

Financial Results For the Three Months Ended June 30, 2013 [Japanese Accounting Standards] (Consolidated)

August 2, 2013

NTN Corporation
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 Listings: Tokyo and Osaka Stock Exchanges
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 Supplementary material of the financial results: Prepared
 Investor meeting: Scheduled

1. Consolidated Financial Results for the Three Months Ended June 30, 2013 (April 1, 2013 to June 30, 2013)

(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	%
Three months ended June 30, 2013	154,055	10.9	4,879	147.8	3,573	—	1,306	—
Three months ended June 30, 2012	138,858	6.3	1,968	-64.1	-282	—	-838	—

Note: comprehensive income: Three months ended June 30, 2013: 11,691 million yen (—%)
 Three months ended June 30, 2012: -10,711 million yen (—%)

	Net income per share	Diluted net income per share
	yen	yen
Three months ended June 30, 2013	2.46	—
Three months ended June 30, 2012	-1.58	—

(2) Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
Three months ended June 30, 2013	792,624	223,612	26.6
Year ended March 31, 2013	768,461	211,742	26.0

Note: Shareholders' equity Three months ended June 30, 2013: 210,827 million yen
 Year ended March 31, 2013: 199,903 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, 2013	—	0.00	—	0.00	0.00
Year ending March 31, 2014	—	—	—	—	—
Year ending March 31, 2014 (forecast)	—	—	—	—	—

Notes: Adjustment from the previously published forecast of dividends: None
 Dividends for year ending March 31, 2014 (forecast) have not been decided.

3. Forecast of Consolidated Earnings for the Year Ending March 31, 2014 (April 1, 2013 to March 31, 2014)

(% represents for "Full year" an increase/decrease from the immediately preceding year, and for "Quarter," from the same quarter of the immediately preceding year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	
Quarter	294,000	10.3	9,000	320.3	5,500	—	500	—	0.94
Full year	600,000	11.2	30,000	312.2	23,000	815.6	10,000	—	18.80

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

* 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

(Note) For further details, please refer to "2. Information regarding Summary Information (Other Information)" on page 4 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):

Three months ended June 30, 2013: 532,463,527 shares

Year ended March 31, 2013: 532,463,527 shares

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

Three months ended June 30, 2013: 584,400 shares

Year ended March 31, 2013: 576,643 shares

3) Average number of shares outstanding during the quarter:

Three months ended June 30, 2013: 531,882,552 shares

Three month ended June 30, 2012: 531,894,749 shares

* Presentations related to implementation of quarterly review process

This financial results report for the three months 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. For matters related to the above forecast, see "1. Qualitative Information of Consolidated Financial Statements for the Three Months ended June 30, 2013 - (3) Explanation regarding Information on Future Forecast, including Forecast of Consolidated Earnings" on page 2 of Attached Documents.

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1. Qualitative Information of Consolidated Financial Statements for the Three Months ended June 30, 2013

(1) Explanation regarding Consolidated Operating Results

During the first quarter (April 1 - June 30, 2013), the Japanese economy saw a partial recovery partly backed by downward revision of the yen and other factors while as for overseas economy, a moderate recovery was seen in the U.S. economy but uncertainty remained mainly due to the effect of the prolonged debt crisis in Europe and concerns over the future of China.

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 this April.

For the current quarter, the Group achieved sales of 154,055 million yen (up 10.9% year on year). In terms of income, the Group posted operating income of 4,879 million yen (up 147.8% year on year) and ordinary income of 3,573 million yen (against ordinary loss of 282 million yen booked in the same period in the previous year). As a result, the Group posted net quarterly income of 1,306 million yen (against net quarterly loss of 838 million yen in the same period in the previous year).

Sales by geographical segment were as follows:

1) Japan

Sales decreased in the automotive applications due to last year's reaction effects of eco-car subsidies. Regarding industrial machinery applications, sales of products for use in construction machinery, etc. decreased due to contraction of customer demand for sales to China and Asia, and sales in aftermarket applications also decreased. As a result, sales were 75,654 million yen (down 10.9% year on year). The segment income increased to 5,771 million yen (up 92.0% year on year) supported by a slash in fixed expenses, such as personnel expenses, through the implementation of early retirement system and the effect of favorable exchange rates.

