

# **Consolidated Financial Results for the First Half of FY2014**

November 6, 2014

NTN Corporation

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- I. Progress of “Revival 2014”**
- II. For further growth**
- III. Financial Results for the First Half and Forecast of FY2014**

- This presentation and comments made in this conference or during the following Q&A session include forward-looking statements about management decisions for future performance and future business strategies.
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# **I. Progress of “Revival 2014”**

II. For further growth

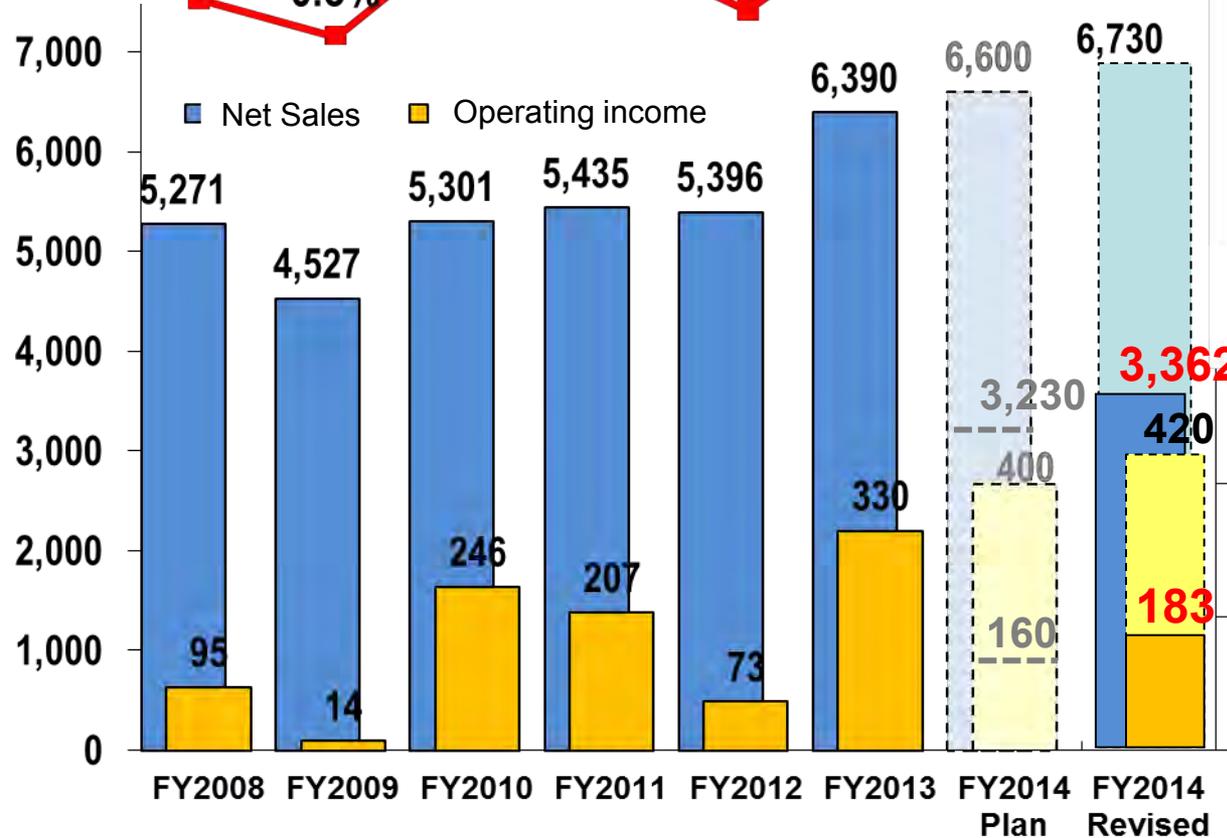
III. Financial Results for the First Half  
and forecast of FY2014

# Changes in Consolidated Financial Results

## (first half results and full-year forecast)

Net sales  
(100 million yen)

Operating margin



FY2014 1H (Results)

Net sales: **3,362** (100 million yen)  
 Operating income: **183** (100 million yen)  
 Operating margin: **5.4%**  
 Net income: **93** (100 million yen)  
 1H dividends: **2.5 yen**

Operating income  
(100 million yen)

FY2014 Full Year (Forecast)

Net sales: 6,600 (100 million yen)  
 → **6,730** (100 million yen)  
 Operating income:  
 400 (100 million yen)  
 → **420** (100 million yen)  
 Operating margin:  
 6.1% → **6.2%**  
 Net income: **200** (100 million yen)  
 Full year dividends: **5 yen**

**NTN 2010**  
for The Next Step

**Global Advance**  
2013

**Revival 2014**

# Progress of "Revival 2014" Policies

## 1. "Emergency Measures"

- Reduce personnel costs and fixed costs
  - Plans were brought forward to FY2012 2H
- Limit capital expenditure
  - Increase for future growth
- Reduce inventories
  - Plans forecast to be achieved with inventory turnover ratio

## 3. "Structural Reform"

- Reforms to personnel costs
  - Early retirement
  - Strengthening system of aftermarket business
- Acceleration of overseas production
  - Continue shifting to overseas production
  - Establish new companies in China, Mexico
- Selection of business
  - Establish logistics subsidiary
  - Withdraw from some precision product businesses

## 2. "Centralization of Management Resources"

- Sales expansion for Aftermarket
- Strengthening Industrial machinery business globally
- Greater profits in Automotive Business
  - on page 7 to 8

## 4. "Expansion of New Products and New Businesses"

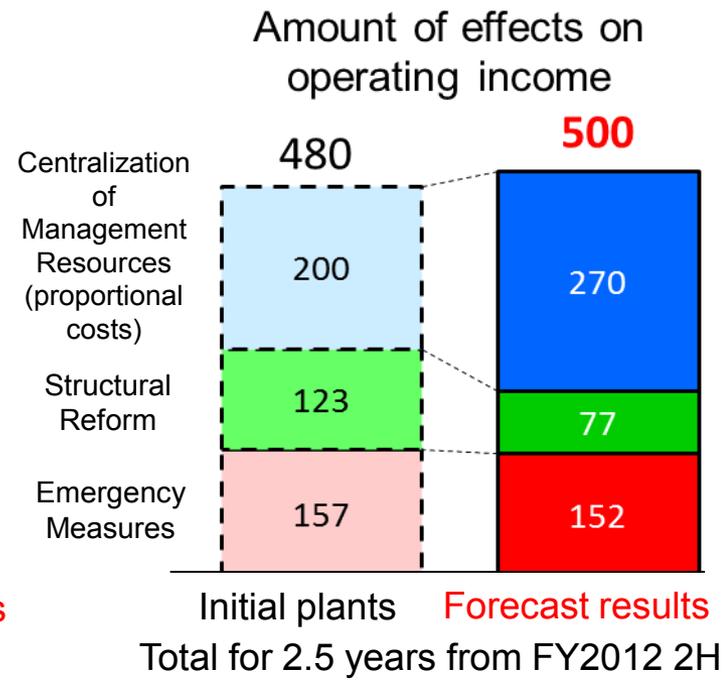
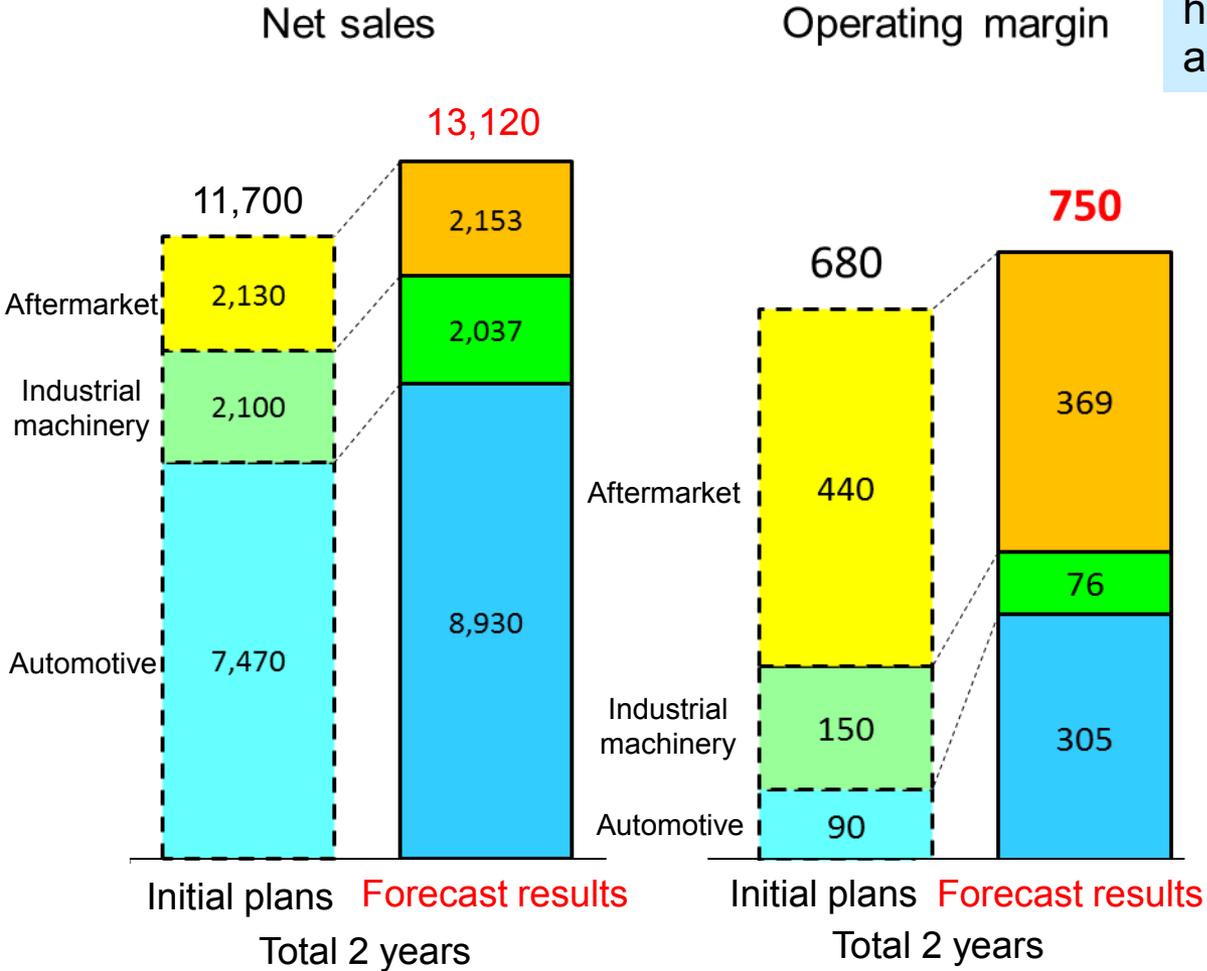
- Strengthen development of module products and system products
- Full operation of the EV system products business
- Development of composite material products and market deployment
  - on page 9

