

# NTN Report 2011

for the year ended  
March 31, 2011



For New Technology Network

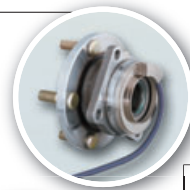
# NTN<sup>®</sup>

NTN Corporation



**Axle Bearings for Automobiles**

**World's No.1 market share**  
Contributing to fuel efficiency and safety



Net Sales by Business (consolidated)

**Aftermarket & Distributor Market**

**16%**  
(86.2 billion yen)  
· Distributors business  
· Equipment repair  
· Automobile repair parts (auto parts)  
· Others

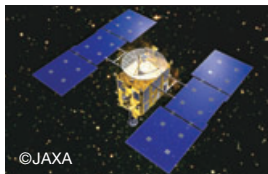
**Automotive Market**

**65%**  
(344.4 billion yen)  
· Constant-velocity joints  
· Axle bearings  
· Needle roller bearings  
· Others



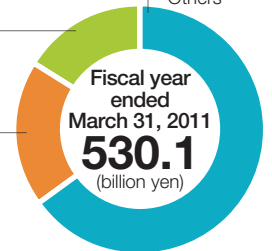
**Constant-Velocity Joints for Automobiles**

**World's No.2 market share**  
Contributing to fuel efficiency and improved ride characteristics



**Aerospace Bearings**

**Used on the asteroid probe Hayabusa**



**Industrial Machinery Market**

**19%**  
(99.5 billion yen)  
· Aerospace  
· Rolling stock  
· Wind power systems  
· Machine tools  
· Construction machinery  
· Medical equipment  
· Hydrodynamic  
· Precision equipment  
· Others



**Rolling Stock Bearings**

**Supporting the safety of the world's high-speed trains**



**Wind Power System Bearings**

**Contributing to the spread of renewable energy**



# Supporting Progress and Abundance in Every Facet of Society



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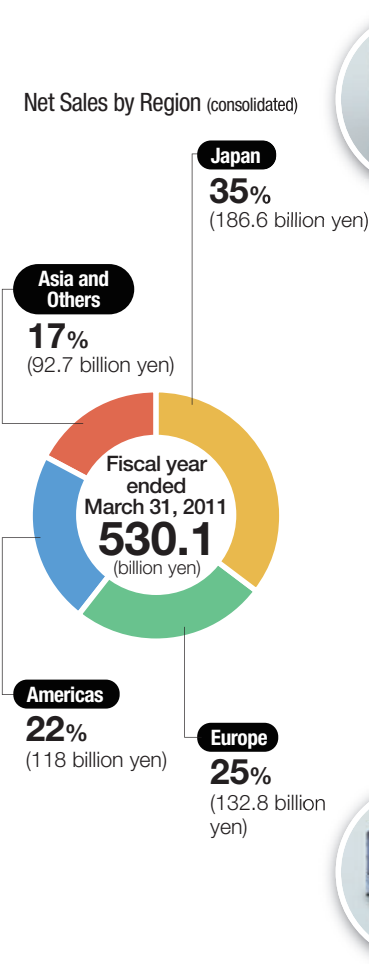
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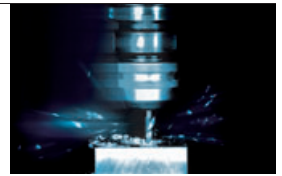
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Net Sales by Region (consolidated)



**Machine Tool Bearings**

Contributing to precision and ultra-high speed in machine tools



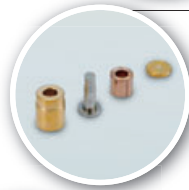
**Construction Machinery Bearings**

At work in mines and construction sites



**Medical Equipment Bearings**

Used in CT scanners and artificial hearts



**Hydrodynamic Bearings**

Development of world's smallest bore hydrodynamic bearing



**Precision Equipment**

Promising applications in new fields like precision positioning technology



NTN is a precision equipment manufacturer whose mainstay product is bearings. Ever since its foundation in 1918, NTN has been coming out with new products in a wide range of fields including automobiles, construction machinery, aerospace, rolling stock, wind power, medical equipment, and environment.

**Outline**

Corporate name: NTN Corporation  
 Trademark: **NTN**  
 Date founded: March 1918  
 Head Office:  
 3-17, 1-chome, Kyomachibori, Nishi-ku, Osaka 550-0003, Japan  
 Representative: Yasunobu Suzuki, Chairman and CEO  
 Shigeyoshi Takagi, President  
 Number of employees:  
 Consolidated: 19,172 (as of March 31, 2011)  
 Non-consolidated: 5,421 (as of March 31, 2011)  
 Fiscal term: March  
 Capitalization: 54.3 billion yen (as of March 31, 2011)  
 Net Sales:  
 Consolidated: 530.1 billion yen (as of March 31, 2011)  
 Non-consolidated: 322.4 billion yen (as of March 31, 2011)

**Editorial Policy**

NTN believes the active disclosure of management plans and business results, as well as its basic policy for corporate social responsibility (CSR), CSR activities, and environmental preservation initiatives, among other information, will help garner the understanding and support of all stakeholders. This "NTN Report," which since fiscal 2009 has combined the "Annual Report" and the "CSR Report," is part of this active approach to information disclosure. The combining of two reports also cuts down on resources used and reduces our impact on the environment.

**Forward Looking Statements**

This report contains forecasts and projections regarding NTN's future plans, strategies, and business results. Please understand that actual business results may vary from the projections made herein by the Company.

## Financial Highlights

NTN Corporation and consolidated subsidiaries Years ended March 31

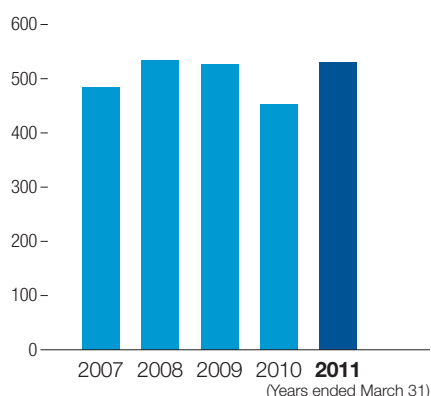
Millions of yen (except per share amounts)

	2011	2010	2009	2008	2007
<b>FOR THE YEAR DATA</b>					
Net sales.....	<b>¥ 530,056</b>	¥ 452,746	¥ 527,100	¥ 533,985	¥ 483,818
Operating income .....	<b>24,560</b>	1,399	9,479	49,612	46,793
Income (loss) before income taxes .....	<b>22,855</b>	(1,838)	(10,104)	44,313	45,170
Net income (loss) .....	<b>14,399</b>	(2,015)	(8,985)	27,431	27,014
Capital expenditures .....	<b>29,700</b>	21,504	49,594	59,504	59,347
Depreciation.....	<b>35,936</b>	40,702	45,759	39,547	32,693
R&D costs .....	<b>15,697</b>	14,687	17,402	15,006	14,221
<b>YEAR-END DATA</b>					
Total assets.....	<b>¥ 632,001</b>	¥ 618,802	¥ 627,613	¥ 629,464	¥ 611,944
Net assets/Shareholders' equity.....	<b>210,353</b>	214,551	192,223	216,401	215,815
Number of employees.....	<b>19,172</b>	17,959	20,679	18,960	17,306
<b>PER SHARE DATA</b>					
Net assets .....	<b>¥ 376.05</b>	¥ 374.19	¥ 376.77	¥ 445.98	¥ 445.61
Net income (loss):					
- Basic .....	<b>27.08</b>	(4.00)	(19.14)	58.43	58.34
- Diluted.....	<b>-</b>	-	-	54.59	53.74
Cash dividends .....	<b>10.00</b>	8.00	13.00	19.00	16.00
<b>OTHER INFORMATION</b>					
Net income (loss)/Average total assets (ROA)...	<b>2.3%</b>	(0.3%)	(1.3%)	4.4%	4.6%
Net income (loss)/Average shareholders' equity (ROE)..	<b>7.2%</b>	(1.1%)	(4.3%)	13.1%	13.8%
Shareholders' equity ratio.....	<b>31.6%</b>	32.2%	28.2%	33.3%	34.2%

U.S. dollar amounts have been converted from yen, for convenience only, using the approximate exchange rate on March 31, 2011, which was U.S.\$1 = ¥83.15.

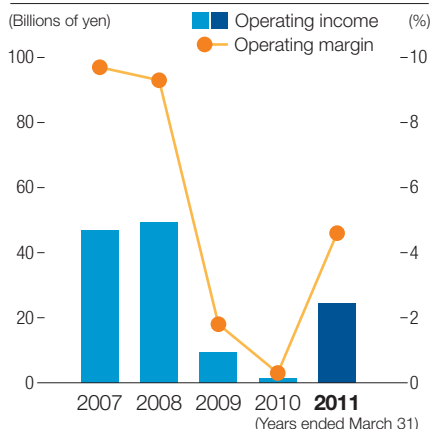
### Net sales

(Billions of yen)



### Operating income/Operating margin

(Billions of yen)



### Net income (loss)

(Billions of yen)

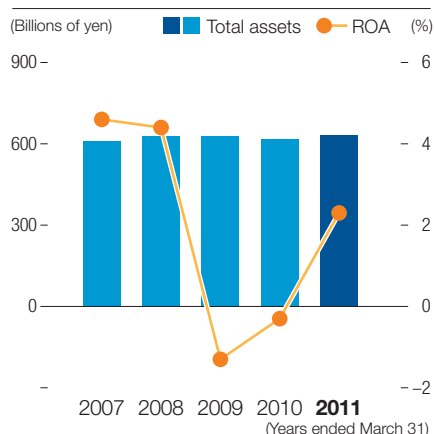


Millions of yen (except per share amounts)

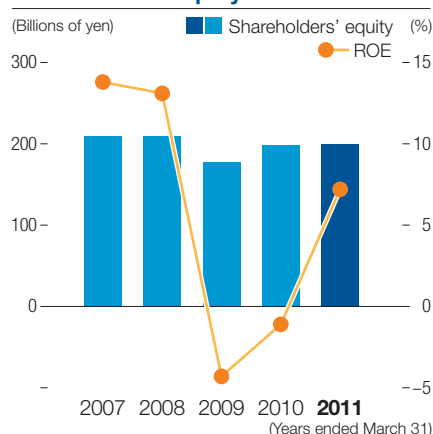
Thousands of U.S. dollars  
(except per share amounts)

2006	2005	2004	2003	2002	2001	2011
¥ 434,837	¥ 388,349	¥ 357,394	¥ 342,745	¥ 324,339	¥ 340,551	<b>\$ 6,374,696</b>
37,645	33,201	24,709	20,785	8,140	14,335	<b>295,370</b>
30,370	26,586	18,181	6,198	(701)	6,888	<b>274,865</b>
19,550	16,740	11,032	2,657	(132)	4,289	<b>173,169</b>
49,284	49,670	38,092	25,264	21,088	24,123	<b>363,536</b>
28,586	24,870	23,979	23,838	24,400	23,402	<b>432,183</b>
14,771	14,952	13,543	12,255	11,706	10,618	<b>188,779</b>
¥ 561,494	¥ 516,578	¥ 460,341	¥ 467,198	¥ 462,895	¥ 478,945	<b>\$ 7,600,734</b>
183,247	157,952	142,487	134,928	138,532	138,625	<b>2,529,802</b>
14,631	12,788	11,885	11,810	11,989	12,619	
¥ 396.73	¥ 341.93	¥ 308.27	¥ 291.82	¥ 299.27	¥ 299.44	<b>\$ 4.52</b>
41.94	35.83	23.54	5.70	(0.29)	9.26	<b>0.33</b>
38.55	32.94	21.87	5.51	–	8.78	<b>–</b>
11.00	8.50	5.50	5.00	5.50	6.00	<b>0.12</b>
3.6%	3.4%	2.4%	0.6%	(0.03%)	0.9%	<b>2.3%</b>
11.5%	11.1%	8.0%	1.9%	(0.1%)	3.0%	<b>7.2%</b>
32.6%	30.6%	31.0%	28.9%	29.9%	28.9%	<b>31.6%</b>

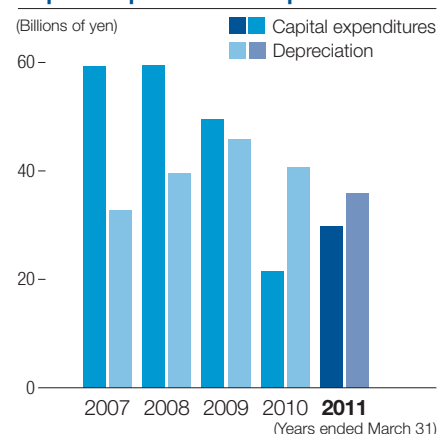
### Total assets/ROA



### Shareholders' equity/ROE



### Capital expenditures/Depreciation



## To Our Stakeholders

We would like to extend our deepest sympathies to all those affected by the Great East Japan Earthquake in March this year. We pray for early recovery for the victims of this tragedy. The NTN Group will continue to provide all possible efforts to support reconstruction in affected areas.

The Japanese economy showed steady signs of recovery in the fiscal year ended March 31, 2011 with increased exports, a recovery of capital expenditure, and improved corporate income. In terms of the global economy, a gentle recovery is being seen in the Americas thanks to the effect of government policies, Europe is seeing a recovery overall despite variation between countries, and in Asia economic conditions are gradually improving thanks largely to domestic demand in countries such as China.

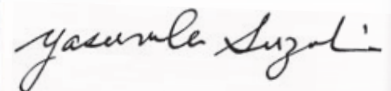
Against this background, we worked to achieve the targets of our two-year medium-term management plan, "NTN 2010 for the Next Step," which started in April 2009. Through measures including increasing sales and reducing costs, we achieved a V-shaped recovery that exceeded our initial targets. These results provide the foundation for "Global Advance 2013," our new medium-term management plan, which started in April 2011.

NTN also positions Corporate Social Responsibility (CSR) as the foundation of its management, and will return to the roots of "Monozukuri" (manufacturing), re-affirming what it is that society and customers want and working towards sustained development of society and the corporation as well as increased corporate value.

In our environmental protection activities as well, which the entire group is working on, we will accelerate development of ECO products based on the keywords of global environmental protection, energy conservation, and resource conservation, and speed up development of new products that respond to new needs, such as new energy sources.

We look forward to the continued support and understanding of our shareholders and stakeholders.

September 2011



*Yasunobu Suzuki*

Chairman and CEO




*Shigeyoshi Takagi*

President



**Yasunobu Suzuki**  
Chairman and CEO



**Shigeyoshi Takagi**  
President

## Based on “Global Advance 2013,” our new medium-term management plan, we will increase sales in growth markets and fulfill our corporate social responsibility in the countries and regions of the world.

In the fiscal year ended March 31, 2011, we achieved increased sales and profits thanks in part to the worldwide economic recovery. With demand growing, NTN has a responsibility to supply products and fulfill its social responsibility. We are boosting our production capacity around the world and working closely with suppliers and distributors to provide products that satisfy customer needs.

**Q** What was the market environment in the fiscal year ended March 31, 2011?

**A** There was a significant recovery in demand in the markets for automobiles, industrial machinery, and aftermarket and distributor.

The lengthy recession following the fall of Lehman Brothers in 2008 gave way to gradual recovery, and as a result our company is enjoying a market turnaround.

In the automotive market, demand is recovering among our customers in Japan, Europe, the Americas, Asia, and other regions.

In industrial machinery, demand is increasing for construction machinery and machine tools in Japan, while in Europe demand is growing for agricultural machinery and wind power systems. In the Americas, demand is up significantly in the key markets of construction machinery and agricultural machinery. In China and other parts of Asia, demand increased in construction machinery and office equipment.

In the aftermarket and distributor markets, demand was up worldwide thanks partly to aggressive efforts to expand sales.

In addition to large demand increases in the rapidly growing markets of China and the rest of Asia, Europe is making up an increasing percentage of our business, thanks to the contribution of our consolidated French subsidiary NTN-SNR Roulements (NTN-SNR), which underwent a name change in July 2010.

**Q** How was performance in the fiscal year ended March 31, 2011, and what is the forecast for the fiscal year ending March 31, 2012?

**A** In the fiscal year ended March 31, 2011, we achieved increased sales and profits. And we predict the same for the fiscal year ending March 31, 2012.

Net sales in the fiscal year ended March 31, 2011 were 530.1 billion yen, (up 17.1% over the previous fiscal year). Thanks to increasing sales, operating income was 24.6 billion yen (up from 1.4 billion yen), and ordinary profit was 21.1 billion yen (ordinary loss of 0.6 billion yen in the fiscal year ended March 31, 2010).

After calculating extraordinary profits such as gain on sales of investment securities and gains from allotment of shares, and extraordinary losses such as extraordinary operating losses and earthquake-related costs, net income was 14.4 billion yen (compared to a net loss of 2 billion yen

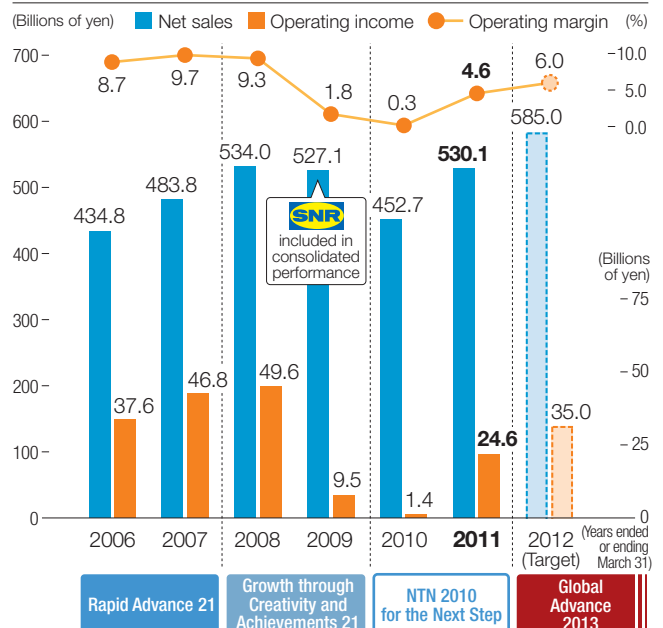


the previous fiscal year).

In the automotive market, sales were up overall for constant-velocity joints, axle bearings, and needle roller bearings in Japan, Europe, the Americas, Asia, and others. The result was 344.4 billion yen in net sales. Operating income was 3.5 billion yen on the effect of increased sales.

In the industrial machinery market, Japan, Europe,

### Target net sales and operating income for the fiscal year ending March 31, 2012



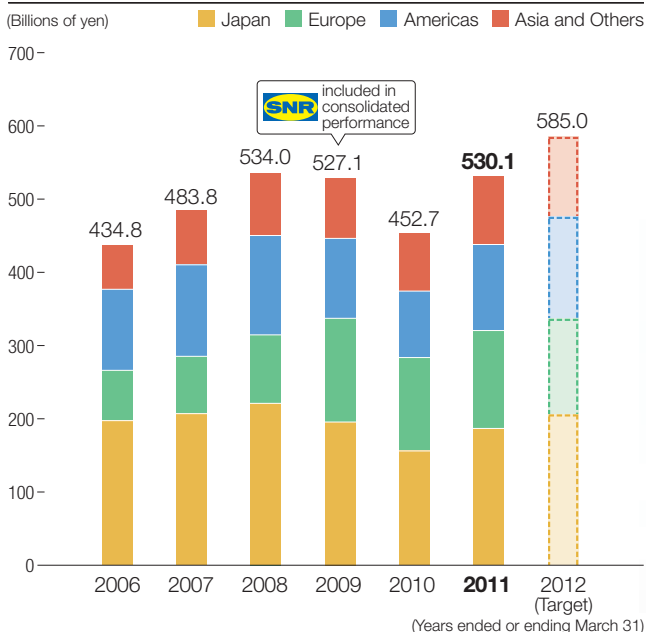


the Americas, Asia, and others enjoyed increased sales thanks to demand recovery in sectors including construction machinery, agricultural machinery, and machine tools. As a result, net sales were 99.5 billion yen. Operating income was 3.1 billion yen thanks to increased sales.

In the aftermarket and distributor markets, sales increased on the strength of recovery among customers in Japan, Europe, the Americas, Asia, and others, resulting in net sales of 86.2 billion yen. Increased sales helped operating income reach 17.9 billion.

For the fiscal year ending March 31, 2012, we see a major improvement over the second half of the fiscal year ended March 31, 2011: demand will continue to be strong in sectors such as construction machinery and machine tools, and automobile manufacturers are stepping up production at a faster pace than was initially anticipated. For the fiscal year ending March 31, 2012, we foresee net sales of 585 billion yen (up 10.4%) and operating income of 35 billion yen (up 42.3%).

### Net sales by region



**Q** What benefits have come from “NTN 2010 for the Next Step?”

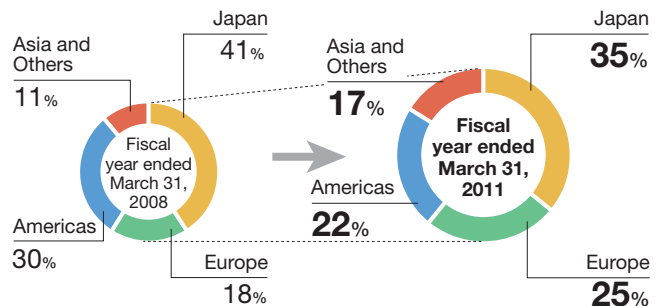
**A** It has created a synergy with NTN-SNR that has expanded our business.

To cope with the worldwide recession triggered by the financial crisis in the U.S. in 2008, we implemented our two-year medium-term management plan, “NTN 2010 for the Next Step.” Through the rapid deployment of various measures, we were able to achieve a V-shaped recovery that exceeded our original plans.

One success of “NTN 2010 for the Next Step” has been business expansion in Europe through synergy with NTN-SNR.

Bringing NTN-SNR into our Group helped us expand not just into France and Western Europe but also further east with, for example, a manufacturing site in Rumania, and sales sites in Poland and Russia. In the industrial machinery market, by supplying products like needle roller bearings and tapered roller bearings from NTN to NTN-SNR, we increased orders from new customers in sectors such as rolling stock and aerospace. As well, whereas NTN-SNR had been strong in automotive repair parts (auto parts),

### European share of NTN’s consolidated net sales



May 2011 Ceremony to mark completion of the NTN China Technical Center

NTN-LYC (Luoyang) Bearing Corporation, established in February 2011 jointly with Luoyang LYC Bearing Co., Ltd. (artist’s conception of completed building)





the addition of NTN products resulted in major expansion. In the automotive market, we have had new orders around the world, and we have accelerated the pace of R&D into new products incorporating technologies like sensors. As a result of all this, the European market went from accounting for about 18% of our total sales in the fiscal year ended March 31, 2008 to about 25% in the fiscal year ended March 31, 2011.

Another success of “NTN 2010 for the Next Step” has been a strengthening of our business base in China. Besides increasing our production capacity in China for products like bearings and constant-velocity joints, in October 2010, NTN (China) Investment Corporation established a new sales site in Nanjing. In February 2011, NTN joined Luoyang LYC Bearing Co., Ltd., one of China’s leading bearing manufacturers, to form NTN-LYC (Luoyang) Bearing Corporation (NTN-LYC). In May 2011, construction was completed on the NTN China Technical Center in Shanghai.

NTN has also been expanding in the Americas. In June 2010, NTN do Brasil Produção de Semi-Eixos Ltda. was established as a manufacturing subsidiary for constant-velocity joints in Guarulhos, São Paulo, Brazil. In December 2010, NTN boosted its manufacturing capacity for hub bearings with the establishment of NTA Precision Axle Corp. in Carol Stream, Illinois for the integrated production of manufacturing pre-processes.

In Japan, we increased production capacity in the Noto district of Ishikawa Prefecture. In October 2009, operation began at NTN Houdatsushimizu Corp., and in January 2010 at NTN Shika Corp. In December, we established NTN Noto Corp. Along with existing base NTN Hakui Corp., these bases increase our production capacity for industrial machinery bearings and give us a diversified, risk-reducing manufacturing network.

**Q** Tell us about the new medium-term management plan.

**A** Under the new plan, we aim to expand business worldwide by accelerating a strategy of “on local site with local materials by local personnel” system.

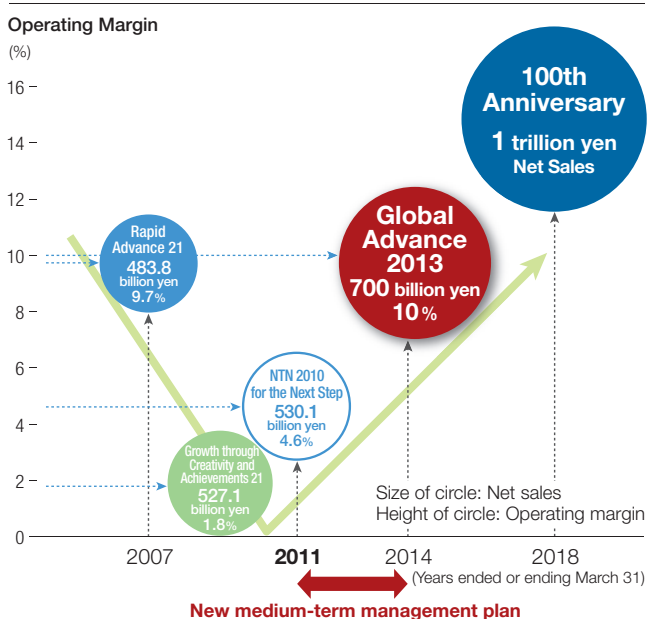
“Global Advance 2013,” our new medium-term management plan, began in April 2011. This is the first step towards our target of net sales of 1 trillion yen by the fiscal year ending March 31, 2018, our 100th anniversary. Our aim is to expand sales and increase the operating income margin by growing our business and increasing profits in growth markets. Numerically, our targets for the fiscal year ending March 31, 2014 are net sales of 700 billion yen and an operating income margin of 10% (the fiscal year ended March 31, 2011: net sales of 530.1 billion yen, operating income margin of 4.6%).

A key to “Global Advance 2013” is acceleration of globalization through a strategy of “on local site with local materials by local personnel.” In other words, we will establish a system allowing local management by local employees using local facilities and materials and accelerate business expansion with a focus on global markets. By focusing on increasing sales in highly profitable sectors like industrial machinery and the aftermarket and distributor markets, and in growth markets like China, Brazil, and India, we will increase local production and procurement.

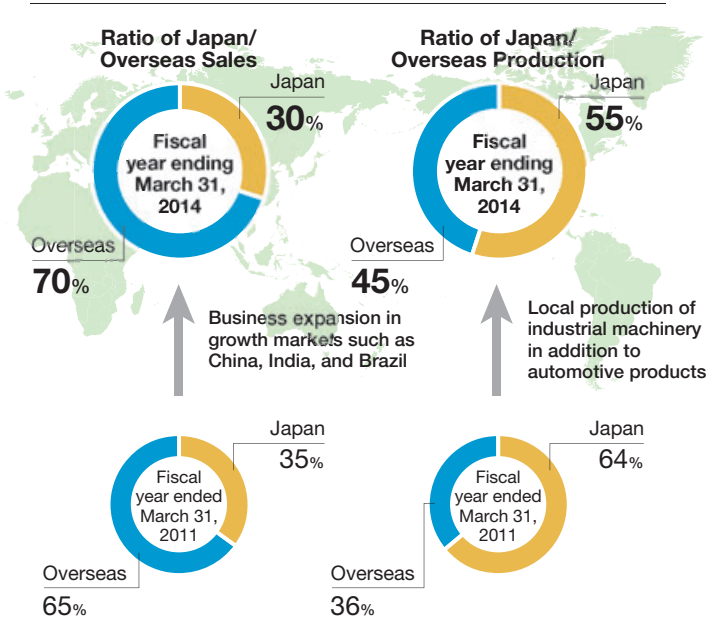
To accelerate “on local site with local materials by local personnel,” we aim to increase overseas sales as a percentage of NTN’s total sales from 65% in the fiscal year ended March 31, 2011 to 70% in the fiscal year ending March 31, 2014, and increase overseas production from the current 36% of total to 45%. By providing various regions of the world, including Japan, with products produced overseas, and using local materials, parts, and equipment, we can better offset negative currency effects and raise profitability.

Another key to “Global Advance 2013” is the early commercialization of systems for next-generation EVs.

### Progression of medium-term management plan



### Acceleration of overseas sales and overseas production



In April 2011, we established the EV System Division, where we are accelerating development of in-wheel motors and other EV systems as we speed up the process from practical R&D to early mass-production and market release. We are also applying the new technologies we have developed to our existing products, which allows us to reduce costs and come up with new ideas for products.

**Q** What are your strategies for each business area?

**A** We will boost business in the highly profitable sectors of industrial machinery and aftermarket and distributor.

We are aiming to increase sales in industrial machinery and aftermarket and distributor. In the fiscal year ended March 31, 2011, the net sales ratio of automotive and non-automotive was 65:35, but our goal is to make this 60:40 by the fiscal year ending March 31, 2014. To do this, we will boost global manufacturing capacity of large bearings and precision bearings for the industrial machinery market in order to increase our market share. We will also strive to offer products and services a cut above that of our competitors through the use of state-of-the-art sensor technologies. In the aftermarket and distributor market, meanwhile, we are expanding our network of distributors for general industrial machinery in Europe, the U.S., and China and the rest of Asia, and we are expanding our auto parts business beyond Europe.

In the automotive market, we are looking to accelerate business expansion in axle bearings, in which we have the No.1 world market share, and in constant-velocity joints, in which we are No.2. With products getting increasingly

smaller and cars increasingly adopting a global platform, we are revising designs and changing to new materials to be more cost competitive, and we are stepping up the development of products that are environmentally friendly and that contribute to improved gas mileage.

**Q** What are your strategies for each world region?

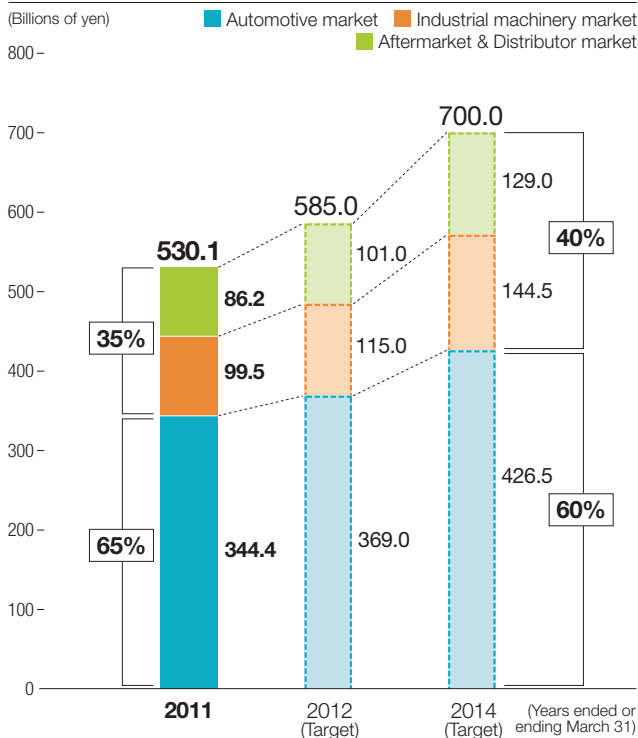
**A** We will accelerate business expansion in growth markets.

We are in the process of expanding business in growth markets. In China, we are improving our sales network stretching from the coastal regions to inland by creating alliances with major regional distributors, and making the most effective use of our China branches to propel sales. We plan to establish more branches and distributors in the country's interior regions. We are also dramatically increasing production capacity for industrial machinery bearings such as rolling stock bearings and large bearings. In the automotive market, NTN-LYC (Luoyang) Bearing Corporation will start manufacturing hub bearings and needle roller bearings for Chinese automotive companies. The newly established NTN China Technical Center will form the basis of locally focused development.

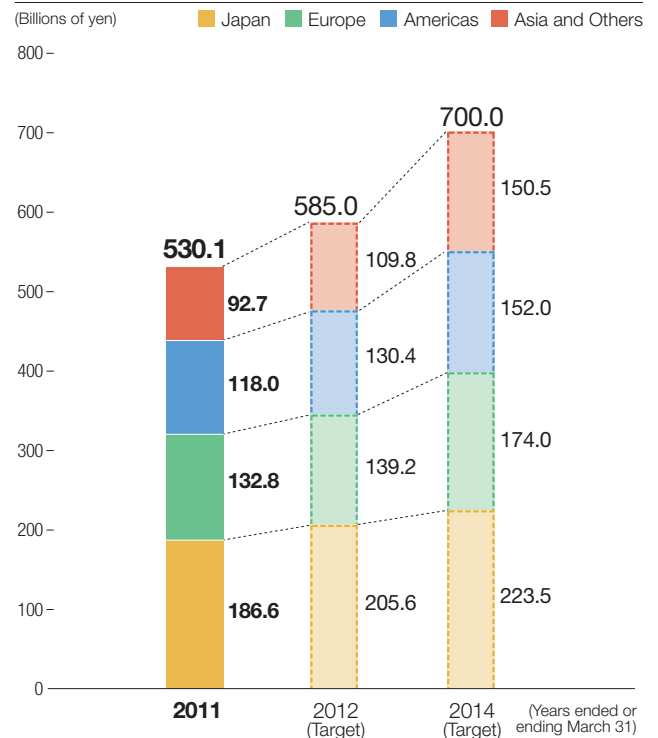
In Thailand, we will boost our manufacturing system for hub bearings and constant-velocity joints. In Chennai, southern India, we are building a new plant that will begin producing constant-velocity joints and hub bearings in 2012.

In France, we are making major capacity increases for large bearings for applications including wind power systems,

**Targets for net sales by business**



**Target sales by region**



and for precision bearings for aerospace. In Eastern Europe, besides maximizing the capabilities of our plant in Rumania, we are looking into strengthening our business in Russia and other countries.

In North America, we are continuing to increase production capacity for bearings for the burgeoning automotive market, and for construction machinery and agricultural machinery. In South America, we are starting to produce hub bearings and constant-velocity joints in Brazil, as well as stepping up sales to the industrial machinery sector.

In Japan, NTN Noto Corp. in Ishikawa Prefecture will begin production in 2012. We will also begin construction on NTN Akaiwa Corp. in Okayama Prefecture, where construction had previously been put on hold. The Kuwana Works is also expanding production capacity for precision bearings.

By implementing the activities mentioned above under "Global Advance 2013," over the next three years we are aiming to increase sales by 60% in Asia and others, 30% in Europe, 30% in the Americas, and 20% in Japan.



regions through local R&D bases that quickly develop and provide products that meet these needs. It is important that we strengthen R&D communication and alliances not just in Japan but among our entire global R&D network.

We currently conduct research at two bases, in Japan and France. We are looking into expanding research capabilities with the establishment of a base in another world region.

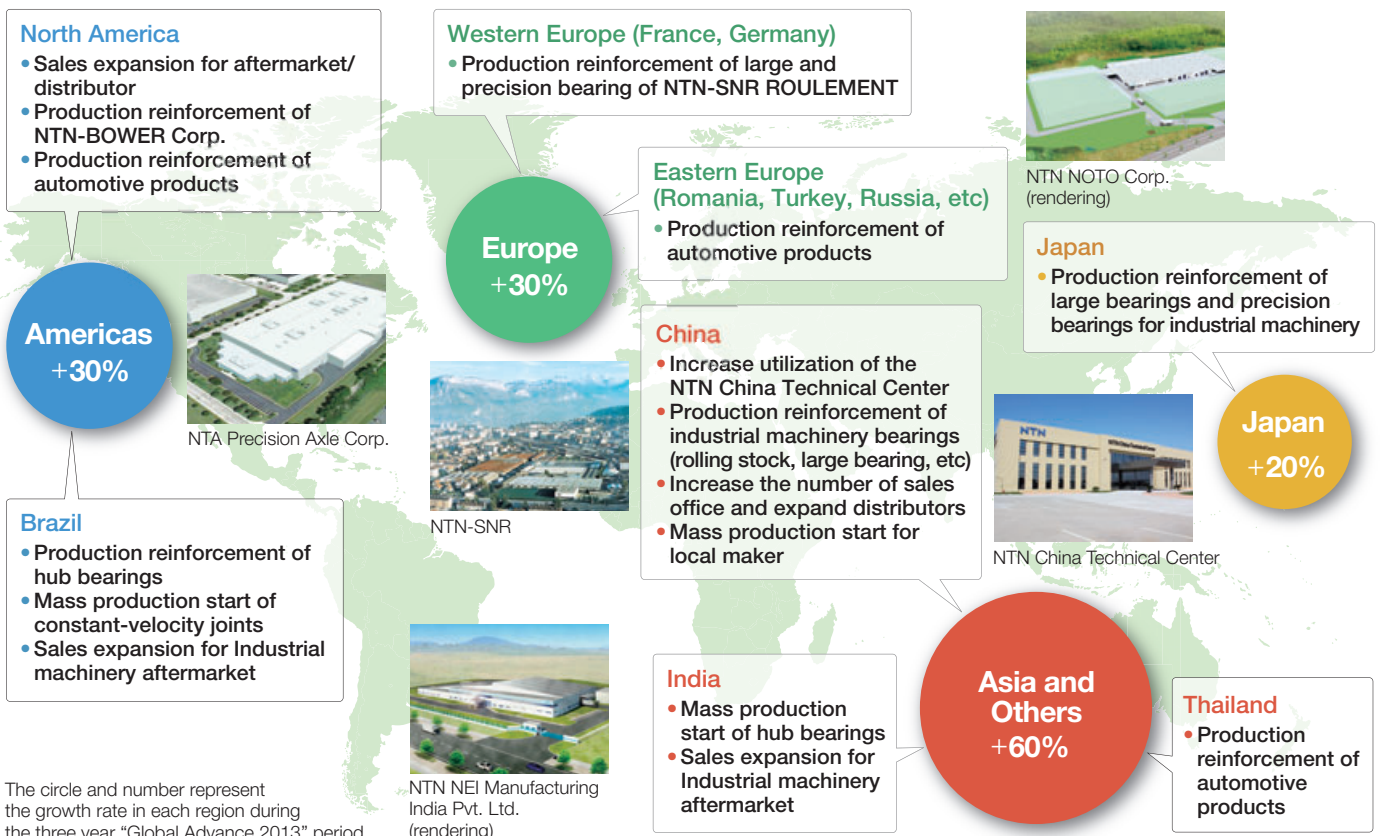
As for development, it is crucial that we develop products that meet the needs of worldwide customers, and to this end we are strengthening our product development system in Europe, the Americas, and China. We have a system for the

**Q** What are your strategies for R&D and capital expenditure?

**A** We will build a global R&D network and boost production capacity so that we can increase sales.

We will strengthen our worldwide R&D network. We must respond to customer needs in their home countries and

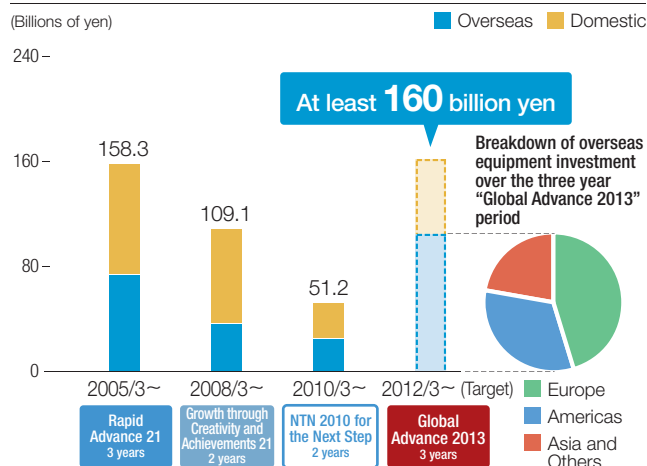
### Business expansion in growth market



worldwide sharing of information with databases for design, prototypes, experiments, manufacturing technology, and customer projects.

We are carrying out aggressive capital investment so as to keep up with increasing worldwide demand in the automotive industry. We are also boosting production capacity in Europe and China, among other regions, for large bearings for wind power systems and construction machinery. Under “NTN 2010 for the Next Step,” capital investment was 51.2 billion yen over two years, but under “Global Advance 2013,” we plan to invest at least 160 billion yen over three years. The majority of this will take place outside Japan as we boost production capacity in Europe and Asia with a focus on industrial machinery.

### Three-year equipment investment plan



## New Medium-Term Management Plan “Global Advance 2013” (April 2011 – March 2014)



### Main fact of “Global Advance 2013”

	NTN 2010 for the Next Step	Global Advance 2013		Amount of increase ② - ①
	Fiscal year ended March 31, 2011 ①	Fiscal year ending March 31, 2012	Fiscal year ending March 31, 2014 ②	
Net sales (billions of yen)	530.1	585.0	700.0	+169.9
Operating income (billions of yen)	24.6	35.0	70.0	+45.4
Operating margin	4.6%	6.0%	10.0%	+5.4 point
Net income (billions of yen)	14.4	17.5	42.5	+28.1
Inventory (billions of yen)	137.0	130.0	140.0	+3.0
Inventory turnover ratio (times)	3.9	4.5	5.0	+1.1
ROA	2.3%	2.7%	6.1%	+3.8 point
ROE	7.2%	8.5%	17.0%	+9.8 point
D/E ratio	1.12	1.07	0.75	0.37 improvement
NTN-ROI*	4.2%	6.0%	11.1%	+6.9 point
Exchange rate	\$: ¥85.7 €: ¥113.1	\$: ¥80.4 €: ¥111.9	\$: ¥80 €: ¥110	—

\* NTN-ROI = Net operating income after tax/(Inventory + Property, plant and equipment)

**Q** What was the dividend this fiscal term?  
How about in future?

**A** Dividends were 10 yen per share. For the fiscal year ending March 31, 2012, we also estimate 10 yen per share.

NTN considers rewarding its shareholders an issue of foremost importance. Regarding dividends, from a medium- and long-term perspective, NTN's goal is to provide a steady and sustainable dividend, which it will determine on the basis of its consolidated performance, dividend payout ratio, and business environment. Retained earnings are used to fund future business development in Japan and overseas.

