

For New Technology Network

NTN[®]

NTN Corporation



NTN Report 2013

for the year ended
March 31, 2013



Profile

Bearings for a Wide Range of Applications Support Industry and Daily Life

Constant-velocity joints
Better fuel efficiency
and a more comfortable ride



In the world

No.2



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 and technologies in a wide range of fields including automobiles, construction machinery, agricultural machinery, aerospace, rolling stock, wind turbine, and medical and environmental equipment.

Rolling stock
High-speed railways
around the world



Construction machinery
Resource mining and
civil engineering



Aerospace
Jets, rockets,
and satellites
around the world



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.

Industrial Machinery Applications

Enabling high performance in the rotating parts of a range of industrial machinery



Machine tools
High-speed-rotation
machinery



Medical equipment
CT scanners
and artificial hearts



Wind turbines
Highly efficient power
generators and
ocean-based wind
power systems



Agricultural machinery
Agricultural machinery
worldwide



In the world

No.1



Hub bearings
Better fuel efficiency and safety



Needle roller bearings
More compact and lighter weight of transmissions

Automotive Applications

Contributing to energy saving of automobile through more compact, lighter weight and lower torque



EV system products
In-wheel Motor System, various modular products

Technical Service

Helping customers choose and use the bearings that are right for them



Aftermarket for Industrial Machinery
Maintenance and replacement of bearings



Sales of automotive repair parts (auto parts)
Developing business in Europe and Asia



Aftermarket & Distributor Applications

Meeting the maintenance needs in the industrial machinery and automotive applications

Outline (as of March 31, 2013)

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: 21,398
Non-consolidated: 5,450
Fiscal term: March
Capitalization: 54.3 billion yen
Net Sales:
Consolidated: 539.6 billion yen
Non-consolidated: 318.4 billion yen

Net Sales by Business Sector (consolidated)

Automotive Market

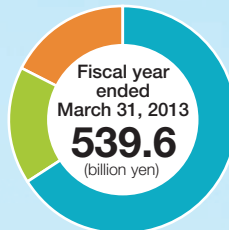
66%
(356.6 billion yen)

Industrial Machinery Market

17%
(93.7 billion yen)

Aftermarket & Distributor Market

17%
(89.2 billion yen)



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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.

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.

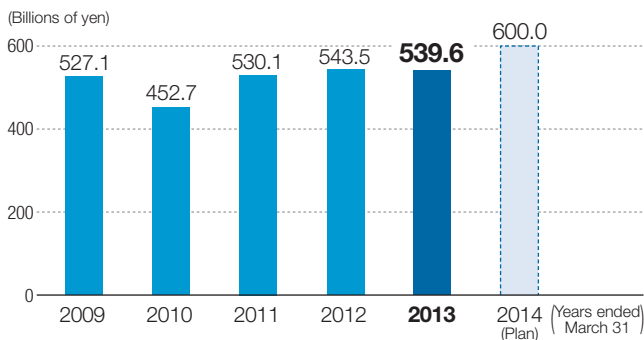
Major Management Indicators (Graph)

NTN Corporation and consolidated subsidiaries Years ended March 31

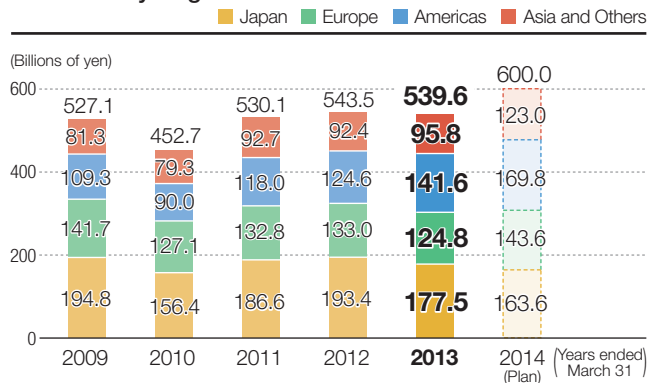
IR Indicators

The forecast for the fiscal year ending March 31, 2014 is the one announced on May 20, 2013.

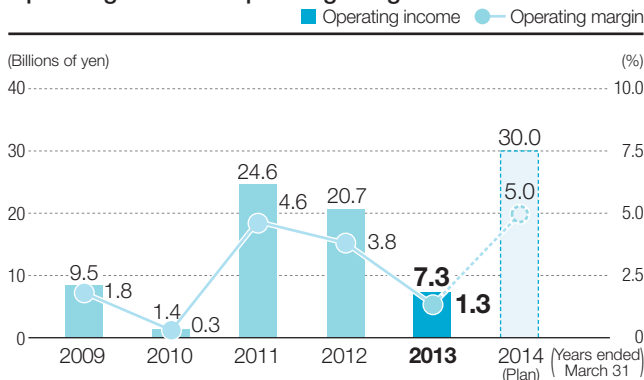
Net sales



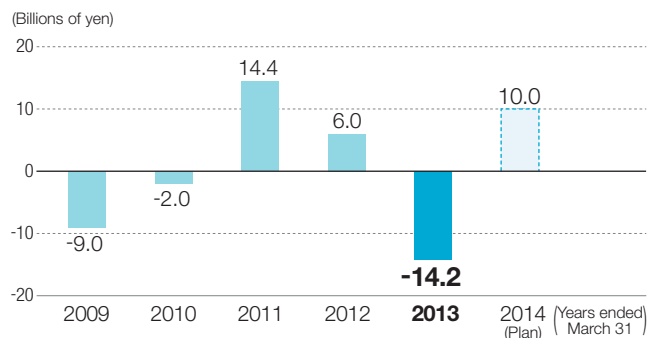
Net Sales by Region



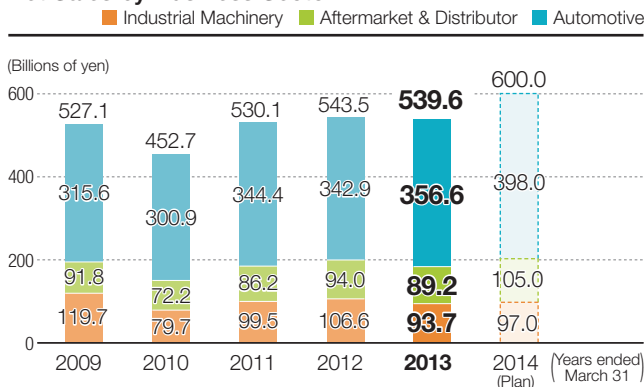
Operating income / Operating margin



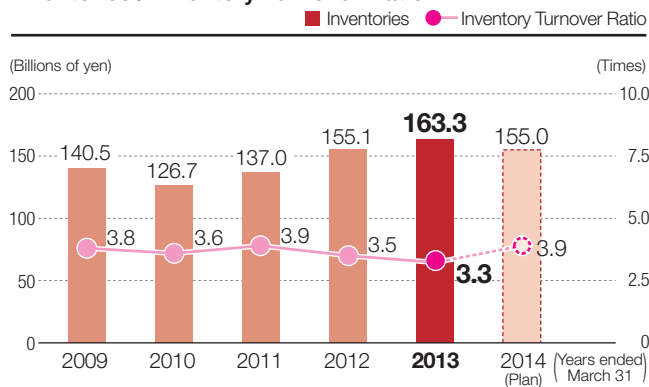
Net income (loss)



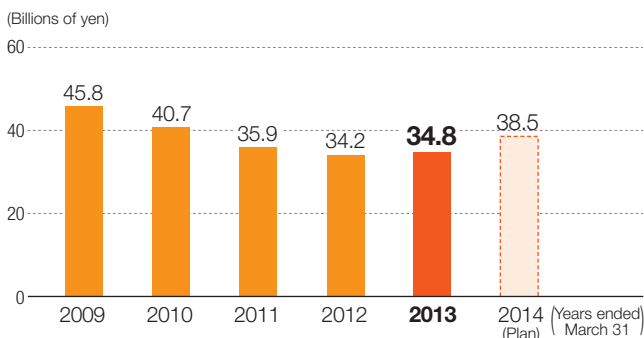
Net Sales by Business Sector



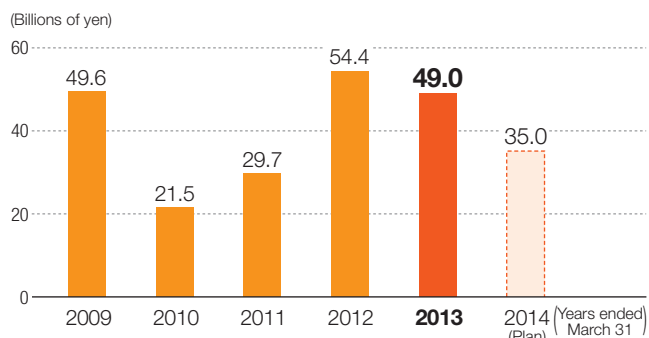
Inventories / Inventory Turnover Ratio



Depreciation

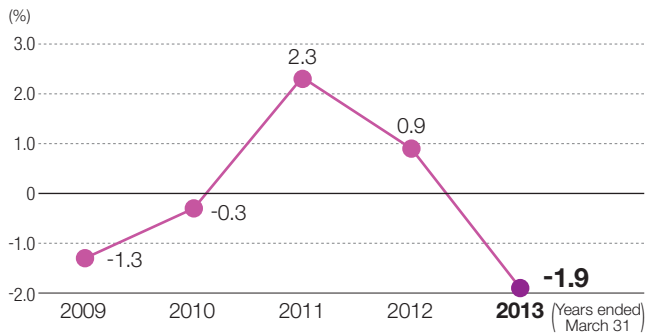


Capital expenditures

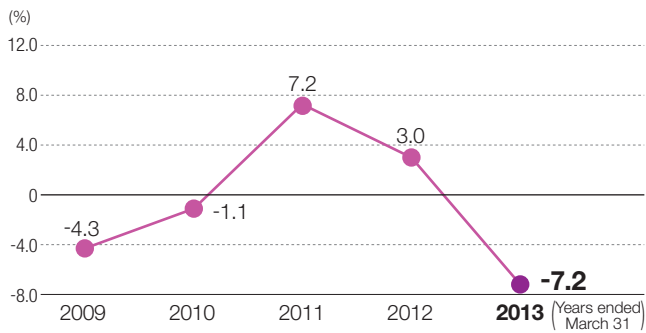


Forward Looking Statements This report contains forecasts and projections regarding NTN's future plans, strategies, and business results. Please understand that actual business results may vary from the projections made herein by the Company.

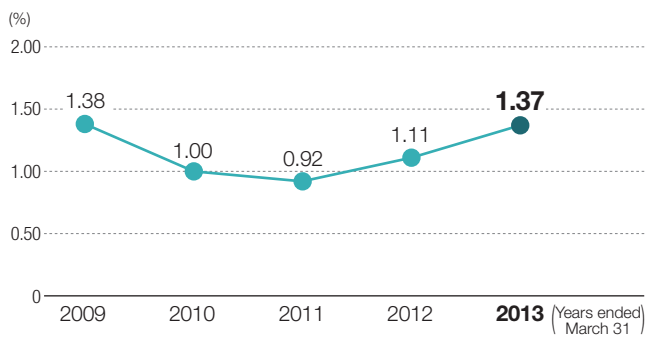
Net income (loss) / Average total assets (ROA)



Net income (loss) / Average shareholders' equity (ROE)

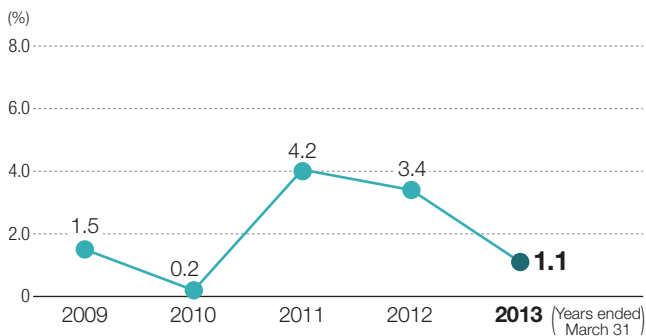


Net D/E ratio



NTN-ROI*

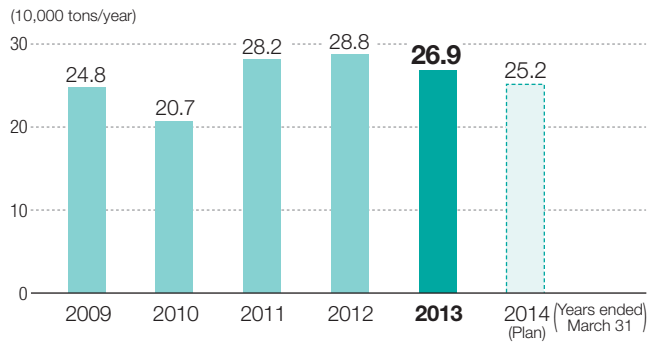
* NTN-ROI = Net operating income after tax / (Inventories + tangible fixed assets)



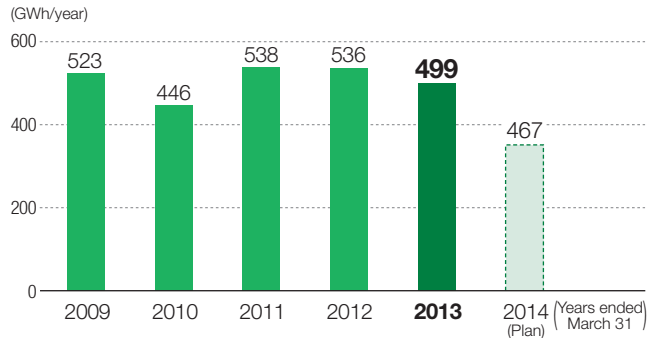
CSR Indicators

Total CO₂ emissions*

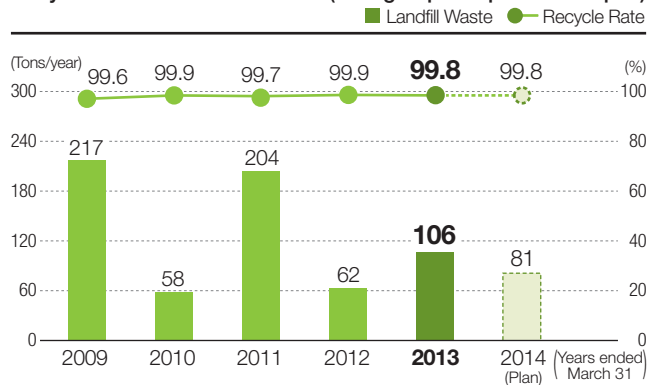
* Based on fixity emissions coefficient: 0.381 (See page 54.)



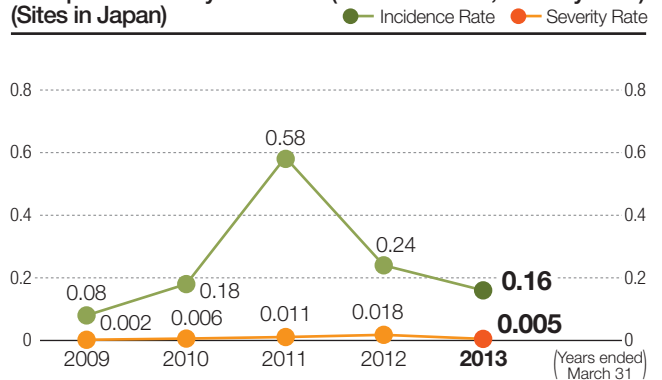
Electricity consumption



Recycle Rate and Landfill Waste (NTN group companies in Japan)



Occupational safety Indicators (Incidence Rate, Severity Rate) (Sites in Japan)



Financial Highlights

NTN Corporation and consolidated subsidiaries Years ended March 31

	2003	2004	2005	2006	2007	
FOR THE YEAR DATA						
Net sales	(Millions of yen)	342,745	357,394	388,349	434,837	483,818
Operating income	(Millions of yen)	20,785	24,709	33,201	37,645	46,793
Operating margin	(%)	6.1	6.9	8.5	8.7	9.7
Income (loss) before income taxes ...	(Millions of yen)	6,198	18,181	26,586	30,370	45,170
Net income (loss)	(Millions of yen)	2,657	11,032	16,740	19,550	27,014
Capital expenditures	(Millions of yen)	25,264	38,092	49,670	49,284	59,347
Depreciation	(Millions of yen)	23,838	23,979	24,870	28,586	32,693
R&D costs	(Millions of yen)	12,255	13,543	14,952	14,771	14,221
YEAR-END DATA						
Total assets	(Millions of yen)	467,198	460,341	516,578	561,494	611,944
Net assets/Shareholders' equity ...	(Millions of yen)	134,928	142,487	157,952	183,247	215,815
Inventories	(Millions of yen)	92,729	83,565	93,167	107,048	107,131
Interest-bearing debt	(Millions of yen)	161,446	164,091	176,186	183,199	197,911
Number of employees		11,810	11,885	12,788	14,631	17,306
PER SHARE DATA						
Net assets	(Yen)	291.82	308.27	341.93	396.73	445.61
Net income (loss):						
- Basic	(Yen)	5.70	23.54	35.83	41.94	58.34
- Diluted	(Yen)	5.51	21.87	32.94	38.55	53.74
Cash dividends	(Yen)	5.00	5.50	8.50	11.00	16.00
OTHER INFORMATION						
Inventory Turnover Ratio	(Times)	3.7	4.3	4.2	4.1	4.5
Net D/E ratio		0.82	0.86	0.79	0.80	0.79
Net income (loss)/Average total assets (ROA) ...	(%)	0.6	2.4	3.4	3.6	4.6
Net income (loss)/ Average shareholders' equity (ROE)	(%)	1.9	8.0	11.1	11.5	13.8
NTN-ROI	(%)	5.0	6.1	7.7	7.7	8.6
Shareholders' equity ratio	(%)	28.9	31.0	30.6	32.6	34.2
ESG Indicators						
Total CO ₂ emissions (NTN group companies in Japan)	(10,000 tons/year)	20.5	22.3	24.7	27.0	27.0
Electricity consumption	(GWh/year)	448	452	512	532	562
Water usage (NTN group companies in Japan)	(10,000 m ³ /year)	175	200	211	229	225
Usage of Substances Designated by the PRTR Law	(Tons/year)	–	–	–	–	114.3
Recycle rate (NTN group companies in Japan) ...	(%)	93.2	94.4	96.3	98.7	98.5
Landfill Waste	(Tons/year)		1,722	2,843	1,969	710.7
Occupational safety Indicators (Incidence Rate, Severity Rate)						
Incidence Rate		0.15	0.26	0.35	0.34	0.26
Severity Rate		0.003	0.004	0.010	0.004	0.002

Note 1: U.S. dollar amounts have been converted from yen, for convenience only, using the approximate exchange rate on March 31, 2013, which was U.S.\$1 = ¥94.05.

Note 2: Total CO₂ emissions: Based on fixity coefficient (0.381) (See page 54.)

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

2008	2009	2010	2011	2012	2013	2013
533,985	527,100	452,746	530,056	543,468	539,595	\$ 5,737,321
49,612	9,479	1,399	24,560	20,724	7,278	77,384
9.3	1.8	0.3	4.6	3.8	1.3	1.3
44,313	(10,104)	(1,838)	22,855	16,357	(13,898)	(147,773)
27,431	(8,985)	(2,015)	14,399	5,993	(14,196)	(150,941)
59,504	49,594	21,504	29,700	54,440	48,979	520,776
39,547	45,759	40,702	35,936	34,175	34,841	370,452
15,006	17,402	14,687	15,697	17,157	16,174	171,972
629,464	627,613	618,802	632,001	693,258	768,462	\$ 8,170,781
216,401	192,223	214,551	210,353	212,126	211,743	2,251,388
109,970	140,467	126,664	136,985	155,107	163,287	1,736,172
212,874	275,996	231,639	223,283	271,978	360,802	3,836,278
18,960	20,679	17,959	19,172	20,789	21,398	
445.98	376.77	374.19	376.05	370.19	375.84	\$ 4.00
58.43	(19.14)	(4.00)	27.08	11.27	(26.69)	0.28
54.59	–	–	–	–	–	–
19.00	13.00	8.00	10.00	10.00	0	0
4.9	3.8	3.6	3.9	3.5	3.3	
0.86	1.38	1.00	0.92	1.11	1.37	
4.4	(1.3)	(0.3)	2.3	0.9	(1.9)	
13.1	(4.3)	(1.1)	7.2	3.0	(7.2)	
8.6	1.5	0.2	4.2	3.4	1.1	
33.3	28.2	32.2	31.6	28.4	26.0	
28.1	24.8	20.7	28.2	28.8	26.9	
583	523	446	538	536	499	
237	207	179	225	220	203	
114.2	69.1	51.7	66.9	60.7	48.4	
98.5	99.6	99.9	99.7	99.9	99.8	
923	217.2	58	204	62	106	
0.26	0.08	0.18	0.58	0.24	0.16	
0.002	0.002	0.006	0.011	0.018	0.005	

To Our Stakeholders

The NTN Group has made compliance a top priority and is striving to strengthen its systems for complying with laws and regulations. Despite these efforts, during the fiscal year ended March 31, 2013, NTN subsidiaries in Korea and Singapore underwent on-site inspections by those countries' authorities.

In Japan we received a cease and desist order and surcharge payment order from the Japan Fair Trade Commission (JFTC) for a cartel problem in relation to the domestic sale of bearings. NTN believes that it has not been involved in any such cartel conduct and we intend to demonstrate that in coming proceedings. NTN has appealed the JFTC's orders and expects to be fully exonerated.

The NTN Group has been committed and remains committed to ethical business activity and fair competition in compliance with all laws and regulations including the Antimonopoly Act. We embark on continuous education and awareness activities that will strengthen overall control over compliance.

In the fiscal year ended March 31, 2013, areas of Japan's economy appeared to have bottomed out; however, the business environment continues to be tough. In the rest of the world, meanwhile, while the U.S. is enjoying moderate recovery, Europe is seeing its financial sector still burdened by deep worries of the debt crises, and China has yet to begin significant recovery.

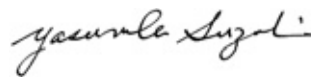
Against this background, the NTN Group embarked

on "Global Advance 2013," a three-year medium-term management plan starting in April 2011. But major changes in the economic environment around the world have prompted us to overhaul this plan and introduce various emergency measures and structural reform. In April 2013, we launched our new medium-term management plan, called "Revival 2014." Under the basic policy of reform business structure to generate profit, "Revival 2014" calls for four key measures: Emergency measures; centralization of management resources; structural reform; and expansion of new products and new business.

In positioning Corporate Social Responsibility (CSR) as the foundation of its management, NTN strives to meet its responsibilities to customers, shareholders, and other stakeholders, and contribute to the realization of a sustainable society through efforts in the environment, labor, and human rights.

The entire NTN Group also strives to develop energy-efficient, environmentally friendly products as well as reduce the effects on the environment.

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



Chairman and CEO



President



Yasunobu Suzuki
Chairman and CEO

Shigeyoshi Takagi
President

Interview with the Top Management

Overall performance in the fiscal year ended March 31, 2013 and medium-term management plan

Q1 What is NTN doing to ensure thorough compliance?

A We have established a special committee under direct control of the Board of Directors and we are strengthening our compliance systems on a global scale.

The NTN Group has considered its situation in light of the Japan Antimonopoly Act, and the policies of the JFTC, as part of its sincere commitment to maintain a level of thorough compliance with laws.

In April 2012, we established the Fair Trade Monitoring Committee, which is under direct control of the Board of Directors and chaired by president, and the Fair Trade Promoting Department, which is responsible for the company-wide development of the policies and decisions of the Fair Trade Monitoring Committee. In-house compliance educational activities include employee compliance training and the publication and distribution of the Antimonopoly Act Compliance Handbook. We also monitor progress and conduct guidance of our compliance with laws and regulations; for example, self-audits by employees and in-advance applications by employees to request an approval from the Fair Trade Promoting Department to participate in meetings with potential contacts with competitors (such as supplier meetings) or to have continuous contacts with competitors for necessary business reasons (such as OEM supply).

At NTN's overseas bases, we are establishing a system of responsibility for each of our business regions under the guidance of the Fair Trade Promoting Department, and we are strengthening compliance systems that ensure we abide by antimonopoly and competition laws in various countries.

Q2 What was the performance in the fiscal year ended March 31, 2013?

A Profits were down due to factors such as an increase in temporal costs for overseas business.

In the fiscal year ended March 31, 2013, consolidated net sales were 539.6 billion yen, nearly level with the previous fiscal year (down 0.7% over the previous fiscal year). While the industrial machinery applications was slow in Europe and demand was down in the Americas and Asia, sales were up in the automotive market in the Americas and Asia.

On the profit side, operating income was 7.3 billion yen (down 64.9%) and ordinary income was 2.5 billion yen (down 86.6%). The main reasons for this large drop in profit were a low selling-price level in the automotive market and an increase in temporal costs for overseas business. In particular, an increase in temporal costs resulting from an additional burden imposed on production lines in coping with increased sales to the Americas had a large impact on profits. We have since alleviated the situation that forced us to increase temporal costs.

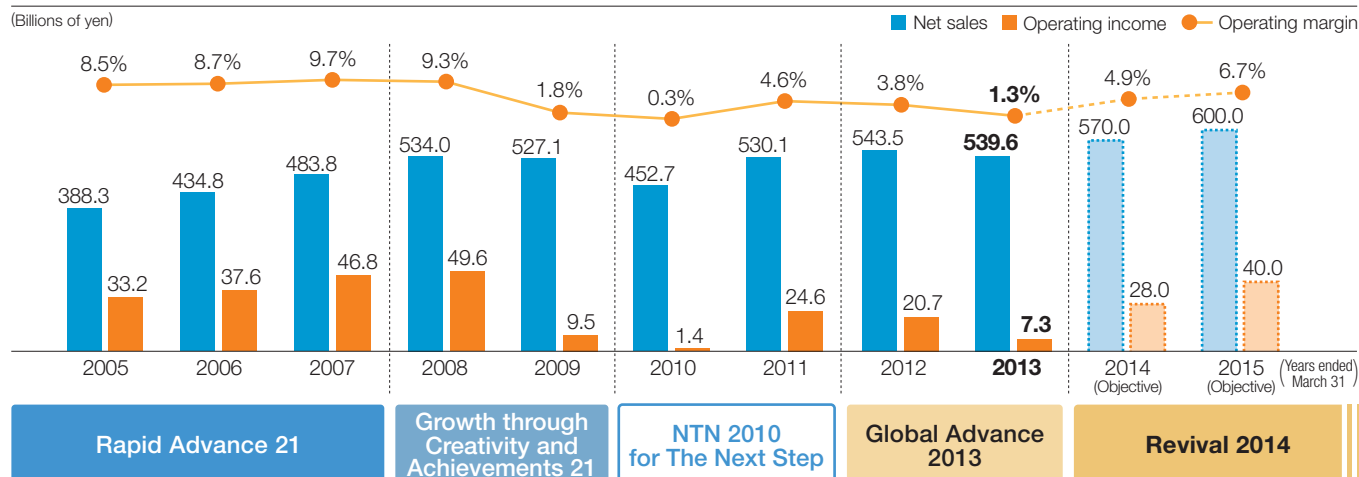
As a result of 7.2 billion yen reserve for loss related to anti-monopolies law, 6.4 billion yen in structural reform expenses, 3 billion yen in business restructuring expenses, and 2.7 billion yen in impairment losses, the net loss was 14.2 billion yen (compared to a net profit of 6.0 billion yen the previous fiscal year).

Q3 What was the situation in each region and what measures did you take?

A Sales were up in the Americas and Asia and down in Japan and Europe.

In the fiscal year ended March 31, 2013, sales were down in products for the Japanese automotive market; despite signs of recovery from a manufacturing drop following the Great East Japan Earthquake of March 2011, Japanese car exports were down. In the industrial machinery applications as well, factors including a stagnant construction machinery market contributed to a continuing difficult business environment.

Performance in the Fiscal Year Ended March 31, 2013



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

Note: The target value for "Revival 2014", our medium-term management plan, is the one announced on February 18, 2013. (Exchange rate: 1\$US=¥85, 1Euro=¥110)



The results were net sales in Japan of 315.9 billion yen (down 5.5% over the previous fiscal year). However, a decrease in personnel costs and other fixed costs led to operating income of 9.8 billion yen (up 20.8%).

In the Americas, in the industrial machinery applications, sales of construction machinery were down, while in the automotive applications and the aftermarket and distributor applications, demand increased. This resulted in net sales of 138.5 billion yen (up 14.3%). However, the aforementioned increase in temporal costs resulting from an additional burden imposed on production lines led to an operating loss of 3.2 billion yen (compared to an operating income of 600 million yen the previous fiscal year).

In Europe, economic recovery is slow due to financial instability, and this has led to lower demand in the automotive applications, industrial machinery applications, and the aftermarket and distributor applications. Net sales were 136.5 billion yen (down 5.0%) and the operating loss was 200 million yen (compared to an operating income of 4.6 billion the previous fiscal year) due to the effect of lower sales.

In Asia, while sales were down to Japanese manufacturers in China, other areas of Asia showed recovery from the manufacturing drop following the floods in Thailand, and customer demand was up. This contributed to net sales of 85.8 billion yen (up 4.1%). The operating income was 700 million yen (down 86.2%) due to temporal expenses including expenses incurred during the operational launch of production companies.

Q4

What kind of market environment and business performance do you forecast for the fiscal year ending March 31, 2014?

A

We see a performance recovery in terms of both net sales and profit due to increased sales in overseas markets.

In the fiscal year ending March 31, 2014, there are hopes of an economic recovery in Japan as the yen weakens and government economic measures take effect. Worldwide, however, uncertainty looks to continue as financial instability drags on in Europe and economic growth slows in China. Amidst all this, the NTN Group is aiming to steadily implement various measures under its medium-term management plan "Revival 2014" (described below) and thus get business

performance back on track.

Thanks to efforts overseas in the fiscal year ended March 31, 2013 to gain new customers and increase market share, we foresee an overall improvement in sales in the fiscal year ending March 31, 2014.

In Asia, we anticipate a 28.4% drastic increase over the previous fiscal year in sales due to factors including recovering demand for wind turbines, rolling stock, and construction machinery in China; new orders for construction machinery and machine tool bearings in Korea; and increasing sales due to strong domestic demand in ASEAN countries in the automotive market. In Europe, we anticipate a 15.1% increase in sales due to factors including growing demand in aerospace and increasing orders for rolling stock and agricultural machinery bearings, and orders from new projects in the automotive market. In the Americas, we foresee falling demand for construction machinery and wind turbines; however, increasing demand in areas such as agricultural machinery and aerospace, along with demand from replacement purchases in the automotive sector, will contribute to a predicted 20% increase in sales.

In the Japanese market, we anticipate increasing orders in fields such as aerospace, rolling stock, and wind turbines, but decreasing demand in construction machinery and gear boxes, Japanese car manufacturers moving production overseas and lower sales due to the end of the government's eco-car subsidy program. The result we forecast is a 7.8% decrease over the previous fiscal year.

To sum up, our forecast for the entire fiscal year ending March 31, 2014 calls for net sales of 600 billion yen (up 11.2%), operating income of 30 billion yen (up 311%), ordinary income of 23 billion yen (up 820%), and net income of 10 billion yen (compared to a net loss of 14.2 billion the previous fiscal year).

Note: Performance estimates for the fiscal year ending March 31, 2014 are based on an exchange rate of 1\$US=¥95, 1Euro=¥120.

Note: Consolidated subsidiaries of the Company in Europe, the United States, South Korea and Singapore have been investigated by the respective authorities in relation to competition law, and multiple civil action lawsuits (class action lawsuits) have been launched against the Company and its American and Canadian consolidated subsidiaries. Moreover, arbitration proceedings related to compensation for damages have been launched in respect to the Company's European consolidated subsidiary. In all cases it is difficult to estimate any impact on our operating results and financial position. As such, this situation has not been taken into consideration in the above forecast.

Q5

What will be the dividend for the fiscal year ended March 31, 2013?

A

We regret to say that we are deferring the dividend for the fiscal year.

The NTN Group considers rewarding its shareholders an issue of foremost importance. Regarding dividends, from a medium- and long-term perspective, the Company's goal is to provide a steady and sustainable dividend, which it will determine on the basis of its consolidated performance, dividend payout ratio, and business environment.

However, in consideration of the large current net loss as a result of the reserve for structural reform expenses, restructuring expenses and impairment loss, we regret to announce that no dividend will be paid this fiscal year. No decision has yet been made regarding dividends in the next fiscal year. An announcement will be made as soon as disclosure becomes possible in the light of progress in business results.

Q6

Can you sum up the results of NTN's previous medium-term management plan "Global Advance 2013", and describe the policy behind the new medium-term management plan "Revival 2014"?

A

Our policy is to reform corporate structure and overcome the current situation by revamping strategy.

Under "Global Advance 2013", the medium-term management plan we started in April 2011, we conducted business with the aim of achieving high growth in all regions of the world. However, economic environments have changed dramatically around the world, and this made us realize that we had to rapidly reform our corporate structure if we hoped to catch the next wave of growth. We therefore decided to revamp our "Global Advance 2013" strategy into a two-year plan starting in April 2013 called "Revival 2014".

The basic policy of "Revival 2014" is to "reform business structure to generate profit". From our previous medium-term management plan's strategy of achieving high growth in all

regions of the world, we have switched to a strategy in which we focus on "improving profit ratio" and "strengthening financial framework", while also building systems that are not affected by exchange rates.

