

NTN Corporation Q&A Summary of FY2021 IR meeting **(Year ended March 31, 2022)**

Q1. How feasible is that to achieve passing on selling price regarding cost increases in steel, freight, electricity, gas, and labor costs?

A1. The rise in the purchase price of raw materials and others is far beyond what we can offset by cost reduction. We are negotiating with our customers to reflect the cost increase in price. This is not only our own activities, but many suppliers are doing the same. Although it is not a difficult situation for us to negotiate with customers, we do carefully explain the details of the cost increase and ask for the customer's understanding.

Q2. How do you think of the future of the automotive business? Your company will promote to improve profits by passing on selling price in FY2022. How about after FY2023, taking into account the further shift to EVs in the future?

A2. Driveshafts and hub bearings account for 80% of the net sales in automotive business. Both are important products that support drivetrains. In the automotive market, the shift to EVs is accelerating, and sales of large vehicles such as SUVs and pickup trucks are strong, and driveshafts are also becoming larger in size as a result. As the driving source changes from engine to motor, the input torque characteristics to the drivetrain will change (the torque increases), resulting in larger driveshafts. At the same time, quietness and weight reduction are also required. In the past, many of our products were small in size. With the shift to EVs, we expect to be in a position to take advantage of our technological capabilities and demonstrate our competitiveness.

Regarding hub bearings, we are developing eHUB, sHUB, and Ra-sHUB by utilizing technologies cultivated through the development of In-wheel motors. The added values such as energy regeneration, driving assist, and steering function have been well received by customers. We consider that the product mix will change with these larger products and new products, and that profits will improve more than before.

In the e-Axle, which integrates a motor and reduction mechanism, the output shaft of the motor becomes high-speed. Therefore, with regard to bearings, we can take advantage of our competitive high speed rotational technology.

Q3. Why did you decide and what was on the background behind the resumption of the dividend of 5.0 yen for FY2022?

A3. We have explained that during the three years of our medium-term management plan, we would proceed with measures to revitalize NTN and resume dividend payments starting with the interim dividend in the second year. This is in line with the revitalization scenario we planned. We are seeing results even as the external environment is changing dramatically compared to the past. Therefore, we have made a decision that we will be able to resume dividend payments from the second year of the medium-term management plan as promised.

Q4. Do you feel more certain toward NTN revitalization?

A4. We have technologies, manufacturing, and development capabilities that compete at high level with global competitors. Although we have focused on the aftermarket business to date, we have not established an integrated system that can expand sales from the manufacturing level. Therefore, we are currently strengthening it and implementing reforms.

In addition, the automotive business, which accounts for 70% of the net sales, is a pillar of our business. With driveshafts and hub bearings at the core, we will continue to offer products that generate steady incomes. We are transforming ourselves so that we can achieve revitalization and return to our stakeholders.

Q5. Regarding profit and loss by region, what is the reason why operating income does not increase while sales in Asia and others increase?

A5. Other segments in Asia and others include China. Competition is intensifying in China due to the appearance of low-priced products. Compared with other regions, there is a change in the competitive environment.

Q6. How do you think of the sales ratio of the automotive business and others in the future?

A6. Our major policy is to increase sales in the aftermarket business. Though it can not be easily increased, we consider the aftermarket business for industrial machinery interesting. The industrial machinery aftermarket business and the industrial machinery OEM business is like two sides of the same coin. When we sell products at aftermarket price with cost for OEMs, we can make a profit. There is no business that manufactures and sells products only for aftermarket. We will continue with businesses for OEMs that can take advantage of our engineering capabilities and ensure profits. A certain percentage in a certain year is just the result of our activities. We are aiming to increase the ratio of aftermarkets business by making sure that our mass-produced products are profitable. In the next medium-term management plan, we hope to achieve a aftermarket business ratio of 30%.

Q7. How will you make a stable positive contribution to free cash flow?

A7. We invest within the scope of operating cash flow and take other measures thoroughly as usual. The idea is that free cash flow should always be positive, and we adjust the investment amount by looking at changes in the environment.

Q8. I think there are many projects that you would like to invest in, such as environmental responsiveness, ESG, DX, etc. What are your thoughts?

A8. What to invest in is a big issue. The biggest issue is investing for carbon neutrality. We are also collecting information on customer trends and responding to them. These will be carried out based on the backcasting approach. We aim to achieve carbon neutrality by working backward from the target fiscal year to examine which measures to be taken by when and consider what to invest in.