

Financial Results for the Six Months Ended September 30, 2014 [Japanese Accounting Standards] (Consolidated)

October 31, 2014

NTN Corporation

Security Code: 6472

Listings: Tokyo Stock Exchange

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Scheduled commencement date of dividend payment: December 5, 2014

Supplementary material of the financial results: Prepared

Investor meeting: Scheduled

1. Consolidated Financial Results for the Six Months Ended September 30, 2014 (April 1, 2014 to September 30, 2014)

(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 | % |
| Six months ended September 30, 2014 | 336,244 | 9.5 | 18,259 | 40.2 | 16,660 | 61.2 | 9,270 | 170.9 |
| Six months ended September 30, 2013 | 307,183 | 15.2 | 13,020 | 508.0 | 10,333 | — | 3,421 | — |

Note: comprehensive income: Six months ended September 30, 2014: 21,388 million yen (31.2%)
Six months ended September 30, 2013: 16,299 million yen (—%)

| | Net income per share | Diluted net income per share |
|-------------------------------------|----------------------|------------------------------|
| | yen | yen |
| Six months ended September 30, 2014 | 17.43 | — |
| Six months ended September 30, 2013 | 6.43 | — |

(2) Financial Position

| | Total assets | Net assets | Shareholders' equity ratio |
|-------------------------------------|--------------|-------------|----------------------------|
| | million yen | million yen | % |
| Six months ended September 30, 2014 | 846,104 | 236,370 | 26.1 |
| Year ended March 31, 2014 | 848,037 | 213,368 | 23.5 |

Note: Shareholders' equity Six months ended September 30, 2014: 220,577 million yen
Year ended March 31, 2014: 199,272 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, 2014 | — | 0.00 | — | 2.00 | 2.00 |
| Year ending March 31, 2015 | — | 2.50 | — | — | — |
| Year ending March 31, 2015 (forecast) | — | — | — | 2.50 | 5.00 |

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

3. Forecast of Consolidated Earnings for the Year Ending March 31, 2015 (April 1, 2014 to March 31, 2015)

(% figure represent year-on-year changes)

| | Net sales | | Operating income | | Ordinary income | | Net income | | Net income per share |
|-----------|-------------|-----|------------------|------|-----------------|------|-------------|---|----------------------|
| | million yen | % | million yen | % | million yen | % | million yen | % | yen |
| Full year | 673,000 | 5.3 | 42,000 | 27.3 | 35,000 | 22.1 | 20,000 | — | 37.61 |

Notes: Adjustment from the previously published forecast of earnings: Adjusted

See the news release announced today (October 31, 2014) "Notice Regarding Difference between Results and Actual Results of Consolidated Earnings for Six Months Ended September 30, 2014 and Revised Full-year Earnings Forecast."

* Notes

(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 "(1) Adoption of accounting method specific to the preparation of consolidated quarterly financial statements" in "2. Information regarding Summary Information (Other Information)" on page 3 of the Attached Documents.

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

- | | |
|---|---------|
| 1) Changes in accounting principles due to amendment to accounting standards: | Changed |
| 2) Changes other than above: | None |
| 3) Changes in accounting estimates: | None |
| 4) Retrospective restatement: | None |

(Note) For further details, please refer to "(2) Changes in accounting principles and accounting estimates and retrospective restatement" in "2. Information regarding Summary Information (Other Information)" on page 3 of the Attached Documents.

(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, 2014: 532,463,527 shares

Year ended March 31, 2014: 532,463,527 shares

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

Six months ended September 30, 2014: 641,802 shares

Year ended March 31, 2014: 619,746 shares

3) Average number of shares outstanding during the quarter:

Six months ended September 30, 2014: 531,835,548 shares

Six months ended September 30, 2013: 531,878,454 shares

* Presentations related to implementation of quarterly review process

This financial results report for the Second Quarter 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.

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1. Qualitative Information of Consolidated Financial Statements for the Six Months ended September 30, 2014

(1) Explanation regarding Consolidated Operating Results

During the first half (April 1 - September 30, 2014), the Japanese economy saw a continued moderate recovery trend, despite signs of a negative reaction to increased consumption taxes. Looking at the overseas economy, the U.S. economy also continued to recover and the European economy picked up. However, expansion in the Chinese economy weakened and economic conditions in other newly emerging economies came to a standstill.