# Achievement Forecast of "Revival 2014"

Initial plans for net sales and operating income, and latest forecast "Revival 2014" (100 million yen)

Both net sales and operating income have exceeded plans in the automotive business

The reduction in proportional costs such as local procurement largely exceeded plans



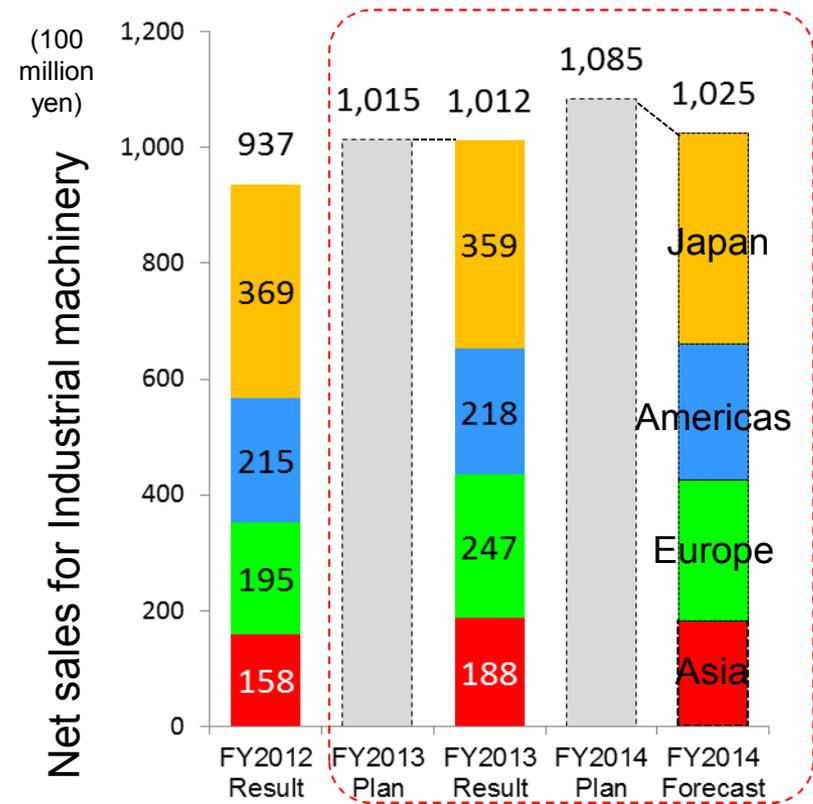
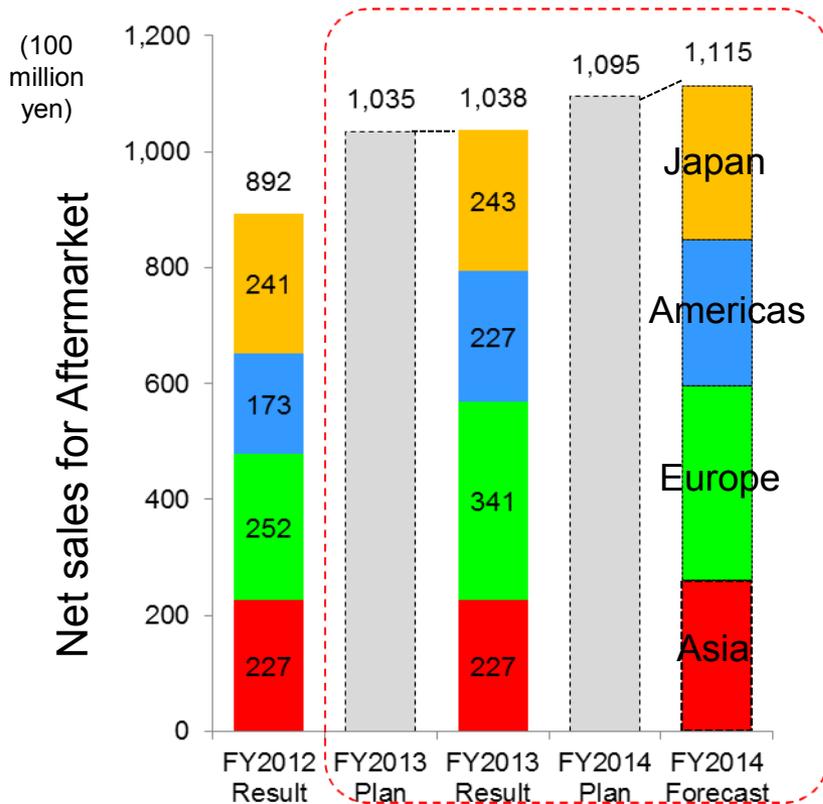
# Progress of “Centralization of Management Resources” -1

## (1) Sales expansion for aftermarket

- Establish Aftermarket Business Headquarters with 200 employees
- Enhance development of end users in cooperation with distributors
- Mobile activities with technical service unit
- Expand product lineup of automotive parts in North America

## (2) Strengthening the industrial machinery business

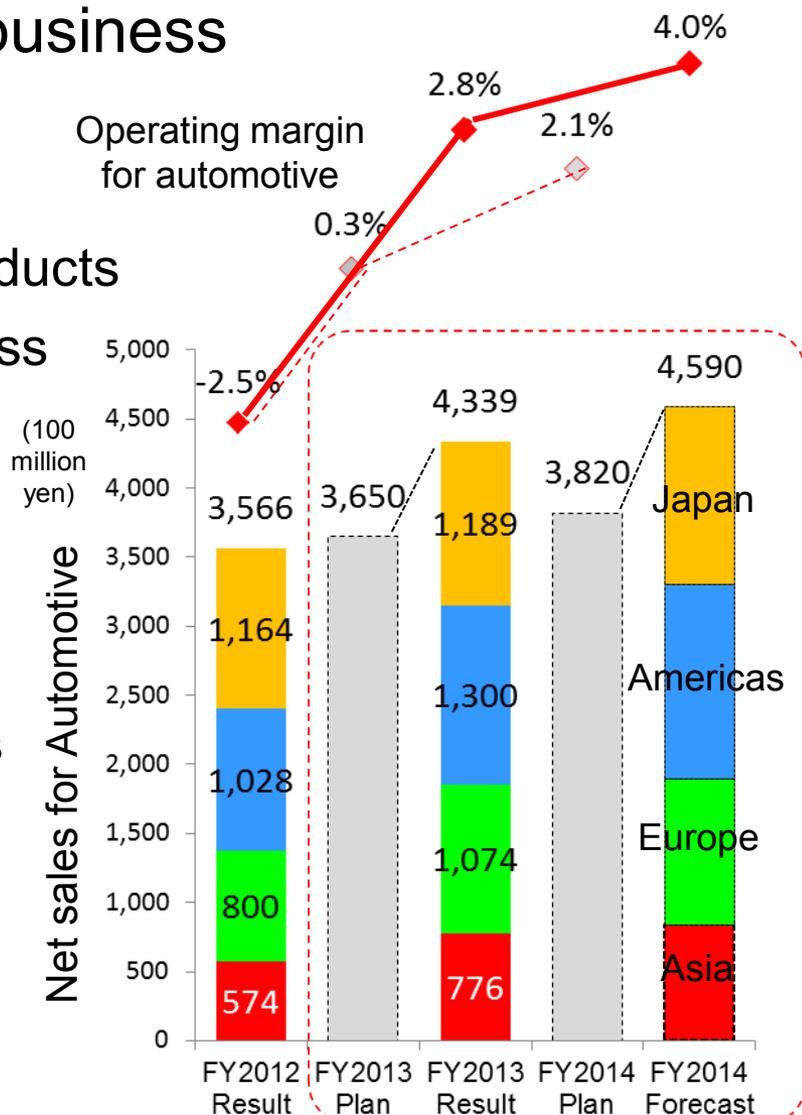
- Secure new orders for aircraft, wind turbines and rolling stock
- Increase in demand for machine tools and robots
- Delays in demand recovering construction machinery and mining machinery



# Progress of “Centralization of Management Resources”-2

## (3) Greater profits in the automotive business

- Increase use of local steel materials
- Increase local production of finished products
- Increase local procurement of pre-process parts
- Release new module products and system products to market
- Limit price reductions
- Improve sales cost of low-profit products



# Expansion of new products and new businesses (new main products)

## Commercialization of **module products and system products**

### Automotive



Ball Screw Drive Module for Electric Hydraulic Brake



Mechanical Clutch Unit  
Awarded "Cho Monozukuri Award" Innovative Parts and Components Award 2014

### Industrial machinery



Parallel Link type High Speed Angle Control Equipment



Handy Type Failure Detection Device



CMS for wind turbines



Bearing Technical Calculation System for Machine Tools



Testing Machine for Wind Turbine

## Strengthen development of **composite material products**

### Automotive + Industrial machinery



New material Bearphite CL



Low Torque Seal Ring for Automotive Transmission



Sintered metal + plastic Hybrid Bearphite HP

### Industrial machinery



High Performance Magnetic Core for Induction Hardening Equipment



Special plastic Sliding Bearing Unit for High Load Applications

## Acceleration of **EV system products demonstration projects**



Annecy City, France



Iwata City, Shizuoka Prefecture



In-wheel Motor System



Ise City, Mie Prefecture



First certification acquired in Japan

I. Progress of “Revival 2014”

**II. For further growth**

III. Financial Results for the First Half  
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# Positioning of New Medium-term Management Plan

## NTN vision for next 10 years

FY2025

- (1) A company where its corporate philosophy is being adopted by all employees around the world.
- (2) A company with original products and services, celebrated for its high quality and functions, and has a global presence.
- (3) A company where everyone involved with NTN has pride in the “NTN” brand.

