

# Financial Results for the Six Months Ended September 30, 2014 [Japanese Accounting Standards] (Consolidated)

October 31, 2014

NTN Corporation

Security Code: 6472

Listings: Tokyo Stock Exchange

URL: <http://www.ntn.co.jp/>

Representative: Hiroshi Ohkubo, President

Contact: Itsuji Gotou, Director, General Manager, Finance Headquarters

Telephone: +81-6-6443-5001

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Supplementary material of the financial results: Prepared

Investor meeting: Scheduled

## 1. Consolidated Financial Results for the Six Months Ended September 30, 2014 (April 1, 2014 to September 30, 2014)

(Amounts rounded down to the nearest million yen)  
(Percentage figures represent quarter-on-quarter changes)

### (1) Operating Results

	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Six months ended September 30, 2014	336,244	9.5	18,259	40.2	16,660	61.2	9,270	170.9
Six months ended September 30, 2013	307,183	15.2	13,020	508.0	10,333	—	3,421	—

Note: comprehensive income: Six months ended September 30, 2014: 21,388 million yen (31.2%)  
Six months ended September 30, 2013: 16,299 million yen (—%)

	Net income per share	Diluted net income per share
	yen	yen
Six months ended September 30, 2014	17.43	—
Six months ended September 30, 2013	6.43	—

### (2) Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
Six months ended September 30, 2014	846,104	236,370	26.1
Year ended March 31, 2014	848,037	213,368	23.5

Note: Shareholders' equity Six months ended September 30, 2014: 220,577 million yen  
Year ended March 31, 2014: 199,272 million yen

## 2. Dividends

(Record date)	Dividends per share				
	at 1st quarter end	at 2nd quarter end	at 3rd quarter end	at fiscal year end	Total
	yen	yen	yen	yen	yen
Year ended March 31, 2014	—	0.00	—	2.00	2.00
Year ending March 31, 2015	—	2.50	—	—	—
Year ending March 31, 2015 (forecast)	—	—	—	2.50	5.00

Notes: Adjustment from the previously published forecast of dividends: None

## 3. Forecast of Consolidated Earnings for the Year Ending March 31, 2015 (April 1, 2014 to March 31, 2015)

(% figure represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	673,000	5.3	42,000	27.3	35,000	22.1	20,000	—	37.61

Notes: Adjustment from the previously published forecast of earnings: Adjusted

See the news release announced today (October 31, 2014) "Notice Regarding Difference between Results and Actual Results of Consolidated Earnings for Six Months Ended September 30, 2014 and Revised Full-year Earnings Forecast."

\* Notes

(1) Significant changes in subsidiaries during the period (Scope of consolidation): None

(2) Adoption of accounting method specific to the preparation of consolidated quarterly financial statements:  
Adopted

(Note) For further details, please refer to "(1) Adoption of accounting method specific to the preparation of consolidated quarterly financial statements" in "2. Information regarding Summary Information (Other Information)" on page 3 of the Attached Documents.

(3) Changes in accounting principles and accounting estimates and retrospective restatements

- |   |         |
|---|---------|
| 1) Changes in accounting principles due to amendment to accounting standards: | Changed |
| 2) Changes other than above:  | None    |
| 3) Changes in accounting estimates:   | None    |
| 4) Retrospective restatement:   | None    |

(Note) For further details, please refer to "(2) Changes in accounting principles and accounting estimates and retrospective restatement" in "2. Information regarding Summary Information (Other Information)" on page 3 of the Attached Documents.

(4) Number of shares issued and outstanding (Common stock)

1) Number of shares issued and outstanding at end of the period (treasury stock included):

Six months ended September 30, 2014: 532,463,527 shares

Year ended March 31, 2014: 532,463,527 shares

2) Number of treasury stock at end of the period:

Six months ended September 30, 2014: 641,802 shares

Year ended March 31, 2014: 619,746 shares

3) Average number of shares outstanding during the quarter:

Six months ended September 30, 2014: 531,835,548 shares

Six months ended September 30, 2013: 531,878,454 shares

\* Presentations related to implementation of quarterly review process

This financial results report for the Second Quarter is exempt from quarterly review under the Financial Instruments and Exchange Act of Japan. As of the date of disclosure, the quarterly review process for the financial statements under the Financial Instruments and Exchange Act has not been completed.

