

The Next **NPR**

FY3/2022 Financial Results Briefing

June, 2022

Nippon Piston Ring Co., Ltd.

1. Consolidated financial results for FY3/22
 2. Forecasts of consolidated earnings for FY3/23
 3. Management strategy
- 【Reference】 Company profile

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Consolidated financial results for FY3/22 /Comparing profit and loss by year

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- ◆ Demands in the global automotive industry showed signs of recovery, and sales and profit greatly increased from the previous year despite the impact of production adjustments by automobile manufacturers.
- ◆ We upwardly revised the forecasts twice, and raised the year-end dividend because of the progress in cost-reduction activities and weak yen compared to the expected exchange rates.

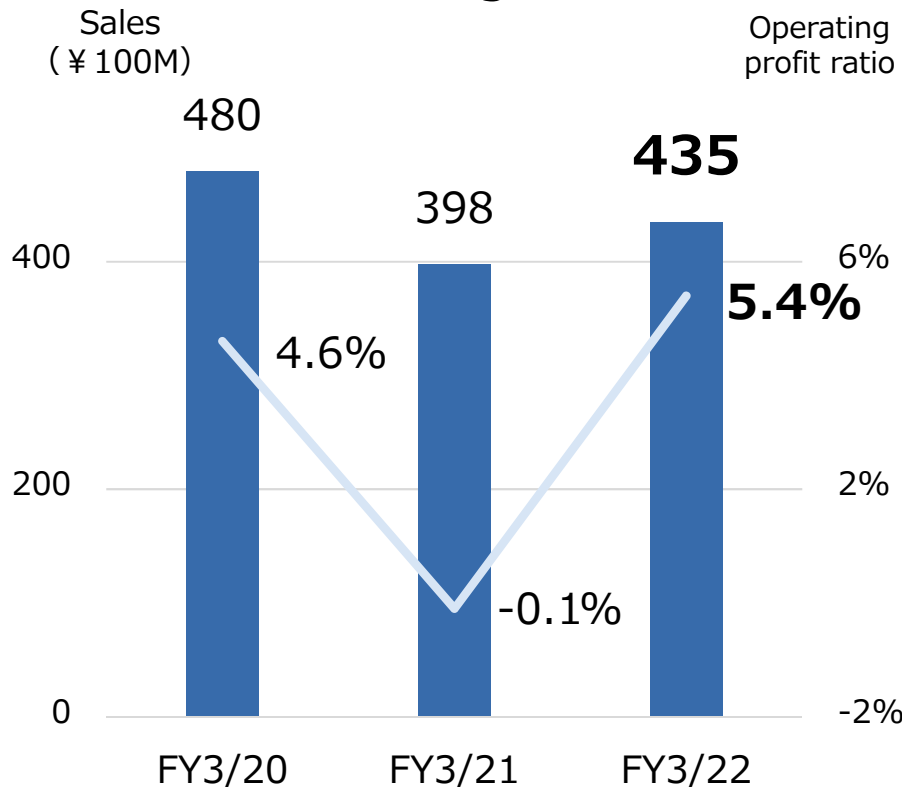
(Unit : ¥100M)

	FY3/21 Results(a)	FY3/22 Initial forecast	FY3/22 Results(b)	Year-on-year changes (b-a)
Net sales	453	500	508	55
Operating profit	△2 (△0.4%)	21 (4.2%)	26 (5.2%)	28 (5.6%)
Ordinary profit	4	21	31	27
Profit attributable to owners of parent	△8	13	19	27
Exchange rate				
USD/JPY	106.76	105	109.90	3.14
EUR/JPY	121.88	125	129.91	8.03
Dividend per share	¥ 20	¥ 60	¥ 70	¥ 50
R O E	△2.8%		6.2%	9.0%

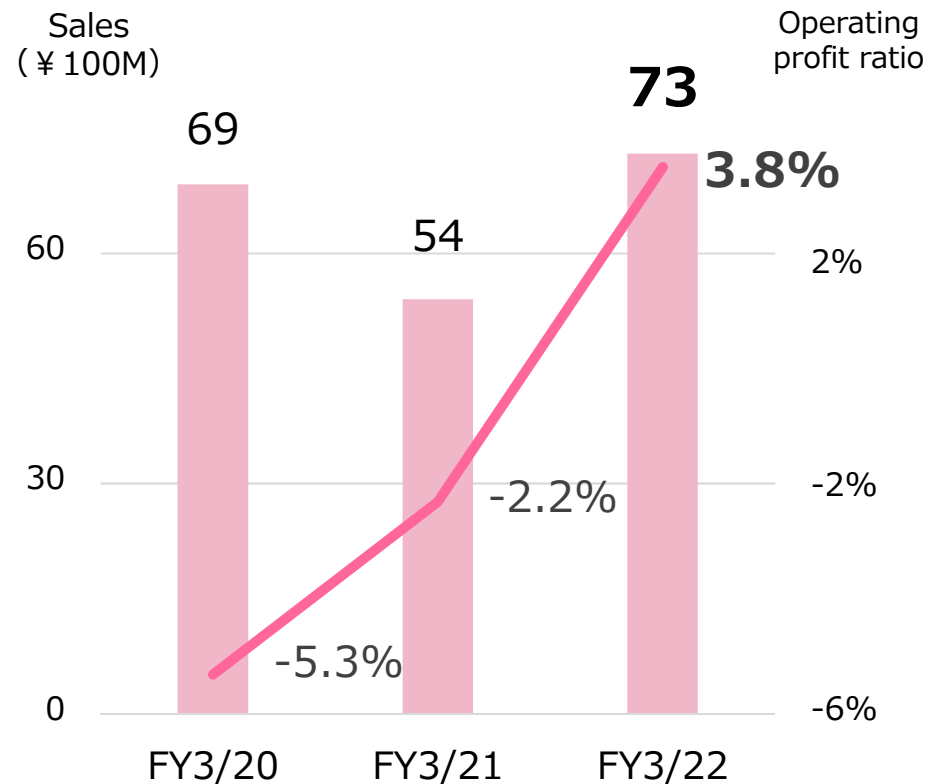
Consolidated financial results for FY3/22 /Profit and loss by segment

- ◆ Sales and profit increased from the previous year in both segment, and a stable revenue base has been established.
- ◆ Non-automobile engine business became profitable as a result of strengthening of profitability in piston rings for marine engine and increased demand for METAMOLD products (metal powder injection molding parts) used for industrial equipment.

