

Financial Results for the Six Months Ended September 30, 2020
[Japanese Accounting Standards] (Consolidated)
(Unaudited)

October 30, 2020

NTN Corporation
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 Listings: Tokyo Stock Exchanges
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Scheduled commencement date of dividend payment: -

Supplementary material of the financial results: Prepared

Investor meeting: Scheduled

1. Consolidated financial results for the six months ended September 30, 2020
 (April 1, 2020 to September 30, 2020)

(Amounts rounded down to the nearest million yen)

(1) Operating Results (Percentage figures represent a year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income attributable to shareholders (parent company)	
	million yen	%	million yen	%	million yen	%	million yen	%
Six months ended September 30, 2020	239,221	-28.5	-12,323	—	-13,426	—	-14,413	—
Six months ended September 30, 2019	334,692	-9.6	4,684	-69.8	2,833	-77.4	1,134	-86.1

Note: comprehensive income: Six months ended September 30, 2020 : -8,028 million yen (-%)
 Six months ended September 30, 2019 : -11,124 million yen (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended September 30, 2020	-27.14	—
Six months ended September 30, 2019	2.14	—

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
Six months ended September 30, 2020	753,051	160,347	19.6
Year ended March 31, 2020	757,822	168,378	20.6

Note: Shareholders' equity Six months ended September 30, 2020 : 147,260 million yen
 Year ended March 31, 2020 : 156,157 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, 2020	—	5.00	—	0.00	5.00
Year ending March 31, 2021	—	0.00			
Year ending March 31, 2021 (forecast)			—	0.00	0.00

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

3. Forecast of consolidated earnings for the year ending March 31, 2021 (April 1, 2020 to March 31, 2021)

(Percentage figures represent a year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income attributable to shareholder (parent company)		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	545,000	-16.4	-14,000	—	-18,000	—	-24,500	—	-46.13

Notes: Adjustment from the previously published forecast of earnings: Yes
Please refer to "Notice Regarding Difference between Forecast and Actual Results of Consolidated Earnings for the First Half of Fiscal Year Ending March 31, 2021 and Revised Full-year Earnings Forecast" issued on October 30, 2020.

* Notes to consolidated financial statements

(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

(Notes) For further details, refer to "(4) Notes to Consolidated Financial Statements" (Adoption of Accounting Method Specific to the Preparation of Quarterly Consolidated Financial Statements) in "2.Consolidated Financial Statements for the Six Months" on page 9 of Attached Documents.

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

1) Changes in accounting principles due to amendment to accounting standards: None

2) Changes other than above: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(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, 2020: 532,463,527 shares

Year ended March 31, 2020: 532,463,527 shares

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

Six months ended September 30, 2020: 1,298,744 shares

Year ended March 31, 2020: 1,314,946 shares

3) Average number of shares outstanding during the quarter:

Six months ended September 30, 2020: 531,155,544 shares

Six months ended September 30, 2019: 531,146,099 shares

* This quarterly financial results report is exempt from quarterly review.

* 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 six Months ended September 30, 2020

(1) Explanation regarding consolidated operating results

During the second quarter year under review (from April 1, 2020 to September 30, 2020), the Japanese economy remained in a severe situation due to the spread of the new coronavirus, but there were signs of a recovery in consumer spending, production, and other factors. Despite challenging conditions overseas, the U.S. economy, the European economy, and the Chinese economy continued to recover, and the economies of Asia and other emerging countries stopped declining.

Under these circumstances, we have positioned fiscal year 2020 as a “crisis response period” and are focusing on “ensure the health and safety of employees” through thorough measures to prevent infectious diseases and “secure cash and continue business” in emergencies, while advancing preparation for future growth.

Net sales for second quarter decreased drastically and amounted to 239,221 million yen (down 28.5 % year-on-year) in response to challenging economic conditions due to the spread of the new coronavirus. In terms of profit/loss, operating loss was 12,323 million yen (income of 4,684 million yen in the previous fiscal year), the ordinary loss was 13,426 million yen (income of 2,833 million yen in the previous fiscal year), and the net loss attributable to shareholders (parent company) was 14,413 million yen (net income of 1,134 million in the previous fiscal year).