\* Notes

All descriptions about the future of the Company contained herein including earnings forecasts are prepared on the basis of data and information currently in our possession as well as certain assumptions that are deemed reasonable, and therefore are not meant to have us committed to their achievement. Various factors may cause actual results to substantially differ from those described herein.

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1. Qualitative Information of Consolidated Financial Statements for the Six Months ended September 30, 2014

(1) Explanation regarding Consolidated Operating Results

During the first half (April 1 - September 30, 2014), the Japanese economy saw a continued moderate recovery trend, despite signs of a negative reaction to increased consumption taxes. Looking at the overseas economy, the U.S. economy also continued to recover and the European economy picked up. However, expansion in the Chinese economy weakened and economic conditions in other newly emerging economies came to a standstill.

Under those circumstances, the NTN Group is promoting various measures by pursuing the "Reform business structure to generate profit" set forth in the 2-year Medium-term Management Plan "Revival 2014" started in April, 2013.

During the first half, the Group achieved sales of 336,244 million yen (up 9.5% year on year). In terms of income, the Group posted operating income of 18,259 million yen (up 40.2% year on year) and ordinary income of 16,660 million yen (up 61.2% year on year). In terms of extraordinary income, the Group posted 305 million yen in proceeds from the sale of fixed assets. In terms of extraordinary losses, the Group posted 2,006 million yen in loss pertaining to the Anti-Monopoly Act and 701 million yen in payment of customs duties for past financial years. As a result, the Group posted quarterly net income of 9,270 million yen (up 170.9% year on year).

Sales by geographical segment were as follows:

1) Japan

Sales in aftermarket applications increased on the back of growing customer demand and other factors in industrial machinery aftermarket applications and sales in industrial machinery applications grew primarily in general machinery applications. Sales in automotive applications increased, reflecting an increase in customer demand and other factors. As a result, net sales were 166,631 million yen (up 7.1% year on year). Segment income of 11,835 million yen was posted (up 2.2% year on year), supported mainly by effect of rise in sales and favorable exchange rates.

2) Americas

Sales in aftermarket applications increased on the back of an increase of customer demand for automotive aftermarket applications and other factors. Sales in industrial machinery applications grew in products for use in construction machinery and other products and sales of automotive applications also increased thanks to mass production of products for new projects coupled with increased customer demand and other factors. As a result, net sales were 93,715 million yen (up 11.9% year on year), due partly to favorable exchange rates. In terms of segment income incurred a segment income of 59 million yen (down 96.1% against the same period in the previous year) due mainly to an increase in fixed costs resulting from an additional burden imposed on production lines in coping with increased sales to the automotive market.

3) Europe

Sales decreased in aftermarket applications and sales in industrial machinery applications remained on a par with the same period in the previous year despite an increase in sales in wind turbine in industrial machinery applications. Sales in automotive applications also decreased, but as a whole net sales were 91,976 million yen (up 5.0% year on year), thanks partly to favorable exchange rates. Segment income amounted to 1,060 million yen of profit (up 167.0% year on year) due partly to favorable exchange rates.

4) Asia and other areas

Sales in aftermarket applications grew reflecting increased customer demand for industrial machinery aftermarket applications and other factors. Sales in industrial machinery applications remained on a par with the same period in the previous year but sales in automotive applications increased, backed mainly by mass production of products for new projects in China and expanded customer demand. As a result, net sales were 61,040 million yen (up 12.1% year on year), thanks to favorable exchange rates. Segment income amounted to 3,933 million yen (up 102.3% year on year), supported by effects of a rise in sales and other factors.

Operating results by business application are as follows:

1) Aftermarket applications

Net sales were 54,751 million yen (up 10.5% year on year), supported by an increase in customer demand and favorable exchange rates. Operating income was 8,910 million yen (up 9.2% year on year), thanks mainly to an effect of increased sales and favorable exchange rates.

2) Industrial machinery applications

Net sales were 52,631 million yen (up 9.0% year on year), reflecting expanded customer demand in Japan and the Americas and favorable exchange rates. Operating income was 2,137 million yen (up 57.7% year on year), thanks to an effect of increased sales and other factors.

3) Automotive applications

Net sales were 228,861 million yen (up 9.3% year on year), primarily reflecting to expanded customer demand in Japan, the Americas and China and favorable exchange rates. Operating income was 7,211 million yen (up 106.0% year on year), mainly reflecting an effect of increased sales and favorable exchange rates, despite an increase in fixed costs due to an additional burden imposed on production lines in coping with increased sales in the Americas.