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 in April, 2013.

During the first half, the Group achieved sales of 336,244 million yen (up 9.5% year on year). In terms of income, the Group posted operating income of 18,259 million yen (up 40.2% year on year) and ordinary income of 16,660 million yen (up 61.2% year on year). In terms of extraordinary income, the Group posted 305 million yen in proceeds from the sale of fixed assets. In terms of extraordinary losses, the Group posted 2,006 million yen in loss pertaining to the Anti-Monopoly Act and 701 million yen in payment of customs duties for past financial years. As a result, the Group posted quarterly net income of 9,270 million yen (up 170.9% year on year).

Sales by geographical segment were as follows:

1) Japan

Sales in aftermarket applications increased on the back of growing customer demand and other factors in industrial machinery aftermarket applications and sales in industrial machinery applications grew primarily in general machinery applications. Sales in automotive applications increased, reflecting an increase in customer demand and other factors. As a result, net sales were 166,631 million yen (up 7.1% year on year). Segment income of 11,835 million yen was posted (up 2.2% year on year), supported mainly by effect of rise in sales and favorable exchange rates.

2) Americas

Sales in aftermarket applications increased on the back of an increase of customer demand for automotive aftermarket applications and other factors. Sales in industrial machinery applications grew in products for use in construction machinery and other products and sales of automotive applications also increased thanks to mass production of products for new projects coupled with increased customer demand and other factors. As a result, net sales were 93,715 million yen (up 11.9% year on year), due partly to favorable exchange rates. In terms of segment income incurred a segment income of 59 million yen (down 96.1% against the same period in the previous year) due mainly to an increase in fixed costs resulting from an additional burden imposed on production lines in coping with increased sales to the automotive market.

3) Europe

Sales decreased in aftermarket applications and sales in industrial machinery applications remained on a par with the same period in the previous year despite an increase in sales in wind turbine in industrial machinery applications. Sales in automotive applications also decreased, but as a whole net sales were 91,976 million yen (up 5.0% year on year), thanks partly to favorable exchange rates. Segment income amounted to 1,060 million yen of profit (up 167.0% year on year) due partly to favorable exchange rates.

4) Asia and other areas

Sales in aftermarket applications grew reflecting increased customer demand for industrial machinery aftermarket applications and other factors. Sales in industrial machinery applications remained on a par with the same period in the previous year but sales in automotive applications increased, backed mainly by mass production of products for new projects in China and expanded customer demand. As a result, net sales were 61,040 million yen (up 12.1% year on year), thanks to favorable exchange rates. Segment income amounted to 3,933 million yen (up 102.3% year on year), supported by effects of a rise in sales and other factors.

Operating results by business application are as follows:

1) Aftermarket applications

Net sales were 54,751 million yen (up 10.5% year on year), supported by an increase in customer demand and favorable exchange rates. Operating income was 8,910 million yen (up 9.2% year on year), thanks mainly to an effect of increased sales and favorable exchange rates.

2) Industrial machinery applications

Net sales were 52,631 million yen (up 9.0% year on year), reflecting expanded customer demand in Japan and the Americas and favorable exchange rates. Operating income was 2,137 million yen (up 57.7% year on year), thanks to an effect of increased sales and other factors.

3) Automotive applications

Net sales were 228,861 million yen (up 9.3% year on year), primarily reflecting to expanded customer demand in Japan, the Americas and China and favorable exchange rates. Operating income was 7,211 million yen (up 106.0% year on year), mainly reflecting an effect of increased sales and favorable exchange rates, despite an increase in fixed costs due to an additional burden imposed on production lines in coping with increased sales in the Americas.

(2) Explanation regarding Consolidated Financial Position
(Assets, Liabilities, and Net assets)

Total current assets decreased 4,833 million yen (down 1.0%) from the previous consolidated fiscal year end to 462,915 million yen. This was due principally to a decrease of 13,048 million yen in cash and bank deposits and an increase of 8,039 million yen in finished goods & purchased goods. Total fixed assets increased 2,900 million yen (0.8%) from the previous consolidated fiscal year end to 383,188 million yen. As a result, total assets decreased 1,933 million yen (down 0.2%) from the previous consolidated fiscal year end to 846,104 million yen.