Operating results by reporting segment by region were as follows:

(1) Japan

Sales in aftermarket application decreased in industrial machinery aftermarket application. Sales in industrial machinery application decreased for construction machinery and machine tools. Sales in automotive application also decreased due to the decreased customer demand and other factors. As a result, net sales decreased drastically to 113,760 million yen (down 33.0% year-on-year.) Segment loss was 10,682 million yen (segment income of 13 million yen in the previous fiscal year), mainly due to a decline in sales volume, despite a reduction of fixed cost.

(2) Americas

Sales in aftermarket application decreased in industrial machinery aftermarket and automotive aftermarket application. Sales in industrial machinery application decreased in construction machinery and wind turbines, while sales in automotive application also decreased due to the decreased customer demand and other factors. As a result, net sales decreased significantly and it was 60,242 million yen (down 32.2% year-on-year). Segment loss was 3,444 million yen (segment loss of 2,011 million yen in the previous fiscal year) mainly due to decreased sales volume, despite decreased fixed cost.

(3) Europe

Sales in aftermarket application decreased in the industrial machinery aftermarket and automotive aftermarket application in the previous fiscal year. Sales in industrial machinery application decreased, mainly for aircraft and gearboxes. Sales in automotive application also declined, mainly due to decreased customer demand. As a result, net sales decreased significantly and amounted to 53,186 million yen, (down 33.2% year-on-year). Segment loss was 3,195 million yen (segment loss of 108 million yen in the previous fiscal year) mainly due to decreased sales volume, despite decreased fixed cost.

(4) Asia and other areas

Sales in aftermarket application decreased in industrial machinery aftermarket and automotive aftermarket. Sales in industrial machinery application increased mainly for wind turbines and construction machinery, while sales in automotive application decreased mainly due to the decreased customer demand. Overall, net sales was 58,780 million yen and decreased significantly (down 16.2% year-on-year). Segment income was 3,998 million yen (down 37.6% year-on-year) due to a decrease in sales volume and other factors, despite a reduction in fixed cost.

Operating results by business sector were as follows.

(1) Aftermarket applications

Sales decreased drastically and amounted to 42,863 million yen (down 23.5% year-on-year) due to decreased customer demand and other factors. Despite a reduction in fixed cost and other factors, operating income was 2,270 million yen (down 65.9% year-on-year) due to a decrease in sales volume and other factors.

(2) Industrial machinery applications

Sales decreased drastically and amounted to 46,874 million yen (down 13.1% year-on-year) due to decrease in sales in construction machinery and aircraft. Operating loss was 1,363 million yen, (loss of 1,081 million yen in the previous fiscal year) mainly due to a decrease in sales volume, despite a decrease in fixed cost.

(3) Automotive applications

Sales decreased drastically to 149,483 million yen (down 33.5% year-on-year) due to decreased customer demand resulting from the shutdown of customer's operation. Operating loss was 13,230 million yen (loss of 895 million yen year-on-year) mainly due to a decrease in sales volume, despite a reduction of fixed cost .

(2) Explanation regarding Consolidated Financial Position

(Assets, Liabilities, and Net assets)

Current assets decreased 6,322 million yen (down 1.6%) from the previous consolidated fiscal year and ended to 399,477 million yen. This was mainly due to a decrease in finished goods and purchased goods of 4,365 million yen. Fixed assets increased 1,551 million yen (up 0.4 %) from the previous consolidated fiscal year and ended to 353,573 million yen. This was mainly due to an increase in investment securities of 3,327 million yen. As a result, total assets decreased 4,771 million yen (down 0.6%) from the previous consolidated fiscal year and ended to 753,051 million yen.

Current liabilities decreased 25,558 million yen (down 8.9%) from the previous consolidated fiscal year and ended to 261,405 million yen. This was mainly due to a decrease in electronically-recorded monetary claims of 26,973 million yen. Long-term liabilities increased 28,818 million yen (up 9.5 %), from the previous consolidated fiscal year and ended to 331,297 million yen. This was mainly due to an increase in long-term loans of 27,788 million yen. As a result, total liabilities increased 3,260 million yen (up 0.6%) from the previous consolidated fiscal year and ended to 592,703 million yen.

Total net assets decreased 8,031 million yen (down 4.8%) from the previous consolidated fiscal year and ended to 160,347 million yen. This was mainly due to a decrease of 14,060 million yen in retained earnings, an increase of 3,263 million yen in holding gains or loss on securities, and an increase of 1,328 million yen in foreign currency translation adjustment.