100<sup>th</sup> anniversary

FY2017

=

Build foundation for achieving FY2025 vision

New Medium-term Management Plan

FY2015

FY2014

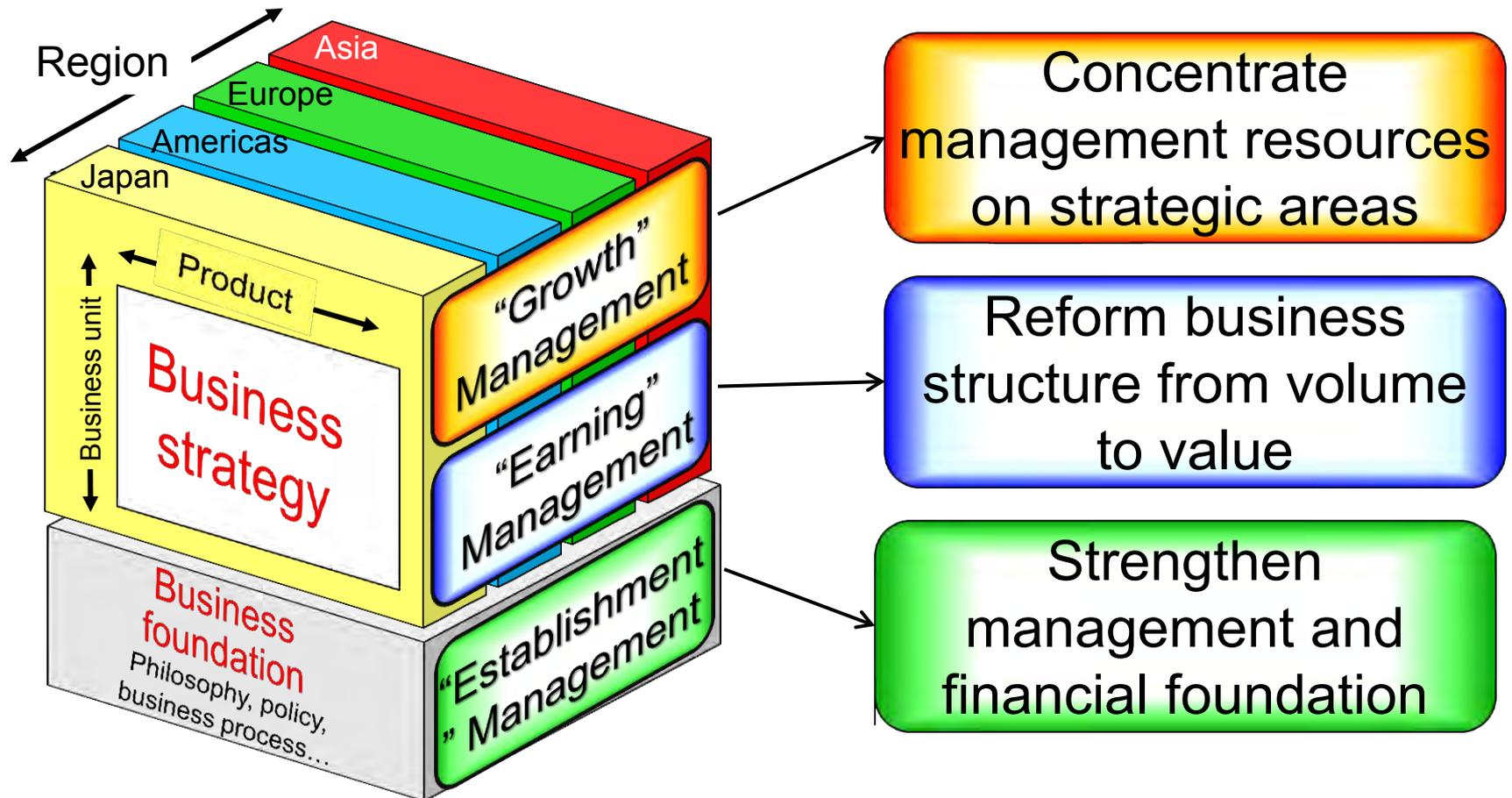
= Reform business structure to generate profit

“Revival 2014”

FY2013

# Basic Policy of New Medium-term Management Plan

Establish business strategies for each business, product and region, and main policies for business foundation based on 3 Basic Policies



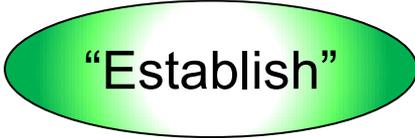
# Basic Policy of New Medium-term Management Plan



## “Growth”



## “Earn”



## “Establish”

### 1. **Aftermarket**

- Growth in all products and regions

### 2. **Industrial machinery market**

- Growth with new technologies and new products
- Earn with base products

### 3. **Automotive market**

- Growth with module/system products
- Earn with axle bearings and CVJs

### 4. **New areas**

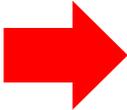
- Growth in new areas such as EV and new energy with cutting edge technology

1. Enhancing **compliance** globally

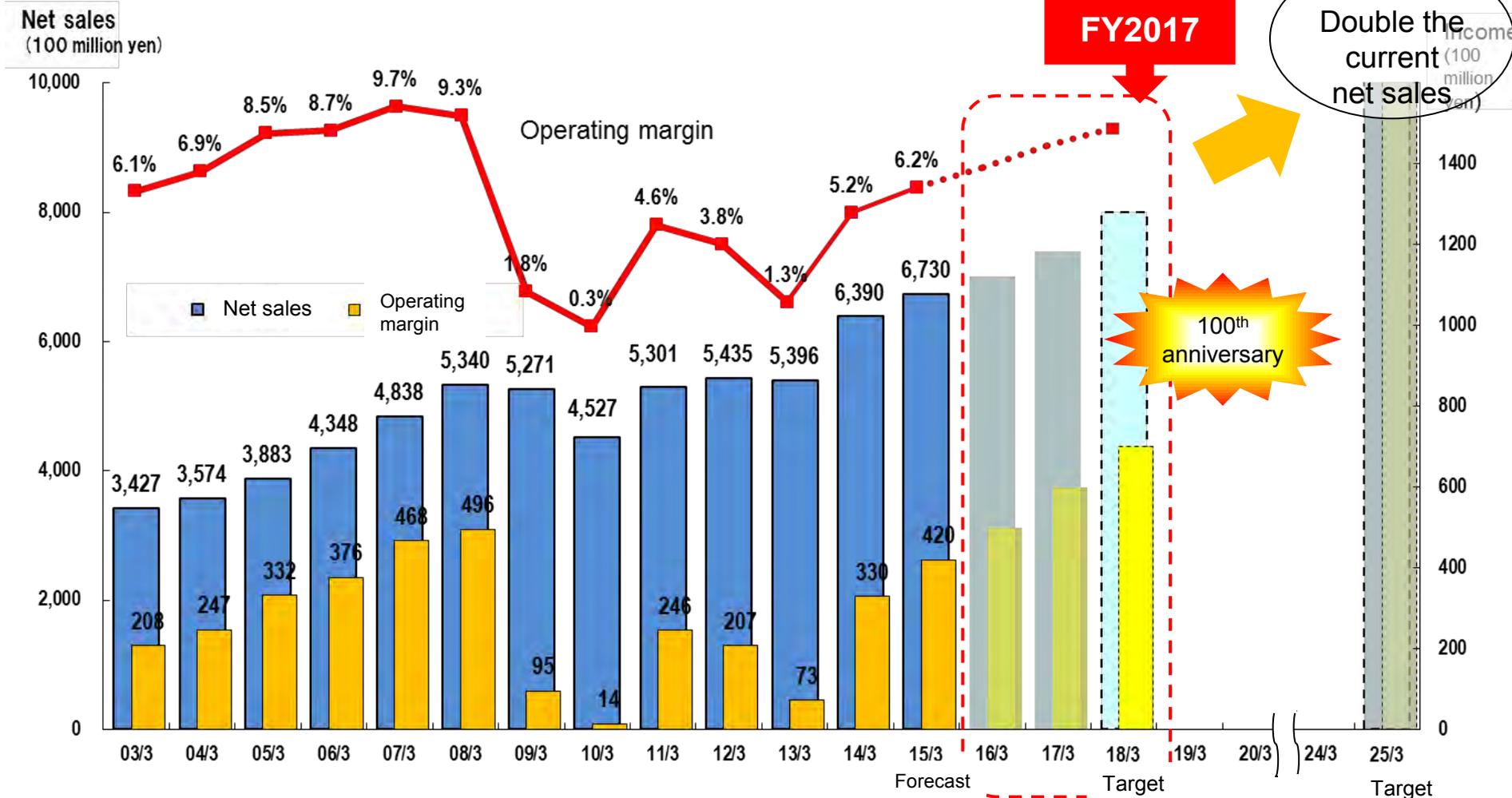
2. Strengthening **corporate governance system**

3. Revitalizing local communities through **social contribution activities**

4. Strengthening **financial foundation**

 Strengthen engineering such as research, technical development and services, even further to become a co-creative partner company for customers

# Targets of New Medium-term Management Plan



NEW Plan 21    Rapid Advance 21    GCA 21    For the Next.    GA 2013    **Revival 2014**    **New Medium-term Management Plan**

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# **Ⅲ. Financial Results for the First Half and Forecast of FY2014**

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## ★Financial Results for the First Half of FY2014 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 Region**
  - (1)Japan, Americas**
  - (2)Europe, Asia & Others**
- 7. Inventories**
- 8. Interest-Bearing Debt**
- 9. Capital Expenditure and Depreciation**
- 10. Cash Flows**

## FY2014 1H Results

- ◇ Net sales was **336.2 billion yen**, a 29.1 billion yen (+9.5%) increase in revenue year-on-year
  - The aftermarket increased chiefly in Japan and Asia, with **approximately 10% increase** in revenue year-on-year
  - Industrial machinery had an **approximately 9% increase** in revenue year-on-year due to increased demand from customers in Japan and the Americas
  - Automotive increased in Japan, the Americas and China, with **approximately 9% increase** in revenue year-on-year
- ◇ Operating income was **18.3 billion yen**, a 5.8 billion yen (+40%) increase in profit year-on-year
- ◇ Extraordinary income or loss: **-2.4 billion yen** (extraordinary income +300 million yen, extraordinary loss -2.7 billion yen)
- ◇ Income for current term was **9.3 billion yen**, a 5.8 billion yen increase in profit year-on-year

