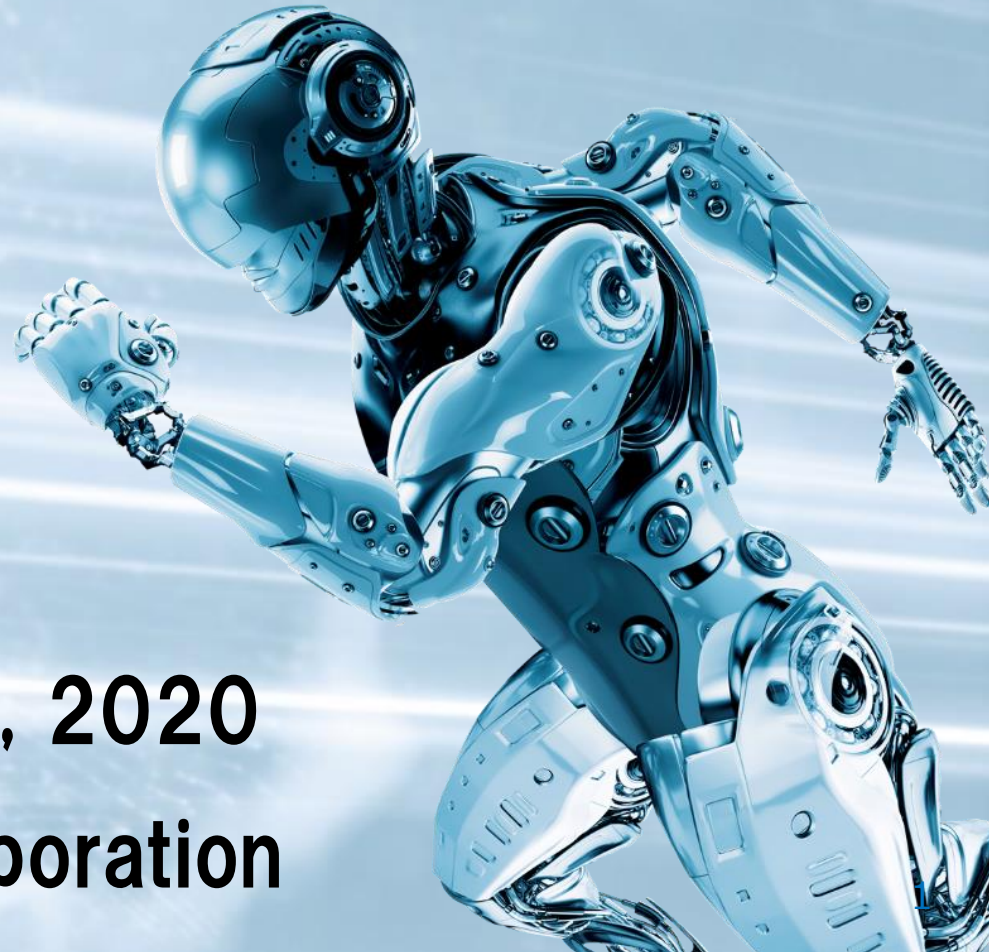


NTN

**Consolidated Financial
Results
for FY2019**



**June 19, 2020
NTN Corporation**

2020/6/19

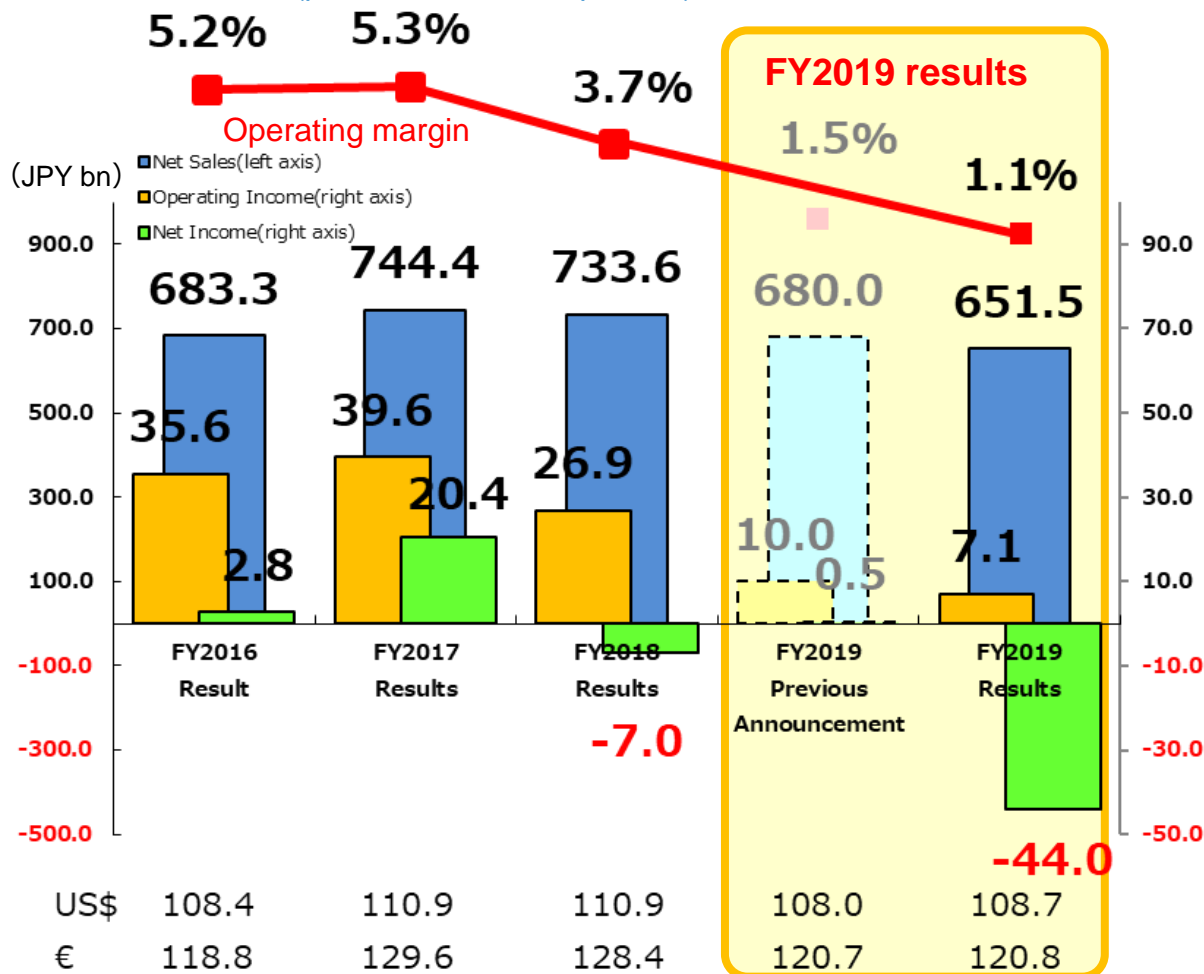
- I. Outline and Business Management Policy in FY2020
- II. Financial Results for FY2019

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- These statements represent the best judgment of the management of the Company based on the information currently available. However, there can be no assurance that future results will meet any expectation, estimate or projection conveyed by these statements or comments. Actual results may differ materially from Management projections depending on various factors such as changes in product demand, exchange rates and interest rates, and contingent liabilities.

Outline(1) : Trends in Consolidated Financial Results

Sales: Decreased global demand due to factors such as intensity in trade friction between the U.S. and China
Effects of the new coronavirus also deteriorated sales from 4Q

Profit: Decrease due to significant decline in sales volume in spite of reduction of fixed costs (personnel costs, expenses) and variable costs



FY2019 results

Figures in brackets are FY2018 results

Net Sales: **¥651.5bn** (¥733.6bn)

YoY-11.2%, Volume -9%

Operating Income: **¥7.1bn** (¥26.9bn)

YoY-73.8%, Volume -64%

Extraordinary Income: **¥-32.3bn**
(¥-19.3bn)

Net Income: **¥-44.0bn** (¥-7.0bn)

Year-end Dividend: **¥0** (¥7.5)

Considering uncertainties in addition to decline in business due to the coronavirus, revise the year-end dividend to ¥0 from ¥5 (annual ¥5)

FY2020 forecast

Forecast for FY2020 has not been determined because a reasonable earning forecast cannot be calculated at the present time due to the effects of the new coronaviruses.

