

For New Technology Network

NTN®

Consolidated Financial Results for the First Half of FY2013

November 7, 2013

NTN Corporation

- I. Financial Results for the First Half of FY2013**
- II. Progress of mid-term management plan “Revival 2014”**

This presentation and comments made in this conference or during the following Q&A session include forward-looking statements about management expectations for future performance and future business strategies. 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.

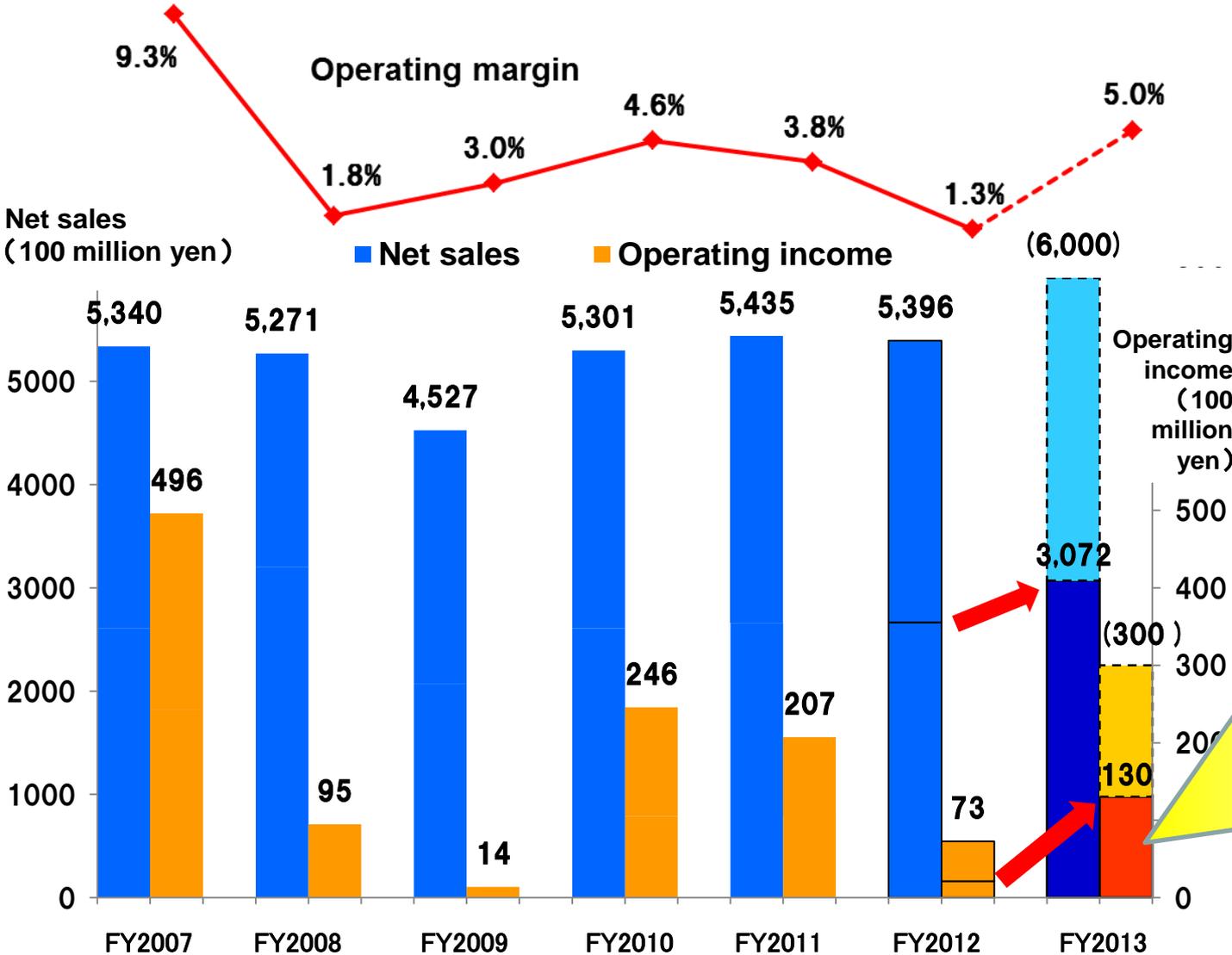
I. Financial Results for the First Half of FY2013

Point of Financial Results for the First Half of FY2013

(100 million yen)

Full year forecast	
Net sales	6,000
Operating income	300
Dividends	Interim: - Year-end: Undecided

1H Results	
Net sales	3,072
Year on year	+15%
Operating income	130
Year on year	Approximately 6 times
Free C/F	208
Year on year	+431



1H Results and 2H Forecast

“Global Advance 2013”

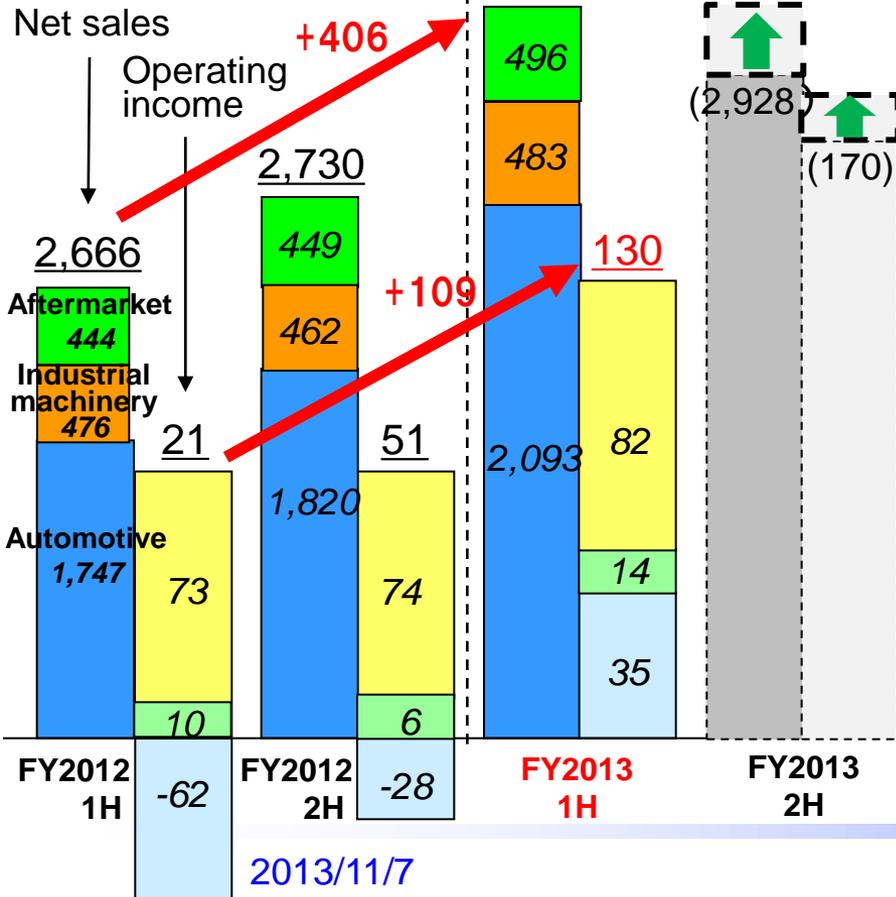
“Revival 2014”

1H Results

Exchange rates

\$1: 79.4 yen 86.6 yen
€1: 100.5 yen 113.3 yen

98.9 yen 129.9 yen 95 yen 120 yen



Net sales: **307.2 billion yen**

+40.6 billion yen year-on-year, approximately 15% increase

- Automotive applications increased approximately 20%
- Europe business increased approximately 35%

Operating income: **13 billion yen**

+10.9 billion yen year-on-year, approximately 6-fold increase

Effects of various policies of “Revival 2014”

- Reduction in variable costs
- Reduction in fixed costs
- Reduction in Inventories

2H Forecast

Consolidated totals are expected to attain initial plans.

Effects of exchange rates are also expected.