(2) Explanation regarding Consolidated Financial Position  
(Assets, Liabilities, and Net assets)

Total current assets decreased 4,833 million yen (down 1.0%) from the previous consolidated fiscal year end to 462,915 million yen. This was due principally to a decrease of 13,048 million yen in cash and bank deposits and an increase of 8,039 million yen in finished goods & purchased goods. Total fixed assets increased 2,900 million yen (0.8%) from the previous consolidated fiscal year end to 383,188 million yen. As a result, total assets decreased 1,933 million yen (down 0.2%) from the previous consolidated fiscal year end to 846,104 million yen.

Total current liabilities decreased 5,073 million yen (down 1.6%) from the previous consolidated fiscal year end to 310,145 million yen. This was due principally to a decrease of 30,762 million yen in notes and accounts payable-trade, a decrease of 28,837 million yen in "Other" resulting from a decrease in accrued liabilities related to a loss pertaining to Anti-Monopoly Act etc., an increase of 41,359 million yen in electronically-recorded monetary claims, and an increase of 12,083 million yen in short-term bank loans payable. Total long-term liabilities decreased 19,862 million yen (down 6.2%) from the previous consolidated fiscal year end to 299,588 million yen. This was due principally to a decrease of 15,403 million yen in long-term loans payable and a decrease of 4,347 million yen in liabilities for retirement benefits. As a result, total liabilities decreased 24,934 million yen (down 3.9%) from the previous consolidated fiscal year end to 609,734 million yen.

Total net assets increased 23,002 million yen against the previous consolidated fiscal year end (up 10.8 %) to 236,370 million yen. This was mainly due to an increase of 10,519 million yen in retained earnings, 6,871 million yen in translation adjustments and an increase of 3,573 million yen in net unrealized holding gain on other securities.

(Cash Flows)

Net cash provided by operating activities was 5,722 million yen (year; year-on-year decrease of 33,367 million yen, or 85.4%). Major items included income from depreciation and amortization of 19,308 million yen, 14,258 million yen in quarterly net income before adjustments for income taxes, and an increase of 9,904 million yen in trade payables, against expenditure of 27,968 million yen in Anti-Monopoly Act-related payments and an increase of 9,646 million yen in inventories.

Net cash provided by investing activities was 14,494 million yen (year-on-year decrease of 3,842 million yen, or 21.0%). Major items included expenditure of 14,581 million yen in purchase of tangible fixed assets.

Net cash used in financing activities was 9,843 million yen (against proceeds of 8,055 million yen booked in the same period in the previous year). This was mainly due to expenditure from 15,960 million yen in repayments of long-term loans, and income from a net decrease of 5,854 million yen in short-term bank loans against 12,815 million yen in proceeds from long-term loans.

After adding an increase of 95 million yen in translation adjustments to the above changes, cash and cash equivalents as of the end of the current six months of this consolidated accounting period were 111,150 million yen, a decrease of 18,520 million yen (down 14.3%) from the previous consolidated fiscal year end.

2. Information regarding Summary Information (Other Information)

(1) Adoption of accounting method specific to the preparation of quarterly consolidated financial statements

(Calculation of tax expenses)

Tax expenses are calculated by multiplying quarterly income before income taxes by an effective tax rate reasonably estimated based on income before income taxes for the full fiscal year, including the six months ended September 30, 2014, after the application of tax effect accounting. However, in cases where calculating tax expenses using a reasonably estimated effective tax rate yields a result that is notably lacking rationality, then, tax expenses are calculated using the statutory effective tax rate. Moreover, income taxes adjustments are shown in income and other taxes.

(2) Changes in accounting policies and accounting estimates and retrospective restatement

Changes in accounting policies

(Application of accounting standards for retirement benefits)

“Accounting Standards for Retirement Benefits” (Corporate Accounting Standards, No. 26, May 17, 2012, hereinafter referred to as “Retirement Benefits Accounting Standards”) and “Implementation Guidelines on Accounting Standards for Retirement Benefits” (Corporate Accounting Standards Implementation Guidelines No. 25, May 17, 2012, hereinafter referred to as “Retirement Benefits Implementation Guidelines”) have been applied since the three months ended June 30, 2014 regarding provisions set forth under the main clause in paragraph 35 of the Retirement Benefits Accounting Standards and the main clause in paragraph 67 of Retirement Benefits Implementation Guidelines. Calculation methods for liabilities for retirement benefits and service expenses have been reviewed, period attribution methods for estimated retirement benefits have been changed from a straight-line attribution method to benefit formula standards, while methods for determining discount rates have also been changed from a method where a discount rate based on the number of years approximate to remaining average service periods of employees is used to a method where a single weighted average discount rate reflecting an amount for estimated payment periods for retirement benefits and each estimated payment period is used.