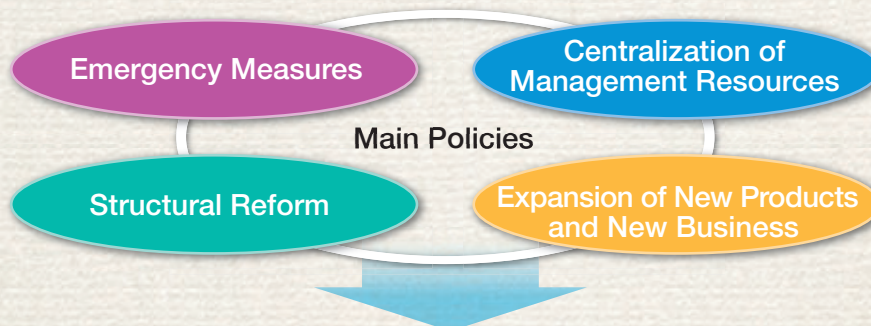
There are four main policies to "Revival 2014":

- 1 **Emergency Measures** over the short term to generate profits.
- 2 **Centralization of Management Resources** into three priority areas, such as automotive, where we aim to improve profits.
- 3 **Structural Reform** over the medium term.
- 4 **Expansion of New Products and New Business** towards further growth. Through these four initiatives, for the fiscal year ending March 31, 2015, we are aiming for net sales of 600 billion yen (up 11% over the fiscal year ended March 31, 2013) and operating income of 40 billion yen (up five-fold*). These targets aim for a much greater increase in profit than in net sales and represent our desire to build a corporate structure capable of generating profits without being adversely affected by external factors.

Note: The target value for "Revival 2014", our medium-term management plan, is the one announced on February 18, 2013. (Exchange rate: 1\$US=¥85, 1Euro=¥110)

New Medium-term Management Plan "Revival 2014" (Fiscal Year Ending March 31, 2014 to Fiscal Year Ending March 31, 2015)

Basic policy: **Reform business structure to generate profit**



Targets for fiscal year ending March 31, 2015
Net sales: **600** billion yen, Operating income: **40** billion yen, Operating margin: **6.7%**

	Results FY2012	Revival 2014	
		FY2013	FY2014
Net sales (billions of yen)	539.6	570.0	600.0
Operating income (billions of yen)	7.3	28.0	40.0
Operating margin	1.3%	4.9%	6.7%
Net income (billions of yen)	(14.2)	12.0	20.0
Inventories (billions of yen)	163.3	150.0	145.0
Inventory turnover ratio (times)	3.3	3.8	4.1
ROA	(1.9%)	1.6%	2.6%
ROE	(7.2%)	6.4%	10.5%
Net D/E ratio	1.37	1.46	1.24
NTN-ROI*	1.1%	4.3%	6.4%
Exchange rate	\$:¥82.9 €:¥106.8	\$:¥85 €:¥110	\$:¥85 €:¥110

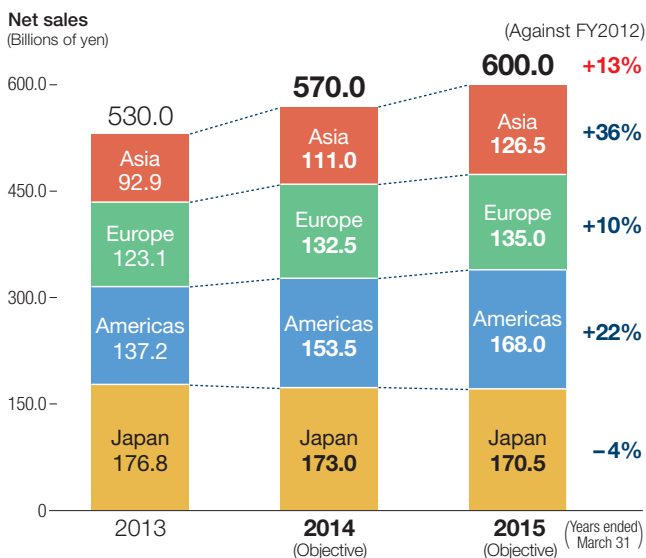
* NTN-ROI = Net operating income after tax/(Inventories + tangible fixed assets)

Note: The target value for "Revival 2014", our medium-term management plan, is the one announced on February 18, 2013. (Exchange rate: 1\$US=¥85, 1Euro=¥110)



Revival 2014: Objectives of Net Sales by Region

- Sales will decrease in Japan and increase overseas
- Overseas will account for a higher percentage of overall net sales



Note: The target value for "Revival 2014", our medium-term management plan, is the one announced on February 18, 2013. (Exchange rate: 1\$US=¥85, 1Euro=¥110)

Revival 2014: Amount of improvement of each policy over a 2 year period by business type (Billions of yen)

	Centralization of Management Resources (variable costs) (a)	Structural Reform (b)	Sub-total (c=a+b)	Emergency Measures (d)	Total (c+d)
Automotive	15.2	9.7	24.9	10.2	42.5
Industrial Machinery / Aftermarket	4.8	2.6	7.4		
Total	20.0	12.3	32.3	10.2	42.5

Note: The measures are calculated using an exchange rate of 1\$US=¥75, 1Euro=¥100

Q7

Tell us about the "Emergency Measures" part of "Revival 2014" and what it will accomplish.

A

We began implementing these emergency measures in the second half of the fiscal year ended March 31, 2013 and they have already yielded results.

There are five key measures. (1) Reduce personnel costs. By reducing employee salaries and bonuses, we saved approximately 2 billion yen in the fiscal year ended March 31, 2013, and we plan to save another approximately 2.8 billion yen over the next two years. (2) Reduce fixed costs. We are striving to reduce expenses in all divisions and are focusing costs on areas that contribute directly to profit. As a result, in the fiscal year ended March 31, 2013, we achieved reductions of approximately 3.5 billion yen, and plan to reduce another 7.4 billion yen over the next two years. (3) Limit capital expenditure. We are limiting capital expenditures to R&D and advance investments, and kept them to 48 billion yen in the fiscal year ended March 31, 2013, a figure we plan to limit to 51 billion yen (less than the allowance for depreciation costs over two years). (4) Reduce inventories. Inventories were 157 billion yen in the fiscal year ended March 31, 2013 and we plan to reduce this to 145 billion yen in two years. (5) Abolish, sell assets. We expected to have disposed of or sold-off approximately 2.5 billion yen in assets in the fiscal year ended March 31, 2013.

These emergency measures had the effect of reducing costs and expenses in the fiscal year ended March 31, 2013 by 5.5 billion yen, and we anticipate further reductions of 5.5 billion yen in the fiscal year ending March 31, 2014, and 4.7 billion yen in the fiscal year ending March 31, 2015.

Emergency Measures

Short-Term Measures to Generate Profit

Measures were implemented starting in the second half of the fiscal year ended March 31, 2013 to generate profit in the short term. The following measures will be implemented under "Revival 2014".

① Reduce personnel costs

- ▶ Approximately 2.8 billion yen reduction planned

② Reduce fixed costs

- ▶ Approximately 7.4 billion yen reduction planned

③ Limit capital expenditure

- ▶ Limited to 51 billion yen under depreciation costs over 2 years

④ Reduce inventories

- ▶ Reduction of up to 145 billion yen planned in 2 years

⑤ Abolish, sell assets (completed)

- ▶ Approximately 2.5 billion yen in assets were disposed of or sold off in the fiscal year ended March 31, 2013

Q8 What are the main points of the key measure “Centralization of Management Resources”?

A Three key measures will be used to centralize resources in priority areas.

(1) Greater profits in the automotive business. To improve the profit ratio of automotive products, we will thoroughly reduce costs, including expand utilization of local steel and integrated production of parts from pre-processes, and review of design and manufacturing methods so as to standardize parts and integrated varieties material. We are also bringing out more high-value-added products with a high profit ratio, such as modular products and system products. (See page 19 for details.)

(2) Sales expansion for the aftermarket/distributor. NTN-SNR, an NTN subsidiary in Europe doing business in the highly profitable automotive repair parts (auto parts) market, shares its experience and know-how with NTN Group companies worldwide. In the repair of industrial machinery as well, we will expand its MRO* business covering social infrastructure industries such as energy, steel, and mining by

* MRO: Maintenance Repair Overhaul

collaborating with local sales distributors to boost selling power and train human resources, and by holding technical workshops for customers and selling them maintenance tools. Furthermore, in Japan by establishing aftermarket stock officers, we will strengthen product availability globally and keep inventory levels low. Also building a dedicated manufacturing lines for aftermarket products, thus boosting its ability to reply flexibly to demand with small-lot, multi-product manufacturing that can deliver to customers in a shorter time frame.

(3) Strengthening industrial machinery business globally. We will focus marketing activities on sectors with the promise of continuous future growth, such as aerospace, rolling stock, wind turbines, agricultural machinery, and machine tools. As well, in China and ASEAN, where we have so far had only a low market share, we will step up efforts in wind turbines, machine tools, construction machinery, and rolling stock, as well as increase sales to local manufacturers. In recent years the level of quality has improved in these regions and manufacturers require high-value-added bearings. In response, we are utilizing the NTN China Technical Center as the basis for a design and development system that meets these local needs, and this is consequently helping us build the foundation for future product orders.

Centralization of Management Resources

Centralization on Below Three Priority Areas

① Greater profits in the automotive business

- **Improvements to the profit ratio of automotive products**
 - Review of design and manufacturing methods
 - Improve sales price of low-profit products
 - Early release to market of high-value added products
 - Expand production in areas of local demand in growth markets
- **Utilization of local materials and greater integrated production of parts from pre-process**
 - Expand utilization of local steel
 - Local procurement of pre-process parts

② Sales expansion for the aftermarket / distributor

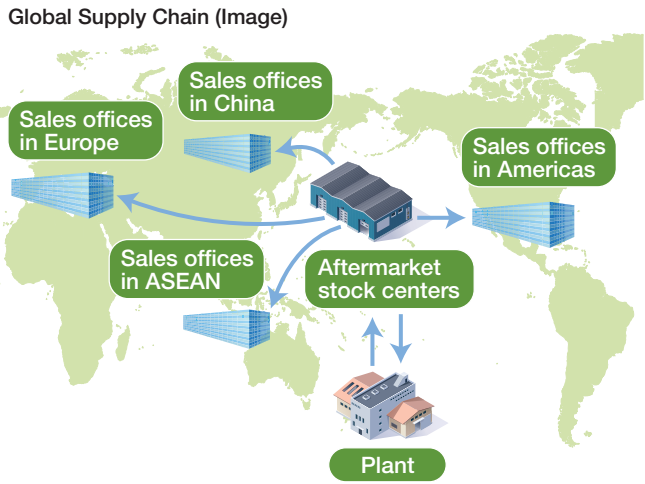
- **Focusing on greater sales in high-profit businesses**
 - Strengthen the global supply chain
 - Set up dedicated production lines for aftermarket products
 - Expand automotive aftermarket business and MRO business

③ Strengthening Industrial machinery business globally

- **Focus on greater sales in growth industries and low-share regions**
 - Expand sales in growth industries
 - Strengthen business in China and ASEAN region



Improving technical services with mobile training unit



Q9

What are the main points of the key policy “Structural Reform”?

A

Three key measures will be used to reform business structure in the medium term.

(1) Reforms to personnel costs. As the NTN Group increases its overseas manufacturing, we will reduce personnel costs changing personnel organization by region. In two years from now, personnel in overseas will account for 3% more mainly in Asia. Japan, on the other hand, is expected to account for 5% less due to factors including the early retirement system. These will contribute to approximately 11.5 billion yen in personnel cost reductions. And based on our philosophy of “on local site with local materials by local personnel”, we will employ more outstanding locals staff, train them, and place more of them as managers.

(2) Acceleration of overseas production. By moving manufacturing to demand regions, we will establish a production system that is unaffected by exchange rates. By making the most of existing facilities overseas, we will localize everything from design and parts procurement to manufacturing. This is a measure to counteract products from LCCs* in the medium and long term, and it will make a major contribution to improving profits in the automotive business. In Japan, we are moving production from NTN actual plants to subsidiaries that have the latest production equipment, which modernizes production and spreads the risk of natural disasters.

* LCCs: Low Cost Countries.



The head office of NTN LOGISTICS CO., LTD.

(3) Selection of business. NTN LOGISTICS CO., LTD. was established in April 2013 to integrate NTN’s previously separate production logistics and sales logistics functions. By eliminating wasted time and resources through centralized logistics control, and by making shipping more efficient through joint logistics, the new company will reduce logistics costs by approximately 1 billion yen. As well, we are withdrawing from some products in the precision equipment business, so we are currently narrowing down these categories and building an after-sales service system for customers still using these products.

Structural Reform

Mid-term Business Structural Reform

① Reforms to personnel costs

● Reforms to personnel organization by region and personnel costs following acceleration of production overseas

<Overseas>

Increase personnel. Employ more local staff, increase and train local managers that will key personnel

<Japan>

Reduce personnel by utilizing early retirement system

② Acceleration of overseas production

● Establish a system based in areas of local demand, that are not affected by exchange rates

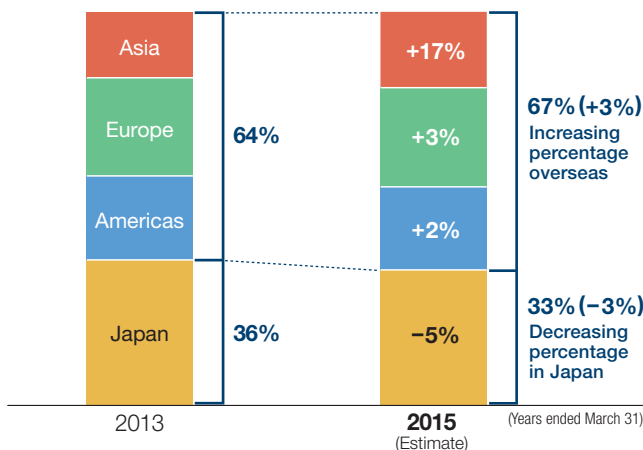
- Acceleration of overseas production
- Risk diversification and modernization in Japan

③ Selection of business

● Reduction of logistics costs in Japan and withdrawal from a part of business in the precision equipment

- Integration of production logistics and sales logistics
- Withdrawal from some products in the precision equipment business that have low profits

Change in personnel organization by region



Q10

What are the points of the key policy “Expansion of New Products and New Business”?

A

Three key measures will be used to develop high-value-added products and expand the service and solutions business.

(1) Strengthening development of module products and system products. Instead of just making bearings alone, provide more added value by coming out with modularized products that incorporate peripheral components. This can be done by developing advanced modules that integrate state-of-the-art mechatronic technologies. Furthermore, by improving on the development of system products such as equipped with sensor technologies, we can help reduce maintenance costs and thus provide better services and solutions for customers.

(2) Full operation of the EV system products business. We will step up social demonstration tests for commercialization. Last year, we delivered a two-seater electric commuters for demonstration project in France and Shizuoka Prefecture, Japan. We also teamed up with the municipal government of Iwata City in Shizuoka for successful one-year social demonstration test. We hope to use the data gathered from these road tests to mass-produce EV systems as early as possible and fully operate the EV system product business.

(3) Development of composite material products and market deployment. We will expand our lineup of composite materials products, such as sintered bearings, which use metal powder, and plastic bearings, which use high-performance materials. By combining our years of material technology experience with the technologies of Nippon Kagaku Yakin Co., Ltd., which we acquired in 2011, we will accelerate development and release of a range of new functional materials.



NTN has started a EV demonstration project of microcompact EV in France (June 2013)

Q11 Tell us about your thoughts for future CSR plans and measures.

A We will step up CSR efforts through our business and raise the corporate value of NTN.

The NTN Group regards CSR activities as aiming to maximize the economic, environmental, and social value through our business for the realization of a sustainable society.

Our key products of bearings and constant-velocity joints reduce energy lost through friction. Bearings make a major contribution to the realization of a low-carbon society through their application in product fields like wind turbines and rolling stock. To ensure that our efforts in environmental fields are as effective as possible, we have set completely new company-wide environmental targets for the fiscal year ending March 31, 2014. (See page 52 for details.)

At the same time, our business activities are supported by our many stakeholders—shareholders, employees, suppliers, and customers, to name a few. We will continue to strive to answer to each of these stakeholder groups, respond to their expectations, and earn their trust.

Expansion of New Products and New Business

Strengthening Competitiveness towards Further Growth

① Strengthening development of module products and system products

- Increase added value of unit products, module products and system products
- Increase scope of service and solutions business

② Full operation of the EV system products business

- Make preparations for mass-production of EV system products as early as possible
- Plan demonstration tests of the microcompact mobility

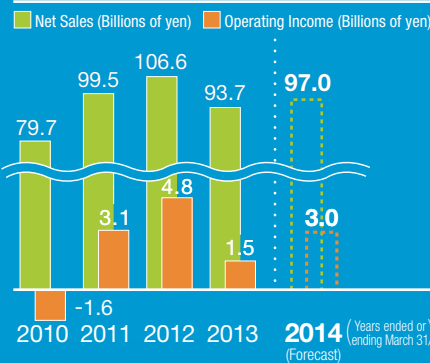
③ Development of composite material products and market deployment

- Expand business from bearings to structural materials and new functional materials

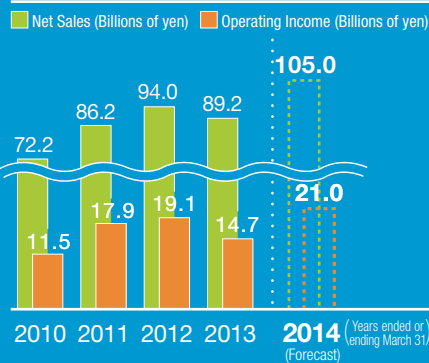
Strengthening Sales Worldwide in Industrial Machinery and the Aftermarket and Distributor Applications

Develop Business with a Clear Target

Net Sales and Operating Income in the Industrial Machinery Applications



Net Sales and Operating Income in the Aftermarket and Distributor Applications



The forecast for the fiscal year ending March 31, 2014 is the one announced on May 20, 2013.

To strengthen sales

Industrial Machinery Applications

- 1 Expand sales in growth industries
- 2 Strengthen business in the China and ASEAN region

Aftermarket and Distributor Applications

- 3 Strengthen the global supply chain
- 4 Expand MRO business

MRO: Maintenance Repair Overhaul

In the industrial machinery applications and the aftermarket and distributor applications, we are stepping up sales activities in promising growth industries such as aircraft and wind turbines. We plan to boost sales in Europe, the Americas, China, and ASEAN region by building up our development and manufacturing systems.

Industrial Machinery Applications

1 Expand sales in growth industries

We are stepping up sales activities with an eye to industries that promise continuing growth; these include aircraft, rolling stock, wind turbines, agricultural machinery, and machine tools. In the fiscal year ended March 31, 2013, we received an order for jet engine bearings from a major American jet engine manufacturer, and an order for bearings for offshore wind turbines being developed by a major company. We will continue to step up marketing efforts in these growth industries in order to boost profits.



2 Strengthen business in the China and ASEAN region

The markets look to expand in China and ASEAN region, where we will focus on our Condition Monitoring System (CMS) for Wind Turbines, axle bearings for construction machinery and machine tools, bearings for gearboxes, and bearings for high-speed railways and electric locomotives. In these regions we are also stepping up sales activities to local

manufacturers. We will also make the most of the NTN China Technical Center in Shanghai to build a system for local design and development and thus speed up the time to customer order.

Aftermarket and Distributor Applications

3 Strengthen the global supply chain

NTN's aftermarket stock centers in Japan is where we concentrate stock of top-selling products. This boosts our supply capabilities to various regions and adjust differences in stock level. As well, we have dedicated exclusive production lines in Japan for individual product manufacturing and small-lot, multi-product manufacturing. This brings products quickly to customers, boosts customer satisfaction, and leads to greater sales.

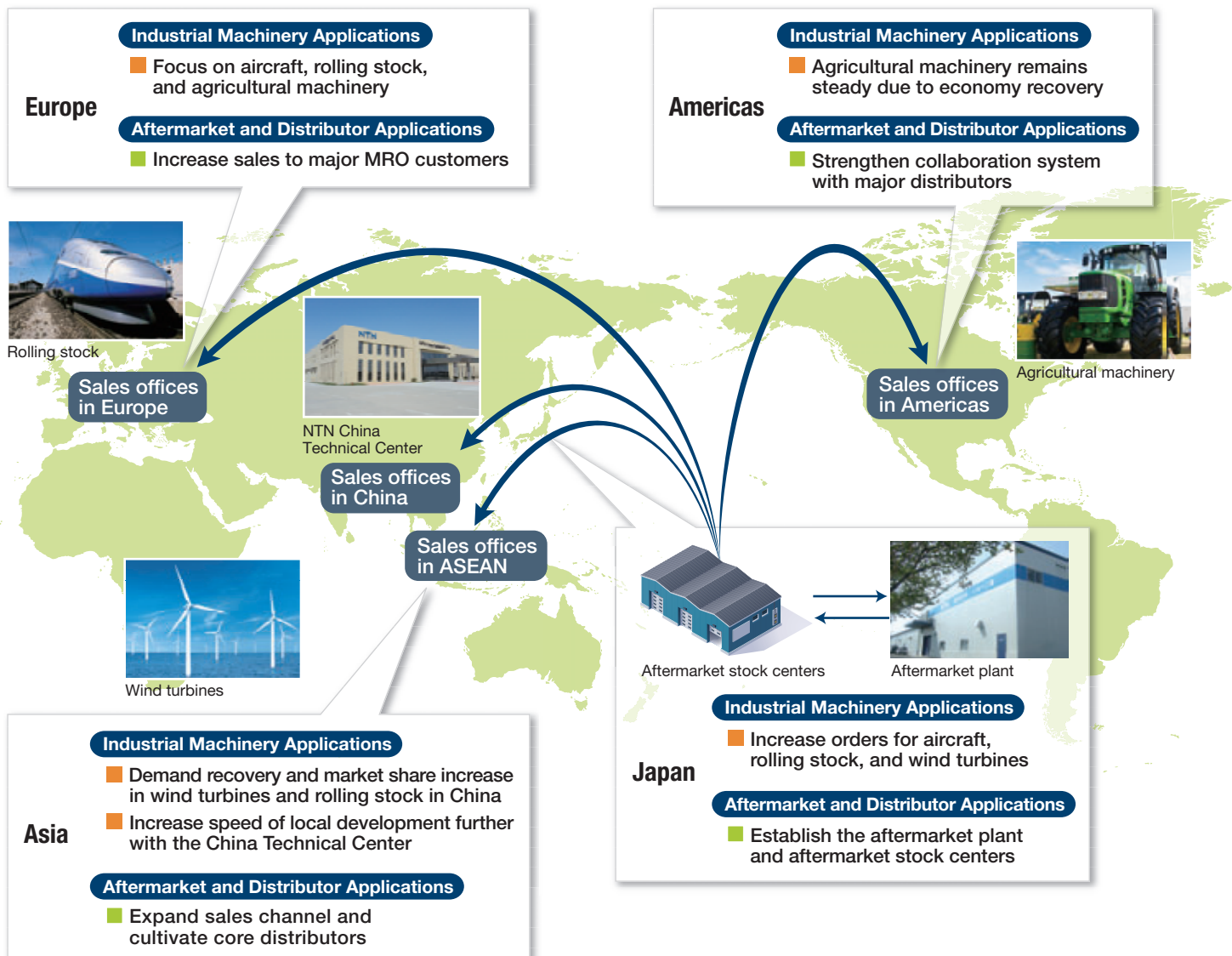
4 Expand MRO business

We are expanding our MRO (Maintenance Repair Overhaul) business by targeting industries such as steel, paper, and port facilities. Working closely with local distributors, we are training local engineers and building a service network, offering customers products promptly with the aid of a database, holding technical workshops for customers, and providing maintenance tools. This comprehensive and coordinated effort is boosting recognition of the NTN brand.



Feature

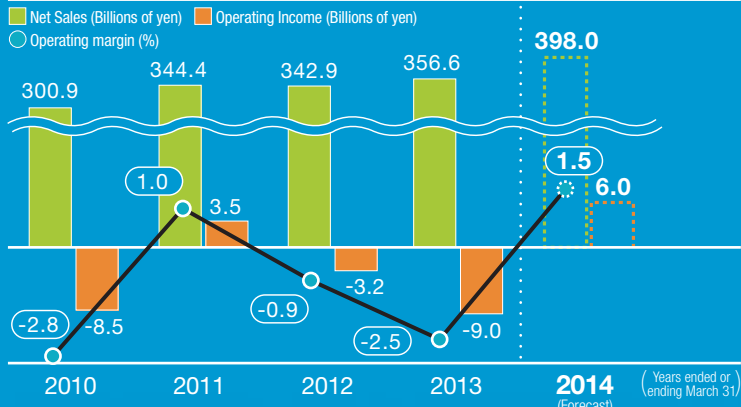
Stepping Up Global Expansion



Building a Structure Capable of Generating Profit with the Automotive Applications

In Pursuit of Greater Profitability and Higher Added Value

Net Sales and Operating Income in the Automotive Applications



The forecast for the fiscal year ending March 31, 2014 is the one announced on May 20, 2013.

To raise profits

Automotive Applications

- 1 Expand local production
- 2 Expand local procurement of steel and pre-process parts
- 3 Review of design and manufacturing methods

While reducing costs by expanding local production and procurement and reviewing design and manufacturing methods, we will release high-value-added products at the earliest possible date in order to meet automotive manufacturers' needs for light weight and fuel efficiency, and at the same time increase our profitability.

Automotive Applications

1 Expand local production

We are strengthening our worldwide production systems with a focus on local production with the aim of raising profits in the automotive applications. Utilizing the strengths of companies like NTA Precision Axle Corp. (NTA) and NTPT Company Limited (NTPT), which handle manufacturing pre-processes (such as forging and turning), we aim to



NTA (USA)



Hub bearing*



NTPT (Thailand)



CVJs

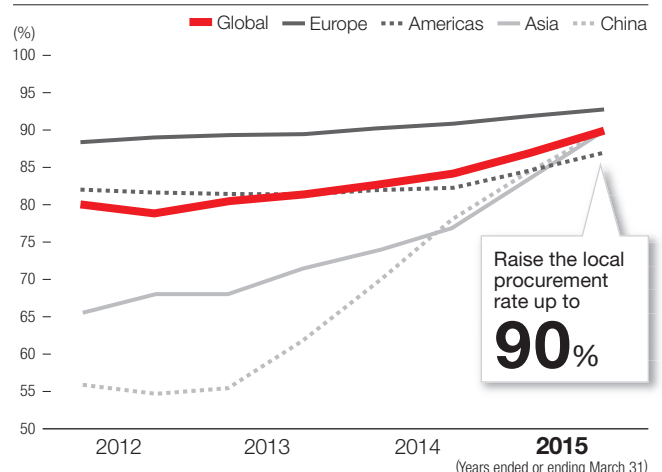
* Photos are cross-sectional models of products

establish a locally integrated production system covering all steps from materials to finished products. This will make us more cost-competitive and better able to provide products around the world, and it will reduce the effects of currency fluctuations on our business by reducing exports from Japan. The result will be a more stable corporate structure.

2 Expand local procurement of steel and pre-process parts

Besides local production, we are expanding local procurement, such as for steel and pre-process parts. Steel is being procured as much as possible from China, South Korea, Russia, and other

Trend in local procurement rate



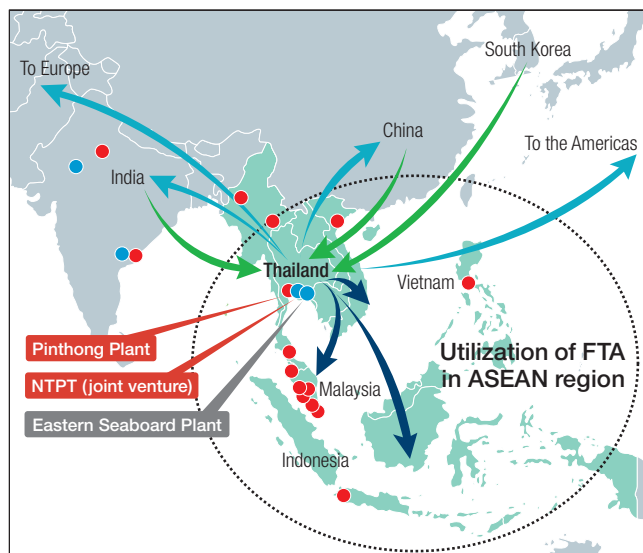
Raise the local procurement rate up to **90%**



countries offering competitively priced, high-quality steel. This helps us maintain quality and cut production costs.

For pre-processes such as forging and turning, we are trying to decrease exports from Japan and increase the percentage of local procurement. As of FY2012, there were approximately 300 overseas manufacturers supplying NTN. We aim to find and build partnerships with more local suppliers capable of providing competitively priced, quality materials with the goal of building at each NTN base a locally integrated production system from pre-processes onwards. We will take advantage of free-trade agreements in dealings with these overseas manufacturers of steel and other products.

Thailand is the hub for procuring materials and supplying half-finished products and completed products



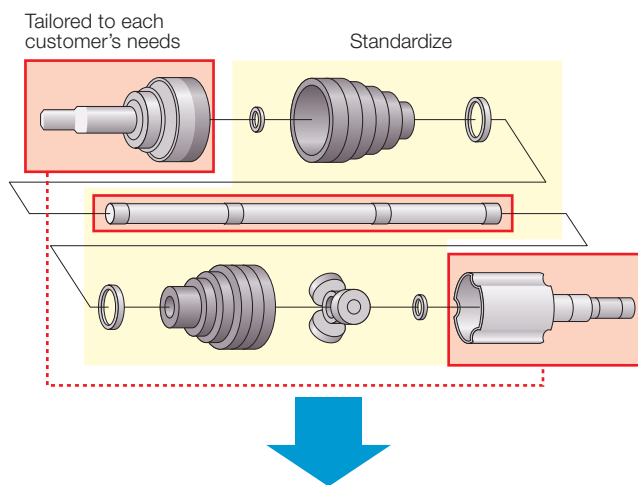
Materials and parts → Semi-finished products → Finished products →
 NTN's sales base ● Production base ●

3 Review of design and manufacturing methods

To raise profits in the automotive applications, besides restructuring our global production systems, we are reviewing our design and manufacturing methods so as to reduce costs wherever possible.

In design, we are aiming for not just function but also ease of production. We are thus changing design to use raw materials that are easy to procure. As well, we are seeking maximum cost-efficiency through measures such as use of common parts and reasonably priced materials.

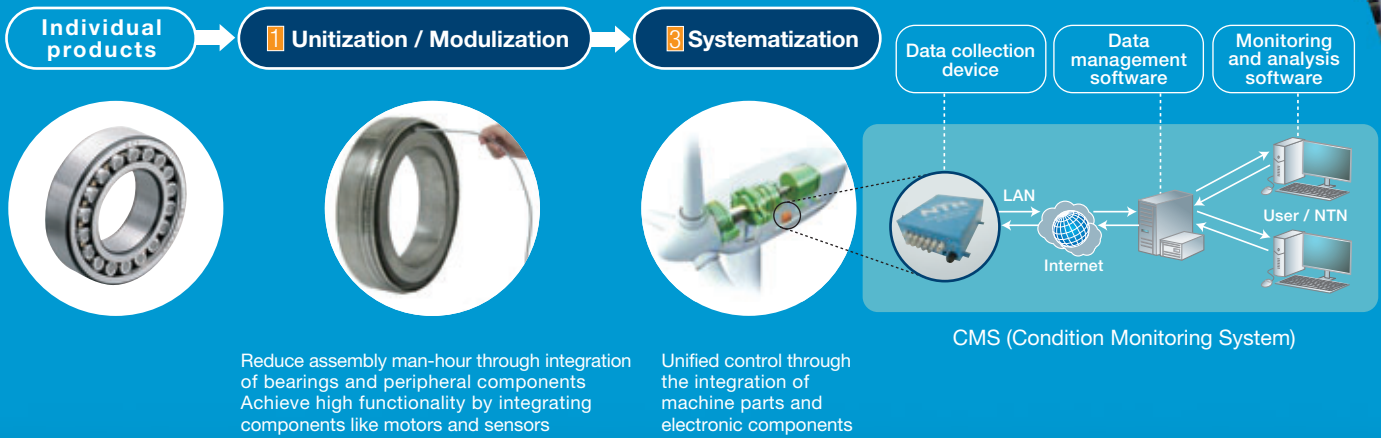
Example of Standardizing CVJ



Standardization is carried out even for parts tailored to each customer's particular needs.

Aiming for Expansion of New Products and New Business

From individual products to system products



With an eye to future growth, we are stepping up development of high-value-added products and services that utilize the advanced mechatronics technologies we have built up. We are also tapping into new business areas with modular products, system products, and composite material products.

1 Strengthening development of module products and system products

By modularization through the incorporation of peripheral components into individual products such as bearings, we not only boost convenience for customers but also reduce the number of parts and provide more compact and light weight solutions. For example, the Press Cut Spline Hub Joint that we released in 2012 uses our proprietary joint method to enable easy integration of hub bearings and constant-velocity joints on customers' production lines. It also realizes thinner joints and thus less weight, which means resource savings plus better fuel efficiency for cars.

