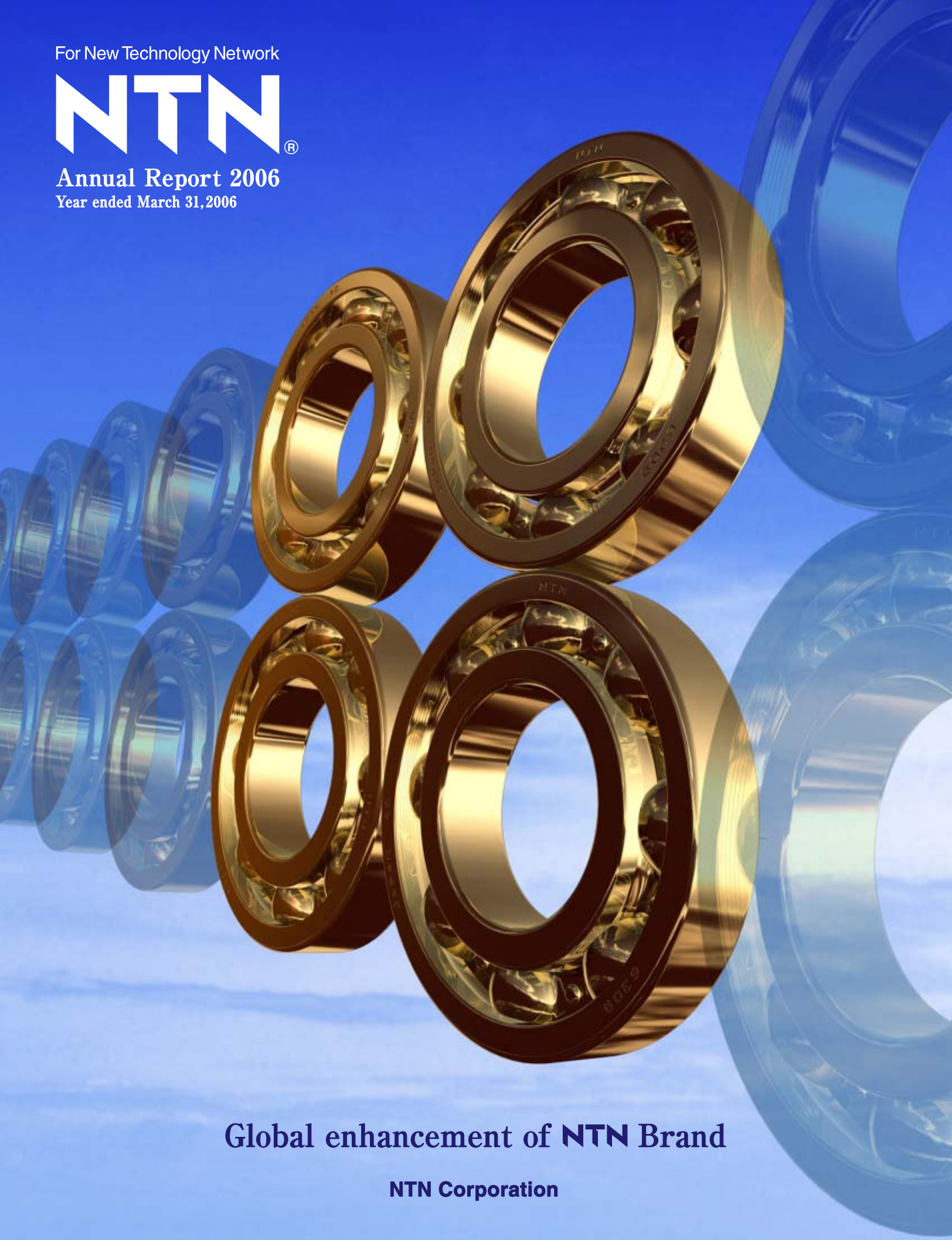


For New Technology Network

NTN®

Annual Report 2006

Year ended March 31, 2006



Global enhancement of NTN Brand

NTN Corporation

Corporate Philosophy

Our contribution to the global community lies in our creation of new technologies and development of new products.



The directors and employees of NTN Group companies strictly adhere to company rules of conduct and strive to be consistently fair and responsible in their business activities. Through these actions, NTN seeks to fulfill the NTN Group's responsibility to its shareholders, customers, local communities, and other stakeholders.

Profile

- ◆ NTN, a precision equipment manufacturer, ranks fifth in the world in bearing sales. Since its establishment in 1918, the Company has supplied many industries with products and technologies that have been essential to their development. We are now in our 88th year of operation.
- ◆ NTN has also achieved notable growth in fields other than bearings. It holds the No. 2 global market share of constant-velocity joints (CVJs)—a key component for automobile drive trains. As our vision for 2010, we are aiming to claim the No. 1 spot in the world market.
- ◆ NTN is a global organization, with more than half of its approximately 15 thousand employees working overseas. Since 1961, NTN has been building a five-sided sales and production network encompassing Japan, the Americas, Europe, Asia, and China. Overseas sales ratio to consolidated net sales was more than 50%.
- ◆ NTN is aggressively developing business in China, which is achieving notable economic growth. The Company already has five production bases, and is delivering on orders for bearings and CVJs.
- ◆ At NTN, our long-term vision for 2010 has several facets. First, we aim to establish a strong market presence capitalizing on our global best-in-class and products that are unmatched by our competitors. Secondly, we will work to establish a presence in the five major global markets, including Japan, the Americas, Europe, Asia and China. Thirdly, we will strive to become a global company that is capable of bringing out the best in people and that contributes to society. We started a new three-year business plan in April 2004. The plan, called “Rapid Advance 21,” involves several different policies, aiming to enhance the NTN brand.

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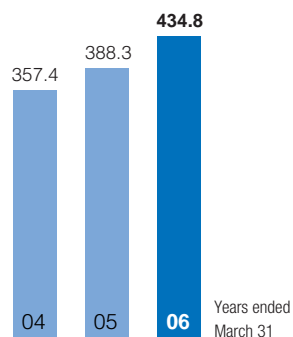
Financial Highlights

NTN Corporation and Consolidated Subsidiaries
Years ended March 31

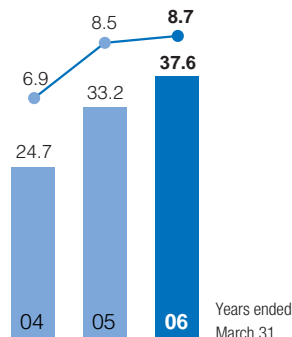
	Millions of yen (except per share amounts)				Thousands of U.S. dollars (except per share amounts)
	2006	% change (06/05)	2005	2004	2006
FOR THE YEAR DATA					
Net sales.....	¥434,837	12.0%	¥388,349	¥357,394	\$3,701,686
Operating income.....	37,645	13.4%	33,201	24,709	320,465
Income before income taxes and minority interests	30,370	14.2%	26,586	18,181	258,534
Net income	19,550	16.8%	16,740	11,032	166,425
PER SHARE DATA					
Shareholders' equity	¥ 396.73	—	¥ 341.93	¥ 308.27	\$ 3.38
Net income					
–Basic	41.94	—	35.83	23.54	0.36
–Diluted	38.55	—	32.94	21.87	0.33
Cash dividend	11.00	—	8.50	5.50	0.09
AT YEAR-END DATA					
Total assets.....	¥561,494	8.7%	¥516,578	¥460,341	\$4,779,893
Shareholders' equity	183,247	16.0%	157,952	142,487	1,559,947
Interest-bearing debt.....	183,199	4.0%	176,185	164,090	1,559,539
Number of employees.....	14,631	—	12,788	11,885	14,631
MAJOR MANAGEMENT INDICES					
Operating margin	8.7%	—	8.5%	6.9%	8.7%
ROA.....	3.6%	—	3.4%	2.4%	3.6%
ROE.....	11.5%	—	11.1%	8.0%	11.5%
Shareholders' equity ratio.....	32.6%	—	30.6%	31.0%	32.6%

Note: U.S. dollar amounts have been translated from yen for convenience only, using the approximate exchange rate on March 31, 2006, which was U.S.\$1 = ¥117.4.

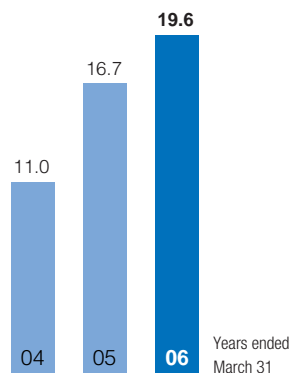
Net sales (Billions of yen)



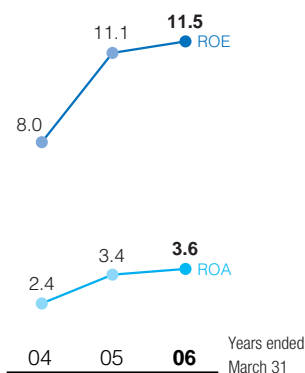
Operating income/operating margin
(Billions of yen/%)



Net income (Billions of yen)



ROA/ROE (%)



Message from the President

To successfully conclude Rapid Advance 21 and enhance the NTN brand image



Yasunobu Suzuki
President

■ Overview of Fiscal 2005

During the business year ended March 2006, amid a rising trend in steel prices that led to difficulty in procurement, NTN was forced to operate in a severe business environment. We essentially solved this problem by seeking out new steel suppliers and increasing our production capacity to meet strong demand growth. Thanks to these and other Company-wide initiatives aimed at raising enterprise value, NTN succeeded in recording year-on-year gains in revenues and earnings for the fourth year in a row. Record-high figures were registered in both sales and operating income.

Our domestic and global sales both benefited from a strong showing in the fields of automotive bearings and CVJs (constant-velocity joints) and bearings for general industrial machinery (construction machinery, machine tools, etc.). Consolidated sales therefore rose 12.0%, to ¥434.8 billion (US\$3,702 million). Despite factors such as rising raw material prices, operating income rose 13.4%, to ¥37.6 billion (US\$320 million), on the back on increased sales and efforts to reduce costs. Recurring profit^{(*)1} increased 15.6%, to ¥32.8 billion, and net income was up 16.8%, at ¥19.6 billion (US\$166 million).

Considering performance and payout ratio level, NTN increased its cash dividends for fiscal 2005. The Company added ¥1 to the term-end cash dividend from the interim cash dividend, raising it to ¥6 per share. Combined with the interim cash dividend (¥5 per share), the annual cash dividend was ¥11 per share.

■ Promoting Rapid Advance 21 Company Policies

We have now entered the final year of our Rapid Advance 21 medium-term business plan and are implementing company policies to round off the three-year period.

By way of sales and technology related policies, in addition to improving our sales proposals and speeding up product development, we are also continuing to pursue product development that will contribute to our accumulated proprietary technology and increase added value based on the concept that “design determines everything.” As of April this year, we reorganized our central technology research laboratories into two independent laboratories: a fundamental technology research laboratory and a product development research laboratory. Whereas the fundamental technology laboratory will specialize in the development of basic technologies in fields such as tribology, surface processing and materials, the product development laboratory will focus on improving development of new products and technology and launching new products to the market as quickly as possible. At the same time, we will also continue to reinforce our network of patents in order to protect and increase utilization of our intellectual property as we strive to establish a dominant long-term position in technology.

One of our most important production policies is to comprehensively review our approach to human resources, machinery,

^{(*)1} Due to reclassification, recurring profit does not appear on the income statements.

^{(*)2} HITOZUKURI is NTN's concept of a system designed to continuously develop staff who possess essential technical skills and are capable of working in an international environment. By identifying the skills of each individual and passing down various engineering and technical skills, NTN plans to increase its on-site capabilities, achieve world class high quality and low cost operations and shorten its production time.

^{(*)3} MONOZUKURI is a comprehensive concept of creating value at NTN throughout the entire business process, including marketing, R&D, engineering, manufacturing and distribution. MONOZUKURI ensures an even higher level of customer satisfaction thanks to NTN's competitive advantages in quality, cost, delivery, development and service.

goods and business methods and to promote HITOZUKURI⁽²⁾ and MONOZUKURI⁽³⁾ innovations, which are designed to dramatically improve production efficiency. We also intend to focus on the development of human resources based on sharing technology and skills, and to further enhance the Company's overall production capabilities, including quality control, production technology and machinery development. With an emphasis placed firmly on global investment efficiency, we plan to continue stepping up capital expenditure, primarily in the areas of automotive bearings and CVJs, as well as bearings for general machinery (large bearings, precision bearings and so on). We have established a new company with the aim of expanding our CVJ operations into the Indian market, which is expected to grow in the future. Following on our operations in China, we have also established a new joint-venture company in Thailand in the field of fluid dynamic bearings, which is expected to grow in line with increasing demand for hard disk drives. Elsewhere, we have set up another new company in Nagano Prefecture with the aim of increasing production of precision rollers (as used in items such as CVJs and bearings) and cutting costs. We intend to push ahead with operations to establish stable operating bases for each of these new companies as soon as possible.

By way of policies to strengthen our profit structure, we plan to promote VAVE (value-analysis and value-engineering) activities in line with global business expansion, cost reductions (based on increased global and local procurement) and improved asset efficiency (in areas such as inventory turnover and machine operating rates).

In terms of business based on strategic alliances, we acquired a stake in a CVJ manufacturing company within the German IFA Group, which has strong business links to the German auto manufacturing group Volkswagen, in April. In July of this year we concluded an agreement with French automobile manufacturer Renault, under which we will carry out a phased acquisition of SNR Roulements (a global bearing manufacturer and a wholly-owned subsidiary of Renault). We plan to continue to accelerate our CVJ operations in Europe in the future.

We recognize the importance of corporate social responsibility (CSR) and intend to contribute to society not only through economic activities, such as the provision of technology and services, but also through the socially-conscious management of our business based on legal compliance and social contribution activities. Environmentally, we consider harmonizing our business operations with the environment to be a top-priority issue, and undertake a variety of initiatives to reduce the environmental impact of the Group's activities. For instance, we are expanding the development and sale of products that are friendly and safe for both people and the environment (environment-friendly products). We are also working to eliminate the use of environmentally harmful substances and to provide even greater support for component manufacturers' and affiliated companies' efforts to obtain ISO 14001 environmental management certification. Elsewhere, we are continuing to develop risk management and internal control systems as part of our efforts to establish a reliable framework in the eyes of our stakeholders and to further improve the NTN brand.

■ Completing Rapid Advance 21 and Achieving Sustainable Development

With companies facing an increasingly tough business environment in recent years, factors such as soaring oil prices and rising interest rates are becoming serious causes for concern for the global economy. In addition to marking the completion of our Rapid Advance 21 plan, fiscal 2006 will also act as a preparation period for our next three-year plan. This year, we intend to achieve the ultimate goals of our Rapid Advance 21 plan and to lay a solid foundation for medium-to-long-term growth.

By the time we initiate our next medium-term business plan, the seeds sown as part of Rapid Advance 21 will have grown, and it will be time to harvest the rewards. In 2010, we will expand on our vision of becoming a company that "contributes to society," "fully utilizes human resources" and "possesses world-leading business operations," and make every effort to further enhance the NTN brand and return more profits to our shareholders.

We look forward to the continued support of our shareholders in the future.

June 2006



Yasunobu Suzuki
President

Interview with the President



Q&A

You have placed particular emphasis on improving the NTN brand as part of the Rapid Advance 21 business plan this year. Could you explain what you mean by the NTN brand?

We have been implementing policies for two years now as part of our current Rapid Advance 21 plan, with the aim of enhancing enterprise value. As this year is the culmination of the plan, we are particularly focusing on efforts to improve the NTN brand in order to further enhance enterprise value. A brand is something you build up by providing customers with the best possible quality and services. I believe that this is most important in terms of strengthening a brand. As baby boomer generation employees near retirement, our top priority is to promote HITOZUKURI and MONOZUKURI innovations, including both passing down manufacturing technology and skills and efforts to improve quality. Bearing in mind that “knowledge is based on-site,” we are promoting redirection and standardization from the perspective of front-line staff, in manufacturing departments in particular, and strengthening the analytical and technical capabilities of our technology and design departments.

Q&A

Over the course of fiscal 2005, you have put into action plans to expand new business operations in other countries around the world. What are your thoughts regarding the positioning of the two alliances in Europe in particular? The investment in SNR Roulements (a global bearing manufacturer) in the field of bearings for example...

Although NTN has been expanding on a global scale and moving into overseas markets for over 40 years now, expansion has concentrated around North America. There have always been high hurdles preventing entry into markets in Europe, including deeply entrenched business practices and fierce competition between major bearing manufacturers. In order to survive in a tough market environment such as that, it is essential to combine interests and form alliances as a means of creating opportunities to break into the market. Our investment in Renault subsidiary SNR Roulements, the top bearing manufacturer in France, is aimed at enabling us to use its products, technology, bases and network in Europe and the rest of the world to generate synergy between the two companies based on deeper mutual understanding in the future.

Q&A

You have also announced investment in German company IFA-AT in the field of CVJs...

Although overseas sales of CVJ (constant velocity joint) products have grown considerably in recent years, growth has been driven largely by sales in North America. Sales in Europe are still concentrated largely around French firm Renault at present, but we have also started to address the issue of developing new business with other European auto manufacturers. IFA-AT is a German CVJ manufacturer that has strong business links to the Volkswagen Group, currently manufacturing roughly 20% of CVJs produced by Volkswagen in Europe. We plan to use our stake in IFA-AT as a springboard to enable us to commence full-scale global sales to the Volkswagen Group, with whom we have done relatively little business in the past. There are a great many things that we can learn from IFA-AT in terms of manufacturing, so we hope that this will also have a positive effect on our efforts to promote HITOZUKURI and MONOZUKURI innovation.



Q&A

You have also finalized plans for the local production of CVJs in India...

With the anticipated increase in global vehicle production in the future, the BRICs countries (Brazil, Russia, India and China) are set to occupy a crucial position. There has also been a steady stream of Japanese auto manufacturers announcing local production initiatives. Vehicle production in India, in particular, has grown in scale to become the fourth-highest in Asia after Japan, China and South Korea. In addition to securing a share of the market in vehicles produced by Japanese manufacturers in India, we are also aiming to continue our long-standing technical partnership with an Indian bearings company in a bid to attract orders from Indian and European auto manufacturers. We plan to commence production at our local subsidiary in March 2007.

Q&A

You have also established a new joint venture in Thailand in the new field of fluid dynamic bearings. What prompted you to do that?

The industries in which fluid dynamic bearings are used, such as the IT and consumer electronics industries, tend to be subject to much larger shifts in demand than the automotive industry. Although we currently produce 3.5 inch and 1 inch products, we had originally anticipated strong growth in less-than-one-inch products, with little or no further growth in 3.5 inch products. With recent trends such as less-than-one-inch products being affected by increasingly fierce competition in the flash memory market and the use of 3.5 inch products expanding from PCs into consumer electronics however, the climate has undergone some major changes. It was the current surge in demand for 3.5 inch products that prompted us to establish our new joint-venture company in Thailand. We are striving to develop products and machinery capable of withstanding frequent shifts in demand and changes in specifications. We intend to develop fluid dynamic bearings into a business capable of bringing in a short term return on investment and responding flexibly to changes in the business environment.

Q&A

It seems that NTN has always handled the production of steel balls internally. You seem to have placed great importance on the position of your steel ball bearing operations in particular within the bearings industry in recent years. What are your thoughts with regard to this matter? Also, what is your aim in establishing a subsidiary for the production of rollers in Nagano Prefecture?

We have always regarded rolling elements such as balls and rollers as core components in products such as bearings and CVJs, which are important in both technical and cost terms. Although we currently produce almost all steel balls internally, including production in North America, some of the balls used in bearings produced at our overseas plants are purchased directly from local specialist manufacturers and other sources, as part of our local procurement initiative. We also produce most other components internally, including needle roller bearings and tapered roller bearings.

We established a new company to produce rollers in Nagano Prefecture in response to the recent upward trend in demand for CVJs and bearings. Roller technology capable of matching the levels of precision required for steel ball bearings still has a long way to go. I believe that higher-precision rollers are set to play an increasingly important role within the bearing market in the future. Our new company commenced production this year, and we are working on ways to cut costs and reduce lead times through increased production of high-precision rollers in order to improve efficiency and thereby help boost profits.

Q&A

We have now entered the final year of Rapid Advance 21. What do you think will be the most important points in terms of your next medium-term business plan?

