit increase	↑↑↑ Improve profitability by capturing aftermarket demand Expand production capacity
	Machine tools	Expand sales of machine tools in China and India Utilize products manufactured in a plant in Germany to sell them on the European market	↑↑ Expand CMS needs due to spread of IoT Expand sales of bearings with sensors
	Rolling stock	Promote drastic cost reduction measures including local production in China	↑↑ Capture demand for railway network expansion and subway in China
Harvest sector	Construction machinery	Utilize competitive materials and components Adapt to electrification, shift to high function products	↑ Follow changes in social structure and infrastructure Make sure to capture demand for electrification
	Agricultural machinery	Expand sales of high value-added products Expand sales of CVJ for industrial machinery	↑ Earn profits in MRO market Expand sales for space industry
	Aerospace	Withdraw from or reduce unprofitable projects Improve profitability by concentrating production in NTN-SNR (France)	→

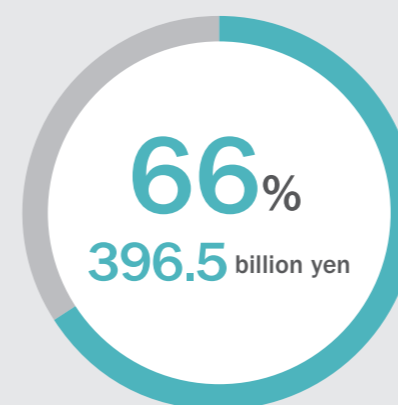
In response to the rapidly expanding trend toward CASE in the automotive market, we are responding to the needs of our customers as a specialist in the power/drive train system by developing high performance products, such as lower-friction, lighter-weight and more compact, durability-improved general bearings, hub bearings and driveshafts, which are our core products.

In addition to these basic products, we are combining products with peripheral components and integrating our core technologies. We will contribute to the creation of safe, secure, and comfortable future cars for our customers by continuously developing and proposing new products that deliver precise and smooth control, such as mechanical clutch units (MCUs) for electric oil pumps and next-generation steering systems, and hub bearings with steering assist functions.

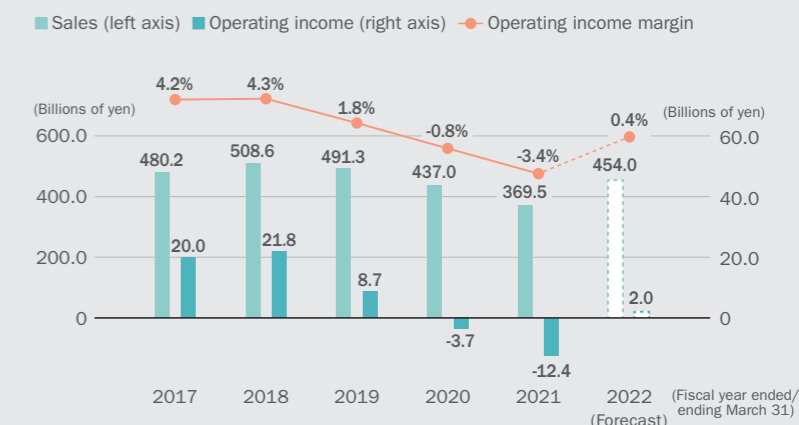
Executive Officer **Hideaki Miyazawa**



Percentage of total sales



Trend in business performance



Business environment

Trends in global vehicle production

Up to FY2026: IHS Markit Since FY2027: NTN Forecast

Acceleration of EV, HEV, and electrification

- Accelerate the shift to EVs and electrification due to the fuel efficiency and CO₂ regulations and government-led targets for electrification in various countries**
 - Reduce CO₂ through a highly efficient product lineup, contribute to Well-to-Wheel, expand sales of electric module product
- Increasing need for carbon-free products**
 - Supply through a short supply chain utilizing global bases and carbon-free responses at its own plants
- Increased demand for compact, lightweight, high-speed, low-torque, less noise, and low vibration**
 - Enhance high performance products and technological capabilities

Our Vision

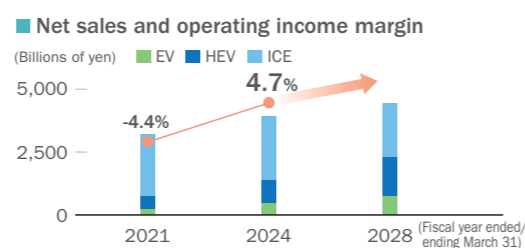
"Top supplier in the Power/Drive Train system"

Company with No. 1 proposal ability that makes customers happy with an overwhelming speed × solution

The rise of electrified vehicles throughout the world's automotive markets calls for functional automotive components with different characteristics or more rigorous performance requirements than are required for conventional internal combustion engine vehicles. We will accommodate these needs by offering differentiated technical expertise and lineups of advanced products providing features such as size/weight reduction, higher speed rotation, lower torques and less noise/vibrations in order to secure a competitive advantage over our competitors.

Another major wave, Ride Sharing and MaaS, is based on the absolute reliability of the driving system responsible for driving, turning, and stopping vehicles. Carmakers are shifting the focus and resource of their development work from the tangible (vehicle performance) to the intangible (services), creating an expanding range of areas in which NTN can contribute to vehicle safety, reliability and

comfort. By capturing these dynamic changes in the business environment as opportunities, we will provide value that exceeds customer expectations through product development and advanced technical services that are ahead of market needs. By doing so, we aim to become the leading manufacturer in the drivetrain component segment essential to the automotive market.



Results for the fiscal year ended March 31, 2021 and forecast for the fiscal year ending March 31, 2022

Net sales was 369.5 billion yen due to the impact of the outbreak of the new coronavirus infections and the sharp decline in demand following the shutdown of automotive manufacturing in various regions. Demand began to recover in the second half of the fiscal year, but sales did

not grow due to reduced production from the shortage of supplying semiconductors. As a result, operating income fell by 12.4 billion yen. For the year ending March 31, 2022, we expect net sales to be 454 billion yen and operating income to be 2 billion yen.

"DRIVE NTN100" Phase 2 strategy

Efforts to focus on in three years

- Strengthen the profit structure**
 - Promote variable cost reduction through procurement reformation
 - Reduce manufacturing fixed cost by reforming Monozukuri and improving productivity
 - Reduce fixed cost by utilizing RPAs and improving the organizational structure and systems
 - Thorough selling price management, reduction and withdrawal from unprofitable areas (regions and products)
- Optimize portfolio to support sustainable growth**
 - Develop high performance and high value-added products responding to the environment, EVs, and electrification
 - Expand sales of electrification products
 - Order winning activities aimed at portfolio optimization and concentrated investment in focus segments

Initiatives to strengthen by product (medium- to long-term)

	2020	2021-2023	2024-	Estimated effects of EV/electrification
	Promote earning improvement NOT relying on the merit of scale		Strategy for sustainable growth	
Basic products	Driveshafts (CVJ)	Deepen production reforms (streamlining) under way in Japan Horizontal expansion of production reforms to global manufacturing bases Concentrated investment in high-performance products and automation	Shift to large-sized SUV/PUP and EVs Secure volume in growth markets Advantage Small, lightweight, high efficiency, low vibration	No effects, stable growth
	Axle / hub bearings	Carefully select capital investments that are directly linked to differentiation and competitiveness Devote energy into enhancing cost-competitiveness with a focus on variable cost Develop differentiated products complying with regulations for EVs, fuel efficiency and CO ₂	Develop differentiated high value-added products Realign portfolio based on customers and vehicle segments Advantage Super low friction	No effects, stable growth
	Bearings	Strengthen sales activities especially for high-performance applications Focus on enhancing production capacity and cost competitiveness especially in Japan and China Promote use of external partners on production of standard type products	Invest resources in high performance bearings through the selection Advantage Super high speed, ultra-low friction	Flat sales, Toward high performance products
New areas (Electrification)	Increase production of gearboxes for electric hydraulic brakes Promote cost reduction (Shorten assembly CT / Promote production in China / Use Chinese materials) Develop new products for integrated electrical modules		Expand sales of electric oil pumps Commercialize eHUB/ sHUB Commercialize electric brakes	Increase volume Grow together

Concept of Monozukuri

The NTN Group vision is a realization of a "NAMERAKA Society." In Monozukuri (manufacturing) as well, we will smoothly connect and streamline and information to shorten lead times and increase throughput by reducing in-process inventory. In addition, through the introduction of digital technology, we will realize a paradigm shift in manufacturing. By efficiently collecting information such as quality, cost, and inventory within the plant and substituting manual work with unmanned operations, we will shift our operations to speed up the improvement cycles and prevent the occurrence of problems through the analysis of such information. Furthermore, we will strengthen our efforts toward carbon neutrality to respond to the environmental issues that are becoming increasingly serious.

Executive Officer **Isao Ozako**



Priority measures of "DRIVE NTN100" Phase 2

As a decreasing birthrate and aging population progresses particularly in developed countries, the decline of the workforce population is expected to accelerate in the future. While there are concerns about a mid- and long-term shortage of labor all over the world, we are currently facing the issue of lowering domestic production efficiency in particular.

In "DRIVE NTN100" Phase 2, we need to urgently improve the cash flow by optimizing production as a whole, and we will reduce logistics costs and inventory assets by consolidating and organizing business sites.

We will also use external partners to reduce manufacturing costs. In terms of our capital investment, we will, in principle, freeze investment in expansion of capacity and shift to investment for risk and safety measures such as natural disasters, as well as measures to maintain and upgrade facilities and improve efficiency. Costs will be kept to 60 billion yen or less for the next 3 years. Based on this assumption, we will promote production reorganization and production reformation activities in order to control the growth in fixed cost and increase assets turnover.

Reorganization of production

Concentrate management resources in products / processes where NTN can leverage its strengths

Reorganize domestic production bases of radial bearings

- Outsource production of standard type products to Taiwanese bearing manufacturer (Break away from "self-sufficiency")
- For special products, implement reorganization of production with a new plant established in Wakayama playing a central role

Basic policy in production reorganization

With the aim of strengthening profits by maximizing production efficiency, we will promote production reorganization to reduce inter-site logistics costs and inventories by consolidating and reorganizing existing sites, to strengthen product supply capabilities by utilizing external partners, and to reduce investment in maintenance and renewal of facilities.

"DRIVE NTN100" Phase 2 will accelerate the creation of a foundation for a future manufacturing system by first implementing production restructuring of radial bearings, one of NTN's basic products, and then using the created space to promote restructuring of other products as well.

Production reorganization of radial bearings

The environment surrounding NTN's radial bearings is expected to see growth in the market for high-performance products specialized in quietness and low vibration and high-speed rotation as a rapid shift is made to EVs and electrification. On the other hand, standard products are expected to face further price competition in the marketplace due to the rise of manufacturers in emerging countries. In this business environment, NTN will aggressively enter growing markets and strengthen its price-competitiveness. In order to expand sales, we will promote the reorganization of production of radial bearings.

First of all, we will concentrate our high-performance products, including products responding to automotive electrification, into a new plant in Wakayama which was completed in October 2019, and the Ball Bearing Plant in Iwata Works, and NTN Mie Corp., which is the main

production site for medium-sized radial bearings, in order to improve productivity and strengthen price-competitiveness by introducing the latest production technologies.

With regard to standard products, we will strengthen collaboration with NTN's affiliate, TUNG PEI INDUSTRIAL CO., LTD. (Taiwan), and expand outsourcing of production (approximately 5 million products/month). In this way, we will strengthen product supply capabilities by realizing higher efficiency production, curtail investment in maintenance and upgrading of equipment, reduce fixed costs, and reduce costs by utilizing local components to strengthen earnings. The expansion of outsourcing to TUNG PEI INDUSTRIAL CO., LTD. will start in October 2021 with the gradual transfer of production from domestic bases and be expected to be completed in October 2024.

Establishment of PT. Astra NTN Driveshaft Indonesia (ANDIN)

We established Astra NTN Driveshaft Indonesia (ANDIN) PT., a joint venture that manufactures constant velocity joints with Inti Ganda Perdana (IGP) of Astra Group with the aim of expanding the supply of constant velocity joints, which are essential for front-wheel drive vehicles (FF vehicles), for which demand is growing in the Indonesian automotive market, and started mass

production in March 2021.

Thanks to NTN locally producing for the first time in Indonesia, we will speed up the response to customer and shorten delivery lead times, thereby increasing its presence and increasing its market share in the Indonesian automotive market.

Production reform

Realize streamlined production and increase throughput

Promote overall optimization (rationalization of overall SCM) and break away from partial optimization (rationalization by process)

- Lead by specialized organization
- Expand lean production method horizontally
- Develop human resources to promote reforms

Creating a new Monozukuri system

Since 2019, we have been promoting production reform activities aimed at reducing lead times and improving the inventory turnover ratio across the entire supply chain, from materials procurement to sales to customers.

Production reform is "management reform," and in order to promote three-pronged activities among management, promoters, and practitioners, we have established a specialized organization to promote and support the creation of new Monozukuri systems, such as planning and promotion of the content of production reform activities and setting of a new KPI, with the cooperation of external consultants.

Monozukuri is the development of human resources, and we work together with our human resource development divisions, including level-specific training in the Lean Production System, which serves as the foundation for production reform activities, as well as

practical training on reform methods and plant tour sessions. Awareness reform is also necessary for production reform, and we have launched a website for employees that provides information on activities and educational materials, and is also engaged in PR activities.

We have already implemented production reforms at many of our domestic manufacturing sites, and there are some cases where we have achieved half in-process inventory and half lead time. In the future, we will standardize and horizontally expand the number of successful cases and promote activities with the goal of achieving an inventory turnover ratio of 4.1 times or more by the end of March 2024.

First, we will promote activities mainly on domestic manufacturing bases, and realize the new foundation of Monozukuri in "DRIVE NTN100" Phase 2 and then expand the content abroad.

Monozukuri using AI and IoT

The "NTN NAMERAKA Factory" has the vision of a "NAMERAKA Factory" that delivers "satisfaction" to customers "rapidly." We are also promoting DX (Digital Transformation) and smart factories that NTN aims for.

Coordination of information through installing equipment with intelligence

Using a new plant in Wakayama as a model, we will link manufacturing information and automate the "visualization, analysis, and response" cycle by improving the intelligence of plant introduced through the use of AI and IoT. We will improve customer satisfaction and create income by reforming our product lineup with emphasis on

quality (improved traceability, inspection automation, reduced defect rate), environment (saving energy, reduced CO2 emissions), facilities (failure prediction, preventive maintenance), and manufacturing (shortened lead times, reduced inventory, and visualized cost).

Built-in Quality

To maintain and improve quality, "Built-in Quality" is essential to incorporate quality into the production process, from the development stage through the manufacturing process to the delivery of products to customers, by building conditions and systems that ensure that quality is maintained at all times.

A new plant in Wakayama

A new plant in Wakayama will implement "Building in quality" by introducing IoT, thereby achieving even higher levels of quality control. Using IoT, we aim to create a system that ensures stable quality at all

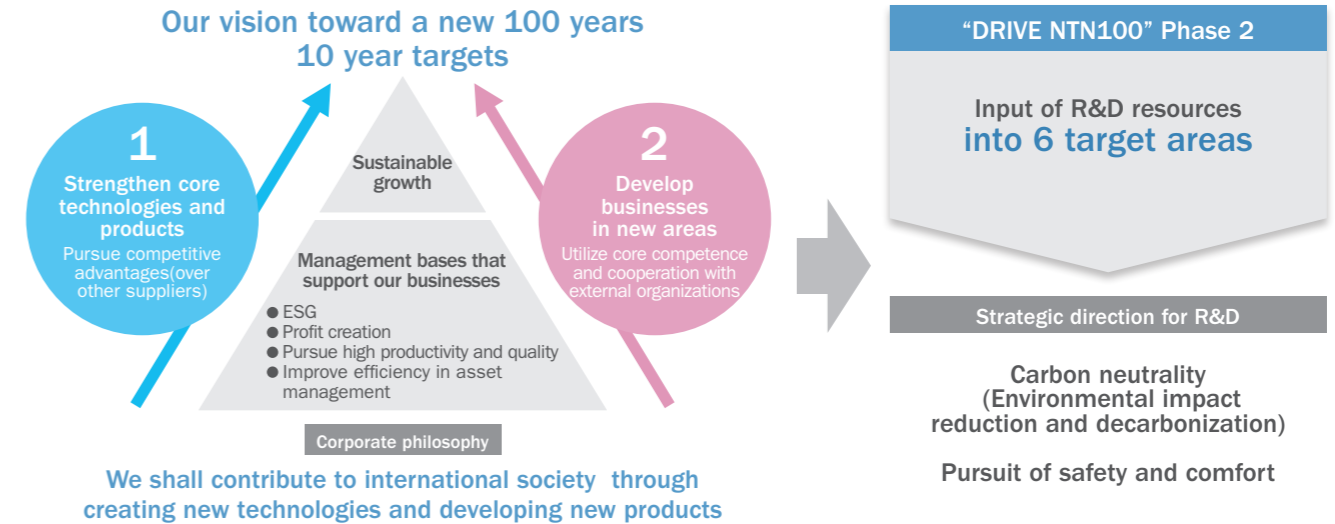
times and enables us to promptly identify the range of impact and implement countermeasures in the event of a problem.

NTN's basic approach to research and development

We are creating high-performance products for the realization of a carbon neutrality by strengthening our core technologies and developing our core technologies that we have cultivated into new area. NTN is actively promoting the use of external collaboration such as introducing next-generation technologies (like AI and IoT) acquired at NTN Next Generation Research Alliance Laboratory in Osaka University. In the new Medium-term Management Plan, we have newly identified 6 areas that go well with SDGs and growth strategies of the Japanese government and in which we can take advantage of our core technologies. We will accelerate our contribution to the international community through our developed products and services.



