

A vertical image on the left side of the slide shows two hands, one from a lighter-skinned person at the top and one from a darker-skinned person at the bottom, holding a glowing, golden-yellow tube. The tube is illuminated from within, creating a bright light at the top and bottom where the hands grip it. The background is a solid blue color.

For New Technology Network

**NTN**®

# **Consolidated Financial Results for the First Half of FY2015**

November 5, 2015

NTN Corporation

- I . Progress of Medium-term Management Plan “NTN 100”
- II . Financial Results for First Half and Forecast for FY2015

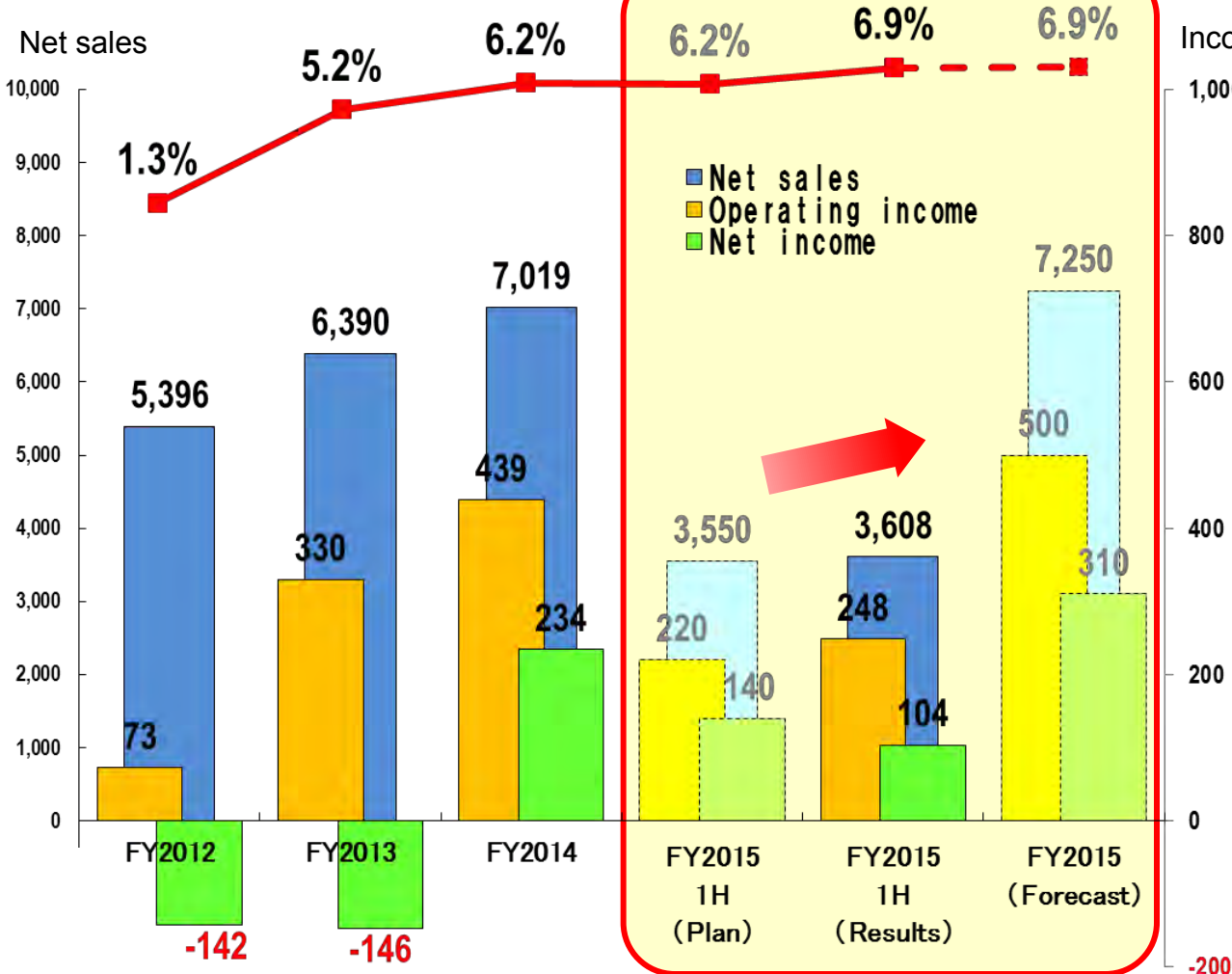
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## I . Progress of Medium-term Management Plan “NTN 100”

## II . Financial Results for First Half and Forecast for FY2015

# Changes in Consolidated Financial Results for FY2015 First Half and FY2015 Forecast

\* All figures in 100 million yen



**FY2016 First Half (Results)**  
**Net sales:** 360.8 billion yen  
**Operating income:** 24.8 billion yen  
**Operating margin:** 6.9%  
**Ordinary income:** 18.0 billion yen\*  
**Net income:** 10.4 billion yen  
**First-half dividend:** 5 yen  
 \* The subsidiaries in the emerging countries recognized foreign exchange losses (non-operating expenses) due to weakened own currencies.

**FY2015 (Forecast)**  
**Net sales:** 725.0 billion yen  
**Operating income:** 50.0 billion yen  
**Operating margin:** 6.9%  
**Ordinary income:** 45.0 billion yen  
**Net income:** 31.0 billion yen  
**Year-end dividend:** 10 yen  
 Exchange rate for FY2015 second half has been changed from 1US\$=110 yen to 1US\$=115 yen (no change for EURO from 1 EURO=130 yen).

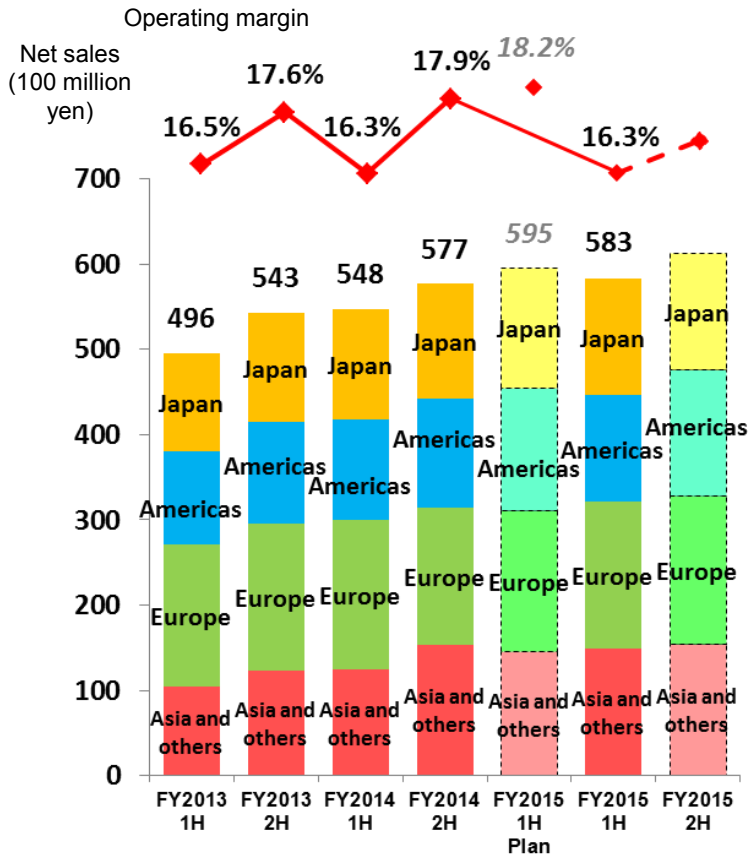
**GA 2013**      **Revival 2014**      **NTN 100**

# Results and Forecast for the Aftermarket Business

## <Results for FY2015 1<sup>st</sup> Half (compared with FY2014 1<sup>st</sup> Half)>

**Net sales: 58.3 billion yen (+6.6%), Operating income: 9.5 billion yen (+6.7%)**

- Mobile technical services for MRO were successfully provided in Japan and Asia, despite the low performance of the resources-related business in Americas.
- Sales system strengthened in North America.
- Planned performance goals were unattained due to the economic slowdown in South America and China.



## <Forecast for FY2015 2<sup>nd</sup> Half (compared with FY2015 1<sup>st</sup> Half)>

### Japan

Will remain flat due to the strengthened mobile technical services, despite the demand slowdown in the certain sectors.