(Cash flows)

Net cash provided by operating activities was 12,450 million yen (proceed of 22,064 million yen in the previous year). Major items included proceeds from depreciation and amortization 17,182 million yen, decrease in inventories of 9,308 million yen, and expense from decreased loss before income taxes and equity in earnings of affiliated companies of 12,894 million yen and a decrease of accounts payable 32,846 million yen.

Net cash used in investing activities was 15,301 million yen (decrease of 11,347 million yen, down 42.6%, year-on-year). Major items included purchases of property, plant and equipment of 12,966 million yen and purchase of intangible fixed assets 3,865 million yen.

Net cash provided by financing activities was 35,991 million yen (expense of 2,266 million yen of expenditure year-on-year). Major items included the proceed from the long-term loans 52,395 million yen and expense of long-term loan 17,339 million yen.

After adding an increase of 307 million yen of translation adjustment, cash and cash equivalents at the end of the second quarter of fiscal year under review was 79,711 million yen and ended to 8,546 million yen (up 12.0%) from the end of the previous consolidated fiscal year.

2. Consolidated financial statements for the six months

(1) Balance sheets

(In million yen)

	As of March 31, 2020	As of September 30, 2020
Assets		
Current assets		
Cash and bank deposits	77,568	87,560
Notes and accounts receivable-trade	103,371	105,074
Electronically-recorded monetary claims	4,787	3,054
Finished goods & purchased goods	96,616	92,251
Work in process	48,927	47,956
Raw materials and supplies	37,379	34,786
Short-term loans receivable	2,651	59
Other	35,557	29,807
Allowance for doubtful accounts	-1,061	-1,073
Total current assets	405,799	399,477
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	84,319	85,416
Machinery, equipment and vehicles, net	108,352	112,745
Other, net	69,971	62,101
Total property, plant and equipment	262,643	260,263
Intangible fixed assets	37,430	39,188
Investments and other assets		
Investment securities	41,784	45,111
Deferred tax assets	6,035	5,487
Other	4,340	3,734
Allowance for doubtful accounts	-213	-211
Total investments and other assets	51,948	54,121
Total fixed assets	352,022	353,573
Total assets	757,822	753,051

(In million yen)

	As of March 31, 2020	As of September 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable-trade	48,675	43,305
Electronically-recorded monetary claims	68,684	41,711
Short-term loans	117,276	124,209
Accrued income taxes	1,827	1,879
Accrued bonuses for directors and statutory auditors	43	68
Other	50,455	50,230
Total current liabilities	286,963	261,405
Long-term liabilities		
Bonds	30,000	30,000
Long-term loans	215,140	242,928
Reserve for product defect compensation	1,118	984
Liabilities for retirement benefits	46,726	46,324
Other	9,494	11,059
Total long-term liabilities	302,479	331,297
Total liabilities	589,443	592,703
Net assets		
Shareholders' equity		
Common stock	54,346	54,346
Additional paid-in capital	67,970	67,970
Retained earnings	62,138	48,078
Treasury stock	-787	-782
Total shareholders' equity	183,668	169,613
Accumulated other comprehensive income		
Net unrealized holding gain on other securities	5,094	8,357
Translation adjustments	-19,998	-18,670
Accrued retirement benefits adjustments	-12,607	-12,040
Total accumulated other comprehensive income	-27,511	-22,352
Non-controlling shareholders' equity	12,221	13,086
Total net assets	168,378	160,347
Total liabilities and net assets	757,822	753,051

(2) Consolidated statement of operation and consolidated statement of comprehensive income
(Consolidated income statements)

(In million yen)

	Year ended Sep. 30, 2019 <small>(Apr. 1, 2019 – Sep. 30, 2019)</small>	Year ended Sep. 30, 2020 <small>(Apr. 1, 2020 – Sep. 31, 2020)</small>
Net sales	334,692	239,221
Cost of sales	280,722	209,156
Gross profit	53,969	30,064
Selling, general and administrative expenses	49,285	42,387
Operating income/loss (-)	4,684	-12,323
Non-operating income		
Interest income	515	403
Dividend income	635	360
Equity in earnings of unconsolidated subsidiaries	87	—
Foreign exchange gains	—	780
Other	2,230	1,557
Total non-operating income	3,467	3,102
Non-operating expenses		
Interest expenses	2,079	1,660
Equity in loss of non-consolidated subsidiaries	—	80
Derivative transaction losses	—	1,286
Foreign exchange losses	1,612	—
Other	1,627	1,178
Total non-operating expenses	5,319	4,205
Ordinary income/loss (-)	2,833	-13,426
Extraordinary income		
Proceeds from subsidy	—	*1 3,936
Total extraordinary income	—	3,936
Extraordinary losses		
Special factory operating loss	—	*2 3,328
Loss related to Anti-Monopoly Act	687	76
Total extraordinary losses	687	3,404
Income/loss (-) before income taxes and equity in earnings of affiliated companies	2,145	-12,894
Income and other taxes	927	881
Net income/loss (-)	1,218	-13,775
Net income attributable to shareholder (non-controlling shareholder)	84	637
Net income/loss (-) attributable to shareholder (parent company)	1,134	-14,413

