

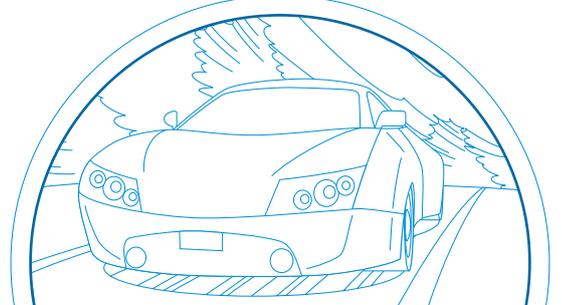
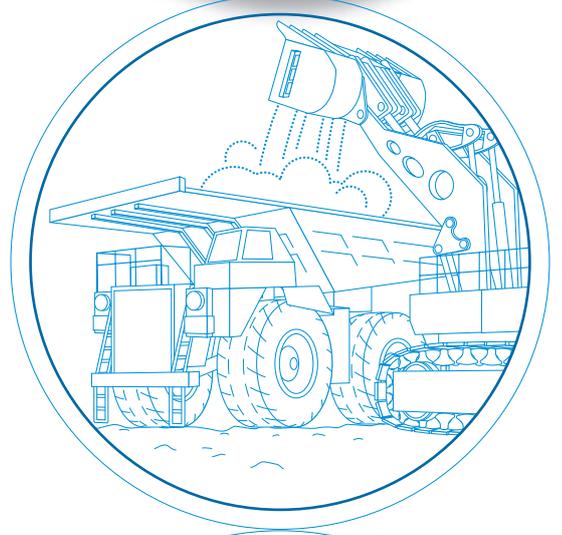
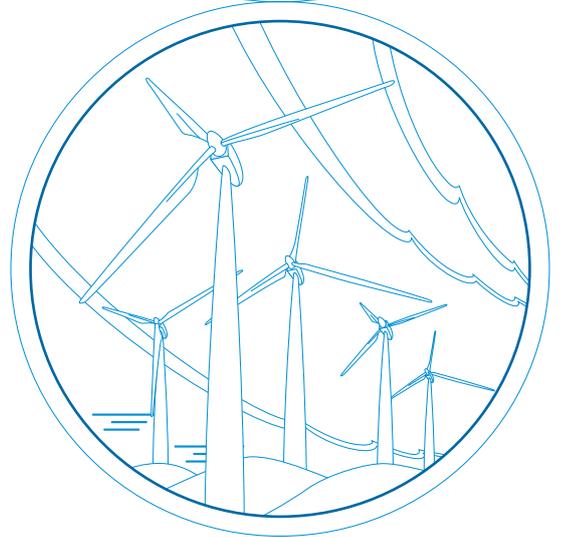
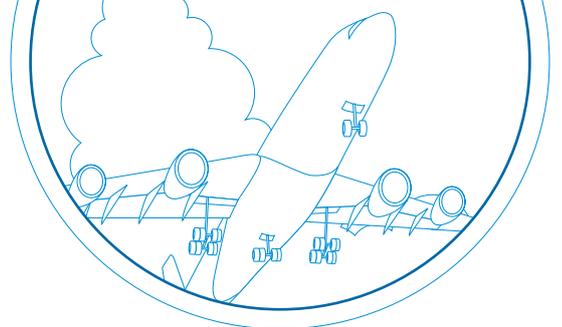
For New Technology Network



NTN Corporation

NTN Report 2012

for the year ended
March 31, 2012



Profile

Bearings are “eco-products:” they reduce energy consumption by supporting rotating parts – and thus lessening friction – in all kinds of machinery.

NTN is a precision equipment manufacturer that develops business worldwide with its mainstay product of 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 turbine, and medical equipment.

Contributing to the spread of renewable energy to help protect the environment



Industrial Machinery Market

Developing products that bring high performance to a range of machinery

High precision means high rotational speed for state-of-the-art machinery



NTN products are at work in rapidly developing growth markets



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.

Support for key components of industrial machinery robots



High-quality products contribute to a range of agricultural machinery



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: 20,789 (as of March 31, 2012)

Non-consolidated: 5,457 (as of March 31, 2012)

Fiscal term: March

Capitalization: 54.3 billion yen (as of March 31, 2012)

Net Sales:

Consolidated: 543.5 billion yen (as of March 31, 2012)

Non-consolidated: 339.2 billion yen (as of March 31, 2012)

Net Sales by Business (consolidated)

Industrial Machinery Market

20%

(106.6 billion yen)

- Construction machinery
- Gear boxes
- Agricultural machinery
- Aerospace
- Office equipment
- Machine tools
- Wind turbine
- Rolling stock
- Medical equipment
- Hydrodynamic
- Precision equipment
- Others

Automotive Market

63%

(342.9 billion yen)

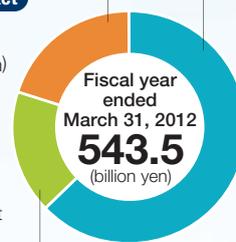
- Axle bearings
- Constant-velocity joints
- Needle roller bearings
- Others

Aftermarket & Distributor Market

17%

(94.0 billion yen)

- Equipment repair
- Automotive repair parts (auto parts)
- Others



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.

With the world's No. 1 share of axle bearings, we earn customers' trust with our unquestionable technological strength



Automotive Market

Meeting the needs for environmental friendliness, safety, and comfort with compact, light, high-performance products



With the world's No. 2 share of constant-velocity joints, we meet increasing demand in growth markets



Helping spread the use of environmentally friendly EVs



Stepping up customer support in the industrial machinery market



Aftermarket & Distributor Market

Responding to the maintenance needs of end users

Expand our lineup of automotive repair parts (auto parts)

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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 the fiscal year ended March, 31 2010 has combined the "Annual Report" and the "CSR Report," is part of this active approach to information disclosure.

Financial Highlights

NTN Corporation and consolidated subsidiaries Years ended March 31

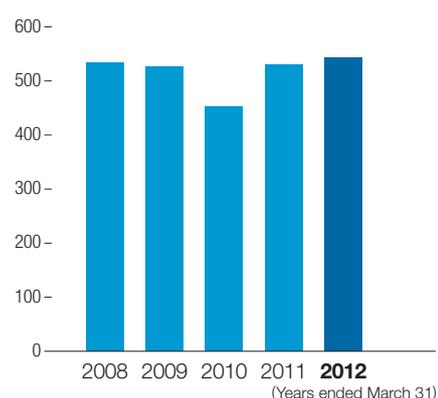
Millions of yen (except per share amounts)

	2012	2011	2010	2009	2008
FOR THE YEAR DATA					
Net sales	¥ 543,468	¥ 530,056	¥ 452,746	¥ 527,100	¥ 533,985
Operating income	20,724	24,560	1,399	9,479	49,612
Income (loss) before income taxes	16,357	22,855	(1,838)	(10,104)	44,313
Net income (loss)	5,993	14,399	(2,015)	(8,985)	27,431
Capital expenditures	54,440	29,700	21,504	49,594	59,504
Depreciation	34,175	35,936	40,702	45,759	39,547
R&D costs	17,157	15,697	14,687	17,402	15,006
YEAR-END DATA					
Total assets	¥ 693,258	¥ 632,001	¥ 618,802	¥ 627,613	¥ 629,464
Net assets/Shareholders' equity	212,126	210,353	214,551	192,223	216,401
Number of employees	20,789	19,172	17,959	20,679	18,960
PER SHARE DATA					
Net assets	¥ 370.19	¥ 376.05	¥ 374.19	¥ 376.77	¥ 445.98
Net income (loss):					
- Basic	11.27	27.08	(4.00)	(19.14)	58.43
- Diluted	-	-	-	-	54.59
Cash dividends	10.00	10.00	8.00	13.00	19.00
OTHER INFORMATION					
Net income (loss)/Average total assets (ROA)	0.9%	2.3%	(0.3%)	(1.3%)	4.4%
Net income (loss)/Average shareholders' equity (ROE)	3.0%	7.2%	(1.1%)	(4.3%)	13.1%
Shareholders' equity ratio	28.4%	31.6%	32.2%	28.2%	33.3%

U.S. dollar amounts have been converted from yen, for convenience only, using the approximate exchange rate on March 31, 2012, which was U.S.\$1 = ¥82.19.

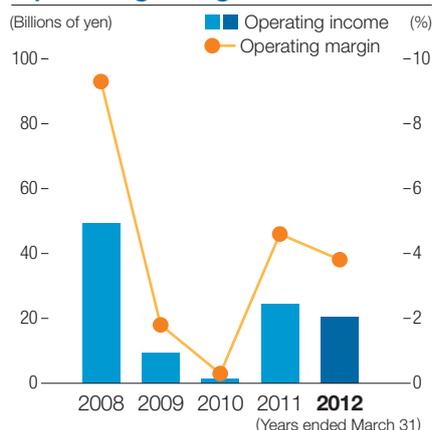
Net sales

(Billions of yen)



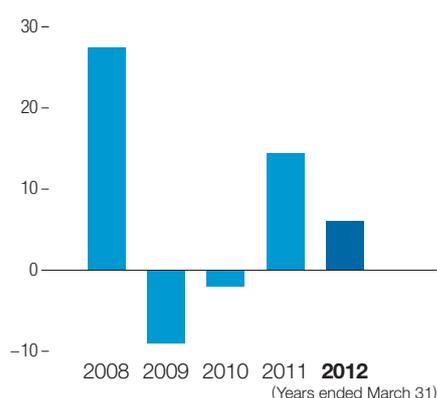
Operating income/ Operating margin

(Billions of yen)



Net income (loss)

(Billions of yen)

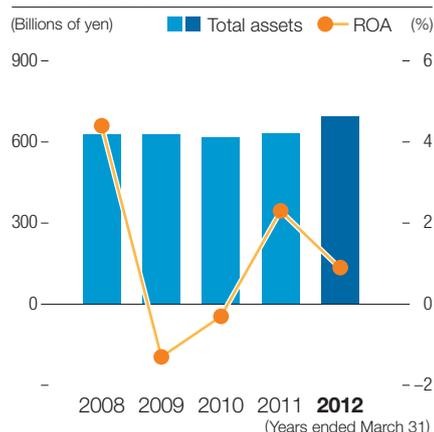


Millions of yen (except per share amounts)

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

2007	2006	2005	2004	2003	2002	2012
¥ 483,818	¥ 434,837	¥ 388,349	¥ 357,394	¥ 342,745	¥ 324,339	\$ 6,612,337
46,793	37,645	33,201	24,709	20,785	8,140	252,147
45,170	30,370	26,586	18,181	6,198	(701)	199,014
27,014	19,550	16,740	11,032	2,657	(132)	72,916
59,347	49,284	49,670	38,092	25,264	21,088	662,368
32,693	28,586	24,870	23,979	23,838	24,400	415,805
14,221	14,771	14,952	13,543	12,255	11,706	208,748
¥ 611,944	¥ 561,494	¥ 516,578	¥ 460,341	¥ 467,198	¥ 462,895	\$ 8,434,822
215,815	183,247	157,952	142,487	134,928	138,532	2,580,922
17,306	14,631	12,788	11,885	11,810	11,989	
¥ 445.61	¥ 396.73	¥ 341.93	¥ 308.27	¥ 291.82	¥ 299.27	\$ 4.50
58.34	41.94	35.83	23.54	5.70	(0.29)	0.14
53.74	38.55	32.94	21.87	5.51	–	–
16.00	11.00	8.50	5.50	5.00	5.50	0.12
4.6%	3.6%	3.4%	2.4%	0.6%	(0.03%)	
13.8%	11.5%	11.1%	8.0%	1.9%	(0.1%)	
34.2%	32.6%	30.6%	31.0%	28.9%	29.9%	

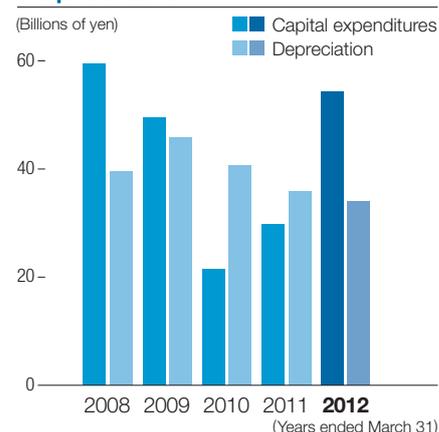
Total assets/ROA



Shareholders' equity/ROE



Capital expenditures/Depreciation



To Our Stakeholders

In the fiscal year ended March 31, 2012, the Japanese economy showed signs of a recovery from the effects of the Great East Japan Earthquake, but tough conditions continued, such as a slump in exports caused by the prolonged appreciation of the yen. In terms of the global economy, the recovery in economic conditions weakened as a result of the effects of the flooding in Thai, the European debt crisis and concerns about fiscal tightening in China.

Against this backdrop, the NTN Group is expanding its business on a global scale by placing emphasis on growth markets and, at the same time, promoting an expansion of sales in the fields of industrial machinery, aftermarket applications. As the world's economy undergoes major changes in framework, we are accelerating our strategy of "on local site with local materials by local personnel"; in other words, a system allowing local management by local employees using local facilities and materials.

In June 2012, NTN and some of its former executives were accused by the Japan Fair Trade Commission on the grounds of violating the Japan Antimonopoly Act and indicted by the Tokyo District Public Prosecutors Office on the same day. NTN is committed to complying with laws and regulations, competing in a fair manner, and carrying out our business activities in an honest and ethical manner.

NTN would like to offer sincere apologies for any inconvenience caused to shareholders, customers and any other person associated with NTN. NTN is taking this matter seriously and making every effort to comply with the applicable regulations.

NTN positions corporate social responsibility (CSR) as the foundation of its management. We strive to fulfill our responsibilities for quality control, information disclosure, occupational safety and health, and community service for the sake of our valued stakeholders: customers, suppliers, shareholders, employees, and the citizens of regions where we do business.

The entire NTN Group strives to reduce its environmental impact: by developing eco-products that contribute to global environmental protection, stepping up environmental management systems at all sites, and reducing CO₂ emissions.

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

August 2012



Shigeyoshi Takagi
President



We will accelerate our strategy of “on local site with local materials by local personnel” in growth markets.

Q What was the market environment and performance in the fiscal year ended March 31, 2012?

A Plagued by negative external factors, sales were up and profits were down compared to the previous fiscal year.

The fiscal year ended March 31, 2012 was a year in which we faced greater adversity than usual, including natural disasters like the Great East Japan Earthquake and massive flooding in Thailand, the prolonged appreciation of yen, debt crises in Europe, and monetary restraint in China. Although the sites of the NTN Group did not suffer damage in the earthquake and flooding, many of our customer companies, including automobile manufacturers, were hard hit, and the result was demand far below our original forecasts, not only in Japan but the U.S. and China as well.

This series of negative events hurt our performance: for the fiscal year ended March 31, 2012, net sales were 543.5 billion yen (up 2.5% over the previous fiscal year). However, operating income was 20.7 billion yen (down 15.6%) and ordinary profit was 18.7 billion yen (down 11.4%). After calculating a number of figures, such as a gain on fixed assets sold of 1.2 billion yen as an extraordinary profit, a loss on valuation of investment securities of 2.1 billion yen as an extraordinary loss, earthquake-related expenses of 700 million yen, and reorganization expenses of 500 million yen, net income was 5.9 billion yen (down 58.4%).

Q What major measures do you plan to take in the fiscal year ending March 31, 2013?

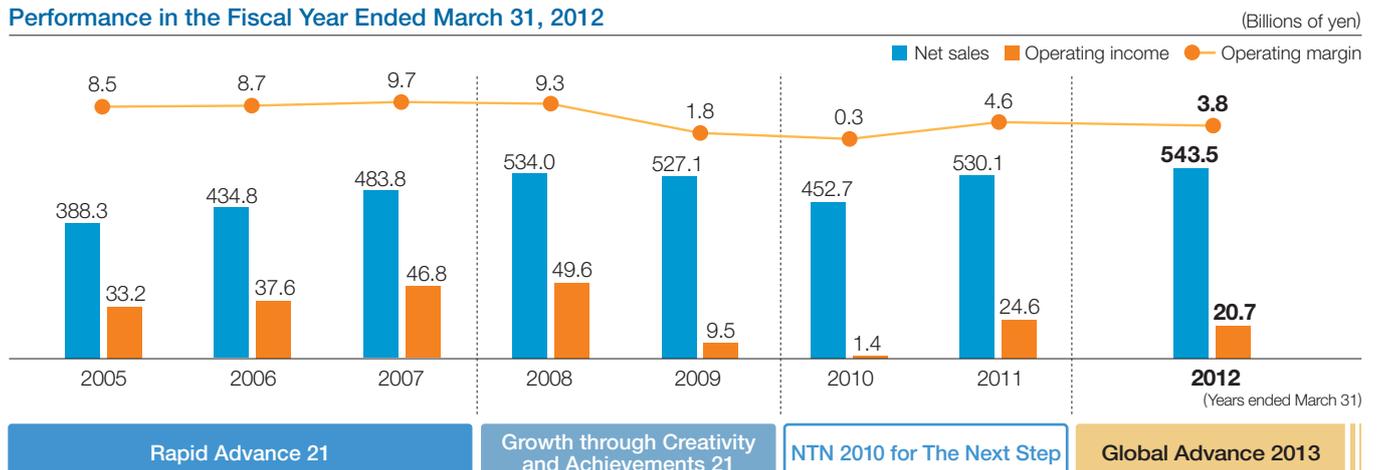
A We will expand business in growth markets and reduce costs, and we will accelerate the creation of a system that is not affected by exchange rates.

In the fiscal year ending March 31, 2013, apprehensions about European financial crises will slow down worldwide economic recovery, while in Japan factors such as the strong yen and energy shortages will keep the country in a tough business environment. The NTN Group will flexibly respond to changes in the business environment and focus on boosting profit margins and improving business structure in order to strengthen business structure.

To boost profit margins, we will accelerate our “on local site with local materials by local personnel” strategy, as well as reduce costs by carrying out a fundamental review of design, materials and production processes. We also plan to achieve sales expansions in industrial business and aftermarket business, thereby improving the profit ratio. We have also actively promoted an expansion in local production, improvements in productivity, local procurement of materials, parts and facilities, and the import of local products to accelerate the creation of a system that is not affected by exchange rates.

To improve our business structure, we are working to reduce capital expenditure in a number of ways; for example, we are revising capital expenditure so as to better respond to changing business environments, moving our Japanese facilities to overseas sites, and making use of less expensive overseas facilities. We are also reducing inventory through measures that include making use of systems that allow us to shorten lead time. Furthermore, with currency exchange rates and free trade agreements (FTAs) causing major changes in the worldwide economic framework, we are restructuring our global production system and training local personnel at our worldwide sites so that we can properly pass on NTN’s “DNA.”

Performance in the Fiscal Year Ended March 31, 2012



Note: SNR has been included in consolidated performance since the fiscal year ended March 31, 2009.



Q What is your strategy for the Chinese market?

A We will increase the number of our branches and distributors, as well as begin local production of products for industrial machinery.

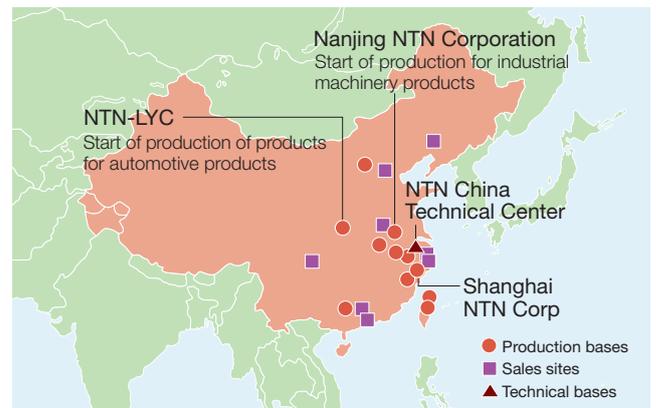
Demand is growing in the Chinese market, and we are strengthening our sales force by increasing the number of branches and distributors, particularly in the country's inland regions. As of the end of March 2012, we had eight branches and about 40 distributors, and our plan is to increase this to 10 branches and 60 distributors (of 120 sites). In April 2012, we established the China Headquarters, which will help us accelerate our pace of business expansion through activities that include providing technical services from Japan and speeding up the provision of products, including prototypes.

In the field of industrial machinery, we are focusing on expanding sales of products especially for wind turbines, machine tools, and construction machinery, and we plan to start local production of products for this field at Nanjing NTN Corporation, which will start operations in October 2012.

In the automotive field, we teamed up with Luoyang LYC Bearing Co., Ltd., one of China's leading bearing manufacturers, to form the joint venture company NTN-LYC (Luoyang) Bearing Corporation, and we have begun producing and selling products for manufacturers in China. We will utilize NTN-LYC's sales network to go beyond the automotive field and expand our dealings with Chinese manufacturers in the industrial machinery market and the aftermarket & distributor market. In May 2011, we opened our NTN China Technical Center, where we develop products that meet the exacting needs of the local market.

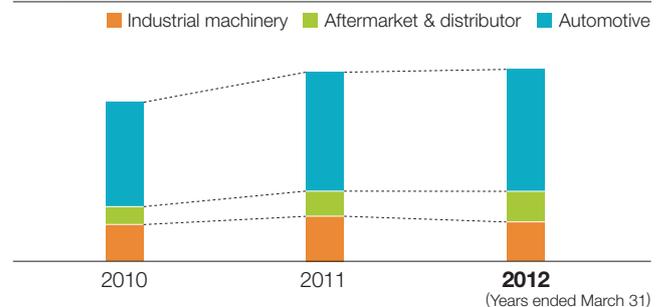
Acceleration of Sales in China

- Increase in number of sales sites and expansion of distributors
- Expansion of sales to manufacturers of wind turbines, machine tools, and construction machinery
- Strengthening of production capacity
- Facilitation of the NTN China Technical Center to speed up development
- Strengthening of support from Japan through the establishment of the China Headquarters



Net Sales in China

(Figure shows trends in sales against 100 for the base year of the fiscal year ended March 31, 2010)



Nanjing NTN



NTN-LYC

Q What is your strategy for other Asian markets besides China?

A We will step up local integrated production of automotive products and make effective use of free trade agreements (FTAs).

In Asian markets outside China, we are pursuing improvements in both sales and production.

On the sales side, in the fiscal year ended March 31, 2012, we established sales companies in India and Indonesia. Through these group companies, we will seek new aftermarket customers in steel plants and mines, and focus on expanding sales in industrial machinery fields, particularly wind turbines.

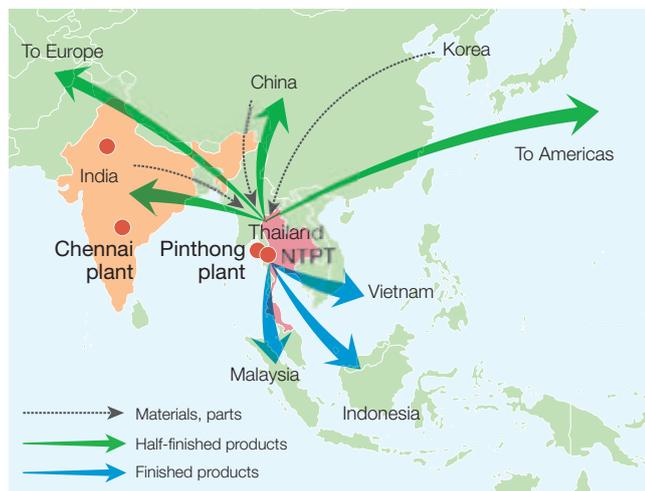
On the production side, we completed construction of the Pinthong plant, our second production base in Thailand, where we started production of constant-velocity joints in



Pinthong plant and NTPT (Image)

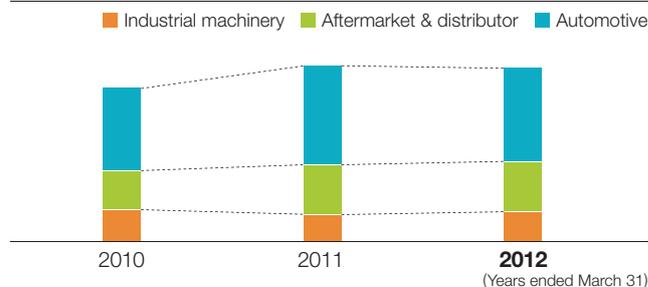
Expansion of Sales and Production in Asia Region

- Increase of distributor network and strengthening of sales companies
- Sales expansion for plant aftermarket projects for steel, mining, etc., and wind turbines
- Strengthening of production capacity
- Procurement of materials and supply of half-finished products/finished products with Thailand as a hub



Net Sales in Asia Region

(Figure shows trends in sales against 100 for the base year of the fiscal year ended March 31, 2010)



October 2012. On the site of this production base, in February 2012 we established NTPT Company Limited (NTPT), a joint venture to carry out the production pre processes of forging and turning. NTPT will build an integrated production system, covering from all processes from raw materials to finished products. In India, the Chennai plant, our second production base in that country, started operation in May 2012 and produces and sells products including constant-velocity joints and hub bearings.

In ASEAN, countries including Korea, China, and India have signed a free trade agreement (FTA), and we are making the most of this agreement in a number of ways; for example, by using raw materials made in Korea, and by exporting half-finished products and finished products between regions covered by the FTA.

Q What is your strategy for industrialized countries in Europe and the Americas?

A We will focus on developing and producing high-value-added products, and we will transfer production of mass-produced items to other regions.

In industrialized countries, we are stepping up R&D and focusing on the production of high-value-added products, while at the same time transferring production of mass-produced items to other regions.

In Europe, we are increasing production capacity of products for industrial machinery at NTN-SNR ROULEMENTS (NTN-SNR), and we are transferring production of automotive products to Eastern Europe. Our plan is to have NTN-SNR concentrate on high-value-added products like precision bearings for aerospace and large bearings for wind turbines.

In the Americas, NTA Precision Axle Corp. (NTA), a joint venture in charge of pre processes (forging, turning, heat treatment) for hub bearings, started production in June 2011 and has a local integrated production system of automotive products. In Brazil, NTN do Brasil Produção de Semi-Eixos Ltda.

began mass-production of constant-velocity joints and the company is expanding this business along with increasingly-in-demand hub bearings.



NTA

Q What is your strategy for Japan?

A We will develop and produce high-value-added products and step up the Japan factory's role as a mother plant.

In the fiscal year ended March 31, 2012, in the Kuwana district we increased production capacity for high-value-added products such as precision bearings for machine tools and aerospace, and large bearings for rolling stock. As well, NTN NOTO Corp. began production in March 2012, giving NTN an integrated production system from pre processes to finished products in the Noto district of Ishikawa Prefecture. Combining this with other companies in the same district, NTN HAKUI Corp. and NTN HOUDATSUSHIMIZU Corp., have given NTN increased production capacity and spread the risk for the production of bearings for industrial machinery. And in July 2012, NTN AKAIWA Corp. in Okayama Prefecture began mass-production of bearings for industrial machinery and automobiles.



NTN AKAIWA Corp.



Nippon Kagaku Yakin Co., Ltd.

In the automotive market, IWATA Works and OKAYAMA Works are positioned as mother plants in Japan, and as well as providing guidance to NTN's worldwide plants, they specialize in high-performance products.

To boost our compound materials business, we strengthened ties with Nippon Kagaku Yakin Co., Ltd., in addition to the NTN Group in September 2011, and we are seeking a synergistic effect in the business of material technologies such as sintered alloys and engineering plastics.

Efforts in Industrialized Countries

- | | |
|-----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Europe | <ul style="list-style-type: none"> For industrial machinery: Reinforcement of NTN-SNR production capacity For automotive products: Transfer production from France to Eastern Europe |
| Americas | <ul style="list-style-type: none"> Establishment of a local integrated production system. Shift from North America to Latin America |
| Japan | <ul style="list-style-type: none"> Provision of guidance around the world as a mother plant, and production of sophisticated function products Reinforcement of production of high-value-added products and diversification of risk |

Q How is your EV-related business going?

A We are keeping a close eye on trends in the industry and aim to release EV-related products as soon as we can.

We are positioning the EV System Division, which we established in April 2011, as an in-house venture group of our organization that is working to come out with products for next-generation EV systems as soon as possible. In October 2011, Iwata City, Shizuoka Prefecture began using converted EVs equipped with NTN's in-wheel motor for its official vehicles. Road testing has begun in order to gather data on things like the vehicles' electricity efficiency.

NTN has also exhibited EV demo cars in various auto shows, including the Tokyo Motor Show in December 2011 and Auto China in April 2012, where the company demonstrated these cars' ability for "Lateral move" and "Pivot turn" thanks to the in-wheel motor.



Tokyo Motor Show

In April 2012, new road tests got underway on a two-seater compact EV using NTN's in-wheel motor system in Shizuoka Prefecture. The results of these tests will allow us to use the system in existing products to reduce costs, as well as come up with ideas for new products.

Q Tell us about your CSR philosophy and CSR measures?

A We will expand our eco-products business and work to contribute to an overall sustainable society.

NTN's CSR-related corporate activities go beyond just economic contributions and encompass efforts to protect the environment and make society a better place. We strive to be accountable to our stakeholders and to respond to their expectations and trust. By achieving growth for our company and sustainable growth for society as a whole, we hope to maximize the corporate value of NTN for all stakeholders.

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. Besides helping protect the environment through our products, we are also conducting large-scale energy-conserving upgrades to utility facilities, conserving energy at heat-treatment facilities by switching fuels, and promoting effective use of natural energy when establishing new plants by introducing solar and wind turbines that are easy on the global environment.

Q What is the situation with the cartel issue?

A We are strengthening our compliance systems and holding regular in-house education and training in this matter.

We are taking these cartel charges extremely seriously: in November 2011, we launched the Japan Antimonopoly Act Compliance Committee in-house. With the aim of rebuilding our systems for ensuring compliance with Japan's Antimonopoly Act, we are revising mechanisms for preventing illegal acts and coming up with new regulations to ensure these mechanisms are working. We are also holding training sessions and other educational events to raise awareness among executives and employees of the importance of abiding by laws and regulations.



In April 2012, we established the Fair Trade Monitoring Committee to lead renewed efforts in ensuring that NTN conducts business in a fair manner. The committee is strengthening effective control towards ensuring legal compliance in the sales and procurement divisions, as well as leading and observing education and training activities.

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

A With decisiveness and speed, the entire NTN Group will work together in taking business performance to the next level.

In the fiscal year ending March 31, 2013, we believe that factors such as economic instability in Europe will contribute to continuing uncertainty in the business environment. Regarding the violation of the Antimonopoly Act, it is difficult at this time to estimate its effect, in particular the impact it will have on our business performance and our financial situation.