We are tapping into new markets outside of just bearings through unique, proprietary system products. For example, our IC Tag Integrated Bearing keeps a maintenance record of peripheral components; while our Condition Monitoring System (CMS) for Wind Turbines allows for remote monitoring of the bearings and peripheral components of large wind turbines, which are normally difficult to inspect once they are installed.



Press Cut Spline Hub Joint*



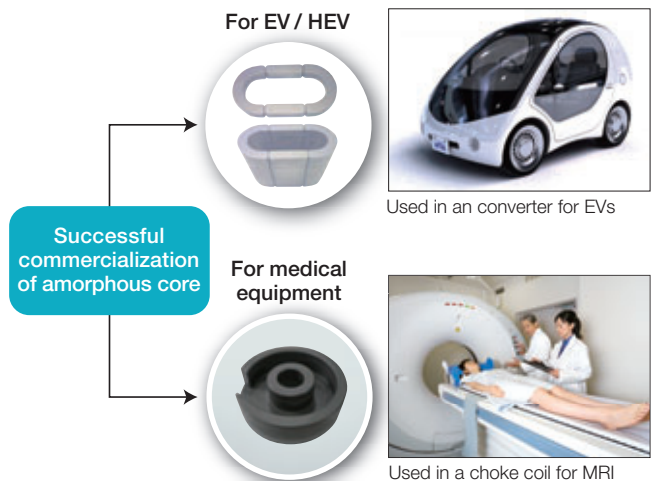
IC Tag Integrated Bearing

* Photos are cross-sectional models of products

2 Development of composite material products and market deployment

We have built up advanced technologies in the field of materials, as exemplified by our sintered bearings, which use metal powder, and plastic bearings, which use high-performance materials. By combining these proprietary technologies with the molding and manufacturing technologies of Nippon Kagaku Yakin Co., Ltd., which we acquired in 2011, we are expanding business in the field of new functional materials.

One example is the Amorphous Core we developed in 2012 for high-current applications. It is used in EVs, solar power facility reactors, MRI choke coils, and other applications.





Feature

Besides providing superb reliability under the trying conditions of these applications, this product offers design freedom in injection molding and contributes to devices that boast compact and light designs. We will continue to develop new, high-value-added materials.

3 Full operation of the EV system products business

The NTN Group is combining the assessment technology built up in car wheel applications with motor drive technologies such as magnetic bearings in order to develop system products for EVs. With our In-wheel Motor System, incorporating a motor into each car wheel makes the car's interior more spacious

and gives greater freedom of its design. It makes possible a new generation of cars that can "pivot turn" and "lateral move". NTN has been planning, designing, producing, and assessing this product mainly with young engineers.

In the fiscal year ended March 31, 2013, we implemented demonstration project of two-seater electric commuter in France. We also confirmed the feasibility of converted EVs (modified EV with a motor replacing the ordinary internal combustion engine and batteries mounted on-board) that we provided to the government of Iwata City, Shizuoka Prefecture, which conducted a successful year-long demonstration test on public roads. These successes are the basis for accelerating efforts to bring products and technologies to market at the earliest possible date.

Measures for full operation of the EV system products business



Intelligent In-wheel



In-wheel Motor System for compact EVs



Social demonstration project of micro compact EV (France)



Start of a public road EV demonstration project as registered light vehicle

Demonstration Project

Early commercialization of EV system products

Product Development



In-wheel Motor System



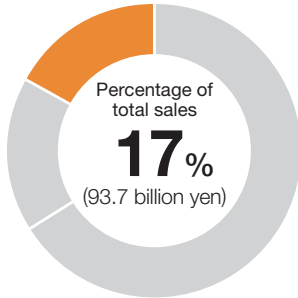
World's first demonstration test of converted EV (Iwata City)



Q'mo demonstration model

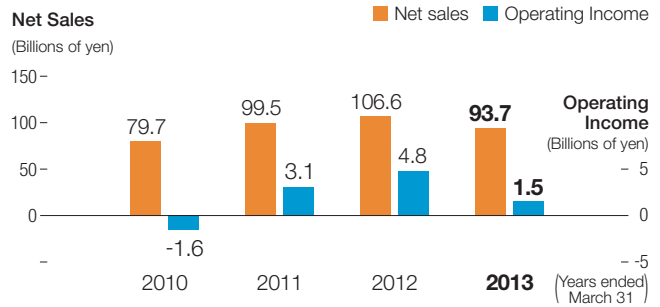
▼ Net Sales in Each Business Application as Percentage of Total Sales

Industrial Machinery Applications

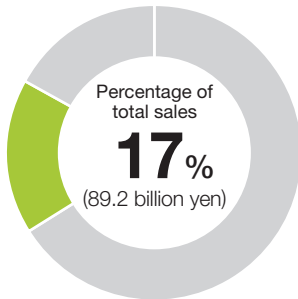


This business covers a range of industrial machinery sectors including construction machinery, agricultural machinery, aerospace, office equipment, wind turbines, machine tools, and rolling stock. We are working to develop new technologies and expand sales for all sizes of bearings.

Net Sales and Operating Income for Industrial Machinery

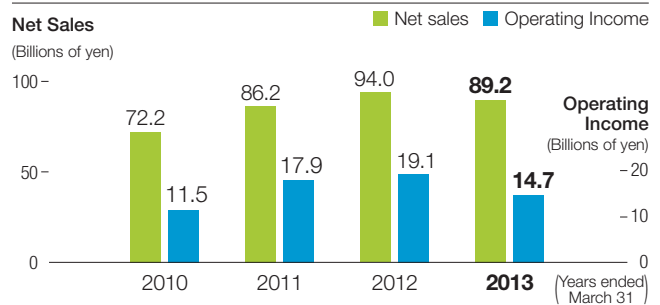


Aftermarket & Distributor Applications

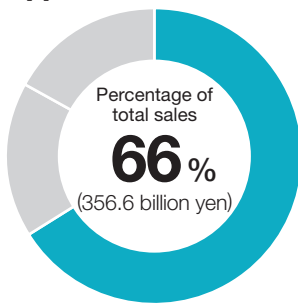


Through distributors, we provide bearings for aftermarket for general machinery, and we service the aftermarkets for mining, paper, and steel machinery, as well as the aftermarket for automotive repair parts (auto parts). We provide increasingly more bearings of all types to customers around the world.

Net Sales and Operating Income for the Aftermarket and Distributor

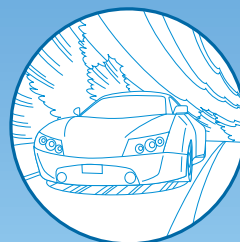
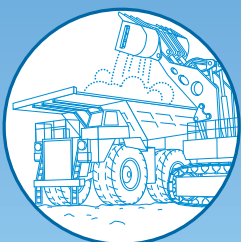
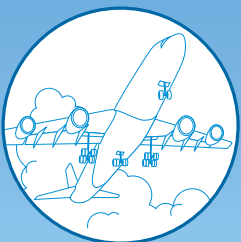
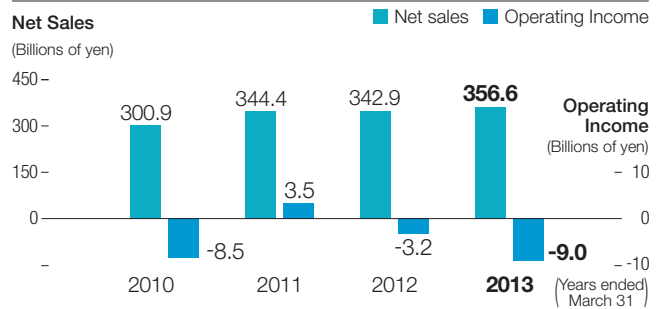


Automotive Applications



This market covers automotive and automotive-related parts. With the main products of hub 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

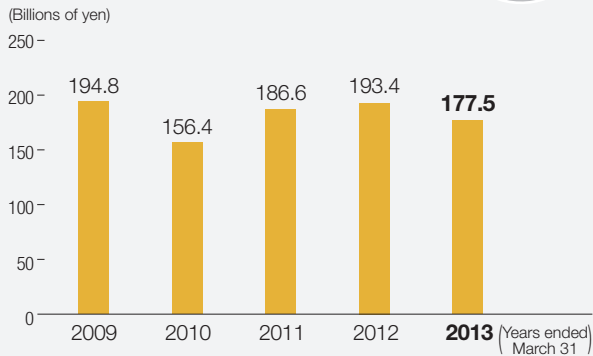


Reference: Net Sales by Region

Japan

Percentage of total sales

33%

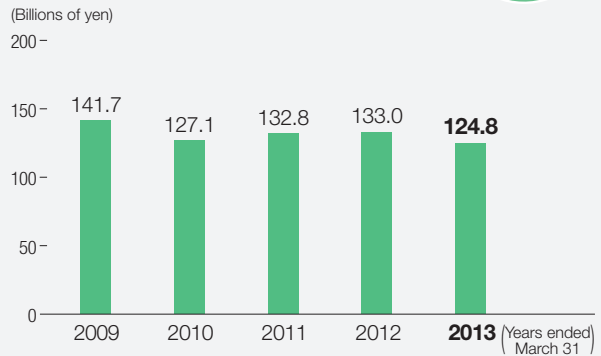


In the industrial machinery applications, sales for general machinery fell, as did construction machinery due to a drop in customer demand in China. Sales were also down in the aftermarket and distributor applications. In the automotive applications, despite signs of recovery from a manufacturing drop following the Great East Japan Earthquake of March 2011, sales were down overall due to a decrease in demand for Japanese car exports.

Europe

Percentage of total sales

23%

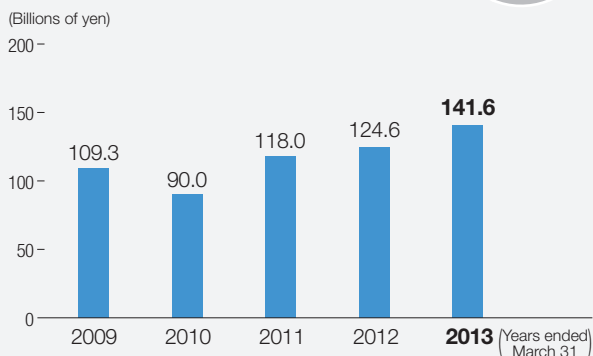


In Europe, economic recovery is slow due to financial instability, and this has led to lower sales in the industrial machinery applications, the aftermarket and distributor applications, and the automotive applications.

Americas

Percentage of total sales

26%

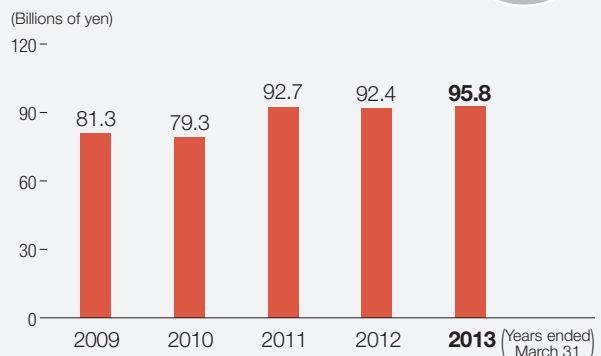


In the industrial machinery applications, sales decreased in construction machinery and increased in the aftermarket and distributor markets. In the automotive market, sales were up overall due to increased customer demand.

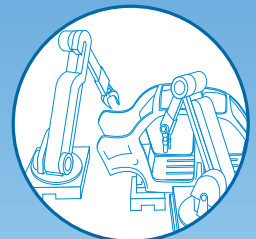
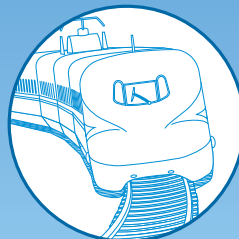
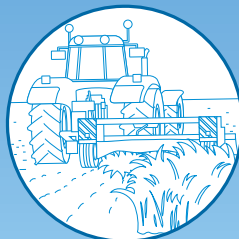
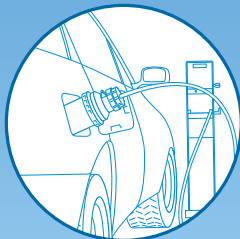
Asia and Others

Percentage of total sales

18%



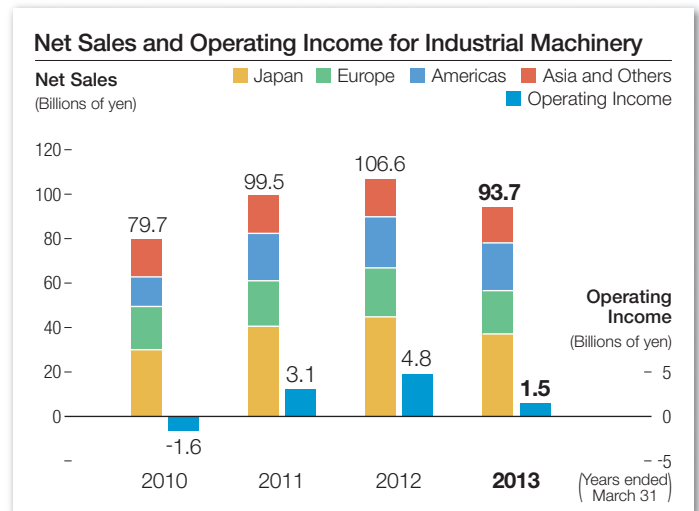
In the industrial machinery applications, sales were down in the markets for general machinery, office equipment, and construction machinery, and the aftermarket and distributor applications. In the automotive applications, sales were down to Japanese manufacturers in China, but in Asia and other areas, a recovery from the manufacturing drop following the floods in Thailand, along with increased demand from customers, contributed to increased sales.



Net Sales in Each Business Application as Percentage of Total Sales



Kenji Okada
Deputy President



Results in the Fiscal Year Ended March 31, 2013

Net sales in industrial machinery were 93.7 billion yen, down 12.9 billion yen (12.1%) from the previous fiscal year.

In Japan, sales were up in aerospace and agricultural machinery. Demand was down significantly, however, in construction machinery and machine tools in China, Indonesia. In the Americas, demand was down in the construction machinery and gear box markets, and in Europe demand was stagnant overall.

Operating income was 1.5 billion yen, down 3.3 billion yen (68.3%) due to the drop in net sales.

Overview of the Fiscal Year Ending March 31, 2014

For the fiscal year ending March 31, 2014, we forecast an increase in overseas sales as we work to gain new customers and increase market share. Asia will be a key region as we anticipate recovering demand and growing market share in wind turbines and rolling stock, and increasing sales in construction machinery in China.

We also anticipate increasing sales thanks to growing demand in agricultural machinery in the Americas and in aerospace in Europe.

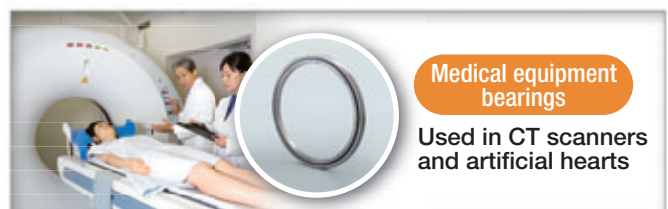
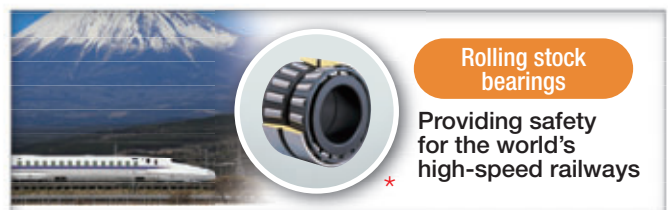
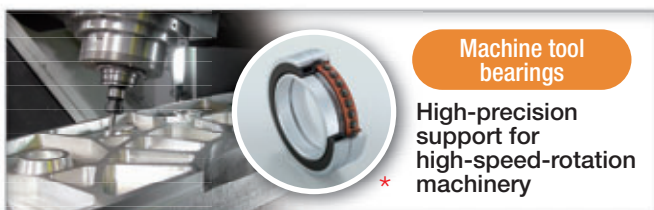
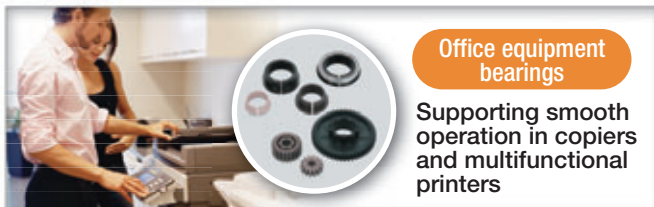
Medium- and Long-Term Strategies

The basis of NTN's medium- and long-term strategy is "expand sales in growth industries". In newly emerging countries, where economies are advancing and populations are growing, we expect to see a continuing increase in demand in construction machinery, agricultural machinery, aircraft, rolling stock, and other markets. The wind turbine market looks particularly promising as the number of installations continues to increase primarily in Europe. We aim to increase profits by responding to these growth markets with a stable supply of high-quality products that meet varying customer needs. In the area of research and development, we are focusing on high-performance bearings such as the ULTAGE series of spherical roller bearings, and on unique system products such as Condition Monitoring System (CMS) for Wind Turbines. We will promote self-contained development at our four regionally.

Regionally, we are focusing on China and ASEAN. Based on our philosophy of "on local site with local materials by local personnel," we will expand manufacturing at local plants, and boost cost competitiveness by procuring parts and materials locally. At the same time, we are hiring and training skilled local personnel so that we can improve our local customer support capabilities and increase sales to local manufacturers.

Main Product Lineups for the Industrial Machinery Applications

* Photos are cross-sectional models of products.



At a Glance

Topics

Supplying the 4 World' Largest Engine Manufacturers

In October 2012, we received a mass-production order from Pratt & Whitney to mass-produce bearings for the PurePower® family of jet engines. In June 2013, we took an order to mass-produce bearings for the Rolls-Royce Trent XWB jet engines. KUWANA Works was the first bearing manufacture in Japan to acquire the JIS Q 9100 quality management system and Nadcap* accreditation program. High-performance, high-quality bearings are supplied to companies around the world.

The mass-production orders from these two engine companies were the first for NTN and represent a successful effort by KUWANA Works, that have a dedicated plant for aerospace bearings, and the Argonay Plant of NTN-SNR in France to cooperate in development and manufacturing.



Kuwana Works Ultra-precision bearing plant (Kuwana-city, Mie Prefecture, Japan)



NTN-SNR Argonay Plant (Argonay, France)



Various NTN bearings for the aerospace industry

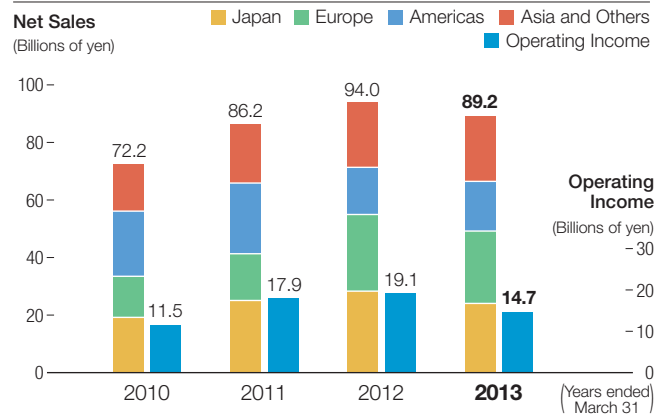
* Nadcap: Nadcap (National Aerospace and Defense Contractors Accreditation Program) is developed by PRI (Performance Review Institute), which is managed by participating members such as aircraft manufacturers including Airbus and Boeing, and prime engine manufacturers including P&W, Rolls Royce, and GE. Launched in 1990, the program manages auditing and accreditation for quality assurance and special processes.

Offering Ever-Improving Products and After-Sales Service in All Markets



Fukumatsu Kometani
Executive Director

Net Sales and Operating Income for the Aftermarket and Distributor



Results in the Fiscal Year Ended March 31, 2013

Net sales in the aftermarket and distributor applications were 89.2 billion yen, down 4.8 billion yen (5%) from the previous fiscal year.

This was the result of a lingering slowdown in inventory turnover at distributors due to a stagnant economy. On the positive side, in North America we enjoyed increased sales of parts kits for large trucks, new products we recently started to sell, and in Europe we boosted sales to large equipment repair companies.

Operating income was hurt by the fall in net sales, coming in at 14.7 billion yen, down 4.4 billion yen (22.8%).

Overview of the Fiscal Year Ending March 31, 2014

In the fiscal year ending March 31, 2014, in China and other promising Asian markets, we will expand sales network, nurture our core distributors, and tap the market for MRO customers. In Europe, we will continue to increase sales to large MRO customers, and in Eastern Europe and Russia we will expand sales network. In the Americas, we will strengthen ties with large distributors and increase sales of parts kits for trucks.

Medium- and Long-Term Strategies

In the automotive field, we aim to expand the highly profitable automotive parts business overseas. We will focus on the parts kit business and unit products and utilize the experience and know-how of NTN-SNR to become stronger in this field worldwide. In the Americas, we have already embarked on full-scale marketing of parts kits to large distributors with North-American-wide sales and supply networks and large parts dealers.

In the industrial machinery field, we are focusing on expanding the highly profitable MRO business. In unison with local distributors, we are improving our technical services by visiting customers in fully equipped mobile training units in four world regions (Japan, the Americas, Europe, and China). We are also boosting our competitiveness by nurturing local engineers and selling maintenance tools.

We are also strengthening the supply chain with the startup of a dedicated production line in Japan for industrial machinery aftermarket products, which will allow us to flexibly provide a range of products in small lots. We have also started revamping the supply chain to properly manage inventory on a global scale. These efforts will garner us more sales opportunities through the stable supply of products in a shorter time frame.

Main Product Lineups for the Aftermarket and Distributor Applications

* Photos are cross-sectional models of products.

Steel

For furnace body trunnion

Rolling mill

Converter

Super large-sized split spherical roller bearing*

Four row cylindrical roller bearing*

Double row tapered roller bearing

Sealed four row tapered roller bearing

Auto Parts

Extensive lineup of parts kit

Parts kit for North America

Oil and Gas

Thrust cylindrical roller bearing

Equipments at oil and gas including shale gas production site

Mining

Bearing unit

Conveyor

Crusher

Sealed spherical roller bearing*

Topics

Expanding Sales Network Throughout Asia

In China, India, and Indonesia, NTN is working to expand sales network, nurture core distributors, and strengthen selling systems using IT.

In China and Indonesia we are increasing the number of distributors, and in India we are establishing new sales bases (in Mumbai) and reorganizing and strengthening existing distributors with the goal of expanding sales network.

We are also nurturing distributors capable of increasing sales so that we can boost the selling power of our products.

We are also using IT to strengthen our sales systems. We are improving the functions of our online sales systems for local distributors, and we are working to introduce these online systems to regions that don't yet have them.



Mobile training unit



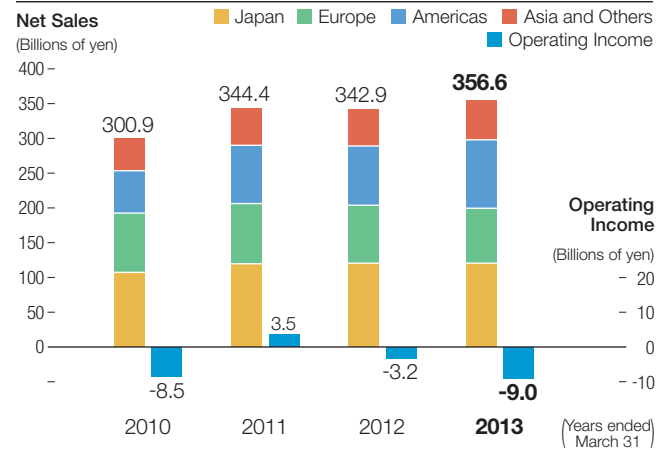
At a Glance

Achieving to Improve Profitability by Strengthening Product Competitiveness and Response to Market Needs



Yoshinori Terasaka
Director

Net Sales and Operating Income for Automotive



Results in the Fiscal Year Ended March 31, 2013

Net sales in the automotive applications were 356.6 billion yen, up 13.7 billion yen (4%) from the previous fiscal year. While customer demand was down in Europe, sales were up in the Americas and Asia.

The operating loss was 9.0 billion yen (compared to an operating loss of 3.2 billion in the previous fiscal year). Contributing factors were an increase in temporal costs resulting from an additional burden imposed on production lines in coping with increased sales to the Americas.

Overview of the Fiscal Year Ending March 31, 2014

In the fiscal year ending March 31, 2014, we forecast decreasing sales as Japanese car manufacturers move production overseas and the Japanese government ends its eco-car subsidy program. But we also see increasing sales in Asia thanks to strong domestic demand within ASEAN countries, growth in the Chinese market, and recovering demand for Japanese car manufacturers in the region. The Americas will enjoy a manufacturing boost on the strength of replacement purchases and we estimate to receive new orders for new projects as well.

Medium- and Long-Term Strategy

Looking medium to long term, the market will likely shrink as automotive production volumes decrease in Japan. However, we anticipate demand to rise on the strength of increasing car sales in the Americas and continuing growth in Asian economies.

Amidst this climate, we aim to tackle the pressing problem of profitability by review of design and manufacturing methods to reduce costs. We will also boost cost-competitiveness by not just expanding production volume in demand regions but also by promoting to use more local steel and procure more local pre-processes parts.

In the area of product development, car drive mechanisms are expected to go increasingly electric, and in response we are developing new products and systems through cooperative efforts across engineering divisions. As exemplified by the Ball Screw Drive Module for electric vehicles (EVs) and hybrid vehicles (HEVs) that we began mass-producing in 2013 (see page 28 for details), we are using the unique technologies we have built up to quickly bring to market high-value-added products that improve the energy efficiency of EVs and HEVs. This is in turn improving profitability.

Main Product Lineups for Automotive Applications

* Photos are cross-sectional models of products.

Transmission
Tapered roller bearings
Thrust needle roller bearings

CVT
Hollow ball screw unit*

Steering
Constant-velocity joint for steering*

Seat
Clutch for seat lifter*

Wheel applications
Third generation hub bearings*
The world No.1
Needle roller bearings for rocker arm
Constant-velocity joints*
The world No.2

Engine, accessories
High-load resin pulley
Auto-tensioner unit*

At a Glance

Topics

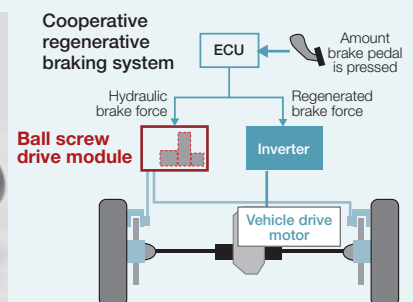
April 2013

Ball Screw Drive Module for EVs and HEVs Developed

EVs and HEVs generate brake force by using the vehicle's drive motor as a generator while braking to convert (regenerate) the vehicle's driving energy to electrical power. NTN has developed and begun mass-producing a Ball Screw Drive Module that is used on the cooperative regenerative braking system, which raises this electrical conversion efficiency. This compact and highly reliable modularized product, the culmination of NTN's years of expertise in ball screws, bearings, sintered materials, and other automotive technologies, contributes to fuel savings of several percent.



Ball Screw Drive Module



Research and Development System

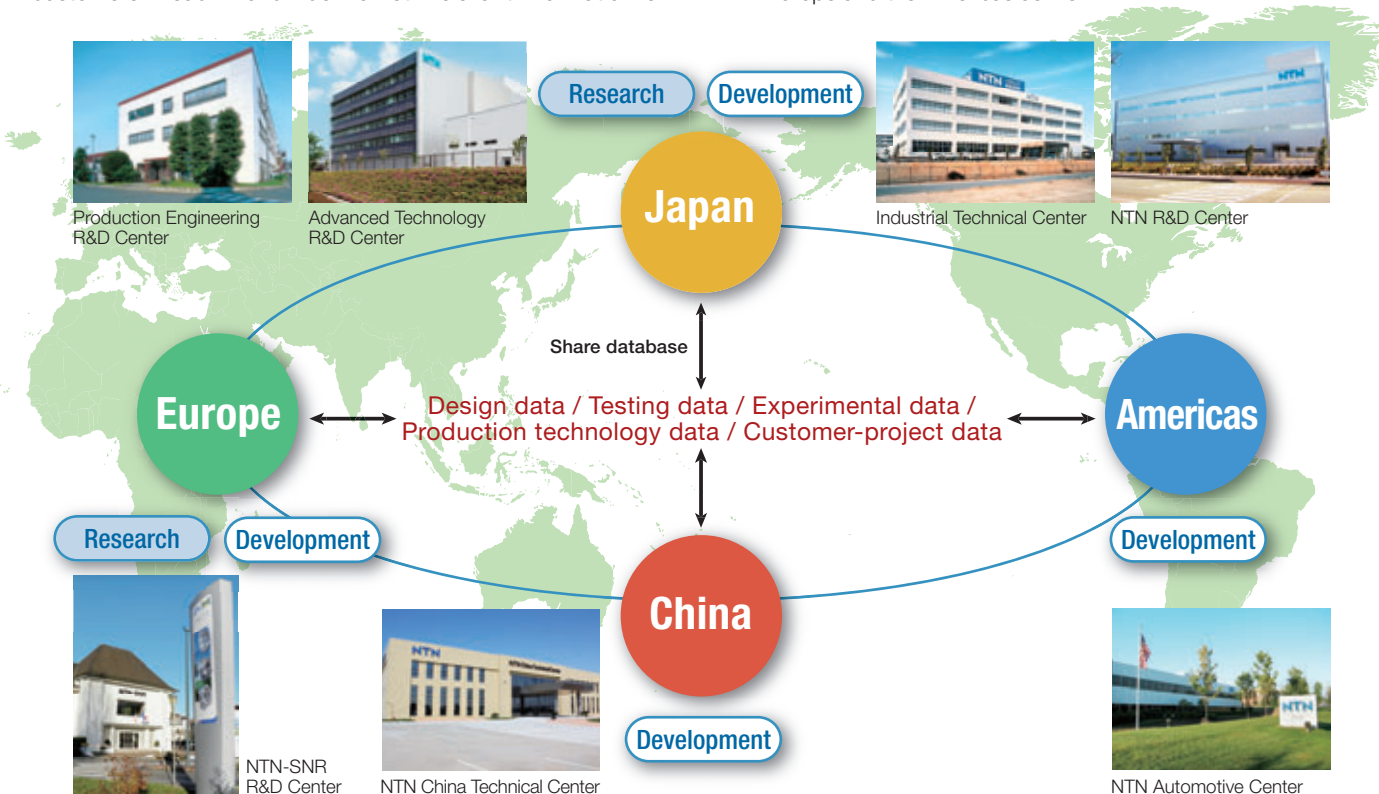
NTN conducts research and development through four regionally independent development bases around the world with a theme of environmental protection and creating technologies for renewable energy.

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

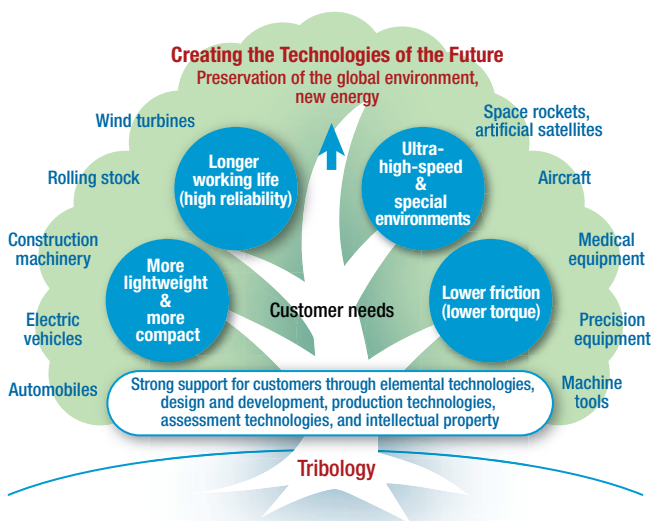
NTN's R&D includes basic research in elemental technology and other areas, which we conduct at two R&D bases, one in Japan and one in France. The development of products and technological services is conducted in a locally based, self-contained manner in order to promptly meet the needs of customers 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.



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

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*³ 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.

*3 The EV System Division changed its name to the EV Module Business HQ on March 1, 2013.

CSR Activities Report

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We position thorough corporate governance and strong compliance as top priorities and strive to realize these throughout the NTN Group worldwide.

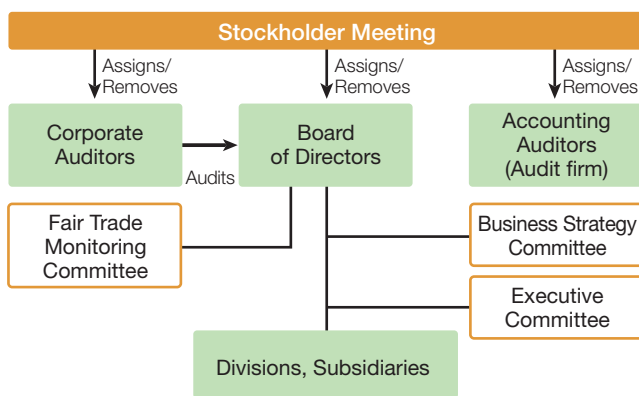
Strengthening Corporate Governance

Philosophy and System of Corporate Governance

NTN makes the implementation of highly efficient corporate governance a top management priority and we build systems that make management more efficient and robust.

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 (As of July 2013)



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.