### Americas

Will exploit new customers in cooperation with major distributors. Sales for automotive aftermarket will increase as a result of broadened product lineup.

### Europe

Will increase sales to Western European distributors. Will exploit new demands in Eastern Europe, Russia and other regions.

### Asia and Others

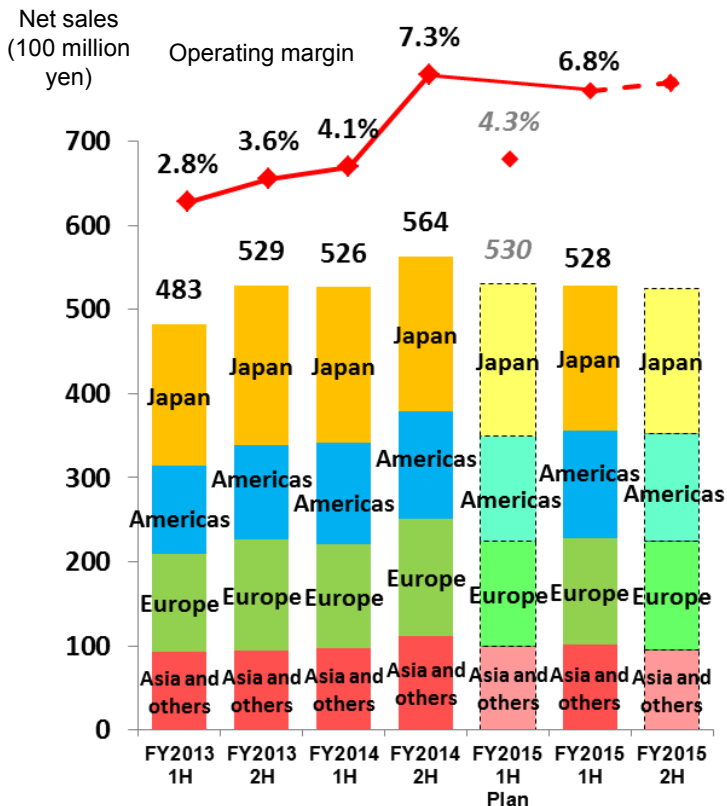
Will reinforce the organization to expand MRO projects.  
Will expand sales to targeted customers.

# Results and Forecast for the Industrial Machinery Business

## <Results for FY2015 1<sup>st</sup> Half (compared with FY2014 1<sup>st</sup> Half)>

**Net sales: 52.8 billion yen (+0.4%), Operating income: 3.6 billion yen (+67.2%)**

- Construction and mining machineries decreased in Japan, and HDD-related demand lowered in Asia.
- Wind turbine increased but construction machinery decreased in Americas. And wind turbine and aircraft increased in Europe.
- Planned performance goals were unattained due to the low performance of construction machinery, reducers, and agricultural machinery.



## <Forecast for FY2015 2<sup>nd</sup> Half (compared with FY2015 1<sup>st</sup> Half)>

### Japan

Will remain flat due to the slowdown in demand for construction machinery and reducers for construction machinery.

### Americas

Demand will grow reflecting increased early spring demand for agricultural machinery. Demand for wind turbines will remain steady.

### Europe

Demand for aircraft and agricultural machinery will increase. Demand for wind turbines will decrease due to seasonal factors.

### Asia and Others

Demand for rolling stocks will increase. Demand for wind turbine will decrease due to seasonal factors.

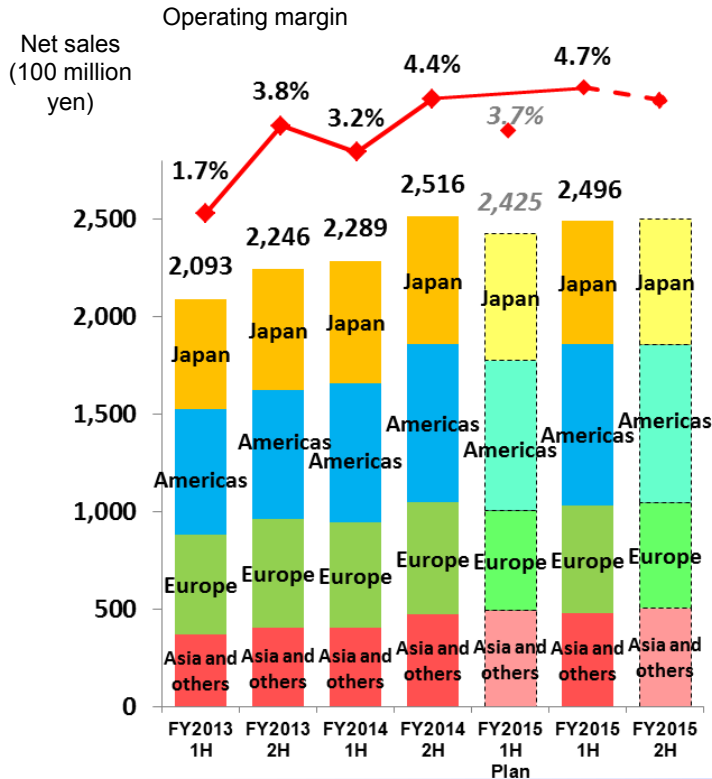
# Results and Forecast for the Automotive Business

## <Results for FY2015 1<sup>st</sup> Half (compared with FY2014 1<sup>st</sup> Half)>

**Net sales: 249.6 billion yen (+9.1%), Operating income: 11.7 billion yen (+62.8%)**

- Sales for North America increased in Japan and Americas against a backdrop of steady automotive demand in North America.
- In Europe, sales increased thanks to recovery of the new car market in Western Europe. And New projects contributed to the sales growth in China.
- Planned performance goals were unattained as a consequence of the decrease in production volume, except in Europe.

## <Forecast for FY2015 2<sup>nd</sup> Half (compared with FY2015 1<sup>st</sup> Half)>



### Japan

Sales will increase due to positive trends for exports to customers and transfer of production to Japan.

### Americas

Demand in North American market will remain strong. Positive trends for SUVs and pickup trucks.

### Europe

Recovery in Western European market will continue. Influence for Volkswagen will be insignificant.