<Automobile engine business>

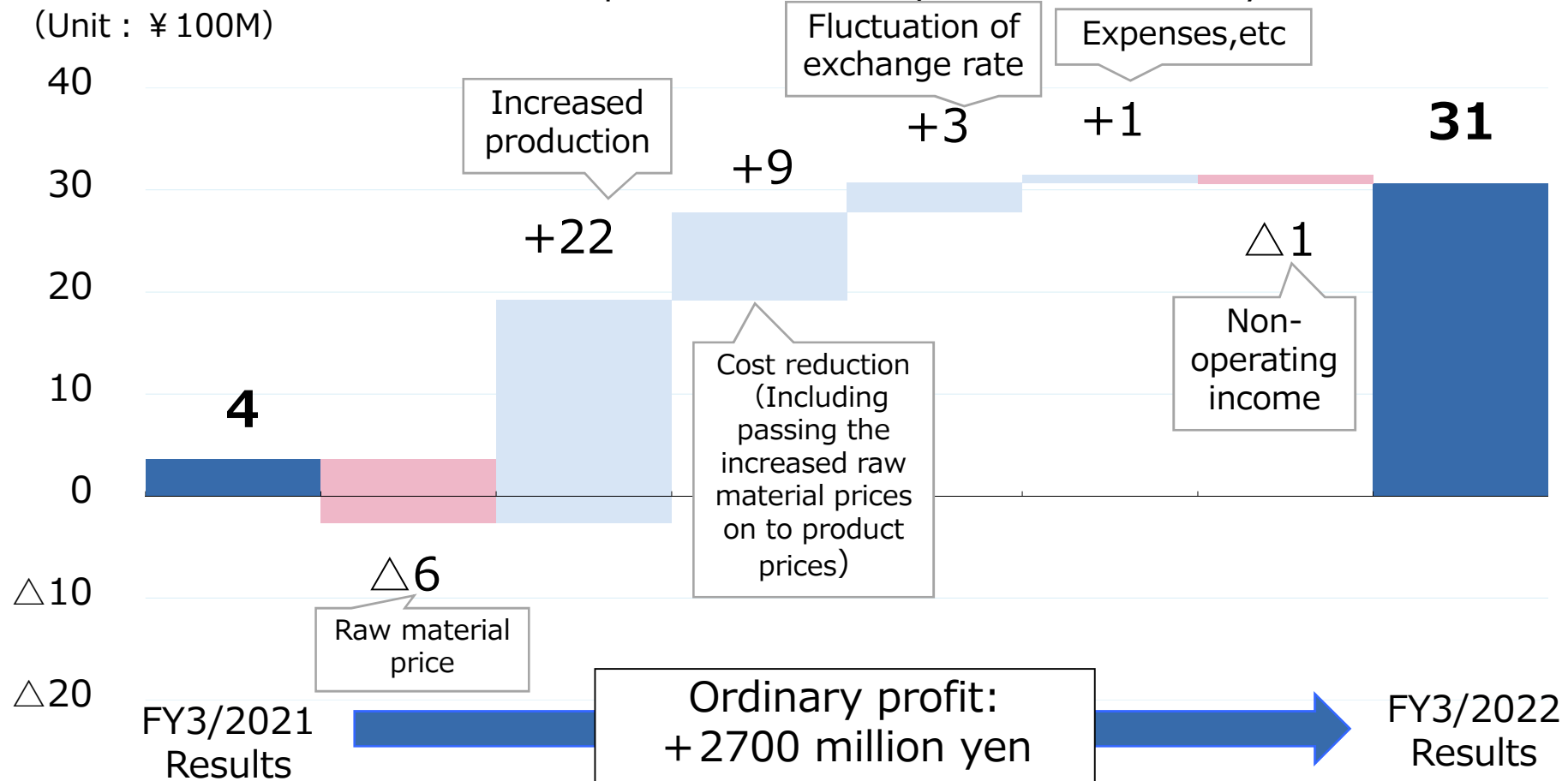


<Non-automobile engine business>



Consolidated financial results for FY3/22 /Factors affecting changes in ordinary profit

- ◆ Ordinary profit greatly increased as a result of the progress in cost reduction activities, such as improving productivity and effective use of expenses, in addition to the effect of increased production.
- ◆ As for the increases in raw material prices, we have been negotiating with customers for passing the increases on to product prices, but all of the increase could not be covered as the pass-on was delayed for about half year.