2) Americas

Sales remained on par with the same period of the previous year in automotive applications but regarding industrial machinery applications, sales decreased centering on products for use in construction machinery. Sales in aftermarket applications grew reflecting an increase of customer demand for autoparts and other factors. As a whole, sales were 42,081 million yen thanks to favorable exchange rates (up 21.3% year on year). The segment income amounted to 798 million yen of profit (against segment loss of 2,412 million yen booked in the same period in the previous year) primarily due to the elimination of temporary costs resulting from an additional burden imposed on production lines in coping with increased sales to the automotive market..

3) Europe

Sales increased in automotive applications on the back of increase of customer demand and other factors while sales in industrial machinery applications decreased due to the sluggish regional economy and sales in aftermarket applications remained at about the same period of the previous year. Sales as a whole were 46,071 million yen (up 32.1% year on year) partly due to the effect of favorable exchange rates. The segment income was 307 million yen (down 45.7% year on year) the effect of revised prices of exports from the Company, coupled with changes in sales composition principally resulting from increased sales for the automotive market.

4) Asia and other areas

Sales decreased in automotive applications due to the recovery of sales to Japanese manufacturers in China and mass production of products for new projects as well as contraction of demand from customers in other Asian regions, but increased as a whole. Sales in industrial machinery applications grew reflecting increased demand for products for wind power generator in China, but sales in aftermarket applications also fell. As a whole, sales were 26,744 million yen (up 29.1% year on year) due to favorable exchange rates and segment income amounted to 1,295 million yen (up 191.0% year on year).

Operating results by business application are as follows:

1) Automotive applications

Sales decreased in Japan but were 105,841 million yen (up 15.2% year on year) backed by the recovery of overseas customer demand and the effect of favorable exchange rates. Operating item resulted in operating income of 706 million yen (against operating loss of 2,746 million yen booked in the same period in the previous year) thanks to a reduction in fixed expenses such as personnel expenses in Japan and the elimination of temporary costs resulting from an additional burden imposed on production lines in coping with increased sales in Americas, as well as the effects of favorable exchange rates.

2) Industrial machinery applications

Partial recovery of demand was seen in China and there were favorable exchange rates but sales fell in Japan and Americas. Sales as a whole were 24,009 million yen (down 2.7% year on year). Operating income was 373 million yen (down 49.5% year on year) due to the effect of decreased production and other factors.

3) Aftermarket applications

Sales fell in Japan, Asia and other areas due to contraction of customer demand, but sales as a whole were 24,204 million yen (up 8.6% year on year) thanks to favorable exchange rates. Operating income was 3,799 million yen (down 4.4% year on year) due to the effect of a decreased production and other factors.

(2) Explanation regarding Consolidated Financial Position

(Assets, Liabilities, and Net assets)

Total current assets increased 11,303 million yen from the end of the previous consolidated fiscal year end (up 2.8%) to 412,624 million yen, due principally to an increase of 4,998 million yen in short-term loans receivable, and an increase of 4,260 million yen in notes receivable and accounts receivable, and an increase of 2,468 million yen in cash and bank deposits. Total fixed assets increased 12,860 million yen from the previous consolidated fiscal year end (up 3.5%) to 380,000 million yen. The major factor was an increase of 9,658 million yen in tangible fixed assets. As a result, total assets increased 24,163 million yen the previous consolidated fiscal year end (up 3.1%) to 792,624 million yen.

Total current liabilities decreased 10,537 million yen from the previous consolidated fiscal year end (down 3.3%) to 304,824 million yen, due principally to a decrease of 10,000 million yen in current portion of bonds. Total long-term liabilities increased 22,830 million yen from the previous consolidated fiscal year end (up 9.5%) to 264,187 million yen, due principally to an increase of 15,803 million yen in long-term loans. As a result, total liabilities increased 12,292 million yen the previous consolidated fiscal year end (up 2.2%) to 569,011 million yen.