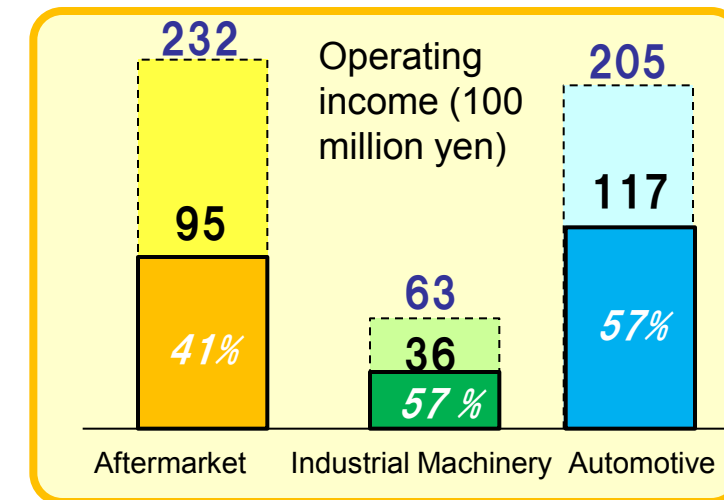
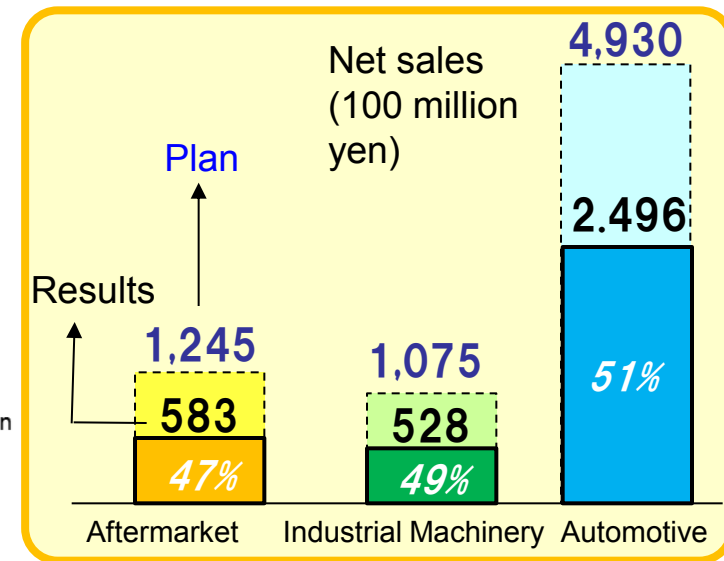
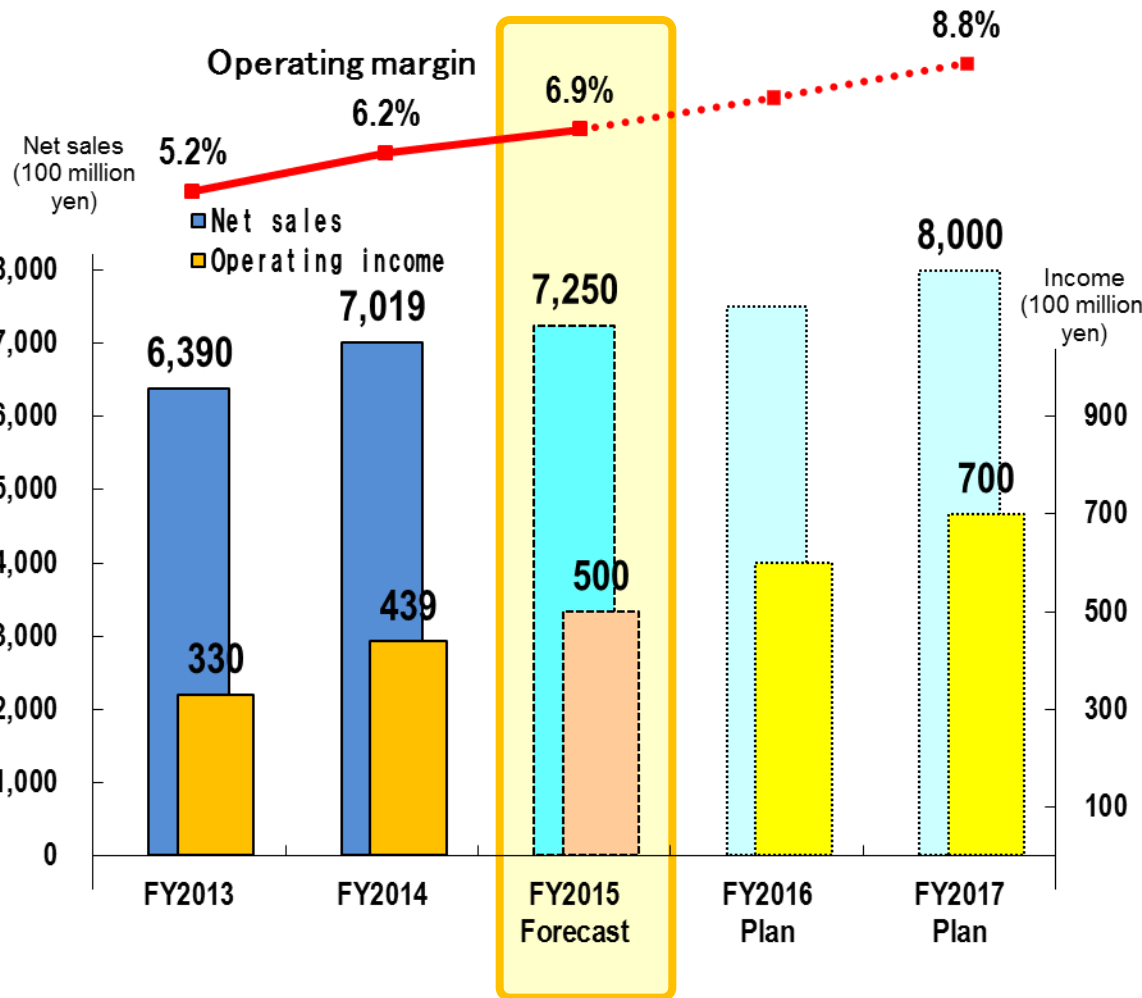
### Asia and Others

Demand for China will increase due to mass production reflecting new projects. Production will be gradually recovering in Asia.

# Progress of "NTN 100"(1):

## Net Sales and Operating Income

### 3-year plan for "NTN100"





### Major Measures and Progress

#### 1. Strengthening of the on-demand delivery system:

[Enhance product lineup and shortening lead-time](#)

- Development of the **inventory replenishment system** for globally general-purpose products in each region
  - For FY2015 first half, the system was **introduced to China**, in addition to Japan, Americas, Europe and Asia
- Strengthening the on-demand delivery system by expanding inventories of standard and semi-standard products



アルテージ  
**ULTAGE**



#### 2. Expansion of MRO sales: [Reinforcement of user support](#)

- Expand local technical support system for customers
- More flexible services through agencies as one team

#### 3. Approaches to the target markets:

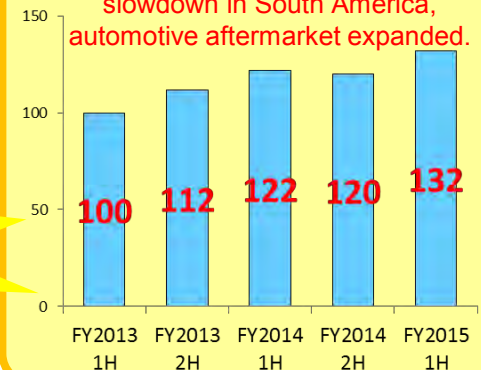
[Globally focused](#)

- Product category: Broadened the world-highest “**ULTAGE**” series lineup
- Business category: Sales expansion through technical services
- Market: Expand sales for automotive aftermarket through expanded auto parts lineup

**Quickly and accurately meet customer needs**

#### Growth in auto parts in Americas

Despite the Influence for the economic slowdown in South America, automotive aftermarket expanded.



### Major Measures and Progress

#### 1. Expansion of profit of the Driveshaft Business

- Flexibly responded to local production and demand change
- Improved sales prices and reduced proportional costs
- New orders for SUVs and premium cars increased

#### 2. Reinforcement of global quality control and supply systems

- “Xiangyang NTN,” the third production sites in China, started production in April.
- Production of driveshaft will start in February 2016 in Mexico.

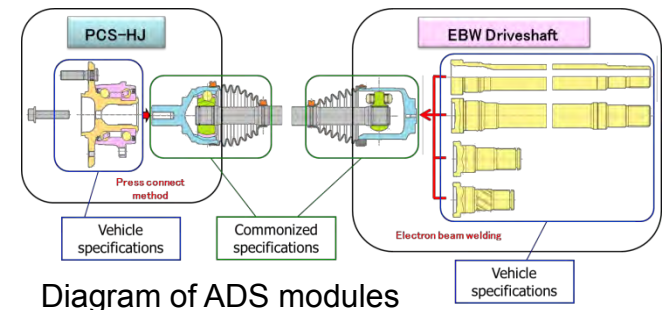
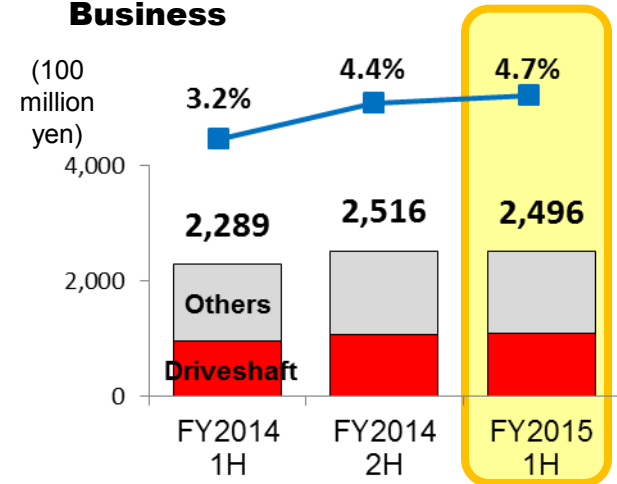
#### 3. Development of series of next-generation driveshaft modules

- Promoted reduction in weight and use of common parts and with “ADS modules”
- Released “lightweight driveshaft for FR vehicle” for premium cars