Executive Officer CTO (Chief Technology Officer) **Masaki Egami**

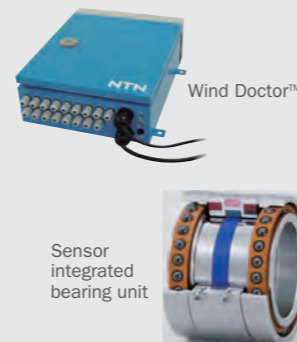


1 Service/solution

(Utilization of IoT and sensing technology, and condition monitoring service for predictive maintenance of bearings and equipment)

We developed the "Wind Doctor™" which monitors the conditions around bearings in the wind turbine, and this system has been adopted by many power producers. In the field of machine tools, we have improved the "Sensor Integrated Bearing Unit," which is produced by adding a sensing function to the bearing. We have made the unit wireless to create a product that has a built-in load detection sensor. The product has been launched into the market and it has been favorably evaluated for its function to monitor the load on the bearing and a change in the load in real time even when far from the actual operation site.

In the future, we will make further progress in AI analysis technology to enable prediction of the operating life of bearings. By utilizing our development products, we will expand our condition monitoring service business and transform from a "Manufacturing Company" into a "Company that Delivers Value to Customers through Products and Services."



2 Robot-related module

We market the i-WRIST™, a Wrist Joint Module for robots that applies the joint of driveshaft, one of our core products. Due to the decline in the working population caused by the decreasing birthrate and aging population, demand for manpower-saving measures is rising rapidly at manufacturing sites. As one of the alternatives to the manual work that has been done so far, we proposed a visual inspection system with a camera attached to the "i-WRIST™," which has been adopted by many production sites.

In the future, we will propose low-friction, lightweight, and compact modular products compatible with next-generation robots in addition to the "i-WRIST™" series, which will contribute to the promotion of automation at production sites, as well as the reduction of cycle time and the improvement of quality.

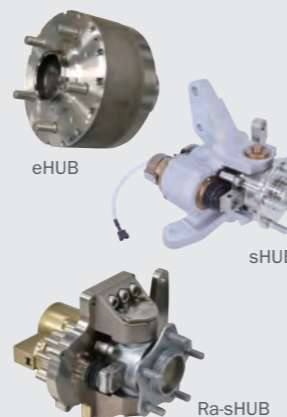


3 Next-generation mobility module

Responding to CASE, which is said to be a big change once every 100 years, and the realization of a carbon neutral society are urgently needed, and further saving energy and higher functionality are required.

Regarding the hub bearings of which we have the No. 1 market share, we have received a lot of orders for the "Low Friction Hub Bearing III" developed by using the strength of our core technology. In addition, we market the "eHUB" and "sHUB" multi-functional HUB modules, which combine HUBS with motors, actuators, controllers, and other components. "eHUB" is a product that contributes to a carbon neutral society by regenerating the energy generated when automotive slows down. "sHUB" and "Ra-sHUB," which applies technology of "sHUB" to the rear wheels enable steering angle of the wheels to be controlled separately for each of the left and right sides. "sHUB" and "Ra-sHUB" provide high driving performance and riding comfort, which we expect to contribute to automated driving in the future.

We will continue to utilize our core competencies, incorporate next-generation technologies, and further incorporate technologies on the market into our products in order to develop products responding to CASE in the automotive market and a carbon neutral society.



4 Renewable energy-related

Regarding core products, main shaft bearings for wind turbines are becoming larger as wind turbines becomes larger. It is essential to develop manufacturing technologies, such as higher efficient heat treatment technology. We have commercialized a product applying roller with DLC coating to enhance its robustness.

As new products, we have developed and sell the "Green Power Station (GPS)", which is an independent power supply using highly efficient original wings with the highest quietness and the "N3 N-CUBE" to supply mobile power in emergencies due to disasters. By developing these green energy products, we will contribute to the realization of a decarbonized society.



5 Hydrogen-related

Hydrogen is drawing attention as a next-generation energy source, and many peripheral devices are being studied and developed. Bearings and seals, which are used not only in fuel-cell vehicles (FCVs) but also in infrastructural system such as compressed pumps, are crucial for our company. Pressure in these devices is higher than that of conventional nitrogen. Higher reliability and higher durability are required for mechanical elements such as bearings and seals.

This is a field in which we can utilize our composite materials technologies in addition to rolling bearings, which is the core competence of our core products, so we are also developing module products, including those peripheral to bearings.

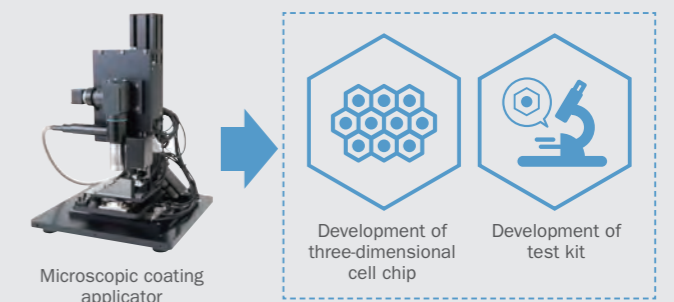


6 Life science-related

(Development of drug discovery support cell chip by micro-lamination technology utilizing iPS cells)

We are applying the technology of repair equipment to repair minute defects in liquid crystal panels and color filters to develop the application of microscopic coating applicator that can laminate high-viscosity fluids. As a part of these activities, we are developing the drug discovery support cell chip which features three-dimensional coating of human iPS-derived cells on the plate.

There is a possibility that it will be a substitute for animal experimentation using mice, etc., and the next-generation drug discovery is expected to become highly efficient.



		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2021
Financial Data*2													
Net Sales	(Millions of yen)	530,056	543,468	539,595	638,971	701,900	716,997	683,636	744,699	733,846	651,957	562,847	5,100,100
Operating Income	(Millions of yen)	24,560	20,724	7,278	33,004	43,851	47,770	35,929	39,935	27,222	7,517	(3,139)	(28,443)
Operating Margin	(%)	4.6	3.8	1.3	5.2	6.2	6.7	5.3	5.4	3.7	1.2	(0.6)	(0.6)
Income (loss) before Income Taxes	(Millions of yen)	22,855	16,357	(13,898)	(2,451)	37,063	26,943	14,890	26,906	2,939	(33,950)	(1,257)	(11,391)
Net Income (Loss) Attributable to Shareholders (parent company)	(Millions of yen)	14,399	5,993	(14,196)	(14,648)	23,353	15,037	2,831	20,374	(6,958)	(43,993)	(11,642)	(105,491)
Capital Expenditures	(Millions of yen)	29,700	54,440	48,979	33,162	31,266	36,300	35,398	37,589	45,172	57,675	23,817	215,812
Depreciation and Amortization	(Millions of yen)	35,936	34,175	34,841	39,315	40,392	38,278	36,629	37,506	38,926	37,307	35,479	321,484
R&D expenditures	(Millions of yen)	15,697	17,157	16,174	17,821	18,088	18,481	19,196	21,007	21,661	19,962	17,486	158,445
Total Assets*3													
Total Assets*3	(Millions of yen)	632,001	693,258	768,462	848,037	856,277	794,651	798,891	839,427	840,751	757,822	836,564	7,580,319
Net Assets	(Millions of yen)	210,353	212,126	211,743	213,369	262,559	248,505	245,050	269,760	246,405	168,378	183,751	1,665,014
Inventories	(Millions of yen)	136,985	155,107	163,287	166,484	184,128	178,220	171,482	179,738	194,505	182,923	176,847	1,602,456
Interest-bearing Debt	(Millions of yen)	223,284	271,978	360,802	381,767	359,105	325,174	320,170	320,832	350,345	362,417	422,803	3,831,125
Inventory Turnover Ratio	(Times)	3.9	3.5	3.3	3.8	3.8	4.0	4.0	4.1	3.8	3.6	3.2	
Net D/E Ratio	(Times)	0.92	1.11	1.37	1.27	1.11	1.11	1.05	0.93	1.16	1.87	1.62	
Net Income (loss)/Average Total Assets (ROA)	(%)	2.3	0.9	(1.9)	(1.8)	2.7	1.8	0.4	2.5	(0.8)	(5.5)	(1.5)	
Net Income (loss)/ Average Shareholders' Equity (ROE)	(%)	7.2	3.0	(7.2)	(7.3)	10.5	6.3	1.2	8.4	(2.9)	(22.8)	(7.1)	
NTN-ROI*4	(%)	4.2	3.4	1.1	4.6	6.3	6.5	5.1	5.7	4.0	1.0	(0.5)	
Equity to Capital Ratio	(%)	31.6	28.4	26.0	23.5	28.6	29.2	28.7	30.2	27.4	20.6	20.4	
PER-SHARE DATA													
Net Assets	(Yen)	376.05	370.19	375.84	374.68	461.21	436.97	431.66	477.17	433.32	294.00	321.04	2.91
Net Income (Loss)	(Yen)	27.08	11.27	(26.69)	(27.54)	43.91	28.28	5.33	38.36	(13.10)	(82.83)	(21.92)	(0.2)
Cash Dividends	(Yen)	10.00	10.00	0	2.00	6.00	10.00	10.00	15.00	15.00	5.00	0.00	0.00
Non-Financial Data													
Number of employees (consolidated)		19,172	20,789	21,398	22,156	23,360	24,109	24,665	25,493	24,988	24,199	23,292	
Percentage of employees overseas	(%)	61	63	63	64	66	66	66	66	65	64	62	
Percentage of female employees (non-consolidated)	(%)	9	9	9	9	9	10	10	10	10	10	10	
Average years of continuous employment	(Years)	19.0	19.0	18.5	17.7	17.6	17.5	17.5	18.6	19.0	19.3	19.5	
Number of Directors		12	13	12	11	11	14	14	14	14	11	11	
Number of Independent Outside Directors		1	2	2	2	2	2	2	2	2	5	5	
CO2 emissions	(10,000 tons)	53.1	53.9	56.7	59.3	61.7	60.5	62.0	65.3	67.4	60.6	55.6	
Energy consumption*5	TJ/year	5,943	5,857	6,134	6,331	6,463	6,336	6,493	6,849	6,978	6,326	5,783	
Water consumption*6	(10,000 m ³)	225.2	219.7	210.9	201.8	197.3	319.7	323.0	326.4	347.1	281.1	243.0	
Generated waste	(10,000 tons)	13.2	15.0	14.1	15.0	15.4	15.9	16.3	17.7	17.7	15.5	13.1	
Exchange Rate Data													
USD Average		85.74	79.08	82.91	100.17	109.76	120.15	108.39	110.85	110.88	108.73	106.01	
EUR Average		113.13	109.02	106.78	134.21	138.69	132.60	118.80	129.64	128.41	120.84	123.66	
USD at fiscal year end		83.15	82.19	94.05	102.92	120.17	112.68	111.85	106.49	110.64	107.85	110.36	
EUR at fiscal year end		124.92	117.57	109.80	120.73	141.65	130.32	127.70	119.48	131.00	124.21	129.32	

*1 The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at ¥110.36 = U.S. \$1.00, the exchange rate prevailing on March 31, 2021.

*2 "Loyalty," which was previously included in "non-operating income," has been changed to be included in "net sales" from the fiscal year ended March 31, 2021. The period for retroactive adjustment is after the fiscal year ended March 31, 2017, which is subjected to audit by an audit firm.

*3 The figures for the fiscal year ended March 31, 2018 have been retroactively revised by "Partial Revision of the Accounting Standard for Tax Effect Accounting." Before the fiscal year ended March 31, 2018, no retroactive application was made.

*4 NTN-ROI = Net operating income after tax/(tangible fixed assets + inventories)

*5 The energy of electric power is 3.6 MJ/kWh in physical quantity, and the energy of fuel is calculated using the emission factor described in "Emission intensity database for calculation of greenhouse gas emissions of organizations through the supply chain (Ver.3.1)" (Ministry of the Environment).

*6 Regarding water consumption (millions of m³), the data includes Japan only until the fiscal year ended March 31, 2015, and global data since the fiscal year ended March 31 2016.

Net sales and income

Sales performance

Net sales for the fiscal year ended March 31, 2021 was 562,847 million yen, down 89,110 million yen, or 13.7%, from the previous fiscal year. Accounting for a decrease of 3,464 million yen due to the effect of exchange rates, the actual decrease in net sales amounted to 85,646 million yen. Net sales overseas was 400,033 million yen, down 53,823 million yen or 11.9% from the previous fiscal year. Net sales overseas accounted for 71.1% of net sales (Americas 25.7%, Europe 20.8%, and Asia and other regions 24.6%), up 1.5 percentage points from the previous fiscal year.

Net sales and income by business sector

In aftermarket applications, net sales fell sharply to 91,493 million yen (down 16.4% year on year) due to lower customer demand and other factors. Despite efforts to reduce fixed costs, operating income was 8,904 million yen (down 30.2% year on year) due to a decline in sales volume and other factors.

In industrial machinery applications, net sales was 101,853 million yen (down 3.2% year on year) due to a decline in sales for construction machinery and airplanes. Despite a decrease in sales volume and other factors, 355 million yen of operating income was recorded, compared with operating loss of 1,863 million yen in the previous fiscal year, reflecting efforts to reduce fixed costs.

In automotive applications, net sales fell sharply to 369,501 million yen (down 15.5% year on year) due to lower demand stemming from the shutdown of customer operations and other factors. Operating loss of 12,398 million yen was recorded, compared with operating loss of 3,370 million in the previous fiscal year, mainly due to a decline in sales volume, despite efforts to reduce fixed costs.

Net sales by region

Regarding sales in the Japanese market, sales decreased in all business divisions, due to the impact of the coronavirus pandemic. Sales for aftermarket applications decreased in the industrial machinery aftermarket, sales for industrial machinery applications decreased in construction machinery and machine tools, and sales for automotive applications decreased due to sluggish customer demand and other factors. As a result, net sales declined sharply to 162,814 million yen (down 17.8% year on year).

Regarding sales in the Americas, sales decreased significantly due to the impact of the coronavirus pandemic, although some business divisions saw a recovery. Sales for aftermarket applications increased for the automotive aftermarket, but decreased for the industrial machinery aftermarket. Sales for industrial machinery applications decreased for construction machinery and wind turbines, and also decreased for automotive applications due to sluggish customer demand and other factors. As a result, net sales declined sharply to 144,432 million yen (down 17.1% year on year).

Regarding sales in Europe, sales decreased in all business divisions, due to the coronavirus pandemic. Sales for aftermarket applications decreased both for the industrial machinery aftermarket and automotive aftermarket. Also, sales for industrial machinery applications decreased for airplanes and wind turbines, while sales for

automotive applications decreased due to lower customer demand. As a result, net sales decreased sharply to 117,235 million yen (down 16.8% year on year).

Regarding sales in Asia and other countries, sales decreased only slightly compared with the previous fiscal year due to the contribution of the recovery from the coronavirus pandemic in the Chinese economy. Sales for aftermarket applications decreased for both the industrial machinery aftermarket and automotive aftermarket, but sales for industrial machinery applications increased for wind turbines and construction machinery, while sales for automotive applications also increased due to growth in demand. As a result, net sales was 138,366 million yen (down 0.2% year on year).

Cost of sales, selling, general and administrative expenses

In the fiscal year under review, cost of sales was 477,667 million yen, and its ratio to net sales was 84.9%, up 0.6 percentage points from the previous fiscal year.

The amount of selling, general and administrative expenses was 88,319 million yen, and its ratio to net sales was 15.7%, up 1.1 percentage points from the previous fiscal year.

Income

Despite a decrease in personnel expenses, a decline in variable costs, and an increase in income due to the impact of selling prices, certain factors, such as the scale effect and the impact of exchange rates, caused a decline in profit. Consequently, operating loss for the fiscal year under review was 3,139 million yen (compared with operating income of 7,517 million the previous fiscal year). Ordinary profit margin was minus 0.6% (an operating loss, compared with an operating profit margin of 1.2% in the previous fiscal year).

As for other revenues and expenses, 2,604 million yen of net expense was recorded. This is roughly broken down to 7,645 million yen of revenues including 2,733 million yen of foreign exchange gain, net, 569 million yen of dividend income, 853 million yen of interest income, and 344 million yen of equity in earnings of affiliates; and 10,248 million yen of expenses including 3,506 million yen of interest expense and 2,919 million yen of loss on valuation of derivatives.

As a result, the Company recorded an ordinary loss of 5,742 million, (compared with an ordinary loss of 1,698 million in the previous fiscal year). Ordinary income margin was minus 1.0% (an ordinary loss, compared with minus 0.3% in the previous fiscal year).

In addition to these amounts, the Company recorded 5,769 million yen in subsidy income and 5,700 million yen of gain on sales of investment securities as extraordinary income, and extraordinary loss including 3,344 million yen of loss resulting from low operating capacity, 2,462 million yen of loss on impairment of fixed assets, and 1,176 million yen of loss on surcharge payments under the Antimonopoly Act. As a result, loss attributable to owners of parent was 11,642 million yen, down 32,351 million yen compared to the previous fiscal year. Also, net loss per share amounted to a loss of 21.92 yen.

Regarding annual dividends, we regret to announce that, in view of business performance for the fiscal year under review and the current state of our operations, we will not be paying a dividend for the fiscal year ended March 31, 2021.

R&D and capital expenditures

R&D expenditures

Groupwide R&D expenditures for the fiscal year under review amounted to 17,486 million yen, (down 2,476 million yen year on year) and the ratio of R&D expenditures to net sales was 3.1%.