1. Consolidated Statements of Operation

(100 million yen)

	FY2012			FY2013		Year on year		
	1H ①	2H	Full year ②	1H ③	Full year previous forecast ④	FY2013 1H ③-①	FY2013 Full year ④-②	
Net sales	2,666	2,730	5,396	3,072	6,000	406	604	
Operating income	21	51	73	130	300	109	227	
Operating margin	(0.8%)	(1.9%)	(1.3%)	(4.2%)	(5.0%)	(3.4%)	(3.7%)	
Ordinary income	- 15	41	25	103	230	119	205	
Extraordinary income/loss	- 7	- 157	- 164	- 16	- 40	- 9	124	
Net income	- 17	- 125	- 142	34	100	52	242	
Exchange rate	US\$	79.4	86.6	82.9	98.9	95.0	19.5	12.1
	EURO	100.5	113.3	106.8	130.0	120.0	29.4	13.2

2. Net Sales by Region

<Net Sales by Region>

(100 million yen)

	FY2012			FY2013		Year on year		
	1H Results	2H Results	Full year Results	1H Results	Full year Previous forecast	FY2013 1H		FY2013 Full year Previous forecast
						Volume	Forex	
Japan	933	842	1,775	851	1,636	- 82	0	- 139
Americas	678	738	1,416	854	1,698	11	165	282
Europe	593	655	1,248	798	1,436	28	177	188
Asia & Others	463	495	958	569	1,230	- 1	107	272
Total	2,666	2,730	5,396	3,072	6,000	- 44	450	604

3. Net Sales and Operating Income by Business Sector

<Net Sales by Business Sector>

(100 million yen)

	FY2012			FY2013	
	1H Results	2H Results	Full year Results	1H Results	Full year Previous forecast
Aftermarket	444	449	892	496	1,050
Industrial machinery	476	462	937	483	970
Automotive	1,747	1,820	3,566	2,093	3,980
Total	2,666	2,730	5,396	3,072	6,000

Year on year		
FY2013 1H		FY2013 Full year Previous forecast
Volume	Forex	
- 25	77	158
- 56	63	33
36	310	414
- 44	450	604

<Operating Income by Business Sector>

(100 million yen)

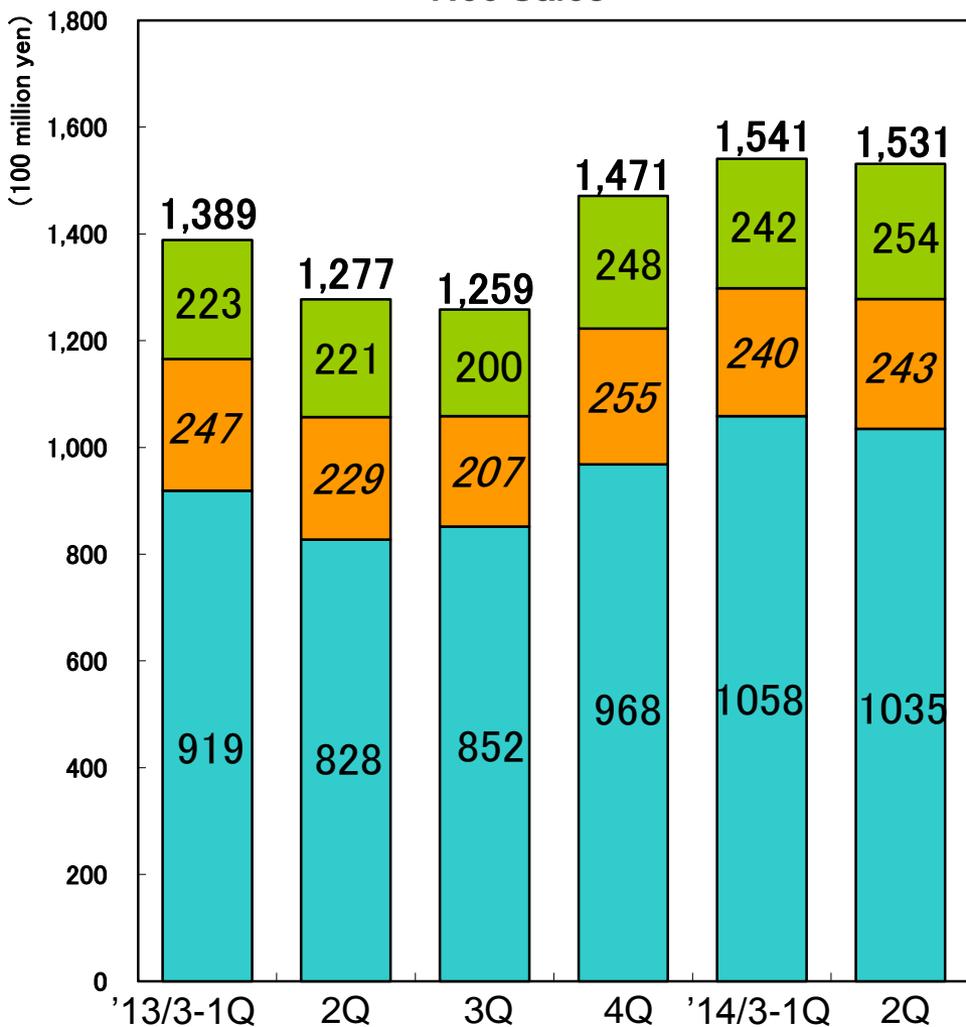
	FY2012			FY2013	
	1H Results	2H Results	Full year Results	1H Results	Full year Previous forecast
Aftermarket	73	74	147	82	210
Industrial machinery	10	6	15	14	30
Automotive	- 62	- 28	- 90	35	60
Total	21	51	73	130	300

Year on year		
FY2013 1H		FY2013 Full year Previous forecast
8	63	
4	15	
97	150	
109	227	

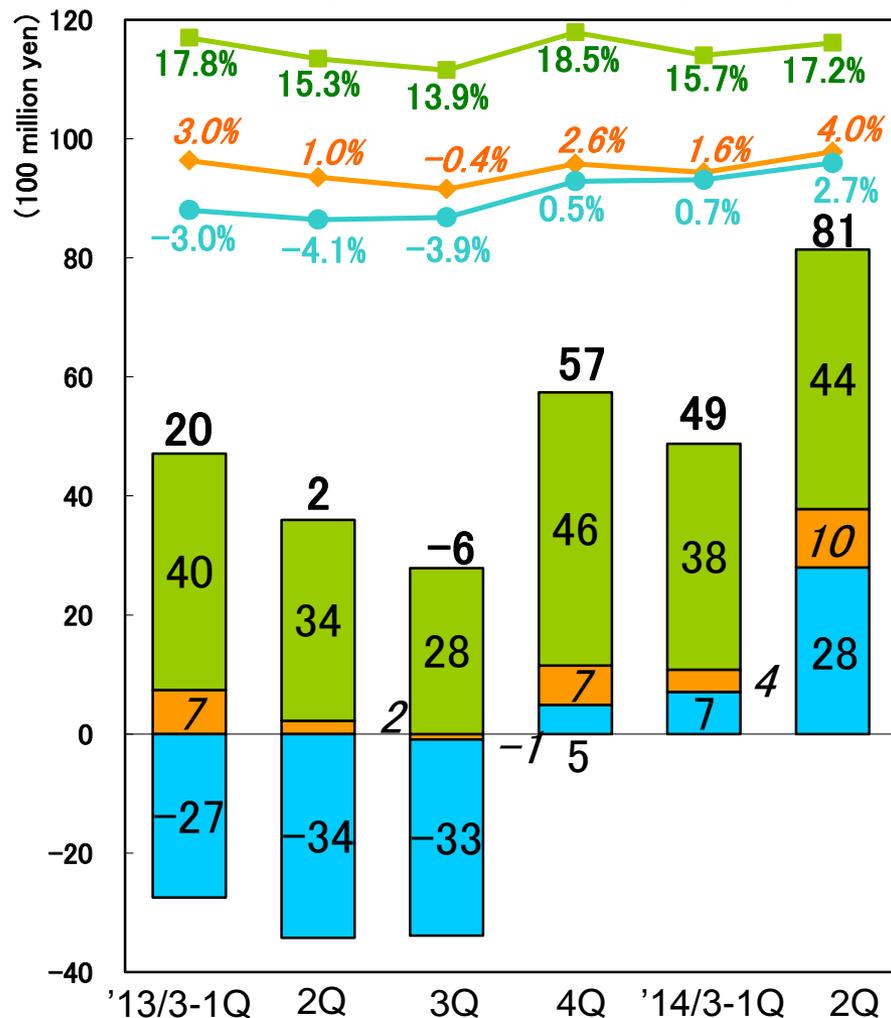
4. Results by Business Sector (Quarterly Trend)