When I became president in 2001, the Company's business structure was very fragile, so I pushed through a two-year series of top-down structural reforms in the form of the NEW Plan 21 in order to rework the business structure of the Company and avert a crisis. The benefits of these structural reforms provided the foundation for the current Rapid Advance 21 plan, which has so far proved effective in terms of enhancing enterprise value. In addition to being the final year of the Rapid Advance 21 plan, this year will also act as a preparation period for our next three-year plan. Although we have continued to expand our profits since those initial structural reforms, we have also actively engaged in capital expenditure over the course of the last three years. As well as continuing to promote global business expansion from now until 2010, the next three years will also be the payback period when we start to see a return on all this investment. We feel that it will be crucial to improve investment efficiency, whilst taking into account return on investment, in order to make the most efficient use of the funds provided by our shareholders and to enhance enterprise value even further by the year 2010.



Improving the **NTN** Brand

Providing our customers with the best possible quality and service

As the final year in our Rapid Advance 21 business plan,
we have earmarked 2006 as a year to improve the NTN brand.

This special feature outlines our efforts to improve the NTN brand, focusing on three topics.



1

Increasing Market Presence



2

Brand Strength Supported by HITOZUKURI and MONOZUKURI



3

Enhancing Enterprise Value by Completing Rapid Advance 21

Improving
the NTN
Brand

1

Increasing Market Presence



Becoming the World's

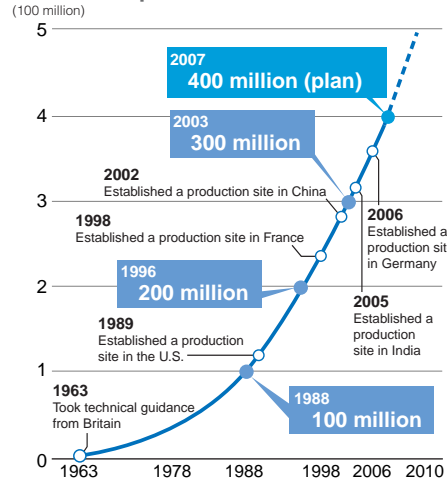
No. 1 CVJ Company

With growing demand for vehicles to be made quieter, smoother, more comfortable, smaller and more lightweight the world over, demand for NTN CVJs (constant velocity joints) is increasing rapidly. NTN is focusing on expanding sales of CVJs, capitalizing on its new technology development capabilities in an effort to achieve our vision of claiming the **No.1** spot in the world market by 2010.

CVJs and NTN

CVJs transmit torque smoothly from the engine to the vehicle's front wheels at a constant velocity. They are essential components, in that it is not possible to run FF vehicles, which are in the majority at present, without CVJs. In 1963, NTN released the first fixed CVJ in Japan. By 2003, 40 years on from the start of production, cumulative production had reached 300 million units, with plans to reach the 400 million mark before the end of fiscal 2007.

Cumulative production of our CVJs



Becoming a World Leader (further accelerating NTN's CVJ business)

Although there are various rival manufacturers in the CVJ market, including specialist manufacturers and internal production by auto manufacturers, the number of companies around the world with a full range of capabilities (including product development capabilities) has been whittled down to just a handful of competitive companies in recent years. NTN currently holds the second-largest share of this market. It is our long-term vision, however, to expand our business and claim the No. 1 spot in the market.

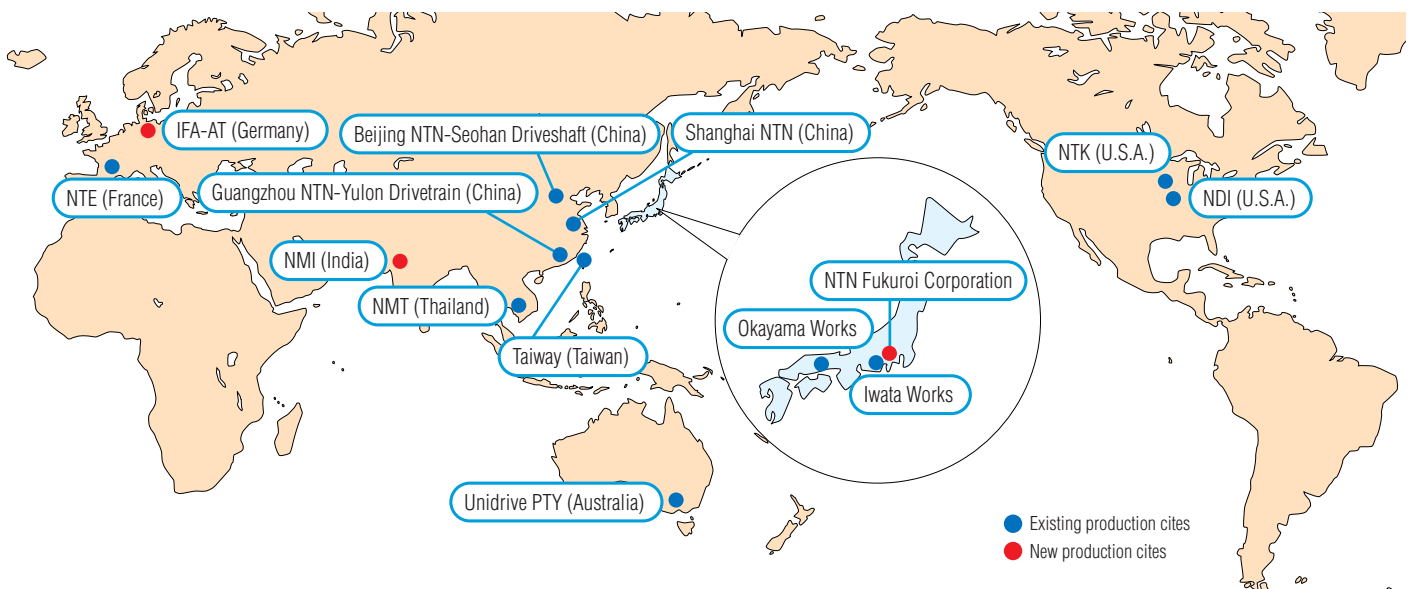
Although CVJs remain a highly profitable line of business (based on start-to-finish production from the forging stage onwards), we intend to take steps to enhance our innovative production technology in the future and develop new essential technology and products. While maintaining high levels of profitability, we will increase our strategic share of the market. We expect to finish fiscal 2006 (the current fiscal year) with a 24% share of the overall global market, primarily due to an increased share of the North American Market. The real issue, however, is how to gain a larger share of markets other than Japan and North America.

One of the key issues in Europe is how

to secure new large-scale orders from companies other than Renault. Having recently acquired a stake in a CVJ manufacturer belonging to the German IFA Group, which has strong business links to the German Volkswagen Group, we are now aiming to expand sales through initiatives such as establishing a start-to-finish production system in order to enhance our cost competitiveness and proposing technologically superior products. In China, we are already running CVJ production and sales operations at our bases in Shanghai, Guangzhou and Beijing, with production increasing steadily. Elsewhere, we have established a new local subsidiary with the aim of expanding our CVJ business into the Indian Market, which is expected to experience growth in terms of auto production in the future. We are also looking into the possibility of moving into the other BRICs countries in the future (Brazil, Russia and China).

On the domestic front, we have established our third manufacturing base in Japan (our 14th worldwide) in the form of the NTN Fukuroi Corporation. In addition to responding to rapidly growing demand, we are also working on global risk diversification and striving to make NTN's CVJ operations even more competitive.

Our CVJ global operational presence





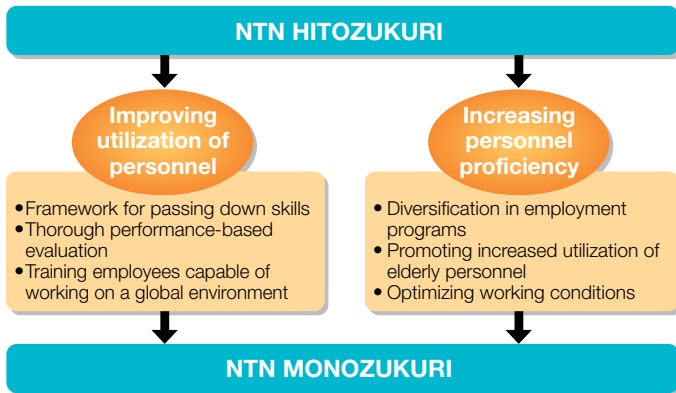
MONOUZUKURI based on HITOUZUKURI

The 2 Pillars Supporting NTN HITOUZUKURI

We promote initiatives to enable individual employees to demonstrate their full potential based on **HITOUZUKURI** through **MONOUZUKURI**. Focusing primarily on sharing the technology and skills acquired by NTN, our efforts to create a work environment in which employees' capabilities are used to the fullest possible extent are based around two core pillars—increasing **utilization and efficiency of personnel**. We are continuously striving to establish a new, flexible yet solid corporate structure that is capable of adapting to every conceivable change in the environment, thus laying the foundations for the Company's future.

MONOUZUKURI is a comprehensive concept of creating value at NTN throughout the entire business process, including marketing, R&D, engineering, manufacturing and distribution. MONOUZUKURI ensures an even higher level of customer satisfaction thanks to NTN's competitive advantages in quality, cost, delivery, development and service.

HITOUZUKURI is NTN's concept of a system designed to continuously develop staff who possess essential technical skills and are capable of working in an international environment. By identifying the skills of each individual and passing down various engineering and technical skills, NTN plans to increase its on-site capabilities, achieve world class high quality and low cost operations and shorten its production time.



Initiatives to Increase Utilization of Personnel

On April 1, 2005, we launched the NTN Meister accreditation system with the aim of (1) sharing and firmly establishing on-site manufacturing knowledge and skills and (2) fully utilizing personnel with outstanding knowledge and skills. In addition to sharing any and all skills and knowledge that are indispensable to NTN, employees accredited as NTN Meisters are also responsible for providing guidance and advice to improve skill levels within their department in order to promote improved skill levels on a companywide basis.

With regard to individual front-line



Skills training "school"

employees, we are implementing initiatives on a companywide scale with the aim of enabling employees to acquire higher-level skills (skill enhancement) and training individual engineers so that they are capable of handling as many different tasks as possible (multi-skill development).

We also run a program of profitability circle activities called "QC" circles, based on the slogan "improving on-site capabilities, showcasing on-site knowledge." There are currently around 470 active clubs within the NTN Group, all of which make a substantial contribution to improved quality and productivity through on-site improvement efforts.



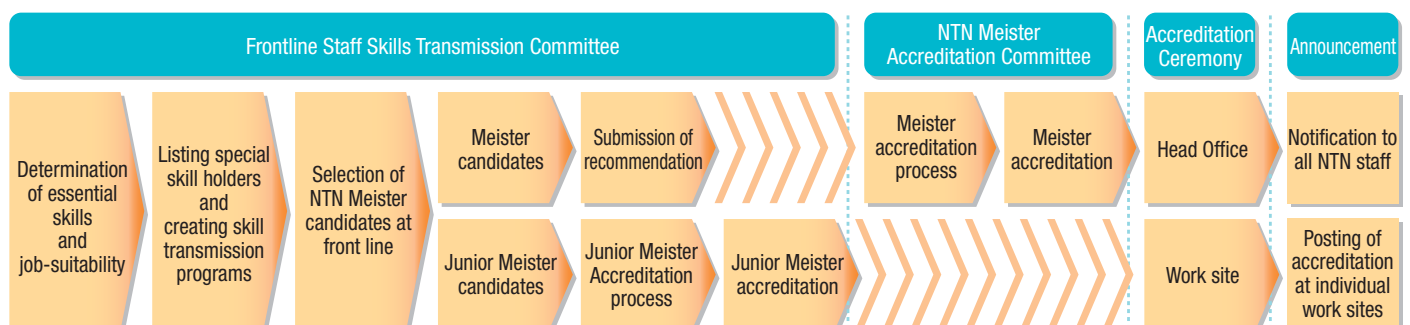
Companywide QC event

Initiatives to Increase Personnel Proficiency

At NTN, we make every effort to provide opportunities to fully utilize the wide range of employee capabilities at our disposal and to establish working environments in which employees can feel at ease as they work. In an effort to capitalize on the wealth of experience, technical skills and knowledge available through experienced employees, NTN Group affiliated company NTN Technical Service Corporation (NTS) operates an active elderly employment policy. Consisting primarily of personnel who have built up operational experience working for NTN and mastered specialist knowledge, NTS provides a wide range of services including subcontracting, temporary staffing, machine component procurement, machine assembly and modification and technical support services for equipment maintenance and management, mainly for NTN production sites.

Correctly evaluating employee capabilities and performance and providing fair treatment is crucial in terms of driving forward improvements in organizational capabilities and the growth of the company as a whole. NTN operates systems geared towards individual preferences in order to bring out new skills in employees depending on their motivation and individual personality. These include a self-assessment system whereby employees can file a request for a specific post or work location with their superior or the personnel department once a year, and an in-house recruitment system to appoint personnel for each new venture or project. It is through efforts such as these that we are striving to create optimum working conditions.

The NTN Meister Accreditation System





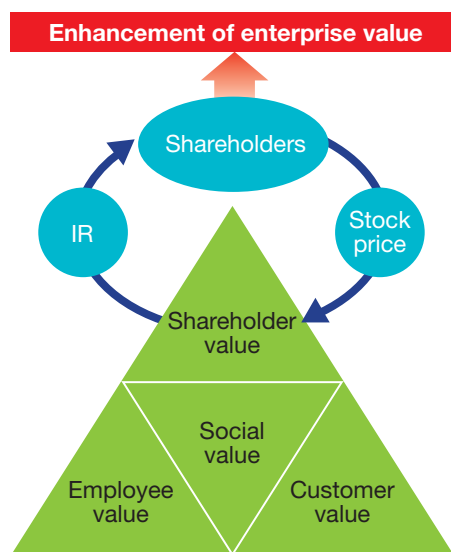
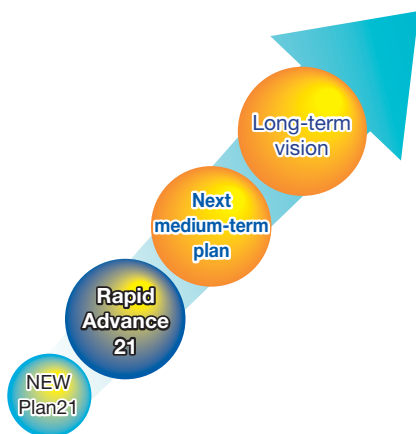
Accomplishing our

3 Year Plan by Improving the NTN Brand

Fiscal 2006 is the final year of our **medium-term business plan Rapid Advance 21**. To enhance the enterprise value of NTN, we believe that it is important to both provide our customers with the best possible quality and services and improve the NTN brand. We therefore intend to continue to work towards the completion of our medium-term business plan in order to enhance both enterprise and shareholder value.

The Positioning of the Rapid Advance 21 Business Plan

Our long-term vision is to increase NTN's global market presence by the year 2010. To accomplish this long-term vision, we believe that it will be essential to enhance enterprise value through increasing customer value, shareholder value, employee value and social value, the four bases of NTN's corporate philosophy. Having positioned Rapid Advance 21 as the business plan for the three-year period from April 2004 to March 2007, we will continue to implement individual policies based on our product strategy and ensure that every single employee's activities contribute to enhanced enterprise value for NTN as we strive to make genuine rapid advances.



Achieving Market Performance Goals

With projected consolidated sales of ¥465 billion and operating income of ¥43 billion in fiscal 2006, plans to achieve our initially projected figures of ¥450 billion in consolidated sales and ¥42 billion in operating income are near fruition.

Net sales

2004/3 (result)	¥357.4 billion
2007/3 (initial projection)	¥450.0 billion
2007/3 (current projection)	+α

Operating income

2004/3 (result)	¥24.7 billion
2007/3 (initial projection)	¥42.0 billion
2007/3 (current projection)	+α

Net income

2004/3 (result)	¥11.0 billion
2007/3 (initial projection)	¥22.0 billion
2007/3 (current projection)	+α

Increasing Corporate Value by Enhancing the NTN Brand

We believe that enhancing the NTN brand is a case of providing our customers with the best possible quality and service in order to increase customer satisfaction. We are therefore promoting efforts to create value for our customers as part of Rapid Advance 21. We are striving to raise enterprise value by transforming attitudes and approaches to work in every department within the NTN Group.

The Final Year of Rapid Advance 21

As fiscal 2006 is the final year of Rapid Advance 21, which was started in April 2004, we intend to implement suitable company policies to round off the three-year period. By way of sales- and technology-related policies, in addition to improving our sales proposals

and speeding up product development, we are also pursuing product design that will contribute to our accumulated proprietary technology and increase added value based on the concept that “design determines everything.” As of April this year, we restructured our central technology research laboratories into two independent laboratories—a fundamental technology research laboratory and a product development research laboratory. Whereas the fundamental technology laboratory will specialize in the development of basic technologies in fields such as tribology, surface processing and materials, the product development laboratory will focus on improving development of new products and technology and launching products onto the market as quickly as possible. At the same time, we will also continue to reinforce our network of patents in order to protect and increase utilization of our intellectual property as we strive to establish a dominant long-term position in terms of technology.

One of our most important production policies is to comprehensively review our approach to human resources, machinery, goods and business methods and to promote HITOZUKURI and MONOZUKURI innovations, which are designed to dramatically improve production efficiency. We also intend to focus on the development of human resources based on sharing technology and skills and to further enhance the Company's overall production capabilities, including quality control, production technology and machinery development. With an emphasis placed firmly on investment efficiency, we plan to continue stepping up capital expenditure, primarily in the areas of automotive bearings and CVJs and bearings for general machinery (large bearings, precision bearings, and similar parts).

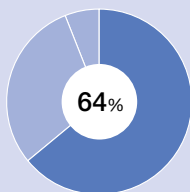
To strengthen our profit structure, we plan to promote VAVE activities in line with global business expansion, cost reductions based on increased global and local procurement and asset efficiency improvement in areas such as inventory turnover and machine operating rates.

At a Glance

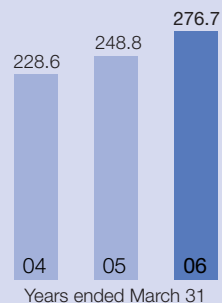
In April 2006, NTN launched a program to expand its divisional headquarters system to strengthen Group management. To control each division's operations on a global scale and improve production efficiency, we have widened the scope of application of the system to the constant-velocity joint business, the axle unit business, and the bearings business. These new units join the existing units devoted to precision equipment and fluid dynamic bearings. We aim to raise the reputation of the NTN brand still further by ensuring that our products and services are always of the very highest quality.

Bearings

Net sales share



Net sales (Billions of yen)

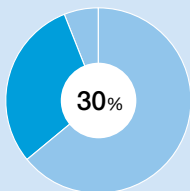


Bearings are NTN's principal business, accounting for 64% of consolidated sales. Currently, NTN bearings have a 27%* share of Japan's market and 8%* of the global market.

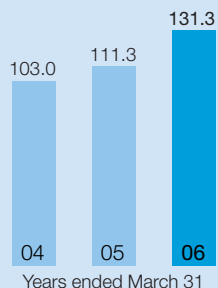
NTN began international expansion of its sales offices in the 1960s and followed with the development of a global manufacturing network a decade later. Today, NTN is using its expertise as a leading bearing manufacturer to create new value-added products and services to meet the needs of customers in a wide range of industries. NTN serves the core automotive industry as well as the machinery, semiconductor,

Constant-velocity Joints

Net sales share



Net sales (Billions of yen)

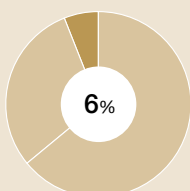


A strategic product with strong growth potential, constant-velocity joints (CVJs) currently generate 30% of consolidated sales. NTN currently holds 39%* of Japan's market and 21%* of the global market.

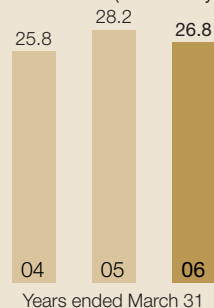
Starting CVJ production in Japan in 1963, the cumulative production of our CVJs surpassed 300 million units in 2003, NTN's 40th year. Aggressively expanding production worldwide in the 1990s, today NTN has a strong base of operations to respond to the global sourcing needs of the automotive industry, major customers for CVJs.