## FY2014 Full year Forecast

- ◇ Net sales was revised to **673 billion yen** (previously 660 billion yen)
  - Operating income was revised to **42 billion yen** (previously 40 billion yen)
- ◇ 2H extraordinary income or loss will be **-1.6 billion yen** (previously 0 yen)
- ◇ No change to the exchange rate for 2H (1US\$ = 100 yen, 1EURO = 130 yen)

# 1. Consolidated Statements of Operation

For New Technology Network



(100 million yen)

	FY2013			FY2014			Year on year		
	1H Results ①	2H Results	Full year Results ②	1H Results ③	2H Forecast	Full year Forecast ④	FY2014 1H ③-①	FY2014 Full year ④-②	
Net sales	3,072	3,318	6,390	3,362	3,368	6,730	291	340	
Operating income	130	200	330	183	237	420	52	90	
Operating margin	(4.2%)	(6.0%)	(5.2%)	(5.4%)	(7.0%)	(6.2%)	(1.2%)	(1.0%)	
Ordinary income	103	183	287	167	193	360	63	73	
Extraordinary income/loss	- 16	- 295	- 311	- 24	- 16	- 40	- 8	271	
Net income/loss	34	- 181	- 146	93	107	200	58	346	
Exchange rate	US\$	98.9	101.5	100.2	103.0	100.0	101.5	4.2	1.3
	EURO	130.0	138.6	134.2	138.9	130.0	134.5	8.9	0.2

## 2. Net Sales by Region

### <Net Sales by Region>

(100 million yen)

	FY2013			FY2014			Year on year			
	1H	2H	Full year	1H	2H	Full year	FY2014 1H		FY2014 Full year	
	Results ①	Results Results	Results ②	Results Results ③	Forecast	Forecast ④	③-① Volume	③-① Forex	④-② Volume	④-② Forex
Japan	851	940	1,791	942	973	1,915	91	0	124	0
Americas	854	892	1,746	955	940	1,895	66	35	129	20
Europe	798	865	1,663	840	800	1,640	- 14	56	- 29	6
Asia & Others	569	621	1,190	625	655	1,280	39	17	86	4
Total	3,072	3,318	6,390	3,362	3,368	6,730	182	108	310	30

### 3. Net Sales and Operating Income by Business Sector

#### <Net Sales by Business Sector>

(100 million yen)

	FY2013			FY2014		
	1H	2H	Full year	1H	2H	Full year
	Results ①	Results ②	Results ②	Results ③	Forecast	Forecast ④
Aftermarket	496	543	1,038	548	567	1,115
Industrial machinery	483	529	1,012	526	499	1,025
Automotive	2,093	2,246	4,339	2,289	2,301	4,590
Total	3,072	3,318	6,390	3,362	3,368	6,730

Year on year			
FY2014 1H ③-①		FY2014 Full year ④-②	
Volume	Forex	Volume	Forex
32	20	71	5
28	16	7	6
122	73	231	19
182	108	310	30

#### <Operating Income by Business Sector>

(100 million yen)

	FY2013			FY2014		
	1H	2H	Full year	1H	2H	Full year
	Results ①	Results ②	Results ②	Results ③	Forecast	Forecast ④
Aftermarket	82	96	177	89	103	192
Industrial machinery	14	19	33	21	22	43
Automotive	35	85	120	72	113	185
Total	130	200	330	183	237	420

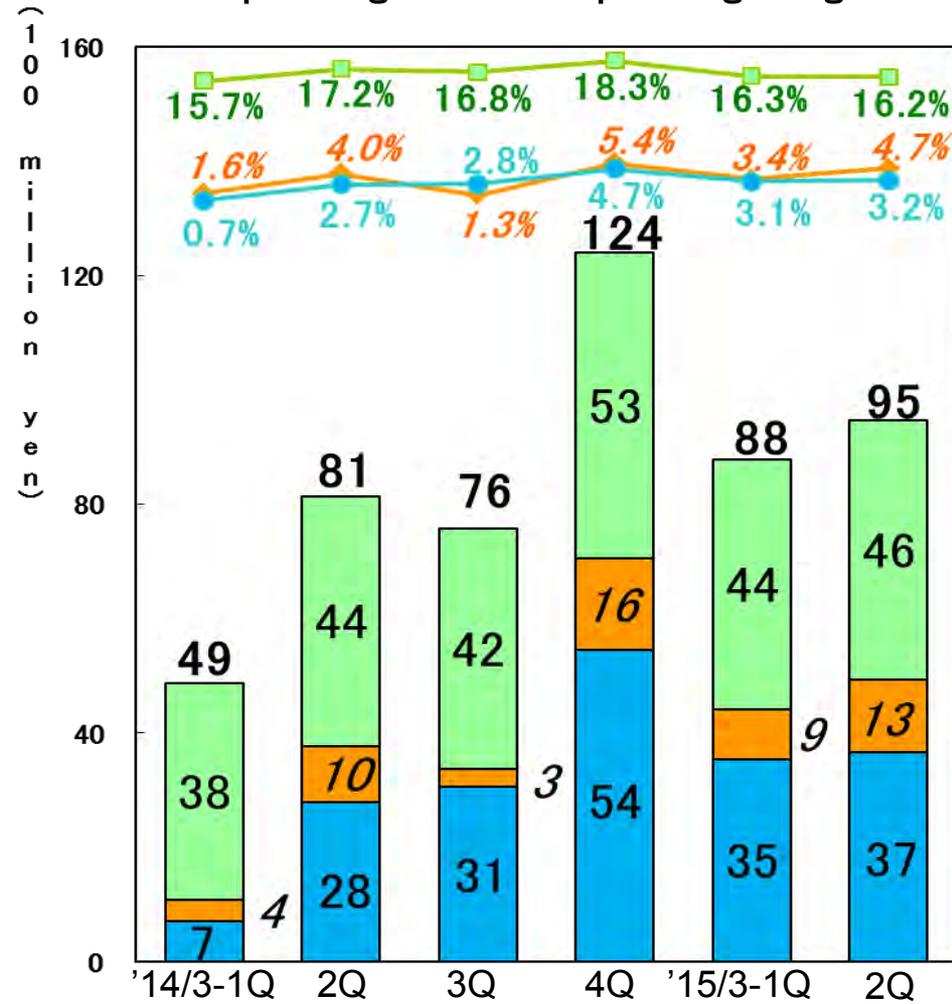
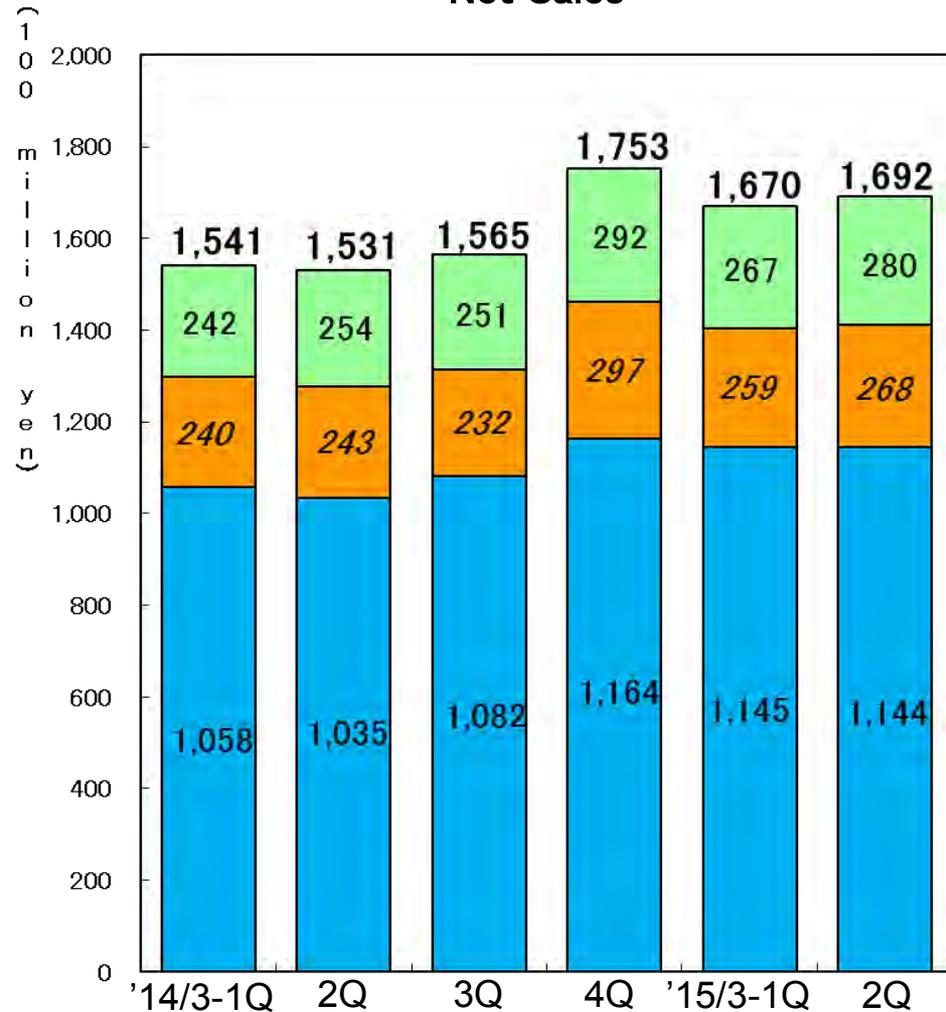
Year on year			
FY2014 1H ③-①		FY2014 Full year ④-②	
Volume	Forex	Volume	Forex
	7		15
	8		10
	37		65
	52		90