Automotive Industrial machinery Aftermarket

Net Sales

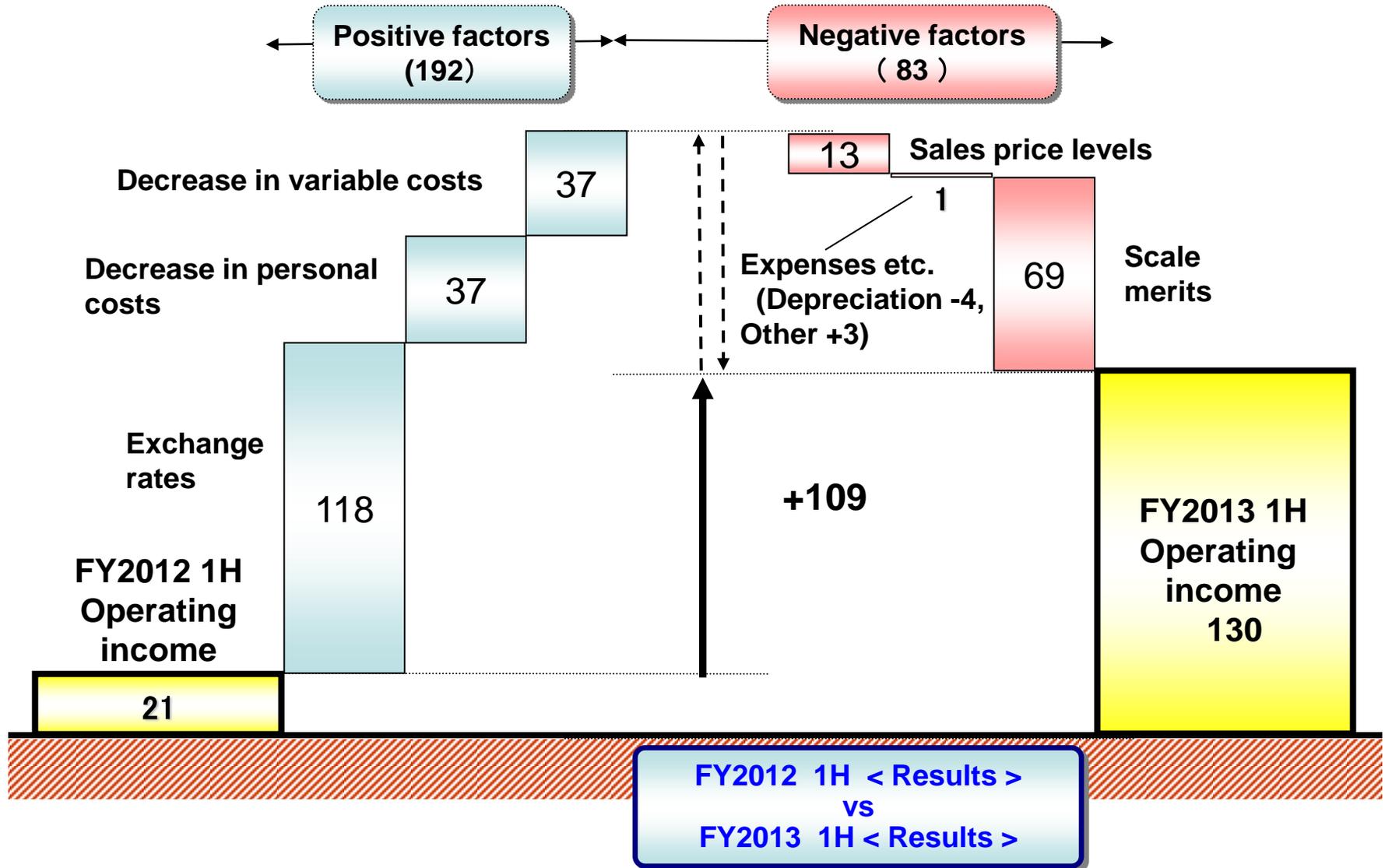


Operating Income/ Operating Margin



5. Analysis of Operating Income (FY2013 1H)

* All figures in 100 million yen.

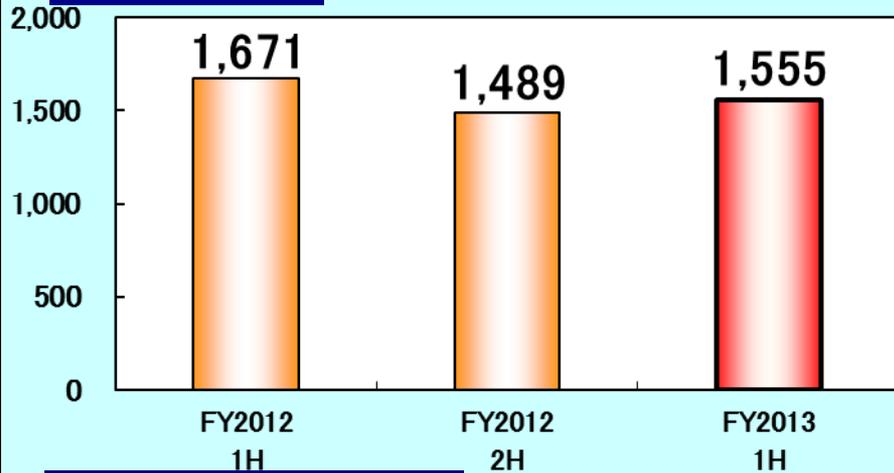


6. Net Sales and Operating Income by Region

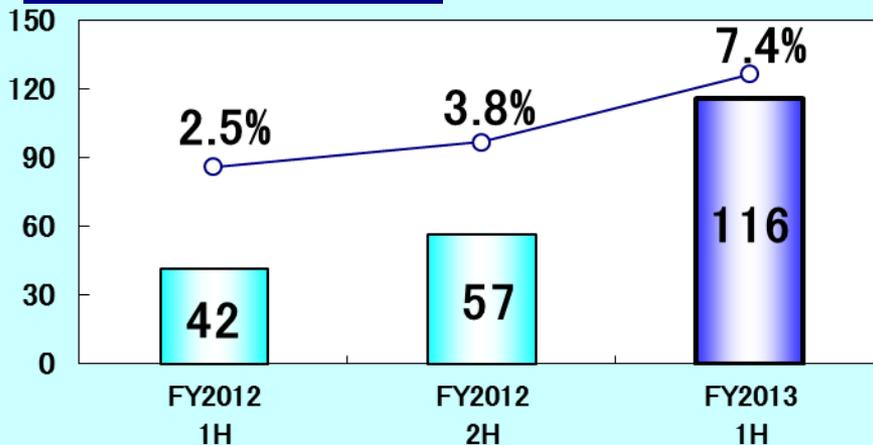
《 Japan 》

Net Sales

(100 million yen)