Precision Equipment and Other Products

Net sales share



Net sales (Billions of yen)



Accounting for 6% of consolidated net sales, the precision equipment business segment combines leading-edge technology products and products for special fields. Using highly sophisticated mechatronic technologies developed over the years, NTN supplies products with special features to this market.

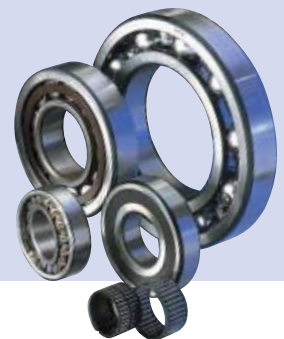
We provide the IT industry with a range of mechatronic products, including our liquid crystal display (LCD) repair devices, which efficiently repair defects in LCDs. Our parts feeders automatically align various parts and feed them into

medical, biotechnology and IT industries. In particular, demand is growing sharply for its fluid dynamic bearings, which are used in hard disk drives (HDDs). Manufactured from a sintered alloy developed by NTN using proprietary technology, these fluid dynamic bearings are regarded highly by the market. (see p. 21)
(*NTN Estimation)



Major products

- Ball bearings
- Roller bearings
- Axle bearings
- Bearing units
- Large bearings
- Precision bearings
- Fluid dynamic bearings
- Sliding bearings
- Other bearings



These operations are supported by a trilateral development system covering the three key regions of Japan, the Americas and Europe. A production and sales system encompassing these three regions as well as China and other parts of Asia has also been formed.

Based on technological expertise developed over the years, NTN has established a solid reputation as a leader in the CVJ sector.
(*NTN Estimation)



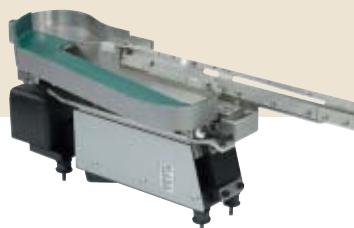
Major products

- Automotive CVJs
- (for halfshafts, propeller shafts and steering shafts)
- CVJs for industrial machinery



production machinery. Of particular note is our surface mounted device (SMD) feeder, which enables high-speed alignment and feeding during the production process for microchips in mobile phones and other devices.

We supply the automobile industry with a variety of products, such as auto-tensioners, which automatically adjust the tension of the timing belt for engines. In addition, we offer a diverse lineup of clutch units, including mechanical clutch units (MCUs), which enable vehicles to be shifted easily and quickly between different drive-train systems.



Major products

- LCD repair devices
- PDP rib barrier defect repair system
- Parts feeders
- XY tables
- Magnetic-bearing spindles

- Auto-tensioners
- Engineering plastics parts
- Machines, apparatus and other



Bearings

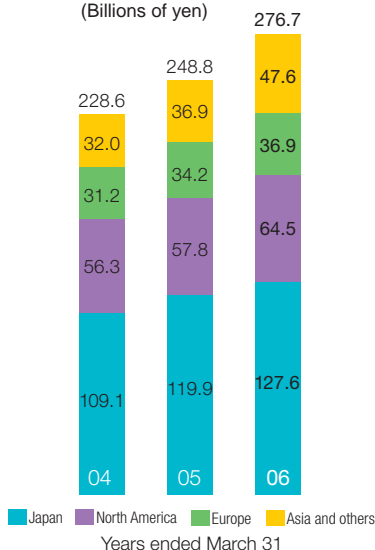
Further improvements in product quality and cost competitiveness



Review of Operations

During the fiscal year under review, bearing sales rose ¥27.9 billion, or 11.2%, to ¥276.7 billion (US\$2,355 million). Although the depreciation of the yen had a negative impact on yen-denominated sales, the contribution of new orders from the automobile industry and strong sales of axle bearings in Japan and North America and of needle bearings in North America, Asia and other regions supported overall high sales.

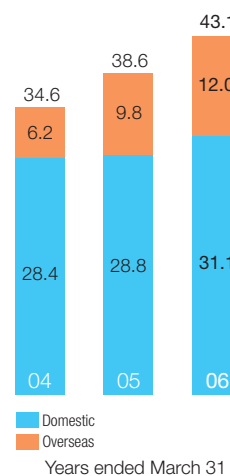
Total bearing sales
(Billions of yen)



Axle bearing sales
(Billions of yen)



Needle bearing sales
(Billions of yen)



We have assigned application managers who focus on individual industries, such as construction machinery, machine tools, or rolling stock. These industry-specific application managers are responsible for operations within their designated industries across the whole world, and enable us to develop our businesses on a global scale.

In Japan, sales of large bearings and precision bearings increased, thanks to the activities of application managers. Sales also increased for automobile-use bearings such as axle and needle bearings. As a result, domestic sales climbed ¥7.8 billion, or 6.5%, to ¥127.6 billion. From the current term, the Company will work to expand sales of large bearings, precision bearings

and tapered roller bearings—all products for which demand is expected to grow. Under its new “MONOZUKURI” approach, the Company will further improve product quality and strengthen its cost competitiveness.

In North America, in addition to favorable sales to the automotive industry, sales of bearings for general industrial machinery such as construction and agricultural machinery increased. Consequently, sales of bearings in North America rose ¥6.7 billion, or 11.6%, to ¥64.5 billion. Looking ahead, the Company will implement measures to expand sales of bearings for general industrial machinery, such as construction machinery, while keeping an eye on fluctuations in demand for tapered roller bearings and axle bearings for automobiles.

In Europe, sales growth was supported by strong sales of bearings to the automotive industry, and by growth in sales of large bearings to the wind power generation industry. Sales increased ¥2.6

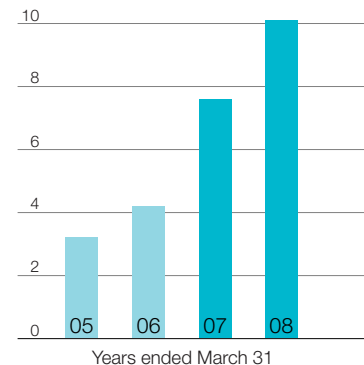
billion, or 7.7%, to ¥36.9 billion. In July of this year we concluded an agreement with French automobile manufacturer Renault, under which we will carry out a phased acquisition of SNR Roulements (a global bearing manufacturer and a wholly-owned subsidiary of Renault). From the current term onward, we will be further stepping up the pace of business development via strategic alliances.

In Asia and other areas, sales of fluid dynamic bearings for hard disk drive motors and bearings for office equipment in China were favorable. As a result, Asian regional sales grew ¥10.8 billion, or 29.2%, to ¥47.6 billion. In response to growing demand for fluid dynamic bearings, NTN-Nidec (Zhejiang) Corporation in China and the newly established NTN Nidec (Thailand) Co., Ltd. in Thailand will increase sales of fluid dynamic bearings.

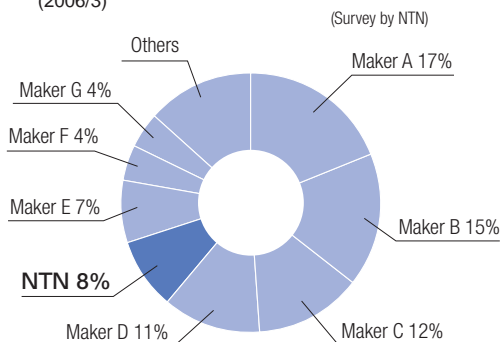


NTN-Nidec (Thailand) Co., Ltd.

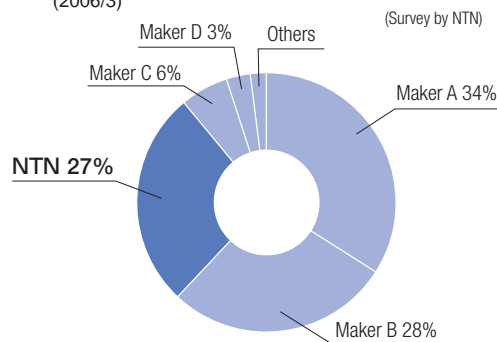
Fluid dynamic bearing sales
(Billions of yen)



Our share of the global bearing market
(2006/3)



Our share of the Japanese bearing market
(2006/3)



Business Description

What are bearings?

Precision components used in the rotating parts of various machines

Bearings are key components that enable rotating mechanical parts to rotate smoothly and efficiently. As most people rarely see bearings in action in their day-to-day lives, it is generally only machinery designers and engineers who consider their importance. Nevertheless, did you know that these inconspicuous parts are the product of extremely high-level technology and equipment, and that they are essential to support our modern day machine-based civilization? The roundness of bearings is now so precise that it has reached the nanometer level (one millionth of a millimeter or less). Whereas the steel balls used in ball bearings and pachinko (*) balls may look almost identical at a glance, they are actually very different. If you were to enlarge these two types of balls to the size of the earth, a pachinko ball would have lumps and bumps the size of Mount Fuji (3,776 m) on its surface.

The unevenness on the surface of a ball bearing on the other hand would be no higher than the 65-meter building for example.

* Japanese game loosely resembling pinball

Essential products for the entire world

Bearings are international products based on uniform standards set out by the International Standards Organization (ISO). Through exports and overseas production, bearings contribute to people's lives and industrial development the world over.

Environmentally friendly products

Bearings help conserve energy in a major way. Specifically, by substantially reducing friction on rotating parts, bearings make it possible to transmit power and energy without loss. Cars for instance use more than 100 bearings each. If they didn't use bearings, they would use up an additional 500,000 kiloliters (over two million gallons) of gasoline a year.

NTN's bearings business

NTN manufactures and sells a wide range of bearings, with axle bearings and needle roller bearings in particular positioned as core strategic products. We focus our business resources on products that use superior technology and offer high profit margins.



Axle Bearings

Key Data

Sales contribution	Consolidated sales: ¥38.5 billion (up 19.2% YoY) Consolidated net sales contribution: 8.9% Proportion of overseas sales: 60.5%
Users	Automotive industry
Production bases	Japan: NTN (Okayama Works) North America: American NTN Bearing Mfg. Corp. (Elgin Plant) NTK Precision Axle Corp. Asahi Forge of America Corp. Germany: NTN Kugellagerfabrik (Deutschland) G.m.b.H. France: SNR Roulements Thailand: NTN Manufacturing (Thailand) Co., Ltd. China: Shanghai NTN Corp. Changzhou NTN-Guangyang Corp.
Market shares	Japan: 26% Global: 12%
Strengths	NTN is a manufacturer of both axle bearings and CVJs. Leveraging this technological advantage, we have developed GEN4 hub joints and lead the industry in modularization.

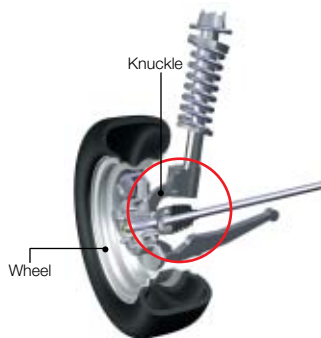
Hub Bearings and NTN

Attached to the wheels of automobiles, a hub bearing enables the wheels to turn while also bearing the weight of the vehicle body. Although extremely basic, the hub bearing plays an essential role in vehicle movement.

Modularization of hub bearings has progressed from the first to the third generation, achieving lighter and more compact products through reduction in the number of components. At the same time, modularization has also been introduced into the production process, allowing the same production line to be easily switched from one model to another.

In addition to having a complete lineup of all types of hub bearings, from first generation to third generation, the Company has set up a global supply network by establishing production bases in Japan, the United States, Europe and Asia, including China. Through this network, NTN supplies hub bearings to the world's major automotive companies. The Company has developed a

fourth-generation hubjoint by combining third-generation hub bearings with CVJs in one unit. This unique NTN product, which offers reduced weight and greater compactness than previous models, has been made possible by the Company's command over hub bearing and CVJ manufacturing technologies. It has already attracted the attention of vehicle manufacturers, and is expected to become the global standard for automotive drivetrains.



A hub bearing installed on a wheel



GEN 1 GEN 2 GEN 3



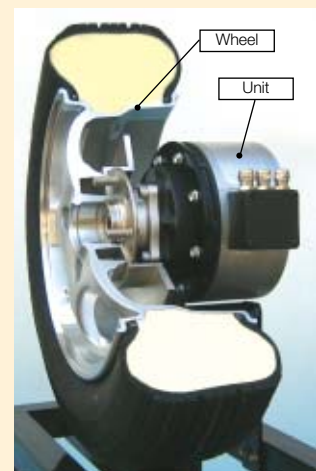
GEN 4
Unifying third generation hub bearings with CVJs to achieve a lightweight and compact product

New Product

In-Wheel Motor Axle Unit

In light of environmental issues, there has been accelerated development of technology such as fuel cells and electric vehicles in recent years. One of the drive systems used in electric vehicles, including fuel cell vehicles, is structured around in-wheel motors built into each individual wheel. Advantages of the in-wheel system over systems whereby a motor is fitted into the body of the vehicle include outstanding space utility (due to the fact that it is easy to secure space inside vehicles) and improved vehicle stability (due to the fact that it is possible to control drive power to each wheel individually). On the other hand, such systems still need to be made more lightweight to resolve outstanding issues such as reduced drivability and comfort resulting from increased unsprung (suspension) weight.

NTN has recently developed an in-wheel motor axle unit that provides a high reduction ratio with a single row of bearings. In addition to using a high-efficiency cycloid differential reduction mechanism to reduce the weight of speed reduction units, it also features a compact axial-gap type permanent magnetic synchronous motor. By incorporating such speed reduction units and motors into a single unit (alongside NTN's core hub bearing products) and employing optimum design, we have successfully developed an in-wheel motor axle unit that is compact, lightweight and highly efficient.



New Product

High-load-bearing tapered roller hub bearing units for SUVs

Conventional automobiles utilize hub bearings containing steel balls as the rolling element, but the heavier pickup trucks, SUVs and similar vehicles require the use of cone-shaped tapered roller hub bearings, which have greater stiffness and a higher load-bearing capacity. Compared with the hub bearings used in ordinary cars, the tapered roller hub bearings employed in pickups and SUVs must cope with heavier radial loads. Moreover, reduction in the amount of maintenance work required on the vehicles has recently become a focal issue. To meet the demand for longer working lives for tapered roller bearings these days, improvements in conventional materials and the upgrading of heat-processing methods are insufficient to meet the required specifications of the components.

At NTN, we have implemented radical changes to the design of internal bearing components to shrink the distance between the bearing retainer cage (in which the gap between each tapered roller is standardized as far as possible) to the absolute minimum, thereby minimizing the bearing clearance and allowing us to increase the number of roller bearings to the limit without any attendant falloff in the strength of the bearing retainer cage. These innovative specifications enable us to produce roller bearings with a 20% longer working life and 7% higher stiffness with no change in the size of the bearings.



Needle Roller Bearings



Needle Roller Bearings and NTN

Needle roller bearings have relatively small diameter cylindrical, needle-like rolling elements. The outstanding feature of needle roller bearings is their high load-bearing capacity and rigidity relative to size. Needle roller bearings enable compact and lightweight designs for customers. Because of these special features, needle roller bearings are used in many applications for

automobile transmissions and other parts where there are space conservation or high load-bearing capacity requirements.

NTN commenced production of needle roller bearings in 1962. Having operated as a compact unit encompassing production,

Key Data

Sales contribution	Consolidated sales: ¥43.1 billion (up 11.6% YoY) Consolidated net sales contribution: 9.9% Proportion of overseas sales: 27.9%
Users	70%: Automotive industry 30%: Industrial machinery
Production bases	Japan: NTN (Iwata Works) NTN Mikumo Company Ltd. NTN Kamiina Corp. NTN Omaezaki Corp. NTN Mie Corp. North America: NTN-BCA Corp. (Lititz Plant) Thailand: NTN Manufacturing (Thailand) Co., Ltd. China: Shanghai NTN Corp. Changzhou NTN-Guangyang Corp. Taiwan: Tung Pei Industrial Co., Ltd.
Market shares	Japan: 41% Global: 15%
Strengths	<ul style="list-style-type: none"> • In-house manufacture of needle bearings, a structural component, makes NTN highly cost competitive. • The Company's wide array of needle roller bearing products find application in a diverse range of products, from automobiles to industrial machinery.

sales and technology, these operations have the full trust of their customers. NTN manufactures its own needle rollers and specializes in press-processed cages. Against the backdrop of this cost competitiveness and its strong technology, NTN has actively been developing a network of overseas production bases: Thailand in 1999, the United States in 2000 and China in July 2003.

Establishment of a new Japanese roller production company (Nagano Prefecture)

With a view to increasing production of CVJs and various types of bearing rollers and cutting costs, in December 2005 we established a new company called NTN Kamiina Corporation on a site adjacent to our NTN Nagano Works. We commenced production in January 2006 and expect to reach sales of approximately ¥7 billion by fiscal 2008 using a new plant currently under construction. This will help expand

our sales thanks to world-leading quality and cost competitiveness.



NTN Kamiina Corporation

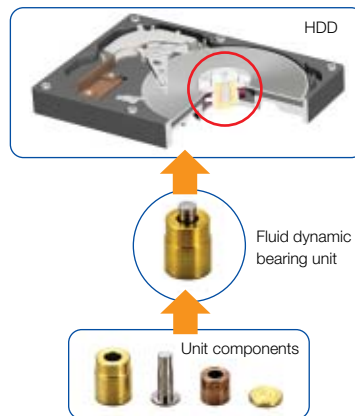
Fluid Dynamic Bearings

What Are Fluid Dynamic Bearings?

Personal computers, digital video cameras, mobile devices, car navigation systems and mobile phones are becoming convenient tools that we cannot do without in our lives. The hard disk drives (HDDs) in these devices require not only an increased memory capacity, but also extremely high-precision rotation in some parts of their motors. Fluid dynamic bearings have superior rotation precision and quietness compared with conventional ball bearings. Leveraging these advantages, they are expected to become the mainstream bearings used in hard disk drive motors.

Special Features of NTN Fluid Dynamic Bearings

The use of oil-impregnated sintered bearings (which contain lubricating oil within the actual bearing) in NTN fluid dynamic bearing units eliminates the occurrence of sudden failure in hard disk motors. Consequently, hard disk drive systems using these bearings do not exhibit any loss of data as do systems using the solid bearings of competitors. An additional advantage of NTN fluid dynamic bearing units is their cost competitiveness—the result of volume production made possible by a superior press manufacturing system.

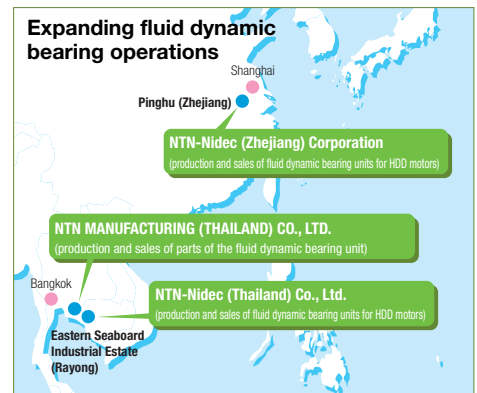


Expansion of Fluid Dynamic Bearing Business

NTN began producing these increasingly popular fluid dynamic bearing units for HDD motors in March 2003, and cumulative production has already exceeded 70 million units. NTN's production bases are NTN-Nidec (Zhejiang) Corporation, established in 2002, and owned 60% by NTN and 40% by Nidec Corporation, in China and NTN Manufacturing (Thailand) Co., Ltd. (NMT), a wholly-owned NTN subsidiary that makes sintered alloy hydrodynamic bearings, the core part of the fluid dynamic bearing unit. In 2004, NMT added a new plant, and has the capacity to produce a full-line of fluid dynamic bearing units, from standard

products for the 3.5-inch HDD to products for the 1-inch HDD, the production of which started recently. NTN is preparing for mass production of these parts, including parts for the 0.85-inch HDD, the world's smallest.

In November 2005, we also established a new company called NTN-Nidec (Thailand) Corporation (NNTC) owned 60% by NTN and 40% by Nidec. With HDDs becoming increasingly commonplace in Thailand and in markets throughout the ASEAN region, we are now able to fully assemble fluid dynamic bearing units in both China and Thailand using sintered alloy hydrodynamic bearings manufactured by NMT. We began operations in June 2006 and plan to increase production from 3 million units per month in 2006 to 6 million units per month by 2008.