Total current liabilities decreased 5,073 million yen (down 1.6%) from the previous consolidated fiscal year end to 310,145 million yen. This was due principally to a decrease of 30,762 million yen in notes and accounts payable-trade, a decrease of 28,837 million yen in "Other" resulting from a decrease in accrued liabilities related to a loss pertaining to Anti-Monopoly Act etc., an increase of 41,359 million yen in electronically-recorded monetary claims, and an increase of 12,083 million yen in short-term bank loans payable. Total long-term liabilities decreased 19,862 million yen (down 6.2%) from the previous consolidated fiscal year end to 299,588 million yen. This was due principally to a decrease of 15,403 million yen in long-term loans payable and a decrease of 4,347 million yen in liabilities for retirement benefits. As a result, total liabilities decreased 24,934 million yen (down 3.9%) from the previous consolidated fiscal year end to 609,734 million yen.

Total net assets increased 23,002 million yen against the previous consolidated fiscal year end (up 10.8 %) to 236,370 million yen. This was mainly due to an increase of 10,519 million yen in retained earnings, 6,871 million yen in translation adjustments and an increase of 3,573 million yen in net unrealized holding gain on other securities.

(Cash Flows)

Net cash provided by operating activities was 5,722 million yen (year; year-on-year decrease of 33,367 million yen, or 85.4%). Major items included income from depreciation and amortization of 19,308 million yen, 14,258 million yen in quarterly net income before adjustments for income taxes, and an increase of 9,904 million yen in trade payables, against expenditure of 27,968 million yen in Anti-Monopoly Act-related payments and an increase of 9,646 million yen in inventories.

Net cash provided by investing activities was 14,494 million yen (year-on-year decrease of 3,842 million yen, or 21.0%). Major items included expenditure of 14,581 million yen in purchase of tangible fixed assets.

Net cash used in financing activities was 9,843 million yen (against proceeds of 8,055 million yen booked in the same period in the previous year). This was mainly due to expenditure from 15,960 million yen in repayments of long-term loans, and income from a net decrease of 5,854 million yen in short-term bank loans against 12,815 million yen in proceeds from long-term loans.

After adding an increase of 95 million yen in translation adjustments to the above changes, cash and cash equivalents as of the end of the current six months of this consolidated accounting period were 111,150 million yen, a decrease of 18,520 million yen (down 14.3%) from the previous consolidated fiscal year end.

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 six months ended September 30, 2014, 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.

(2) Changes in accounting policies and accounting estimates and retrospective restatement

Changes in accounting policies

(Application of accounting standards for retirement benefits)

“Accounting Standards for Retirement Benefits” (Corporate Accounting Standards, No. 26, May 17, 2012, hereinafter referred to as “Retirement Benefits Accounting Standards”) and “Implementation Guidelines on Accounting Standards for Retirement Benefits” (Corporate Accounting Standards Implementation Guidelines No. 25, May 17, 2012, hereinafter referred to as “Retirement Benefits Implementation Guidelines”) have been applied since the three months ended June 30, 2014 regarding provisions set forth under the main clause in paragraph 35 of the Retirement Benefits Accounting Standards and the main clause in paragraph 67 of Retirement Benefits Implementation Guidelines. Calculation methods for liabilities for retirement benefits and service expenses have been reviewed, period attribution methods for estimated retirement benefits have been changed from a straight-line attribution method to benefit formula standards, while methods for determining discount rates have also been changed from a method where a discount rate based on the number of years approximate to remaining average service periods of employees is used to a method where a single weighted average discount rate reflecting an amount for estimated payment periods for retirement benefits and each estimated payment period is used.

Application of the Retirement Benefits Accounting Standards is in accordance with the transitional treatment set forth under paragraph 37 of the Retirement Benefits Accounting Standards and at the beginning of the current six-month consolidated accounting period the amount of increase or decrease for such changes was adjusted for under retained earnings.

As a result, at the beginning of the current six-month consolidated accounting period, liabilities for retirement benefits and deferred income taxes decreased 3,556 million yen and 1,244 million yen, respectively, and retained earnings increased 2,312 million yen. The effects this change will have on operating income, ordinary income and quarterly net income before adjustments for income taxes in the current six-month consolidated accounting period are minor.