Since 2018, when we celebrated our 100th anniversary, we have worked to implement our "DRIVE NTN100" medium-term management plan with its basic policy of driving forward a transformation of our business structure for the new 100 years. We will contribute to solving various social issues by researching and accumulating cutting-edge technologies in our core businesses, developing products, and creating new products and services in new business areas. At the same time, we will build a technological foundation and a foundation for business transformation for the next 100 years.

Capital expenditures

At the NTN Group (NTN Corporation and its consolidated subsidiaries), we make capital investments primarily for improvement of production capacity, rationalization by labor-saving, maintenance and upgrading of existing facilities, improvement of safety environment, and R&D of new products.

In Japan, we invested 11,099 million yen in the construction of a new plant in Wakayama and the installation of bearing manufacturing facilities. In the Americas, capital expenditures totaled 6,345 million yen due to the expansion of constant velocity joints manufacturing facilities at NTN DRIVESHAFT, INC. and the expansion of constant velocity joint manufacturing facilities at NTN DRIVESHAFT ANDERSON, INC. In Europe, we invested 3,481 million yen in additional bearing manufacturing facilities in NTN-SNR ROULEMENTS. In Asia and other countries, we invested in 2,891 million yen by expanding our bearing manufacturing facilities at NTN MANUFACTURING (THAILAND) CO. LTD. After adding adjustments of minus 0 million yen, including inter-segment equipment transfers, the amount of capital expenditures in the consolidated fiscal year under review was 23,817 million yen.

The required funds are self-financed and borrowed.

Financial position and cash flow

Current assets increased by 79,956 million yen (up 19.7%) from the end of the previous fiscal year and came to 485,756 million yen. This was mainly due to an increase of 77,400 million yen in cash and deposits and an increase of 13,233 million yen in notes and accounts receivable. Fixed assets decreased by 1,214 million yen (down 0.3%) and came to 350,808 million yen compared to the end of the previous fiscal year. This was mainly due to a decrease of 8,287 million yen in construction in progress and an increase of 3,811 million yen in machinery, equipment and vehicles. As a result, total assets increased by 78,742 million yen (up 10.4%) from the end of the previous fiscal year, amounting to 836,564 million yen.

Current liabilities increased by 5,382 million yen (up 1.9%) from the end of the previous fiscal year and came to

292,346 million. This was mainly due to an increase of 6,792 million yen in notes and accounts payable, a decrease of 5,870 million yen in electronically recorded monetary claims, and an increase of 4,560 million yen of short-term loans. Long-term liabilities increased by 57,987 million yen (up 19.2%) from the end of the previous fiscal year and ended to 360,467 million yen. This was mainly due to an increase of 50,000 million yen in bonds. Consequently, total liabilities increased by 63,369 million yen (up 10.8%) from the end of the previous fiscal year and amounted to 652,813 million yen.

Total net assets increased by 15,373 million yen (up 9.1%) from the end of the previous fiscal year to 183,751 million yen. This was mainly due to an increase of 13,135 million yen in translation adjustments, a decrease of 9,353 million yen in retained earnings, an increase of 7,031 million yen in accrued retirement benefits adjustments, and an increase of 3,553 million yen in net unrealized holding gain on other securities.

The equity ratio was 20.4% (down 0.2 percentage points from the end of the previous fiscal year), and net assets per share based on the total number of issued and outstanding shares at the term-end was 321.04 yen (up 27.04 yen from the end of the previous fiscal year). Interest-bearing debt increased by 60,386 million yen (up 16.7%) from the end of the previous fiscal year and came to 422,803 million yen. Accounting for an increase of 4,275 million yen due to the effects of exchange rates, the actual increase in interest-bearing debt was 56,111 million yen. The ratio of interest-bearing debt to total assets was 50.5% (up 2.7 percentage points from the end of the previous fiscal year).

Net working capital was 193,410 million yen, up 74,574 million yen from the end of the previous fiscal year. The current ratio was 166.2% (up 24.8 percentage points from the end of the previous fiscal year).

Inventories turnover ratio was 3.18 (down 0.38 from the end of the previous fiscal year) and total assets turnover ratio was 0.67 (down 0.19 from the end of the previous fiscal year).

Net cash from operating activities was 36,473 million yen (down 7,277 million yen, or 16.6% from the end of the previous fiscal year). This was mainly due to proceeds of 35,479 million yen of depreciation and amortization.

Net cash used in investing activities was 17,939 million yen (down 43,869 million, or 71.0% from the end of the previous fiscal year). This was mainly due to outflow of 21,900 million yen in purchases of property, plant and equipment, outflow of 7,724 million yen in purchase of other assets, and 9,465 million yen in proceeds from sales of investment securities.

Net cash from financing activities was 54,672 million yen (up 47,259 million yen, or 637.5% from the previous fiscal year). This was mainly due to 58,833 million yen in proceeds from long-term loans, 50,000 million yen from bonds, and outflow of 38,774 million yen due to repayment of long-term loans and 14,729 million yen of net decrease in short-term loans.

As a result of including a translation difference of 2,878 million yen in these changes, cash and cash equivalents was 147,249 million yen, an increase of 76,084 million yen (106.9%) from the end of the previous fiscal year.

Free cash flow, which is net cash from operating activities less net cash from investing activities, was 18,534 million yen. The cash flow return on sales ratio was 6.5%.

Business results and the financial position of the NTN Group are subject to the following risks.

(1) Risks Related to External Business Environment

1) Economy

The NTN Group operates global production and sales networks, and supplies customers in various industrial sectors. The financial position, business results, and cash flows of the NTN Group may be affected by a change in economic conditions in a specific country or region or a change in conditions in industries to which our customers belong.

2) Foreign Exchange Fluctuations

Overseas sales of the NTN Group account for over 50% of consolidated sales. This percentage is expected to increase further due to continued acceleration in the global business development of the NTN Group.

Overseas subsidiaries' foreign currency-denominated business results and financial positions are converted to yen for the preparation of consolidated financial statements. Moreover, many export transactions of the Company with overseas customers are conducted in foreign currencies. Although the NTN Group hedges risks through forward foreign exchange contracts and expansion of local procurement, effects of exchange rate fluctuations in foreign currency and yen exchange rates on the financial positions, business results, and cash flows cannot be fully eliminated.

3) Declines in Market Prices

The competitive environment surrounding production and sales activities of the NTN Group is becoming harsher worldwide. As products from China and other emerging countries are gaining ground, bearings have been partially affected by falling market prices. At the same time, against a backdrop of global price competition, calls for price reductions are mounting in the automotive industry, which accounts for over half of the NTN Group's sales. Although the NTN Group works continuously to reduce costs while developing new products of high quality and high added value the financial position, business results, and cash flows may be affected by downward pressure on market prices.

4) Rise in Raw Materials Prices

The NTN Group procures a wide range of raw materials from outside sources. To deal with cost increases, especially of steel materials, which have a high weighting in material costs, we have taken measures such as mark-ups on selling prices to reflect higher material costs. In addition, the Group is targeting cost reductions through enhanced production yields and VA/VE methods. Nevertheless, the financial positions, business results, and cash flows may be affected by stronger-than-expected increases in raw material costs.

5) Risk of Disasters and Spread of Infectious Diseases

The business sites of the NTN Group and our business partners may be affected by natural disasters such as earthquakes, flooding, fires, and the spread of infectious diseases. In preparation for large-scale disasters, the NTN Group has introduced a safety confirmation system and conducted emergency drills. In order to combat the spread of infectious diseases, we have taken various measures, such as stockpiling masks. We are prepared to minimize damage by taking immediate action in the event of a crisis. However, it is difficult to completely avoid risk, and as a result, the financial position, business results and cash flows may be affected.

In response to new coronavirus infections, the NTN Group is striving to prevent infections by utilizing telework, staggered work, and prohibiting business trips and visits in principle. We also promote telecommuting overseas and take other measures in accordance with the circumstances of each country.

(2) Risks Related to Business Operations

1) Dependence on Specific Industries

The NTN Group's bearing division derives approximately half of its sales revenues from the automotive industry, which also accounts for more than half of the sales of components that the constant velocity joint division produces for automotive power transmission to the drive axle. Dependence on the automotive industry is therefore high. Although the NTN Group works to expand sales of bearings and precision equipment parts to the industrial machinery sector and implements measures to achieve a balanced sales structure, a rapid shift in demand in the automotive industry could potentially affect the NTN Group's financial position, business results, and cash flows.

2) Product Defects

To ensure product quality, the NTN Group works to satisfy customers' requirements concerning product functions and specifications, and strives to provide appropriate quality and product safety by enforcing quality assurance globally. However, a substantial product defect leading to a serious accident, claim for damages, or product recall could entail huge product warranty

costs and potentially affect the financial position, business results, and cash flows of the NTN Group. Although the NTN Group has taken out global product liability insurance, complete coverage for loss (including compensation for damages) is not possible.

3) Intellectual Property

The NTN Group generates substantial portion of its new technologies and expertise through new product development, utilizing these as management resources. However, there is a possibility that a third party might violate our intellectual property rights, or that we might unexpectedly violate a third party's intellectual property rights. We are striving to thoroughly implement intellectual property rights management, such as protecting rights through patent applications. However, the infringement of intellectual property rights as described above could have an impact on the Group's financial position, business results, and cash flows.

4) Global Operations

The NTN Group develops its business operations worldwide with overseas sales accounting for more than 50% of consolidated sales. Overseas business development is associated with the following risks:

- a. Risks from an unforeseen change in tax systems of or between individual countries
- b. Risks from an unforeseen change in laws of individual countries
- c. Difficulty in hiring and retaining appropriate personnel
- d. Evolving technology levels and unstable labor relations in emerging economies
- e. Political instability in emerging economies

The NTN Group collects information on these risks within the Group and strives to prevent and avoid them. However, if these risks occur, they may affect the Group's financial position, business results and cash flows.

5) Information Security

The NTN Group is taking action to ensure that our employees are thoroughly aware of appropriate methods of managing information through conducting trainings for our employees as well as establishing internal regulations. However, in the event of information leakage the destruction or, alteration of important data, or system shutdown of important data are occurred, etc. due to a cyber attack, unauthorized access, and computer virus intrusion, they may lead to a deterioration in the NTN Group's credibility loss, and disruptions to production and sales activities, thereby affecting the Group's financial position, business results, and cash flows.

6) Statutory Regulations

The NTN Group is subject to the various laws and regulations (tax laws, environmental laws, occupational safety and health laws, economic statutes such as antimonopoly laws, anti-dumping laws and bribery-related laws, trade and exchange laws, and stock exchange listing regulations of the countries and regions where it does business.

The NTN Group strives to abide by these laws and regulations and conduct fair business activities. However, if the NTN Group is ever subject to litigation or involved in legal proceedings because of a violation of a law or regulation, and if the decision of such litigation or legal proceedings goes against the Group, this may have an effect on the business performance or the financial position of the Group. Furthermore, if these laws or regulations change, or if new unforeseen laws or regulations are enacted, these also may have an effect on the financial position, business performance, and cash flows of the Group. NTN Group is currently subject to the following actions.

- a. There is an ongoing investigation by the competition authority in India in relation to overseas sale of bearings.
- b. A lawsuit has been filed against the Company and its two consolidated subsidiaries in Europe before the France Tribunal de Commerce de Lyon by Renault S.A. and its group companies, which are 15 in total (hereafter, "Renault"), seeking compensation of 66.7 million euros (provisional amount) for damages. In December 2020, Renault changed the claiming amount for damages to 32.5 million euros (provisional amount). In addition, a lawsuit has been filed against the Company and its two consolidated subsidiaries in Europe before the United Kingdom Commercial Court by Fiat Chrysler Automobiles N.V. and its group companies, which are seven in total (hereafter, "FCA"), seeking compensation for damages. This lawsuit was transferred to the United Kingdom Competition Appeal Tribunal on July 14, 2020.

These lawsuits were filed by Renault and FCA alleging that they suffered damages in connection with the infringement of the European competition laws, which was subject of the decision adopted by the European Commission dated March 19, 2014.

- c. The NTN Group may be subject to claims for compensation for damages in connection with the violation of competition laws and continue to address these claims. However, it is currently difficult to make reasonable estimates of the future possible effects on the results of operations and financial position of the NTN Group.

Consolidated Balance Sheet

	Millions of yen		Thousands of U.S. dollars (Note 1)	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021	2021	2020	2021
Assets						
Current assets:						
Cash and cash equivalents (Note 15)	¥ 147,249	¥ 71,165	\$1,334,261	¥ 67,348	¥ 77,431	\$ 610,257
Short-term investments (Note 15)	7,720	6,403	69,953	56,183	41,121	509,088
Trade receivables (Note 15):						
Notes	3,871	4,298	35,076	721	836	6,533
Accounts	112,734	99,074	1,021,511	54,747	47,840	496,076
Electronically recorded monetary claims	4,996	4,788	45,270	62,815	68,685	569,183
Allowance for doubtful accounts	(1,011)	(1,061)	(9,161)	118,283	117,361	1,071,792
	120,590	107,099	1,092,696	2,126	1,828	19,264
Inventories (Note 7)	176,847	182,923	1,602,456	48,406	49,223	438,620
Other current assets (Note 15)	33,350	38,210	302,193	292,346	286,964	2,649,021
Total current assets	485,756	405,800	4,401,559			
Property, plant and equipment, at cost (Note 8):						
Land (Note 2(g))	32,443	32,370	293,974	307,357	249,510	2,785,040
Buildings and structures (Note 2(g))	225,560	214,621	2,043,856	39,921	46,727	361,734
Machinery, equipment and vehicles (Note 2(g))	772,727	767,409	7,001,876	1,082	1,118	9,804
Construction in progress	22,231	30,518	201,441	5,856	276	53,063
	1,052,961	1,044,918	9,541,147	6,251	4,849	56,643
Less accumulated depreciation	(792,517)	(782,274)	(7,181,198)	360,467	302,480	3,266,284
Property, plant and equipment, net (Note 3 and 22)	260,444	262,644	2,359,949			
Investments and other assets:						
Investment securities (Notes 9 and 15)	22,965	20,923	208,092			
Investments in unconsolidated subsidiaries and affiliates (Note 15)	20,872	20,862	189,126			
Deferred income taxes (Note 22)	2,438	6,036	22,091			
Other assets	44,089	41,557	399,502			
Total investments and other assets	90,364	89,378	818,811			
Total assets (Note 24)	¥ 836,564	¥ 757,822	\$7,580,319			
Liabilities and net assets						
Current liabilities:						
Short-term bank loans (Notes 10 and 15)	¥ 67,348	¥ 77,431	\$ 610,257			
Current portion of long-term debt and lease obligations (Notes 10 and 15)	56,183	41,121	509,088			
Trade payables (Note 15):						
Notes	721	836	6,533			
Accounts	54,747	47,840	496,076			
Electronically recorded obligations	62,815	68,685	569,183			
	118,283	117,361	1,071,792			
Accrued income taxes (Notes 15 and 22)	2,126	1,828	19,264			
Other current liabilities	48,406	49,223	438,620			
Total current liabilities (Note 24)	292,346	286,964	2,649,021			
Long-term liabilities:						
Long-term debt and lease obligations (Notes 10 and 15)	307,357	249,510	2,785,040			
Liability for retirement benefits (Note 11)	39,921	46,727	361,734			
Provision for product defect compensation	1,082	1,118	9,804			
Deferred income taxes (Note 22)	5,856	276	53,063			
Other long-term liabilities	6,251	4,849	56,643			
Total long-term liabilities (Note 24)	360,467	302,480	3,266,284			
Contingent liabilities (Note 13)						
Net assets:						
Shareholders' equity (Note 12):						
Common stock:						
Authorized – 1,800,000,000 shares	54,347	54,347	492,452			
Issued – 532,463,527 shares in 2021 and 2020						
Capital surplus	67,970	67,970	615,893			
Retained earnings	52,786	62,139	478,307			
Treasury stock, at cost: 1,299,641 shares in 2021 and 1,314,946 shares in 2020 (Note 6)	(784)	(788)	(7,104)			
Total shareholders' equity	174,319	183,668	1,579,548			
Accumulated other comprehensive income (loss):						
Net unrealized holding gain on securities (Note 9)	8,647	5,094	78,353			
Translation adjustments	(6,863)	(19,998)	(62,187)			
Retirement benefit liability adjustments (Note 11)	(5,576)	(12,607)	(50,526)			
Total accumulated other comprehensive loss, net	(3,792)	(27,511)	(34,360)			
Non-controlling interests	13,224	12,221	119,826			
Total net assets	183,751	168,378	1,665,014			
Total liabilities and net assets	¥ 836,564	¥ 757,822	\$7,580,319			