Consolidated financial results for FY3/22 /Balance sheet

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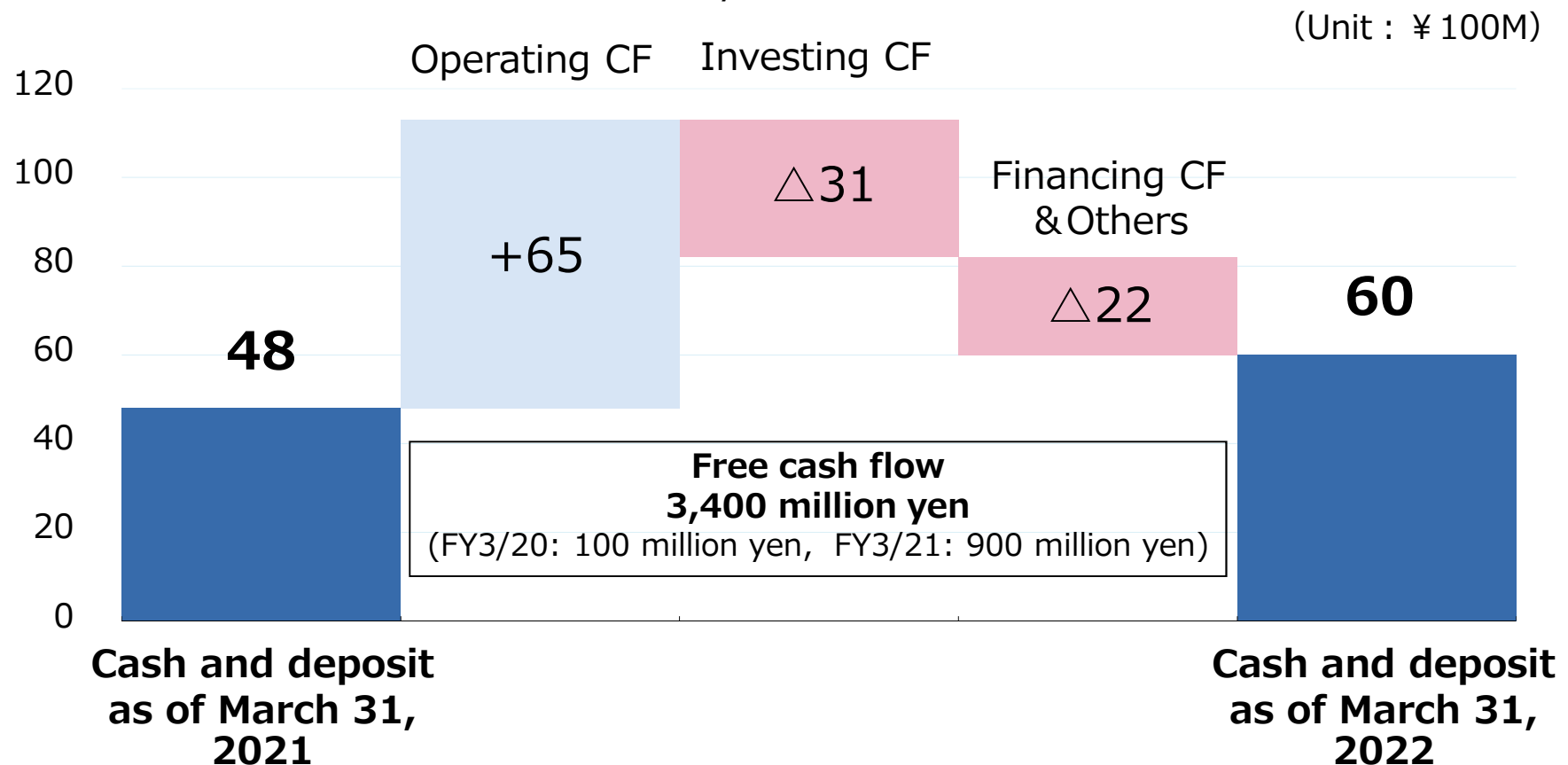
- ◆ At the end of FY3/22, total assets increased from end of FY3/21. The factor is that inventories increased due to production adjustments, long lead times caused by logistics disruption, and soaring raw material prices.
- ◆ Interest-bearing debt, equity-to-asset ratio and net debt-equity ratio improved from previous year, and a stable financial position was maintained.

(Unit : ¥ 100M)

	End of FY3/21	End of FY3/22	Year-on-year changes
Cash and deposits	48	60	12
Trade receivables	105	111	6
Inventories	95	113	18
Fixed assets	357	372	15
Total assets	618	674	56
Payable	68	86	18
Interest-bearing debt	171	150	△21
Total liabilities	315	324	8
Net assets	303	350	47
Equity-to-asset ratio	46.4%	49.2%	2.8%
Net debt-equity ratio	0.43times	0.27times	△0.16times

Consolidated financial results for FY3/22 /Cash flow

- ◆ The free cash flow increased as a result of the improvement of profit situation. Also, the cash and deposit increased 1,200 million yen from previous year.
- ◆ As for the financing cash flow, we repaid the debt which was borrowed for risk countermeasures in FY3/21.



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Forecasts of consolidated earnings for FY3/23 /Assumptions

- ◆ In the global economy, uncertainty is higher than in past years due to the shortage of parts including semiconductors, rising resource prices, and situation of Ukraine.
- ◆ As for the order environment, production adjustments by automobile manufacturers are continuing. The factors described below are reflected in the forecasts.

<Factors of fluctuations>

External factor	<ul style="list-style-type: none"> • Covid-19 • Shortage of semiconductor 	<ul style="list-style-type: none"> • Reduced productions by some automobile manufacturers • Recovered production in second half of FY3/22 is forecasted
	Russia-Ukraine conflict	<ul style="list-style-type: none"> • Decreased demand in Europe
Internal factor	New business	<ul style="list-style-type: none"> • Made Normeca Asia Co., Ltd.(trading company specializing in equipment for disaster medicine) a wholly-owned subsidiary

◆ Assumed Exchange rate: USD=¥115, EUR=¥130

We assume the exchange rate higher than the approximate rate.