Against this background, it is crucial that the entire NTN Group work together in using decisiveness and speed to take business performance to the next level while keeping a close eye on economic trends around the world.

We will also strive to not just improve business performance but also meet stakeholder expectations for social and environmental responsibility. We ask you, our valued stakeholders, for your continuing guidance and support.

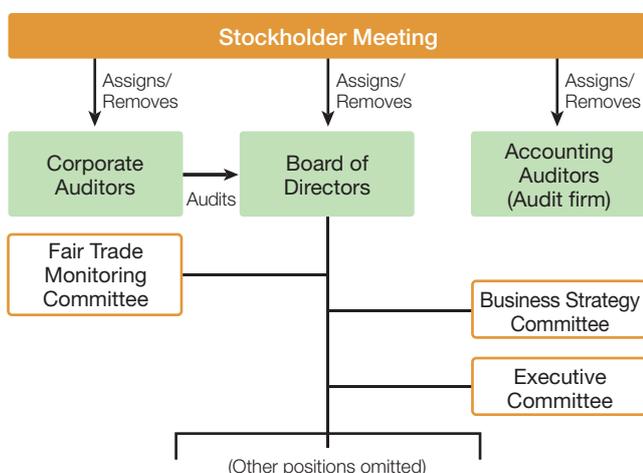
In addition to prompt decision-making and business execution and strong management oversight functions, we strive to build a system of compliance that ensures fair trading.

Basic Approach to Corporate Governance

A crucial part of how we run our company, our system for corporate governance promotes efficient, solid management.

We also strive to communicate with shareholders, investors, and other stakeholders by providing information in a prompt, accurate manner. This ensures more transparent 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. There is a Board of Directors, which includes two directors from outside the board company for improved

oversight functions, for making decisions on important matters and for overseeing business execution. We also employ the Executive Officer System to ensure swift decision-making and business execution.

On June 14, 2012, NTN and some of its former executives were suspected of violating the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (the Antimonopoly Act) in domestic transactions in bearings, and were indicted by the Tokyo District Public Prosecutors Office. We are taking measures to improve our compliance system, including the establishment of the “Fair Trade Monitoring Committee” to ensure fair trading in compliance with the Antimonopoly Act and the Act against Delay in Payment of Subcontract Proceeds (the Subcontracting Act). (See page 16.)

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.

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

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.

Fair Trade Monitoring Committee (Established April 2012)

Chaired by the NTN President, the commission exerts practical control to ensure fair trading in compliance with the Antimonopoly Act and Subcontracting Act, and also monitors and provides advice regarding training and educational activities. (See page 16.)

Officers (As of June 26, 2012)**Directors**

Yasunobu Suzuki Chairman and CEO	Hitoshi Takai Managing Director	Hiroshi Ohkubo Director
Shigeyoshi Takagi President	Hironori Inoue Managing Director	Keiji Ohashi Director
Kenji Okada Deputy President	Yoshinobu Yasuda Managing Director	Hisaji Kawabata Director (external)
Fukumatsu Kometani Executive Director	Yoshio Kato Director	Akira Wada Director (external)

Statutory Auditors

Standing Statutory Auditors (External)	Statutory Auditors (External)
Akio Imanishi	Tadao Kagono
Mizuho Hikida	(External) Norifumi Ishii

Executive Officers

Didier SEPULCHRE DE CONDE Senior Executive Officer	Executive Officers Takayuki Matsuo	Takehiko Umemoto	Pete Eich
Yukiyoshi Hagimoto Senior Executive Officer	Toru Tomiyama	Natsuhiko Mori	Makoto Okasaka
Tetsuya Kondo Senior Executive Officer	Yoshihiro Inami	Hidefumi Tsuji	Isao Ozako
	Takashi Hosoya	Toshinori Shiratori	Kouji Kametaka
	Tatsunobu Yasui	Tetsuya Sogo	Itsuji Gotou
	Yoshinobu Akamatsu	Isao Koiwai	Yoshinori Terasaka
	Tomoyuki Miyanomae	Tsutomu Kishi	
	Eiichi Ukai	Etsu Harima	

In accordance with our Corporate Philosophy and CSR Policy, we pursue CSR activities with the aim of maximizing corporate value for all our stakeholders.

Corporate Philosophy and CSR Policy

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.

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 of the NTN Group in Japan are given the CSR Guidebook and the Pocket CSR Card to constantly remind them that CSR is a part of their everyday duties.

In the fiscal year ended March 31, 2012, we revised a portion of Article 1 (Legal Compliance/Policy) of our CSR Policy in order to ensure fair competition. In August 2012, we established five principles for preventing cartels, and these were put on cards for all NTN Group employees in Japan to educate them.

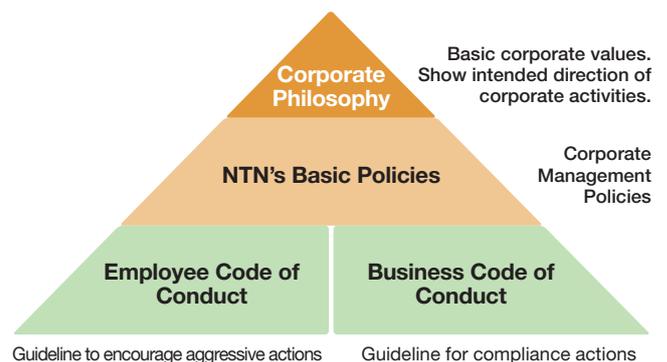
We are revising our CSR Policy so that it can be applied to fit the needs of the NTN Group's overseas companies.

CSR Promotion Structure

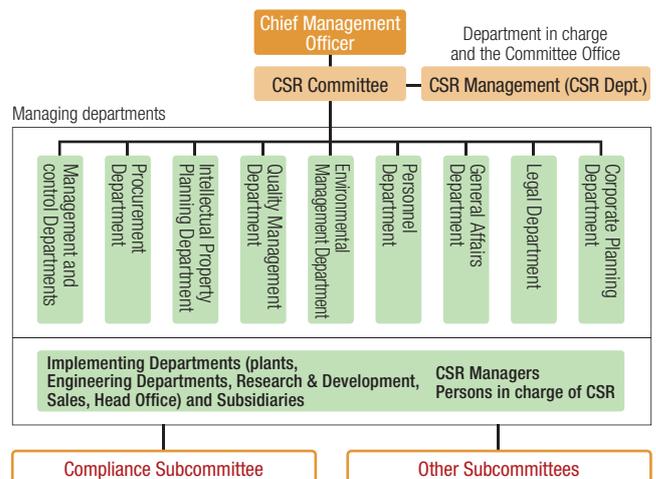
In order to step up CSR activities to respond to the demands and expectations for corporate social responsibility, in June 2006 we formulated our CSR Management Rules and established the CSR Committee. We also pursue CSR throughout the entire NTN Group in Japan by appointing CSR managers and persons in charge of CSR at all of our sites and at NTN Group companies in Japan.

NTN has the Compliance Subcommittee as an advisory body under the CSR Committee to strengthen our compliance system. We have also established Help Lines offering consultation services both inside and outside the company.

Corporate Philosophy System



CSR Promotion Structure



CSR Policy

- ① **Legal compliance/Policy for activities:** We shall comply with laws and regulations, endeavor to engage in fair competition, and carry out our business activities in an honest and ethical 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.

We have built a system for promoting risk management through which we strengthen control measures against key management risks.

Risk Management Promotion System

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.

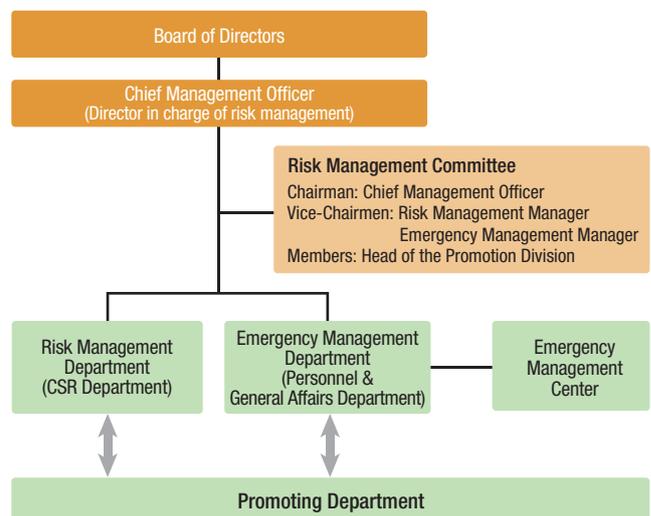
In efforts to manage risk and concentrate our risk measures, in the fiscal year ended March 31, 2012, we chose key management risks that must be averted through top priority measures. These risks were in areas such as disasters (earthquakes, volcano eruptions, tsunamis, typhoons, and heavy rain), corporate secrets leakage, and criminal actions (related to labor, environment, quality, etc.).

Information Security Measures

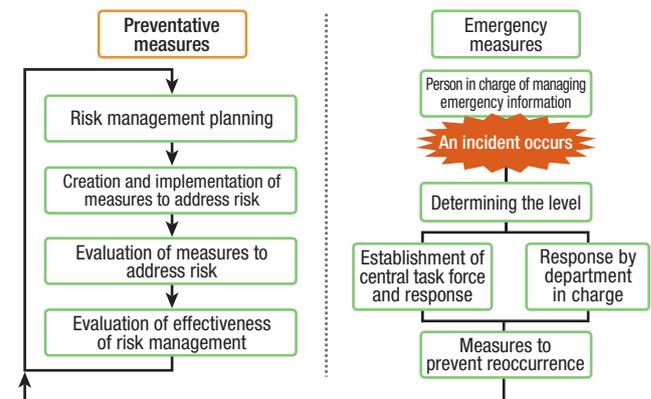
In the fiscal year ended March 31, 2004, NTN formulated our Basic Policy on Information Security. The Information Security Guide on the NTN intranet contains items like the Information Security Handbook and tests of employee level of understanding on information security; the aim is to make all employees 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.

In the fiscal year ended March 31, 2012, we introduced new data encryption software for laptop computers, and installed into all computers software that prevents the use of USB flash memory. We are also introducing a system that automatically puts password protection on all email attachments and we plan to have this on all computers within the fiscal year ending March 31, 2013.

Risk Management System



Risk Management Approach



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

As part of efforts to boost compliance across the entire NTN Group, we do everything possible to ensure fair trading in compliance with competition laws in Japan and other countries.

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.

In the fiscal year ended March 31, 2012, subcommittees studied the following cases.

1. Establishment of an ethical review committee for clinical research
We discussed the establishment of a new committee for reviewing the use of our force sensor for cerebral aneurysm treatment for clinical research (joint research with Nagoya University).
2. Measures for thorough compliance with the Antimonopoly Act
Amidst the ongoing investigation of NTN by the Japan Fair Trade Commission, we looked into ways to ensure thorough compliance among all employees with the Antimonopoly Act. We established the "Antimonopoly Act Compliance Committee" to create a system of rules and ways to boost compliance. In April 2012, we established the "Fair Trade Monitoring Committee" and the Fair Trade Promoting Department to implement a range of measures among NTN Group companies in Japan. (See page 16.)

Compliance Education

NTN conducts compliance education for all levels of employees and management. In the fiscal year ended March 31, 2012, we strove to make employees constantly aware and taking action on compliance so that it becomes a pillar of our CSR. For example, all new employees and mid-career recruits, took group training in basic CSR knowledge and NTN's Group CSR. Employees being promoted to managerial positions took self-learning with company-provided textbooks and online CSR comprehension tests.

At NTN sites and Group companies in Japan, CSR managers and persons in charge of CSR formulate



Compliance education for new employees (Japan)

compliance education plans and see that these are implemented in sessions divided by level of employees and CSR topic.

NTN also strives to reinforce compliance with the Antimonopoly Act through educational activities. An Antimonopoly Act compliance lecture for executives and auditors was held in December 2011, and Antimonopoly Act compliance training was held for sales managers in January and February 2012, and for all managers in April 2012.

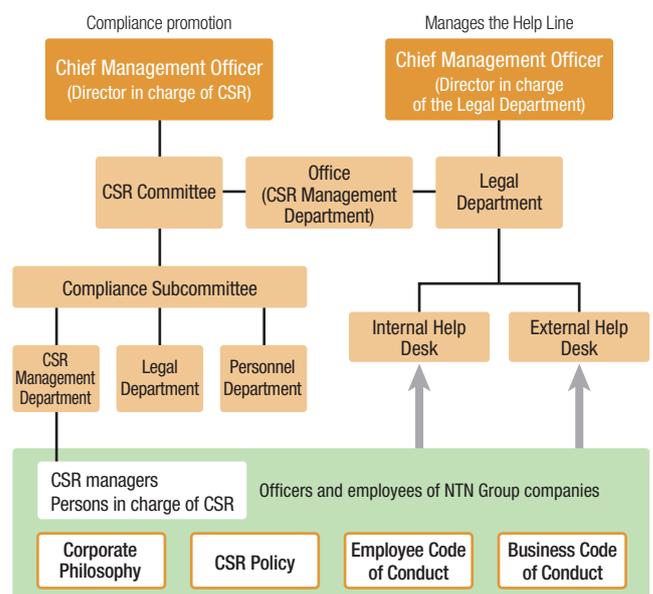
The NTN intranet compliance database has case studies in non-compliance and the latest information on compliance issues so as to raise employee awareness in this area.

Putting Regulations in Place

NTN strives to compete fairly in abiding by worldwide competition laws and to this end in April 2012 we established our Fair Trade Management Rules. We have also strengthened our compliance systems by clarifying the roles and functions of the "Fair Trade Monitoring Committee" and Fair Trade Promoting Department. At the same time, we systematically rethought and revised our existing Antimonopoly Act Compliance Rules to bring them in line with the new Fair Trade Management Rules.

Our helpline was created as part of our compliance management system, and helpline management rules were revised so that calls to the helpline related to competition laws (Antimonopoly Act, Subcontractor Act) could be reported to the "Fair Trade Monitoring Committee."

Compliance · Helpline Management System



Strengthening of System to Ensure Fair Trading

In July 2011, the Company underwent an on-site inspection by the Japan Fair Trade Commission into domestic transactions in bearings, on suspicion that the Company had decided to raise sales prices in cooperation with other manufacturers, and in April this year a search was carried out by special investigators from the Tokyo District Public Prosecutor's Office and the Fair Trade Commission. On June 14, 2012, NTN and some of its former executives were charged by the Fair Trade Commission with violating the Antimonopoly Act and were indicted by the Tokyo District Public Prosecutors Office.

In November 2011, our European consolidated subsidiaries also underwent an on-site inspection by the European Commission into transactions in bearings, on suspicion of noncompliance with the EU Competition Law. Furthermore, in November 2011, our United States consolidated subsidiary received a subpoena from the United States Department of Justice requesting the submission of information related to transactions in bearings. A number of civil lawsuits have been brought against NTN's U.S. consolidated subsidiary.

In July 2012, a consolidated subsidiary of the Company in South Korea underwent an on-site inspection from the Korea Fair Trade Commission on suspicion of a violation of the Monopoly Regulation and Fair Trade Act in connection with bearings business.

The NTN Group has worked hard to ensure compliance with laws and regulations, including the Antimonopoly Act and regards the above situation seriously and with the greatest of concern. We will promote the construction of systems and activities to ensure adherence to the Antimonopoly Act.

(1) Antimonopoly Act Compliance Committee (Established in November 2011)

In November 2011, we established the "Antimonopoly Act Compliance Committee" to strengthen awareness as we seek to rebuild internal systems aimed at compliance with the Antimonopoly Act through systematic reviews of mechanisms to prevent violations of the Antimonopoly Act, reforms to related company rules, and the reeducation of officers and employees with respect to legal and regulatory compliance through training sessions. (Continued until end of June 2012)

(2) Fair Trade Monitoring Committee (Established in April 2012)

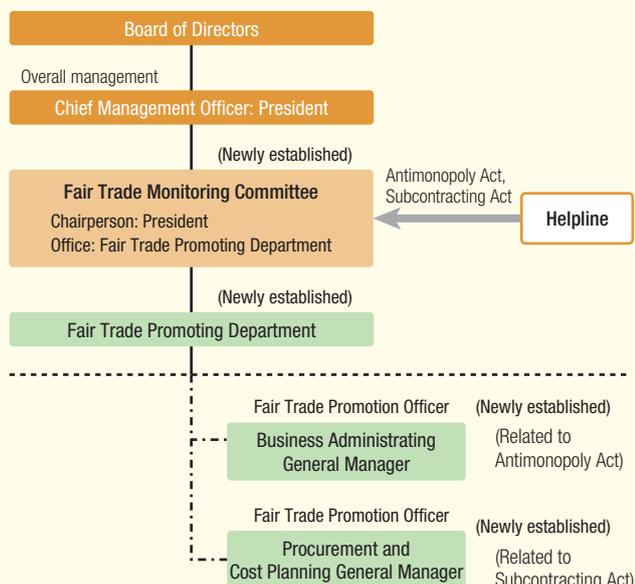
This committee was established to ensure fair trading in compliance with the Antimonopoly Act and the Subcontracting Act. The "Fair Trade Monitoring Committee" is chaired by the President, with directors in charge of the sales and procurement departments in Japan and overseas, and external directors and attorneys acting as committee members. The commission exerts practical controls to ensure that business transactions undertaken by the sales and procurement departments are fair and comply with the Antimonopoly Act and Subcontracting Act, and also monitors and provides advice regarding the state of relevant training and educational activities. The new committee is to be a permanent organization under the Board of Directors specializing in compliance with the Antimonopoly Act and the Subcontracting Act.

(3) Fair Trade Promoting Department (Established in April 2012)

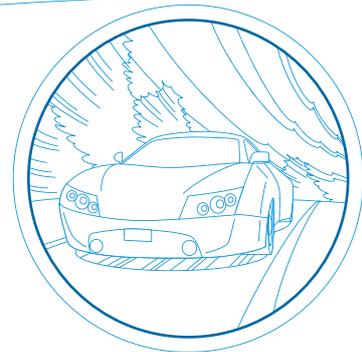
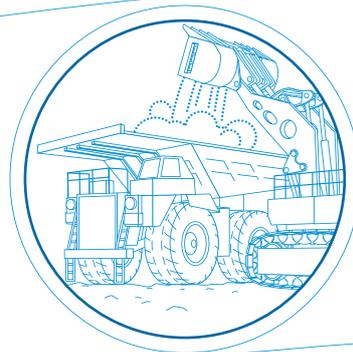
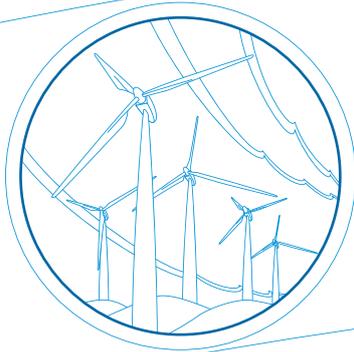
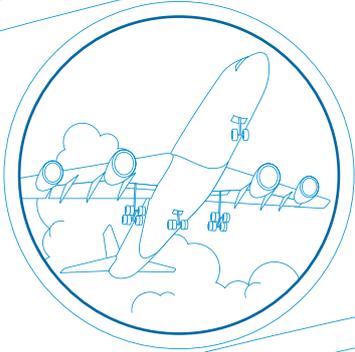
A new "Fair Trade Promoting Department" has also been established with responsibility for the company-wide development of the policies set out by the "Fair Trade Monitoring Committee" and institutional decisions. The Fair Trade Promoting Department will be a permanent department with specialized functions in the effective operation of systems aimed at preventing violations of the Antimonopoly Act and the Subcontracting Act during business activities, consultations on compliance with laws and regulations, and handling notification systems that can provide the lead function in responding to violations of laws or regulations.

Overseas, we will implement initiatives aimed at reconstructing legal compliance systems in response to the antimonopoly laws of each region.

Compliance System

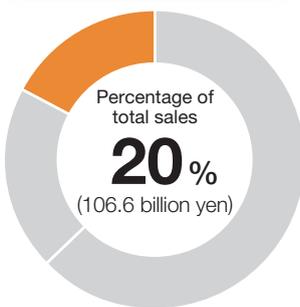


Antimonopoly Act compliance training for managers (Japan)



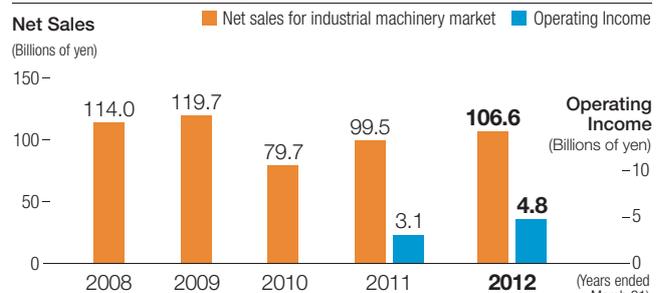
▼ Net Sales in Each Business Application as Percentage of Total Sales

Industrial Machinery Market



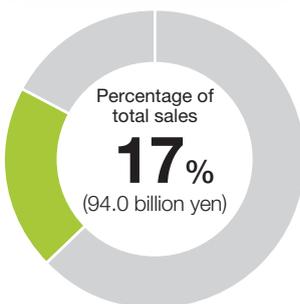
This business covers a range of industrial machinery sectors including construction machinery, rolling stock, machine tools, agricultural machinery, aerospace, office equipment, and wind turbines. We are working to develop new technologies and expand sales for all sizes of bearings.

Net Sales and Operating Income for Industrial Machinery Market



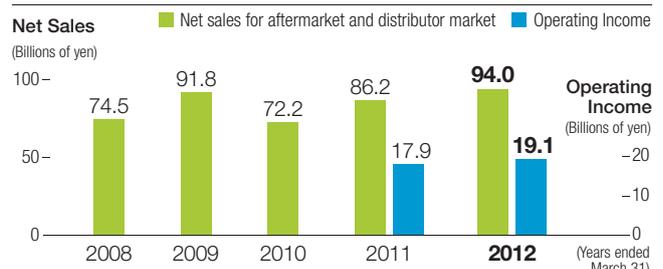
Note: SNR has been included in consolidated performance since the fiscal year ended March 31, 2009.

Aftermarket & Distributor Market



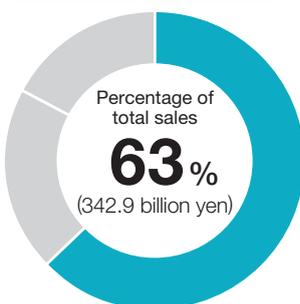
Through distributors, we provide maintenance bearings for general machinery, and we service the aftermarkets for mining, paper, and steel machinery, as well as the aftermarket for automotive repair parts (auto parts). We provide increasingly more bearings of all types to customers around the world.

Net Sales and Operating Income for the Aftermarket and Distributor Market



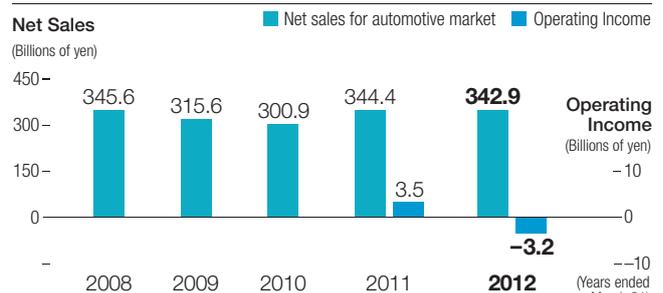
Note: SNR has been included in consolidated performance since the fiscal year ended March 31, 2009.

Automotive Market

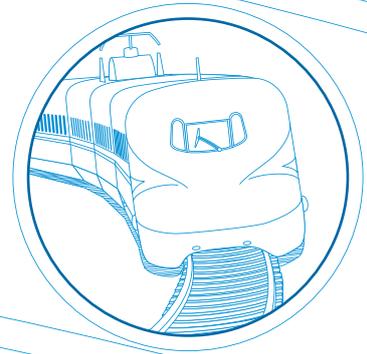
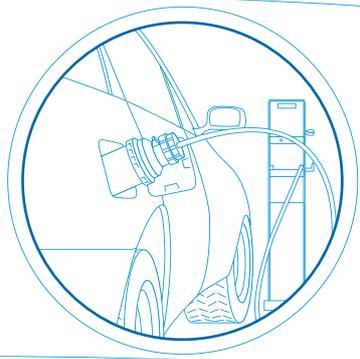


This market covers automotive and automotive-related parts. With the main products of axle bearings, constant-velocity joints, and needle roller bearings, NTN provides the world's automotive and automotive-related companies with new technologies and products.

Net Sales and Operating Income for Automotive Market



Note: SNR has been included in consolidated performance since the fiscal year ended March 31, 2009.



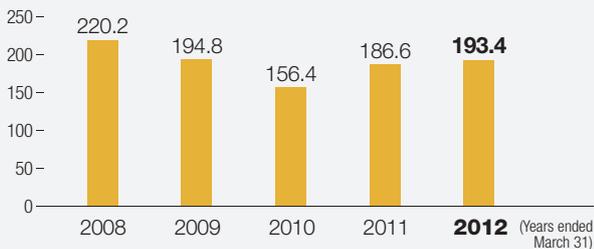
Reference: Net Sales by Region

Japan

Percentage of total sales

36%

(Billions of yen)



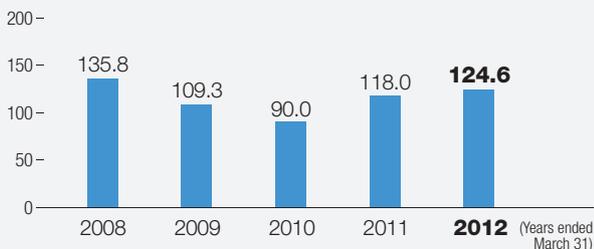
In industrial machinery, sales were brisk in sectors including construction machinery, machine tools, and wind turbines, resulting in a double-digit increase. The aftermarket and distributor market also had a double-digit increase thanks to a recovery in customer demand. The automotive market, however, saw a decrease due to factors including the Great East Japan Earthquake and flooding in Thailand.

Americas

Percentage of total sales

23%

(Billions of yen)



In industrial machinery, sales were brisk in sectors including construction machinery and agricultural machinery, while the automotive market also performed well thanks to strong sales to U.S. manufacturers. Both segments enjoyed double-digit net sales increases, excluding currency effects. The aftermarket and distributor market also enjoyed increased net sales, excluding currency effects.

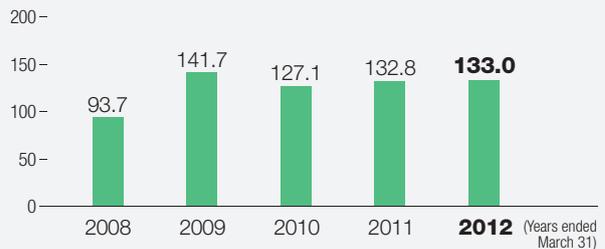
- Increase over previous fiscal year excluding currency effects: 16.3 billion yen (13.8% increase)

Europe

Percentage of total sales

24%

(Billions of yen)



In industrial machinery, sales were brisk in sectors including agricultural machinery, construction machinery, gearboxes, and machine tools, while in the aftermarket and distributor market, auto parts had healthy sales. The result was a double-digit increase in net sales, excluding currency effects. In the automotive market, business was negatively impacted by financial crises in Europe, resulting in net sales about the same as the previous fiscal year, excluding currency effects.

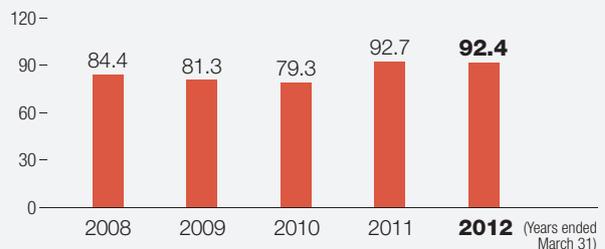
- Increase over previous fiscal year excluding currency effects: 5.3 billion yen (4% increase)

Asia and Others

Percentage of total sales

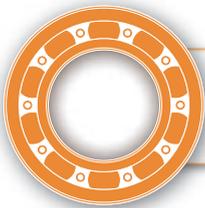
17%

(Billions of yen)



In industrial machinery, although sales for construction machinery fell in China, business was brisk in sectors including construction machinery and machine tools in other parts of Asia. Add to this new orders for wind turbines, and industrial machinery enjoyed increased net sales excluding currency effects. In the aftermarket and distributor market, excluding currency effects, sales in China were up 1.5 times the previous fiscal year and other parts of Asia also saw increased sales. In the automotive market, sales were up in China but down in other parts of Asia due to factors including flooding in Thailand, resulting in overall net sales for this segment that were about the same as the previous fiscal year, excluding currency effects.

- Increase over previous fiscal year excluding currency effects: 3.8 billion yen (4.1% increase)



Industrial Machinery Market

Sales Situation

Results in the Fiscal Year Ended March 31, 2012

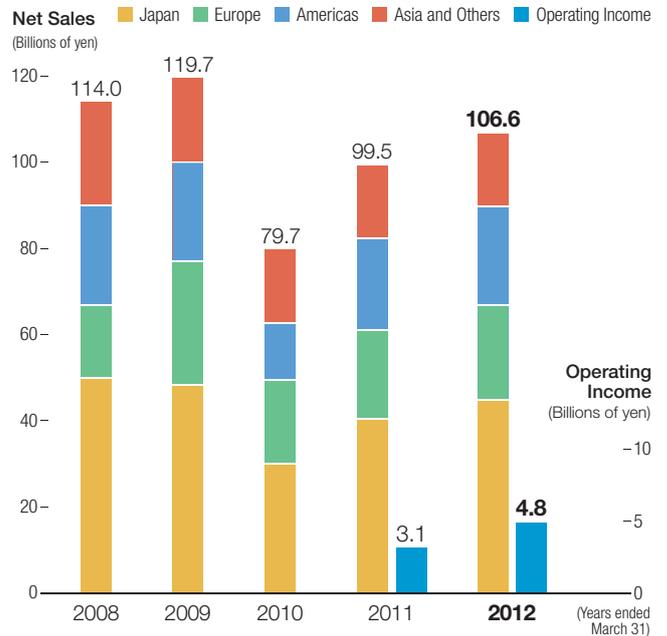
Net sales in industrial machinery were 106.6 billion yen, up 7.2 billion yen (7%) from the previous fiscal year. Although the situation was negatively impacted by flooding in Thailand, demand rebounded in sectors including construction machinery, machine tools, wind turbines, and agricultural machinery in all regions. Efforts to cultivate new markets for sectors including wind turbines and machine tools in China and India also contributed to the net sales increase.