30% lighter for the exclusive use of FR

Profit ratio of Automotive Business



### Major Measures and Progress

#### 1. Improvement of asset efficiency

- Reduction of interest-bearing debt: **Reduced 18.5 billion yen for FY2015 first half** (FY2015 goal: reduction of 20.1 billion yen)
  - Inventory reduction: **7.2 billion increased during FY2015 first half** (continually increase aftermarket inventory and reduce other inventories)
  - Capital expenditures: **18.6 billion yen made for FY2015 first half** (FY2015 plan: 50.0 billion yen) after review of timing and details
  - Asset sales: Sold less promising assets
- ⇒FCF: **10.2 billion yen for FY2015 first half** (FY2015 goal: 17.9 billion yen)
- ⇒Equity to capital ratio: **29.6%** (FY2015 goal: 30%)
- ⇒Net D/E ratio: **1.1** (FY2015 goal: 1.0)
- ⇒ROE: **8.4%** (FY2015 goal: 12%)

#### 2. Improvement of net income to net sales

- Strengthened lowering of proportional costs, cost reduction and strengthening suppression of depreciation
- ⇒Operating margin: **6.9% for FY2015 first half** (FY2015 goal: 6.9%)

#### 3. Return to shareholders

- For FY2015 first half, **dividend of 5 yen** declared as planned (FY2015 plan: 10 yen; estimated dividend payout ratio of 17%)

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# II . Financial Results for First Half and Forecast for FY2015

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## ★Financial Results for the First Half of FY2015 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**

## FY2015 1H Results

- ◇ Net sales was **360.8 billion yen**, a 24.5 billion yen (+7.3%) increase year-on-year
  - Aftermarket increased chiefly in Japan and Asia, with approximately **7% increase** year-on-year
  - Industrial machinery was flat year-on-year due to decrease in Japan and Asia, and increase in Europe and China.
  - Automotive increased mainly in Japan, Europe and China, with approximately **9% increase** year-on-year
- ◇ Operating income was **24.8 billion yen**, a 6.6 billion yen (+35.9%) increase year-on-year
- ◇ Ordinary income was **18.0 billion yen**, a 1.3 billion yen (+8.1%) increase year-on-year  
The subsidiaries in the emerging countries recognized foreign exchange losses (4.9 billion yen) due to weakened own currencies.
- ◇ Net income attributable to shareholder (parent company): **10.4 billion yen**, a 1.1 billion yen (+12.1%) increase year on year

## FY2015 Full year Forecast

- ◇ Full year forecast remains unchanged
- ◇ Exchange rate for 2<sup>nd</sup> half has been changed from 1US\$=110 yen to 1US\$=115 yen, no change for EURO from 1 EURO=130 yen

# 1. Consolidated Statements of Operation

100 million yen

	FY2014			FY2015		Year on year
	1H Results ①	2H Results	Full year Results ②	1H Results ③	Full year Plan ④	FY2014 1H ③-①
Net sales	3,362	3,657	7,019	3,608	7,250	245
Operating income	183	256	439	248	500	66
Operating margin	(5.4%)	(7.0%)	(6.2%)	(6.9%)	(6.9%)	(1.4%)
Ordinary income	167	222	389	180	450	13
Extraordinary income/loss	- 24	6	- 18	0	10	24
Net income*	93	141	234	104	310	11
Exchange rate						
US \$	103.0	116.7	109.8	121.9	110.0	18.9
EURO	138.9	138.5	138.7	135.1	130.0	- 3.8

\* FY2015 net income indicates the net income for the year attributed to parent company shareholders.



## 2. Net Sales by Region

### <Net Sales by Region>

(100 million yen)

	FY2014			FY2015		Year on year	
	1H Results ①	2H Results	Full year Results ②	1H Results ③	Full year Plan ④	FY2015 1H ③-①	
						Volume	Forex
Japan	942	972	1,915	946	1,940	4	0
Americas	955	1,071	2,026	1,082	2,130	- 20	146
Europe	840	872	1,712	847	1,650	27	- 21
Asia & others	625	741	1,367	733	1,530	30	77
Total	3,362	3,657	7,019	3,608	7,250	42	203

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

#### <Net Sales by Business Sector>

(100 million yen)

	FY2014			FY2015		Year on year	
	1H Results ①	2H Results	Full year Results ②	1H Results ③	Full year Plan ④	FY2015 1H ③-①	
						Volume	Forex
Aftermarket	548	577	1,124	583	1,245	13	23
Industrial machinery	526	564	1,090	528	1,075	- 23	25
Automotive	2,289	2,516	4,805	2,496	4,930	53	155
Total	3,362	3,657	7,019	3,608	7,250	42	203

#### <Operating Income by Business Sector>

(100 million yen)

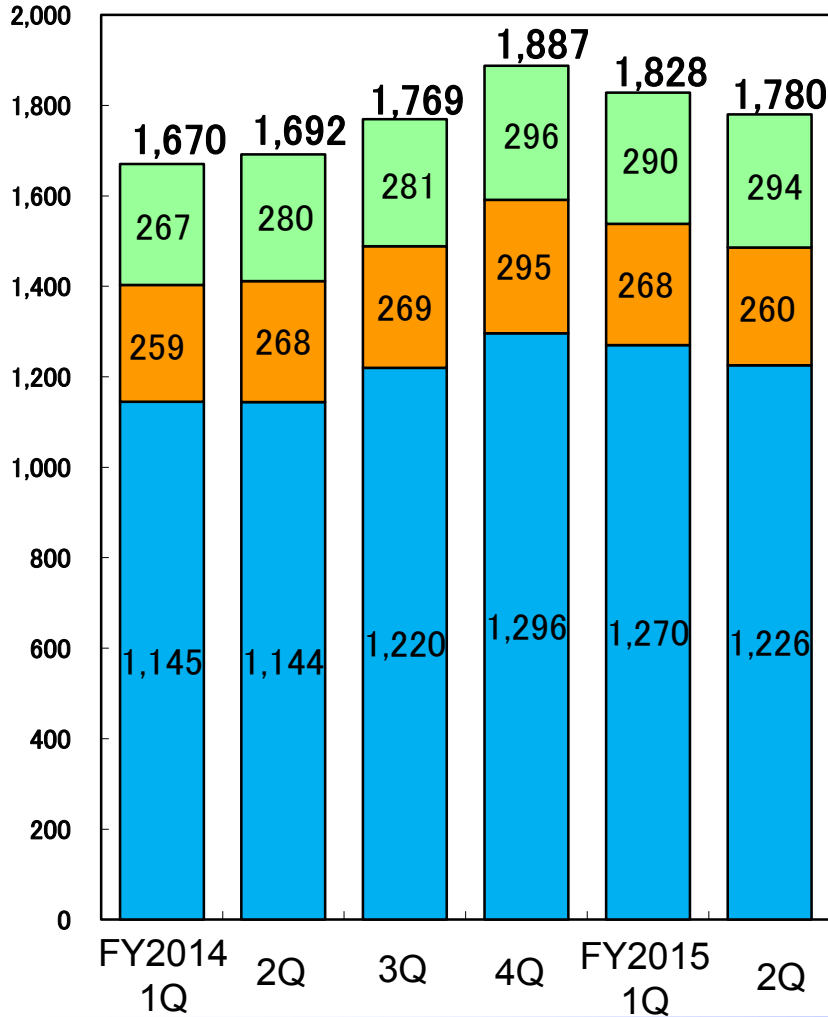
	FY2014			FY2015		Year on year	
	1H Results ①	2H Results	Full year Results ②	1H Results ③	Full year Plan ④	FY2015 1H Results ③-①	
Aftermarket	89	103	192	95	232	6	
Industrial machinery	21	41	63	36	63	14	
Automotive	72	111	184	117	205	45	
Total	183	256	439	248	500	66	