Forecasts of consolidated earnings for FY3/23 /Comparing profit and loss by year

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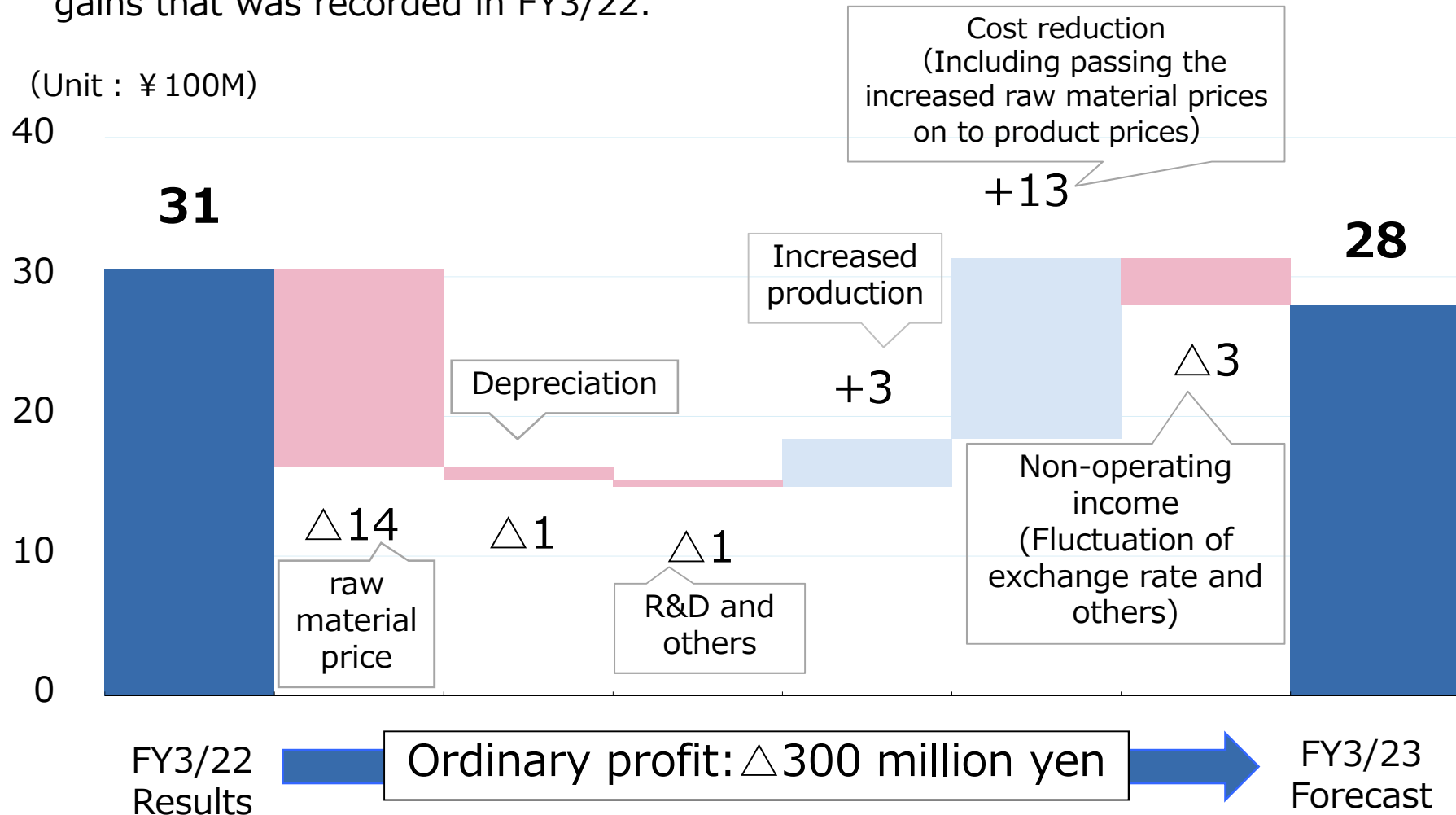
- ◆ Sales and Operating profit are forecasted to increase from FY3/22.
- ◆ Dividends per share will be ¥ 70 based on the profit-loss situation and our dividend's policy.

(Unit : ¥ 100M)

	FY3/22 Results	FY3/23 Forecasts	Year-on-year changes
Net Sales	508	550	+42
Operating profit	26 (5.2%)	27 (4.9%)	+ 1 (△0.3%)
Ordinary profit	31	28	△3
Profit attributable to owners of parent	19	19	△0
Exchange rate USD/JPY	109.90	115	5.10
EUR/JPY	129.91	130	0.09
Dividends per share	¥ 70	¥ 70	-

Forecasts of consolidated earnings for FY3/23 /The factors affecting changes in ordinary profit

- ◆ Increased raw material price is forecasted to be offset by increased production and cost reduction, and the operating profit is forecasted to increase year on year.
- ◆ Ordinary profit is forecasted to decrease because of a drop in foreign exchange gains that was recorded in FY3/22.



Forecasts of consolidated earnings for FY3/23

/Capital investment · Depreciation · R&D expenses

- ◆ Capital investment: Mainly for rationalization of production and R&D in Japan, and for increased production in overseas. Also, focus on the investments for DX and environmental investment which contribute to the reduction of CO₂ emissions.
- ◆ R&D expenses : Actively allocate to differentiating existing products & developing new products and business. (Unit : ¥ 100M)

	FY3/21 Results	FY3/22 Results (a)	FY3/23 Forecasts (b)	Changes (b-a)
Capital investment	26	28	49	+ 21
Depreciation	41	42	43	+ 1
R&D expenses	16	18	19	+ 1
Ratio of R&D expenses to sales	3.6%	3.5%	3.4%	

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Politics

- Exhaust gas regulations (CO2 issues)
- Reform workstyles
- Trade friction between US & china
- Energy issue



Economy

- Money tightening
- Inflation
- ESG investment
- Job creation



Society

- Carbon-free society
- Respect for human rights
- Natural disaster
- New normal (Covid-19 pandemic)



- ◆ **Contribute to environment**
- ◆ **Cost down**
- ◆ **Technical solution**
- ◆ **Global support**

Technology

- Conversion to electric vehicles
- CASE
- Digital transformation (cloud/IoT/AI)



- ✓ Vehicles equipped with internal combustion engine (ICE) are decreasing, and composition of power train is changing.
- ✓ In response to global warming and energy issues, introduction of new environmental regulations and movement for electrification of mobility is getting faster.
- ✓ Demand for vehicles is forecasted to increase mainly in emerging countries.
- ✓ On the other hand, hydrogen fueled internal combustion engine and e-fuel engine has been developing, and ICE has still possibilities as one of the choice for next-generation mobility.

Long-term vision
Mid-Term Management Plan

Management strategy /Long-term Vision · Mid-Term Management Plan

The Next **NPR**

- ◆ Formulated the 8th Mid-Term Management Plan based on "The Next NPR" 2030 as our long-term vision.



<Management target>

Net sales	54 billion yen or more	100 billion yen or more
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Operating Income Margin	8% or more	10% or more
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Percentage Net Sales from Non-automobile Engine Sales	15% or more	40% or more
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<Environmental target>

CO ₂ Emissions (Compared to FY3/2014)	△ 25%	△ 46%
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“Change as Chance”

~Finding opportunities within change~

【Priority Measures】

- (1) Build an overall optimized product manufacturing system
- (2) Promote technical solution proposal-oriented sales through utilizing the core technologies and products
- (3) Strengthen the development and creation of new products and business
- (4) Conduct structural reforms of people and organizations (awareness reforms)
- (5) Take a leap forward toward becoming a sustainable company

【Action Guidelines】

New 5S	Speed	Speed of responding to changes
	Skill	Skill for planning and carrying out strategies
	Science	Taking decisions scientifically based on data
	Spirit	Enthusiasm to want to improve the organization
	Safety	A safe and secure working environment and safety awareness

- ◆ Based on the trend in the automobile industry, we will focus on the following three points to achieve the targets of the long-term vision and mid-term management plan.