# 4. Results by Business Sector (Quarterly Trend)

Automotive Industrial machinery Aftermarket

Net Sales

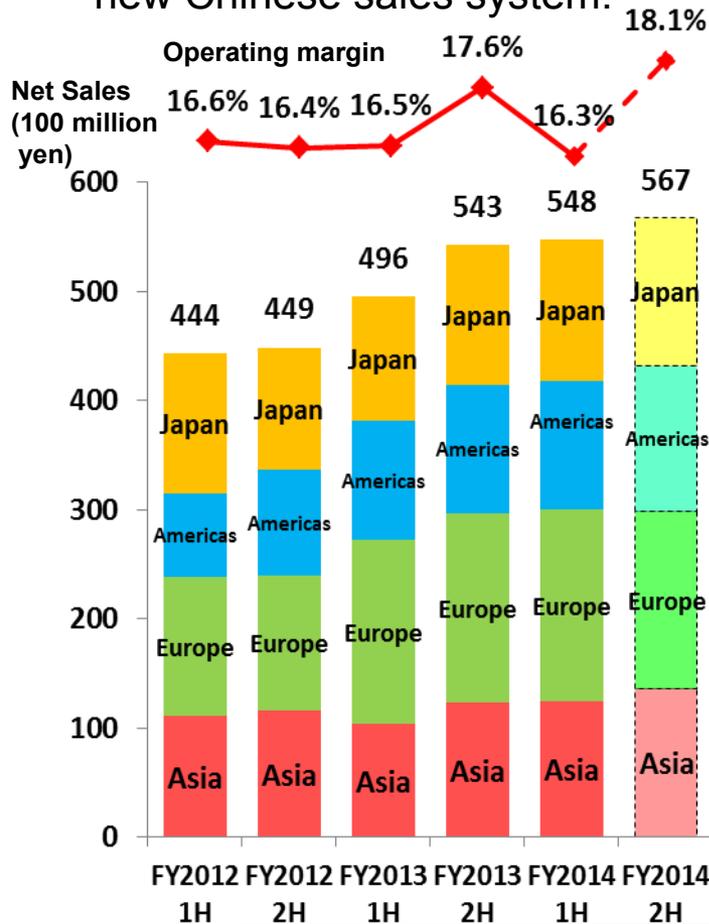
Operating Income/ Operating Margin



# Sales Trend for Aftermarket

## < 1H Results (compared with FY2013 1H) >

- Machine tools and construction machinery increased in Japan via distributors. Collaboration with major distributors for industrial machinery in the Americas led to expansion of MRO. Automotive aftermarket was positive. Sales for major distributors increased in Asia with a new Chinese sales system.



## < 2H Forecast (compared with FY2014 1H) >

### Japan

- Recover demand for machine tools via distributors
- Cooperate with distributors to develop new end users

### Americas

- Cooperate with major distributors to expand MRO sales
- Accelerate automotive sales with greater product lineup

### Europe

- Expand industrial machinery by reorganizing sales system
- Maintain share despite political instability in Eastern Europe

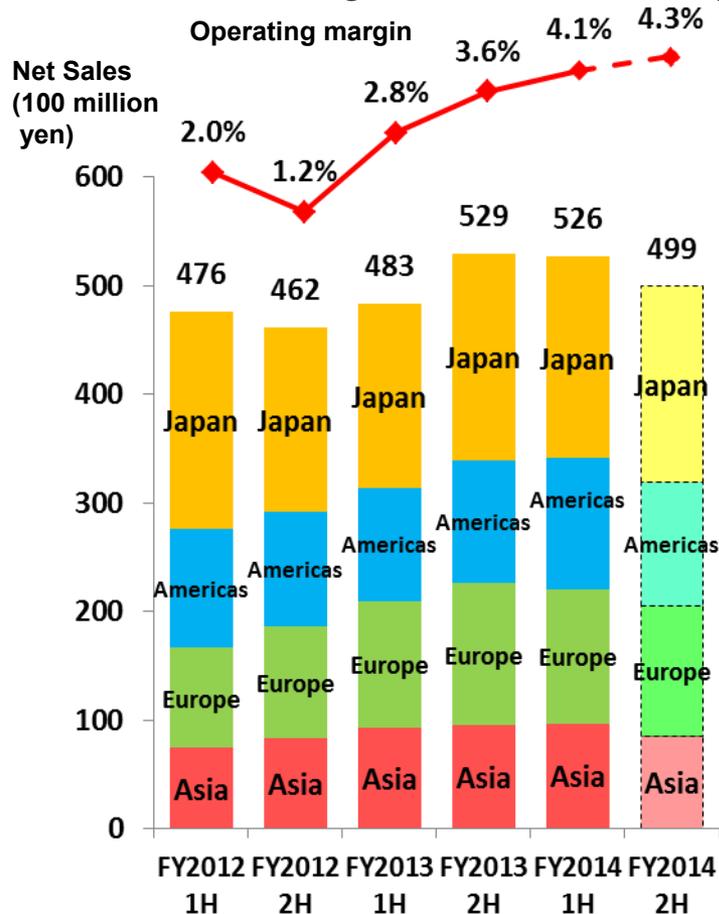
### Asia

- Increase sales to major distributors and focus on expanding MRO sales in both China and ASEAN

# Sales Trend for Industrial Machinery

## < 1H results (compared with FY2013 1H) >

- Reducers for robots increased in Japan. Aircraft and machine tools also positive.
- Construction machinery increased in the Americas. Rolling stock increased in China. Demand for agricultural machinery decreased in Europe and Americas.



## < 2H Forecast (compared with FY2014 1H) >

### Japan

Steady demand for machine tools and aircraft  
Reduction in demand for construction machinery for China

### Americas

Reduction in demand for construction machinery  
Fewer wind turbines installed in North America

### Europe

Greater sales of aircraft, rolling stock  
Demand for reducers to slowly recover

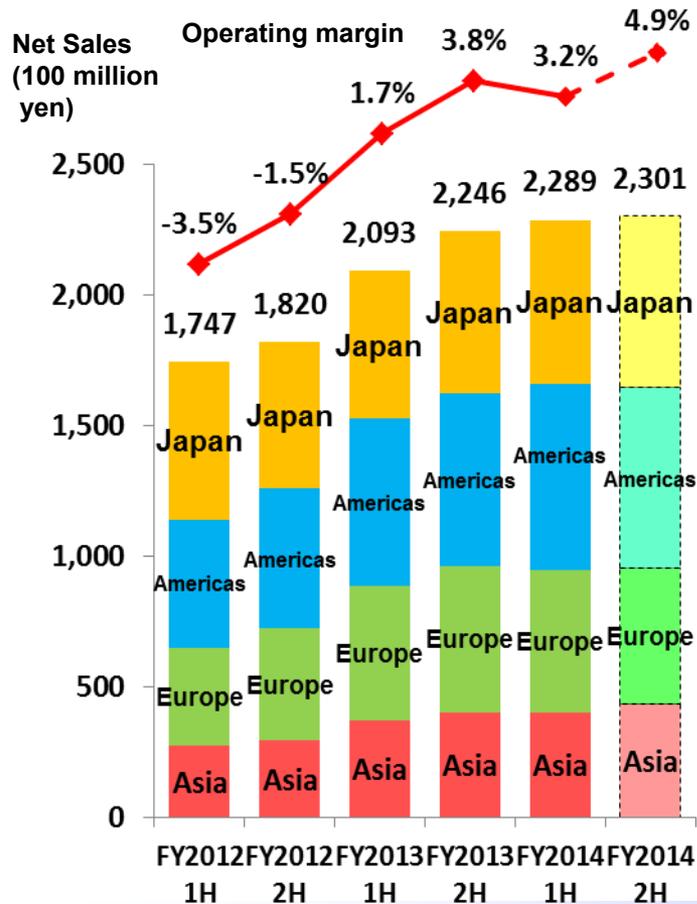
### Asia

Reduction in winter demand for wind turbines in China  
Spot orders for HDD dynamic bearings to end in 1H

# Sales Trend for Automotive

## < 1H results (compared with FY2013 1H) >

- In Japan, sales to North America remained strong despite effects of increased consumption taxes. Sales of new module products also contributed.
- In the Americas, sales increased with steady sales of new vehicles. Sales increased in China by more than the growth in new vehicle sales.



## < 2H Forecast (compared with FY2014 1H) >

### Japan

Sales of new vehicles to slow.  
Exports to North America of car makers to remain steady

### Americas

Increase in sales to Japanese car makers  
Reduction in sales to American car makers and sales will remain unchanged

### Europe

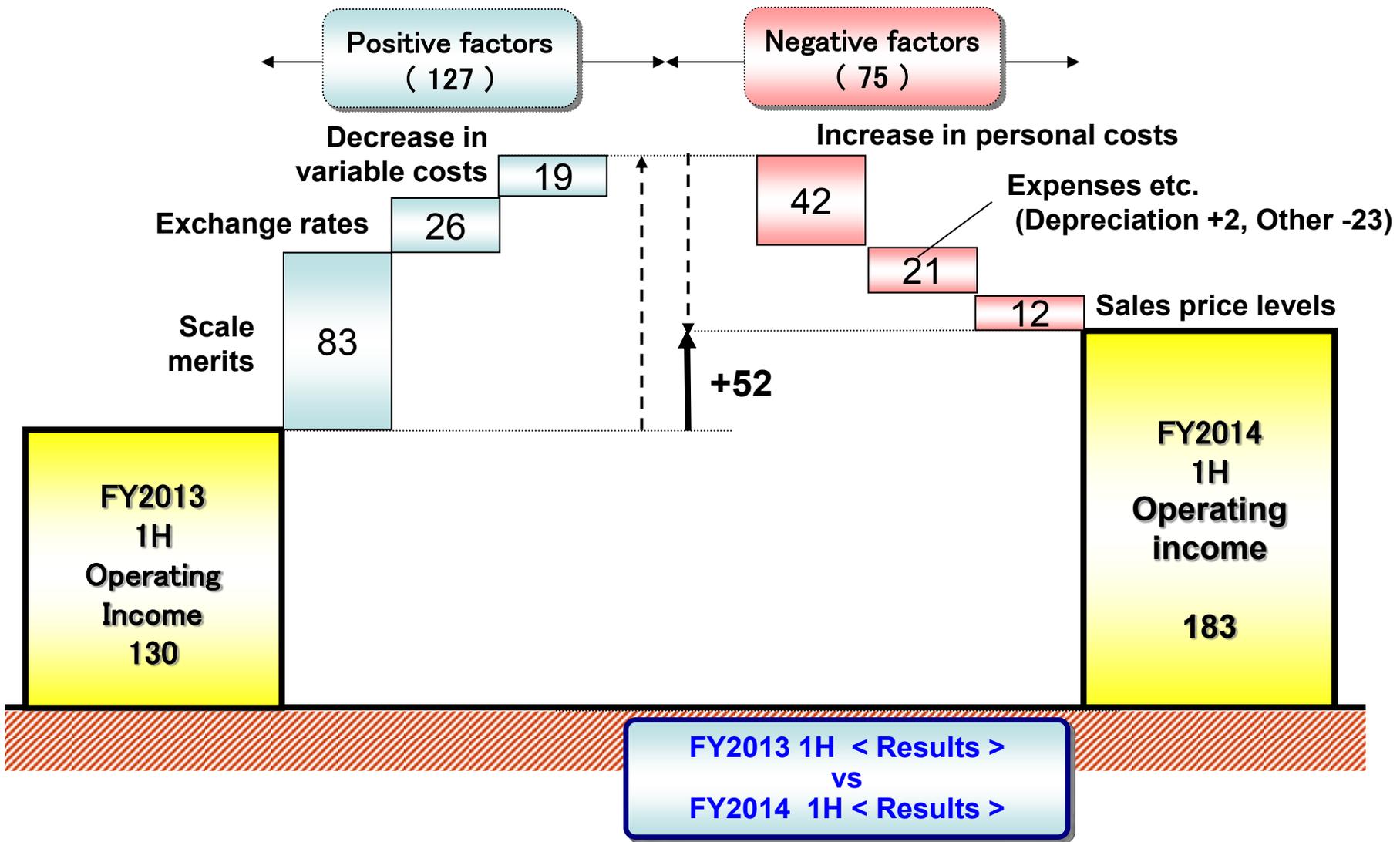
Recovery of new car sales in Europe  
Increase in sales to European car makers