3. Consolidated Financial Statements for the Six Months

(1) Balance Sheets

(In million yen)

| | As of March 31, 2014 | As of September 30, 2014 |
|--|----------------------|--------------------------|
| Assets | | |
| Current assets | | |
| Cash and bank deposits | 85,746 | 72,698 |
| Notes and accounts receivable-trade | 135,358 | 133,762 |
| Securities | 36,000 | 35,000 |
| Finished goods & purchased goods | 90,541 | 98,580 |
| Work in process | 45,097 | 48,168 |
| Raw materials & supplies | 30,845 | 33,127 |
| Deferred tax assets | 7,952 | 8,459 |
| Short-term bank loans receivable | 10,028 | 5,023 |
| Other | 27,073 | 29,046 |
| Allowance for doubtful accounts | -894 | -951 |
| Total current assets | 467,748 | 462,915 |
| Fixed assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 86,590 | 86,815 |
| Machinery, equipment and vehicles, net | 163,560 | 164,498 |
| Other, net | 59,239 | 57,268 |
| Total property, plant and equipment | 309,390 | 308,582 |
| Intangible fixed assets | | |
| Goodwill | 266 | 233 |
| Other | 5,572 | 6,083 |
| Total intangible fixed assets | 5,839 | 6,317 |
| Investments and other assets | | |
| Investment securities | 45,952 | 52,033 |
| Deferred tax assets | 16,978 | 13,976 |
| Other | 2,370 | 2,530 |
| Allowance for doubtful accounts | -242 | -251 |
| Total investments and other assets | 65,058 | 68,289 |
| Total fixed assets | 380,288 | 383,188 |
| Total assets | 848,037 | 846,104 |

(In million yen)

| | As of March 31, 2014 | As of September 30, 2014 |
|--|----------------------|--------------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 106,409 | 75,647 |
| Electronically-recorded monetary claims | - | 41,359 |
| Short-term loan | 129,749 | 141,832 |
| Accrued income taxes | 3,424 | 4,395 |
| Accrued bonuses for directors and statutory auditors | 31 | 77 |
| Reserve for loss on supporting affiliated companies | 1,601 | 1,703 |
| Reserve for loss related to Anti-Monopoly Act | 35 | - |
| Other | 73,966 | 45,129 |
| Total current liabilities | 315,218 | 310,145 |
| Long-term liabilities | | |
| Long-term loans | 252,018 | 236,615 |
| Reserve for product defect compensation | 932 | 931 |
| Liabilities for retirement benefits | 54,248 | 49,901 |
| Other | 12,251 | 12,140 |
| Total long-term liabilities | 319,450 | 299,588 |
| Total liabilities | 634,668 | 609,734 |
| Net assets | | |
| Shareholders' equity | | |
| Common stock | 54,346 | 54,346 |
| Additional paid-in capital | 67,369 | 67,369 |
| Retained earnings | 82,855 | 93,374 |
| Treasury stock | -533 | -543 |
| Total shareholders' equity | 204,037 | 214,547 |
| Accumulated other comprehensive income | | |
| Net unrealized holding gain on other securities | 8,073 | 11,646 |
| Translation adjustments | -1,727 | 5,144 |
| Accrued retirement benefits adjustments | -11,111 | -10,759 |
| Total accumulated other comprehensive income | -4,765 | 6,030 |
| Minority interests | 14,096 | 15,792 |
| Total net assets | 213,368 | 236,370 |
| Total liabilities and net assets | 848,037 | 846,104 |

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

(In million yen)