With regard to the year-end dividend for the fiscal year ended March 31, 2011, NTN paid 5 yen per share. Adding it to the interim dividend, 5 yen, the total annual dividend per share was 10 yen. We estimate that in the fiscal year ending March 31, 2012 as well the dividend will be 10 yen per share.

**Q** What are your thoughts and measures for CSR?  
How about in future?

**A** We are carrying out voluntary efforts that will contribute to society and environmental protection.

At NTN, we carry out CSR activities not just from an economic perspective but from an environmental and social perspective as well. We hold ourselves accountable to stakeholders and we strive to meet their expectations and earn their trust. By growing our business while contributing to sustainable development of society as a whole, we hope to maximize the corporate value of our company for all stakeholders.

Based on this philosophy, we carried out a range of activities in the fiscal year ended March 31, 2011 together with customers, suppliers, shareholders, employees, and people in communities.

For example, we strove to improve quality and customer satisfaction not just at our own production and sales sites, but also at suppliers, distributors, and other parts of the value chain.

In the fiscal year ended March 31, 2011, we continued on previous efforts including supporting environmental certification for suppliers and holding briefings and workshops for distributors on a range of topics. As well, with the number of NTN's overseas employees increasing, we held a range of technical training and manufacturing basics training courses that brought together employees from Japan and overseas. We also took steps to help achieve a work-life balance through systems including the rehiring of female employees who take child care leave.

We strive to reduce the impact that our business activities have on the environment. Besides activities planned and implemented by each department, companies as a whole contribute to local communities through regular activities including tree-planting, neighborhood cleanups, and academic and sports promotion.

None of these activities by itself is enough to produce lasting results; rather, each is merely one of many ways that we seek to contribute to society through constant, grassroots action. We will continue to search for effective ways to help the environment and the community, both by starting new initiatives and by taking a fresh, sincere approach to past efforts. Through ongoing dialog with stakeholders, we hope to further raise the corporate value of NTN.

**Q** Do you have a message for NTN's stakeholders?

**A** We will listen sincerely to your concerns and do everything possible to reflect your opinions.

The fiscal year ending March 31, 2012 is the beginning of our new medium-term management plan "Global Advance 2013," under which we will strive to not just improve business performance but also meet stakeholder expectations for social and environmental responsibility. We would like to ask you to read this report and give us your frank opinions on its content.

We will listen sincerely to your concerns and do everything possible to reflect your opinions.

We ask for your continuing guidance and support.

### Chairman Suzuki Honored with the Order of the Rising Sun, Gold and Silver Star for Autumn 2010



Yasunobu Suzuki, Chairman and CEO of NTN Corporation, received the Order of the Rising Sun, Gold and Silver Star\* on the conferment in the autumn of 2010. Mr. Suzuki was appointed NTN President in November 2001 and became Chairman in June 2007. In these positions he has contributed to progress in industry and to the advancement of the bearing industry as Chairman of the Japan Bearing Industrial Association and the World Bearing Association.

The Order of the Rising Sun, Gold and Silver Star recognizes Chairman and CEO Suzuki's numerous accomplishments including strengthening Japan's competitive edge in "Monozukuri" (manufacturing), expanding overseas operations as a global company, contributing to the global environment and safety in people's lives through innovative products, conserving the environment, and contributing to society and community activities.

\* A Japanese order, established in 1875, that is conferred on persons demonstrating long and meritorious civil service.



The Order of the Rising Sun, Gold and Silver Star

# We're working to create our markets by developing new technologies through a global system.

## Tribology Forms the Core of the Creation of Future Technologies in the Fields of Environmental Protection and New Energy.

The two pillars of our R&D are preservation of the global environment and new energy. Bearings that reduce friction, and thus energy consumption, in a variety of machinery are truly eco-products. Based on the expertise we have built up in tribology\*1, we use our material technologies including surface modification, ceramics, sintered alloys, and engineering plastics\*2, and our lubrication technologies in oil and grease, to bring customers products that are light and compact, offer low torque and a long service life, and can handle high-speed applications.

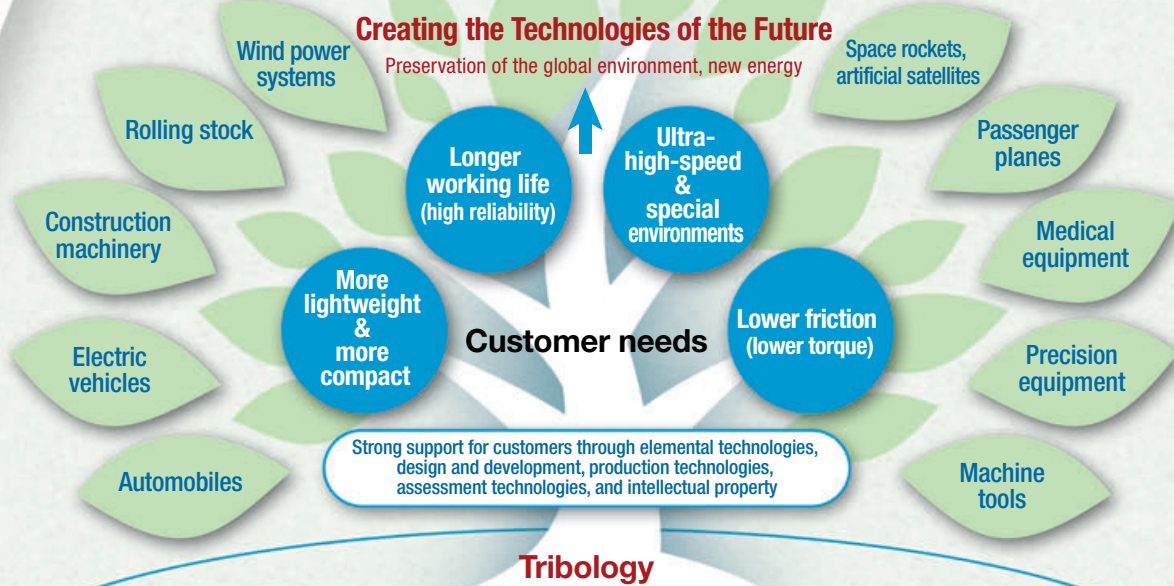
To speed up development in these technological areas, in April 2011, we renamed the Elemental Technology R&D Center in Mie Prefecture the Research Institute of Advanced Technologies and established a system for prioritizing the development of the

technologies of the future. At the same time, we established a new business group, the Compound Material Products Division, for research that brings together different material areas such as sintered alloys and engineering plastics.

Bearings are becoming an increasingly crucial component of automotive and industrial machinery. Based on our foundation of tribology, we are making further advancements in elemental technologies, design and development, production technologies, assessment technologies, and intellectual property, all with the aim of expanding our market presence.

\*1 Tribology: A science and technology that includes the study and application of mechanisms of friction, wear, and lubrication.

\*2 Engineering plastics: Synthetic plastics that are engineered to have a specific function.



Forging, Lathe turning, Polishing, Joining, Lubricating, Coating & surface improving, Oiling, Greasing, Metals, Ceramics, Engineering plastics, Sintered alloys, Sensing (Rotation, load, angle, remote monitoring, wireless communication), Analysis, Measurement, Evaluation

### Corporate Philosophy

## For New Technology Network

“We shall contribute to international society through creating new technologies and developing new products.”

1. Creation of original technologies.
2. Offering the technologies for additional values and service that are suitable for each customer and end user.
3. Improvement of employees' standard of living, distribution of fair returns to stockholders, and contribution to society based on the steady growth of our business.
4. Promotion of globalization, and formation of management systems / corporate organization which are essential for NTN, as an international leading company.

### Topics Automobiles

### Products for Electric Vehicles (EVs)

#### Improving Development of Modular Products and System Products

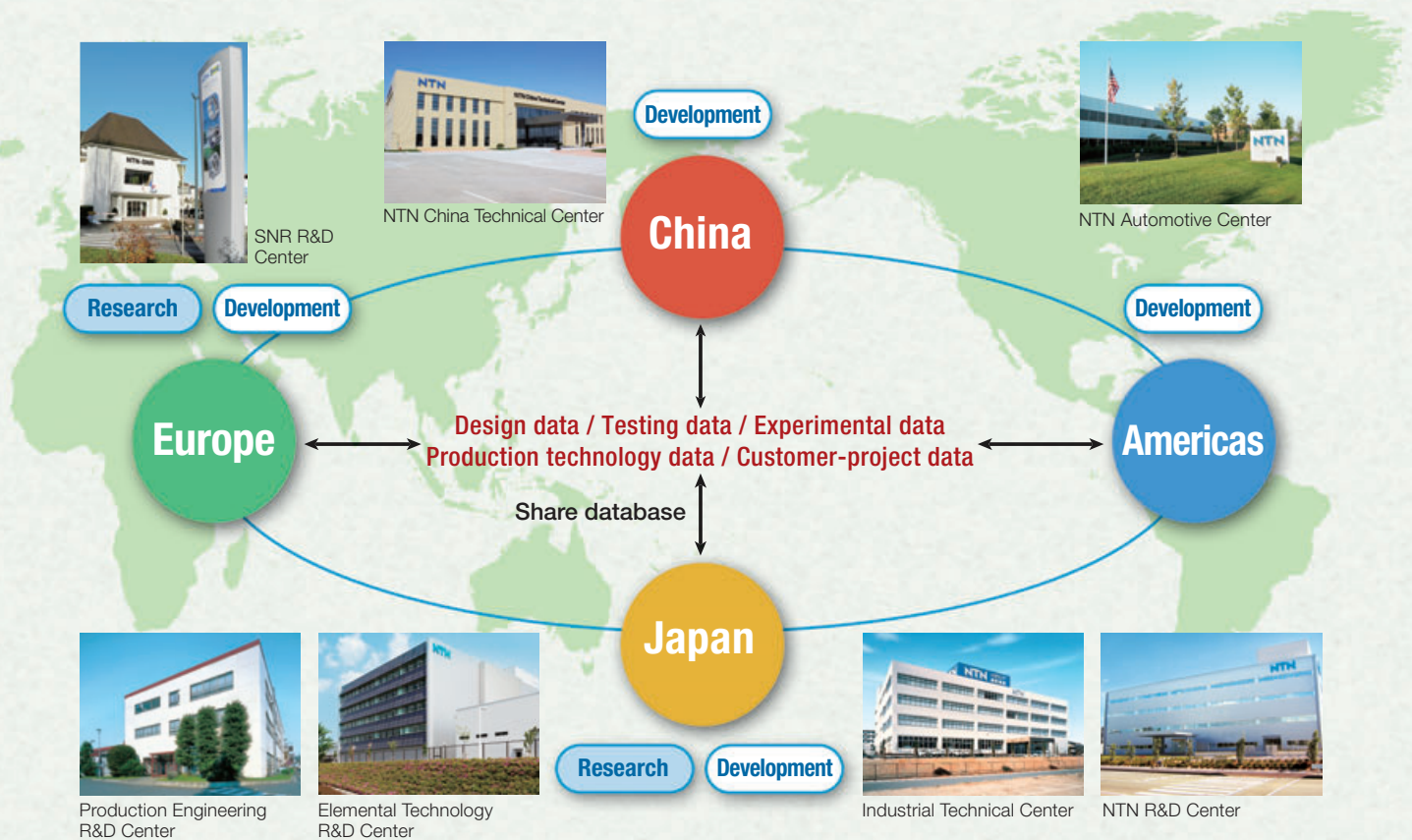
Electric vehicles (EVs) need more than just bearings and unit products; they also require modular products that, for example, combine motors and electric brakes, and products incorporating control systems. That's why NTN developed a modular product that incorporates an in-wheel motor, speed reduction mechanism, hub bearings, and sensors. We also offer an in-wheel motor system with its own control system (using an inverter). (See page 15 for details.)



## Through a Global R&D System, We Boost our Ability to Adapt our Technology to Local Needs.

NTN's R&D includes basic research in elemental technology and other areas, which we conduct in Japan and at NTN-SNR Roulements (NTN-SNR) in France. The development of products and technological services is conducted in a locally based, self-contained manner in order to promptly meet the needs of customers in each worldwide market. Relevant information is stored in a database to be shared with NTN bases worldwide.

To improve our ability to offer customers technical services like design and assessment tests, in May 2011 we established the NTN China Technical Center in Shanghai. At this base, local engineers who have taken long-term training in Japan use state-of-the-art testing devices to meet local needs. We plan to eventually have 200 employees working here.



### Using NTN-SNR Sensor Technology to Establish the Next International Standard for the NTN Group

NTN-SNR holds the worldwide patent for the ABS\* used in automobiles, and NTN has the No.1 world share of automotive axle bearings. We come out with a number of products that combine sensors and bearings; one example is joint development between NTN-SNR and NTN of a hub bearing with high-resolution rotational sensors that combines the two companies' technologies to offer 40 times more precision than previous products.

NTN is now looking to develop futuristic products that apply sensor technology to industrial machinery as we seek to establish new international standards.

\* ABS: Antilock Brake System—A device that prevents planing caused by locking tires by allowing the automobile wheels to continue interacting tractively during sudden braking or on roads with little traction.

### Topics Industrial Machinery Applying Sensor Technology

#### Advancing Cutting-Edge Sensor Technology in an Expanding Market

Construction machinery is in increasing demand in emerging markets, and crucial to this market is sensor technology that makes possible automatic operation and monitoring and does away with the need for human operators. And as transportation modes make the shift to rolling stock, sensor technology is becoming indispensable to safe transport. And in a range of other fields as well, like wind power systems, which require monitoring for safety, and medical equipment, for which precise sensing is a must, we are constantly responding to customer needs.



# 1 Feature

## Automotive Market

# Pioneering the Age of Electric Vehicles (EVs)

Creating Tomorrow's Technologies: Focus on In-Wheel Motor System, the Next Generation in EV Drive Systems, to Develop a Range of Drive Systems and Steering Wheel Systems

NTN is concentrating its efforts on the potential of the in-wheel motor system and was the first to develop the in-wheel motor system. In the one motor type EV system, the most common system currently used worldwide, we have developed the one motor type EV drive system with an automatic transmission.

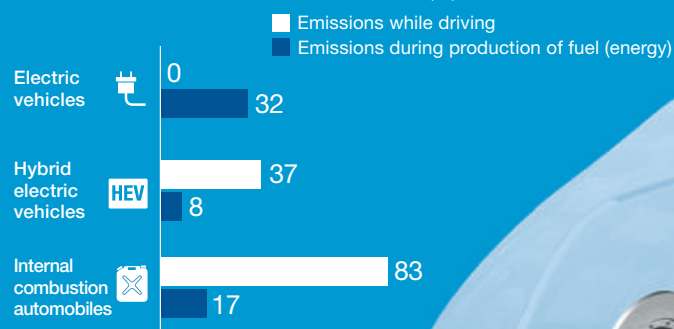
### Essential Element for the Environment

## Just One-Third the CO<sub>2</sub> Emissions of Internal Combustion Engine Vehicles

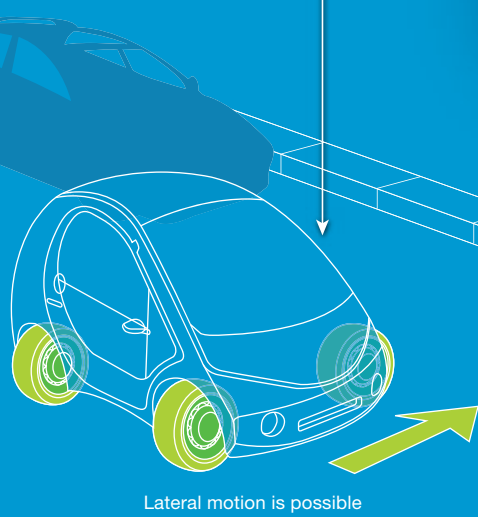
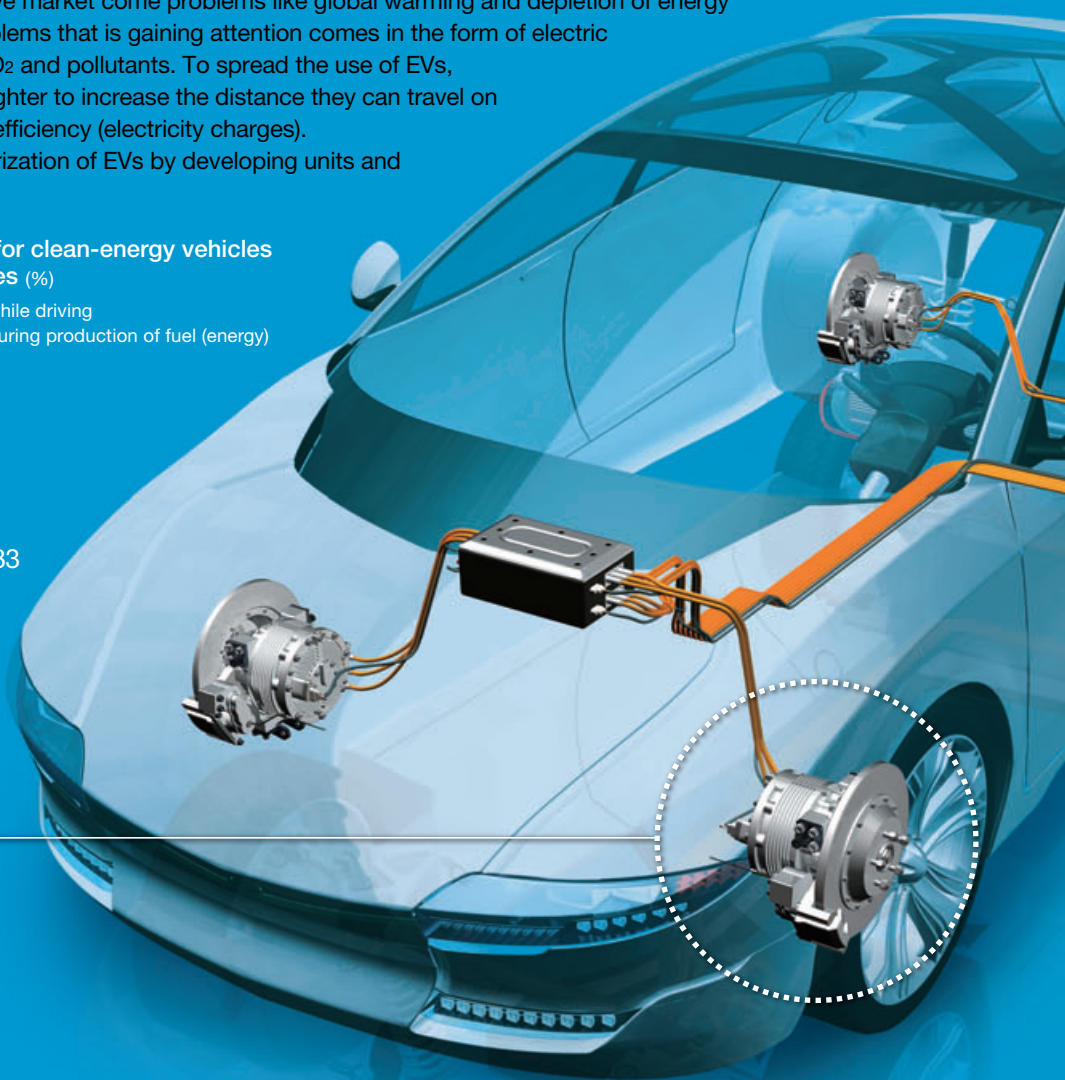
With the world's expanding automotive market come problems like global warming and depletion of energy resources. One solution to these problems that is gaining attention comes in the form of electric vehicles (EVs), which emit minimal CO<sub>2</sub> and pollutants. To spread the use of EVs, it is necessary to make the vehicles lighter to increase the distance they can travel on a single charge and improve the fuel efficiency (electricity charges).

NTN is contributing to the popularization of EVs by developing units and systems that make vehicles lighter.

Comparison of CO<sub>2</sub> unit emissions for clean-energy vehicles and internal combustion automobiles (%)



Source: New Energy and Industrial Technology Development Organization (NEDO)



### In-Wheel Motor System, the World's Lightest, for Next-Generation EVs

Compared to the one-motor system, which has a single motor in the vehicle body to replace the conventional engine, the in-wheel motor system involves installing a motor in each wheel and has advantages such as dramatically increased degrees of freedom in vehicle design owing to flexibility in securing passenger cabin space. And because the drive of each wheel can be individually controlled, the in-wheel motor system allows lateral and circular motion and thus transforms the concept of the automobile. NTN's in-wheel motor system combines a lightweight motor and high-efficiency reducer to lower vehicle weight, improve operational stability, and give better ride characteristics. And in combination with the control system (using an inverter), which communicates information from the sensors, vehicle operators and passengers are ensured a safe ride.





## As Automotive Market Expands, Eco-Cars Increase

### Creating Future EV Technologies that Also Improve the Environmental Performance of Internal Combustion Automobiles and Contribute to the Spread of HEVs

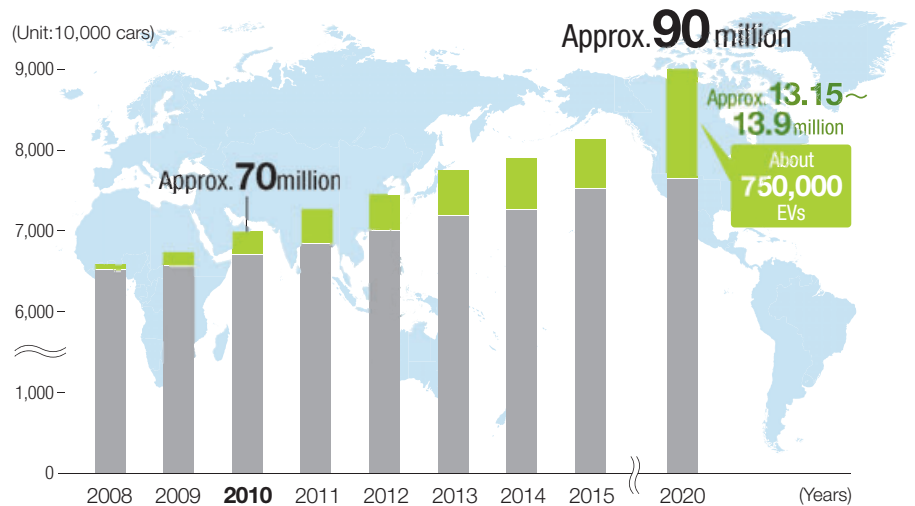
Automotive sales are increasing at a rate of 3% annually and in 2010 approximately 70 million cars were sold worldwide. Sales are gradually increasing for eco-cars like hybrid electric vehicles (HEVs) and EVs and it is estimated that they will account for almost 1% of the approximately 90 million cars sold in 2020. If at that time the average price of an EV is about the same as an HEV costs today, about 2-3 million yen, that means the worldwide EV market will be worth 1.5 trillion yen.

At NTN, besides offering a range of high-value-added drive systems and steering systems that will help expand the EV market, we have products that offer high environmental performance for the gasoline and diesel cars that are most popular in emerging markets. We are thus pursuing a strategy for the Automotive market that encompasses EVs, HEVs, and internal combustion automobiles.



#### Estimated growth in the automotive and eco-car markets

■ Eco-cars (HEVs, EVs, etc.) ■ Internal combustion automobiles



Source: Nomura Research Institute

## Beyond Conventional Thinking for EVs

### Proprietary In-Wheel Motor Improves Fuel Efficiency, Safety, Stability, and Ride Characteristics of EVs

When we started development of the in-wheel motor in 2003, we knew we had to strive for stability and ride quality, as well as improve the fuel efficiency (electricity charges). The majority of a car's weight is accounted for by the motor, and the motor's size is determined by the maximum output torque. We therefore incorporated a lightweight cycloid speed reduction mechanism that amplifies the motor's rotational torque and thus reduces the maximum torque required by the motor; the result was a small, lightweight product. Axle bearings (hub bearings) using NTN's tribology technology are used for the section that interacts with the reducer internal motor. The rotational speed and load-bearing capacity was extended to allow use with EVs, and in combination with a compact, high-speed motor, we came out with the in-wheel motor type axle units in 2005.

In May 2010, we incorporated the electromechanical brakes and a multi-axis load sensor we had been developing simultaneously, thus completing the intelligent in-wheel. The lightest product of its kind in the world, the intelligent in-wheel allows optimal control of the motor and brakes using information from the sensors. This product offers superior fuel efficiency and safety during the ride.

### Aiming to Create a World Standard with the Latest Systems for the Next Generation of EV Inverter Products

In March 2011, we announced an in-wheel motor system (diagram 1 on page 18) incorporating a system (with inverter) that accurately controls the motor's drive strength based on information from the intelligent in-wheel. This ensures stable movement of the vehicle with consideration for safety. We also achieved practical use of a small, lightweight in-wheel motor system for EV commuter (diagram 2 on page 18). This product is expected to see widespread use in



applications including EVs for driving short distances such as to the store or to work, EVs that are easy to get into and out of for senior citizens, and vehicles that make optimal use of the advantages of in-wheel motors such as two-person EV commuters and single-seat cars.

We have also developed the one-motor type EV drive system (diagram 3 on page 18) with an automatic transmission, which consists of a small, lightweight automatic two-speed transmission, drive motor, differential (a device that offsets the difference in RPM between the inner and outer wheels), and a control system with inverter. This product is made for the currently common one-motor type EVs. By complementing this with NTN's flagship products such as constant-velocity joints and multi axis load sensor integrated hub bearing, we offer an all-in-one solution in the form of the NTN one-motor type EV power train.

We have also developed a steering system for steer-by-wire (diagram 4 on page 18), a next-generation steering wheel system in which the steering wheel movement is converted into electrical signals that are transmitted by wire to the tire. This first-of-its-kind system ensures safety with a sub motor in addition to the steering's main motor; the sub motor immediately engages if the main motor experiences a problem. Although this system can be used for internal combustion automobiles, we are concentrating on promoting it to the EV market since it allows dramatically increased freedom of design.

By coming out with these system products, as well as these compound systems that incorporate components like high precision magnetic angle sensor, we aim to create new world standards required by EVs.

#### A Word from a Developer

#### Aiko Ishikawa

EV System Division, NTN Corporation



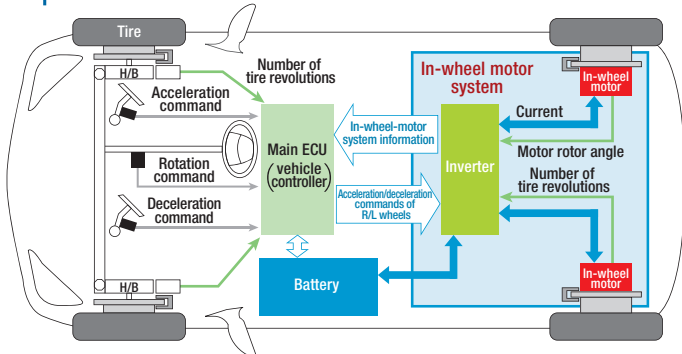
#### Developing Products that Offer Safety for People and Protection for the Environment

I am in charge of developing in-wheel motors for EV commuters. It makes my job worthwhile to know that I am helping make products that so many people use everyday. Our goal is to ensure that as soon as possible our products are dependable: this is a crucial part of the car chassis and we want everyone, especially women and senior citizens, to enjoy a safe ride.

I hope to continue making products that contribute to our vision of cars that are both environmentally and people friendly.

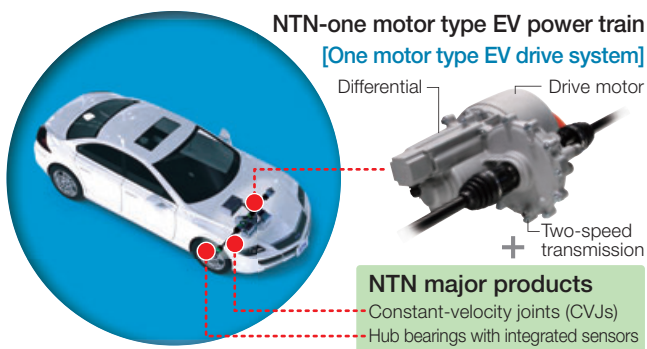


## 1 In-Wheel Motor System



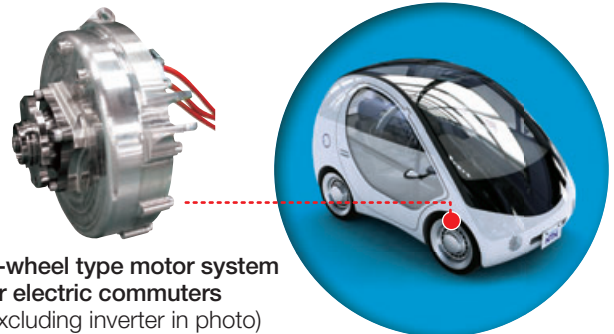
We developed a modular product that incorporates an in-wheel motor, speed reduction mechanism, hub bearings, and sensors. To this, we added a control system (including an inverter) that accurately controls the motor's drive strength based on information from the sensors.

## 3 One Motor Type EV Drive System with an Automatic Transmission



The NTN one-motor type EV power train is a one-motor type EV drive system consisting of a drive motor, transmission, differential, and control system with inverter, which has been complemented with NTN products such as constant-velocity joints and hub bearings.

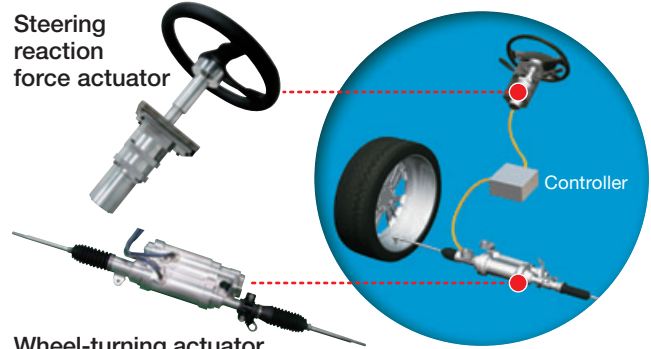
## 2 In-Wheel Motor System for Electric Commuters



In-wheel type motor system for electric commuters (Excluding inverter in photo)

We have made in-wheel motor systems smaller and lighter and incorporated inverters as well. These are expected to see widespread use in EV commuters made for one or two passengers or senior citizens, and for traveling short distances.

## 4 Steering System for Steer-by-Wire

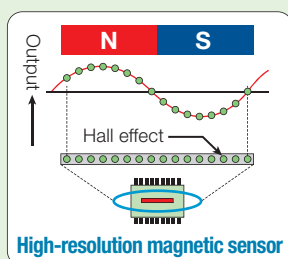


Wheel-turning actuator

The steering wheel operation is converted into electrical signals that are transmitted by wire to the tires. Safety is ensured thanks to a sub motor that immediately engages if the main motor experiences a problem.

### R&D Highlights

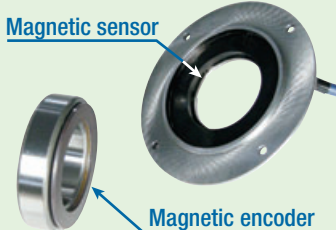
#### High-resolution magnetic sensor technology



The magnetic field distribution of the magnets is precisely detected by multiple magnetic sensors (Hall effect) arranged linearly.

Gaps of NS magnetic poles segmentalized accurately.

Realization of sensor performances enabling to read out the magnetic pattern 40 times more accurately than conventional systems.



#### Merits

- Magnetic encoder is integrated with bearing and installation space saving is possible.
- Sensor can be positioned using bearing outer ring side face, and the mounting becomes easy.

#### High-Precision Magnetic Angle Sensor Enabling Advanced Motor Control

The high-precision magnetic angle sensor was developed through the application of high-resolution magnetic sensor technology. To increase energy efficiency, the EV drive motor accurately adjusts the motor current according to the rotational position of the rotor. To do this, an angle sensor that accurately detects rotational position is needed, but previously there was no high-precision angle sensor that could take measurements while located on the outer circumference of the rotary shaft.

The high-precision magnetic angle sensor combines a magnetic encoder and magnetic sensor, which allows for highly accurate detection of the rotational position (rotational angle) of the rotary shaft. And because it is integrated with the bearings, it takes up minimal space and helps make products smaller and lighter.

We will continue to use NTN-SNR's precision sensor technology to expand the range of products we offer for EVs.



### Aerospace Bearings

NTN products are used in passenger plane jet engines, rockets, and satellites.

➤ Page 22

### Wind Power System Bearings

NTN provides a range of bearings for wind power systems, including large main shaft bearings more than 2 meters in diameter.

➤ Page 22



# Feature 2 Expanding Market, More Sophisticated Needs

Industrial Machinery Market

Rolling Stock, Wind Power Systems, Aerospace, Medical Equipment  
State-of-the-Art Technology for Industrial Machinery

Products for industrial machinery must be highly reliable. NTN technology enjoys a superior reputation in world markets and our products are at work in numerous growth fields such as environment and space exploration.

#### Essential Element for Efficiency

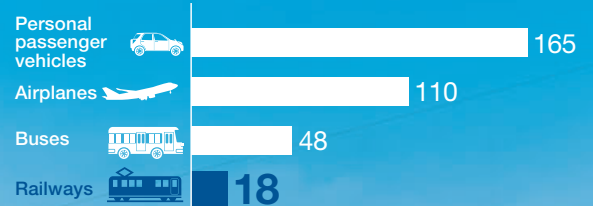
## Railway Transportation: Key to Reducing CO<sub>2</sub> Emissions

Global warming is becoming increasingly serious as newly emerging countries emit a rapidly growing amount of CO<sub>2</sub> emissions.

To help curb this problem, it is crucial that we use railways, which emit only about one-tenth of the CO<sub>2</sub> (per person for each kilometer traveled) during transportation as internal combustion automobiles.

NTN is contributing to railway transportation with its bearings, which are in growing demand worldwide as an essential component of railway cars.

CO<sub>2</sub> emissions per volume transported (passengers)  
(g-CO<sub>2</sub>/person/km) (Fiscal 2009)

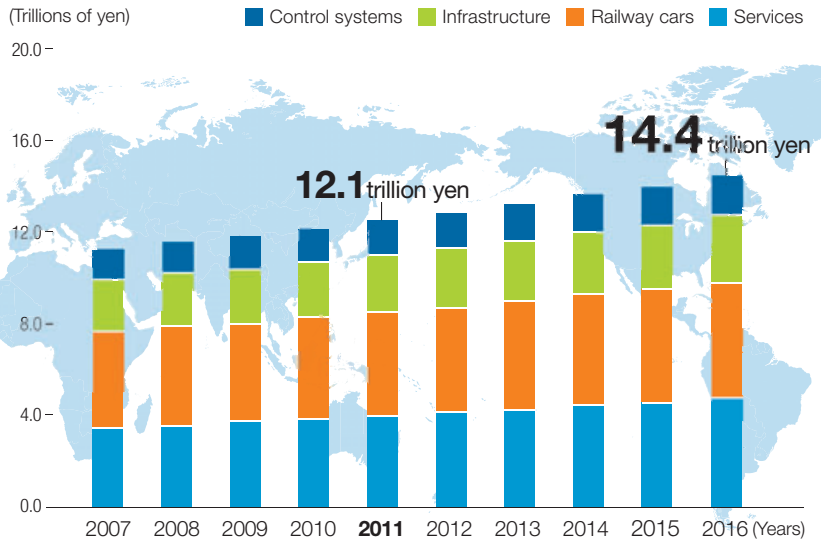


Source: Ministry of Land, Industry, Transport and Tourism website





## Estimated size of worldwide railway market



Source: Compiled by Financial & Economic Research Center, Nomura Securities Co., Ltd., using materials from Union of the European Railway Industries (UNIFE).

## Transportation Increasingly Shifts to Railways

### Worldwide Railway-Related Industries to Grow an Average of 2.5-3% Per Year

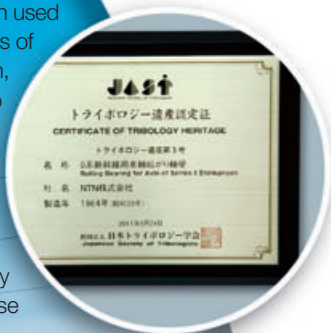
Around the world, the transportation of goods is shifting away from trucks and airplanes to railways. And the world's major countries are investing heavily in railways. China is said to have doubled its 2009 investment in the construction of railways compared to 2008. With increasing demand for cars for high-speed railways and LRT (light rapid transit) systems, annual growth up to 2016 is expected to be 2.5-3%.

A contributing factor to the expansion of railways is the efficiency that this mode of transportation offers. Particularly in newly emerging countries, high-speed railways are needed to provide fast and highly efficient transportation between cities. And since railways emit far fewer CO<sub>2</sub> emissions than modes of transportation like automobiles or airplanes, they offer a way to curb global warming and air pollution. Railways appear even more attractive for their energy efficiency when we consider the high cost of gasoline.



### Rolling Stock Bearings

NTN products have been used in successive generations of Japan's Shinkansen train, from the first "0 series" up to today's N700 series. The spindle bearing developed by NTN for the 0 series Shinkansen in 1964 has been recognized as a Tribology Heritage by the Japanese Society of Tribologists.



➤ Page 21



**NTN Bearings for Rolling Stocks are Used in Worldwide Railways**

**New Orders for NTN Bearings in Canada, the U.S., Dubai, Egypt, and Taiwan**

With increasing worldwide demand for bearings for rolling stocks, NTN is focusing on its rolling stock bearing business.

Rolling stock bearings are used under extreme conditions and must have a high level of safety and reliability. NTN bearings are used on high-speed railways around the world, such as Japan's Shinkansen and France's TGV, and have earned a reputation for high quality and high technology.

In Canada, NTN has received a journal bearing order for LRT from a major rolling stock manufacturer. In the U.S., we have received an order for NTN bearings for commuter trains. And we have received bearing orders to be used on trains in the rapidly urbanizing countries of the U.A.E.(Dubai) and Egypt (Cairo), and on subways in Taiwan.

In December 2010, we participated in Modern Railways 2010 in Beijing, an international exhibition of modern railway technology, where we exhibited the advanced technology of NTN and NTN-SNR of France. We are also working to tap new markets around Asia and the Middle East.

By utilizing our technological strength, along with the NTN and NTN-SNR brands, we are looking to increase sales for both these companies around the world.

**With High-Speed Railways Networks Being Planned in Countries Around the World, NTN is Boosting Its R&D and Sales Systems**

Governments in countries around the world have plans to expand their high-speed railway networks. This provides a huge opportunity



Modern Railways 2010 in Beijing

for railway equipment manufacturers in Japan and Europe whose technologies are highly green and safe.

Against this background, NTN is tapping into markets for rolling stock bearings for high speed trains by maximizing the synergistic relationship with sensor technology specialist NTN-SNR. NTN-SNR enjoys a major presence in European railway markets, supplying bearings, for example, to France's TGV high-speed train. In both R&D and marketing, NTN-SNR teams up with the NTN Group to develop and provide products ideally suited to each of the different railway systems in countries and regions.

The rolling stock cars of high-speed railways run around the clock, at speeds of 250-300 km/h, in any kind of weather, and through mountains or over plains. These rolling stock cars need bearings that can not only operate at high speeds, but that also can deal with the particular natural environments of each region. In order to develop products that would work smoothly in the northeast of China and Russia, we carried out durability testing that assumed actual operating conditions; for example, we did exhaustive testing at temperatures as low as -50°C and colder.

**A Word from a Developer**

**Hiroki Ooe**

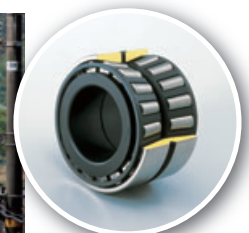
Industrial Business Headquarters,  
 NTN Corporation



**Shinkansen and European High-Speed Railways: Using Our Dual Strengths Worldwide**

As more and more countries build high-speed railways, NTN's bearings for rolling stocks are seeing widespread use worldwide. NTN is the only bearing manufacturer whose bearing technology is used on Japan's Shinkansen and on European high-speed trains. We are proud to be a part of the development of bearings with such an advantage over those of the competition.

We will continue to develop bearings that meet the many needs of customers around the world.



Bearings for the N700 Shinkansen\*



Bearings for the TGV high-speed train\*



© NTN-SNR / Graphic Obsession

\* Photos are cross-sectional models of products.

## Bearings for the Growing Wind Power Market

### Participation in Wind Power Trade Shows Around the World Leads to New Orders in Europe, China, and India

According to estimates by the International Energy Agency (IEA), wind power accounted for 2% of total world energy in 2006 and will account for 7% in 2030. With the surge in renewable energy worldwide in recent years, wind power is receiving significant attention for its superb power generating efficiency.



HUSUM WindEnergy 2010 in Germany

As wind power systems become larger, many main shaft bearings are now more than 2 meters in diameter. Because it is not easy to conduct maintenance on bearings installed on large systems and offshore systems, these bearings must be highly reliable and durable.



Offshore wind power system March 31, 2011.

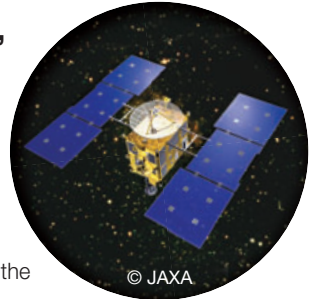
NTN displayed its advanced bearing technologies at participation in international wind power industry trade shows such as HUSUM WindEnergy 2010 in Germany and China Wind Power 2010.