Outline(2): Asset Impairment

FY2019 results

Net Sales: **¥651.5bn**

Operating Income: **¥7.1bn**

Ordinary Income: **¥1.7bn**

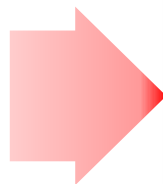
Extraordinary Income: -¥32.3bn

*Extraordinary Income ¥2.0bn

*Extraordinary Loss -¥34.2bn

Pretax Income: **¥33.9bn**

Net Income: -¥44.0bn



Breakdown of Extraordinary Income ¥2.0bn

Gain on sales of investment securities: ¥1.4bn

Gain on sales of property, plant and equipment: ¥0.6bn

Breakdown of Extraordinary Loss -¥34.2bn

Impairment loss: -¥29.0bn

Loss on valuation of investment securities: -¥2.4bn

Special factory operating loss: -¥2.1bn

Loss related to Anti-Monopoly Act: ¥0.7bn

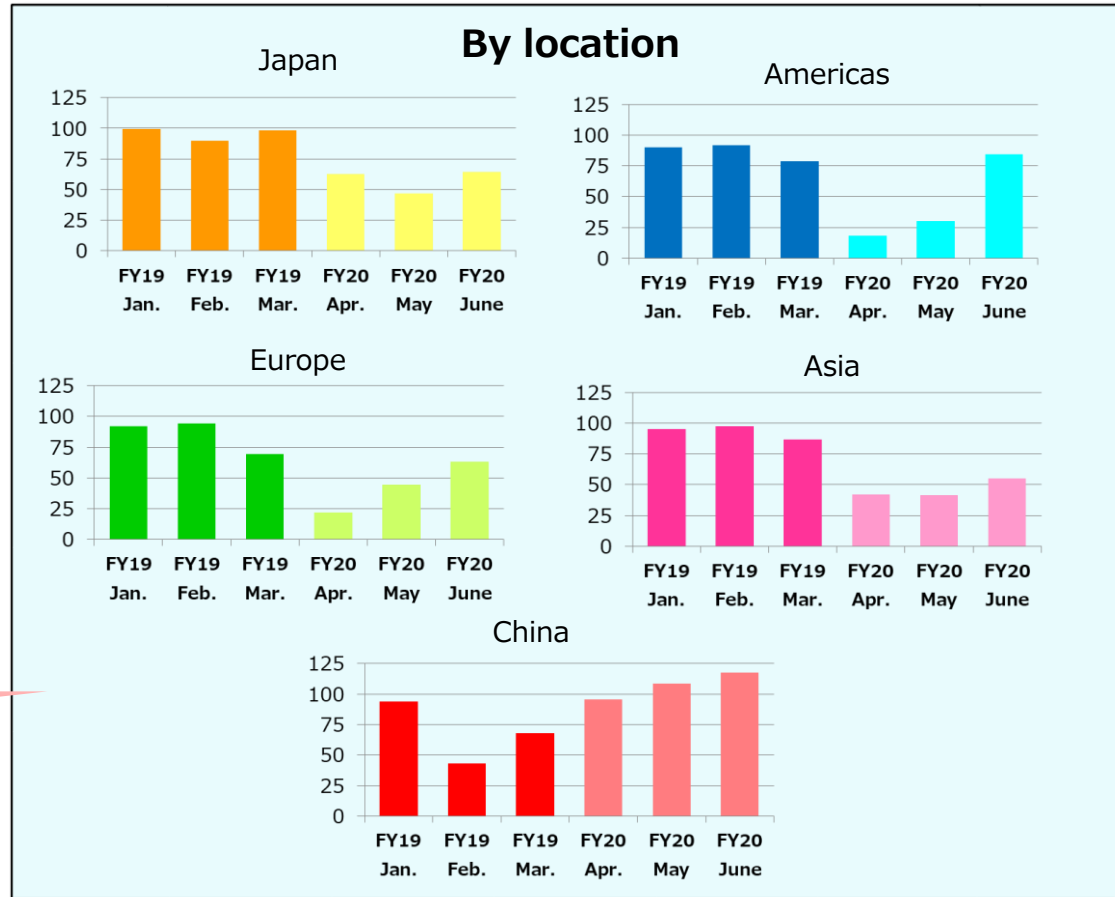
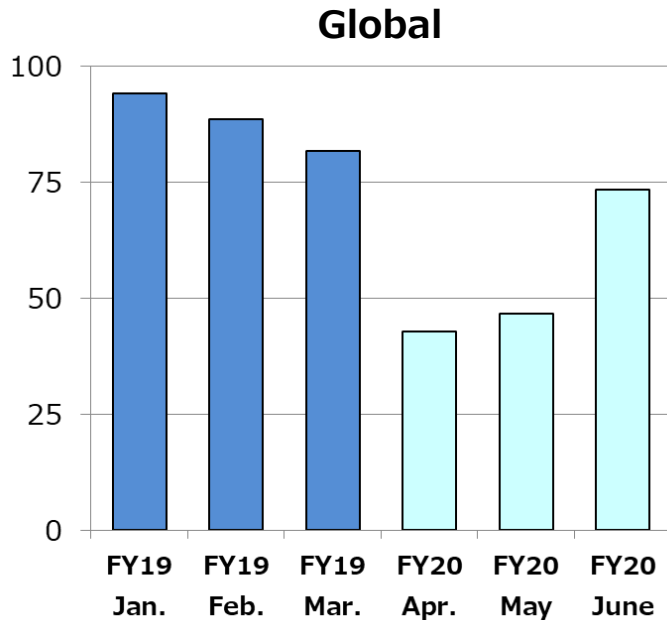
Background of Impairment loss: -¥29.0bn

1. Concern that the spread of new coronavirus infection will be prolonged
2. Policy to lower the break-even point under this business environment where demand recovery cannot be forecast (execution of each measure)
3. For domestic and overseas businesses with low profitability, perform trial calculation based on future cash flows that take into account the impact of the coronavirus, resulting to implement asset impairment

Outline(3): Effects of the New Coronavirus (Demand) NTN

From February 2020, the new coronavirus has been affecting on global market. Volume decreased significantly compared with the same month of the last year in Europe and Americas affected by lock down as well as other areas.

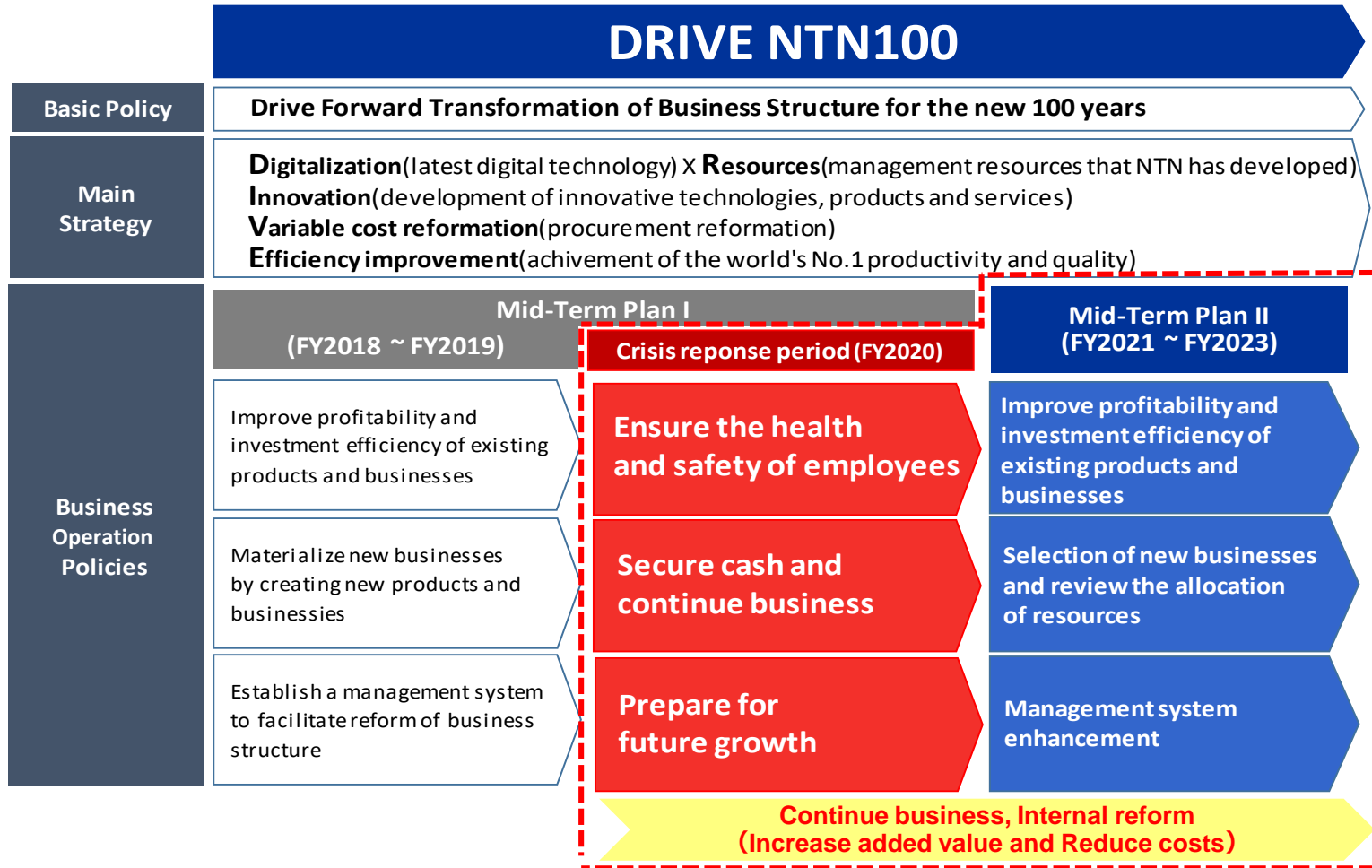
Changes in sales volume (describe the results of same month of the last year as 100, description after April is our forecast)



Although there are sings of demand recovery reflecting resumption of economic activity, severe management environment will still continue

Business Management Policy for NTN's Revitalization

Set FY2020 as “Crisis response period” and FY2021-FY2023 as “Mid-term Plan II”
 Dedicate measures aiming at “business continuity” and “break-even point reduction”



Important Measures in Crisis Response Period (FY2020) (1)

Crisis Response Period

(1) Ensure the health and safety of employees

1. Manage employee health and control the spread of infections
2. Respond to requests from the national and local governments and constructing a global safety support system
3. Promotion of telework for the purpose of 3Cs (Closed spaces, Crowded places, Close-contact settings) prevention and social distancing
4. Maintenance of employees' livelihoods

Crisis Response Period

(2) Secure cash and continue business

1. Reduce and minimize working capital
2. Secure business funds
Secure ¥100.0 billion of business funds including conclusion of commitment line contract
3. Suppress capital investment (cut the investment by half)

Important Measures in Crisis Response Period (FY2020) (2)

Crisis Response Period

(3) Prepare for future growth

1. Freeze investment in capacity expansion and concentrate on investment for efficiency improvement and maintenance
2. Work style reforms centered on indirect departments
3. Withdrawal from unprofitable part numbers and expansion of aftermarket
4. Selection of new business and review the allocation of resources
5. Start and establish new IT core system, and create benefits at an early stage
6. Respond to SDGs

+ New medium-term management plan for three years from FY2021 to FY2023

(1) Increase added value

1. Shift to fields (business, area) with high profit margins
2. Expand aftermarket business with collaboration between industrial machinery and aftermarket
3. Increase price or withdraw in unprofitable projects
4. Break away from self-sufficiency

(2) Reduce costs

1. Reduce procurement and logistics costs
2. Reduce fixed costs

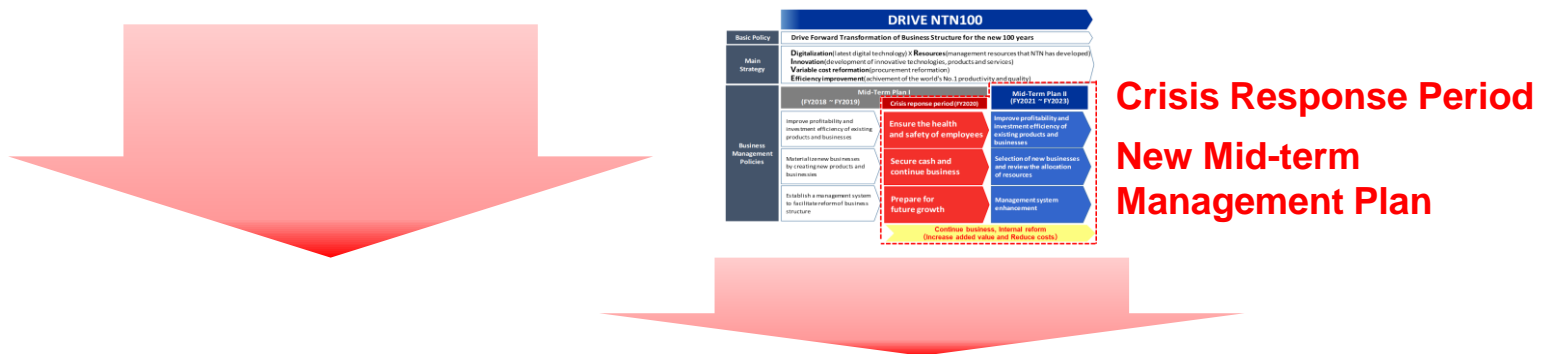
(3) Improve cash flow

1. Decrease inventories
2. Improve productivity through production reform

Urgent Fixed Cost Reduction and Target

1. Urgent Fixed Cost Reduction (personnel costs)

1. Personnel downsizing mainly in overseas where labor market has been mobilized (approx. -1,500 persons in FY2019)
Continue adjustment in FY2020 considering demand environment
2. In Japan, implement production adjustment (temporary layoff) and utilize government bounty, etc.
Promote production reform in Japan for mid-term



2. Target

Improve financial condition to avoid operating loss and achieve surplus of FCF even if net sales are 80% compared to sales before spread of COVID-19 (¥570.0-580.0bn) (lower break-even point)

FY2018 (before COVID-19) Net Sales: ¥733.6bn Operating Income: ¥26.9bn	Net Sales: ¥570.0-580.0bn (80% compared to sales before spread of COVID-19) Operating Income: 0 or more FCF: Surplus
---	---

Basic Policy in New Medium-term Management Plan

“ (Second-term) DRIVE NTN100” for three years from FY2021 to FY2023



FY2021 to FY2023

“ (Second-term) DRIVE NTN100”