Thanks to the positive effects of increased net sales, operating income was up 1.7 billion yen (56%) over the previous fiscal year to 4.8 billion yen.

Overview of the Fiscal Year Ending March 31, 2013

We will expand in our existing European and Americas plants, go onstream with the new plant in China, and establish a system for integrated production. We will also boost our sales systems in growth markets such as India, Indonesia, and China.

Net Sales and Operating Income for Industrial Machinery Market



Note: SNR has been included in consolidated performance since the fiscal year ended March 31, 2009.

New Products Expanding "ULTAGE Series" with the World's Highest Level of Performance

Major improvements to load resistance, load capacity, and sealing performance "ULTAGE Sealed Four row Tapered Roller Bearings" for Rolling Mill Roll-necks

Bearings for rolling mill roll-necks at iron and steel facilities require the utmost reliability as they are subjected to extreme conditions during operation, including vibrations, shocks, and heavy loads, combined with the effects of cooling water, dust, and other contaminants.

To meet this need for reliability, NTN's "ULTAGE Sealed Four row Tapered Roller Bearings" have been given improvements to the internal design over conventional sealed four row tapered roller bearings. Together with a uniform bearing rolling elements contact surface pressure for outer loads and an optimum design for a higher load capacity, the resulting product delivers the world's highest level of load resistance. A more compact seal design has also led to major improvements to sealing performance.



ULTAGE Sealed Four row Tapered Roller Bearing

Contributing to greater reliability and more compact main shafts "Space-saving and High Performance Angular Contact Ball Bearings for Air Oil Lubrication"

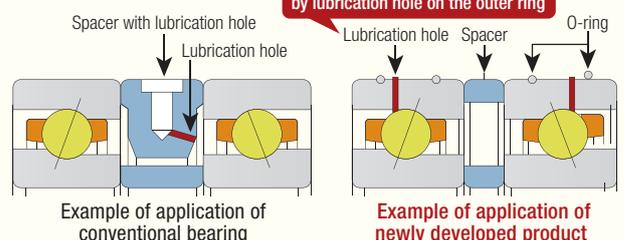
In addition to high-speed and high-rigidity, the main shaft bearings of machine tools need to be compact. Conventional main shaft bearings use the air oil method and so are limited in how compact they can be. As well, lubrication oil stagnates around the lubrication hole area, resulting in unreliable supply of oil and an increase in noise when feeding lubrication oil.

The "Space-saving and High Performance Angular Contact Ball Bearings for Air Oil Lubrication" solves these problems with a new design that allows lubrication oil to be fed directly within the bearing via a lubrication hole on the outer ring. This contributes to a more compact main shaft, as well as a reduction in the amount of lubrication oil and air required, and ultimately greater energy efficiency.



Space-saving and High Performance Angular Contact Ball Bearings for Air Oil Lubrication

Structure and example of application



Main Product Lineups for the Industrial Machinery Market



At a Glance

A Word From an Executive

Focusing on Sectors and Regions with Promising Demand Growth

At NTN, we are focusing on the key segments of construction machinery, rolling stock, and wind turbines. Economic advancement in growth markets is fueling demand for energy and mineral resources, creating a need for large construction machinery to extract these; transport continues to shift to the use of railroads; and renewable energy is seeing increasingly widespread use.

The scale of the manufacturing industry is increasing, especially in growth markets, prompting us to also focus on machine tools and industrial robots. And with

regional jets expected to enjoy increasing use, we are positioning aircraft as another key market.

Growth markets are expected to continue their upward trends for population and scale of industry. We have our eyes on China, India, and ASEAN in particular, and we are fortifying our distribution and sales networks in these regions. On the development side, we are striving to meet the needs of each industrial field, as well as accelerate the pace at which we design using local materials and parts. We are also strengthening and expanding our local manufacturing systems.



Kenji Okada
Vice President



Aftermarket & Distributor Market

Sales Situation

Results in the Fiscal Year Ended March 31, 2012

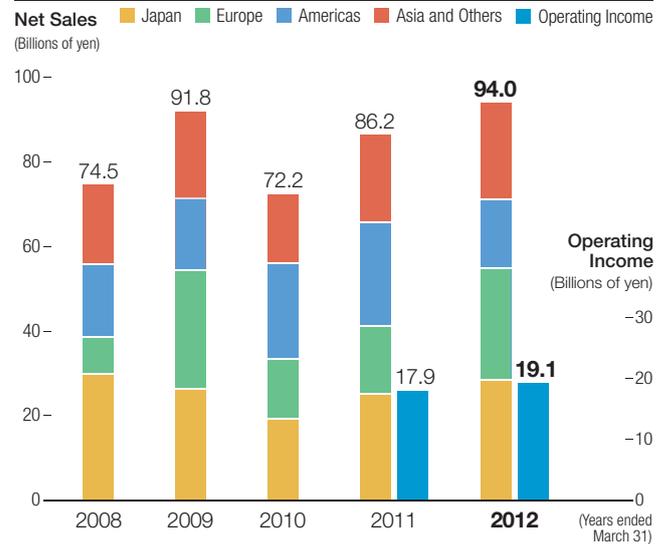
Net sales in the aftermarket and distributor market were 94.0 billion yen, up 7.8 billion yen (9%) from the previous fiscal year. While we were negatively impacted by a sluggish economy caused by monetary restraint in China and debt crises in Europe, brisk sales of auto parts in Europe and Americas and a recovery in customer demand in all regions helped increase sales.

Operating income was up 1.2 billion yen (7%) over the previous fiscal year to 19.1 billion yen.

Overview of the Fiscal Year Ending March 31, 2013

We will expand sales routes in China, India, and Indonesia, as well as expand sales in the new equipment repair business mainly for the steel plant and mining industries. In North America, we will increase sales to major distributors, and in South America we will expand aftermarket sales to resource-based companies.

Net Sales and Operating Income in the Aftermarket and Distributor Market



Note: SNR has been included in consolidated performance since the fiscal year ended March 31, 2009.

TOPICS NTN China Distributors' Meeting Held in Kuwana (Mie Prefecture, Japan)

NTN Group business in China has up to now been centered on the automotive market, but we plan to make industrial machinery a key segment here as well. To this end, in May 2012, 47 management members from 29 distributors in China gathered at the Industrial Technical Center (Kuwana City, Mie Prefecture) for the China Distributors' Meeting.

Following explanations by NTN executives on business policy in China, and on technologies and products for industrial machinery and the aftermarket and distributor market, participants toured the Heat Treatment Plant, the Large Bearing Plant of KUWANA Works, and NTN MIE Corp. plant. They also saw a demonstration

of assembly and disassembly using an NTN bearing maintenance tool kit. The visitors had high praise for the event, saying that they now have a renewed awareness of NTN's competitiveness after learning about the development system at Kuwana, NTN's major base of the industrial machinery business, and seeing manufacturing firsthand.

We will continue to seek opportunities for interaction with distributors so that we can strengthen ties and develop greater mutual understanding, and in the process strengthen and expand our industrial machinery business in China.



Chinese distributors at the entrance of KUWANA Works



Chinese distributors tour KUWANA Works

Main Services and Measures in the Aftermarket and Distributor Market

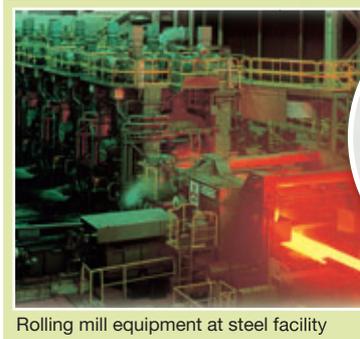
Strengthening of global supply system

- Production capacity increase
- Buildup of flexible inventory systems worldwide



Strategy to come out ahead in the equipment repair business

- Strategy of MRO: Maintenance, Repair, Overhaul



Rolling mill equipment at steel facility



Four row Tapered Roller Bearing for Rolling Mill Roll-necks

Strengthening technical service

- On-the-road technical training using specially equipped van (China and Asia)
- NTN engineers lead workshops on bearing handling for distributors



Workshop (Europe)

Mobile training unit (China)



Horizontal development of auto parts business

- Appointing dedicated sales staff and increasing number of distributors
- Share the knowledge possessed by NTN-SNR
- Sales expansion of unit products such as brake disc kits
- Strengthening ties between regions through global conventions



Brake disc unit



Axle bearing kit

Improving Products and Services in Each Market

The NTN Group strives to increase its sales and market share in the aftermarket and distributor market.

In the industrial machinery segment, we offer top level repair service with specialized staff and tools. We have other ways in which we strive to constantly improve customer satisfaction, such as speedy delivery via our distribution centers with high performance and meticulous technical support using dedicated service vehicles.

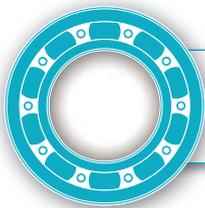
In the automotive market, we sell a variety of auto parts that boast a high

share in Europe, and we strive to develop new products by making the most of the technologies and know-how that the NTN Group possesses. Our sales network goes beyond Western Europe with bases in Northern Europe, and Russia, Central and Eastern Europe, and we are have started to develop the markets of South America.

We aim to expand business in the aftermarket and distributor market by building closer relationships with partners in Japan, China, Asia, North America, and other world regions.



Eric Malavasi (left) **Patrick Désire** (right)
Vice Presidents (in charge of aftermarket and distributor market), NTN-SNR ROULEMENTS



Automotive Market

Sales Situation

Results in the Fiscal Year Ended March 31, 2012

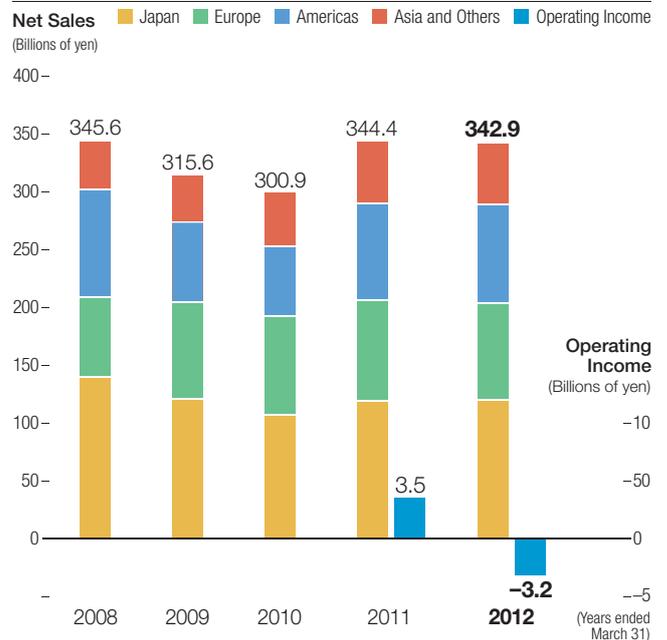
Net sales in the automotive market were 342.9 billion yen, down 1.5 billion yen (0.4%) from the previous fiscal year. Although a recovery in customer demand in the Americas and China helped increase sales, the effects of the Great East Japan Earthquake and flooding in Thailand decreased customer demand and led to lower net sales in Japan and other parts of Asia.

Factors including negative currency effects resulted in an operating loss of 3.2 billion yen (compared to 3.5 billion yen in operating income last year).

Overview of the Fiscal Year Ending March 31, 2013

We expect to increase sales to local manufacturers in ASEAN and India including new orders and delivery from NTN-LYC (Luoyang) Bearing Corporation. In Europe, a recent addition to the NTN Group, NTN Antriebstechnik GmbH (NTN-AT), is expected to contribute to improved group performance.

Net Sales and Operating Income in Automotive Market



Note: SNR has been included in consolidated performance since the fiscal year ended March 31, 2009.

New Products

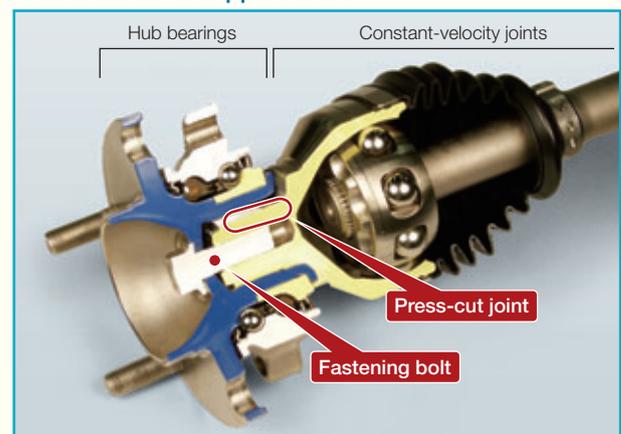
Development of "Press Cut Spline Hub Joint" Achieving Dramatic Weight Decrease and Performance Increase

NTN developed the "Press Cut Spline Hub Joint", which allows for lighter weight and eliminates any backlash that often occurs in fittings.

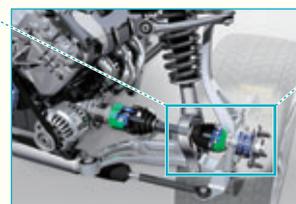
Lower fuel consumption has become a key issue in the global automotive industry, and one way to achieve this is to use lightweight components for a car's various systems. This newly developed "Press Cut Spline Hub Joint" uses NTN's proprietary press-cut spline joint for the pre-spline (the smaller spline) inside bore surface of the hub bearing, thus reducing the load required for the fitting. By using a bolt to fasten the hub joint and CVJ together, weight is dramatically reduced and performance increased. This allows the newly developed product to be used on automobile

manufacturer assembly lines without having to change from the current 3rd generation hub bearing and CVJ assembly process in use today.

Construction and applications



Press Cut Spline Hub Joint



Main Product Lineups for Automotive Market

Transmission

Thrust needle roller bearing

Tapered roller bearings

Steering

Constant-velocity joints for steering*

Seat

Clutch for seat lifter*

Engine, accessories

Auto-tensioners*

Needle roller bearings for rocker arm

Wheel applications

Constant-velocity joints*

Third generation hub bearings* (Axle bearings)

No.1 in the world

No.2 in the world

* Photos are cross-sectional models of products.

A Word From an Executive

Bi-Polar Development Strategy

The world's automotive industry is expected to expand with growth markets acting as the driving forces. Companies will have to take a bi-polar approach, making "highly functional products" for industrialized countries and "low-cost products" for growth markets. NTN is meeting the needs of growth markets by developing and selling products, mainly for small cars, that offer low cost and can withstand severe environments.

While the market is expanding for EVs and HEVs (hybrid electric vehicles), which offer advantages like low environmental impact

and fuel efficiency, new environmental technologies are also driving growth in existing internal combustion engine vehicles. We are looking to expand sales in products for these engines with a lineup offering technologies for low friction, lighter weight, and electrization. In the area of electrization, we are developing module products that use our proprietary ball screw and clutch technology, and that help car manufacturers develop vehicles that are environmentally friendly and fuel efficient.



Yoshio Kato
Director

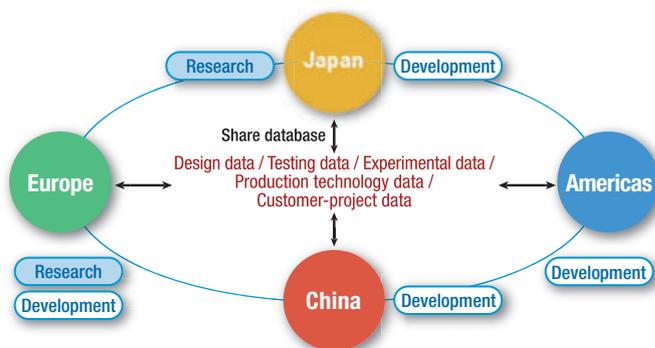
Research and Development System

NTN conducts research and development through four regionally independent R&D bases around the world with a theme of environmental protection and creating future technologies for renewable energy.

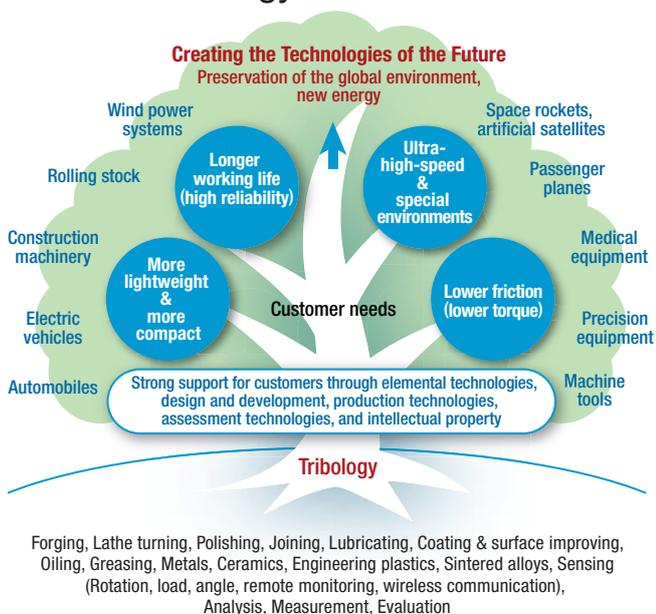
Strengthening Self-Contained Technical Capabilities on Local Sites with a Global R&D System

NTN's R&D includes basic research in elemental technology and other areas, which we conduct at two R&D bases, one in Japan and one 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.

In May 2011, we established the NTN China Technical Center in Shanghai in order to offer customers technical services such as design and evaluation tests in the growing Chinese market. This has led us to strengthen technical capabilities on local sites in Europe and the Americas as well.



Tribology is Key to Creation of Future Technologies in Environmental Protection and Renewable Energy.



The two pillars of our R&D are preservation of the global environment and contribution to renewable 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 (high reliability), and can handle high-speed and special environmental applications.

Established in April 2011, NTN's EV System Division develops products for EVs as the company's in-house venture division.

In January 2012, Nippon Kagaku Yakin Co., Ltd., which possesses technologies for powdered metals, plastic molding, and high-precision processing, became a wholly owned NTN subsidiary. The company works closely with NTN's Advanced Technology R&D Center and the Composite Material Product Division to speed up development in powdered metals and engineering plastics.

*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.

A Word from an Executive

Focusing on Development Towards Mass-Production of the In-Wheel Motor System

The NTN Group has focused on developing environmentally friendly, energy-efficient products. With environmental regulations getting increasingly stricter and demand for EVs on the rise, we have commercialized the "In-Wheel Motor System" for EVs, which combines a speed reduction mechanism, hub bearings, electromechanical brakes, and a control system. In the fiscal year ended March 31, 2012, we showed the "Q' mo" concept car with in-wheel motor system at the Tokyo Motor Show. We also provided vehicles equipped with the in-wheel motor system to Iwata City, the location of our base for EV-related products, to be used as

official vehicles, and demonstration tests have begun on public roads.

We will continue to improve the product based on testing results, and accelerate development towards the realization of mass-production. In this regard, we will improve productivity and reduce costs by utilizing technology for the high-precision molding of sintered alloys, a specialty of NTN subsidiary Nippon Kagaku Yakin Co., Ltd. We believe that these efforts will eventually pay off by making the in-wheel motor system another of our key products along with bearings, constant-velocity joints, and hub bearings.



Yoshinobu Yasuda
Managing Director

Japan

(R&D Details) Development of State-of-the-Art Technologies and New Products

- **Advanced Technology R&D Center**
This facility works to advance technologies for tribology, materials, surface modification, and powders, and thus boost the functionality of bearings, our base product. "Testing area of natural energy management" has been set up to develop renewable energy related technologies such as solar and wind power.
- **Engineering Division of Automotive and Industrial Business Headquarters**
These divisions focus on future market needs from a global standpoint, developing and proposing products incorporating state-of-the-art technologies. Modules and systems incorporating bearing peripherals are a particular focus of development.
- **Composite Material Product Division**
Here, NTN develops materials for sintered alloys and engineering plastics, and develops new hybrid products.
- **EV System Division**
Besides developing products for EVs, this group conducts demonstration tests on public roads of EVs equipped with NTN-developed system products.
- **Precision Equipment Division**
Here, NTN develops a range of high-precision, highly functional products: spindles and XY tables for the semiconductor and electronic components industry, mechatronics products such as LCD repair devices, and parts feeders used in a range of industrial fields.



Advanced Technology R&D Center

Europe

(R&D Details) Variety of Evaluation Testing for R&D and User Approval

- **NTN-SNR R&D Center (Annecy, France)**
The Annecy region of France is a mechatronic technologies cluster with a wealth of collaboration between industry and academia. Research and development in sensor technology is especially advanced, and NTN is active in this area, particularly as it pertains to next-generation sensor development.



NTN-SNR R&D Center

China

(R&D Details) Variety of Evaluation Testing for User Approval

- **NTN China Technical Center**
This facility has evaluation equipment for extra-large bearings for main shafts of wind turbines, a market where increasing growth is forecast. Local engineers carry out bearing evaluation tests in line with Chinese environmental standards, and basic evaluation on materials procured in China.



NTN China Technical Center

Americas

(R&D Details) Variety of Evaluation Testing for User Approval

- **Industrial Machinery (Chicago district)**
The facility conducts various evaluations for user verification of construction machinery and industrial machinery. Local specialists use the range of survey and analysis equipment on site to conduct analysis of everything from metallic structure to lubricants.
- **Automotive Products (Detroit district)**
The facility conducts various evaluations for user verification of automotive products. Vehicles that have completed user testing are taken to the NTN facilities where they undergo inspection.



NTN Automotive Center

Focusing on R&D in Bearings for Rolling Stock, Wind Turbines, and Low-Torque Automotive Bearings

The NTN-SNR R&D Center is an R&D base with a long history and a full range of R&D capabilities.

In industrial machinery, the center focuses on railway-related markets, developing high-speed, long-life, and maintenance-free products. It has also begun R&D in solutions for railways through CMS*, which integrates NTN's expertise in bearings and mechatronics. This will also lead to solutions for wind turbines, and companies, universities, and research institutes in Europe's wind power belt are cooperating in research. In automotive

products, we conduct ongoing research in improvement methods so that we can come out with light, low-torque products for use in wheels, transmissions, and engines. We will also develop new solutions for axle bearings and constant-velocity joint connectors.

Since joining the NTN Group in 2009, we have worked to create synergy between Europe and Japan. By sharing technologies, introducing each other to best practices, and collaborating in research, I want to prove that we can add 1 + 1 (Japan + Europe) and get a sum that is infinitely greater than 2.



Herve Brelaud
Vice President, NTN-SNR ROULEMENTS

* Condition Monitoring System



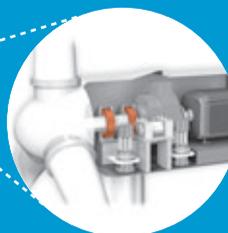
Growth Strategy in the Industrial Machinery Market

Function Improvement, and Global Manufacturing and Sales of Large Bearings

With construction machinery, agricultural machinery, wind turbines, and other machinery getting increasingly larger, worldwide demands for large bearings that can support rotating parts are growing. NTN considers business expansion of large bearings as the pillar of its growth strategy in the industrial machinery market, as the company develops new products with high added value and advanced functionality, while at the same time increasing production capacity and sales and service networks worldwide.

Large Bearings

These are defined under JIS standards as bearings having an outer diameter of 180 mm or more. NTN develops and manufactures extra-large bearings with a load capacity of more than 10,000 ton.



We manufacture large bearings with outer diameters up to 2,500 mm; these are main shaft bearings for wind turbines.



Meeting Increasingly Advanced Needs for Large Bearings Worldwide

Worldwide customer needs for NTN's industrial machinery bearings, particularly large bearings, are expanding and diversifying.

NTN already has the world's leading share of large bearings for construction machinery such as dump trucks used in mining. The construction machinery industry is expected to see increasing demand in growth markets and countries with resource-based economies.

In agricultural machinery, NTN supplies many large bearings, and in the U.S. we have become the top supplier. Amidst growing worldwide population growth, more grain is needed, and agricultural machinery is expected to experience increasing demand.

In wind turbines, NTN provides large bearings—some more than 2 meters in diameter—for main shafts as well as bearings for gearboxes and power generators, and we have been highly evaluated for our high reliability and durability. Interest in renewable energy rose following the Great East Japan Earthquake, and growth is expected in markets such as offshore wind farms.

In the fields of rolling stock and aerospace, expectations for NTN's large bearings are increasing as railways take on a greater role in transportation and regional jets become more prevalent.

NTN considers business expansion of large bearings as the pillar of its growth strategy for the industrial machinery market, as the company separates itself from competitors by developing new products with high added value and advanced functionality, and strengthens its manufacturing systems in regions around the world.

Developing High-Value-Added, High-Functioning Products Driven by Advanced Sensor Technology

NTN has developed high-value-added, high-functioning products by using its wealth of advanced sensor technology, material and material processing technologies, and design technologies.

"Integrated Rotation Sensor Bearing:" Reduced number of components and more compact housing size

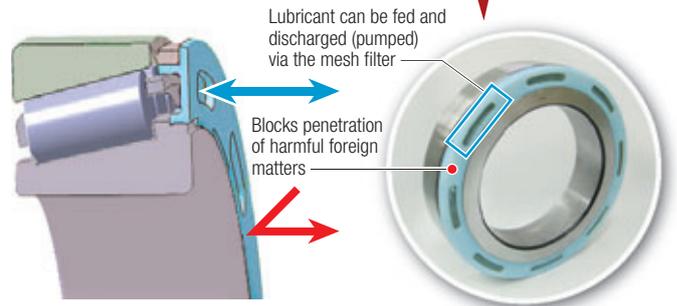


Rotation sensor

One of these products is the "Integrated Rotation Sensor Bearing", released in October 2011. Until now, large bearings and rotation sensors had been mounted separately within machinery by the customer. But this product integrates the bearing and rotation sensor, and it uses a sensor wiring layout mechanism. This reduces the number of assembly components and man-hours of the customer and results in a more compact design, and it allows accurate detection of rotation speed even when immersed in oil and under vibrating conditions. This product is expected to prove useful in construction machinery, the steel industry, and wind turbines.

In January 2012, we introduced a world first, the "Filter Seal Integrated Large Size Bearing." This product prevents the entry of foreign matter such as sand, dust, and metallic abrasion powder during processes such as lubricant filling, resulting in longer periods between bearing replacement and maintenance-free operation. This product is expected to see widespread use in mining machinery, construction machinery, and wind turbines subject to long periods of continuous use.

"Filter Seal Integrated Large Size Bearing:" Blocks penetration of foreign matter and allows maintenance-free operation

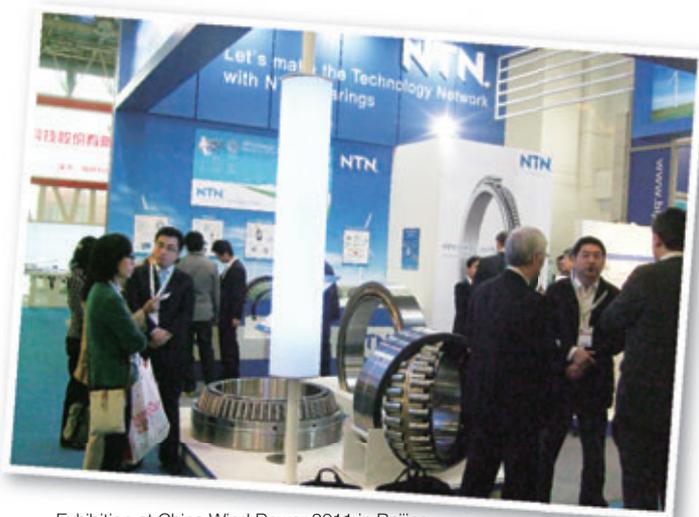


Production Process for Large Bearings

Seeking Greater Market Share through Stronger Sales Worldwide

As customers develop more advanced needs for industrial machinery bearings such as large bearings, NTN follows a strategy of “on local site with local materials by local personnel” to strengthen its manufacturing systems around the world.

NTN used to manufacture automotive parts at eight production bases in China, but in September 2011 it established a new production company for industrial machinery bearings, Nanjing NTN Corporation. The company is expected



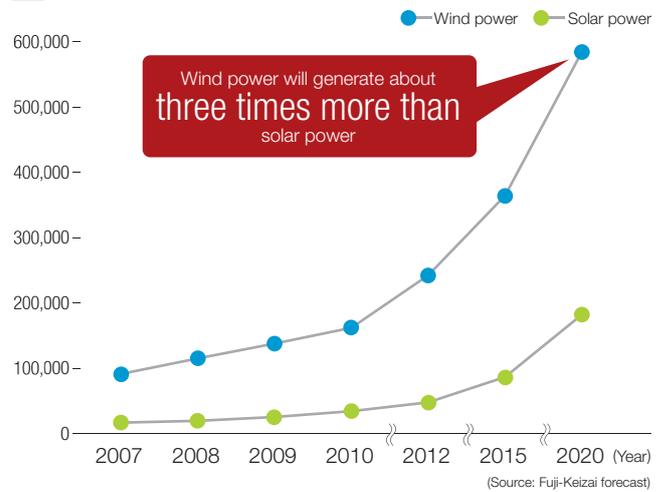
Exhibition at China Wind Power 2011 in Beijing

to go onstream in October 2012. This company carries out integrated production of medium and large-size bearings, from materials to finished products using local materials. It will first ship products to meet demand from customers in China for wind turbines, construction machinery, and steel.

In Europe, NTN-SNR is strengthening its manufacturing system for rolling stock bearings, and large bearings for wind turbines, construction machinery, and aerospace.

In Japan, construction was completed on the plant of NTN NOTO Corp. (Ishikawa Prefecture) in March 2012. This

Estimated Electricity Generated by Wind and Solar Power



Global Manufacturing System for Large Bearings for Industrial Machinery

NTN has established production sites for industrial machinery bearings around the world. In the fiscal year ended March 31, 2012, we strengthened our manufacturing system on several fronts; for example, establishing a new company in China and expanding and upgrading NTN-SNR’s Argonay Plant.



The expanded and upgraded Argonay Plant of NTN-SNR

plant carries out heat treatment, grinding, and assembly, and an integrated production system for large bearings for industrial machinery has been established together with NTN HOUDATSUSHIMIZU Corp., NTN HAKUI Corp., and NTN SHIKA Corp.

To increase market share in large bearings and other industrial machinery bearings, NTN is fortifying its sales and service system.

In October 2011, NTN took part in China Wind Power 2011 in Beijing, the country's largest wind power trade show. There in the growing Chinese wind power market, it showed actual products including bearings for main shafts and gearboxes, and insulated bearings for wind turbines.

In the Americas and Asia, we are working aggressively on a strategy of MRO—maintenance, repair, overhaul—business in mainly the markets for steel and mining machinery. In China we are expanding our sales network, and by March 2014 plan to have sales offices in 10 sites, growing from our current eight, and to have distributors of 60 companies in 120 sites, up from the current 40 companies.