Consolidated Statement of Operations

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Net sales (Note 24)	¥ 562,847	¥ 651,957	\$ 5,100,100
Cost of sales (Note 17)	477,667	549,398	4,328,262
Gross profit	85,180	102,559	771,838
Selling, general and administrative expenses (Note 17)	88,319	95,042	800,281
Operating income (Note 24)	(3,139)	7,517	(28,443)
Other income (expenses):			
Interest and dividend income	1,422	2,072	12,885
Interest expense	(3,506)	(3,952)	(31,769)
Equity in earnings (losses) of affiliates	344	(1,210)	3,117
Foreign exchange gain (loss), net	2,733	(3,826)	24,764
Gain on sales of property, plant and equipment	—	627	—
Loss on valuation of derivatives	(2,919)	—	(26,450)
Subsidy income (Note 19)	5,769	—	52,274
Gain on sales of investment securities (Note 9)	5,700	1,353	51,649
Loss on valuation of investment securities	—	(2,389)	—
Loss resulting from low operating capacity (Note 20)	(3,344)	(2,097)	(30,301)
Loss on impairment of fixed assets (Notes 8 and 24)	(2,462)	(29,001)	(22,309)
Loss on surcharge payments under the Anti-Monopoly Act (Note 18)	(1,176)	(745)	(10,656)
Other, net	(679)	(2,299)	(6,152)
	1,882	(41,467)	17,052
Loss before income taxes	(1,257)	(33,950)	(11,391)
Income taxes (Note 22):			
Current	3,221	3,220	29,186
Deferred	6,113	6,925	55,391
	9,334	10,145	84,577
Loss	(10,591)	(44,095)	(95,968)
Loss attributable to: Non-controlling interests	(1,051)	102	(9,523)
Owners of parent	¥ (11,642)	¥ (43,993)	\$ (105,491)

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Comprehensive Income

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Loss	¥ (10,591)	¥ (44,095)	\$ (95,968)
Other comprehensive income (loss) (Note 21):			
Net unrealized holding gain (loss) on securities	3,553	(6,926)	32,195
Translation adjustments	15,057	(13,710)	136,435
Retirement benefit liability adjustments	7,024	(3,749)	63,646
Share of other comprehensive loss of affiliates accounted for by the equity method	(514)	(44)	(4,657)
Other comprehensive income (loss), net	25,120	(24,429)	227,619
Comprehensive income (loss)	¥ 14,529	¥ (68,524)	\$ 131,651
Total comprehensive income (loss) attributable to:			
Owners of parent	¥ 12,268	¥ (67,353)	\$ 111,163
Non-controlling interests	¥ 2,261	¥ (1,171)	\$ 20,488

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Changes in Net Assets

	Millions of yen									
	Number of shares in issue	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on securities	Translation adjustments	Retirement benefit liability adjustments	Non-controlling interests	Total net assets
Balance at April 1, 2019	532,463,527	¥54,347	¥67,970	¥112,778	¥(789)	¥12,020	¥(7,271)	¥(8,900)	¥16,250	¥246,405
Cumulative effect of change in accounting principle	—	—	—	(1)	—	—	—	—	—	(1)
Restated balance at April 1, 2019	532,463,527	54,347	67,970	112,777	(789)	12,020	(7,271)	(8,900)	16,250	246,404
Cash dividends paid	—	—	—	(6,645)	—	—	—	—	—	(6,645)
Loss attributable to owners of parent	—	—	—	(43,993)	—	—	—	—	—	(43,993)
Purchases of treasury stock	—	—	—	—	(1)	—	—	—	—	(1)
Sales of treasury stock	—	—	—	—	2	—	—	—	—	2
Other changes	—	—	—	—	—	(6,926)	(12,727)	(3,707)	(4,029)	(27,389)
Balance at April 1, 2020	532,463,527	54,347	67,970	62,139	(788)	5,094	(19,998)	(12,607)	12,221	168,378
Cash dividends paid	—	—	—	—	—	—	—	—	—	—
Loss attributable to owners of parent	—	—	—	(11,642)	—	—	—	—	—	(11,642)
Effect of change of scope of equity method	—	—	—	2,289	—	—	—	—	—	2,289
Purchases of treasury stock	—	—	—	—	(1)	—	—	—	—	(1)
Sales of treasury stock	—	—	—	—	5	—	—	—	—	5
Other changes	—	—	—	—	—	3,553	13,135	7,031	1,003	24,722
Balance at March 31, 2021	532,463,527	¥54,347	¥67,970	¥52,786	¥(784)	¥8,647	¥(6,863)	¥(5,576)	¥13,224	¥183,751

Thousands of U.S. dollars (Note 1)

	Thousands of U.S. dollars (Note 1)								
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on securities	Translation adjustments	Retirement benefit liability adjustments	Non-controlling interests	Total net assets
Balance at April 1, 2020	\$492,452	\$615,893	\$563,057	\$(7,140)	\$46,158	\$(181,207)	\$(114,235)	\$110,738	\$1,525,716
Cash dividends paid	—	—	—	—	—	—	—	—	—
Loss attributable to owners of parent	—	—	(105,491)	—	—	—	—	—	(105,491)
Effect of change of scope of equity method	—	—	20,741	—	—	—	—	—	20,741
Purchases of treasury stock	—	—	—	(9)	—	—	—	—	(9)
Sales of treasury stock	—	—	—	45	—	—	—	—	45
Other changes	—	—	—	—	32,195	119,020	63,709	9,088	224,012
Balance at March 31, 2021	\$492,452	\$615,893	\$478,307	\$(7,104)	\$78,353	\$(62,187)	\$(50,526)	\$119,826	\$1,665,014

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Cash flows from operating activities:			
Loss before income taxes	¥ (1,257)	¥ (33,950)	\$ (11,391)
Adjustments for:			
Depreciation and amortization	35,479	37,307	321,484
Loss on impairment of fixed assets	2,462	29,001	22,309
Subsidy income	(5,769)	—	(52,274)
Loss resulting from low operating capacity	3,344	2,097	30,301
Loss on surcharge payments under the Anti-Monopoly Act	1,176	745	10,656
Decrease in allowance for doubtful accounts	(148)	(22)	(1,341)
Decrease in provision for directors' and audit & supervisory board members' bonuses	(7)	(119)	(63)
(Decrease) increase in provision for product defect compensation	(50)	22	(453)
(Decrease) increase in liability for retirement benefits	(188)	1,754	(1,704)
Interest and dividend income	(1,422)	(2,072)	(12,885)
Interest expense	3,506	3,952	31,769
Translation adjustments and foreign exchange (gain) loss, net	(2,943)	1,040	(26,667)
Gain on valuation of derivatives, net	2,919	—	26,450
Equity in (earnings) losses of affiliates	(344)	1,210	(3,117)
Gain on sales of fixed assets	—	(627)	—
Gain on sales of investment securities	(5,700)	(1,353)	(51,649)
Loss on valuation of investment securities	—	2,389	—
(Increase) decrease in trade receivable	(7,903)	25,012	(71,611)
Decrease in inventories	13,492	3,994	122,254
Decrease in trade payables	(1,193)	(13,681)	(10,810)
Other	2,259	(6,156)	20,469
Subtotal	37,713	50,543	341,727
Interest and dividend income received	1,866	2,586	16,908
Interest paid	(3,488)	(3,955)	(31,606)
Subsidy received	4,896	—	44,364
Payments for loss resulting from low operating capacity	(2,250)	(1,546)	(20,388)
Surcharge payments under the Anti-Monopoly Act	(991)	(1,233)	(8,980)
Income taxes paid	(1,273)	(2,645)	(11,534)
Net cash provided by operating activities	¥ 36,473	¥ 43,750	\$ 330,491
Cash flows from investing activities:			
Increase in short-term investments, net	¥ (618)	¥ (142)	\$ (5,600)
Purchases of property, plant and equipment	(21,900)	(59,009)	(198,441)
Purchases of other assets	(7,724)	(10,075)	(69,989)
Proceeds from sales of investment securities	9,465	2,411	85,765
Purchase of investments in affiliated company	(31)	(497)	(281)
Other	2,869	5,504	25,996
Net cash used in investing activities	(17,939)	(61,808)	(162,550)
Cash flows from financing activities:			
(Decrease) increase in short-term bank loans, net	(14,729)	6,213	(133,463)
Proceeds from long-term debt	58,833	29,795	533,101
Repayment of long-term debt, including current portion	(38,774)	(19,145)	(351,341)
Proceeds from issuance of bonds	50,000	—	453,063
Cash dividends paid	—	(6,645)	—
Repayment of lease obligations	(1,677)	(1,370)	(15,196)
Proceeds from sale and leaseback transactions	2,270	—	20,569
Other	(1,251)	(1,435)	(11,336)
Net cash provided by financing activities	54,672	7,413	495,397
Effect of exchange rate changes on cash and cash equivalents	2,878	(1,596)	(26,079)
Net increase (decrease) in cash and cash equivalents	76,084	(12,241)	689,417
Cash and cash equivalents at beginning of the year	71,165	83,474	644,844
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	(68)	—
Cash and cash equivalents at end of the year	¥ 147,249	¥ 71,165	\$ 1,334,261

See accompanying notes to the consolidated financial statements.

Notes to Consolidated Financial Statements

1. Basis of Preparation

The accompanying consolidated financial statements of NTN Corporation (the "Company") and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan. In addition, certain notes included herein are not required under accounting principles generally accepted in Japan but are presented as additional information.

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. Such reclassification had no effect on consolidated profit or net assets.

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at ¥110.36 = U.S. \$1.00, the exchange rate prevailing on March 31, 2021. This translation should not be construed as a representation that yen can be converted into U.S. dollars at the above or any other rate.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and the significant companies which it controls directly or indirectly. Companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the accompanying consolidated financial statements on an equity basis.

The financial statements of certain consolidated subsidiaries whose fiscal year end is December 31 have been included in consolidation on the basis of a full fiscal year closing on March 31 for consolidation purposes.

(b) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date. Revenues and expenses are translated at the rates of exchange prevailing when the transactions were made.

Assets and liabilities of overseas consolidated subsidiaries are translated into yen at the exchange rates in effect at the respective balance sheet dates, except for the components of net assets excluding non-controlling interests which are translated at the respective historical rates. Revenue and expenses are translated at the average rates of exchange for the respective years. Differences arising from translation are reflected in "Translation adjustments" and "Non-controlling interests" in the accompanying consolidated balance sheet and statement of changes in net assets.

(c) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits with banks withdrawable on demand, and short-term investments which are readily convertible to cash subject to an insignificant risk of any change in their value and which were purchased with an original maturity of three months or less.

(d) Allowance for doubtful accounts

The allowance for doubtful accounts is computed based on the actual historical percentage of bad debts and an estimate of uncollectible amounts determined after an analysis of specific individual receivables.

(e) Short-term investments and investment securities

The accounting standard for financial instruments requires that securities be classified into three categories: trading, held-to-maturity or other securities. Trading securities are carried at fair value and held-to-maturity debt securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income

taxes, included directly in net assets. Cost of securities sold is determined by the moving average method. Non-marketable securities classified as other securities are carried at cost based on the moving average method.

(f) Inventories

Inventories are principally stated at lower of cost, determined by the average method, or net selling value.

(g) Property, plant and equipment (other than leased assets)

Property, plant and equipment are stated at cost. The Company and its domestic consolidated subsidiaries calculate depreciation by the straight-line method over the estimated useful lives of the respective assets. The foreign consolidated subsidiaries principally calculated depreciation by the straight-line method over the estimated useful lives of the respective assets.

The principal estimated useful lives are as follows:

Buildings and structures	10 to 50 years
Machinery, equipment and vehicles	5 to 12 years

Contributions granted by national and municipal governments are deducted directly from the acquisition costs of the related fixed assets as stipulated in the Corporation Tax Law of Japan. The property, plant and equipment accounts on the consolidated balance sheet at March 31, 2021 and 2020 were reduced by the following amounts:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Land	¥ 773	¥ 799	\$ 7,004
Buildings and structures	367	404	3,325
Machinery, equipment and vehicles	58	71	526
	¥ 1,198	¥ 1,274	\$ 10,855

(h) Liability for retirement benefits

Liability for retirement benefits has been provided principally at an amount calculated based on the retirement benefit obligation after the fair value of the pension plan assets are deducted. The estimated benefit is attributed to each period by the benefit formula method over the estimated years of service of the eligible employees.

Past service cost is amortized as incurred primarily by the straight-line method over a period of principally 15 years, which is within the estimated average remaining years of service of the eligible employees.

Net unrecognized actuarial gain or loss is amortized commencing in the year following the year in which the gain or loss was recognized primarily by the straight-line method over a period of principally 15 years, which is within the estimated average remaining years of service of the eligible employees.

(i) Provision for product defect compensation

Provision for product defect compensation is provided at an estimated amount in order to cover the anticipated compensation.

(j) Leases

For lease transactions involving the transfer of ownership, the leased assets are depreciated by the same methods used for owned fixed assets.

For lease transactions not involving the transfer of ownership, leased assets are depreciated over the lease period using the straight-line method with a nil residual value.

(k) Research and development costs and computer software

Research and development costs are charged to income as incurred.

Expenditures relating to computer software developed for internal use are charged to income when incurred, except if the software is expected to contribute to the generation of income or to future cost savings. Such expenditures are capitalized as assets and are amortized by the straight-line method over their respective estimated useful lives, generally a 5 to 10-years period.

(l) Deferred income taxes

Deferred income taxes are provided for temporary differences between the balances of assets and liabilities reported for financial reporting purposes and the corresponding balances for tax reporting purposes.

(m) Derivative financial instruments and hedging activities

All derivatives are stated at fair value with any changes in fair value included in profit for the period in which they arise, except for derivatives which meet the criteria for deferral hedge accounting under which unrealized gain or loss, net of the applicable income taxes, is deferred as a component of net assets. Receivables and payables hedged by forward foreign exchange contracts which meet certain conditions are translated at the corresponding foreign exchange contract rates. Interest-rate swaps which meet certain conditions are accounted for as if the interest rates applied to the interest-rate swaps had originally applied to the underlying debt.

Interest-rate and cross currency swaps which meet certain conditions are accounted for as if the interest rates and currencies applied to the interest-rate and cross currency swaps had originally applied to the underlying debt.

(n) Distribution of retained earnings

Under the Corporation Law of Japan and the Company's Articles of Incorporation, the distribution of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting held subsequent to the close of the financial period. The distribution of retained earnings with respect to the interim financial period is made by resolution of the Board of Directors. The accounts for the period do not reflect such distributions.

(o) Consolidated taxation system

The Company and certain domestic consolidated subsidiaries adopted the consolidated taxation system, which allows companies to file tax returns based on the combined profits or losses of the parent company and its wholly owned domestic subsidiaries.

(p) Adoption of tax effect accounting for transition from consolidated taxation system to group tax sharing system

The Company and certain domestic subsidiaries calculated the amounts of deferred tax assets and deferred tax liabilities based on the Japanese Income Tax Act prior to amendment in accordance with the treatment under Paragraph 3 "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (Accounting Standards Board of Japan (hereinafter referred to as the "ASBJ") Practical Issues Task Force No.39 March 31, 2020) instead of adopting the provision of Paragraph 44 of "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018), regarding the transition to the group tax sharing system established in the "Act for Partial Amendment of the Income Tax Act, etc." (Act No.8 of 2020), related to items for which the non-consolidated taxation system has been reviewed in accordance with the transition to the group tax sharing system.

3. Significant Accounting Estimates and Judgments

Impairment of Fixed Assets

Impairment loss recorded for the fiscal year ended March 31, 2021.

	Millions of yen	Thousands of U.S. dollars
	2021	2021
Loss on impairment of fixed assets	¥ 2,462	\$ 22,309
Property, plant and equipment	260,444	2,359,949
Intangible assets	40,364	365,748

The Company and its subsidiaries (collectively, the "Group") confirm whether indication that an asset or each asset group may be impaired based on information inside the company which are profit and loss statement or business plan.

The Group also identifies indications of impairment based on information from outside the Company, including the business environment or fair value of assets.

The Group determines recognition of impairment loss, such as whether there is concern about recovery of the book value due to changes in the corporate environment or the economy. If it is determined that an impairment loss should be recognized, the book value is reduced to the recoverable amount.

When the amount of the undiscounted future cash flow exceeds book value of an asset or each asset group impairment loss recognition is unnecessary. The main assumption used to calculate undiscounted future cash flow is the expansion of sales volume in the business plan and the expected proceeds from sales of property less costs of disposal. In addition, for measuring impairment loss at the subsidiary in the U.S. in the fiscal year ended March 31, 2021, the main assumption used in calculating the recoverable amount was expansion of the sales volume included in business plan and subsequent future cash flows, market growth rate and discount rate.

If these assumptions are changed due to changes in the business plan, market environment or management environment, there is a possibility that impairment losses may be recognized in the fiscal year ending March 31, 2022.

4. Standards Issued but Not Yet Effective

Accounting Standard and Implementation Guidance for Revenue Recognition

(i) Overview

On March 31, 2020, ASBJ issued "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29), "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No.19). On March 26 2021, ASBJ issued "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No.30). The International Accounting Standards Board (hereinafter referred to as the "IASB") and the Financial Accounting Standards Board (hereinafter referred to as the "FASB") in the United States co-developed comprehensive accounting standards for revenue recognition and issued "Revenue from Contracts with Customers" (issued as IFRS 15 by the IASB and Topic 606 by the FASB) in May 2014. The ASBJ developed comprehensive accounting standards on revenue recognition and issued them in conjunction with the implementation guidance based on the fact that IFRS 15 was applied from fiscal years starting on or after January 1, 2018 and Topic 606 was applied from fiscal years starting after December 15, 2017.

As the basic policy in developing accounting standards for revenue recognition, the ASBJ defined the accounting standard starting with incorporating the basic principle of IFRS 15 from a standpoint of comparability between financial statements, which is one benefit of ensuring consistency with IFRS 15. Furthermore, the ASBJ added alternative accounting treatment without impairing comparability when there are matters to be considered related to accounting practices, etc. common in Japan.

(ii) Scheduled date of adoption

The Company expects to adopt the accounting standard and implementation guidance from the beginning of the fiscal year ending March 31, 2022.

(iii) Impact of the adoption of accounting standard and implementation guidance

The Company currently evaluated that the effect of the adoption of the accounting standard and the implementation guidance on its consolidated financial statements is insignificant.