This participation was part of the reason that we received new orders from customers in Europe and China in the fiscal year ended

## Bearings for the Aerospace Industry

### Certificate of Appreciation from Government for NTN's Contribution to Asteroid Probe "Hayabusa"

Only the most advanced technology available is sufficient for developing and manufacturing bearings used in the aerospace industry. NTN supplies bearings to the world's leading jet engine manufacturers. We are also the exclusive supplier of engine turbopump bearings for all-Japanese rockets. And we supply products to many space satellites, including Japan's Hayabusa asteroid probe.



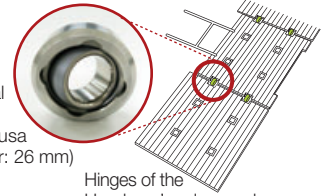
© JAXA

Launched in 2003, the Hayabusa successfully collected dust samples from an asteroid called Itokawa between the Earth and Mars and completed its mission in June 2010 after a 6-billion-kilometer journey lasting seven years. The hinges of the joints that open the Hayabusa's solar panels were equipped with 16 spherical plain bearings developed by NTN. We thus played a crucial role in supplying power to the Hayabusa asteroid probe.

On December 2, 2010, Japan's Cabinet Office and Ministry of Education, Culture, Sports, Science and Technology awarded certificates of appreciation to the 118 universities, corporations, institutions, and other organs that contributed to development of the Hayabusa. NTN was the only bearing manufacturer to receive this citation.



Certificate of appreciation from the Space Development Minister



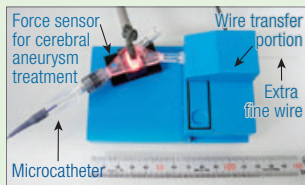
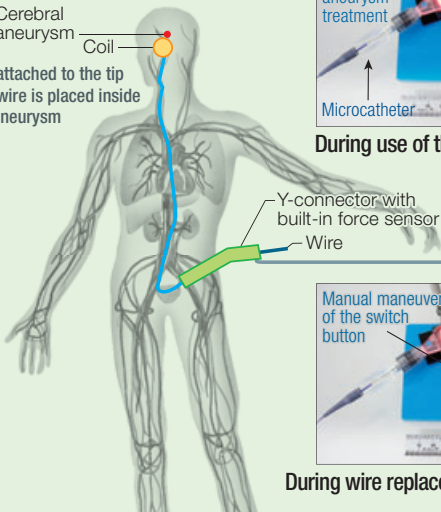
NTN's spherical plain bearing used in Hayabusa (Outer diameter: 26 mm)

Hinges of the Hayabusa's solar panels

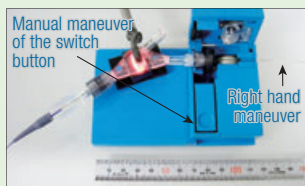
## R&D Highlights

### Sensing system for cerebral aneurysm treatment

Cerebral aneurysm  
Coil  
Coil attached to the tip of a wire is placed inside the aneurysm



During use of the support apparatus



During wire replacement/manual maneuver

## Taking on Challenges in Fields Including Brain Surgery and Pharmaceutical Development

Through operation of a wire inserted into a catheter, NTN is contributing to the advancement of embolization operations that prevent rupturing of a cerebral aneurysm, a cause of subarachnoid hemorrhage. In this operation, to prevent rupturing of a cerebral aneurysm, normally at least two highly skilled doctors are needed to accurately handle the extra-fine wire. In 2006, NTN developed for the first time ever a sensing system that measures and indicates any minimal force exerted on the extra-fine wire by the fingertips of the doctor. In March 2010, in collaboration with institutes including the Nagoya University Graduate School and the Nagoya Institute of Technology Graduate School, we made another world-first development: an assistance apparatus that makes this operation possible with just one doctor.

In addition to developing technology that contributes to CT scanners and artificial hearts, NTN is taking on new challenges in the field of medicine.

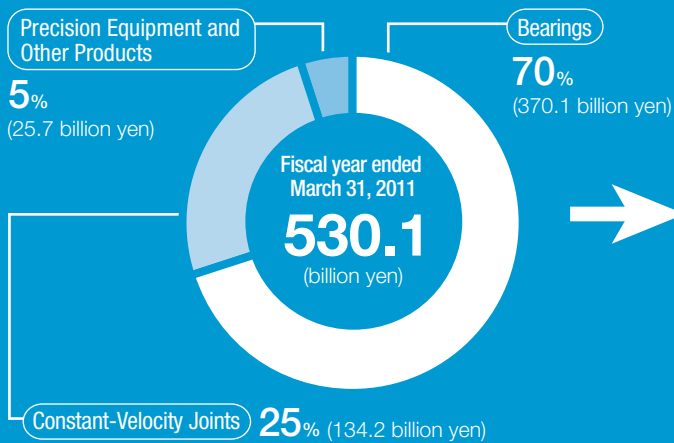
# At a Glance

## Classification of Business Areas

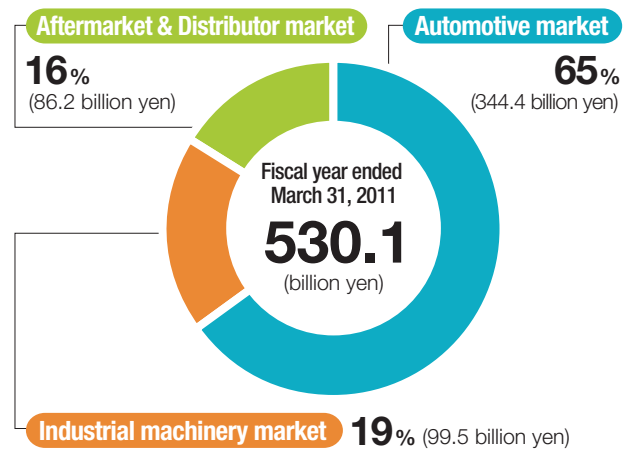
Up until last fiscal year, we classified our business into the three product areas of Bearings, Constant-Velocity Joints, and Precision Equipment and Other Products. Starting in the fiscal year ended March 31, 2011, we are reporting net sales and operating income in the three areas of automotive market, industrial machinery market, and aftermarket and distributor market.



### ▼ Net sales in each product area as percentage of total sales (old classification)

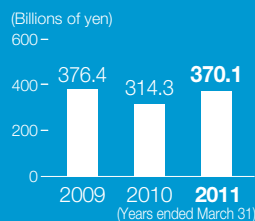


### ▼ Net sales in each business application as percentage of total sales (new classification)



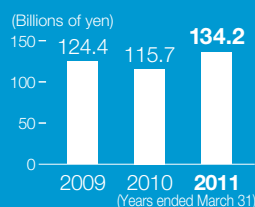
#### Bearings

Bearings underpin the rotating parts of many types of machinery and are used in a wide range of industrial fields, ranging from aerospace applications to automobiles, industrial machinery and precision machinery. They are contributing to the preservation of the global environment by their involvement, for example, in the expanding use of wind power systems, in the development of railways, which are environmentally friendly, and in progress in medical technology.



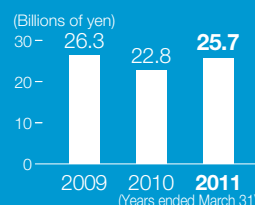
#### Constant-Velocity Joints

Constant-velocity joints (CVJs) are parts that transmit the power of an automobile engine's rotation smoothly, efficiently and constantly to the vehicle's tires. CVJs enhance the compactness, lightness and high-efficiency characteristics of a vehicle, thereby contributing to the achievement of low fuel consumption and reduced CO<sub>2</sub> emissions, both of which are issues in the automobile industry.



#### Precision Equipment and Other Products

The precision equipment business segment combines leading-edge technology products and products for special fields. Amid the ongoing evolution of successive leading-edge industries, NTN pursues further advances in the precision technology it has built up through the development of high-precision bearings, and applies it to state-of-the-art fields, including electronics, semiconductors and computers.



#### Automotive market

This market covers automotive and automotive-related parts. With the main products of axle bearings, constant-velocity joints, and needle roller bearings, NTN provides the world's automotive and automotive-related companies with new technologies and products.

#### Industrial machinery market

This business covers a range of industrial machinery areas including construction machinery, rolling stock, machine tools, agricultural machinery, aerospace, office equipment, and wind power systems. We are working to develop new technologies and expand sales for all sizes of bearings.

#### Aftermarket & Distributor market

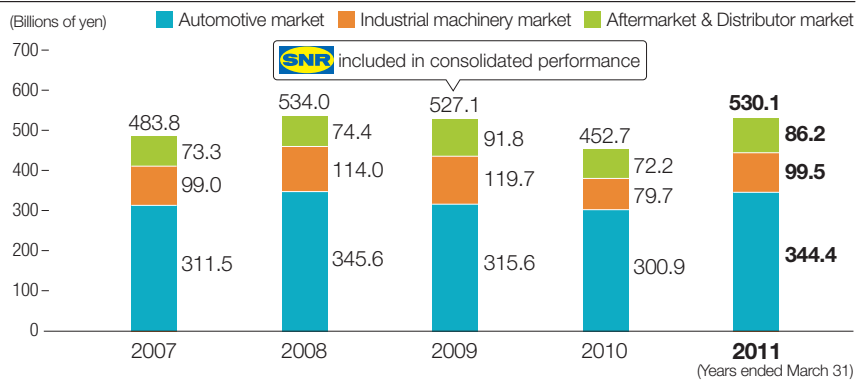
Through distributors, we provide maintenance bearings for general machinery, and we service the aftermarkets for mining, paper, and steel machinery, as well as the aftermarket for automotive parts. We provide increasingly more bearings of all types to customers around the world.





## Net Sales

- French subsidiary NTN-SNR has been included in consolidated performance since the fiscal year ended March 31, 2009.
- The synergy between NTN and NTN-SNR has resulted in business expansion in Europe in the automotive, rolling stock, aerospace, and other industrial machinery markets, and in aftermarket and distributor markets such as automobile repair parts (auto parts).

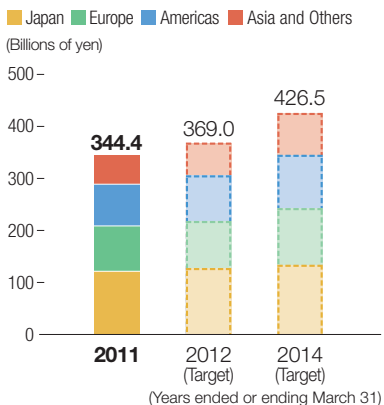


## Measures and Sales Target Under the New Medium-Term Management Plan "Global Advance 2013"

### Automotive market

- Acceleration of business expansion of axle bearing (world's No.1), CVJ(world's No.2)
- Design review and material change for more compact vehicles and global platforms
- Faster development speed of products that meet environmental and fuel efficiency regulations

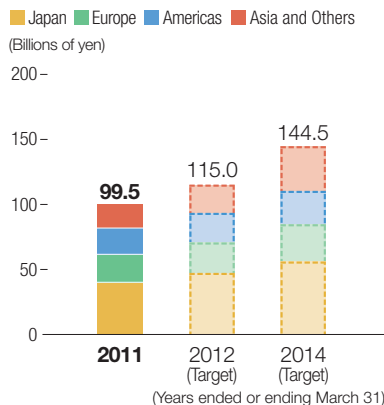
#### Net Sales



### Industrial machinery market

- Reinforce global production capacity for products such as large bearings and precision bearings, and increase sales
- Create products that stand out through the use of cutting-edge sensor technology, and provide a comprehensive level of service

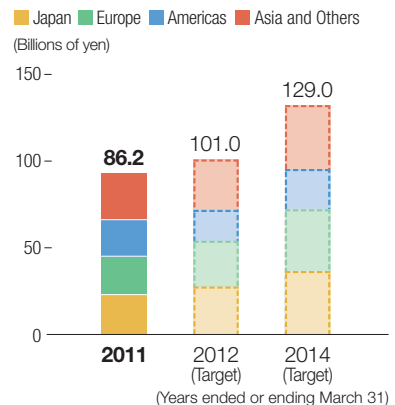
#### Net Sales



### Aftermarket & Distributor market

- Reinforce machinery distribution network throughout Europe/Americas, China, and Asia
- Expand automotive parts business into regions other than Europe

#### Net Sales



# Automotive market

## Sales Situation

### Results in the fiscal year ended March 31, 2011

In the fiscal year ended March 31, 2011, net sales in the automotive market were 344.4 billion yen, up 43.5 billion yen (14%) over the previous fiscal year. Sales were up overall in the automotive market for constant-velocity joints, axle bearings, and needle roller bearings in Japan, Europe, the Americas, and Asia and others.

Despite a dwindling effect of the scrap incentive in Europe, the combination of brisk exports from Japan and improved sales of American automotive manufactures in Americas resulted in increased sales.

Operating income amounted to 3.5 billion yen, a 12.1 billion yen improvement from the preceding fiscal year.

### Sales forecast for the fiscal year ending March 31, 2012

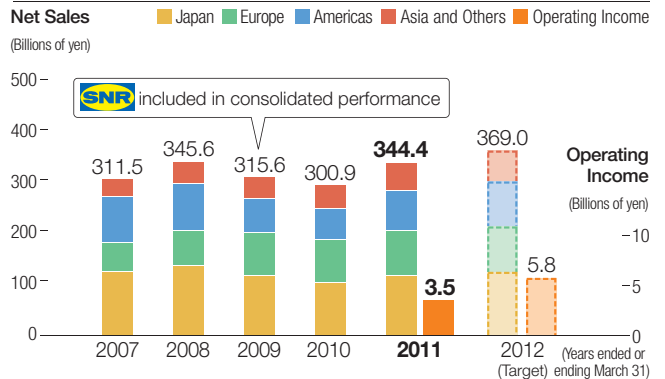
The first half of the fiscal year ending March 31, 2012 is expected to be sluggish due to the earthquake, but for full year we forecast sales increases. Contributing in particular will be improved sales of American automotive manufactures and new customer orders, with Asia and others, Southeast Asia, and China expected to see significant improvements. As a result, we forecast net sales for the fiscal year ending March 31, 2012 of 369 billion yen, up 24.6 billion yen (7%).

Operating income is forecast to increase by 2.3 billion yen (66%), to 5.8 billion yen.

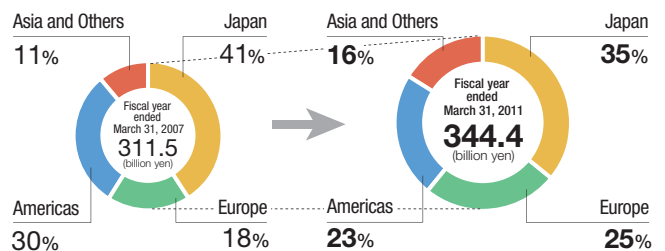
## Type of Business

This market covers automotive and automotive-related parts. With the main products of axle bearings, constant-velocity joints, and needle roller bearings, NTN provides the world's automotive and automotive-related companies with new technologies and products.

### Net sales and operating income in automotive market



### Breakdown of net sales by region



### Change in Net Sales Share by Region (Synergy with NTN-SNR)

Since the fiscal year ended March 31, 2009, NTN-SNR Roulements (NTN-SNR), the leading bearing manufacturer in France, has been included in NTN's consolidated performance. This has dramatically changed our global business structure.

In the automotive market as well, the inclusion of NTN-SNR in NTN has increased the orders that we receive from European automotive manufacturers. And the capacity increase has created new synergy not just in Europe but in our worldwide business as well.

## New Products

### Development of Low Torque Deep Groove Ball Bearing (without seal) for Transmissions

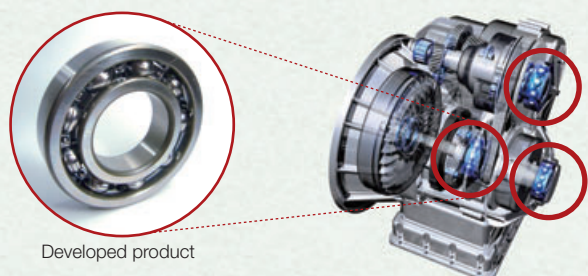
#### Achieves High-Performance Bearing Capabilities and Reduction in Rotating Torque

In recent years, manufacturers of automotive-related parts are seeking better fuel efficiency and low environmental impact by reducing the amount of oil in the transmission; this is being achieved by shifting from dip-feed lubrication to fog lubrication. Amidst this trend, NTN has set a development goal of reducing the torque in fog lubrication systems and is concentrating on the shape of the bearing cage. By adopting a cage with a new shape, we were able to reduce the torque without sacrificing the basic performance of the bearings.

Released in May 2011, this low torque deep groove ball bearing

features a 25% reduction in rotating torque compared to conventional products, and provides the same level of performance with a lower volume of lubricating oil through the use of fog lubrication, contributing to improvements in fuel efficiency and more environmentally friendly operation.

### Application for automotive transmissions



## Main Product Lineups for Automotive Market

**Transmission**

- Thrust needle roller bearing
- Constant-velocity joints for steering\*
- Clutch for seat lifter\*
- Tapered roller bearings

**Engine, accessories**

- Auto-tensioners\*
- Needle roller bearings for rocker arm
- Constant-velocity joints\*

**Wheel applications**

- Third generation hub bearings\* (Axle bearings)
- No.1 in the world
- No.2 in the world

\* Photos are cross-sectional models of products.

## Environmentally-friendly products

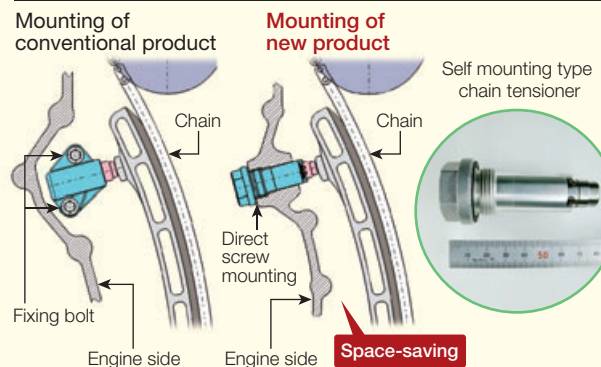
### Development of Self Mounting Type Chain Tensioner\* for Timing Chains

In September 2010, NTN developed a self mounting type chain tensioner, which has fewer parts than conventional chain tensioners and which allows car engines to be more compact.

This will contribute to improve fuel efficiency by weight reduction of the vehicle, as well as dramatically fewer man-hours during production and maintenance processes. We plan to market this worldwide as a product that is good for the environment and people.

\* Chain tensioner: A part that is used to adjust chain tension.

### Self mounting type chain tensioner



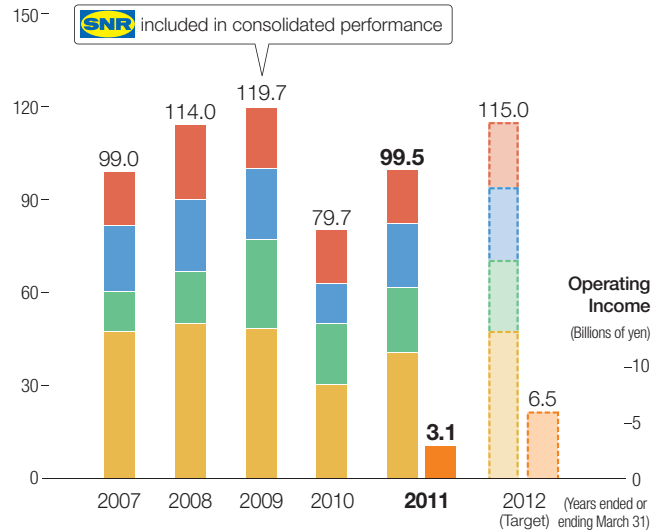
# Industrial machinery market

## Type of Business

This business covers a range of industrial machinery areas including construction machinery, rolling stock, machine tools, agricultural machinery, aerospace, office equipment, and wind power systems. We are working to develop new technologies and expand sales for all sizes of bearings.

## Net sales and operating income for industrial machinery

**Net Sales** Japan Europe Americas Asia and Others Operating Income  
(Billions of yen)



machinery, machine tools, gear boxes, rolling stock, and wind power systems. We forecast net sales of 115 billion yen for the fiscal year, up 15.5 billion yen (16%).

Operating income is forecast to increase by 3.4 billion yen (110%), to 6.5 billion yen.

## Sales Situation

### Results in the fiscal year ended March 31, 2011

In the fiscal year ended March 31, 2011, net sales in the industrial machinery market were 99.5 billion yen, up 19.8 billion yen (25%) over the previous fiscal year. There were large increases in sectors including construction machinery and machine tools in Japan. In Europe, agricultural machinery and wind power systems were among the sectors that improved. In the Americas, the key sectors of construction machinery and agricultural machinery enjoyed major gains. In Asia and others, net sales improved in sectors such as construction machinery and office equipment.

Operating income amounted to 3.1 billion yen, improving 4.7 billion yen from the preceding fiscal year.

### Sales Forecast for the fiscal year ending March 31, 2012

Demand is expected to increase in all regions in the fiscal year ending March 31, 2012, with especially large gains in construction

## New Products

### Development of the Industry's First "IC Tag Integrated Bearing"

#### Bearings Embedded with Information on the Bearing's Quality and Usage Record

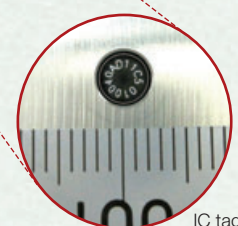
Issues faced with bearings on industrial machinery that have been used for a long period of time include complicated management procedures. One solution that has been tried is the use of IC tags\*. However, various problems plagued further adoption of the system, including the fact that IC tags cannot physically be read and written when mounted within metallic components, and their actual size.

In July 2011, NTN developed an IC tag integrated bearing that uses a dedicated reader/writer unit that allows electronic data to be saved directly within the bearing itself. The type of information saved on the IC tags can be configured for each user, and the newly developed tag allows reference of bearing quality information, as well as inspection records.

The IC tag integrated bearing can contribute to reliability in quality control for equipment that needs regular inspections to be conducted over a long period of time and that requires the ultimate in reliability, such as construction machinery, mining equipment, aircraft, rolling stocks, and wind power systems.

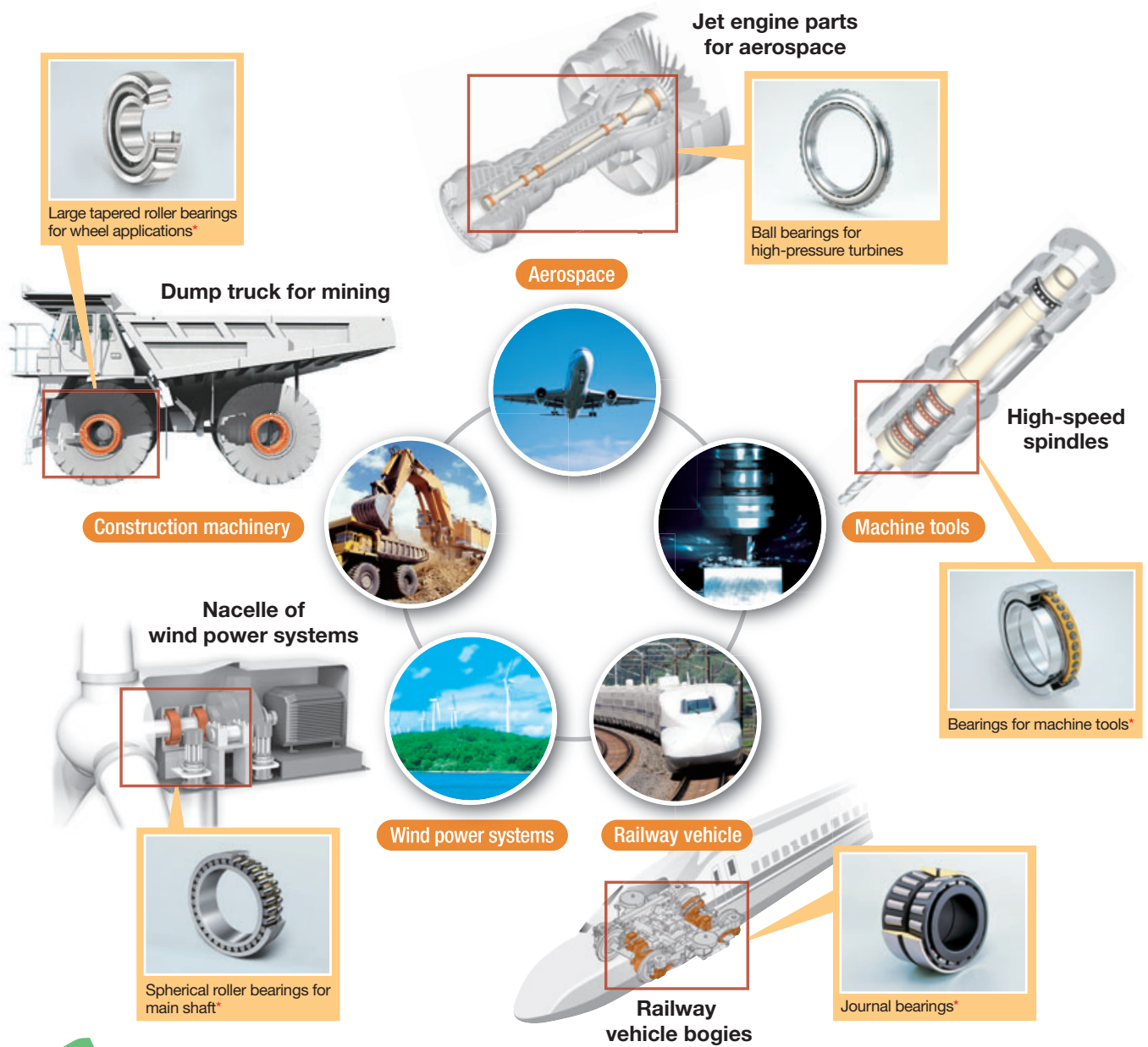


Read using a dedicated reader/writer unit



\* IC tag: Also called an RFID (Radio Frequency Identification) tag. Contains electronic information that can be transferred using radio waves.

Main Sectors and Products of Industrial Machinery Market \* Photos are cross-sectional models of products.



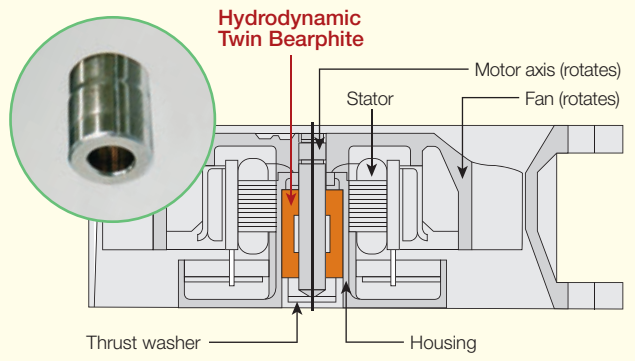
At a Glance



**Environmentally-friendly products**

**Hydrodynamic Twin Bearphite Reduces Torque by 10%**  
 In June 2011, NTN developed the Hydrodynamic Twin Bearphite, which supports the axis of a motor with a lower torque than conventional bearings, while at the same time delivering outstanding reliability and quiet operation.  
 By reducing bearing torque loss during rotation, this product helps the bearing itself make a major contribution to lowering the electricity consumption of motors. As well, press fitting can be used for assembly, which is a much simpler process than conventional bonded fitting.

**Example of application for small fan motor**





# Aftermarket & Distributor market

## Type of Business

Through distributors, we provide maintenance bearings for general machinery, and we service the aftermarkets for mining, paper, and steel machinery, as well as the aftermarket for automotive parts. We provide increasingly more bearings of all types to customers around the world.

## Sales Situation

### Results in the fiscal year ended March 31, 2011

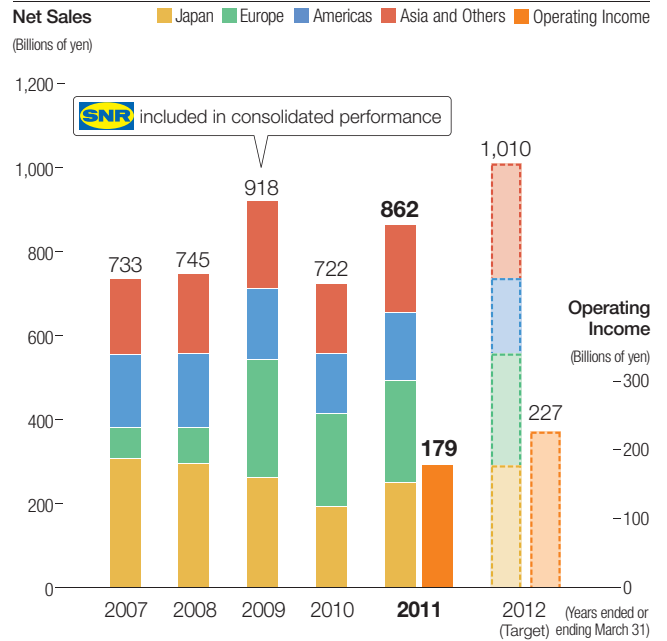
Net sales in the aftermarket and distributor market in the fiscal year ended March 31, 2011 were 86.2 billion yen, up 14 billion yen (19%). In Japan, Europe, the Americas, Asia, and others, demand for products for repairs rebounded thanks to a vibrant industrial machinery market. Auto parts also saw increased demand in Europe.

Operating income increased by 6.4 billion yen (56%), to 17.9 billion yen.

### Sales Forecast for the fiscal year ending March 31, 2012

Demand is expected to increase in all regions in the fiscal year ending March 31, 2012, with healthy auto parts demand in Europe and the Americas, and increased demand from large distributors in China. We forecast net sales for the fiscal year of 101 billion yen, up 14.8 billion yen (17%).

## Net sales and operating income in the aftermarket and distributor market



Operating income is forecast to increase by 4.8 billion yen (27%) on the strength of sales up 22.7 billion yen.

## TOPICS

### Technical Service in Exclusive Van

#### Truck is a Traveling Base Offering Seminars and Technical Support.

The NTN Group has exclusive trucks that visit customers in Europe and the Americas, acting as a classroom for technical seminars and a workshop for technical service support.

At NTN-SNR in Europe, the technical service team drives a truck made to look like a giant tool box and appropriately called the Bearing Box (BeBox). This truck helps customers around the continent choose and implement bearings, holds seminars that introduce methods for inspections and troubleshooting, and provides technical support.

In North America, NTN technicians and sales representatives visit customers' production sites in a 12-meter-long truck, called the Technical Training Unit (TTU) and adorned with the NTN logo, to provide technical service.

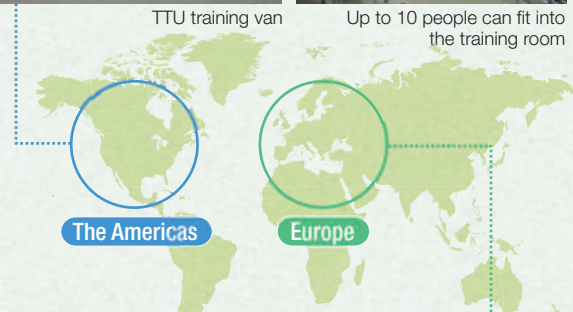
By providing this traveling technical service, NTN helps customers become more knowledgeable about its bearings and more aware of the NTN brand. The NTN Group plans to introduce these mobile technical service units in China and other parts of Asia, and in Central and South America with the aim of promoting NTN's advanced expertise in bearings and to contribute to problem-solving at customer companies.



TTU training van



Up to 10 people can fit into the training room



Offering technical support at a customer company

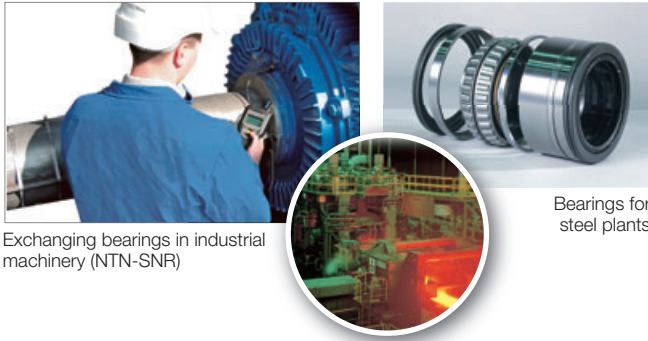


Bearing Box (BeBox)

## Major Service and Measures in the Aftermarket and Distributor Market

### Maintenance of industrial machinery

We are meeting the demand for maintenance of bearings used in industrial machinery, which must undergo long periods of use under harsh conditions.



Exchanging bearings in industrial machinery (NTN-SNR)

Bearings for steel plants

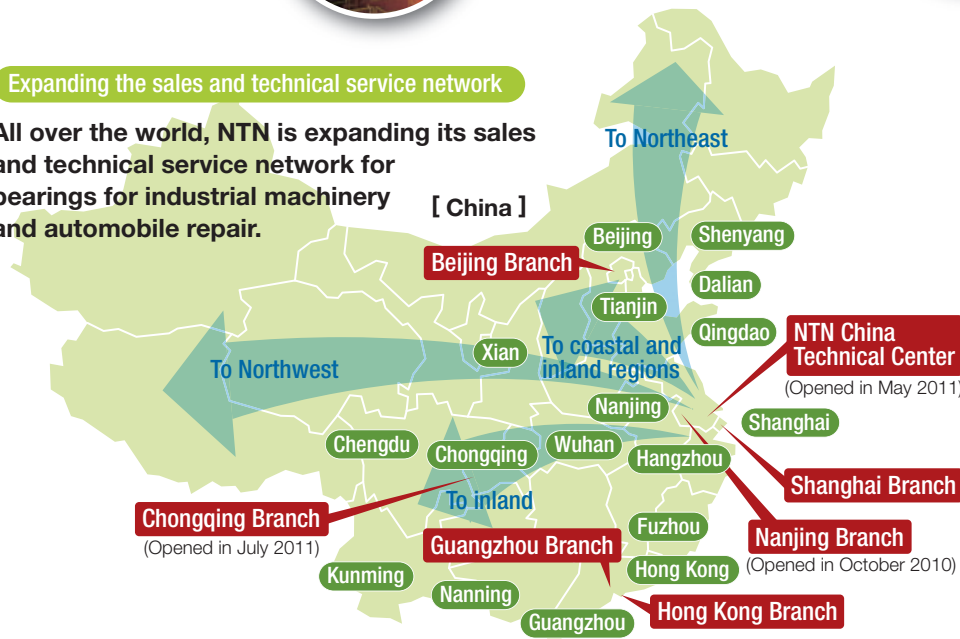
### Automobile repair (Auto parts)



Auto parts

### Expanding the sales and technical service network

All over the world, NTN is expanding its sales and technical service network for bearings for industrial machinery and automobile repair.



NTN China Technical Center



Nanjing Branch, opened in October 2010

At a Glance

## New Products

### Development of Sealed Spherical Roller Bearing

**With Load Capacity Among the World's Highest and Superior Prevention of Foreign Matter Infiltration, These Bearings are Ideal for Construction and Mining Machinery.**

NTN has released a new sealed spherical roller bearing for preventing infiltration of foreign matter. The ULTAGE WA type is a new addition to the ULTAGE series of spherical roller bearings, which are used in a wide variety of systems including construction machinery, steel, mining, wind power, and paper manufacturing machinery.

Spherical roller bearings are often used outdoors or in extremely dusty environments, so in addition to high load capacity they require the ability to prevent the infiltration of foreign matter. Sealed spherical roller bearings achieve airtightness through the use of a thin, specially

designed contact seal. This seal gives the bearings a long-life, high-reliability, and greater ease of maintenance, and it makes them ideal for use on industrial machinery operating in extreme environments.

Sealed spherical roller bearing\*

\* Photo is a cross-sectional model of product.



# Social and Environmental Responsibility

# Society & Environment



## Responsibility to Customers

**Another NTN site was certified for the ISO quality management system. (Page 32)**

We work closely not just with our manufacturing and sales sites, but with business partners (suppliers) and sales agents to ensure strict quality control throughout the value chain\* and thus earn the trust of our customers.

\* Value chain: A continuous process for creating added value in the manufacturing industry, all the way until the product reaches the consumer.

▼ ISO-certified sites

**36** sites



## Responsibility to Suppliers

**We support the environmental protection activities of our suppliers. (Page 35)**

For small-scale suppliers that have trouble achieving ISO 14001 certification, since 2003 we have been helping them achieve certification for the Eco-Stage and the Eco-Stage entry version, environmental management systems managed by the Eco-Stage Institute. In the fiscal year ended March 31, 2011, four suppliers achieved this certification.

▼ Suppliers certified for Eco-Stage

**32** suppliers



## Responsibility to Shareholders

**We stress communication with our shareholders and investors. (Page 36)**

We have a number of ways to ensure smooth exercising of shareholder voting rights. These include providing information in every way possible through IR activities such as voting rights briefings four times a year, executive meetings and small-group meetings hosted by securities companies, and interviews with the media.

▼ Participating investors

**560** investors



## Responsibility to Employees

**NTN hosts many trainees from overseas group companies. (Page 37)**

With about 60% of our worldwide employees outside Japan, we are active in international exchange activities that promote human resource development. Whenever possible, we bring trainees from overseas group companies to Japan and send Japanese staff to help out at overseas sites.

▼ Number of trainees from overseas group companies

**108** trainees



## Responsibility to Local Communities

**Kuwana Works joined the *Kigyo no Mori* activities. (Page 39)**

Since the fiscal year ended March 31, 2003, the NTN Group has been protecting forests around Japan through the *Kigyo no Mori* activities. We also get involved in exchange activities with local citizens and carry out community service on a regular basis.

▼ Sites involved in *Kigyo no Mori*

**5** sites



## Responsibility to the Environment

**We focus on reducing CO<sub>2</sub> emissions. (Page 41)**

We succeeded in reaching our goal of total CO<sub>2</sub> emissions in Japan of less than 290,000 tons. We also achieved our goal for a CO<sub>2</sub> emissions rate reduction of 18% compared to the fiscal year ended March 31, 1998. We will continue to reduce CO<sub>2</sub> emissions at our sites in Japan and the rest of the world.

▼ CO<sub>2</sub> emissions (in Japan)

**290,000** tons



## We work with suppliers and sales agents to raise quality and customer satisfaction throughout the value chain.

### Quality Management Policy

#### Formulating and Strictly Implementing Annual Quality Management Policies

Quality management is fundamental to a “Monozukuri” company like NTN. We thus formulated a Basic policy of quality as a basic concept for “Monozukuri”.

We also formulate quality control policies with each new fiscal year so that we can continue to boost quality.

#### Basic policy of quality

**Pursuit of appropriate quality which can suffice the functions and specifications required by customers.**

- ▶ Quality that meets diversified needs in markets (Conformable quality)
- ▶ Superior quality to competitors' (Competitive quality)
- ▶ Quality that benefits producer (Economic quality)

#### FY2010 Period Quality Management Policy

It is crucial that we continue to earn and increase the trust that customers have in us as we boost our worldwide manufacturing system. To this end, we are aiming to achieve unquestionable, superior quality that contributes to corporate profits, and dramatically reduce the number of complaints and defective products.

##### 1. Engineering

Continuously initiate the practice of “easy-to-understand design, easy-to-manufacture, and mistake-proof products”

##### 2. Production

Stop problems by starting at the source and the factory floor: (Raise awareness of quality among those employees actually making the products so as to reduce complaints and product defects.)

##### 3. Sales

Improve customer satisfaction and solve problems from customer's viewpoint

##### 4. Logistics

Perform exhaustive activities

Quality slogan: Quality is our future

### Quality Management System

#### Certification for NNMI in India

In the NTN Group, 34 production sites in Japan and overseas and two sales sites have been certified for the ISO 9001 quality management system. In the fiscal year ending March 31, 2012, NTN Houdatsushimizu Corp. is scheduled to also be certified.

We are also working to get our sites in Japan and around the world that produce automotive products certified for ISO/TS16949, the highest quality management standard and one that automotive manufacturers demand that their suppliers achieve. In August 2010, NTN NEI Manufacturing India Pvt. Ltd. (NNMI) was certified for this standard. This means that all 21 NTN production sites that make automotive products are now certified.

In February 2010, NTN became Japan's first bearing manufacturer to obtain certification under the International Railroad Industry Standard (IRIS), the quality standard for the European railway industry. This achievement complements the quality management system certification of the Association of American Railroads that we received in December 1986 and underscores our high quality as a supplier to the rail industry.

NTN has also been certified for the AS/JISQ9100 standards for aerospace quality management.

We will continue to raise customer satisfaction and trust in our company by improving and effectively running our quality management systems.

#### Focus on Boosting Quality at All Worldwide Sites

In the fiscal year ended March 31, 2011, we strove to boost quality at all worldwide sites in line with measures under our medium-term management plan to reduce lead-time, handle small-lot production, and expand global manufacturing.

Executives at each NTN site personally visit plants to ensure there are no problems with products and that issues inside plants are being properly dealt with. Bases carry out cross-audits with each other to confirm progress in quality improvement through better processes, which allows them to identify issues with quality control. All of this promotes the sharing of information and the standardization of measures. As well, employees share information through the presentation of quality improvement case studies at meetings on the improvement of quality and manufacturing technology, and at quality control (QC) group conventions.



QC group convention

#### Action at Overseas Sites: China

##### Shanghai NTN Corp. Conducts Comprehensive Quality Inspections



Shanghai NTN Corp. conducts comprehensive quality inspections so that it can identify problems and fix them.

Every two weeks, managers in charge of production, quality assurance, and production technology conduct inspections to ensure that proper procedures are being followed when there is an equipment problem and stoppage; that products are being made according to the blueprints; that equipment checks and maintenance are being properly conducted; that safety records are being kept; and that equipment is clean and orderly and that it is producing products of the proper quality, consistency, and quantity. Results are reported to the Management Board and the person in charge makes monthly reports on improvement progress. These activities have led to improvement in product quality.