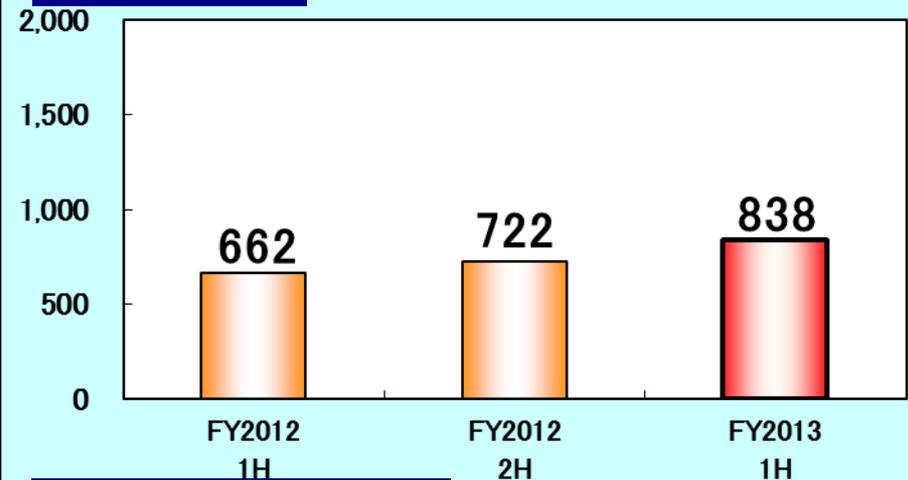
Operating Income



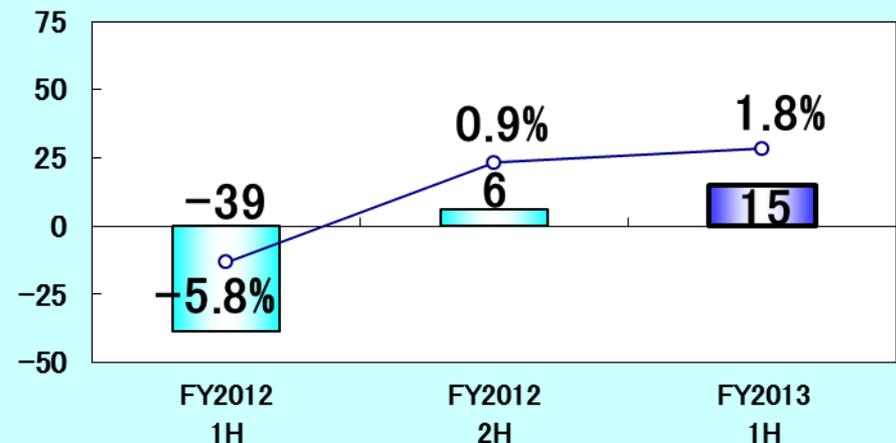
《 Americas 》

Net Sales

(100 million yen)



Operating Income

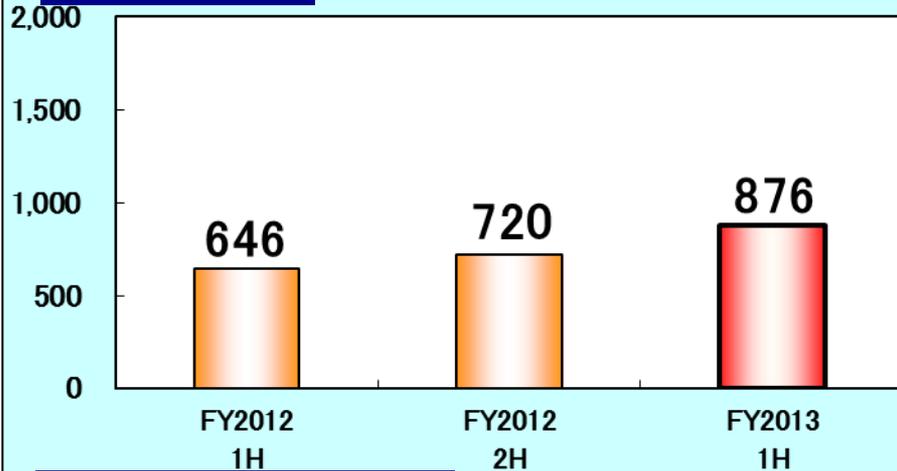


6. Net Sales and Operating Income by Region

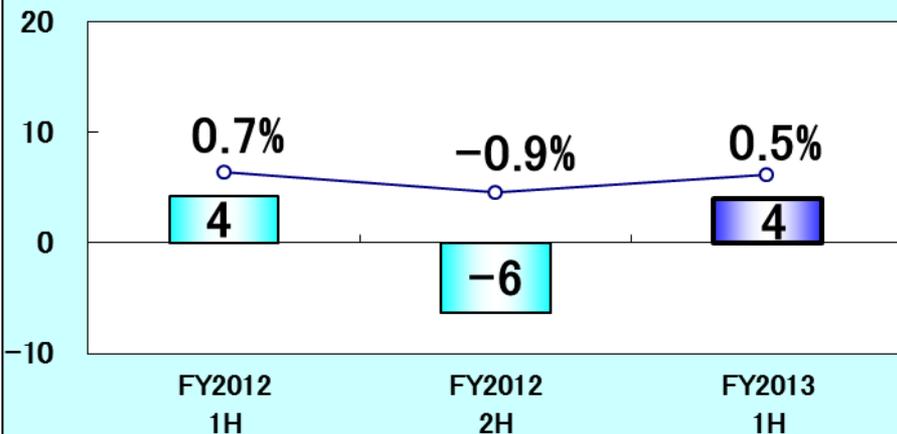
《 Europe 》

Net Sales

(100 million yen)



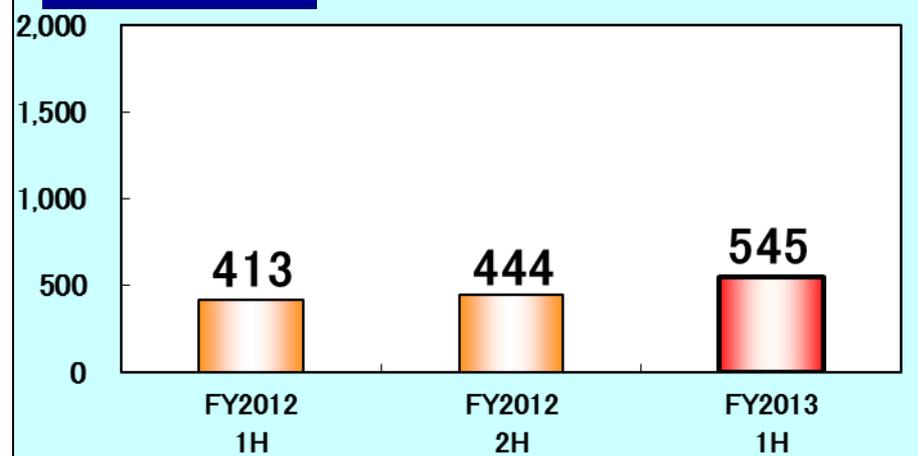
Operating Income



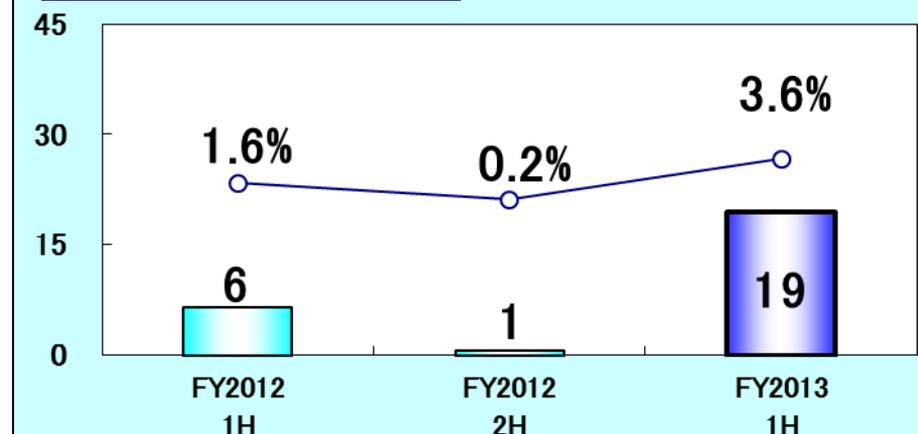
《 Asia & Others 》

Net Sales

(100 million yen)