# 4. Results by Business Sector (Quarterly Trend)

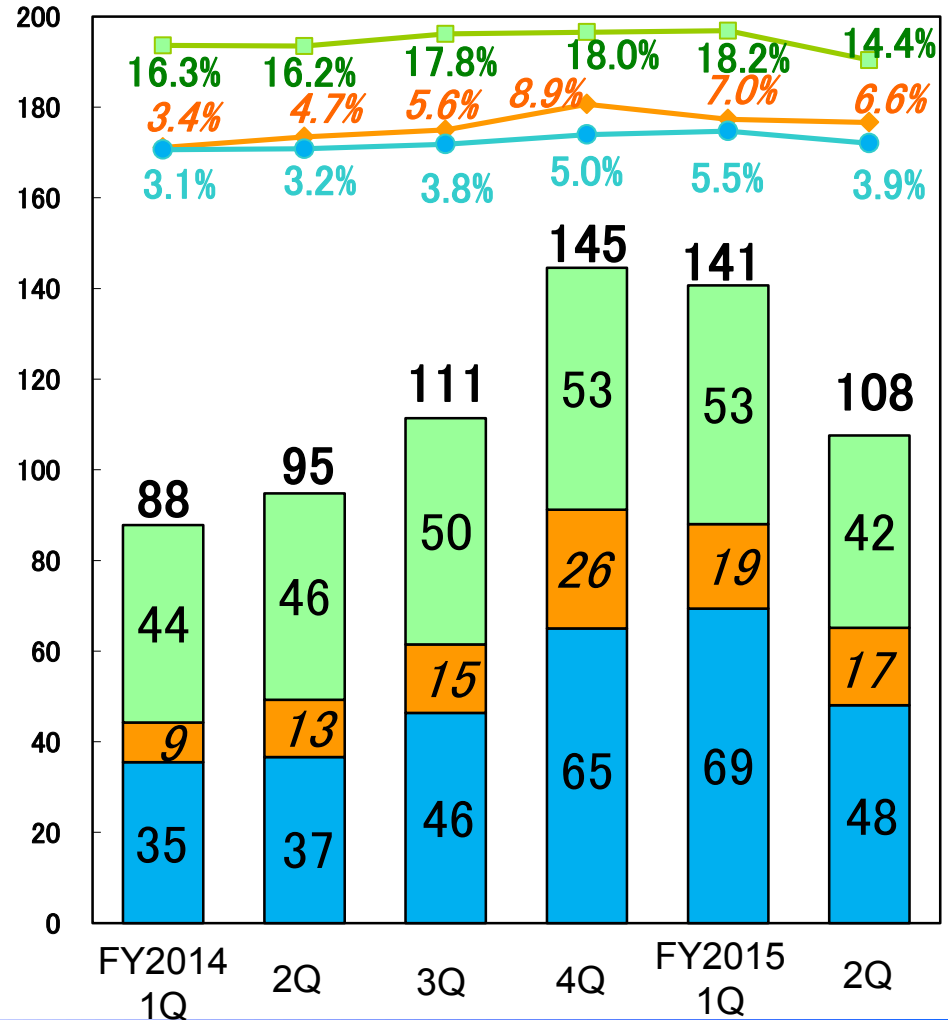
\* All figures in 100 million yen

Automotive Industrial machinery Aftermarket

### Net Sales

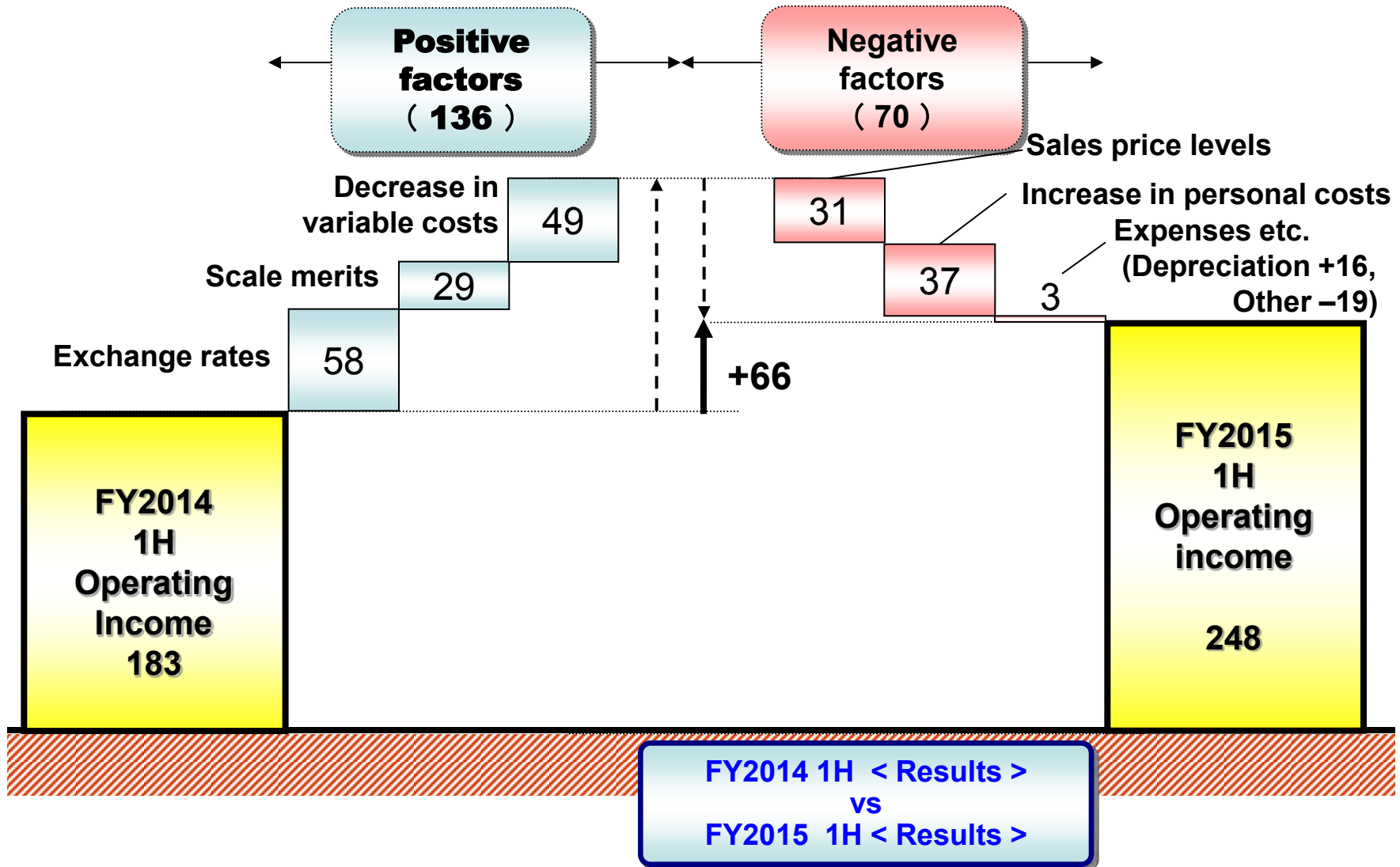


### Operating Income/ Operating Margin



# 5. Analysis of Operating Income (FY2015 1H)

\* All figures in 100 million yen.

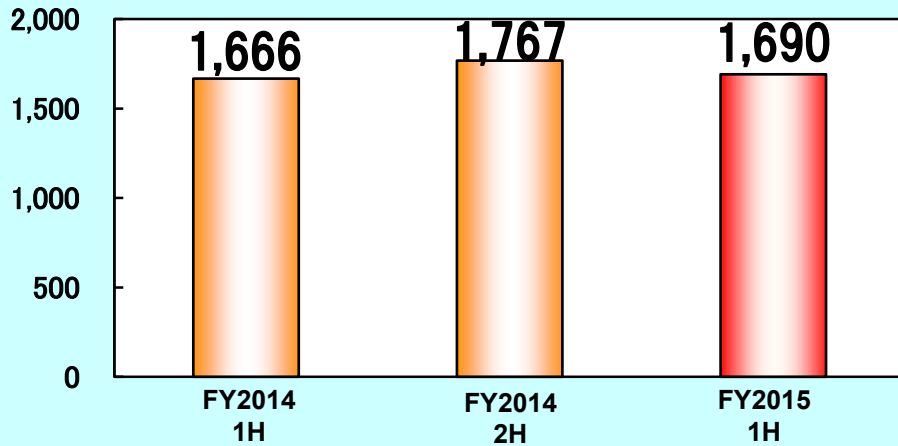


# 6. Net Sales and Operating Income by Region

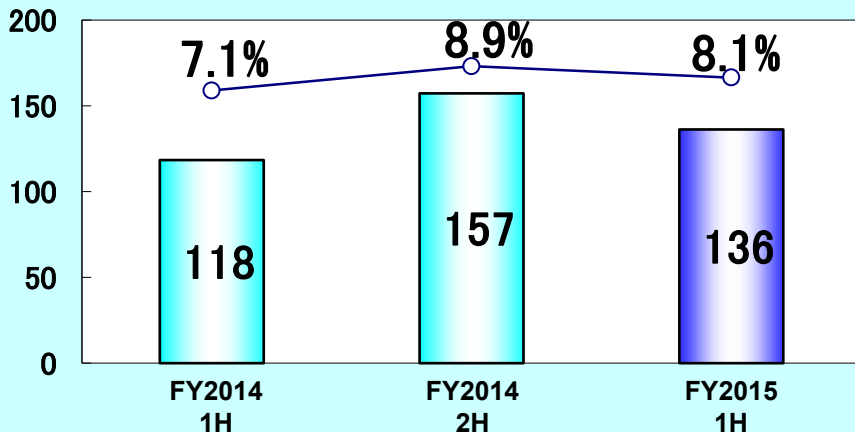
## 《 Japan 》

### Net Sales

(100 million yen)