We have used the bearing diagnostics technology built up over the years to develop the "Condition Monitoring System (CMS) for Wind Power Generators." CMS will play a key role in monitoring offshore wind farms, which are becoming increasingly prevalent in recent years and are much larger than land-based systems. NTN is doing everything it can to develop markets for industrial machinery.

Focusing on Expanding Sales of Large Bearings for Aerospace

NTN's high-precision large bearings are hard at work in the aerospace field. Our bearings for jet engines have been highly rated for their continuous performance subjected to 10,000 rpm at approximately 200°C, and we have been selected as a supplier for the world's three largest jet engine manufacturers. We aim to increase sales in the growing market for regional jets.

NTN's engine turbopump bearings for Japan's H-IIA and H-IIB rockets withstand 50,000 rpm under extreme conditions: -253°C with no lubricant. The NTN-developed spherical plain bearings on Japan's Hayabusa asteroid probe were instrumental in the success of a seven-year, 6-billion-kilometer journey.

With these technologies representing our trump card, we are focusing on expanding sales of large bearings for aerospace applications. As part of this effort, in June 2011, we displayed our wealth of products at the Paris Air Show, the world's leading aerospace event.



Bearings for aerospace



4
NTN-Bower Corp.
(NTN-Bower)

Production is set to start in October 2012 at Nanjing NTN Corporation



3
NTN NOTO Corp., completed in March 2012



4
The second plant of NTN-Bower's Macomb Plant is scheduled for completion in May 2013



Feature **2**

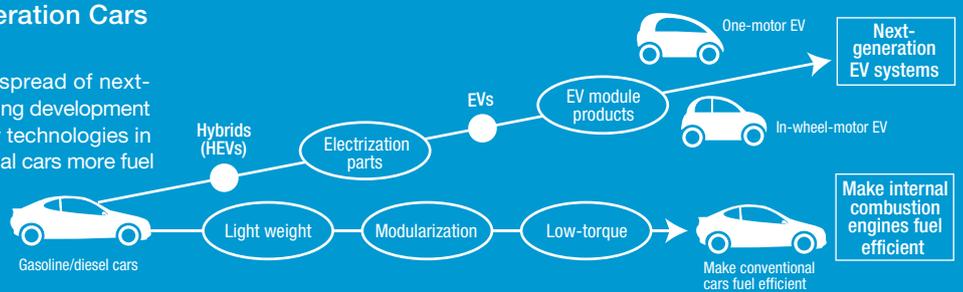
Growth Strategy in the Automotive Market

Improving Fuel Efficiency of Internal Combustion Engines, Commercializing Next-Generation EVs

While the use of hybrids and EVs is spreading, cars with internal combustion engines using fuels like gasoline and diesel fuel are still expected to increase in demand. To continue its growth in the automotive market, NTN is taking a two-pronged strategy in which it conducts R&D towards improving the fuel efficiency of internal combustion engines and also comes out with products that make possible next-generation EVs.

The Spread of Next-Generation Cars and NTN's Response

At NTN, we are anticipating the spread of next-generation cars, and we are pursuing development that makes use of our proprietary technologies in contributing to making conventional cars more fuel efficient for severe environments.



Worldwide, Internal Combustion Engines Continue to Increase while the Spread of EV Accelerates

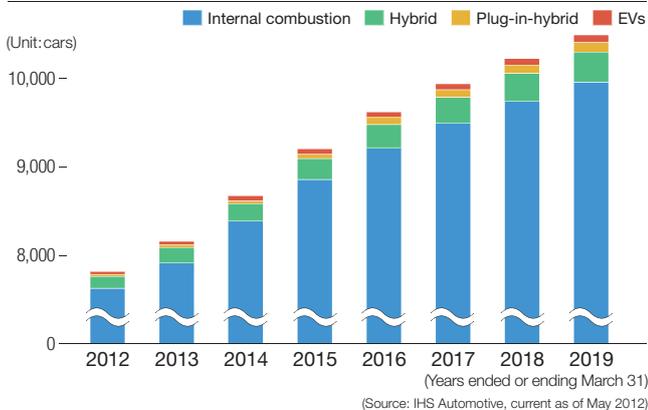
Worldwide automobile production is increasing yearly. In the fiscal year ended March 31, 2012, the total number of cars* produced was over 75 million, and demand is expected to continue increasing mainly in the world's growth markets.

Numbers are gradually on the rise for both hybrid cars, which employ both an electric motor and an internal combustion engine (using gasoline or diesel fuel), and EVs, which are driven by only an electric motor. Worldwide, internal combustion engine cars are still increasing in number.

What this means is that companies must develop ways to reduce the amount of CO₂ emissions given off when internal combustion engine cars are driven. It is said that about 20% of the world's CO₂ emissions come from the operation of cars. To reduce these emissions and curb global warming, it will not be enough just to increase the number of EVs. It is crucial that we make internal combustion engine cars more fuel efficient, which is why NTN is striving to do this, in addition to commercializing next-generation EV systems.

* Total number of cars produced in 2011: Includes internal combustion engine cars, hybrids, plug-in hybrids, and EVs

Automotive Market, by Power Train Type, Up to Fiscal Year Ending March 31, 2019



Pursuing Advancements in Products that Contribute to Making Internal Combustion Engines Fuel Efficient

Over the years, NTN has striven to respond to auto makers' requests for a range of products—used in the engine, drive system, chassis, and other sections—that improve the fuel efficiency of internal combustion engines. We are working towards further advancements in these products.

For example, in May 2012, we released a new product, the "Self-formed Seal Low Torque Deep Groove Ball Bearing" for transmissions, which employs a newly developed seal that self-forms minute gaps between the inner ring and seal to prevent penetration of foreign objects into the bearing during the initial stages of bearing operation and reduce rotational torque by up to 80%.

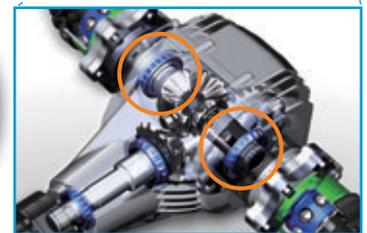
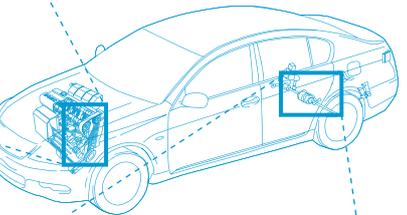
"Self-formed Seal Low Torque Deep Groove Ball Bearing," which reduces rotational torque by up to 80%



(Illustration above is a car transmission)



"Deep groove ball bearing for high thrust loads," which reduces rotational torque by 60%



(Substitute example)
Replacement of tapered roller bearings for rear differential gears to developed products

In November 2011, we released the "Deep Groove Ball Bearing for High Thrust Loads", which is suitable for replacing tapered roller bearings in vehicle differentials. In this product, the inner shape of conventional deep groove ball bearings has been modified in order to increase thrust load capacity three times, and the use of deep groove ball bearings allows a 60% reduction in rotational torque compared to tapered roller bearings.

Also in November 2011, we released a product for wheels: the "Hub bearing for severe environment", which provides highly reliable drivability on unpaved roads and in cold climates. We modified the shape of the seal to reduce the penetration of muddy water and improve shock resistance, and to achieve low torque. We are aggressively marketing this new product in newly industrialized countries for its ability to improve a car's fuel efficiency even on unpaved roads.



"Hub bearing for severe environment"



Improving Fuel Efficiency of Internal Combustion Engines, Commercializing Next-Generation EVs

In-Wheel Motor and One-Motor: Developing Two Methods for Next-Generation EV Systems

Currently the most common type of vehicle using an electric motor is the hybrid, which combines an internal combustion engine and an electric motor. EVs, which use only an electric motor, are expected to gain widespread popularity in the near future, and NTN is focusing on developing EV technologies.

There are several methods used for EVs. Two of the main ones are the one-motor method and the in-wheel-motor method. In the one-motor method, a motor is substituted for the engine in an internal combustion engine car. In the in-wheel-motor method, each car wheel has a motor built into it. This has the advantages of securing more room in the car's interior and giving much greater freedom of vehicle design. And with independent control of each wheel, cars can conduct "Lateral move" and "Pivot turn."

NTN recognized the significance of the in-wheel-motor method and in 2003 began research and development into the In-Wheel Motor unit, a drive system equivalent to an internal combustion engine. In 2007, NTN began test driving of cars equipped with this unit. Research and development continued and in April 2011, NTN's EV System Division was established. Besides drive systems, this group develops and accelerates commercialization of steering systems and control systems.



Opening ceremony of Shin-Tomei Expressway

In regards to the one-motor method, we have developed the one motor type EV Drive System, with a two-speed automatic transmission that enables the car to reach high speeds.

NTN Demonstrates "Q'mo" Electric Commuter with In-Wheel-Motor System at Tokyo Motor Show, and Begins World's First Demonstration Tests on Public Roads

In December 2011, at the 42nd Tokyo Motor Show, NTN gave driving demonstrations of Q'mo, a two-seater four-wheeled electric vehicle made to show the main features of the company's In-Wheel Motor System Concept for next generation EVs. Visitors saw the features that make this vehicle special, such as the ability for "Lateral move" and "Pivot turn".

In October 2011, NTN provided the government of Iwata City, Shizuoka Prefecture with two converted EVs (internal combustion engine cars converted to EVs) that are being used to conduct the world's first demonstration tests of government EVs on public roads. Of the two vehicles, one is equipped





Iwata City mayor rides in a test vehicle equipped with in-wheel motor system

with an “in-wheel motor system” and the other is equipped with an on-board drive system (a motor in the vehicle). By having Iwata City use these cars as government vehicles for a year, NTN can gather and analyze data that will help improve the electrical efficiency of the vehicles.

NTN is also working with the Shizuoka Prefectural government in demonstration tests of a compact, two-seater EV equipped with in-wheel motor system. Iwata City’s converted EV and Shizuoka Prefecture’s compact, two-seater EV garnered attention when they were taken for a test drive at the opening ceremony of the Shin-Tomei Expressway in April 2012.

NTN is developing a variety of systems for next-generation EVs and conducting demonstration tests of these systems in vehicles as it works to bring them to market and lead the way in making them global standards.

A Word from the Mayor of Iwata City

A Promising Future for NTN as Iwata Gets Ready to Send EV Products Around the World



Osamu Watabe
Mayor of Iwata City

For many years, NTN has operated a production site here and has built an excellent relationship with our city. As well, the company opened an EV-products development site here. With the aim of making our relationship with NTN even stronger, our municipal government decided to join in this EV test project. The cars provided by NTN are currently being used for official city business, and everywhere we drive all eyes are on the vehicles. We are proud that this represents a technology made in Iwata. We are well aware that NTN and its products are indispensable to the manufacturing city of Iwata, where there is a large concentration of transport equipment-related companies. I urge NTN to be an Iwata-based company for the development and production of EV products, and to go outside the walls of its group companies to assist in the training of human resources for the local manufacturing industry.

Feature

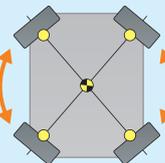
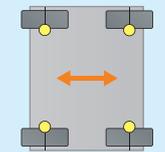
Q'mo: Sharp Turning Capabilities Demanded of an Electric Commuter

NTN developed the Q'mo, a vehicle with In-Wheel Motor System Concept for next generation EVs that aims to meet society’s growing demand for a practical electric commuter.

Installing components like the motor and speed reduction mechanism directly into the wheels makes the drive shaft unnecessary. And the rotation and steering of each of the four wheels is synchronized by an electrical signal.

These development make possible “Lateral move” and “Pivot turn”, things not possible with conventional cars. The result is a commuter vehicle with the ability to turn sharply, a feature that users have been waiting for.

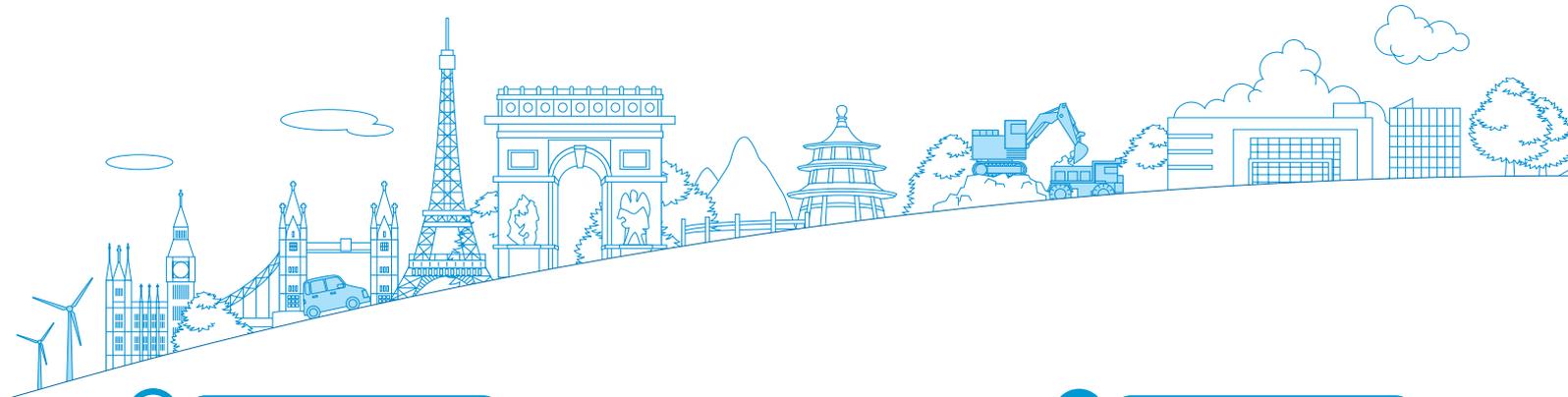
Vehicle motion modes ● Point of rotation for steering

Pivot turn	<p>Each of the four wheels turns in towards to car body to enable pivot turns.</p>  
Lateral move	<p>All four wheels turn 90° to the car body to enable the car to move sideways.</p>  

- Here's What the Q'mo Can Do**
- Drive a car front first into a garage, then pivot turn inside to drive it out front first.
 - On a narrow dead-end road, use pivot turn to get back out.
 - Use lateral move to easily parallel park.
 - Since the engine and drive shaft are unnecessary, the car interior is more spacious.
 - Since it emits no CO₂, the Q'mo can be operated inside buildings.

Q'mo = Q + mo(bility)
 The “Q” stands for “quattro” (independent driving and steering with four wheels) and “quest” (search and pursuit)

We conduct a wide range of community-based activities around the world.



Responsibility to Customers

We are building a worldwide quality information control system and placing importance on communication with customers.



We introduced a new quality information control system called "G-QUICK," which has globally standardized the quality information control methods and systems that we had previously operated independently at our various worldwide sites. ⇒p37



At traveling product exhibitions, NTN engineers learn about market needs directly from customers, which helps us develop products that better need their needs.

⇒p38



Responsibility to Suppliers

We build a strong relationship of trust with suppliers.



At NTN Manufacturing (Thailand) Co., Ltd. (NMT), we honored suppliers achieving excellence in quality and delivery.

⇒p40



Responsibility to Employees

We conduct training at our production sites so that employees can better carry out their manufacturing duties.



At Shanghai NTN Corp., we held QC circle leader training sessions for newly appointed managers where they could learn how to quickly analyze and deal with problems that occur at production sites. ⇒p43



Responsibility to Local Communities

We carry out community service in the regions where we do business.



NTN HOUDATSUSHIMIZU Corp. accepted three local high school students as interns. After a factory tour, the students experienced a number of production processes including lathe turning and grinding during their three-day internship. ⇒p45



NTN Driveshaft, Inc. (NDI) in the U.S. took part in a literacy festival sponsored by the local library. Festival visitors enjoyed NDI's booth where they could have their name written in Japanese on a bookmark and make animals with origami papers. ⇒p46



Global Environmental Preservation

We strive to reduce CO₂ emissions and protect forests.



OKAYAMA Works is reducing its CO₂ emissions by upgrading to energy-efficient equipment. The company expects to reduce emissions by 1,560 tons annually through measures including installing high-efficiency air compressors and converting compressor cooling water pumps to inverter types. ⇒p54



At NTN-SNR ROULEMENTS (NTN-SNR) in France, some of the older cooling equipment still used HCFC (a type of CFC), and the company switched to refrigerants with less global warming impact. ⇒p55



In the NTN Komorebi no Mori forest at KUWANA Works, the company held a tree-planting ceremony together with NPO Mori no Kaze. ⇒p56



Environmental Management

We strengthen environmental management through continuing eco-education and community exchanges.



To improve the quality of our internal environmental audits and increase the number of auditors, we have employees attend training conducted by an ISO auditor training institute. The most recent training brought the number of certified internal environmental auditors to 250. ⇒p53



At KUWANA Works, the company's environmental preservation managers took part in symposiums held by the local chamber of commerce and industry and other associations, where they gave presentations on NTN's connection to renewable energy through its manufacture of bearings for wind turbines. ⇒p53



Reduction of Waste

We strive to reduce the amount of waste generated and to make effective use of waste resources.



At NTN Bearing Mfg. Canada (CMF), a water circulation system was installed to reduce the amount of water used for tumblers. The company succeeded in reducing annual water use by 1,920 kl and halving the amount of wastewater. ⇒p57



We work with suppliers and distributors to raise our quality worldwide.

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)

Quality Slogan: Quality is our future
~Quality paves the way for our future~

Quality Management Policy in the Fiscal Year Ended March 31, 2012

Under our most important quality theme of “Ensure global quality,” we are working to ensure appropriate quality so as to maintain and raise customer trust in NTN, achieve unquestionable, superior quality that contributes to corporate profits, and dramatically reduce the number of complaints and defective products.

Quality Management System

Achieving Necessary Certification for Manufactured Products

In the NTN Group, 33 production sites in Japan and overseas and two sales sites have been certified for the ISO 9001 quality management system.

We have also been working to get our sites in Japan and around the world that produce automotive products certified for ISO/TS16949, a quality management standard that automotive manufacturers demand that their suppliers achieve. In 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 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 1986 and underscores our high quality as a supplier to the rail industry.

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

* NADCAP: Operated by the Performance Review Institute (PRI), NADCAP is a global cooperative accreditation program for special processes in aerospace-related industries.

Building a Worldwide Quality Information Control System

In the fiscal year ended March 31, 2012, we strove to boost quality at our production sites in Japan and other countries.

In January 2012, we introduced G-QUICK, a new quality information control system that has globally standardized the quality information control methods and systems that we had previously operated independently at our various worldwide sites. This system will speed up initial response to quality proposals at our worldwide sites, as well as streamline quality control work. In February 2012, we put out a second, revised edition of our Quality Control Handbook ~Basic Quality Guidelines~, which we first published in 2008. The handbook details our Basic policy of quality and basic actions necessary to ensuring quality. In Japanese, English, and Chinese editions, the handbook has been distributed at approximately 100 sites, including NTN sites for manufacturing, technology, R&D, and distribution, as well as NTN suppliers.



Japanese, English, and Chinese editions of the Quality Control Handbook

Working with Suppliers to Improve Quality

The NTN Group 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 present lectures by outside instructors, as well as case studies,

that help our suppliers acquire knowledge and know-how that allow them to improve quality. In the fiscal year ended March 31, 2012, a meeting was held at the NTN R&D Center in IWATA Works and was attended by 115 supplier companies, 11 more than the previous year. In addition to presentations by suppliers on their improvement activities, the event had a lecture by an outside expert on the theme of “changing your way of thinking in order to eliminate mistakes.” Attendees praised the meeting, calling the case studies on common problems extremely useful to business, and expressing a desire to put what was learned in the case studies to practical use at their own companies.

Quality audits are conducted by the suppliers themselves using the NTN Group’s check sheet for quality criteria, and this allows quality progress to be assessed. In the fiscal year ended March 31, 2012, during quality month at NTN (November) we asked our 240 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 (Japan)

Enhancing Customer Satisfaction

Marketing Activities that Take the View of Customers and Distributors

The NTN Group strives to raise customer satisfaction by determining their needs and then having relevant divisions work closely together in all processes: development, design, manufacture, and provision.

All NTN Group sales companies in Japan and around the world have not only a sales representative for each customer and distributor, 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 customers the best ways to solve them.

NTN sales sites 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 representative 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 the performance and technologies of our products. In the fiscal year ended March 31, 2012, they introduced products including those for EVs. 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.



Traveling product exhibit (Japan)

NTN Group’s overseas companies also provide as many chances as possible to interact with customers. The Technical Training Unit (TTU) of NTN Bearing Corp. of America (NBCA) has a special vehicle in which engineers and sales representatives tour customer sites around the U.S. to give training on bearing basics and bearing use (through installation demonstrations). More and more customers are requesting



A training session of the Technical Training Unit of NBCA in the U.S.

visits by this vehicle. In the fiscal year ended March 31, 2012, the vehicle visited 90 companies in industries such as food, truck maintenance, large transportation companies, and steel companies, with approximately 1,000 persons joining training sessions. The vehicle has been refurbished with the aim of further raising the level of satisfaction among customers.

Customer Satisfaction Surveys Show 3-Point Overall Increase

Once a year, we conduct customer satisfaction surveys on our products and services in which customers 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, 2012, we received survey responses from 78 companies in Japan and other countries, five more than the previous year. Responses in the level of “very good” or “good” for overall assessment were up three points to 88%, and in the quality survey item, this figure was 79%, a two-point increase.

The NTN Group is making global quality a top priority and has introduced G-QUICK, a new quality information control system that will effectively allow us to boost customer confidence and satisfaction.

Overall Assessment of Customer Satisfaction Surveys (Fiscal year ended March 31, 2012)



Overseas Group Companies Strengthen Ties with Distributors

The NTN Group works with the distributors who sell our products to raise customer satisfaction. When we release new products, we hold briefings for distributors 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, 2012, we welcomed 58

distributors to a meeting of our Domestic Distributor Association to strengthen relations. The NTN Group’s overseas companies in various countries conducted activities that strengthened ties with their distributors.

In China, NTN (China) Investment Corporation was strengthening relations with its distributors in a number of ways. In the fiscal year ended March 31, 2012, the company drove its vehicles around to distributors to hold training sessions on bearing handling and maintenance.

To deepen knowledge and understanding of bearings among young staff members of distributors, we held basic technology training attended by 32 distributors, with participants touring the Shanghai NTN factory and learning about production processes.



NTN’s Domestic Distributor Association (Japan)



Basic technology training for distributors in China

A Word from a Distributor

Expectations for Progress and Growth Together with NTN



Ma Jun

President, AVIC Lutong Company Limited

We are headquartered in Guangzhou City and the bearings we sell come only from NTN. We have been ordering NTN bearings for the railway industry since 1998. As all our employees have training and work experience in the railway industry, they can therefore provide quality products and service based on specialized knowledge. We will continue to make the most of our comprehensive sales network, which spans all over China, and technical support capabilities to advance sales of bearings for machine tools, aerospace, wind power systems, and other areas as we progress and grow together with NTN.



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

Procurement Policy

Greater Local Procurement of Materials and Parts

The NTN Group has formulated a 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. We will continue to select suppliers based on our policy of "on local site with local materials by local personnel" and build a relationship of trust with suppliers.

We will also work with our suppliers in conducting CSR activities based on internationally accepted codes of conduct and standards of behavior.

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 Subcontracting Act. We therefore have a responsibility to conduct fair trading 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 staff to attend subcontractor business workshops sponsored by the Japan Fair Trade Commission and seminars held outside NTN. In the fiscal year ended March 31, 2012, 14 production sites in Japan held voluntary audits, with three of these requiring intervention by NTN's procurement division. Production sites that had issues were examined for progress in improvement and given guidance.

We are currently making policy that will help us ensure fair trading by our overseas group companies as well.

Communication with Suppliers

Promoting Exchange Between Overseas Group Companies and Suppliers

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 ISO quality and environmental management systems. In the fiscal year ended March 31, 2012, we held two of these meetings for 58 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.

The NTN Group's overseas companies also strive to strengthen relations with suppliers. In December 2011, Shanghai NTN Corp. held its China Supplier Meeting where it urged suppliers to contribute to growing business, lowering costs, and ensuring quality. It also presented three of the 34 suppliers in attendance with first place and excellence awards. NMT in Thailand honored 17 of its suppliers for excellent results in quality and delivery during 2011.



Supplier Meeting at Shanghai NTN Corp.



Certificate of excellence from NMT



We carry out timely, appropriate information disclosure and respond to requests for tours of our overseas factories.

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 seven 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 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.

IR Activities

Overseas Factory Tours for Analysts and Investors

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, 2012, we received many requests for tours of our overseas factories, and we hosted a number of these tours at production sites in China, Thailand, and other countries where we are working hard to expand business.

NTN 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 September 2012, we were chosen for inclusion in the Dow Jones Sustainability Asia Pacific Index.





We respect the diversity and human rights of our employees and we strive to create a comfortable workplace.

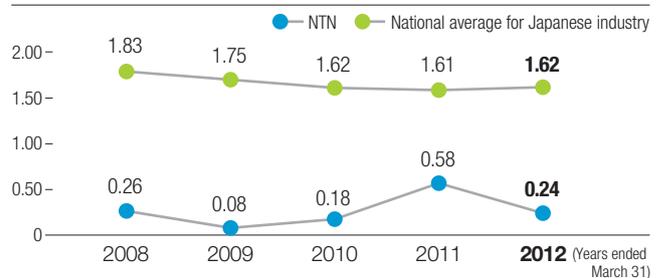
Occupational Safety and Health

Stepping Up Safety and Health Management Activities at Group Companies

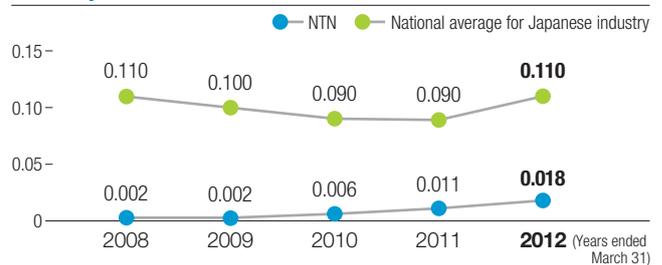
We work to create safe work environments based on a "safety first" spirit that respects people. We have therefore created a safety and health management system based on the criteria of the Occupational Safety and Health Management System (OSHMS). As of the fiscal year ended March 31, 2012, all seven operating sites of the NTN Group in Japan had been certified for OSHMS by the Japan Industrial Safety and Health Association, and we are working towards getting more sites certified.

In the fiscal year ended March 31, 2012, we continued working on themes from the previous fiscal year: (1) conduct thorough education on safety and health, (2) eliminate workplace accidents, (3) promote physical and mental health, and (4) improve the level of safety and health in the NTN Group. Despite these efforts, the number of workplace accidents totaled 50 at all NTN Group companies in Japan, an increase of three. This number included several accidents resulting in time off work. We will therefore focus on, especially at companies with multiple accidents, building an improved accident prevention system and conducting thorough safety education activities. 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.

Incidence Rate



Severity Rate



To promote employee health and prevent accidents, employees do daily calisthenics in the workplace. NTN NEI Manufacturing India Pvt. Ltd. (NNMI) began pre-work calisthenics in the fiscal year ended 2012. Besides getting employees in better shape and thus contributing to safety in the workplace, these calisthenics also refresh their mental state and make them more efficient at their jobs.



Employees do morning calisthenics at NNMI in India

Feature Article

1st Global QC Circle Convention Held

Raising Quality and Employee Motivation

On July 28 and 29, 2012, the 1st Global QC Circle Convention was held at the Industrial Technical Center (Kuwana City, Mie Prefecture) with the goal of having employees take the initiative in improving quality standard globally. There were 16 teams, 12 from overseas sites and four from Japan, taking part, with a total of 106 participants from NTN sites and group companies in Japan and other overseas sites.

With the QC teams giving presentations on their quality improvement projects, the convention aimed to give all sites fresh ideas that they could use at their own company to improve quality and cost-competitiveness, with the eventual result being the provision to customers of the highest quality of products from NTN production sites.

The QC teams' presentations were judged and Shanghai NTN Corp. took first place for its project to raise operating capacity on product assembly lines.



There were 16 teams, 12 from overseas sites and four from Japan



The presentation by the first place winner Shanghai NTN Corp.

Human Resource Development

Training Local Employees to Lead Manufacturing Duties at Production Sites

Of NTN's worldwide employees, 37% are in Japan and 63% are in other countries, a figure that 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, 2012, a total of 75 employees from NTN Group's overseas companies including Shanghai NTN Corp. and Nanjing NTN Corporation went to Japan for technical exchanges and learning.

We also have an overseas training system in which we send Japanese employees to overseas sites for one year. In the fiscal year ended March 31, 2012, a total of six employees went to NTN-SNR ROULEMENTS (NTN-SNR), the NTN China Technical Center and others. We also have domestic and overseas training and scholarship programs for employees.

The NTN Group's overseas companies also held their own in-house training. Engineers from NTA Precision Axle Corp. (NTA) in the U.S. went to the plant of Asahi Forge Corporation in Japan, for a training course to train in the casting press process to gain specialized knowledge in casting. As well, NTA sent two engineers to Takao Kogyo Co., Ltd. to train in heat processing techniques, and two new

casting engineers to Asahi Forge of America Corp. for casting line work safety training.

In July 2011, Shanghai NTN Corp. held QC circle leader training for newly appointed management members and supervisors. With the goal of having participants acquire the analysis skills and methods for quickly dealing with on-site control problems, 21 supervisor assistants took training outside the company. Under the theme of raising basic productivity, participants set theoretical and practical goals, planned implementation strategies, and gave final presentations on their project.

We will continue to thoroughly train employees at our worldwide sites so that local employees can run our production sites.



QC circle leader training at Shanghai NTN Corp.

Fair and Appropriate Employee Evaluation

NTN's policy is to compensate employees with bonuses that reflect company performance and with promotions and pay raises that reflect an individual's performance. Employee performance evaluation is conducted fairly and appropriately based on our employee evaluation system.

Salary consists of a basic salary combining age consideration and job ability, as well as various allowances. The job ability portion is based on employee evaluation, and this evaluation is an overall rating that combines assessments made by multiple people making judgments from numerous angles.

Rewards for Employee Inventions

Rewarding Employees' Inventions

To reward our employees' inventions, 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, 2012, 239 employees (cumulative) were rewarded for obtaining rights for 104 patents.