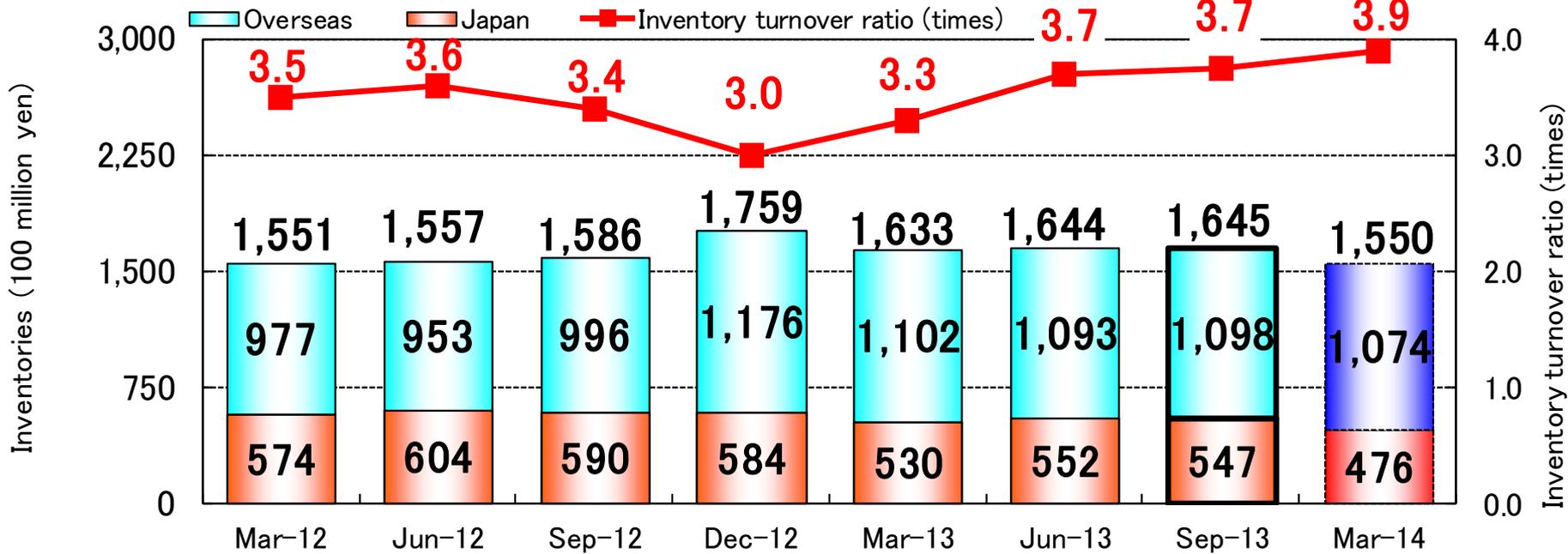


Operating Income



7. Inventories

◆ Decreased in Japan and overseas year-on-year if the effects of exchange rates are excluded.

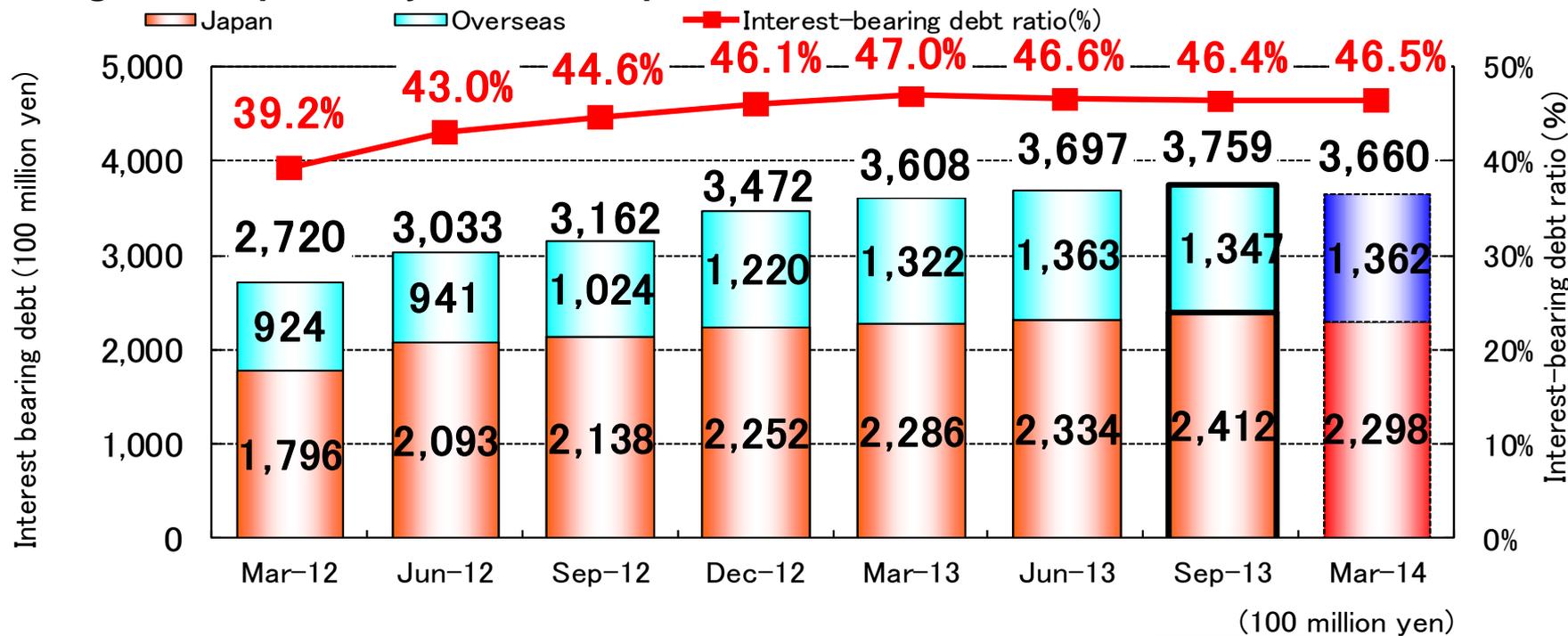


(100 million yen)

	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Mar-14
	Results	Previous forecast						
Inventories	1,551	1,557	1,586	1,759	1,633	1,644	1,645	1,550
Overseas	(977)	(953)	(996)	(1,176)	(1,102)	(1,093)	(1,098)	(1,074)
Japan	(574)	(604)	(590)	(584)	(530)	(552)	(547)	(476)
Inventory turnover ratio	3.5	3.6	3.4	3.0	3.3	3.7	3.7	3.9

8. Interest-Bearing Debt

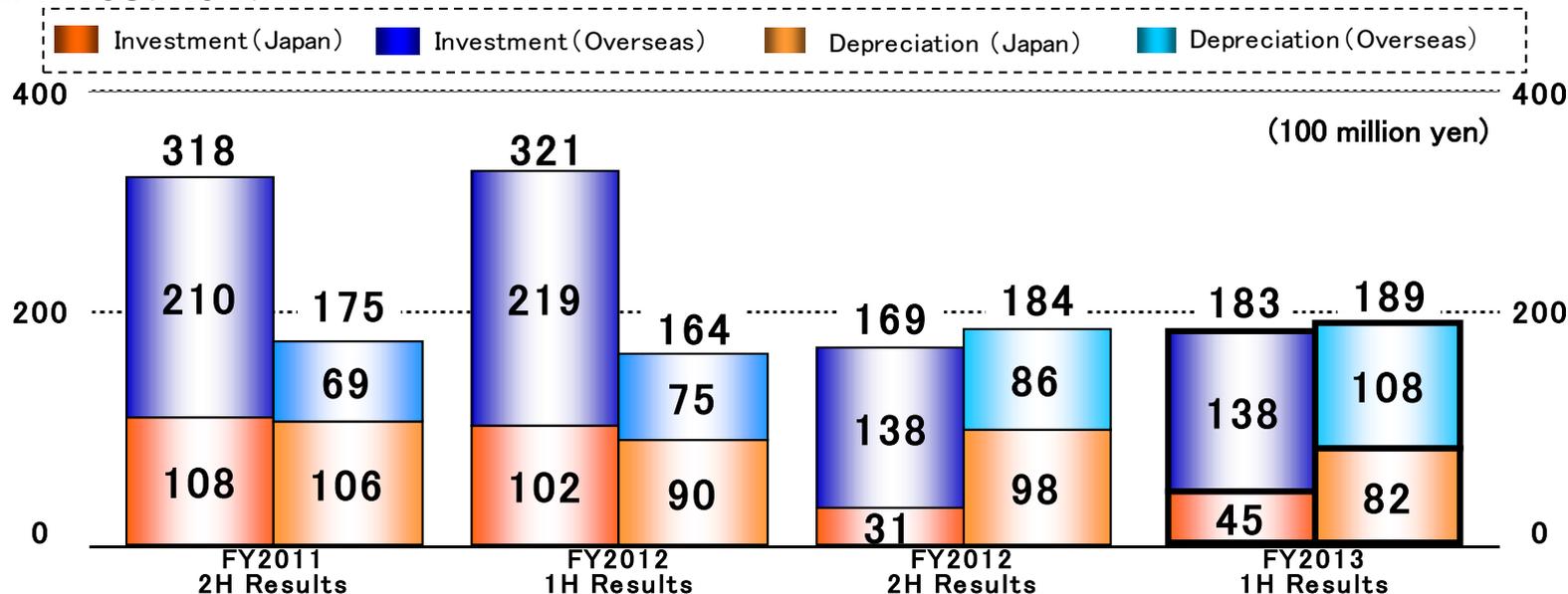
◆ Increased due to an increase in cash on hand and the effects of exchange rates.
The degree of dependency has been improved.