(Consolidated statement of comprehensive income)

(In million yen)

	Year ended Sep. 30, 2019 (Apr. 1, 2019 – Sep. 30, 2019)	Year ended Sep. 30, 2020 (Apr. 1, 2020 – Sep. 31, 2020)
Net income/loss (-)	1,218	-13,775
Other comprehensive income		
Net unrealized holding gain on other securities	-2,049	3,263
Translation adjustments	-10,164	3,169
Accrued retirement benefits adjustments	269	555
Equity in equity-method affiliates	-399	-1,241
Total other comprehensive income	-12,343	5,747
Comprehensive income	-11,124	-8,028
(breakdown)		
Comprehensive income attributable to owners of parent company	-10,127	-8,894
Comprehensive income related to non-controlling shareholders	-997	865

(3) Statements of cash flows

(In million yen)

	Year ended Sep. 30, 2019 (Apr. 1, 2019 – Sep. 30, 2019)	Year ended Sep. 30, 2020 (Apr. 1, 2020 – Sep. 31, 2020)
Net cash provided by operating activities		
Income/loss (-) before income taxes and equity in earnings of affiliated companies	2,145	-12,894
Depreciation and amortization	18,321	17,182
Proceeds from subsidy	—	-3,936
Special factory operating loss	—	3,328
Loss related to Anti-Monopoly Act	687	76
Increase/decrease (-) in allowance for doubtful accounts	-105	-32
Increase/decrease (-) in accrued retirement benefits for directors and statutory auditor:	-71	25
Increase/decrease (-) in reserve for product defect compensation	-17	-125
Increase/decrease (-) in liabilities in retirement benefits	521	-88
Interest and dividend income	-1,150	-764
Interest expenses	2,079	1,660
Foreign currency translation adjustments / foreign exchange losses/gains (-)	655	-1,285
Loss or gain (-) on derivative transactions	-687	1,286
Equity in earnings (-) /loss of non-consolidated subsidiaries	-87	80
Decrease (-) / increase in trade receivables	10,778	1,235
Decrease (-) / increase in inventories	-3,543	9,308
Increase/decrease (-) in trade payables	-8,125	-32,846
Other	3,362	5,720
Subtotal	24,763	-12,068
Interest and dividend income received	1,607	1,123
Interest paid	-2,046	-1,612
Subsidies received	—	3,346
Payment of special factory operating loss	—	-2,466
Loss related to Anti-Monopoly Act	-678	-76
Income taxes paid	-1,581	-695
Net cash provided by operating activities	22,064	-12,450
Net cash used in investing activities		
Increase in time deposits	-13	-1,598
Decrease in time deposits	9	305
Purchases of property, plant and equipment	-25,469	-12,966
Purchase of intangible fixed assets	-5,060	-3,865
Income on sales of stock of the consolidated subsidiary	4,301	0
Loss on purchase of stock of equity-method affiliates	-497	—
Decrease/increase (-) in short-term loans receivable, net	-0	2,602
Other	82	221
Net cash used in investing activities	-26,648	-15,301
Net cash provided by financing activities		
Increase/decrease (-) in short-term loans, net	5,705	-623
Proceeds from long-term loans	18,610	52,395
Repayment of long-term loans	-21,910	-17,339
Dividend payment	-3,987	—
Repayment of lease payable	-636	-734
Proceeds from sale and leaseback	—	2,288
Other	-46	5
Net cash provided by financing activities	-2,266	35,991
Effect of exchange rate changes on cash and cash equivalents	-1,086	307
Increase/decrease (-) in cash and cash equivalents	-7,936	8,546
Cash and cash equivalents at beginning of the year	83,474	71,165
Cash and cash equivalents, at end of the quarter	75,538	79,711

(4) Notes to consolidated financial statements

(Notes to going concern assumption)

None

(Notes to balance sheet)

1. Contingency liabilities

(Lawsuits, etc.)