Detail plan to be published by March 2021

1. Improve profitability and investment efficiency of existing products and businesses

- ① Outsource existing products and businesses, concentrate management resources on products and processes where NTN can take advantage of our technological strengths
- ② Promote improvements in productivity and operational efficiency through cutting-edge digital technologies, such as the new factory (Wakayama) established under the new concept (smart factory), the utilization of the new IT core system, and the introduction of RPA
- ③ Strengthen financial framework by reducing inventories by shortening production LT through production reforms, etc., thinking in a different way

2. Accelerate new business expansion

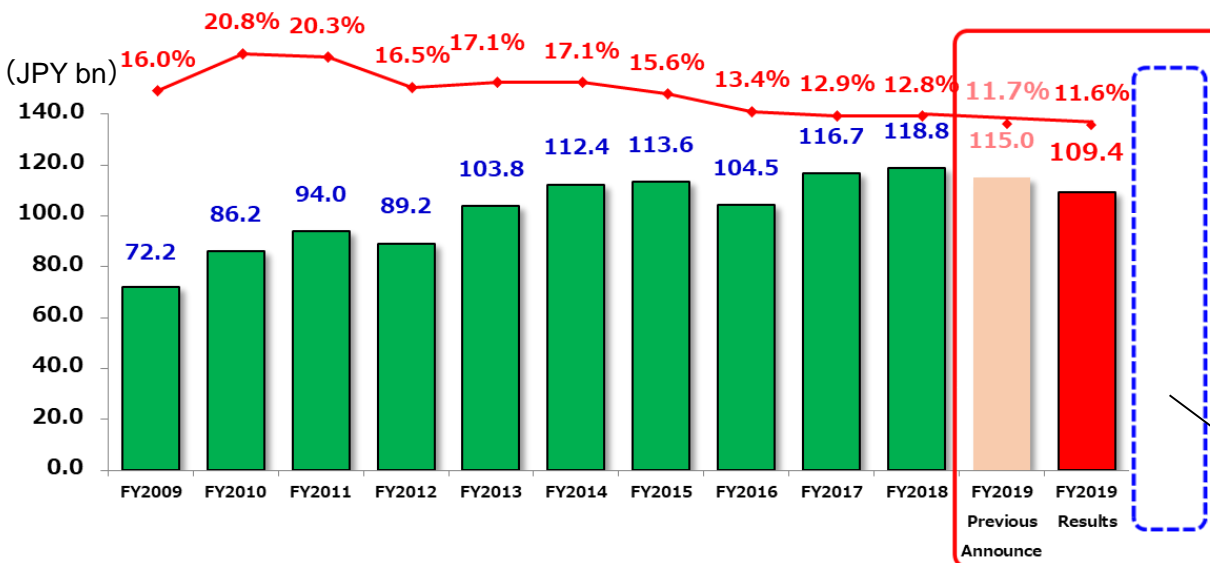
- ① Concentrate management resources on new businesses that are close to be commercialized and develop them into profitable businesses in a short period of time
- ② Work on natural energy product business that contributes to environmentally friendly society

3. Management system enhancement, etc.

- ① Establish strategic organization to implement measures that anticipate changes in the business environment
- ② Strengthen further corporate governance and promote active dialog with stakeholders
- ③ Aim to achieve a work-life balance of each employee and create better work environment, promote reforms of personnel system to improve engagement
- ④ Have awareness of Sustainable Development Goals (SDGs) and contribute to solve social issues as a global Company

Aftermarket Business's Initiatives from Crisis Response Period

Net sales and operating margin of aftermarket business



FY2019 Results ():YoY
 Net sales: **¥109.4bn** (¥118.8bn)
 Operating income: **¥12.7bn** (¥15.2bn)
 Operating margin: **¥11.6%** (12.8%)

FY2020 Forecast
 Net sales and, operating income: **not decided**

Initiatives to lower break-even point from Crisis Response Period

(1) Initiatives to improve profitability

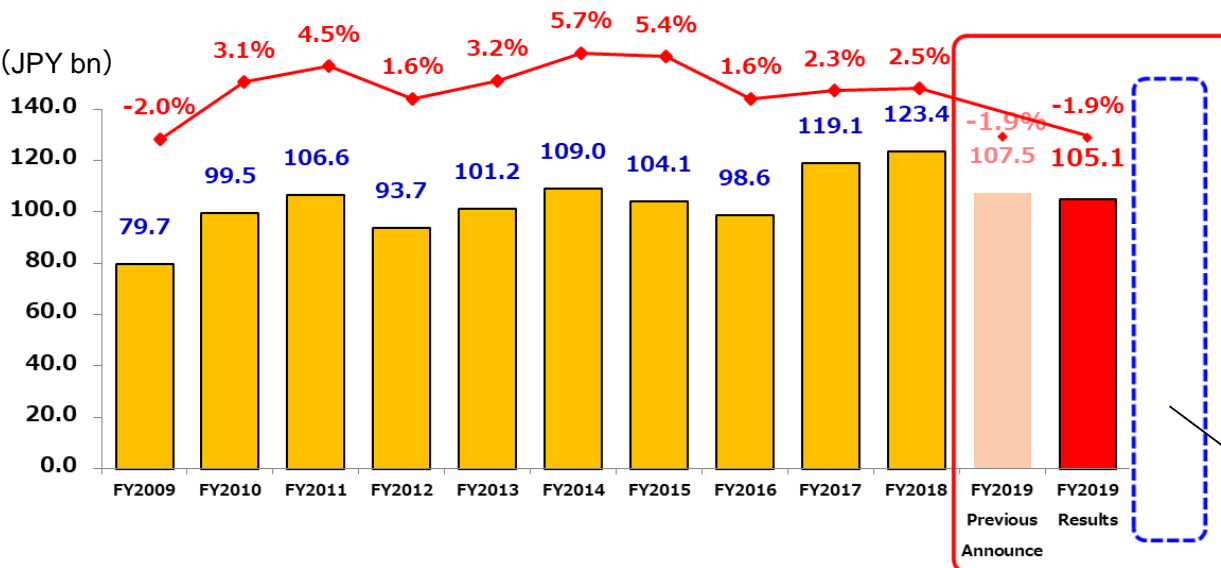
- ① Focus on core products and profitable products in aftermarket
 Promote product strategies suitable for regions and market price ranges (Develop demand for bearing units in North America, etc.)
- ② Promote the use of outsourced products
 Utilize further outsourced products according to market needs

(2) Establish a post-corona system

- ① Establish a prompt delivery system for aftermarket
 Complete expansion of standing inventory by the end of the year in order to secure stable instant delivery inventory for aftermarket
- ② Create a business model with future potential
 Expand MRO business including maintenance

Initiatives in Industrial Machinery Business from Crisis Response Period

Net sales and operating margin of industrial machinery business



FY2019 Results ():YoY
 Net sales: **¥105.1bn** (¥123.4bn)
 Operating income: **¥2.0bn** (¥3.1bn)
 Operating margin: **-1.9%** (2.5%)

FY2020 Forecast
 Net sales and, operating income: **not decided**

Initiatives to lower break-even point from Crisis Response Period

(1) Initiatives to improve profitability

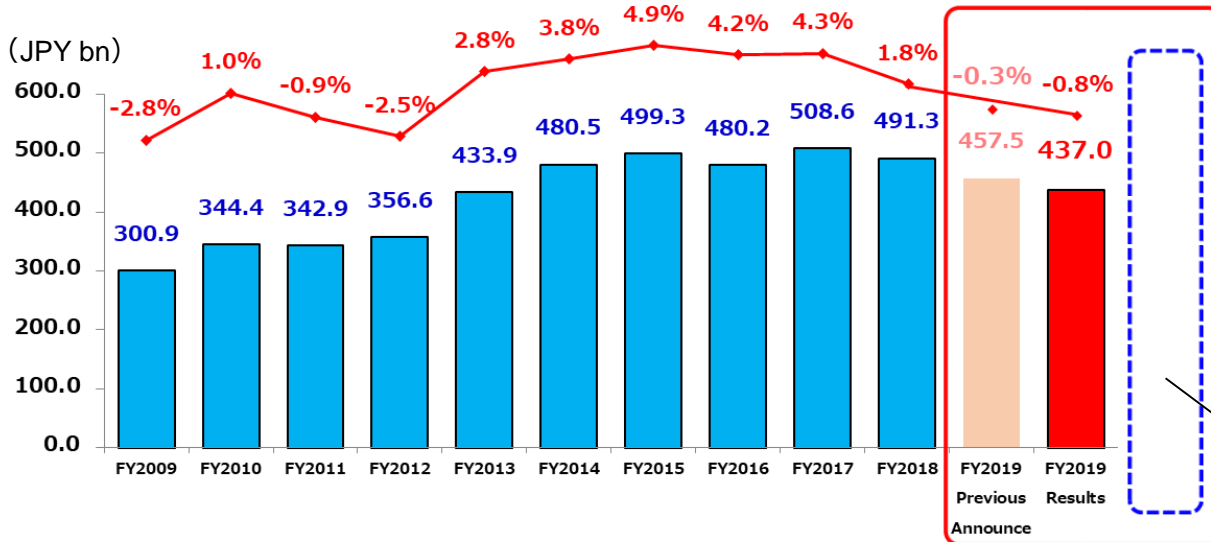
- ① Selection of industries
 - Establish a business model that generates profits by combining OEM and aftermarket
 - Raise a price and withdraw from unprofitable business
- ② Reduce cost through optimal procurement of materials and parts
 - Use materials from China and India

(2) Establish a post-corona system

- ① Get high profitable business by developing high performance products such as bearings with IoT sensors
- ② Establish fabless system in new field (i-WRIST, Wind Doctor)

Initiatives in Automotive Business from Crisis Response Period

Net sales and operating margin of automotive business



FY2019 Results ():YoY
 Net sales: **¥437.0bn** (¥491.3bn)
 Operating income: **-¥3.7bn** (¥8.7bn)
 Operating margin: **-0.8%** (1.8%)

FY2020 Forecast
Net sales and, operating income: not decided

Initiatives to lower break-even point from Crisis Response Period

(1) Transformation to profit structure that does not depends on volume

- ① Control falling in selling price and improve price of unprofitable products
- ② Reduce variable cost by promoting local procurement and optimal procurement
- ③ Reduce fixed cost by strengthening collaboration with alliance partners

(2) Establish a post-corona system

- ① Concentrate resources on fields where NTN can take advantage of its strength of technology and product function (core products)
- ② Accelerate development and mass production of products such as EV module products. Strengthen electrical and mechanical integrated technology (new areas)
- ③ Optimize development man-hours and costs through design RPA

[Reference] Key Management Indicators of “(First-term) DRIVE NTN100”



Withdraw the final year target of “DRIVE NTN100” (FY2018 – FY2020)
FY2020 target has not been currently determined

		FY2017 Results	DRIVE NTN100		
			FY2018 Results	FY2019 Results	FY2020 Target
Net Sales		¥744.4bn	¥733.6bn	¥651.5bn	
Operating Income		¥39.6bn	¥26.9bn	¥7.1bn	
Operating Margin		5.3%	3.7%	1.1%	
Net Income		¥20.4bn	-¥7.0bn	-¥44.0bn	
Capital Expenditure		¥37.6bn	¥45.2bn	¥57.7bn	
FCF		¥13.4bn	-¥22.4bn	-¥18.1bn	
Inventory Turnover Ratio		4.1	3.8	3.6	
Net D/E Ratio		0.9	1.2	1.9	
Equity to Capital Ratio		30.2%	27.4%	20.6%	
ROE		8.4%	-2.9%	-22.8%	
NTN-ROI*		5.7%	3.8%	1.0%	
Dividends		¥15.0	¥15.0	¥5.0	
Exchange Rates	USD	¥110.8	¥110.9	¥108.7	
	Euro	¥129.6	¥128.4	¥120.8	