Accounting Standard and Implementation Guidance for Fair Value Measurement

(i) Overview

On July 4, 2019 the ASBJ issued "Accounting Standard for Fair Value Measurement" (ASBJ Statement No.30), "Accounting Standard for Measurement of Inventories" (ASBJ Statement No.9), "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10), "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No.31) and "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No.19). Based on the fact that the IASB and FASB have established almost the same detailed guidance for fair value measurement (issued as IFRS 13 "Fair Value Measurement" in IFRS and Topic 820 "Fair Value Measurement" by the FASB), the ASBJ worked on ensuring consistency between Japanese GAAP and IFRS regarding the guidance and disclosure on fair value of financial instruments and issued "Accounting Standard for Fair Value Measurement" etc.

As the basic policy in developing accounting standards for Fair Value Measurement, the ASBJ incorporates the rules of IFRS 13 from a standpoint of improving the comparability between financial statements of Japanese companies and overseas companies by using the unified calculation method. Furthermore, the ASBJ defined the other accounting treatment for the particular matters without impairing comparability considering accounting practice, etc. common in Japan.

(ii) Scheduled date of adoption

The Company expects to adopt the accounting standard and implementation guidance from the beginning of the fiscal year ending March 31, 2022.

(iii) Impact of the adoption of accounting standard and implementation guidance

The effect of the adoption of the accounting standard and the implementation guidance on its consolidated financial statements is to be decided.

5. Change in Presentation

Change in presentation method due to change in classification of royalty "Royalty," which was previously included in "Other" under "Other income" has been included in "net sales" from the first quarter of the fiscal year ended March 31, 2021. In addition, accounts receivable in "Other current assets" under "Current assets" were reclassified as "Trade receivables – accounts." This change was made in order to appropriately present the results of the Company's operating activities, as the Company positioned increasing income from technology licensing as one of its main operating activities in the fiscal year ended March 31, 2021. To reflect this change in presentation, information for the fiscal year ended March 31, 2020 has been reclassified.

As a result, ¥137 million of accounts receivable, which was included in "Other current assets" under "Current assets" in the fiscal year ended March 31, 2020, was reclassified as "Trade receivables – accounts," in the amount of ¥99,074 million while "Other current assets" amounted to ¥30,518 million. Also, ¥461 million of "royalty," which was included in "Other" under "Other income" in the fiscal year ended March 31, 2020, was reclassified to "Net sales," and operating income increased by ¥461 million with "Net sales" totaling ¥651,957 million while "Operating income" was ¥7,517 million. There was no impact on "Loss before income taxes" for the fiscal year.

In addition, as a result of the change in accounts receivable, the corresponding amount in "Other" under "Cash flows from operating activities" in the fiscal year ended March 31, 2020, was included in "(Decrease) increase in trade receivables" due to the change in the classification of "royalty." As a result, ¥133 million of accounts receivable, which was included in "Other" in consolidated statement of cash flow of the fiscal year ended March 31, 2020 was reclassified as

"(Decrease) increase in trade receivables," and "(Decrease) increase in trade receivables" was ¥25,011 million and "other" was ¥(6,155) million.

6. Additional Information

Performance-linked stock compensation scheme

The Company introduced a performance-linked stock compensation scheme (hereinafter referred to as the "Scheme") for its executive officers (excluding executive officers who do not reside in Japan; the same applies hereinafter), which serves as an officer remuneration system that is closely linked to corporate performance targets in the mid-term management plan and which is highly transparent and objective in nature.

(i) Overview of transactions

The Scheme adopts a mechanism known as an officer remuneration BIP (Board Incentive Plan) trust (hereinafter referred to as the "BIP Trust"). The BIP Trust is an incentive plan for officers based on the performance share scheme and the restricted stock scheme in the U.S., and has a system in which the Company's shares acquired by the BIP Trust and funds equivalent to the proceeds received when converting into cash or disposing of such shares are distributed and paid according to the officers' positions and the degree of achievement of performance targets disclosed in the mid-term management plan, and other factors.

(ii) The Company's shares remaining in the trust

The Company's shares remaining in the trust are recorded as treasury stock in the net asset section, based on their book value (excluding the amount of incidental expenses) recorded in the accounts of the trust. The book value and number of shares of such treasury stock at March 31, 2021 totaled ¥145 million (\$1,314 thousand) and 456,169 shares, and at March 31, 2020 totaled ¥150 million and 472,666 shares, respectively.

Impact of Spread of Novel Coronavirus on Accounting Estimates

With regard to the spread of the novel coronavirus, there is a high degree of uncertainty regarding the future spread and the timing of its containment. However, while there is a possibility that it will continue to be a significant risk in the future, the Company and its consolidated subsidiaries have made accounting estimates based on the assumption that the situation will improve from the fiscal year ending March 31, 2022.

7. Inventories

Inventories at March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Finished goods	¥ 91,849	¥ 96,616	\$ 832,267
Work in process	48,601	48,928	440,386
Raw materials and supplies	36,397	37,379	329,803
	¥ 176,847	¥ 182,923	\$ 1,602,456

8. Impairment of Fixed Assets

The Company and its consolidated subsidiaries group fixed assets used for manufacturing by management segment into minimum units which generate identifiable cash flows (e.g., a factory). They also group fixed assets used at the head office or used for sales activities as shared assets, and group fixed assets on an individual basis when they do not expect any future use.

The Company and its consolidated subsidiaries wrote down the following assets to their respective net recoverable values because the Company and its consolidated subsidiaries do not expect them to be recoverable. Consequently, the Company and its consolidated subsidiaries recorded related losses on impairment of fixed assets of ¥2,462 million (\$22,309 thousand) and ¥29,001 million in the accompanying consolidated statement of operations for the years ended March 31, 2021 and 2020, respectively:

Location	Usage	Classification	Millions of yen		Thousands of U.S. dollars
			2021	2020	2021
Japan	Production equipment and other	Buildings and structures	¥ —	¥ 4,360	\$ —
		Machinery and equipment	—	16,355	—
		Land	—	400	—
		Construction in progress	—	249	—
		Other	—	591	—
Americas	Production equipment	Buildings and structures	471	—	4,268
		Machinery and equipment	1,787	5,518	16,192
		Land	174	—	1,577
		Construction in progress	30	—	272
Europe	Production equipment and other	Buildings and structures	—	273	—
		Machinery and equipment	—	1,220	—
		Other	—	35	—
			¥ 2,462	¥ 29,001	\$ 22,309

The recoverable value of the fixed assets presented in the above table has been measured at fair value for the consolidated subsidiaries in the U.S. and at net realizable value or value in use for other consolidated subsidiaries. If a fixed asset is unlikely to be sold or diverted to other usage, such asset is valued at nil. Fair value under U.S. GAAP is mainly measured using the income approach, and calculated as the sum of anticipated future cash flows discounted at a certain rate. Value in use is measured as the sum of anticipated future cash flows by each business units mainly discounted at rate of 6%.

9. Securities

(a) Information regarding marketable securities classified as other securities at March 31, 2021 and 2020 is summarized as follows:

	Millions of yen					
	2021			2020		
	Carrying value	Acquisition costs	Unrealized gain (loss)	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:						
Equity securities	¥ 21,340	¥ 9,069	¥ 12,271	¥ 17,124	¥ 8,986	¥ 8,138
Securities whose carrying value does not exceed their acquisition costs:						
Equity securities	449	487	(38)	3,512	4,372	(860)
Total	¥ 21,789	¥ 9,556	¥ 12,233	¥ 20,636	¥ 13,358	¥ 7,278

	Thousands of U.S. dollars		
	2021		
	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	\$ 193,367	\$ 82,176	\$ 111,191
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	4,069	4,413	(344)
Total	\$ 197,436	\$ 86,589	\$ 110,847

(b) Sales and aggregate gain on investment securities are summarized as follows:

The Company sold certain available-for-sale securities with a fair value of ¥9,505 million (\$86,127 thousand), and recognized gain of ¥5,700 million (\$51,649 thousand) for the fiscal year ended March 31, 2021.

10. Short-Term Bank Loans, Long-Term Debt and Lease Obligations

Short-term bank loans principally represent short-term notes with average annual interest rates of 0.81% and 1.03% at March 31, 2021 and 2020, respectively.

Long-term debt and lease obligations at March 31, 2021 and 2020 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Loans from banks and other financial institutions, due through 2029, at an average annual interest rate of 0.78%	¥ 275,456	¥ 254,986	\$ 2,495,976
0.405% unsecured bonds due 2025	10,000	10,000	90,613
0.490% unsecured bonds due 2027	10,000	10,000	90,613
0.430% unsecured bonds due 2028	10,000	10,000	90,613
2.5% unsecured bonds due 2051	50,000	—	453,063
Lease obligations due through 2053	8,084	5,645	73,250
	363,540	290,631	3,294,128
Less current portion	(56,183)	(41,121)	(509,088)
	¥ 307,357	¥ 249,510	\$ 2,785,040

* 2.5% rate is fixed interest rate from March 19, 2021 to March 18, 2026. After March 19, 2026, the interest rate will be variable interest rate.

The aggregate annual maturities of long-term debt and lease obligations subsequent to March 31, 2021 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2022	¥ 56,182	\$ 509,079
2023	53,310	483,055
2024	77,459	701,876
2025	53,891	488,320
2026	40,716	368,938
2027 and thereafter	81,982	742,860
	¥ 363,540	\$ 3,294,128

11. Retirement Benefits

1. Outline of retirement benefits for employees

The Company and certain domestic consolidated subsidiaries have defined benefit pension plans (i.e., corporate pension fund plans and lump-sum payment plans), covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rates of pay, length of service, and the conditions under which termination occurs. They also have defined contribution pension plans and advance payment plans. Certain overseas consolidated subsidiaries have defined benefit pension plans and/or defined contribution pension plans. The Company has also established an employees' retirement benefit trust.

2. Defined benefit pension plans

(1) The changes in the retirement benefit obligation for the years ended March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Retirement benefit obligation at the beginning of the year	¥ 101,349	¥ 102,441	\$ 918,349
Service cost	3,724	3,553	33,744
Interest cost	1,660	1,705	15,042
Actuarial gain	1,218	166	11,036
Benefits paid	(6,436)	(5,500)	(58,318)
Other	1,584	(1,016)	14,353
Retirement benefit obligation at the end of the year	¥ 103,099	¥ 101,349	\$ 934,206

* Certain domestic consolidated subsidiaries calculate the liability for retirement benefits based on the simplified method.

(2) The changes in plan assets for the years ended March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Plan assets at fair value at the beginning of the year	¥ 54,622	¥ 60,551	\$ 494,944
Expected return on plan assets	1,315	1,434	11,916
Actuarial gain or loss	8,834	(5,153)	80,047
Contributions by the employers	3,345	3,357	30,310
Benefits paid	(5,629)	(4,240)	(51,006)
Other	691	(1,327)	6,261
Plan assets at fair value at the end of the year	¥ 63,178	¥ 54,622	\$ 572,472

(3) The balance of retirement benefit obligation and plan assets at fair value, liabilities and assets recognized in consolidated balance sheets as of March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Funded retirement benefit obligation	¥ 96,288	¥ 94,896	\$ 872,490
Plan assets at fair value	(63,178)	(54,622)	(572,472)
	33,110	40,274	300,018
Unfunded retirement benefit obligation	6,811	6,453	61,716
Net amount of liabilities and assets recognized in the consolidated balance sheet	39,921	46,727	361,734
	39,921	46,727	361,734
Liability for retirement benefits	39,921	46,727	361,734
Net amount of liabilities and assets recognized in the consolidated balance sheet	¥ 39,921	¥ 46,727	\$ 361,734

(4) The components of retirement benefit expenses for the years ended March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Service cost	¥ 3,724	¥ 3,553	\$ 33,744
Interest cost	1,659	1,705	15,033
Expected return on plan assets	(1,315)	(1,434)	(11,916)
Amortization:			
Actuarial loss	1,046	1,219	9,478
Past service cost	134	67	1,214
Retirement benefit expenses	¥ 5,248	¥ 5,110	\$ 47,553

(5) The components of retirement benefit liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Actuarial gain or loss	¥ 8,662	¥ (2,567)	\$ 78,488
Past service cost	209	24	1,894
Total	¥ 8,871	¥ (2,543)	\$ 80,382

(6) The components of retirement benefit liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2021 and 2020 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Unrecognized actuarial loss	¥ (3,838)	¥ (12,500)	\$ (34,777)
Unrecognized past service cost	—	(209)	—
Total	¥ (3,838)	¥ (12,709)	\$ (34,777)

(7) The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2021 and 2020 are as follows:

	2021	2020
Equities	40.0%	29.9%
Bonds	33.1	41.2
General accounts at life insurance companies	13.6	15.1
Other	13.3	13.8
Total	100.0%	100.0%

The expected long-term rate of return on plan assets is determined as a result of consideration of both the portfolio allocation at present and anticipated in the future, and long-term expected rate of return from multiple plan assets.

(8) The assumptions used in accounting for the defined benefit plans are as follows:

	2021	2020
Discount rate	Principally 1.2%	Principally 1.2%
Expected long-term rate of return on plan assets	Principally 1.5%	Principally 1.5%

3. Defined contribution pension plans

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Contributions to defined contribution pension plans	¥ 1,304	¥ 1,629	\$ 11,816

12. Shareholders' Equity

(a) The Corporation Law of Japan (the "Law") provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met.

Retained earnings include the legal reserve provided in accordance with the provisions of the Law. The legal reserve of the Company included in retained earnings amounted to ¥8,639 million (\$78,280 thousand) at March 31, 2021 and 2020.

(b) Movements in shares issued and treasury stock during the years ended March 31, 2021 and 2020 are summarized as follows:

	Number of shares			
	2021			
	April 1, 2020	Increase	Decrease	March 31, 2021
Shares issued:				
Common stock	532,463,527	—	—	532,463,527
Treasury stock:				
Common stock	1,314,946	1,241	16,546	1,299,641
	2020			
	April 1, 2019	Increase	Decrease	March 31, 2020
Shares issued:				
Common stock	532,463,527	—	—	532,463,527
Treasury stock:				
Common stock	1,320,628	1,413	7,095	1,314,946

The increase in treasury stock of 1,241 shares was due to purchases of shares of less than one voting unit and the decrease in treasury stock of 16,546 shares was mainly due to disposal of shares by the "Officer Remuneration BIP Trust" for the year ended March 31, 2021 (Please refer to Note 5).

Additionally, the Company included 456,169 shares held by the "Officer Remuneration BIP Trust" in the number of treasury stock at March 31, 2021.

The increase in treasury stock of 1,413 shares was due to purchases of shares of less than one voting unit and the decrease in treasury stock of 7,095 shares was mainly due to disposal of shares by the "Officer Remuneration BIP Trust" for the year ended March 31, 2020 (Please refer to Note 6).

Additionally, the Company included 472,666 shares held by the "Officer Remuneration BIP Trust" in the number of treasury stock at March 31, 2020.

13. Contingent Liabilities

Lawsuits, etc.

- There are ongoing investigations by the authorities into consolidated subsidiaries in Brazil and elsewhere on suspicion of violating competition laws of each country in connection with overseas sales of bearings.
- In Europe, a lawsuit has been filed against the Company and its two consolidated subsidiaries in the France Tribunal de Commerce de Lyon. The suit seeks the payment of damages of €66.7 million (provisional amount) to Renault S.A. and its total 15 group companies (hereinafter referred to as "Renault"). In December 2020, Renault changed the amount claimed for damages to €32.5 million (provisional amount). In addition, another lawsuit has been filed against the Company and its two consolidated subsidiaries in Europe in the United Kingdom Commercial Court by Fiat Chrysler Automobiles N.V. and its total 7 group companies (hereinafter referred to as "FCA"). This lawsuit was transferred to the United Kingdom Competition Appeal Tribunal on July 14, 2020.
These suits have been filed because Renault and FCA claimed damages incurred in connection with the alleged violation of the European Competition Law, which is the subject of a decision made by the European Commission on March 19, 2014.
- The Company and its related companies may be subject to claims for compensation for damages in connection with the past violation of the Anti-Monopoly Act of Japan or the European Competition Law, etc. and continue to address these claims. Depending on the results of the claims, the results of operations of the Company and its consolidated subsidiaries could be affected. However, it is currently difficult to make reasonable estimates of the future possible effects on the results of operations and financial position of the Company and its consolidated subsidiaries.

14. Operating Leases

Future minimum lease payments subsequent to March 31, 2021 for non-cancelable operating leases were as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2022	¥ 782	\$ 7,086
2023 and thereafter	2,723	24,674
Total	¥ 3,505	\$ 31,760

15. Financial Instruments

Overview

(a) Policy for financial instruments

The Company and its subsidiaries (collectively, the "Group") raise necessary funds in accordance with management plans mainly by bank borrowings and issuance of corporate bonds in support of operations related to the manufacture and sales of bearings, constant-velocity joints (CVJs) and precision equipments. The Group utilizes bank borrowings for short-term operating funds, and bank borrowings and issuance of corporate bonds for long-term capital investments and finances. Temporary surplus funds are managed by low-risk financial assets. The Group utilizes derivatives to avoid or mitigate risks as described in the later part of this note and does not hold them for speculative purposes.

(b) Types of financial instruments and related risks

Trade receivables, notes, accounts receivable and electronically recorded monetary claims, are exposed to credit risk of customers. In addition, as a result of the business of the Group, which operates globally, foreign currency trade receivables are exposed to currency rate fluctuation risk, which is mitigated by utilizing forward foreign currency exchange contracts. Securities are mainly composed of stocks of the companies with which the Group has business relationships and they are exposed to fluctuation risk of market prices.