Continuously Strengthening Management Auditing Functions

NTN employs a corporate auditor-based governance system in which three of the four corporate auditors are from outside the company. Outside corporate auditors bring specialized knowledge in areas such as finance, management, and law, and they conduct audits in collaboration with in-house standing statutory auditors and the Internal Audit Department.

The Board of Directors, which includes two outside directors, makes decisions on important matters and oversees business execution, and corporate auditors sit on the Board of Directors to give their opinions. In this way, we strive to maintain and improve transparency and fairness of the Company's management supervision system.

We also employ the Executive Officer System to ensure swift decision-making and business execution.

The Board of Directors, based on set regulations, makes decisions on the selection and dismissal of representative directors and directors with special titles, as well as the designation and cancellation of duties delegated to directors. After director candidates are decided on at the Board of Directors meeting, they are nominated and voted in at the general shareholder meeting. This ensures transparency and fairness.

Compensation Based on Regulations

The upper limit for the compensation for officers is voted on at the general shareholder meeting, and the compensation and bonuses for directors are decided on by the Board of Directors based on its regulations. Statutory auditors negotiate their compensation. NTN has no system of retirement benefits.

Internal Control

Creating and Implementing Systems a Top Priority

In line with the basic framework for internal control as outlined 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, NTN has a basic policy for the structure of internal control. Based on this policy, we have made the creation and implementation of an internal control system a top priority of our risk management and compliance. The Internal Audit Department is responsible for internal audits, and has been established as an independent auditing organization to audit business execution throughout the Company.

NTN's Efforts to Comply with the Antimonopoly Act

The NTN Group has made compliance a top priority and is striving to strengthen its systems for complying with laws and regulations.

In June 2012, NTN and former executives received an indictment filed by the Tokyo District Prosecutors Office (TDPO) on suspicion of having violated Japan's Antimonopoly Act in relation to the domestic sale of bearings. In March 2013, we received a cease and desist order and surcharge payment order (for ¥7.231 billion) from the Japan Fair Trade Commission (JFTC). Because the assertions by the JFTC and TDPO are greatly different from NTN's view of the facts, in April 2013, NTN appealed the JFTC's order and we intend to assert our defense in upcoming criminal proceedings.

In July 2012, a consolidated subsidiary of NTN in South Korea underwent an on-site inspection by the Korea Fair Trade Commission, and in February 2013, NTN's Singapore subsidiary underwent an inspection from Competition Commission Singapore. NTN subsidiaries are also under investigation by the authorities in the U.S. and the E.U.

As well, NTN and its subsidiaries in the U.S. and Canada are defendants in a number of class action suits.

We at NTN sincerely regret any concern caused to shareholders by these events.

The NTN Group has been committed and remains committed to ethical business activity and fair competition in compliance with all laws and regulations including the Antimonopoly Act.

(1) The construction of systems to ensure compliance with the Antimonopoly Act

In April 2012, we established the Fair Trade Monitoring Committee to ensure fair trading in compliance with the Antimonopoly Act and the Subcontracting Act. It is under direct control of the Board of Directors and 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. At the same time we also established the Fair Trade Promoting Department, which is responsible for the company-wide development of the policies set out by the Fair Trade Monitoring Committee and institutional decisions.

(2) Continuous compliance activities for the Antimonopoly Act

The Fair Trade Promoting Department leads in-house

training for directors, sales departments, and managers. In August 2012, it established five principles for preventing cartels and these were put on cards for employees to recite. In December 2012, it published and distributed the Antimonopoly Act Compliance Handbook. We also monitor progress and conduct guidance of our compliance with laws and regulations; for example, self-audits by employees and in-advance applications by employees to request an approval from the Fair Trade Promoting Department to participate in meetings with potential contacts with competitors, such as customer/supplier situations or collaborating for joint supply to OEMs at an OEM's requests. Under our in-advance application system, we have employees who will take part in meetings with other companies, such as a Trade Association Meeting, sign and submit an agreement that says, "I will not have any discussions, such as regarding pricing information, that would cause suspicion of NTN being in violation of the Antimonopoly Act. If such a topic should arise, I will explain that I cannot take part in such discussion and immediately excuse myself." It is also mandatory that NTN employees report any contacts different from those on the in-advance application and any unexpected contacts without an in-advance application so that we can have a global picture of contacts with competitors.

Any reports or consultations from directors and employees are received through the consultation services of the Fair Trade Promoting Department and through a helpline, and we can provide a prompt answer or start investigation quickly. The Fair Trade Promoting Department also controls NTN's compliance system by auditing progress of the improvement measures taken in the relevant NTN departments.

At NTN's overseas bases, we are working to ensure control over our global activities by strengthening compliance systems that ensure we abide by antimonopoly and competition laws in various countries. We are establishing a system of responsibility for each of our business regions under the guidance of the Fair Trade Promoting Department, our subsidiaries are conducting compliance training for employees, and we are building systems for conducting audits such as the in-advance applications mentioned previously.

The NTN Group will use these various systems to conduct continuous education and awareness activities that strengthen overall control over our compliance.

Pursuing Risk Management

Philosophy and System of Risk Management

■ System Implementation in Line with Basic Policy and Management Rules

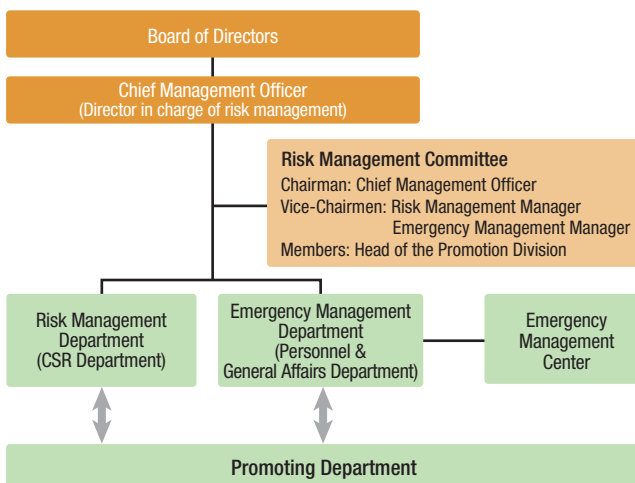
In line with NTN's Basic Policies, we have formulated our Risk Management Policy, and we have established the Risk Management Rules, which set out the systems and standards to follow in case of an emergency. Based on these policies and rules, we have created an integrated system that prevents the occurrence of emergencies and provides a protocol for promptly handling them if they do occur.

■ Setting Key Management Risks to Handle with the PDCA Cycle

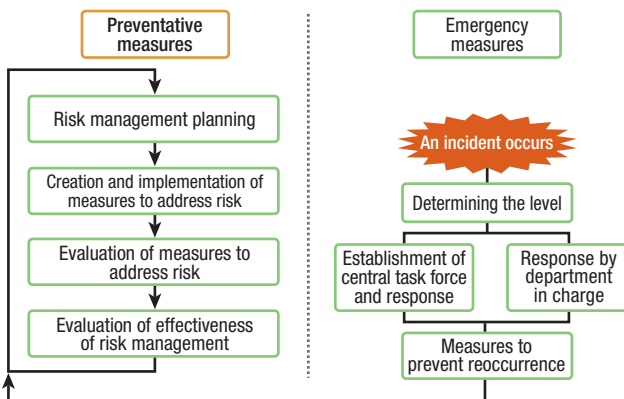
We established the Risk Management Committee as an advisory body for managing risk. The committee leads focused risk measures.

In the fiscal year ended March 31, 2013, the Risk Management Committee determined possible risks and created measures to deal with them, with a special focus on hazard risk (external risks) such as disasters and compliance risks.

Risk Management System



Risk Management Approach



Formulating BCP and Other Disaster Measures

In the area of hazard risks, NTN used a hypothetical situation of multiple bases coming to a halt due to a large-scale natural disaster to create three types of measures: for preventing damage, minimizing damage, and restarting business.

For example, problems that could occur in a disaster include defective products, the leaking of harmful and dangerous substances, damage and loss of IT equipment and digital information, stoppages at suppliers, and loss of logistics functions. We look at each of these to study and make appropriate measures.

To make business continuity plans (BCP) for the prompt recovery and continuation of business following a disaster, all divisions share their policies on current and possible future BCPs and this cooperation leads to the formulation of updated measures. In addition, we constantly improve systems to ensure we can effectively confirm the safe whereabouts of employees in a disaster.

Information Security Measures

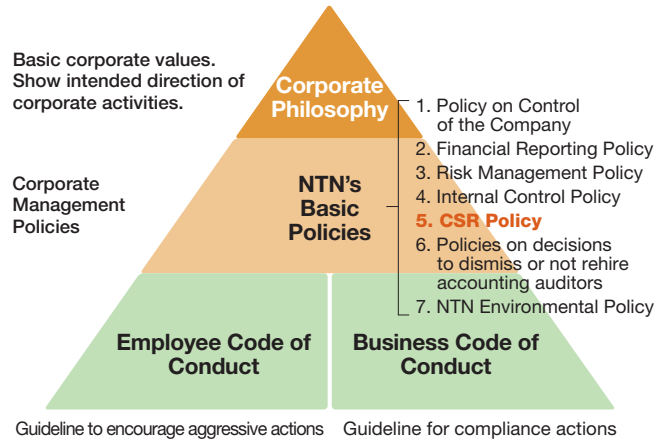
In the fiscal year ended March 31, 2004, NTN formulated our Basic Policy on Information Security. The Information Security Guide on the NTN intranet contains items like the Information Security Handbook and tests of employee level of understanding on information security; the aim is to make all employees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

CSR Management

CSR a Key to Corporate Philosophy System

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.

Corporate Philosophy System



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.

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

Disseminating the Codes of Conduct Accordance with Basic Policies

In accordance with its CSR Policy, NTN formulated the Employee Code of Conduct, the guidelines for carrying out CSR activities, and the Business Code of Conduct, which all officers and employees must abide by.

These are written in the CSR Guidebook and the Pocket CSR Card that all NTN Group employees in Japan possess so that they can put CSR into action into their daily work.



The CSR Guidebook and the Pocket CSR Card

Disseminating Codes of Conduct at Overseas NTN Group Companies

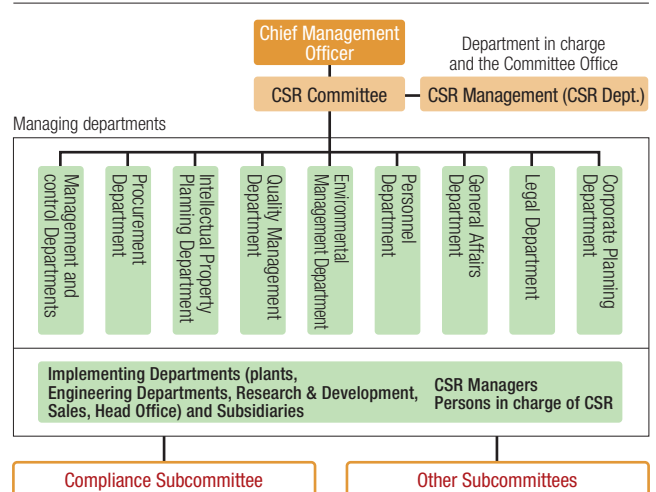
All NTN Group companies overseas disseminate Codes of Conduct that match their particular situation. For example, NTN-SNR (France) formulated its Codes of Conduct in 2011 and put them in booklets that are distributed to all employees.

CSR Promotion Structure

CSR Department and CSR Committee Lead Activities

In 2006, we began our CSR activities in earnest with the establishment of the CSR Management Rules and the CSR Department. The CSR Department is a dedicated division for overseeing the NTN Group's CSR activities as well as advancing and strengthening them. The CSR Committee is chaired by the head of the CSR Department and made up of the heads of relevant divisions. It systematizes CSR activity plans and CSR policies, and it deliberates on CSR issues across all divisions. We 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.

CSR Promotion Structure



Key Focus Areas in the Fiscal Year Ended March 31, 2013 (CSR Department)

- **Review CSR Policy**
Systematize the CSR Policy along with the Employee Code of Conduct and Business Code of Conduct.
- **Create and publish the NTN Report (on CSR activities)**
- **Plan and implement compliance education**
This education was available to new employees, employees being promoted to managerial positions, and employees of the new subsidiary Nippon Kagaku Yakin Co., Ltd.
- **Measures for conflict minerals covered by the Dodd-Frank Act**
Prior inspections are carried out in Japan, and we built a system for responding to inquiries from overseas customers.
- **Meet customer needs by having plans for business continuity management (BCM).**

Overseas Group Companies Gear CSR Activities to Local Needs

NTN Group companies overseas each create a system for conducting CSR activities by making and implementing plans that meet specific local needs.

For example, Shanghai NTN Corp. distributes a variety of CSR-related manuals to employees, and each division has a person in charge of CSR who takes the initiative in leading CSR activities for that particular division. These people in charge of CSR periodically patrol their own and other divisions to check on the progress of CSR activities and when necessary point out areas where improvement is needed.

Furthering Compliance

Philosophy and System of Compliance

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.

■ Compliance Subcommittee Carries Out CSR Activities

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.

■ Helpline Established

We have set up helplines inside and outside the company to offer consultation on compliance matters. In the fiscal year ended March 31, 2012, our helpline management rules were revised so that calls to the helpline related to competition laws (Antimonopoly Act, Subcontract Act) could be reported to the Fair Trade Monitoring Committee.

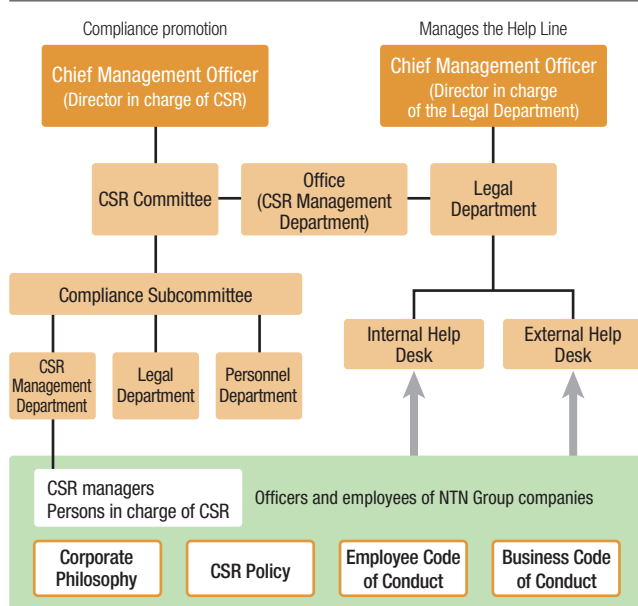
■ Focus on Education Aimed at Disseminating Compliance

NTN focuses on compliance-related education. At NTN sites and Group companies in Japan, chiefly CSR managers and persons in charge of CSR plan educational activities and lead sessions on a range of topics for all levels of employees.

One focus is training for employees being promoted to managerial positions, who take self-learning with company-provided textbooks and online CSR comprehension tests. As well, 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.

In addition to company-wide education, each workplace has its own systems in place, such as employee self-checks and feedback sessions, that ensure its workers are constantly raising their awareness of compliance.

Compliance · Helpline Management System



We strive to realize an open general shareholder meeting and release accurate information in a fair and timely manner.

General Shareholder Meeting

Our Goal: An Open General Shareholder Meeting

We have taken the following steps, such as making it easy to take part in general shareholder meetings, to streamline procedures for shareholders to exercise their voting rights.

Measures to Streamline Shareholder Voting Rights

Swiftly mailing our general shareholder meeting notice	The law says shareholders must be notified two weeks prior to a shareholder meeting, but we send our notices seven days earlier than that (three weeks prior).
Scheduling meetings that avoid the dates that most companies set for such gatherings	The following make it possible for as many shareholders as possible to attend: 1. Avoid dates that most companies hold their meetings. 2. Take into account factors such as settlement and audit schedules.
Broadly notifying of our general shareholders meeting through the internet and other media	We publicize notices of our general shareholder meeting and other information through the Tokyo Stock Exchange and our website to reach as many shareholders and investors as possible.
Using electronic voting via the Internet	1. 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, and which allows voting from outside of Japan. 2. 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. 3. 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	At the general shareholder meeting, we present some of the business report and settlement data as graphs, photos, and other visuals to complement the meeting chairperson's explanations.



Products on display at the general shareholder meeting

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.

Explaining Policy at Seminars and Briefings

We provide as many opportunities as possible for stakeholders to hear about NTN management policy from the company's top management.

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, 2013, we held a briefing on February 18 for 82 attendees so that we could explain our Revival 2014 medium-term management plan, which began in April 2013.



Briefing on business results for investors

IR Activities

Disclosing Accurate Information in a Fair and Timely Manner

We respond to the desire of shareholders and investors to receive accurate information in a fair and timely manner.

Timely Information Online

We focus on making information available for anyone to read by disclosing it on the Internet.

We satisfy timely disclosure requirements under Securities Listing Regulations by presenting information through the Company Announcements Disclosure Service

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.



Officers (As of June, 2013)

Directors

Yasunobu Suzuki Chairman and CEO	Hironori Inoue Managing Director	Yoshinori Terasaka Director
Shigeyoshi Takagi President	Hiroshi Ohkubo Managing Director	Hisaji Kawabata Director (external)
Kenji Okada Deputy President	Keiji Ohashi Director	Akira Wada Director (external)
Fukumatsu Kometani Executive Director	Itsuji Gotou Director	

Statutory Auditors

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

Executive Officers

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

Focus 1

Raising Productivity While Maintaining Quality

NTN-SNR (France)

Increasing Production Volume by 20% for Tapered Roller Bearings

Craftsman-like skills by seasoned workers

Break work down into more than 30 steps for verification
Verify issues daily

Increase productivity by 20%



Tapered roller bearings

Raising Productivity While Maintaining Quality

The Seynod Plant of NTN-SNR was pressed to increase production volume of tapered roller bearings by 20% to keep up with a rapid rise in demand accompanying a growth in car manufacturing. While maintaining the same high quality demanded of its products, the company completely revamped its manufacturing processes to boost productivity.

3 Ways to Improve Productivity

The first thing the Seynod Plant did was to analyze the current state of the plant and establish three ways to boost productivity: improve on-site work processes, solve issues with manufacturing technology, and shorten arrangement time.

First, NTN-SNR set out to record work processes each hour and use this record to find work protocol issues and technological issues, and come up with measures to deal with these at daily meetings. As a result of this verification, the company came up with the following three proposals that it implemented.

- 1 Have the grindstone and the tools used to replace the grind stone ready in advance to shorten replacement time.
- 2 Change the position of the revolution display lamp to improve visibility of line operation.
- 3 Create a work standards manual to use for drills (to pass down the knowledge of seasoned employees).

In addition, NTN-SNR formed an “arrangement time shortening team” and used the SMED* method to make improvements towards this goal. They did this in the following two ways.

- 1 They put the tools used in the various arrangement jobs into “tooling boxes” beforehand.
- 2 They organized things like component supply devices into units.

* SMED: The time needed to arrange or prepare for a work process is shortened by analyzing the work process and figuring out how to modify or shorten each step.

20% Production Volume Increase in 6 Months

These efforts resulted in the Seynod Plant increasing production volume by 20% in six months. The NTN Group used the NTN-SNR example as a case study in Group in-house training to help other bases improve their productivity.

A Word From the Workplace

On-the-Job Ideas Helped Us Reach Our Targets



Bruno Vellut
Team Leader,
NTN-SNR Seynod Plant

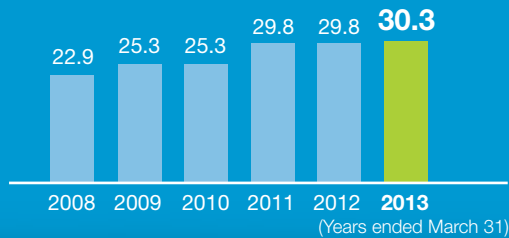
We come up with a variety of new ideas daily in the plant. With this project, we were able to make good use of these ideas to achieve a difficult target. I think that by working as one toward the target we also improved our teamwork and motivation. We plan to continue taking on new challenges.

Focus 2

Protecting Biodiversity

NTN Group in Japan 10 Years of Striving to Preserve the Bounty of Nature

Forest Area (hectares) Protected in NTN Kigyo no Mori Project



NTN's family members plant vegetation

Ongoing Cooperation with the Municipality to Protect Natural Habitats

Every since IWATA Works launched its Green Charity in 2002, the NTN Group in Japan has conducted a range of activities to protect the bountiful habitats of a diverse range of life forms. Starting in 2006, we have wherever possible taken part in projects where local governments put corporations in charge of protecting forests.

Under the NTN Kigyo no Mori project, the most important thing has been to continue activities long-term. We have therefore conducted ongoing dialogue with municipalities while gradually expanding the scope of action to include activities like underbrush cutting, forest thinning, and tree-planting.

30.3 Hectares as of Fiscal Year Ended March 31, 2013

In November 2012, NTN signed an agreement under Osaka Prefecture's "Adopt-a-Forest Program" to manage an approximately 0.5-hectare forest at the "NTN Okukawachi Lakeside Forest" at the Takihata Dam. (See page 58 for details.) This brings the total area of forest that NTN is protecting in six locations to 30.3 hectares. And we don't just manage the forest. In July 2011, NTN began a joint initiative with Ishikawa Prefecture called the Protect and Nurture Life in a Community Forest in order to protect fireflies' habitats.

We will continue to expand the scope of our activities while looking for new ways to protect the environment.

Expanding Efforts to Protect Biodiversity

NTN Kigyo no Mori Activities

- 1 "Mori-no-satooya" program (Adopt-a-Forest)**
(21.9 hectares since April 2006)
Employees team up with the municipality for forest conservation activities such as planting trees and clearing underbrush. (Komagane City, Nagano Prefecture)
- 2 "Nagomi-no mori" (Forest of Relaxation)**
(1.0 hectare since June 2007)
Employees conduct forest conservation activities such as planting trees and clearing underbrush. (Nishimuro County, Wakayama Prefecture)
- 3 "Shizuoka mirai-no mori supporter" system (Supporters of Shizuoka's future forest)**
(1.4 hectares since April 2008)
Besides forest conservation activities such as clearing underbrush, employees build and maintain a hiking trail and manage a forest that is home to many birds. (Iwata City, Shizuoka Prefecture)
- 4 "Kigyo tonno kyodo no mori zukuri" agreement (Public corporate forest-planting)**
(1.0 hectare since August 2008)
Besides planting trees and conducting forest conservation activities, employees plant mushrooms and hold nature walks. (Mimasaka City, Okayama Prefecture)
- 5 "NTN Komorebi no Mori"**
(4.5 hectares since November 2010)
At Tadoyama, employees plant trees and clear underbrush, build and maintain a hiking trail, and hold nature walks. (Kuwana City, Mie Prefecture)

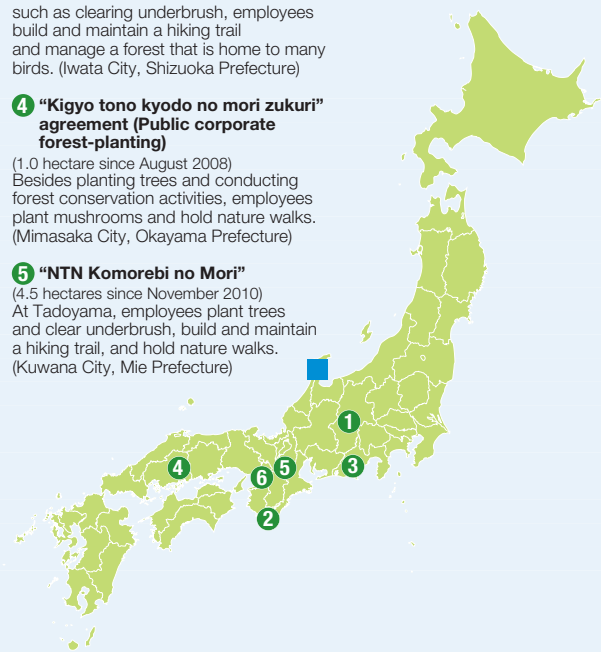
6 "NTN Okukawachi Lakeside Forest"

(0.5 hectare since November 2012)
Employees conduct forest conservation activities such as planting trees and clearing underbrush. (Kawachinagano City, Osaka Prefecture)

Other Activities

"Protect and Nurture Life in a Community Forest"

(Since July 2011)
Employees work to protect and expand the habitats of several species of fireflies in the streams running down from Houdatsuyama by breeding larva and releasing it into the river habitat. (Hakui County, Ishikawa Prefecture)



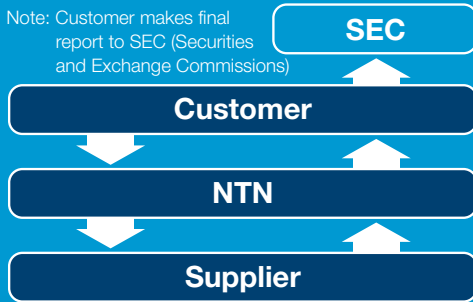
Focus 3

Meeting New Challenges
in CSR Procurement

Response to Restrictions on Conflict Minerals from Democratic Republic of the Congo and Adjoining Countries

Gathering Information on Conflict Minerals

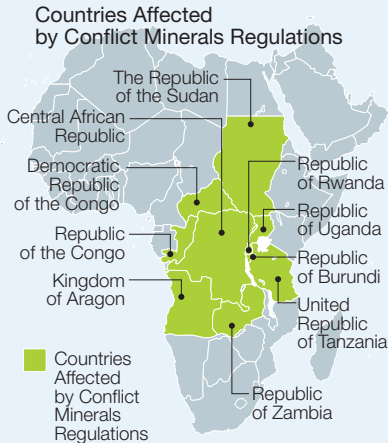
Note: Customer makes final report to SEC (Securities and Exchange Commissions)



Standard reply form for customers

What are Conflict Minerals?

The Democratic Republic of the Congo (DRC) is known as a country suffering years of armed conflict between government and anti-government groups. The country has rich mineral resources, and the United Nations warns that minerals are being illegally exported via surrounding countries and the money obtained is being used to buy weapons in the armed conflict. These minerals are generally referred to as "conflict minerals."



In response, in the U.S. signed the Dodd-Frank Wall Street Reform and Consumer Protection Act into law in July 2010. It included a section requiring manufacturing companies to report and make public their use of four minerals (gold, tantalum, tin, and tungsten), as well as their derivatives, that are mined in the DRC and nine surrounding countries.

Building An Information System to Meet Customer Demands

NTN has many American customer that it supplies with primary components. There are more and more Japanese corporations, particularly international companies, that are moving to conform

to U.S. regulations on the use of conflict minerals. With this trend has come a large number of inquiries from our customers regarding our use of the four minerals mentioned above.

For example, tin is mainly used for plating a part of deep groove ball bearings. However, there are many varieties of items in this one product category. So to ensure that we know exactly what minerals are in what products, we have built a database relating to what NTN items the four designated minerals are used in. Along with this we have built a system that allows us to reply at once to any inquiry from a customer.

Our next goal is to build a system that operates 24-7 and allows us to answer questions from customers anywhere in the world about our use of certain minerals.

A Word From the Workplace

Striving to Respond to All Customer Inquiries



Cynthia Tarka
Manager, Environment, Health, and Safety

Although we can respond to customer inquiries regarding our compliance with the Dodd-Frank Act, each customer still requires a different and unique level of detail and type of information from us. We are, therefore, striving to fully meet customer needs by building a flexible system that allows us to respond thoroughly to all inquiries.

With “Ensure global quality” our top priority, we are boosting quality throughout the value chain and enhancing customer satisfaction.

Quality Management Policy

New Management Policies Each Year Under of Basic Policy of Quality

Under our Basic Policy of Quality, which forms the basic concept of all our manufacturing, we formulate quality management policies for each fiscal year and set down themes for maintaining and raising product quality.

In the fiscal year ended March 31, 2013, as we proceeded with plans to open new production sites in Japan and overseas, we continued our “Ensure global quality” theme from the previous fiscal year. To this end, we sought to raise the worldwide value of the NTN brand and generate corporate profit by having all employees work towards no customer claim and dramatically fewer cases of product disposals due to defects.

Basic Policy of Quality

Pursuit of appropriate quality that 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, 2013

As we start operations at new production bases around the world, we aim to contribute to the NTN brand and corporate profit by having all employees work towards our important quality theme of “Ensure global quality.” The goal is to dramatically reduce the number of complaints and defective products.

Quality Management System

Certification for All Products

■ Acquiring ISO 9001 Certification

The NTN Group has been working to get its production and sales sites certified for the ISO 9001 quality management system and currently 33 production sites and two sales sites in Japan and overseas have been certified.

In the fiscal year ended March 31, 2013, NTA Precision Axle Corp., a joint venture established in 2010 in Illinois, U.S.A. to carry out pre processes for automobile hub bearing manufacturing, was certified, bringing the total of ISO 9001 certified NTN Group companies worldwide to 34 production sites and two sales sites.

■ Using Certifications from Industry Groups

We have 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 the fiscal year ended March 31, 2013, NTN OMAEZAKI Corp. was certified for this standard, bringing to 22 the number of certified NTN production sites that make automotive products.

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 (AAR) 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. (See page 24 for details.)

Focused on Achieving Global Quality

■ Electronic System for Integrated Management of Quality Information

To speed up initial response to quality proposals at our worldwide bases and to streamline quality control work in the NTN Group, in January 2012 we installed the G-QUICK quality information control system. This has globally standardized the quality information control methods and systems at our various worldwide bases and sped up our response. G-QUICK has also had the benefit of improving the sharing and usage of information among bases in Japan and overseas that manufacture the same products.

■ Dissemination of Basic Policy of Quality Throughout Worldwide NTN Group

We have published Japanese, English, and Chinese versions of our Basic Policy of Quality and our Quality Control Handbook. These have been distributed to approximately 100 locations including NTN worldwide manufacturing, engineering, and distribution divisions, and suppliers.



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

Working with Suppliers

The NTN Group strives to boost quality by cooperating with the suppliers who provide us with raw materials and parts.

During our November quality month, we hold supplier quality improvement meetings aimed at giving suppliers the knowledge needed to boost quality through case study presentations and workshops led by outside experts. In the fiscal year ended March 31, 2013, 99 suppliers took part in these meetings.

Every year our suppliers conduct quality audits of their business using a checklist of the NTN Group's quality control criteria to ensure their quality management is operating up to NTN standards. The results of these are used in on-site audits by NTN aimed at ongoing problem-solving in quality management. In the fiscal year ended March 31, 2013, audits were conducted at 271 suppliers (31 more than the previous year).

Enhancing Customer Satisfaction

Sales and Engineering Join to Focus on Customer Needs

■ Focusing on the Unique Needs of Each Customer

All NTN Group sales companies in Japan and around the world have a sales person and engineer for each customer and sales agent. 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.

We strive to constantly improve the skills of these sales person and engineer. In Japan, we conduct TQM (Total Quality Management) activities. At meetings and educational gatherings these sales people reflect on their weekly dealings with customers as a way to help them think and act from their customers' perspective.



A sales TQM conference

■ Helping Solve Customers' Engineering Issues

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.

At the NTN Group overseas, more and more customers are requesting such traveling technical seminars. For example, engineers from NTN Bearing Corp. of America (NBCA) tour customer sites around the U.S. to give training on bearing basics and bearing use.

Strengthening Ties with Sales Agents Around the World

■ Educating Sales Agents About NTN

NTN holds product briefings for its sales agents so that they can better convey information to NTN's end users. At various periodic training sessions for employees of sales agents, we deepen understanding of NTN products and technologies.

In the fiscal year ended March 31, 2013, we held our meeting of Domestic

Distributor Association in Shanghai, with 44 Chinese sales agents attending and visiting the NTN China Technical Center and Shanghai NTN Corp.



Honoring outstanding sales agents

■ Strengthening Ties at NTN's Overseas Group

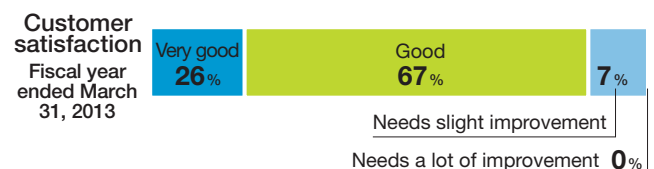
NTN Group companies overseas also strive to boost ties with sales agents. In the fiscal year ended March 31, 2013, NTN (China) Investment Corporation held the NTN 3-Day Product Training School, a technical seminar for sales agents where participants learned basic bearing knowledge and techniques such as how to attach and detach bearings. The two seminars, held in June 2012 and March 2013, welcomed 55 representatives of 28 sales agents.

Survey Shows Overall Customer Satisfaction Up 5 Points

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, 2013, we received survey responses from 86 companies in Japan and other countries, eight more than the previous fiscal year. In overall level of satisfaction, 93% of respondents answered either of the two highest levels of satisfaction ("Very good" and "Good"), five points higher than the previous year. However, in the quality item of the survey, 77% of respondents answered one of these levels of satisfaction, two points down. The NTN Group vows to work to remedy this through even stricter quality control efforts.

Overall Assessment of Customer Satisfaction Surveys (Fiscal year ended March 31, 2013)



Based on fair and appropriate business, we strive to build a partnership with our suppliers.