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

Outline of “Mid-term Plan I - DRIVE NTN100”

Initiatives for Realizing Our Vision



NTN in 10 years

NTN in 10 years

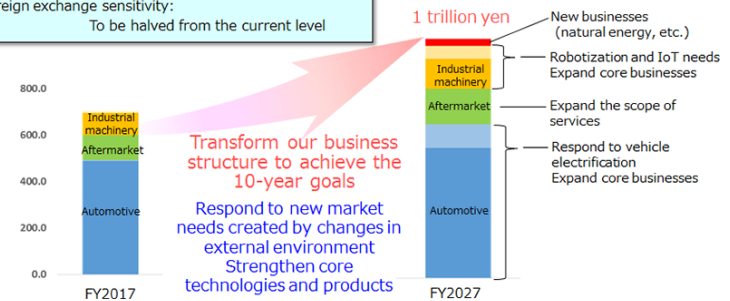
Transform from a "Manufacturing Company" into a "Company that Delivers Value to Customers through Products and Services"

Numerical targets

Net sales: 1 trillion yen or more
 Operating income to sales: 10% or more
 Total assets turnover: 1.0 or more
 Foreign exchange sensitivity:
 To be halved from the current level

Changes in external environment

Automotive industry: A change that occurs only once a century (CASE)
 Overall industry: IoT, robotization, and AI
 Social issues: Population increase, climate change, resource depletion, poverty, starvation, etc. (SDGs)



“DRIVE NTN100” (April, 2018-March, 2021)

Accelerating Initiatives in the Next 3 Years towards target 10 years later



Points

1. Develop in new areas and grow up sustainably by core technology and product
2. Focus on strengthening management base which support business within 3 years

① Valuable cost reformation

② Structural reform for man-hour and resource

Smart manufacturing, (utilize IoT, AI and Robot)
 Robotization in back office dept. (introduce RPA)

③ Enhance SCM and concentrated investment

Use new core IT system, efficient stock management and shortening LT, intensively invest high value added products

- I. Outline and Business Management Policy in FY2020
- II. Financial Results for FY2019

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★Financial Results for FY2019 Key Factors

- 1. Consolidated Statements of Operation**
- 2. Net Sales by Region**
- 3. Net Sales and Operating Income by Business Sector**
- 4. Results by Business Sector (Quarterly Trend)**
- 5. Analysis of Operating Income**
- 6. Net Sales and Operating Income by Company Location**
 - (1)Japan, Americas**
 - (2)Europe, Asia & Others**
- 7. Inventories**
- 8. Capital Expenditure and Depreciation**
- 9. Interest-Bearing Debt**
- 10. Cash Flows**

Financial Results for FY2019 : Key Factors

FY2019 Results

- ◇ Net sales: ¥651.5bn, a -¥82.1bn decrease year-on-year
(Excl. forex, decrease -¥64.9bn)
- ◇ Operating income: ¥7.1bn, a -¥19.9bn decrease year-on-year
(Excl. forex, decrease -¥17.2bn)
- ◇ Ordinary income: -¥1.7bn, a -¥23.9bn decrease year-on-year
(Excl. forex, decrease -¥21.2bn)
- ◇ Extraordinary income/loss: -¥32.3bn (including impairment loss: ¥29.0bn)
- ◇ Net income: ¥-44.0bn, a -¥37.0bn decrease year-on-year
(Excl. forex, decrease -¥35.3bn)
- ◇ Planned fiscal year-end dividend of ¥0 (Annual: ¥5)

FY2020 Forecast

Forecast for FY2020 has not been determined because a reasonable earning forecast cannot be calculated at the present time due to the effects of the new coronaviruses.

1. Consolidated Statements of Operation



(billion yen)

		FY2018	FY2019	Year on Year		
		Results	Results	FY2019		
		①	②	②-①		
				Total	Volume	Forex
Net sales		733.6	651.5	-82.1	-64.9	-17.1
Operating income		26.9	7.1	-19.9	-17.2	-2.7
Operating margin		(3.7%)	(1.1%)	(-2.6%)		
Ordinary income		22.2	-1.7	-23.9	-21.2	-2.7
Extraordinary income/loss		-19.3	-32.3	-13.0	-13.2	0.2
Net income attributable to shareholders (parent company)		-7.0	-44.0	-37.0	-35.3	-1.7
Exchange rate	US \$	110.9	108.7	-2.2		
	EURO	128.4	120.8	-7.6		

Breakdown of Asset Impairment

- ◇ Impairment loss in FY2018: **¥17.0bn**
 - Japan **¥17.0bn**
 - NTN (non-consolidated): **¥5.3bn**
 - Affiliated company: **¥11.7bn**(5 companies)

- ◇ Impairment loss in FY2019: **¥29.0bn**
 - Japan **¥22.0bn**
 - NTN (non-consolidated): **¥12.7bn**
 - Affiliated company: **¥9.3bn**(8 companies)
 - Overseas **¥7.0bn**
 - Americas: **¥5.5bn**(1 company)
 - Europe: **¥1.5bn**(1 company)

2. Net Sales by Region

(billion yen)

	FY2018	FY2019	Year on Year		
	Results	Results	FY2019		
	①	②	②-①		
			Total	Volume	Forex
Japan	207.2	198.0	-9.3	-9.3	-
Americas	201.5	174.3	-27.2	-23.1	-4.0
Europe	167.8	140.8	-27.0	-18.2	-8.8
Asia and others	157.0	138.4	-18.7	-14.3	-4.3
Total	733.6	651.5	-82.1	-64.9	-17.1

3. Net Sales and Operating Income by Business Sector

< Net Sales by Business Sector >

(billion yen)

	FY2018	FY2019	Year on Year		
	Results	Results	FY2019		
	①	②	②-①		
			Total	Volume	Forex
Aftermarket	118.8	109.4	-9.4	-6.0	-3.4
Industrial machinery	123.4	105.1	-18.3	-15.6	-2.7
Automotive	491.3	437.0	-54.3	-43.3	-11.0
Total	733.6	651.5	-82.1	-64.9	-17.1

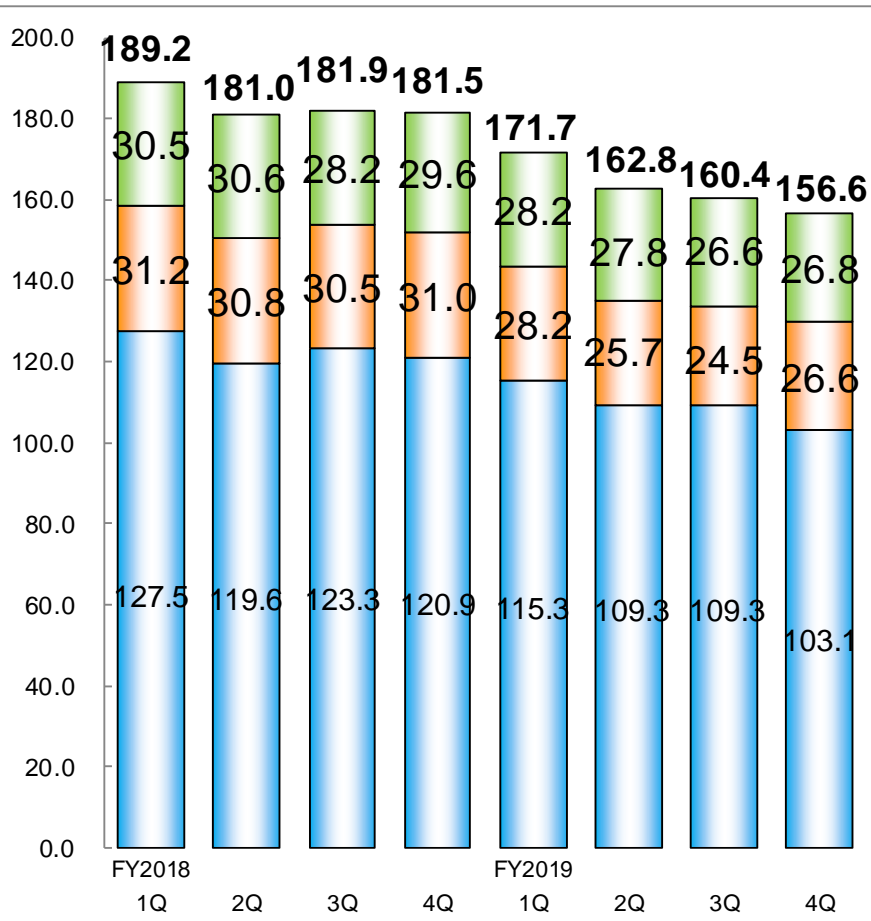
< Operating Income by Business Sector >

	FY2018	FY2019	Year on Year
	Results	Results	FY2019
	①	②	②-①
Aftermarket	15.2	12.7	-2.4
Industrial machinery	3.1	-2.0	-5.1
Automotive	8.7	-3.7	-12.3
Total	26.9	7.1	-19.9

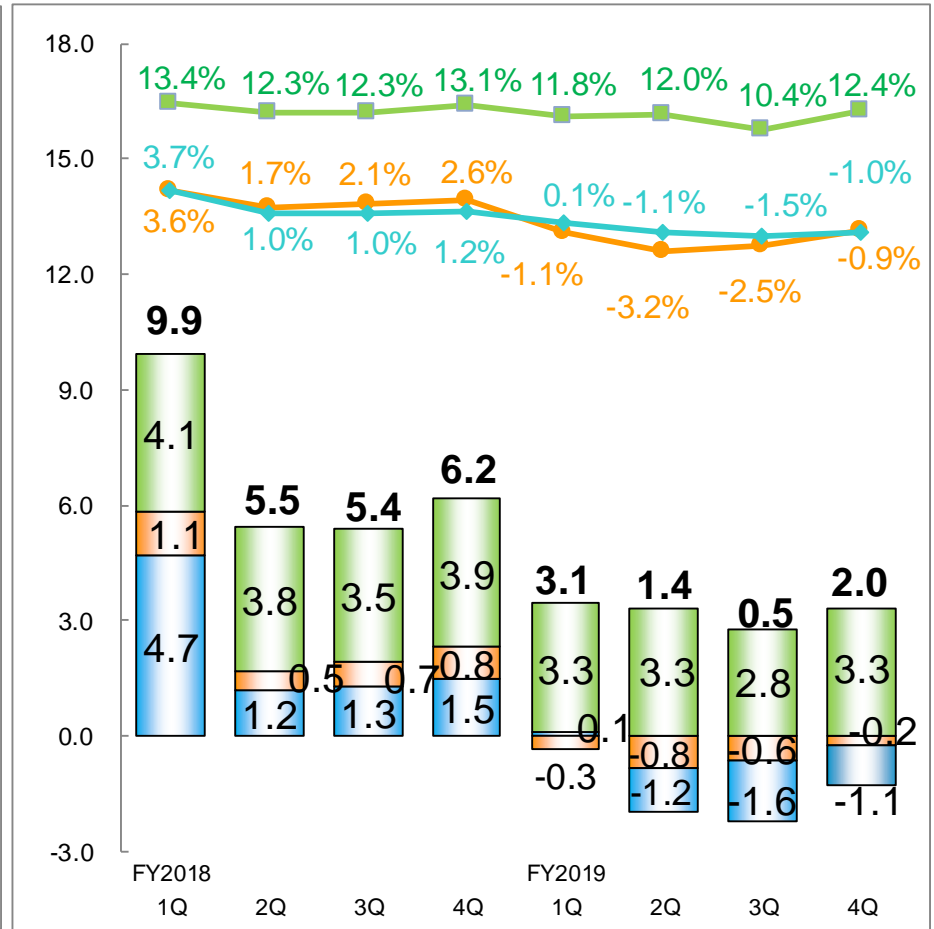
4. Results by Business Sector (Quarterly Trend)