| | Six months ended September 30, 2013 (April 1, 2013 – September 30, 2013) | Six months ended September 30, 2014 (April 1, 2014 – September 30, 2014) |
|---|---|---|
| Net sales | 307,183 | 336,244 |
| Cost of sales | 255,108 | 275,389 |
| Gross profit | 52,074 | 60,854 |
| Selling, general and administrative expenses | 39,054 | 42,595 |
| Operating income | 13,020 | 18,259 |
| Non-operating income | | |
| Interest income | 196 | 271 |
| Dividend income | 262 | 333 |
| Equity in earnings of unconsolidated subsidiaries | 365 | 515 |
| Other | 1,567 | 1,054 |
| Total non-operating income | 2,391 | 2,175 |
| Non-operating expenses | | |
| Interest expenses | 2,425 | 2,306 |
| Other | 2,653 | 1,467 |
| Total non-operating expenses | 5,078 | 3,773 |
| Ordinary income | 10,333 | 16,660 |
| Extraordinary income | | |
| Gains on sale of fixed assets | — | 305 |
| Total extraordinary income | — | 305 |
| Extraordinary losses | | |
| Loss related to Anti-Monopoly Act | — | *2,006 |
| Payment of customs duties for past financial years | — | 701 |
| Business restructuring expenses | 1,285 | - |
| Structure reform expenses | 288 | - |
| Total extraordinary losses | 1,573 | 2,708 |
| Income before income taxes and equity in earnings of affiliated companies | 8,759 | 14,258 |
| Income and other taxes | 5,052 | 4,550 |
| Income before minority interests | 3,707 | 9,708 |
| Minority interests in subsidiaries | 285 | 437 |
| Net income | 3,421 | 9,270 |

(Consolidated Statement of Comprehensive Income)

(In million yen)

| | Six months ended September 30, 2013 (April 1, 2013 – September 30, 2013) | Six months ended September 30, 2014 (April 1, 2014 – September 30, 2014) |
|--|---|---|
| Income before minority interests | 3,707 | 9,708 |
| Other comprehensive income | | |
| Net unrealized holding gain on securities | 4,264 | 3,572 |
| Translation adjustments | 7,472 | 8,034 |
| Accrued retirement benefits adjustments | -277 | 343 |
| Equity in equity-method affiliates | 1,133 | -269 |
| Total other comprehensive income | 12,592 | 11,690 |
| Comprehensive income | 16,299 | 21,388 |
| (Breakdown) | | |
| Comprehensive income attributable to owners of parent company | 15,435 | 20,066 |
| Comprehensive income attributable to minority interests | 864 | 1,322 |

(3) Statements of Cash Flows

(In million yen)

| | Six months ended September 30, 2013 (April 1, 2013 – September 30, 2013) | Six months ended September 30, 2014 (April 1, 2014 – September 30, 2014) |
|--|--|--|
| Net cash provided by operating activities | | |
| Income before income taxes and equity in earnings of affiliated companies | 8,759 | 14,258 |
| Depreciation and amortization | 18,945 | 19,308 |
| Impairment loss | 197 | — |
| Goodwill depreciation | 106 | 27 |
| Increase/decrease in reserve for loss related to Anti-Monopoly Act | -7,231 | -35 |
| Increase/decrease related to reserve for early retirement expenses | -5,813 | - |
| Increase/decrease allowance for doubtful accounts | 58 | 61 |
| Increase/decrease in accrued retirement benefits for directors and statutory auditors | -10 | 46 |
| Increase/decrease in accrued retirement benefits for employees | 6,300 | - |
| Increase/decrease in reserve for product defect compensation | -20 | -1 |
| Increase/decrease in liabilities for retirement benefits | — | -4,017 |
| Increase/decrease in accrued liabilities related to loss pertaining to the Anti-Monopoly Act | — | -27,968 |
| Increase/decrease in other current liabilities for reorganization expenses | 1,004 | -757 |
| Increase/decrease in accrued payments due to the change in retirement benefit plan | -170 | -10 |
| Surcharge payments under the Anti-Monopoly Act | 7,231 | 30,012 |
| Payment of employee's retirement benefits under employee's early retirement system | 10,465 | — |
| Interest and dividend income | -459 | -605 |
| Interest expenses | 2,425 | 2,306 |
| Foreign currency translation adjustments / Foreign exchange losses/gains | -1,488 | 857 |
| Equity in earnings/losses of non-consolidated subsidiaries | -365 | -515 |
| Gains or loss from the sale of fixed assets | — | -305 |
| Decrease/increase in trade receivables | 1,990 | 3,802 |
| Decrease/increase in inventories | 4,626 | -9,646 |
| Increase/decrease in trade payables | 10,917 | 9,904 |
| Other | 3,692 | 3,897 |
| Subtotal | 61,161 | 40,619 |
| Interest and dividend income received | 1,025 | 1,270 |
| Interest paid | -2,407 | -2,261 |
| Surcharge payments under the Anti-Monopoly Act | -7,231 | -30,012 |
| Payment of employee's retirement benefits under employee's early retirement system | -10,465 | — |
| Income taxes paid | -2,992 | -3,894 |
| Net cash provided by operating activities | 39,089 | 5,722 |
| Net cash used in investing activities | | |
| Increase in time deposits | -359 | -1,265 |
| Decrease in time deposits | 348 | 875 |
| Purchase of property, plant and equipment | -17,680 | -14,581 |
| Proceeds from the sale of property, plant and equipment | - | 1,420 |
| Purchase of intangible fixed assets | -803 | -813 |
| Payment for purchase of subsidiaries stock | -31 | — |
| Decrease/increase in short-term loans receivable, net | 278 | 6 |
| Other | -87 | -136 |
| Net cash used in investing activities | -18,336 | -14,494 |