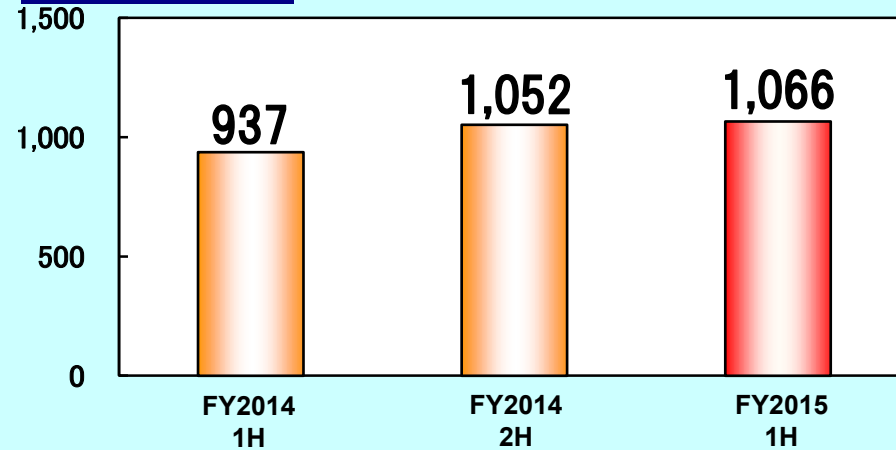
### Operating Income



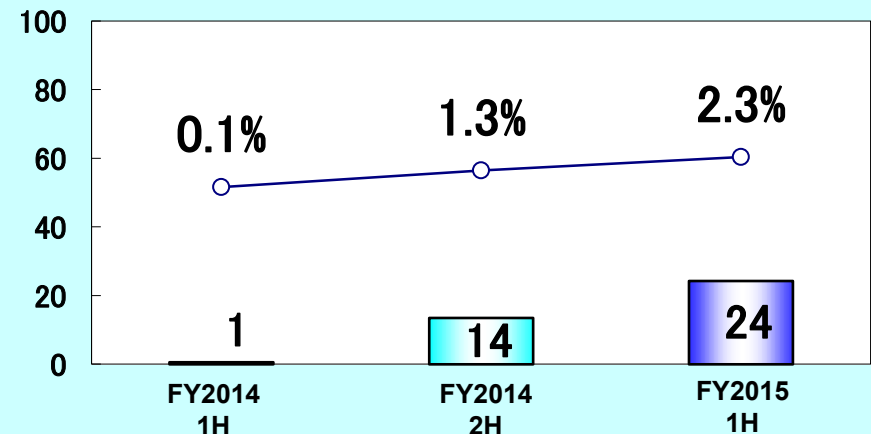
## 《 Americas 》

### Net Sales

(100 million yen)



### Operating Income

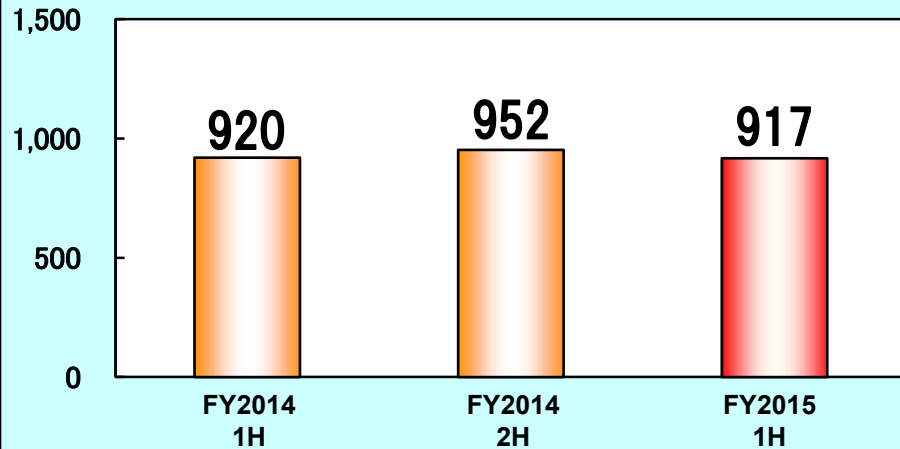


# 6. Net Sales and Operating Income by Region

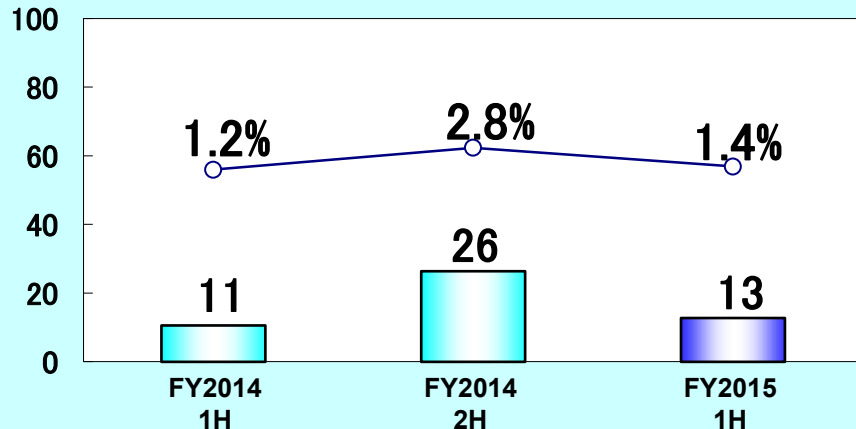
## 《 Europe 》

### Net Sales

(100 million yen)



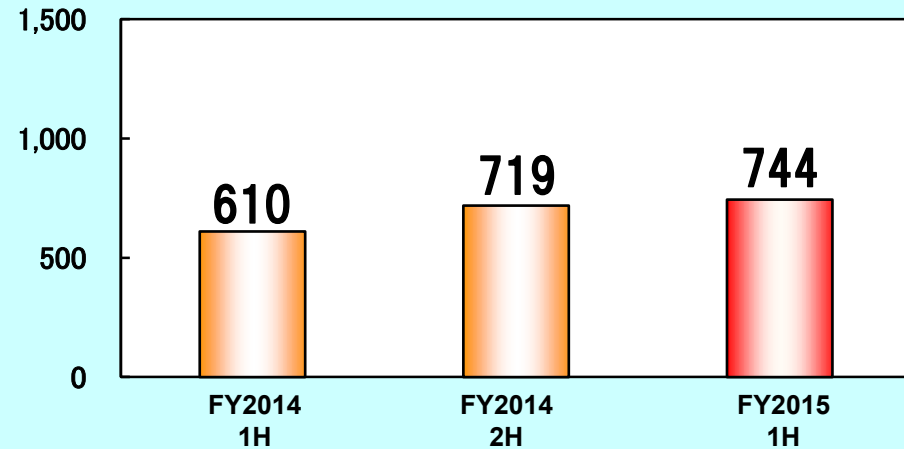
### Operating Income



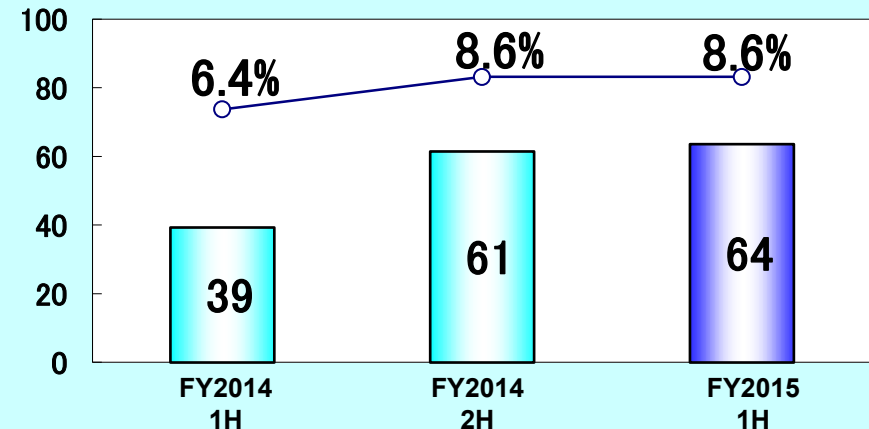
## 《 Asia & Others 》

### Net Sales

(100 million yen)