A comprehensive quality inspection

**Working with Suppliers to Improve Quality**

NTN strives to improve quality by holding supplier quality improvement meetings with suppliers of our materials and parts, and by conducting quality audits at supplier locations.

At the annual supplier quality improvement meetings, we give quality improvement case studies and workshops by outside instructors that help our suppliers acquire knowledge and know-how that allow them to improve quality. In November 2010, we held a meeting for 94 supplier companies at our Advanced Technology R&D Center. There were presentations on improvement activities from suppliers that have been certified by NTN for excellence in the areas of quality, cost, and delivery. As well, an outside expert gave a lecture on how to eliminate human error. Participants praised the meeting for offering a chance to share excellent case studies and learn new ways to approach quality improvement.

Quality audits are conducted by the suppliers themselves using NTN's check sheet for quality criteria, and this allows quality progress to be assessed. These audits have been conducted continuously since October 1994 and have helped suppliers build quality management systems, improve the level of process control, and prevent the reoccurrence of defects. In the fiscal year ended March 31, 2011, during quality month at NTN (November) we asked our 274 suppliers in Japan to conduct audits to ensure they are certified for and are operating in compliance with quality management system standards, and that they are properly controlling their management resources. Based on the audit results, NTN conducts its own on-site audits at the locations of suppliers and offers assistance to those with quality issues.



A supplier quality improvement meeting

**Enhancing Customer Satisfaction**

**Marketing Activities that Take the View of Customers and Sales Agents**

In June 2006 we formulated our CSR Policy, under which we stated our goal of striving to develop new technologies and new products, as well as to provide safe and reliable products. We seek to fulfill this policy by ensuring that all related departments collaborate in all stages to boost customer satisfaction. These endeavors encompass everything from identifying customer needs to developing, designing, manufacturing, and delivering.

The foundation of this endeavor is to find out exactly what customers want by putting ourselves in their position. All NTN Group sales companies in Japan and around the world have not only a sales representative for each customer and sales agent, but also a technical manager. Through this system, we strive to understand the exact needs and wants of customers, and to quickly find problems and offer the customers ways to solve them.

NTN sales companies in Japan conduct TQM (total quality management) activities, in which sales managers take education and training, as well as take part in weekly meetings that allow them to reflect on actions and progress. The goal is to have each sales manager think and act from the customer's perspective.

**NTN Holds Traveling Product Exhibitions and Technical Seminars**

We continue to send engineers to customer locations to hold traveling product exhibitions and technical seminars that give customers a chance to learn about the performance and features of our products and technologies and speak directly to NTN about what they need and want.

In traveling product exhibitions, NTN engineers go to customer locations to showcase and publicize our products, as well as to ascertain customer needs. In the fiscal year ended March 31, 2011, these events took place at customers dealing in EVs and HEVs (electric vehicles and hybrid electric vehicles).

At the technical seminars, engineers explain the technology and handling of NTN products and listen carefully to customer questions and concerns.

Through such direct dialog between NTN engineers and customers, we can better assess customer needs and thus offer products that give customers greater satisfaction.



A technical seminar

**Building a Quality Control System Based on Customer Satisfaction Surveys**

Once a year we gather information crucial to improving the level of customer satisfaction by conducting customer satisfaction surveys on our products and services. In these surveys, customers

**Action at Overseas Sites: Europe**



**NTN-SNR Makes Technical Service Calls through "BeBox"**

NTN-SNR Roulements (NTN-SNR) in France has service teams handling maintenance and other forms of technical service training, support, and analysis. To build a closer relationship with customers, in the fiscal year ended March 31, 2009, the teams began the Bearing Box, nicknamed "BeBox," activities. Driving a special vehicle shaped like a large tool box, the teams take tools needed for training and workshops and visit customers around Europe to provide service and instruction as bearing experts.

In the fiscal year ended March 31, 2011, the teams made 43 visits to customers in France, Germany, Spain, Belgium, and other countries.



Bearing Box

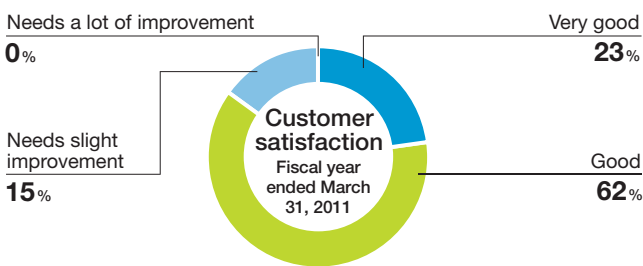
choose one of four levels of satisfaction in six survey items including quality, cost, and delivery. Survey results go to relevant company divisions to be reflected in improved products and services.

In the fiscal year ended March 31, 2011, 74 customer companies in Japan and other countries responded to the survey. Responses in the level of “very good” or “good” for overall assessment were 85% of total, the same as in the fiscal year ended March 31, 2010 survey. However, in the quality survey item, only 77% of respondents replied “very good” or “good,” eight points below the previous year. Reasons for the drop included customers saying that they are less certain of quality due to an increasing percentage of NTN production being conducted outside Japan.

As a result, NTN set its sights on building a system that will allow quality control on a global level. We are now building a system under which we can carry out centralized control of information on quality problems at any base in the world.

We are positioning global quality control as a top priority that we will continue to pursue with the aim of customer trust in our products.

**Overall assessment of customer satisfaction surveys**  
(Fiscal year ended March 31, 2011)



**Working with Sales Agents to Improve Customer Satisfaction**

We collaborate with agents selling our products in efforts to improve customer satisfaction.

When we release new products, we hold briefings for sales

agents so that they can relay all the necessary information to their end-users. We also regularly hold a variety of workshops for new employees and mid-career employees to give them a deeper understanding of our products and technologies.

In the fiscal year ended March 31, 2011, we welcomed 58 sales agents to a meeting of our Domestic Sales Agent Association to strengthen relations. Overseas, sales companies in various countries conducted activities that strengthened ties with their sales agents.



Domestic Sales Agent Association members visit an NTN plant

**Protecting Customer Information**

**Diverse Methods for Promptly Dealing with Information Leak Risk**

Information is being sent and received in an increasing number of ways, and this means increasing risk of information leaks, as evidenced by frequent cases of customer information being made public.

In the fiscal year ended March 31, 2004, NTN formulated its Basic Policy on Information Security. The Information Security Guide on the NTN intranet contains items like the Information Security Handbook and tests of employee level of understanding on information security; the aim is to make all employees aware of the proper ways to handle information at NTN. Sales sites in Japan have a Classified Information Protection Manual that details how to prevent information leaks. And all employees who carry company laptop computers are required to take the NTN Mobile Information Pledge

All portable computers also have data encryption software, and in the near future they will have software that restricts the use of USB flash drives.

Social and Environmental Responsibility

**Action at Overseas Sites: Panama**

**Technical and Sales Seminars for Sales Agents in Panama**



To strengthen ties with dealers in Central and South America and the Caribbean, in September 2010, NTN Sudamericana, S.A. held a technical and sales seminar to coincide with its 35th anniversary.

In training to improve dealers' knowledge about products, participants learned about the wide range of bearings that NTN provides for the automobile and industrial machinery fields. Participants had praise for the seminar, commenting that they are confident of establishing firm business footing in the region thanks to the partnership with NTN. The event strengthened ties on a number of levels as participants actively exchanged information among themselves.



Technical and sales seminar

**A Word from a Customer**

**Praise for BeBox Practical Training**



**Julien LARROUDE**

Maintenance Coordination Manager  
Seretram Geant Vert (General Mills Group)

There are many employees, mainly new ones, who really want to brush up their techniques and knowledge in handling bearings so that they can better carry out maintenance of production equipment. That's why we took advantage of the BeBox service provided by NTN-SNR. In the training, participants learned about bearings and got practice in the procedures for installing and removing them. There was also a session in which NTN-SNR representatives responded to technical questions that our company had about the equipment we use. I am grateful to the highly experienced NTN-SNR trainers for giving even our veteran engineers valuable information.

## We're building a partnership with suppliers for quality control and environmental protection.

### Procurement Policy

#### New Policy for Procurement

In December 2010, NTN formulated a new procurement policy focusing on global procurement, fairness, and equality.

We have also formed a project team to speed up the movement towards local production and local procurement, and to this end we are in the process of forming partnerships in various regions.

#### Basic procurement policy

- 1 We stress quality, cost advantage, and on-time delivery from a global viewpoint, and we pursue stable procurement through prompt response to market changes.
- 2 We abide by laws and ethics, and we promote fairness and equality in business.
- 3 Through procurement activities, we strive to conduct business in a manner that protects the environment and preserves resources.
- 4 We deepen understanding with suppliers, and we aim to create a partnership founded on trust that generates mutual prosperity.

### Maintaining Fair and Proper Business Relations

#### Internal Audits Ensure Thorough Subcontractor Business

Approximately 80% of NTN suppliers are covered by Japan's Subcontractor Act. We therefore have a responsibility to conduct fair business dealings with our suppliers.

Since establishing our Voluntary Audit Manual for Subcontractors in January 1997, production sites have been conducting voluntary audits to ensure they are abiding by the Subcontract Law. When necessary, NTN's procurement division intervenes with audits and guidance. We also require all procurement managers to attend subcontractor business workshops sponsored by the Japan Fair Trade Commission and seminars held outside NTN.

In the fiscal year ended March 31, 2011, 15 production sites in Japan held voluntary audits, with five of these requiring intervention by NTN's procurement division. Production sites that had issues were examined for progress in improvement and given guidance.

### Communication with Suppliers

#### Earnest Dialog Brings Mutual Growth

NTN holds "Responsibility to Suppliers" meetings, where we explain our procurement policy and trends in production volume at each of our operating sites, and urge suppliers to cooperate in manufacturing and achieve certification for quality and environmental management systems. In the fiscal year ended March 31, 2011, we held two of these meetings for 57 participating companies.

We also invite suppliers to lectures given by outside experts that we hold as part of our employee training.

Since the fiscal year ended March 31, 2007, we have shared the joy of mutual growth with our suppliers by holding annual commemorative cherry tree-planting activities on their premises.

### Supporting Suppliers in Acting Responsibly

#### Helping Responsible Suppliers Obtain Environmental Management System Certification

Our Environmental Management Rules state that we must conduct green procurement by giving priority to the purchase of environmentally friendly raw materials and parts. We give our suppliers our Green Procurement Standard for rules on these eco-materials.

We urge our suppliers to receive certification for standards like ISO 14001 and EcoStage\*1. For relatively small-scale suppliers that have trouble achieving ISO 14001, experienced former NTN employees act as consultants to these suppliers and help them achieve certification for the EcoStage and the EcoStage entry version\*2. Thanks to this support, by the fiscal year ended March 31, 2011, 32 suppliers had received EcoStage certification, with another 12 qualifying under the EcoStage entry version.



Support in achieving EcoStage certification

\*1 EcoStage: The environmental management system of EcoStage Institute.

\*2 EcoStage entry version: NTN proposed this EMS to EcoStage Institute. It was adopted as a trial certification level in 2004.

#### A Word from a Supplier

#### Striving to Raise Quality and Protect the Environment to Grow as Good Partners



#### Yasuaki Takeuchi

President, Toshin Nekko Co., Ltd

We are a heat processing specialist with four factories around Japan. We perform heat processing on NTN products. Because we are aware that our quality is directly tied to the quality of NTN products, we strive to consistently improve product quality and protect the environment. Since last fiscal year we have been conducting integrated efforts towards ISO 9001 and 14001 certification, doing everything possible to share information among employees and make all efforts and their effects highly visible. This has led to increased employee awareness of quality and the environment. We also have our executives conduct an audit of all factories once every two months. We will continue to attend Responsibility to Suppliers meetings and seminars to receive direction from NTN so both companies can grow together.

We release information in a timely, appropriate manner so that we can reflect the wishes of our many shareholders in company management.

## Streamlined Procedures for Shareholders to Exercise Their Voting Rights

### Boosting Attendance at General Shareholder Meetings through Early Notice and Convenient Dates

We have taken the following steps to streamline procedures for shareholders to exercise their voting rights:

- Swiftly mailing our general shareholder meeting notice: The law says that shareholders must be notified two weeks prior to a shareholder meeting, but we send our notices six days earlier than that.
- Scheduling meetings that avoid the dates that most companies set for such gatherings: We do this because we want as many shareholders as possible to attend, taking into account such factors as settlement and audit schedules.
- Broadly notifying of our general shareholders meeting through the internet and other media: We disclose our general shareholders meeting notice and other information through the Tokyo Stock Exchange and through our website to reach as many shareholders and investors as possible. And for the sake of institutional investors in Japan and other countries, we participate in the Electronic Voting Platform, which is managed by Investor Communications Japan (ICJ), an entity formed by the Tokyo Stock Exchange and other bodies.
- 1 Using electronic voting via the Internet: We accept shareholder votes via mail and the Internet through the 5:25 p.m. close of business up to the day before the general shareholder meeting.  
2 We have methods for dealing with cases in which there are overlapping votes by mail and the Internet, or where shareholders vote multiple times over the Internet.
- Other efforts: We present some of the business report and settlement data as graphs, photos, and other visuals to complement the meeting chairperson's explanations and make information in shareholder meetings easier to understand.



General Shareholder Meeting

## Prompt, Accurate, and Fair Information Disclosure

### Fair Information Disclosure Worldwide

NTN strives to disclose information promptly, accurately, and fairly with regard for shareholders and investors.

We satisfy timely disclosure requirements under Securities Listing Regulations by presenting information through the Company Announcements Disclosure Service on the website of the Tokyo Stock Exchange. On the NTN website, we release timely information including our securities, quarterly report, business



English site

results, annual and business reports, and materials from our results meetings. For those who register on our website for the NTN newsletter, we send an email with the latest news as soon as it appears on our home page.

We also have an English IR site and an NTN Report in English so that we can provide our international investors with information in a fair manner.

Other ways that we serve our international investors in the same manner as our investors in Japan are conference calls and the hosting of individual visits to NTN. With the increasing number of inquiries from international investors, we strive to constantly provide improved information services.

## IR Activities

### NTN Top Management at the Forefront of IR Activities

Members of NTN's top management lead our company's aggressive IR efforts.

At seminars for individual investors hosted by large securities companies, NTN top management talk about our company. They also host visits to production sites in Japan.

On a regular basis, our executives convene results meetings, teleconferences, one-on-one gatherings, and other regular briefings for analysts and institutional investors. They also respond whenever there are questions or requests from investors. In the fiscal year ended March 31, 2011, we accommodated investor requests for production site visits and meetings.

In the fiscal year ended March 31, 2012, we plan to make timely visits to institutional investors in the Americas, Europe, the Middle East, and Asia for presentations and other activities.



Investors visit an NTN factory

## SRI Included in SRI Indices

### NTN Continues to be Included in Numerous SRI Indices

NTN has been included in several socially responsible investment (SRI) indices in the stock market for its aggressive efforts to protect the environment and contribute to society.

In Japan, we have been chosen for the Morningstar CSR Investment Register every year since July 2003. Outside of Japan, NTN has been chosen since September 2002 by the FTSE4 Good Global Index and since December 2005 by the Ethibel Pioneer Investment Register and the Ethibel Excellence Investment Register. (Information current as of August 2011).



Morningstar CSR Investment Register



FTSE4Good Global Index



The Ethibel Pioneer Investment Register  
The Ethibel Excellence Investment Register

## We respect the individuality and diversity of employees while striving to create a safe, comfortable workplace.

### Improving Levels of Occupational Safety and Health

#### Promoting a Safe and Comfortable Workplace

We work to create safe work environments based on a "safety first" spirit that respects people. We have therefore created a safety and health management system based on the criteria of the Occupational Safety and Health Management System (OSHMS). As of the fiscal year ended March 31, 2011, all seven operating sites of the NTN Group in Japan had been certified by the Japan Industrial Safety and Health Association. In the fiscal year ending March 31, 2012, we plan to achieve certification for NTN Omaezaki Corp. as well.

In the fiscal year ended March 31, 2011, we had five key tasks: (1) conduct thorough education on safety and health, (2) eliminate workplace accidents, (3) promote physical and mental health, (4) have measures for contagious diseases, and (5) improve the level of safety and health in the NTN Group. We placed particular importance on giving skills education to management members and supervisors heading safety and health activities; and basic knowledge education to young and inexperienced employees, who are the most likely to have workplace accidents. New employees are given safety and health education, and firsthand experience through training that simulates getting sandwiched in machinery, which is the type of accident most likely to occur.

In the area of mental health, we hold regular training for management

members and supervisors, while employees receive counseling from outside counselors during regular health check-ups. Other ongoing mental health support for employees includes NTN's in-house counseling service, the Oasis NTN program twice a month, and the Mental and Physical Health Counseling Service via phone or email.

### Human Resource Development

#### Ongoing Education and Exchange at All Worldwide Sites

About 60% of NTN's employees work outside Japan, and this will increase as we expand our business overseas through local production and procurement. Accordingly, we are promoting international exchange whenever possible in the development of the human resources who run our local production bases around the world.

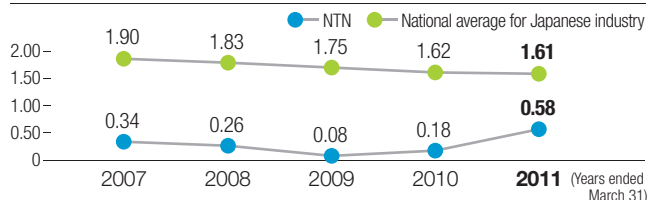
In the fiscal year ended March 31, 2011, 108 employees from group companies in China, the U.S., France, and other countries took training in Japan involving technical learning and exchange.

We also have an overseas training system in which we send Japanese employees to overseas sites so that they will develop into persons capable of leading NTN's international business expansion. In the fiscal year ended March 31, 2011, three NTN employees from Japan went to group companies in China and France. As well, four employees took part in a program in which employees study at sites in Japan or other countries (on scholarship) so that they can acquire the necessary specialized knowledge.

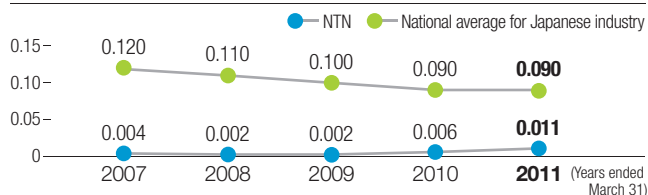
We will continue to develop personnel who can handle jobs at production sites: programs both in Japan and other countries will include education for supervisors, the Meister and Junior Meister\* systems, and skill and technical training for young and mid-career employees led by former NTN employees.

\* Meisters, Junior Meisters: Employees who have high levels of knowledge and skills, and a wealth of practical experience recognized company-wide, and who can lead the next generation of technical skill at NTN.

#### Incidence rate



#### Severity rate

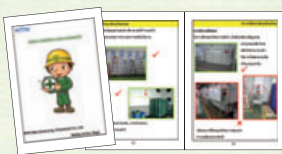


### Action at Overseas Sites: Thailand

#### Occupational Safety and Health

NTN Manufacturing (Thailand) Co., Ltd. manufactures automobile parts and bearings for hard disks. In these processes, employees are at risk of getting sandwiched or caught in machinery, so the company works to prevent these by distributing a safety handbook, holding thorough safety education, and convening meetings of the Safety Committee.

For employees who are pregnant, we offer support such as longer break times and leave of absence for hospital visits.



Safety handbook

#### A Word From an Employee

##### Hongyuan Zhu

Assistant Plant Manager, Plant No. 4  
Shanghai NTN Corp.



For about three months in 2010, I was at NTN Mie Corp. to take training in the products that we make at Shanghai NTN. I am very grateful for the meticulous guidance I received while in Japan. I am now putting all my effort into using the knowledge and skills I learned and working with my colleagues to succeed in new business areas.



##### Junfeng Sun

Head of NB Section, Plant No. 4  
Shanghai NTN Corp.

For six months starting in July 2010, I trained at the needle bearing plant of Iwata Works. Thanks to the thorough guidance of my instructors, I was able to learn the production-related control methods of the mother plant. With support from Japan, all of us at Shanghai NTN will go all out in the manufacture of needle bearings.

## Emphasizing Employee Diversity

### Support for a Balance of Work and Child-Raising

NTN stresses a work-life balance, particularly in helping employees work while raising a child.

In the fiscal year ended March 31, 2011, seven employees applied for the Mom-back system, under which employees can seek re-employment after temporarily resigning to raise children. In the fiscal year ended March 31, 2008, we started the Bear Kids Land, a place within the company where parents can leave their children on a monthly basis to be taken care of while working. In the fiscal year ended March 31, 2011, 49 employees applied for this service, with seven making use of it (as of March 2011). And under our Child-raising Support Declaration system, employees write a child-raising plan and schedule that is shared with the entire workplace so that support is available.



Bear Kids Land at Iwata Works

### Giving Opportunities for People to Use Their Abilities after Retirement

In the spirit of the Revised Law Concerning Stabilization of Employment of Older Persons, NTN has since 2006 had a system under which retirees can be re-employed (system for re-employment of those in their early 60s). This contributes to stable employment for our older employees.

This system is for employees who satisfy all employment standards such as willingness and desire to work, attitude, health, and strength. They can choose from the Skill Transfer or Full Excellence options in this program. The Skill Transfer allows participants to pass on their technical skills, abilities, and professional knowledge to young employees. The Full Excellence option allows participants to utilize the skills they have developed through the years to work. In the fiscal year ended March 31, 2011, we re-employed 194 individuals (including those renewing under this program).

### Giving the Disabled a Place to Be in Command

NTN strives to give disabled employees the chance to contribute to the company just as much as everyone else.

As part of this commitment, we created "Dream Workshops" at Iwata Works, Kuwana Works, and Okayama Works in 2004.

As of March 2011, nine disabled persons worked in these workshops under instructions from experienced employees.

As of March 1, 2011, disabled employees accounted for 1.74% of all NTN employees, due to the increase in the hiring of non-regular employees. This is below the legal figure of 1.8%. However, we expect to raise this to above the legal figure within the fiscal year ending March 31, 2012.



Bearing assembly at Dream Workshops

## Respecting Human Rights

### Building a Fair and Equitable Workplace with Respect for Human Rights

Based on our CSR Management Rule and our Business Code of Conduct, we strive to create a fair and equitable workplace environment, respecting human rights and ending discriminatory acts in the workplace.

We strengthen respect for human rights in many ways. For example, we hold classes on the subject in training for new employees, supervisors, and managers. We participate in the activities of regional human rights organizations and take part in a variety of human rights exhibitions and seminars. We also have Help Lines inside and outside the company that make it easy for employees and others to seek advice.

We also have measures to deal with sexual harassment and power harassment, and in the fiscal year ended March 31, 2011 managers underwent training.

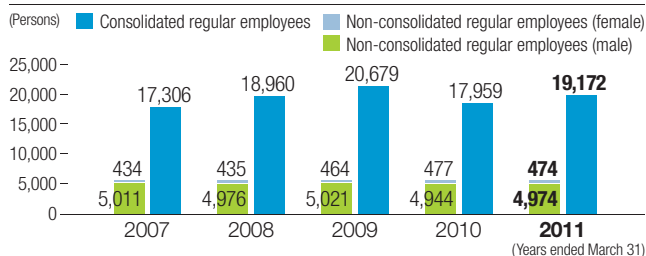
## Rewards for Employee Inventions

### Rewarding employees' inventions

To reward our employees' inventions and to improve our technical competitiveness, we have established a Patent Management Rule and a Patent Reward Rule and we have clarified how patent rights are attributed and how the value of the award is calculated. Rewards are also made for foreign patents and for know-how and inventions considered to be trade secrets. There is no upper limit to actual awards.

In the fiscal year ended March 31, 2011, 144 employees were rewarded for obtaining rights for 110 patents.

### Number of employees



### A Word From an Employee

#### Kaori Tomoda

Drive System Technology, EV Systems Group, NTN



I am currently working on getting in-wheel motor products for EVs to market. In my department, if you can show logically what you want to do, then you can do the work you want whether you are male or female. There are also systems that allow women to return to the workplace after taking leave for child birth or child care. By taking advantage of these systems and this favorable atmosphere, I hope to polish my skills and take an active role in helping NTN expand its international business.

## We strive to protect the environment and contribute to society as we conduct ongoing activities that help local communities.

### Environmental Protection

#### Growing NTN *Kigyo no Mori* Throughout Japan

Since March 2003, we have been helping preserve forests through our *Kigyo no Mori* activities.

We have so far been conducting these at Iwata Works, Okayama Works, Nagano Works, and NTN Kinan Corporation, and in the fiscal year ended March 31, 2011 Kuwana Works joined the *Kigyo no Mori* Activities. We will continue to expand this initiative to other regions of Japan.

#### Planting Seasonal Flowers in Parks (Shizuoka, Japan)

NTN Omaezaki Corp. plants flower beds twice a year, in spring and autumn, in Yachiyo Park in Omaezaki City.

In the fiscal year ended March 31, 2011, volunteer employees planted American Blue and Gazanias in spring, and North Poles, ornamental cabbages and chrysanthemums in autumn. This is the fifth year of this activity and we plan to continue it on a regular basis.



Flower beds in Yachiyo Park

#### Sponsorship of E-Cycling (United States)

In April 2010, NTN-Bower Corp. in Illinois State in the U.S. sponsored an event called E-Cycling.

The company called for the proper recycling of used electronics like computers and TVs so as to help prevent pollution caused by the illegal disposal of these. Many households in the community brought in their used appliances for this event.



E-Cycling event

### Promoting Art and Sports

#### Promoting Sports through the NTN Track Club (Japan)

The NTN Track Club has taken part 47 times in the All-Japan Corporate Ekiden, and we use this experience in coaching junior and senior high schools, and taking part in regional competitions as both organizers and athletes.

Yukihiro Kitaoka of the NTN Track Club won a silver medal in the marathon at the Guangzhou Asian Games in November 2010. He also represented Japan in the marathon in the IAAF World Championships in September 2011 in Daegu, South Korea.



Yukihiro Kitaoka (number 393) in the Asian Games

#### NTN Provides Technical Guidance and Products at the All-Japan Student's Formula Contest

Since the fiscal year ended March 31, 2003, NTN has supported the All-Japan Student's Formula Contest sponsored by the Society

of Automotive Engineers of Japan. In this event, students compete in planning, designing, and building formula race cars. The aim is to nurture the next generation of automotive industry leaders.

At the eighth edition of this event in 2010, besides being a sponsor, NTN provided free-of-charge products like constant-velocity joints and bearings, as well as technical guidance. For the past three years, the top six teams have been supported by NTN.

#### Sponsorship of Cross Country Race (France)

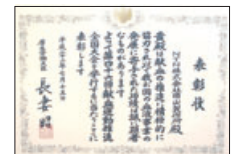
NTN Transmissions Europe (NTE) in France has sponsored the Cross d'Allonnes international cross country race since 2000. In the November 2010 edition, there were approximately 5,000 participants from nine countries. From NTE, 19 employees took part in the race, and many other NTN employees worked as volunteers.

### Exchange and Cooperation with Communities

#### Donating Blood Regularly for Over 20 Years (Okayama, Japan)

In August 2010, the Okayama Works was honored by Japan's Ministry of Health, Labour and Welfare for contributions to blood donor clinics sponsored by Okayama Prefecture and the Japan Red Cross.

This honor recognizes more than 20 years of regular participation in blood donor clinics. Twice a year, about 100 Okayama Works employees give blood at clinics.



#### Sponsorship of the Japan Festival (United States)

NTK Precision Axle Corp. (NTK) in the U.S. is a regular sponsor of the Japan Festival, held every two years at the Frankfort Public Library in Indiana.

At the fiscal year ended March 31, 2011 edition of this fair for introducing Japanese culture, participants enjoyed a performance of biwa (Japanese lute) and tried their hand at kingyo sukui (catching goldfish). NTK employees and family members worked as volunteers managing and setting up the site as well as helping visitors enjoy themselves.



Participants try catching goldfish

#### High Rating for Labor Standards (China)

Guangzhou NTN-Yulon Drivetrain Co., Ltd. in China was given a triple-A (AAA) rating for labor-management relations by the government department in charge of labor in Guangzhou City.

The rating recognizes Guangzhou NTN's favorable labor-management system, as well as other social contributions such as tuition fee subsidies to low-income families with children in the neighboring areas.



Tuition fee subsidies to local children



# Great East Japan Earthquake: NTN's Situation and Response

NTN expresses its deepest condolences to all those who suffered from the March 11 Great East Japan Earthquake.

We pray for early recovery for the victims of this tragedy.

## Immediately after the Earthquake

Based on our Risk Management Rules, immediately following the Great East Japan Earthquake, NTN set up a central emergency task force made up of executives and division heads, which led efforts to confirm people's whereabouts, gather information, and conduct emergency support activities.

### Damage Situation

- There were no injuries or deaths among NTN employees and their families.
- Property damage included products falling down at the East Japan Distribution Center and cabinets being overturned at the Tohoku Branch and Ibaraki Sales Branch.

### Aid Supplies

We provided food and daily necessities to employees and their families, customers, and sales agents.

### Support for Customer Recovery

For customers whose production equipment was damaged in the disaster, NTN sent production engineers to customer factories to help get equipment back online.

## Monetary Donations

NTN donated 100 million yen to the Japan Red Cross to aid in the recovery of disaster victims and disaster-stricken areas.

NTN executives and Group employees in Japan and other countries donated a total of 22 million yen.

## Support for Employment

In response to losses of workplaces and homes from the disaster, NTN offered housing and employment support.

Although there has only been a small number of applicants and persons hired so far, we will continue these employment support efforts.

## Managing Disaster Risk

NTN has a risk management system under which we conduct ongoing control based on our Risk Management Rules.

In emergency situations, we promptly implement our emergency management system in several steps:

- ① The Emergency Management Center begins gathering information.
- ② Based on this information, we decide what level the emergency is.
- ③ If necessary, we set up a central emergency task force and begin implementing initial measures. Following the recent Great East Japan Earthquake, we were able to promptly relay and gather information, which helped us quickly assess the extent of damage.

When there is a disaster, we have telephone and Internet information on people's whereabouts, and in June 2005 we introduced a whereabouts confirmation system based on information that people submit on their whereabouts. Several times a year we have drills on registering for this system. During the recent earthquake, this system was used to confirm the whereabouts of employees and their families and to let employees know if they should go to work.

In September 2010, the Iwata Works and other bases held drills that simulated the situation of a major earthquake in Japan's Tokai region. The drill assumed that lifelines had been cut off, that main roads and bridges were unusable, and that 25% of homes in the west of Shizuoka Prefecture had been destroyed. In this situation, employees had drills in evacuation, whereabouts confirmation, communications, fire extinguishing, and water purification for drinking and making rice.

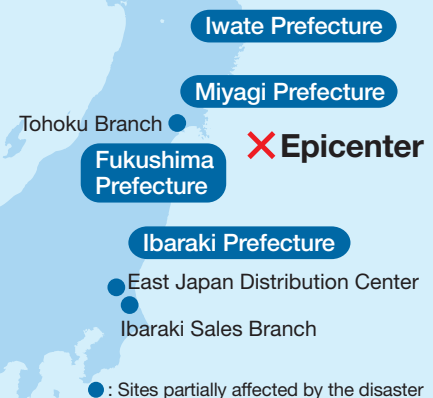
However, the Great East Japan Earthquake made us aware of many things we still need to improve on regarding business recovery and continuation. Accordingly, we will re-examine our existing measures in order to improve our response to disaster risk.

## Electricity Saving Measures

The Ministry of Economy, Trade and Industry put into action restrictions on the use of electricity by major users of power in the service areas of Tokyo Electric Power Company and Tohoku Electric Power Co., Inc.

Although NTN does not have sites in either of these service areas, nuclear power plants run by utilities such as Chubu Electric Power Co., Inc. and Kansai Electric Power Co., Inc. decided to stop operation, so the summer of 2011 saw severe electricity shortages.

In response, NTN cut back on peak summer electricity use and reduced its overall consumption of electricity. Several NTN production and sales sites have already started thorough measures for dealing with customers, and to get cooperation on leveling off electricity demand, for a limited time they are changing their days off to coincide with those of customers (from Saturday to weekdays). We are also conducting electricity saving measures that include cutting back on lighting use, adjusting air conditioning temperatures, and installing inverters on equipment.



## We constantly improve our environmental management through internal audits, education, and training.

### Environmental Policy and Management Rules

#### Improving Our Management System Through Revision of Environmental Management Rules

Based on the NTN Environmental Policy, the purpose of which is to reduce environmental impact and ensure our company's continuous development, we have built an environmental management system centered around the Company-wide Environmental Management Committee.

In January 2011, we revised our Environmental Management Rules to make them and all other NTN rules consistent. During an external ISO audit, it was pointed out that our Environmental Management Manual contained too much paperwork in case of emergency, so we revised it to ensure smooth operations in such emergencies. In line with the revisions mentioned here, all NTN sites revised their relevant regulations and procedures.

#### Environmental Policy

Harmony with the global environment is our most important issue and we will continuously strive to contribute to the harmonious development of society and work to reduce the impact of our corporate activities on the environment.

##### 1. Development and sales of environmentally-friendly products

- NTN will contribute to world-wide energy conservation by developing and providing eco-products using tribological technologies and high precision processing technologies.

##### 2. Reduction of environmental impact

- NTN will work to prevent global warming by improving energy efficiency activities throughout the business process, from procurement of materials and parts, through to manufacture, distribution and sales.
- NTN will strive to reduce waste by paying heed to efficient use of raw materials, and thorough application of the 3Rs (reduce, reuse, recycle).
- NTN will avert environmental pollution by rigorous management of substances having an environmental impact that are used in products or processes, and by active substitution of chemical substances suspected of having harmful effects.

##### 3. Observance of laws and regulations and implementation of thorough environmental management systems

- In addition to observing laws, regulations and ordinances, NTN will actively seek to comply with requests from regional communities and customers by imposing tighter self-determined standards and internal rules, and keeping to them.
- NTN will establish an environmental management organization and operational methods, and will conduct environmental audits to maintain and improve corporate environmental management systems. We will also advance communication with society at large by publishing information about our environmental initiatives.
- NTN will conduct environmental education. NTN will promote improved awareness of this Environmental Policy and environmental protection to all persons working on behalf of the NTN Group.

##### 4. Activities to contribute to society and protect the natural environment

- By actively participating in regional social contribution activities and natural environmental protection activities, NTN will interact with the immediate community, aiming to develop together with the local region.

March 1, 2009  
Person responsible for company-wide environmental controlling  
NTN Corporation

### Environmental Management System

#### Multi-Site Certification\* Helps More NTN Sites, Including R&D Sites, Achieve ISO 14001 Certification

NTN is obtaining ISO 14001 certification in Japan under multi-site certification so that it can build an environmental management system consistent over all sites. As of the fiscal year ended March 31, 2011, 15 sites had been certified under this system and one site had been independently certified. In the fiscal year ended March 31, 2011, 19 of all 22 sites were included in multi-site certification, including NTN Kamiina Corp., NTN Bizen Corp., and Research Institute of Advanced Technologies, which is the first NTN R&D site to be certified. In Japan, NTN Houdatsushimizu Corp., NTN Shika Corp., and NTN Hakui Corp. are scheduled for certification in July 2012. Overseas, NTN NEI Manufacturing India Private LTD. was certified in June 2011 and all of the total of 15 sites have been certified.

Under our environmental management system, our goal is to have future production sites achieve certification within three years of the startup of operations.

\* Multi-site certification: Rather than have each site certified separately, have multiple sites certified simultaneously.

#### Operating sites with ISO 14001 certification

Region	Operating site		Date of certification		Registration	
	Company	Plant	Year	Month	Registration No.	Registration body
Japan	Multi-site certification		1999	11	JSAE176	JSA
	(Operating sites included) Head Office, Kuwana Works, Iwata Works, Okayama Works, Nagano Works, NTN Kongo Corp., NTN Mikumo Corp., NTN Engineering Plastics Corp., NTN Powder Metal Corp., Hikari Seiki Industry Co., Ltd., NTN Casting Corp., NTN Omaezaki Corp., NTN Mie Corp., NTN Fukuroi Corp., NTN Kinan Corp., NTN Kamiina Corp., NTN Bizen Corp., Research Institute of Advanced technologies					
U.S.A	NTN Tado Corp		2005	3	JSAE1058	JSA
	American NTN Bearing Mfg. Corp.	Elgin Plant	2000	6	111994	LRQA
		Schiller Park Plant	2000	9	112115	LRQA
	NTN-Bower Corp.	Macomb Plant	2000	6	111998	LRQA
		Hamilton Plant	2000	6	111999	LRQA
	NTN Driveshaft, Inc.		1999	12	A8478	UL
NTN USA Corp. Head Office		2000	4	0112005	LRQA	
Canada	NTK Precision Axle Corp.		2008	4	4000717	LRQA
	NTN Bearing Corp. of Canada Ltd.		1999	7	287	KPMG
Germany	NTN Kugellagerfabrik (Deutschland) GmbH		1999	6	201167-2	LRQA
France	NTN Transmissions Europe		2003	1	19479	AFAQ
	NTN-SNR ROULEMENTS*		2009	1	0448-4	UTAC
Thailand	NTN Manufacturing (Thailand) Co., Ltd.		2003	3	31634	TÜV
China	Guangzhou NTN-Yulon Drivetrain co., Ltd.		2005	4	104043247	TÜV
	Shanghai NTN Corp.		2005	7	CH05/0489	SGS
India	NTN NEI Manufacturing India Pvt. Ltd.		2011	6	104071903	TÜV

\* Multi-site certification

#### Operating sites expected to be ISO 14001 certified

Region	Operating site	Date of certification	
		Year	Month
Japan	NTN Hakui Corp.	2012	7
	NTN Houdatsushimizu Corp.	2012	7
	NTN Shika Corp.	2012	7

## Performing Environmental Audits

### ISO 14001 External Audits Along With Internal Audits and Cross-Audits

NTN undergoes external audits by ISO 14001 certification institutes, as well as internal audits (once a year) and cross-audits, which are conducted between operating sites. This ensures that the PDCA cycle (plan, do, check, action) is carried out in environmental preservation activities.

The Internal Environmental Audit Manual ensures that audits are conducted effectively by detailing the roles of internal audits and cross-audits, as well as all processes, from planning and implementation of audits to summary reports and improvement measure reports.

In the fiscal year ended March 31, 2011, internal audits were conducted at all sites and cross-audits at nine sites. Results of external audits cited four matters, including issues pertaining to document management. However, the Group was able to maintain its environmental management registration since all corrective measures put forth were deemed effective for preventing any reoccurrence.



ISO external audit

### Training for ISO Internal Auditors

In November 2010, an outside instructor led training at Kuwana Works. The goal of the session was to improve the quality of internal audits and cross-audits and increase the number of internal auditors. The training was attended by 28 employees from 19 sites, including three sites that are scheduled to be included in multi-site certification starting in July 2012. Participants got an overview of ISO 14001, acquired the knowledge needed to be an internal auditor, reviewed case studies that gave them practical techniques in auditing, and learned the most important points in conducting an audit.

Some of the trainees will now be appointed to conduct cross-audits and further improve their skills in carrying out actual audits.

### Action at Overseas Sites: USA

#### Certified for Indiana State Environmental Stewardship Program



NTN Driveshaft, Inc. (NDI), based in Indiana State, has been certified for exemplary environmental performance by qualifying as a member of the Environmental Stewardship Program under the Indiana Department of Environmental Management (IDEM). To become a member, a company must be ISO 14001 certified, continuously plan and implement improvements, and pass an audit by the state authority.

In June 2010, NDI passed this audit and subsequently received an award and banner from the IDEM Commissioner.

NDI has set a goal of three years of continuous environmental improvement, which it will detail in a report to IDEM and other member companies.



NDI receives certification for the Environmental Stewardship Program

## Environmental Education

### Raising Environmental Awareness Through Constant Education and Training

In an effort to increase environmental awareness, NTN provides continuous environmental education for management, new managers, and new employees.

In the fiscal year ended March 31, 2011, employees from Shanghai NTN Corp. joined environmental education that included waste treatment. They also took part in the Kigyo no Mori activities, in which they worked with eagerness and interest as they cleared underbrush, planted trees, fixed a hiking path, and made birdhouses for wild birds.



Trainees from China take environmental education at Iwata Works

NTN also strives to raise environmental awareness at home. Since January 2008, all NTN employees, sales agents, and suppliers have been filling in Household Eco-Account Books provided by NTN. These books allow participants to convert their household energy consumption into CO<sub>2</sub> emissions. In the fiscal year ended March 31, 2011, these were distributed to approximately 2,500 people, with a 32% participation rate.

## Efforts Towards Biodiversity

### Preserving and Repairing the Natural Environment Around Sites

Around NTN sites, employees are working to preserve the natural environment and repair natural forests and locally managed forests.

Activities in Japan include planting mountain cherry trees and other deciduous trees in the NTN Komorebi no Mori at the Kuwana Works, building birdhouses at the Iwata Works, and cleaning up the habitat of fireflies at the Research Institute of Advanced Technologies.



Kuwana Works Event in the NTN Komorebi no Mori

At NTN Kugellagerfabrik (Deutschland) GmbH in Germany, employees donate cardboard boxes to a facility for the protection of hedgehogs so that homes can be built for the animals in winter.



Iwata Works Putting up birdhouses



Donating cardboard boxes to make homes for hedgehogs

### A Word From an Employee

#### Heike Schott

Manager, Quality Assurance  
NTN Kugellagerfabrik (Deutschland) GmbH



You can often see hedgehogs in forests in Germany. Today, however, this animal has been designated as being under threat in nine of Germany's 16 states. I believe that donating used packaging material to hedgehog shelters is very important for the protection of these animals.