### Asia

Start of mass production of CVJs for new models in China  
Start of mass production of Axle bearings for new models in Asia

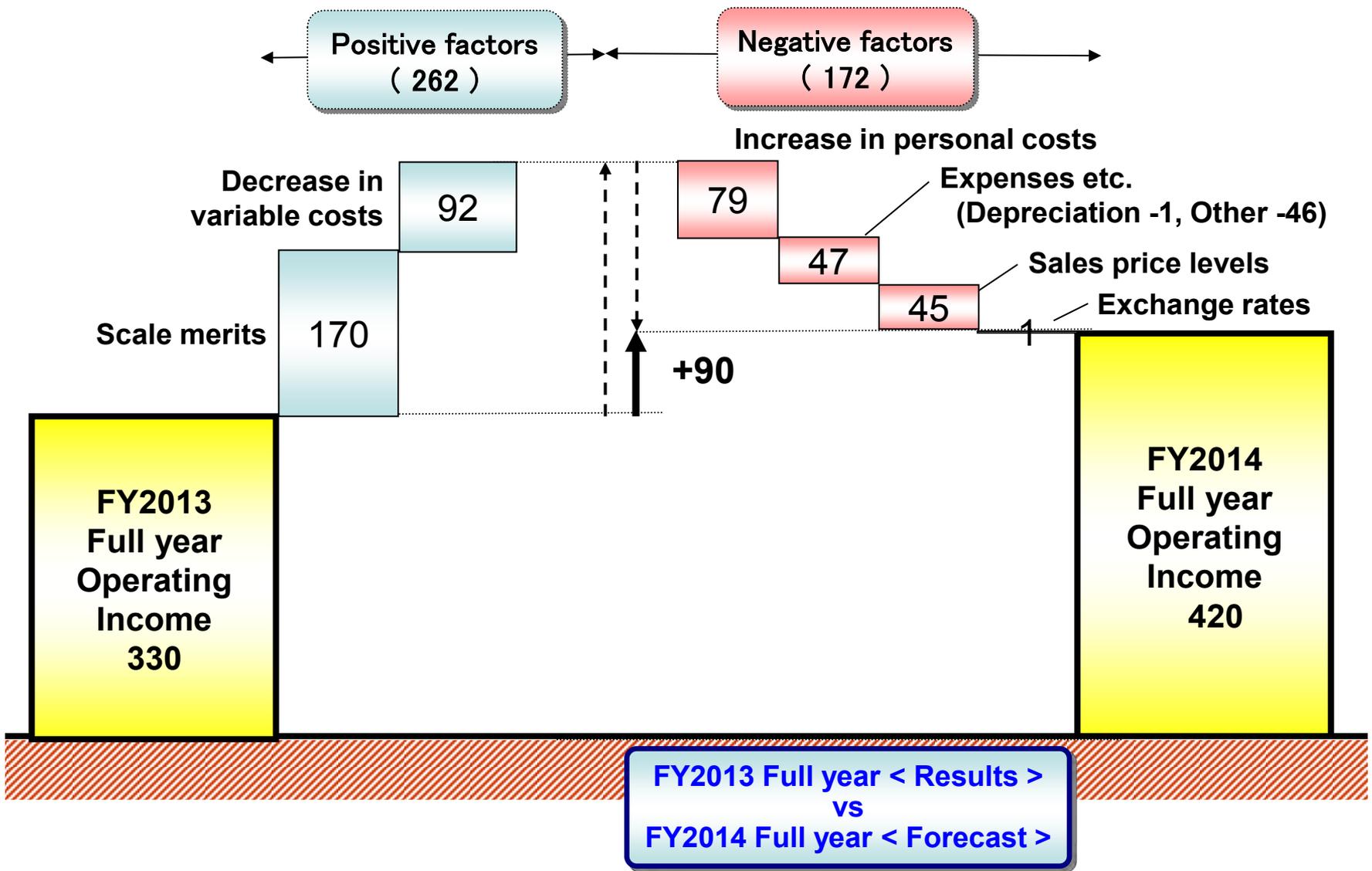
# 5. Analysis of Operating Income (FY2014 Full year)

\* All figures in 100 million yen.



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\* All figures in 100 million yen.

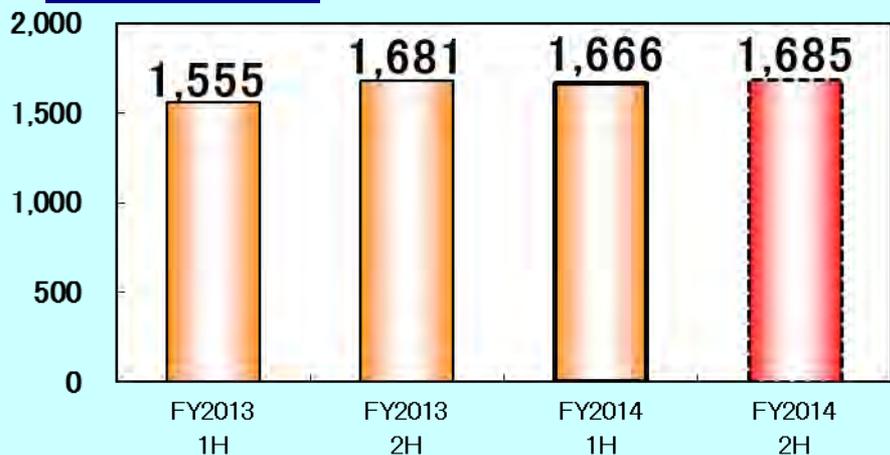


# 6. Net Sales and Operating Income by Region

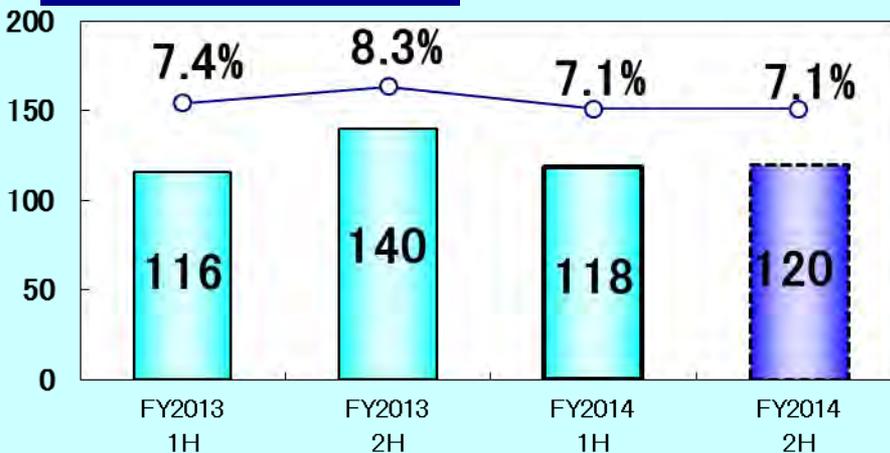
## 《 Japan 》

### Net Sales

(100 million yen)



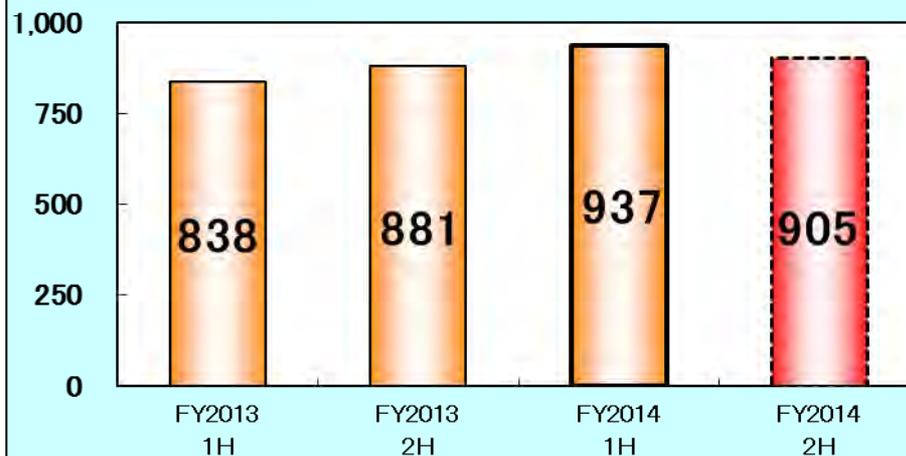
### Operating Income



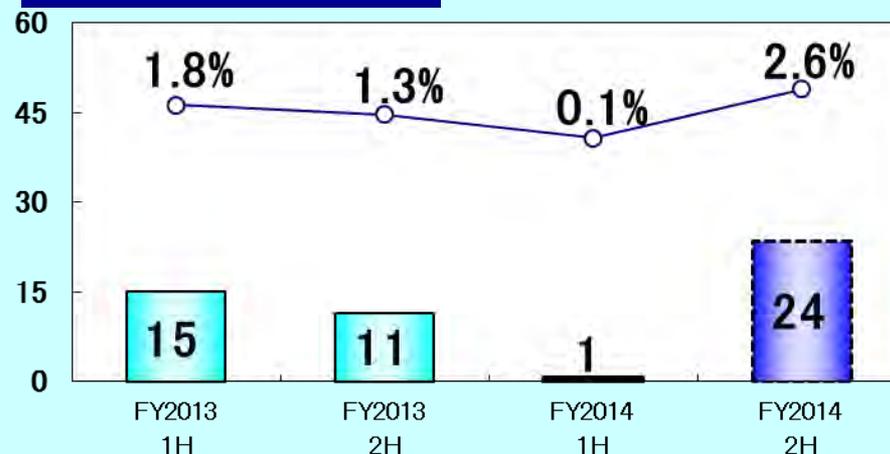
## 《 Americas 》

### Net Sales

(100 million yen)