Application of the Retirement Benefits Accounting Standards is in accordance with the transitional treatment set forth under paragraph 37 of the Retirement Benefits Accounting Standards and at the beginning of the current six-month consolidated accounting period the amount of increase or decrease for such changes was adjusted for under retained earnings.

As a result, at the beginning of the current six-month consolidated accounting period, liabilities for retirement benefits and deferred income taxes decreased 3,556 million yen and 1,244 million yen, respectively, and retained earnings increased 2,312 million yen. The effects this change will have on operating income, ordinary income and quarterly net income before adjustments for income taxes in the current six-month consolidated accounting period are minor.

### 3. Consolidated Financial Statements for the Six Months

#### (1) Balance Sheets

(In million yen)

	As of March 31, 2014	As of September 30, 2014
<b>Assets</b>		
Current assets		
Cash and bank deposits	85,746	72,698
Notes and accounts receivable-trade	135,358	133,762
Securities	36,000	35,000
Finished goods & purchased goods	90,541	98,580
Work in process	45,097	48,168
Raw materials & supplies	30,845	33,127
Deferred tax assets	7,952	8,459
Short-term bank loans receivable	10,028	5,023
Other	27,073	29,046
Allowance for doubtful accounts	-894	-951
Total current assets	467,748	462,915
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	86,590	86,815
Machinery, equipment and vehicles, net	163,560	164,498
Other, net	59,239	57,268
Total property, plant and equipment	309,390	308,582
Intangible fixed assets		
Goodwill	266	233
Other	5,572	6,083
Total intangible fixed assets	5,839	6,317
Investments and other assets		
Investment securities	45,952	52,033
Deferred tax assets	16,978	13,976
Other	2,370	2,530
Allowance for doubtful accounts	-242	-251
Total investments and other assets	65,058	68,289
Total fixed assets	380,288	383,188
<b>Total assets</b>	<b>848,037</b>	<b>846,104</b>

(In million yen)

	As of March 31, 2014	As of September 30, 2014
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	106,409	75,647
Electronically-recorded monetary claims	-	41,359
Short-term loan	129,749	141,832
Accrued income taxes	3,424	4,395
Accrued bonuses for directors and statutory auditors	31	77
Reserve for loss on supporting affiliated companies	1,601	1,703
Reserve for loss related to Anti-Monopoly Act	35	-
Other	73,966	45,129
Total current liabilities	315,218	310,145
Long-term liabilities		
Long-term loans	252,018	236,615
Reserve for product defect compensation	932	931
Liabilities for retirement benefits	54,248	49,901
Other	12,251	12,140
Total long-term liabilities	319,450	299,588
Total liabilities	634,668	609,734
<b>Net assets</b>		
Shareholders' equity		
Common stock	54,346	54,346
Additional paid-in capital	67,369	67,369
Retained earnings	82,855	93,374
Treasury stock	-533	-543
Total shareholders' equity	204,037	214,547
Accumulated other comprehensive income		
Net unrealized holding gain on other securities	8,073	11,646
Translation adjustments	-1,727	5,144
Accrued retirement benefits adjustments	-11,111	-10,759
Total accumulated other comprehensive income	-4,765	6,030
Minority interests	14,096	15,792
Total net assets	213,368	236,370
<b>Total liabilities and net assets</b>	<b>848,037</b>	<b>846,104</b>

(2) Consolidated Statement of Operation and Consolidated Statement of Comprehensive Income  
(Consolidated Statement of Operation)

(In million yen)