(In million yen)

| | Six months ended September 30, 2013 (April 1, 2013 – September 30, 2013) | Six months ended September 30, 2014 (April 1, 2014 – September 30, 2014) |
|---|--|--|
| Net cash provided by financing activities | | |
| Increase/decrease in short-term loans, net | -9,834 | -5,854 |
| Proceeds from long-term loans | 40,957 | 12,815 |
| Repayment of long-term loans | -13,075 | -15,960 |
| Payment for redemption of bonds | -10,000 | — |
| Proceeds from issuance of shares of minority shareholders | 240 | 483 |
| Dividend payment | — | -1,063 |
| Repayment of lease payable | -127 | -144 |
| Other | -104 | -118 |
| Net cash provided by financing activities | 8,055 | -9,843 |
| Effect of exchange rate changes on cash and cash equivalents | 1,016 | 95 |
| Increase/decrease in cash and cash equivalents | 29,824 | -18,520 |
| Cash and cash equivalents, at beginning of the year | 86,100 | 129,670 |
| Cash and cash equivalents, at end of the year | 115,925 | 111,150 |

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

(Balance Sheet)

1. Contingent liabilities

(Launch of arbitration proceedings related to compensation for damages)

NTN-SNR ROULEMENTS (hereinafter referred to as NTN-SNR), a consolidated subsidiary, has been involved in arbitration proceedings since November 2012. One automotive customer submitted a claim to arbitration and requested payment to the amount of 57,774 thousand dollars (6,323 million yen equivalent at the rate of the end of the first half of the current consolidated fiscal year) for damages due to allegedly defective bearings provided by NTN-SNR. With subsequent arbitration proceedings, the claim for damages has been revised to 6,812 million yen (equivalent at the rate of the end of the first half of the current consolidated fiscal year), due to an increase in the number of allegedly defective bearings.

We have continued to present counterarguments in an appropriate manner. Depending on the results of the arbitration, there is a possibility of an impact on the results of operations of the Company and its consolidated subsidiaries. However, it is currently difficult to make reasonable estimates of the future possible effects on the results of operations and financial position of the Company and its consolidated subsidiaries.

(Notes Related to Consolidated Statement of Operations)

* In August 2014, the Company's consolidated subsidiary in China and the Company, as parent company, received an order from the National Development and Reform Commission to pay fines of 119,160 thousand RMB for alleged violations of the Anti-Monopoly Law of China in relation to bearings transactions in China. During the current consolidated first half, the Company recorded 2,006 million yen under extraordinary losses as a loss pertaining to antimonopoly act.

(Notes Related to Significant Changes in Shareholder's Equity)

None

(Segment Information)

I. Six months ended September 30, 2013 (April 1, 2013 – September 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 | 90,805 | 82,065 | 84,068 | 50,243 | 307,183 | — | 307,183 |
| Inter-segment sales or transfers | 64,726 | 1,687 | 3,531 | 4,227 | 74,172 | -74,172 | — |
| Total | 155,531 | 83,752 | 87,600 | 54,470 | 381,356 | -74,172 | 307,183 |
| Segment income (operating income) | 11,575 | 1,503 | 397 | 1,944 | 15,419 | -2,399 | 13,020 |

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

2. Information related to impairment loss on fixed assets and goodwill for individual reporting segments (significant impairment loss related to fixed assets)

(In million yen)

| | Japan | Americas | Europe | Asia and other areas | Adjustments | Total |
|-----------------|-------|----------|--------|-------------------------|-------------|-------|
| Impairment loss | — | — | 197 | — | — | 197 |