Trade payables, notes, accounts payable and electronically recorded obligations, are due within one year. Certain trade payables resulting from the import of raw materials are denominated in foreign currencies. These are exposed to fluctuation risk of foreign currencies. However, the risk is mitigated because the trade payables, notes and accounts payable denominated in foreign currencies are within persistently the range of accounts receivable denominated in the same currencies.

Loans are mainly utilized for business operations of the Group. Short-term loans are mainly utilized for financing of operating activities. Long-term loans are mainly utilized for capital investments and financing. These have maturity dates of 10 years or less, at the longest, subsequent to March 31, 2021.

Certain loans are exposed to fluctuation risk of interest rates and fluctuation risk of exchange rates and this risk is hedged by derivative transactions of interest rate swap agreements and interest-rate and cross currency swap agreements.

The Group has a policy to utilize derivative transactions involving forward foreign currency exchange contracts, currency option agreements, currency swap agreements, interest rate option agreements and interest rate swap agreements for the purpose of avoiding future fluctuation risk of foreign currencies trade receivables and payables and mitigating future fluctuation risk of interest rate of loans and corporate bonds. The Group utilized forward foreign currency exchange contracts, interest rate swap agreements and interest-rate and cross currency swap agreements for the year ended March 31, 2021. Refer to "(m) Derivative financial instruments and hedging activities" in Note 2 "Summary of Significant Accounting Policies."

(c) Risk management for financial instruments

(i) Monitoring of credit risk (the risk that customers or counterparties may default)

In accordance with internal rules and manual, the credit management section periodically monitors financial conditions of major customers, manages collection due dates and balances of each customer and tries to identify credit risk of customers with worsening financial conditions at the early stage and mitigate the risk. Credit risk of securities is quite low because the Group utilizes certificate of deposits with high credit ratings, up to a limited amount, which is approved by the Company. The Group believes credit risk of derivative transactions is almost nil because counterparties are financial institutions with high credit ratings.

(ii) Monitoring of market risks (the risks arising from fluctuations in foreign currency exchange rates, interest rates and others)

The Group mainly utilizes forward foreign currency exchange contracts for hedging of fluctuation risk which is identified by each currency. Depending on the market conditions of foreign currencies, the Group utilizes forward foreign currency exchange contracts for forecasted export transactions with a maximum period of 6 months.

The Group utilizes interest rate swap agreements and interest-rate and cross currency swap agreements to mitigate fluctuation risk of interest rates and fluctuation risk of loan principal due to floating exchange rates.

The Group continuously reviews securities holdings by monitoring periodically the market value and financial condition of securities' issuers (companies with business relationships with the Group) and by evaluating those relationships.

The Group has established policies which include maximum upper limits and reporting obligations for derivative transactions and complies fully with these guidelines. Derivative transactions are entered into by the Company's Accounting Department and certain consolidated subsidiaries. The Company carries out mutual supervision and monitoring of the derivative transactions in accordance with management policies and its consolidated subsidiaries apply the same approach. Each derivative transaction of the Company is reported to the responsible director when entered into. The consolidated subsidiaries are required to report the status of their derivatives transactions to the Company on a monthly basis and are also required to consult with the Company when they enter into derivative transactions other than forward foreign currency exchange contracts.

(iii) Monitoring of liquidity risk (the risk that the Group may not be able to meet its obligations on scheduled due dates)

The Group manages liquidity risk with the responsible section preparing and updating cash flow plans and keeping necessary funds based on reports of each section.

(d) Supplementary explanation of the fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value. In addition, the notional amounts of derivatives in Note 16 "Derivative Financial Instruments and Hedging Activities" are not necessarily indicative of the actual market risk involved in the derivative transactions.

Fair Value of Financial Instruments

The carrying value of financial instruments on the consolidated balance sheets, fair value and the difference as of March 31, 2021 and 2020, are shown in the following table. The table does not include financial instruments for which it is extremely difficult to determine the fair value. (Please refer to Note 2 below).

	Millions of yen					
	2021			2020		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
(1) Cash and cash equivalents	¥ 147,249	¥ 147,249	¥ —	¥ 71,165	¥ 71,165	¥ —
(2) Short-term investments	7,720	7,720	—	6,403	6,403	—
(3) Notes and accounts – trade receivables	116,605	116,605	—	103,372	103,372	—
(4) Electronically recorded monetary claims	4,996	4,996	—	4,788	4,788	—
(5) Investment securities	21,789	21,789	—	20,636	20,638	2
(6) Short-term loans receivable included in other current assets	68	68	—	2,652	2,652	—
Total assets	¥ 298,427	¥ 298,427	¥ —	¥ 209,016	¥ 209,018	¥ 2
(7) Short-term bank loans	67,348	67,348	—	77,431	77,431	—
(8) Current portion of long-term debt	54,488	54,488	—	39,845	39,845	—
(9) Notes and accounts – trade payables	55,468	55,468	—	48,676	48,676	—
(10) Electronically recorded obligations	62,815	62,815	—	68,685	68,685	—
(11) Accrued income taxes	2,126	2,126	—	1,828	1,828	—
(12) Long-term debt	300,967	301,982	1,015	245,140	248,523	3,383
Total liabilities	¥ 543,212	¥ 544,227	¥ 1,015	¥ 481,605	¥ 484,988	¥ 3,383
Derivative transactions (*)	¥ (1,523)	¥ (1,523)	¥ —	¥ 1,331	¥ 1,331	¥ —

	Thousands of U.S. dollars		
	2021		
	Carrying value	Fair value	Difference
(1) Cash and cash equivalents	\$ 1,334,261	\$ 1,334,261	\$ —
(2) Short-term investments	69,953	69,953	—
(3) Notes and accounts – trade receivables	1,056,587	1,056,587	—
(4) Electronically recorded monetary claims	45,270	45,270	—
(5) Investment securities	197,436	197,436	—
(6) Short-term loans receivable included in other current assets	616	616	—
Total assets	\$ 2,704,123	\$ 2,704,123	\$ —
(7) Short-term bank loans	610,257	610,257	—
(8) Current portion of long-term debt	493,730	493,730	—
(9) Notes and accounts – trade payables	502,609	502,609	—
(10) Electronically recorded obligations	569,183	569,183	—
(11) Accrued income taxes	19,264	19,264	—
(12) Long-term debt	2,727,138	2,736,336	9,198
Total liabilities	\$ 4,922,181	\$ 4,931,379	\$ 9,198
Derivative transactions (*)	\$ (13,800)	\$ (13,800)	\$ —

* Assets and liabilities arising from derivative transactions are shown at net value with the amount in parentheses representing net liability position.

Note 1: Methods to determine the fair value of financial instruments and other matters related to securities and derivative transactions

(1) Cash and cash equivalents, (2) Short-term investments, (3) Notes and accounts-trade receivables, (4) Electronically recorded monetary claims and (6) Short-term loans receivable included in other current assets

Since these items are settled in a short time period, their carrying value approximates fair value.

(5) Investment securities

The fair value of equity securities is based on quoted market prices.

(7) Short-term bank loans, (9) Notes and accounts-trade payables (10) Electronically recorded obligations and (11) Accrued income taxes

Since these items are settled in a short time period, their carrying value approximates fair value.

(8) Current portion of long-term debt and (12) Long-term debt

Long-term debt is composed of corporate bonds and long-term loans. The fair market value of corporate bonds is based on quoted market prices. The fair value of long-term loans is based on the present value of the total of principal and interest discounted by the interest rate to be applied assuming new loans under the similar conditions to existing loans are made.

Certain long-term loans with floating interest rates have been hedged by interest rate swap agreements and interest-rate and cross currency swap agreements. These have been accounted for as loans with fixed interest rates. The fair value of those long-term loans is based on the present value of the total of the principal, interest payments and net cash flows of the swap agreements discounted by the interest rates to be applied assuming new loans under similar conditions are made.

Derivative Transactions

Please refer to Note 16 "Derivative Financial Instruments and Hedging Activities" section of these Notes to Consolidated Financial Statements.

Note 2: Financial instruments for which it is extremely difficult to determine the fair value are as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Unlisted stocks			
Stocks of subsidiaries and affiliates	¥ 20,872	¥ 20,862	\$ 189,126
Other	1,176	287	10,657
Total	¥ 22,048	¥ 21,149	\$ 199,783

Because no quoted market price is available and it is extremely difficult to determine the fair value, the above financial instruments are not included in the preceding table.

Note 3: Redemption schedules for cash and cash equivalents, receivables and marketable securities with maturities at March 31, 2021 and 2020 are as follows:

	Millions of yen			
	2021			
	Within one year	More than one year and within five years	More than five years and within ten years	More than ten years
Cash and cash equivalents	¥ 147,249	¥ —	¥ —	¥ —
Short-term investments	7,720	—	—	—
Trade receivables	116,605	—	—	—
Electronically recorded monetary claims	4,996	—	—	—
Short-term loans receivable included in other current assets	68	—	—	—
Total	¥ 276,638	¥ —	¥ —	¥ —
	2020			
	Within one year	More than one year and within five years	More than five years and within ten years	More than ten years
	¥ 71,165	¥ —	¥ —	¥ —
Cash and cash equivalents	71,165	—	—	—
Short-term investments	6,403	—	—	—
Trade receivables	103,372	—	—	—
Electronically recorded monetary claims	4,788	—	—	—
Short-term loans receivable included in other current assets	2,652	—	—	—
Total	¥ 188,380	¥ —	¥ —	¥ —

	Thousands of U.S. dollars			
	2021			
	Within one year	More than one year and within five years	More than five years and within ten years	More than ten years
Cash and cash equivalents	\$ 1,334,261	\$ —	\$ —	\$ —
Short-term investments	69,953	—	—	—
Trade receivables	1,056,587	—	—	—
Electronically recorded monetary claims	45,270	—	—	—
Short-term loans receivable included in other current assets	616	—	—	—
Total	\$ 2,506,687	\$ —	\$ —	\$ —

Note 4: The redemption schedule for long-term debt is disclosed in Note 10 "Short-Term Bank Loans, Long-Term Debt and Lease Obligations" section of these Notes to Consolidated Financial Statements.

16. Derivative Financial Instruments and Hedging Activities

(a) Derivative transactions to which hedge accounting is not applied

The estimated fair value of the derivatives positions outstanding which do not qualify for deferral hedge accounting at March 31, 2021 and 2020 is summarized as follows:

Currency-related transactions

Classification	Transaction	Millions of yen			
		2021			
		Notional amount	More than one year	Fair value	Valuation gain (loss)
	Forward foreign currency exchange contracts				
	Selling:				
	Euro	¥ 5,562	¥ —	¥ (73)	¥ (73)
	U.S. dollars	16,978	—	(860)	(860)
	Other	2,620	—	(80)	(80)
Over-the-counter transactions					
	Interest-rate and cross currency swaps				
	Receive/fixed yen and pay/fixed Euro	12,292	6,187	(411)	(411)
	Receive/fixed yen and pay/fixed U.S. dollars	9,467	—	(99)	(99)
	Other	—	—	—	—
Total		¥ 46,919	¥ 6,187	¥ (1,523)	¥ (1,523)

Classification	Transaction	Millions of yen			
		2020			
		Notional amount	More than one year	Fair value	Valuation gain (loss)
	Forward foreign currency exchange contracts				
	Selling:				
	Euro	¥ 4,676	¥ —	¥ 17	¥ 17
	U.S. dollars	13,638	—	(63)	(63)
Over-the-counter transactions	Other	2,751	—	268	268
	Interest-rate and cross currency swaps				
	Receive/fixed yen and pay/fixed Euro	15,264	7,874	1,403	1,403
	Other	3,285	—	(294)	(294)
Total		¥ 39,614	¥ 7,874	¥ 1,331	¥ 1,331

Classification	Transaction	Thousands of U.S. dollars			
		2021			
		Notional amount	More than one year	Fair value	Valuation gain (loss)
	Forward foreign currency exchange contracts				
	Selling:				
	Euro	\$ 50,399	\$ —	\$ (661)	\$ (661)
	U.S. dollars	153,842	—	(7,793)	(7,793)
Over-the-counter transactions	Other	23,740	—	(725)	(725)
	Interest-rate and cross currency swaps				
	Receive/fixed yen and pay/fixed Euro	111,381	56,062	(3,724)	(3,724)
	Receive/fixed yen and pay/fixed U.S. dollars	85,783	—	(897)	(897)
	Other	—	—	—	—
Total		\$ 425,145	\$ 56,062	\$ (13,800)	\$ (13,800)

The fair value of forward foreign currency exchange contracts is computed using prices provided by counterparty financial institutions.

(b) Derivative transactions to which hedge accounting is applied

The estimated fair value of the derivatives positions outstanding which qualify for deferral hedge accounting at March 31, 2021 and 2020 is summarized as follows.

		Millions of yen		
		2021		
Method of hedge accounting	Transaction	Notional amount	More than one year	Fair value
Swap rates applied to underlying long-term debt	Interest rate swaps			
	Receive / floating and pay / fixed	¥ 2,500	¥ 2,500	(*1)
Forward foreign currency exchange contracts applied to underlying accounts-trade receivable	Forward foreign currency exchange contract			
	Selling:			
	U.S. dollars	—	—	(*2)

		Millions of yen		
		2020		
Method of hedge accounting	Transaction	Notional amount	More than one year	Fair value
Swap rates applied to underlying long-term debt	Interest rate swaps			
	Receive / floating and pay / fixed	¥ 6,000	¥ 2,500	(*1)
Forward foreign currency exchange contracts applied to underlying accounts-trade receivable	Forward foreign currency exchange contract			
	Selling:			
	U.S. dollars	66	—	(*2)

		Thousands of U.S. dollars		
		2021		
Method of hedge accounting	Transaction	Notional amount	More than one year	Fair value
Swap rates applied to underlying long-term debt	Interest rate swaps			
	Receive / floating and pay / fixed	\$ 22,653	\$ 22,653	(*1)
Forward foreign currency exchange contracts applied to underlying accounts-trade receivable	Forward foreign currency exchange contract			
	Selling:			
	U.S. dollars	—	—	(*2)

*1 Because interest rate swap agreements are accounted for applying swap rates to underlying long-term debt, their fair value is included in that of long-term debt disclosed in Note 15 "Financial Instruments."

*2 Because forward foreign currency exchange contracts are accounted for applying forward foreign exchange rate to underlying accounts-trade receivable, for the years ended March 31, 2021 and 2020, respectively, their fair value is included in that of accounts-trade receivable.

17. Research and Development Costs

Research and development costs included in cost of sales and selling, general and administrative expenses totaled ¥17,486 million (\$158,445 thousand) and ¥19,962 million for the years ended March 31, 2021 and 2020, respectively.

18. Loss on Surcharge Payments under the Anti-Monopoly Act

The Company has negotiated the compensation of damages with a part of customers in association with investigations by the authorities about the competition laws. Nevertheless, in overall consideration of the effects to operations of the Company and its consolidated subsidiaries due to extended negotiations, the Company reached the conclusion to pay the settlement amount because the Company considered that an amicable and early resolution would accord with the overall benefits for both parties for the year ended March 31, 2020.

In the U.S., the Company and its consolidated subsidiaries reached a settlement with the direct purchasers regarding the class action suit that was filed in the U.S. District Court for the Eastern District of Michigan in November 2020. This settlement agreement will end the class action suit in the United States. In addition, in March 2021, the Conselho Administrativo de Defesa Econômica decided to impose fines of 9,318,311.31 Brazilian reais on the consolidated subsidiary in Brazil for violating the Brazilian competition law in connection with sales of bearings in Brazil, and the subsidiary paid the fines in May 2021.

As a result, the Company and its consolidated subsidiaries recorded loss on surcharge payments under the Anti-Monopoly Act in the amounts of ¥1,176 million (\$10,656 thousand) and ¥745 million for the years ended March 31, 2021 and 2020, respectively.

19. Subsidy Income

The Company recorded subsidy income in the amount of ¥5,769 million (\$52,274 thousand) for the year ended March 31, 2021. This represents the income such as subsidies for employment adjustment recorded during the period attributable to the Company and certain consolidated subsidiaries that had temporarily suspended operations due to the spread of the COVID-19 infection worldwide.

20. Loss Resulting from Low Operating Capacity

The Company recorded loss resulting from low operating capacity in the amount of ¥2,097 million for the year ended March 31, 2020. This represents fixed costs recorded during the period attributable to some overseas consolidated subsidiaries that had temporarily suspended operations due to the spread of the COVID-19 infection worldwide.

The Company recorded loss resulting from low operating capacity in the amount of ¥3,344 million (\$30,301 thousand) for the year ended March 31, 2021. This represents fixed costs recorded during the period attributable to the Company and certain consolidated subsidiaries that had temporarily suspended operations due to the spread of the COVID-19 infection worldwide.

21. Other Comprehensive Income (Loss)

The following table presents the analysis of other comprehensive income (loss) for the years ended March 31, 2021 and 2020.