## Environmental Accounting

### Improving Cost Effectiveness as Production Volume Rises

In the fiscal year ended March 31, 2005, the NTN Group introduced environmental accounting as a quantitative tool for evaluating environmental preservation measures by group companies and other entities.

Environmental preservation costs in the fiscal year ended March 31, 2011 consisted of 1,226 million yen in environment-related equipment, up approximately 66% from the previous year, and related costs of 2,461 million yen, up approximately 23%. These increases

were due to the introduction of energy-conserving equipment such as lighting and compressors, as well as higher costs for pollution prevention, which included maintenance of wastewater treatment equipment. The economic benefit was also up, by approximately 70% over the previous year, to 821 million yen.

CO<sub>2</sub> emissions were 290,000 tons, up approximately 16% (40,000 tons). However, this is far less than the approximately 39% increase in production volume. The recycle rate was about the same as the previous year, thanks to efforts to lessen waste despite a higher production volume. The amount of paper and styrofoam that we purchased also dropped to near previous-year levels.

### Environmental preservation costs

At operating site in Japan (Millions of yen/year)

Classification	Equipment investment		Amount	
	Costs	Details	Costs	Details
Work areas Internal costs	145	Environmental equipment (dust collectors, particulate smoke removal devices, and wastewater treatment equipment)	122	Inspection and management of environmental equipment (dust collectors and wastewater treatment equipment)
	508	Energy-conserving equipment (compressors, lighting, air conditioning, etc.), switch to alternative fuels, etc.	143	Costs of switching to energy-saving equipment, from halon fire extinguishers to CO <sub>2</sub> extinguishers, etc.
	0		582	Cost of recycling and waste reduction measures, cost of processing regular and industrial waste
Upstream / downstream costs	0		2	Analysis related to green procurement
Costs of management activities	0		336	Labor costs related to the EMS and information disclosure (advertising and NTN reports) and the greening and beautification of company grounds
R&D costs	613	R&D equipment related to environmental preservation	1,116	R&D costs related to environmental preservation
Costs of social activities	0		151	Greening and beautification outside the company
Environmental remediation expenses	0		9	Cost of soil sampling
<b>Total</b>	<b>1,266</b>		<b>2,461</b>	
(For reference) Total from previous fiscal year	761		2,001	
				<b>Grand total</b>
				3,727
				2,762

### Impact on environmental preservation

Indicator	Fiscal year ended March 31, 2011 results	Previous fiscal year
Total CO <sub>2</sub> emissions	290,000 tons	250,000 tons
Reduction of waste	Recycle rate 99.7%	99.9%
Reduction in styrofoam purchases	Against the fiscal year ended March 31, 2000 (99.1%)	(98.7%)

### Financial effect of environmental preservation activities

(Millions of yen/year)

Item	Amount	Details
Global environment preservation expenses, effects	58	Energy-conserving effects, etc. of air conditioning, compressors, and lighting
Resource recycling expenses, effects	763	Profit from saleable materials such as metallic sludge
<b>Total</b>	<b>821</b>	
(For reference) Total from previous fiscal year	484	

## Environmental Communication

### In Japan NTN introduces Its Activities in Local Communities

NTN sites are working closely with local communities in preserving the environment.

NTN Kongo Corp. had a booth at the Kawachi Nagano Environmental Forum in November 2010 where it introduced what NTN is doing to help create a recycling society.

NTN Kamiina Corp. holds regular drills so that it can properly deal with any emergency that occurs on its premises that may affect the surrounding environment.



NTN Kongo Corp. takes part in an environmental forum



NTN Kamiina Corp. An emergency training



### Overseas Cleaning Up Around NTN Sites

In August 2010, all employees of NTN NEI Manufacturing India (NMI) held a cleanup of the area around the site.

In December 2010, employees of NTN Manufacturing Thailand (NMT) took part in a volunteer cleanup of a park in the district of Si Racha, Chonburi Province. The Japanese staff of NMT live in this district.



Employees of NMI clean up around the company site

### A Word From an Employee

#### Rajeev Sharma

NTN NEI Manufacturing India  
HR Manager



In India, people do not normally pick up litter they see on the street. But when approximately 30 of our employees embarked on a cleanup of litter on the streets around the NTN NEI site, I think everyone realized that this could be the start of a very important custom.

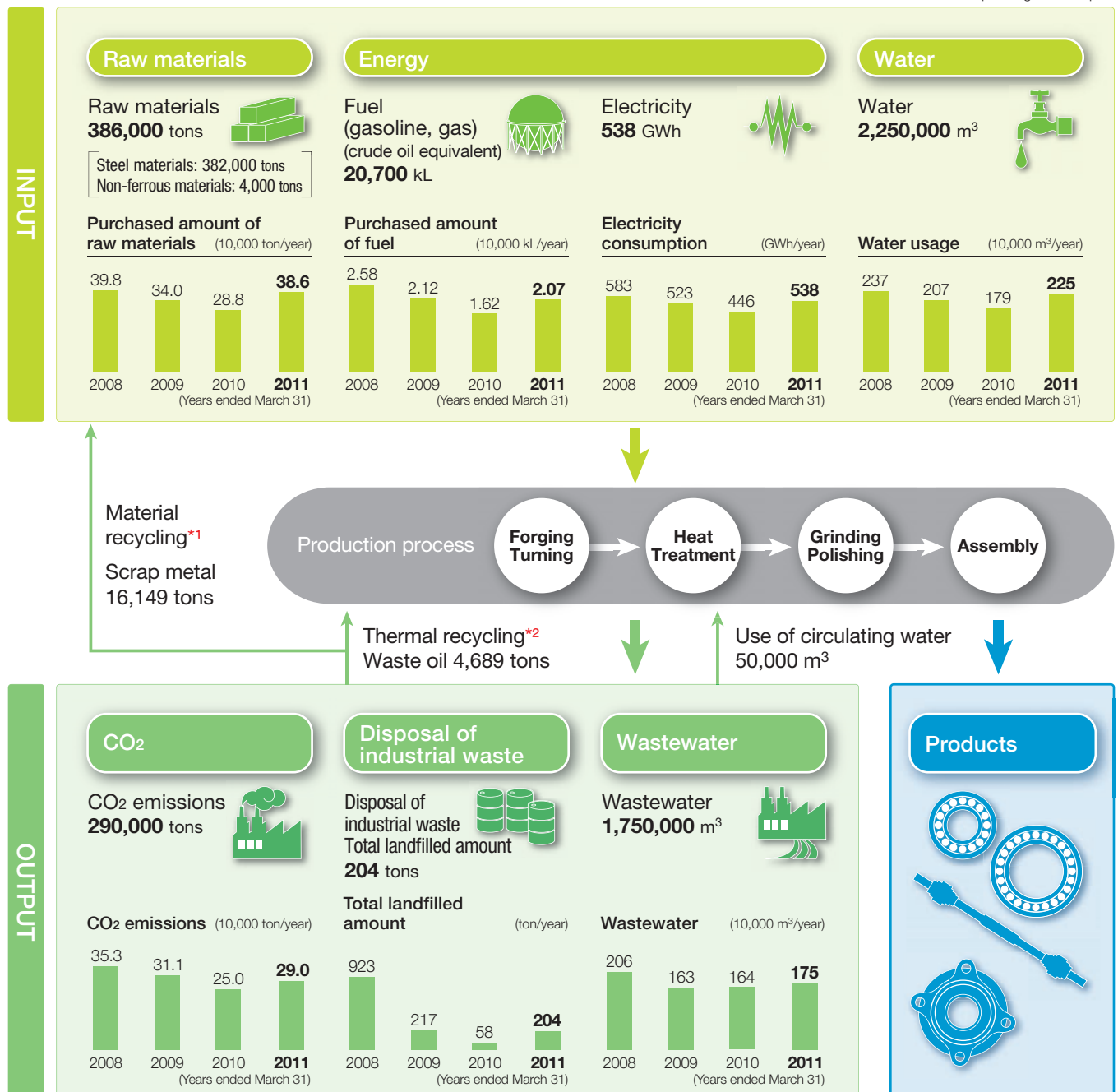
## Environmental Impact of Business Activities

### Reducing the Environmental Impact over a Product's Entire Lifecycle

The NTN Group strives to reduce the environmental impact over the entire lifecycle of our products. To this end, we strive to understand the amount of raw materials, energy, and water we use (the input) and the products, CO<sub>2</sub>, waste, and wastewater (the output) that are generated. We then do everything we can to reduce our impact on the environment.

In the fiscal year ended March 31, 2011, our production volume increased significantly, resulting in raw material input (steel and non-ferrous material) increasing by 34% over the previous fiscal year to 386,000 tons. Our use of energy and water also increased accordingly. The amount of industrial waste that was landfilled was also up significantly. CO<sub>2</sub> emissions, however, were kept to just 290,000 tons, an approximate 16% increase. We managed this through higher productivity and large-scale energy-conserving improvements at plants, and through daily energy-conserving efforts by all employees.

At operating site in Japan



\*1 Material recycling: To recycle for use as a raw material \*2 Thermal recycling: To recycle for use as fuel

**We are working towards achieving targets of environment covering three areas: Environmental Preservation, Creation of a Recycling Society, and Maintenance and Improvement of the Environmental Management System.**

## Environmental Targets and Results, Medium-Term Targets

### NTN Must Reduce CO<sub>2</sub> Emissions Overseas

NTN strives to achieve the annual targets for a three-year environmental target, formulated in the fiscal year ended March 31, 2010, that covers three areas: preservation of the global environment, creation of a recycling society, and maintenance and improvement of the environmental management system.

For the fiscal year ended March 31, 2011, the final year of the current plan, key items are reduction of CO<sub>2</sub> emissions, participation in local environmental activities, and promotion of green procurement. We achieved targets for total CO<sub>2</sub> emissions in Japan as well as CO<sub>2</sub> emissions rate\*<sup>1</sup>. Overseas, however, we were unable to achieve our target for CO<sub>2</sub> emissions rate.

In the area of reducing waste materials, we exceeded our recycle rate target in Japan but were below our target for overseas.

For green procurement, revisions to our Green Procurement Standard necessitated more paperwork, and we failed to achieve our target for receiving paperwork from our key suppliers.

In order to succeed where we fell short of our targets, in the fiscal year ending March 31, 2012 we are starting a new three-year medium-term management plan (see page 46 for details). Under this plan we will focus on reducing total CO<sub>2</sub> emissions in Japan and overseas, prepare for certification of ISO 50001\*<sup>2</sup>, and reduce our use of paper and water in order to save resources.

\*<sup>1</sup> CO<sub>2</sub> emissions rate = CO<sub>2</sub> emissions/added-value production output

\*<sup>2</sup> ISO 50001: An international standard for an energy management system, which specifies systems and processes for improving energy performance.

### Results of environmental management activities in the fiscal year ended March 31, 2011 (Bold text shows key items)

Purpose		Targets for the fiscal year ended March 31, 2011	Results for the fiscal year ended March 31, 2011	Evaluation	
Preservation of the global environment	Reduce CO <sub>2</sub> emissions	Domestic	Achieve total CO <sub>2</sub> emissions of 290,000 tons/year or less (Target emissions coefficient for power suppliers) Achieve an 18% (1.46) improvement in CO <sub>2</sub> emissions rate over the fiscal year ended March 31, 1998	Achieved total CO <sub>2</sub> emissions of 290,000 tons/year or less (Target emissions coefficient for power suppliers) Achieved a 18% (1.45) improvement in CO <sub>2</sub> emissions rate over the fiscal year ended March 31, 1998	😊
		Overseas	Achieve a 10% improvement in CO <sub>2</sub> emissions rate over the fiscal year ended March 31, 2007	Achieved a 6% improvement in CO <sub>2</sub> emissions rate over the fiscal year ended March 31, 2007	😞
	Reduce air, water, and ground pollution	Domestic	Completely phase out halon fire extinguishers by fiscal year-end Reduce the use of substances designated by PRTR Law* by 45% over the fiscal year ended March 31, 2007	Completely phased out halon fire extinguishers Reduced the use of substances designated by PRTR Law by 42% over the fiscal year ended March 31, 2007	😊 😞
		Domestic	Promote local greening activities Propose a plan for <i>Kigyō no Mori</i> activities in the Kuwana district	Conducting local greening activities in Iwata, Okayama, and Nagano. Started <i>Kigyō no Mori</i> activities in the Kuwana district	😊
Creating a recycling society	Reduce waste materials	Domestic	Work toward achieving zero emissions with a recycle rate of 99.7% Reduce landfill waste to 10 tons/month or less	Worked toward achieving zero emissions and achieved a recycle rate of 99.7% Reduced landfill waste to 17 tons/month	😊 😞
		Overseas	Achieve zero emissions with a recycle rate of 98%	Achieved zero emissions and achieved a recycle rate of 94.6%	😞
	Preserve resources	Domestic	Reduce paper consumption by 48% over the fiscal year ended March 31, 1999 Reduce Styrofoam usage by 98.8% over the fiscal year ended March 31, 2000	Reduced paper consumption by 40% over the fiscal year ended March 31, 1999 Reduced Styrofoam usage by 99% over the fiscal year ended March 31, 2000	😞 😊
		Domestic	Build a system that will allow all worldwide bases to achieve ISO 14001 certification (Houdatsushimizu Corp., Hakui Corp., Shika Corp., NNMI)	Activities underway for certification of NNMI in June 2011, and Houdatsushimizu Corp., Hakui Corp., and Shika Corp. in July 2012	😊
Maintaining and improving the environmental management system	Promote green procurement	Domestic	Receive green procurement paperwork from key suppliers	Because the revised version was distributed in February, some key suppliers have not yet submitted green procurement paperwork	😞
		Domestic	Formulate and implement plan to substitute phthalate esters	Audits of environmentally hazardous substances completed at all sites	😊
		Domestic	Conduct audits for environmentally hazardous substances at all sites	Substitute decided on for phthalate esters	😊
		Domestic	Conducted ongoing incoming inspections	Incoming inspections being carried out	😊
		Domestic	Zero complaints of environmentally hazardous substances	Zero complaints of environmentally hazardous substances	😊
	Domestic	Encourage suppliers and vendors to implement environmental management systems	Support key suppliers in obtaining certification such as ISO 14001, achieving 95% certification or more	Supported key suppliers in obtaining certification such as ISO 14001, achieving 95.2% certification	😊
Domestic	Comply with new regulations	Understand amount used of substances designated by amended PRTR Law Conform to the amended Soil Contamination Countermeasures Act	Understand amount used of substances designated by amended PRTR Law and set targets for next fiscal term and beyond	😊	

\* PRTR Law: Pollutant Release and Transfer Register (Japanese law)

😊 Achieved 😞 Not achieved

## Under a New Environmental Target, Focus on Targets for and Environmental Management of Rates for Waste, Paper Purchased, and Water Used

April 2011 marked the start of our “Global Advance 2013” medium-term management plan (lasting until the fiscal year ending March 31, 2014; see page 8-11 for details). In parallel with this plan is our three-year environmental target, which clarifies our continuing targets in the three areas of preservation of the global environment, creation of a recycling society, and maintenance and improvement of the environmental management system.

Under this medium-term target, we have set targets for the rates in three new areas (waste generated, weight of paper purchased, and amount of water used) per added-value production output, and we aim to achieve these targets by the fiscal year ending March 31, 2014. To boost our environmental management system, we have set

targets of having all worldwide sites that were operational as of the fiscal year ended March 31, 2011 certified for ISO 14001 by the fiscal year ending March 31, 2014, and having designated energy management factories\* in Japan certified for ISO 50001 by the fiscal year ending March 31, 2014. We are also planning to prepare overseas plants for certification.

One of our top priorities is to reduce total CO<sub>2</sub> emissions (by the fiscal year ending March 31, 2014) at overseas companies, and we are monitoring progress in this respect and plan to set target values in the fiscal year ending March 31, 2012.

\* Designated energy management factories: Designated under Japan's Law Concerning the Rational Use of Energy, there are two types: type 1 and type 2. Type 1 are those that consume large amounts of energy (the total consumption of fuel and electricity is 3,000 kL or more per year in crude oil equivalents), while type 2 are smaller (those that consume at least 1,500 kL but less than 3,000 kL per year in crude oil equivalents).

### Company-wide environmental targets for the fiscal year ending March 31, 2012 and the fiscal year ending March 31, 2014

Purpose		Targets for the fiscal year ending March 31, 2012		Targets for the fiscal year ending March 31, 2014	
Preservation of the global environment	Reduce CO <sub>2</sub> emissions	Domestic	Achieve total CO <sub>2</sub> emissions of 283,000 tons/year or less (Target emissions coefficient for power suppliers) Achieve a 20% improvement in CO <sub>2</sub> emissions rate over the fiscal year ended March 31, 1998 (emissions coefficient: 0.381)	Achieve total CO <sub>2</sub> emissions of 269,000 tons/year or less (Target emissions coefficient for power suppliers) Achieve a 25% improvement in CO <sub>2</sub> emissions rate over the fiscal year ended March 31, 1998 (emissions coefficient: 0.381)	
		Overseas	Achieve total CO <sub>2</sub> emissions of 260,000 tons/year or less Achieve a 5% improvement in CO <sub>2</sub> emissions rate over the fiscal year ended March 31, 2007	Achieve a 10% improvement in CO <sub>2</sub> emissions rate over the fiscal year ended March 31, 2007 Note: The total CO <sub>2</sub> emissions target will be decided in the fiscal year ending March 31, 2012	
	Reduce air, water, and ground pollution	Domestic	Reduce the use of substances designated by PRTR Law Achieve a 48% reduction in substances designated under the old law over the fiscal year ended March 31, 2007 Achieve a 1% reduction in substances designated under the new law over the fiscal year ended March 31, 2011	Reduce the use of substances designated by PRTR Law Achieve a 50% reduction in substances designated under the old law over the fiscal year ended March 31, 2007 Achieve a 3% reduction in substances designated under the new law over the fiscal year ended March 31, 2011	
		Domestic	Propose a plan for greening activities in the Kansai district Propose a plan for environmental preservation activities in the Hokuriku district	Conduct ongoing environmental preservation activities such as greening activities	
Creating a recycling society	Reduce waste materials	Domestic	Work toward achieving zero emissions with a recycle rate of 99.8% <b>Reduce waste generation rate by 1% over the fiscal year ended March 31, 2011</b>	Work toward achieving zero emissions with a recycle rate of 99.8% (continuation) <b>Reduce waste generation rate by 3% over the fiscal year ended March 31, 2011</b>	
		Overseas	Work toward achieving zero emissions with a recycle rate of 97%	Work toward achieving zero emissions with a recycle rate of 99%	
	Preserve resources	Domestic	<b>Reduce paper consumption by 1% over the fiscal year ended March 31, 2011</b> <b>Reduce water usage rate by 1% over the fiscal year ended March 31, 2011</b> Reduced Styrofoam usage by 99% over the fiscal year ended March 31, 2000 (maintenance)	<b>Reduce paper consumption by 3% over the fiscal year ended March 31, 2011</b> <b>Reduce water usage rate by 5% over the fiscal year ended March 31, 2011</b> Reduced Styrofoam usage by 99% over the fiscal year ended March 31, 2000 (continuation)	
		Overseas			
Maintaining and improving the environmental management system	ISO 14001 certification	Domestic Overseas	Certification of new sites Certification overseas (NNMI) Support for certification in Japan (Houdatsushimizu Corp., Hakui Corp., Shika Corp.)	Certification of all worldwide sites operation as of the fiscal year ended March 31, 2011 Certification of new production sites within three years of startup of operations	
	ISO 50001 certification	Domestic Overseas	Prepare a system for certification in Japan	Certification for designated energy management factories in Japan Prepare a system for certification overseas	
	Strictly abide by regulations, in-house standards, and environment-related rules	Domestic	Confirm management of poisonous materials (conduct inspection once a month)	Continue implementing the items on the left and add new items	
	Promote green procurement	Domestic	Receive green procurement paperwork from key suppliers Formulate and promote plan for alternatives to phthalate esters Conduct audits for environmentally hazardous substances at all sites Conduct ongoing incoming analysis of environmentally hazardous substances Zero complaints of environmentally hazardous substances	Continue implementing the items on the left and add new items	
		Overseas	Distribute the Green Procurement Standard to overseas suppliers	Establish a green procurement system for overseas suppliers	
	Encourage suppliers and vendors to implement environmental management systems	Domestic Overseas	Certify the environmental management systems of key suppliers 95% or more certified	Certify the environmental management systems of key suppliers 95% or more certified (continuation)	
Comply with new regulations	Domestic Overseas	Comply with the revised Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc. Comply with REACH, CLP, and China RoHS	Respond appropriately whenever there are revisions		

## NTN is working in a number of ways to achieve its targets for CO<sub>2</sub> emissions reductions in the fiscal year ending March 31, 2012.

### Energy-Conserving Efforts in Plants

#### Annual CO<sub>2</sub> Reductions of 500 Tons at NTN Mie Corp.

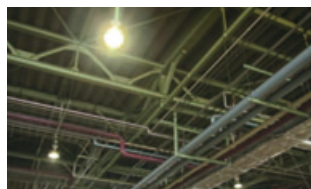
NTN Mie Corp. is working in two areas: use only as much energy as is needed when it's needed; and reduce CO<sub>2</sub> emissions.

In the fiscal year ended March 31, 2011, we revised how we use resources like fuel, heat, and electricity, and we made it easy to see how much energy is being used by equipment with high CO<sub>2</sub> emissions. We also hired outside consultants to diagnose the company, and subsequently converted medium and large motors and pumps to inverter types, and improved the combustion efficiency of the heat treatment furnace. The result was an approximate 500-ton annual decrease in CO<sub>2</sub> emissions.

For the fiscal year ended March 31, 2012, we plan to achieve CO<sub>2</sub> reductions of approximately 600 tons by introducing inverter-type compressors and improving the pneumatic system.



Cooling water pump converted to inverter type



70 lights converted to high-efficiency lamps

### A Word From an Employee

#### Yuichiro Sugihara

Energy Manager  
Production Technology Group Mono-zukuri Center  
NTN Mie Corp.



Our company is still barely seven years old, plant equipment is new, and energy efficiency is high. Despite this, we are not satisfied and all employees are searching for every way possible to further reduce CO<sub>2</sub> emissions.

### Action at Overseas Sites: France

#### NTN-SNR in Major Equipment Overhaul

At NTN-SNR Roulements (NTN-SNR), equipment like compressors and dryers for the air production processes used to consume about 15% of total electricity, or 6 million kWh a year. To remedy this problem, when the company did a plant audit in the fiscal year ended March 31, 2009, it undertook a major project to overhaul equipment.

Between June and December 2010, it installed three new screw compressors. In August 2011, it installed a fourth screw compressor, this one a variable-speed type, as well as two dryers that run on gas with minimal greenhouse effect. Further, in August 2012, NTN-SNR plans to connect a heat exchanger to the heating system so that it can heat the plant without having to use the gas boiler.

These efforts are expected to result in electricity consumption during air production that is less than one-third of the levels for fiscal year ended March 31, 2010.



Screw compressor at NTN-SNR

### To Achieve CO<sub>2</sub> Emission Reduction Targets

#### In Japan 10% Reduction in Total Emissions Over the Fiscal Year Ended March 31, 2008

In February 2008, we set a target of an upper limit of 317,000 tons of CO<sub>2</sub> emissions (10% less than the fiscal year ended March 31, 2008) from all sites in Japan. We went on to set an even stricter target, and in the fiscal year ended March 31, 2011, our CO<sub>2</sub> emissions were 290,000 tons (18% less than the fiscal year ended March 31, 2008).

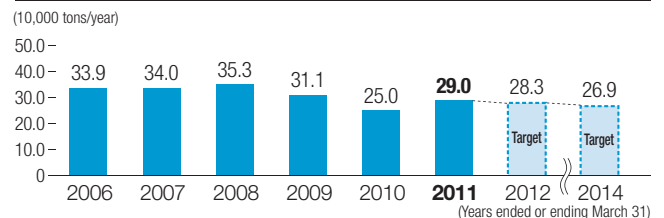
We have set further targets for continuous CO<sub>2</sub> emissions reductions: 283,000 tons in the fiscal year ending March 31, 2012 and 269,000 tons in the fiscal year ending March 31, 2014 (±0% compared to the fiscal year ended March 31, 1991).

#### Overseas 10% Reduction in CO<sub>2</sub> Emission Rate Over the Fiscal Year Ended March 31, 2007

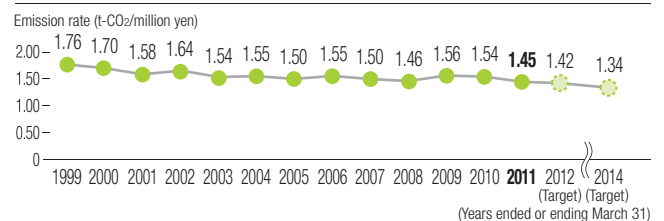
We set a target of a 10% reduction in the CO<sub>2</sub> emission rate for all overseas sites in the fiscal year ended March 31, 2011; the actual reduction was 6%, short of our target.

For the fiscal year ending March 31, 2012, we expect an increase in production volume and so have set a reduction target of 5% over the fiscal year ended March 31, 2007. For the fiscal year ending March 31, 2014, however, we have put our reduction target back up to 10%.

#### Total CO<sub>2</sub> emissions (sites in Japan)



#### CO<sub>2</sub> emission rate (sites in Japan)



### NTN Takes Part in Lights Off Campaign to Reduce CO<sub>2</sub> Emissions

NTN has been participating in the Ministry of the Environment's CO<sub>2</sub> Reduction/Light-Down Campaign since the fiscal year ended March 31, 2009 to contribute to reducing CO<sub>2</sub> emissions and to raise employee awareness of energy conservation.

In the fiscal year ended March 31, 2011, on the summer solstice (June 21) and Tanabata (July 7), the NTN Head Office, plants, branches, sales offices, distribution centers, and affiliates turned off their neon signs and office lights from 8 p.m. until the next morning. The electricity saved by this effort is the equivalent of approximately 900 kg of CO<sub>2</sub>.



## Striving to Utilize Natural Energy

### Increasing Use of Wind and Solar Power

As part of efforts to lower its CO<sub>2</sub> emissions, NTN actively utilizes generated power from wind, solar and other renewable forms of energy.

At NTN Houdatsushimizu Corp., where our largest wind power facilities are located, the wind power generator installed there generates enough power to run air conditioning and lighting. At the Research Institute of Advanced Technologies, the electricity from the solar power generator and wind turbine installed during construction of new laboratories is used to charge the company electric vehicles.

In the fiscal year ending March 31, 2012, we plan to install wind power generators at Iwata Works and NTN Fukuroi, as well as a solar power generator at NTN Mie Corp.



Wind power generator  
(NTN Houdatsushimizu Corporation)

## Striving to Utilize Green Power

### Green Power for Printing and Binding of the NTN Report

In addition to the development, construction, and operation of wind power facilities, Japan Wind Development Co., Ltd., an NTN customer, sells renewable energy certificates. These certificates serve as guarantees of environmental added value of reductions in CO<sub>2</sub> enabled by renewable energy, and they can be traded (sold) for this value.

We purchased renewable energy certificates for the green power required to cover the electricity for the printing and binding of the NTN Report 2009. Green power is also being used for the NTN Report 2010.

## Striving to Reduce Environmental Impact from Distribution

### Reducing Environmental Impact by Modal Shift and Improving Packaging

NTN is working to reduce CO<sub>2</sub> emissions and costs by switching from trucks to rail shipment.

In October 2011, we plan to shift deliveries between Okayama Works and the Kanto Distribution Center (Kanagawa Prefecture) from truck to rail. We estimate this will reduce annual CO<sub>2</sub> emissions by 63.29 tons and annual crude oil use by 68.1 kiloliters.

At the Kuwana Export Distribution Center, we are loading the containers carried by trucks bound for Nagoya Port (Aichi Prefecture) with three palettes instead of two to improve load efficiency and thus reduce the number of containers being transported. We estimate this will reduce annual CO<sub>2</sub> emissions by 2.75 tons and annual crude oil use by 1.04 kiloliters.

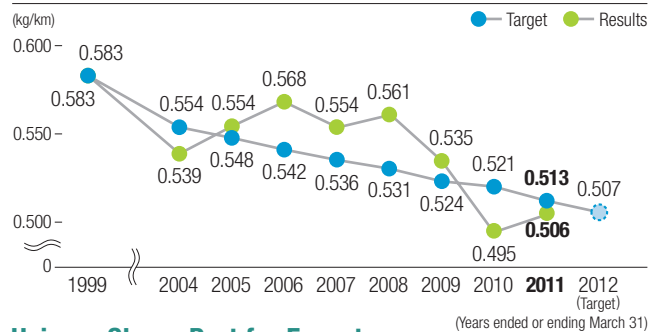
And with the goal of further reducing environmental impact and cost and improving packaging quality, we are introducing eco-bands, developed in-house by NTN and which prevent polyurethane cases stacked on palettes from being crushed during delivery. We have completed load testing, and we are working with plants and customers to decide when to carry out actual delivery tests with the aim of introducing these eco-bands as early as possible.

Conventional bands used to prevent goods from being crushed during delivery are made of polypropylene and must be thrown away after just one use. These newly developed eco-bands, however, are made of polyester, which is resistant to friction, and they are attached using Velcro, so they can be used over and over. And they contribute to less waste from customers and thus lower distribution costs.



Load testing of eco-bands

### CO<sub>2</sub> emissions from truck transport



### Using a Closer Port for Export

To reduce CO<sub>2</sub> emissions resulting from truck deliveries from the Kuwana Export Distribution Center, in the fiscal year ended March 31, 2009 we changed the port where our products leave Japan from Nagoya Port (Aichi Prefecture) to Yokkaichi Port (Mie Prefecture). This shortened the delivery distance from 20 km to 12 km. This effort was certified under the Yokkaichi Port Green Logistics Promotion Assistance Program, which subsidizes companies for their rate of CO<sub>2</sub> emissions reductions.

For NTN's product shipments to other parts of Asia, although there were the equivalent of 273 more 20-foot containers shipped (total of 740 containers) in the fiscal year ended March 31, 2011 compared to the previous year, CO<sub>2</sub> emissions dropped by 9.73 tons. In the fiscal year ending March 31, 2012, we will gradually switch to using Yokkaichi Port for export shipments to Europe as well.

### Introducing Forklifts with Emission Credits

NTN Mie Corp. is switching to using forklifts with high fuel efficiency, as well as forklifts for which the forklift leasing company is offering CO<sub>2</sub> emission credits. Under this service, the forklift leasing company takes the CO<sub>2</sub> emission credits it holds and gives 1 ton of them annually with each forklift leased.

Although companies must do everything possible to reduce CO<sub>2</sub> emissions on their own, it is also important to make use of services like this.

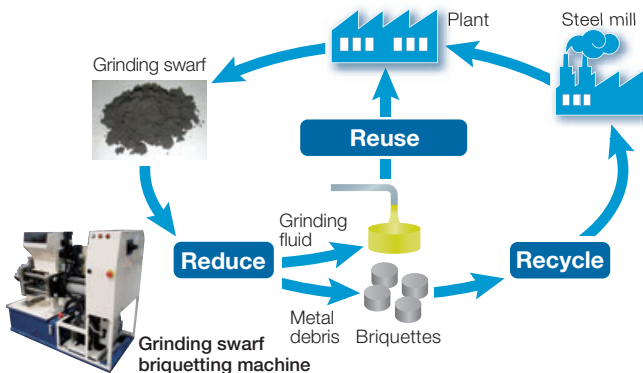
## To contribute to the realization of a recycling society, we develop recycling devices and reduce waste.

### Grinding Swarf Briquetting Machine

#### Development of Ultra-Compact Machine


NTN developed a grinding swarf briquetting machine that requires just 40% of the installation space of conventional machines.

This machine makes it easy to take metal debris, which remains after grinding fluid is separated from the swarf generated during the grinding process, and make it into briquettes that can be used again. NTN previously made machines with treatment capacities of 20 or 30 tons a month, but in response to the need to meet smaller scale needs, we developed this machine, which has a capacity of five tons a month. This machine is also capable of automatically adjusting the force and speed of the exerted pressure, depending on the amount of water in the grinding swarf.



**A Word From an Employee**

**Akira Nishiyama**  
 Chief  
 Equipment Development Dept.  
 Production Engineering R&D Center  
 NTN Corporation



In developing the grinding swarf briquetting machine, we focused on making something that is environmentally and user friendly by totally revamping the design and construction and giving it a simple interface. Our efforts allowed us to make a machine that customers are truly satisfied with.

### Zero Emissions

#### Improve the Resource Recycling Rate at Worldwide Production Sites

NTN defines zero emissions as landfill waste constituting 0.5% or less of total waste generated and we work towards this by raising the recycling ratio.

In the fiscal year ended March 31, 2011, NTN Mie Corp. took waste it had previously been sending to landfills, such as plastic waste and compound waste, to a contractor that carries out non-toxic incineration to have the waste pulverized for recycling. This helped raise the recycling rate from 96.7% to 99.9%. NTN Mie Corp. achieved a 100% recycling rate in January 2011, which it has maintained since.

Overseas, Shanghai NTN Corp. installed four grinding swarf

briquetting machines when it expanded its plant. This allows grinding fluid to be recycled and it is estimated that this will save approximately 10 million yen in the cost of new grinding fluid.

#### Looking Into Company-Wide Electronic Manifest

When companies dispose of industrial waste, they must get proof from the waste treatment company that the waste has been properly disposed of (a control manifest for industrial waste), and this document must be stored for five years. However, paper manifests are cumbersome and can contain errors or get lost; in fact, NTN has been cited for such problems during internal audits.

To solve this problem, NTN is considering using an electronic manifest system. Some sites are already doing so, and we are examining the benefits as we look to adopt this system company-wide.

#### All NTN Sites Observe Industrial Waste Treatment Companies

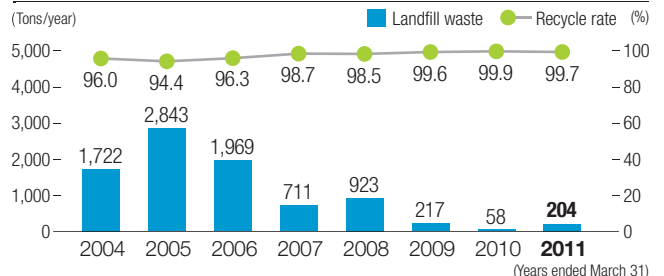
In the fiscal year ended March 31, 2011, all NTN Group sites observed operations at their industrial waste contractors during June, which is environmental month at NTN. At the Nagano Works, a waste treatment company checklist created by the National Federation of Industrial Waste Management Associations was used when visiting the waste treatment company to check operations, compliance with subcontractor standards, verify the state of the site and processes, and overall ensure there are no problems in waste processing.

Under Japan's Revised Waste Management Law, which went into effect in April 2011, companies must confirm that their waste is being properly disposed of. Accordingly, NTN will step up efforts and regularly observe the state of its waste disposal.



Processing wood debris

#### Recycle rate and Landfill waste



### Management of Pollutants

#### Completed Switch to Halon-Free Fire Extinguishers

Halon fire extinguishers used at electric-related facilities contain CFCs that deplete the Earth's ozone layer.

In the fiscal year ended March 31, 1999, NTN formulated a plan to totally phase out halon fire extinguishers and we worked towards doing so by the fiscal year ended March 31, 2011. We have achieved this target, with all halon fire extinguishers removed as of the fiscal year ended March 31, 2011.

## We abide by laws and regulations in properly managing restricted substances in products and processes throughout the entire supply chain.

### Compliance with the EU REACH and Other Regulations

#### All-Encompassing Survey of Substances of Very High Concern

The EU REACH\*1 regulation designates substances that must be controlled as substances of very high concern (SVHC), of which there are currently 57. To comply with REACH, NTN conducts ongoing surveys of the substances contained in the raw materials, parts, and indirect materials that it procures. In the fiscal year ended March 31, 2011, we conducted an all-encompassing survey at major suppliers in Japan and overseas. And to comply with CLP\*2, which obligates labeling of chemicals, NTN notified the regulatory authorities regarding the fats and oils it uses, and it provided the necessary information to customers as well.

Although some of our products use rubber parts that contain phthalate ester, which is a SVHC, we plan to completely phase this out by March 2013.

\*1 REACH: Registration, Evaluation, Authorization and Restriction of Chemicals  
\*2 CLP: Classification, Labelling and Packaging

### Reducing Substances Designated by the PRTR Law

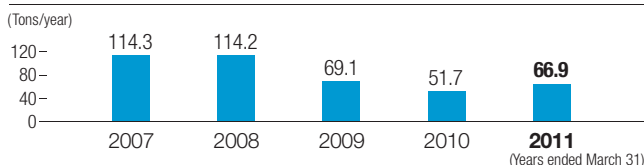
#### Target of 48% Reduction Over the Fiscal Year Ended March 31, 2007

NTN is reducing the amount of substances designated under the PRTR Law (Pollutant Release and Transfer Register) that it handles.

Although our target for the fiscal year ended March 31, 2011 was a 45% reduction in these substances over the fiscal year ended March 31, 2007, we were not able to achieve it because some of our sites could not totally eliminate the 2-amino ethanol contained in grinding fluid. In the fiscal year ended March 31, 2012, we will eliminate all use of this substance and have set a target of a 48% reduction over the fiscal year ended March 31, 2007.

The PRTR Law was revised in November 2008 and as of the fiscal year ended March 31, 2011 there are more designated substances. One of these is N,N-Dicyclohexylamine, which we are striving to reduce the use of.

#### Usage of substances designated by the PRTR Law



### Compliance with Revised Chemical Substances Law

#### NTN Surveys Relevant Substances and Completes Notification

In May 2009, there were revisions to Japan's Law Concerning the Examination and Regulation of Manufacture, etc. of Chemical Substances. As of April 1, 2011, companies are obligated to notify Japan's Ministry of Economy, Trade and Industry if they are importing or manufacturing at least 1 ton/year of chemicals.

To comply with the revised law, NTN surveyed the amount of chemical substances contained in the pharmaceuticals (lubricants such as grease, resin, etc.) that it imports. In June 2011, we completed the proper notification process.

### Green Procurement

#### Revision of the Green Procurement Standard with the Goal of Thorough Control of Environmentally Hazardous Substances

Under NTN's Green Procurement Standard, we work with the suppliers who provide us with raw materials, parts, and indirect materials to preserve the environment and improve environmental performance.

In the fiscal year ended March 31, 2011, we revised this document with the goal of achieving even more thorough control of environmentally hazardous substances. We also created the Green Procurement Operation Manual and simultaneously revised our technical standards so as to graphically display the prohibition of regulated substances, and distributed and explained this to suppliers.

In June 2010, the Kuwana Works was honored by Fuji Xerox Co., Ltd. for years of providing green procurement products with designation as a permanent environmental partner.

#### Cooperation in Customer Survey of Environmentally Hazardous Substances

Canon Inc. is aiming for certification under Germany's Blue Angel environmental labeling system. To this end, the company forbid the use of specified halon-based compounds in plastic molded products. NTN underwent a survey in March 2010 and there were no issues found with NTN's raw materials and parts.

Canon Inc. has asked NTN to cooperate in a survey of both parts and raw material every two years from now on. NTN will continue to work with Canon in thorough efforts to control environmentally hazardous substances.



Environmentally hazardous substance audit

#### Training for Hazardous Substances Auditors

NTN Group companies conduct hazardous substance audits at suppliers (particularly environmentally hazardous substances). These are conducted by auditors who have completed training to become hazardous substance auditors.

In the fiscal year ended March 31, 2011, hazardous substance auditor training was held for internal auditors at the Head Office and three sites. Company-wide there are currently about 100 employees certified as hazardous substance auditors and we will continue training more people to become auditors.

#### A Word from a Customer

**NTN Certified as an Environmental Partner Requiring No Further Surveys**

#### Kiyoshi Iwasaki

Environmental & Product Safety Division,  
Quality Assurance Group Fuji Xerox Co., Ltd.



NTN is excellent at in-house clarification of how and which environmentally hazardous substances it must control. We conducted two surveys of NTN's raw materials and parts and found no problems. Because of this and the company's maintenance and improvement of its management system, we have certified NTN as an environmental partner requiring no further surveys. I hope that NTN will continue to set an example for other companies with its environmentally hazardous substance control.

## We continue to work on prompt decision-making and business execution and strong management oversight functions.

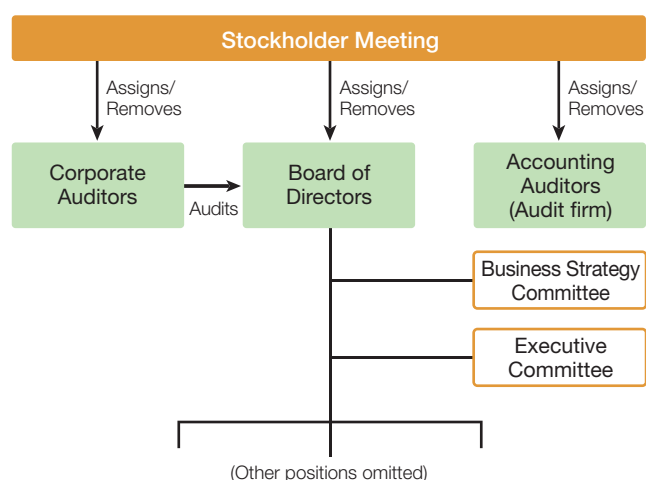
### Corporate Governance

#### Basic Approach to Corporate Governance

We have a complete system for corporate governance, which we consider a crucial part of company management.

We also strive to communicate with shareholders, investors, and other stakeholders by providing information in a prompt, accurate manner. This ensures more effective, transparent, and solid management.