① **Strengthening profitability in the existing business (Automobile engine)**

- Providing high-quality internal-combustion engine parts that comply with environmental regulations
- Expanding sales in emerging markets through utilizing NPR core technologies

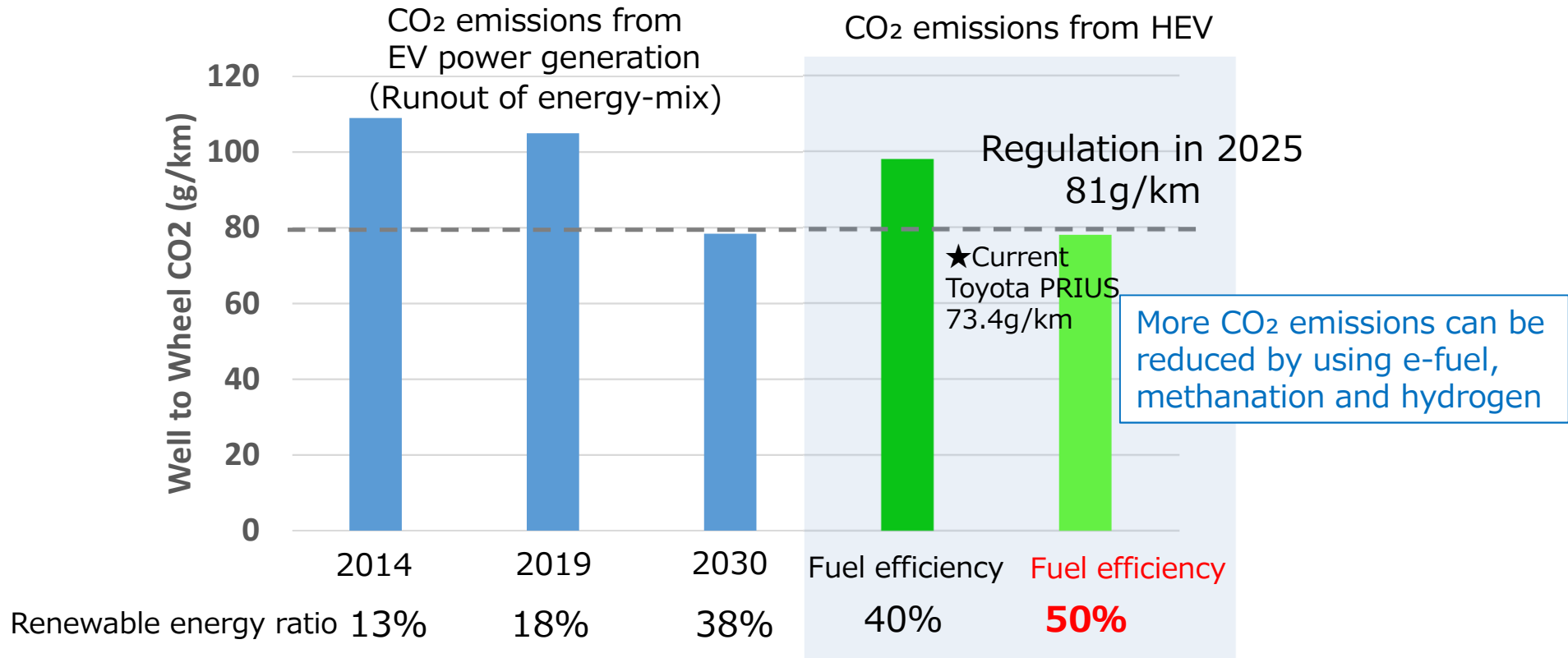
② **Growing and establishing new product business (Non-automobile engine)**

- Progressing medical device business steadily
- Promptly establishing new products and business as a profitable business utilizing M&A and open innovation

③ **Promoting sustainability management**

- Working toward carbon neutrality
- Contributing to SDGs

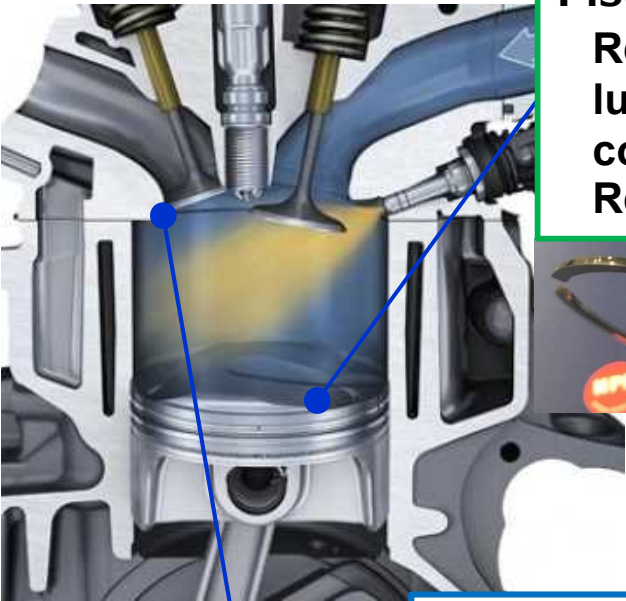
1) Comparison of well-to-wheel CO₂ emissions



- ◇ Aiming for thermal efficiency of over 50% in HEV engines (HEV is competitive with EV in well-to-wheel CO₂ emissions. Continue to monitor CO₂ emissions in life cycle assessment)
- ◇ E-fuel and hydrogen engines are being developing toward carbon neutrality.

Management strategy/Strengthening profitability in the existing business (2)

2) Providing solutions to achieve “over 50% thermal efficiency rates”

Issues	Solutions
<p><u>Technologies</u></p>  <div data-bbox="741 448 1160 730" style="border: 1px solid green; padding: 5px;"> <p>Piston ring Reduce lubrication oil consumption, Reduce friction</p> </div> <div data-bbox="618 1086 1189 1262" style="border: 1px solid blue; padding: 5px;"> <p>Valve seat insert Thermal management Increase tumble ratio</p> </div> <p><u>Sales activities</u></p>	<div data-bbox="1205 448 1592 954" style="border: 1px solid green; padding: 5px;"> <ul style="list-style-type: none"> • Low μ coating • Higher dimensional accuracy • Improve sealing performance • Visualization technique • Advanced design • MBD </div> <div data-bbox="1592 485 2051 919"> </div> <div data-bbox="1205 1038 1731 1270" style="border: 1px solid blue; padding: 5px;"> <ul style="list-style-type: none"> • High thermal conductive materials coating • Improve design flexibility • MBD </div> <p>Promote the proposal-based sales approach</p>

Contribute to customer's engine developments by providing our technologies differentiating from those of other companies.