A Word From an Employee

6-Month Casting Training Boosted My Technical Skills

Jason Coolidge

NTA Precision Axle Corp. (NTA)



The Great East Japan Earthquake of March 2011 struck while I was taking my training in Japan. The entire country in chaos, and people were doing everything they could to help their communities recover from the disaster. Amidst this frantic situation, the Maniwa Plant of Asahi Forge in Okayama Prefecture was happy to take on my NTA colleagues and me for a training course. For half a year starting in June 2011, the team on the Maniwa Plant casting line gave us intensive and effective training. We NTA employees were able to form a team and even got to work on the line itself. The experience was much more than just on-the-job training. I am extremely grateful to Asahi Forge for giving me this valuable opportunity.

Respect for Diversity

A Comfortable Workplace for Women, Seniors, and the Disabled

The NTN Group strives to build a workplace where a diverse range of employees can work: a place where all employees can use their unique personalities and abilities to the fullest.

We continue to increase the number of women we hire, and women currently account for 11.2% of the NTN Group in Japan, up 2.2 points from the fiscal year ended March 31, 2011.

The NTN Group in Japan has 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. In the fiscal year ended March 31, 2012, there were 362 employees working under this system (including those continuing from previous years).

And so that disabled employees have the chance to contribute to the company just as much as everyone else, NTN created Dream Workshops at IWATA Works, KUWANA Works, and OKAYAMA Works in the fiscal year ended March 31, 2005. As of the fiscal year ended March 31, 2012, there were 11 people working in these workshops, an increase of two over the previous fiscal year.



Packaging bearings in a Dream Workshop

As of the end of the fiscal year ended March 31, 2012, disabled employees accounted for 1.73% of all NTN employees. We will continue to hire new disabled persons.

Stressing a Work-Life Balance

NTN stresses a work-life balance, particularly in helping employees work while raising a child. NTN has a number of support systems that it encourages employees to use. These include the Mom-back system, under which employees can seek re-employment after temporarily resigning to raise children; Bear Kids Land, established in the fiscal year ended March 31, 2008 as a place within the company where parents can leave their children to be taken care of while working; and the Child-raising Support Declaration system, under which employees write a child-raising plan and schedule that is shared with the entire workplace so that support is available.

In the fiscal year ended March 31, 2012, 79 children were taken care of at Bear Kids Land.

Respecting Human Rights

Building a Fair and Equitable Workplace with Respect for Human Rights

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 against sexual harassment and power harassment, and we have ongoing education on these issues for new employees and newly appointed managers.

Benefit Systems

Promoting Exchange with Employees and Their Families

Worldwide NTN Group companies strive to further exchange with employees and their family members through events such as family tours and festivals. NTN Kugellagerfabrik (Deutschland) GmbH (DMF) held a family summer festival in June 2011. Despite bad weather that forced events to move to inside the plant, participants enjoyed a range of activities.

In September 2011, NTN (China) Investment Corporation and Shanghai NTN Corp. held an autumn festival, where the 1,900 participants were provided with fun and excitement through activities like a company exhibit, food stalls, a flea market, and singing and dancing.



Family summer festival at DMF in Germany



We strive to contribute to society as we conduct ongoing activities that help local communities.

Efforts in Japan

Fireworks Festival in Support of Victims of the Great East Japan Earthquake

In July 2011, the NTN Group sponsored the Kuwana Suigo Fireworks Festival in Kuwana City, Mie Prefecture in support of victims of the Great East Japan Earthquake of March 2011. In moral support of those stricken by the disaster, KUWANA Works, eight nearby NTN sites, and Seibu Jido Kiki Co., Ltd. sponsored a 15-minute display of fireworks.

At the same location was the “Global QC Circle Convention,” where employees from the NTN group’s overseas companies wore t-shirts proclaiming “Save Japan.” While enjoying the fireworks they contributed to donations for areas affected by the disaster.



Kuwana Suigo Fireworks Festival

Supporting Healthy Bodies and Minds through Children’s Sports

On the occasion of its 50th anniversary in the fiscal year ended March 31, 2011, IWATA Works held the “1st NTN Young Newcomers Baseball Competition” in November 2011. With the aim of fostering the sound development of children, 16 teams of players were chosen from five local elementary schools, and the tournament saw spirited games fought under the bright sunshine.

The winning team received the championship banner and a souvenir baseball.



The 1st NTN Young Newcomers Baseball Competition

NTN Takes Interns from Local High School

As a new company in the Noto district of Ishikawa Prefecture, NTN HOUDATSUSHIMIZU Corp. strives to get close to the community. In July 2011, the company accepted three students from Houdatsu High School as interns.

The three-day internship began with a factory tour and continued as the students experienced a number of production processes including lathe turning and grinding. The students commented that the internship gave them first-hand experience on the importance and difficulty of manufacturing work.



High school interns get on-the-job experience

Cleaning Up the Neighborhood for More Than 5 Years

In August 2011, during Ministry of Land, Infrastructure, Transport and “Tourism’s Road Awareness Month,” NTN Powder Metal Corp. received the “Minister of Land, Infrastructure, Transport and Tourism Award.”

This award recognizes the company’s more than five years of picking up litter beside the public roads adjacent to the site and thus contributing to road safety. Around the middle of every week, about 40 NTN Powder Metal Corp. employees pick up litter beside the roads and pull up weeds, as well as sweep up the leaves and branches that have fallen off the company’s tall trees beside the roads.



Employees pick up litter and pull up weeds beside a public road

Efforts at NTN Overseas

Sponsorship of a Local Traditional Sports Event (France)

In the fiscal year ended March 31, 2012, NTN-SNR sponsored three long-running local sports events: the 32nd Marathon of Annecy Lake, the 24th Triathlon of Annecy Lake, and the 26th Cross Country Ski Race.

NTN-SNR employees take part as staff and race participants in these events as part of making them a success.



The 32nd Marathon of Annecy Lake

Teaching Children Japanese and Origami (U.S.)

In May 2011, NDI took part in a literacy festival sponsored every year by the Bartholomew County Public Library. This event features a look at English as well as other languages, like Japanese and Chinese, and their culture. About 3,500 people visited the festival.

The NDI booth proved popular as children could have their name written in Japanese on a bookmark and learn how to make animals with origami papers.



Literacy festival

Visiting an Elementary School for the Disabled (Thailand)

The CSR staff and other employees of NMT make visits in support of a local elementary school for the disabled. Twice a year, about 30 NMT employees visit the school, where they provide lunch and play games with the approximately 200 children.

The company and employees also donate daily necessities like stationery, toys and games, sweets, and rice.

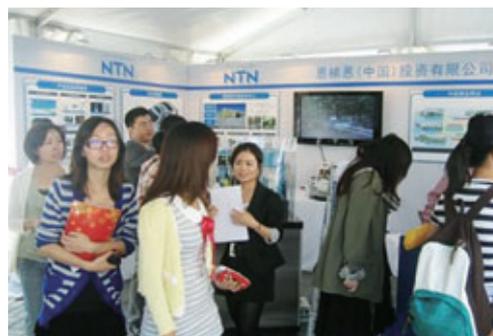


NMT employees providing lunch to elementary school students

NTN Exhibits at “Shanghai Japan Week 2011” (China)

NTN ran a corporate booth at “Shanghai Japan Week 2011,” held in September 2011 at Shanghai International Studies University to promote the allure of Japanese culture to the whole of China.

Under the theme “NTN bearings, supporting the continued development of industry in an ever-growing China,” the booth introduced NTN’s business in China and bearings for industrial machinery and EV related products. Many students and females visited the booth, with many taking this rare opportunity to touch the bearings on display. This created interest in the NTN brand and is sure to lead to future enquiries about career opportunities with NTN.



The NTN booth at “Shanghai Japan Week”



We strive to strengthen environmental management by improving the quality of internal audits and conducting ongoing environmental education.

Feature Article

Promoting the Use of Natural Energy

At the Advanced Technology R&D Center, we have established the “Testing Area of Natural Energy Management.”

At the Advanced Technology R&D Center in Kuwana City, Mie Prefecture, we focus on innovating fundamental technologies. To realize “world’s tops” and “world firsts,” we constantly advance and integrate technologies for tribology, materials, surface modification, and composite materials in order to improve bearing functions, thus creating revolutionary manufacturing technologies that lead to environmental protection. Since the Great East Japan Earthquake of March 2011, natural energy has taken on increasing importance. In addition to our efforts in the field of bearings for wind power systems, we are looking to contribute to other areas of natural energy and

to this end in December 2011 we established the “Testing Area of Natural Energy Management” on the site of our Advanced Technology R&D Center.

In addition to our existing facilities for solar power generation and wind power generation, the new labs have sun-tracking solar power equipment, a pilot plant factory, and a small smart grid that includes a charger for EVs. Through our experiments in the cultivation and growing of plants using natural energy, we are working to develop a range of energy system technologies based on NTN’s motion control technologies, that will allow us to help society make more effective use of natural energy.

Sun-tracking solar power generation



We develop sun-tracking systems and install these so that we can verify and assess their power generation capacity and power consumption.

Pilot plant factory



We use natural energy to manage and operate the pilot plant factory, while also testing possible new methods and technologies for cultivating plants.

Electric power fluctuation, monitoring

Verification test room

Small wind power generation systems



We try to improve bearing selection and device control so that we can offer even more efficient operational conditions.

We develop electricity control technologies that allow more effective use of natural energy and verify and assess these under actual use conditions. This leads to the development of new products and technologies.

Electric Vehicles (EVs)



The power storage system is used to provide energy for the area as well as to charge EVs

Environmental Policy and Management Rules

Revising Rules and Manuals to Strengthen Environmental Management

Based on the NTN Group's 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 the fiscal year ended March 31, 2012, we made revisions to the Environmental Management Manual and the Internal Environmental Audit Manual, as well as to the detailed regulations of Pollution control, which was created to improve management of poisonous substances. As well, we formulated the Calculation and Reporting Guidelines for Manufacturing By-Products, which summarizes unified calculation methods for the by-products generated by manufacturing activities.

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

Aiming for Certification Within 3 Years of Startup of New Bases

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, 2012, 20 of our 24 sites in Japan have been certified, including Nippon Kagaku Yakin Co., Ltd., which had achieved individual certification before it became an NTN subsidiary in September 2011. And 15 of 18 NTN sites outside Japan have been certified. NTN makes it a rule to have all new sites certified within three years of the startup of operations. Below is the certification schedule for the fiscal year ending March 31, 2013.

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., Advanced Technology R&D Center					
	NTN Tado Corp		2005	3	JSAE1058	JSA
	Nippon Kagaku Yakin Co., Ltd.		2000	8	JQAE0956	JQA
U.S.A	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
NTK Precision Axle Corp.		2008	4	4000717	LRQA	
Canada	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 HOUDATSUSHIMIZU Corp.	2012	7
	NTN SHIKA Corp.	2012	7
	NTN HAKUI Corp.	2012	7
	NTN NOTO Corp.	2013	7
U.S.A	NTA Precision Axle Corp.	2014	12
Brazil	NTN Driveshaft do Brasil	2014	12
China	NTN-LYC (Luoyang) Bearing Corporation	2014	12

Environmental Impact of Business Activities

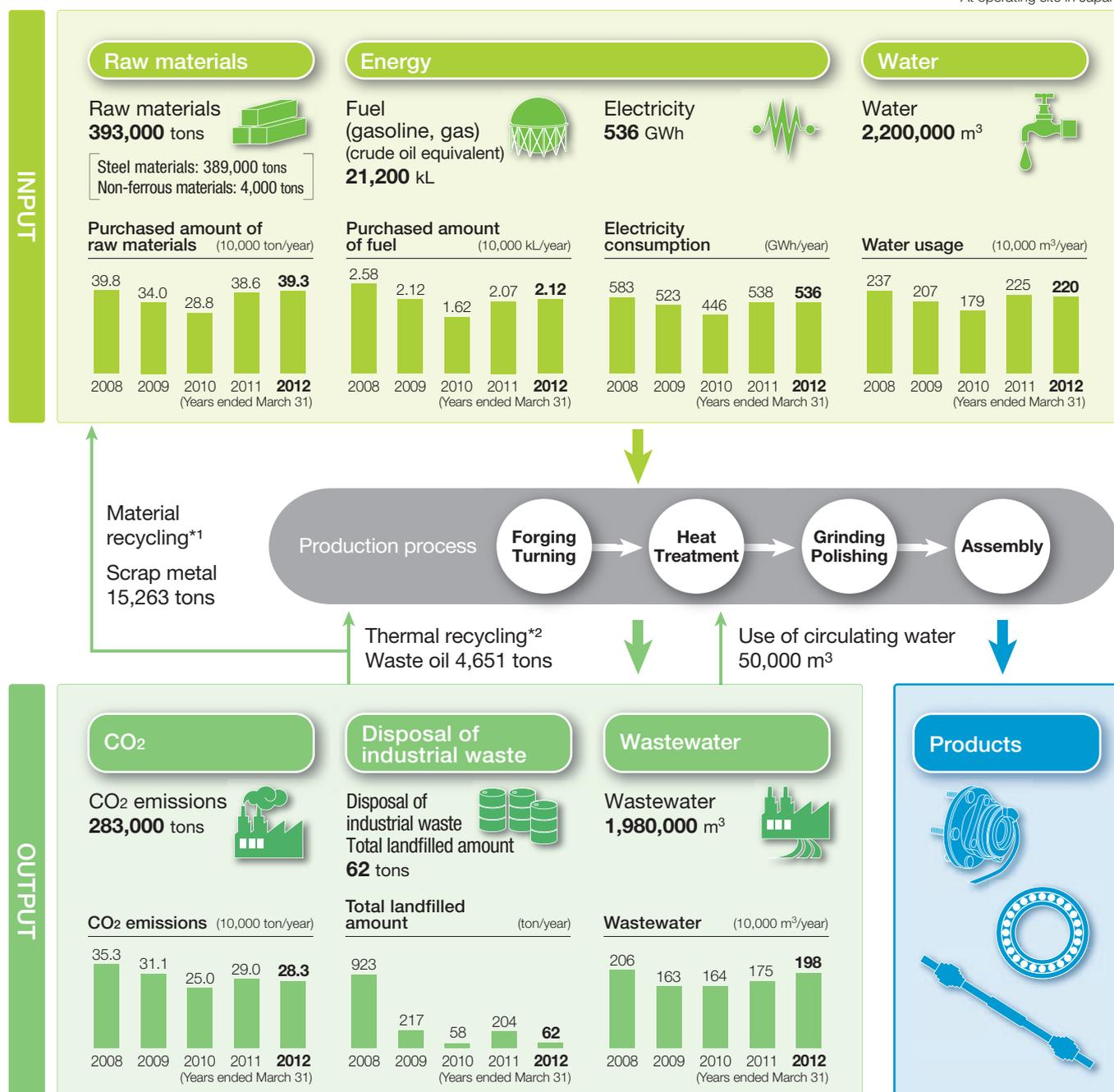
Reducing the Environmental Impact over a Product's Entire Lifecycle

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, CO₂, 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, 2012, we were able to reduce the amounts of CO₂ and waste emissions despite an increase in production volume.

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

Environmental Accounting

Aggressive Investment in R&D for Environmental Protection

The NTN Group uses environmental accounting to quantitatively assess its environmental protection activities.

Environmental protection costs in the fiscal year ended March 31, 2012 consisted of 1,106 million yen in environment-related equipment, down approximately 13% from the previous year, and related costs of 3,023 million yen, up approximately 23%, for a total increase of 11%. The increase was due to R&D (EV-related business) related to environmental protection and aggressive investment in renewable energy. There were also costs for things like energy-efficient equipment and waste recycling.

The economic benefit of environmental protection activities was 826 million yen, about the same as the previous year. As for impact on environmental preservation, CO₂ emissions were 283,000 tons, a 7,000 tons decrease due to factors including high-efficiency compressors at OKAYAMA Works and improved air conditioning in the needle plant at IWATA Works. We continued to improve on reductions in waste, by 0.2 points, with the recycle rate reaching 99.9%.



Facilities for wind power generation in the needle plant at IWATA Works



Inverter-type compressors in NTN MIE Corp.

Environmental Preservation Costs

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

Classification	Equipment investment		Amount	
	Costs	Details	Costs	Details
Work areas inherent costs	7	Environmental equipment (dust collectors, particulate smoke removal devices, and wastewater treatment equipment)	114	Inspection and management of environmental equipment (dust collectors and wastewater treatment equipment)
	58	Energy-conserving equipment (compressors, lighting, air conditioning), etc.	263	Costs of switching to energy-saving equipment
	0		529	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		335	Labor costs related to the EMS and information disclosure (advertising and NTN reports) and the greening and beautification of company grounds
R&D costs	1,041	R&D equipment related to environmental preservation	1,755	R&D costs related to environmental preservation
Costs of social activities	0		13	Greening and beautification outside the company
Environmental remediation expenses	0		12	Cost of soil sampling
Total	1,106		3,023	
Reference: Total for fiscal year ended March 31, 2011	1,266		2,461	
				Grand total
				4,129
				3,727

Impact on Environmental Preservation

Indicator	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2011
Total CO ₂ emissions	283,000 tons	290,000 tons
Reduction of waste	Recycle rate 99.9%	99.7%

Financial Effect of Environmental Preservation Activities

(Millions of yen/year)

Item	Amount	Details
Global environment preservation expenses, effects	49	Energy-conserving effects, etc. of air conditioning, compressors, and lighting
Resource recycling expenses, effects	777	Profit from saleable materials such as metallic sludge
Total	826	
Reference: Total for fiscal year ended March 31, 2011	821	

Environmental Targets and Results for the Fiscal Year Ended March 31, 2012

16 of 24 Targets Achieved

Every year, NTN sets targets in three areas: preservation of the global environment, creation of a recycling society, and maintenance and improvement of the environmental management system.

In the fiscal year ended March 31, 2012, we focused on areas including decrease of total CO₂ emissions overseas, and in Japan preparations for certification for the ISO 50001 energy management system, confirmation of management of poisonous materials, greening activities, and regional environmental protection activities.

Results of Environmental Management Activities in the Fiscal Year Ended March 31, 2012

Purpose		Targets for the fiscal year ended March 31, 2012	Results for the fiscal year ended March 31, 2012	Evaluation	
Preservation of the global environment	Reduce CO ₂ emissions	Domestic	<ul style="list-style-type: none"> Achieve total CO₂ emissions of 283,000 tons/year or less (Target emissions coefficient for power suppliers) Achieve an 20% improvement in CO₂ emissions rate (1.42) over the fiscal year ended March 31, 1998 (emissions coefficient: 0.381) 	<ul style="list-style-type: none"> Achieved total CO₂ emissions of 283,000 tons/year or less (Target emissions coefficient for power suppliers) Achieved an 20% improvement in CO₂ emissions rate (1.42) over the fiscal year ended March 31, 1998 (emissions coefficient: 0.381) 	😊
		Overseas	<ul style="list-style-type: none"> Total CO₂ emissions: 260,000 tons/year or less Achieve a 5% improvement in CO₂ emissions rate over the fiscal year ended March 31, 2007 	<ul style="list-style-type: none"> Total CO₂ emissions: 275,000 tons/year or less Achieved a 2% improvement in CO₂ emissions rate over the fiscal year ended March 31, 2007 	😞
	Reduce air, water, and ground pollution	Domestic	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Reduced the use of substances designated by PRTR Law Achieved a 46% reduction in substances designated under the old law over the fiscal year ended March 31, 2007 Achieved a 2% increase in substances designated under the new law over the fiscal year ended March 31, 2011 	😞
			<ul style="list-style-type: none"> Soil purification following closure of TAKARAZUKA Works 	<ul style="list-style-type: none"> Started preparatory construction for soil purification following closure of TAKARAZUKA Works (Build oil retaining wall) 	😞
	Participate in local environmental activities	Domestic	<ul style="list-style-type: none"> Propose a plan for greening activities in the Kansai district 	<ul style="list-style-type: none"> Completed proposal for greening activities in Kansai district Scheduled to start in November 2012 	😊
		Overseas	<ul style="list-style-type: none"> Propose a plan for environmental preservation activities in the Hokuriku district 	<ul style="list-style-type: none"> Participated in Ishikawa forest conservation activities 	😊
Creating a recycling society	Reduce waste materials	Domestic	<ul style="list-style-type: none"> Work toward achieving zero emissions with a recycle rate of 99.8% Reduce waste generation rate by 1% over the fiscal year ended March 31, 2011 	<ul style="list-style-type: none"> Worked toward achieving zero emissions and achieved a recycle rate of 99.9% Achieved a 0.2% increase in waste generation rate over the fiscal year ended March 31, 2011 	😊
		Overseas	<ul style="list-style-type: none"> A Work toward achieving zero emissions with a recycle rate of 97% 	<ul style="list-style-type: none"> Worked toward achieving zero emissions and achieved a recycle rate of 95% 	😞
	Preserve resources	Domestic	<ul style="list-style-type: none"> Reduce paper consumption by 1% over the fiscal year ended March 31, 2011 	<ul style="list-style-type: none"> Achieved a 2% increase in paper consumption over the fiscal year ended March 31, 2012 	😞
			<ul style="list-style-type: none"> Reduce water usage rate by 1% over the fiscal year ended March 31, 2011 	<ul style="list-style-type: none"> Reduced water usage rate by 3% over the fiscal year ended March 31, 2011 	😊
			<ul style="list-style-type: none"> Reduce Styrofoam usage by 99% over the fiscal year ended March 31, 2000 (maintenance) 	<ul style="list-style-type: none"> Reduced Styrofoam usage by 99% over the fiscal year ended March 31, 2000 	😊
Maintaining and improving the environmental management system	ISO 14001 certification	Domestic Overseas	<ul style="list-style-type: none"> Certification of new sites Certification overseas (NNMI) Support for certification in Japan (HOUDATSUSHIMIZU Corp., HAKUI Corp., SHIKA Corp.) 	<ul style="list-style-type: none"> Certification of new sites Certification overseas (NNMI) completed Support for certification in Japan (HOUDATSUSHIMIZU Corp., HAKUI Corp., SHIKA Corp.) 	😊
	ISO 50001 certification	Domestic Overseas	<ul style="list-style-type: none"> Prepare a system for certification in Japan 	<ul style="list-style-type: none"> Participated in various seminars and gathered information 	😊
	Strictly abide by regulations, in-house standards, and environment-related rules	Domestic	<ul style="list-style-type: none"> Confirm management of poisonous materials (conduct inspection once a month) 	<ul style="list-style-type: none"> Confirmed management of poisonous materials (conduct inspection once a month) Carried out extraordinary confirmation of management progress in January Revised Head Office regulations and formulated confirmation rules 	😊
	Promote green procurement	Domestic	<ul style="list-style-type: none"> Receive green procurement paperwork from 100% of key suppliers 	<ul style="list-style-type: none"> Received green procurement paperwork from 80% of key suppliers 	😞
			<ul style="list-style-type: none"> Formulate and implement plan to substitute phthalate esters 	<ul style="list-style-type: none"> Completed substitution of phthalate esters. Currently making proposals to customers 	😊
			<ul style="list-style-type: none"> Conduct audits for environmentally hazardous substances at all sites 	<ul style="list-style-type: none"> Audits of environmentally hazardous substances completed at all sites 	😊
			<ul style="list-style-type: none"> Conduct ongoing incoming analysis of environmentally hazardous substances 	<ul style="list-style-type: none"> Currently conducting ongoing incoming analysis of environmentally hazardous substances 	😊
			<ul style="list-style-type: none"> Zero complaints of environmentally hazardous substances 	<ul style="list-style-type: none"> Zero complaints of environmentally hazardous substances 	😊
		Overseas	<ul style="list-style-type: none"> Distribute the Green Procurement Standard to suppliers 	<ul style="list-style-type: none"> English version completed but not yet distributed due to need for revisions 	😞
	Encourage suppliers and vendors to implement environmental management systems	Domestic	<ul style="list-style-type: none"> Certify the environmental management systems of key suppliers 95% or more certified 	<ul style="list-style-type: none"> Certified the environmental management systems of key suppliers 95% 	😊
Comply with new regulations	Domestic Overseas	<ul style="list-style-type: none"> Comply with the revised Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc. 	<ul style="list-style-type: none"> Notified authorities of compliance with the revised Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc.(June) 	😊	
		<ul style="list-style-type: none"> Comply with REACH, CLP*, and China RoHS 	<ul style="list-style-type: none"> Completed confirmation of effect on NTN of SVHCs under REACH 	😊	
			<ul style="list-style-type: none"> Complied with CLP and China RoHS 	😊	

* CLP: Classification, Labeling and Packaging

Environmental Targets for the Fiscal Years Ending March 31, 2013 and March 31, 2014

NTN Environmental Action Policy for the Fiscal Year Ending March 31, 2013

- | | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>1. Preservation of the global environment</p> <p>2. Creating a recycling society</p> <p>3. Support for development of environmentally-friendly products</p> <ul style="list-style-type: none"> · Replace substances restricted under REACH (substitutes for phthalate esters and dibutyltin compounds) | <p>4. Development of environmental products and equipment</p> <ul style="list-style-type: none"> · Products for exhaust gas power generation, micro hydro generators, etc. <p>5. Maintenance and improvement of environmental management systems</p> <p>(1) Expansion of environmental management systems</p> <ul style="list-style-type: none"> · Certification for new international standard ISO | <p>50001: Have system in place for certification and aim to be certified in the fiscal year ending March 31, 2014</p> <p>(2) Thorough management of poisonous materials</p> <ul style="list-style-type: none"> · Monthly confirmation of state of poisonous materials management (Managers conduct confirmation once every fiscal half) <p>(3) Promote green procurement</p> |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Company-Wide Environmental Targets for the Fiscal Year Ending March 31, 2013 and the Fiscal Year Ending March 31, 2014

Purpose		Targets for the fiscal year ending March 31, 2013	Targets for the fiscal year ending March 31, 2014	
Preservation of the global environment	Reduce CO ₂ emissions	Domestic	· Achieve total CO ₂ emissions of 275,000 tons/year or less (Target emissions coefficient for power suppliers) · Achieve a 22.5% improvement in CO ₂ emissions rate (1.38) over the fiscal year ended March 31, 1998 (emissions coefficient: 0.381)	· Achieve total CO ₂ emissions of 269,000 tons/year or less (Target emissions coefficient for power suppliers) · Achieve a 25% improvement in CO ₂ emissions rate (1.34) over the fiscal year ended March 31, 1998 (emissions coefficient: 0.381)
		Overseas	· Achieve total CO ₂ emissions of 270,000 tons/year or less · Achieve a 5% improvement in CO ₂ emissions rate over the fiscal year ended March 31, 2007	· Achieve total CO ₂ emissions of 262,000 tons/year or less · Achieve a 7% improvement in CO ₂ emissions rate over the fiscal year ended March 31, 2007
	Reduce air, water, and ground pollution	Domestic	· Reduce the use of substances designated by PRTR Law · Completely eliminate 2-aminoethanol · Reduce N,N-Dicyclohexylamine by 30% over the fiscal year ended March 31, 2011	· Reduce the use of substances designated by PRTR Law · 2-aminoethanol completely eliminated (maintained this) · Reduced N,N-Dicyclohexylamine by 70% over the fiscal year ended March 31, 2011
			· Soil purification following closure of TAKARAZUKA Works	· Soil purification following closure of TAKARAZUKA Works
Participate in local environmental activities	Domestic Overseas	· Begin greening activities in Kansai district	Conduct ongoing greening and other environmental protection activities	
Creating a recycling society	Reduce waste materials	Domestic	· Work toward achieving zero emissions with a recycle rate of 99.8%	· Work toward achieving zero emissions with a recycle rate of 99.8% (continuation)
		Overseas	· Reduce waste generation rate by 2% over the fiscal year ended March 31, 2011	· Reduce waste generation rate by 3% over the fiscal year ended March 31, 2011
	Preserve resources	Overseas	· Work toward achieving zero emissions with a recycle rate of 97%	· Work toward achieving zero emissions with a recycle rate of 98%
		Domestic	· Reduce paper consumption by 2% over the fiscal year ended March 31, 2011 · Reduce water usage rate by 3% over the fiscal year ended March 31, 2011 · Reduce Styrofoam usage by 99% over the fiscal year ended March 31, 2000 (maintenance)	· Reduce paper consumption by 3% over the fiscal year ended March 31, 2011 · Reduce water usage rate by 5% over the fiscal year ended March 31, 2011 · Reduce Styrofoam usage by 99% over the fiscal year ended March 31, 2000 (continuation)
Maintaining and improving the environmental management system	ISO 14001 certification	Domestic Overseas	· Certification in Japan (HOUDATSUSHIMIZU Corp., HAKUI Corp., SHIKA Corp.) · Preparation for conversion to multi-site certification (NTN TADO Corp., Nippon Kagaku Yakun Co., Ltd.)	· 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 of designated energy management factories in Japan · Prepare a system for certification overseas
	Thorough Management of Poisonous Materials	Domestic	· Through management of poisonous materials (Monthly confirmation by person in charge, confirmation by managers once every fiscal half)	· Ongoing implementation of items on left
	Promote green procurement	Domestic	· Receive green procurement paperwork from 100% of 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	· Ongoing implementation of items on left
		Overseas	· Distribute the Green Procurement Standard to suppliers	· Establish green procurement system at supplier companies
	Encourage suppliers and vendors to implement environmental management systems	Domestic Overseas	· Certification of key suppliers' environmental management systems At least 95% have systems (maintained this)	· Certification of key suppliers' environmental management systems At least 95% have systems (maintained this)
Comply with new regulations	Domestic Overseas	· Respond appropriately whenever there are revisions	· Respond appropriately whenever there are revisions	

Environmental Audits

Internal Audits at All Sites, Cross-Audits at 6 Sites

NTN undergoes external audits by ISO 14001 certification institutes, as well as internal environmental audits of sites (once a year) and cross-audits, which are conducted between operating sites (every three years). This improves the level of our environmental management system.

In the fiscal year ended March 31, 2012, all sites underwent internal audits and six sites underwent cross-audits.

ISO audits were conducted at eight sites in July 2011, with the three-year multi-site certification approved for renewal. However, in March 2011, a water quality inspection of the septic tank at NTN KINAN Corp. revealed figures above the allowable limit. There were two matters cited in the audit including failure to report on the inspection following measures taken, and there were five minor infractions such as errors in the reporting procedures. Measures were thus taken to deal with these issues.

Training to Increase Number of Internal Environmental Auditors and Raise Quality of Audits

The NTN Group in Japan holds internal environmental auditor training led by a top instructor from L. Marvin Johnson & Associates, Inc., an institute that trains ISO auditors.



Internal environmental auditor training at KUWANA Works

At training held in December 2011 at KUWANA Works, there were 22 participants from 16 sites, including three in the Hokuriku district that were aiming for ISO 14001 certification in July 2012. Participants got an overview of ISO, acquired the skills needed by an internal environmental auditor, and used case studies to learn practical auditing skills and points to keep in mind in conducting audits. These latest training sessions brought the number of NTN internal environmental auditors to approximately 250.