Constant-velocity Joints

Expanding sales globally to achieve the world's top ranking



Review of Operations

Sales grew for constant-velocity joints (CVJs) for propeller shafts and other applications. Sales in North America were assisted by strong sales to Japanese automobile manufacturers there. Consequently, CVJ sales rose ¥131.3 billion (US\$1,118 million), up ¥20 billion or 18% from the previous term.

Constant-velocity Joints sales (Billions of yen)



In Japan, although competition intensified and sales prices declined, the launch of new car models contributed to a growth in sales. As a result, sales grew by ¥1.2 billion, or 2.7% from the previous term, to ¥46.9 billion yen. We are working to expand sales to meet the growing demand for the E series (lightweight and compact type) and other new products for use in CVJs for propeller shafts. In July of this year we established NTN Fukuroi Corporation, which is now our third manufacturing base in Japan. This development is certain to significantly raise NTN's competitiveness in the market for constant-velocity joints.



NTN Fukuroi Corporation (Japan) (Architectural drawing)

Sales in North America grew as a result of a surge in new orders from Japanese and

U.S. automobile manufacturers, climbing ¥13.5 billion, or 40.5%, to ¥46.7 billion. From the current term, we will focus on strengthening profitability and responding with flexibility to the rapidly growing demand.

European sales were given a boost by strong demand from Japanese automobile manufacturers, rising ¥1.7 billion, or 6.6%, to ¥28.3 billion. NTN continues to plan even more detailed sales activities in Europe based on its account manager system. In April 2006, the Company took an equity stake in the CVJ manufacturing company of the IFA group, which maintains a strong business relationship with the Volkswagen group. We will work to generate synergies with IFA and accelerate the expansion of our CVJ business activities in Europe.



IFA-AT (Germany)

Asian sales jumped ¥3.6 billion, or 61.1%, to ¥9.4 billion because of the start up of new production to fill orders from China, Malaysia and South Korea. In the current term, we are expanding production capacity at existing production bases, specifically NTN Manufacturing (Thailand) and Guangzhou NTN-Yulon Drivetrain Co., Ltd. We also will begin production at our

new subsidiary in India, NTN Manufacturing India Private Limited. In this way, we are working to provide a continuous response to the growing demand in Southeast Asia, China and South Korea.



NTN Manufacturing India Private Limited
(Architectural drawing)

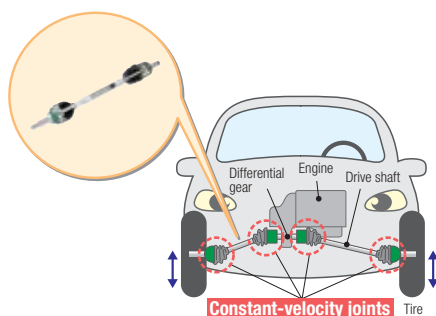
Business Description

What Are Constant-velocity Joints (CVJs)?

The function performed by CVJs inside vehicles

Although torque is transmitted from the engine to the tires via the drive shaft, it is difficult to ensure that it is transmitted smoothly due to differences in the elevation of the differential gears and the tires, the effects of steering on the tires and the fact that there is constant vertical movement from factors such as uneven road surfaces. CVJs however are designed to move in the same way as human joints, combining flexibility and smoothness, and therefore make it possible to transmit torque smoothly. CVJs are core components essential to industrial development, and are widely used in drive shafts for vehicles and a range of industrial machinery.

Constant-velocity joints in a vehicle



Key Data

Sales contribution	Consolidated sales: ¥131.3 billion (up 18.0% YoY) Consolidated net sales contribution: 30% Proportion of overseas sales: 64%
Users	Automotive industry (Industrial machinery: less than 1%)
Production bases	Japan: NTN (Iwata and Okayama works) NTN Fukuroi Corp. Hikari Seiki Industry Co., Ltd. North America: NTN Driveshaft, Inc. NTK Precision Axle Corp. France: NTN Transmissions Europe Germany: IFA-Antriebstechnik GmbH Thailand: NTN Manufacturing (Thailand) Co., Ltd. Taiwan: Taiway Ltd. Australia: Unidrive Pty. Ltd. China: Shanghai NTN Corp. Guangzhou NTN-Yulon Drivetrain Co., Ltd. Beijing NTN-Seohan Driveshaft Co., Ltd. India: NTN Manufacturing India Private Ltd.
Market shares	Japan: 41% Global: 22%
Strengths	Proprietary technology allows NTN to stay one step ahead of its competitors in offering a lineup of lightweight, compact and low-vibration products.

CVJs and NTN

NTN brought fixed CVJs to market in 1963, first in Japan, and followed up by adding the DOJ, TJ and other plunging CVJs to its lineup. Attaching fixed and plunging CVJs to a drive shaft, the Company started supplying these products to automotive manufacturers that were making front-wheel drive vehicles.

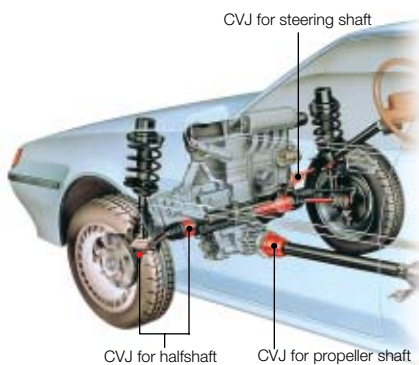
Taking advantage of the oil shock in 1973, sales of front-wheel drive vehicles

began to climb because of their fuel efficiency. Production of CVJs leaped. Furthermore, automotive manufacturers increased their use of CVJs in halfshafts for rear-wheel drive and in propeller shafts for 4WD vehicles to improve the ride. As CVJ demand expands, NTN is proceeding with global business development by setting up a network of production bases covering Japan, United States, Europe and Asia, including China.

In recent years, there has been strong demand for developments that will reduce environmental impact, lighten component weight (contributing to greater automobile design freedom), achieve greater compactness and improve noise, vibration

and harshness (NVH). Because the function and quality of CVJs directly and indirectly affect the functioning of automobiles, we have stayed at the forefront of trends in automobile technology and have carried out a variety of specific improvements. NTN's E

series or CSJ (lightweight and compact type) and PTJ or EPTJ (ultra-low vibration type) fully address these requirements. Their reputation for improved function is well-known among our customers.



1. CVJs for halfshaft

Lightweight and Compact E Series

The EBJ developed by NTN uses smaller balls, but has eight balls compared with the conventional six-ball BJ. This design enables the EBJ to maintain the same load-bearing capabilities as conventional products while being lighter and more compact. Compared with conventional BJs, it is 15% lighter, has a 7% smaller outer circumference, and a 30% higher torque transmission ratio.



EBJ

PTJ Offers Substantial Improvement in NVH (Noise, Vibration and Harshness)

Many NVH problems, such as automobile idling vibration and the horizontal vibration that occurs when the car first moves forward result from slide resistance and the induced thrust of the plunging CVJ on the gearbox side. The pillow journal tripod joint (PTJ) improves on the conventional induced-thrust-resistant product, the double roller

type SFJ, by improving the contact conditions of the inner parts and stabilizing the position of the roller cassette to achieve a significant reduction in friction. In addition, the PTJ is 15% to 20% lighter than the SFJ. Moreover, the high efficiency pillow journal tripod joint (EPTJ) further reduces the outer diameter of the outer race by about 4% and is approximately 8% lighter. These two new products have further expanded NTN's lightweight, compact, high-performance E series lineup.



EPTJ

2. CVJ for steering shaft

Meeting Diverse Automobile Needs with Compact, Large-Angle CVJs (CSJs) for Steering Systems

NTN has developed a new product in response to the special layout requirements for steering systems in sports utility vehicles (SUVs) and mini-vans that have limited space for steering systems due to their short noses. The Company has developed a large-angle, compact and lightweight ball-type CSJ for steering systems. Compared with a double cardan joint, the CSJ is 50% smaller and lighter. In addition, thanks to the optimal design of the ball rolling race, the CSJ can achieve a maximum operating angle of 48 degrees.



CSJ

3. CVJs for propeller shaft

CVJs for propeller shafts are components used in propeller shafts (front-to-rear axles, transmission, etc.) for the likes of four-wheel drive and IRS (independent rear suspension) vehicles. They are increasingly being used instead of conventional non-constant velocity cross joints (CJs) to make vehicles quieter and more comfortable.

We at NTN have developed and are now mass producing a high speed series of CVJs for propeller shafts (HEBJ/HLJ/HEDJ/HETJ) that are more efficient, lighter and more compact than conventional mass-produced CVJs and offer superior rotation performance at high speeds, whilst also maintaining the same load-bearing capabilities and durability.

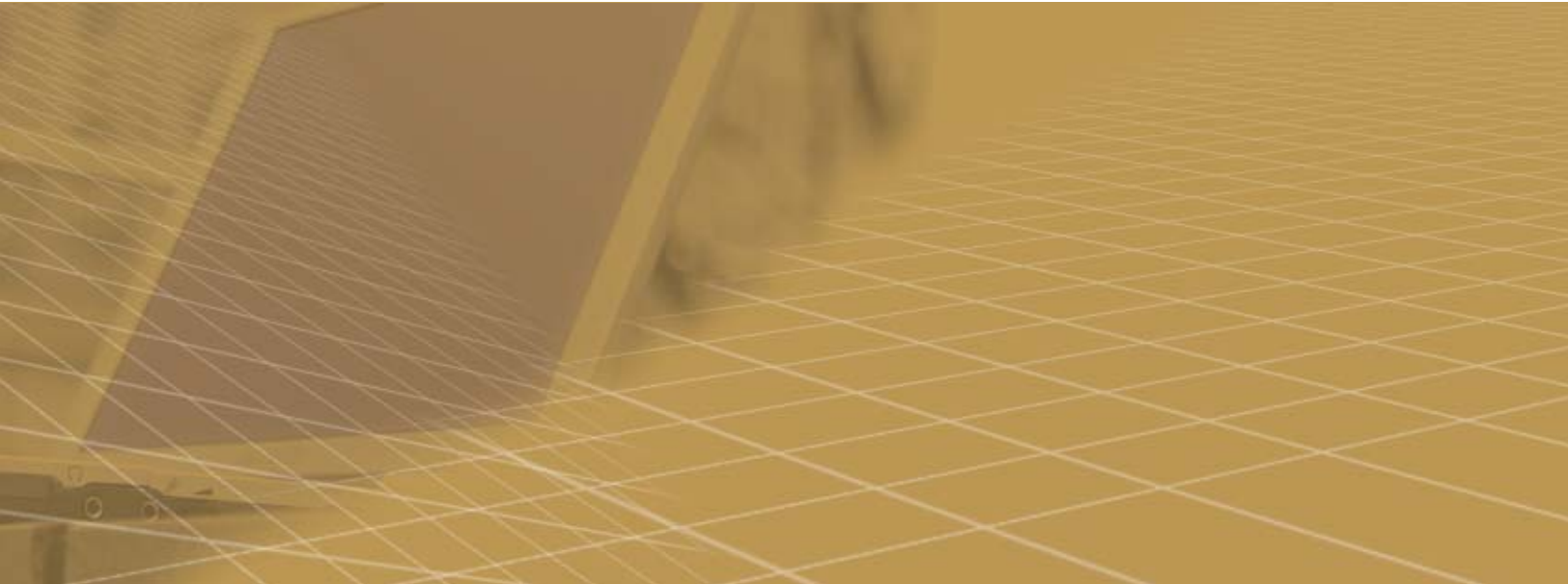
We also use lead-free grease (designed especially for propeller shafts) on our CVJs and use hexavalent chromium-free materials on parts that require surface treatment, to help protect the environment.



CVJs for propeller shafts

Precision Equipment and Other Products

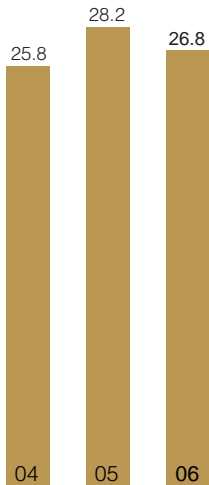
Continuously developing products that meet user needs



Review of Operations

Precision equipment and other products sales

(Billions of yen)



Years ended March 31

Among precision equipment and other products, sales were strong for parts feeders and other equipment for the automobile manufacturing industry. In contrast, sales declined for liquid crystal display (LCD) repair and plasma display panel (PDP) rib barrier repair systems for mechatronic products in the digital electronics industry. Consequently, sales in the precision equipment business segment fell ¥1.4 billion, a 5.0% decline, to ¥26.8 billion (US\$228 million).



Mono-ring CVT

NTN has been expanding its product lineup, primarily targeting the repair field for flat panel displays. We have launched, in succession, a rib barrier defect repair system for plasma display panel (PDP) substrates, a multi-repair system for liquid crystal color filters and a color filter repair system that can conduct quick and high-grade repairs on the defective parts of liquid crystal color filters in response to the move toward large-size flat panel displays with higher levels of definition). We are working on new products that anticipate future trends, such as a mono-ring CVT (continuously variable transmission), featuring a simple structure and a high efficiency rate, for use as the CVT in automobiles. We are also developing a dual-directional parts supply (parts feeder) system, named, “the monodrive, two-way feeder.”

MONOZUKURI Manufacturing “Parts Prize”

In April 2006, our “monodrive, two-way feeder” was awarded the (Manufacturing) Parts Prize by the Nikkan Kogyo Shinbun, a publisher of a business newspaper in Japan. In the case of our monodrive, two-way feeder, a single linear feeder vibrates the transfer chute in two directions (the alignment/supply side and the return side). The use of a single driver does away with the need to use a feeder bowl. As a result, our model takes up considerably less space than conventional models. In this way, we have succeeded in creating a product that is more compact and more lightweight than conventional feeders. It is also energy-saving and allows for other cost-savings. This prize, which customarily is awarded to parts that play an important supporting role behind-the-scenes, focuses on products that are low-cost but also high-quality. Considering that the crafting of parts is the source our competitiveness, we feel that NTN, as a parts maker, fully deserved this prize.



Plaque of merit



Monodrive two-way feeder

Business Description

NTN's Precision Equipment

The Company continues to successfully introduce new products in a timely fashion to the expanding liquid crystal and plasma display markets. Recent examples include the world's first system for repairing rib barrier defects in plasma display panels and the world's first system that can repair three types of defects in color filters for LCDs with one piece of equipment. In the future, the Company will increase sales, especially to LCD manufacturers in Taiwan and Korea.

NTN also boasts a wide lineup of clutch products for everything from office equipment to automobiles. Because of the Company's recent focus on developing clutch systems for automobiles, sales of

clutches have steadily grown. For mechatronic products and other precision equipment supplied to the semiconductor, LCD, electronic devices and other industries, NTN set up a separate division in April 2002 to adapt flexibly to the rapid technological innovation and fluctuating production levels of these major customers.

In addition to all this, we have also introduced technology such as parts feeders to enable the transportation of different parts within the manufacturing process. We have created solidification systems to enable substances such as steel dust and grinding swarf to be recycled, thereby making products more environmentally friendly. We

intend to emphasize NTN's unrivalled and unique technology as we continue to accept orders in the future.



Rib barrier defect repair system



Multi-repair system

Key Data

Sales contribution	Consolidated sales: ¥26.8 billion (up 5.0% YoY) Consolidated net sales contribution: 6%
Strengths	<ul style="list-style-type: none"> • NTN is developing leading-edge technology businesses with its mechatronics products using proprietary technologies. • A diverse product lineup of clutches is available, ranging from office equipment to automobiles.

New Precision Products

Development of a high-speed, high-definition color filter repair system

As part of our efforts to develop products targeting the large-scale, high-definition flat panel display (FDP) repair market, we have developed a color filter repair system that is capable of repairing defective portions of liquid crystal color filters quickly and at high definition.

As conventional color filter repair systems that use repair coating are only equipped with one or two coating needles to carry out repairs, the needles need to be washed every time they are changed between the four colors (RGB and black), making the process extremely time consuming. Furthermore, due to the inability to fine-tune the volume of repair coating applied by the needles to ensure an even coating, the repaired portion can seep out into other portions in some cases when repairing a narrow area.

As the new system developed by NTN has dedicated needles and tanks for repair coating in each of the four colors, there is no need to wash the needles. The system is structured so that the needles are stored inside the coating tanks, meaning that it is also possible to reduce ink replenishment times thanks to the fact that the ends of the needles can be replenished merely by moving in and out of holes located at the base of the repair coating tanks. As a result, it is now possible to reduce repair time by 30% compared to conventional systems.

What is more, as it is possible to use specialized techniques to process the ends of the coating needles to control * the volume of coating based on the length of time the needles are in contact with color filter substrates, the system also eliminates seepage and improves the quality of the repairs.

* It is possible to control the volume of coating from a few picoliters (pl—one trillionth of a liter) to several dozen pl.

Development of a steel dust solidification system

Steel dust consists of fine particles produced by steel manufacturers as part of the manufacturing process. Up to now, the roughly 500,000 tons of steel dust generated by electric furnaces around the country every year have always been disposed of as industrial waste at landfill sites. However, bearing in mind the fact that steel dust is a raw material and issues relating to environmental impact and waste disposal costs, there has always been demand for an environmentally friendly yet inexpensive method of recycling.

In conjunction with Daiwa Steel Corporation, NTN has developed the world's first steel dust solidification system to turn steel dust into cylindrical briquettes using just carbon and water so that it can be reused in furnaces.

The introduction of this system will help eliminate emissions by reducing the volume of industrial steel dust waste generated by steel manufacturers to zero. It will also eliminate the need to add binder (hardening agents), which has always formed an essential part of recycling methods in the past. This will remove the costs previously required for the disposal of industrial waste.



High-speed, high-definition color filter repair system



Steel dust solidification system

NTN's Technological Assets



Medium-to-Long-Term Research and Development

At NTN, we are pursuing research and development in a wide range of fields, based on our medium-to-long-term projections of likely developments in the various cutting-edge technological fields. We are working to improve our ability to propose solutions to our customers, as well as speed up the development process. On the basis of the fundamental precept that design is the single element that most decisively impacts product quality, we are accumulating an impressive fund of proprietary technology and seeking to raise the value-added of our products through superior design.

With regard to elemental technologies, we are focusing our management resources principally on tribology (the science of the mechanisms of friction, lubrication, and wear of interacting surfaces that are in relative motion), surface modification, and material technology. We have also developed a

special heat-processing technology (the formaldehyde treatment method) for extending the working life of bearings subject to rolling contact fatigue. We are putting greater effort not only into the development of new products, but also of completely new technologies, with the aim of bringing new products to market more quickly.

In our development of next-generation CVJs in the automotive field, we are pursuing the targets of low vibration, ultra-compactness, and even lighter weight. Also targeting sophisticated vehicle control, improved safety through the use of electric-powered components and increasing automobile capabilities through the development of "intelligent" hub bearings that incorporate high-performance sensors. In addition, for application in in-wheel-motor-powered, fuel-cell and other next-generation vehicles, we developed axle

units for in-wheel motors and actuator bearings for drive-by-wire use.

In the industrial machinery field, we are developing high-precision and high-speed products (as well as improved environmental friendliness) in response to the expanding technological needs of the construction machinery, machine tool, rolling stock, aerospace, wind power generator, and medical equipment industries. Among development efforts in the information technology field, we are working on defect-repair equipment needed for the production of large-scale and high-definition flat panel displays (FPDs). In leading-edge technologies, we are proceeding with research into applications of the expected blockbuster technologies of the future, such as nanotechnology and micro-electro-mechanical systems (MEMS), for fields such as materials and medical treatment robots.

Intellectual Property Strategy

NTN puts out a constant stream of new and improved products to meet customer needs. As part of our efforts, we consistently apply for patents to cover the valuable intellectual property created as a result of this development process. During the fiscal year under review, we applied for more than 2,000 patents. In particular, for proprietary products and technologies that have the potential to be a source of earnings, we

seek to build a comprehensive web of patents around the main patent, including peripheral and essential technologies, to achieve a dominant and proprietary position in the field that competitors cannot assail.

At March 31, 2006, NTN's total portfolio of patents, including utility models, included approximately 900 patents in Japan and about 950 patents in other countries (as of March 31, 2005). In the future, we plan to

apply for patents on strategic products and to effectively use them as business resources. We adhere to the following policies in our intellectual property strategy.