■ Automotive
 ■ Industrial machinery
 ■ Aftermarket

Net Sales

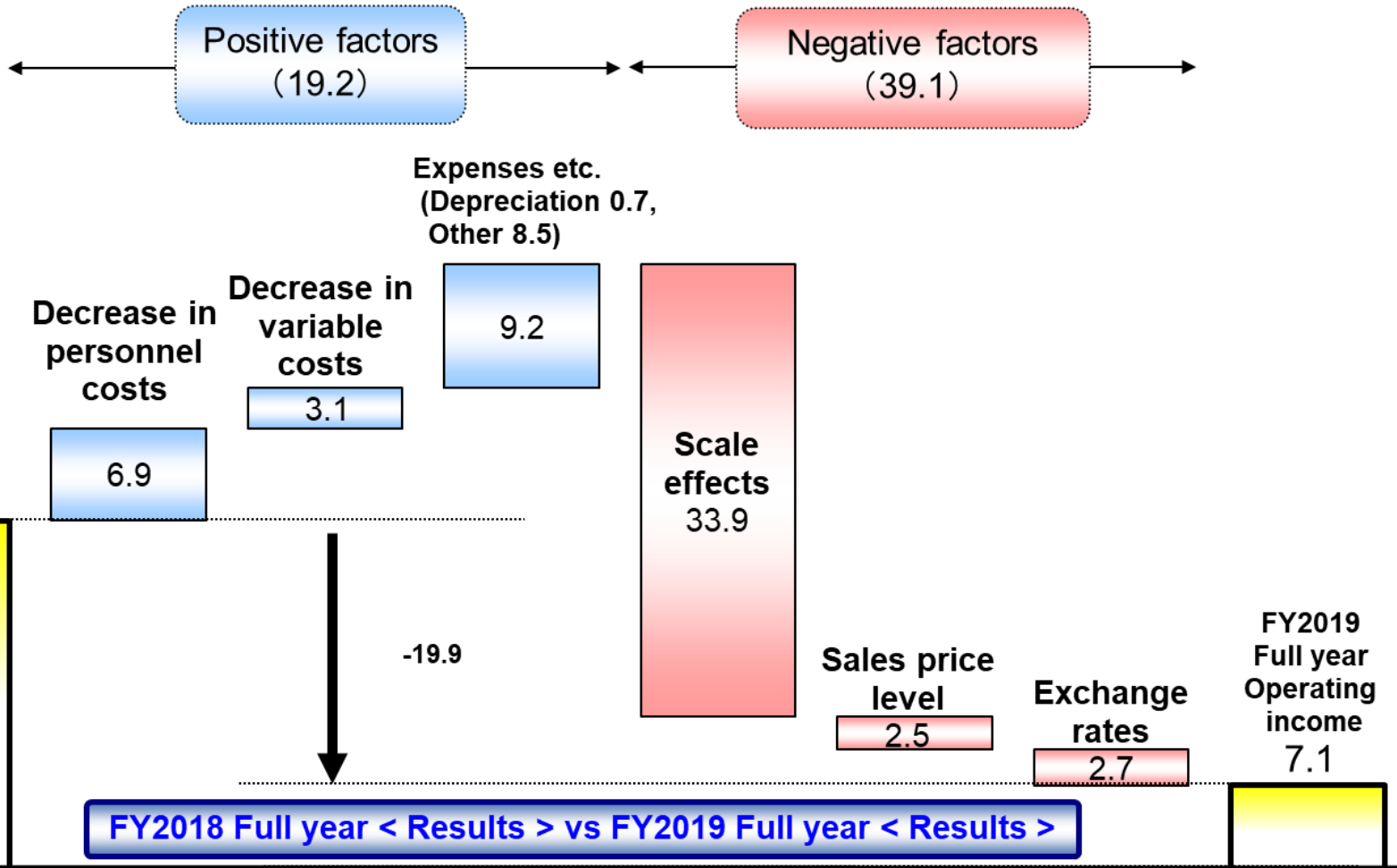


Operating Income/ Operating Margin



5. Analysis of Operating Income (FY2019)

* All figures in billion yen.