With the aim of raising the quality of audits, NTN MIKUMO Corp. hosted 22 internal environmental auditors to watch videos of ISO 14001 internal audit case studies and discuss how to conduct effective audits that would solve issues discovered in previous audits.

Environmental Education

Raising Environmental Awareness through Constant Education and Training

NTN strives to raise environmental awareness through ongoing eco-education for all levels of employees and management.

In the fiscal year ended March 31, 2012, we held training on basic environmental policy and environmental management systems for new employees, and training on medium-term environmental targets and achievements for newly appointed managers.

NTN Engineering Plastics Corp. held training on energy efficiency and pollutants for all levels from the president down to assistant managers.

At Shanghai NTN Corp., eco-education is part of new employee orientation so that things like environmental policy and environmental targets can be learned. At NTN Manufacturing (Thailand) Co., Ltd., all employees receive booklets with information on environmental protection, and in June 2011 the company held an in-house eco-exhibit as part of Safety & Environment & Energy Week. NTN do Brasil Produção de Semi-Eixos Ltda. enlists the help of a local NPO, which puts on a play once a year to convey the importance of environmental protection.

Environmental Communication

Exchange with the Community in Environmental Protection

NTN strives to deepen ties to the community through environmental protection. In November 2011, NTN KONGO Corp. joined in a symposium sponsored by the municipal government that imparted knowledge and skills necessary for protecting the environment. NTN KONGO Corp. employees gave a lecture on environmental protection activities.

In February 2012, KUWANA Works took part in an environmental symposium sponsored by the local chamber of commerce and industry, where the company's environmental protection manager was a panelist and talked to citizens in attendance about how NTN contributes to protecting the environment by providing bearings for renewable energy products such as wind power systems. The other panelists also discussed ways to make effective use of renewable energy.



An NTN manager was a panelist at an environmental symposium in Kuwana City



NTN production bases around the world strive to make equipment energy efficient and to protect the environment so that we can reduce total CO₂ emissions.

Reduction of Total CO₂ Emissions

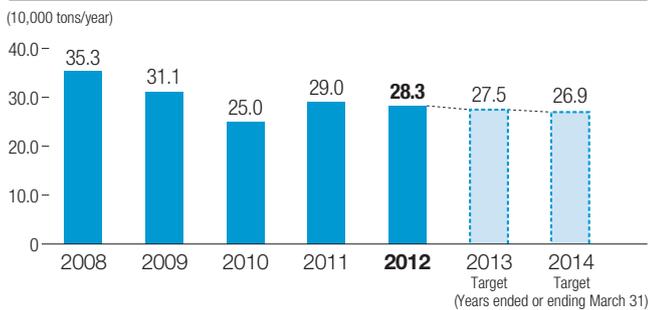
NTN Group Companies in Japan

2.4% Reduction in Total CO₂ Emissions

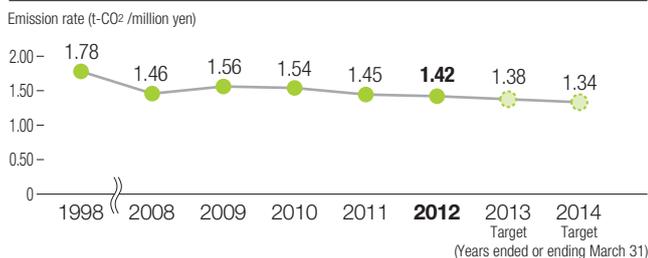
Under NTN's three-year environmental plan, which got underway in April 2011, we are targeting total CO₂ emissions of 269,000 tons (same as fiscal year ended March 31, 1991) by the fiscal year ending March 31, 2014, and a 25% decrease in the CO₂ emissions rate against the fiscal year ended March 31, 1998. Towards these targets, for the fiscal year ended March 31, 2012, we set targets of total CO₂ emissions of 283,000 tons (down 2.4% over the previous fiscal year) and a 20% decrease in the CO₂ emissions rate against the fiscal year ended March 31, 1998. Thanks to aggressive efforts including upgrading to energy-efficient equipment in factories, we achieved both these targets.

For the fiscal year ending March 31, 2013, we have set targets of total CO₂ emissions of less than 275,000 tons and a 22.5% decrease in the CO₂ emissions rate against the fiscal year ended March 31, 1998.

Total CO₂ Emissions (Sites in Japan)



CO₂ Emission Rate (Sites in Japan)



Upgrading to Energy-Efficient Equipment in Factories to Reduce CO₂ Emissions

In the fiscal year ended March 31, 2012, NTN bases worked to reduce CO₂ emissions through measures including upgrading to energy-efficient equipment.

IWATA Works had CO₂ emissions of 89,000 tons in the fiscal year ended March 31, 2011, which accounted for more than 30% of all emissions by the NTN Group in Japan. Using ESCO*, the company upgraded the air conditioners in its Iwata needle bearing plant to the latest highly efficient heat pump

types, and introduced stratified air conditioning to boost energy efficiency. The company expects to reduce annual CO₂ emissions by 790 tons through these measures.



High-efficiency air compressors at OKAYAMA works

OKAYAMA works

accounted for approximately 28% of all emissions by the NTN Group in Japan in the fiscal year ended March 31, 2011. The company used ESCO to introduce high-efficiency air compressors, convert compressor cooling water pumps to inverter types, and upgrade to energy-efficient lighting. These measures are expected to contribute to a 1,560-ton annual decrease in CO₂ emissions.

NTN MIE Corp. received a subsidy from Japan's New Energy and Industrial Technology Development Organization (NEDO) in support of companies making effective use of energy, which it used to upgrade to inverter-type compressors. This is expected to contribute to a 400-ton annual decrease in CO₂ emissions.

The Industrial Technical Center and Hikari Seiki Industry Co., Ltd. converted a portion of their lighting to high-efficiency, long-life LED lighting.

* ESCO (Energy Service Company): The ESCO makes the initial investment in energy-efficient equipment and improvement work so that the company requesting the work can achieve energy efficiency with no initial investment. The ESCO guarantees a certain decrease in energy costs due to the work, and the company pays this amount back to the ESCO within a certain period.

Efforts in Saving Energy and Energy Efficiency, Using Renewable Energy

In response to the summer energy shortage, in the fiscal year ended March 31, 2012, we sought to save energy by turning

A Word From an Employee

Reducing Environmental Impact While Raising Quality

Shigeharu Hamaguchi

Equipment Supervisor, Heat Treatment Section
Heat Treatment Plant, KUWANA Works



In February 2010, the No. 1 Heat Processing Section of NTN MIE Corp. began decreasing the amount of RX gas it uses during heat processing in order to reduce environmental impact, and the result was an annual decrease in CO₂ emissions of 355 tons (equivalent to 17% of all CO₂ reductions at NTN MIE Corp.). At KUWANA Heat Treatment Plant, we are currently seeking to reduce environmental impact while at the same time boosting quality, and we are aiming to cut CO₂ emissions by 630 tons a year (16% of all CO₂ emissions at KUWANA Works).

down lighting, cutting back on the use of air conditioning, and using less copy paper. Between June 22 and the end of August, all NTN bases turned off outdoor neon signs and turned off lights in daytime workplaces after 8:00 p.m. These and other efforts helped reduce electricity consumption by the equivalent of 30 tons of CO₂.

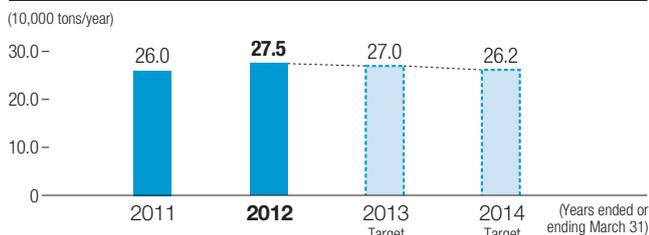
Part of our CO₂ reduction efforts includes installing wind and solar power at our sites, and as a result of this, power generation in 2011 was 638 KW, up 39 KW over the previous year.

Overseas Group

Fell Short of Targets for Total Emission and CO₂ Emissions Rate

For the fiscal year ended March 31, 2012, our targets were total CO₂ emissions of less than 260,000 tons and a 5% improvement in the CO₂ emissions rate over the fiscal year ended March 31, 2007. Due to an increase in production volume, however, we fell short of these targets: total emissions were 275,000 tons and the CO₂ emissions rate improved only 2%.

CO₂ Emission Rate (Overseas Bases)



Reducing CO₂ by Making Factory Equipment Energy Efficient

At NTN-SNR ROULEMENTS (NTN-SNR) in France, some of the older cooling equipment still used hydrochlorofluorocarbon (HCFC), and the company switched to refrigerants with less global warming impact. This resulted in a 135 ton CO₂-equivalent reduction. This switchover is scheduled to take place until the fiscal year ending March 31, 2014.



Air conditioners using new refrigerant at NTN-SNR

NTN Bearing Mfg. Canada (CMF) switched its fluorescent lighting to energy-efficient type and succeeded in reducing CO₂ emissions by 135 tons a year. NTN Kugellagerfabrik (Deutschland) GmbH (DMF) recycled coolant from waste liquid and reduced CO₂ emissions by 100 tons a year.

Striving to Reduce Environmental Impact from Distribution

Changing Mode of Transport to Railway and Improving Packaging

NTN is gradually changing its mode of shipping goods from trucks to railways. Starting in January 2012, we switched a portion of the deliveries between OKAYAMA Works and the Kanto Distribution Center (Kanagawa Prefecture) from truck to rail. We plan to switch about 100 containers (return trips) a year to rail transport.

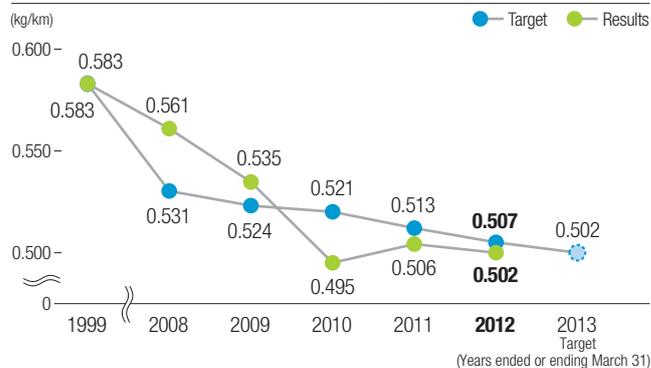
We estimate this will reduce annual CO₂ emissions by 21.54 tons and annual crude oil use by 23.18 kiloliters.

To shorten the delivery distance from the Kuwana Export Distribution Center, we are changing the port where our products leave Japan from Nagoya Port (Aichi Prefecture) to Yokkaichi Port (Mie Prefecture). Products began shipment from Yokkaichi to France and Germany in April 2011 and to North America in October. We estimate this will reduce annual CO₂ emissions by 1.91 tons and annual crude oil use by 0.72 kiloliter.

Since April 2011, trucks making deliveries from the Kuwana Export Distribution Center to Nagoya Port (Aichi Prefecture) are being loaded with three pallets instead of two to improve load efficiency. We estimate this will reduce annual CO₂ emissions by 2.75 tons and annual crude oil use by 1.04 kiloliters.

In January 2012, we began trial use of eco-bands, developed in-house by NTN to prevent polyurethane cases stacked on pallets from being crushed during delivery. They are resistant to friction and can be used repeatedly, which means they contribute to less waste from customers and can lower distribution costs.

CO₂ Emissions from Truck Transport



Protecting Biodiversity

Preserving and Repairing the Natural Environment Around Sites

Around NTN sites, employees work to preserve the natural environment and repair ecosystems.

In March 2012, representatives of Kuwana City and Mie Prefecture joined as KUWANA Works held a tree-planting ceremony at the NTN Komorebi no Mori forest together with NPO Mori no Kaze.

NTN HOUDATSUSHIMIZU Corp. held an event under the theme "Protect and nurture life in a community forest." Together with local citizens, employees created an environment conducive to fireflies by repairing a fresh stream and releasing larva. In August 2011, NTN has received the certification for forest conservation activities, an initiative of the Ishikawa Prefectural government. This system is aimed at promoting protection of community forests through



NTN Komorebi no Mori

A Word from a Collaborating Partner

Recognizing year-round efforts to protect and nurture local forests

Kunio Takiguchi

Secretariat
NPO Mori no Kaze



Mori no Kaze was founded in 2005 with the goal of "bringing a fresh breeze to the forest." We carry out forest environment education based on hands-on forestry in order to make forests that have been ignored for decades into valuable sources of water, while at the same time abiding by safety and other rules. Normally, companies hold tree-planting events for CSR purposes once or twice a year, but I think it's wonderful that NTN takes care of a forest in the Tado region all year round. I would like to see NTN create a forestry school that fosters individuals who can protect the forest from the long-term view; for example 20 years, or even 50 years, into the future. Let's roll up our sleeves together and finish the job with smiles on our faces.

cooperative efforts by local companies, organizations, and NPOs. NTN was one of 34 organizations and schools certified.

(Americas) Taking Part in Electronics Recycling and Tree-Planting

To celebrate Earth Day 2011 in April, 250 employees of NTN Bearing Mfg. Canada (CMF) took part in an electronics recycling event. In the company's parking lot, CMF and nearby companies put used audio and video equipment, cell phones, computer peripherals, and other electronics products in recycle containers.

Every year in April, NTN Driveshaft, Inc. (NDI) receives seedlings from Vallonia Nursery, an conservation group dedicated to forest protection. Employees plant these seedlings at their homes, and in 2011 they planted over 1,500 seedlings.



Electronics recycling at CMF



NDI employees receive seedlings

(Asia) Participation in Cleanup Activities

December 24, 2011 was "Big Cleaning Day" for NMT in Thailand, when about 100 employees took part in a cleanup in the neighborhood around the NMT plant. Participants picked up litter on local streets as part of cleanup efforts.

Shanghai NTN Corp. holds cleanups of the area around its premises twice a year with participation by about 1,800 employees. After seeing a lot of litter on the nearby streets, the company began these cleanups because it believed that "we use the streets, so we should keep them clean."



Cleanup by NMT employees



Shanghai NTN Corp. employees pick up litter



We work with suppliers to conduct green procurement in which we strive to reduce waste and preserve resources.

Zero Emissions

Increasing the Recycling Ratio at Production Bases

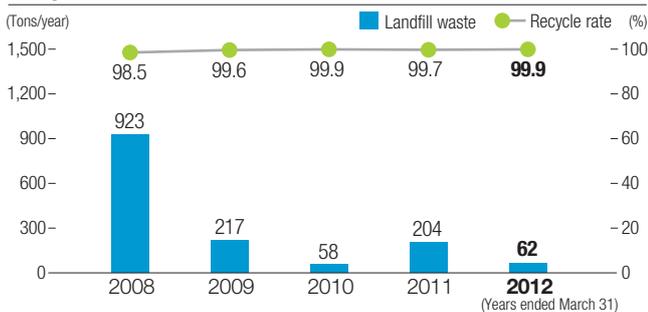
NTN defines zero emissions as landfill waste constituting 0.5% or less of total waste generated and we work towards this by raising the recycling ratio.

In the fiscal year ended March 31, 2012, NTN FUKUROI Corp. stopped landfilling the old cation paint that it uses during electrodeposition painting and instead began recycling it. This resulted in a recycling ratio for the NTN Group in Japan of 99.9%, exceeding the target of 99.8%. As for waste generation rate, this increased by 0.2% against the previous fiscal year for the NTN Group, due to an increase in this figure at IWATA Works and OKAYAMA Works following decreased production for automotive products. As a result, NTN failed to reach its target of a 1% reduction in waste generation rate.

The NTN Group overseas had a recycling ratio of 95%, short of the target of 97%. Efforts continue, however: bases in Canada, Thailand, and China are recycling items like cardboard and waste oil, and NTN-Bower Corp. in the U.S. is switching to using a waste contractor that focuses on recycling waste.

In the fiscal year ending March 31, 2013, our targets are to reach a 97% recycling ratio for NTN overseas and maintain the recycling ratio in Japan at 99.8% or higher.

Recycle Rate and Landfill Waste



Introduction of Management System for Waste Processing

When disposing of industrial waste, companies are obligated by waste processing laws to do things like have a contract with a shipper or waste contractor; store a valid contractor permit; and issue, use, and store a manifest (control manifest for industrial waste). To ensure risk management of these, the electronic management system in use at several bases since last fiscal year was introduced at all NTN bases in Japan in April 2012.

This system will allow us uniform management of information and standardization of work processes, and will make manifest deadline management easier, thus reducing the risk of things like management mistakes and raising compliance.

Introduction of System Overseas to Preserve Resources

At NTN Bearing Mfg. Canada (CMF), a water circulation system was installed to reduce the amount of water used for tumblers in the rocker arm bearing production process. The company succeeded in reducing annual water use by 1,920 kl and halving the amount of wastewater.

The Ancey plant of NTN-SNR has installed new equipment that allows reuse of the salt and water that are separated during distilling of water used in the cleaning process after heat treatment by the salt bath furnaces. This has reduced salt waste and wastewater by 350 tons a year.



New tumbler at CMF

Inspection of Industrial Waste Contractors by All NTN Bases in Japan

NTN Group companies in Japan inspect the premises of industrial waste contractors, mainly during June, which is designated as Environmental Month.

NAGANO Works observed three waste contractors using an industrial waste contractor checklist created by the National Federation of Industrial Waste Management Associations. NAGANO Works checked that there were no problems with waste processing by looking at whether work conformed to the companies business and outsourcing standards, and by inspecting workplaces and work processes. NTN Group companies in Japan will continue to observe their waste contractors.

Managing Air, Water, and Soil Pollutants

Soil Cleanup Under On-Site Generator of IWATA Works

In April 2011, IWATA Works did a survey of soil under the on-site power generation building after removing the building's equipment, and the soil was found to contain oil from the generator's oil storage pit.

The oil was engine lubricant, and it was confirmed that pollution had not spread beyond the building. All soil containing oil was removed and then filled back in as cleaned soil. Work was completed in July 2011.

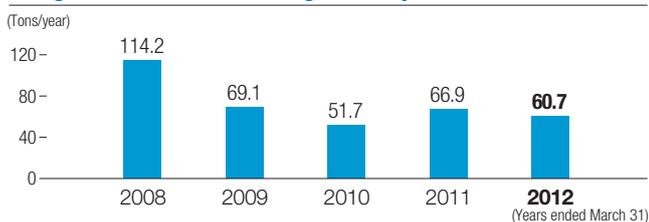
Reducing PRTR Substances

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

The PRTR Law was revised in November 2008 and in the fiscal year ended March 31, 2011, the number of designated substances was increased. For this reason, targets for the fiscal year ended March 31, 2012 were set according to whether they were under the original PRTR Law or the revised PRTR Law. The target for original PRTR Law substances was a 48% reduction against the fiscal year ended March 31, 2007, and for revised PRTR Law substances it was a 1% decrease against the fiscal year ended March 31, 2011. Unfortunately, neither of these goals was achieved due to production increases.

For the fiscal year ending March 31, 2013, our target is to decrease the amount of PRTR substances we handle, which includes completely eliminating 2-aminoethanol.

Usage of Substances Designated by the PRTR Law



Responding to Regional Laws for Chemical-Related Law

Concurrent Survey of BNST Specified Prohibited Substances

To comply with chemical regulations in Japan and other countries, NTN Group companies continuously survey the raw materials, parts, and materials that they procure.

In the fiscal year ended March 31, 2011, we conducted an all-encompassing survey at major suppliers in Japan and overseas for the 46 substances of very high concern (SVHC) designated under Europe's REACH regulations.

In the fiscal year ended March 31, 2012, with revisions to Canadian laws for chemicals, BNST (an alkylated diphenylamine sold as an anti-oxidant) went on the list of possible new additions to Canadian designated prohibited substances. All relevant suppliers underwent concurrent surveys, and all products, parts, materials, and secondary materials that NTN had ordered were inspected to see if they contained BNST and if so, how much.

NTN uses certain rubber parts that contain phthalate ester, an SVHC under REACH. We aim to completely

eliminate this substance by March 2013. In the fiscal year ended March 31, 2012, we completed selection of substitutes and began making proposals to customers.

In 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 Standard to Comply with Overseas Chemical Regulations

Under NTN Group'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 formulated the Green Procurement Operation Manual, which clarifies the roles of each NTN division.

In the fiscal year ended March 31, 2012, we needed to respond to several developments: the addition of new SVHCs to REACH; and the addition of BNST to the list of possible designated prohibited substances under Canadian laws. We therefore explained our revised Green Procurement Standard to suppliers in the middle of March, and we asked them to submit documents such as a declaration of non-use of the prohibited substances, and, in the case that prohibited substances are contained, a declaration to this effect.

Total of 120 Hazardous Substances Auditors

NTN Group companies conduct hazardous substances audits at suppliers (particularly environmentally hazardous substances). The people who conduct these audits have completed hazardous substances auditor training and are licensed as quality internal auditors.

In the fiscal year ended March 31, 2012, we strove to turn out new auditors by holding training at IWATA Works, KUWANA Works, and other bases. As of the end of the fiscal year ended March 31, 2012, we had approximately 120 hazardous substances auditors.

NTN Report 2012 Third-Party Opinions

Sachiko Kishimoto Executive Director, Center for Public Resources Development

Since 2010, NTN has published the NTN Report, which integrates an annual report and a CSR report. Here, we present a third-party opinion on the NTN Report's social and environmental aspects.

First, let's look at the necessity of integrating management and social responsibility. Integrated reports are created with the aim of combining management strategy and business activities with sustainability. In other words, consideration for sustainability is not just for the sake of responding to requests from the public; a company should reflect its contributions to creating a sustainable society in its management strategy and plans with the understanding that this will bring business opportunities in the medium and long term.

In this regard, NTN's flagship product, bearings, should be understood as eco-products, which, as the company proclaims "underpin the rotating parts of many types of machinery, reducing friction and thus reducing energy use" and help NTN in its quest to create value for society through its business. I am also impressed with how the company is working to strengthen its environmental management systems at all bases.

However, as far as I can tell from looking at this report, the financial and non-financial information is merely listed and reported; it is not integrated into the management aspect. In future, I would like to see NTN make it clear that its creed and policy is to seek sustainability in management.

I would also like NTN to take a medium- and long-term view in deeply analyzing exactly where it should focus its efforts in the non-financial aspects, meaning society and the environment. NTN mentions business risk, and I think the company should include analyses of the effect that social and environmental risk have on business. It should also work on setting and following targets for socially related key performance indicators, and report on the correlation between these and business.

Second, let's look at the need to disclose information to stakeholders. On June 14, 2012, NTN and some of its former executives were charged by the Fair Trade Commission with violating the Antimonopoly Act and were indicted by the Tokyo District Public Prosecutors Office. As well, NTN subsidiaries in Europe and the U.S. are being investigated for violating competition laws. Although NTN has since built a stronger compliance system, it is very likely that these legal infractions will have a major effect on the company's business performance. NTN's executives should continue providing shareholders with a clear explanation of what happened in these cases.

Third, let's look at how NTN's globalization relates to its social responsibility. As the company accelerates its pace of entry into the world's growth regions, it is conducting more manufacturing and procurement locally. Although this report gives a fixed description of the social issues that NTN is tackling as it globalizes, this description is only given in relation to business activities. And in regards to the scope of NTN's social and environmental efforts, it's difficult to tell whether these efforts apply only to Japan or to other countries as well. I hope to see NTN clarify its policies on major areas that affect local society, such as fair business dealings, human rights, and communities, and report on the progress it is making in these areas.



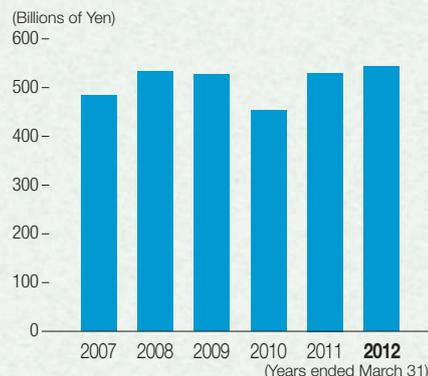
Sachiko Kishimoto

Biographical Information

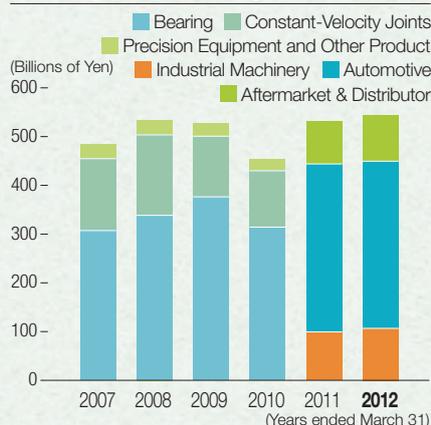
Worked for a private think-tank before taking up her current position in 2000. Areas of specialty include promoting the culture of donating, management support for NPOs, corporate assessment from a social aspect, and companies that contribute to society. Officer for The Japan Fundraising Association and The Japan Association of Charitable Organizations. Co-Chairperson of the CSR Review Forum-Japan.

Financial Review

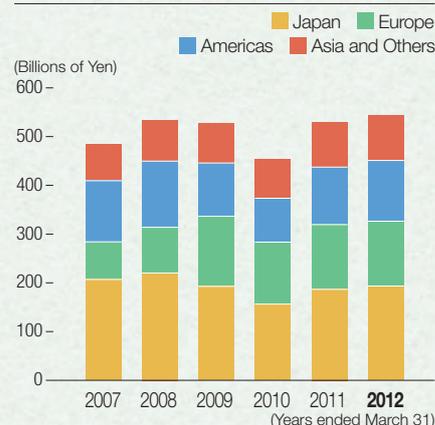
Net Sales



Sales by Business Segment



Net Sales by Region



Scope of Consolidation

The scope of consolidation as of March 31, 2012 consisted of NTN Corporation and 61 consolidated subsidiaries (14 domestic and 47 overseas subsidiaries). A total of 9 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.

Consolidated Subsidiaries

(8 companies joining NTN Group)

- SNR Argentina
- NTN AKAIWA Corp.
- NTN MANISA OTOMOTIV LIMITED S_İRKETİ
- Nanjing NTN Corporation
- NTN BEARING INDIA PRIVATE LTD.
- PT. NTN MANUFACTURING INDONESIA
- NTPT CO., LTD.
- IFA-Antriebstechnik G.m.b.H.

Affiliates (one company less)

- IFA-Antriebstechnik G.m.b.H.

Summary of the Fiscal Year Ended March 31, 2012

During the fiscal year ended March 31, 2012, Japan's economy continued its recovery from the Great East Japan Earthquake of March 2011, but it also saw stagnant exports due to the lengthy period of the strong yen. In the overseas economy, factors including the Thai floods, financial crises in Europe, and fears of monetary restraint in China have slowed the world's economic recovery.

Against this background, the NTN Group is expanding business with a focus on growth markets, and it is increasing sales in the industrial machinery and the aftermarket and distributor markets.

- ◇ Net sales: 543.5 billion yen, a year-on-year increase of 13.4 billion yen (2.5%)
- ◇ Operating income: 20.7 billion yen (operating margin of 3.8%)
- ◇ Interest-bearing debt: 272.0 billion yen, an increase of 48.7 billion yen from March 31, 2011
- ◇ Capital expenditures: 54.4 billion yen, a year-on-year increase of 24.7 billion yen (83.2%)
- ◇ Dividend: Full-year dividend of 10 yen per share (interim dividend of 5 yen per share and year-end dividend of 5 yen per share)

Net Sales and Earnings

Net sales were up but operating income was down. Targets were not achieved due to factors including the strong yen, the Thai floods, and financial crises in Europe.

Sales Performance

Consolidated net sales for the fiscal year ended March 31, 2012 amounted to 543,468 million yen, an increase of 13,412 million yen (2.5%) from the previous fiscal year. Overseas sales totaled 350,020 million yen, an increase of 6,560 million yen (1.9%) year on year. Overseas sales accounted for 64.4% of net sales overall (Europe 24.5%; the Americas 22.9%; and Asia and others 17.0%), a decrease of 0.4 percentage points from the previous fiscal year.

Net Sales and Earning by Business Sector

The industrial machinery market was affected by the Thai floods, but in Japan, the Americas, Europe, and Asia and others, sales increased thanks to demand recovery in sectors including construction machinery, machine tools, wind turbines, and agricultural machinery. The resulting net sales were 106,619 million yen. Operating income benefited from increased sales to reach 4,839 million yen.

In the aftermarket and distributor markets, sales increased on a recovery in customer demand in Japan, the Americas, Europe, and Asia and others, a positive trend that resulted in net sales of 93,960 million yen. Operating income benefitted from increased sales to reach 19,065 million yen.

In the automotive market, sales increased in the Americas and China on a recovery in customer demand. In Japan and other Asian markets, however, sales were down due to factors including decrease in customer demand caused by the Great East Japan Earthquake and the Thai floods. This resulted in net sales of 342,889 million yen, about the same as the previous fiscal year, with some effects from foreign exchange rates. Due to factors including foreign exchange rates, the operating loss was 3,180 million yen.

Net Sales by Region

In Japan, net sales were down overall in the automotive market due to decreased customer demand caused by the Great East Japan Earthquake and the Thai floods. In the industrial machinery market, net sales increased in sectors including construction machinery and machine tools, and the aftermarket and distributor markets also saw an increase. Exports were up in all regions thanks to factors including a recovery in customer demand. As a result, net sales were 193,448 million yen (up 3.7% over the previous fiscal year).

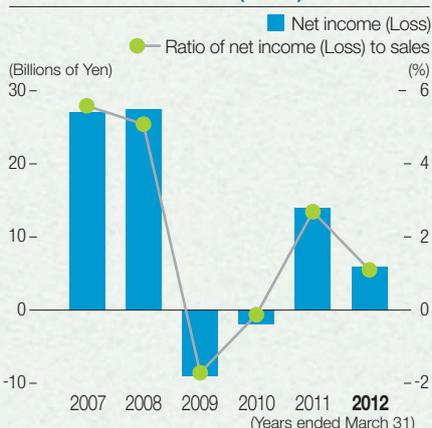
In Europe, automotive market sales remained at about the

Financial Review

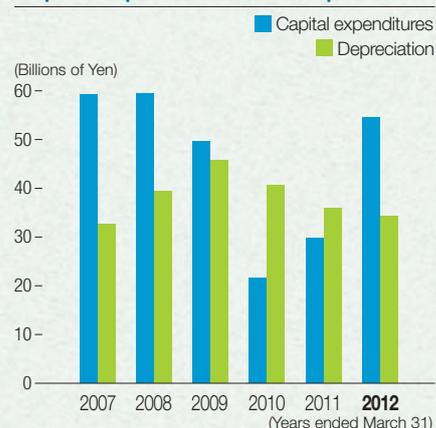
Operating Income/Operating Margin



Net Income (Loss)/ Ratio of Net Income (Loss) to Sales



Capital Expenditures and Depreciation



previous year's level, while in industrial machinery, sales were up in sectors including agricultural machinery and general industrial machinery, while the aftermarket and distributor markets also saw an increase. However, unfavorable foreign exchange rates kept net sales to 132,969 million yen (up 0.1%), about the same as the previous year.