- **Effective use and security of patent information for R&D**
- **A wide-ranging and effective net of intellectual rights**
- **Active use of intellectual property, such as licensing and other applications**

The first Japanese Beatrice Award winner in 20 years

At the International Solid State Circuits Conference (ISSCC) in San Francisco in February 2005, a joint research paper published by Shizuoka University and NTN received the Beatrice Award. The ISSCC is the foremost and the largest conference in the field of integrated circuits, so much so that it is sometimes referred to as the Olympics of integrated circuits. 2005 was the first time in 20 years that the recipient of this award was Japanese.

The award is given to just one paper from those nominated every year. The joint research paper that won the award was entitled "A CMOS Rotary Encoder Based on Magnetic Pattern Analysis with a Resolution of 10b per Rotation." It outlined findings obtained from a prototype large-scale integrated circuit that, despite being significantly smaller than conventional circuits, successfully detected rotation angles at one thousandth of a rotation using a 5mm semiconductor chip and incorporated pattern analysis techniques based on more than 4,000 sensor elements and image processing.

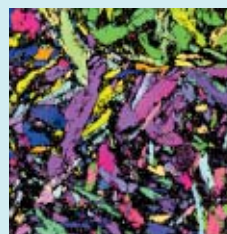


The award ceremony

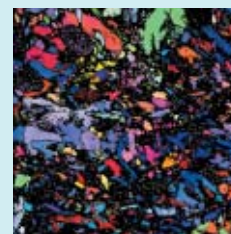
Examples of NTN Proprietary Product and Technology patents

1. Fine Austenite Strengthening Treatment Technology

NTN was the first in the world to develop a special heat treatment technology for its roller bearings, calling it Fine Austenite Strengthening (FA) treatment. The heat treatment reduces the grain size of the steel used in the bearing to less than half that of conventional bearings, strengthening its resistance to rolling fatigue and increasing service life. NTN has in excess of 150 outstanding patent applications for FA treatment technologies, including the composition for roller bearings, the heat treatment method, the production equipment and system, as well as application technologies for each type of automotive and industrial machine bearing in Japan and around the world.



Treated by carbonitriding processing

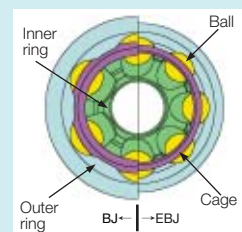


Treated by Fine Austenite Strengthening (FA) processing

Distributive image of crystal azimuthal error by FE-SEM/EBSP measuring instrument

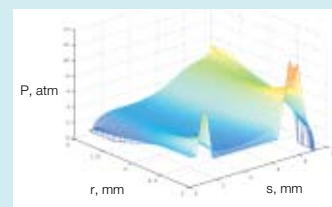
2. CVJ E Series

In our E series CVJs, the EBJ and EDJ use smaller balls, but have eight balls compared with the conventional six ball types, maintaining the same capabilities and functions as the conventional types. The ETJ is an improved tripod joint. The E series CVJs are two sizes smaller than the conventional design. For these joints, we have filed for about 220 patents in Japan and other countries, covering the basic structure, proportions, materials, manufacturing methods and other aspects.



3. Fluid Dynamic Bearings

Having been developed for HDD motors applying oil-impregnated sinter technology, fluid dynamic bearings offer long service life and high quality, can be manufactured in volume and are highly reliable thanks to their herringbone-shaped grooves formed by press processing. On the other hand, in the electrical machinery industry, where there are frequent launches of new products, we try to maintain our originality and dominance in the market by patenting new ideas ahead of competitors. We have applied for over 400 patents in Japan and abroad to acquire the rights to the herringbone-shaped groove structure, the lubricating mechanism and lubricant, the manufacturing method and other essential aspects. For the future, we are committed to achieving even higher rotation speeds and targeting technological challenges and trends, such as low cost components, thereby aggressively driving innovation.



Corporate Governance



Basic approach to corporate governance

Reinforcing and enhancing corporate governance is one of our top priorities. In addition to continuing to establish efficient, sound management practices, we make every effort to provide all of our shareholders and investors with the latest accurate information to ensure greater management transparency.

Our existing corporate governance structure and progress with improvement measures

NTN does employ an auditing system. However, to reinforce its corporate governance organization, the Company is strengthening its board of directors and, through its corporate auditors, its management oversight organization.

■ Board of Directors (meets at least once a month)

The role of the Board of Directors is to make decisions relating to fundamental business policies, legal matters and important management issues and to supervise the performance of duties by its members. Extraordinary meetings can also be convened at any time as and when necessary.

■ Business Strategy Committee (meets twice a month)

The Business Strategy Committee discusses fundamental business policies and important management strategies.

■ Executive Officer System

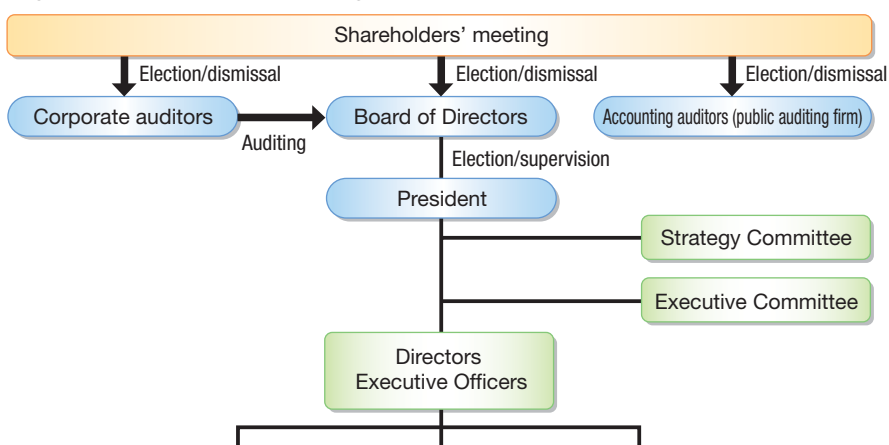
We introduced the Executive Officer System in June 2004 to enable decisions to be made and action taken as quickly as possible.

■ Corporate auditors and accounting audits

NTN has four corporate auditors, two of whom 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 in and express their opinions during meetings of the Business Strategy and Operating 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.

Organizational chart of corporate governance



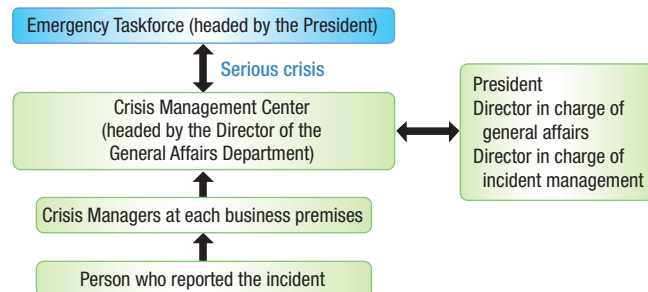
Risk Management and Compliance

Risk management

Every company is inevitably faced with a wide range of risks as part of its business activities. The most important thing is how effectively it can minimize the impact of these risks when they become a reality.

We have therefore established an in-house Crisis Management Center to preempt the occurrence of any such risks and take appropriate action. In addition to monitoring risks as part of every day operations, the center performs investigative functions, including checking the root causes of risks and looking into measures after the occurrence of any sort of incident. In the event of a serious incident, accident or other problem that could potentially have a major impact on business, the center quickly takes care of matters such as gathering

Outline of NTN's crisis management system



An Emergency Taskforce is set up in the event of a serious managerial crisis, with all other crises handled by the relevant department. All information relating to crisis management goes through the Crisis Management Center.

and communicating a comprehensive range of information and planning and issuing instructions for countermeasures, and takes whatever action is necessary to limit damage to a bare minimum and maintain confidence in the NTN Group as a whole.

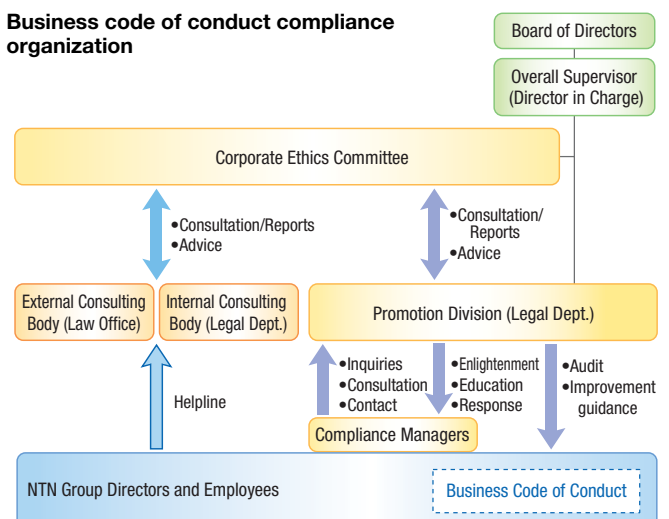
Compliance

Corporate Ethics Committee

In view of growing levels of public interest in corporate social responsibility, we established a Corporate Ethics Committee in accordance with our corporate ethics (compliance) management regulations, which were set out in May 2003, in an effort to reinforce NTN's compliance systems.

In 2006, we distributed copies of the Tokyo Stock Exchange publication "Revised Insider Trading Regulations Q&A" to all company directors and employees to increase awareness of the relevant issues and ensure compliance. We also established a legal compliance system in line with the enactment of the Whistleblower Protection Act, including internal and external help lines. In terms of exports, we have completed development of an in-house information gathering system to improve safety and are now implementing company training programs and internal audits, focusing mainly on sales divisions, to further improve safety assurance and export management.

Business code of conduct compliance organization



Corporate Social Responsibility (CSR) Activities

NTN's approach to CSR

The environment surrounding a company changes on a continual basis. Although recent economic development and the advance of globalization have created a trend towards the relaxation of regulations on a global scale and expanded the framework of corporate activity, they have also had a massive impact on the environment. It is no longer sufficient for companies to merely abide by the law and provide good quality products. It is now essential to also take on broad corporate social responsibility, namely corporate activities that contribute to society and help make the world a better place.

In an effort to further the establishment of a framework for NTN Group CSR activities, we have set up a CSR Department at our Head Office, formulated a set of basic policies and established committees to reinforce our CSR implementation structure.

CSR basic policies

We have formulated CSR basic policies to clearly map out the Company's social responsibilities and ensure that they are fulfilled. Each and every employee working for the NTN Group abides by the same eight basic policies and performs CSR in the workplace as part of their every-day duties.

As part of our CSR basic policies, we have also formulated a set of employee conduct guidelines to ensure that all employees, management and supervisory personnel have the right attitude. Whereas our previously formulated business code of conduct sets out items with which directors and employees must comply, the employee conduct guidelines are designed to actively encourage employees, management and supervisory personnel to think and act in line with CSR in practice.

CSR promotion framework

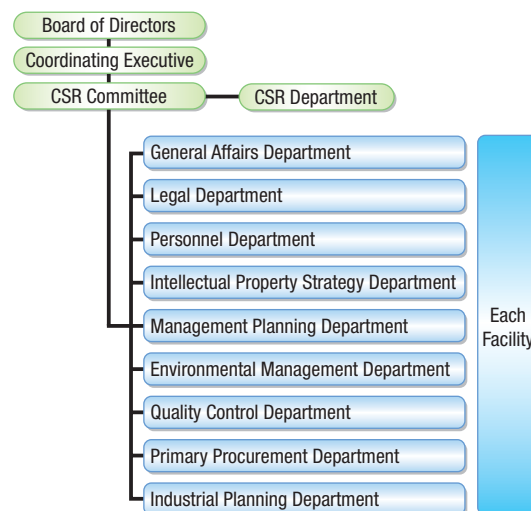
We established a CSR Department in April 2006 and commenced full-scale CSR activities. In addition to overseeing the NTN Group's CSR activities, the CSR Department is tasked with reinforcing and promoting additional CSR activities.

To ensure that the Company performs its social responsibilities, we have also established a CSR Committee consisting of members of the relevant departments. The CSR Committee is responsible for activities such as setting out our corporate philosophy, actively implementing CSR-related training programs and achieving aims regarding specific issues. By establishing a framework to powerfully promote CSR activities as outlined below, we aim to reflect the opinions of our stakeholders in future activities, in individual departments, premises and on a companywide scale, and to establish ourselves as a company on which the public can depend.

CSR basic policies

1. Compliance and activity policy	In addition to complying with and acting in the spirit of laws and regulations, we will carry out our business activities fairly and in good faith.
2. Customers	We will strive to develop new technology and products and provide our customers with safe, highly reliable products.
3. Suppliers	In addition to engaging in fair and free competition, we will build up strong relationships with our suppliers and handle all transactions in an appropriate manner.
4. Shareholders and disclosure	In addition to working to develop the Company to ensure that profits are returned to our shareholders, we will maintain wide-ranging communication with the general public and will actively disclose information.
5. Employees	We will make every effort to respect employee individuality and diversity and create safe, pleasant work places to enable more relaxed working environments.
6. The environment	We will take environmental preservation and the protection of natural habitats into full consideration as part of our efforts to help create a sustainable society.
7. Society	We will get involved in exchange with local communities and actively participate in social contribution activities as a good corporate citizen.
8. International activities	In addition to complying with international rules and local laws the world over, we will make every effort to respect local cultures and customs and contribute to the development of local areas.

CSR promotion framework



Social Contribution Activities

As a good corporate citizen, we support social contribution, cultural, educational and sports activities. The offices and plants of the NTN Group throughout the world, in accordance with the regional situations, actively participate in activities that contribute to society by making donations to charitable organizations, dispatching



NTN provides its products free to a team participating in the 1st Student Formula SAE Competition of Japan (NTN, Japan)

staff to assist with disaster relief or other community activities and supporting educational, cultural and sports events. Through such programs as providing our products free to a university motor sports club participating in the Student Formula SAE Competition of Japan, we also help young engineers achieve their dreams. Among other activities, we have systems that allow employees to take time off work to partake in volunteer activities in their own communities or participate in the new bone marrow transplant volunteer program in Japan.



NTN signs the *Mori no Sato-oya* (forest foster parent) agreement (NTN, Japan)



Exhibition introducing Japanese culture at the Kidscommons Columbus Community Children's Museum (NDI, U.S.A.)



NTN Transmissions Europe is an official sponsor of the Le Mans professional soccer club, in France

Extending our partnership agreement with the Honda Racing F1 Team

Following on from last year, NTN is continuing to support the independent Honda Racing F1 Team, which was established as an independent team in 2006. Since the curtain was raised on the F1 Championships in March 2003, the NTN logo has been displayed on the side of the nose pillar and the side wing of the Honda RA106, as well as on the team's trucks.

As a major supplier of automobile-related components to Honda in Japan, NTN intends to share and actively support Honda's



competitive spirit. Through our involvement, we hope to spread recognition of the NTN brand name around the world as we continue to provide the highest standard of products and services.

Recognition from external bodies

In recent years, there has been growing interest in Socially Responsible Investment (SRI), a set of criteria relating to investment

decisions that cover a more comprehensive perspective, including areas such as environmental preservation and social contribution as well as profitability and

growth from the operation of investment trust funds. As of the end of June 2006, NTN is listed on the following SRI indices (right).

MS-SRI

The first domestic SRI index in Japan; features 150 companies making an outstanding social contribution selected from roughly 3,600 companies listed in Japan by Morningstar Japan



FTSE4Good

Index run by UK firm FTSE International that evaluates companies in terms of their activities in areas such as environmental sustainability, social issues and stakeholder relations



Ethibel

Leading European firm based in Belgium specializing in the evaluation of SRI and CSR activities; selects leading companies from the standpoint of sustainability



Environmental Activities

The NTN Group first established environmental committees in 1993, marking the start of companywide environmental activities. We later went on to formulate an environmental basic policy in 1998 in an effort to promote activities to protect our planet's irreplaceable environment. We are determined to make every effort to live together and move forward in harmony with the environment.

Environmental policy

In 1998, we set out a basic concept for the NTN Group and formulated a set of action guidelines to be observed by all employees. As part of the manufacture and sale of bearings, CVJs, precision equipment and our other products, we strive to minimize the impact of our business activities, products and services on the environment on a continual basis and to preserve the environment to maintain a clean, healthy environment in the future.

Basic concept

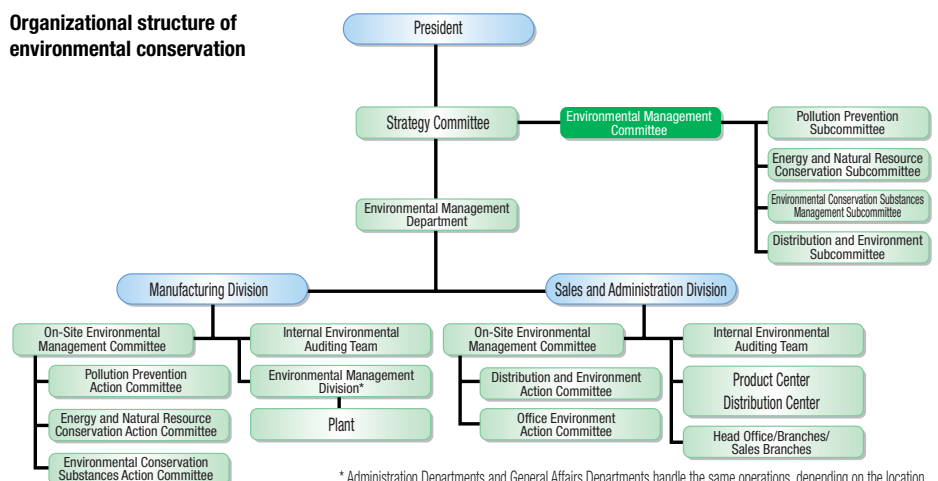
Advocating harmony with the global environment is our most important issue and we will make constant efforts to contribute to the harmonious development of society, while aiming to reduce environmental impacts and contribute to a recycling society.

NTN's environmental framework and activities to date

It is one of our most important social responsibilities to establish a comprehensive environmental framework. It was with this in mind that we established environmental

committees in 1993 (now called environmental management committees) in every division, from our Head Office, to technical, manufacturing, sales and distribution divisions, and commenced environmental activities on a companywide scale.

Organizational structure of environmental conservation



* Administration Departments and General Affairs Departments handle the same operations, depending on the location.

Chronology of the NTN group's environmental conservation initiatives

Fiscal Year	Initiatives	Fiscal Year	Initiatives
1993	● Environmental Conservation Committee established	2001	● Dichloromethane phased out ● PRTR Law Countermeasures (database)
1994	● 1,1,1-Trichloroethane phased out	2002	● Zero emission targets established ● Respond to EU's End-of-Life Vehicles Directive ● Start manufacture and distribution of grinding swarf briquetting machine
1995	● CFC113 phased out	2003	● Achieved zero emission for all domestic operating sites ● Incorporated NTN Casting into ISO 14001 (multi-site)
1996	● Iwata Works begins preparations to acquire ISO 14001 certification	2004	● Incorporated NTN Omaezaki Works into ISO 14001 (multi-site) ● Completed cleanup of polluted ground at old operating sites (Kishiwada and Kawachi Nagano, Osaka)
1997	● Environmental Management Guide established	2005	● NTN Mie Corporation incorporated into ISO 14001 (multi-site) ● "Coolbiz" initiatives introduced ● Companywide forestation and greening activities
1998	● Changed the Environmental Conservation Committee to the Environmental Management Committee ● Iwata Works acquires ISO 14001 certification		
1999	● A total of 12 operating sites acquired ISO 14001 certification (multi-site) ● Issued first edition of NTN Environmental Action Report ● Development of ECO series product		
2000	● Trichloroethylene phased out ● Disclosed Environmental Accounting ● Iwata Works transferred to ISO 14001 (multi-site)		

Environmental targets for fiscal 2006

• Preserving the environment

With the growing need for more active initiatives to reduce CO₂ emissions as a result of the Kyoto Protocol coming into effect, we intend to continue to promote effective energy-saving activities at all of our premises the world over in fiscal 2006. We also plan to actively implement forestation and greening activities on a companywide scale, alongside measures to combat soil pollution. We plan to completely abolish the use of chlorinated coolant at our last remaining site. We also intend to proceed with the systematic phasing out of halon fire extinguishers with a view to completely abolishing their use by 2010.