### Operating Income

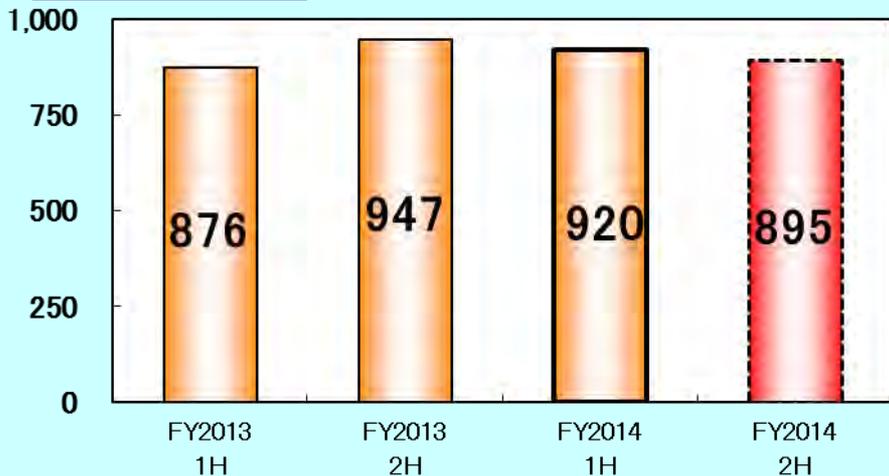


# 6. Net Sales and Operating Income by Region

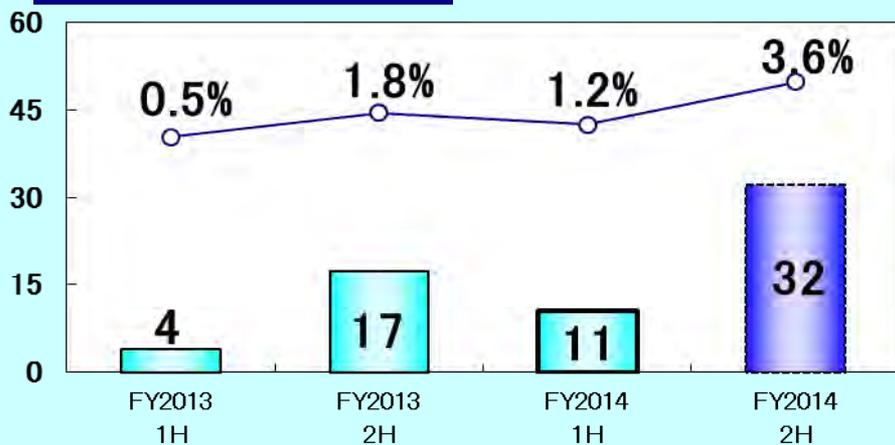
## 《 Europe 》

### Net Sales

(100 million yen)



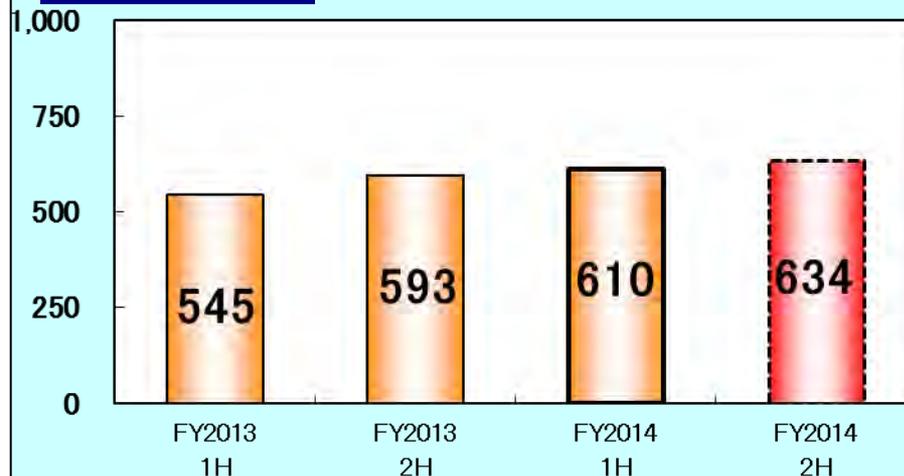
### Operating Income



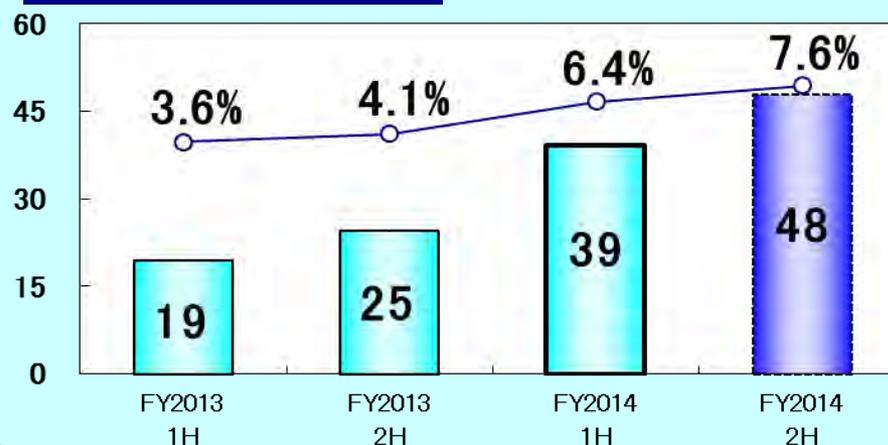
## 《 Asia & Others 》

### Net Sales

(100 million yen)