In the Americas, sales were up overall in the automotive market due to factors including a recovery in customer demand. In industrial machinery, key sectors like construction machinery and agricultural machinery saw sales increases, as did the aftermarket and distributor markets.

As a result, foreign exchange rates were partly responsible for net sales of 124,643 million yen (up 5.6%).

In Asia and other areas, in the automotive market sales were up in China. In other parts of Asia, however, despite contributions from the start of mass-production for new customer orders, factors like the Thai floods caused an overall decrease. In industrial machinery, sales increased in wind turbines and general industrial machinery, as well as in the aftermarket and distributor markets. However, unfavorable foreign exchange rates kept net sales to about the same as the previous year (a 0.3% decrease), 92,408 million yen.

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

The cost of sales was 452,975 million yen, up 0.8 percentage points and representing 83.3% of consolidated net sales. This was mainly the result of an increase in fixed costs such as labor costs.

Selling, general and administrative (SG&A) expenses were 69,769 million yen, representing 12.8% of consolidated net sales, the same as in the previous fiscal year.

● 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, losses on exchange rates, etc.) contributing to a decrease. As a result, the operating income for the term was 20,724 million yen, down 3,836 million yen over the previous fiscal year. The operating margin decreased 0.8 percentage points to 3.8%.

Other expenses amounted to a net expense of 4,367 million yen. Major contributing factors were a gain on sales of fixed assets of 1,202 million yen, a loss on devaluation of investment securities of 2,105 million yen, earthquake-related expenses of 744 million yen, restructuring expenses of 580 million yen, and a loss on sales of fixed assets of 107 million yen.

As a result, income before income taxes was 16,357 million yen, down 6,498 million yen from the previous fiscal year, and net income was 5,993 million yen, down 8,406 million yen. Net income per share was 11.27 yen for the year under review.

The year-end dividend for the fiscal year under review totaled 5 yen per share. Together with the interim dividend of 5 yen per share, the dividend for the full fiscal year amounted to 10 yen 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 17,157 million yen, up 1,460 million yen and representing 3.2% of consolidated net sales.

In the industrial machinery market, NTN is positioning as key business sectors wind turbines, a form of new energy with promising global growth, and the sectors of rolling stock, aerospace, machine tools, and construction machinery, which all require state-of-the-art bearing technology. We are working to reduce environmental impact by developing compact, reduced-weight products with 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, electrization is occurring at an accelerating pace, and we have developed and successfully tested system products for next-generation EVs, including our in-wheel motor system. In October 2011, road tests got underway on converted EVs equipped with NTN's in-wheel motor. For conventional internal-combustion vehicles, we are contributing to cars with better gas mileage and lower environmental impact by developing products that are lighter and have lower torque.

● Capital Expenditures

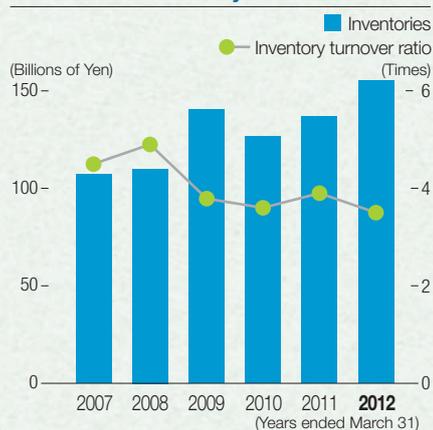
The main focus of capital expenditures was on increasing production capacity, labor savings, and rationalization, maintaining and upgrading existing facilities, improving safety, and conducting R&D for new products.

In Japan, capital expenditures were 18,055 million yen, with main projects including construction of new plant buildings at NTN NOTO Corp. and NTN AKAIWA Corp.

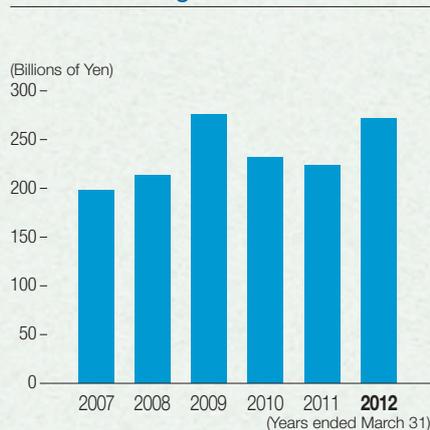
In Europe, capital expenditures were 7,807 million yen, with main projects including expansion of bearing production equipment at NTN-SNR ROULEMENTS.

In the Americas, capital expenditure were 10,518 million yen, accounted for by the installation of bearing production equipment

Inventories/Inventory Turnover Ratio



Interest-Bearing Debt



at the new plant of NTA Precision Axle Corp. and other expenditures.

In Asia and other areas, Shanghai NTN Corp. underwent expansion of its plant building and expansion of bearing production equipment, while Nanjing NTN Corporation and NTN-LYC (Luoyang) Bearing Corporation constructed new plant buildings, resulting in capital expenditure of 18,180 million yen. After adjusting for 119 million yen in equipment transfers between segments, total capital expenditures for the fiscal year under review were 54,441 million yen, an increase of 24,740 million yen.

All expenditures were funded from internal funds and short-term loans. Depreciation for the fiscal year under review amounted to 34,175 million yen (down 1.761 million yen from the previous fiscal year).

Financial Position and Cash Flows

Increase in Inventories of 18.1 Billion yen. Interest-Bearing Debt Also Increased, by 48.7 Billion yen

Total current assets at the fiscal year-end amounted to 362,318 million yen, an increase of 43,624 million yen, or 13.7%, from the end of the previous fiscal year. This is mainly the result of an increase in inventories of 18,122 million yen, an increase in cash and cash equivalents of 12,524 million yen, and an increase in trade receivables of 9,788 million yen. Property, plant, and equipment was up 19,550 million yen (7.9%) to 265,682 million yen. This was mainly due to an increase in machinery, equipment, and vehicles of 19,414 million yen and an increase in construction in progress of 16,489 million yen. Investments and other assets were down 1,917 million yen (2.9%) from the end of the previous fiscal year to 65,258 million yen. This mainly reflected a decrease of 2,977 million yen in investment securities. As a result, total assets were 693,258 million yen, up 61,257 million yen (9.7%) over the end of the previous fiscal year.

Current liabilities were up 12,670 million yen (4.7%) over the end of the previous fiscal year to 282,294 million yen. This was mainly due to an increase in short-term loans of 6,048 million yen and an increase in trade payables of 4,010 million yen. Long-term liabilities were up 46,814 million yen (30.8%) over the end of the previous fiscal year to 198,838 million yen. This was mainly due to an increase in long-term loans and lease obligations of 46,655 million yen.

Total net assets were 212,126 million yen, up 1,773 million yen (0.8%) over the end of the previous fiscal year. This was mainly due to a decrease in currency translation adjustments of 3,584 million yen, a decrease in unfunded retirement benefit obligation of foreign subsidiaries of 1,454 million yen, an increase in minority interests of 4,791 million yen, and an increase in net unrealized holding gain on securities of 1,259 million yen.

The shareholders' equity ratio was 28.4%, down 3.2 percentage points. Total net assets per share, based on the number of shares outstanding over the end of the previous fiscal year, were 370.19 yen per share (a decrease of 5.86 yen per share over the end of the previous fiscal year). Interest-bearing debt amounted to 271,978 million yen, an increase of 48,694 million yen (21.8%) from the end of the previous fiscal year. Taking into account the 3,008 million yen decrease from currency adjustments, interest-bearing debt increased by 51,702 million yen. The ratio of interest-bearing debt to total assets was 39.2% (up 3.9 percentage points).

Net working capital was 80,024 million yen, an increase of 30,954 million yen from the end of the previous fiscal year. The current ratio was 128.3% (an improvement of 10.1 percentage points over the end of the previous fiscal year).

The inventory turnover ratio for the fiscal year under review was 3.5 times (0.4 times down over the end of the previous fiscal year), while the turnover ratio of total assets was 0.8 (same as the end of the previous fiscal year).

Net cash provided by operating activities was 17,052 million yen, decrease of 27,451 million yen, or 61.7% over the end of the previous fiscal year. This mainly reflected inflows in the form of income before income taxes of 16,357 million yen, and depreciation and amortization of 34,175 million yen; offset against outlays of an increase of 20,216 million yen in inventories, and an increase in trade receivables of 11,754 million yen.

Net cash used in investing activities increased 20,656 million yen, or 64.2% over the end of the previous fiscal year, to 52,843 million yen. This was due mainly to outlays of 49,102 million yen for purchases of property, plant, and equipment, and 2,300 million yen for acquisition of investments in affiliates.

Net cash provided by financing activities was 47,249 million yen (a 6,696 million yen outlay in the previous fiscal year). This mainly reflected an inflow from long-term loans of 68,043 million yen, set against a repayment of 25,523 million yen for long-term loans.

Factoring in the 959 million yen increase due to the effect of exchange rate charges, along with an increase of 107 million yen in cash and cash equivalents from newly consolidated subsidiaries, cash and cash equivalents at the end of the fiscal year were 52,606 million yen, up 12,524 million yen (31.2%) over 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 minus 35,791 million yen.

The proportion of net cash provided by operating activities to net sales was 3.1%.

Risk Factors

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 27, 2012.

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

10) Risk from On-Site Investigation by the Fair Trade Commission

NTN and other companies were suspected of colluding to raise prices for bearings in the Japanese market and were searched by the Fair Trade Commission in July 2011. As a result, in April 2012, the company was investigated by the Tokyo District Public Prosecutors Office and the Fair Trade Commission. On June 14, 2012, NTN and some of its former executives were charged by the Fair Trade Commission with violating the Antimonopoly Act and were indicted by the Tokyo District Public Prosecutors Office. As well, in November 2011 an NTN consolidated subsidiary in Europe was searched by the European Commission Competition Authority on suspicion of violating EU competition laws in its bearings dealings. That same month, an NTN consolidated subsidiary in the U.S. received a subpoena from the United States Department of Justice requesting the submission of information related to transactions in bearings. In Japan, preparations are under way for court proceedings, and in Europe and the U.S. investigations continue. The outcome of these cases may have an effect on the business performance or the financial state of the NTN Group.

Consolidated Balance Sheets

March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Assets			
Current assets:			
Cash and cash equivalents (Note 11)	¥ 52,606	¥ 40,082	\$ 640,054
Short-term investments (Note 11)	1,755	1,334	21,353
Trade receivables (Note 11):			
Notes	10,251	8,227	124,723
Accounts	109,243	101,495	1,329,152
Allowance for doubtful accounts	(632)	(648)	(7,689)
	118,862	109,074	1,446,186
Inventories (Note 4)	155,107	136,985	1,887,176
Deferred income taxes (Note 20)	4,356	6,132	52,999
Other current assets (Note 11)	29,632	25,087	360,530
Total current assets	362,318	318,694	4,408,298
Property, plant and equipment, at cost:			
Land (Note 2)	31,225	30,849	379,912
Buildings and structures (Note 2)	155,813	148,459	1,895,766
Machinery, equipment and vehicles (Note 2)	631,410	611,996	7,682,321
Construction in progress	31,025	14,536	377,479
	849,473	805,840	10,335,478
Less accumulated depreciation	(583,791)	(559,708)	(7,102,944)
Property, plant and equipment, net (Note 22)	265,682	246,132	3,232,534
Investments and other assets:			
Investment securities (Notes 5 and 11)	24,520	27,497	298,333
Investments in unconsolidated subsidiaries and affiliates (Note 11)	12,516	10,768	152,281
Goodwill (Note 23)	279	–	3,395
Deferred income taxes (Note 20)	21,865	24,215	266,030
Other assets	6,078	4,695	73,951
Total investments and other assets	65,258	67,175	793,990
Total assets (Note 22)	¥ 693,258	¥ 632,001	\$ 8,434,822

See accompanying notes to the consolidated financial statements.

Consolidated Balance Sheets

March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Liabilities and net assets			
Current liabilities:			
Short-term bank loans (Notes 6 and 11)	¥ 101,629	¥ 95,581	\$ 1,236,513
Current portion of long-term debt and lease obligations (Notes 6 and 11)	14,697	18,839	178,817
Trade payables (Note 11):			
Notes	15,000	12,572	182,504
Accounts	99,216	97,634	1,207,154
	114,216	110,206	1,389,658
Accrued income taxes (Notes 11 and 20)	2,677	3,743	32,571
Deferred income taxes (Note 20)	338	212	4,112
Other current liabilities	48,737	41,043	592,980
Total current liabilities (Note 22)	282,294	269,624	3,434,651
Long-term liabilities:			
Long-term debt and lease obligations (Notes 6 and 11)	156,784	110,129	1,907,580
Accrued retirement benefits for employees (Note 7)	33,019	30,834	401,740
Reserve for product defect compensation	779	846	9,478
Deferred income taxes (Note 20)	3,389	3,871	41,234
Other long-term liabilities	4,867	6,344	59,217
Total long-term liabilities (Note 22)	198,838	152,024	2,419,249
Net assets:			
Shareholders' equity (Note 8):			
Common stock:			
Authorized — 1,800,000,000 shares			
Issued — 532,463,527 shares in 2012 and 2011	54,347	54,347	661,236
Capital surplus	67,370	67,418	819,686
Retained earnings (Note 24)	113,595	113,030	1,382,102
Treasury stock, at cost:			
566,982 shares in 2012 and 824,400 shares in 2011	(514)	(758)	(6,254)
Total shareholders' equity	234,798	234,037	2,856,770
Accumulated other comprehensive income (loss):			
Net unrealized holding gain on securities (Note 5)	3,396	2,137	41,319
Translation adjustments	(37,263)	(33,679)	(453,376)
Unfunded retirement benefit obligation of foreign subsidiaries	(4,027)	(2,573)	(48,996)
Total accumulated other comprehensive loss, net	(37,894)	(34,115)	(461,053)
Minority interests	15,222	10,431	185,205
Total net assets	212,126	210,353	2,580,922
Total liabilities and net assets	¥ 693,258	¥ 632,001	\$ 8,434,822

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Income

Years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Net sales (Note 22)	¥ 543,468	¥ 530,056	\$ 6,612,337
Cost of sales (Note 13)	452,975	437,515	5,511,315
Gross profit	90,493	92,541	1,101,022
Selling, general and administrative expenses (Note 13)	69,769	67,981	848,875
Operating income (Note 22)	20,724	24,560	252,147
Other income (expenses):			
Interest and dividend income	881	661	10,719
Interest expense	(3,369)	(3,243)	(40,990)
Equity in earnings of affiliates	1,010	507	12,289
Gain on sales of fixed assets (Note 14)	1,202	-	14,624
Loss on valuation of investment securities (Note 5)	(2,105)	(146)	(25,611)
Loss on earthquake (Note 15)	(744)	(538)	(9,052)
Reorganization expenses (Note 16)	(580)	-	(7,057)
Loss on sales of fixed assets	(107)	-	(1,302)
Gain on sales of investment securities (Note 5)	-	1,512	-
Gain on recognition of negative goodwill (Note 22)	-	1,286	-
Compensation income	-	559	-
Gain on allocation of shares (Note 17)	-	298	-
Loss resulting from low capacity utilization (Note 18)	-	(812)	-
Provision of reserve for product defect compensation	-	(401)	-
Other, net (Note 23)	(555)	(1,388)	(6,753)
	(4,367)	(1,705)	(53,133)
Income before income taxes and minority interests	16,357	22,855	199,014
Income taxes (Note 20):			
Current	5,527	7,624	67,246
Deferred	3,806	(758)	46,307
	9,333	6,866	113,553
Income before minority interests	7,024	15,989	85,461
Minority interests	(1,031)	(1,590)	(12,545)
Net income	¥ 5,993	¥ 14,399	\$ 72,916

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income

Years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Income before minority interests	¥ 7,024	¥ 15,989	\$ 85,461
Other comprehensive income (loss) (Note 19):			
Net unrealized holding gain (loss) on securities (Note 5)	1,259	(1,492)	15,318
Unrealized gain on hedging instruments	-	66	-
Translation adjustments	(3,075)	(7,393)	(37,413)
Unfunded retirement benefit obligation of foreign subsidiaries	(1,454)	63	(17,690)
Share of other comprehensive loss of affiliates accounted for by the equity method	(779)	(395)	(9,479)
Other comprehensive loss, net	(4,049)	(9,151)	(49,264)
Comprehensive income	¥ 2,975	¥ 6,838	\$ 36,197
Total comprehensive income attributable to:			
Shareholders of NTN Corporation	¥ 2,215	¥ 5,777	\$ 26,950
Minority interests	¥ 760	¥ 1,061	\$ 9,247

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Years ended March 31, 2012 and 2011

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 on hedging instruments	Translation adjustments	Unfunded retirement benefit obligation of foreign subsidiaries	Minority interests	Total net assets
Balance at April 1, 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	-	-	-	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)
Balance at April 1, 2011	532,463,527	54,347	67,418	113,030	(758)	2,137	-	(33,679)	(2,573)	10,431	210,353
Cash dividends paid	-	-	-	(5,316)	-	-	-	-	-	-	(5,316)
Net income	-	-	-	5,993	-	-	-	-	-	-	5,993
Net effect of change in scope of consolidation	-	-	-	5	-	-	-	-	-	-	5
Purchases of treasury stock	-	-	-	-	(9)	-	-	-	-	-	(9)
Sales of treasury stock	-	-	(165)	-	253	-	-	-	-	-	88
Transfer of loss on sales of treasury stock	-	-	117	(117)	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	1,259	-	(3,584)	(1,454)	4,791	1,012
Balance at March 31, 2012	532,463,527	¥ 54,347	¥ 67,370	¥ 113,595	¥ (514)	¥ 3,396	¥ -	¥ (37,263)	¥ (4,027)	¥ 15,222	¥ 212,126

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 on hedging instruments	Translation adjustments	Unfunded retirement benefit obligation of foreign subsidiaries	Minority interests	Total net assets	
Balance at April 1, 2011	\$ 661,236	\$ 820,270	\$ 1,375,228	\$ (9,222)	\$ 26,001	\$ -	\$ (409,770)	\$ (31,306)	\$ 126,913	\$ 2,559,350	
Cash dividends paid	-	-	(64,679)	-	-	-	-	-	-	(64,679)	
Net income	-	-	72,916	-	-	-	-	-	-	72,916	
Net effect of change in scope of consolidation	-	-	61	-	-	-	-	-	-	61	
Purchases of treasury stock	-	-	-	(110)	-	-	-	-	-	(110)	
Sales of treasury stock	-	(2,008)	-	3,078	-	-	-	-	-	1,070	
Transfer of loss on sales of treasury stock	-	1,424	(1,424)	-	-	-	-	-	-	-	
Other changes	-	-	-	-	15,318	-	(43,606)	(17,690)	58,292	12,314	
Balance at March 31, 2012	\$ 661,236	\$ 819,686	\$ 1,382,102	\$ (6,254)	\$ 41,319	\$ -	\$ (453,376)	\$ (48,996)	\$ 185,205	\$ 2,580,922	

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 16,357	¥ 22,855	\$ 199,014
Adjustments for:			
Depreciation and amortization	34,175	35,936	415,805
Gain on recognition of negative goodwill	–	(1,286)	–
Increase in allowance for doubtful accounts	46	314	560
(Decrease) increase in allowance for directors' and corporate auditors' bonuses	(92)	170	(1,119)
Increase in accrued retirement benefits for employees	894	1,244	10,877
Decrease in reserve for product defect compensation	(89)	(491)	(1,083)
Decrease in other current and long-term liabilities resulting from amendment of pension plans	(1,395)	(1,583)	(16,973)
Interest and dividend income	(881)	(661)	(10,719)
Interest expense	3,369	3,243	40,990
Translation adjustments and foreign exchange loss, net	543	112	6,607
Equity in earnings of affiliates	(1,010)	(507)	(12,289)
Gain on sales of fixed assets, net	(1,095)	–	(13,323)
Loss on valuation of investment securities	2,105	146	25,611
Increase in trade receivables	(11,754)	(13,639)	(143,010)
Increase in inventories	(20,216)	(15,817)	(245,966)
Increase in trade payables	4,891	21,051	59,509
Other	1,113	1,991	13,542
Subtotal	26,961	53,078	328,033
Interest and dividend income received	1,850	932	22,509
Interest paid	(3,355)	(3,198)	(40,820)
Income taxes paid	(8,404)	(6,309)	(102,251)
Net cash provided by operating activities	¥ 17,052	¥ 44,503	\$ 207,471
Cash flows from investing activities:			
(Increase) decrease in short-term investments	¥ (422)	¥ 358	\$ (5,134)
Purchases of property, plant and equipment	(49,102)	(27,568)	(597,421)
Purchases of other assets	(1,094)	(527)	(13,311)
Proceeds from sales of property, plant and equipment	1,559	25	18,968
Purchases of investment securities	(0)	(158)	(0)
Proceeds from sales of investment securities	28	1,564	341
Purchases of investments in subsidiaries	(496)	(5,908)	(6,035)
Proceeds from liquidation of a subsidiary	113	–	1,375
Purchases of investments in an affiliate	(2,300)	(30)	(27,984)
Other	(1,129)	57	(13,736)
Net cash used in investing activities	(52,843)	(32,187)	(642,937)
Cash flows from financing activities:			
Increase (decrease) in short-term bank loans, net	7,084	(10,699)	86,191
Proceeds from long-term debt	68,043	35,187	827,874
Repayment of long-term debt, including current portion	(25,523)	(26,225)	(310,537)
Proceeds from issuance of common stock assigned to minority shareholders of a consolidated subsidiaries	3,537	204	43,034
Cash dividends paid	(5,316)	(4,785)	(64,679)
Repayment of lease obligations	(192)	(189)	(2,336)
Other	(384)	(189)	(4,672)
Net cash provided by (used in) financing activities	47,249	(6,696)	574,875
Effect of exchange rate changes on cash and cash equivalents	959	1,703	11,668
Net increase in cash and cash equivalents	12,417	7,323	151,077
Cash and cash equivalents at beginning of the year	40,082	32,759	487,675
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	107	–	1,302
Cash and cash equivalents at end of the year	¥ 52,606	¥ 40,082	\$ 640,054

See accompanying notes to the consolidated financial statements.

Notes to Consolidated Financial Statements

March 31, 2012

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 ¥82.19 = U.S.\$1.00, the exchange rate prevailing on March 31, 2012. 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, 2012 and 2011 were reduced by the following amounts:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Land	¥ 799	¥ 721	\$ 9,721
Buildings and structures	512	524	6,229
Machinery, equipment and vehicles	604	730	7,349

(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 is being amortized on the straight-line method over the estimated period of the economic benefits, with the exception of immaterial amounts, which are 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 24.(b))

3. Additional information

(a) Accounting standard for accounting changes and error corrections

Effective April 1, 2011, the Company and its domestic consolidated subsidiaries adopted "Accounting Standard for Accounting Changes and Error Corrections" (Accounting Standards Board of Japan ("ASBJ") Statement No.24 issued on December 4, 2009) and the "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No.24 issued on December 4, 2009).

(b) Consolidated taxation system

Effective April 1, 2011, the Company and certain domestic consolidated subsidiaries adopted the consolidated taxation system, which allows companies to file tax returns based on the combined profits or losses of the parent company and its wholly owned domestic subsidiaries.

4. Inventories

Inventories at March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Finished goods	¥ 85,083	¥ 73,762	\$ 1,035,199
Work in process	42,682	39,063	519,309
Raw materials and supplies	27,342	24,160	332,668
	¥ 155,107	¥ 136,985	\$ 1,887,176

5. Securities

(a) Information regarding marketable securities classified as other securities at March 31, 2012 and 2011 is summarized as follows:

	Millions of yen					
	2012			2011		
	Carrying value	Acquisition costs	Unrealized gain (loss)	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:						
Equity securities	¥ 13,921	¥ 7,278	¥ 6,643	¥ 17,774	¥ 11,377	¥ 6,397
Subtotal	13,921	7,278	6,643	17,774	11,377	6,397
Securities whose carrying value does not exceed their acquisition costs:						
Equity securities	9,239	10,657	(1,418)	5,628	8,464	(2,836)
Other	10,000	10,000	-	3,000	3,000	-
Subtotal	19,239	20,657	(1,418)	8,628	11,464	(2,836)
Total	¥ 33,160	¥ 27,935	¥ 5,225	¥ 26,402	¥ 22,841	¥ 3,561

	Thousands of U.S. dollars		
	2012		
	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	\$ 169,376	\$ 88,551	\$ 80,825
Subtotal	169,376	88,551	80,825
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	112,410	129,663	(17,253)
Other	121,669	121,669	-
Subtotal	234,079	251,332	(17,253)
Total	\$ 403,455	\$ 339,883	\$ 63,572

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 impairment losses on valuation of investment securities of ¥1,886 million (\$22,947 thousand) and ¥146 million for the years ended March 31, 2012 and 2011, respectively.

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

	Millions of yen
	2011
Sales	¥ 1,610
Aggregate gain	1,512

6. Short-Term Bank Loans, Long-Term Debt and Lease Obligations

Short-term bank loans principally represent short-term notes with average annual interest rates of 0.83% and 0.87% at March 31, 2012 and 2011, respectively.

Long-term debt and lease obligations at March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Loans from banks and other financial institutions, due through 2021, at an average annual interest rate of 1.5%	¥ 160,349	¥ 117,703	\$ 1,950,955
1.66% unsecured bonds due 2013	10,000	10,000	121,669
Lease obligations due through 2018	1,132	1,265	13,773
	171,481	128,968	2,086,397
Less current portion	(14,697)	(18,839)	(178,817)
	¥ 156,784	¥ 110,129	\$ 1,907,580

The aggregate annual maturities of long-term debt and lease obligations subsequent to March 31, 2012 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2013	¥ 14,697	\$ 178,817
2014	60,814	739,920
2015	18,720	227,765
2016	20,581	250,408
2017	44,338	539,457
2018 and thereafter	12,331	150,030
	¥ 171,481	\$ 2,086,397

7. 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/or 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, 2012 and 2011 for the Company's and consolidated subsidiaries' defined benefit pension plans:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Retirement benefit obligation	¥ (97,423)	¥ (97,109)	\$ (1,185,339)
Plan assets at fair value	52,132	52,451	634,287
Unfunded retirement benefit obligation	(45,291)	(44,658)	(551,052)
Unrecognized actuarial loss	12,415	14,587	151,052
Unrecognized prior service cost	(111)	(701)	(1,351)
Net retirement benefit obligation	(32,987)	(30,772)	(401,351)
Prepaid pension cost	32	62	389
Accrued retirement benefits for employees	¥ (33,019)	¥ (30,834)	\$ (401,740)

The components of retirement benefit expenses for the years ended March 31, 2012 and 2011 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Service cost	¥ 2,789	¥ 2,909	\$ 33,933
Interest cost	2,810	2,808	34,189
Expected return on plan assets	(1,487)	(1,518)	(18,092)
Amortization:			
Actuarial loss	1,977	1,737	24,054
Prior service cost	(163)	(184)	(1,983)
Retirement benefit expenses	5,926	5,752	72,101
Contributions to defined contribution pension plans	1,157	1,136	14,077
Retirement benefit expenses	¥ 7,083	¥ 6,888	\$ 86,178

The assumptions used in accounting for the defined benefit pension plans for the years ended March 31, 2012 and 2011 are a discount rate principally of 2.6% and an expected rate of return on plan assets principally of 2.5%.

8. 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 (\$105,110 thousand) at March 31, 2012 and 2011.

(b) Movements in shares issued and treasury stock during the years ended March 31, 2012 and 2011 are summarized as follows:

	Number of shares			
	2012			March 31, 2012
	April 1, 2011	Increase	Decrease	
Shares issued: Common stock	532,463,527	-	-	532,463,527
Treasury stock: Common stock	824,400	23,299	280,717	566,982
2011				
	April 1, 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

The increases of treasury stock were due to purchases of shares of less than one voting unit for the years ended March 31, 2012 and 2011. The decreases of treasury stock were due to the exchange of 274,597 shares as part of the acquisition of Nippon Kagaku Yakin Co., Ltd. and sales of 6,120 shares at requests of shareholders owning less than one voting unit for the year ended March 31, 2012. The decreases of treasury stock were due to sales of shares at requests of shareholders owning less than one voting unit for the year ended March 31, 2011.

9. 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, 2012 and 2011, 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					
	2012			2011		
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Buildings and structures	¥ 1,411	¥ 1,082	¥ 329	¥ 1,419	¥ 1,033	¥ 386
Machinery, equipment and vehicles	52	46	6	139	103	36
Other assets	37	30	7	8	7	1
	¥ 1,500	¥ 1,158	¥ 342	¥ 1,566	¥ 1,143	¥ 423

	Thousands of U.S. dollars		
	2012		
	Acquisition costs	Accumulated depreciation	Net book value
Buildings and structures	\$ 17,167	\$ 13,164	\$ 4,003
Machinery, equipment and vehicles	633	560	73
Other assets	450	365	85
	\$ 18,250	\$ 14,089	\$ 4,161

Lease payments relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥80 million (\$973 thousand) and ¥144 million for the years ended March 31, 2012 and 2011, respectively. Depreciation of the leased assets computed by the straight-line method over the respective lease terms with a nil residual value amounted to ¥80 million (\$973 thousand) and ¥144 million for the years ended March 31, 2012 and 2011, respectively.

Future minimum lease payments subsequent to March 31, 2012 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2013	¥ 65	\$ 791
2014 and thereafter	277	3,370
Total	¥ 342	\$ 4,161

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, 2012 and 2011.