#### Corporate Governance Structure



#### Improving Our Corporate Governance Structure

NTN employs a corporate auditor-based governance system in which three of the four corporate auditors are from outside the company. This strengthens the management oversight functions. The Board of Directors oversees decisions on key issues and performance of duties, and in April 2011 we strengthened these functions by increasing from one to two the number of outside members of the Board. We also employ the Executive Officer System to ensure swift decision-making and business execution.

The Internal Audit Department is in charge of internal audits and the internal control system. In April 2011, it became the Internal Audit and Test Department in order to allow us to better manage and lead audit and test functions.

### Internal Control

#### Internal Control System Placement and Operation

NTN Corporation has put in place and operates an internal control system that covers financial reporting in accordance with the basic framework for internal control set forth in "On the Setting of the Standards and Practice Standards for Management Assessments and Audits Concerning Internal Control Over Financial Reporting (Council Opinions)" published by the Business Accounting Council in February 2007.

An assessment of internal control over financial reporting was conducted with March 31, 2011, the end of the fiscal year under review, as the reference date and conformed to the assessment standards for internal control generally accepted in Japan.

#### Board of Directors

The role of the Board of Directors is to make decisions relating to fundamental business policies, statutory matters, and important management issues, and to supervise the performance of duties by its members. The board holds regular meetings at least once per month, with extraordinary meetings also convened at any time when necessary.

#### Business Strategy Committee

The Business Strategy Committee discusses fundamental business policies and important management strategies, with meetings held twice per month.

#### Executive Committee

NTN introduced the Executive Officer System in the fiscal year ended March 31, 2005 to enable swift decision-making and business execution. Reviews of monthly performance are conducted by the Executive Committee, comprising Directors and Executive Officers.

#### Corporate Auditors

NTN has four corporate auditors, two of who are standing

auditors (with three of the four being outside auditors). The auditors are responsible for auditing the performance of duties by members of the board. Auditors attend board meetings and express their opinions as part of their efforts to maintain and improve the transparency and fairness of the Company's management supervision system. The system is structured to enable standing auditors to participate and express their opinions during meetings of the Business Strategy and Executive committees. The corporate auditors also strive to increase the efficiency of the overall auditing process, meeting regularly to coordinate their own corporate audits, independent public auditing firm audits, and internal audits. There are no special business relationships or interests between the outside auditors and NTN.

#### Internal Audit and Test Department

The Internal Audit Department is responsible for internal audits, and has been established as an independent auditing organization to audit business execution throughout the Company.

## Officers (As of June 24, 2011)



### Directors

**Yasunobu Suzuki**  
1. Chairman and CEO

**Shigeyoshi Takagi**  
2. President

**Osamu Wakisaka**  
3. Deputy President

**Kenji Okada**  
4. Executive Director

**Yoshikazu Fukumura**  
5. Managing Director

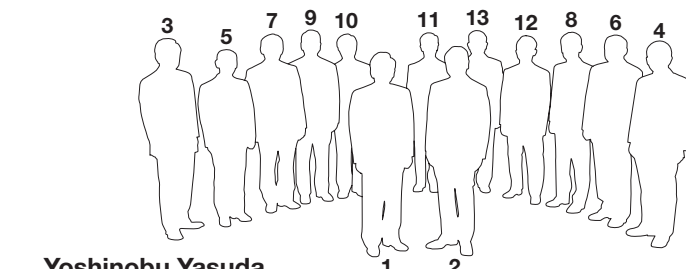
**Masashi Honma**  
6. Managing Director

**Fukumatsu Kometani**  
7. Managing Director

**Hitoshi Takai**  
8. Director

**Yoshio Kato**  
9. Director

**Hironori Inoue**  
10. Director



**Yoshinobu Yasuda**  
11. Director

**Hisaji Kawabata**  
12. Director (external)

**Akira Wada**  
13. Director (external)

### Statutory Auditors

Standing Statutory Auditors  
(External)

**Akio Imanishi**    **Mizuho Hikida**

Statutory Auditors  
(External)

**Tadao Kagono**

(External)

**Norifumi Ishii**

### Executive Officers

Senior Executive Officers

**Shoji Kido**  
**Didier SEPULCHRE DE CONDE**  
**Yukiyoshi Hagimoto**  
**Tetsuya Kondo**

Executive Officers

**Toshiharu Kato**  
**Takayuki Matsuo**  
**Toru Tomiyama**  
**Katsuhiko Iwamoto**  
**Yoshihiro Inami**  
**Takashi Hosoya**

**Tatsunobu Yasui**  
**Hiroshi Ohkubo**  
**Keiji Ohashi**  
**Yoshinobu Akamatsu**  
**Tomoyuki Miyanomae**  
**Eiichi Ukai**

**Takehiko Umemoto**  
**Natsuhiko Mori**  
**Hidefumi Tsuji**  
**Toshinori Shiratori**  
**Tetsuya Sogo**

So that we can maximize corporate value for all our stakeholders, we have a system for fulfilling corporate social responsibility based on our CSR Policy.

## CSR Promotion Structure

### Corporate Philosophy System and Approach

NTN's corporate philosophy is "We shall contribute to international society through creating new technologies and developing new products." To realize this philosophy, in June 2006 we formulated the CSR Policy, one of NTN's Basic Policies. All officers and employees are thoroughly educated in both of these.

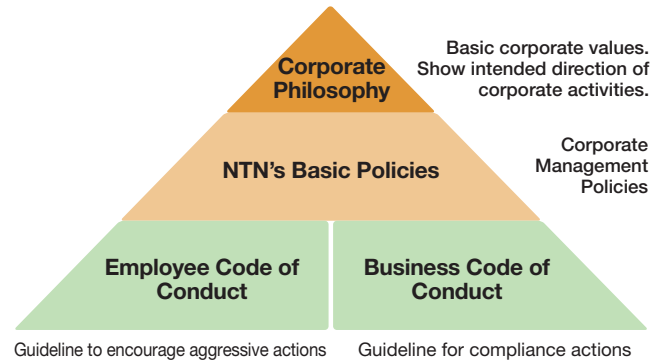
NTN strives to conduct CSR as part of its corporate activities; not just to improve our economic position, but to also improve our environmental and social standing as well. Besides accountability to our stakeholders, we work to meet their expectations and gain their trust. By growing our company while at the same time contributing to the advancement of society as a whole, we believe we can maximize corporate value for all our stakeholders. Under our CSR Policy, we clarify our corporate code of conduct to each group of stakeholders and our responsibilities to society as a whole.

Also in accordance with our CSR Policy, we have an Employee Code of Conduct, which guides all employees' CSR activities, and a Business Code of Conduct, which details the social rules that all employees and officers must abide by.

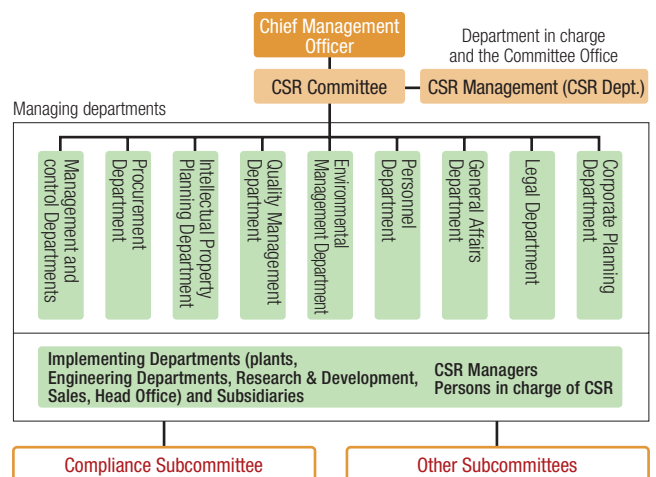


All employees are given the CSR Guidebook and the Pocket CSR Card to constantly remind them that CSR is a part of their everyday duties.

### Corporate Philosophy System



### CSR Promotion Structure



### CSR Policy

- 1 **Legal compliance/Policy for activities:** We shall comply with both the letter and the spirit of laws and regulations, and carry out our business activities in an open and honest manner.
- 2 **Customers:** We shall strive to develop new technologies and new products, as well as to provide safe and reliable products.
- 3 **Business partners:** We shall engage in fair and free competition, and at the same time establish excellent partnerships with our business partners.
- 4 **Stockholders/Disclosure of information:** We shall work to develop this corporation and increase stockholder return, while at the same time communicating broadly with society and actively disclosing information.
- 5 **Employees:** We shall value the individuality and diversity of our employees, work to create a safe and pleasant work place, and achieve comfort and prosperity.
- 6 **The environment:** With ample consideration to preserving the global environment and protecting the ecosystem, we shall work toward the creation of a sustainable, progressing society.
- 7 **Society:** We shall make every effort to interact meaningfully with society on a local level, and to engage in activities that contribute to society.
- 8 **International activities:** We shall, as a matter of course, obey all international rules as well as the laws of each country and each region that we operate in; we shall also respect local cultures and practices and contribute to local development.

### Employee Code of Conduct

- 1 We respect social ethics and act as good members of society.
- 2 We have noble ambitions and always make efforts to brainstorm and achieve the set target.
- 3 We accept changes, have broad vision and act voluntarily.
- 4 We deepen mutual understanding and enhance the vitality of our work site.
- 5 Management and supervisors in particular, as faces of the corporation, improve their qualifications, make efforts to develop individuals, always take care of safety and show leadership.

### Business Code of Conduct

- 1 Compliance with laws and norms
- 2 Pursuit of quality and safety
- 3 Compliance with the Anti-Trust Law
- 4 Fair trade with suppliers
- 5 Honoring agreements
- 6 Refusal to engage in improper conduct with business partners
- 7 Proper labeling and specification
- 8 Respect for intellectual property rights
- 9 Proper control of confidential information
- 10 Ensuring security by strengthening export controls
- 11 Compliance with industrial laws
- 12 Compliance with corporate accounting principles
- 13 Compliance with international rules
- 14 Promotion of environmental preservation
- 15 Positive contribution to society
- 16 Compliance with labor-related laws and company work rules
- 17 Realization of a safe and positive work environment
- 18 Respect for human rights
- 19 Prohibition of sexual harassment
- 20 Proper control of information about individuals
- 21 Strict distinction between public and private matters
- 22 Confronting harmful social forces
- 23 Proper utilization of our information system
- 24 Prohibition of insider trading
- 25 Self-restraint regarding entertainment and gifts
- 26 Lawful donations/political donations

# We meet stakeholder expectations through compliance and risk management activities.

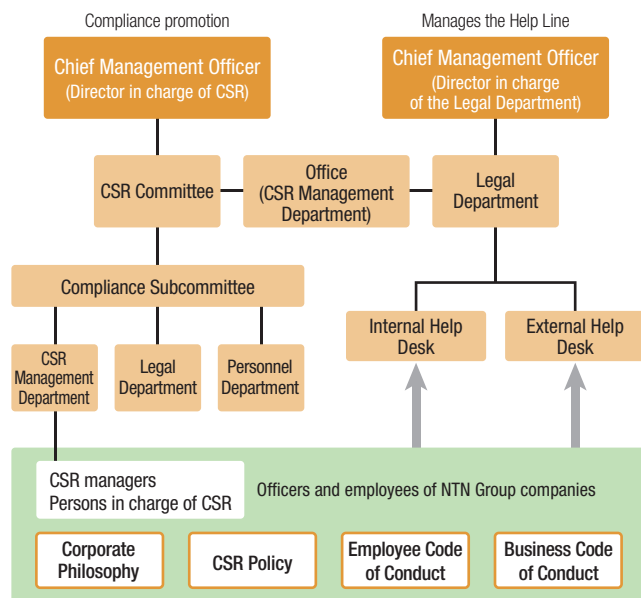
## Compliance

### Compliance Management System

NTN defines compliance as not only abiding by laws and regulations, but also as having a system for thorough compliance with all social norms and rules.

NTN has the Compliance Subcommittee as an advisory body under the CSR Committee. This subcommittee is charged with comprehensively promoting and managing compliance initiatives for the entire Group.

### Compliance Management System



### Compliance Education and Awareness Surveys

NTN conducts compliance education for all levels of employees and management. In the fiscal year ended March 31, 2011, all new employees and mid-career recruits took group training in basic CSR knowledge and the NTN Group CSR, and employees being promoted to managerial positions took self-learning with company textbooks and online CSR comprehension tests. And based on the results of compliance awareness surveys for employees, education was held covering power harassment, sexual harassment, and management of working hours.

The NTN intranet compliance database has case studies in non-compliance and the latest information on compliance issues so as to raise employee awareness in this area.



Compliance training

### Help Line Management

NTN has established Help Lines (internal reporting system) as part of its compliance framework. These Help Lines (both inside

and outside the company) allow officers and employees to speak directly with someone—without having to go through organizational channels—to report on, inquire about, and receive consultation on acts that are in violation of, or may be in violation of, laws, the Business Code of Conduct, and internal regulations. Our Group company in the U.S. also has a similar Help Line system.

NTN's Help Line system can also be used by our suppliers.

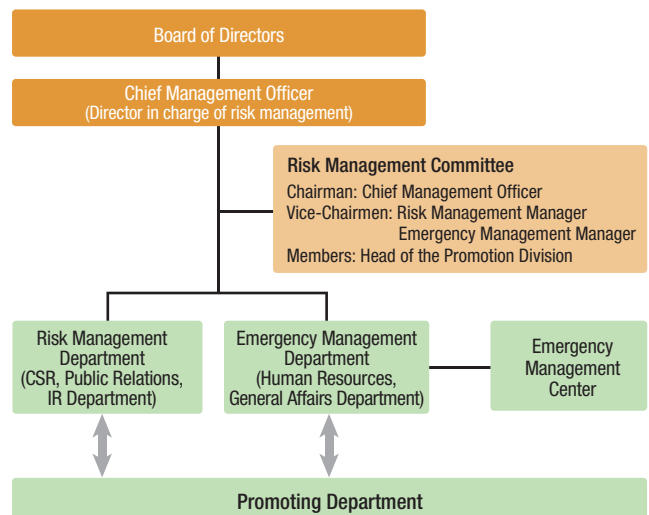
## Risk Management

### Risk Management System, Education and Drills

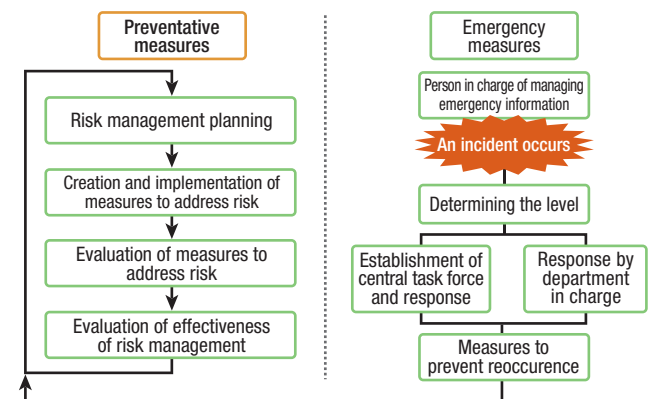
NTN has formulated a Risk Management Policy and Risk Management Rules so that it can prevent major risks such as information leaks and quickly deal with such risks should they occur. Risk is managed in an integrated manner with coordination by the Risk Management Committee.

Although NTN suffered only slight damage from the Great East Japan Earthquake of March 2011, we are reviewing our disaster prevention measures so that we are ready for major earthquakes that are predicted for the Tokai and Tonankai regions of Japan sometime in the future. (See page 40 for details.)

### Risk Management System



### Risk Management Approach



# NTN Report 2011 Third-Party Opinions

Katsuhiko Kokubu

### High Hopes for New Medium-Term Management Plan

The NTN Report begins with NTN President Shigeyoshi Takagi giving details of the management situation, which centers on the new medium-term management plan starting in April 2011. He stresses the creation of a system for “on local site with local materials by local personnel.” If companies today plan to grow, it is crucial that they globalize, and this is a key theme of this year’s NTN Report. Following is a comment on what companies must do to truly globalize.

### CSR of a Global Company

It’s no secret that companies operating on a global level must also conduct CSR activities on a global standard. To this end, one should be guided by ISO 26000, an international standard for social responsibility released in 2010. NTN currently conducts a wide range of CSR activities in earnest and is to be commended for these efforts. However, the company should re-examine its framework for these activities, and not just in terms of CSR but in terms of company management as well.

### Strengthen Dialog with Stakeholders

This year’s report shows that NTN has incorporated many opinions from both inside and outside the company in its stepped-up efforts to strengthen dialog with stakeholders. From an environmental aspect, the company keeps in close contact with local communities, and overseas bases conduct cleanups around their premises. The earnest involvement of stakeholders is a key point of ISO 26000, and I hope NTN continues this on a systematic basis. Since NTN is a B to B company, the company must work even harder to gain the understanding and support of society.

### Environmental Management

NTN conducts environmental activities in earnest and has set new environmental targets under its medium-term management targets. In environmental performance, the company has achieved noteworthy results in efforts including improved efficiency through environmental accounting. Overseas, however, there is still room for improvement in achieving targets. Environmental management creates difficult challenges for any company with overseas bases, but a company must determine the situation at such bases and establish standard targets that can be achieved anywhere in the world.

### Progress with an Integrated Report

In the field of CSR, more and more companies are publishing integrated reports; in other words, reports that combine CSR and financial aspects. This year’s NTN Report is such a document. However, to be a truly integrated report, a publication must have performance data not only on the financial side but on the CSR side as well in the form of key performance indicators (KPI). NTN currently has no quantitative targets set for its CSR activities other than environmental ones. If the company remedies this by setting quantitative targets, it can proceed to the next stage in which it shows KPIs.



Katsuhiko Kokubu

#### Biographical Information

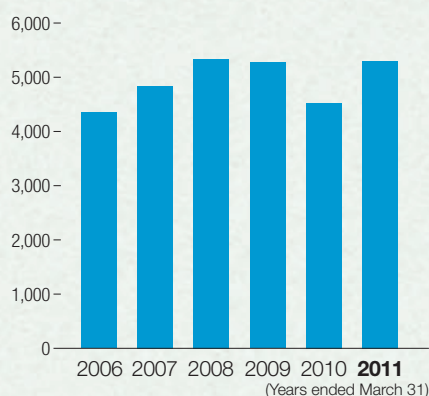
Katsuhiko Kokubu is a professor at the Graduate School of Business Administration, Kobe University. He specializes in environmental management, environmental accounting, and CSR management and serves as chairman of Material Flow Cost Accounting (MFCA) Forum Japan, chairman of ISO/TC 207 Working Group 8, and a director of the Institute for Environmental Management Accounting, and a member of the executive board of the Society for Environmental Economics and Policy Studies, the Sustainable Management Forum of Japan, the Japan Corporate Social Accounting and Reporting Association, and the Japan Cost Accounting Association. His published books include “Material Flow Cost Accounting” (Nikkei Publishing Inc.) and “Environmental Management and Accounting” (Yuhikaku Publishing Co., Ltd.).



# Financial Review

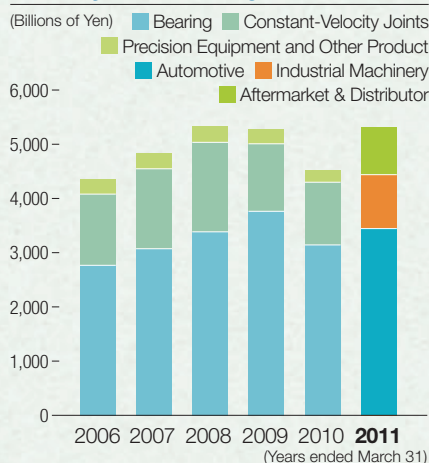
## Net sales

(Billions of Yen)



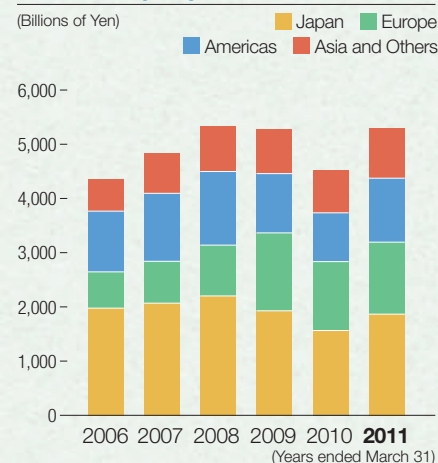
## Sales by business segment

(Billions of Yen)



## Net sales by region

(Billions of Yen)



## Scope of Consolidation

The scope of consolidation as of March 31, 2011 consisted of NTN Corporation and 53 consolidated subsidiaries (13 domestic and 40 overseas subsidiaries). A total of 10 affiliates (all overseas affiliates) were accounted for by the equity method. The following changes to the scope of consolidation and application of the equity method were made during the fiscal year under review.

### ◆ Consolidation

(5 companies joining NTN Group)

NTN do Brasil Produção de Semi-Eixos Ltda.

NTN Noto Corporation

NTA PRECISION AXLE CORP.

PT. NTN BEARING INDONESIA

NTN-LYC (Luoyang) Bearing Corporation

## Summary of the Fiscal Year Ended March 31, 2011

During the fiscal period, Japan's economy was on the solid road to recovery with increased exports, a recovery in capital investment, and improved corporate profit. But then came the Great East Japan Earthquake, which has hurt the recovery and caused an electricity shortage that is feared to last for some time. In the rest of the world, the Americas have benefitted from government policies, Europe is generally improving although unevenly across borders, and in Asia, in-region demand driven by China is contributing to mild recovery.

In this environment, the NTN Group was promoting measures that include further increasing sales to the industrial machinery sector and reducing costs, aiming to achieve business operations that do not rely on business scale, which is an objective of the new two-year medium-term management plan, "NTN 2010 for The Next Step," which started in April 2009.

- ◇ Net sales: ¥530.1 billion, a year-on-year increase of ¥77.3 billion (17.1%)
- ◇ Operating income: ¥24.6 billion (operating margin of 4.6%)
- ◇ Interest-bearing debt: ¥223.3 billion, a decrease of ¥8.4 billion from March 31, 2010
- ◇ Capital expenditures: ¥29.7 billion, a year-on-year increase of ¥8.2 billion (38.1%)
- ◇ Dividend: Full-year dividend of ¥10 per share (interim dividend of ¥5 per share and year-end dividend of ¥5 per share)

## Net Sales and Earnings

**Net sales and operating income both increased. The earthquake had only a minor effect and we are growing according to plans.**

### ● Sales Performance

Consolidated net sales for the fiscal year ended March 31, 2011 amounted to ¥530,056 million, an increase of ¥77,310 million (17.1%) from the previous fiscal year. Overseas sales totaled ¥343,461 million, an increase of ¥47,079 million (15.9%) year on year. Overseas sales accounted for 64.8% of net sales overall (Europe 25.1%; the Americas 22.3%; and Asia and others 17.5%), a decrease of 0.7 percentage points from the previous fiscal year.

### Net Sales and Earning by Business Sector

In the automotive market, overall sales increased for products like constant-velocity joints, axle bearings, and needle roller bearings in Japan, Europe, the Americas, and Asia and others. As a result, net sales were ¥344,408 million. Operating income was ¥3,546 million, thanks in part to increased sales.

In the industrial machinery market, sales were up in Japan, Europe, the Americas, and Asia and others thanks to a recovery in demand for products including construction machinery, agricultural machinery, and machine tools. The resulting net sales were ¥99,451 million and operating income was ¥3,111 million, the latter thanks to increased sales.

In the aftermarket and distributor markets, sales increased on demand recovery in Japan, Europe, the Americas, and Asia and others, a positive trend that resulted in net sales of ¥86,197 million. Operating income benefitted from increased sales to reach ¥17,901 million.

### Net Sales by Region

Sales in the automotive market saw an overall recovery in customer demand, despite a stoppage of deliveries to some customers as a result of the Great East Japan Earthquake near the end of the fiscal year. In the industrial machinery market, sales were up significantly in the construction machinery and machine tools sectors, while the aftermarket and distributor markets were also up. As a result, sales were ¥186,595 million, up 19.3% over the previous year.

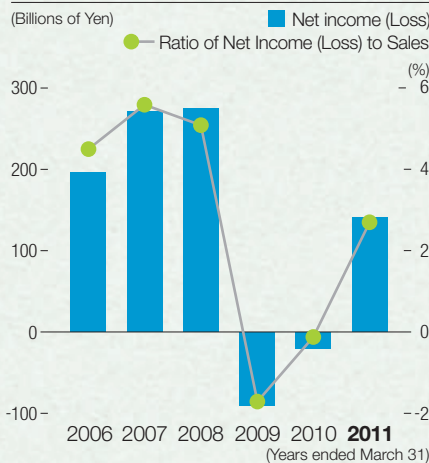
In Europe, sales in the automotive market were up as a whole due to factors including recovery in customer demand. For sales to the industrial machinery market, sectors including agricultural machinery, wind power systems, and general industrial machinery improved, as did the aftermarket and distributor markets. Net sales were up 4.5% to ¥132,814 million despite unfavorable foreign exchange rates.

# Financial Review

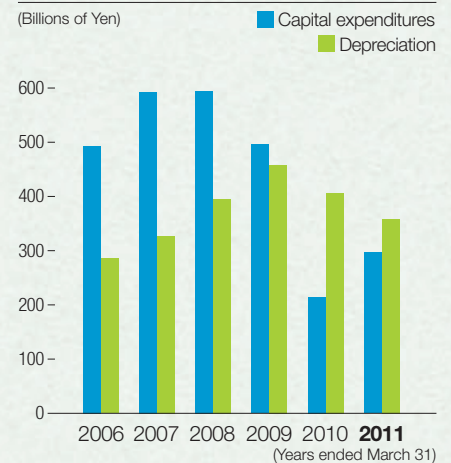
## Operating income/Operating margin



## Net income (Loss)/ Ratio of net income (Loss) to sales



## Capital expenditures and depreciation



In the Americas, sales to the automotive market were up overall due to factors including recovery in customer demand. In the industrial machinery market, sales made a large jump in the key markets of construction machinery and agricultural machinery, while sales in the aftermarket and distributor markets were also up. Net sales were ¥117,985 million, up 31.1% over the previous year.

As for Asia and others, sales in the automotive market were up overall due to factors including recovery in customer demand in China and other parts of Asia. In the industrial machinery market, sales improved in construction machinery and office equipment, as well as in the aftermarket and distributor markets. The result was a 16.9% increase in net sales to ¥92,662 million.

### ● Cost of Sales and Selling, General and Administrative (SG&A) Expenses

Cost of sales amounted to ¥437,515 million, with the percentage of cost to overall sales rising 3.1 percentage points to 82.5%. This is due mainly to the effects of sales increases and cost decreases.

Selling, general, and administrative (SG&A) expenses amounted to ¥67,981 million, with the percentage of cost to overall sales rising 1.2 percentage points to 12.8%.

### ● Earnings

Looking at earnings, there were factors (greater scale of business, decreased proportional costs, etc.) contributing to an increase and factors (increased labor costs, business expenses, cost of sales, losses on exchange rates, etc.) contributing to a decrease. The result of these offsetting factors was an operating income for the term of ¥24,560 million, up ¥23,161 million over the previous fiscal year. The operating margin increased by 4.3 percentage points to 4.6%.

Other expenses amounted to a net expense of ¥1,705 million yen. Major contributing factors were gains on sale of investment securities of ¥1,512 million, gains on negative goodwill of ¥1,286 million, compensation received of ¥559 million, gains on allotment of shares of ¥298 million, extraordinary operating losses of ¥812 million, earthquake-related expenses of ¥538 million, provision of reserve for product defect compensation of ¥401 million, and loss on valuation of investment securities of ¥146 million.

As a result, the Company reported income before income taxes of ¥22,855 million, up ¥24,693 million from the previous fiscal year, and net income of ¥14,399 million, up ¥16,414 million.

Net income per share was 27.08 yen for the year under review.

The year-end dividend for the fiscal year under review totaled ¥5 per share. Together with the interim dividend of ¥5 per share, the dividend for the full fiscal year amounted to ¥10 per share.

## ■ R&D and Capital Expenditures

### Increase in Both R&D Costs and Capital Expenditures

#### ● R&D Costs

R&D costs for the fiscal year under review were ¥15,697 million, up ¥1,009 million and representing 3.0% of consolidated net sales. In the industrial machinery market, NTN is positioning as key business areas wind power systems, a form of new energy with promising global growth, and the sectors of rolling stock, aircraft, machine tools, and construction machinery, which all require state-of-the-art bearing technology. We are working to reduce the environmental impact of bearings by developing compact, light bearings that boast long life and low-torque, and by developing new products that meet customer needs for precision and speed, while at the same time focusing on basic technologies that will make us more competitive, and adding value by modularizing products such as sensors. In the automotive market, we are meeting a range of electric vehicle (EV) development needs through new system products like our in-wheel motor system for EVs.

#### ● Capital Expenditures

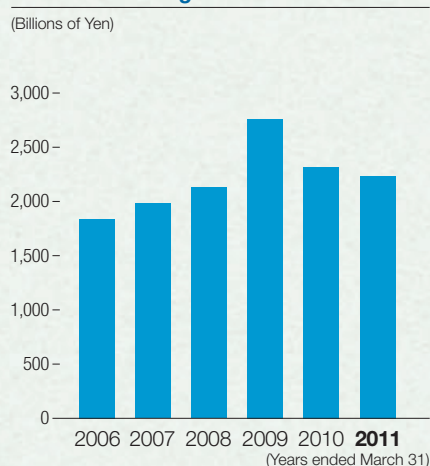
The main focus of expenditures was on increasing production capacity, labor savings, and rationalization, maintaining and upgrading existing facilities, improving safety, and conducting R&D for new products.

In Japan, capital expenditures were ¥11,534 million, accounted for mainly by the installation of bearing production equipment at the new plant of NTN Houdatsushimizu Corp., and an expansion of bearing production equipment at Kuwana Works. In Europe, capital expenditures were ¥4,570 million, with main projects including expansion of bearing production equipment at NTN-SNR Roulements. In the Americas, capital expenditures were ¥8,097 million, with main expenditures accounted for by a new plant building at NTA Precision Axle Corp., expansion on bearing production equipment at American NTN Bearing Mfg. Corp. and NTN-Bower Corp., and an expansion of the constant-velocity joint production equipment at NTN Driveshaft, Inc. In Asia and others, projects including expansion of the plant

## Inventories/Inventory turnover ratio



## Interest-bearing debt



building and expansion of bearing production equipment at Shanghai NTN Corp. added up to capital expenditures of ¥5,552 million. After adjusting for ¥54 million in equipment transfers between segments, total capital expenditures for the fiscal year under review were ¥29,700 million, an increase of ¥8,196 million.

All expenditures were funded from internal funds and short-term loans. Depreciation for the fiscal year under review amounted to ¥35,936 million (down ¥4,767 million from the previous fiscal year).

## Financial Position and Cash Flows

**Inventories increased ¥15.8 billion year on year.**

**Interest-bearing debt decreased ¥8.3 billion year on year.**

Total current assets at the fiscal year-end amounted to ¥318,694 million, an increase of ¥29,968 million, or 10.4%, from the end of the previous fiscal year. This is mainly the result of an increase in inventories of ¥10,321 million, an increase in trade receivables of ¥8,766 million, and an increase in cash and cash equivalents of ¥7,323 million. Property, plant, and equipment was down ¥14,434 million (5.5%) to ¥246,132 million. Investments and other assets were down ¥2,335 million (3.4%) from the end of the previous fiscal year to ¥67,175 million. This mainly reflected a decrease of ¥2,433 million in investment securities. As a result, total assets were ¥632,001 million, up ¥13,199 million (2.1%) over the end of the previous fiscal year.

Current liabilities were up ¥3,751 million (1.4%) over the end of the previous fiscal year to ¥269,624 million. Major factors included a ¥19,999 million increase in trade payables and a ¥1,106 million increase in accrued income taxes. Long-term liabilities were up ¥13,646 million (9.9%) over the end of the previous fiscal year to ¥152,024 million, mainly reflecting a ¥14,428 million increase in long-term loans.

Total net assets were ¥210,353 million, down ¥4,198 million (2.0%) over the end of the previous fiscal year. This mainly reflected a ¥7,793 million decrease in translation adjustments, a ¥5,168 million decrease in minority interests, and a ¥2,573 million decrease in deferred retirement benefits, despite an increase of ¥12,783 million in capital surplus.

The shareholders' equity ratio was 31.6%, down 0.6 of a percentage point from the previous fiscal year. Total net assets per share, based on the number of shares outstanding at the end of the fiscal year, were ¥376.05 per share (an increase of ¥1.86

per share from a year ago). Interest-bearing debt amounted to ¥223,283 million, a decrease of ¥8,354 million (3.6%) from the end of the previous fiscal year. Taking into account the ¥6,540 million decrease from currency adjustments, interest-bearing debt declined by ¥1,814 million. The ratio of interest-bearing debt to total assets was 35.3% (down 2.1 percentage points).

Net working capital was ¥49,070 million, an increase of ¥26,217 million from the end of the previous fiscal year. The current ratio was 118.2% (an improvement of 9.6 percentage points from a year earlier).

The inventory turnover ratio for the fiscal year under review was 3.9 times (up 0.3 times year on year), while the turnover ratio of total assets was 0.8 (up 0.1 from the end of the previous fiscal year).

Net cash provided by operating activities was ¥44,503 million, a year-on-year increase of ¥533 million, or 1.2%. This mainly reflected inflows in the form of income before income taxes of ¥22,855 million, depreciation and amortization of ¥35,936 million, and an increase in trade payables of ¥21,051 million; offset against outlays of an increase of ¥15,817 million in inventories, a decrease in trade receivables of ¥13,639 million, and ¥6,309 million in income taxes.

Net cash used in investing activities increased ¥6,628 million, or 25.9% year on year, to ¥32,187 million. This was due mainly to outlays of ¥27,568 million for purchases of property, plant, and equipment, and ¥5,908 million for acquisition of investments in subsidiaries.

Net cash used by financing activities was ¥6,696 million, down 63.9% from the ¥11,866 million of the previous fiscal year. This mainly reflected outflows in the form of a net decrease in short-term loans of ¥10,699 million, repayment of ¥26,225 million in long-term loans, and dividend payments of ¥4,785 million; offset against income from a net increase of ¥35,187 million in long-term loans.

Factoring in the ¥1,703 million increase due to the effect of exchange rate changes, cash and cash equivalents at the end of the fiscal year under review amounted to ¥40,082 million, an increase of ¥7,323 million, or 22.4%, from the end of the previous fiscal year.

Free cash flow, the difference between net cash provided by operating activities and net cash used in investing activities, amounted to ¥12,316 million.

The proportion of net cash provided by operating activities to net sales was 8.4%.

# Risk Factors

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Business results and the financial position of the NTN Group are subject to the following risks. It should be noted that forward-looking statements contained in the following reflect judgments of the NTN Group as of June 28, 2011.

## 1) Economy

The NTN Group operates global production and sales networks, and supplies customers in various industrial sectors. Business results and the financial position of the NTN Group operations may be affected by the economic conditions in specific countries and business conditions in industries to which our customers belong.

## 2) Foreign Exchange Fluctuations

Overseas sales of the NTN Group account for over 50% of consolidated sales. This percentage is expected to increase further due to continued acceleration in the global business development of the NTN Group.

Overseas subsidiaries' foreign currency-denominated business results and financial positions are converted to yen for the preparation of consolidated financial statements. Moreover, many export transactions with overseas customers of the Company are conducted in foreign currencies. Although the NTN Group hedges risks through forward foreign exchange contracts and expansion of local procurement, effects of exchange rate fluctuations on business results and financial positions cannot be fully eliminated.

## 3) Declines in Market Prices

The competitive environment surrounding production and sales activities of the NTN Group is becoming harsher worldwide. As products from China and Eastern Europe are gaining ground, bearings have been affected by falling market prices. At the same time, against a backdrop of global price competition, calls for price reductions are mounting in the automotive industry, which accounts for over half of the NTN Group sales. Although the NTN Group works continuously to reduce costs while developing new products of high quality and high added value, business results and the NTN Group's financial position may be affected by downward pressure on market prices.

## 4) Rise in Raw Materials Prices

The NTN Group procures a wide range of raw materials from outside sources. To deal with cost increases, especially of steel materials, which pose a high weighting in materials costs, measures have been taken such as mark-ups on selling prices to reflect higher materials cost. In addition, the Group is targeting cost reductions through enhanced production yields and VAVE methods. Nevertheless, business results and the NTN Group's financial position may be affected by stronger than expected increases in raw materials costs.

## 5) Disasters and Accidents

Production plants and facilities of the NTN Group and its transaction counterparts are exposed to the risk of damage from natural disasters such as earthquakes, floods, and fires. Although the NTN Group has put into place crisis management

systems and stands ready to engage in measures to contain damage as much as possible, risks cannot be completely eliminated. Business performance and the financial status of the NTN Group may be affected by a natural disaster or by accidents.

## 6) Dependence on Specific Industries

The NTN Group's Bearings Division derives approximately half of its sales revenues from the automotive industry, which also accounts for more than half of sales of components that the Constant-velocity Joints Division produces for automotive power transmission to the drive axle. Dependence on the automotive industry is therefore high. Although the NTN Group works to increase sales of bearings and precision equipment products to the industrial machinery sector and implements policies to achieve a balanced sales structure, a rapid shift in demand in the automotive industry could potentially affect the NTN Group's business results and financial position.

## 7) Product Defects

To ensure product quality, the NTN Group works to satisfy customers' requirements concerning product functions and specifications, and strives to provide appropriate quality and product safety by enforcing quality assurance globally. However, a substantial product defect leading to a serious accident, claim for damages, or product recall could entail huge product warranty costs and potentially affect business performance and the financial position of the NTN Group. Although the NTN Group has taken out global product liability insurance, complete coverage for loss is not possible.

## 8) Intellectual Property

The NTN Group generates a wealth of innovative technologies and know-how in the process of new product development, representing valuable intellectual property for which the NTN Group files patent applications to protect its rights. However, business performance and the financial position of the NTN Group may be affected if a legal challenge is initiated against its intellectual property or if its intellectual property is infringed by a third party.

## 9) Risks Associated with Global Operations

The NTN Group develops its business operations worldwide with overseas sales exceeding 50% of consolidated sales. Overseas business development is associated with the following risks:

- a. Risks from unforeseen change in tax systems of or between individual countries
- b. Risks from unforeseen change in laws of individual countries
- c. Difficulty in hiring and retaining appropriate staff
- d. Evolving technology levels and unstable labor relations in emerging economies
- e. Political instability in emerging economies

# Consolidated Balance Sheets

March 31, 2011 and 2010

Assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
<b>Current Assets:</b>			
Cash and cash equivalents (Note 13)	¥ 40,082	¥ 32,759	\$ 482,044
Short-term investments (Note 13)	1,334	1,874	16,043
Trade receivables (Note 13):			
Notes	8,227	6,668	98,942
Accounts	101,495	93,999	1,220,625
Allowance for doubtful accounts	(648)	(359)	(7,793)
	109,074	100,308	1,311,774
Inventories (Note 4)	136,985	126,664	1,647,444
Deferred income taxes (Note 23)	6,132	6,226	73,746
Other current assets (Note 13)	25,087	20,895	301,709
Total current assets	318,694	288,726	\$ 3,832,760
Property, plant and equipment, at cost (Notes 5, 7 and 22):			
Land	30,849	29,995	371,004
Buildings and structures	148,459	154,511	1,785,436
Machinery, equipment and vehicles	611,996	620,212	7,360,144
Construction in progress	14,536	6,583	174,817
	805,840	811,301	9,691,401
Less accumulated depreciation	(559,708)	(550,735)	(6,731,305)
Property, plant and equipment, net (Note 26)	246,132	260,566	2,960,096
Investments and other assets:			
Investment securities (Notes 6 and 13)	27,497	29,930	330,692
Investments in unconsolidated subsidiaries and affiliates (Note 13)	10,768	10,976	129,501
Deferred income taxes (Note 23)	24,215	23,129	291,221
Other assets	4,695	5,475	56,464
Total investments and other assets	67,175	69,510	807,878
Total assets (Note 26)	¥ 632,001	¥ 618,802	\$ 7,600,734

See accompanying notes to the consolidated financial statements.

# Consolidated Balance Sheets

March 31, 2011 and 2010

Liabilities and net assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
<b>Current liabilities:</b>			
Short-term bank loans (Notes 7 and 13)	¥ 95,581	¥ 110,407	\$ 1,149,501
Current portion of long-term debt (Notes 7 and 13)	18,839	26,914	226,566
Trade payables (Note 13):			
Notes	12,572	10,476	151,197
Accounts	97,634	79,731	1,174,191
	110,206	90,207	1,325,388
Accrued income taxes (Notes 13 and 23)	3,743	2,637	45,015
Deferred income taxes (Note 23)	212	300	2,550
Other current liabilities	41,043	35,408	493,602
Total current liabilities (Note 26)	269,624	265,873	3,242,622
<b>Long-term liabilities:</b>			
Long-term debt (Notes 7 and 13)	110,129	95,701	1,324,462
Accrued retirement benefits for employees (Note 8)	30,834	30,258	370,824
Reserve for product defect compensation (Note 16)	846	1,339	10,174
Negative goodwill	–	37	–
Deferred income taxes (Note 23)	3,871	3,968	46,554
Other long-term liabilities	6,344	7,075	76,296
Total long-term liabilities (Note 26)	152,024	138,378	1,828,310
Contingent liabilities (Note 10)			
<b>Net assets:</b>			
Shareholders' equity (Note 9):			
Common stock:			
Authorized — 1,800,000,000 shares			
Issued — 532,463,527 shares in 2011 and 2010	54,347	54,347	653,602
Capital surplus	67,418	67,418	810,800
Retained earnings (Note 28)	113,030	100,247	1,359,351
Treasury stock, at cost: 824,400 shares in 2011 and 773,007 shares in 2010	(758)	(737)	(9,116)
Total shareholders' equity	234,037	221,275	2,814,637
Accumulated other comprehensive income (loss):			
Net unrealized holding gain on securities (Note 6)	2,137	3,629	25,701
Unrealized loss from hedging instruments (Note 14)	–	(66)	–
Translation adjustments	(33,679)	(25,886)	(405,040)
Unfunded retirement benefit obligation of foreign subsidiaries	(2,573)	–	(30,944)
Total accumulated other comprehensive loss, net	(34,115)	(22,323)	(410,283)
Minority interests	10,431	15,599	125,448
Total net assets	210,353	214,551	2,529,802
Total liabilities and net assets	¥ 632,001	¥ 618,802	\$ 7,600,734

See accompanying notes to the consolidated financial statements.