II. Six months ended September 30, 2014 (April 1, 2014 – September 30, 2014)

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 | 100,634 | 91,124 | 88,778 | 55,705 | 336,244 | — | 336,244 |
| Inter-segment sales or transfers | 65,996 | 2,591 | 3,198 | 5,334 | 77,120 | (77,120) | — |
| Total | 166,631 | 93,715 | 91,976 | 61,040 | 413,364 | (77,120) | 336,244 |
| Segment income (operating income) | 11,835 | 59 | 1,060 | 3,933 | 16,888 | 1,370 | 18,259 |

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

Six months (from April 1, 2013 to September 30, 2013)

(In million yen)

| | Aftermarket applications | Industrial machinery applications | Automotive applications | Total |
|-----------------------------|--------------------------|-----------------------------------|-------------------------|---------|
| Sales to external customers | 49,555 | 48,283 | 209,344 | 307,183 |
| Operating income or loss | 8,162 | 1,355 | 3,501 | 13,020 |

Six months (from April 1, 2014 to September 30, 2014)

(In million yen)

| | Aftermarket applications | Industrial machinery applications | Automotive applications | Total |
|-----------------------------|--------------------------|-----------------------------------|-------------------------|---------|
| Sales to external customers | 54,751 | 52,631 | 228,861 | 336,244 |
| Operating income | 8,899 | 2,125 | 7,234 | 18,259 |

(2) Sales by geographic segment

Six months (from April 1, 2013 to September 30, 2013)

(In million yen)

| Japan | Americas | Europe | Asia and other areas | Total |
|--------|----------|--------|----------------------|---------|
| 85,098 | 85,384 | 79,788 | 56,912 | 307,183 |

Six months (from April 1, 2014 to September 30, 2014)

(In million yen)

| Japan | Americas | Europe | Asia and other areas | Total |
|--------|----------|--------|----------------------|---------|
| 94,213 | 95,497 | 84,016 | 62,517 | 336,244 |

- 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 the Japan Anti-Monopoly 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 appealed the JFTC orders. As a result, hearing proceedings for the JFTC orders were commenced in September 2013. In addition, a criminal trial was commenced in December 2013, and we are presenting a defense of the Company during the trial. The Company paid provisionally the penalty in full before the deadline of payment to avoid a risk of overdue charges.

In March 2014, the relevant subsidiaries and the Company, as parent company of the subsidiaries, received a decision from the European Commission to the effect that the European Commission imposes fines of 201,354 thousand euros (yen equivalent of 27,023 million yen at the average rate during the previous consolidated fiscal year) on an allegation that our European consolidated subsidiaries, including NTN-SNR ROULEMENTS (France), violated the EU Competition Law in connection with automobile bearing business in Europe. The Company included such amount in extraordinary loss for the previous consolidated fiscal year. The European Commission’s decision was adopted following settlement procedures under EU competition law. The fines were paid in full in June 2014.

The Company and its consolidated subsidiary in Singapore faced an investigation by the Competition Commission of Singapore on suspicion of having violated the Competition Law in relation to bearings transactions with customers in Singapore. In estimation of future losses, the Company recorded 35 million yen under extraordinary losses in the previous consolidated fiscal year. In May 2014, the Company and its consolidated subsidiary in Singapore received a decision from the Competition Commission of Singapore to the effect that it imposes fines of 455 thousand Singapore dollars (yen equivalent of 37 million yen at the average rate during the current consolidated first half) on suspicion of having violated the Competition Law in relation to transactions of bearings with customers in Singapore. The fines were paid in full in July 2014. The Company estimated a loss expected to occur in the future and included 35 million yen in extraordinary loss for the former consolidated fiscal year.

In August 2014, the Company received a decision from National Development and Reform Commission of China to the effect that it imposes fines of 119.16 million RMB for the alleged violations of the Chinese Anti-monopoly Act by the Company and its subsidiaries in China. The fines were paid in full in September 2014. The Company estimated a loss expected to occur in the future and included 2,006 million yen as loss related to Anti-monopoly Act in extraordinary loss for the current consolidated first half.

There are ongoing investigations of the bearing industry by the United States Department of Justice and the Korea Fair Trade Commission but no charges against the company or its subsidiaries have been filed in those jurisdictions.

- 2) The Company and its subsidiaries in the U.S. and Canada are defendants in a number of class action suits.