Total net assets increased 11,870 million yen the previous consolidated fiscal year end (up 5.6%) to 223,612 million yen. This was mainly due to an increase of 7,656 million yen in translation adjustments.

(Cash Flows)

Net cash provided by operating activities was 16,975 million yen (year-on-year increase of 12,115 million yen, or 249.3%). This was mainly due to depreciation expenses of 9,348 million yen, an increase of 5,777 million yen in trade payables and an increase of 4,215 million yen in inventory assets while surcharge payments under the antimonopoly act was 7,231 million yen.

Net cash used in investment activities was 11,000 million yen (year-on-year decrease of 6,759 million yen, or 38.1%). This was mainly due to purchase of tangible fixed assets of 10,945 million yen.

Net cash provided by financing activities was 2,068 million yen (year-on-year decrease of 31,053 million yen, or 93.8%). This was mainly due to an increase of 16,079 million yen in long-term loans payable and dividend payment of 10,000 million yen.

After adding an increase of 639 million yen in translation adjustments to these increases and decreases, cash and cash equivalents as of the end of the current three months of the year increased 8,683 million yen from the end of the previous consolidated fiscal year (up 10.1%) to 94,784 million yen.

(3) Explanation regarding Information on Future Forecast, including Forecast of Consolidated Earnings

The Company has made no modification to the consolidated earnings forecast announced on May 15, 2013.

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 three months ended June 30, 2013, 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.

3. Consolidated Financial Statements for the Three Months

(1) Balance Sheets

(In million yen)

	As of March 31, 2013	As of June 30, 2013
Assets		
Current assets		
Cash and bank deposits	52,792	55,260
Notes and accounts receivable-trade	118,611	122,871
Securities	34,000	35,000
Finished goods & purchased goods	92,770	91,223
Work in process	41,996	43,332
Raw materials & supplies	28,520	29,894
Deferred tax assets	7,377	6,795
Short-term loans receivable	309	5,307
Other	25,880	23,843
Allowance for doubtful accounts	-937	-904
Total current assets	401,321	412,624
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	77,909	79,808
Machinery, equipment and vehicles, net	153,496	159,778
Other, net	66,745	68,223
Total property, plant and equipment	298,152	307,810
Intangible fixed assets		
Goodwill	272	279
Other	4,578	4,708
Total intangible fixed assets	4,850	4,988
Investments and other assets		
Investment securities	41,290	45,433
Deferred tax assets	20,903	19,801
Other	2,116	2,152
Allowance for doubtful accounts	-174	-186
Total investments and other assets	64,136	67,201
Total fixed assets	367,140	380,000
Total assets	768,461	792,624

(In million yen)

	As of March 31, 2013	As of June 30, 2013
Liabilities		
Current liabilities		
Notes and accounts payable-trade	88,458	95,265
Short-term loan	160,420	163,536
Current portion of bonds	10,000	—
Accrued income taxes	1,484	1,487
Accrued bonuses for directors and statutory auditors	19	4
Reserve for loss related to antimonopoly law	7,231	—
Reserve for early retirement expenses	5,923	—
Other	41,823	44,530
Total current liabilities	315,361	304,824
Long-term liabilities		
Long-term loans	190,380	206,183
Accrued retirement benefits for employees	37,880	44,764
Reserve for product defect compensation	1,164	1,158
Other	11,931	12,080
Total long-term liabilities	241,357	264,187
Total liabilities	556,719	569,011
Net assets		
Shareholders' equity		
Common stock	54,346	54,346
Additional paid-in capital	67,369	67,369
Retained earnings	96,739	98,046
Treasury stock	-516	-518
Total shareholders' equity	217,939	219,244
Accumulated other comprehensive income		
Net unrealized holding gain on other securities	5,210	7,499
Translation adjustments	-18,127	-10,471
Accrued retirement benefits adjustments	-5,119	-5,444
Total accumulated other comprehensive income	-18,035	-8,416
Minority interests	11,838	12,784
Total net assets	211,742	223,612
Total liabilities and net assets	768,461	792,624

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

(In million yen)