Procurement Policy

Selecting Partners in Line with Group Policy

■ Building Partners Worldwide

Based on our Basic Procurement Policy, which we formulated with a view to fairness, equality, and global thinking, we have strived to select suppliers and build a relationship of trust with them. We have especially tried to build relationships with local overseas suppliers based on a philosophy of “on local site with local materials by local personnel.” *

In the fiscal year ended March 31, 2013, we strove to spread and offset risk by cultivating multiple suppliers and establishing suppliers adjacent to production sites. We will continue to secure new suppliers as we open up new production sites.

* Establish a system allowing local management by local employees using local facilities and materials.

■ Promotion of CSR Procurement

We go through several stages in choosing suppliers who are earnest in putting CSR into business action.

Our CSR Procurement Guidelines follow our CSR Policy and we constantly monitor procurement activities to ensure they are true to these guidelines.

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.

■ Conveying Policy Through Briefings and Workshops

NTN holds periodic Responsibility to Suppliers meetings where suppliers learn about NTN's procurement policy and production volumes at production sites, as well as about how they can help in production activities and obtain ISO certification.

These meetings were held twice in the fiscal year ended March 31, 2013 and attended by a total of 58 suppliers. Topics included NTN's global strategy, its efforts to spread the philosophy of “on local site with local materials by local personnel,” and recent successes.

We also invite suppliers to take part in workshops for NTN employee training purposes led by outside experts.

■ Exchanges with Worldwide Suppliers

Besides providing our suppliers with a range of information, we also create opportunities for direct interaction with them. Since the fiscal year ended March 31, 2007, for example, the NTN Group in Japan has visited the sites of our suppliers to hold commemorative cherry tree planting events.

NTN Group companies overseas also strive to interact with their suppliers. For example, in December 2012, Shanghai NTN Corp. invited 52 suppliers from around China to the 2nd Supplier Meeting. At the meeting, outstanding suppliers were honored and Shanghai NTN Corp. announced its strategy of reaching 100 billion yen in sales in 2015.



Supplier Meeting at Shanghai NTN Corp.

Fair and Appropriate Business

Thorough Compliance with the Subcontract Act

■ Periodic Confirmation of Compliance

In January 1997, NTN formulated the Voluntary Audit Manual for Subcontractors. NTN production bases conduct their own voluntary audits using this manual, and when necessary, NTN's procurement division intervenes with periodic audits and guidance to ensure compliance with Japan's Subcontract Act. Of NTN's suppliers in Japan, 80% are subject to the Subcontract Act, so it is crucial that we ensure these suppliers are carrying out business dealings in a fair manner.

In the fiscal year ended March 31, 2013, 15 bases in Japan (14 production bases, one research base) held voluntary audits. Of these, nine required intervention by NTN's procurement division, six more than previously. We therefore made our audits stricter. We will work to improve the compliance situation at bases that, for example, require a better understanding of the Subcontract Act or have failed to recognize its full importance.

■ Helping Procurement Staff Better Understand the Subcontract Act

We 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, 2013, 10 NTN bases in Japan held their first Subcontract Act workshops led by the procurement, distribution, and cost planning departments. At these gatherings, everyone from production base heads to staff in charge of making orders learned what they needed to know about the Subcontract Act. (See pages 31-36 for details on education related to the Subcontract Act.)

We respect diversity of employees and strive to build a safe and comfortable workplace.

Occupational Safety and Health

Thorough Occupational Safety and Health

■ Acquiring Certification for Management Systems

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).

In the fiscal year ended March 31, 2013, NTN OMAEZAKI Corp. was certified for OSHMS in August 2012, bringing to eight the number of NTN sites in Japan certified.

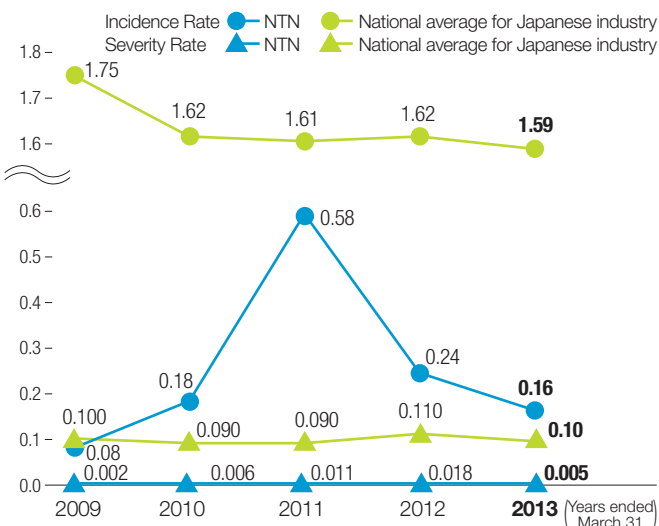
■ NTN Group in Japan Making Measures to Deal With Workplace Accidents

In the fiscal year ended March 31, 2013, the theme of the NTN Group in Japan was “all NTN Group companies in Japan and all NTN sites be thorough in adhering to safety in accordance with the Occupational Safety and Health Law.”

For sites where accidents occurred in the previous year, it was crucial that we determine and analyze their risk, understand which types of jobs and workplaces are most susceptible to such accidents, and conduct thorough measures to prevent accident reoccurrence. We also raised the level of our risk assessment and related education. At NTN Group companies in Japan that had particularly large numbers of work accidents, we are focusing on building management systems, conducting safety education, carrying out safety patrols and on-site guidance by the Safety and Health Committee, and holding safety and health education for management members and supervisors. We have also revised the safety and health report and stipulated guidelines that we have put into action for management of the work environment.

The number of workplace accidents in the fiscal year ended March 31, 2013 totaled 35 at NTN Group companies in Japan, 15 less than the previous year.

Incidence Rate / Severity Rate



■ Improving Employees' Mental Health

NTN holds mental health training sessions for managers and supervisors, while outside counselors offer counseling during regular medical check-ups. Employees can also receive counseling through NTN's in-house counseling service, called the “Oasis NTN” (held twice a month) and the “Mental and Physical Health Counseling Service” via phone or email.

Respecting Human Rights and Diversity

A Workplace Free of Discrimination

The NTN Group strives to create a discrimination-free workplace where all human rights are respected.

At NTN sites and Group companies in Japan, we include human-rights education as part of training for new employees, supervisors, and managers. We place particular emphasis on measures against sexual harassment and power harassment, and we have ongoing education on these issues for new employees and newly appointed managers. We also 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 when they feel that someone's human rights have been violated.

NTN Group companies overseas have also built systems that help them continue to respect human rights.



New employee training

A Workplace Where All Kinds of People Feel Comfortable

The NTN Group strives to build a workplace where all employees can use their unique personalities and abilities to the fullest.

■ Hiring Women, the Disabled, and Seniors

We continue to increase the number of women we hire. In the fiscal year ended March 31, 2013, women accounted for 12.3% of the NTN Group in Japan, up 1.1 points from the previous fiscal year.

We are also giving disabled employees the chance to contribute to the company as much as anyone else. To this end we created ‘Dream Workshops’ at IWATA Works, KUWANA Works, and OKAYAMA Works, where 10 intellectually disabled employees work as of the fiscal year ended March 31, 2013. Including these employees, the entire Group employs 117 disabled people.

Revisions to Japanese law in April 2013 raised the disabled persons employment rate for a company from 1.8% to 2.0%. NTN has responded by strengthening ties with special schools and disabled persons employment unions. The NTN Group in Japan has also striven to provide stable employment for seniors with a system under which retirees can be re-employed (system for re-employment of those in their early 60s). In the fiscal year ended March 31, 2013, there were 389 employees working under this system (including those continuing from previous years).

■ Helping Employees Continue Working While Raising Children

The NTN Group strives to support employees in both their work and child-rearing.

In Japan, for example, there are numerous such programs, including the Mom-back system to rehire women who have temporarily retired to give birth or raise a child; Bear Kids Land, an in-company day-care center for employees; 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. We also provide support beyond legal requirements with our system for reduced working hours for childcare, which now covers employees until their children have finished the second grade of elementary school.

Number of Employees Using Support Systems in Fiscal Year Ended March 31, 2013 Note: Numbers in parentheses are males

Employees taking childcare leave	16 (1)
Employees using Mom-back system (for the first time)	9
Employees using Child-raising Support Declaration system	9

Human Resource Development

Developing Human Resources to Lead Overseas Bases

Of NTN's worldwide employees, 36% are in Japan and 64% are overseas, and our worldwide business expansion is set to continue. That's why we strive to develop the human resources who will run our production bases around the world.

We have a system under which Japanese NTN employees are sent to overseas bases for one year. We also have domestic and overseas training and scholarship programs for employees to acquire specialized skills and knowledge. NTN Group companies in Japan also host trainees from overseas companies on an ongoing basis.

In the fiscal year ended March 31, 2013, we focused on fostering human resources who will support our future business in China. A total of 71 employees took Chinese language training open to newly hired university graduates. We also welcomed 52 trainees (including nine women) from Shanghai NTN Corp. and Nanjing NTN Corp. coming to acquire technical skills and knowledge. Future projects will involve training employees who can help disseminate technologies from NTN's main Japanese plants

to overseas NTN companies. Overseas NTN Group companies also each have their own training geared to their particular needs.

Raising Employee Motivation

In the fiscal year ended March 31, 2012, the NTN Group began QC activities in which employee teams work independently to boost product quality. The results of these efforts are presented at the annual Global QC Circle Convention. The aim of QC activities is to boost employee motivation by encouraging friendly competition among teams that look for problems in their workplace and figure out the best ways to solve them.



The Global QC Circle Convention

Other Efforts

Employment, Working Conditions, Employee Evaluation

NTN strives to hire and treat employees as well as the company's management situation allows. For example, we require that all employees join the NTN labor union so that they can have the right to organize.

In the fiscal year ended March 31, 2013, a difficult business environment forced us to ask employees to voluntarily retire. Accordingly we implemented a system for preferential treatment for early retirees that included retirement bonuses and re-employment assistance.

In evaluating our employees, all are subject to a uniform evaluation standard that operates fairly regardless of employee gender.

Salary is composed of a base salary combining age consideration and job ability, as well as various allowances. The job ability portion of salary is based on an employee evaluation undertaken by multiple managers, each with a unique perspective on the individual being evaluated.

Rewards for Employee 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, 2013, we pursued an intellectual property strategy linked directly to business strategy and R&D strategy with the goal of boosting our competitiveness in key product areas. As a result, 269 employees (cumulative) were rewarded for obtaining rights for 117 patents, 13 more than the previous year.

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

Policy on Contributing to Society

Doing All We Can For Communities as a Good Corporate Citizen

The NTN Group's CSR Policy states that we shall do all we can to interact with and contribute to local communities.

Based on the CSR Policy, business sites and Group companies around the world plan and implement a range of activities that include disaster recovery support, education support, internship hosting, participation in local events, and promotion of culture and sports.

Ongoing Participation in Local Environmental Events — NAGANO Works, NTN KAMIINA Corp.

Since 2007, NAGANO Works and NTN KAMIINA Corp. have taken part a local environmental event called the Tenryu River Water Environmental Picnic.

Sponsored by the Nagano Employers' Association and a citizens group called the Nagano Techno Foundation, this is a large event in which participants pick up litter along the Tenryu River and all of its surrounding riverbeds. May 2012 marked the 19th edition of the event, with 4,778 people taking part from the local community and neighboring companies. The 63 employees taking part from NTN enjoyed getting to know local residents better in this collaborative cleanup of the environment.



NTN employees and local community members cooperate in picking up litter



Sponsoring a Municipal Monument — NTN Kugellagerfabrik (Deutschland) GmbH

In Mettmann City, North Rhine-Westphalia, home to NTN Kugellagerfabrik (Deutschland) GmbH (DMF), there is a monument called the Memory Ring. As a way to honor the city's history, every year since 2004 citizens vote and select the most notable event from the previous year, and this is carved into a metal ring that is placed on top of platform in the city square.

To celebrate its 40th anniversary in 2011, DMF became a sponsor in 2012 of the 2011 Memory Ring memorial carving. A new ring was installed in September 2012.

DMF will continue to give back to the community by using every opportunity possible to contribute.



DMF personnel with the monument in September 2012

Collecting Donations at In-House Events — Shanghai NTN Corp.

Every year Shanghai NTN Corp. holds a company festival to promote employee interaction and reward all for their hard work. At that time, the company gathers donations for local schools for the physically disabled.

At the 5th edition of the festival held in September 2012, 3,256 employees and their families donated 19,024 renminbi. The company's union pitched in more to make a total of 20,000 renminbi, which was donated evenly to two local schools for the physically disabled.

The money was used to purchase educational toys and textbooks.



Shanghai NTN Corp. collected donations for charity at its annual employee festival

Based on NTN Group's Environmental Policy, we acquire external certifications and carry out the PDCA cycle in environmental protection activities.

Environmental Policy and Management Rules

Policies and Manuals in Support of Environmental Management

■ Building a Management System Based on NTN Environmental Policy

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.

■ Making and Revising All Necessary Manuals

We prepare various manuals and regulations needed to protect the environment during work activities and we revise these when necessary.

In the fiscal year ended March 31, 2013, we brought all equipment and management systems in line with requirements of the Revised Water Pollution Prevention Act, which went into effect in June 2012. The law aims to prevent groundwater

pollution from harmful substances by obligating facilities using and storing harmful substances to meet construction standards and undergo periodic inspections.

Environmental Management System

Multi-Site ISO Certification

NTN is obtaining ISO 14001 certification in Japan under multi-site certification so that it can build an environmental management system consistent over all sites.

In August 2012, NTN HOUDATSUSHIMIZU Corp., NTN HAKUI Corp., and NTN SHIKA Corp. were certified, and as of the fiscal year ended March 31, 2013, 23 of our 25 bases had been certified.

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 starting in April 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 Engineering Plastics Corp., NTN Powder Metal Corp., NTN MIKUMO Corp., NTN Casting Corp., NTN KINAN Corp., Hikari Seiki Industry Co., Ltd., NTN MIE Corp., NTN OMAEZAKI Corp., NTN FUKUROI Corp., Advanced Technology R&D Center, NTN KAMIINA Corp., NTN BIZEN Corp., NTN HOUDATSUSHIMIZU Corp., NTN HAKUI Corp., NTN SHIKA Corp.					
	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
Canada	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
	NTN Transmissions Europe		2003	1	19479	AFAG
France	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 NOTO Corp.	2013	7
	NTN AKAIWA Corp.	2014	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 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.

Environmental Impact of Business Activities

Reducing Environmental Impact in All Production Processes

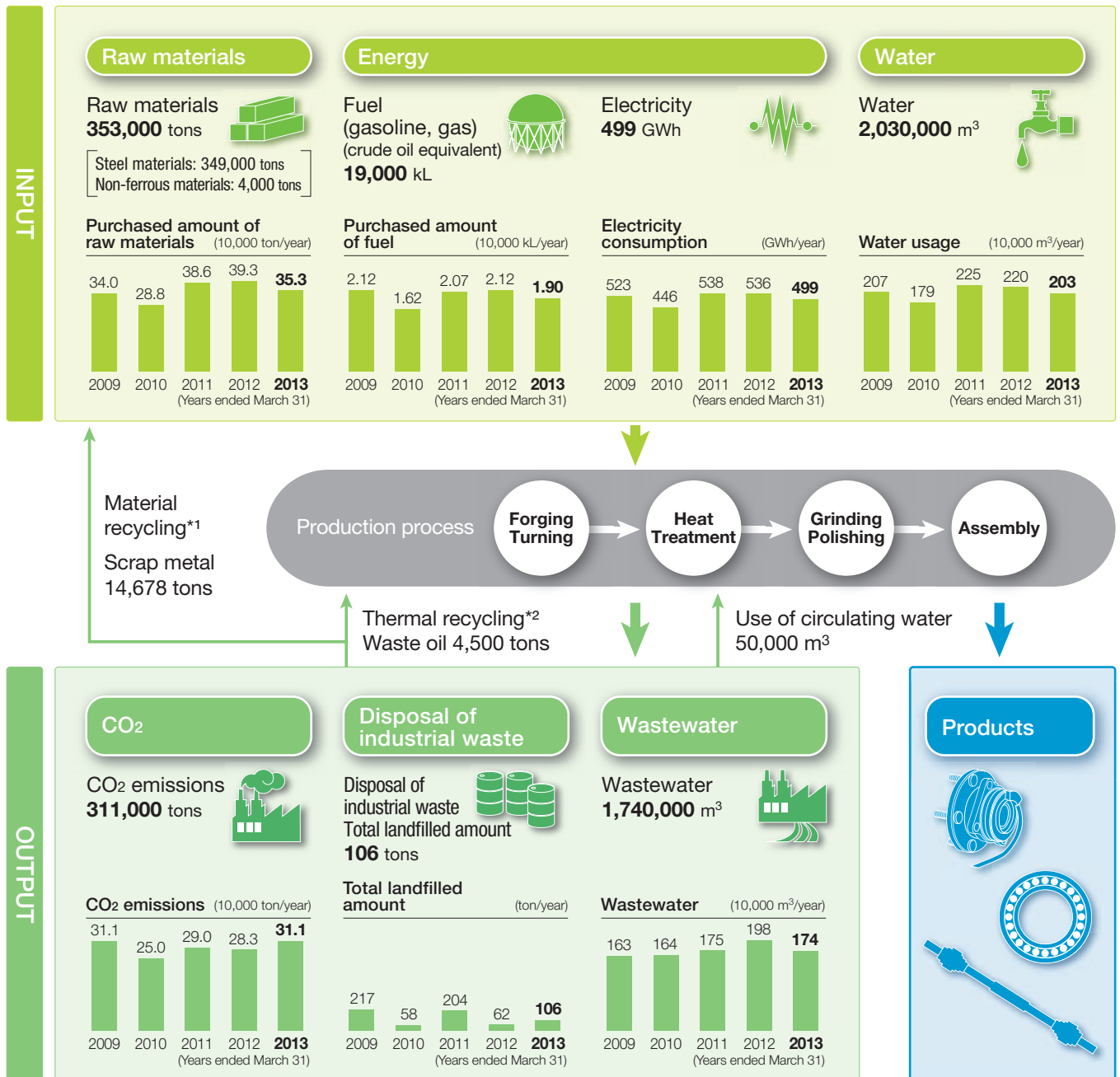
The NTN Group strives to reduce environmental impact in all processes, from forging to assembly. To this end, we strive to understand the amount of raw materials, energy, and water we use (the input) and the products, CO₂, waste, and wastewater (the output) that are generated.

In the fiscal year ended March 31, 2013, there was

an increase in CO₂ emissions due to a change in the CO₂ emissions coefficient* from power suppliers, as well as an increase in landfill waste due to the changing of grinding fluid at some bases. Meanwhile, there was a decrease in energy and other input. These were the result of the positive effects of certain measures and a reduction in manufacturing activity.

* CO₂ emissions coefficient: A conversion indicator for deriving CO₂ emitted when electricity is generated upon purchase from a power supplier; it is the CO₂ generated per unit of electrical power.

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 preservation costs in the fiscal year ended March 31, 2013 were approximately 3,980 million yen, down 4% from the previous fiscal year. This consisted of 985 million yen in environment-related equipment investment, down approximately 11%, and related costs of 2,995 million yen, down 1%. We continued to invest aggressively in R&D (EV-related business) related to environmental protection and renewable energy; however, a decrease in equipment investment resulted in an overall decrease. There were also costs for things like energy-efficient equipment and waste recycling.

The economic benefit of environmental protection activities was 683 million yen, due partly to reduced manufacturing. As for impact on environmental preservation, CO₂ emissions were 311,000 tons. The 28,000-ton increase over the previous year was due to a change in the target emissions coefficient for power suppliers, and using a fixity

coefficient the equivalent value was a 19,000-ton reduction. A main initiative last year was KUWANA Works switching the energy source of air conditioning in its small- and medium-sized plants from kerosene to electricity. (See page 54 for details.)



Heat source generation units in the small- and medium-size plant of KUWANA Works

Environmental Preservation Costs

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

Classification	Equipment investment		Amount		
	Costs	Details	Costs	Details	
Work areas Inherent costs	40	Environmental equipment (dust collectors, particulate smoke removal devices, and wastewater treatment equipment)	154	Inspection and management of environmental equipment (dust collectors and wastewater treatment equipment)	
	133	Energy-conserving equipment (compressors and other equipment for upgrading or switchover of fuel type), etc.	167	Costs of switching to energy-saving equipment	
	0		530	Cost of recycling and waste reduction measures, cost of processing regular and industrial waste	
Upstream / downstream costs	0		1	Analysis related to green procurement	
Costs of management activities	7		320	Labor costs related to the EMS and information disclosure (advertising and NTN reports) and the greening and beautification of company grounds	
R&D costs	798	R&D equipment related to environmental preservation	1,798	R&D costs related to environmental preservation	
Costs of social activities	0		14	Greening and beautification outside the company	
Environmental remediation expenses	7		11	Cost of soil sampling	
Total	985		2,995		Grand total
Reference: Total for fiscal year ended March 31, 2011	1,106		3,023		4,129

Impact on Environmental Preservation

Indicator	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2012
Total CO ₂ emissions	311,000 tons	283,000 tons
Reduction of waste	Recycle rate 99.8%	99.9%

Financial Effect of Environmental Preservation Activities

(Millions of yen/year)

Item	Amount	Details
Global environment preservation expenses, effects	103	Energy-conserving effects, etc. of fuel conversion, compressors, and lighting
Resource recycling expenses, effects	580	Profit from saleable materials such as metallic sludge
Total	683	
Reference: Total for fiscal year ended March 31, 2012	826	

Environmental Targets and Results for the Fiscal Year Ended March 31, 2013

17 of 23 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, 2013, we focused on reducing the amount of PRTR-designated substances

we handle, stepping up green procurement, and protecting the local environment.

In addition, we set new environmental targets for the fiscal year ending March 31, 2014. To objectively determine whether the new targets are in line with policy, we have classified activities according to the NTN Group Environmental Policy. And to make it easy to compare the results of our efforts from year to year, we have changed the calculation method of numerical indicators for certain criteria (*1, *2).

Results of Environmental Management Activities in the Fiscal Year Ended March 31, 2013

Purpose		Targets for the fiscal year ended March 31, 2013	Results for the fiscal year ended March 31, 2013	Evaluation	
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 over the fiscal year ended March 31, 1998 (emissions coefficient: 0.381)	· 311,000 tons/year · -19%	
		Overseas	· Total CO ₂ emissions: 270,000 tons/year or less · Achieve a 5% improvement in CO ₂ emissions rate over the fiscal year ended March 31, 2007	· 301,000 tons/year · +38%	
	Reduce air, water, and ground pollution	Domestic	· Reduce the use of substances designated by PRTR Law · Completely eliminate 2-aminoethanol	· Completed elimination	
			· Reduce N,N-Dicyclohexylamine by 30% over the fiscal year ended March 31, 2011	· -74%	
	Participate in local environmental activities	Domestic Overseas	Soil purification following closure of TAKARAZUKA Works Begin greening activities in the Kansai district	Looking into soil purification proposals Began activities in November around lake of Takihata Dam	
Creating a recycling society	Reduce waste materials	Domestic	Work toward achieving zero emissions with a recycle rate of 99.8%	99.8%	
		Overseas	Reduce waste generation rate by 2% over the fiscal year ended March 31, 2011 Work toward achieving zero emissions with a recycle rate of 97%	+5% 95%	
	Preserve resources	Domestic	Reduce paper consumption by 2% over the fiscal year ended March 31, 2011	+16%	
			Reduce water usage rate by 3% over the fiscal year ended March 31, 2011	-3%	
			Maintain Styrofoam usage at 99% less than the fiscal year ended March 31, 2000	-99%	
Maintaining and improving the environmental management system	ISO 14001 certification	Domestic Overseas	· Certification for HOUDATSUSHIMIZU Corp., HAKUJI Corp., and SHIKA Corp. · Preparation for conversion to multi-site certification (NTN TADO Corp., Nippon Kagaku Yakin Co., Ltd.)	· Certification completed · Currently making conversion plans	
	ISO 50001 certification	Domestic Overseas	· Prepare a system for certification in Japan	Took part in training related to methods and certification procedure systems	
	Strictly abide by regulations, in-house standards, and environment-related rules	Domestic	· Thorough management of poisonous materials (Monthly confirmation by person in charge, confirmation by managers once every fiscal half)	Continue strict management of poisonous materials	
	Promote green procurement	Domestic	· Receive green procurement paperwork from all key suppliers	· Received from 90%	
			· Formulate and implement plan to substitute phthalate esters	· Currently making substitution plans	
			· Conduct audits for environmentally hazardous substances at all sites	· Audits completed at all sites	
			· Conduct ongoing incoming analysis of environmentally hazardous substances	· Analysis ongoing	
	Encourage suppliers and vendors to implement environmental management systems	Domestic	· Zero complaints of environmentally hazardous substances	· No complaints	
Distribute the Green Procurement Standard to overseas suppliers			Began distributing starting with new suppliers		
Comply with new regulations	Domestic Overseas	Maintain at least a 95% rate of environmental management system certification for key suppliers Respond appropriately whenever there are revisions	95% Confirmed influence of Revised Water Pollution Prevention Act and other laws on NTN business	 	

Achieved Not achieved

Environmental Targets for the Fiscal Years Ending March 31, 2014

NTN Environmental Action Policy for the Fiscal Year Ending March 31, 2014

- | | |
|---|---|
| 1. Development and sales of environmentally-friendly products | (1) Development of energy-efficient products |
| 2. Reduction of environmental impact | (1) Prevention of global warming (2) Reduce, reuse, and recycle
(3) Preserve resources
(4) Management and reduction of environmentally hazardous substances |
| 3. Observance of laws and regulations and implementation of thorough environmental management systems | (1) Compliance with environmental laws
(2) Improvement of environmental management systems |
| 4. Activities to contribute to society and protect the natural environment | (1) Protecting biodiversity |

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

Items not labeled "Domestic" or "Overseas" are NTN targets.

NTN Group Environmental Policy			
Environmental Purpose	Environmental Targets for the fiscal year ending March 31, 2014		
1. Development and sales of environmentally friendly products			
(1) Development of energy-efficient products	Develop environmentally friendly products to meet needs of expanding new energy and greater number of electric cars		
	Establish and implement assessment and decision-making rules for life cycle assessment to use in new product development		
2. Reduction of environmental impact			
(1) Prevention of global warming	Wherever possible, save energy and cut peak energy use		
	Make existing manufacturing equipment more energy efficient		
	Publish and use case studies		
	Reduce CO ₂ emissions	Domestic	252,000 tons/year* ¹
		Overseas	340,000 tons/year
Reduction in CO ₂ emissions rate	Domestic	Achieve a 20.3% improvement in CO ₂ emissions rate over the fiscal year ended March 31, 1998 -20.3%* ²	
	Overseas	Achieve a 10% improvement in CO ₂ emissions rate over the fiscal year ended March 31, 2007 -10%* ²	
(2) Reduce, reuse, and recycle	Raise the recycling rate	Domestic	99.8%
		Overseas	98%
(3) Preserve resources	Reduction in waste per unit of production output	Domestic	Reduce waste generation rate by 1% over the fiscal year ended March 31, 2011 -1%* ²
	Reduction in paper purchased per unit of production output	Domestic	Reduce by 5% paper consumption over the fiscal year ended March 31, 2011 +5%* ²
	Reduction in water used per unit of production output	Domestic	Reduce by 6% water usage rate over the fiscal year ended March 31, 2011 -6%* ²
(4) Management and reduction of environmentally hazardous substances	Reduction in use of Styrofoam	Domestic	Reduce Styrofoam usage by 99% less than the fiscal year ended March 31, 2000 -99%
	Begin manufacturing using phthalate esters substitutes		
	Establish technology for using substitutes for BNST and dibutyltin		
	Reduce PRTR-designated substances	Domestic	Reduce N,N-Dicyclohexylamine by 85% over fiscal year ended March 31, 2011
3. Observance of laws and regulations and implementation of thorough environmental management systems			
(1) Compliance with environmental laws	Create measures to prevent leak accidents, carry out improved and full-scale emergency drills		
	Continue strict management of poisonous materials		
	Start soil purification at former site of TAKARAZUKA Works		
	ISO 14000 certification	Certification at NTN NOTO Corp. Prepare for certification at NTN AKAIWA Corp.	
	ISO 50001 certification	Trial introduction of energy review and other methods to confirm effectiveness	
(2) Improvement of environmental management systems	Promote green procurement	Certify the environmental management systems of at least 95% of key suppliers	
		Thoroughly assess potential new suppliers on their green procurement paperwork	
		Zero complaints of environmentally hazardous substances	
4. Activities to contribute to society and protect the natural environment			
(1) Protecting Biodiversity	NTN Kogyo no Mori and other greening and environmental protection activities		

*1 CO₂ emissions: The CO₂ emissions coefficient from power suppliers was changed from target emissions coefficient for power suppliers to a fixity coefficient of 0.381

*2 CO₂ emissions rate: Changed from per unit of added-value production output to per unit of production output

Environmental Audits

Two Types Internal Audits Conducted Each Year

■ Confirming Environmental Management through Periodic Audits

The NTN Group in Japan has internal site audits (once a year), which are conducted by each site's internal auditors, and cross-audits (every three years), which are conducted between operating sites. Also part of improving the level of environmental management systems are external audits by ISO certification institutes.

In the fiscal year ended March 31, 2013, site audits were held at all bases and cross-audits were held at eight bases. ISO audits were held at seven bases in July 2012, and there were no violations of laws or internal NTN regulations; these sites thus kept their multi-site certification designation.

The NTN Group in Japan also implemented measures to deal with other environmental management issues in the fiscal year ended March 31, 2013. For example, not all sites used the same style of documentation for ISO 14001 criteria, so unified style for this documentation was created across all sites.

■ Increasing the Number of Internal Auditors through Training

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.

In December 2012, 24 members of 18 sites in Japan took training at KUWANA Works. This included members of NTN NOTO Corp., which was aiming for ISO 14001 certification in July 2013. The training included an overview of ISO and a look at case studies as participants acquired the knowledge needed by an internal environmental auditor, learned what to look for when conducting audits, and picked up practical auditing skills. This training raised the number of internal environmental auditors in the NTN Group in Japan to 269.

Environmental Education

Raising Environmental Awareness through Constant Education and Training

■ Education and Training Based on Situational Needs

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

Each site and Group company use their own particular situation as the basis for tailor-made training and education. The following is a list of the training and educational efforts conducted by the NTN Group in Japan in the fiscal year ended March 31, 2013.

Activities Unique to Each Site of the NTN Group in Japan

NTN KONGO Corp.	<ul style="list-style-type: none"> • "ISO 14001 News," an in-house publication with information including environmental targets, and energy- and resource-saving efforts. • Training for all employees, divided by job description.
NTN MIKUMO Corp.	"Environmental ISO News," a monthly publication focusing on a different theme each time, such as environmental targets and environmentally hazardous substances.
NTN HAKUI Corp.	Employees have "environmental proclamation cards," which they carry at all times, on which is written the site's environmental targets (such as for reduction of CO ₂ and waste) and their own workplace's targets.
NTN Powder Metal Corp.	In preparation for a possible ammonia or oil leak, practical drills are conducted to familiarize employees with chains of communication and the location of protective wear and firefighting equipment.



"Environmental ISO News" of NTN MIKUMO Corp.



Emergency drill at NTN Powder Metal Corp.

Environmental Communication

Participation in Trade Shows

NTN takes part in environment- and technology-related trade shows whenever possible in order to promote products and technologies that contribute to the environment.

In February 2013, we took part in "Leading Industry Exhibition Mie 2013" in Mie Prefecture, where we introduced products that contribute to the creation and saving of energy. We displayed several items in our key product line of bearings, including journal bearings used in the new N700A Shinkansen bullet train, spherical plain bearings used on Japan's Hayabusa asteroid probe, and bearings for wind turbines. We also had other energy-creating and energy-saving devices and systems on display: the first Condition Monitoring System (CMS) for Wind Turbines in Japan certified for GL*, and a micro-hydroelectric generation equipment undergoing trial operation in Kuwana City, Mie Prefecture.

The micro-hydroelectric generation equipment was also shown at "Suigo Festa 2012," an exchange event held in October 2012 in Mie Prefecture.



Micro-hydroelectric generation equipment

* GL certification: A global certification for wind power generators, run by Germanischer Lloyd, a classification society for the German shipping industry

We're reducing CO₂ emissions by upgrading equipment at manufacturing bases and shifting to environmentally friendly modes of transport.

Reduction of Total CO₂ Emissions

Efforts in Japan

■ Total CO₂ Emissions Up 10% Over Fiscal Year Ended March 31, 2012

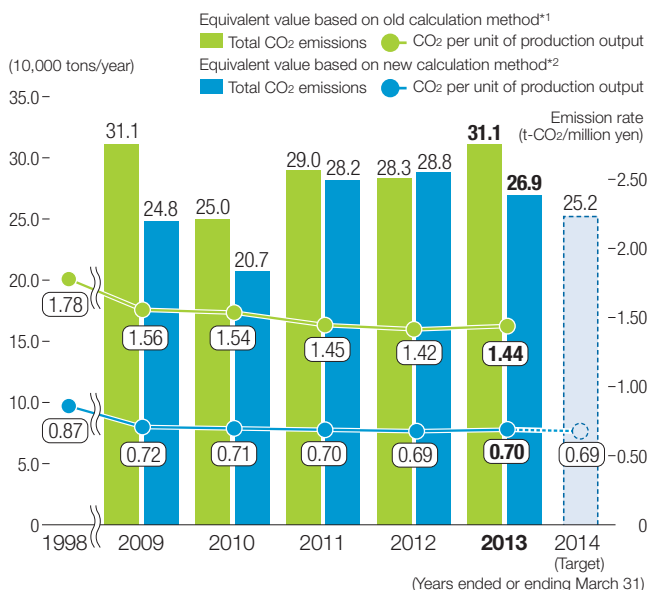
In the fiscal year ended March 31, 2013, thermal power plants accounted for an increasing percentage of Japan's power as nuclear reactors remained closed following the Great East Japan Earthquake of March 2011. With this, there was an increase over the previous year of the emissions coefficient announced by power companies, which NTN uses to calculate its CO₂ emissions. This meant that despite a decrease over the previous year in NTN's production volume, total CO₂ emissions were up numerically and company efforts to reduce CO₂ did not bear fruit.