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10. Operating Leases

Future minimum lease payments subsequent to March 31, 2012 for non-cancelable operating leases were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2013	¥ 348	\$ 4,234
2014 and thereafter	2,613	31,792
Total	¥ 2,961	\$ 36,026

11. Financial Instruments – Fair Value

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 are 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 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 10 years, at the longest, subsequent to March 31, 2012. 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, 2012. 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 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 12 “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, 2012 and 2011, 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					
	2012			2011		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
(1) Cash and cash equivalents	¥ 52,606	¥ 52,606	¥ –	¥ 40,082	¥ 40,082	¥ –
(2) Short-term investments	1,755	1,755	–	1,334	1,334	–
(3) Trade receivables	119,494	119,494	–	109,722	109,722	–
(4) Investment securities	23,160	23,160	0	23,402	23,406	4
(5) Short-term loans receivable included in other current assets	1,332	1,332	–	305	305	–
Total assets	¥ 198,347	¥ 198,347	¥ 0	¥ 174,845	¥ 174,849	¥ 4
(6) Trade payables	114,216	114,216	–	110,206	110,206	–
(7) Short-term bank loans	101,629	101,629	–	95,581	95,581	–
(8) Current portion of long-term debt	14,502	14,502	–	18,656	18,656	–
(9) Accrued income taxes	2,677	2,677	–	3,743	3,743	–
(10) Long-term debt	155,847	157,168	1,321	109,048	110,065	1,017
Total liabilities	¥ 388,871	¥ 390,192	¥ 1,321	¥ 337,234	¥ 338,251	¥ 1,017
Derivative transactions (*)	¥ (814)	¥ (814)	¥ –	¥ (270)	¥ (270)	¥ –

	Thousands of U.S. dollars		
	2012		
	Carrying value	Fair value	Difference
(1) Cash and cash equivalents	\$ 640,054	\$ 640,054	\$ –
(2) Short-term investments	21,353	21,353	–
(3) Trade receivables	1,453,875	1,453,875	–
(4) Investment securities	281,786	281,786	0
(5) Short-term loans receivable included in other current assets	16,206	16,206	–
Total assets	\$ 2,413,274	\$ 2,413,274	\$ 0
(6) Trade payables	1,389,658	1,389,658	–
(7) Short-term bank loans	1,236,513	1,236,513	–
(8) Current portion of long-term debt	176,445	176,445	–
(9) Accrued income taxes	32,571	32,571	–
(10) Long-term debt	1,896,180	1,912,252	16,072
Total liabilities	\$ 4,731,367	\$ 4,747,439	\$ 16,072
Derivative transactions (*)	\$ (9,904)	\$ (9,904)	\$ –

* 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 equity securities 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 corporate bonds and long-term loans. 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.

Certain long-term loans with floating interest rates 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, interest payments 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 12 "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
	2012	2011	2012
Unlisted stocks			
Stocks of subsidiaries and affiliates	¥ 12,516	¥ 10,768	\$ 152,281
Other	360	579	4,380
Unlisted foreign bonds	–	2,516	–
Unlisted domestic bonds	1,000	1,000	12,167
Total	¥ 13,876	¥ 14,863	\$ 168,828

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.

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March 31, 2012

Note 3: Redemption schedule for cash and cash equivalents, receivables and marketable securities with maturities at March 31, 2012 and 2011 is as follows:

	Millions of yen			
	2012			
	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	¥ 52,606	¥ –	¥ –	¥ –
Short-term investments	1,755	–	–	–
Trade receivables	119,494	–	–	–
Short-term loans receivable included in other current assets	1,332	–	–	–
Total	¥ 175,187	¥ –	¥ –	¥ –

	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	¥ 40,082	¥ –	¥ –	¥ –
Short-term investments	1,334	–	–	–
Trade receivables	109,722	–	–	–
Short-term loans receivable included in other current assets	305	–	–	–
Total	¥ 151,443	¥ –	¥ –	¥ –

	Thousands of U.S. dollars			
	2012			
	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	\$ 640,054	\$ –	\$ –	\$ –
Short-term investments	21,353	–	–	–
Trade receivables	1,453,875	–	–	–
Short-term loans receivable included in other current assets	16,206	–	–	–
Total	\$ 2,131,488	\$ –	\$ –	\$ –

Note 4: The redemption schedule for long-term debt is disclosed in Note 6 “Short-Term Bank Loans, Long-Term Debt and Lease Obligations” section of these Notes to Consolidated Financial Statements.

12. 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, 2012 and 2011 is summarized as follows:

Currency-related transactions

Classification	Transaction	Millions of yen		
		2012		
		Notional amount	Fair value	Valuation loss
	Forward foreign currency exchange contracts			
	Selling:			
	U.S. Dollars	¥ 14,358	¥ (472)	¥ (472)
	Euro	6,022	(210)	(210)
	Thai Baht	1,131	(68)	(68)
Over-the-counter transactions	Canadian Dollars	316	(16)	(16)
	British Pounds	122	(10)	(10)
	Buying:			
	Yen	1,091	(38)	(38)
	Total	¥ 23,040	¥ (814)	¥ (814)

Classification	Transaction	Millions of yen		
		2011		
		Notional amount	Fair value	Valuation gain (loss)
	Forward foreign currency exchange contracts			
	Selling:			
	Euro	¥ 6,795	¥ (240)	¥ (240)
	U.S. Dollars	4,734	(5)	(5)
	Thai Baht	1,513	(19)	(19)
Over-the-counter transactions	Canadian Dollars	311	(6)	(6)
	British Pounds	153	0	0
	Buying:			
	Yen	867	(6)	(6)
	U.S. Dollars	750	6	6
	Total	¥ 15,123	¥ (270)	¥ (270)

Classification	Transaction	Thousands of U.S. dollars		
		2012		
		Notional amount	Fair value	Valuation loss
	Forward foreign currency exchange contracts			
	Selling:			
	U.S. Dollars	\$ 174,693	\$ (5,743)	\$ (5,743)
	Euro	73,269	(2,555)	(2,555)
Over-the-counter transactions	Thai Baht	13,761	(827)	(827)
	Canadian Dollars	3,845	(195)	(195)
	British Pounds	1,484	(122)	(122)
	Buying:			
	Yen	13,274	(462)	(462)
	Total	\$ 280,326	\$ (9,904)	\$ (9,904)

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, 2012 is summarized as follows.

Interest-rate related transactions

Method of hedge accounting	Transaction	Millions of yen		
		2012		
		Contractual value		
		Notional amount	More than one year	Fair value
Swap rates applied to underlying long-term debt	Interest rate swaps			
	Receive / floating and pay / fixed	¥ 32,500	¥ 32,500	(*)
	Total	¥ 32,500	¥ 32,500	(*)

Method of hedge accounting	Transaction	Millions of yen		
		2011		
		Contractual value		
		Notional amount	More than one year	Fair value
Swap rates applied to underlying long-term debt	Interest rate swaps			
	Receive / floating and pay / fixed	¥ 30,000	¥ 28,000	(*)
	Total	¥ 30,000	¥ 28,000	(*)

Method of hedge accounting	Transaction	Thousands of U.S. dollars		
		2012		
		Contractual value		
		Notional amount	More than one year	Fair value
Swap rates applied to underlying long-term debt	Interest rate swaps			
	Receive / floating and pay / fixed	\$ 395,425	\$ 395,425	(*)
	Total	\$ 395,425	\$ 395,425	(*)

* 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 11.

13. Research and Development Costs

Research and development costs included in cost of sales and selling, general and administrative expenses totalled ¥17,157 million (\$208,748 thousand) and ¥15,697 million for the years ended March 31, 2012 and 2011, respectively.

Notes to Consolidated Financial Statements

March 31, 2012

14. Gain on Sales of Fixed Assets

Gain on sales of fixed assets for the year ended March 31, 2012 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
	2012	2012
Gain on sales of dormitory and company housing at TAKARAZUKA Works	¥ 1,098	\$ 13,359
Others	104	1,265
	¥ 1,202	\$ 14,624

15. Loss on Earthquake

During the years ended March 31, 2012 and 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 years ended March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Fixed costs incurred for suspended operations	¥ 726	¥ 418	\$ 8,833
Donation	–	100	–
Others	18	20	219
	¥ 744	¥ 538	\$ 9,052

16. Reorganization Expenses

The Company recorded expenses relating to the closure of the TAKARAZUKA Works when the Company ceased operations there in the year ended March 31, 2009. For the year ended March 31, 2012, the Company recorded related reorganization expenses of ¥580 million (\$7,057 thousand) because additional construction work was required. Although the Company had planned to sell the site after soil improvement work, no gain or loss on this land for the years ended March 31, 2012 and 2011 was recognized because the Company could not estimate it reasonably.

17. Gain on Allocation of Shares

The Company received an allocation of shares issued by Dai-ichi Life Insurance Company, Limited in exchange for its management participant rights in a mutual insurance company subsequent to Dai-ichi's demutualization. As a result, the Company recorded a gain on allocation of shares of ¥298 million for the year ended March 31, 2011.

18. Loss Resulting from Low Capacity Utilization

The Company recorded a loss resulting from low capacity utilization of ¥812 million for the year ended March 31, 2011. The consolidated subsidiaries experienced abnormally lower capacity utilization and recorded related loss.

19. Other Comprehensive Income

The following table presents the analysis of other comprehensive income (loss) for the year ended March 31, 2012.

	Millions of yen	Thousands of U.S. dollars
	2012	2012
Net unrealized holding gain (loss) on securities:		
Amount arising during the year	¥ (215)	\$ (2,616)
Reclassification adjustments for losses included in net income	1,878	22,849
Before tax effect	1,663	20,233
Tax effect	(404)	(4,915)
Total	1,259	15,318
Translation adjustments:		
Amount arising during the year	(3,075)	(37,413)
Unfunded retirement benefit obligation of foreign subsidiaries:		
Amount arising during the year	(2,913)	(35,442)
Reclassification adjustments for losses included in net income	368	4,477
Before tax effect	(2,545)	(30,965)
Tax effect	1,091	13,275
Total	(1,454)	(17,690)
Share of other comprehensive loss of affiliates accounted for by the equity method:		
Amount arising during the year	(779)	(9,479)
Other comprehensive loss, net	¥ (4,049)	\$ (49,264)

20. 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, 2012 and 2011. Overseas subsidiaries are subject to the income taxes of the respective countries in which they operate.

The effective tax rates for the years ended March 31, 2012 and 2011 differ from the Company's statutory tax rate for the following reasons:

	2012	2011
Statutory tax rate	40.0%	40.0%
Permanent non-deductible expenses	0.7	0.7
Permanent non-taxable income	(4.1)	(2.5)
Elimination of dividend income	8.0	3.4
Equity in earnings of affiliates	(2.5)	(0.9)
Difference in overseas consolidated subsidiaries' applicable tax rate	(7.0)	(6.9)
Increase (decrease) in valuation allowance	4.4	(5.9)
Decrease in deferred tax assets due to change in statutory tax rates	14.4	-
Negative goodwill	-	(2.3)
Other	3.2	4.4
Effective tax rates	57.1%	30.0%

The tax effects of temporary differences which gave rise to significant portions of the deferred tax assets and liabilities at March 31, 2012 and 2011 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Deferred tax assets:			
Accrued retirement benefits for employees	¥ 14,291	¥ 14,380	\$ 173,878
Inventories	491	395	5,974
Tax loss carryforwards	17,323	16,059	210,768
Accrued expenses	2,704	2,993	32,899
Foreign tax credit	1,806	2,130	21,973
Accrued expenses for a defined contribution pension plan	830	1,446	10,099
Other	5,433	5,192	66,103
Gross deferred tax assets	42,878	42,595	521,694
Less: valuation allowance	(4,858)	(4,466)	(59,107)
Total deferred tax assets	38,020	38,129	462,587
Deferred tax liabilities:			
Depreciation and amortization	(10,417)	(7,562)	(126,743)
Unrealized holding gain on securities	(1,829)	(1,419)	(22,253)
Reserve for deferred gain on property included in retained earnings	(565)	(387)	(6,874)
Retained earnings of overseas consolidated subsidiaries	(201)	(185)	(2,446)
Other	(2,514)	(2,312)	(30,588)
Total deferred tax liabilities	(15,526)	(11,865)	(188,904)
Net deferred tax assets	¥ 22,494	¥ 26,264	\$ 273,683

Following the promulgation on December 2, 2011 of the "Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures" (Act No.114 of 2011) and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No.117 of 2011), Japanese corporation tax rates will be reduced and the special reconstruction corporation tax, a surtax for reconstruction funding after the Great East Japan Earthquake, will be imposed for the fiscal years beginning on or after April 1, 2012.

In line with these revisions, the Company changed the statutory tax rate to calculate deferred tax assets and liabilities from 40.0% to 37.4% for temporary differences expected to be realized during the period from the fiscal year beginning on April 1, 2012 to the fiscal year beginning on April 1, 2014. Similarly, the Company changed the statutory tax rate to calculate deferred tax assets and liabilities from 40.0% to 35.0% for temporary differences expected to be realized during the fiscal year beginning on April 1, 2015 and thereafter.

As a result of this change, net deferred tax assets (after netting deferred tax liabilities) decreased by ¥2,360 million (\$28,714 thousand), and income taxes – deferred increased by ¥2,360 million (\$28,714 thousand) as of and for the year ended March 31, 2012, respectively.

21. Amounts per Share

Amounts per share at March 31, 2012 and 2011 and for the years then ended were as follows:

	Yen		U.S. dollars
	2012	2011	2012
Net assets	¥ 370.19	¥ 376.05	\$ 4.50
Net income:			
Basic	11.27	27.08	0.14
Cash dividends	10.00	10.00	0.12

Amounts per share of net assets are computed based on the number of shares of common stock outstanding at the year end.

Notes to Consolidated Financial Statements

March 31, 2012

Basic net income per share is computed based on the net income 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, 2012 and 2011.

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.

22. Segment Information

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, 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 (the 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 the General Managers: Japan, the Americas, Europe, and Asia and other areas. Each reporting segment engages in the manufacture and sale of bearings, 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 for the years ended March 31, 2012 and 2011

	Millions of yen						
	2012						
	Reporting segments					Adjustments	Consolidated
Japan	Americas	Europe	Asia and other areas	Total			
Sales, income and assets or liabilities by reporting segments:							
Net sales:							
Sales to third parties	¥ 209,970	¥ 118,010	¥ 139,993	¥ 75,495	¥ 543,468	¥ –	¥ 543,468
Inter-segment sales and transfers	124,513	3,124	3,752	6,922	138,311	(138,311)	–
Total	334,483	121,134	143,745	82,417	681,779	(138,311)	543,468
Segment income	¥ 8,146	¥ 588	¥ 4,552	¥ 5,159	¥ 18,445	¥ 2,279	¥ 20,724
Segment assets	¥ 480,571	¥ 119,717	¥ 125,735	¥ 106,353	¥ 832,376	¥ (139,118)	¥ 693,258
Segment liabilities	¥ 328,210	¥ 83,022	¥ 72,582	¥ 41,799	¥ 525,613	¥ (44,481)	¥ 481,132
Other items:							
Depreciation and amortization	¥ 20,292	¥ 5,952	¥ 4,941	¥ 2,990	¥ 34,175	¥ –	¥ 34,175
Capital expenditures	¥ 18,379	¥ 10,518	¥ 7,892	¥ 18,864	¥ 55,653	¥ (119)	¥ 55,534

	Millions of yen						
	2011						
	Reporting segments					Adjustments	Consolidated
Japan	Americas	Europe	Asia and other areas	Total			
Sales, income and assets or liabilities by reporting segments:							
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
Other items:							
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

Thousands of U.S. dollars

	2012						
	Reporting segments					Adjustments	Consolidated
	Japan	Americas	Europe	Asia and other areas	Total		
Sales, income and assets or liabilities by reporting segments:							
Net sales:							
Sales to third parties	\$ 2,554,690	\$ 1,435,820	\$ 1,703,285	\$ 918,542	\$ 6,612,337	\$ -	\$ 6,612,337
Inter-segment sales and transfers	1,514,941	38,009	45,650	84,220	1,682,820	(1,682,820)	-
Total	4,069,631	1,473,829	1,748,935	1,002,762	8,295,157	(1,682,820)	6,612,337
Segment income	\$ 99,112	\$ 7,154	\$ 55,384	\$ 62,769	\$ 224,419	\$ 27,728	\$ 252,147
Segment assets	\$ 5,847,074	\$ 1,456,588	\$ 1,529,809	\$ 1,293,990	\$ 10,127,461	\$ (1,692,639)	\$ 8,434,822
Segment liabilities	\$ 3,993,308	\$ 1,010,123	\$ 883,100	\$ 508,566	\$ 6,395,097	\$ (541,197)	\$ 5,853,900
Other items:							
Depreciation and amortization	\$ 246,891	\$ 72,418	\$ 60,117	\$ 36,379	\$ 415,805	\$ -	\$ 415,805
Capital expenditures	\$ 223,616	\$ 127,972	\$ 96,021	\$ 229,517	\$ 677,126	\$ (1,448)	\$ 675,678

The total amount of segment income is adjusted to operating income of the consolidated statements of income.

Other than segment assets, adjustments are the elimination of inter-segment transactions. The adjustments for segment assets consist of inter-segment elimination of ¥178,673 million (\$2,173,902 thousand) and ¥157,270 million and the corporate assets of the group of ¥39,555 million (\$481,263 thousand) and 35,507 million at March 31, 2012 and 2011, respectively. 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

Sales by products and service classified by the similarity of the market for the years ended March 31, 2012 and 2011 are summarized as follows:

	Millions of yen			
	2012			
	Automotive	Industrial machinery	Repair and aftermarket	Total
Sale to third parties	¥ 342,889	¥ 106,619	¥ 93,960	¥ 543,468
	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			
	2012			
	Automotive	Industrial machinery	Repair and aftermarket	Total
Sale to third parties	\$ 4,171,906	\$ 1,297,226	\$ 1,143,205	\$ 6,612,337

(2) Regional information

(a) Sales

Sales categorized by countries and regions based on locations of customers within the group for the years ended March 31, 2012 and 2011 are summarized as follows:

Millions of yen				
2012				
Japan	Americas	Europe	Asia and other areas	Total
¥ 193,448	¥ 124,643	¥ 132,969	¥ 92,408	¥ 543,468
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				
2012				
Japan	Americas	Europe	Asia and other areas	Total
\$ 2,353,668	\$ 1,516,523	\$ 1,617,824	\$ 1,124,322	\$ 6,612,337

"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 customers in U.S.A. of ¥106,898 million (\$1,300,621 thousand) and ¥100,437 million for the years ended March 31, 2012 and 2011, respectively.

Notes to Consolidated Financial Statements

March 31, 2012

(b) Property, plant and equipment

Property, plant and equipment categorized by countries and regions within the group for the years ended March 31, 2012 and 2011 are summarized as follows:

Millions of yen				
2012				
Japan	Americas	Europe	Asia and other areas	Total
¥ 130,657	¥ 56,850	¥ 40,189	¥ 37,986	¥ 265,682

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				
2012				
Japan	Americas	Europe	Asia and other areas	Total
\$ 1,589,694	\$ 691,690	\$ 488,977	\$ 462,173	\$ 3,232,534

1. Property, plant and equipment in "Americas" in the amount of ¥50,753 million (\$617,508 thousand) and ¥46,373 million is located in the U.S.A. at March 31, 2012 and 2011, respectively.

2. Property, plant and equipment in "Europe" in the amount of ¥30,864 million (\$375,520 thousand) and ¥31,387 million is located in France at March 31, 2012 and 2011, respectively.

3. Property, plant and equipment in "Asia and other areas" in the amount of ¥28,483 million (\$346,551 thousand) is located in China at March 31, 2012.

5. Significant gain on recognition of negative goodwill

The Company increased its ownership in NTN-SNR 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, which was included in the component of gain on recognition of negative goodwill in the consolidated statement of income for the year ended March 31, 2011.

23. Business Combination

1. Summary of business combination

(1) Company name and business description of acquired company

Acquired company: IFA-Antriebstechnik G.m.b.H.
Business description: Manufacture and sales of CVJs

(2) Main purpose for business combination

The Company aims to enhance the consolidation group management and to expand CVJ business in Europe by including IFA-Antriebstechnik G.m.b.H. as a consolidated subsidiary.

(3) Date of the business combination

March 12, 2012

(4) Legal description of business combination

Acquisition of stocks by the exercise of stock acquisition rights on exchangeable bonds.

(5) Company name of acquired company after business combination

NTN Antriebstechnik G.m.b.H. (Changed its name from IFA-Antriebstechnik G.m.b.H. in April 2012)

(6) Acquired ratio of voting rights

Ratio of voting rights before business combination: 25%
Ratio of voting rights additionally acquired through business combination: 50%
Ratio of voting rights after business combination: 75%

2. Period of acquired company's operating results in consolidated statement of income

Since the deemed acquisition date was March 31, 2012, the operating results of the acquired company are not included in the consolidated statement of income for the year ended March 31, 2012.

3. Details on acquisition cost of acquired company

	Millions of yen	Thousands of U.S. dollars
Fair value of the stocks of NTN Antriebstechnik G.m.b.H. held by the Company before business combination	¥ 931	\$ 11,327
Fair value of the stocks of NTN Antriebstechnik G.m.b.H. additionally acquired through business combination	1,863	22,667
Total acquisition cost	¥ 2,794	\$ 33,994

4. Difference between acquisition cost and the total amount of all trade transactions for the acquisition

Loss on step acquisitions included in "Other, net" presented in the consolidated statement of income for the year ended March 31, 2012: ¥25 million (\$304 thousand)

5. Amount of goodwill, reason for goodwill and method and period of amortization

(1) Amount of goodwill

¥279 million (\$3,395 thousand)

(2) Reason for goodwill

Goodwill was recognized due to the difference between the equity interest for acquired company and acquisition cost.

(3) Method and period of amortization

The amount of goodwill is being amortized on the straight-line method over the estimated period of the economic benefits.

24. Subsequent Events

(a) In July 2011, on-site inspections of the Company's offices were conducted by the Japan Fair Trade Commission, followed by the start of a criminal investigation by the Special Investigation Department of the Tokyo District Public Prosecutor's Office and the Japan Fair Trade Commission in April 2012 due to suspicions of conspiracy with certain competitors and the existence of an alleged price-fixing cartel related to sales of bearings in Japan.

On June 14, 2012, the Japan Fair Trade Commission filed a criminal complaint alleging violations of the Anti Monopoly Act of Japan and charges were filed by the Tokyo District Public Prosecutor's Office against the Company and a few now-former officers.

This action may result in the Company incurring losses, such as surcharges, after the government investigation is completed. However, it is difficult for us to reasonably estimate the future impact on results of operations and financial position at this time.

(b) The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements as of March 31, 2012 and for the year then ended, was approved at the annual general meeting of the shareholders held on June 26, 2012:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends (¥5.0 (U.S.\$0.06) per share)	¥ 2,659	\$ 32,352



Ernst & Young ShinNihon LLC

Independent Auditor's Report

The Board of Directors
NTN Corporation

We have audited the accompanying consolidated financial statements of NTN Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2012, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of NTN Corporation, and consolidated subsidiaries as at March 31, 2012, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

We draw attention to Note 24 to the consolidated financial statements, which states that the Japan Fair Trade Commission filed a criminal complaint alleging violations of the Anti Monopoly Act of Japan and charges were filed by the Tokyo District Public Prosecutor's Office against the Company and a few now-former officers on June 14, 2012. Our opinion is not qualified in respect of this matter.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

June 27, 2012
Osaka, Japan

Ernst & Young Shin Nihon LLC

JAPAN

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Phone: +86-10-6568-3069 Fax: +86-10-6568-2278

Guangzhou Branch

Room 3606, Onelink Center, No.230-232 Tianhe Road, Tianhe District, Guangzhou 510620, China
Phone: +86-20-3877-2943 Fax: +86-20-3877-2942

Nanjing Branch

Room 18A, Nanjing IFC, No.1 Hanzhong Rd, Baixia District, Nanjing 210029, China
Phone: +86-25-8477-5355 Fax: +86-25-8477-5360

Chongqing Branch

Room 15-6, Carnival Mansion, No.9 Guanyingqiao Street, Jiangbei District, Chongqing 400020, China
Phone: +86-23-6796-0812 Fax: +86-23-6796-0878

Shenyang Branch

Room 2606, China Resources Building, No.286 Qingnian Street, Heping District, Shenyang 110004, China
Phone: +86-24-3137-9186 Fax: +86-24-3137-9185

NTN China Ltd.

<http://www.ntnchina.com/>

Hong kong Office

Room 1914-15, Park-In Commercial Centre, 56 Dundas Street, Mongkok, Kowloon, Hong Kong
Phone: +852-2385-5097 Fax: +852-2385-2138

NTN-DONGPAI (Shanghai) Bearing Sales Corp.

3F, No.195 Nan Suzhou Road, Shanghai 200002, China
Phone: +86-21-6323-2603 Fax: +86-21-6323-2923

Production Plant**Shanghai NTN Corp.**

No. 1666, Nanle Road, Songjiang Industrial Zone, Songjiang, Shanghai 201611, China
Phone: +86-21-5774-8666

Guangzhou NTN-Yulon Drivetrain Co., Ltd.

No.11 Jun Da Road, East District of Guangzhou Economic and Technological Development Zone, Guangzhou, Guangdong Province 510530, China
Phone: +86-20-8226-6458

NTN-RAB (Changzhou) Corp.

No.200 Chuangxin Road (Electronic Industrial Park), Changzhou, Jiangsu Province 213031, China
Phone: +86-519-8302-8880

Beijing NTN-Seohan Driveshaft Co., Ltd.

No.3 Zhongfu Road Opto-mechatronics Industrial Park, Beijing 101111, China
Phone: +86-10-6950-7324

Shanghai Tung Pei Enterprise Co., Ltd.

No.1555 Rongle Road.(E), Songjiang Industrial Zone, Shanghai 201613, China
Phone: +86-21-5774-4698

Nanjing Puzhen NTN Railway Bearing Co., Ltd

No.5 Longhu Alley, Puzhen Town, Nanjing, China
Phone: +86-25-8584-7197

Shanghai Laien Machine Tool Parts Corp.

No.10-2 Jinwen Road, Nanhui Area, Shanghai 201323, China
Phone: +86-21-5810-9163

NTN-LYC (Luoyang) Bearing Corporation

No.1 Zhangheng Road, Luoyang Technology Park Luoyang, Henan Province 471023, China
Phone: +86-379-6498-4299

Nanjing NTN Corporation

No.1 Yangjiabian Road Nanjing Economic and Technological Development Zone Nanjing, Jiangsu 210033, China
Phone: +86-25-8571-2212

Research and Development Center**NTN China Technical Center**

No.6 building No. 1666 Nanle Road, Songjiang Industrial Zone, Songjiang, Shanghai 201611, China

NTN Group Investment Holdings

As of March 31, 2012

Consolidated Subsidiaries	Paid-in Capital	Holding as percentage (%)
Consolidated Subsidiaries		
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 AKAIWA CORP.	¥800,000,000	10
NTN NOTO CORP.	¥425,000,000	10
NTN USA CORP.	US.\$131,120,000	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.\$20,000,000	62.5 (62.5)
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
IFA-Antriebstechnik G.m.b.H.	EURO50,000	75
NTN BEARINGS (UK) LTD.	STG.£2,600,000	100 (0.04)
NTN Transmissions Europe	EURO76,531,592	100
NTN TRANSMISSIONS EUROPE CREZANCY	EURO9,000,000	100 (100)
NTN MANISA OTOMOTIV LIMITED ŞİRKETİ	TRY12,000,000	100 (1)

Consolidated Subsidiaries	Paid-in Capital	Holding as percentage (%)
NTN-SNR ROULEMENTS	EURO11,359,542	82.3
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)
NTPT CO., LTD.	BAHT175,000,000	80 (0.02)
NTN NEI Manufacturing India Private LTD.	INR1,875,000,000	93.333 (0.003)
NTN BEARING INDIA PRIVATE LIMITED	INR300,000,000	100 (0.1)
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.\$176,000,000	100
SHANGHAI NTN CORP.	US.\$136,600,000	95 (19.16)
GUANGZHOU NTN-YULON DRIVETRAIN CO., LTD.	US.\$12,500,000	60 (12)
CHANGZHOU NTN-GUANGYANG CORP.	US.\$28,440,000	100
NTN-LYC (Luoyang) Bearing Corporation	US.\$73,800,000	50 (50)
Nanjing NTN Corporation	US.\$120,000,000	100 (80)

Affiliated Companies Accounted for by the Equity Method

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)
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.	WON71,200,000,000	49
NTN-DONGPAI (Shanghai) Bearing Sales Corp.	US.\$1,460,000	25 (25)

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, 2012

Head Office

NTN Corporation
3-17, 1-chome, Kyomachibori, Nishi-ku,
Osaka 550-0003, Japan

Investor Relations

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, 2012)

Authorized 1,800,000,000 shares
Issued and outstanding 532,463,527 shares

Number of Shareholders (As of March 31, 2012)

28,482

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

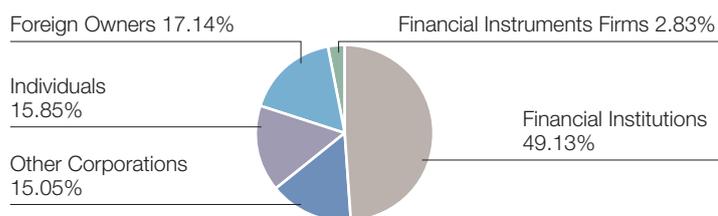
General Meeting of Shareholders

The General Meeting of Shareholders was held on June 26, 2012 in Osaka

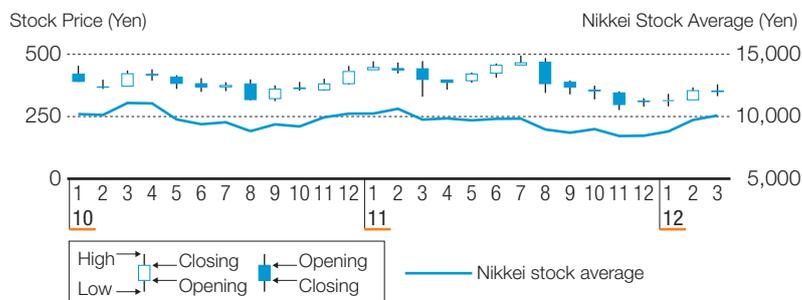
Stock Price Range in the Fiscal Year Ended March 31, 2012

High: ¥495
Low: ¥276

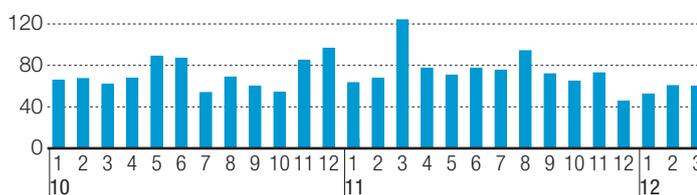
Shareholders by Category



Tokyo Stock Price Range



Monthly Volume Traded (Million Shares)



For New Technology Network

NTN®

NTN Corporation

3-17, 1-chome, Kyomachibori,
Nishi-ku, Osaka 550-0003, Japan
<http://www.ntn.co.jp>



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