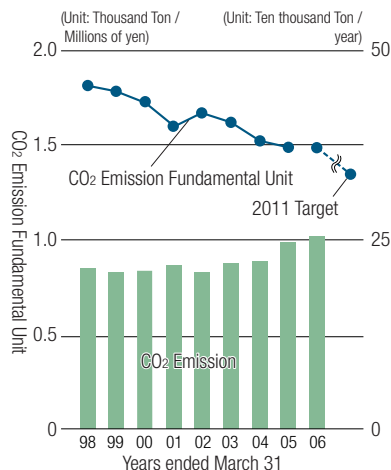
• Creating a recycling-oriented society

In addition to maintaining zero emissions from our domestic operations (with the exception of NTN Casting), we plan to increase the use of waste sand and slag at NTN Casting (recycling target: at least 85%) in an effort to achieve zero emissions across the entire company. We also intend to incorporate our grinding swarf solidification systems into our overseas operations to increase recycling efficiency in other countries, particularly the US. Other efforts include ongoing initiatives to reduce usage of paper and polystyrene.

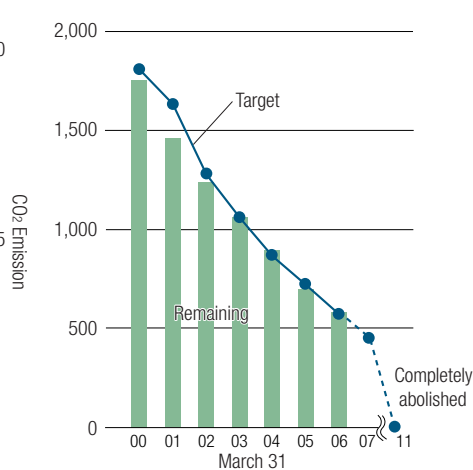
• Maintaining and improving NTN's environmental management framework

We are taking comprehensive steps to ensure green procurement to comply completely with the European Union's RoHS (restriction of hazardous substances) and power and electronic related ELV (End-of-Life Vehicles) directives. We also provide support for efforts on the part of our suppliers to obtain environmental certification to expand our environmental supply chain management initiatives. Elsewhere, we are promoting energy-saving measures in our role as a transported goods owner in response to revised energy saving legislation (Law Regarding the Rationalization of Energy Use).

Trends in CO₂ emissions



Numbers of halon fire extinguishers



Recycling process for waste slag from casting



Management (As of June 30, 2006)



President
Yasunobu Suzuki



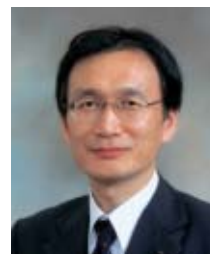
Senior Managing Director
Tadatoshi Kato



Senior Managing Director
Osamu Wakisaka



Senior Managing Director
Hirotsugu Mori



Senior Managing Director
Tatsuo Kondo



Managing Director
Naohiko Fujimura



Managing Director
Kenji Okada



Director
Osamu Kato



Director
Takeshi Yoshimura



Director
Yoshikazu Fukumura



Director
Kazuhiro Shigeta

Statutory Auditors

Standing Statutory Auditors

Mitsunobu Matsuo
Akio Imanishi

Statutory Auditors

Teruo Takashima
Tadao Kagono

Executive Officers

Managing Executive Officer

Yasuo Fijioka

Executive Officers

Koji Sahashi
Hitoshi Inoue
Tetsuji Goto
Martin Creydt
Shouji Kido

Shigetoshi Tsujibayashi
Yasunori Terada
Hidenori Nishikawa
Kazuyoshi Wakabayashi
Shigetaka Miyoshi
Seiichi Konishi
Yoshinobu Yasuda
Hitoshi Takai

Financial Section

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Nine-Year Summary of Selected Consolidated Financial Data

NTN Corporation and Consolidated Subsidiaries
Years ended March 31

	Millions of yen (except per share amount)			
	2006	2005	2004	2003
FOR THE YEAR DATA				
Net sales	¥434,837	¥388,349	¥357,394	¥342,745
Operating income	37,645	33,201	24,709	20,785
Income (loss) before income taxes (Note 1)	30,370	26,586	18,181	6,198
Net income (loss).....	19,550	16,740	11,032	2,657
Capital expenditures.....	49,284	49,670	38,092	25,264
Depreciation	28,586	24,870	23,979	23,838
R&D expenditures	14,771	14,952	13,543	12,255
YEAR-END DATA				
Total assets.....	¥561,494	¥516,578	¥460,341	¥467,198
Shareholders' equity.....	183,247	157,952	142,487	134,928
Number of employees	14,631	12,788	11,885	11,810
PER SHARE DATA				
Shareholders' equity.....	¥396.73	¥341.93	¥308.27	¥291.82
Net income (loss)				
Basic	41.94	35.83	23.54	5.70
Diluted.....	38.55	32.94	21.87	5.51
Cash dividends.....	11.00	8.5	5.50	5.00
OTHER INFORMATION				
Net income (loss)/Total assets (ROA)...	3.6%	3.4%	2.4%	0.6%
Net income (loss)/Shareholders' equity (ROE)	11.5%	11.1%	8.0%	1.9%
Shareholders' equity ratio	32.6%	30.6%	31.0%	28.9%
SEGMENT INFORMATION				
	2006	2005	2004	2003
Sales by business				
Bearings.....	¥276,694	¥248,811	¥228,615	¥220,685
CVJs	131,327	111,307	102,959	98,875
Precision equipment and other products.....	26,815	28,231	25,820	23,185
Sales by region				
Japan	¥197,697	¥189,990	¥176,202	¥170,010
North America	112,001	92,046	86,084	92,696
Europe	66,893	62,593	58,243	47,871
Asia and other areas.....	58,246	43,720	36,865	32,168

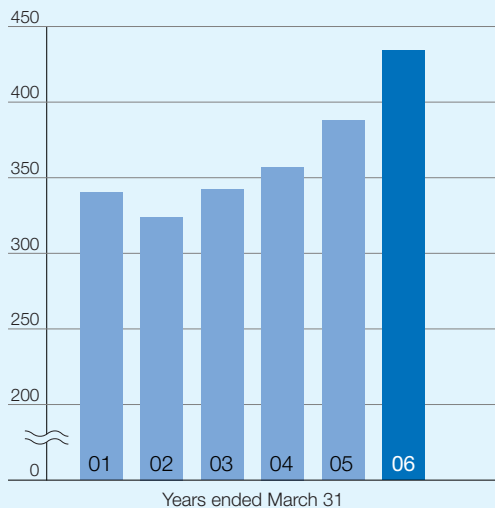
Notes: 1) Income (loss) before income taxes and minority interests

2) U.S. dollar amounts have been converted from yen, for convenience only, using the approximate exchange rate at March 31, 2006, which was U.S.\$1=¥117.47.

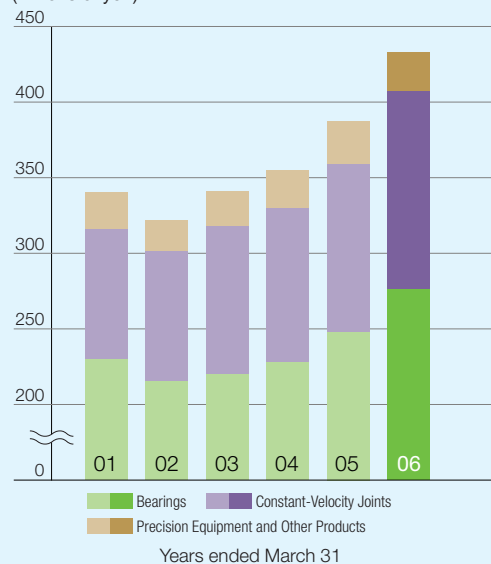
Millions of yen (except per share amount)					Thousands of U.S. dollars (except per share amount)	
2002	2001	2000	1999	1998	2006	
¥324,339	¥340,551	¥326,474	¥325,812	¥347,919	\$3,701,686	
8,140	14,335	9,675	13,633	20,816	320,465	
(701)	6,888	(41,822)	9,726	14,144	258,534	
(132)	4,289	(24,677)	4,067	7,690	166,425	
21,088	24,123	26,013	27,609	26,265	419,545	
24,400	23,402	24,122	24,835	24,411	243,347	
11,706	10,618	9,779	9,274	9,015	125,743	
¥462,895	¥478,945	¥494,677	¥487,477	¥473,320	\$4,779,893	
138,532	138,625	143,874	171,969	172,046	1,559,947	
11,989	12,619	12,770	12,554	12,675	14,631	
¥299.27	¥299.44	¥310.77	¥371.39	¥371.55	\$3.38	
(0.29)	9.26	(53.30)	8.78	16.61	0.36	
—	8.78	—	8.31	15.44	0.33	
5.50	6.00	6.50	8.00	9.00	0.09	
(0.03%)	0.9%	(5.0%)	0.8%	1.6%	3.6%	
(0.1%)	3.0%	(15.6%)	2.4%	4.5%	11.5%	
29.9%	28.9%	29.1%	35.3%	35.3%	32.6%	
2002	2001	2000	1999	1998	2006	
¥215,558	¥230,017	¥224,819	—	—	\$2,355,444	
86,785	86,318	81,382	—	—	1,117,962	
21,996	24,216	20,273	—	—	228,271	
¥169,080	¥195,134	¥183,936	—	—	\$1,682,957	
87,774	85,925	86,399	—	—	953,443	
38,748	30,449	27,602	—	—	569,448	
28,737	29,043	28,537	—	—	495,837	

Financial Review

Net sales
(Billions of yen)



Sales by business segment
(Billions of yen)



■ Scope of Consolidation

As of March 31, 2006, NTN had 38 consolidated subsidiaries, including 11 domestic and 27 overseas subsidiaries. There were a total of five affiliates (overseas) that were accounted for by the equity method. The following were the changes in the scope of consolidation for the fiscal year under review.

- ◆ Consolidated (4 companies added):
 - NTN Kamiina Corporation (newly established)
 - NTN (China) Investment Corporation (newly established)
 - NTN-NIDEC (Thailand) Co., Ltd. (newly established)
 - NTN Manufacturing India Private Limited (newly established)

■ Sales and Income

● Sales Performance

Consolidated net sales for the fiscal year ended March 31, 2006 amounted to ¥434,837 million, increasing 12.0% from the previous fiscal year. Consolidated net sales increase would have been ¥36,244 million, considering the ¥10,244 million increase caused by the currency impact. Overseas sales totaled ¥237,140 million, rising 19.6% year-on-year. Overall, overseas sales contributed 54.5% of net sales, edging up 3.4 percentage points from the prior fiscal year. Overseas sales contributions by region were North America, 25.7%; Europe, 15.4%; and Asia and others, 13.4%.

[Sales by Business Segment]

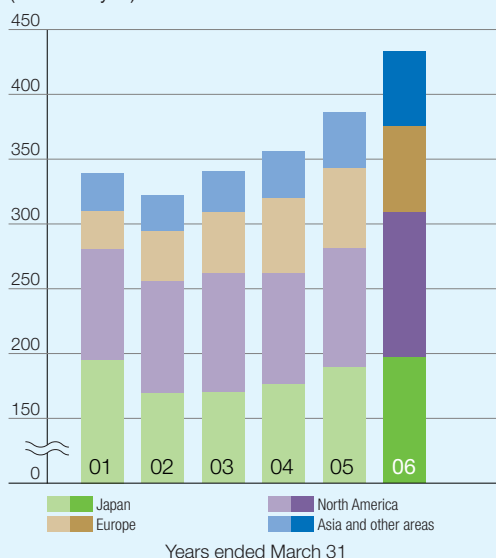
In the bearing segment, axle-bearings and needle roller bearings showed solid performance in automotive applications in Japan, North America and Asia, etc., helped by orders from new customers. In applications for general industrial machinery, large-size bearings and precision bearings expanded for applications such as construction

machinery and machine tools in Japan and North America. In Europe, large-size bearings for wind power systems expanded, while fluid dynamic bearings for hard disk drive (HDD) motors and bearings for office machines grew in Asia and other region. Deliveries to distributors were solid in both Japan and overseas. As a result, sales increased 11.2% from a year earlier to ¥276,694 million.

In the constant-velocity joint (CVJ) segment, sales in North America surged, helped by a substantial volume of new orders from Japanese and U.S. automakers. In Europe, deliveries to Japanese carmakers rose, while start of production for new orders contributed in China, Malaysia and South Korea. As a result, sales totaled ¥131,327 million, an increase of 18.0% from a year earlier.

In the precision equipment and other products segment, sales of parts feeders for car manufacturing plants and other purposes were solid, while sales of precision system products such as LCD

Sales by region
(Billions of yen)



repair systems and PDP rib repair systems declined. As a result, sales declined 5.0% from a year earlier to ¥26,815 million.

[Sales by Region]

In Japan, solid conditions prevailed for automotive bearings, such as axle-bearings, needle roller bearings and CVJs. Large and precision bearings for general industrial machinery applications such as construction machinery and machine tools performed strongly. Deliveries to distributors of bearing units and large-size bearings for repairing plant facilities also developed favorably. As a result, net sales reached ¥197,697 million, up 4.1% from a year earlier.

In North America, sales surged for automotive CVJs and axle-bearings, while sales performed favorably for general industrial machinery applications, particularly large-size bearings for construction machinery. Deliveries to distributors were also solid. As a result, net sales reached ¥112,001 million, rising

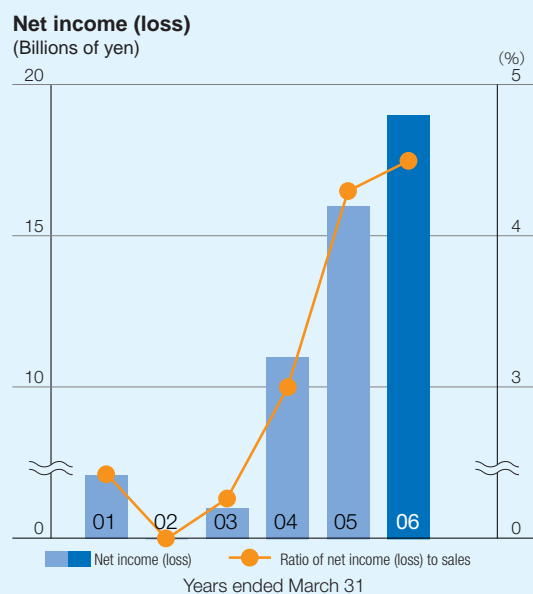
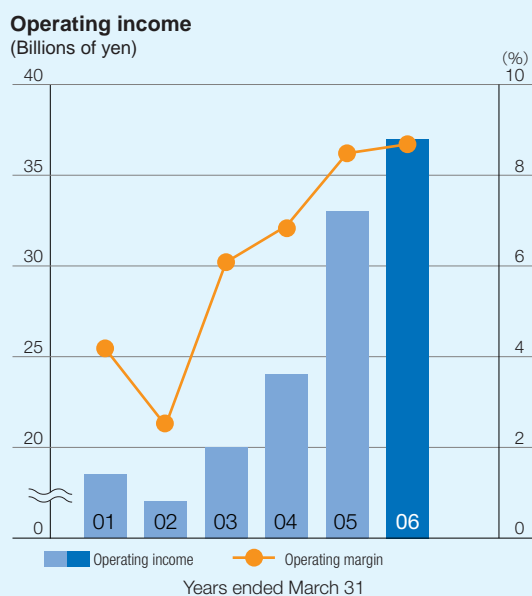
21.7% from a year earlier.

In Europe, CVJs and axle-bearings developed favorably in automotive applications, helped by orders from new customers. In general industrial machinery applications, shipments of large-size bearings for wind power systems contributed and shipments to distributors were solid. As a result, net sales reached ¥66,893 million, a 6.9% increase from a year earlier.

In Asia and other areas, sales of automotive bearings and CVJs grew and sales of fluid dynamic bearings and bearings for office machines were also solid in China. In ASEAN markets, sales of motorcycle bearings increased in Indonesia and sales of CVJs grew in Malaysia, South Korea and Thailand. As a result, net sales reached ¥58,246 million, rising 33.2% from a year earlier.

• **Cost of Sales and Selling, General, and Administrative Expenses**

Cost of sales amounted to ¥340,571 million, and the percentage of cost to overall sales improved 0.2 percentage point to 78.3%. This was principally due to a fall in sales prices coupled with the rising cost of raw materials. Selling, general, and administrative expenses amounted to ¥52,621 million, and the percentage of cost to overall sales improved 0.4 percentage points to 13.0%.



• Income

Operating income increased ¥4,444 million, or 13.4%, compared with the previous fiscal year, to ¥37,645 million. Operating margin rose 0.2 percentage points from the previous term, to 8.7% due to improvements in the ratios of selling, general, and administrative expenses to net sales.

Other non-operating income and expenses amounted to a net expense of ¥7,235 million. Non-operating income totaled ¥3,821 million, including ¥1,111 million in equity in earnings of affiliates, ¥461 million in gains on the sale of investments in securities and ¥277 million in interest and dividend income. Non-operating expenses totaled ¥11,096 million. Among the major expense items were a ¥3,949 million interest paid, a ¥1,932 million contingency for emergency shipping, and a ¥2,100 million reserve provision for product defect compensation.

As a result, the Company reported income before income taxes and minority interests of ¥30,370 million, up ¥3,784 million from the previous year. Consolidated net income amounted to ¥19,550 million, increasing ¥2,810 million year-on-year. Net income per share for the fiscal year was ¥41.94.

In fiscal 2005, cash dividends totaled ¥11.00 per share. The Company increased the fiscal year-end cash dividend by ¥1.00 over the interim dividend, to ¥6.00 per share.

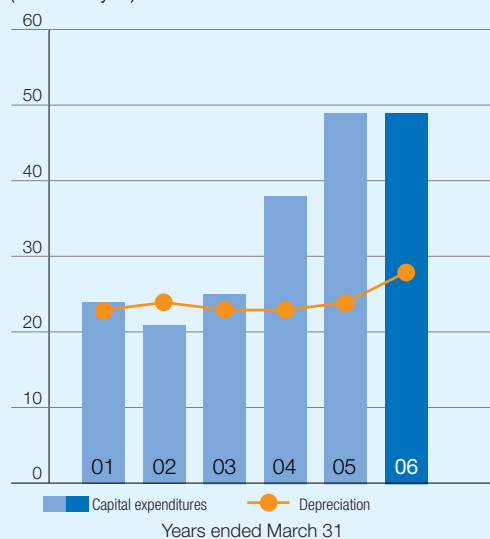
■ R&D and Capital Expenditures

• Research and Development

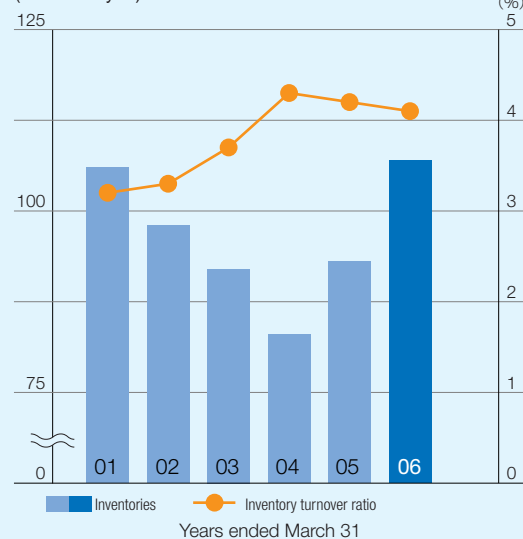
In line with its Rapid Advance 21, the Company concentrated its business resources on strategic products—including CVJs, axle units, needle roller bearings, precision bearings during fiscal 2005.

Reflecting these efforts, R&D expenditures for the fiscal year decreased ¥181 million, or 1.2%, to ¥14,771 million, representing 3.4% of consolidated net sales. The breakdown of R&D expenses by business segment was ¥8,613 million for bearings, down 0.3% year-on-year; ¥5,248 million for CVJs, down 1.4%; and ¥909 million for precision equipment and other products, down 8.2% from the prior fiscal year.

Capital expenditures and depreciation
(Billions of yen)



Inventories
(Billions of yen)



• Capital Expenditures

Capital expenditures for the fiscal year were primarily focused on increasing production capacity, implementing labor savings and rationalization, maintaining and upgrading present facilities, enhancing the safety of those facilities, and new product R&D. In total, capital expenditures decreased ¥386 million, or 0.8%, from the prior fiscal year to ¥49,284 million.