	Three months ended June 30, 2012(April 1, 2012– June 30, 2012)	Three months ended June 30, 2013(April 1, 2013– June 30, 2013)
Net sales	138,858	154,055
Cost of sales	118,576	129,484
Gross profit	20,281	24,570
Selling, general and administrative expenses	18,312	19,691
Operating income	1,968	4,879
Non-operating income		
Interest income	114	83
Dividend income	245	262
Equity in earnings of unconsolidated subsidiaries	180	142
Other	509	909
Total non-operating income	1,048	1,397
Non-operating expenses		
Interest expenses	932	1,186
Foreign exchange losses	1,559	113
Other	808	1,403
Total non-operating expenses	3,299	2,703
Ordinary income (loss)	-282	3,573
Extraordinary losses		
Valuation loss on investment securities	554	–
Total extraordinary losses	554	–
Income (loss) before income taxes and equity in earnings of affiliated companies	-837	3,573
Income and other taxes	-228	2,154
Income (loss) before minority interests	-609	1,419
Minority interests in subsidiaries	229	112
Net income (loss)	-838	1,306

(Consolidated Statement of Comprehensive Income)

(In million yen)

	Three months ended June 30, 2012(April 1, 2012– June 30, 2012)	Three months ended June 30, 2013(April 1, 2013– June 30, 2013)
Net income (loss) before minority interests	-609	1,419
Other comprehensive income		
Net unrealized holding gain on securities	-1,922	2,288
Translation adjustments	-9,303	7,444
Accrued retirement benefits adjustments	141	-324
Equity in equity-method affiliates	982	863
Total other comprehensive income	-10,102	10,271
Comprehensive income	-10,711	11,691
(Breakdown)		
Comprehensive income attributable to owners of parent company	-10,079	10,926
Comprehensive income attributable to minority interests	-631	764

(3) Statements of Cash Flows

(In million yen)

	Three months ended June 30, 2012(April 1, 2012– June 30, 2012)	Three months ended June 30, 2013(April 1, 2013– June 30, 2013)
Net cash provided by operating activities		
Income before income taxes and equity in earnings of affiliated companies	-837	3,573
Depreciation and amortization	8,069	9,348
Goodwill depreciation	39	93
Increase/decrease in reserve for loss related to antimonopoly law	—	-7,231
Increase/decrease related to reserve for early retirement expenses	—	-5,818
Increase/decrease in allowance for doubtful accounts	-15	-79
Increase/decrease in accrued retirement benefits for directors and statutory auditors	-87	-14
Increase/decrease in accrued retirement benefits for employees	447	5,970
Increase/decrease in reserve for product defect compensation	57	-21
Payment of employee's retirement benefits under employee's early retirement incentive plans	—	10,135
Surcharge payments under the antimonopoly act	—	7,231
Increase/decrease in accrued payments due to the change in retirement benefit plan	-78	-153
Interest and dividend income	-359	-345
Interest expenses	932	1,186
Foreign currency translation adjustments / Foreign exchange losses/gains	-909	-1,346
Equity in earnings/losses of non-consolidated subsidiaries	-180	-142
Gains or loss on revaluation of investment securities	554	—
Decrease/increase in trade receivables	2,625	-657
Decrease/increase in inventories	-7,058	4,215
Increase/decrease in trade payables	660	5,777
Other	3,100	4,579
Subtotal	6,960	36,299
Interest and dividend income received	726	729
Interest paid	-933	-1,226
Payment of employee's retirement benefits under employee's early retirement incentive plans	—	-10,135
Surcharge payments under the antimonopoly act	—	-7,231
Income taxes paid	-1,892	-1,460
Net cash provided by operating activities	4,860	16,975
Net cash used in investing activities		
Increase in time deposits	-1,358	-59
Decrease in time deposits	899	296
Purchase of property, plant and equipment	-16,409	-10,945
Purchase of intangible fixed assets	-1,165	-283
Payment for purchase of subsidiaries stock	—	-31
Decrease/increase in short-term loans receivable, net	468	2
Other	-195	20
Net cash used in investing activities	-17,759	-11,000
Net cash provided by financing activities		
Increase/decrease in short-term loans, net	383	-4,100
Proceeds from long-term loans	37,357	23,087
Repayment of long-term loans	-1,831	-7,008
Payment for redemption of bonds	—	-10,000