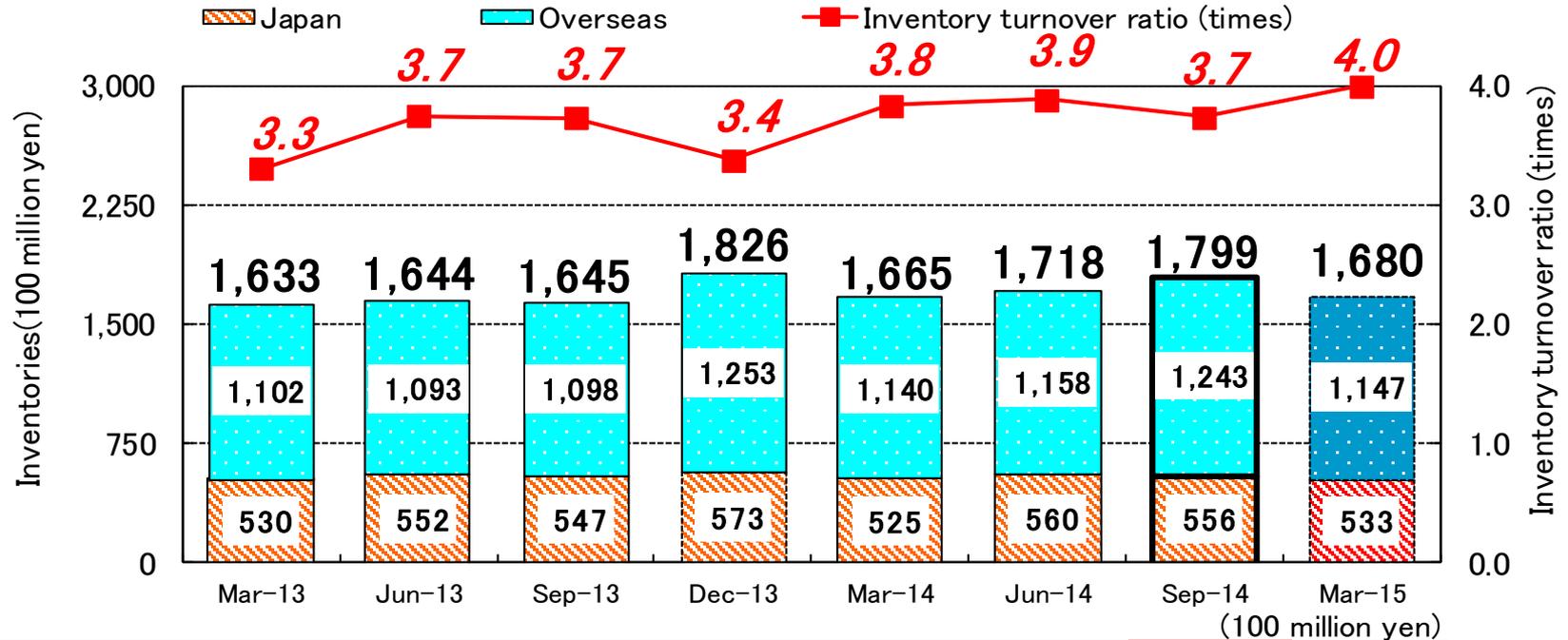


### Operating Income



# 7. Inventories

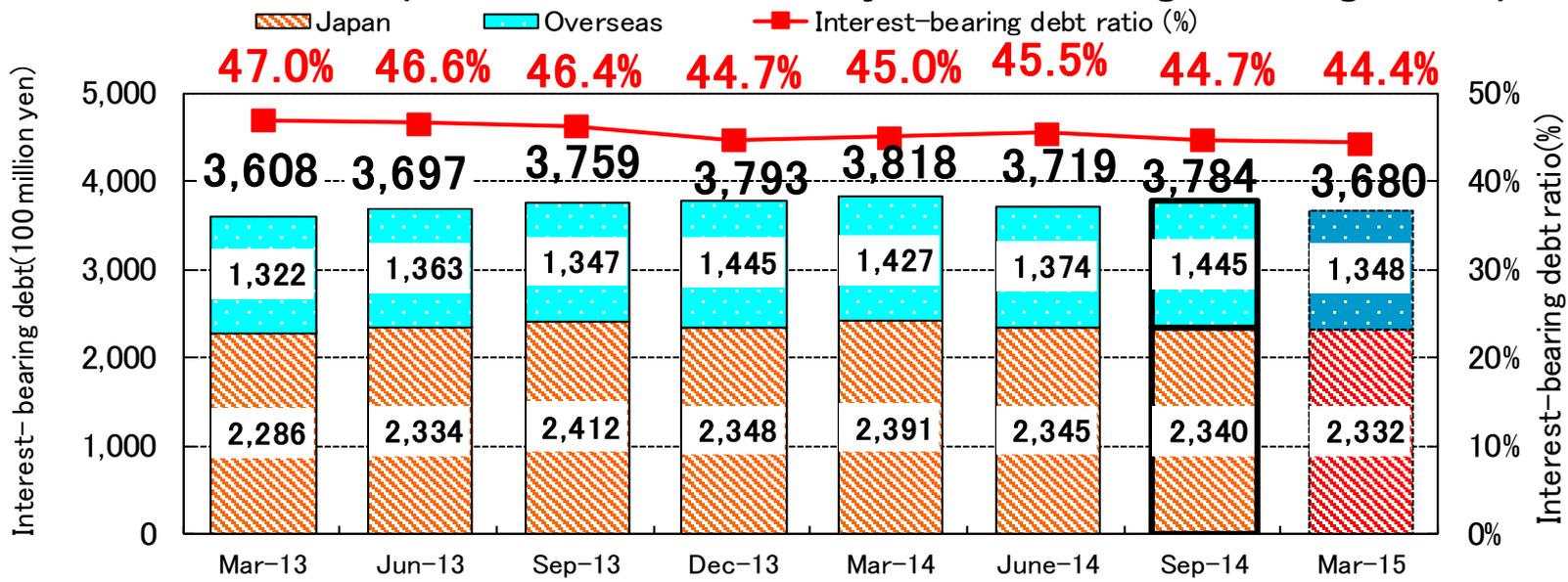
◆ Inventories at end of September 2014 increased by +8.1 billion yen compared to end of June (+2.5 billion yen if excluding exchange rates).



	Mar-13 Results	Jun-13 Results	Sep-13 Results	Dec-13 Results	Mar-14 Results	Jun-14 Results	Sep-14 Results	Mar-15 Forecast
<b>Inventories</b>	1,633	1,644	1,645	1,826	1,665	1,718	1,799	1,680
Overseas	(1,102)	(1,093)	(1,098)	(1,253)	(1,140)	(1,158)	(1,243)	(1,147)
Japan	(530)	(552)	(547)	(573)	(525)	(560)	(556)	(533)
<b>Inventory turnover ratio (times)</b>	3.3	3.7	3.7	3.4	3.8	3.9	3.7	4.0

# 8. Interest-Bearing Debt

◆ Interest-bearing debt at end of September 2014 increased by +6.5 billion yen compared to end of June (decrease of 1.5 billion yen if excluding exchange rates).

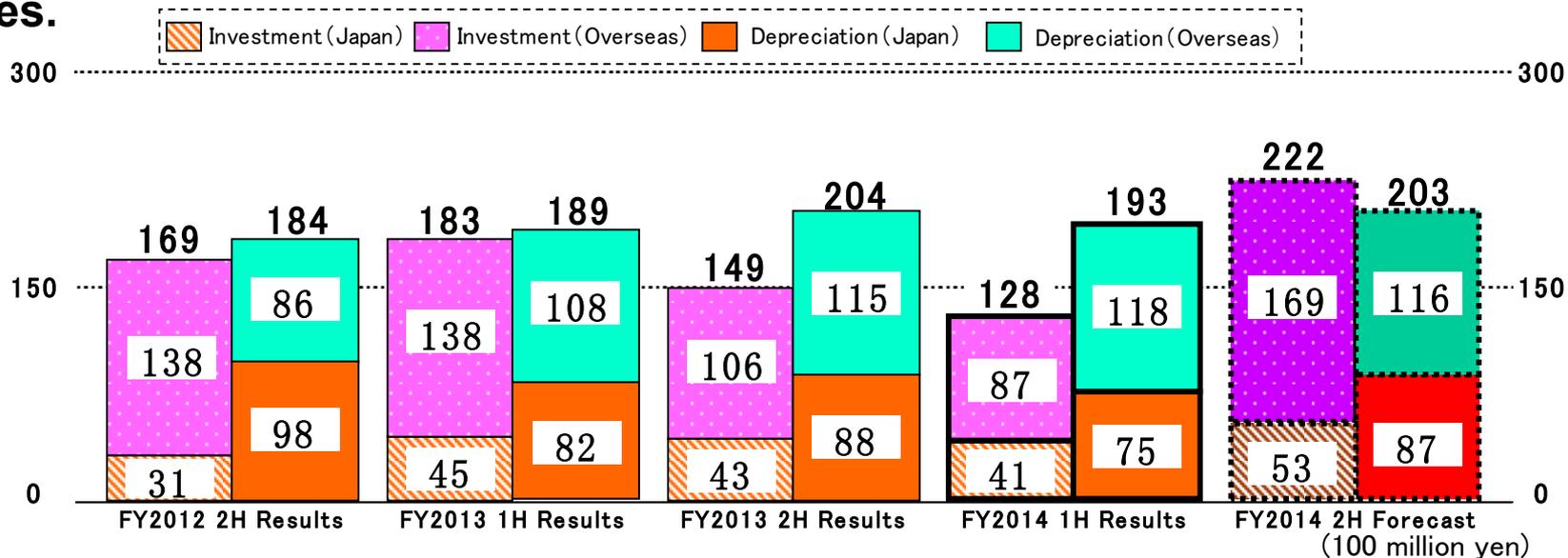


(100 million yen)

	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	June-14	Sep-14	Mar-15
	Results	Forecast						
Interest-bearing debt	3,608	3,697	3,759	3,793	3,818	3,719	3,784	3,680
Overseas	(1,322)	(1,363)	(1,347)	(1,445)	(1,427)	(1,374)	(1,445)	(1,348)
Japan	(2,286)	(2,334)	(2,412)	(2,348)	(2,391)	(2,345)	(2,340)	(2,332)
Net Interest-bearing debt	2,747	2,749	2,600	2,633	2,521	2,688	2,673	2,530
Interest-bearing debt ratio (%)	47.0%	46.6%	46.4%	44.7%	45.0%	45.5%	44.7%	44.4%

# 9. Capital Expenditure and Depreciation

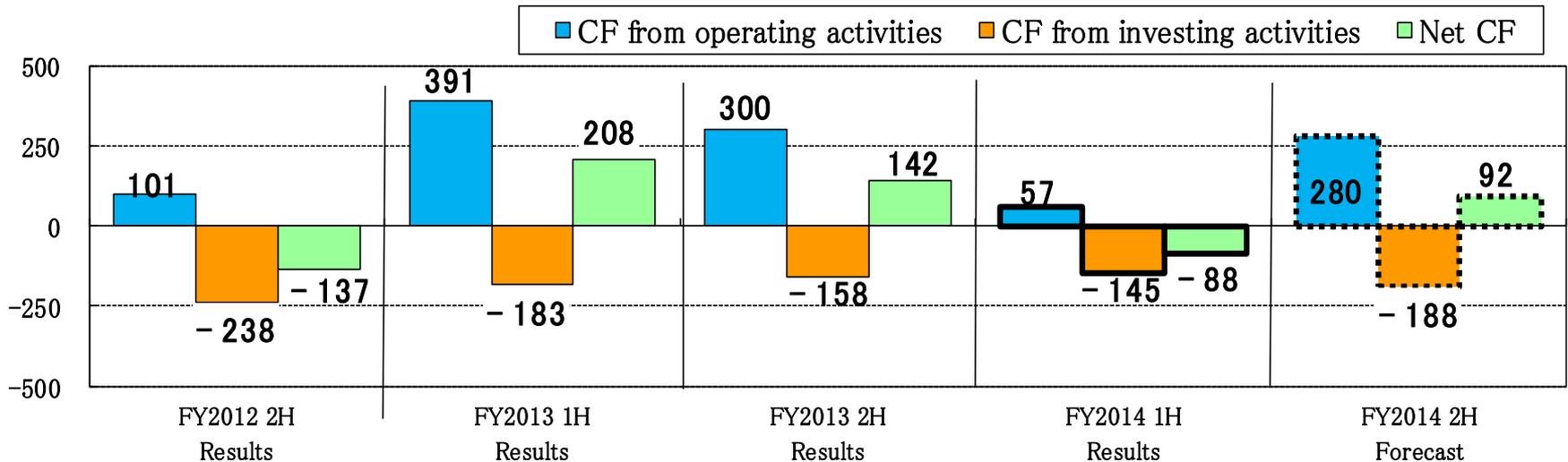
◆ Capital investment in FY2014 1H results was within the scope of depreciation expenses.



	FY2012 2H Results	FY2013 1H Results	FY2013 2H Results	FY2014 1H Results	FY2014 2H Forecast
<b>Capital expenditure</b>	169	183	149	128	222
Overseas	(138)	(138)	(106)	(87)	(169)
Japan	(31)	(45)	(43)	(41)	(53)
<b>Depreciation</b>	184	189	204	193	203
Overseas	(86)	(108)	(115)	(118)	(116)
Japan	(98)	(82)	(88)	(75)	(87)

# 10. Cash Flows

(100 million yen)	FY2012 2H Results	FY2013 1H Results	FY2013 2H Results	FY2014 1H Results	FY2014 2H Forecast
I. Cash flow from operating activities	101	391	300	57	280
II. Cash flow from investing activities	-238	-183	-158	-145	-188
III. Cash flow from financing activities	226	81	-15	-98	-22
IV. Effect of exchanging rate translation on cash and cash equivalents	-17	10	10	1	-31
V. Net increase in cash and cash equivalents	72	298	137	-185	39



We make  
Bearings.



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