A total of ¥28,807 million was invested in the bearing segment, down ¥4,557 million from the previous fiscal year. Expenditures included an increase in production equipment at the NTN Mie Corporation, an increase in production facilities and the construction of a research division at our Okayama Works Axle Unit Plant, an increase in axle bearing production equipment at NTN Manufacturing (Thailand) Co., Ltd. and an increase in production equipment at NTN-BOWER Corp.

In the CVJ segment, NTN increased its capital expenditures by ¥3.87 billion to ¥19,733 million. Major allocations included the expansion of manufacturing facilities at NTN Driveshaft Inc., NTN Transmissions Europe and at the forging and CVJ plants at our Iwata Works.

Capital investment in precision equipment and other products amounted to ¥742 million, up ¥300 million from the previous fiscal year. Funds were invested in increased production equipment at NTN Mikumo Company Ltd. and NTN Manufacturing (Thailand) Co., Ltd.

All expenditures were funded with internally generated funds and loans. Depreciation in the fiscal year under review amounted to ¥28,586 million, up ¥3,716 million year-on-year.

■ Financial Position and Cash Flows

• Financial Position

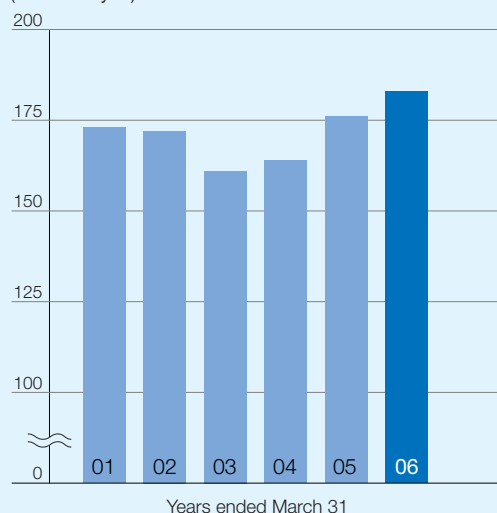
As of March 31, 2006, total assets amounted to ¥561,494 million, expanding ¥44,916 million from the previous year. The turnover ratio of total assets declined slightly from the previous fiscal year, edging down 0.02, to 0.77.

Total current assets at year-end amounted to ¥266,806 million, increasing ¥4,409 million. Inventories increased ¥13,881 million. Excluding the effect of ¥2,728 million increase in currency translations, inventory rose ¥11,153 million on a real basis. Cash and cash equivalents increased ¥3,640 million. The inventory turnover ratio for the year declined 0.11 from the previous year to 4.06.

Current liabilities at year-end were ¥234,758 million, increasing ¥22,349 million. Major changes included a ¥10,000 million increase in current portion of bonds and a ¥3,682 million increase in short-term bank loans and a ¥3,664 million increase in trade payables. As a result, net working capital decreased ¥17,940 million to ¥32,048 million, and the liquidity ratio

Interest-bearing debt

(Billions of yen)



declined 9.8 percentage points from the previous year to 113.7%.

Interest-bearing debt increased ¥7,013 million during the fiscal year, to ¥183,199 million. Excluding the effect of ¥6,563 million in currency adjustments, interest-bearing debt expanded ¥450 million. The interest-bearing debt-to-total assets ratio declined 1.5 percentage points, to 32.6%.

During the fiscal year, shareholders' equity increased ¥25,295 million, to ¥183,247 million. Major items included a ¥14,014 million advance in retained earnings and a ¥5,834 million increase in translation adjustments. The shareholders' equity ratio improved 2.0 percentage points from the previous fiscal year, to 32.6%. Based on shares outstanding at the end of the fiscal year, shareholders' equity per share amounted to ¥396.73, an increase of ¥54.80 per share year-on-year.

• Cash Flows

For the fiscal year ended March 2006, net cash provided by operating activities amounted to ¥38,907 million, decreasing ¥8,923 million, or 18.7%, from the previous fiscal year. This increase can be mainly attributed to cash inflows of ¥30,370 million in income before income taxes and minority interests, ¥28,586 million in depreciation and amortization, and ¥4,939 million decrease in trade receivables, reduced by cash outflows of a ¥12,783 million in income taxes and a ¥11,457 million increase in inventories.

From this net cash, the Company made expenditures of ¥49,960 million in payments for property, plants, and equipment among net cash used in investing activities totaling ¥51,519 million, which were up ¥5,368 million, or 11.6%, year-on-year.

In financing activities, the Company paid out ¥4,619 million for cash dividends paid and earned a net of ¥633 million in proceeds from short- and long-term loans. Net cash used in financing activities, therefore, amounted to ¥3,278 million, down ¥9,971 million, from the previous fiscal year.

Currency adjustments increased cash and cash equivalents by ¥479 million. Therefore, cash and cash equivalents at end of the year totaled ¥35,891 million, down ¥15,411 million, or 30.0%, from the prior fiscal year.

The difference between net cash provided by operating activities and net cash used in investing activities—free cash flow—amounted to minus ¥1,679 million. In addition, the proportion of net cash provided by operating activities to net sales was 8.9%.

Risk Factors

Business results and the financial position of the NTN Group are subject to the following risks. It should be noted that forward-looking statements contained in the following reflect judgments of the NTN Group as of June 29, 2006.

1. Economy

The NTN Group operates global production and sales networks, and supplies to 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 cost while

developing new products of high quality and high added value, business results and the NTN Group's financial position may be affected by downward pressure on market prices.

4. Rise in raw materials prices

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

5. Disasters and accidents

Production plants and facilities of the NTN Group and its transaction counterparts are exposed to the risk of damage from natural disasters such as earthquakes, floods, and fires. Although the NTN Group has put into place crisis management systems and stands ready to engage in measures to contain damage as much as possible, risks cannot be completely eliminated. Business performance and the financial status of the NTN Group may be affected by 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 buys more than half of the 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 serious accident, claim for damages, or product recall could entail huge product warranty costs and potentially affect business performance and the financial position of the NTN Group. Although the NTN Group has taken out global product liability insurance, complete coverage for loss is not possible.

8. Intellectual property

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

9. Risks associated with global operations

The NTN Group develops its business operations worldwide with overseas sales exceeding 50% of consolidated sales.

Overseas business development is associated with the following risks:

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

Consolidated Balance Sheets

NTN Corporation and Consolidated Subsidiaries

March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	2006
Assets			
Current assets:			
Cash and cash equivalents (Note 3).....	¥ 35,891	¥ 51,302	\$ 305,533
Short-term investments	566	114	4,818
Trade receivables:			
Notes	11,944	18,296	101,677
Accounts	86,506	82,593	736,409
Allowance for doubtful accounts	(16)	(63)	(136)
	98,434	100,826	837,950
Inventories (Note 4).....	107,048	93,167	911,279
Deferred income taxes (Note 14)	8,106	6,534	69,005
Other current assets	16,761	10,454	142,684
Total current assets	266,806	262,397	2,271,269
Property, plant and equipment (Notes 5 and 6):			
Land.....	24,246	23,041	206,402
Buildings and structures	131,740	123,611	1,121,478
Machinery, equipment and vehicles	509,531	461,009	4,337,541
Construction in progress	11,613	13,164	98,859
	677,130	620,825	5,764,280
Less accumulated depreciation	(440,698)	(413,166)	(3,751,579)
Property, plant and equipment, net.....	236,432	207,659	2,012,701
Investments and other assets:			
Investment securities (Note 3).....	23,928	14,755	203,695
Investments in unconsolidated subsidiaries and affiliates	9,602	7,409	81,740
Deferred income taxes (Note 14)	18,376	18,809	156,431
Other assets.....	6,350	5,549	54,057
Total investments and other assets	58,256	46,522	495,923
Total assets	¥ 561,494	¥516,578	\$4,779,893

See accompanying notes to the consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	2006
Liabilities, minority interests and shareholders' equity			
Current liabilities:			
Short-term bank loans (Note 6).....	¥ 90,180	¥ 82,013	\$ 767,685
Current portion of long-term debt (Note 6).....	11,583	6,067	98,604
Trade payables:			
Notes.....	17,936	33,178	152,686
Accounts	70,430	51,524	599,557
	88,366	84,702	752,243
Accrued income taxes (Note 14).....	8,496	7,623	72,325
Deferred income taxes (Note 14)	425	16	3,618
Other current liabilities	35,708	31,988	303,976
Total current liabilities.....	234,758	212,409	1,998,451
Long-term liabilities:			
Long-term debt (Note 6)	81,436	88,106	693,249
Accrued retirement benefits for employees (Note 7).....	48,441	47,347	412,369
Accrued retirement benefits for directors and statutory auditors	—	329	—
Reserve for product defect compensation	2,054	1,918	17,485
Deferred income taxes (Note 14)	2,711	2,225	23,078
Other long-term liabilities	3,517	2,226	29,941
Total long-term liabilities.....	138,159	142,151	1,176,122
Minority interests.....	5,330	4,066	45,373
Contingent liabilities (Note 9)			
Shareholders' equity (Notes 8 and 17):			
Common stock			
Authorized – 800,000,000 shares			
Issued – 463,056,775 shares at March 31, 2006 and 2005	39,599	39,599	337,099
Capital surplus.....	52,639	52,623	448,106
Retained earnings.....	86,932	72,918	740,035
Net unrealized holding gain on securities (Note 3).....	10,740	5,231	91,428
Translation adjustments.....	(6,077)	(11,911)	(51,732)
	183,833	158,460	1,564,936
Treasury stock, at cost: 1,157,425 shares in 2006 and 1,109,722 shares in 2005	(586)	(508)	(4,989)
Net shareholders' equity	183,247	157,952	1,559,947
Total liabilities, minority interests and shareholders' equity	¥561,494	¥516,578	\$4,779,893

Consolidated Statements of Income

NTN Corporation and Consolidated Subsidiaries

Years ended March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	2006
Net sales.....	¥434,837	¥388,349	\$3,701,686
Cost of sales (Notes 7 and 13).....	340,571	303,233	2,899,217
Gross profit	94,266	85,116	802,469
Selling, general and administrative expenses (Notes 7 and 13).....	56,621	51,915	482,004
Operating income	37,645	33,201	320,465
Other income (expenses):			
Interest and dividend income	459	286	3,907
Interest expense	(3,949)	(2,460)	(33,617)
Equity in earnings of affiliates	1,111	933	9,458
Provision of reserve for product defect compensation (Note 2(j)).....	(2,100)	(1,800)	(17,877)
Impairment loss on fixed assets (Notes 2(p) and 5)	(346)	—	(2,945)
Other, net	(2,450)	(3,574)	(20,857)
	(7,275)	(6,615)	(61,931)
Income before income taxes and minority interests	30,370	26,586	258,534
Income taxes (Note 14):			
Current	13,187	9,263	112,259
Deferred	(2,784)	339	(23,700)
	10,403	9,602	88,559
Income before minority interests.....	19,967	16,984	169,975
Minority interests in subsidiaries	(417)	(244)	(3,550)
Net income	¥ 19,550	¥16,740	\$ 166,425

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Shareholders' Equity

NTN Corporation and Consolidated Subsidiaries

Years ended March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	2006
Common stock:			
Balance at beginning and end of the year	¥ 39,599	¥ 39,599	\$ 337,099
Capital surplus:			
Balance at beginning of the year	¥ 52,623	¥ 52,623	\$ 447,970
Gain on sales of treasury stock.....	16	—	136
Balance at end of the year	¥ 52,639	¥ 52,623	\$ 448,106
Retained earnings:			
Balance at beginning of the year	¥ 72,918	¥ 59,332	\$ 620,737
Net income.....	19,550	16,740	166,425
Appropriations:			
Cash dividends	(4,619)	(3,004)	(39,321)
Bonuses to directors and statutory auditors	(181)	(150)	(1,541)
Decrease resulting from prior-year adjustments relating to post-retirement benefits at overseas consolidated subsidiaries.....	(736)	—	(6,265)
Balance at end of the year	¥ 86,932	¥ 72,918	\$ 740,035
Net unrealized holding gain on securities:			
Balance at beginning of the year	¥ 5,231	¥ 4,967	\$ 44,531
Net change during the year	5,509	264	46,897
Balance at end of the year	¥ 10,740	¥ 5,231	\$ 91,428
Translation adjustments:			
Balance at beginning of the year	¥(11,911)	¥(13,683)	\$(101,396)
Net change during the year	5,834	1,772	49,664
Balance at end of the year	¥ (6,077)	¥(11,911)	\$ (51,732)

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

NTN Corporation and Consolidated Subsidiaries

Years ended March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	2006
Cash flows from operating activities:			
Income before income taxes and minority interests	¥30,370	¥26,586	\$258,534
Adjustments for:			
Depreciation and amortization	28,586	24,871	243,347
Amortization of consolidation adjustments	45	(40)	383
Increase in allowance for doubtful accounts	74	88	630
Increase in accrued retirement benefits for employees	929	788	7,908
Decrease in accrued retirement benefits			
for directors and statutory auditors	(329)	(121)	(2,801)
Increase (decrease) in reserve for product defect compensation	136	(738)	1,158
Interest and dividend income	(459)	(286)	(3,907)
Interest expense	3,949	2,460	33,617
Translation adjustments and foreign exchange gain, net	(1,155)	(630)	(9,832)
Equity in earnings of affiliates	(1,111)	(933)	(9,458)
Decrease (increase) in trade receivables	4,939	(7,650)	42,045
Increase in inventories	(11,457)	(8,524)	(97,531)
Increase in trade payables	3,083	15,656	26,245
Payments of bonuses to directors and statutory auditors	(185)	(154)	(1,575)
Other	(3,156)	2,127	(26,866)
Subtotal	54,259	53,500	461,897
Interest and dividend income received	1,124	853	9,568
Interest paid	(3,693)	(2,374)	(31,438)
Income taxes paid	(12,783)	(4,149)	(108,819)
Net cash provided by operating activities	38,907	47,830	331,208
Cash flows from investing activities:			
Increase in short-term investments	(431)	(48)	(3,669)
Purchases of property, plant and equipment	(49,690)	(47,465)	(423,002)
Purchases of other assets	(1,020)	(1,062)	(8,683)
Proceeds from sales of property, plant and equipment	675	2,217	5,746
Proceeds from sales of investment securities and other	524	447	4,461
Other	(1,577)	(240)	(13,425)
Net cash used in investing activities	(51,519)	(46,151)	(438,572)
Cash flows from financing activities:			
Increase in short-term bank loans, net	3,160	8,344	26,900
Proceeds from long-term loans	5,590	1,826	47,587
Repayment of long-term loans, including current portion	(8,117)	(506)	(69,098)
Issuance of common stock assigned to			
minority shareholders of consolidated subsidiaries	818	223	6,963
Cash dividends paid	(4,619)	(3,004)	(39,321)
Other	(110)	(190)	(936)
Net cash (used in) provided by financing activities	(3,278)	6,693	(27,905)
Effect of exchange rate changes on cash and cash equivalents	479	597	4,078
Net (decrease) increase in cash and cash equivalents	(15,411)	8,969	(131,191)
Cash and cash equivalents at beginning of the year	51,302	42,158	436,724
Increase in cash and cash equivalents			
arising from initially consolidated subsidiaries	—	175	—
Cash and cash equivalents at end of the year	¥35,891	¥51,302	\$305,533

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

NTN Corporation and Consolidated Subsidiaries

March 31, 2006

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 Securities and Exchange Law of Japan.

The translation of yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan and has been made at ¥117.47 = U.S.\$1.00, the exchange rate prevailing on March 31, 2006. This translation should not be construed as a representation that yen can be converted into U.S. dollars at the above or any other rate.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and the significant companies which it controls directly or indirectly. Companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements on an equity basis. The assets and liabilities of the newly consolidated subsidiaries are stated at fair value as of their respective dates of acquisition.

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.

The differences between the cost and the underlying net equity in the net assets at the dates of acquisition of the consolidated subsidiaries and companies accounted for by the equity method are amortized by the straight-line method over the appropriate periods.

(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 subsidiaries and affiliates are translated into yen at the exchange rates in effect on the respective balance sheet date, and shareholders' equity is 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 shareholders' equity (presented as "Translation adjustments") and minority interests in the consolidated balance sheets.

(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 ratio 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 shareholders' equity. 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 cost determined by the average method.

(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 overseas 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

(h) Accrued retirement benefits for employees

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

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

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 the estimated average remaining years of service of the eligible employees (principally 15 years).

Effective April 2, 2006, the Company and certain domestic consolidated subsidiaries transferred a portion of their corporate pension fund plans to a defined contribution pension plan and a retirement allowance prepayment plan. As a result of this transfer, gain on reversal of accrued retirement benefits for employees of ¥2,851 million (\$24,270 thousand) will be recognized as a component of other income for the year ending March 31, 2007.

(i) Accrued retirement benefits for directors and statutory auditors

Until the year ended March 31, 2005, subject to approval at a shareholders' meeting, directors and statutory auditors of the Company were entitled to lump-sum payments under unfunded retirement benefit plans. The provision for retirement benefits for directors and statutory auditors has been made at an estimated amount based on the Company's internal regulations.

The Company decided to terminate its retirement benefit plan for directors and statutory auditors at the annual general meeting of the shareholders held on June 29, 2005. Instead, the shareholders approved a resolution to make lump-sum payments of their accumulated retirement benefits to the directors and statutory auditors. As a result, the Company has reversed the full amount of accrued retirement benefits for directors and statutory auditors for the year ended March 31, 2006 and the aggregate amount of the outstanding lump-sum payments to the directors and statutory auditors has been included in "other long-term liabilities" at March 31, 2006.

(j) Reserve for product defect compensation

In prior years, the Company encountered serious problems involving significant deficiencies in the quality of certain of its products. The Company provided a reserve for product defect compensation at an estimated amount in order to cover the anticipated compensation.

The Company has updated its estimate of the required compensation and has provided an additional reserve of ¥2,100 million (\$17,877 thousand) and ¥1,800 million for the year ended March 31, 2006 and 2005, respectively, which is presented as a component of other expenses in the consolidated statements of income.

(k) Leases

Finance leases other than those which transfer the ownership of the leased property to the lessee are accounted for as operating leases.

(l) Research and development costs and computer software

Research and development costs are charged to income when 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 estimated useful life, generally a 5-year period.

(m) Income taxes

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

(n) Derivative financial instruments and hedging activities

All derivatives are stated at fair value with any changes in fair value included in net income for the period in which they arise, except for derivatives which meet the criteria for deferral hedge accounting under which realized gain or loss is deferred as an asset or a liability. Receivables and payables hedged by forward foreign exchange contracts which meet certain conditions are translated at the corresponding foreign exchange contract rates.

(o) Appropriation of retained earnings

Under the Commercial Code of Japan, the appropriation 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 accounts for the period do not reflect such appropriations. (Refer to Note 17.)

(p) Loss on impairment of fixed assets

Effective April 1, 2005, the Company and its consolidated subsidiaries adopted a new accounting standard for the impairment of fixed assets. The effect of the adoption of this standard was to decrease income before income taxes and minority interests by ¥346 million (\$2,945 thousand) for the year ended March 31, 2006. The accumulated impairment loss on the related assets has been directly deducted from the carrying amounts of the respective assets in the consolidated balance sheet at March 31, 2006.

3. Securities

(a) Information regarding marketable securities classified as other securities at March 31, 2006 and 2005 is summarized as follows:

	Millions of yen					
	2006			2005		
	Acquisition costs	Carrying value	Unrealized gain (loss)	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:						
Equity securities.....	¥5,444	¥23,356	¥17,912	¥5,438	¥14,185	¥8,747
Subtotal	5,444	23,356	17,912	5,438	14,185	8,747
Securities whose carrying value does not exceed their acquisition costs:						
Equity securities.....	53	52	(1)	83	70	(13)
Other	42	29	(13)	42	27	(15)
Subtotal	95	81	(14)	125	97	(28)
Total	¥5,539	¥23,437	¥17,898	¥5,563	¥14,282	¥8,719

	Thousands of U.S. dollars		
	2006		
	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities.....	\$46,344	\$198,825	\$152,481
Subtotal	46,344	198,825	152,481
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities.....	451	443	(8)
Other	358	247	(111)
Subtotal	809	690	(119)
Total	\$47,153	\$199,515	\$152,362

(b) The carrying value of non-marketable other securities at March 31, 2006 and 2005 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Cash and cash equivalents:			
Money management funds.....	¥4,398	¥6,997	\$37,439
Investment securities:			
Unlisted equity securities	491	473	4,180
	¥4,889	¥7,470	\$41,619

(c) Sales of investments in securities for the year ended March 31, 2006 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Sales.....	¥487		\$4,146
Aggregate gain.....	461		3,924

Sales of investments in securities for the year ended March 31, 2005 has been omitted because the amounts were immaterial.