	Six months ended September 30, 2013 (April 1, 2013 – September 30, 2013)	Six months ended September 30, 2014 (April 1, 2014 – September 30, 2014)
Net sales	307,183	336,244
Cost of sales	255,108	275,389
Gross profit	52,074	60,854
Selling, general and administrative expenses	39,054	42,595
Operating income	13,020	18,259
Non-operating income		
Interest income	196	271
Dividend income	262	333
Equity in earnings of unconsolidated subsidiaries	365	515
Other	1,567	1,054
Total non-operating income	2,391	2,175
Non-operating expenses		
Interest expenses	2,425	2,306
Other	2,653	1,467
Total non-operating expenses	5,078	3,773
Ordinary income	10,333	16,660
Extraordinary income		
Gains on sale of fixed assets	—	305
Total extraordinary income	—	305
Extraordinary losses		
Loss related to Anti-Monopoly Act	—	*2,006
Payment of customs duties for past financial years	—	701
Business restructuring expenses	1,285	-
Structure reform expenses	288	-
Total extraordinary losses	1,573	2,708
Income before income taxes and equity in earnings of affiliated companies	8,759	14,258
Income and other taxes	5,052	4,550
Income before minority interests	3,707	9,708
Minority interests in subsidiaries	285	437
Net income	3,421	9,270

## (Consolidated Statement of Comprehensive Income)

(In million yen)

	Six months ended September 30, 2013 (April 1, 2013 – September 30, 2013)	Six months ended September 30, 2014 (April 1, 2014 – September 30, 2014)
Income before minority interests	3,707	9,708
Other comprehensive income		
Net unrealized holding gain on securities	4,264	3,572
Translation adjustments	7,472	8,034
Accrued retirement benefits adjustments	-277	343
Equity in equity-method affiliates	1,133	-269
Total other comprehensive income	12,592	11,690
Comprehensive income	16,299	21,388
(Breakdown)		
Comprehensive income attributable to owners of parent company	15,435	20,066
Comprehensive income attributable to minority interests	864	1,322

## (3) Statements of Cash Flows

(In million yen)

	Six months ended September 30, 2013 (April 1, 2013 – September 30, 2013)	Six months ended September 30, 2014 (April 1, 2014 – September 30, 2014)
<b>Net cash provided by operating activities</b>		
Income before income taxes and equity in earnings of affiliated companies	8,759	14,258
Depreciation and amortization	18,945	19,308
Impairment loss	197	—
Goodwill depreciation	106	27
Increase/decrease in reserve for loss related to Anti-Monopoly Act	-7,231	-35
Increase/decrease related to reserve for early retirement expenses	-5,813	-
Increase/decrease allowance for doubtful accounts	58	61
Increase/decrease in accrued retirement benefits for directors and statutory auditors	-10	46
Increase/decrease in accrued retirement benefits for employees	6,300	-
Increase/decrease in reserve for product defect compensation	-20	-1
Increase/decrease in liabilities for retirement benefits	—	-4,017
Increase/decrease in accrued liabilities related to loss pertaining to the Anti-Monopoly Act	—	-27,968
Increase/decrease in other current liabilities for reorganization expenses	1,004	-757
Increase/decrease in accrued payments due to the change in retirement benefit plan	-170	-10
Surcharge payments under the Anti-Monopoly Act	7,231	30,012
Payment of employee's retirement benefits under employee's early retirement system	10,465	—
Interest and dividend income	-459	-605
Interest expenses	2,425	2,306
Foreign currency translation adjustments / Foreign exchange losses/gains	-1,488	857
Equity in earnings/losses of non-consolidated subsidiaries	-365	-515
Gains or loss from the sale of fixed assets	—	-305
Decrease/increase in trade receivables	1,990	3,802
Decrease/increase in inventories	4,626	-9,646
Increase/decrease in trade payables	10,917	9,904
Other	3,692	3,897
<b>Subtotal</b>	<b>61,161</b>	<b>40,619</b>
Interest and dividend income received	1,025	1,270
Interest paid	-2,407	-2,261
Surcharge payments under the Anti-Monopoly Act	-7,231	-30,012
Payment of employee's retirement benefits under employee's early retirement system	-10,465	—
Income taxes paid	-2,992	-3,894
<b>Net cash provided by operating activities</b>	<b>39,089</b>	<b>5,722</b>
<b>Net cash used in investing activities</b>		
Increase in time deposits	-359	-1,265
Decrease in time deposits	348	875
Purchase of property, plant and equipment	-17,680	-14,581
Proceeds from the sale of property, plant and equipment	-	1,420
Purchase of intangible fixed assets	-803	-813
Payment for purchase of subsidiaries stock	-31	—
Decrease/increase in short-term loans receivable, net	278	6
Other	-87	-136
<b>Net cash used in investing activities</b>	<b>-18,336</b>	<b>-14,494</b>

(In million yen)