(1) There are ongoing investigations by the competition authorities into our consolidated subsidiaries in Brazil and elsewhere in relation to overseas sale of bearings, etc.

(2) The Company and its consolidated subsidiaries in the U.S. and Canada, etc. are defendants in a number of class action suits for suspected price-fixing of bearing sales with other businesses.

(3) A lawsuit has been filed against the Company and its two consolidated subsidiaries in Europe before the France Tribunal de Commerce de Lyon by Renault S.A. and its group companies, which are 15 in total (hereafter, "Renault"), seeking compensation of 66.7 million euros (provisional amount) for damages. In addition, a lawsuit has been filed against the Company and its two consolidated subsidiaries in Europe before the United Kingdom Commercial Court by Fiat Chrysler Automobiles N.V. and its group companies, which are seven in total (hereafter, "FCA"), seeking compensation for damages and this lawsuit has been transferred to the United Kingdom Competition Appeal Tribunal on July 14, 2020.

These lawsuits were filed by Renault and FCA alleging that they suffered damages in connection with the infringement of the European competition laws, which was subject of the decision adopted by the European Commission dated March 19, 2014.

(4) The NTN Group may be subject to claims for compensation for damages in connection with the violation of competition laws and continue to address these claims. However, it is currently difficult to make reasonable estimates of the future possible effects on the results of operations and financial position of the NTN Group.

(Notes to balance sheet)

*1 3,936 million yen in proceeds from subsidy was recorded as an extraordinary income in the second quarter of the consolidated fiscal year under review. This was the income such as subsidies for employment adjustment during the suspension of operations in the Company and its consolidated subsidiaries due to the spread of the new coronavirus.

*2 During the second quarter of the fiscal year under review, we recorded 3,328 million yen of special factory operating loss as extraordinary losses. This was the amount of fixed cost during the shutdown of the Company and its subsidiaries due to the impact of the worldwide spread of the new coronavirus.

(Notes related to significant changes in shareholder's equity)

None

(Adoption of Accounting Method Specific to the Preparation of Quarterly Consolidated Financial Statements)

(Calculation of tax expenses)

Regarding tax expenses, we estimate a reasonable effective tax rate after adopting tax effect accounting for income before income taxes of the full fiscal year including the six months ended September 30, 2020. By multiplying the effective tax rate with quarterly income before income taxes, we calculate the tax expenses. 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 by using the statutory effective tax rate.

(Additional information)

(Change in presentation method)

(Change in presentation method due to change in classification of royalty)

“Royalty,” which was previously included in “other” under “non-operating income,” has been included in “net sales” from the first quarter of the current fiscal year. In addition, accounts receivable in “other” under “current assets,” was reclassified as “notes and accounts receivable-trade.”

We made this change in order to appropriately indicate the results of the Group's sales activities, as the Company positioned the acquisition of the profit by licensing as one of its main sales activities in the first quarter of the current fiscal year.

To reflect this change in presentation, the result of previous consolidated fiscal year has been reclassified.

Consequently, in consolidated balance sheet of the previous consolidated fiscal year, 136 million yen of the accounts receivable which was displayed in “other” under “current assets” was reclassified as “notes and accounts receivable-trade”, and “notes and accounts receivable-trade” amounted to 103,371 million yen and “other” amounted to 35,557 million yen. Also 198 million yen of “royalty” which was displayed in “other” under “non-operating income” in the same period of the previous fiscal year was reclassified in “net sales” and “operating income” and 198 million yen increased in “net sales” and became 334,692 million yen, and “operating income” became 4,684 million yen. However there is no effect on ordinary loss and net loss before income taxes.

In addition, the change in accounts receivable in “other” under “net cash provided by operating activities” in the first quarter of the previous fiscal year, was included in “decrease (-) / increase in trade receivables” due to the change in the classification of “royalty.”

As a result, 0 million yen of accounts receivable, which was included in “other” in consolidated statement of cash flow of the second quarter of the previous fiscal year was reclassified as “decrease (-) / increase in trade receivables.” As a result, “decrease / increase in trade receivable” was 10,778 million yen and “other” was 3,362 million yen.