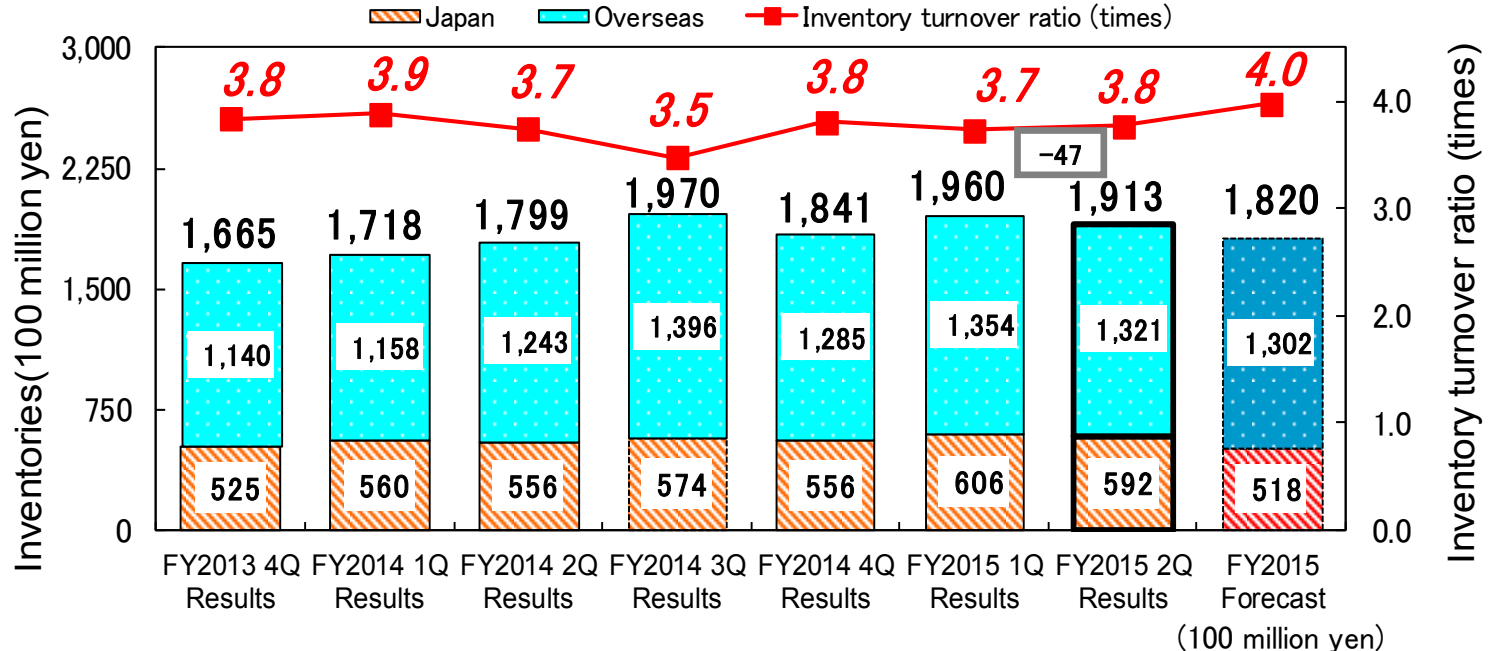


### Operating Income



# 7. Inventories

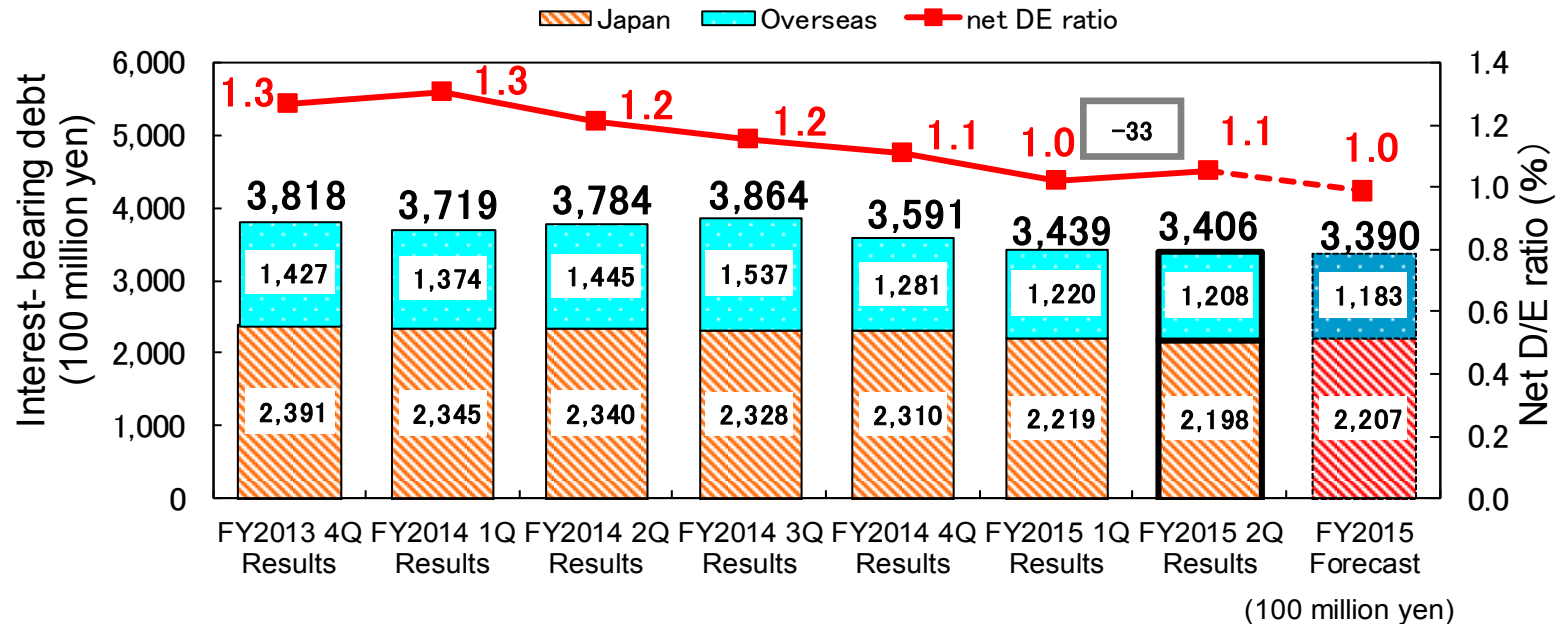
◆ Inventories at end of September 2015 increased by -4.7 billion yen compared to end of June (+0.1 billion yen if excluding exchange rates).



	FY2013 4Q Results	FY2014 1Q Results	FY2014 2Q Results	FY2014 3Q Results	FY2014 4Q Results	FY2015 1Q Results	FY2015 2Q Results	FY2015 Forecast
<b>Inventories</b>	1,665	1,718	1,799	1,970	1,841	1,960	1,913	1,820
Overseas	(1,140)	(1,158)	(1,243)	(1,396)	(1,285)	(1,354)	(1,321)	(1,302)
Japan	(525)	(560)	(556)	(574)	(556)	(606)	(592)	(518)
<b>Inventory turnover ratio (times)</b>	3.8	3.9	3.7	3.5	3.8	3.7	3.8	4.0

# 8. Interest-Bearing Debt

◆ Interest-bearing debt at end of September 2015 increased by -3.3 billion yen compared to end of June.