In response, in the fiscal year ended March 31, 2013, for the indicator we used a conversion value that used the fixity coefficient (0.381). Accordingly, we also revised the calculation method for units, switching from per unit of added-value production output to per unit of production output.

Calculating with this method, total CO₂ emissions in the fiscal year ended March 31, 2013 were 269,000 tons, a 6% decrease over the previous year's 288,000 tons. CO₂ emissions per unit of production output were 0.7 t-CO₂ per million yen, down 19% over the fiscal year ended March 31, 1998.

Using the same calculation, target values for the fiscal year ending March 31, 2014 are total CO₂ emissions of 252,000 tons and the CO₂ emissions per unit of production of 0.69 t-CO₂ per million yen (down 20% over the fiscal year ended March 31, 1998). We will work towards achieving these targets by continuing to reduce CO₂ emissions.

Total CO₂ Emissions and CO₂ Emission Rate (NTN Group in Japan)



*1 Total CO₂ emissions: Based on target emissions coefficient for power suppliers
CO₂ emissions rate: Per unit of added-value production output
*2 Total CO₂ emissions: Based on fixity coefficient (0.381)
CO₂ emissions rate: Per unit of production output

■ Upgrading Equipment and Streamlining Operation at Production Bases

We strive to reduce CO₂ emissions at all production bases by upgrading equipment such as compressors, boilers, air conditioners, and lighting and making them more energy efficient. We conducted a range of such work in the fiscal year ended March 31, 2013.

At KUWANA Works, we conducted a conversion to fuels that emit relatively low amounts of CO₂. Air conditioning fuel was switched from kerosene to electricity, and heat treatment furnaces were switched from kerosene to natural gas. These are expected to result in annual CO₂ emission reductions of 339 tons.

At NTN MIE Corp., the entire company has worked as one to boost energy efficiency following the Great East Japan Earthquake of March 2011 and the electricity supply shortages it spawned. In the fiscal year ended March 31, 2013, the company inspected for air leaks and repaired all those detected. This is expected to yield annual CO₂ emission reductions of 143 tons.

At Hikari Seiki Industry Co., Ltd., monitors were installed in plant buildings to reveal electricity usage. The monitors show the amount of electricity being used at all times and thus raise employee awareness of electricity saving.

Commendation for Cutting Peak Energy Use

OKAYAMA Works installed a heat storage-type air conditioning system in 2008 to cut peak energy use. This resulted in a 21% reduction in air conditioner electricity usage during peak summer periods and for this the company was honored in July 2012 with a Special Certificate of Appreciation by the Heat Pump and Thermal Storage Technology Center of Japan.



Special Certificate of Appreciation for saving electricity

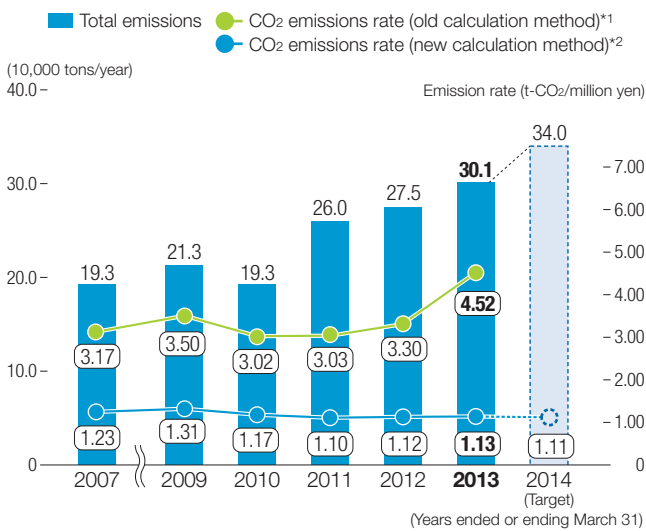
Efforts Overseas

Overseas Group companies have used the fixity coefficient (0.381) in their target management for some time now. Starting in the fiscal year ended March 31, 2013, they joined Group companies in Japan in switching to production output as the unit value.

In the fiscal year ended March 31, 2013, total CO₂ emissions were 301,000 tons, an increase over the previous year of 9%. The CO₂ emissions rate under the new calculation method was 1.13 t-CO₂ per million yen, an increase of 1%.

The target for the fiscal year ending March 31, 2014 is total CO₂ emissions of 340,000 tons and 1.11 t-CO₂ per million yen.

Total CO₂ Emissions and CO₂ Emission Rate (NTN Group Overseas)



*1 CO₂ emissions rate: CO₂ per unit of added-value production output
 *2 CO₂ emissions rate: CO₂ per unit of production output

Energy Consumption “Visual” with Special Device

At NTN-SNR ROULEMENTS (NTN-SNR) in France, a special device has been installed in the main plant to observe energy use and thus help reduce energy consumption. The device has been customized by the company and shows 175 values, such as use of electricity, gas, and compressed air, making it possible to analyze how much energy is being used anytime at any place in the plant.

This information on the main plant is shared with all employees so they can see for themselves if any energy is being wasted. The result has been annual CO₂ emission reductions of 168 tons. There are plans to have this device used at all overseas Group companies in future.



The monitoring device shows figures for consumption including electricity, gas, and compressed air

Saving Electricity Through Equipment Upgrades

NTN BEARING Mfg CANADA upgraded the compressor in its plant to a high-efficiency model (variable speed compressor). The new compressor can automatically adjust the amount of electricity used to meet change in production volume. This has resulted in annual CO₂ emission reductions of 468 tons.

NTN Kugellagerfabrik (Deutschland) G.m.b.H. conducted a similar upgrade and successfully reduced its annual CO₂ emissions by 10 tons.



High-efficiency compressor at NTN BEARING Mfg CANADA

Reducing CO₂ Emissions During Distribution

Pursuing Modal Shifts

The NTN Group strives to reduce CO₂ emissions and costs through modal shifts: more environmentally friendly forms of transport.

In January 2012, we began switching deliveries between OKAYAMA Works and the Kanto Distribution Center (Kanagawa Prefecture) from truck to rail. We estimate this will reduce CO₂ emissions by 7.6 tons and annual crude oil use by 8.2 kiloliters in the fiscal year ended March 31, 2013.

More Efficient Truck Transport

We are striving to make truck transport more efficient by reducing the cargo volume and shortening the delivery distances.

For the fiscal year ended March 31, 2013, NTN began container shipping jointly with other companies in September 2012 between the Okayama area and Kobe Port. These joint shipment efforts will be expanded in future.

We are also shortening truck driving distances by using ports close to NTN transport facilities.

To reduce CO₂ emissions from the Kuwana Export Distribution Center in Mie Prefecture, since the fiscal year ended March 31, 2009, we have gradually switched the port from which our deliveries leave Japan to Asian and European destinations from Nagoya Port (Aichi Prefecture) to Yokkaichi Port (Mie Prefecture). Nagoya Port now handles 75% of shipments and Yokkaichi Port 25%. In the fiscal year ended March 31, 2013, Yokkaichi Port shipped 974 twenty-foot containers of NTN products for an estimated CO₂ emissions reduction of 39.5 tons for the year. Use of the Yokkaichi route will be expanded in future.

Working to Reduce Waste in All Manufacturing and Distribution Processes.

Zero Emissions

Increasing the Recycling Ratio at Production Bases

The NTN Group 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.

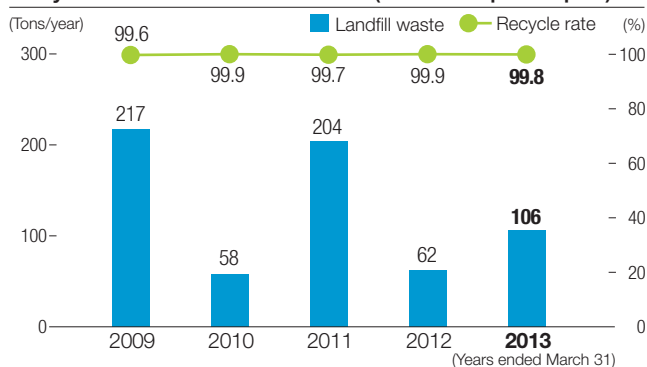
■ Efforts in Japan

In the fiscal year ended March 31, 2013, the NTN Group in Japan strove to maintain a recycle rate of at least 99.8%. NTN MIE Corp. began recycling sludge from grinding, which it used to dispose of as waste. The company achieved its targets in this area and plans to maintain this level in the fiscal year ending March 31, 2014.

■ Efforts Overseas

Companies in the NTN Group overseas strove to make use of their waste products in the fiscal year ended March 31, 2013. The production base in India installed a grinding swarf briquetting machine (see below), while in the U.S., NTK Precision Axle Corp. recycled used oil and NTN-Bower Corp. conducted thorough separation of waste. Although the recycle rate of 97% was not achieved, companies are working towards a 98% recycle rate for the fiscal year ending March 31, 2014.

Recycle Rate and Landfill Waste (NTN Group in Japan)



Providing Society with Recycling Technology

In 2000, NTN developed a grinding swarf briquetting machine, which makes it easy to take metal debris, which remains after grinding fluid is separated from the swarf generated during the grinding process in manufacturing bearings, and make it into briquettes that can be used again. These machines have since been installed at NTN Group companies, and in the fiscal year ended March 31, 2013, they processed a total of 3,690 tons. The machines have also been sold around the world and have contributed to a wide range of recycling efforts. Six were sold in the fiscal year ended March 31, 2013.

Sharing Recycling Know-How with Other Companies

NTN Casting Corp., which casts bearings and other materials, has since 2003 been recycling the approximately 3,000 tons of waste molding sand and melting furnace slag generated each year. Initially, in Shimane Prefecture, where the company is located, there were no recycling contractors who would take this waste. But NTN Casting Corp. found partners in construction and other local industries, and proceeded to develop the necessary recycling technology and sales channels to use the waste as roadbed material and landscaping sand. As a result, the company achieved an in-house recycle rate of 100% in 2008.

NTN Casting Corp. also provided this recycling technology to nearby companies in the same industry that had the same problem with leftover waste. As of the fiscal year ended March 31, 2013, seven companies were using this technology and together have managed to reduce waste by 17,000 tons. This accomplishment was recognized with an award in October 2012 from Japan's Reduce, Reuse, Recycle Promotion Council.



Honored for successful recycling

Reducing Waste During Distribution

The NTN Group strives to reduce the amount of waste from packaging resulting from the shipping of raw materials and products.

In Japan, we have been looking into reusing the bands that are used to prevent product cases from being crushed during delivery. Conventional bands used to prevent goods from being crushed during delivery are made of polypropylene and wear out quickly, meaning they must be thrown away after just one use. In response, NTN developed eco-bands, made of durable polyester and closed using Velcro. These are being tested at a growing number of NTN bases.

Overseas NTN Group companies are also striving to reduce waste. In the fiscal year ended March 31, 2013, NTN-SNR in France collected and reused shipping pallets and reduced pallet waste by 28 tons for the year.



Waste was reduced with a pallet structure that made cardboard easy to detach

Managing and Reducing Environmentally Hazardous Substances While Complying with Worldwide Laws and Regulations.

Management of Environmentally Hazardous and Harmful Substances

Meeting REACH and CLP Requirements

The NTN Group complies with chemical substance restrictions around the world by keeping a close watch on changing restrictions and constantly testing for what substances are contained in the raw materials, parts, and materials it procures.

In Europe, for example, in line with the REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) regulation and the CLP (Classification, Labeling, and Packaging) regulation, we check whether our products contain substances designated by these regulations and report to the relevant authorities. We also develop technologies for using substitutes for the designated substances.

Meeting PRTR Law Requirements

The NTN Group in Japan continuously works to reduce the amount it handles of chemicals designated under the PRTR (Pollutant Release and Transfer Register) Law.

■ Company-Wide Reduction Targets for Each Substance

In the fiscal year ended March 31, 2013, the NTN Group set company-wide targets for the complete elimination of 2-aminoethanol, which is contained in cleaning agents, and a 30% reduction over the fiscal year ended March 31, 2011 of N,N-Dicyclohexylamine, which is contained in metal cutting and grinding fluids. Bases are switching to substitutes for these.

In the fiscal year ended March 31, 2013, we were able to completely eliminate 2-aminoethanol by switching to cleaning agents that do not contain this substance. IWATA Works and OKAYAMA Works completely eliminated the use of N,N-Dicyclohexylamine by switching to water-based cutting and grinding fluids not containing this substance. Other bases continued their switch to substitutes and for all bases in Japan in the fiscal year ended March 31, 2013, the reduction was 74% over the fiscal year ended March 31, 2011.

For the fiscal year ending March 31, 2014, we have set a target of an 85% reduction of N,N-Dicyclohexylamine over the fiscal year ended March 31, 2011.

PCB Waste

The NTN Group in Japan carries out planned disposal of PCB in accordance with the Law Concerning Special Measures Against PCB Waste. In January 2006, the NTN Group in Japan conducted early registration with the Japan Environmental Safety Corporation (JESCO), a government-owned PCB waste treatment company, for the disposal of PCB equipment.

KUWANA Works properly stored 53 high-voltage capacitors in accordance with the law, and starting in April 2012 the company disposed of these in three stages.

NTN KONGO Corp. drained the oil from eight transformers containing minute amounts of PCB and disposed of this in compliance with the law. The company will dispose of the transformer housings within the legal deadline.

Under revisions to the Law Concerning Special Measures Against PCB Waste made in December 2012, the legal disposal deadline was extended from 2016 to 2027.

Reducing Environmentally Hazardous Substances

Besides the aforementioned efforts, NTN is working to reduce the amount of environmentally hazardous and harmful substances it uses.

In the fiscal year ended March 31, 2013 at Guangzhou NTN-Yulon Drivetrain co., Ltd., an exhaust treatment device was installed on the painting line to reduce the amount of xylene emitted. The device uses water spray and active charcoal absorption to remove the organic compounds.

Hazardous Substances Auditors

The NTN Group in Japan conducts hazardous substance audits internally for the specific purpose of determining the state of environmentally hazardous substances. Ongoing training is held for hazardous substance auditors, and as of the fiscal year ended March 31, 2013, there were 135 auditors.

Oil Leak at IWATA Works and Efforts to Prevent Reoccurrence

In March 2013, grinding fluid from the ball bearing plant of IWATA Works leaked into the nearby Hachimanya River. Although the leaked grinding fluid is not harmful to humans or animals, the company immediately set up an oil fence and absorption mats to clean up the spill.

Following this accident, the company convened a pollution prevention task force to determine the cause of the accident and draw up preventative measures. As well, other plants using similar production processes underwent comprehensive inspections to formulate measures.

We sincerely apologize to neighboring residents for the trouble and concern resulting from this accident.

NTN Group companies participate whenever possible in local environmental protection activities and strive to preserve a range of ecosystems.

Protecting Biodiversity

Preserving and Repairing the Natural Environment

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

■ NTN Kigyo no Mori Activities at 6 Sites in Japan

Since 2002, the NTN Group in Japan has been using mountainous areas near its sites, where employees and their families work to repair forests under the NTN Kigyo no Mori initiative.

In the fiscal year ended March 31, 2013, the NTN head office and NTN KONGO Corp. joined the municipal government of Kawachinagano (where NTN KONGO is located) to open the NTN Okukawachi Lakeside Forest under the Adopt-a-Forest Program*. Under this five-year project, participants will build a forest capable of retaining water resources on a 0.5 hectare area around the lake of the Takihata Dam. A signing ceremony was held on November 9, 2012 at the Osaka Prefectural office and a tree-planting ceremony was held November 28 at the Takihata Dam.

In May 2013, the first activity was held as participants practiced thinning out a *hinoki* (Japanese cypress) forest under the guidance of the Osaka Prefecture Forest Owners Association. Thinning work is scheduled for autumn 2013. There will be about two forest preservation sessions per year and NTN plans to use the site for environmental education.

* Adopt-a-Forest Program: The Osaka Prefectural Government introduces corporations to land owners so that these companies can contribute to forest restoration.



Thinning a forest under guidance from the Osaka Prefecture Forest Owners Association

OKAYAMA Works strives to protect a forest on land borrowed from Mimasaka City under the NTN no Mori. This initiative started

in 2008, and at the fifth activity in November 2012, 50 participants made up of employees and their families planted trees, improved the forest, and observed the surrounding nature.

■ Other Environmental Protection Activities

NTN's Advanced Technology R&D Center in Kuwana City, Mie Prefecture has been taking part since 2010 in an activity, run by the city and volunteer groups, aimed at protecting fireflies. So that lights from its facilities do not intrude on the neighboring firefly habitat, the R&D Center plants trees and turns off lights when locals are out to observe the fireflies at night.

The center also lets locals use its parking lot at these times.

NTN MIKUMO Corp. planted trees in March 2013. The 30 participants made up of employees and family members gathered in Matsugasaki Park to plant about 200 trees of varieties such as rhododendron.

Activities Overseas

■ Planting Trees to Replace Those Cut Down During Plant Expansion

The Curitiba Plant of NTN-SNR in Brazil carries out ongoing tree planting. In the fiscal year ended March 31, 2013, the company had to cut down four Chilean pine (*Araucaria araucana*)*, an endangered tree species, during plant expansion. After expansion was completed, in December 2012 it planted 12 Chilean pine seedlings on its premises.

This helped raise environmental awareness among employees.

* Parana pine: An evergreen species in the conifer genus *Araucaria*. It is on the Red List of Threatened Species published by the International Union for Conservation of Nature (IUCN).



Planting Parana pines

A Word from a Collaborating Partner

Working with Communities to Build Forests for Future Generations

To build a forest under the Adopt-a-Forest Program, recently NTN, forest owners, Kawachinagano City and Osaka Prefecture joined in an agreement to grow a forest in the Takihata area over five years. The parties will work to improve the forest's ability to establish a watershed by thinning trees. At the inaugural activity on May 11, 2013, I joined in the thoroughly satisfying tree thinning work.

Growing a forest requires dedication. I look forward to working with all concerned in a locally rooted effort that will last until future generations.



Koichi Takamine

Assistant General Manager, Forest Improvement Section Agriculture and Forests Administrative Office Minami Kawachi, Osaka Prefecture

NTN Report 2013 Third-Party Opinion

Again this year, I present a third-party opinion on the social and environmental aspects of NTN's Report.

To start, I think that NTN needs more strengthening and implementation in compliance, an area in which the company admits it still has much to do. In the fiscal year ended March 31, 2013, provisions for losses related to the Anti Monopoly Act were calculated as an extraordinary loss, and this affected the company's performance. Although I believe that NTN's current efforts to boost compliance are moving in the right direction, it will probably take some time before awareness filters from top management through all levels of company employees. It is important that the company be resolved to changing the organizational culture and use this resolve to carry out ongoing efforts. It needs to disclose information on how well its compliance efforts are proceeding, for example in areas like the number of helpline inquiries, to what degree employees are improving their compliance awareness, and expansion of compliance education. It must also carry out the PDCA cycle so that practical action is in fact being taken in these areas. There have also been a number of violations of competition laws in other countries, creating a pressing need to build a system of conduct for each of NTN's worldwide business regions and to better train its human resources in compliance matters.

Next, I praise NTN for having begun the process of integrating management and CSR by including social and environmental indicators in its main management indicators in this year's report. In last year's third-party opinion column, I said that a company should reflect its contributions to creating a sustainable society in its management strategy and plans by combining management strategy and business activities with sustainability. In re-thinking its CSR policy, I would like to see NTN examine exactly how its current accelerated entry in the world's growth markets and management strategies like cutting costs through local manufacturing and local procurement will impact communities around the world and stakeholders such as suppliers and employees. NTN is building a group-wide environmental management system to handle environment-related manners and it is putting this system into systematic action. On the social side as well, it must set key targets and formulate a medium-term plan for CSR.

I also look forward seeing what NTN will do in the way of establishing dialogue with stakeholders. A core philosophy of CSR is dialogue with communities. This dialogue with external parties is crucial to conducting due diligence; in other words to ensuring that business activities do not inadvertently have a negative impact on society. This dialogue is especially crucial for NTN to identify the scope of its social responsibility in areas such as improving human rights and raising the quality of life as it expands its supply chain with the opening of new factories around the world. In the process of re-thinking CSR policy, I hope to see NTN engage with non-profit organizations and other groups that represent the company's stakeholders. Such external dialogue will be helpful in changing the organizational culture.



Sachiko Kishimoto

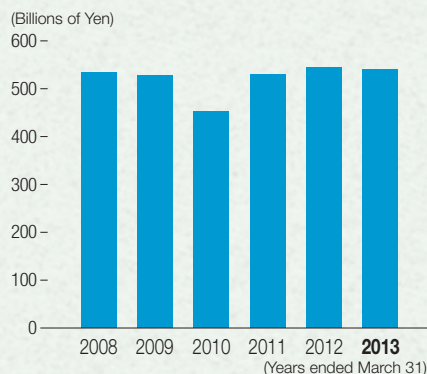
Executive Director
Center for Public Resources
Development

Biographical Information

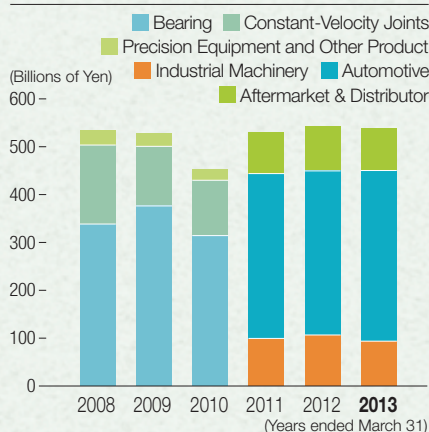
Worked for a private think-tank before founding the Public Resources Foundation in 2000. Has worked in her current position since 2013. Areas of specialty include promoting the culture of donating, not-for-profit management, CSR assessment, and ways that corporations that contribute to society. Co-Chairperson of the CSR Review Forum-Japan. Officer for The Japan Association of Charitable Organizations. Guest lecturer in the graduate school of Rikkyo University.

Financial Review

Net Sales

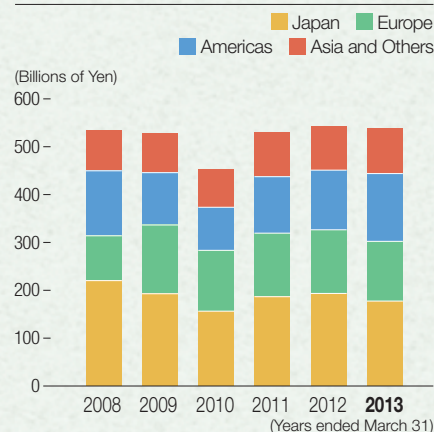


Net Sales by Business Segment / Business Sector



Note: Called "sales by business sector" starting in the fiscal year ended March 31, 2011

Net Sales by Region



Scope of Consolidation

The scope of consolidation as of March 31, 2012 consisted of NTN Corporation and 61 consolidated subsidiaries (15 domestic and 46 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

(One company joining NTN Group)

Nippon Kagaku Yakin Co., Ltd

(One company less)

NTN-BCA CORP.

Affiliates

(No change in number)

Summary of the Fiscal Year Ended March 31, 2013

In the fiscal year ended March 31, 2013, although Japan's economy showed signs of bottoming out, the business environment was still difficult. The economy in the Americas showed gradual recovery, but in Europe persistent unease about the debt crisis impacted the financial sector while in China business recovery continued at a slow pace.

Against this background, the NTN Group strove to expand business with a focus on growth markets and increase sales in the industrial machinery and the aftermarket and distributor applications. But due to major changes in economies around the world, we are overhauling plans and embarking on a variety of emergency measures and structural reforms.

- ◇ Net sales: 539.6 billion yen, a year-on-year decrease of 3.9 billion yen (0.7%)
- ◇ Operating income: 7.3 billion yen (operating margin of 1.3%)
- ◇ Interest-bearing debt: 360.8 billion yen, an increase of 88.8 billion yen from March 31, 2012
- ◇ Capital expenditures: 49.0 billion yen, a year-on-year decrease of 5.4 billion yen (9.9%)
- ◇ Dividend: No dividend

Net Sales and Earnings

Net sales and operating income both decreased. Targets were not achieved due to factors including a drop in customer demand, the Thai floods, and financial crises in Europe.

Sales Performance

Consolidate net sales for the fiscal year ended March 31, 2013 were 539,595 million yen, a decrease of 3,873 million yen (0.7%) from the previous fiscal year. Overseas sales totaled 362,123 million yen, an increase of 12,103 million yen (3.5%) year-on-year. Overseas sales accounted for 67.1% of net sales overall (Americas 26.2%, Europe 23.1%, Asia and others 17.8%), an increase of 2.7 percentage points from the previous fiscal year.

Net Sales and Earning by Business Sector

The industrial machinery applications saw decreased sales due to a drop in customer demand, with resulting net sales of 93,746 million yen. Operating income was 1,534 million yen.

In the aftermarket and distributor applications, lower customer demand led to a decrease, with net sales of 89,222 million yen. Operating income was 14,725 million yen.

In the automotive applications, while customer demand was down in Europe, sales increased chiefly in the Americas and Asia, resulting in net sales of 356,627 million. The operating loss was 8,981 million yen. Despite a positive effect from a reduction in personnel costs and other fixed costs, an increase in temporal costs resulting from an additional burden imposed on production lines in coping with increased sales to the Americas was among factors contributing to the operating loss.

Net Sales and Earning by Region

In Japan, net sales decreased overall in the automotive applications. Despite signs recovery from the manufacturing drop following the Great East Japan Earthquake of March 2011, customer demand decreased in exports. In the industrial machinery applications, sales for general machinery fell, as did construction machinery due to a drop in customer orders in China. Sales were also down in the aftermarket and distributor applications. As a result, net sales were 177,472 million yen (down 8.3% over the previous fiscal year).

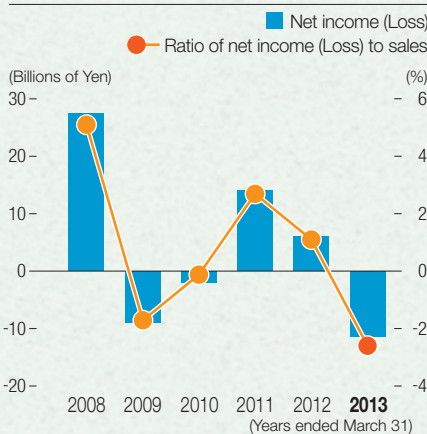
In Europe, sales decreased in the automotive applications, the industrial machinery applications, and the aftermarket and distributor applications. This was due to the lack of economic recovery in the region against the background of financial instability. As a result, exchange rates were partly responsible for net sales of 124,752 million yen (down 6.2%).

Financial Review

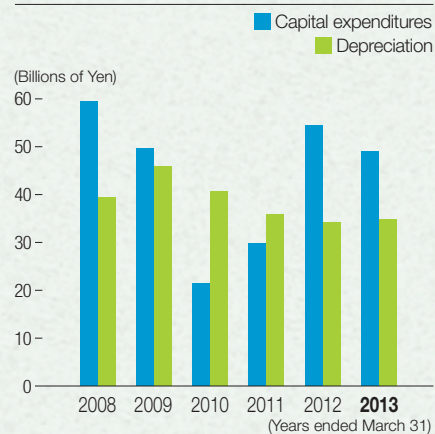
Operating Income / Operating Margin



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



Capital Expenditures and Depreciation



In the Americas, sales increased overall in the automotive applications due to an increase in customer demand. In the industrial machinery applications, sales decreased in construction machinery and increased in the aftermarket and distributor applications. As a result, exchange rates were partly responsible for net sales of 141,571 million yen (up 13.6%).

In Asia, in the automotive applications, sales were down to Japanese manufacturers in China, but in other parts of Asia, a recovery from the manufacturing drop following the floods in Thailand, along with increased demand from customers, contributed to increased sales. In the industrial machinery applications, sales were down in general machinery, office equipment, construction machinery, and the aftermarket and distributor applications. As a result, exchange rates were partly responsible for net sales of 95,800 million yen (up 3.7%).

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

The cost of sales was 462,106 million yen, up 2.3 percentage points and representing 85.6% of consolidated net sales. This was mainly the result of a decrease in sales and production.

Selling, general and administrative (SG&A) expenses were 70,211 million yen, representing 13.0% of consolidated net sales, 0.2 percentage points up from the previous fiscal year.

● Earnings

Looking at earnings, there were factors contributing to an increase (a decrease in personnel and other costs) and factors contributing to a decrease (decreased sales and production due to a drop in customer demand, and an increase in temporal costs resulting from an additional burden imposed on production lines in coping with increased sales to the Americas. As a result, the operating income for the term was 7,278 million yen, decreased 13,446 million over the previous fiscal year.

Other expenses amounted to a net expense of 21,176 million yen. Major contributing factors were income totaling 4,895 million including gain on recognition of negative goodwill of 1,929 million yen and gain on sales of investment securities of 1,593 million yen, and expenses of 26,071 million including reserve for loss related to antimonopoly law of 7,231 million yen, structural reform expenses of 6,365 million yen, interest expense of 4,069 million yen, and business restructuring expense of 3,027 million yen.

As a result, the loss before income taxes was 13,898 million yen,

down from the 16,357 million yen in income of the previous fiscal year. The net loss per share was 26.69 yen for the year under review.

We regret to announce that no interim dividend and end-of-term dividend will be paid this fiscal year.

■ R&D and Capital Expenditures

Decrease in Both R&D Costs and Capital Expenditures

● R&D Costs

R&D costs for the fiscal year under review were 16,174 million yen, down 983 million yen and representing 3.0% of consolidated net sales.

In the industrial machinery applications, NTN is positioning as key business sectors wind turbines, a form of new energy with promising global growth, and the sectors of rolling stock, aircraft, machine tools, and construction machinery, which all require state-of-the-art bearing technology. We are working to reduce environmental impact by developing more compact, lighter 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 applications, as cars rapidly and increasingly incorporate electrical systems, we are picking up the pace at which we develop and release system products for next-generation EVs; examples include our In-wheel Motor System and our Electromechanical Brake System with Parking Brake. We conducted tests on converted EVs equipped with NTN products in Iwata City, Shizuoka Prefecture, and the information garnered from these tests is being fed back to our labs to make future products even better.

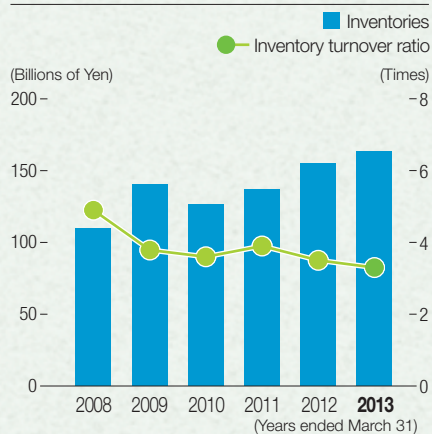
● Capital Expenditures

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.

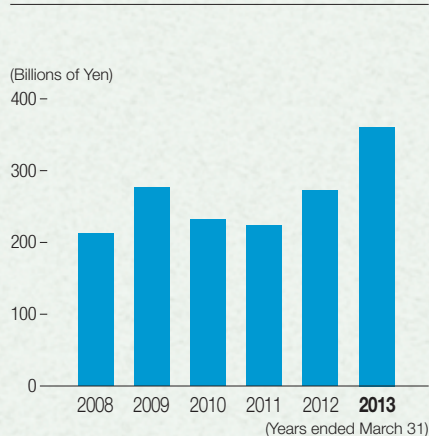
In Japan, capital expenditures were 13,321 million yen, with projects including the installation of bearing production equipment along with the construction of new plant buildings at NTN AKAIWA Corp.

In the Americas, capital expenditures were 14,665 million yen, with projects including expansion of bearing production equipment at AMERICAN NTN BEARING MFG. CORP. and expansion of plant buildings and expansion of bearing production equipment at NTN-BOWER CORP.

Inventories / Inventory Turnover Ratio



Interest-Bearing Debt



In Europe, capital expenditures were 7,168 million yen, with main projects including expansion of bearing production equipment at NTN-SNR ROULEMENTS. In Asia, capital expenditures were 13,927 million yen, accounted for by projects including the construction of new plant buildings and the installation of bearing production equipment at Nanjing NTN Corporation and NTN-LYC (Luoyang) Bearing Corporation. After adjusting for 103 million yen in equipment transfers between segments, total capital expenditures for the fiscal year under review were 48,979 million yen.

All expenditures were funded from internal funds and short-term loans. Depreciation for the fiscal year under review amounted to 34,841 million yen (up 666 million yen from the previous fiscal year).

Financial Position and Cash Flows

Interest-Bearing Debt Increased by 88.8 Billion Yen.