3) Expanding sales in emerging markets through utilizing NPR core technologies

- Expanding share in emerging markets that have growth potential

In emerging countries such as **India** and **Africa**, the spread of electric vehicles is uncertain, and expansion of internal combustion engine vehicles is expected to continue for the time being. We aim to expand sales utilizing NPR's environmental technologies.



- Expanding share in large size commercial vehicles business

Large size commercial vehicles are expected to be equipped with diesel engines for the time being because there are many issues in electrification of them. Especially in **China**, we acquired a lot of businesses in commercial vehicles.



- Expanding aftermarket business

We expect that high demand of engine aftermarket will maintain despite of conversion of new cars to electric vehicles. We aim to expand shares in **North America, Central America, and Africa** through enhancing recognition of NPR brand.

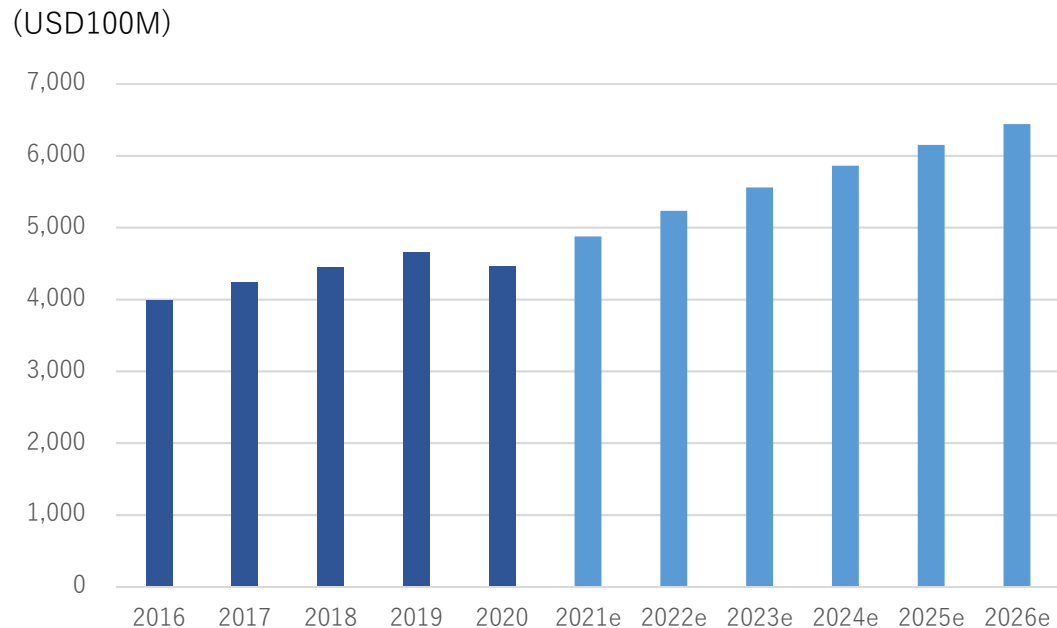


Management strategy /Growing and establishing new product business (1) The Next **NPR**

➤ Medical device business

The annual sales of global **medical device market in 2022** is projected to reach about **USD 500 billion**.

The market is expanding because of aging population in developed countries and economic growth in emerging countries.



Source: Statista, IMF, OECD, WHO, Financial Statements of Key Players, National statistical offices

Leading manufactures

Overseas

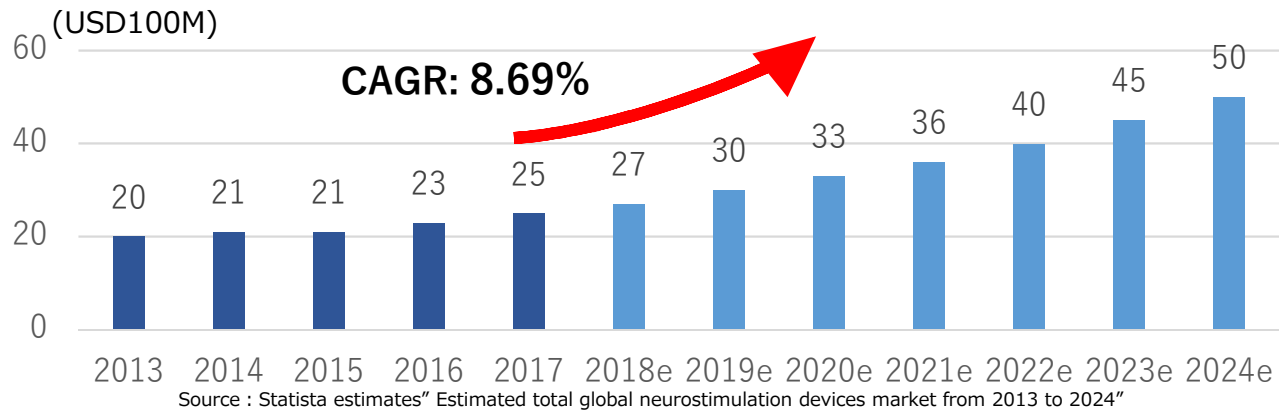
- Medtronic (America • Ireland)
- Johnson and Johnson (America)
- Abbott (America)
- PHILIPS (Nederland)

Domestic

- Olympus • FUJI FILM • Cannon
- TERUMO

Management strategy / Growing and establishing new product business (2) The Next **NPR**

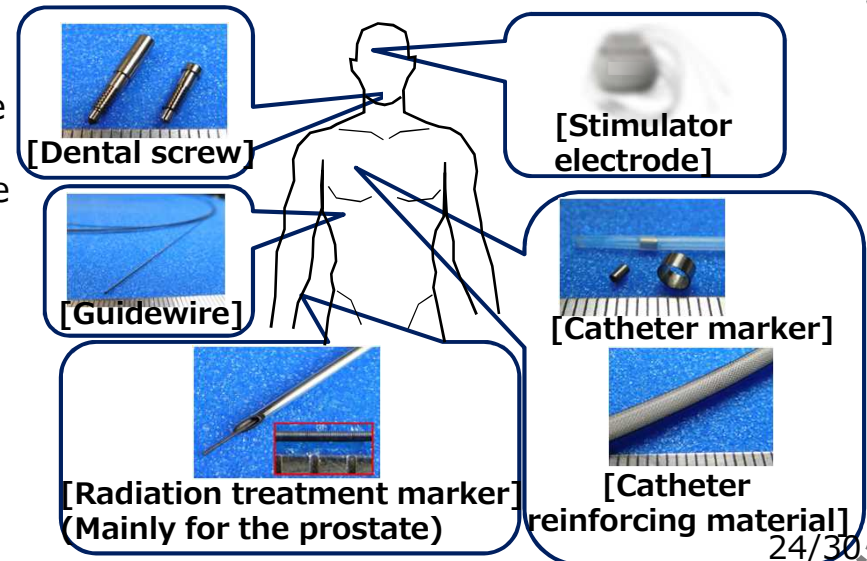
The annual sales of global neurostimulation device market in 2022 is projected to reach about **USD 4 billion**.
 Benefit : Home treatment become available, quality of patients' life will improve, and continuous monitor become available