	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Mar-14
	Results	Previous forecast						
Interest-bearing debt	2,720	3,033	3,162	3,472	3,608	3,697	3,759	3,660
Overseas	(924)	(941)	(1,024)	(1,220)	(1,322)	(1,363)	(1,347)	(1,362)
Japan	(1,796)	(2,093)	(2,138)	(2,252)	(2,286)	(2,334)	(2,412)	(2,298)
Interest-bearing debt ratio (%)	39.2%	43.0%	44.6%	46.1%	47.0%	46.6%	46.4%	46.5%

9. Capital Expenditure and Depreciation

- ◆ The amount of investment in the first half was kept with the scope of depreciation by limiting capital investment.

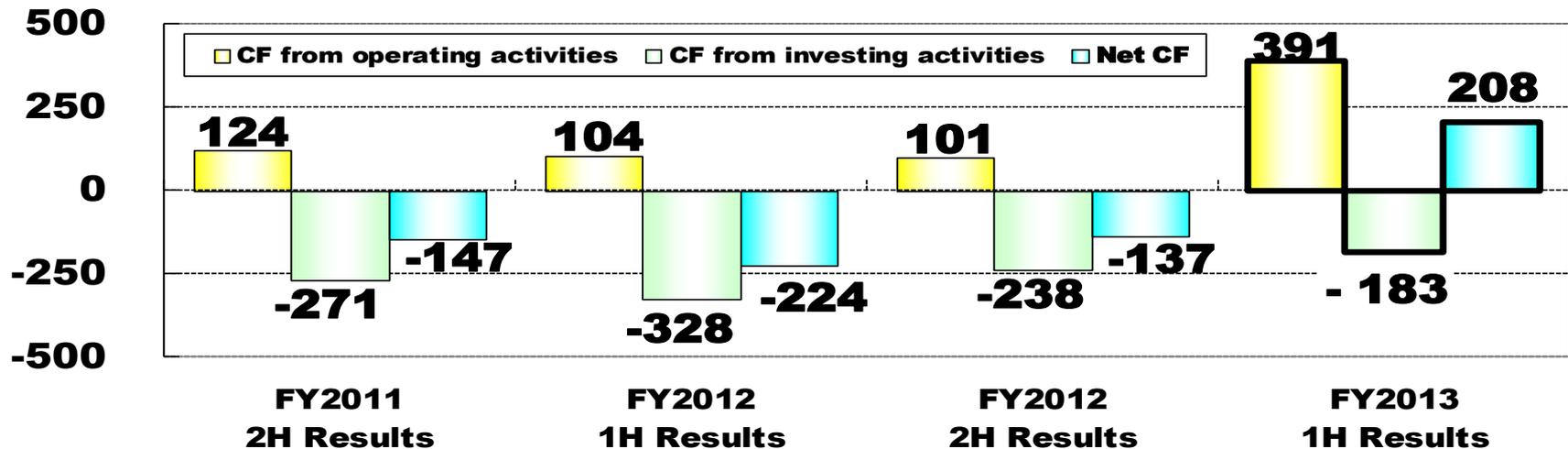


	FY2011 2H Results	FY2012 1H Results	FY2012 2H Results	FY2013 1H Results
Capital expenditure	318	321	169	183
Overseas	(210)	(219)	(138)	(138)
Japan	(108)	(102)	(31)	(45)
Depreciation	175	164	184	189
Overseas	(69)	(75)	(86)	(108)
Japan	(106)	(90)	(98)	(82)

10. Cash Flows

- ◆ Free cash flow returned to positive by increasing sales cash flow and limiting investment cash flow.

(100 million yen)	FY2011 2H Results	FY2012 1H Results	FY2012 2H Results	FY2013 1H Results
I . Cash flow from operating activities	124	104	101	391
II . Cash flow from investing activities	-271	-328	-238	-183
III . Cash flow from financing activities	368	470	226	81
IV . Effect of exchanging rate translation on cash and cash equivalents	-11	17	-17	10
V . Net increase in cash and cash equivalents	211	263	72	298

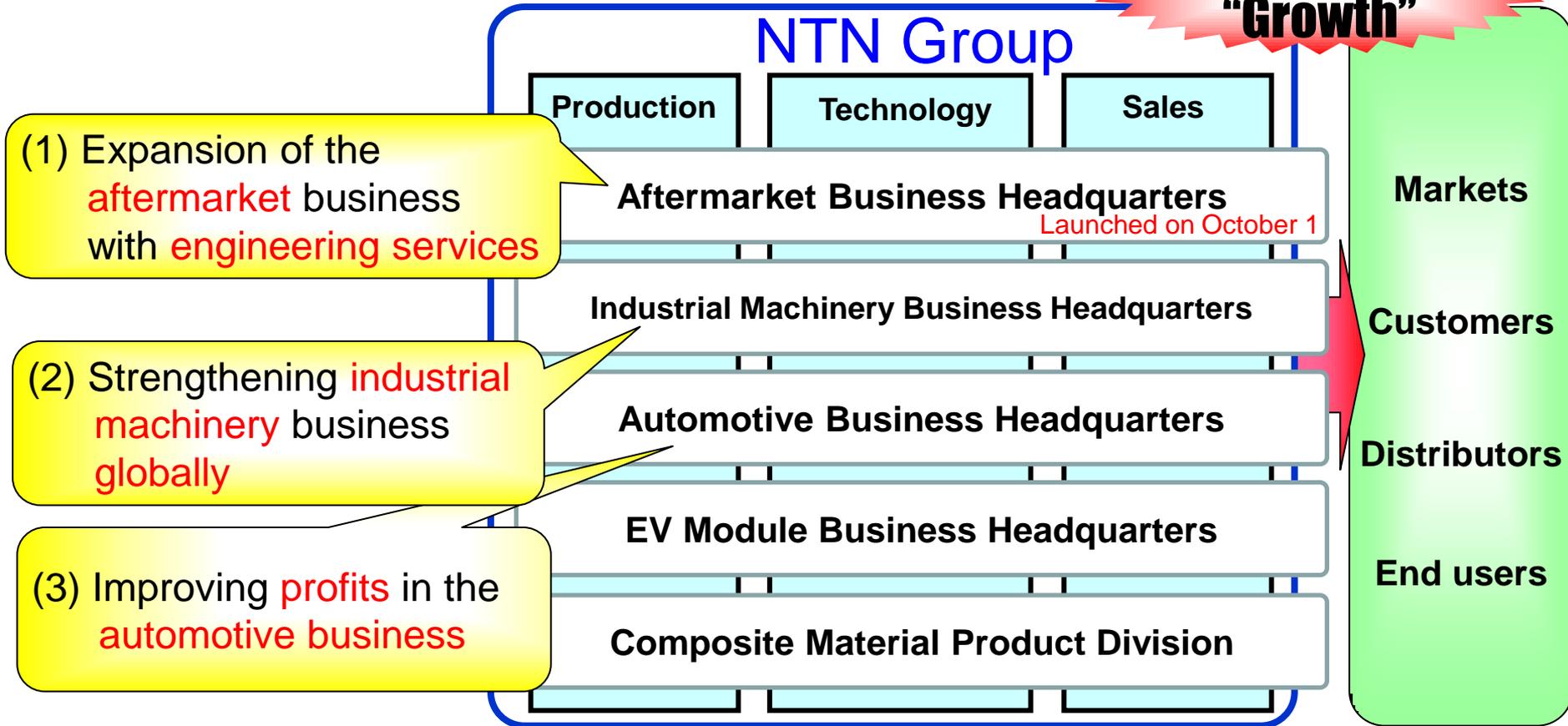


II. Progress of mid-term management plan “Revival 2014”

Progress of mid-term management plan “Revival 2014”

“Centralization of Management Resources”
for further growth

From
“Revival” to
“Growth”