(In million yen)

	Three months ended June 30, 2012(April 1, 2012– June 30, 2012)	Three months ended June 30, 2013(April 1, 2013– June 30, 2013)
Proceeds from issuing common stock assigned to minority shareholders	—	240
Dividend payment	-2,659	—
Repayment of lease payable	-62	-64
Other	-65	-86
Net cash provided by financing activities	33,121	2,068
Effect of exchange rate changes on cash and cash equivalents	2,253	639
Increase/decrease in cash and cash equivalents	22,477	8,683
Cash and cash equivalents, at beginning of the year	52,605	86,100
Increase in cash and cash equivalents from newly consolidated subsidiaries	214	—
Cash and cash equivalents, at end of the year	75,297	94,784

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

(Balance Sheet)

1. Contingent liabilities

In November 2012, arbitral proceedings demanding payment of 57,774 thousand U.S. dollars (5,695 million yen equivalent at the rate of the end of the first quarter of this consolidated fiscal year) were launched by an automotive applications customer of NTN-SNR ROULEMENTS (hereinafter "NTN-SNR"), a consolidated subsidiary of the Group, for alleged damages suffered as a result of nonconforming bearings supplied by NTN-SNR.

There is a possibility of the Group incurring future losses as a result of the above arbitration proceedings. However, it is difficult to reasonably estimate any impact at this moment and we cannot tell how or to what extent such potential losses will affect the business performance and financial conditions of the Group.

(Notes Related to Significant Changes in Shareholder's Equity)
 None

(Segment Information)

I. Three months ended June 30, 2012 (April 1, 2012 – June 30, 2012)

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	52,025	33,935	33,829	19,067	138,858	—	138,858
Inter-segment sales or transfers	32,888	745	1,041	1,640	36,317	(36,317)	—
Total	84,914	34,681	34,871	20,708	175,175	(36,317)	138,858
Segment income (operating income or loss)	3,006	-2,412	565	445	1,605	363	1,968

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

II. Three months ended June 30, 2013 (April 1, 2013 – June 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	43,781	41,288	44,218	24,765	154,055	—	154,055
Inter-segment sales or transfers	31,873	793	1,852	1,979	36,497	(36,497)	—
Total	75,654	42,081	46,071	26,744	190,552	(36,497)	154,055
Segment income (operating income)	5,771	798	307	1,295	8,173	(3,294)	4,879

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

Three months (from April 1, 2012 to June 30, 2012) (In million yen)

	Automotive applications	Industrial machinery applications	Aftermarket applications	Total
Sales to external customers	91,905	24,665	22,287	138,858
Operating income or loss	-2,746	739	3,975	1,968

Three months (from April 1, 2013 to June 30, 2013) (In million yen)

	Automotive applications	Industrial machinery applications	Aftermarket applications	Total
Sales to external customers	105,841	24,009	24,204	154,055
Operating income	706	373	3,799	4,879

(2) Sales by Geographic Segment

Three months (from April 1, 2012 to June 30, 2012) (In million yen)

Japan	Americas	Europe	Asia and other areas	Total
47,835	35,486	32,110	23,425	138,858

Three months (from April 1, 2013 to June 30, 2013) (In million yen)

Japan	Americas	Europe	Asia and other areas	Total
40,931	42,645	42,067	28,411	154,055

- 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 Japan Antimonopoly 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 has appealed the JFTC's order and we intend to assert our defense in upcoming criminal proceedings. And as a result, trial proceedings were decided to be commenced against both orders by a notification as of June 17, 2013 from JFTC. The Company paid temporarily the penalty in full before the deadline of payment to avoid a risk of overdue charges. For overseas, investigations, etc. by related authorities are continuing at our consolidated subsidiaries in Europe, the U.S., South Korea, and Singapore.
- 2) The Company and its subsidiaries in the U.S. and Canada are defendants in a number of class action suits.