■ NPR product *NiFreeT products (Ti-Ta alloy)*
shape-memorizing alloy and nickel free

- Biocompatibility is high, and can be implanted within the body
- Its hardness is close to human bones, and impact on the human body is low
- As it is non-magnetic, can be used with MRI
- Visibility with X-ray is high and can be used as a radiation treatment marker
- Inexpensive compared to the precision metal used for medical equipment(Platinum)

⇒ **NiFreeT can be used for neurostimulation devices**

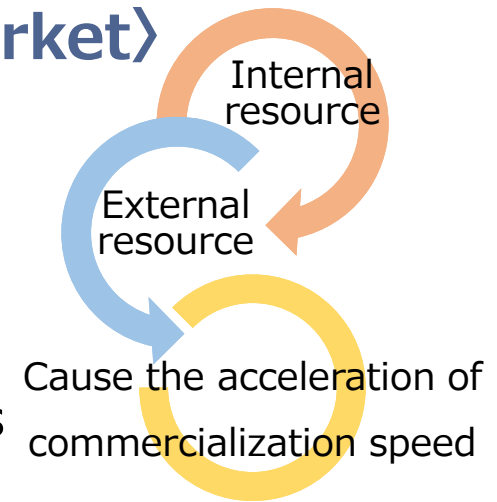


Management strategy

/Growing and establishing new product business (3) The Next **NPR**

《Strategy for entering medical device market》

- Promote joint developments with major medical device manufacturer
- Hold more joint researches and developments with universities
- Acquire new business by M&A and create synergies



TOPIC

NORMECA ASIA CO., LTD. which is a supplier of medical equipment became subsidiary of NPR group in January, 2022



Protective suits developed based on customer needs



Emergency air tent for disaster and medical connected negative pressure machine



Temporary clinic of Otsuchi Hospital in Iwate prefecture which damaged by the Great East Japan Earthquake

Advantage of **NPR**

- Product development capability
- Technical capability
 - Manufacturing capability
 - Sales capability

Aim to increase sales of **non-automobile engine business**



Advantage of **Normeca**

- Wealth of knowledge about disaster medical care
- Diverse base of customer
- High quality & wide variety of products

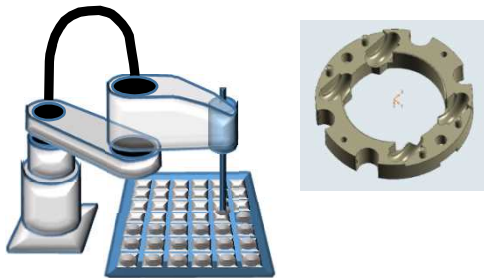
Management strategy

/Growing and establishing new product business (4) The Next **NPR**

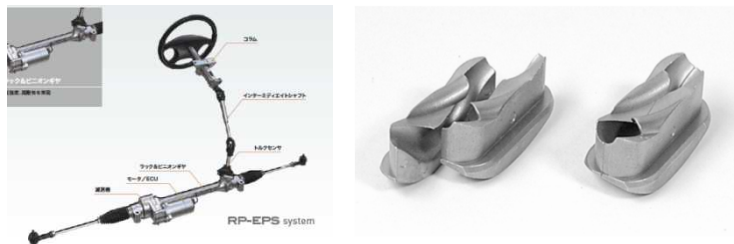
➤ Electrification /Robot business

Utilizing METAMOLD (metal powder injection molding parts) 's superiority in terms of the degree of freedom for shaping and use of materials, we are aiming to develop business for CASE-related parts, the robots, and sensors. Also, we are proposing 3D laminate modeling.

SCARA robot deflectors for ball screws



Electric Power Steering (EPS) deflectors for ball screws



➤ Motor business

An axial gap motor with 3D shape compressed powder core

It is suitable for in-wheel motors.



- Applications to be assumed
 - Electric cart
 - Wheeled chair
 - Transfer/Agricultural robot
 - powered exoskeleton, etc.



Outside diameter : $\Phi 180\text{mm}$
Height : 78.5mm
Weight : 5.5kg

Nippon Piston **Ring**

Ring the Future ~for a sustainable future~

Co-existing with
the global
environment



Contributing to the
environment through
products
Contributing to the
environment in
business activities



Co-existing with
stakeholders



Improving customer
satisfaction
Employee health and
safety
Realizing diversity



Building a
foundation for
sustainable growth



Respecting human
rights
Corporate governance
Compliance



Contributing to the environment in business activities

<Activities conducted>

- Introduced of “innovative production lines”
- Reused the exhaust heat
- Switched to LED lightening
- Utilized project of “Carbon credit ”

<Activities under consideration>

- Sift to energy-saving/high-efficiency equipment
e.g.)Replace cupola with electric induction furnace, make cooling water pump inverter controlled
- Introduce power purchase agreement, purchase renewable energy power, etc.