(Adoption of tax-effect accounting for the transition from consolidated tax system to a group-wide tax sharing system)

The Company and its domestic subsidiaries calculated the amounts of deferred tax assets and deferred tax liabilities according to tax acts prior to amendment based on the treatment on of paragraph 3 of “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (Task Force No.39, March 31, 2020 of ASBJ), not applying the provision of paragraph 44 of “Implementation Guidance on Tax Effect Accounting” (Guidance No.28, February 16,2018 of ASBJ), regarding the transition to the group tax sharing system established in “Act for Partial Amendment of the Income Tax Act, etc.” (Act No.8 of 2020), and regarding items for which the non-consolidated taxation system has been reviewed in line with the transition to the group tax sharing system.

(Accounting estimates regarding new coronavirus infection)

There is no significant change in the assumptions regarding the impact of the spread of the new coronavirus infections, which was included in the additional information in the previous consolidated financial year's securities report.

(Segment information)

I. Six months ended September 30, 2020 (April 1, 2020 – September 30, 2020)

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	104,237	88,028	78,131	64,294	334,692	—	334,692
Inter-segment sales or transfers	65,670	808	1,547	5,826	73,853	(73,853)	—
Total	169,908	88,837	79,679	70,120	408,545	(73,853)	334,692
Segment income (Operating income/loss(-))	13	-2,011	-108	6,409	4,303	380	4,684

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

2. Major countries or regions in each segment:

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

Europe: Germany, France, United Kingdom, and others

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

II. Six months ended September 30, 2020 (April 1, 2020 – September 30, 2020)

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	71,610	59,834	52,385	55,390	239,221	—	239,221
Inter-segment sales or transfers	42,149	408	801	3,389	46,748	(46,748)	—
Total	113,760	60,242	53,186	58,780	285,970	(46,748)	239,221
Segment income (Operating income/loss(-))	-10,682	-3,444	-3,195	3,998	-13,323	1,000	-12,323

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

2. Major countries or regions in each segment:

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

Europe: Germany, France, United Kingdom, and others

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

2. Notes related to changes in segment information

(Change in presentation method)

"Royalty" which was previously included in "non-operating income" has been included in "net sales" since the first quarterly of the current fiscal year.

We made this change in order to appropriately indicate the results of the Group's sales activities, as the Company positioned the acquisition of the profit by licensing as one of its main sales activities.

The segment information of the previous second quarter has reflected this change. Net sales and segment income increased compared with the previous indication: increase of 1,709 million yen in "Japan" segment and increase of 5 million yen in "Europe" segment.

(Significant subsequent events)

None

3. Supplementary information

(1) Explanatory materials

(in million yen)

		FY2018		FY2019		FY2020	
		1st Half	Full year	1st Half	Full year	1st Half	
Consolidated operating results (Lower: Net sales ratio)	Net Sales	370,307	733,846	334,692	651,956	239,221	
		100.0%	100.0%	100.0%	100.0%	100.0%	
	Operating income	15,495	27,222	4,684	7,517	-12,323	
		4.2%	3.7%	1.4%	1.2%	-5.2%	
	Ordinary income	12,550	22,231	2,833	-1,698	-13,426	
		3.4%	3.0%	0.8%	-0.3%	-5.6%	
	Extraordinary loss	—	-19,292	-687	-32,251	532	
		—	-2.6%	-0.2%	-4.9%	0.2%	
	Net income attributable to shareholder (parent company)	8,140	-6,958	1,134	-43,992	-14,413	
		2.2%	-0.9%	0.3%	-6.7%	-6.0%	
Net sales by region (Lower: Net sales ratio)	Japan	102,362	207,400	100,161	198,100	69,019	
		27.6%	28.3%	29.9%	30.4%	28.9%	
	Americas	100,398	201,464	90,625	174,308	60,828	
		27.1%	27.5%	27.1%	26.7%	25.4%	
	Europe	85,505	167,826	72,208	140,839	48,237	
		23.1%	22.9%	21.6%	21.6%	20.2%	
	Asia and other areas	82,040	157,155	71,696	138,707	61,136	
		22.2%	21.4%	21.4%	21.3%	25.6%	
	Total	370,307	733,846	334,692	651,956	239,221	
		100.0%	100.0%	100.0%	100.0%	100.0%	
Net sales / Operating income by location	Japan	Net sales	176,576	356,816	169,908	332,517	113,760
		Operating income	2,214	4,427	13	2,138	-10,682
		Operating margin	1.3%	1.2%	0.0%	0.6%	-9.4%
	Americas	Net sales	98,941	198,302	88,837	171,072	60,242
		Operating income	2,626	4,344	-2,011	-6,438	-3,444
		Operating margin	2.7%	2.2%	-2.3%	-3.8%	-5.7%
	Europe	Net sales	93,798	184,022	79,679	155,651	53,186
		Operating income	473	973	-108	413	-3,195
		Operating margin	0.5%	0.5%	-0.1%	0.3%	-6.0%
	Asia and other areas	Net sales	80,870	155,577	70,120	134,929	58,780
		Operating income	9,805	17,218	6,409	11,418	3,998
		Operating margin	12.1%	11.1%	9.1%	8.5%	6.8%
	Deletion	Net sales	-79,879	-160,873	-73,853	-142,214	-46,748
		Operating income	375	258	380	-14	1,000
	Total	Net sales	370,307	733,846	334,692	651,956	239,221
		Operating income	15,495	27,222	4,684	7,517	-12,323
		Operating margin	4.2%	3.7%	1.4%	1.2%	-5.2%