Free Cash Flow Decreased by 36.1 Billion Yen

Total current assets at the fiscal year-end amounted to 401,321 million yen, an increase of 39,003 million yen, or 10.8%, from the end of the previous fiscal year. This was the result of an increase in cash and cash equivalents of 33,494 million yen and an increase in inventory of 8,180 million yen. Property, plant, and equipment were 298,153 million yen, up 32,471 million yen (12.2%) over the previous fiscal year-end. This came mainly from an increase of 65,452 million in machinery, equipment and other vehicles. As a result, total assets were 768,462 million yen, up 75,204 million yen (10.8%) over the end of the previous fiscal year.

Current liabilities were up 33,068 million yen (11.7%) over the end of the previous fiscal year to 315,362 million yen. This was mainly due to an increase of 50,264 million yen in long-term loans and the current portion of lease obligations, reserve for loss related to antimonopoly law of 7,231 million yen, and reserve for early retirement expenses of 5,923 million yen.

Long-term liabilities were up 42,519 million yen (21.4%) over the end of the previous fiscal year to 241,357 million yen. This was mainly due to an increase in long-term loans and lease obligations of 34,952 million yen.

Total net assets were 211,743 million yen, decreased 383 million yen (0.2%) over the end of the previous fiscal year. This was mainly due to an increase in currency translation adjustments of 19,135 million yen and a decrease in retained earnings of 16,855 million yen.

The shareholders' equity ratio was 26.0%, down 2.4 percentage points. Total net assets per share, based on the number of shares

outstanding over the end of the previous fiscal year, were 375.84 yen per share (an increase of 5.65 yen per share over the end of the previous fiscal year). Interest-bearing debt amounted to 360,802 million yen, an increase of 88,824 million yen (32.7%) from the end of the previous fiscal year. Factoring in the increase from currency effects, the actual increase was 73,306 million yen. This was due to the incurrence of debt as long-term stable funding provided for by capital expenditure funds, investments and loans, and the change in the business environment. The ratio of interest-bearing debt to total assets was 47.0% (up 7.8 percentage points).

Net working capital was 85,959 million yen, an increase of 5,935 million yen from the end of the previous fiscal year. The current ratio was 127.3% (down of 1.0 percentage point over the end of the previous fiscal year).

The inventory turnover ratio for the fiscal year under review was 3.3 times (0.2 times down over the end of the previous fiscal year), while the turnover ratio of total assets was 0.7 times (0.1 times down).

Net cash provided by operating activities was 20,505 million yen, an increase of 3,453 million yen, or 20.2%, over the end of the previous fiscal year. This mainly reflected inflows in the form of depreciation and amortization of 34,841 million yen and a decrease in trade receivables of 11,953 million yen; offset against outlays of a decrease in trade payables of 27,967 million yen.

Net cash used in investing activities was 56,604 million yen (up 3,761 million yen, or 7.1%, over the previous fiscal year). This was due mainly to outlays of 55,244 million yen through the purchases of property, plant, and equipment.

Net cash provided by financing activities was 69,586 million yen, up 22,337 million (47.3%) over the previous fiscal year. This mainly reflected an inflow from long-term loans of 89,248 million yen, set against a payment of 13,471 million yen for long-term loans. Factoring in the 208 million yen decrease due to the effect of exchange rate changes, along with an increase of 215 million yen in cash and cash equivalents from newly consolidated subsidiaries, cash and cash equivalents at the end of the fiscal year were 86,100 million yen, up 33,494 million yen (63.7%) 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 36,099 million yen.

The proportion of net cash provided by operating activities to net sales was 3.8%.

Risk Factors

Business results and the financial position of the NTN Group are subject to the following risks. It should be noted that the forward-looking statements contained in the following reflect judgments of the NTN Group as of the submission date of our securities report (June 26, 2013).

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 VA/VE 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) 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) Statutory Regulations

The NTN Group is subject to the various laws and regulations (tax laws, environmental laws, occupational safety and health laws, economic statutes such as antimonopoly laws and anti-dumping laws, trade and exchange laws, and securities trading regulations) of the countries and regions in which it does business.

The NTN Group strives to abide by these laws and regulations and conduct fair business activities. However, if the NTN Group is ever be subject to litigation or involved in legal proceedings because of a violation of a law or regulation, and if the decision of such litigation or legal proceedings goes against the Group, this may have an affect on the business performance or the financial state of the Group. As well, if these laws or regulations change, or if new unforeseen laws or regulations are enacted, these also may have an affect on the business performance or the financial state of the Group.

Consolidated Balance Sheets

March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
Assets			
Current assets:			
Cash and cash equivalents (Note 14)	¥ 86,100	¥ 52,606	\$ 915,470
Short-term investments (Note 14)	692	1,755	7,358
Trade receivables (Note 14):			
Notes	10,590	10,251	112,600
Accounts	108,022	109,243	1,148,559
Allowance for doubtful accounts	(937)	(632)	(9,963)
	117,675	118,862	1,251,196
Inventories (Note 5)	163,287	155,107	1,736,172
Deferred income taxes (Note 23)	7,377	4,356	78,437
Other current assets (Note 14)	26,190	29,632	278,470
Total current assets	401,321	362,318	4,267,103
Property, plant and equipment, at cost (Note 6):			
Land (Note 2(g))	32,157	31,225	341,914
Buildings and structures (Note 2(g))	173,323	155,813	1,842,881
Machinery, equipment and vehicles (Note 2(g))	696,862	631,410	7,409,484
Construction in progress	27,961	31,025	297,299
	930,303	849,473	9,891,578
Less accumulated depreciation	(632,150)	(583,791)	(6,721,424)
Property, plant and equipment, net (Note 25)	298,153	265,682	3,170,154
Investments and other assets:			
Investment securities (Notes 7 and 14)	27,601	24,520	293,471
Investments in unconsolidated subsidiaries and affiliates (Note 14)	13,690	12,516	145,561
Goodwill	272	279	2,892
Deferred income taxes (Note 23)	20,904	21,865	222,265
Other assets	6,521	6,078	69,335
Total investments and other assets	68,988	65,258	733,524
Total assets (Note 25)	¥ 768,462	¥ 693,258	\$ 8,170,781

See accompanying notes to the consolidated financial statements.

Consolidated Balance Sheets

March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
Liabilities and net assets			
Current liabilities:			
Short-term bank loans (Notes 8 and 14)	¥ 105,706	¥ 101,629	\$ 1,123,934
Current portion of long-term debt and lease obligations (Notes 8 and 14)	64,961	14,697	690,707
Trade payables (Note 14):			
Notes	11,677	15,000	124,157
Accounts	76,782	99,216	816,396
	88,459	114,216	940,553
Accrued income taxes (Notes 14 and 23)	1,485	2,677	15,789
Deferred income taxes (Note 23)	74	338	787
Provision for surcharge payments under the Anti-Monopoly Act (Note 18)	7,231	–	76,885
Provision for employees' early retirement incentive plans (Note 19)	5,923	–	62,977
Other current liabilities	41,523	48,737	441,499
Total current liabilities (Note 25)	315,362	282,294	3,353,131
Long-term liabilities:			
Long-term debt and lease obligations (Notes 8 and 14)	191,736	156,784	2,038,660
Accrued retirement benefits for employees (Note 9)	37,880	33,019	402,764
Provision for product defect compensation	1,164	779	12,376
Deferred income taxes (Note 23)	3,174	3,389	33,748
Other long-term liabilities	7,403	4,867	78,714
Total long-term liabilities (Note 25)	241,357	198,838	2,566,262
Contingent liabilities (Note 11)			
Net assets:			
Shareholders' equity (Note 10):			
Common stock:			
Authorized — 1,800,000,000 shares			
Issued — 532,463,527 shares in 2013 and 2012	54,347	54,347	577,852
Capital surplus	67,370	67,370	716,321
Retained earnings	96,740	113,595	1,028,602
Treasury stock, at cost:			
576,643 shares in 2013 and 566,982 shares in 2012	(517)	(514)	(5,497)
Total shareholders' equity	217,940	234,798	2,317,278
Accumulated other comprehensive income (loss):			
Net unrealized holding gain on securities (Note 7)	5,211	3,396	55,407
Translation adjustments	(18,128)	(37,263)	(192,749)
Unfunded retirement benefit obligation of foreign subsidiaries	(5,119)	(4,027)	(54,428)
Total accumulated other comprehensive loss, net	(18,036)	(37,894)	(191,770)
Minority interests	11,839	15,222	125,880
Total net assets	211,743	212,126	2,251,388
Total liabilities and net assets	¥ 768,462	¥ 693,258	\$ 8,170,781

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Operations

Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
Net sales (Note 25)	¥ 539,595	¥ 543,468	\$ 5,737,321
Cost of sales (Note 16)	462,106	452,975	4,913,408
Gross profit	77,489	90,493	823,913
Selling, general and administrative expenses (Note 16)	70,211	69,769	746,529
Operating income (Note 25)	7,278	20,724	77,384
Other income (expenses):			
Interest and dividend income	820	881	8,719
Interest expense	(4,069)	(3,369)	(43,264)
Equity in earnings of affiliates	553	1,010	5,880
Gain on bargain purchase of a subsidiary's share (Notes 25 and 26)	1,929	–	20,510
Gain on sales of investment securities (Note 7)	1,593	–	16,938
Gain on sales of fixed assets (Note 17)	–	1,202	–
Provision for surcharge payments under the Anti-Monopoly Act (Note 18)	(7,231)	–	(76,885)
Restructuring costs (Note 19)	(6,365)	–	(67,677)
Reorganization expenses (Note 20)	(3,027)	(580)	(32,185)
Loss on impairment of fixed assets (Note 6)	(2,693)	–	(28,634)
Loss on valuation of investment securities	(491)	(2,105)	(5,221)
Casualty losses	(126)	–	(1,340)
Loss on earthquake (Note 21)	–	(744)	–
Loss on sales of fixed assets	–	(107)	–
Other, net	(2,069)	(555)	(21,998)
	(21,176)	(4,367)	(225,157)
(Loss) income before income taxes and minority interests	(13,898)	16,357	(147,773)
Income taxes (Note 23):			
Current	2,936	5,527	31,217
Deferred	(3,116)	3,806	(33,131)
	(180)	9,333	(1,914)
(Loss) income before minority interests	(13,718)	7,024	(145,859)
Minority interests	(478)	(1,031)	(5,082)
Net (loss) income	¥ (14,196)	¥ 5,993	\$ (150,941)

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income

Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
(Loss) income before minority interests	¥ (13,718)	¥ 7,024	\$ (145,859)
Other comprehensive income (loss) (Note 22):			
Net unrealized holding gain on securities (Note 7)	1,815	1,259	19,299
Translation adjustments	19,502	(3,075)	207,357
Unfunded retirement benefit obligation of foreign subsidiaries	(1,092)	(1,454)	(11,610)
Share of other comprehensive income (loss) of affiliates accounted for by the equity method	1,581	(779)	16,810
Other comprehensive income (loss), net	21,806	(4,049)	231,856
Comprehensive income	¥ 8,088	¥ 2,975	\$ 85,997
Total comprehensive income attributable to:			
Shareholders of NTN Corporation	¥ 5,662	¥ 2,215	\$ 60,202
Minority interests	¥ 2,426	¥ 760	\$ 25,795

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Years ended March 31, 2013 and 2012

	Millions of yen									
	Number of shares in issue	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on securities	Translation adjustments	Unfunded retirement benefit obligation of foreign subsidiaries	Minority interests	Total net assets
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 April 1, 2012	532,463,527	54,347	67,370	113,595	(514)	3,396	(37,263)	(4,027)	15,222	212,126
Cash dividends paid	-	-	-	(2,659)	-	-	-	-	-	(2,659)
Net loss	-	-	-	(14,196)	-	-	-	-	-	(14,196)
Purchases of treasury stock	-	-	-	-	(4)	-	-	-	-	(4)
Sales of treasury stock	-	-	-	-	1	-	-	-	-	1
Other changes	-	-	-	-	-	1,815	19,135	(1,092)	(3,383)	16,475
Balance at March 31, 2013	532,463,527	¥ 54,347	¥ 67,370	¥ 96,740	¥ (517)	¥ 5,211	¥ (18,128)	¥ (5,119)	¥ 11,839	¥ 211,743

	Thousands of U.S. dollars (Note 1)									
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on securities	Translation adjustments	Unfunded retirement benefit obligation of foreign subsidiaries	Minority interests	Total net assets	
Balance at April 1, 2012	\$ 577,852	\$ 716,321	\$ 1,207,815	\$ (5,465)	\$ 36,108	\$ (396,204)	\$ (42,818)	\$ 161,850	\$ 2,255,459	
Cash dividends paid	-	-	(28,272)	-	-	-	-	-	(28,272)	
Net loss	-	-	(150,941)	-	-	-	-	-	(150,941)	
Purchases of treasury stock	-	-	-	(43)	-	-	-	-	(43)	
Sales of treasury stock	-	-	-	11	-	-	-	-	11	
Other changes	-	-	-	-	19,299	203,455	(11,610)	(35,970)	175,174	
Balance at March 31, 2013	\$ 577,852	\$ 716,321	\$ 1,028,602	\$ (5,497)	\$ 55,407	\$ (192,749)	\$ (54,428)	\$ 125,880	\$ 2,251,388	

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
Cash flows from operating activities:			
(Loss) income before income taxes and minority interests	¥ (13,898)	¥ 16,357	\$ (147,773)
Adjustments for:			
Depreciation and amortization	34,841	34,175	370,452
Loss on impairment of fixed assets (Note 6)	2,838	–	30,175
Amortization of goodwill	128	–	1,361
Gain on bargain purchase of a subsidiary's share	(1,929)	–	(20,510)
Increase in provision for surcharge payments under the Anti-Monopoly Act	7,231	–	76,885
Increase in provision for employees' early retirement incentive plans	5,911	–	62,850
Increase in allowance for doubtful accounts	126	46	1,340
Decrease in allowance for directors' and corporate auditors' bonuses	(75)	(92)	(797)
Increase in accrued retirement benefits for employees	2,278	894	24,221
Increase (decrease) in provision for product defect compensation	352	(89)	3,743
Increase in other current liabilities for reorganization expenses	2,600	–	27,645
Decrease in other current and long-term liabilities resulting from amendment of pension plans	(1,205)	(1,395)	(12,812)
Interest and dividend income	(820)	(881)	(8,719)
Interest expense	4,069	3,369	43,264
Translation adjustments and foreign exchange loss, net	632	543	6,720
Equity in earnings of affiliates	(553)	(1,010)	(5,880)
Loss (gain) on sales of fixed assets, net	25	(1,095)	266
Gain on sales of investment securities, net	(1,589)	–	(16,895)
Loss on valuation of investment securities	491	2,105	5,221
Decrease (increase) in trade receivables	11,953	(11,754)	127,092
Decrease (increase) in inventories	4,457	(20,216)	47,389
(Decrease) increase in trade payables	(27,967)	4,891	(297,364)
Other	(3,947)	1,113	(41,968)
Subtotal	25,949	26,961	275,906
Interest and dividend income received	1,453	1,850	15,449
Interest paid	(3,973)	(3,355)	(42,243)
Income taxes paid	(2,924)	(8,404)	(31,090)
Net cash provided by operating activities	¥ 20,505	¥ 17,052	\$ 218,022
Cash flows from investing activities:			
Decrease (increase) in short-term investments	1,150	(422)	12,228
Purchases of property, plant and equipment	(55,244)	(49,102)	(587,390)
Purchases of other assets	(1,536)	(1,094)	(16,332)
Proceeds from sales of property, plant and equipment	935	1,559	9,942
Purchases of investment securities	(893)	(0)	(9,495)
Proceeds from sales of investment securities	1,702	28	18,097
Purchases of investments in subsidiaries	(3,927)	(496)	(41,754)
Proceeds from liquidation of a subsidiary	–	113	–
Purchases of investments in an affiliate	–	(2,300)	–
Decrease (increase) in short-term loans receivable	1,026	(812)	10,909
Other	183	(317)	1,945
Net cash used in investing activities	(56,604)	(52,843)	(601,850)
Cash flows from financing activities:			
(Decrease) increase in short-term bank loans, net	(3,013)	7,084	(32,036)
Proceeds from long-term debt	89,248	68,043	948,942
Repayment of long-term debt, including current portion	(13,471)	(25,523)	(143,232)
Proceeds from issuance of common stock to minority shareholders of consolidated subsidiaries	230	3,537	2,446
Cash dividends paid	(2,659)	(5,316)	(28,272)
Repayment of lease obligations	(249)	(192)	(2,648)
Other	(500)	(384)	(5,317)
Net cash provided by financing activities	69,586	47,249	739,883
Effect of exchange rate changes on cash and cash equivalents	(208)	959	(2,212)
Net increase in cash and cash equivalents	33,279	12,417	353,843
Cash and cash equivalents at beginning of the year	52,606	40,082	559,341
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	215	107	2,286
Cash and cash equivalents at end of the year	¥ 86,100	¥ 52,606	\$ 915,470

See accompanying notes to the consolidated financial statements.

Notes to Consolidated Financial Statements

March 31, 2013

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 ¥94.05 = U.S.\$1.00, the exchange rate prevailing on March 31, 2013. 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.

Certain reclassifications of previously reported amounts have been made to the consolidated statement of cash flows for the year ended March 31, 2012 to conform them to the 2013 presentation. Such reclassifications had no effect on consolidated net assets and net income.

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, 2013 and 2012 were reduced by the following amounts:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Land	¥ 799	¥ 799	\$ 8,495
Buildings and structures	468	512	4,976
Machinery, equipment and vehicles	504	604	5,359

(h) Provision for surcharge payments under the Anti-Monopoly Act

Provision for surcharge payments under the Anti-Monopoly Act is provided for the expected corresponding payments.

(i) Provision for employees' early retirement incentive plans

The Company and certain subsidiaries recently introduced employees' early retirement incentive plans. During March 2013, the Company and certain subsidiaries have provided a provision for these plans based on the expected payment of additional retirement benefits and the related expenses under these plans.

(j) 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 past 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.

Past 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.

(k) Provision for product defect compensation

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

(l) 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.

(m) 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.

(n) 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.

(o) 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.

(p) 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.

(q) 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.

(r) Consolidated taxation system

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.

3. Accounting Change

Change of method of depreciation

Effective April 1, 2012, based on a revision of Corporation Tax Law of Japan, the Company and its domestic consolidated subsidiaries changed the method of depreciation for property, plant and equipment acquired on or after April 1, 2012. The previously applied 250% declining-balance method was changed to the 200% declining-balance method.

The effect of this change was to increase operating income by ¥507 million (\$5,391 thousand) and to decrease loss before income taxes and

minority interests by the same amount for the year ended March 31, 2013 from the corresponding amounts which would have been recorded under the previous method.

4. Standards Issued but Not Yet Effective

Accounting standard for retirement benefits

On May 17, 2012, the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Statement No.26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No.25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the "Accounting Standard for Retirement Benefits" issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000 and the other related practical guidance, being followed by partial amendments from time to time through 2009.

In accordance with the revision of this accounting standard, actuarial gains and losses and past service costs that have yet to be recognized in profit or loss shall be recognized within net assets after adjusting for tax effects, and the deficit or surplus shall be recognized as a liability or asset. Actuarial gains and losses and past service cost that arose in the current period and have yet to be recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses and past service cost that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments. In addition, the new accounting standard allows a choice for the method of attributing expected benefits to periods between either the straight-line basis or the plan's benefit formula basis. In addition, the method used to determine the discount rate was revised.

The Company will adopt the revised accounting standard effective the end of March 31, 2014. However, the amendment of the calculation method for the present value of defined obligations and current service costs will be adopted effective the beginning of the year ending March 31, 2015.

The Company is currently evaluating the effect these modifications will have on its consolidated results of operations and financial position.

5. Inventories

Inventories at March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Finished goods	¥ 92,771	¥ 85,083	\$ 986,401
Work in process	41,996	42,682	446,528
Raw materials and supplies	28,520	27,342	303,243
	¥ 163,287	¥ 155,107	\$ 1,736,172

6. Impairment of Fixed Assets

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

The Company and its consolidated subsidiaries wrote down the following assets to their respective net recoverable values because the Company and its consolidated subsidiaries do not expect any future use for them and do not expect them to be recoverable. Consequently, the Company and its consolidated subsidiaries recorded a related loss on impairment of fixed assets of ¥2,693 million (\$28,634 thousand) in the accompanying consolidated statement of operations for the year ended March 31, 2013:

Location	Usage	Classification	Millions of yen	Thousands of U.S. dollars
			2013	2013
Japan	Production equipment	Buildings and structures	¥ 192	\$ 2,041
		Machinery and equipment	269	2,860
		Construction in progress	334	3,551
		Other	20	213
	Employee recreational facilities	Buildings and structures	202	2,148
		Land	122	1,297
		Other	1	11
Americas	Production equipment	Machinery and equipment	8	85
		Construction in progress	183	1,946
Europe	Production equipment and other	Machinery and equipment	235	2,499
		Construction in progress	220	2,339
		Other	215	2,286
Asia and other areas	Production equipment	Machinery and equipment	648	6,890
		Construction in progress	39	415
		Other	5	53
			¥ 2,693	\$ 28,634

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

The Company recorded reorganization expenses of ¥3,027 million (\$32,185 thousand), which included loss on impairment of fixed assets in the amount of ¥145 million (\$1,542 thousand) for the year ended March 31, 2013. The aggregate amount of ¥2,838 million (\$30,175 thousand) of loss on impairment of fixed assets included ¥2,693 million (\$28,633 thousand) as shown in the above table the ¥145 million (\$1,542 thousand), which was included in the reorganization expenses mentioned above, was presented as a component of cash flows from operating activities in the consolidated statement of cash flows for the year ended March 31, 2013.

7. Securities

(a) Information regarding marketable securities classified as other securities at March 31, 2013 and 2012 is summarized as follows:

	Millions of yen					
	2013			2012		
	Carrying value	Acquisition costs	Unrealized gain (loss)	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:						
Equity securities	¥ 19,880	¥ 11,213	¥ 8,667	¥ 13,921	¥ 7,278	¥ 6,643
Subtotal	19,880	11,213	8,667	13,921	7,278	6,643
Securities whose carrying value does not exceed their acquisition costs:						
Equity securities	5,398	6,176	(778)	9,239	10,657	(1,418)
Other	34,000	34,000	-	10,000	10,000	-
Subtotal	39,398	40,176	(778)	19,239	20,657	(1,418)
Total	¥ 59,278	¥ 51,389	¥ 7,889	¥ 33,160	¥ 27,935	¥ 5,225

	Thousands of U.S. dollars		
	2013		
	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	\$ 211,377	\$ 119,224	\$ 92,153
Subtotal	211,377	119,224	92,153
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	57,395	65,667	(8,272)
Other	361,510	361,510	-
Subtotal	418,905	427,177	(8,272)
Total	\$ 630,282	\$ 546,401	\$ 83,881

Impairment losses are recorded for securities whose fair value have declined by 50% or more, or whose fair value have 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 ¥490 million (\$5,210 thousand) and ¥1,886 million for the years ended March 31, 2013 and 2012, respectively.

(b) Sales and aggregate gain on investment securities for the year ended March 31, 2013 are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
	2013	2013
Sales	¥ 1,692	\$ 17,990
Aggregate gain	1,593	16,938

8. 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 0.76% and 0.83% at March 31, 2013 and 2012, respectively.

Long-term debt and lease obligations at March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Loans from banks and other financial institutions, due through 2021, at an average annual interest rate of 1.5%	¥ 245,096	¥ 160,349	\$ 2,606,018
1.66% unsecured bonds due 2013	10,000	10,000	106,326
Lease obligations due through 2026	1,601	1,132	17,023
	256,697	171,481	2,729,367
Less current portion	(64,961)	(14,697)	(690,707)
	¥ 191,736	¥ 156,784	\$ 2,038,660

The aggregate annual maturities of long-term debt and lease obligations subsequent to March 31, 2013 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2014	¥ 64,961	\$ 690,707
2015	26,670	283,573
2016	36,737	390,611
2017	54,816	582,839
2018	60,274	640,872
2019 and thereafter	13,239	140,765
	¥ 256,697	\$ 2,729,367

9. 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 plans. 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, 2013 and 2012 for the Company's and consolidated subsidiaries' defined benefit pension plans:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Retirement benefit obligation	¥ (110,526)	¥ (97,423)	\$ (1,175,183)
Plan assets at fair value	56,541	52,132	601,180
Unfunded retirement benefit obligation	(53,985)	(45,291)	(574,003)
Unrecognized actuarial loss	16,036	12,415	170,505
Unrecognized past service cost	103	(111)	1,095
Net retirement benefit obligation	(37,846)	(32,987)	(402,403)
Prepaid pension cost	34	32	361
Accrued retirement benefits for employees	¥ (37,880)	¥ (33,019)	\$ (402,764)

The components of retirement benefit expenses for the years ended March 31, 2013 and 2012 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Service cost	¥ 3,781	¥ 2,789	\$ 40,202
Interest cost	2,762	2,810	29,367
Expected return on plan assets	(1,496)	(1,487)	(15,906)
Amortization:			
Actuarial loss	2,208	1,977	23,477
Past service cost	(150)	(163)	(1,595)
Retirement benefit expenses	7,105	5,926	75,545
Contributions to defined contribution pension plans	1,203	1,157	12,791
Retirement benefit expenses	¥ 8,308	¥ 7,083	\$ 88,336

The assumptions used in accounting for the defined benefit plans for the years ended March 31, 2013 and 2012 were as follows:

	2013	2012
Discount rates (*)	Principally 1.5%	Principally 2.6%
Expected rate of return on plan assets	Principally 2.5%	Principally 2.5%

*As a result of a review of discount rates by reference to bond market rates, the Company and its consolidated subsidiaries changed the discount rates as of March 31, 2013 to principally 1.5% from principally 2.6% as of April 1, 2012.

10. 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 (\$91,855 thousand) at March 31, 2013 and 2012.

(b) Movements in shares issued and treasury stock during the years ended March 31, 2013 and 2012 are summarized as follows:

	Number of shares			
	2013			
	April 1, 2012	Increase	Decrease	March 31, 2013
Shares issued: Common stock	532,463,527	-	-	532,463,527
Treasury stock: Common stock	566,982	19,171	9,510	576,643
	2012			
	April 1, 2011	Increase	Decrease	March 31, 2012
Shares issued: Common stock	532,463,527	-	-	532,463,527
Treasury stock: Common stock	824,400	23,299	280,717	566,982

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The increases in treasury stock were due to purchases of shares of less than one voting unit for the years ended March 31, 2013 and 2012. The decreases in treasury stock for the year ended March 31, 2013 were due to sales of shares at requests of shareholders owning less than one voting unit. The decreases in treasury stock for the year ended March 31, 2012 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.

11. Contingent Liabilities

Arbitration for claim of damages

NTN-SNR ROULEMENTS (hereinafter referred as NTN-SNR), which is a Company's consolidated subsidiary, has been involved in arbitration proceedings since November 2012. One automotive customer submitted a claim to arbitration and requested the payment in the amount of \$57,774 thousand (¥5,433 million) for damages due to defective products provided by allegedly NTN-SNR. Depending on the results of the arbitration, the results of operations of the Company and its consolidated subsidiaries could be affected. However, it is currently difficult to make reasonable estimates of the future possible effects on the results of operations and financial position of the Company and its consolidated subsidiaries.

12. 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, 2013 and 2012, 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					
	2013			2012		
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Buildings and structures	¥ 1,411	¥ 1,138	¥ 273	¥ 1,411	¥ 1,082	¥ 329
Machinery, equipment and vehicles	10	9	1	52	46	6
Other assets	16	13	3	37	30	7
	¥ 1,437	¥ 1,160	¥ 277	¥ 1,500	¥ 1,158	¥ 342

	Thousands of U.S. dollars		
	2013		
	Acquisition costs	Accumulated depreciation	Net book value
Buildings and structures	\$ 15,003	\$ 12,100	\$ 2,903
Machinery, equipment and vehicles	106	96	10
Other assets	170	138	32
	\$ 15,279	\$ 12,334	\$ 2,945

Lease payments relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥65 million (\$691 thousand) and ¥80 million for the years ended March 31, 2013 and 2012, respectively. Depreciation of the leased assets computed by the straight-line method over the respective lease terms with a nil residual value amounted to ¥65 million (\$691 thousand) and ¥80 million for the years ended March 31, 2013 and 2012, respectively.

Future minimum lease payments subsequent to March 31, 2013 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2014	¥ 59	\$ 627
2015 and thereafter	218	2,318
Total	¥ 277	\$ 2,945

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, 2013 and 2012.

13. Operating Leases

Future minimum lease payments subsequent to March 31, 2013 for non-cancelable operating leases were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2014	¥ 321	\$ 3,413
2015 and thereafter	2,335	24,827
Total	¥ 2,656	\$ 28,240

14. 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 9 years, at the longest, subsequent to March 31, 2013. 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 rate swap agreements and interest rate 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, 2013. Refer to “(p) 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 15 “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, 2013 and 2012, 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					
	2013			2012		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
(1) Cash and cash equivalents	¥ 86,100	¥ 86,100	¥ –	¥ 52,606	¥ 52,606	¥ –
(2) Short-term investments	692	692	–	1,755	1,755	–
(3) Trade receivables	118,612	118,612	–	119,494	119,494	–
(4) Investment securities	25,278	25,282	4	23,160	23,160	0
(5) Short-term loans receivable included in other current assets	310	310	–	1,332	1,332	–
Total assets	¥ 230,992	¥ 230,996	¥ 4	¥ 198,347	¥ 198,347	¥ 0
(6) Trade payables	88,459	88,459	–	114,216	114,216	–
(7) Short-term bank loans	105,706	105,706	–	101,629	101,629	–
(8) Current portion of long-term debt	64,715	64,745	30	14,502	14,502	–
(9) Accrued income taxes	1,485	1,485	–	2,677	2,677	–
(10) Long-term debt	190,381	192,191	1,810	155,847	157,168	1,321
Total liabilities	¥ 450,746	¥ 452,586	¥ 1,840	¥ 388,871	¥ 390,192	¥ 1,321
Derivative transactions (*)	¥ (1,449)	¥ (1,449)	¥ –	¥ (814)	¥ (814)	¥ –

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Thousands of U.S. dollars			
2013			
	Carrying value	Fair value	Difference
(1) Cash and cash equivalents	\$ 915,470	\$ 915,470	\$ –
(2) Short-term investments	7,358	7,358	–
(3) Trade receivables	1,261,159	1,261,159	–
(4) Investment securities	268,772	268,815	43
(5) Short-term loans receivable included in other current assets	3,296	3,296	–
Total assets	\$ 2,456,055	\$ 2,456,098	\$ 43
(6) Trade payables	940,553	940,553	–
(7) Short-term bank loans	1,123,934	1,123,934	–
(8) Current portion of long-term debt	688,091	688,411	320
(9) Accrued income taxes	15,789	15,789	–
(10) Long-term debt	2,024,253	2,043,498	19,245
Total liabilities	\$ 4,792,620	\$ 4,812,185	\$ 19,565
Derivative transactions (*)	\$ (15,407)	\$ (15,407)	\$ –

* 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 15 “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
	2013	2012	2013
Unlisted stocks			
Stocks of subsidiaries and affiliates	¥ 13,690	¥ 12,516	\$ 145,561
Other	285	360	3,030
Unlisted foreign bonds	1,038	–	11,037
Unlisted domestic bonds	1,000	1,000	10,632
Total	¥ 16,013	¥ 13,876	\$ 170,260

Because no quoted market price is available and it is extremely difficult to determine the fair value, the above financial instruments are not included in the preceding table.

Note 3: Redemption schedule for cash and cash equivalents, receivables and marketable securities with maturities at March 31, 2013 and 2012 is as follows:

	Millions of yen			
	2013			
	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	¥ 86,100	¥ –	¥ –	¥ –
Short-term investments	692	–	–	–
Trade receivables	118,612	–	–	–
Short-term loans receivable included in other current assets	310	–	–	–
Total	¥ 205,714	¥ –	¥ –	¥ –

	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	¥ –	¥ –	¥ –

Thousands of U.S. dollars

	2013			
	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	\$ 915,470	\$ -	\$ -	\$ -
Short-term investments	7,358	-	-	-
Trade receivables	1,261,159	-	-	-
Short-term loans receivable included in other current assets	3,296	-	-	-
Total	\$ 2,187,283	\$ -	\$ -	\$ -

Note 4: The redemption schedule for long-term debt is disclosed in Note 8 "Short-Term Bank Loans, Long-Term Debt and Lease Obligations" section of these Notes to Consolidated Financial Statements.

15. 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, 2013 and 2012 is summarized as follows:

Currency-related transactions

Classification	Transaction	Millions of yen		
		Notional amount	Fair value	Valuation gain (loss)
	Forward foreign currency exchange contracts			
	Selling:			
	U.S. Dollars	¥ 14,846	¥ (1,072)	¥ (1,072)
	Euro	7,460	(228)	(228)
Over-the-counter transactions	Thai Baht	1,706	(129)	(129)
	Canadian Dollars	285	(5)	(5)
	British Pounds	197	0	0
	Buying:			
	Yen	608	(15)	(15)
	Total	¥ 25,102	¥ (1,449)	¥ (1,449)

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

Classification	Transaction	Thousands of U.S. dollars		
		Notional amount	Fair value	Valuation gain (loss)
	Forward foreign currency exchange contracts			
	Selling:			
	U.S. Dollars	\$ 157,852	\$ (11,398)	\$ (11,398)
	Euro	79,320	(2,424)	(2,424)
Over-the-counter transactions	Thai Baht	18,139	(1,372)	(1,372)
	Canadian Dollars	3,030	(53)	(53)
	British Pounds	2,095	0	0
	Buying:			
	Yen	6,465	(160)	(160)
	Total	\$ 266,901	\$ (15,407)	\$ (15,407)

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.