# Consolidated Statements of Operations

Years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Net sales (Note 26)	¥ 530,056	¥ 452,746	\$ 6,374,696
Cost of sales (Note 15)	437,515	387,743	5,261,756
Gross profit	92,541	65,003	1,112,940
Selling, general and administrative expenses (Note 15)	67,981	63,604	817,570
Operating income (Note 26)	24,560	1,399	295,370
Other income (expenses):			
Interest and dividend income	661	591	7,949
Interest expense	(3,243)	(3,965)	(39,002)
Equity in earnings (losses) of affiliates	507	(120)	6,097
Amortization of negative goodwill	37	1,132	445
Gain on sales of investment securities (Note 6)	1,512	–	18,184
Gain on recognition of negative goodwill (Notes 26 and 27)	1,286	–	15,466
Compensation income	559	–	6,723
Gain on allocation of shares (Note 17)	298	–	3,584
Loss resulting from low operating capacity (Note 18)	(812)	–	(9,765)
Loss on earthquake (Note 19)	(538)	–	(6,470)
Provision of reserve for product defect compensation (Note 16)	(401)	–	(4,823)
Loss on valuation of investment securities (Note 6)	(146)	–	(1,756)
Gain on sales of investments in subsidiaries	–	723	–
Loss on liquidation of a subsidiary (Note 21)	–	(1,183)	–
Loss on impairment of fixed assets (Note 5)	–	(350)	–
Loss on valuation of investments in subsidiaries and affiliates	–	(238)	–
Reorganization expenses (Note 20)	–	(142)	–
Other, net	(1,425)	315	(17,137)
	(1,705)	(3,237)	(20,505)
Income (loss) before income taxes and minority interests	22,855	(1,838)	274,865
Income taxes (Note 23):			
Current	7,624	3,677	91,690
Deferred	(758)	(5,763)	(9,116)
	6,866	(2,086)	82,574
Income before minority interests	15,989	248	192,291
Minority interests	(1,590)	(2,263)	(19,122)
Net income (loss)	¥ 14,399	¥ (2,015)	\$ 173,169

See accompanying notes to the consolidated financial statements.

# Consolidated Statement of Comprehensive Income

Years ended March 31, 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2011	2011
Income before minority interests	¥ 15,989		\$ 192,291
Other comprehensive income (loss):			
Net unrealized holding loss on securities (Note 6)	(1,492)		(17,943)
Unrealized gain from hedging instruments (Note 14)	66		794
Translation adjustments	(7,393)		(88,912)
Unfunded retirement benefit obligation of foreign subsidiaries	63		758
Share of other comprehensive loss of affiliates accounted for by the equity method	(395)		(4,751)
Other comprehensive loss, net	(9,151)		(110,054)
Comprehensive income	¥ 6,838		\$ 82,237
Total comprehensive income attributable to:			
Shareholders of NTN Corporation	¥ 5,777		\$ 69,477
Minority interest	¥ 1,061		\$ 12,760

See accompanying notes to the consolidated financial statements.

# Consolidated Statements of Changes in Net Assets

Years ended March 31, 2011 and 2010

Millions of yen											
	Number of shares in issue	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on securities	Unrealized loss from hedging instruments	Translation adjustments	Unfunded retirement benefit obligation of foreign subsidiaries	Minority interests	Total net assets
Balance at March 31, 2009	470,463,527	¥ 42,340	¥ 55,411	¥ 105,525	¥ (728)	¥ (405)	¥ -	¥ (25,167)	¥ -	¥ 15,247	¥ 192,223
Issuance of new shares	62,000,000	12,007	12,007	-	-	-	-	-	-	-	24,014
Cash dividends paid	-	-	-	(4,006)	-	-	-	-	-	-	(4,006)
Net loss	-	-	-	(2,015)	-	-	-	-	-	-	(2,015)
Actuarial differences of overseas subsidiaries	-	-	-	743	-	-	-	-	-	-	743
Purchases of treasury stock	-	-	-	-	(14)	-	-	-	-	-	(14)
Sales of treasury stock	-	-	-	-	5	-	-	-	-	-	5
Other changes	-	-	-	-	-	4,034	(66)	(719)	-	352	3,601
Balance at March 31, 2010	532,463,527	54,347	67,418	100,247	(737)	3,629	(66)	(25,886)	-	15,599	214,551
Effect of application of accounting standard for presentation of comprehensive income (Note 3)	-	-	-	3,169	-	-	-	(533)	(2,636)	-	-
Cash dividends paid	-	-	-	(4,785)	-	-	-	-	-	-	(4,785)
Net income	-	-	-	14,399	-	-	-	-	-	-	14,399
Purchases of treasury stock	-	-	-	-	(22)	-	-	-	-	-	(22)
Sales of treasury stock	-	-	-	-	1	-	-	-	-	-	1
Other changes	-	-	-	-	-	(1,492)	66	(7,260)	63	(5,168)	(13,791)
<b>Balance at March 31, 2011</b>	<b>532,463,527</b>	<b>¥ 54,347</b>	<b>¥ 67,418</b>	<b>¥ 113,030</b>	<b>¥ (758)</b>	<b>¥ 2,137</b>	<b>¥ -</b>	<b>¥ (33,679)</b>	<b>¥ (2,573)</b>	<b>¥ 10,431</b>	<b>¥ 210,353</b>

Thousands of U.S. dollars (Note 1)											
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on securities	Unrealized loss from hedging instruments	Translation adjustments	Unfunded retirement benefit obligation of foreign subsidiaries	Minority interests	Total net assets	
Balance at March 31, 2010	\$ 653,602	\$ 810,800	\$ 1,205,617	\$ (8,863)	\$ 43,644	\$ (794)	\$ (311,318)	\$ -	\$ 187,601	\$ 2,580,289	
Effect of application of accounting standard for presentation of comprehensive income (Note 3)	-	-	38,112	-	-	-	(6,410)	(31,702)	-	-	
Cash dividends paid	-	-	(57,547)	-	-	-	-	-	-	(57,547)	
Net income	-	-	173,169	-	-	-	-	-	-	173,169	
Purchases of treasury stock	-	-	-	(265)	-	-	-	-	-	(265)	
Sales of treasury stock	-	-	-	12	-	-	-	-	-	12	
Other changes	-	-	-	-	(17,943)	794	(87,312)	758	(62,153)	(165,856)	
<b>Balance at March 31, 2011</b>	<b>\$ 653,602</b>	<b>\$ 810,800</b>	<b>\$ 1,359,351</b>	<b>\$ (9,116)</b>	<b>\$ 25,701</b>	<b>\$ -</b>	<b>\$ (405,040)</b>	<b>\$ (30,944)</b>	<b>\$ 125,448</b>	<b>\$ 2,529,802</b>	



# Consolidated Statements of Cash Flows

Years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
<b>Cash flows from operating activities:</b>			
Income (loss) before income taxes and minority interests	¥ 22,855	¥ (1,838)	\$ 274,865
Adjustments for:			
Depreciation and amortization	35,936	40,703	432,183
Amortization of negative goodwill	(37)	(1,132)	(445)
Gain on recognition of negative goodwill	(1,286)	–	(15,466)
Increase in allowance for doubtful accounts	314	26	3,776
Increase (decrease) in allowance for directors' and corporate auditors' bonuses	170	(11)	2,044
Increase (decrease) in accrued retirement benefits for employees	1,244	(1,620)	14,961
Decrease in reserve for product defect compensation	(491)	(200)	(5,905)
Decrease in other current and long-term liabilities resulting from amendment of pension plans	(1,583)	(1,978)	(19,038)
Interest and dividend income	(661)	(591)	(7,949)
Interest expense	3,243	3,965	39,002
Translation adjustments and foreign exchange loss, net	112	229	1,347
Equity in (earnings) losses of affiliates	(507)	120	(6,097)
Gain on sales of investments in subsidiaries (Note 25)	–	(723)	–
Loss on impairment of fixed assets	–	350	–
Loss on valuation of investments in subsidiaries and affiliates	–	238	–
Increase in trade receivables	(13,639)	(23,391)	(164,029)
(Increase) decrease in inventories	(15,817)	11,165	(190,222)
Increase in trade payables	21,051	18,566	253,169
Other	2,174	6,942	26,144
Subtotal	53,078	50,820	638,340
Interest and dividend income received	932	1,136	11,209
Interest paid	(3,198)	(4,303)	(38,461)
Income taxes paid	(6,309)	(3,683)	(75,875)
Net cash provided by operating activities	¥ 44,503	¥ 43,970	\$ 535,213
<b>Cash flows from investing activities:</b>			
Decrease in short-term investments	¥ 358	¥ 85	\$ 4,305
Purchases of property, plant and equipment	(27,568)	(25,401)	(331,545)
Purchases of other assets	(527)	(541)	(6,338)
Proceeds from sales of property, plant and equipment	25	25	301
Purchases of investment securities	(158)	(1,900)	(1,900)
Proceeds from sales of investment securities	1,564	–	18,809
Purchases of investments in subsidiaries	(5,908)	–	(71,052)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation (Note 25)	–	2,421	–
Purchases of investments in an affiliate	(30)	–	(361)
Other	57	(248)	685
Net cash used in investing activities	(32,187)	(25,559)	(387,096)
<b>Cash flows from financing activities:</b>			
Decrease in short-term bank loans, net	(10,699)	(45,447)	(128,671)
Proceeds from long-term debt	35,187	19,527	423,176
Repayment of long-term debt, including current portion	(26,225)	(12,224)	(315,394)
Proceeds from issuance of common stock	–	23,884	–
Proceeds from issuance of common stock assigned to minority shareholders of a consolidated subsidiary	204	–	2,453
Cash dividends paid	(4,785)	(4,006)	(57,547)
Repayment of lease obligations	(189)	(150)	(2,273)
Other	(189)	(146)	(2,273)
Net cash used in financing activities	(6,696)	(18,562)	(80,529)
Effect of exchange rate changes on cash and cash equivalents	1,703	1,914	20,481
Net increase in cash and cash equivalents	7,323	1,763	88,069
Cash and cash equivalents at beginning of the year	32,759	30,996	393,975
Cash and cash equivalents at end of the year	¥ 40,082	¥ 32,759	\$ 482,044

See accompanying notes to the consolidated financial statements.

# Notes to Consolidated Financial Statements

March 31, 2011

## 1. Basis of Preparation

The accompanying consolidated financial statements of NTN Corporation (the "Company") and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan. In addition, certain notes included herein are not required under accounting principles generally accepted in Japan but are presented as additional information.

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at ¥83.15 = U.S.\$1.00, the exchange rate prevailing on March 31, 2011. This translation should not be construed as a representation that yen can be converted into U.S. dollars at the above or any other rate.

## 2. Summary of Significant Accounting Policies

### (a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and the significant companies which it controls directly or indirectly. Companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the accompanying consolidated financial statements on an equity basis.

The financial statements of certain consolidated subsidiaries whose fiscal year end is December 31 have been included in consolidation on the basis of a full fiscal year closing on March 31 for consolidation purposes.

### (b) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date. Revenues and expenses are translated at the rates of exchange prevailing when the transactions were made.

Assets and liabilities of overseas consolidated subsidiaries are translated into yen at the exchange rates in effect at the respective balance sheet dates, except for the components of net assets excluding minority interests which are translated at the respective historical rates. Revenue and expenses are translated at the average rates of exchange for the respective years. Differences arising from translation are reflected in "Translation adjustments" and "Minority interests" in the accompanying consolidated balance sheets and statements of changes in net assets.

### (c) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits with banks withdrawable on demand, and short-term investments which are readily convertible to cash subject to an insignificant risk of any change in their value and which were purchased with an original maturity of three months or less.

### (d) Allowance for doubtful accounts

The allowance for doubtful accounts is computed based on the actual historical percentage of bad debts and an estimate of uncollectible amounts determined after an analysis of specific individual receivables.

### (e) Short-term investments and investment securities

The accounting standard for financial instruments requires that securities be classified into three categories: trading, held-to-maturity

or other securities. Trading securities are carried at fair value and held-to-maturity debt securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Cost of securities sold is determined by the moving average method. Non-marketable securities classified as other securities are carried at cost based on the moving average method.

### (f) Inventories

Inventories are principally stated at lower of cost, determined by the average method, or net selling value.

### (g) Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation is computed at rates based on the estimated useful lives of the respective assets by the declining-balance method, except for the buildings and assets of foreign consolidated subsidiaries to which the straight-line method is principally applied.

The principal estimated useful lives are as follows:

Buildings and structures	10 to 50 years
Machinery, equipment and vehicles	5 to 12 years

Contributions granted by national and municipal governments are deducted directly from the acquisition costs of the related fixed assets as stipulated in the Corporation Tax Law of Japan. The property, plant and equipment accounts on the consolidated balance sheets at March 31, 2011 and 2010 were reduced by the following amounts:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Land	<b>¥ 721</b>	¥ 721	<b>\$ 8,671</b>
Buildings and structures	<b>524</b>	501	<b>6,302</b>
Machinery, equipment and vehicles	<b>730</b>	561	<b>8,779</b>

### (h) Accrued retirement benefits for employees

Accrued retirement benefits for employees have been provided principally at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets, as adjusted for net unrecognized actuarial gain or loss and unrecognized prior service cost. The estimated benefit is attributed to each period by the straight-line method over the estimated years of service of the eligible employees.

Prior service cost is amortized in the year in which the gain or loss is recognized primarily by the straight-line method over a period of principally 15 years, which is within the estimated average remaining years of service of the eligible employees.

Net unrecognized actuarial gain or loss is amortized commencing the year following the year in which the gain or loss was recognized primarily by the straight-line method over a period of principally 15 years, which is within the estimated average remaining years of service of the eligible employees.

### (i) Reserve for product defect compensation

Reserve for product defect compensation is provided at an estimated amount in order to cover the anticipated compensation.

### (j) Leases

For lease transactions involving the transfer of ownership, the leased assets are depreciated by the same methods used for owned fixed assets.

For lease transactions not involving the transfer of ownership, leased assets are depreciated over the lease period using the straight-line method with a nil residual value.

The Company and its domestic consolidated subsidiaries continue to account for finance lease transactions not involving the transfer of ownership that commenced prior to April 1, 2008 as operating leases.

#### (k) Goodwill

Goodwill of immaterial amounts is charged to income as incurred.

#### (l) Research and development costs and computer software

Research and development costs are charged to income as incurred.

Expenditures relating to computer software developed for internal use are charged to income when incurred, except if the software is expected to contribute to the generation of income or to future cost savings. Such expenditures are capitalized as assets and are amortized by the straight-line method over their respective estimated useful lives, generally a 5-year period.

#### (m) Deferred income taxes

Deferred income taxes are provided for temporary differences between the balances of assets and liabilities reported for financial reporting purposes and the corresponding balances for tax reporting purposes.

#### (n) Derivative financial instruments and hedging activities

All derivatives are stated at fair value with any changes in fair value included in net income for the period in which they arise, except for derivatives which meet the criteria for deferral hedge accounting under which realized gain or loss, net of the applicable income taxes, is deferred as a component of net assets. Receivables and payables hedged by forward foreign exchange contracts which meet certain conditions are translated at the corresponding foreign exchange contract rates. An interest-rate swap which meets certain conditions is accounted for as if the interest rates applied to the interest-rate swap had originally applied to the underlying debt.

#### (o) Distribution of retained earnings

Under the Corporation Law of Japan and the Company's Articles of Incorporation, the distribution of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting held subsequent to the close of the financial period. The distribution of retained earnings with respect to the interim financial period is made by resolution of the Board of Directors. The accounts for the period do not reflect such distributions. (Refer to Note 28.)

### 3. Accounting Changes

#### (a) Accounting Standard for Asset Retirement Obligations

Effective April 1, 2010, the Company and its domestic consolidated subsidiaries adopted "Accounting Standard for Asset Retirement Obligations" (Accounting Standards Board of Japan ("ASBJ") Statement No.18 issued on March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No.21 issued on March 31, 2008). The adoption of these standards had no effect on operating income or income before income taxes and minority interests for the year ended March 31, 2011.

#### (b) Accounting Standard for Business Combinations and Others

Effective April 1, 2010, the Company adopted "Accounting Standard for Business Combinations" (ASBJ Statement No.21 issued on December 26, 2008), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22 issued on December 26, 2008), "Partial Amendments to Accounting Standard for Research and Development Costs" (ASBJ Statement No.23 issued on December 26, 2008), "Accounting Standard for Business Divestitures" (ASBJ Statement No.7 issued on December 26, 2008), "Accounting Standard for Equity Method of Accounting for

Investments" (ASBJ Statement No.16 issued on December 26, 2008), "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10 issued on December 26, 2008).

#### (c) Accounting Standard for Presentation of Comprehensive Income

Effective April 1, 2010, the Company adopted "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No.25 issued on June 30, 2010) and the Company was required to present the consolidated statement of comprehensive income.

Under this accounting standard, one item, which was previously presented as part of the "Retained earnings" as "Actuarial differences of overseas subsidiaries," is separated and presented as "Unfunded retirement benefit obligation of foreign subsidiaries" and "Translation adjustments" as part of "net assets." As a result, the "Actuarial differences of overseas subsidiaries" for previous years, which would have been presented, was identified as "Effect of application of accounting standard for presentation of comprehensive income" and "other changes" in the consolidated statements of changes in net assets.

The item "Unfunded retirement benefit obligation of foreign subsidiaries" under the new standard of presentation amounted to ¥2,636 million position at March 31, 2010.

The following tables present other comprehensive income (loss) and total comprehensive income attributable to shareholders of the Company and minority interests for the year ended March 31, 2010:

	Millions of yen 2010
Other comprehensive income (loss):	
Net unrealized holding gain on securities	¥ 4,034
Unrealized loss from hedging instruments	(66)
Translation adjustments	(1,923)
Unfunded retirement benefit obligation of foreign subsidiaries	925
Share of other comprehensive income of affiliates accounted for by the equity method	656
	¥ 3,626
Total comprehensive income attributable to:	
Shareholders of the Company	¥ 1,977
Minority interests	1,897
	¥ 3,874

#### (d) Accrued retirement benefits for employees

Effective April 1, 2009, the Company and its domestic consolidated subsidiaries adopted "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" ASBJ Statement No. 19 issued on July 31, 2008). The effect of the adoption of this standard was nil to the unrecognized portion of unfunded retirement benefit obligation at March 31, 2010 and consolidated operating income and loss before income taxes and minority interests for the year then ended.

### 4. Inventories

Inventories at March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Finished goods	¥ 73,762	¥ 68,923	\$ 887,095
Work in process	39,063	36,668	469,790
Raw materials and supplies	24,160	21,073	290,559
	¥ 136,985	¥ 126,664	\$ 1,647,444

# Notes to Consolidated Financial Statements

March 31, 2011

## 5. Impairment of Fixed Assets

The Company and its consolidated subsidiaries group fixed assets used for manufacturing by management segment into minimum units which generate identifiable cash flows (e.g., a factory). They also group fixed assets used at the head office or used for sales activities as shared assets.

The Company and its consolidated subsidiaries wrote down the following assets to their respective net recoverable values because the Company and its consolidated subsidiaries do not expect any future use for them and do not expect them to be recoverable. Consequently, the Company and its consolidated subsidiaries recorded a related loss on impairment of fixed assets of ¥350 million in the accompanying consolidated statement of operations for the year ended March 31, 2010:

Usage	Classification	Location	Millions of yen
			2010
Production equipment	Machinery and equipment	China	¥ 160
Production equipment	Machinery and equipment	Shizuoka Prefecture	96
Production equipment	Machinery and equipment	France	94
			¥ 350

The recoverable value of the fixed assets presented in the above table has been measured primarily at net realizable value based on appraisals conducted by real estate appraisers or value in use. If a fixed asset cannot be sold or diverted to other usage, such asset is valued at nil.

## 6. Securities

(a) Information regarding marketable securities classified as other securities at March 31, 2011 and 2010 is summarized as follows:

	Millions of yen					
	2011			2010		
	Carrying value	Acquisition costs	Unrealized gain (loss)	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:						
Equity securities	¥ 17,774	¥ 11,377	¥ 6,397	¥ 21,388	¥ 13,099	¥ 8,289
Subtotal	17,774	11,377	6,397	21,388	13,099	8,289
Securities whose carrying value does not exceed their acquisition costs:						
Equity securities	5,628	8,464	(2,836)	4,324	6,547	(2,223)
Other	3,000	3,000	-	7,025	7,044	(19)
Subtotal	8,628	11,464	(2,836)	11,349	13,591	(2,242)
Total	¥ 26,402	¥ 22,841	¥ 3,561	¥ 32,737	¥ 26,690	¥ 6,047

	Thousands of U.S. dollars		
	2011		
	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	\$ 213,758	\$ 136,825	\$ 76,933
Subtotal	213,758	136,825	76,933
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	67,686	101,792	(34,106)
Other	36,079	36,079	-
Subtotal	103,765	137,871	(34,106)
Total	\$ 317,523	\$ 274,696	\$ 42,827

Impairment losses are recorded for securities whose fair value has declined by 50% or more, or whose fair value has declined by 30% or more, but less than 50%, if the decline is deemed to be irrecoverable.

The Company has recognized an impairment loss on valuation of investment securities of ¥146 million (\$1,756 thousand) for the year ended March 31, 2011. In addition, no impairment loss was recognized for those investment securities whose fair values had declined by 30% or more, but less than 50% as of March 31, 2011 because they were determined to be recoverable.

(b) Sales and aggregate gain on investment securities for the years ended March 31, 2011 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
	2011	2011
Sales	¥ 1,610	\$ 19,363
Aggregate gain	1,512	18,184

## 7. Short-Term Bank Loans and Long-Term Debt

Short-term bank loans principally represent short-term notes with average annual interest rates of 0.87% and 0.86% at March 31, 2011 and 2010, respectively.

Long-term debt at March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Loans from banks and other financial institutions, due through 2018, at an average annual interest rate of 1.9%	¥ 117,703	¥ 91,232	\$ 1,415,550
0.76% unsecured bonds due 2010	–	20,000	–
1.66% unsecured bonds due 2013	10,000	10,000	120,265
Lease obligations due through 2018	1,265	1,383	15,213
	128,968	122,615	1,551,028
Less current portion	(18,839)	(26,914)	(226,566)
	¥ 110,129	¥ 95,701	\$ 1,324,462

Assets pledged as collateral for short-term bank loans of ¥500 million (\$6,013 thousand) at March 31, 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2011	2011
Land	¥ 298		\$ 3,584
Buildings and structures	308		3,704
	¥ 606		\$ 7,288

The aggregate annual maturities of long-term debt subsequent to March 31, 2011 are summarized as follows:

Year ending March 31,	Millions of yen		Thousands of U.S. dollars
	2011	2011	2011
2012	¥ 18,839		\$ 226,566
2013	13,740		165,244
2014	58,387		702,189
2015	13,959		167,877
2016	15,542		186,915
2017 and thereafter	8,501		102,237
	¥ 128,968		\$ 1,551,028

## 8. Accrued Retirement Benefits for Employees

The Company and certain domestic consolidated subsidiaries have defined benefit pension plans, i.e., corporate pension fund plans and lump-sum payment plans, covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rates of pay, length of service, and the conditions under which termination occurs. They also have defined contribution pension plans and advance payment plan. Certain overseas consolidated subsidiaries also have defined benefit pension plans and defined contribution pension plans.

The following table sets forth the funded and accrued status and the amounts recognized in the accompanying consolidated balance sheets at March 31, 2011 and 2010 for the Company's and consolidated subsidiaries' defined benefit pension plans:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Retirement benefit obligation	¥ (97,109)	¥ (99,147)	\$ (1,167,877)
Plan assets at fair value	52,451	55,695	630,800
Unfunded retirement benefit obligation	(44,658)	(43,452)	(537,077)
Unrecognized actuarial loss	14,587	14,204	175,430
Unrecognized prior service cost	(701)	(985)	(8,431)
Net retirement benefit obligation	(30,772)	(30,233)	(370,078)
Prepaid pension cost	62	25	746
Accrued retirement benefits for employees	¥ (30,834)	¥ (30,258)	\$ (370,824)

The components of retirement benefit expenses for the years ended March 31, 2011 and 2010 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Service cost	¥ 2,909	¥ 2,832	\$ 34,985
Interest cost	2,808	2,949	33,770
Expected return on plan assets	(1,518)	(1,402)	(18,256)
Amortization:			
Actuarial loss	1,737	2,070	20,890
Prior service cost	(184)	(169)	(2,213)
Retirement benefit expenses	5,752	6,280	69,176
Contributions to defined contribution pension plans	1,136	777	13,662
Retirement benefit expenses	¥ 6,888	¥ 7,057	\$ 82,838

The assumptions used in accounting for the defined benefit pension plans for the years ended March 31, 2011 and 2010 are a discount rate principally of 2.6% and an expected rate of return on plan assets principally of 2.5%.

# Notes to Consolidated Financial Statements

March 31, 2011

## 9. Shareholders' Equity

(a) The Corporation Law of Japan (the "Law") provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met.

Retained earnings include the legal reserve provided in accordance with the provisions of the Law. The legal reserve of the Company included in retained earnings amounted to ¥8,639 million (\$103,897 thousand) at March 31, 2011 and 2010.

(b) Movements in shares issued and treasury stock during the years ended March 31, 2011 and 2010 are summarized as follows:

	Number of shares			
	2011			
	March 31, 2010	Increase	Decrease	March 31, 2011
Shares issued:				
Common stock	532,463,527	-	-	532,463,527
Treasury stock:				
Common stock	773,007	54,860	3,467	824,400
	2010			
	March 31, 2009	Increase	Decrease	March 31, 2010
Shares issued:				
Common stock	470,463,527	62,000,000	-	532,463,527
Treasury stock:				
Common stock	750,862	35,089	12,944	773,007

The increases of treasury stock were due to purchase of shares of less than one voting unit and the decreases of treasury stock were due to sales of shares at requests of shareholders who own less than one voting unit for the years ended March 31, 2011 and 2010. The increase of shares issued was due to issuance of new shares by public offering and to third party for the year ended March 31, 2010.

## 10. Contingent Liabilities

The contingent liabilities of the Company at March 31, 2011 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2011	2011
Keep-well agreement with an affiliate, NTN de Mexico, S.A. for its loans from financial institutions	¥ 137	\$ 1,648

## 11. Finance Lease Transactions That Do Not Transfer Ownership

### Lessees' accounting

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of property leased to the Company and its consolidated subsidiaries at March 31, 2011 and 2010, which would have been reflected in the accompanying consolidated balance sheets if finance leases other than those which transfer the ownership of the leased property to the Company and its consolidated subsidiaries (which are currently accounted for as operating leases) had been capitalized:

	Millions of yen					
	2011			2010		
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Buildings and structures	¥ 1,419	¥ 1,033	¥ 386	¥ 2,639	¥ 2,144	¥ 495
Machinery, equipment and vehicles	139	103	36	250	178	72
Other assets	8	7	1	14	11	3
	¥ 1,566	¥ 1,143	¥ 423	¥ 2,903	¥ 2,333	¥ 570
	Thousands of U.S. dollars					
	2011			2010		
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Buildings and structures	\$ 17,065	\$ 12,423	\$ 4,642	\$ 29,030	\$ 23,333	\$ 570
Machinery, equipment and vehicles	1,672	1,239	433	250	178	72
Other assets	96	84	12	14	11	3
	\$ 18,833	\$ 13,746	\$ 5,087	\$ 29,030	\$ 23,333	\$ 570

Lease payments relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥144 million (\$1,732 thousand) and ¥171 million for the years ended March 31, 2011 and 2010, respectively. Depreciation of the leased assets computed by the straight-line method over the respective lease terms with a nil residual value amounted to ¥144 million (\$1,732 thousand) and ¥171 million for the years ended March 31, 2011 and 2010, respectively.

Future minimum lease payments subsequent to March 31, 2011 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2012	¥ 80	\$ 962
2013 and thereafter	343	4,125
Total	¥ 423	\$ 5,087

The acquisition costs and future minimum lease payments under finance leases presented in the above tables include the imputed interest expense.

No loss on impairment was allocated to any leased assets for the years ended March 31, 2011 and 2010.

## 12. Operating Leases

Future minimum lease payments subsequent to March 31, 2011 for non-cancelable operating leases were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2012	¥ 175	\$ 2,105
2013 and thereafter	1,741	20,938
Total	¥ 1,916	\$ 23,043

## 13. Financial Instruments – Fair Value

Effective the year ended March 31, 2010, the Company adopted “Accounting Standard for Financial Instruments” (ASBJ Statement No.10 originally issued on January 11, 1999 and revised on March 10, 2008) and “Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No.19 issued on March 10, 2008). These accounting standards require the Company to disclose the fair values of all financial instruments.

### Overview

#### (a) Policy for financial instruments

The Company and its subsidiaries (collectively, the “Group”) raise necessary funds in accordance with management plans mainly by bank borrowings and corporate bonds in support of operations related to the manufacture and sales of bearings, constant-velocity joints (CVJs) and precision equipments. The Group utilizes bank borrowings for short-term operating funds, and bank borrowings and corporate bonds for long-term capital investments and finances. Temporary surplus funds are managed by low-risk financial assets. The Group utilizes derivatives to avoid or mitigate risks as described in the later part of this note and does not hold them for speculative purposes.

#### (b) Types of financial instruments and related risks

Trade receivables, notes and accounts receivable, are exposed to credit risk of customers. In addition, as a result of the business of the Group, which operates globally, foreign currency trade receivables are exposed to currency rate fluctuation risk, which is mitigated by utilizing forward foreign currency exchange contracts.

Securities are mainly composed of stocks of the companies with which the Group has business relationships and they are exposed to fluctuation risk of market prices.

Trade payables, notes and accounts payable, are due within one year. Certain trade payables resulting from the import of raw materials is denominated in foreign currencies. These are exposed to fluctuation risk of foreign currencies. However, the risk is mitigated because the trade payables, notes and accounts payable denominated in foreign currencies are within the range of accounts receivable which are denominated in the same currencies.

Loans and corporate bonds are mainly utilized for business operations of the Group. Short-term loans are mainly utilized for financing of operating activities. Long-term loans and corporate bonds are mainly utilized for capital investments and financing. These have maturity dates of less than 8 years, at the longest, subsequent to March 31, 2011. Certain loans are exposed to fluctuation risk of interest rates due to floating rates and this risk is hedged by interest rate swap agreements.

The Group has a policy to utilize derivative transactions involving forward foreign currency exchange contracts, currency option agreements, currency swap agreements, interest swap agreements and interest option agreements for the purpose of avoiding future fluctuation risk of foreign currencies trade receivables and payables and mitigating future fluctuation risk of interest rate of loans and corporate bonds. The Group utilized forward foreign currency

exchange contracts and interest rate swap agreements for the year ended March 31, 2011. Refer to “(n) Derivative financial instruments and hedging activities” in Note 2. “Summary of Significant Accounting Policies.”

#### (c) Risk management for financial instruments

(i) Monitoring of credit risk (the risk that customers or counterparties may default)

In accordance with internal rules and manual, the credit management section periodically monitors financial conditions of major customers, manages collection due dates and balances of each customer and tries to identify credit risk of customers with worsening financial conditions at the early stage and mitigate the risk.

Credit risk of securities is quite low because the Group utilizes certificate of deposits with high credit ratings, up to a limited amount, which is approved by the Company.

The Group believes credit risk of derivative transactions is almost nil because counterparties are financial institutions with high credit ratings.

(ii) Monitoring of market risks (the risks arising from fluctuations in foreign currency exchange rates, interest rates and others)  
The Group mainly utilizes forward foreign currency exchange contracts for hedging of fluctuation risk which is identified by each currency. Depending on the market conditions of foreign currencies, the Group utilizes forward foreign currency exchange contracts for forecasted export transactions with a maximum period of 6 months.

The Group utilizes interest rate swap agreements to mitigate fluctuation risk of interest rates.

The Group continuously reviews securities holdings by monitoring periodically the market value and financial condition of securities’ issuers (companies with business relationships with the Group) and by evaluating those relationships.

The Group has established policies which include maximum upper limits and reporting obligations for derivative transactions and comply fully with these guidelines. Derivative transactions are entered into by the Company’s Accounting Department and certain consolidated subsidiaries. The Company carries out mutual supervision and monitoring of the derivative transactions in accordance with management policies and its consolidated subsidiaries apply the same approach. Each derivative transaction of the Company is reported to the responsible director when entered into. The consolidated subsidiaries are required to report the status of their derivatives transactions to the Company on a monthly basis and are also required

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to consult with the Company when they enter into derivative transactions other than forward foreign currency exchange contracts.

(iii) Monitoring of liquidity risk (the risk that the Group may not be able to meet its obligations on scheduled due dates)

The Group manages liquidity risk with the responsible section preparing and updating cash flow plans and keeping necessary funds based on reports of each section.

Syndicated loans have certain financial covenants that represent a liquidity risk from an early repayment request by financial institutions.

(iv) Supplementary explanation of the fair value of financial instruments  
The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value. In addition, the notional amounts of derivatives in Note 14 "Derivative Financial Instruments and Hedging Activities" are not necessarily indicative of the actual market risk involved in the derivative transactions.

## Fair Value of Financial Instruments

The carrying value of financial instruments on the consolidated balance sheets, fair value and the difference as of March 31, 2011 and 2010, are shown in the following table. The table does not include financial instruments for which it is extremely difficult to determine the fair value. (Please refer to Note 2 below).

	Millions of yen					
	2011			2010		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
(1) Cash and cash equivalents	¥ 40,082	¥ 40,082	¥ -	¥ 32,759	¥ 32,759	¥ -
(2) Short-term investments	1,334	1,334	-	1,874	1,874	-
(3) Trade receivables	109,722	109,722	-	100,667	100,667	-
(4) Investment securities	23,402	23,406	4	25,737	25,740	3
(5) Short-term loans receivable included in other current assets	305	305	-	304	304	-
Total assets	¥ 174,845	¥ 174,849	¥ 4	¥ 161,341	¥ 161,344	¥ 3
(6) Trade payables	110,206	110,206	-	90,207	90,207	-
(7) Short-term bank loans	95,581	95,581	-	110,407	110,407	-
(8) Current portion of long-term debt	18,656	18,656	-	26,732	26,744	12
(9) Accrued income taxes	3,743	3,743	-	2,637	2,637	-
(10) Long-term debt	109,048	110,065	1,017	94,500	95,851	1,351
Total liabilities	¥ 337,234	¥ 338,251	¥ 1,017	¥ 324,483	¥ 325,846	¥ 1,363
Derivative transactions (*)	¥ (270)	¥ (270)	¥ -	¥ (269)	¥ (269)	¥ -

	Thousands of U.S. dollars		
	2011		
	Carrying value	Fair value	Difference
(1) Cash and cash equivalents	\$ 482,044	\$ 482,044	\$ -
(2) Short-term investments	16,043	16,043	-
(3) Trade receivables	1,319,567	1,319,567	-
(4) Investment securities	281,444	281,492	48
(5) Short-term loans receivable included in other current assets	3,668	3,668	-
Total assets	\$ 2,102,766	\$ 2,102,814	\$ 48
(6) Trade payables	1,325,388	1,325,388	-
(7) Short-term bank loans	1,149,501	1,149,501	-
(8) Current portion of long-term debt	224,366	224,366	-
(9) Accrued income taxes	45,015	45,015	-
(10) Long-term debt	1,311,461	1,323,692	12,231
Total liabilities	\$ 4,055,731	\$ 4,067,962	\$ 12,231
Derivative transactions (*)	\$ (3,247)	\$ (3,247)	\$ -

\* Assets and liabilities arising from derivative transactions are shown at net value with the amount in parentheses representing net liability position.

Note 1: Methods to determine the fair value of financial instruments and other matters related to securities and derivative transactions

(1) Cash and cash equivalents, (2) Short-term investments, (3) Trade receivables and (5) Short-term loans receivable included in other current assets  
Since these items are settled in a short time period, their carrying value approximates fair value.

(4) Investment securities  
The fair value of stocks is based on quoted market prices.

(6) Trade payables, (7) Short-term bank loans and (9) Accrued income taxes  
Since these items are settled in a short time period, their carrying value approximates fair value.

(8) Current portion of long-term debt and (10) Long-term debt  
Long-term debt is composed of long-term loans and corporate bonds. The fair market value of corporate bonds is based on quoted market prices. The fair value of long-term debt is based on the present value of the total of principal and interest discounted by the interest rate to be applied assuming new loans under the similar conditions to existing loans are made.

Floating interest rates for certain long-term loans were hedged by interest rate swap agreements and accounted for as loans with fixed interest rates. The fair value of those long-term loans is based on the present value of the total of principals, interests and net cash flows of the swap agreements discounted by the interest rates to be applied assuming new loans under similar conditions are made.

### Derivative Transactions

Please refer to Note 14 "Derivative Financial Instruments and Hedging Activities" section of these Notes to Consolidated Financial Statements.

Note 2: Financial instruments for which it is extremely difficult to determine the fair value were as follows:



	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Unlisted stocks			
Stocks of subsidiaries and affiliates	<b>¥ 10,768</b>	¥ 10,976	<b>\$ 129,501</b>
Other	<b>579</b>	677	<b>6,963</b>
Unlisted foreign bonds	<b>2,516</b>	2,516	<b>30,259</b>
Unlisted domestic bonds	<b>1,000</b>	1,000	<b>12,026</b>
<b>Total</b>	<b>¥ 14,863</b>	¥ 15,169	<b>\$ 178,749</b>

Because no quoted market price is available and it is extremely difficult to determine the fair value, the above financial instruments are not included in the preceding table.

Note 3: Redemption schedule for receivables and marketable securities with maturities at March 31, 2011 and 2010 is as follows:

	Millions of yen			
	2011			
	Within one year	More than one year and within five years	More than five years and within ten years	More than ten years
Cash and cash equivalents	<b>¥ 40,082</b>	<b>¥ -</b>	<b>¥ -</b>	<b>¥ -</b>
Short-term investments	<b>1,334</b>	-	-	-
Trade receivables	<b>109,722</b>	-	-	-
Short-term loans receivable included in other current assets	<b>305</b>	-	-	-
<b>Total</b>	<b>¥ 151,443</b>	<b>¥ -</b>	<b>¥ -</b>	<b>¥ -</b>

	Millions of yen			
	2010			
	Within one year	More than one year and within five years	More than five years and within ten years	More than ten years
Cash and cash equivalents	¥ 32,759	¥ -	¥ -	¥ -
Short-term investments	1,874	-	-	-
Trade receivables	100,667	-	-	-
Short-term loans receivable included in other current assets	304	-	-	-
<b>Total</b>	<b>¥ 135,604</b>	<b>¥ -</b>	<b>¥ -</b>	<b>¥ -</b>

	Thousands of U.S. dollars			
	2011			
	Within one year	More than one year and within five years	More than five years and within ten years	More than ten years
Cash and cash equivalents	<b>\$ 482,044</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Short-term investments	<b>16,043</b>	-	-	-
Trade receivables	<b>1,319,567</b>	-	-	-
Short-term loans receivable included in other current assets	<b>3,668</b>	-	-	-
<b>Total</b>	<b>\$ 1,821,322</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Note 4: The redemption schedule for long-term debt is disclosed in Note 7 "Short-Term Bank Loans and Long-Term Debt" section of these Notes to Consolidated Financial Statements.

#### 14. Derivative Financial Instruments and Hedging Activities

##### (a) Derivative transactions to which hedge accounting is not applied

The estimated fair value of the derivatives positions outstanding which do not qualify for deferral hedge accounting at March 31, 2011 and 2010 is summarized as follows:

##### Currency-related transactions

Classification	Transaction	Millions of yen		
		Notional amount	Fair value	Valuation gain (loss)
	Forward foreign currency exchange contracts			
	Selling:			
	Euro	<b>¥ 6,795</b>	<b>¥ (240)</b>	<b>¥ (240)</b>
	U.S. Dollars	<b>4,734</b>	<b>(5)</b>	<b>(5)</b>
	Thai Baht	<b>1,513</b>	<b>(19)</b>	<b>(19)</b>
Over-the-counter transactions	Canadian Dollars	<b>311</b>	<b>(6)</b>	<b>(6)</b>
	British Pounds	<b>153</b>	<b>0</b>	<b>0</b>
	Buying:			
	Yen	<b>867</b>	<b>(6)</b>	<b>(6)</b>
	U.S. Dollars	<b>750</b>	<b>6</b>	<b>6</b>
<b>Total</b>		<b>¥ 15,123</b>	<b>¥ (270)</b>	<b>¥ (270)</b>

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Classification	Transaction	Millions of yen		
		2010		Valuation gain (loss)
		Notional amount	Fair value	
	Forward foreign currency exchange contracts			
	Selling:			
Over-the-counter transactions	U.S. Dollars	¥ 10,963	¥ (230)	¥ (230)
	Euro	5,586	166	166
	Thai Baht	1,763	(81)	(81)
	Canadian Dollars	378	(14)	(14)
	British Pounds	154	0	0
	<b>Total</b>	<b>¥ 18,844</b>	<b>¥ (159)</b>	<b>¥ (159)</b>

Classification	Transaction	Thousands of U.S. dollars		
		2011		
		Notional amount	Fair value	Valuation gain (loss)
	Forward foreign currency exchange contracts			
	Selling:			
Over-the-counter transactions	Euro	<b>\$ 81,720</b>	<b>\$ (2,886)</b>	<b>\$ (2,886)</b>
	U.S. Dollars	<b>56,933</b>	<b>(60)</b>	<b>(60)</b>
	Thai Baht	<b>18,196</b>	<b>(229)</b>	<b>(229)</b>
	Canadian Dollars	<b>3,740</b>	<b>(72)</b>	<b>(72)</b>
	British Pounds	<b>1,840</b>	<b>0</b>	<b>0</b>
	Buying:			
	Yen	<b>10,427</b>	<b>(72)</b>	<b>(72)</b>
	U.S. Dollars	<b>9,020</b>	<b>72</b>	<b>72</b>
	<b>Total</b>	<b>\$ 181,876</b>	<b>\$ (3,247)</b>	<b>\$ (3,247)</b>

The fair value of forward foreign currency exchange contracts are computed using prices provided by counterparty financial institutions. There are no contracts to be settled after one year.