(in million yen)

			FY2018		FY2019		FY2020	
			1st Half	Full year	1st Half	Full year	1st Half	
Net sales / Operating income by business applications	Aftermarket	Net sales	61,081	118,861	55,997	109,428	42,863	
		Operating income	7,852	15,195	6,661	12,750	2,270	
		Operating margin	12.9%	12.8%	11.9%	11.7%	5.3%	
	Industrial machinery	Net sales	62,043	123,552	53,951	105,210	46,874	
		Operating income	1,726	3,260	-1,081	-1,863	-1,363	
		Operating margin	2.8%	2.6%	-2.0%	-1.8%	-2.9%	
	Automotive	Net sales	247,182	491,432	224,742	437,317	149,483	
		Operating income	5,917	8,766	-895	-3,369	-13,230	
		Operating margin	2.4%	1.8%	-0.4%	-0.8%	-8.9%	
	Total	Net sales	370,307	733,846	334,692	651,956	239,221	
		Operating income	15,495	27,222	4,684	7,517	-12,323	
		Operating margin	4.2%	3.7%	1.4%	1.2%	-5.2%	
Capital expenditures /Depreciation and amortization	Capital expenditures		19,461	45,172	33,835	57,675	13,509	
	Depreciation and amortization	Domestic	7,408	15,285	6,521	13,424	5,989	
		Overseas	11,779	23,641	11,799	23,882	11,193	
	Total		19,187	38,926	18,321	37,306	17,182	
R&D expenditures			10,723	21,661	10,249	19,961	8,537	
Ratio of R&D expenditures to net sales			2.9%	3.0%	3.1%	3.1%	3.6%	
Inventories			197,347	194,505	192,909	182,923	174,993	
Inventory turnover ratio (times)			3.8	3.8	3.5	3.6	2.7	
Interest- bearing debts	Loans		310,388	320,344	318,754	332,416	367,138	
	Bonds		30,000	30,000	30,000	30,000	30,000	
	Total		340,388	350,344	348,754	362,416	397,138	
Major management indicators	Ordinary income ratio to total assets		3.0%	2.6%	0.7%	-0.2%	-3.6%	
	Return on assets (ROA)		1.9%	-0.8%	0.3%	-5.5%	-3.8%	
	Return on equity (ROE)		6.3%	-2.9%	1.0%	-22.8%	-19.0%	
	Shareholder's equity ratio		30.5%	27.4%	26.3%	20.6%	19.6%	
	Net assets per share (yen)		493.90	433.32	406.74	294.00	277.24	
	Net income per share (yen)		15.33	-13.10	2.14	-82.83	-27.14	
Employees	Domestic	(persons)	8,685	8,648	8,830	8,718	8,833	
	Overseas	(persons)	16,830	16,340	15,902	15,481	14,712	
	Total	(persons)	25,515	24,988	24,732	24,199	23,545	
Exchange rates	Average	Dollar	(yen)	110.26	110.88	108.61	108.73	106.85
		Euro	(yen)	129.88	128.41	121.43	120.84	121.23
	At term end	Dollar	(yen)	113.41	110.64	107.99	107.85	105.66
		Euro	(yen)	131.99	124.21	118.16	119.13	124.06