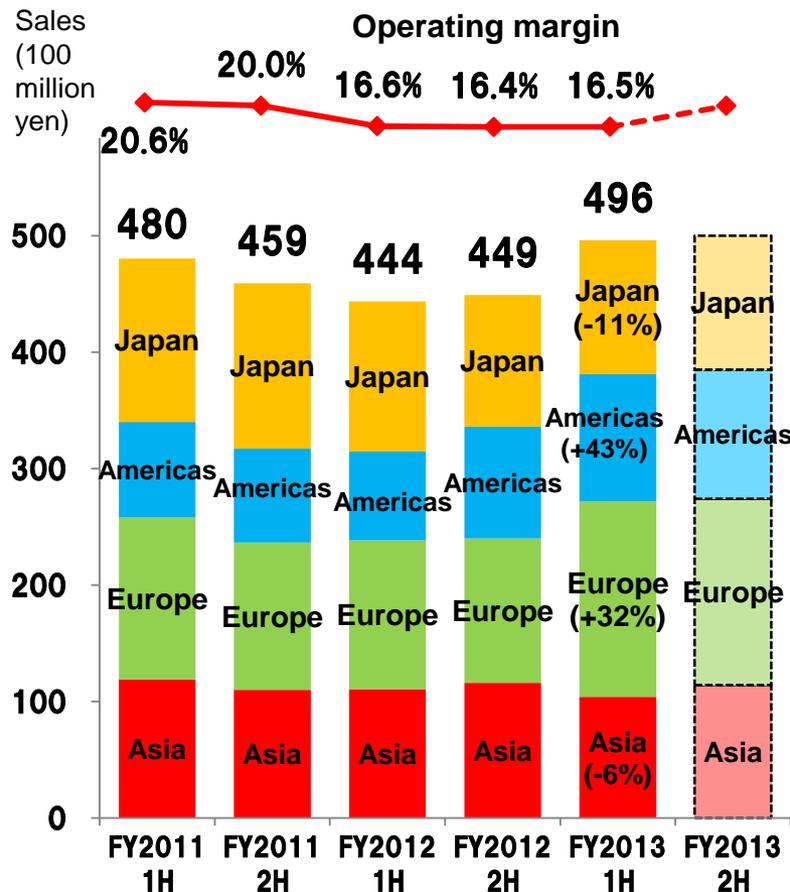
Creating an organizational structure that maximizes
its “engineering” capabilities

Results and Forecast for Aftermarket

< 1H Results (compared with 1H of FY2012) >

- The automotive aftermarket increased approximately 3-fold in the Americas, with better cooperation with major distributors for industrial machinery aftermarket
- The automotive aftermarket also increased in Europe, however there was worsening market conditions in Asia resulted in slower orders from distributors

< 2H Forecast >



Japan	Secure orders from distributors for stock Improve service with the use of mobile training units
Americas	Develop new customers in the form of major distributors in North America Increase sales of automotive parts
Europe	Greater efforts to secure more maintenance, repair and overhaul (MRO) orders Increase orders from distributors in Russia and Eastern Europe
Asia	Expand MRO orders with the mobile technical services Increase sales of automotive repair parts in China and other countries

Improvement Policies for Aftermarket Business

(1) Company organizational structure

- ✓ Establish **Aftermarket Business Headquarters**
(as of October 1, 2013)

Strengthening
marketing

(2) Sales and supply system

- ✓ **Expansion of sales companies, greater distributor network and restructuring**
- ✓ Establish new specialized plants and operate a central warehouse

Strengthening
supply chain

(3) Product competitiveness

- ✓ Shift from general purpose products to **high-quality, high value-added products**
- ✓ Know-how on **kits that combine with** auxiliary products



Increasing sales with
products and
engineering services

(4) Engineering service capabilities

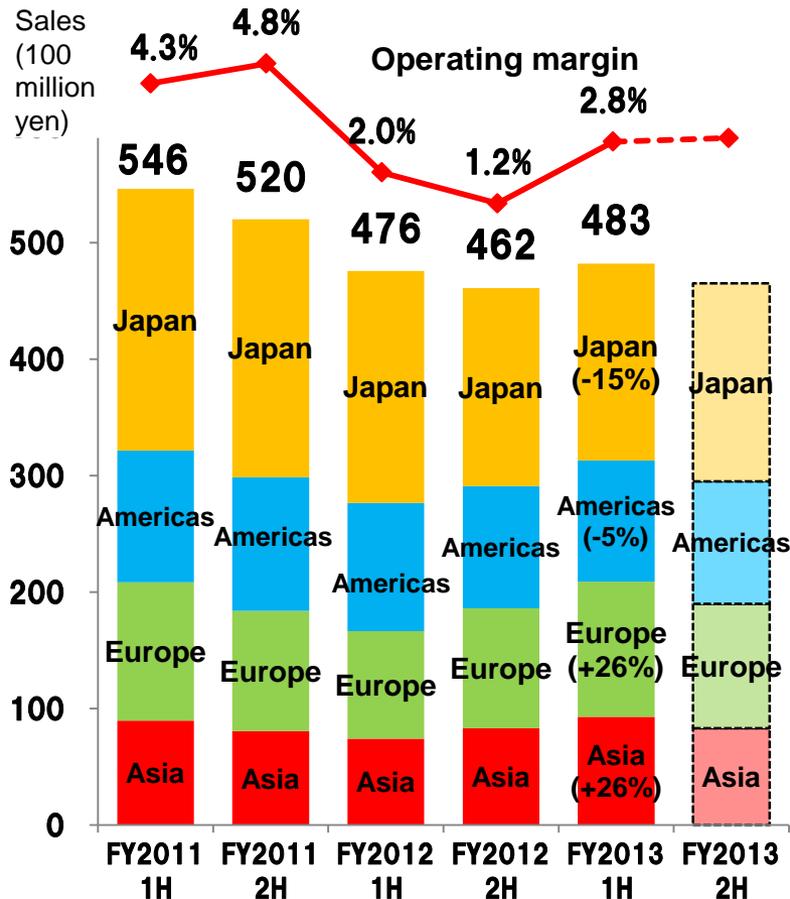
- ✓ **Equipment diagnosis technology** such as monitoring and data analysis
- ✓ **Technical instruction** for handling bearings and maintenance tools



Results and Forecast for Industrial Machinery

< 1H Results (compared with 1H of FY2012) >

- Major recovery in wind turbines in China, accompanied by an increase in rolling stock and construction machinery
- Major reduction in construction machinery and mining machinery in Japan and the Americas, however positive results for aircraft in all regions around the world



< 2H Forecast >

Japan	Increase orders for aircraft and machine tools Demand reduction in wind turbines
Americas	New orders and increased demand for agricultural machinery Slow recovery expected for construction machinery
Europe	Increase in aircraft, rolling stock and agricultural machinery, however decrease in construction machinery, transmission/reducers
Asia	Increase in construction machinery and machine tools in China, however decrease in wind turbines due to seasonal factors

Strengthening Industrial Machinery Business Globally

Machine tool



Secure new orders with high-speed and applied environmental technology

Rolling stock



Expand production in Japan and Europe
Increase share with high-speed technology

Wind turbine



Production in Japan, China and Europe
Global deployment of CMS

Aircraft



To GE, P&W, R&R, SAFRAN
Increase production capacity in Japan and Europe

Expansion of global business with advanced technology and a 4-region production system