## (b) Derivative transactions to which hedge accounting is applied

The estimated fair value of the derivatives positions outstanding which qualify for deferral hedge accounting at March 31, 2010 is summarized as follows:

### Currency-related transactions

Method of hedge accounting	Transaction	Major hedged item	Millions of yen	
			2010	
			Notional amount	Fair value
	Forward foreign currency exchange contracts			
Deferral hedge	Buying:	Investment in affiliates		
	EURO		¥ 5,909	¥ (110)
	<b>Total</b>		<b>¥ 5,909</b>	<b>¥ (110)</b>

The fair value of forward foreign currency exchange contracts are computed using prices provided by counterparty financial institutions. There are no contracts to be settled after one year.

### Interest-rate related transactions

Method of hedge accounting	Transaction	Millions of yen		
		2011		
		Contractual value		Fair value
Notional amount	More than one year			
Swap rates applied to underlying debt	Interest rate swaps			
	Receive / floating and pay / fixed	<b>¥ 30,000</b>	<b>¥ 28,000</b>	<b>(*)</b>
	<b>Total</b>	<b>¥ 30,000</b>	<b>¥ 28,000</b>	<b>(*)</b>

Method of hedge accounting	Transaction	Millions of yen		
		2010		
		Contractual value		Fair value
Notional amount	More than one year			
Swap rates applied to underlying debt	Interest rate swaps			
	Receive / floating and pay / fixed	¥ 20,000	¥ 20,000	(*)
	<b>Total</b>	<b>¥ 20,000</b>	<b>¥ 20,000</b>	<b>(*)</b>

		Thousands of U.S. dollars		
		<b>2011</b>		
		Contractual value		
Method of hedge accounting	Transaction	Notional amount	More than one year	Fair value
Swap rates applied to underlying debt	Interest rate swaps			
	Receive / floating and pay / fixed	<b>\$ 360,794</b>	<b>\$ 336,741</b>	<b>(*)</b>
	Total	<b>\$ 360,794</b>	<b>\$ 336,741</b>	<b>(*)</b>

\* Because interest rate swap agreements are accounted for applying swap rates to underlying long-term debt, their fair value is included in that of long-term debt disclosed in Note 13.

### 15. Research and Development Costs

Research and development costs included in cost of sales and selling, general and administrative expenses totalled ¥15,697 million (\$188,779 thousand) and ¥14,688 million for the years ended March 31, 2011 and 2010, respectively.

### 16. Provision of Reserve for Product Defect Compensation

The Company encountered some quality-control issues related to certain products and provided a reserve of ¥401 million (\$4,823 thousand) for the year ended March 31, 2011, which was presented as a component of other expenses in the accompanying consolidated statement of operations for the year.

### 17. Gain on Allocation of Shares

The Company received on allocation of shares issued by Dai-ichi Life Insurance Company, Limited in exchange for its management participant rights in mutual insurance company subsequent to Dai-ichi's demutualization. As a result, the Company recorded a gain on allocation of shares of ¥298 million (\$3,584 thousand) for the year ended March 31, 2011.

### 18. Loss Resulting from Low Operating Volume

The Company recorded a loss resulting from low operating volume of ¥812 million (\$9,765 thousand) for the year ended March 31, 2011. The consolidated subsidiaries experienced abnormally lower operating volumes and recorded related loss.

### 19. Loss on Earthquake

During the year ended March 31, 2011, the Company and its domestic subsidiaries suffered losses related to the Great East Japan Earthquake on March 11, 2011.

Loss on earthquake for the year ended March 31, 2011 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
	<b>2011</b>	<b>2011</b>
Fixed costs incurred during the period of the suspended operation	<b>¥ 418</b>	<b>\$ 5,027</b>
Donation	<b>100</b>	<b>1,203</b>
Others	<b>20</b>	<b>240</b>
	<b>¥ 538</b>	<b>\$ 6,470</b>

### 20. Reorganization Expenses

Reorganization expenses for the year ended March 31, 2010 consisted of the following:

	Millions of yen
	2010
Loss on disposal of fixed assets	¥ 131
Relocation expenses of equipment	11
	¥ 142

### 21. Loss on Liquidation of a Subsidiary

On December 25, 2009, the Company's Board of Directors' meeting approved the liquidation of a consolidated subsidiary, NTN-BCA CORP. The Company has recorded related losses as loss on liquidation of a subsidiary of ¥1,183 million in the consolidated statement of operations for the year ended March 31, 2010.

### 22. Closure of TAKARAZUKA Works

Upon the completion of the transfer of manufacturing activities at TAKARAZUKA Works to other factories, the Company ceased the operation of the TAKARAZUKA Works at the end of March 2009 and closed it in July 2009. Although the Company had planned to sell the site after soil improvement work, the Company did not recognize any gain or loss on this land for the years ended March 31, 2011 and 2010 because the Company could not estimate it reasonably.

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## 23. Income Taxes

Income taxes applicable to the Company and its domestic subsidiaries comprise corporate tax, inhabitants' taxes and enterprise tax which, in the aggregate, resulted in a statutory tax rate of 40.0% for the years ended March 31, 2011 and 2010. Overseas subsidiaries are subject to the income taxes of the respective countries in which they operate.

The effective tax rate for the year ended March 31, 2011 differs from the Company's statutory tax rate for the following reasons:

	2011
Statutory tax rate	40.0%
Permanent non-deductible expenses	0.7
Permanent non-taxable income	(2.5)
Elimination of dividend income	3.4
Equity in earnings of affiliates	(0.9)
Difference in overseas consolidated subsidiaries' applicable tax rate	(6.9)
Decrease in valuation allowance	(5.9)
Negative goodwill	(2.3)
Other	4.4
<b>Effective tax rate</b>	<b>30.0%</b>

The details of the differences between the statutory tax rate and effective tax rate for the year ended March 31, 2010 is omitted because the Company and consolidated subsidiaries recorded a loss before income taxes and minority interests for the year.

The tax effects of temporary differences which gave rise to significant portions of the deferred tax assets and liabilities at March 31, 2011 and 2010 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
<b>Deferred tax assets:</b>			
Accrued retirement benefits for employees	¥ 14,380	¥ 13,829	\$ 172,940
Inventories	395	1,009	4,750
Tax loss carryforwards	16,059	16,785	193,133
Reserve for product defect compensation	179	536	2,153
Accrued expenses	2,993	3,027	35,995
Foreign tax credit	2,130	1,892	25,616
Accrued expenses for a defined contribution pension plan	1,446	2,080	17,390
Other	7,303	6,245	87,831
Gross deferred tax assets	44,885	45,403	539,808
Less: valuation allowance	(6,756)	(8,253)	(81,251)
<b>Total deferred tax assets</b>	<b>38,129</b>	<b>37,150</b>	<b>458,557</b>
<b>Deferred tax liabilities:</b>			
Depreciation and amortization	(7,562)	(8,423)	(90,944)
Unrealized holding gain on securities	(1,419)	(2,414)	(17,066)
Reserve for deferred gain on property included in retained earnings	(387)	(393)	(4,654)
Retained earnings of overseas consolidated subsidiaries	(185)	(117)	(2,225)
Other	(2,312)	(716)	(27,805)
<b>Total deferred tax liabilities</b>	<b>(11,865)</b>	<b>(12,063)</b>	<b>(142,694)</b>
<b>Net deferred tax assets</b>	<b>¥ 26,264</b>	<b>¥ 25,087</b>	<b>\$ 315,863</b>

## 24. Amounts per Share

Amounts per share at March 31, 2011 and 2010 and for the years then ended were as follows:

	Yen		U.S. dollars
	2011	2010	2011
Net assets	¥ 376.05	¥ 374.19	\$ 4.52
Net income (loss):			
Basic	27.08	(4.00)	0.33
Cash dividends	10.00	8.00	0.12

Amounts per share of net assets are computed based on the number of shares of common stock outstanding at the year end.

Basic net income or loss per share is computed based on the net income or loss attributable to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year. Diluted net income per share has not been presented because there are no potentially dilutive shares of common stock outstanding for the years ended March 31, 2011 and 2010.

Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective years together with the interim cash dividends paid.

## 25. Supplementary Cash Flow Information

The assets and liabilities of NTN-NIDEC (THAILAND) CO., LTD. and NTN-NIDEC (ZHEJIANG) CORPORATION at the time they were excluded from the scope of consolidation during the year ended March 31, 2010 because of the Company's sales of investments in these subsidiaries, related sales value and proceeds from sales of investments are summarized as follows:

	Millions of yen
	2010
Current assets	¥ 4,157
Fixed assets	4,288
Current liabilities	(4,923)
Long-term liabilities	(2)
Minority interests	(1,408)
Gain on sales of investments in subsidiaries	723
Sales value of investments in subsidiaries	2,835
Cash and cash equivalents of sold subsidiaries	(414)
Proceeds from sales of investments in subsidiaries	¥ 2,421

## 26. Segment Information

Effective April 1, 2010, the Company adopted the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No.17, issued on March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No.20, issued on March 21, 2008).

### (a) Segment Information for the Year ended March 31, 2011

#### 1. Outline of reporting segments

The Group's reporting segments are divisions of the Group for which separate financial information is available, and whose operating results are reviewed regularly by the highest management decision-making body (Board of Directors meeting of the Company) in order to allocate management resources and assess performance of operations.

The Group's main business lines consist of the manufacture and sales of bearings, constant-velocity joints (CVJs) and precision equipments for the automotive market, general industrial machinery market, and distribution and aftermarket. Business activities in Japan are controlled by the Company (Head Office), and overseas business activities are controlled by the General Manager responsible in each region. Business entities in each region prepare their own plans and strategies to conduct business activities while analyzing profitability and the investment efficiency of operations.

Accordingly, the Group has four reporting segments based on geographic business segmentation controlled by the Head Office or General Managers: Japan, the Americas, Europe, and Asia and other areas. Each reporting segment engages in manufacture and sale of bearings, constant-velocity joints (CVJs), and precision equipment and other products.

#### 2. Calculation methods used for net sales, income, assets, liabilities and other items on each reporting segment.

The accounting policies of the segments are substantially the same as those described in the significant accounting policies in Note 2. Inter-segment sales and transfer are recorded at the same prices used in transactions with third parties.

#### 3. Information as to net sales, income, assets, liabilities, and other items for each reporting segment.

	Millions of yen						
	2011						
	Reporting segments					Adjustments (Note)	Consolidated
Japan	Americas	Europe	Asia and other areas	Total			
<b>Sales, income and assets or liabilities by reporting segments:</b>							
Net sales:							
Sales to third parties	¥ 201,276	¥ 111,625	¥ 140,614	¥ 76,541	¥ 530,056	¥ –	¥ 530,056
Inter-segment sales and transfers	118,346	2,867	3,379	6,032	130,624	(130,624)	–
Total	319,622	114,492	143,993	82,573	660,680	(130,624)	530,056
Segment income	¥ 8,009	¥ 2,909	¥ 5,957	¥ 6,808	¥ 23,683	¥ 877	¥ 24,560
Segment assets	¥ 450,135	¥ 109,060	¥ 119,706	¥ 74,863	¥ 753,764	¥ (121,763)	¥ 632,001
Segment liabilities	¥ 293,324	¥ 70,593	¥ 68,358	¥ 34,283	¥ 466,558	¥ (44,910)	¥ 421,648
<b>Other items:</b>							
Depreciation and amortization	¥ 21,764	¥ 6,117	¥ 5,072	¥ 2,983	¥ 35,936	¥ –	¥ 35,936
Capital expenditures	¥ 12,008	¥ 8,097	¥ 4,600	¥ 5,578	¥ 30,283	¥ (55)	¥ 30,228

# Notes to Consolidated Financial Statements

March 31, 2011

	Thousands of U.S. dollars							
	2011						Adjustments (Note)	Consolidated
	Reporting segments					Total		
Japan	Americas	Europe	Asia and other areas					
<b>Sales, income and assets or liabilities by reporting segments:</b>								
Net sales:								
Sales to third parties	\$ 2,420,638	\$ 1,342,453	\$ 1,691,088	\$ 920,517	\$ 6,374,696	\$ -	\$ 6,374,696	
Inter-segment sales and transfers	1,423,283	34,480	40,637	72,544	1,570,944	(1,570,944)	-	
Total	3,843,921	1,376,933	1,731,725	993,061	7,945,640	(1,570,944)	6,374,696	
Segment income	\$ 96,320	\$ 34,985	\$ 71,642	\$ 81,876	\$ 284,823	\$ 10,547	\$ 295,370	
Segment assets	\$ 5,413,529	\$ 1,311,606	\$ 1,439,639	\$ 900,337	\$ 9,065,111	\$ (1,464,377)	\$ 7,600,734	
Segment liabilities	\$ 3,527,648	\$ 848,984	\$ 822,105	\$ 412,303	\$ 5,611,040	\$ (540,108)	\$ 5,070,932	
<b>Other items:</b>								
Depreciation and amortization	\$ 261,744	\$ 73,566	\$ 60,998	\$ 35,875	\$ 432,183	\$ -	\$ 432,183	
Capital expenditures	\$ 144,413	\$ 97,378	\$ 55,322	\$ 67,084	\$ 364,197	\$ (661)	\$ 363,536	

Note: Other than segment assets, adjustments are the elimination of inter-segment transactions. The adjustments for segment assets consist of inter-segment elimination of ¥157,270 million (\$1,891,401 thousand) and the corporate assets of the group of ¥35,507 million (\$427,023 thousand). The corporate assets are the investments held by the Company, mainly cash and cash equivalents and investment securities.

## 4. Related information

### (1) Sales by products and service

The sales by products and service, classified by the similarity of the market for the year ended March 31, 2011 is summarized as follows:

	Millions of yen			
	2011			
	Automotive	Industrial machinery	Repair and aftermarket	Total
Sale to third parties	¥ 344,408	¥ 99,451	¥ 86,197	¥ 530,056

	Thousands of U.S. dollars			
	2011			
	Automotive	Industrial machinery	Repair and aftermarket	Total
Sale to third parties	\$ 4,142,008	\$ 1,196,043	\$ 1,036,645	\$ 6,374,696

### (2) Regional information

#### (a) Sales

Sales categorized by countries and regions based on locations of customers within the group for the year ended March 31, 2011 is summarized as follows:

	Millions of yen				
	2011				
	Japan	Americas	Europe	Asia and other areas	Total
	¥ 186,595	¥ 117,985	¥ 132,814	¥ 92,662	¥ 530,056

	Thousands of U.S. dollars				
	2011				
	Japan	Americas	Europe	Asia and other areas	Total
	\$ 2,244,076	\$ 1,418,942	\$ 1,597,282	\$ 1,114,396	\$ 6,374,696

"Americas" includes U.S.A., Canada and Central and South America. Europe includes Germany, France, U.K. and others. Asia and other areas include China, Thailand, India and others. The sales of the "Americas" segment above contain the sales to U.S.A. of ¥100,437 million (\$1,207,901 thousand).

#### (b) Property, plant and equipment

	Millions of yen				
	2011				
	Japan	Americas	Europe	Asia and other areas	Total
	¥ 133,821	¥ 52,524	¥ 37,218	¥ 22,569	¥ 246,132

	Thousands of U.S. dollars				
	2011				
	Japan	Americas	Europe	Asia and other areas	Total
	\$ 1,609,392	\$ 631,678	\$ 447,601	\$ 271,425	\$ 2,960,096

1. Property, plant and equipment in "Americas" in the amount of ¥46,373 million (\$557,703 thousand) is located in the U.S.A.
2. Property, plant and equipment of "Europe" in the amount of ¥31,387 million (\$377,474 thousand) is located in France.

#### 5. Significant gain on recognition of negative goodwill

The Company increased its ownership in S.N.R. ROULEMENTS, a consolidated subsidiary, to 80% by acquiring an additional 29% ownership interest on April 22, 2010. This resulted in a gain on recognition of negative goodwill recorded in the "Japan" segment. The amount was ¥1,203 million (\$14,468 thousand), which are included in the component of gain on recognition of negative goodwill in consolidated statement of income for the year ended March 31, 2011.

#### (b) Segment information for the year ended March 31, 2010

The Company and its consolidated subsidiaries are primarily engaged in the manufacture and sale of bearings, CVJ and precision equipment. As more than 90% of the consolidated net sales and operating income for the year ended March 31, 2010 was made and more than 90% of the consolidated total assets was held in the machinery and equipment parts segment, the disclosure of business segment information has been omitted.

Segment information by geographic area for the year ended March 31, 2010 is summarized as follows:

	Millions of yen						
	2010						
	Reporting segments				Total	Eliminations or corporate	Consolidated
Japan	Americas	Europe	Asia and other areas				
External sales	¥ 166,818	¥ 86,819	¥ 134,247	¥ 64,862	¥ 452,746	¥ –	¥ 452,746
Intersegment sales	84,736	2,187	2,749	5,104	94,776	(94,776)	–
Net sales	251,554	89,006	136,996	69,966	547,522	(94,776)	452,746
Operating expenses	263,213	88,299	132,889	62,800	547,201	(95,854)	451,347
Operating (loss) income	¥ (11,659)	¥ 707	¥ 4,107	¥ 7,166	¥ 321	¥ 1,078	¥ 1,399
Total assets	¥ 430,145	¥ 107,569	¥ 115,776	¥ 63,325	¥ 716,815	¥ (98,013)	¥ 618,802

Overseas sales, which include export sales of the Company and its domestic consolidated subsidiaries and sales (other than exports to Japan) of the overseas consolidated subsidiaries, for the year ended March 31, 2010 is summarized as follows:

	Millions of yen			
	2010			
	Americas	Europe	Asia and other areas	Total
Overseas sales	¥ 90,017	¥ 127,068	¥ 79,297	¥ 296,382
Consolidated net sales				452,746
Overseas sales as a percentage of consolidated net sales	19.9%	28.1%	17.5%	65.5%

## 27. Business Combination

### 1. Company name and business description of acquired company, legal description of business combination, trade name after business combination and main purpose for business combination

(1) Company name and business description of acquired company  
 Acquired company: S.N.R. ROULEMENTS  
 Business description: Manufacture and sale of automotive, industrial machinery, aerospace related products

(2) Date of the business combination  
 April 22, 2010

(3) Legal description of business combination  
 Acquisition of shares from the minority shareholder

(4) Company name of acquired company after business combination  
 NTN-SNR ROULEMENTS (Changed its name from S.N.R. ROULEMENTS in July 2010)

(5) Main purpose for business combination  
 The Company additionally acquired 29% of the shares of S.N.R. ROULEMENTS to expand its business in Europe and to enforce the consolidation group management. As a result of the acquisition, the Company owned 80% of its shares.

### 2. Overview of accounting treatment applied

The acquisition of the shares was accounted for as transaction under common control in accordance with "Accounting Standard for Business Combinations" (ASBJ Statement No.21 issued on December 26, 2008) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10 issued on December 26, 2008.)

### 3. Matters related to additional acquisition of the subsidiary's shares

(1) Acquisition cost of acquired company  
 Acquisition cost in cash and cash equivalents: ¥5,908 million (\$71,052 thousand)

(2) Amount of gain on negative goodwill and reason  
 (a) Amount of recognized negative goodwill ¥1,203 million (\$14,468 thousand), which are included in the component of gain on recognition of negative goodwill in consolidated statement of income for the year ended March 31, 2011.

(b) Reason for the negative goodwill  
 Negative goodwill was recognized since the cost of additional acquisition was less than the amount of decrease in minority interest.

## 28. Subsequent Event

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2011, was approved at the annual general meeting of the shareholders held on June 24, 2011:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends (¥5.0 (U.S.\$0.06) per share)	¥ 2,658	\$ 31,966



Ernst & Young ShinNihon LLC

## Report of Independent Auditors

The Board of Directors  
NTN Corporation

We have audited the accompanying consolidated balance sheets of NTN Corporation and consolidated subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and consolidated statement of comprehensive income for the year ended March 31, 2011, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of NTN Corporation and consolidated subsidiaries at March 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

*Ernst & Young ShinNihon LLC.*

Osaka, Japan  
June 27, 2011



# NTN's Global Network

As of March 31, 2011

## JAPAN

### Head Office

3-17, 1-chome, Kyomachibori, Nishi-ku,  
Osaka 550-0003, Japan

### Automotive Business Headquarters

1578 Higashi-Kaizuka, Iwata-shi, Shizuoka  
438-8510, Japan

### Industrial Business Headquarters

3066 Aza-Oyumida, Oaza-Higashikata,  
Kuwana-shi, Mie 511-8678, Japan

### Precision Equipment Division

1578 Higashi-Kaizuka, Iwata-shi, Shizuoka  
438-8510, Japan

### Composite Material Product Division

101 Katsutaba, Kanieshinden, Kanie-cho,  
Ama-gun, Aichi 497-8541, Japan

### EV Systems Division

1578 Higashi-Kaizuka, Iwata-shi, Shizuoka  
438-8510, Japan

### Sales

#### NTN Bearing Service Co., Ltd.

1-13, 3-chome, Shibakoen, Minato-ku,  
Tokyo 108-0074, Japan

### Manufacturing

#### Kuwana Works

2454 Aza-Tsuehijima, Oaza-Higashikata,  
Kuwana-shi, Mie 511-8678, Japan

#### Iwata Works

1578 Higashi-Kaizuka, Iwata-shi,  
Shizuoka 438-8510, Japan

#### Okayama Works

500-1 Hatakeda, Bizen-shi,  
Okayama 705-8510, Japan

#### Nagano Works

14017-11 Oaza-Nakaminowa, Minowa-machi,  
Kamiina-gun, Nagano 399-4601, Japan

#### Fluid Dynamic Bearing Unit Plant

101 Katsutaba, Kanieshinden, Kanie-cho,  
Ama-gun, Aichi 497-8541, Japan

#### NTN Kongo Corp.

3-13, 1-chome, Kidonishi-cho,  
Kawachinagano-shi, Osaka 586-0009, Japan

#### NTN Engineering Plastics Corp.

970 Oaza Ano, Toin-cho, Inabe-gun,  
Mie 511-0243, Japan

#### NTN Powder Metal Corp.

101 Katsutaba, Kanieshinden, Kanie-cho,  
Ama-gun, Aichi 497-8541, Japan

#### NTN Mikumo Company Ltd.

750-1 Onoe, Matsusaka-shi,  
Mie 515-2109, Japan

#### NTN Casting Corp.

475-1, Nadabun-cho, Izumo-shi,  
Shimane 691-0003, Japan

#### NTN Kinan Corp.

2504-1 Ikuma, Kamitonda-cho, Nishimuro-gun,  
Wakayama 649-2103, Japan

#### Hikari Seiki Industry Co., Ltd.

8 Motohigashikata, Sanmaiden-cho, Tenri-shi,  
Nara 632-0046, Japan

#### NTN Mie Corp.

3601-25 Mizono, Tado-cho, Kuwana-shi,  
Mie 511-0118, Japan

#### NTN Omaezaki Corp.

4681-3, Sakura, Omaezaki-shi,  
Shizuoka 437-1604, Japan

#### NTN Kamiina Corp.

522-2 Oaza-Nakasone, Minowa-machi,  
Kamiina-gun, Nagano 399-4605, Japan

#### NTN Fukuroi Corp.

1959 Midori, Fukuroi-shi,  
Shizuoka 437-0005, Japan

#### NTN Hakui Corp.

32 Mitsuya-machi, Hakui-shi,  
Ishikawa 925-0024, Japan

#### NTN Houdatsushimizu Corp.

1-1 Futakuti-ho, Houdatsushimizu-cho,  
Hakui-gun, Ishikawa 929-1421, Japan

#### NTN Bizen Corp.

2139-2 Yamaguchi, Akaiwa-shi,  
Okayama 701-2225, Japan

#### NTN Tado Corp.

1077 Yui, Tado-cho, Kuwana-shi,  
Mie 511-0101, Japan

#### NTN Shika Corp.

5-58-2 Horimatsu, Shika-machi, Hakui-gun,  
Ishikawa 925-0157, Japan

## THE AMERICAS

### Holding Company

#### NTN USA Corp.

1600 E. Bishop Court, P.O. Box 7604,  
Mount Prospect, IL 60056-7604, U.S.A.

### Sales

#### NTN Bearing Corp. of America

1600 E. Bishop Court, P.O. Box 7604,  
Mount Prospect, IL 60056-7604, U.S.A.

#### NTN Bearing Corp. of Canada Ltd.

305 Courtneypark Drive West, Mississauga,  
Ontario, L5W 1Y4, Canada

#### NTN-Sudamericana, S.A.

World Trade Center Panama  
Calle 53 Este, Urbanización Marbella Piso  
NO.16, Oficina 1601 Apartado Postal  
832-0487, Panamá, Rep.de Panamá

#### NTN de Mexico, S.A.

Emilio cárdenas No.158 Apdo.124,  
C.P. 54030, Tlalpan, Edo de México,  
México

#### NTN do Brasil Ltda.

Av. Moema, 94-9º Andar-conj, 92193 CEP  
04077-020, Indianópolis, São Paulo, Brasil

### Manufacturing

#### American NTN Bearing Mfg. Corp.

##### Elgin Plant

1500 Holmes Road, Elgin, IL 60123, U.S.A.

##### Schiller Park Plant

9515 Winona Avenue, Schiller Park, IL 60176,  
U.S.A.

#### NTN-Bower Corp.

##### Macomb Plant

711 North Bower Road, Macomb, IL  
61455-2511 U.S.A.

##### Hamilton Plant

2086 Military Street South, Hamilton, AL 35570,  
U.S.A.

#### NTN Driveshaft, Inc.

8251 South International Drive Columbus,  
IN 47201 U.S.A.

#### NTK Precision Axle Corp.

741 South County Rd 200 West, Frankfort  
IN 46041, U.S.A.

#### Asahi Forge of America Corp.

5030 Corporate Way Richmond, Kentucky  
40475 U.S.A.

# NTN's Global Network

As of March 31, 2011

## THE AMERICAS

### NTA Precision Axle Corp.

795 Kimberly Drive, Carol Stream, IL U.S.A.

### Seohan-NTN Driveshaft USA Corp.

264 Teague Court, Auburn, AL 36832, U.S.A.

### NTN Bearing Mfg. Canada

(A Div. of NTN Bearing Corp. of Canada Ltd.)

6740 Kitimat Road, Mississauga, Ontario, L5N 1M6, Canada

### NTN do Brasil Produção de Semi-Eixos Ltda.

Estrada Municipal, 400 Bairro Jardim Santo Afonso, CEP 07215-040, Guarulhos, São Paulo, Brasil

## EUROPE

### Sales

#### NTN Wälzlager (Europa) GmbH

Max-Planck-Strasse 23, 40699 Erkrath, F.R. Germany

#### NTN Bearings (UK) Ltd.

Wellington Crescent, Fradley Park, Lichfield, Staffordshire, WS13 8RZ, U.K.

#### SNR ROULEMENTS

1, rue des Usines BP2017, 74010 Annecy, France

#### SNR Wälzlager GmbH

Düsseldorf Branch  
Max-Planck-Str. 23, 40699 Erkrath, F.R. Germany

#### SNR Italia

Via Riccardo Lombardi, 19/4 20153 Milan, Italy

#### SNR Rodamientos Iberica S.A.

Calle Barberán N°6, 28035 Madrid, Spain

### Manufacturing

#### NTN Kugellagerfabrik (Deutschland) GmbH

NTN Strasse 1-3, 40822 Mettmann, F.R. Germany

#### NTN Transmissions Europe

Z.A. des Trémelières Communauté Urbaine du Mans 72704 Allonnes Cedex, France

#### NTN Transmissions Europe Crézancy

Route de Paris, 02650 Crézancy, France

#### IFA-Antriebstechnik GmbH

Buschstüeck Str. 6 39638 Gardelegen, F.R. Germany

## ASIA AND OTHERS

### Sales

#### NTN Bearing-Singapore (Pte) Ltd.

No.9 Clementi Loop Singapore 129812

#### NTN Bearing Thailand Co., Ltd.

12th Floor, Panjathani Tower, 127/15 Nonsee Road, Chongnonsee Yannawa, Bangkok 10120, Thailand

#### NTN Bearing-Malaysia Sdn. Bhd.

No.2, Jalan Arkitek U 1/22,Section U1, Hicom Glenmarie Industrial Park,40150 Shah Alam, Selangor Darul Ehsan, Malaysia

#### NTN Korea Co., Ltd.

10th Floor, Press Center, 25, Taepyeong-Ro 1-GA, Jung-Gu, Seoul 100-745, Korea

#### NTN-CBC (Australia) Pty. Ltd.

3, The Crescent, Kingsgrove, NSW 2208, Australia

#### PT. NTN BEARING INDONESIA

Summitmas 1., 18th Floor, Jl. Jend. Sudirman Kav. 61-62, Jakarta 12190, Indonesia

### Manufacturing

#### NTN Manufacturing (Thailand) Co., Ltd.

111/2 Moo 4,Tambol Pluakdaeng, Amphur Pluakdaeng, Rayong 21140, Thailand

#### Tung Pei Industrial Co., Ltd.

10th Floor No.142, Chung Hsiao E.Rd., Sec. 4, Taipei, Taiwan.

#### Taoyuan Plant

600 Sec. 1, Chieh-Shou Road, Pa-te City, Taoyuan Hsien, Taiwan

#### Chungli Plant

No.7 Songjiang N. Rd., Jhongli City, Taoyuan County 320, Taiwan

#### Taiway Ltd.

14, Kwang Fu Road, Hsinchu IND. Park, Hukou 303, Hsianchu, Taiwan

#### Unidrive Pty. Ltd.

45-49 McNaughton Road, Clayton, Victoria 3168, Australia  
P.O.Box 146 Clayton, Victoria 3168, Australia

#### NTN NEI Manufacturing India Pvt. Ltd.

Plot No. 131, Sector-7, HSIIDC Growth Centre, Bawal Distt. Rewari, Haryana 123501 India

#### Seohan-NTN Bearing Co., Ltd.

1084-4 Yongmyeong-Ri, Geoncheon-Eup, Gyeongju-Si, Gyeongsangbuk-Do, Korea 780-903

## CHINA

### Sales

#### NTN (CHINA) Investment Corp.

##### Shanghai Head Office

No.6 building No.1666 Nanle Road, Songjiang Industrial Zone, Songjiang, Shanghai, China

#### NTN China Ltd.

##### Hong Kong Office

Room 1914-15, Park-In Commercial Centre, 56 Dundas Street, Mongkok, Kowloon, Hong Kong

#### NTN-DONGPAI (Shanghai) Bearing Sales Corp.

3F 195 NanSuzhou Road, Shanghai, China

### Manufacturing

#### Shanghai NTN Corp.

No.1666, Nanle Road, Songjiang Industrial Zone, Songjiang, Shanghai, China 201611

#### Guangzhou NTN-Yulon Drivetrain Co., Ltd.

No.11 Jun Da Road, East District of Guangzhou Economic and Technological Development Zone, Guangzhou, Guangdong Province, China 510530

#### NTN-RAB (Changzhou) Corp.

No.200 Chuangxin Road (ELECTRONIC INDUSTRIAL PARK), Changzhou, 213031 China

#### Beijing NTN-Seohan Driveshaft Co., Ltd.

No.3 Zhengfu Road Opto-mechatronics Industrial Park, Beijing, China 101111

#### Shanghai Tung Pei Enterprise Co., Ltd.

No. 601, Rongle RD.(E), Songjiang Industrial Zone,Shanghai, China 201613

#### Nanjing Puzhen NTN Railway Bearing Co., Ltd.

No.5 Longhu Alley, Puzhen Town, Pukou District, Nanjing City, Jiangsu, China 210031

#### Shanghai Laien Machine Tool Parts Corp.

10-2 Jinwen Road, Nanhui Area, Shanghai, China 201323

#### NTN-LYC (Luoyang) Bearing Corp.

No.1 Zhangheng Street, Luoong Technical Park, Luolong District, Luoyang City, Henan Province, China

# NTN Group Investment Holdings

As of March 31, 2011

Consolidated Subsidiaries	Paid-in Capital	Holding as percentage (%)
<b>Consolidated Subsidiaries</b>		
NTN BEARING SERVICE CO., LTD. ....	¥480,000,000	100
NTN KONGO CORP. ....	¥1,000,000,000	100
NTN ENGINEERING PLASTICS CORP. ....	¥100,000,000	100
NTN POWDER METAL CORP. ....	¥400,000,000	100
NTN MIKUMO COMPANY LTD. ....	¥450,000,000	100
NTN CASTING CORP. ....	¥450,000,000	100
NTN KINAN CORP. ....	¥450,000,000	100
NTN MIE CORP. ....	¥3,000,000,000	100
NTN OMAEZAKI CORP. ....	¥266,000,000	97.4
NTN KAMIINA CORP. ....	¥725,000,000	80
NTN FUKUROI CORP. ....	¥1,500,000,000	100
NTN HOUDATSUSHIMIZU CORP. ....	¥1,250,000,000	100
NTN USA CORP. ....	US.\$127,370,000	100
NTN BEARING CORP.OF AMERICA ....	US.\$24,700,000	100 (100)
NTN DRIVESHAFT, INC. ....	US.\$54,580,000	100 (100)
AMERICAN NTN BEARING MFG.CORP. ..	US.\$24,330,000	100 (100)
NTN-BOWER CORP. ....	US.\$67,000,000	100 (100)
NTN-BCA CORP. ....	US.\$16,000,000	100 (100)
NTK PRECISION AXLE CORP. ....	US.\$15,000,000	60 (60)
NTA PRECISION AXLE CORP. ....	US.\$10,000,000	87.5 (87.5)
NTN BEARING CORP.OF CANADA LTD. ....	CAN.\$20,100,000	100
NTN SUDAMERICANA, S.A. ....	US.\$700,000	100
NTN do Brasil Produção de Semi-Eixos Ltda. ....	BRL35,420,000	100 (30)
NTN WÄLZLAGER (EUROPA) G.m.b.H. ....	EURO14,500,000	100
NTN KUGELLAGERFABRIK (DEUTSCHLAND) G.m.b.H. ....	EURO18,500,000	100
NTE Gardelegen G.m.b.H. ....	EURO1,500,000	100
NTN BEARINGS (UK) LTD. ....	STG.£2,600,000	100 (0.04)
NTN Transmissions Europe ....	EURO76,531,592	100
NTN TRANSMISSIONS EUROPE CREZANCY ....	EURO2,537,000	100 (100)
NTN-SNR ROULEMENTS ....	EURO11,359,542	82.3

Consolidated Subsidiaries	Paid-in Capital	Holding as percentage (%)
NTN BEARING-SINGAPORE (PTE) LTD. ....	S.\$36,000,000	100 (0.969)
NTN CHINA LTD. ....	HK.\$2,500,000	100
NTN BEARING-THAILAND CO., LTD. ....	BAHT780,000,000	100 (99.999)
NTN MANUFACTURING (THAILAND) CO., LTD. ....	BAHT1,311,000,000	99.999 (99.999)
NTN Manufacturing India Private LTD. ....	INR1,275,000,000	90.196 (0.004)
NTN BEARING-MALAYSIA SDN.BHD. ....	M.\$10,000,000	60 (60)
NTN KOREA CO., LTD. ....	WON500,000,000	100
PT. NTN BEARING INDONESIA ....	US.\$7,300,000	100 (100)
NTN (CHINA) INVESTMENT CORPORATION ....	US.\$48,000,000	100
SHANGHAI NTN CORP. ....	US.\$99,300,000	95 (26.36)
GUANGZHOU NTN-YULON DRIVETRAIN CO., LTD. ....	US.\$12,500,000	60 (12)
CHANGZHOU NTN-GUANGYANG CORP. ....	US.\$28,440,000	100
<b>Affiliated Companies Accounted for by the Equity Method</b>		
TUNG PEI INDUSTRIAL CO., LTD. ....	NT.\$1,257,232,620	27.35
TAIWAY LTD. ....	NT.\$160,000,000	36.25
UNIDRIVE PTY. LTD. ....	A.\$5,000,000	40
BEIJING NTN-SEOHAN DRIVESHAFT CO., LTD. ....	US.\$6,000,000	40 (6.67)
ASAHI FORGE OF AMERICA CORP. ....	US.\$7,100,000	28.2 (28.2)
IFA-Antriebstechnik G.m.b.H. ....	EURO50,000	25
Seohan-NTN Driveshaft USA CORP. ....	US.\$6,000,000	49
Nanjing Puzhen NTN Railway Bearing Co., Ltd. ....	US.\$6,600,000	40 (40)
Seohan-NTN Bearing CO., LTD. ....	WON10,000,000,000	49

1. Of the above consolidated subsidiaries, NTN USA CORP., NTN DRIVESHAFT, INC., NTN-BOWER CORP., NTN TRANSMISSIONS EUROPE, and SHANGHAI NTN CORP. are specified subsidiaries.
2. Figures in curved brackets under "Holding as percentage" indicate the percentage of indirectly owned holdings, and are included in the total holding.

## Investor Information

As of March 31, 2011

### Head Office

NTN Corporation  
3-17, 1-chome, Kyomachibori, Nishi-ku,  
Osaka 550-0003, Japan

### Investor Relations

CSR & Corporate Communications Dept.  
Phone: +81-6-6449-3528  
Fax: +81-6-6443-3226  
E-mail: irmanager@ntn.co.jp

### NTN on the Internet

NTN's Website offers a variety of corporate and product information, including the latest annual report and financial results.  
<http://www.ntn.co.jp>

### Common Stock (As of March 31, 2011)

Authorized 1,800,000,000 shares  
Issued and outstanding 532,463,527 shares

### Number of Shareholders (As of March 31, 2011)

28,654

### Transfer Agent for Common Stock

Mitsubishi UFJ Trust Banking Corporation  
4-5, 1-chome, Marunouchi, Chiyoda-ku,  
Tokyo 100-8212, Japan

### Stock Exchange Listings

First Section of Tokyo Stock Exchange (#6472)  
First Section of Osaka Securities Exchange (#6472)

### Independent Accountants

Ernst & Young ShinNihon LLC

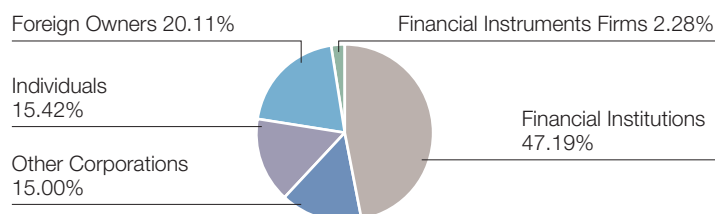
### General Meeting of Shareholders

The General Meeting of Shareholders was held on June 24, 2011 in Osaka

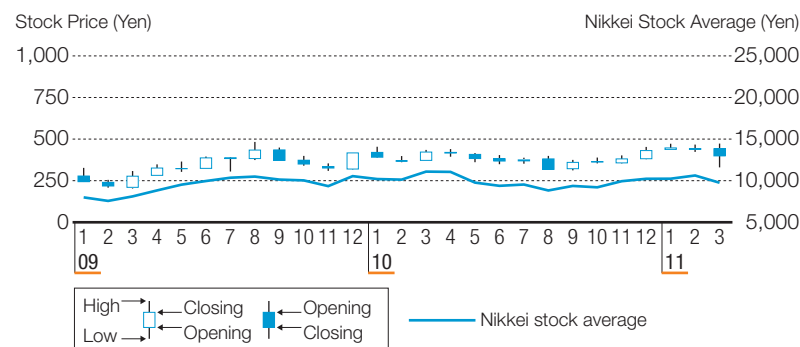
### Stock Price Range in the Fiscal Year Ended March 31, 2011

High: ¥473  
Low: ¥312

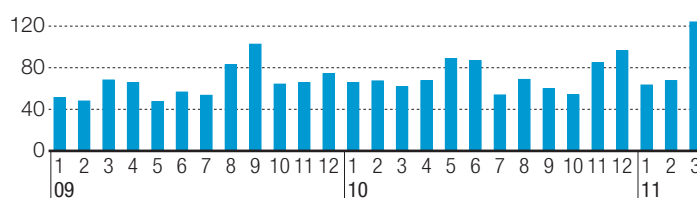
### Shareholders by Category



### Tokyo Stock Price Range



### Monthly Volume Traded (Million Shares)



For New Technology Network



## NTN Corporation

3-17, 1-chome, Kyomachibori,  
Nishi-ku, Osaka 550-0003, Japan  
<http://www.ntn.co.jp>



All of the electricity needed for the printing and binding of this NTN Report was generated with green power generated at wind power facilities in Japan. (See page 48 for details.)



Reusing aluminum plates during the printing of this publication reduced waste and contributed to the deduction of CO<sub>2</sub> emissions by **0.26t**.

Japan Smart Energy Co., Ltd. examined this numerical value and confirmed it.

 NTN Corporation LTD. participates in an Indonesian reforestation project with print by MCP.



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