CO₂ Emissions in domestic facilities

	FY2022 Result	FY3/2023 Target	FY2030 Long-term vision	FY2050~
Reduction (Compared to FY2013)	▲27% (※2)	▲25% (※3)	▲46%	Carbon neutral

(※2)Calculated with the emission factor of FY2013

(※3)The target of FY3/23 will be reviewed

Improving customer satisfaction

- Received "Excellence of quality control award"
from TOYOTA MOTAR CORPORATION
- Received "Excellence of quality award" from Mazda Motor Corporation

Employee health and safety



- Recognized "Certified Health & Productivity Management Organization 2022"

TOPIC

Rated Bronze by EcoVadis in sustainability assessment

※EcoVadis : The international sustainability rating agency headquartered in France. This company rates the sustainability of over 75,000 supplier companies across 160 countries around the world based on four criteria: environment, labor and human rights, ethics, and sustainable procurement



Nippon Piston Ring

Ring the Future

~for a sustainable future~

[Contact]

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Corporate planning department

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Notes:

- * The financial forecast and other descriptions of the future presented in this document are based on currently available information and assumptions which are deemed reasonable at present. Please note that a variety of factors could cause actual results to differ from the forecasts.
- * Figures and percentages in this report are rounded to a nearest unit.

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[Reference] Company profile

Date of establishment	December 20, 1934
Head office	5-12-10, Honmachi-Higashi, Chuo-ku, Saitama City, Saitama, JAPAN
Capital	9,839 million yen
Net sales (FY2021)	Consolidated : 50.8 billion yen Non-consolidated : 33.1 billion yen
Number of employees (End of March 2022)	Consolidated:3,027 Non-consolidated : 678
NPR group	14 companies (Domestic : 4, Overseas : 10)
Sales bases	Domestic : Tokyo • Nagoya • Osaka • Hiroshima • Fukuoka • Sendai Overseas : USA • Germany • China • Indonesia • Thailand • Singapore • Malaysia • India
Manufacturing bases	Domestic : Tochigi • Iwate • Fukushima Overseas : USA • China • Indonesia • Thailand • India

Automobile engine business

■ Piston ring

Global share top5

50% of net sales



■ Valve seat insert

Top share for Japanese automobile manufactures

20% of net sales



■ Assembled sintered camshaft

5% of net sales



■ Parts for strengthening bearings

2% of net sales



Top share for SUBARU

Non-automobile engine business

■ Piston ring for marine engine

For MAN · MITSUI E&S

3% of net sales



■ METAMOLD

For JTEKT · THK

Metal powder injection molding parts



■ Medical care products

Medical equipment

Dental implants



■ Others

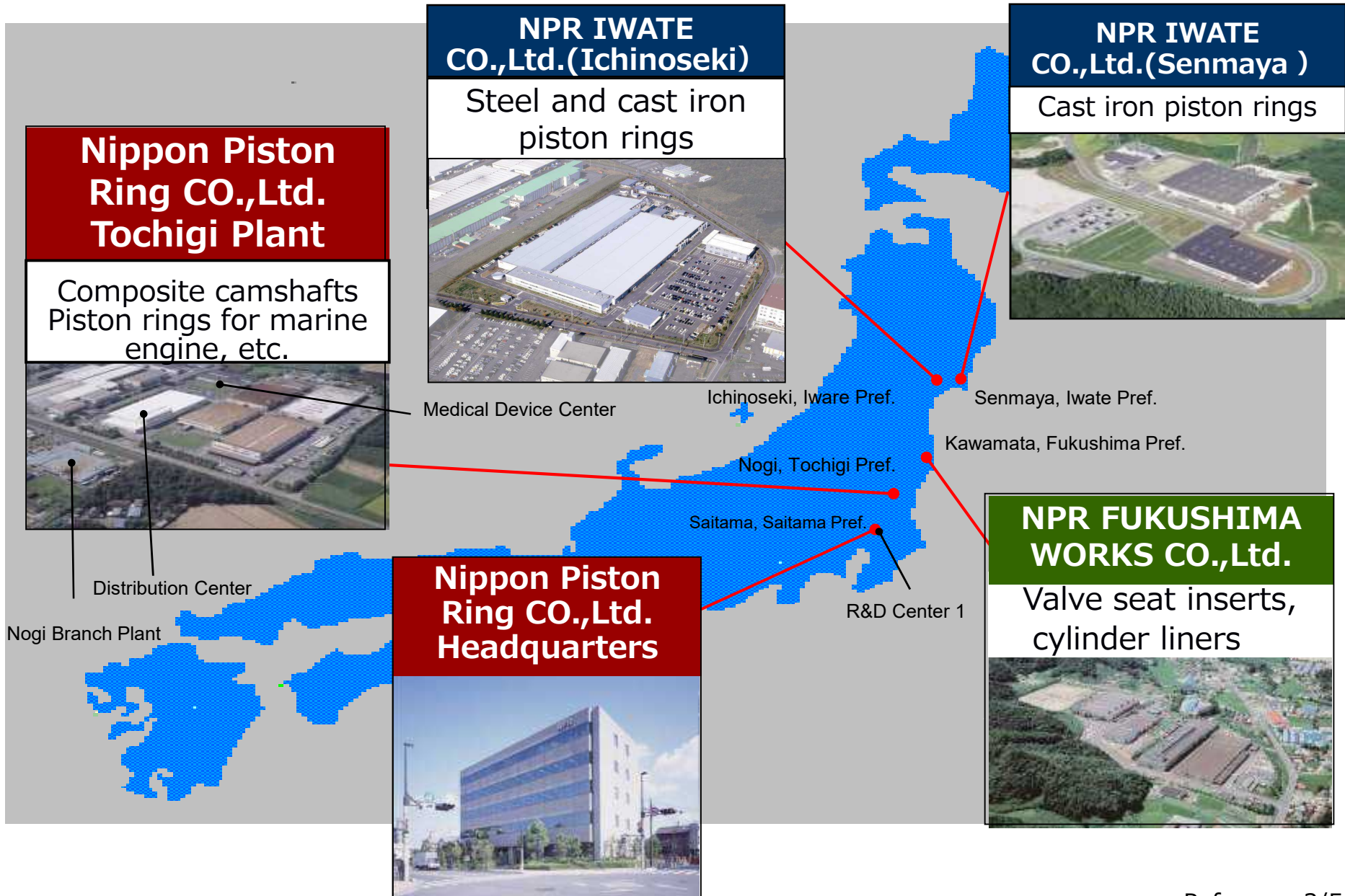
RV products

Brand products from home and abroad



[Reference] Company profile / Domestic bases

The Next **NPR**



Europe · Asia

Germany Indonesia
China Singapore
Korea Malaysia
Thailand India

17 bases in **9** countries

The ratio of overseas

sales:**60%**

Overseas employees:

1,500

North America

Kentucky Michigan
Detroit Los Angeles
Minneapolis



Japan



Overseas