Construction machinery



Increase sales to local manufacturers with 4-region production

Agricultural machinery



4-region production
More applications for CVJ

Robot/Reducer

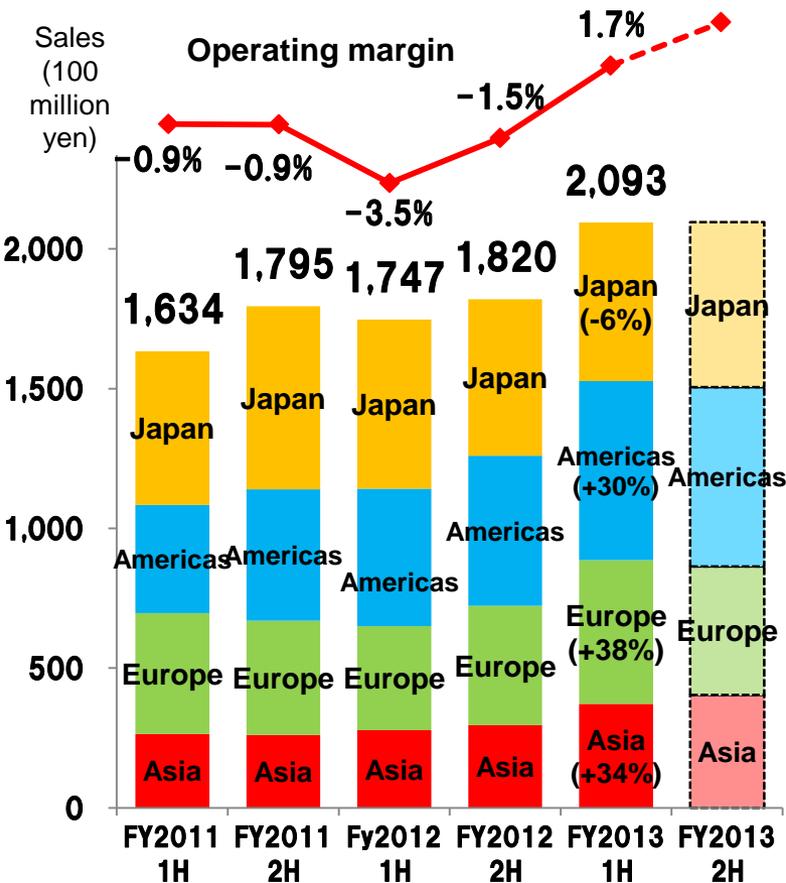


Greater lineup of bearings with sensors, and composite material products

Results and Forecast for Automotive

< 1H Results (compared with 1H of FY2012) >

- Increased due to positive exports by European manufacturers and new orders, positive in North America for pickup trucks
- Increased in Asia due to an increase in China. Decreased due to the down turn in Japan following the end of the eco-car subsidy



<2H Forecast>

Japan

Increase in exports due to lower yen
Effects of mass-production of new vehicles

Americas

Low interest rates continue to have a positive impact
Effects of new models from Japanese and American manufacturers

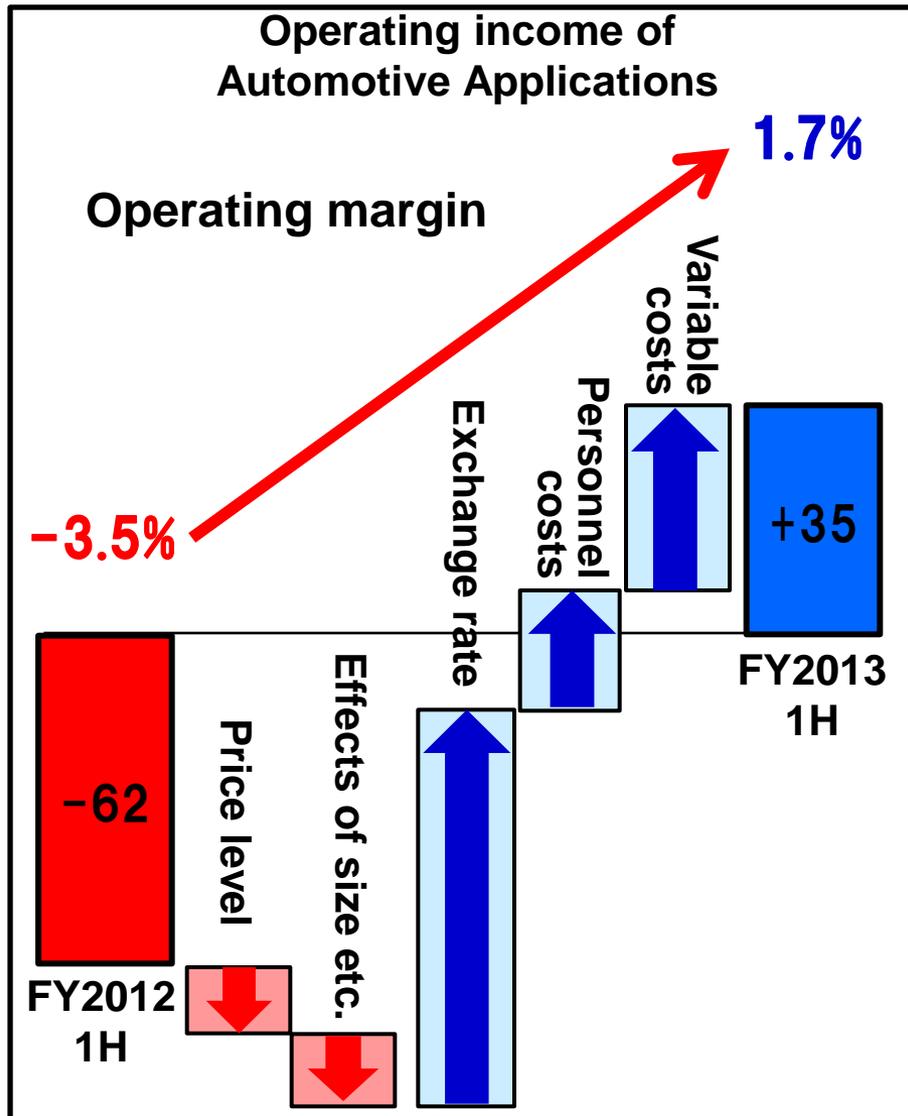
Europe

Increase in production due to a shift in exports outside of Europe
Increase in new orders from European manufacturers

Asia

Increase in production of Chinese vehicles
New orders from Chinese, Indonesian and Japanese manufacturers

Improving Profit of the Automotive Business



FY2012 1H : -6.2 billion yen

+9.7 billion yen

FY2013 1H : 3.5 billion yen

Variable costs

- Greater use of local steel materials
- Build relations with local manufacturers, greater local procurement
- Local production of pre-processes by suppliers
- More local production
- VAVE
- Production in Japan

Fixed costs

- Early retirement ,etc.

Sales price level

- Limits to discounts, and price increases

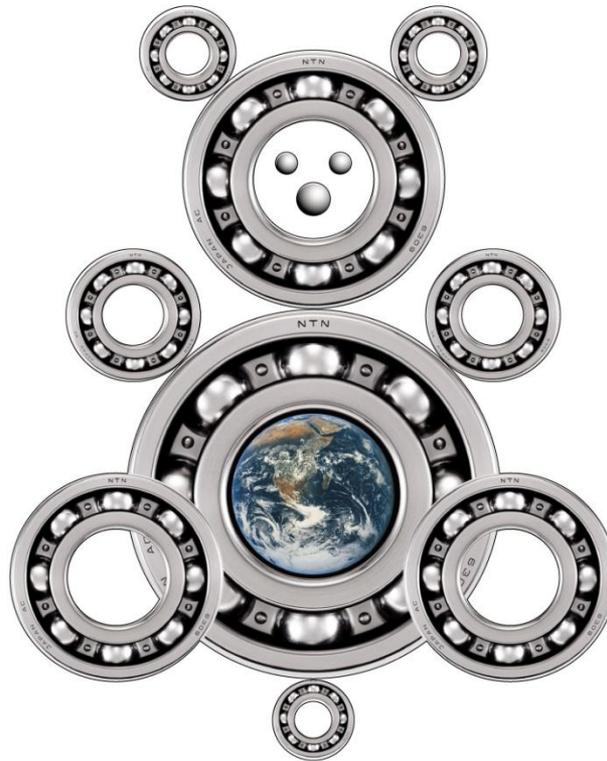
Amount of Effects of Key Policies of “Revival 2014”

Amount of effects of major policies on operating income (Plan and 1H results)

(100 million yen)

Topic	Major Policies for FY2013	Annual Plan	1H	
			Plan	Results
Centralization of management resources (variable costs)	<ul style="list-style-type: none"> - Price revisions through use of common parts, and reviews of designs and manufacturing , as well as VA/VE and shift to internal production - Reduction in variable costs at overseas bases through greater local production and local production of pre-processes 	64	22	27
Structural reform	Early retirement (approximately 420 voluntary redundancies by the end of September)	43	15	15
	Reform the logistics business (establishment of logistics subsidiary)	3	1	1
	Subtotal	46	16	16
Emergency measures	Reduction in fixed costs (personnel costs + various expenses)	45	25	24
Total		155	63	67

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