	Six months ended September 30, 2013 (April 1, 2013 – September 30, 2013)	Six months ended September 30, 2014 (April 1, 2014 – September 30, 2014)
Net cash provided by financing activities		
Increase/decrease in short-term loans, net	-9,834	-5,854
Proceeds from long-term loans	40,957	12,815
Repayment of long-term loans	-13,075	-15,960
Payment for redemption of bonds	-10,000	—
Proceeds from issuance of shares of minority shareholders	240	483
Dividend payment	—	-1,063
Repayment of lease payable	-127	-144
Other	-104	-118
Net cash provided by financing activities	8,055	-9,843
Effect of exchange rate changes on cash and cash equivalents	1,016	95
Increase/decrease in cash and cash equivalents	29,824	-18,520
Cash and cash equivalents, at beginning of the year	86,100	129,670
Cash and cash equivalents, at end of the year	115,925	111,150

(4) Notes to consolidated financial statements  
(Notes to Going Concern Assumption)  
None

(Balance Sheet)

1. Contingent liabilities

(Launch of arbitration proceedings related to compensation for damages)

NTN-SNR ROULEMENTS (hereinafter referred to as NTN-SNR), a consolidated subsidiary, has been involved in arbitration proceedings since November 2012. One automotive customer submitted a claim to arbitration and requested payment to the amount of 57,774 thousand dollars (6,323 million yen equivalent at the rate of the end of the first half of the current consolidated fiscal year) for damages due to allegedly defective bearings provided by NTN-SNR. With subsequent arbitration proceedings, the claim for damages has been revised to 6,812 million yen (equivalent at the rate of the end of the first half of the current consolidated fiscal year), due to an increase in the number of allegedly defective bearings.

We have continued to present counterarguments in an appropriate manner. Depending on the results of the arbitration, there is a possibility of an impact on the results of operations of the Company and its consolidated subsidiaries. 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.

(Notes Related to Consolidated Statement of Operations)

\* In August 2014, the Company's consolidated subsidiary in China and the Company, as parent company, received an order from the National Development and Reform Commission to pay fines of 119,160 thousand RMB for alleged violations of the Anti-Monopoly Law of China in relation to bearings transactions in China. During the current consolidated first half, the Company recorded 2,006 million yen under extraordinary losses as a loss pertaining to antimonopoly act.

(Notes Related to Significant Changes in Shareholder's Equity)

None

(Segment Information)

I. Six months ended September 30, 2013 (April 1, 2013 – September 30, 2013)

1. Information related to sales, income or losses, assets, liabilities and other items for individual reporting segments

(In million yen)

	Reporting segment					Adjustments (Note) 1	Balance sheet amount
	Japan	Americas	Europe	Asia and other areas	Total		
Net sales							
Sales to external customers	90,805	82,065	84,068	50,243	307,183	—	307,183
Inter-segment sales or transfers	64,726	1,687	3,531	4,227	74,172	-74,172	—
Total	155,531	83,752	87,600	54,470	381,356	-74,172	307,183
Segment income (operating income)	11,575	1,503	397	1,944	15,419	-2,399	13,020

Notes: 1. "Adjustments" refers to elimination of all inter-segment transactions.

2. Major countries or regions in each segment:

Americas: U.S.A., Canada, South and Central America

Europe: Germany, France, United Kingdom, and others

Asia and other areas: China, Thailand, India, and others

2. Information related to impairment loss on fixed assets and goodwill for individual reporting segments (significant impairment loss related to fixed assets)

(In million yen)

	Japan	Americas	Europe	Asia and other areas	Adjustments	Total
Impairment loss	—	—	197	—	—	197

II. Six months ended September 30, 2014 (April 1, 2014 – September 30, 2014)

1. Information related to sales, income or losses, assets, liabilities and other items for individual reporting segments

(In million yen)

	Reporting segment					Adjustments (Note) 1	Balance sheet amount
	Japan	Americas	Europe	Asia and other areas	Total		
Net sales							
Sales to external customers	100,634	91,124	88,778	55,705	336,244	—	336,244
Inter-segment sales or transfers	65,996	2,591	3,198	5,334	77,120	(77,120)	—
Total	166,631	93,715	91,976	61,040	413,364	(77,120)	336,244
Segment income (operating income)	11,835	59	1,060	3,933	16,888	1,370	18,259

Notes: 1. "Adjustments" refers to elimination of all inter-segment transactions.