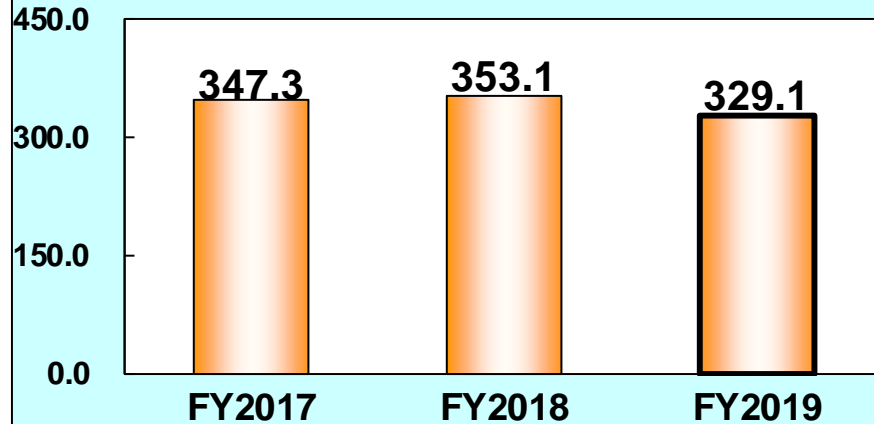


6. Net Sales and Operating Income by Company Location

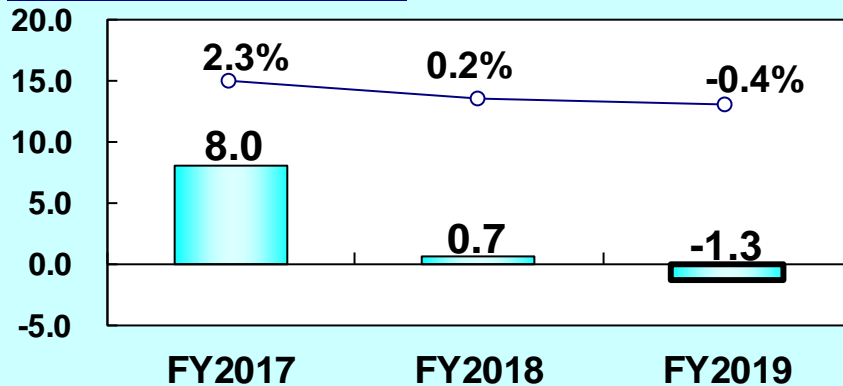
* All figures in billion yen

《 Japan 》

Net Sales

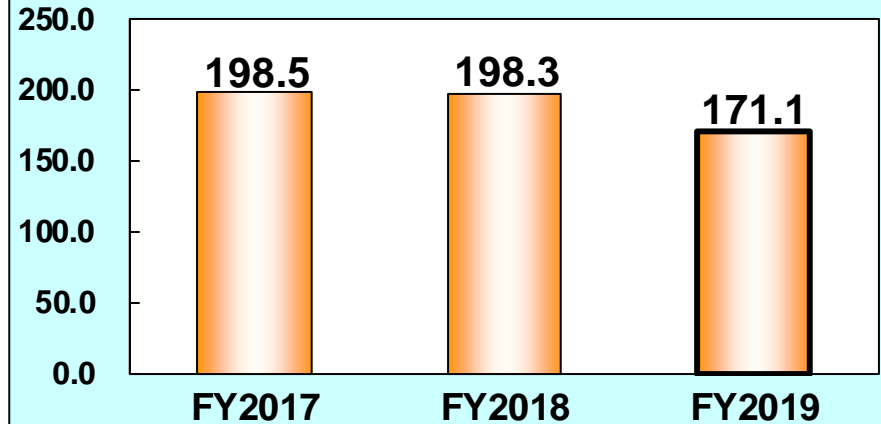


Operating Income

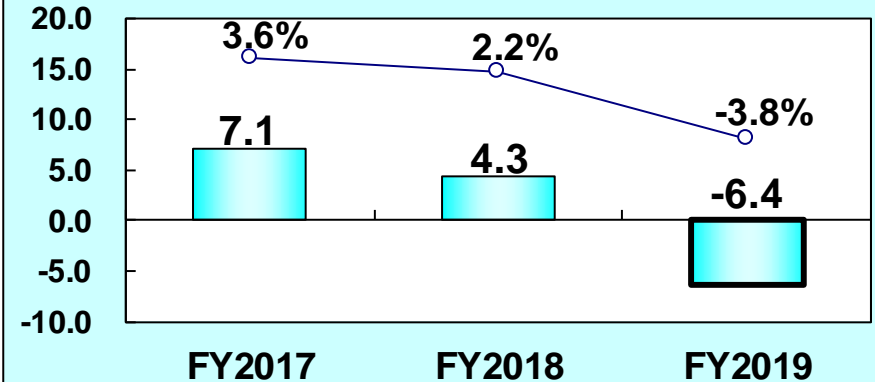


《 Americas 》

Net Sales



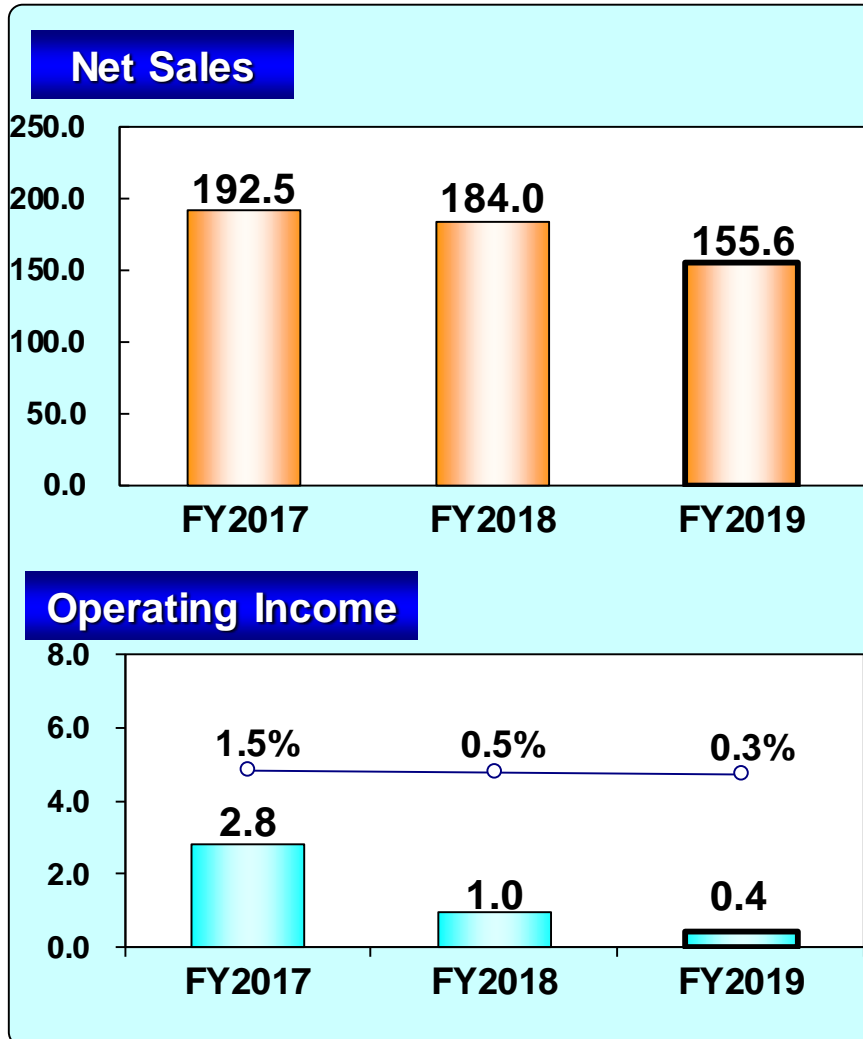
Operating Income



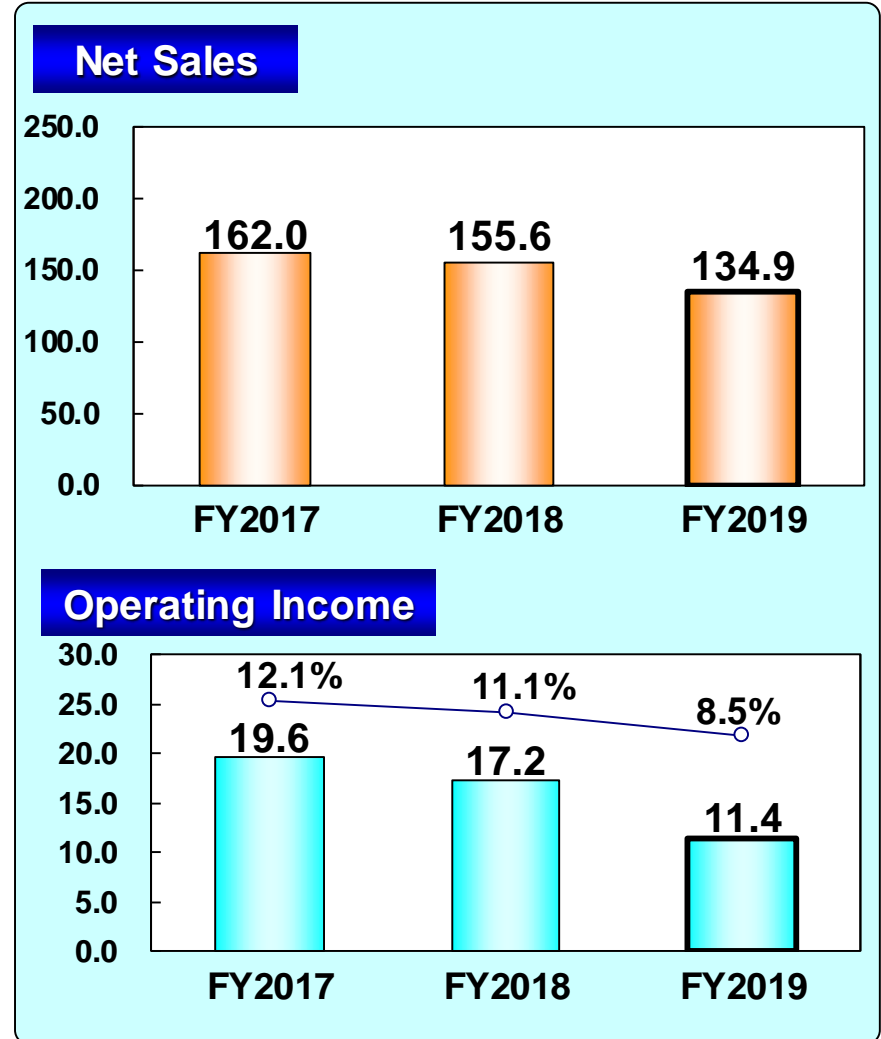
6. Net Sales and Operating Income by Company Location

* All figures in billion yen

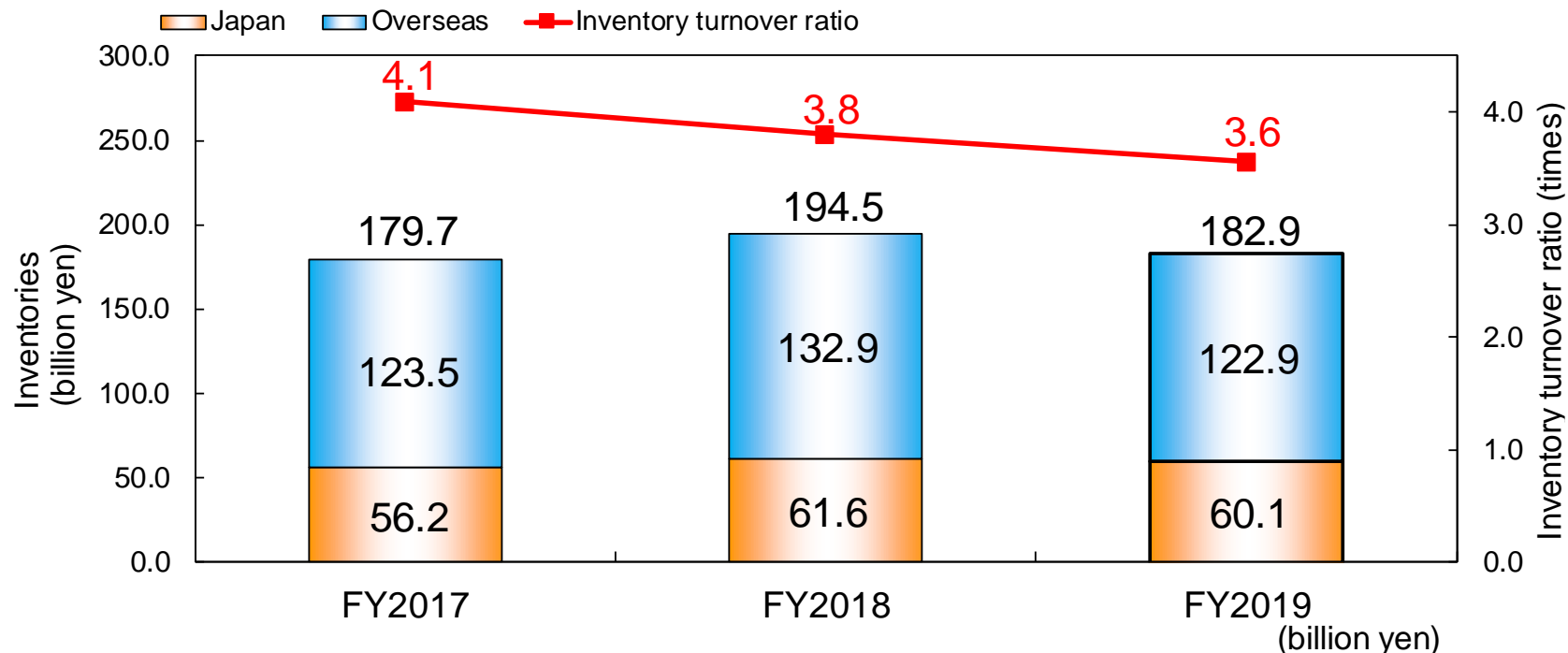
《 Europe 》



《 Asia and others 》

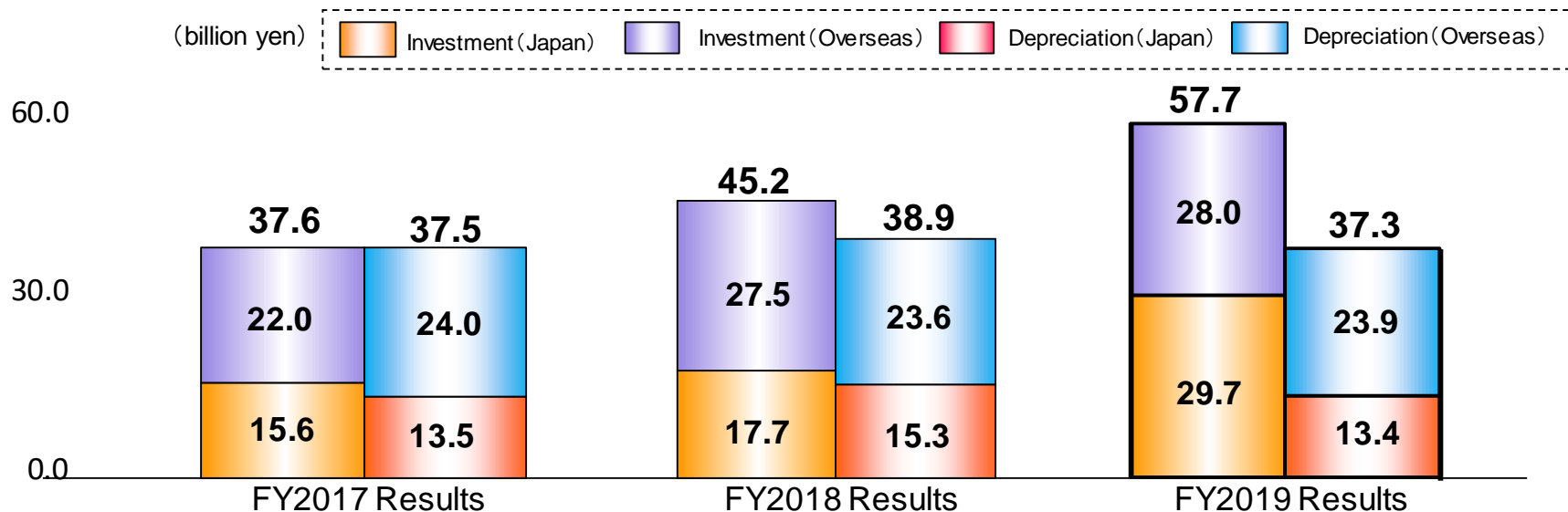


7. Inventories



	FY2017 Results	FY2018 Results	FY2019 Results
Inventories	179.7	194.5	182.9
(Overseas)	(123.5)	(132.9)	(122.9)
(Japan)	(56.2)	(61.6)	(60.1)
Inventory	4.1	3.8	3.6