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Net unrealized holding loss on securities:			
Amount arising during the year	¥ 10,765	¥ (8,526)	\$ 97,544
Reclassification adjustments for gains included in profit	(5,699)	(1,353)	(51,640)
Before tax effect	5,066	(9,879)	45,904
Tax effect	(1,513)	2,953	(13,709)
Total	3,553	(6,926)	32,195
Translation adjustments:			
Amount arising during the year	15,057	(13,710)	136,435
Reclassification adjustments for gains included in profit	—	—	—
Before tax effect	15,057	(13,710)	136,435
Tax effect	—	—	—
Total	15,057	(13,710)	136,435
Retirement benefit liability adjustments:			
Amount arising during the year	7,438	(5,258)	67,397
Reclassification adjustments for gains included in profit	1,365	2,810	12,369
Before tax effect	8,803	(2,448)	79,766
Tax effect	(1,779)	(1,301)	(16,120)
Total	7,024	(3,749)	63,646
Share of other comprehensive loss of affiliates accounted for by the equity method:			
Amount arising during the year	29	(44)	263
Reclassification adjustments for gains included in profit	(543)	—	(4,920)
Total	(514)	(44)	(4,657)
Other comprehensive income (loss), net	¥ 25,120	¥ (24,429)	\$ 227,619

22. Income Taxes

Income taxes applicable to the Company and its domestic subsidiaries comprise corporate taxes, inhabitants' taxes and enterprise taxes which, in the aggregate, resulted in statutory tax rates of 29.9% and 29.9% for the years ended March 31, 2021 and 2020, respectively. Overseas subsidiaries are subject to the income taxes of the respective countries in which they operate.

The details of the differences between the statutory tax rate and effective tax rate for the years ended March 31, 2021 and 2020 are omitted because the Company and its consolidated subsidiaries recorded a loss before income taxes for the years.

The tax effects of temporary differences which gave rise to significant portions of the deferred tax assets and liabilities at March 31, 2021 and 2020 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Deferred tax assets:			
Tax loss carryforwards	¥ 25,653	¥ 19,467	\$ 232,448
Liability for retirement benefits	16,639	18,647	150,770
Impairment loss	9,601	11,491	86,997
Accrued expenses	2,785	2,975	25,236
Inventories	691	1,011	6,261
Valuation loss on investment securities	458	1,452	4,150
Other	2,432	4,941	22,037
Gross deferred tax assets	58,259	59,984	527,899
Valuation allowance for tax loss carryforwards	(23,531)	(17,387)	(213,220)
Valuation allowance for taxable temporary differences	(26,400)	(23,153)	(239,217)
Less: valuation allowance	(49,931)	(40,540)	(452,437)
Total deferred tax assets	8,328	19,444	75,462
Deferred tax liabilities:			
Unrealized holding gain on securities	(3,685)	(2,172)	(33,391)
Gain on contribution of securities to retirement benefit trust	(3,046)	(3,046)	(27,601)
Depreciation and amortization	(2,195)	(6,459)	(19,889)
Reserve for deferred gain on property included in retained earnings	(1,113)	(1,143)	(10,085)
Other	(1,707)	(864)	(15,467)
Total deferred tax liabilities	(11,746)	(13,684)	(106,433)
Net deferred tax assets	¥ (3,418)	¥ 5,760	\$ (30,971)

Note 1: Valuation allowance increased ¥9,391 million (\$85,094 thousand) in the year ended March 31, 2021. The main reason for this increase is that the valuation allowance for tax loss carry forwards increased ¥6,144 million (\$55,672 thousand).

Note 2: Tax loss carryforwards and related deferred tax assets as of March 31, 2021 and 2020 expired or will expire as follows:

	Millions of yen		
	2021		
Year ending March 31,	Tax loss carryforwards (*1)	Valuation allowance for tax loss carryforwards	Deferred tax assets for tax loss carryforwards
2022	¥ 410	¥ (237)	¥ 173
2023	339	(72)	267
2024	324	(7)	317
2025	550	(146)	404
2026	1,017	(588)	429
2027 and thereafter	23,013	(22,481)	532
	¥ 25,653	¥ (23,531)	(*2) ¥ 2,122

	Millions of yen		
	2020		
Year ending March 31,	Tax loss carryforwards (*1)	Valuation allowance for tax loss carryforwards	Deferred tax assets for tax loss carryforwards
2021	¥ 658	¥ (401)	¥ 257
2022	514	(169)	345
2023	386	(64)	322
2024	437	—	437
2025	120	(2)	118
2026 and thereafter	17,352	(16,751)	601
	¥ 19,467	¥ (17,387)	(*2) ¥ 2,080

	Thousands of U.S. dollars		
	2021		
Year ending March 31,	Tax loss carryforwards (*1)	Valuation allowance for tax loss carryforwards	Deferred tax assets for tax loss carryforwards
2022	\$ 3,716	\$ (2,148)	\$ 1,568
2023	3,071	(652)	2,419
2024	2,935	(63)	2,872
2025	4,984	(1,323)	3,661
2026	9,215	(5,328)	3,887
2027 and thereafter	208,527	(203,706)	4,821
	\$ 232,448	\$ (213,220)	(*2) \$ 19,228

(*1) The tax loss carryforwards in the above table are measured using the statutory tax rates.

(*2) The balance of deferred tax assets of ¥2,122 million (\$19,228 thousand) and ¥2,080 million arising from tax loss carryforwards of ¥25,653 million (\$232,448 thousand) and ¥19,467 million calculated after multiplying the loss amount with the statutory tax rates as of March 31, 2021 and 2020, respectively. A certain portion of tax loss carryforwards was considered to be recoverable in future income taxes because it is probable that future taxable profit would be available.

23. Amounts per Share

Amounts per share at March 31, 2021 and 2020 and for the years then ended were as follows:

	Yen		U.S. dollars
	2021	2020	2021
Net assets	¥ 321.04	¥ 294.00	\$ 2.91
Loss attributable to owners of parent:			
Basic	(21.92)	(82.83)	(0.20)
Cash dividends	—	5.00	—

Amounts per share of net assets are computed based on the number of shares of common stock outstanding at the year end.

Basic loss attributable to owners of parent per share is computed based on the profit or attributable to owners of parent of common stock and the weighted-average number of shares of common stock outstanding during the year. Diluted profit attributable to owners of parent per share has not been presented because there were no potentially dilutive shares of common stock, and the Company and consolidated subsidiaries recorded loss attributable to owners of parent for the years ended March 31, 2021 and 2020.

The Company recorded shares held by the "Officer Remuneration BIP Trust" (Please refer to Note 6) as treasury stock in the consolidated financial statements as of March 31, 2021 and 2020. Accordingly, to compute "net assets per share," the Company's shares held by the trust (456,169 shares and 472,666 shares at March 31, 2021 and 2020, respectively) are included in treasury stock that is excluded from the number of shares outstanding as of March 31, 2021 and 2020. In addition, to compute "Loss attributable to owners of parent per share," the Company's shares held by the trust (461,245 and 474,565 average number of shares for the years ended March 31, 2021 and 2020, respectively) are included in treasury stock that is excluded from the computation of the average number of shares for the years ended March 31, 2021 and 2020.

Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective years together with the interim cash dividends paid.

24. Segment Information

1. Outline of reporting segments

The Company and its subsidiaries' (collectively, the "Group") reporting segments are divisions of the Group for which separate financial information is available, and whose operating results are reviewed regularly by the highest management decision-making body (the Board of Directors meeting of the Company) in order to allocate management resources and assess performance of operations.

The Group's main business lines consist of the manufacture and sales of bearings, CVJs and precision equipments for the aftermarket, general industrial machinery market, and automotive market. Business activities in Japan are controlled by the Company (the Head Office), and overseas business activities are controlled by the General Manager responsible in each region. Business entities in each region prepare their own plans and strategies to conduct business activities while analyzing profitability and the investment efficiency of operations.

Accordingly, the Group has four reporting segments based on geographic business segmentation controlled by the Head Office or the General Managers: Japan, the Americas, Europe, and Asia and other areas. Each reporting segment engages in the manufacture and sale of bearings, CVJs, and precision equipments and other products.

2. Calculation methods used for net sales, profit or loss, assets, liabilities and other items on each reporting segment

The accounting policies of the segments are substantially the same as those described in Note 2 "Summary of Significant Accounting Policies." Inter-segment sales and transfers are recorded at the same prices used in transactions with third parties.

(Changes in Presentation Method)

"Royalty," which was previously included in "Other" under "Non-operating income", has been included in "Net sales" from the current fiscal year. In addition, accounts receivable in "Other" under "Current assets," were reclassified as "Trade receivables."

The Company made this change in order to appropriately present the results of the Group's sales activities, as the Company positioned acquiring licensing income as one of its main sales activities from the first quarter of the current fiscal year.

Regarding segment information in the previous fiscal year, it has been presented after reflecting this change. Therefore, net sales and segment profit increased ¥3,421 million in Japan and ¥11 million in Europe compared with the amounts before the change.

3. Information as to net sales, profit or loss, assets, liabilities, and other items for each reporting segment for the years ended March 31, 2021 and 2020

Reportable segment information for the years ended March 31, 2021 and 2020 is summarized as follows:

	Millions of yen						
	2021						
	Reporting segments					Adjustments	Consolidated
Japan	Americas	Europe	Asia and other areas	Total			
Sales, profit and assets or liabilities by reporting segments:							
Net sales:							
Sales to third parties	¥ 168,281	¥ 142,228	¥ 126,777	¥ 125,561	¥ 562,847	¥ —	¥ 562,847
Inter-segment sales and transfers	98,690	706	2,421	7,859	109,676	(109,676)	—
Total	266,971	142,934	129,198	133,420	672,523	(109,676)	562,847
Segment profit or loss	¥ (10,793)	¥ (2,803)	¥ (2,428)	¥ 12,306	¥ (3,718)	¥ 579	¥ (3,139)
Segment assets	¥ 644,492	¥ 161,917	¥ 129,992	¥ 187,411	¥ 1,123,812	¥ (287,248)	¥ 836,564
Segment liabilities	¥ 479,412	¥ 118,725	¥ 84,609	¥ 38,394	¥ 721,140	¥ (68,327)	¥ 652,813
Other items:							
Depreciation and amortization	¥ 12,876	¥ 8,931	¥ 7,232	¥ 6,440	¥ 35,479	¥ —	¥ 35,479
Capital expenditures	¥ 18,475	¥ 6,380	¥ 3,494	¥ 3,082	¥ 31,431	¥ (0)	¥ 31,431

	Millions of yen						
	2020						
	Reporting segments					Adjustments	Consolidated
Japan	Americas	Europe	Asia and other areas	Total			
Sales, profit and assets or liabilities by reporting segments:							
Net sales:							
Sales to third parties	¥ 205,832	¥ 169,879	¥ 152,582	¥ 123,664	¥ 651,957	¥ —	¥ 651,957
Inter-segment sales and transfers	126,685	1,194	3,069	11,266	142,214	(142,214)	—
Total	332,517	171,073	155,651	134,930	794,171	(142,214)	651,957
Segment profit	¥ 2,138	¥ (6,438)	¥ 413	¥ 11,419	¥ 7,532	¥ (15)	¥ 7,517
Segment assets	¥ 584,431	¥ 161,409	¥ 128,354	¥ 170,303	¥ 1,044,497	¥ (286,675)	¥ 757,822
Segment liabilities	¥ 417,340	¥ 112,518	¥ 101,592	¥ 38,182	¥ 669,632	¥ (80,188)	¥ 589,444
Other items:							
Depreciation and amortization	¥ 13,424	¥ 9,719	¥ 7,363	¥ 6,801	¥ 37,307	¥ —	¥ 37,307
Capital expenditures	¥ 38,754	¥ 18,047	¥ 6,097	¥ 4,692	¥ 67,590	¥ (41)	¥ 67,549

	Thousands of U.S. dollars						
	2021						
	Reporting segments					Adjustments	Consolidated
Japan	Americas	Europe	Asia and other areas	Total			
Sales, profit and assets or liabilities by reporting segments:							
Net sales:							
Sales to third parties	\$ 1,524,837	\$ 1,288,764	\$ 1,148,759	\$ 1,137,740	\$ 5,100,100	\$ —	\$ 5,100,100
Inter-segment sales and transfers	894,255	6,397	21,937	71,213	993,802	(993,802)	—
Total	2,419,092	1,295,161	1,170,696	1,208,953	6,093,902	(993,802)	5,100,100
Segment profit or loss	\$ (97,798)	\$ (25,399)	\$ (22,001)	\$ 111,508	\$ (33,690)	\$ 5,247	\$ (28,443)
Segment assets	\$ 5,839,906	\$ 1,467,171	\$ 1,177,890	\$ 1,698,179	\$ 10,183,146	\$ (2,602,827)	\$ 7,580,319
Segment liabilities	\$ 4,344,074	\$ 1,075,797	\$ 766,664	\$ 347,898	\$ 6,534,433	\$ (619,128)	\$ 5,915,305
Other items:							
Depreciation and amortization	\$ 116,673	\$ 80,926	\$ 65,531	\$ 58,354	\$ 321,484	\$ —	\$ 321,484
Capital expenditures	\$ 167,407	\$ 57,811	\$ 31,669	\$ 27,927	\$ 284,813	\$ (9)	\$ 284,804

The total amount of segment profit is adjusted to operating income of the consolidated statement of operations.

Other than those corresponding to segment assets, adjustments relate to the elimination of inter-segment transactions, etc. The adjustments for segment assets consist of inter-segment elimination, etc. of ¥313,207 million (\$2,838,048 thousand) and ¥307,596 million and the corporate assets of the Group of ¥25,959 million (\$235,221 thousand) and ¥20,922 million for the years ended March 31, 2021 and 2020, respectively. The corporate assets are mainly long-term investment funds (investment securities) for the years ended March 31, 2021 and 2020.

4. Related information

(1) Sales by products and service

Sales by products and service classified by the similarity of the market for the years ended March 31, 2021 and 2020 are summarized as follows:

	Millions of yen			
	2021			
	Aftermarket	Industrial machinery	Automotive	Total
Sales to third parties	¥ 91,493	¥ 101,853	¥ 369,501	¥ 562,847

	Millions of yen			
	2020			
	Aftermarket	Industrial machinery	Automotive	Total
Sales to third parties	¥ 109,429	¥ 105,210	¥ 437,318	¥ 651,957

	Thousands of U.S. dollars			
	2021			
	Aftermarket	Industrial machinery	Automotive	Total
Sales to third parties	\$ 829,041	\$ 922,916	\$ 3,348,143	\$ 5,100,100

(2) Regional information

(a) Sales

Sales categorized by country and region based on locations of customers within the Group for the years ended March 31, 2021 and 2020 are summarized as follows:

	Millions of yen				
	2021				
	Japan	Americas	Europe	Asia and other areas	Total
	¥ 162,814	¥ 144,432	¥ 117,235	¥ 138,366	¥ 562,847

	Millions of yen				
	2020				
	Japan	Americas	Europe	Asia and other areas	Total
	¥ 198,101	¥ 174,309	¥ 140,839	¥ 138,708	¥ 651,957

	Thousands of U.S. dollars				
	2021				
	Japan	Americas	Europe	Asia and other areas	Total
	\$ 1,475,299	\$ 1,308,735	\$ 1,062,296	\$ 1,253,770	\$ 5,100,100

"Americas" includes the U.S.A., Canada and Central and South America. "Europe" includes Germany, France, the U.K. and others. "Asia and other areas" include China, Thailand, India and others. The sales of the "Americas" segment above include the sales to customers in the U.S.A. of ¥123,096 million (\$1,115,404 thousand) and ¥146,644 million for the years ended March 31, 2021 and 2020, respectively. The sales of the "Asia and other areas" segment above include the sales to customers in China of ¥79,534 million (\$720,678 thousand) for the year ended March 31, 2021.

(b) Property, plant and equipment

Property, plant and equipment categorized by country and region within the Group at March 31, 2021 and 2020 are summarized as follows:

	Millions of yen				
	2021				
	Japan	Americas	Europe	Asia and other areas	Total
	¥ 100,948	¥ 75,696	¥ 44,944	¥ 38,856	¥ 260,444

	Millions of yen				
	2020				
	Japan	Americas	Europe	Asia and other areas	Total
	¥ 100,474	¥ 78,120	¥ 45,225	¥ 38,825	¥ 262,644

	Thousands of U.S. dollars				
	2021				
	Japan	Americas	Europe	Asia and other areas	Total
	\$ 914,715	\$ 685,901	\$ 407,249	\$ 352,084	\$ 2,359,949

- Property, plant and equipment in "Americas" in the amount of ¥67,760 million (\$613,991 thousand) and ¥70,347 million is located in the U.S.A. at March 31, 2021 and 2020, respectively.
- Property, plant and equipment in "Europe" in the amount of ¥28,429 million (\$257,602 thousand) and ¥29,688 million is located in France at March 31, 2021 and 2020, respectively.
- Property, plant and equipment in "Asia and other areas" in the amount of ¥27,655 million (\$250,589 thousand) and ¥27,623 million is located in China at March 31, 2021 and 2020, respectively.

5. Loss on impairment of fixed assets

Loss on impairment of fixed assets by reporting segment for the years ended March 31, 2021 and 2020 is summarized as follows:

Millions of yen					
2021					
Japan	Americas	Europe	Asia and other areas	Adjustments	Total
¥ —	¥ 2,462	¥ —	¥ —	¥ —	¥ 2,462

Millions of yen					
2020					
Japan	Americas	Europe	Asia and other areas	Adjustments	Total
¥ 21,955	¥ 5,518	¥ 1,528	¥ —	¥ —	¥ 29,001

Thousands of U.S. dollars					
2021					
Japan	Americas	Europe	Asia and other areas	Adjustments	Total
\$ —	\$ 22,309	\$ —	\$ —	\$ —	\$ 22,309

25. Subsequent Event

1. Business combination due to acquisition

The Company has concluded a basic agreement on June 9, 2021 regarding the additional acquisition of shares of Taira Forging Co., Ltd., currently an equity-method affiliate.

1. Outline of business combination

1) Name and business description of acquired company

Name of acquired company: Taira Forging Co., Ltd.