2. Major countries or regions in each segment:

Americas: U.S.A., Canada, South and Central America

Europe: Germany, France, United Kingdom, and others

Asia and other areas: China, Thailand, India, and others

(Significant Subsequent Events)

None

#### 4. Supplemental Information

##### (1) Earnings by business segment

Six months (from April 1, 2013 to September 30, 2013)

(In million yen)

	Aftermarket applications	Industrial machinery applications	Automotive applications	Total
Sales to external customers	49,555	48,283	209,344	307,183
Operating income or loss	8,162	1,355	3,501	13,020

Six months (from April 1, 2014 to September 30, 2014)

(In million yen)

	Aftermarket applications	Industrial machinery applications	Automotive applications	Total
Sales to external customers	54,751	52,631	228,861	336,244
Operating income	8,899	2,125	7,234	18,259

##### (2) Sales by geographic segment

Six months (from April 1, 2013 to September 30, 2013)

(In million yen)

Japan	Americas	Europe	Asia and other areas	Total
85,098	85,384	79,788	56,912	307,183

Six months (from April 1, 2014 to September 30, 2014)

(In million yen)

Japan	Americas	Europe	Asia and other areas	Total
94,213	95,497	84,016	62,517	336,244

- Notes:
1. Sales are reported based on customers' locations based on country or region
  2. Segmentation into country or region is done according to geographic proximity
  3. Major countries or regions in each segment:  
Americas: U.S.A., Canada, South and Central America  
Europe: Germany, France, United Kingdom, and others  
Asia and other areas: China, Thailand, India, and others

(3) Lawsuits, etc.

- 1) In June 2012, the Company and former executives received an indictment filed by the Tokyo District Prosecutors Office (“TDPO”) on suspicion of having violated the Japan Anti-Monopoly Act in relation to the domestic sale of bearings. In March 2013, the Company received a cease and desist order and surcharge payment order (for 7.231 billion yen) from the Japan Fair Trade Commission (“JFTC”). Because the assertions by the JFTC and TDPO are greatly different from the Company’s view of the facts, in April 2013, the Company appealed the JFTC orders. As a result, hearing proceedings for the JFTC orders were commenced in September 2013. In addition, a criminal trial was commenced in December 2013, and we are presenting a defense of the Company during the trial. The Company paid provisionally the penalty in full before the deadline of payment to avoid a risk of overdue charges.

In March 2014, the relevant subsidiaries and the Company, as parent company of the subsidiaries, received a decision from the European Commission to the effect that the European Commission imposes fines of 201,354 thousand euros (yen equivalent of 27,023 million yen at the average rate during the previous consolidated fiscal year) on an allegation that our European consolidated subsidiaries, including NTN-SNR ROULEMENTS (France), violated the EU Competition Law in connection with automobile bearing business in Europe. The Company included such amount in extraordinary loss for the previous consolidated fiscal year. The European Commission’s decision was adopted following settlement procedures under EU competition law. The fines were paid in full in June 2014.

The Company and its consolidated subsidiary in Singapore faced an investigation by the Competition Commission of Singapore on suspicion of having violated the Competition Law in relation to bearings transactions with customers in Singapore. In estimation of future losses, the Company recorded 35 million yen under extraordinary losses in the previous consolidated fiscal year. In May 2014, the Company and its consolidated subsidiary in Singapore received a decision from the Competition Commission of Singapore to the effect that it imposes fines of 455 thousand Singapore dollars (yen equivalent of 37 million yen at the average rate during the current consolidated first half) on suspicion of having violated the Competition Law in relation to transactions of bearings with customers in Singapore. The fines were paid in full in July 2014. The Company estimated a loss expected to occur in the future and included 35 million yen in extraordinary loss for the former consolidated fiscal year.

In August 2014, the Company received a decision from National Development and Reform Commission of China to the effect that it imposes fines of 119.16 million RMB for the alleged violations of the Chinese Anti-monopoly Act by the Company and its subsidiaries in China. The fines were paid in full in September 2014. The Company estimated a loss expected to occur in the future and included 2,006 million yen as loss related to Anti-monopoly Act in extraordinary loss for the current consolidated first half.

There are ongoing investigations of the bearing industry by the United States Department of Justice and the Korea Fair Trade Commission but no charges against the company or its subsidiaries have been filed in those jurisdictions.

- 2) The Company and its subsidiaries in the U.S. and Canada are defendants in a number of class action suits.