8. Capital Expenditure and Depreciation

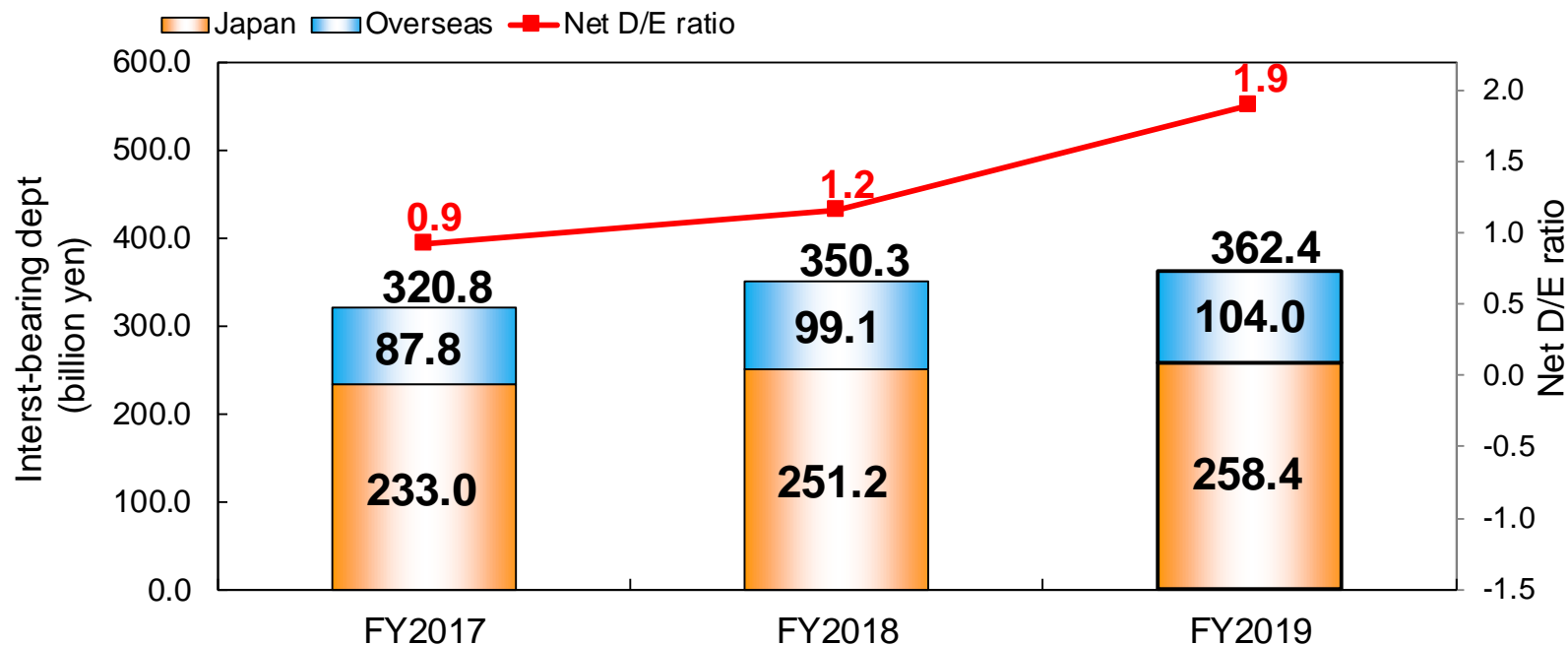


	FY2017 Results	FY2018 ①Results	FY2019 ②Results	(billion yen) ②-①
Capital expenditure	37.6	45.2	※ 57.7	12.5
(Overseas)	(22.0)	(27.5)	(28.0)	(0.5)
(Japan)	(15.6)	(17.7)	(29.7)	(12.0)

※ In addition, capital expenditure of ¥9.9 billion of intangible fixed assets

	FY2017 Results	FY2018 ①Results	FY2019 ②Results	(billion yen) ②-①
Depreciation	37.5	38.9	37.3	-1.6
(Overseas)	(24.0)	(23.6)	(23.9)	(0.2)
(Japan)	(13.5)	(15.3)	(13.4)	(-1.9)

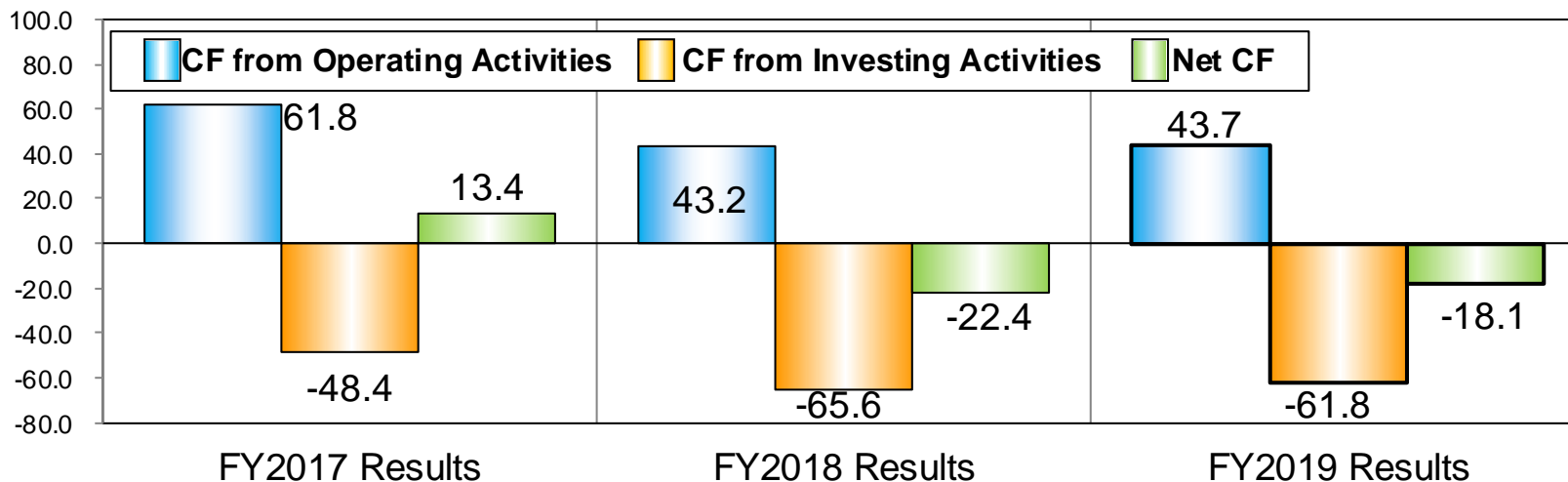
9. Interest-Bearing Debt



	(billion yen)		
	FY2017 Results	FY2018 Results	FY2019 Results
Interest-bearing debt	320.8	350.3	362.4
(Overseas)	(87.8)	(99.1)	(104.0)
(Japan)	(233.0)	(251.2)	(258.4)
Net Interest-bearing debt	234.7	266.9	291.3

10. Cash Flows

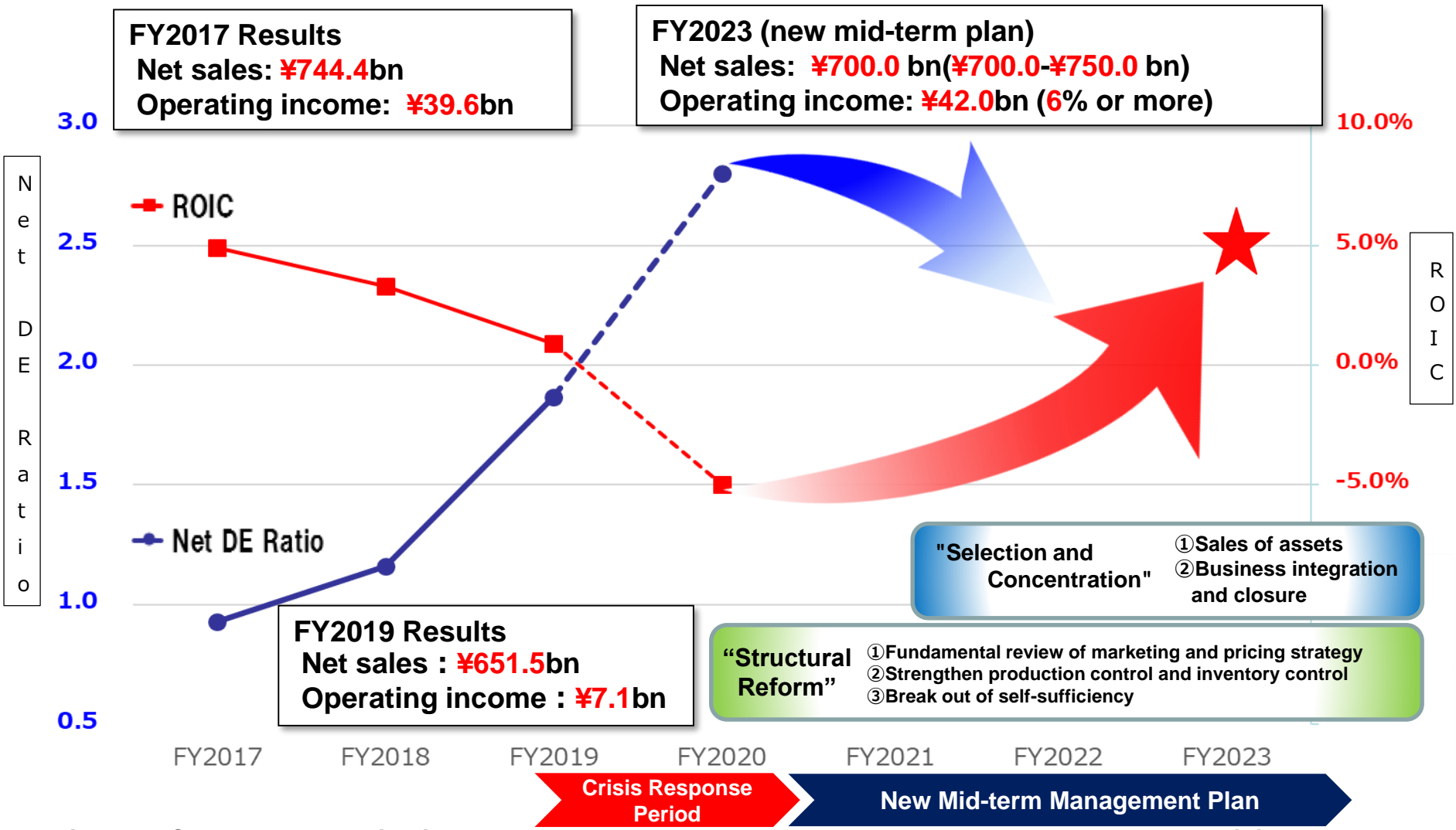
(billion yen)	FY2017 Results	FY2018 ①Results	FY2019 ②Results	②-①
I . Cash flow from operating activities	61.8	43.2	43.7	0.5
II . Cash flow from investing activities	-48.4	-65.6	-61.8	3.8
I + II . Net cash flow	13.4	-22.4	-18.1	4.3
III . Cash flow from financing activities	-7.5	20.7	7.4	-13.3
IV . Effect of exchanging rate translation on cash and cash equivalents	0.9	-1.0	-1.7	-0.7
V . Net increase in cash and cash equivalents	6.8	-2.6	-12.3	-9.7



11. NTN Revitalization Scenario

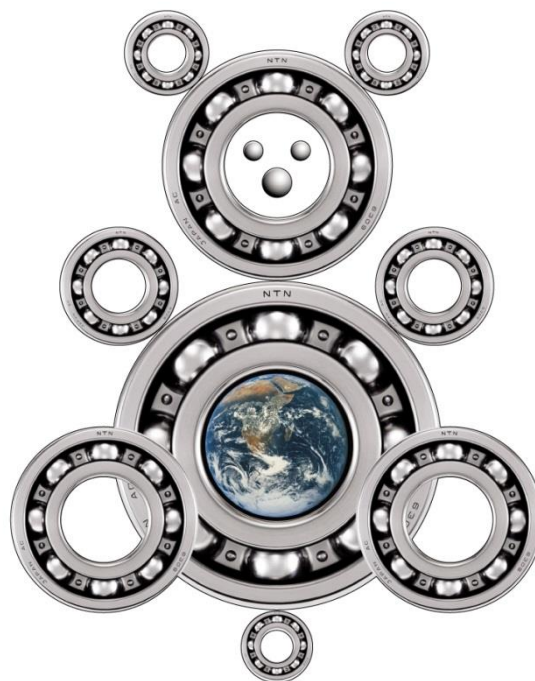


- Toward Corporate Value Creation (ROIC 5% or More)-



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.