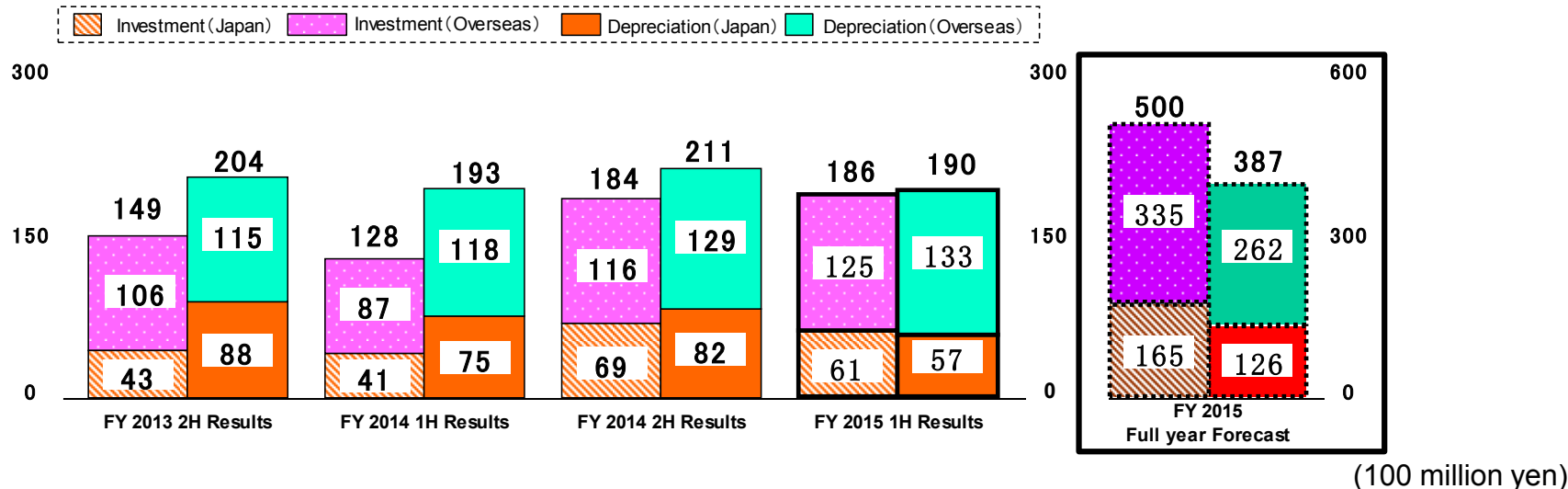


	FY2013 4Q Results	FY2014 1Q Results	FY2014 2Q Results	FY2014 3Q Results	FY2014 4Q Results	FY2015 1Q Results	FY2015 2Q Results	FY2015 Forecast
Interest-bearing debt	3,818	3,719	3,784	3,864	3,591	3,439	3,406	3,390
Overseas	(1,427)	(1,374)	(1,445)	(1,537)	(1,281)	(1,220)	(1,208)	(1,183)
Japan	(2,391)	(2,345)	(2,340)	(2,328)	(2,310)	(2,219)	(2,198)	(2,207)
Net Interest-bearing debt	2,521	2,688	2,673	2,794	2,713	2,663	2,613	2,561



# 9. Capital Expenditure and Depreciation

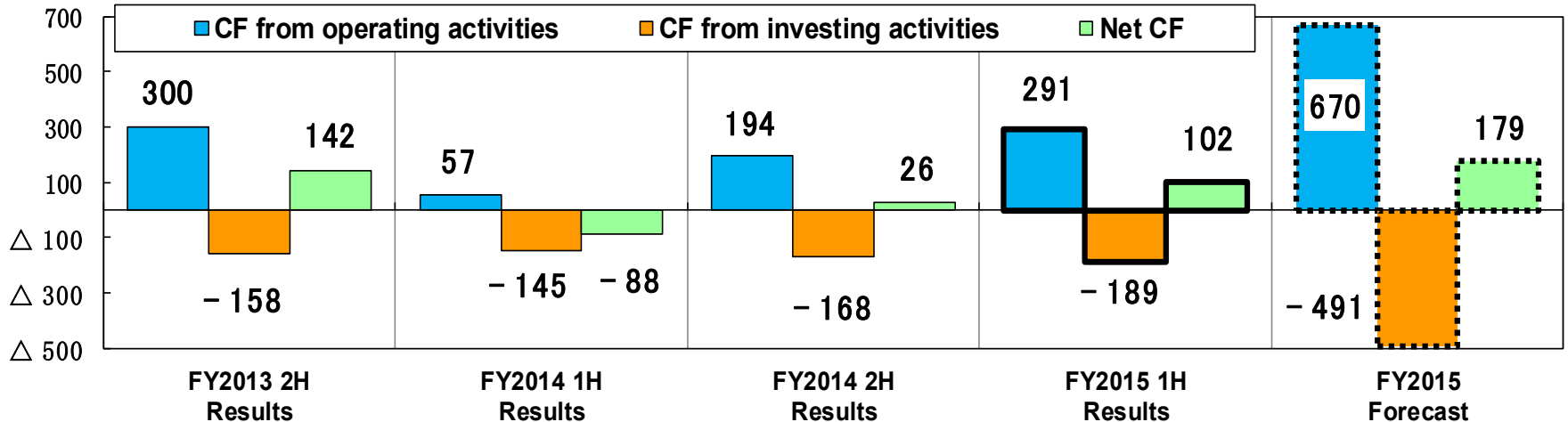
◆ Capital investment in FY2015 1H results was within the scope of depreciation expenses.



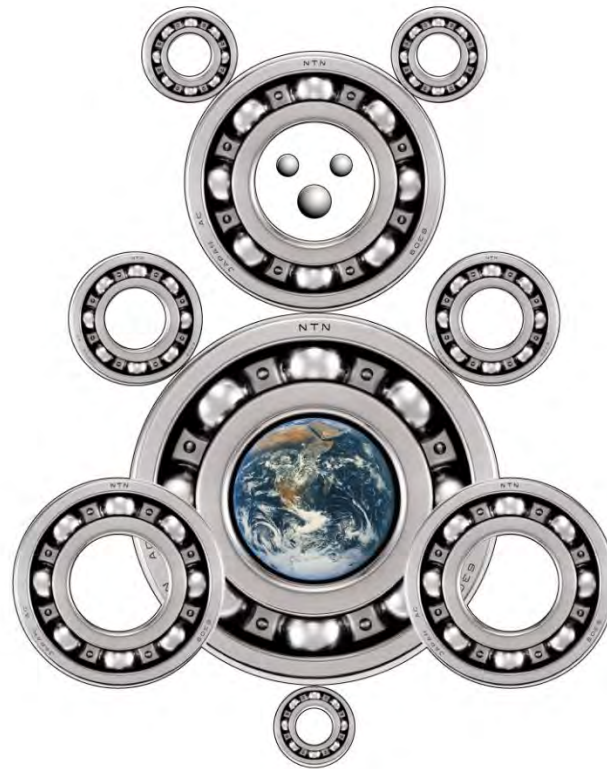
	FY2013 2H Results	FY2014 1H Results	FY2014 2H Results	FY2015 1H Results	FY2015 Forecast
<b>Capital expenditure</b>	149	128	184	186	500
Overseas	(106)	(87)	(116)	(125)	(335)
Japan	(43)	(41)	(69)	(61)	(165)
<b>Depreciation</b>	204	193	211	190	387
Overseas	(115)	(118)	(129)	(133)	(262)
Japan	(88)	(75)	(82)	(57)	(126)

# 10. Cash Flows

(100 million yen)	FY2013 2H Results	FY2014 1H Results	FY2014 2H Results	FY2015 1H Results	FY2015 Forecast
I. Cash flow from operating activities	300	57	194	291	670
II. Cash flow from investing activities	-158	-145	-168	-189	-491
III. Cash flow from financing activities	-15	-98	-276	-212	-244
IV. Effect of exchanging rate translation on cash and cash equivalents	10	1	17	26	-14
V. Net increase in cash and cash equivalents	137	-185	-234	-85	-79



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