Business description of acquired company: Manufacturing and sales of forged rings

2) Main reason for business combination

The aim of the acquisition is to expand the business by strengthening integrated bearing production system and competitiveness of bearings for industrial machineries in the Noto region and continuing and enhancing business of the oil casing pipe connectors and construction machineries parts utilizing forging technology of Taira Forging Co., Ltd.

3) Date of business combination

June 28, 2021

4) Legal form of business combination

Acquisition of shares in exchange for cash

5) Name of company after the business combination

No change

6) Percentage of acquired voting rights

Voting rights before business combination: 46.67%

Voting rights acquired on the date of business combination: 10.00%

Voting rights after business combination: 56.67%

7) Main reason for decided on acquired company

As a result of acquisition of more than one half of the voting rights of the acquired company by acquiring the shares in exchange for cash

2. Cost of acquisition of the acquired company and breakdown of the type of consideration

The consideration of additional acquisition of shares by cash: ¥2,000 million

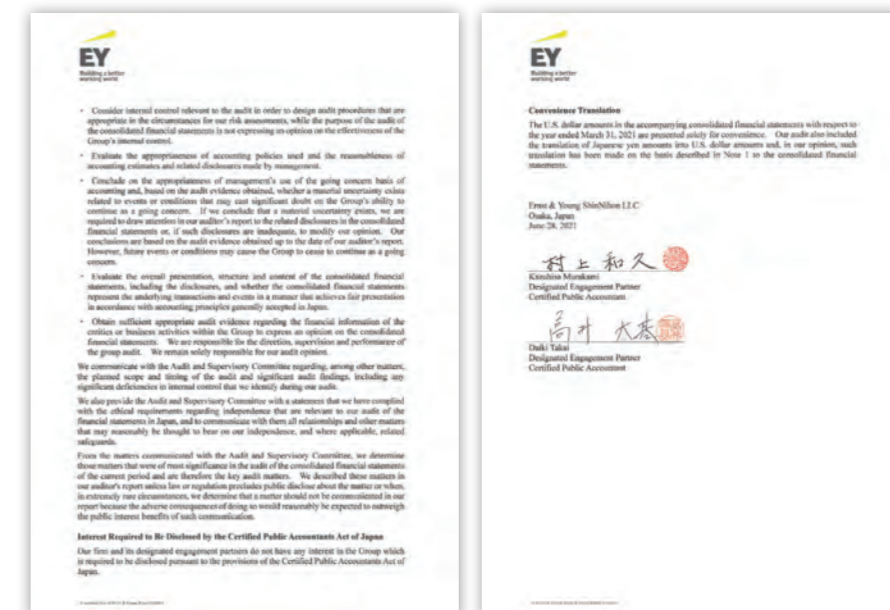
* Acquisition cost and gain or loss on step acquisition are undetermined

3. Amount of goodwill recognized, reason of its recognition, and method and period of amortization

Undetermined

4. Amounts of acquired assets and liabilities, breakdown of them by main type

Undetermined



NTN Report 2021 third-party opinion



Vice Dean and Professor, School of Business Administration, Kwansai Gakuin University

Chika Saka

Profile
After working as a full-time lecturer and assistant professor (associate professor) at the School of Business Administration, Kwansai Gakuin University, she has been a professor since 2008. Currently, she is a member of the Science Council of Japan, a member of the Osaka Prefecture Environmental Council, a member of the Osaka City Environmental Council, and a managing director of the Accounting and Economic Association of Japan. She received the Japan Accounting Association Award. Her publications include "Environmental Accounting" (Tokyo Keizai Publishing Co., Ltd.), etc. in the book.

Fiscal 2020 was a challenging business environment for many companies. Under such circumstances, NTN identified materiality and established its Human Rights Policy in fiscal 2020. In addition, NTN launched the new Medium-term Management Plan and supported TCFD recommendations under the leadership of the new President in fiscal 2021, and accelerated its transformation.

13 items of materiality were identified in light of the United Nations Global Compact signed in 2015. By clearly distinguishing between positive (Strengthen positive impacts) and negative (Reduce negative impacts), opportunities are acquired through the creation of original technologies, social cost reductions and risk aversion, and social contribution by steadily achieving the expectations of society as a global company is included in a well-balanced manner. It seems favorable that 10 out of 13 items are allocated to reducing negative impact, and for each of the 10 items, the "NTN Report 2021" reports on one or two pages of substantial efforts. Another feature is that 7 out of 13 materiality items are "social." Japanese companies tend to have lower scores for social items than overseas companies, but 10 pages are included in social items in the NTN Report 2021. In particular, various responses throughout the supply chain based on the newly established Human Rights Policy are advanced.

As shown on page 102 of the NTN Report 2021, NTN is included in many SRI/ESG indexes. As of July 2021, FTSE Russell ESG Ratings*, NTN's overall ESG score is ranked in the top 28% of Japanese assessed companies. Among ESG, NTN has earned a great reputation for the environment, and in terms of materiality, NTN emphasizes on society, therefore we

expect to see an improvement in the "Social" evaluation in the near future.

Meanwhile, the trend toward mainstreaming ESG investments has increased the demand for both financial performance and ESG performance. The strong market capitalization of NTN's shares reflects the valuation for NTN's ability to generate future income that can be expected through the detailed value creation story that top management talks directly, and a detailed analysis of the risks and opportunities surrounding NTN and its countermeasures. Furthermore, in order to realize NTN's social contribution through creating technologies and developing new products over DRIVE NTN100's long term, we expect to communicate how to seize new business opportunities and strengthen the financial base. For that, scenario analyses that have already been addressed in line with TCFD recommendations are also useful. Carbon neutrality is a growth strategy as well as a measure to combat global warming, and is expected to promote domestic industries. The draft of the government's Basic Energy Plan, announced in July 2021, indicates that renewable energy will account for 36-38% of total power generation in fiscal 2030. While remaining uncertain, NTN's wind power generation products, other natural energy products and EV related products which are expected to expand, have significant potential to bring new business opportunities involving other companies.

In addition to the Comparison Table for GRI Standards web disclosure, NTN Report 2021 also has begun disclosing information based on the disclosure standards of SASB Standards, making it easier to obtain KPI information. With regard to ESGs and SDGs, rather than responding to all of the related requirements, I think it is increasingly important to identify which demands to focus on and respond to and express this to stakeholders in order to achieve the company's philosophy. Looking ahead to the next 100 years, we are in an age of increasingly demanding management based on purpose, and I look forward to NTN's initiatives being developed based on the "Frontier Spirit" and the "Coexistence and Co-prosperity Spirit" that have been valued over the past 100 years.

* ESG rating by FTSE Russell. Assessment of the business's ESG risks and the company's commitment to them.

Response to the third-party opinion

We would like to thank Professor Saka for her valuable opinions.

Through the practice of our corporate philosophy, we aim to contribute to the resolution of social issues surrounding the world and realize a "NAMERAKA society" where people can easily lead a secure and fulfilling life. In fiscal 2020, we identified that we should prioritize materiality in order to achieve the SDGs targets. We received evaluations about how to approach each materiality, and were confident in our efforts so far. We will utilize the recommendations that should be important to promote ESG in future initiatives.

In addition, regarding the expression of our support of TCFD recommendations, by utilizing scenario analysis, we will link it to materiality measures and targets, such as efforts to achieve carbon neutrality in our business and contribution to a carbon-free society through our products and services. We will sincerely listen to the valuable opinions we have received and strive to increase corporate value over the medium- to long-term.



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3-17, 1-chome, Kyomachibori, Nishi-ku,
Osaka 550-0003, Japan

Transfer Agent for Common Stock

Mitsubishi UFJ Trust and Banking Corporation
4-5, 1-chome, Marunouchi, Chiyoda-ku,
Tokyo 100-8212, Japan

General Meeting of Shareholders

The General Meeting of Shareholders
was held on June 25, 201 in Osaka

Common Stock

Authorized: 1,800,000,000
Issued and Outstanding: 532,463,527

Stock Exchange Listings

First Section of Tokyo Stock Exchange
(#6472)

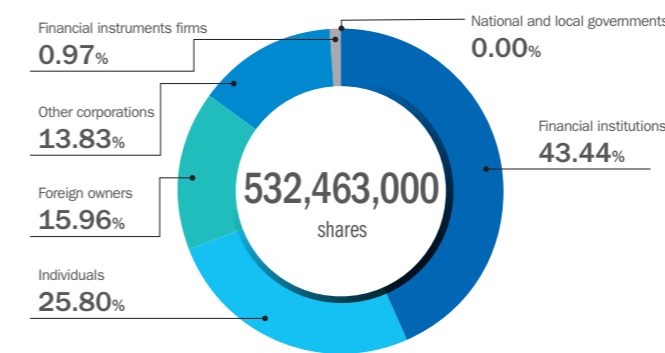
Stock Price Range in the Fiscal Year ended March 31, 2021

High: 349 yen
Low: 165 yen

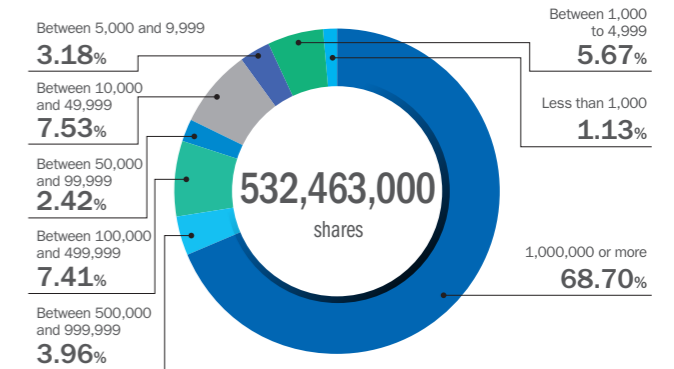
Number of Shareholders
48,773

Independent Audit Firm
Ernst & Young ShinNihon LLC

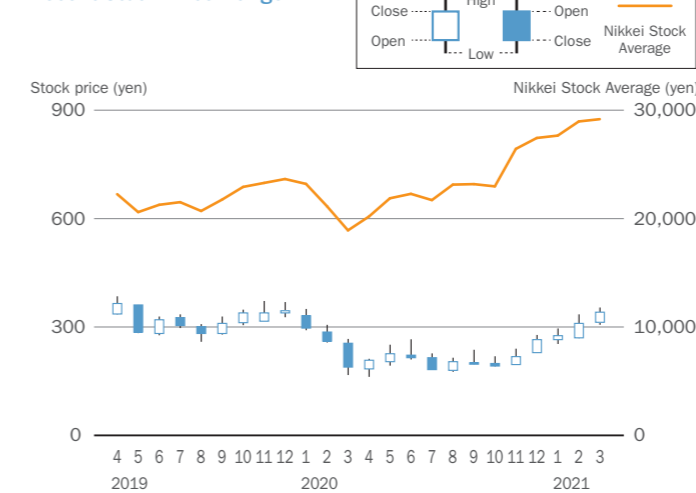
Breakdown of Shareholders



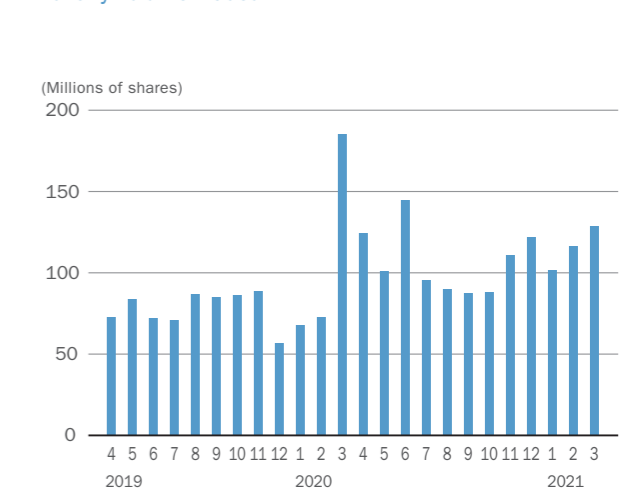
Breakdown of Number of Shares Held



Recent Stock Price Range



Monthly Volume Traded



Status of inclusion in ESG indexes

*1 Inclusion status as of the end of July 2021.
*2 The inclusion of NTN Corporation in any MSCI index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement, or promotion of NTN Corporation by MSCI or any of its affiliates. The MSCI indexes are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

MSCI Japan Empowering Women (WIN) Select Index
MSCI Japan ESG Select Leaders Index*2
S&P/JPX Carbon Efficient Index

2021 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)
2021 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

Sompo Sustainability Index
FTSE4Good

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NTN on the Internet
NTN's website offers a variety of corporate and product information, including the latest NTN Report and financial results.
<https://www.ntn.co.jp/>

SASB Index

We enhance information disclosure from “NTN Report 2021” based on the “SASB standards” issued by SASB (Sustainability Accounting Standards Board). We disclose information according to the requirements of the Industrial Machinery & Goods sector of the Resource & Transformation industry and the Auto Parts sector of the Transportation industry, which are classified by SASB.

Although some indicators are not applicable to our company and indicators that we have not been able to disclose are included, we disclose as much as possible and will continue to make efforts to enhance the disclosure of these SASB topics.

RESOURCE TRANSFORMATION SECTOR-INDUSTRIAL MACHINERY & GOODS

Sustainability Disclosure Topics and Accounting Metrics

Topic	Accounting Metric	Unit of Measure	Fiscal year ended March 31, 2021	SASB Code
Energy Management	(1) Total energy consumed	TJ*	P89-90 Consolidated Financial Indicators (Past 11 Years)	RT-IG-130a.1
	(2) Percentage grid electricity	MWh*	https://www.ntnglobal.com/en/csr/environment/sitereport/total.html	
	(3) Percentage renewable	KWh*	https://www.ntnglobal.com/en/csr/environment/climate-change.html	
Employee Health & Safety	(1) Total recordable incident rate (TRIR)	Rate	Not disclosed	RT-IG-320a.1
	(2) Fatality rate	Rate	Not disclosed	
	(3) Near miss frequency rate (NMFR)	Rate	Not disclosed	
Fuel Economy & Emissions in Use-phase	(1) Sales-weighted fleet fuel efficiency for medium- and heavy-duty vehicles	Gallons per 1,000 ton-miles	N/A	RT-IG-410a.1
	(2) Sales-weighted fuel efficiency for non-road equipment	Gallons per hour	N/A	RT-IG-410a.2
	(3) Sales-weighted fuel efficiency for stationary generators	Watts per gallon	N/A	RT-IG-410a.3
	Sales-weighted emissions of: (1) nitrogen oxides (NOx) and (2) particulate matter (PM) for: (a) marine diesel engines, (b) locomotive diesel engines, (c) on-road medium- and heavy-duty engines, and (d) other non-road diesel engines	Grams per kilowatt-hour	N/A	RT-IG-410a.4
Materials Sourcing	Description of the management of risks associated with the use of critical materials	Discussion and Analysis	Not disclosed	RT-IG-440a.1
Remanufacturing Design & Services	Revenue from remanufactured products and remanufacturing services	Qualitative information*	https://www.ntnglobal.com/en/csr/environment/chemical.html	RT-IG-440b.1

Activity Metric

Topic	Accounting Metric	Unit of Measure	Fiscal year ended March 31, 2021	SASB Code
Activity Metric	Number of units produced by product category	Number	N/A	RT-IG-000.A
	Number of employees	Number	P9-10 Value Creation Process P89-90 Consolidated Financial Indicators (Past 11 Years)	RT-IG-000.B

TRANSPORTATION SECTOR-AUTO PARTS

Sustainability Disclosure Topics and Accounting Metrics

Topic	Accounting Metric	Unit of Measure	Fiscal year ended March 31, 2021	SASB Code
Energy Management	(1) Total energy consumed	TJ*	P89-90 Consolidated Financial Indicators (Past 11 Years)	TR-AP-130a.1
	(2) Percentage grid electricity	MWh*	https://www.ntnglobal.com/en/csr/environment/sitereport/total.html	
	(3) Percentage renewable	KWh*	https://www.ntnglobal.com/en/csr/environment/climate-change.html	
Waste Management	(1) Total amount of waste from manufacturing	ton*	P44 Resource Recycling and Pollution Prevention	TR-AP-150a.1
	(2) Percentage hazardous	ton*	https://www.ntnglobal.com/en/csr/environment/climate-change.html	
	(3) Percentage recycled	%	P44 Resource Recycling and Pollution Prevention	
Product Safety	Number of recalls issued	Number	N/A	TR-AP-250a.1
	Total units recalled	Number	N/A	
Design for Fuel Efficiency	Revenue from products designed to increase fuel efficiency and/or reduce emissions	Reporting currency	P40 Reduce energy loss	TR-AP-410a.1
Materials Sourcing	Description of the management of risks associated with the use of critical materials	Discussion and Analysis	N/A	TR-AP-440a.1
Materials Efficiency	Percentage of products sold that are recyclable	%	N/A	TR-AP-440b.1
	Percentage of input materials from recycled or remanufactured content	%	N/A	TR-AP-440b.2
Competitive Behavior	Total amount of monetary losses as a result of legal proceedings associated with anti-competitive behavior regulations	Reporting currency	P94-97 Consolidated Financial Statements	TR-AP-520a.1

Activity Metric

Topic	Accounting Metric	Unit of Measure	Fiscal year ended March 31, 2021	SASB Code
Activity Metric	Number of parts produced	Number	P85-86 Monozukuri	TR-AP-000.A
	Weights of parts produced	M/T	N/A	TR-AP-000.B
	Area of manufacturing plants	number of bases*	P9-10 Value Creation Process	TR-AP-000.C

*Information is disclosed in units different from those required by SASB.



NTN corporation

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