Notes to Consolidated Financial Statements

March 31, 2013

(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, 2013 and 2012 is summarized as follows.

Interest-rate related transactions

		Millions of yen		
		2013		
		Contractual value		
Method of hedge accounting	Transaction	Notional amount	More than one year	Fair value
Swap rates applied to underlying long-term debt	Interest rate swaps			
	Receive / floating and pay / fixed	¥ 37,000	¥ 19,000	(*)
	Total	¥ 37,000	¥ 19,000	(*)

		Millions of yen		
		2012		
		Contractual value		
Method of hedge accounting	Transaction	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	(*)

		Thousands of U.S. dollars		
		2013		
		Contractual value		
Method of hedge accounting	Transaction	Notional amount	More than one year	Fair value
Swap rates applied to underlying long-term debt	Interest rate swaps			
	Receive / floating and pay / fixed	\$ 393,408	\$ 202,020	(*)
	Total	\$ 393,408	\$ 202,020	(*)

* 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 14.

16. Research and Development Costs

Research and development costs included in cost of sales and selling, general and administrative expenses totalled ¥16,174 million (\$171,972 thousand) and ¥17,157 million for the years ended March 31, 2013 and 2012, respectively.

17. 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
	2012
Gain on sales of dormitory and company housing at TAKARAZUKA Works	¥ 1,098
Others	104
	¥ 1,202

18. Provision for Surcharge Payments under the Anti-Monopoly Act

Based on an order from the Japan Fair Trade Commission (the "JFTC"), the Company recorded a provision for surcharge payments under the Anti-Monopoly Act in the amount of ¥7,231 million (\$76,885 thousand) as of March 31, 2013.

19. Restructuring Costs

Restructuring costs for the year ended March 31, 2013 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
	2013	2013
Provision for employees' early retirement incentive plans	¥ 5,911	\$ 62,850
Loss on valuation of assets due to the partial discontinuation of operations for precision equipment	356	3,785
Others	98	1,042
	¥ 6,365	\$ 67,677

20. Reorganization Expenses

Reorganization expenses for the years ended March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Expenses for soil improvement work for TAKARAZUKA Works	¥ 2,600	¥ –	\$ 27,645
Expenses for additional construction work for TAKARAZUKA Works	–	580	–
Others (*)	427	–	4,540
	¥ 3,027	¥ 580	\$ 32,185

* Others included loss on impairment of fixed assets in the amount of ¥145 million (\$1,542 thousand) for the year ended March 31, 2013.

The Company plans to sell the site of the TAKARAZUKA Works after soil improvement work is completed.

21. Loss on Earthquake

During the year ended March 31, 2012, the Company and its domestic subsidiaries suffered losses related to the Great East Japan Earthquake on March 11, 2011.

Loss on earthquake for the year ended March 31, 2012 consisted of the following:

	Millions of yen
	2012
Fixed costs incurred for suspended operations	¥ 726
Others	18
	¥ 744

22. Other Comprehensive Income (Loss)

The following table presents the analysis of other comprehensive income (loss) for the years ended March 31, 2013 and 2012.

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Net unrealized holding gain (loss) on securities:			
Amount arising during the year	¥ 2,304	¥ (215)	\$ 24,498
Reclassification adjustments for losses included in net income	488	1,878	5,189
Before tax effect	2,792	1,663	29,687
Tax effect	(977)	(404)	(10,388)
Total	1,815	1,259	19,299
Translation adjustments:			
Amount arising during the year	19,484	(3,075)	207,166
Reclassification adjustments for losses included in net income	18	-	191
Before tax effect	19,502	(3,075)	207,357
Tax effect	-	-	-
Total	19,502	(3,075)	207,357
Unfunded retirement benefit obligation of foreign subsidiaries:			
Amount arising during the year	(2,018)	(2,913)	(21,457)
Reclassification adjustments for losses included in net income	603	368	6,412
Before tax effect	(1,415)	(2,545)	(15,045)
Tax effect	323	1,091	3,435
Total	(1,092)	(1,454)	(11,610)
Share of other comprehensive income (loss) of affiliates accounted for by the equity method:			
Amount arising during the year	1,581	(779)	16,810
Other comprehensive income (loss), net	¥ 21,806	¥ (4,049)	\$ 231,856

23. Income Taxes

Income taxes applicable to the Company and its domestic subsidiaries comprise corporate tax, inhabitants' taxes and enterprise tax which, in the aggregate, resulted in statutory tax rates of 37.4% and 40.0% for the years ended March 31, 2013 and 2012, respectively. Overseas subsidiaries are subject to the income taxes of the respective countries in which they operate.

The details of the differences between the statutory tax rate and effective tax rate for the year ended March 31, 2013 are omitted because the Company and its consolidated subsidiaries recorded a loss before income taxes and minority interests for the year.

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

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

Notes to Consolidated Financial Statements

March 31, 2013

The tax effects of temporary differences which gave rise to significant portions of the deferred tax assets and liabilities at March 31, 2013 and 2012 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Deferred tax assets:			
Accrued retirement benefits for employees	¥ 14,840	¥ 14,291	\$ 157,788
Inventories	611	491	6,497
Tax loss carryforwards	21,359	17,323	227,103
Provision for employees' early retirement incentive plans	2,179	–	23,169
Accrued expenses	2,036	2,704	21,648
Foreign tax credit	515	1,806	5,476
Accrued expenses for defined contribution pension plans	378	830	4,019
Other	7,328	5,433	77,915
Gross deferred tax assets	49,246	42,878	523,615
Less: valuation allowance	(4,565)	(4,858)	(48,538)
Total deferred tax assets	44,681	38,020	475,077
Deferred tax liabilities:			
Depreciation and amortization	(13,827)	(10,417)	(147,018)
Unrealized holding gain on securities	(2,806)	(1,829)	(29,835)
Reserve for deferred gain on property included in retained earnings	(561)	(565)	(5,965)
Retained earnings of overseas consolidated subsidiaries	(147)	(201)	(1,563)
Other	(2,307)	(2,514)	(24,529)
Total deferred tax liabilities	(19,648)	(15,526)	(208,910)
Net deferred tax assets	¥ 25,033	¥ 22,494	\$ 266,167

24. Amounts per Share

Amounts per share at March 31, 2013 and 2012 and for the years then ended were as follows:

	Yen		U.S. dollars
	2013	2012	2013
Net assets	¥ 375.84	¥ 370.19	\$ 4.00
Net (loss) income:			
Basic	(26.69)	11.27	(0.28)
Cash dividends	–	10.00	–

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

Basic net income or loss per share is computed based on the net income or loss attributable to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year. Diluted net income per share has not been presented because there were no potentially dilutive shares of common stock and the Company and consolidated subsidiaries recorded net loss for the year ended March 31, 2013. Diluted net income per share had not been presented because there were no potentially dilutive shares of common stock for the year ended March 31, 2012.

Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective years together with the interim cash dividends paid.

25. 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 (the 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 or loss, 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 or loss, assets, liabilities, and other items for each reporting segment for the years ended March 31, 2013 and 2012

Reportable segment information for the years ended March 31, 2013 and 2012 are summarized as follows:

	Millions of yen						
	2013						
	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	¥ 193,491	¥ 135,385	¥ 132,177	¥ 78,542	¥ 539,595	¥ –	¥ 539,595
Inter-segment sales and transfers	122,442	3,093	4,367	7,220	137,122	(137,122)	–
Total	315,933	138,478	136,544	85,762	676,717	(137,122)	539,595
Segment income (loss)	¥ 9,837	¥ (3,218)	¥ (214)	¥ 714	¥ 7,119	¥ 159	¥ 7,278
Segment assets	¥ 472,374	¥ 151,710	¥ 133,042	¥ 131,394	¥ 888,520	¥ (120,058)	¥ 768,462
Segment liabilities	¥ 359,873	¥ 116,160	¥ 78,327	¥ 51,840	¥ 606,200	¥ (49,481)	¥ 556,719
Other items:							
Depreciation and amortization	¥ 18,789	¥ 7,094	¥ 5,325	¥ 3,633	¥ 34,841	¥ –	¥ 34,841
Capital expenditures	¥ 13,689	¥ 14,665	¥ 7,245	¥ 15,019	¥ 50,618	¥ (103)	¥ 50,515

	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

	Thousands of U.S. dollars						
	2013						
	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	\$ 2,057,321	\$ 1,439,500	\$ 1,405,391	\$ 835,109	\$ 5,737,321	\$ –	\$ 5,737,321
Inter-segment sales and transfers	1,301,882	32,887	46,432	76,768	1,457,969	(1,457,969)	–
Total	3,359,203	1,472,387	1,451,823	911,877	7,195,290	(1,457,969)	5,737,321
Segment income (loss)	\$ 104,593	\$ (34,216)	\$ (2,275)	\$ 7,592	\$ 75,694	\$ 1,690	\$ 77,384
Segment assets	\$ 5,022,584	\$ 1,613,078	\$ 1,414,588	\$ 1,397,065	\$ 9,447,315	\$ (1,276,534)	\$ 8,170,781
Segment liabilities	\$ 3,826,401	\$ 1,235,088	\$ 832,823	\$ 551,196	\$ 6,445,508	\$ (526,115)	\$ 5,919,393
Other items:							
Depreciation and amortization	\$ 199,777	\$ 75,428	\$ 56,619	\$ 38,628	\$ 370,452	\$ –	\$ 370,452
Capital expenditures	\$ 145,550	\$ 155,928	\$ 77,033	\$ 159,692	\$ 538,203	\$ (1,095)	\$ 537,108

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

Other than those corresponding to segment assets, adjustments relate to the elimination of inter-segment transactions. The adjustments for segment assets consist of inter-segment elimination of ¥193,691 million (\$2,059,447 thousand) and ¥178,673 million and the corporate assets of the group of ¥73,633 million (\$782,913 thousand) and ¥39,555 million for the years ended March 31, 2013 and 2012, respectively. The corporate assets are investments held by the Company, mainly cash and cash equivalents and investment securities.

Notes to Consolidated Financial Statements

March 31, 2013

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, 2013 and 2012 are summarized as follows:

	Millions of yen			
	2013			
	Automotive	Industrial machinery	Repair and aftermarket	Total
Sale to third parties	¥ 356,627	¥ 93,746	¥ 89,222	¥ 539,595

	Millions of yen			
	2012			
	Automotive	Industrial machinery	Repair and aftermarket	Total
Sale to third parties	¥ 342,889	¥ 106,619	¥ 93,960	¥ 543,468

	Thousands of U.S. dollars			
	2013			
	Automotive	Industrial machinery	Repair and aftermarket	Total
Sale to third parties	\$ 3,791,887	\$ 996,768	\$ 948,666	\$ 5,737,321

(2) Regional information

(a) Sales

Sales categorized by country and region based on locations of customers within the group for the years ended March 31, 2013 and 2012 are summarized as follows:

	Millions of yen				
	2013				
	Japan	Americas	Europe	Asia and other areas	Total
	¥ 177,472	¥ 141,571	¥ 124,752	¥ 95,800	¥ 539,595

	Millions of yen				
	2012				
	Japan	Americas	Europe	Asia and other areas	Total
	¥ 193,448	¥ 124,643	¥ 132,969	¥ 92,408	¥ 543,468

	Thousands of U.S. dollars				
	2013				
	Japan	Americas	Europe	Asia and other areas	Total
	\$ 1,886,996	\$ 1,505,274	\$ 1,326,444	\$ 1,018,607	\$ 5,737,321

"Americas" includes the U.S.A., Canada and Central and South America. Europe includes Germany, France, the 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 ¥122,435 million (\$1,301,808 thousand) and ¥106,898 million for the years ended March 31, 2013 and 2012, respectively.

(b) Property, plant and equipment

Property, plant and equipment categorized by country and region within the group at March 31, 2013 and 2012 are summarized as follows:

	Millions of yen				
	2013				
	Japan	Americas	Europe	Asia and other areas	Total
	¥ 124,887	¥ 73,254	¥ 45,349	¥ 54,663	¥ 298,153

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

	Thousands of U.S. dollars				
	2013				
	Japan	Americas	Europe	Asia and other areas	Total
	\$ 1,327,879	\$ 778,883	\$ 482,180	\$ 581,212	\$ 3,170,154

1. Property, plant and equipment in "Americas" in the amount of ¥66,841 million (\$710,696 thousand) and ¥50,753 million is located in the U.S.A at March 31, 2013 and 2012, respectively.

2. Property, plant and equipment in "Europe" in the amount of ¥35,364 million (\$376,013 thousand) and ¥30,864 million is located in France at March 31, 2013 and 2012, respectively.

3. Property, plant and equipment in "Asia and other areas" in the amount of ¥40,719 million (\$432,951 thousand) and ¥28,483 million is located in China at March 31, 2013 and 2012 respectively.

5. Loss on impairment of fixed assets

Loss on impairment of fixed assets by reporting segment is summarized as follows:

Millions of yen				
2013				
Japan	Americas	Europe	Asia and other areas	Total
¥ 1,285	¥ 191	¥ 670	¥ 692	¥ 2,838

Thousands of U.S. dollars				
2013				
Japan	Americas	Europe	Asia and other areas	Total
\$ 13,663	\$ 2,031	\$ 7,124	\$ 7,357	\$ 30,175

6. Significant gain on bargain purchase

The Company increased its ownership in NTN-SNR ROULEMENTS, a consolidated subsidiary, to 100% by acquiring an additional 17.7% ownership interest on March 27, 2013. This resulted in bargain purchase in the amount of ¥1,929 million (\$20,510 thousand) recorded in the “Japan” segment.

26. Business Combination

1. Company name and business description of acquired company, legal description of business combination, trade name after business combination and main purpose for business combination

(1) Company name and business description of acquired company

Acquired company: NTN-SNR ROULEMENTS

Business description: Manufacture and sale of automotive, industrial machinery, aerospace related products

(2) Date of the business combination

March 27, 2013

(3) Legal description of business combination

Acquisition of shares from minority shareholder

(4) Company name of acquired company after business combination

There was no change in company name after business combination

(5) Main purpose for business combination

The Company additionally acquired 17.7% of the shares of NTN-SNR ROULEMENTS to expand its business in Europe and to strengthen the consolidation of group management. As a result of the acquisition, the Company owns 100% of its shares.

2. Overview of accounting treatment applied

The acquisition of the shares was accounted for as transaction under common control in accordance with “Accounting Standard for Business Combinations” (ASBJ Statement No.21 issued on December 26, 2008) and the “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No.10 issued on December 26, 2008).

3. Matters related to additional acquisition of the subsidiary's shares

(1) Acquisition cost of acquired company

Acquisition cost in cash and cash equivalents: ¥3,622 million (\$38,511 thousand)

(2) Amount of gain on bargain purchase and reason

Gain on bargain purchase in the amount of ¥1,929 million (\$20,510 thousand) was recognized. The reason for recognition was that the additional acquisition cost was less than the reduction amount of minority interest.



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, 2013, and the consolidated statements of operations, 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 its consolidated subsidiaries as at March 31, 2013, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

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.

Ernst & Young Shin Nihon LLC

June 26, 2013
Osaka, Japan

Investor Information

As of March 31, 2013

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, 2013)

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

Number of Shareholders

(As of March 31, 2013)
33,141

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

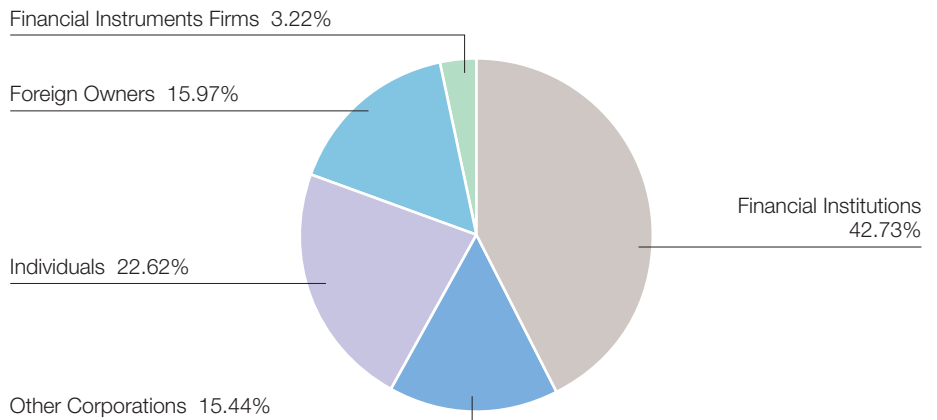
General Meeting of Shareholders

The General Meeting of Shareholders was held on June 25, 2013 in Osaka

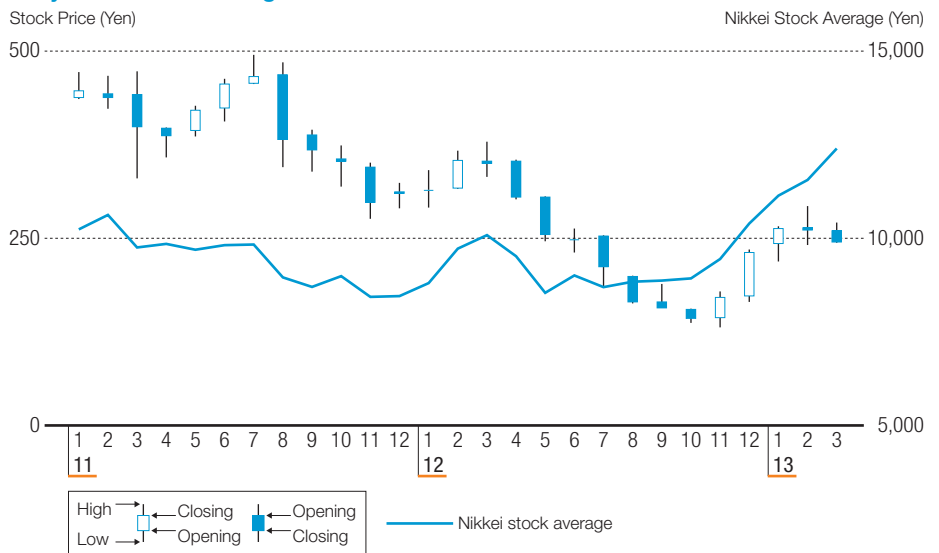
Stock Price Range in the Fiscal Year Ended March 31, 2013

High: ¥355
Low: ¥131

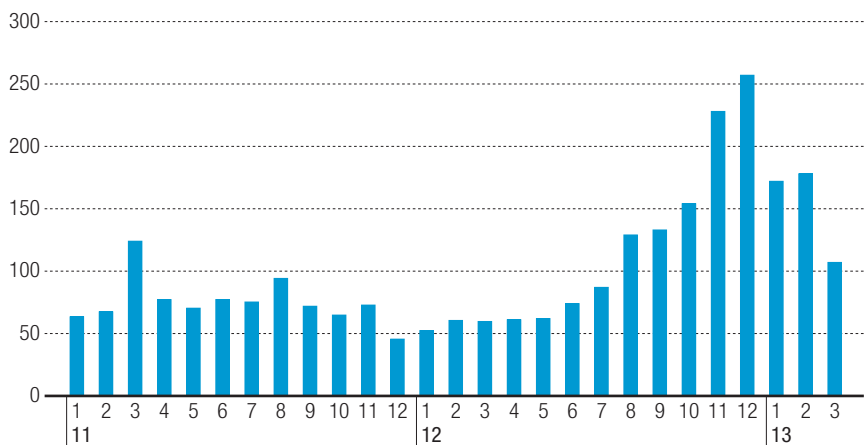
Shareholders by Category



Tokyo Stock Price Range



Monthly Volume Traded (Million Shares)

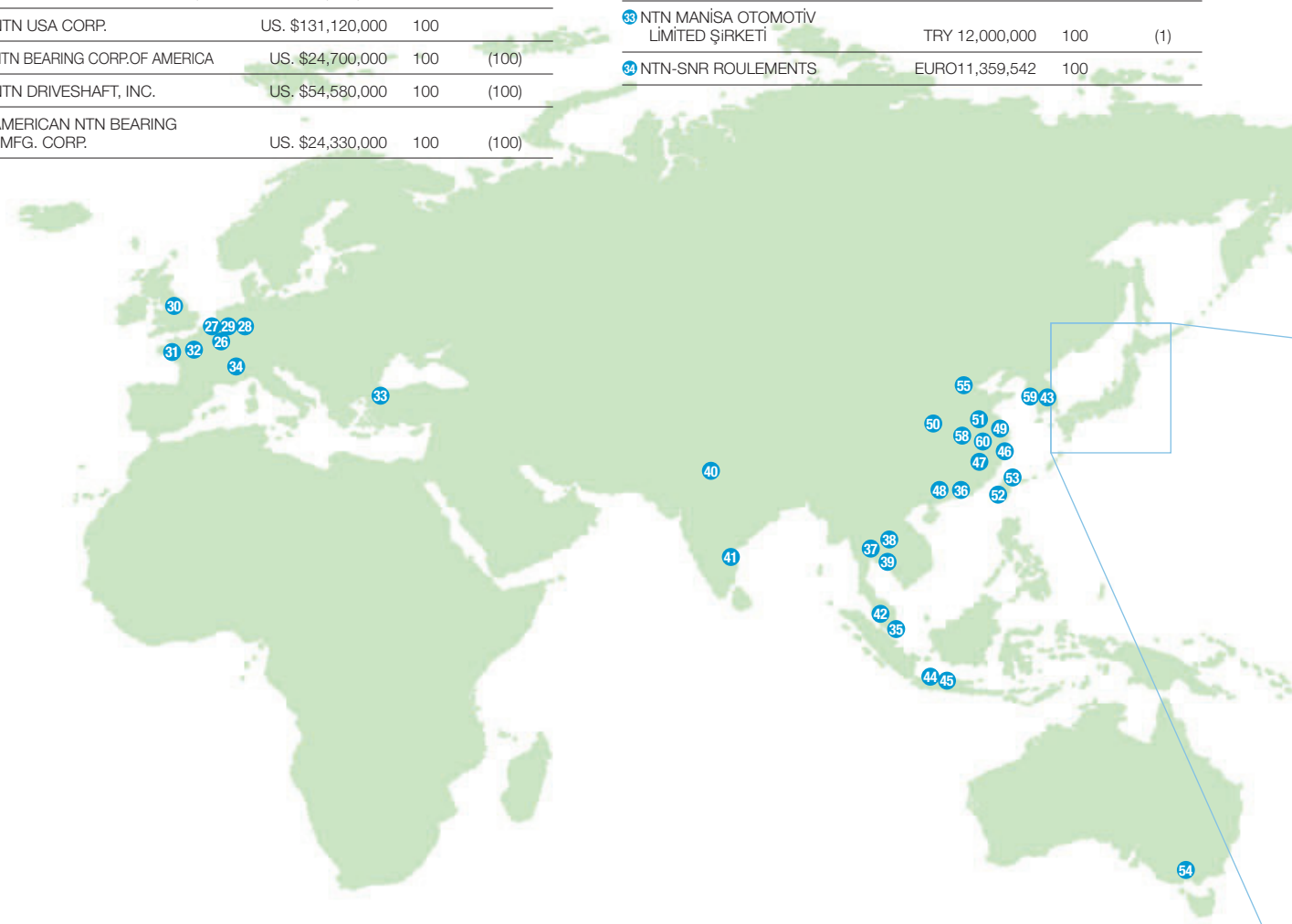


Global Network

As of March 31, 2013

Consolidated Subsidiaries	Paid-in Capital	Holding as percentage (%)
Consolidated Subsidiaries		
1 NTN BEARING SERVICE CO., LTD.	¥480,000,000	100
2 NTN KONGO CORP.	¥1,000,000,000	100
3 NTN ENGINEERING PLASTICS CORP.	¥100,000,000	100
4 NTN POWDER METAL CORP.	¥400,000,000	100
5 NTN MIKUMO CO., LTD.	¥450,000,000	100
6 NTN CASTING CORP.	¥450,000,000	100
7 NTN KINAN CORP.	¥450,000,000	100
8 NTN MIE CORP.	¥3,000,000,000	100
9 NTN OMAEZAKI CORP.	¥266,000,000	97.4
10 NTN KAMIINA CORP.	¥725,000,000	80
11 NTN FUKUROI CORP.	¥1,500,000,000	100
12 NTN HOUDATSUSHIMIZU CORP.	¥1,250,000,000	100
13 NTN AKAIWA CORP.	¥1,250,000,000	100
14 NTN NOTO CORP.	¥1,000,000,000	100
15 NIPPON KAGAKU YAKIN CO., LTD.	¥100,000,000	98.069
16 NTN USA CORP.	US. \$131,120,000	100
17 NTN BEARING CORP.OF AMERICA	US. \$24,700,000	100 (100)
18 NTN DRIVESHAFT, INC.	US. \$54,580,000	100 (100)
19 AMERICAN NTN BEARING MFG. CORP.	US. \$24,330,000	100 (100)

Consolidated Subsidiaries	Paid-in Capital	Holding as percentage (%)
20 NTN-BOWER CORP.	US. \$67,000,000	100 (100)
21 NTK PRECISION AXLE CORP.	US. \$15,000,000	60 (60)
22 NTA PRECISION AXLE CORP.	US. \$20,000,000	62.5 (62.5)
23 NTN BEARING CORP. OF CANADA LTD.	CAN. \$20,100,000	100
24 NTN-SUDAMERICANA, S.A.	US. \$700,000	100
25 NTN do Brasil Produção de Semi-Eixos Ltda.	BRL 35,420,000	100 (30)
26 NTN WÄZLAGER (EUROPA) G.m.b.H.	EURO14,500,000	100
27 NTN KUGELLAGERFABRIK (DEUTSCHLAND) G.m.b.H.	EURO 18,500,000	100
28 NTE Gardelegen G.m.b.H.	EURO 1,500,000	100
29 NTN Antriebstechnik G.m.b.H.	EURO 50,000	75
30 NTN BEARINGS (UK) LTD.	STG. £2,600,000	100 (0.04)
31 NTN Transmissions Europe	EURO76,531,592	100
32 NTN TRANSMISSINONS EUROPE CREZANCY	EURO 9,000,000	100 (100)
33 NTN MANİSA OTOMOTİV LİMİTED ŞİRKETİ	TRY 12,000,000	100 (1)
34 NTN-SNR ROULEMENTS	EURO11,359,542	100



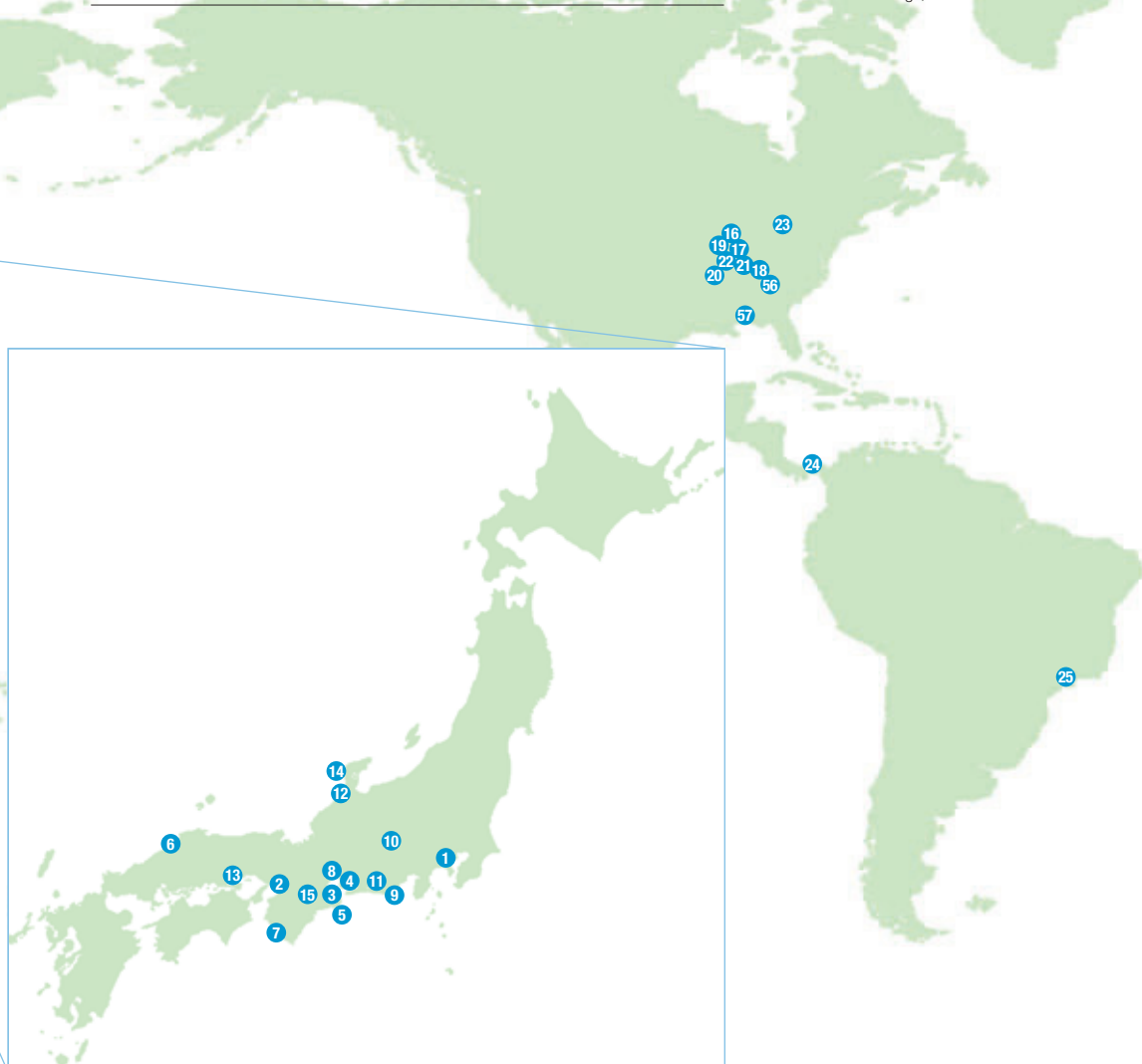
Consolidated Subsidiaries	Paid-in Capital	Holding as percentage (%)	
35 NTN BEARING-SINGAPORE (PTE) LTD.	S. \$36,000,000	100	(0.969)
36 NTN CHINA LTD.	HK. \$2,500,000	100	
37 NTN BEARING-THAILAND CO., LTD.	BAHT780,000,000	100	(99.999)
38 NTN MANUFACTURING (THAILAND) CO., LTD.	BAHT1,311,000,000	99.999	(99.999)
39 NTPT CO., LTD.	BAHT 400,000,000	80	(0.02)
40 NTN NEI Manufacturing India Private LTD.	INR 1,875,000,000	93.333	(0.003)
41 NTN BEARING INDIA PRIVATE LIMITED	INR 300,000,000	100	(0.1)
42 NTN BEARING-MALAYSIA SDN.BHD.	M. \$10,000,000	60	(60)
43 NTN KOREA CO., LTD.	WON500,000,000	100	
44 PT. NTN BEARING INDONESIA	US. \$7,300,000	100	(100)
45 PT. NTN MANUFACTURING INDONESIA	US. \$17,250,000	100	(0.006)
46 NTN (CHINA) INVESTMENT CORPORATION	US. \$216,000,000	100	
47 SHANGHAI NTN CORP.	US. \$166,500,000	95	(15.72)
48 GUANGZHOU NTN-YULON DRIVETRAIN CO., LTD.	US. \$12,500,000	60	(12)

Consolidated Subsidiaries	Paid-in Capital	Holding as percentage (%)	
49 NTN-RAB (CHANGZHOU) CORP.	US. \$28,440,000	100	
50 NTN-LYC (Luoyang) Bearing Corporation	US. \$73,800,000	50	(50)
51 Nanjing NTN Corporation	US. \$160,000,000	100	(85)

Affiliated Companies Accounted for by the Equity Method

52 TUNG PEI INDUSTRIAL CO., LTD.	NT. \$1,257,232,620	27.35	
53 TAIWAY LTD.	NT. \$160,000,000	36.25	
54 UNIDRIVE PTY. LTD.	A. \$5,000,000	40	
55 BEIJING NTN-SEOHAN DRIVESHAFT CO., LTD.	US. \$6,000,000	40	(6.67)
56 ASAHI FORGE OF AMERICA CORP.	US. \$7,100,000	28.2	(28.2)
57 Seohan-NTN Driveshaft USA CORP.	US. \$6,000,000	49	
58 Nanjing Puzhen NTN Railway Bearing Co., Ltd.	US. \$6,600,000	40	(40)
59 Seohan-NTN Bearing CO., LTD.	WON 71,200,000,000	49	
60 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.



For New Technology Network



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All of the electricity needed for the printing and binding of this NTN Report was generated with green power generated at wind power facilities in Japan.



This report was printed with an environment-friendly printing method using vegetable inks. Vegetable inks have excellent biodegradability, and printed matter printed with vegetable inks is easy to recycle.