**DRIVE
NTN100**



For New Technology Network

NTN®

NTN corporation

Digitalization, **R**esources, **I**nnovation, **V**ariable cost reformation, **E**fficiency improvement

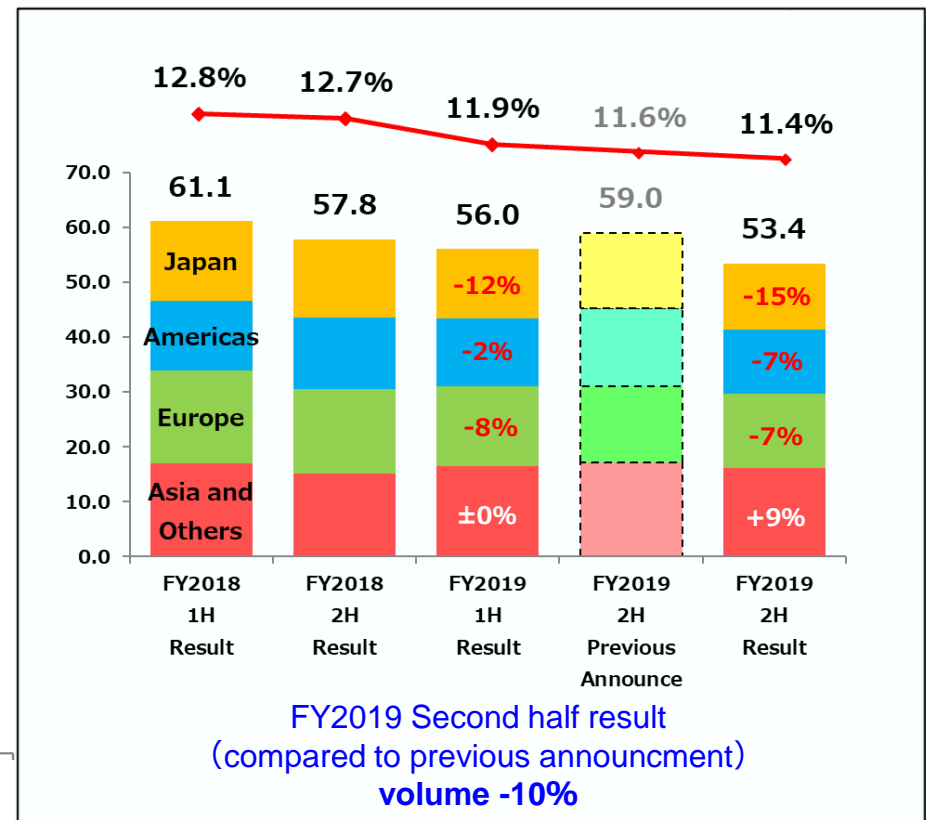
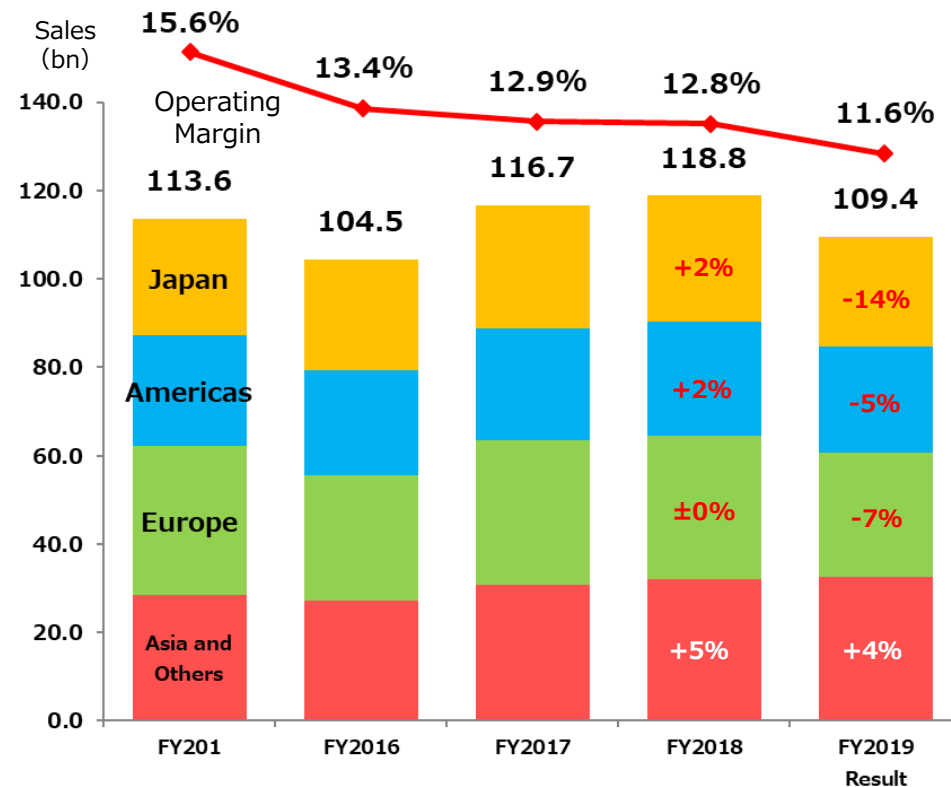
NTN **T**ransformation for **N**ew **100**years

Reference Aftermarket Business: Actual Results for FY2019

<Results for FY2019 (compared with FY2018)>

Net Sales: ¥109.4bn, Operating Income: ¥12.7bn

- Industrial machinery aftermarket and automotive aftermarket both decreased year-on-year in Japan, Americas and Europe due to the sluggish market
- Business activity was restricted and demand dropped in some areas in 4Q due to the spread of new corona virus

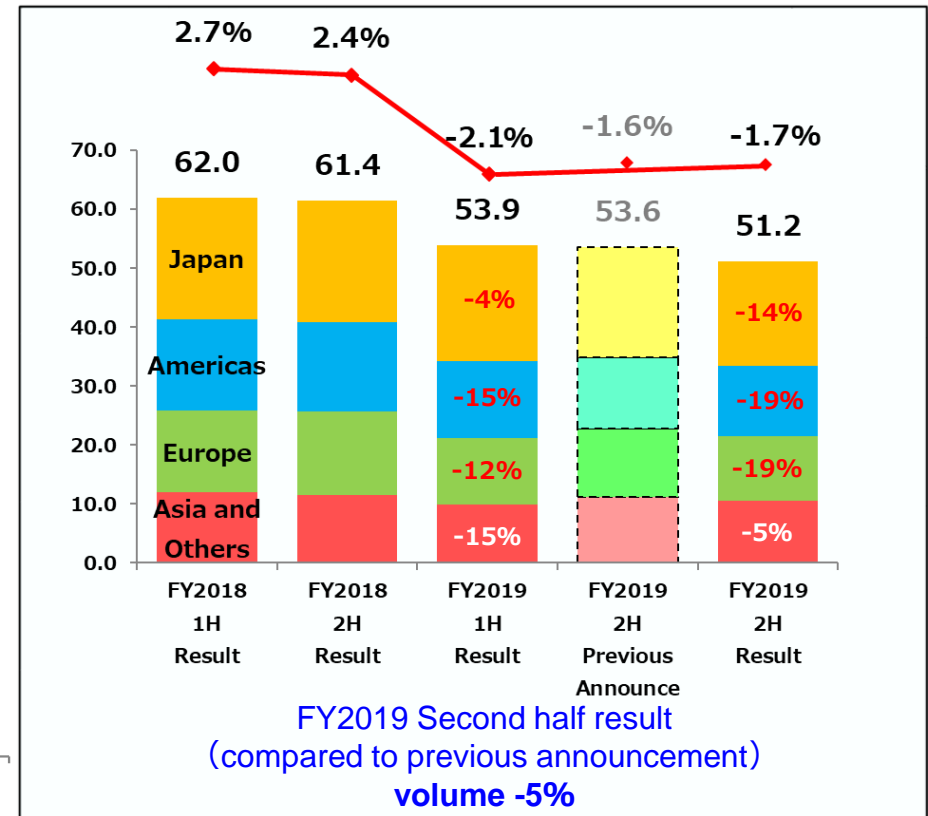
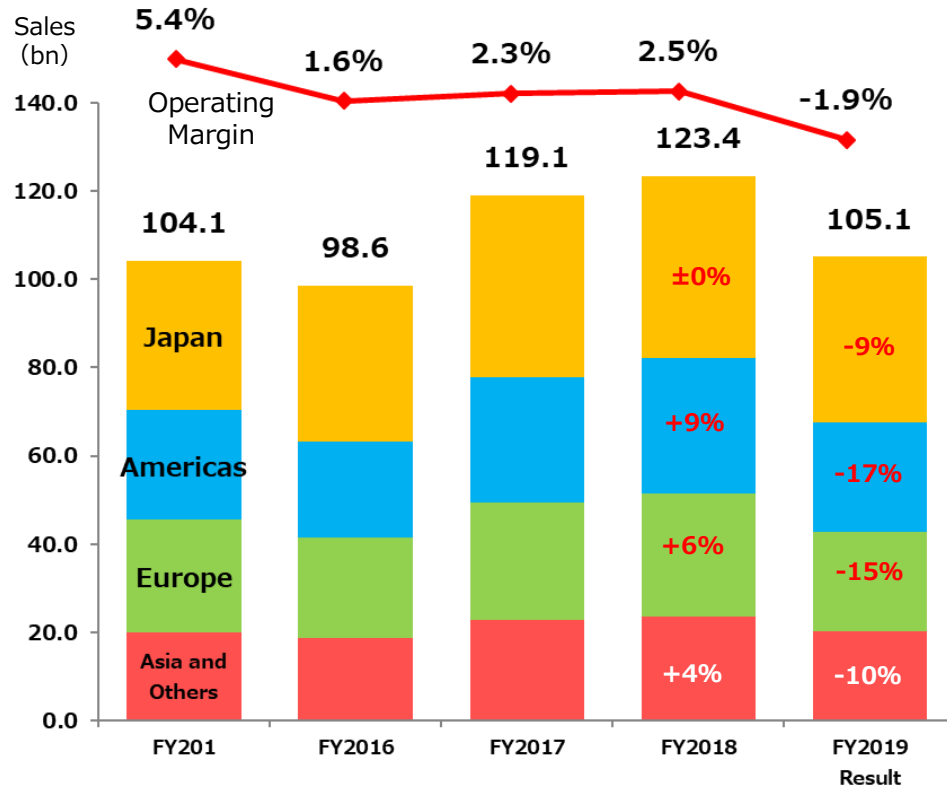


Reference Industrial Machinery Business : Actual Results for FY2019

<Results for FY2019 (compared with FY2018)>

Net Sales: ¥105.1bn, Operating Income: -¥2.0bn

- Sales declined in almost all major industries, including construction machinery, agricultural machinery, and gearbox, and profits declined due to a decline in scale
- Demand has declined since 4Q due to customer shutdowns and supply chain disruptions caused by the outbreak of the new coronavirus



Reference Automotive Business : Actual Results for FY2019

<Results for FY2019 (compared with FY2018)>

Net Sales: ¥437.0bn, Operating Income: -¥3.7bn

- Lower than the previous year due to the impact of sluggish vehicle sales in all regions of Japan, Americas, Europe, Asia, and China
- Demand has been declining in China and other regions since 4Q due to the shutdown of vehicle production caused by the new coronavirus