4. Inventories

Inventories at March 31, 2006 and 2005 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Finished goods.....	¥ 55,000	¥46,393	\$468,204
Work in process and raw materials.....	52,048	46,774	443,075
	¥107,048	¥93,167	\$911,279

5. Impairment of Fixed Assets

The Company and its consolidated subsidiaries group fixed assets used for manufacturing by management segment into each minimum unit generating identifiable cash flows, for example, a factory. They also group fixed assets used at the head office or used for sales activities as shared assets.

Consequently, the Company and its consolidated subsidiaries have written down the following assets to their net recoverable value and recorded a related loss on impairment of fixed assets of ¥346 million (\$2,945 thousand) in the consolidated statement of income for the year ended March 31, 2006:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Assets to be sold or disposed of:			
Property used for employees' welfare and located in Mie Prefecture and other property			
Land, buildings and other	¥245		\$2,086
Laboratories located in Shizuoka Prefecture:			
Buildings	101		859
	¥346		\$2,945

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.

6. Short-Term Bank Loans and Long-Term Debt

Short-term bank loans principally represent short-term notes with average annual interest rates of 3.86% and 2.23% at March 31, 2006 and 2005, respectively.

Long-term debt at March 31, 2006 and 2005 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Loans from banks and other financial institutions, due through 2011, at an average annual interest rate of 4.1%.....	¥13,019	¥14,173	\$110,829
2.14% unsecured bonds due 2006.....	10,000	10,000	85,128
2.70% unsecured bonds due 2009.....	10,000	10,000	85,128
0.48% unsecured bonds due 2008.....	10,000	10,000	85,128
0.76% unsecured bonds due 2010.....	20,000	20,000	170,256
Zero coupon unsecured convertible bonds due 2009.....	30,000	30,000	255,384
	93,019	94,173	791,853
Less current portion.....	(11,583)	(6,067)	(98,604)
	¥81,436	¥88,106	\$693,249

The zero coupon unsecured convertible bonds are convertible at any time up to and including March 4, 2009 into shares of common stock of the Company at the conversion price of ¥740 (\$6.30) per share.

The assets pledged as collateral for short-term bank loans of ¥1,149 million (\$9,781 thousand) at March 31, 2006 were as follows:

	Millions of yen	Thousands of U.S. dollars
Land.....	¥ 536	\$ 4,563
Buildings and structures.....	1,092	9,296
Total.....	¥1,628	\$13,859

The aggregate annual maturities of long-term debt subsequent to March 31, 2006 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2007.....	¥11,583	\$ 98,604
2008.....	4,751	40,444
2009.....	41,149	350,294
2010.....	10,659	90,738
2011.....	24,877	211,773
	¥93,019	\$791,853

7. Accrued Retirement Benefits for Employees

The Company and certain domestic consolidated subsidiaries have defined benefit 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. Certain overseas consolidated subsidiaries also have defined benefit plans.

The following table sets forth the funded and accrued status of the plans and the amounts recognized in the consolidated balance sheets at March 31, 2006 and 2005 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Retirement benefit obligation.....	¥(114,282)	¥(111,832)	\$(972,861)
Plan assets at fair value.....	66,392	51,366	565,183
Unfunded retirement benefit obligation.....	(47,890)	(60,466)	(407,678)
Unrecognized actuarial loss.....	4,873	16,118	41,483
Unrecognized prior service cost.....	(5,424)	(2,999)	(46,174)
Accrued retirement benefits for employees.....	¥ (48,441)	¥ (47,347)	\$(412,369)

The components of retirement benefit expenses for the years ended March 31, 2006 and 2005 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Service cost	¥3,579	¥3,909	\$30,467
Interest cost	3,294	3,256	28,041
Expected return on plan assets	(1,604)	(1,746)	(13,655)
Amortization:			
Actuarial loss	1,285	1,335	10,939
Prior service cost	(428)	(228)	(3,643)
Retirement benefit expenses	¥6,126	¥6,526	\$52,149

The assumptions used in accounting for the defined benefit plans for the years ended March 31, 2006 and 2005 are a discount rate principally of 2.6% and expected rates of return on plan assets principally of 2.5% and 4.0%, respectively.

As described in Note 2(h), the Company and certain domestic consolidated subsidiaries transferred a portion of their corporate pension fund plans to a defined contribution pension plan and a retirement allowance prepayment plan effective April 2, 2006.

8. Shareholders' Equity

The Commercial Code of Japan (the "Code") provides that an amount equivalent to at least 10% of cash dividends paid and bonuses to directors and statutory auditors, and exactly 10% of interim cash dividends paid be appropriated to the legal reserve until the sum of additional paid-in capital and the legal reserve equals 25% of stated capital. The Code also provides that additional paid-in capital and the legal reserve are not available for dividends, but may be used to reduce or eliminate a capital deficit by resolution of the shareholders or may be transferred to common stock by resolution of the Board of Directors. The Code also stipulates that, to the extent that the sum of the additional paid-in capital account and the legal reserve exceeds 25% of the common stock account, the amount of any such excess is available for appropriation by resolution of the shareholders. Additional paid-in capital and the legal reserve are included in capital surplus and retained earnings, respectively, in the accompanying consolidated balance sheets and statements of shareholders' equity. The legal reserve of the Company amounted to ¥8,639 million (\$73,542 thousand) at March 31, 2006 and 2005.

The new Corporation Law of Japan (the "Law"), which superseded most of the provisions of the Commercial Code of Japan, went into effect on May 1, 2006. The Law stipulates requirements on distribution of earnings similar to those of the Code. Under the Law, however, such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met.

9. Contingent Liabilities

The contingent liabilities of the Company and its consolidated subsidiaries at March 31, 2006 were as follows:

	Millions of yen	Thousands of U.S. dollars
Trade notes receivable discounted with banks	¥598	\$5,091

10. Finance Leases without Covenants Transferring Ownership of Properties to Lessees

(a) Lessees' accounting

The following *pro forma* amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets at March 31, 2006 and 2005, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	Millions of yen					
	2006			2005		
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Buildings and structures	¥2,645	¥1,676	¥ 969	¥2,645	¥1,557	¥1,088
Machinery, equipment and vehicles	401	225	176	528	304	224
Other assets	67	37	30	75	38	37
	¥3,113	¥1,938	¥1,175	¥3,248	¥1,899	¥1,349

	Thousands of U.S. dollars		
	2006		
	Acquisition costs	Accumulated depreciation	Net book value
Buildings and structures	\$22,516	\$14,267	\$ 8,249
Machinery, equipment and vehicles	3,414	1,915	1,499
Other assets	570	315	255
	\$26,500	\$16,497	\$10,003

Lease payments relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥212 million (\$1,805 thousand) and ¥279 million for the years ended March 31, 2006 and 2005, respectively. Depreciation of the leased assets computed by the straight-line method over the respective lease terms amounted to ¥212 million (\$1,805 thousand) and ¥279 million for the years ended March 31, 2006 and 2005, respectively.

Future minimum lease payments subsequent to March 31, 2006 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	Thousands of	
	Millions of yen	U.S. dollars
2007	¥ 191	\$ 1,626
2008 and thereafter	984	8,377
Total.....	¥1,175	\$10,003

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 lease assets for the year ended March 31, 2006.

(b) Lessors' accounting

The following amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets relating to finance leases accounted for as operating leases at March 31, 2006 and 2005:

	Millions of yen		Thousands of
	2006	2005	U.S. dollars
Machinery, equipment and vehicles			2006
Acquisition cost.....	¥69	¥69	\$587
Accumulated depreciation.....	(64)	(63)	(544)
Net book value	¥ 5	¥ 6	\$ 43

Lease income relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥6 million (\$51 thousand) for the years ended March 31, 2006 and 2005. Depreciation of the assets leased under finance leases accounted for as operating leases amounted to ¥1 million (\$9 thousand) for the years ended March 31, 2006 and 2005.

Future minimum lease receipts subsequent to March 31, 2006 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	Thousands of	
	Millions of yen	U.S. dollars
2007	¥3	\$26
2008 and thereafter	1	8
Total.....	¥4	\$34

The imputed interest income is included in the above amounts.

11. Operating Leases

Future minimum lease payments subsequent to March 31, 2006 for noncancelable operating leases were as follows:

Year ending March 31,	Thousands of	
	Millions of yen	U.S. dollars
2007	¥ 258	\$ 2,196
2008 and thereafter.....	1,201	10,224
Total.....	¥1,459	\$12,420

12. Derivative Financial Instruments

The Company and certain consolidated subsidiaries utilized forward foreign exchange contracts during the years ended March 31, 2006 and 2005 principally to reduce foreign exchange rate risk. The Company and its consolidated subsidiaries do not hold or issue derivative financial instruments for trading or speculative purposes. They are exposed to certain risk arising from their forward foreign exchange contracts.

The Company and its consolidated subsidiaries have 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 Finance Department and its 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 director responsible when entered into. The consolidated subsidiaries are required to report the status of their derivatives positions 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 exchange contracts.

Disclosure of fair value information on derivatives has been omitted because all open positions qualified for hedge accounting.

13. Research and Development Costs

Research and development costs included in cost of sales and selling, general and administrative expenses totaled ¥14,771 million (\$125,743 thousand) and ¥14,953 million for the years ended March 31, 2006 and 2005, respectively.

14. 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 40.0% for the years ended March 31, 2006 and 2005, respectively. Overseas subsidiaries are subject to the income taxes of the countries in which they operate.

The effective tax rates for the years ended March 31, 2006 and 2005 differ from the Company's statutory tax rate for the following reasons:

	2006	2005
Statutory tax rate.....	40.0%	40.0%
Permanent non-deductible expenses	0.3	0.4
Permanent non-taxable income	(2.2)	(1.5)
Elimination of dividend income	5.3	3.4
Equity in earnings of affiliates	(1.5)	(1.4)
Tax credit for research and development costs	(3.8)	—
Difference in overseas consolidated subsidiaries' applicable tax rate	(4.3)	—
Other	0.5	(4.8)
Effective tax rates	34.3%	36.1%

The tax effects of temporary differences which gave rise to significant portions of the deferred tax assets at March 31, 2006 and 2005 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Deferred tax assets:			
Accrued retirement benefits for employees.....	¥20,275	¥18,123	\$172,597
Inventories	3,638	2,405	30,970
Tax loss carryforwards	5,943	3,799	50,592
Reserve for product defect compensation.....	823	767	7,006
Accrued expenses	3,485	3,552	29,667
Loss on devaluation of investment securities	324	324	2,758
Depreciation and amortization	62	144	528
Other	1,940	1,616	16,515
Total gross deferred tax assets	36,490	30,730	310,633
Less: valuation allowance	(107)	(110)	(911)
Deferred tax assets.....	36,383	30,620	309,722
Deferred tax liabilities:			
Depreciation and amortization	(4,769)	(3,428)	(40,598)
Unrealized holding gain on securities	(7,164)	(3,499)	(60,986)
Reserve for deferred gain on property included in retained earnings	(427)	(450)	(3,635)
Retained earnings of consolidated overseas subsidiaries.....	(401)	—	(3,414)
Other	(276)	(141)	(2,349)
Deferred tax liabilities.....	(13,037)	(7,518)	(110,982)
Net deferred tax assets	¥23,346	¥23,102	\$198,740

15. Amounts per Share

Amounts per share at March 31, 2006 and 2005 and for the years then ended were as follows:

	Yen		U.S. dollars
	2006	2005	2006
Net assets.....	¥396.73	¥341.93	\$3.38
Net income:			
Basic.....	41.94	35.83	0.36
Diluted.....	38.55	32.94	0.33
Cash dividends	11.00	8.50	0.09

The amount per share of net assets is computed based on the net assets available for distribution to the shareholders and the number of shares of common stock outstanding at the year end.

Basic net income per share is computed based on the net income available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year, and diluted net income per share is computed based on the net income available for distribution to the shareholders and the weighted-average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the conversion of convertible bonds.

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.

16. Segment Information

(1) Geographic segment information

Segment information by geographic area for the years ended March 31, 2006 and 2005 is summarized as follows:

	Millions of yen						
	2006						
	Japan	North America	Europe	Asia and other areas	Total	Eliminations	Consolidated
External sales	¥211,502	¥113,512	¥67,112	¥42,711	¥434,837	¥ —	¥434,837
Intersegment sales	108,820	1,017	312	1,944	112,093	(112,093)	—
Total sales	320,322	114,529	67,424	44,655	546,930	(112,093)	434,837
Operating expenses.....	295,245	110,069	64,228	40,736	510,278	(113,086)	397,192
Operating income	¥ 25,077	¥ 4,460	¥ 3,196	¥ 3,919	¥ 36,652	¥ 993	¥ 37,645
Assets	¥380,587	¥125,937	¥58,899	¥54,102	¥619,525	¥(58,031)	¥561,494

	Millions of yen						
	2005						
	Japan	North America	Europe	Asia and other areas	Total	Eliminations	Consolidated
External sales	¥202,342	¥ 91,670	¥62,957	¥31,380	¥388,349	¥ —	¥388,349
Intersegment sales	92,608	705	349	928	94,590	(94,590)	—
Total sales	294,950	92,375	63,306	32,308	482,939	(94,590)	388,349
Operating expenses.....	272,114	88,837	60,155	29,541	450,647	(95,499)	355,148
Operating income	¥ 22,836	¥ 3,538	¥ 3,151	¥ 2,767	¥ 32,292	¥ 909	¥ 33,201
Assets	¥361,293	¥103,424	¥54,248	¥35,637	¥554,602	¥(38,024)	¥516,578

	Thousands of U.S. dollars						
	2006						
	Japan	North America	Europe	Asia and other areas	Total	Eliminations	Consolidated
External sales	\$1,800,477	\$ 966,306	\$571,312	\$363,591	\$3,701,686	\$ —	\$3,701,686
Intersegment sales	926,364	8,658	2,656	16,549	954,227	(954,227)	—
Total sales	2,726,841	974,964	573,968	380,140	4,655,913	(954,227)	3,701,686
Operating expenses.....	2,513,365	936,997	546,761	346,778	4,343,901	(962,680)	3,381,221
Operating income	\$ 213,476	\$ 37,967	\$ 27,207	\$ 33,362	\$ 312,012	\$ 8,453	\$ 320,465
Assets	\$3,239,866	\$1,072,078	\$501,396	\$460,560	\$5,273,900	\$(494,007)	\$4,779,893

(2) Overseas sales

Overseas sales, which include export sales of the Company and its domestic consolidated subsidiaries and sales (other than exports to Japan) of the overseas consolidated subsidiaries, for the years ended March 31, 2006 and 2005 are summarized as follows:

	Millions of yen			
	2006			
	North America	Europe	Asia and other areas	Total
Overseas sales	¥112,001	¥66,893	¥58,246	¥237,140
Consolidated net sales.....	—	—	—	434,837
Overseas sales as a percentage of consolidated net sales	25.7%	15.4%	13.4%	54.5%

	Millions of yen			
	2005			
	North America	Europe	Asia and other areas	Total
Overseas sales	¥92,046	¥62,593	¥43,720	¥198,359
Consolidated net sales.....	—	—	—	388,349
Overseas sales as a percentage of consolidated net sales	23.7%	16.1%	11.3%	51.1%

	Thousands of U.S. dollars			
	2006			
	North America	Europe	Asia and other areas	Total
Overseas sales	\$953,443	\$569,448	\$495,837	\$2,018,728
Consolidated net sales.....	—	—	—	3,701,686

17. Subsequent Event

The following appropriations of retained earnings of the Company, which have not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2006, were approved at a shareholders' meeting held on June 29, 2006:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends (¥6.0 = U.S.\$0.05 per share).....	¥2,771	\$23,589
Bonuses to directors	130	1,107
Bonuses to statutory auditors.....	10	85

Report of Independent Auditors

The Board of Directors
NTN Corporation

We have audited the accompanying consolidated balance sheets of NTN Corporation and consolidated subsidiaries as of March 31, 2006 and 2005, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of NTN Corporation and consolidated subsidiaries at March 31, 2006 and 2005, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Supplemental Information

As described in Note 2, effective April 1, 2005, the Company and its domestic consolidated subsidiaries adopted a new accounting standard for the impairment of fixed assets.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2006 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.



June 29, 2006

NTN Group Investment Holdings

As of March 31, 2006

Consolidated Subsidiaries		Paid-in capital	Holding in percent (%)	
(Consolidated Subsidiaries)				
NTN BEARING SERVICE CO., LTD.	¥	450,000,000	100	
KYOEI NTN CORP.	¥	20,000,000	100	
NTN KONGO CORP.	¥	1,000,000,000	100	
NTN ENGINEERING PLASTICS CORP.	¥	100,000,000	100	
NTN POWDER METAL CORP.	¥	400,000,000	70	[30]
NTN MIKUMO COMPANY LTD.	¥	450,000,000	100	
NTN CASTING CORP.	¥	450,000,000	100	
NTN KINAN CORP.	¥	450,000,000	100	
NTN MIE CORP.	¥	2,000,000,000	100	
NTN OMAEZAKI CORP.	¥	266,000,000	97.4	
NTN KAMIINA CORP.	¥	225,000,000	80	
NTN USA CORP.	US.	\$ 105,820,000	100	
NTN BEARING CORP. OF AMERICA	US.	\$ 24,700,000	100	(100)
NTN DRIVESHAFT, INC.	US.	\$ 46,580,000	100	(100)
AMERICAN NTN BEARING MFG. CORP.	US.	\$ 24,330,000	100	(100)
NTN-BOWER CORP.	US.	\$ 67,000,000	100	(100)
NTN-BCA CORP.	US.	\$ 16,000,000	100	(100)
NTK PRECISION AXLE CORP.	US.	\$ 5,000,000	60	(60)
NTN BEARING CORP. OF CANADA LTD.	CAN.	\$ 20,100,000	100	
NTN SUDAMERICANA, S.A.	US.	\$ 700,000	100	
NTN WÄLZLAGER (EUROPA) G.m.b.H.	EURO	14,500,000	100	
NTN KUGELLAGERFABRIK (DEUTSCHLAND) G.m.b.H.	EURO	18,500,000	100	
NTN BEARINGS (UK) LTD.	STG.	£ 2,600,000	100	(0.04)
NTN FRANCE S.A.	EURO	3,700,000	99.999	(0.006)
NTN Transmissions Europe	EURO	71,727,792	85	
NTN BEARING-SINGAPORE (PTE) LTD.	S.	\$ 36,000,000	100	(0.969)
NTN CHINA LTD.	HK.	\$ 2,500,000	100	
NTN BEARING-THAILAND CO., LTD.	BAHT	600,000,000	100	(99.999)
NTN MANUFACTURING (THAILAND) CO., LTD.	BAHT	611,000,000	99.999	(99.999)
NTN-NIDEC (THAILAND) CO., LTD.	BAHT	600,000,000	60	(0.001)
NTN Manufacturing India Private Limited	INR	150,000,000	100	(0.03)
NTN BEARING-MALAYSIA SDN.BHD	M.	\$ 350,000	60	(60)
NTN KOREA CO., LTD.	WON	500,000,000	100	
NTN (CHINA) INVESTMENT CORPORATION	US.	\$ 14,172,500	100	
SHANGHAI NTN CORP.	US.	\$ 36,300,000	95	(24.99)
NTN-NIDEC (ZHEJIANG) CORP.	US.	\$ 21,000,000	60	
GUANGZHOU NTN-YULON DRIVETRAIN CO., LTD.	US.	\$ 10,000,000	60	
CHANGZHOU NTN-GUANGYANG CORP.	US.	\$ 12,000,000	88.3	
(Affiliated Companies Accounted for by the Equity Method)				
TUNG PEI INDUSTRIAL CO., LTD.	NT.	\$ 1,257,232,620	27.35	
TAIWAY LTD.	NT.	\$ 160,000,000	36.25	
UNIDRIVE PTY. LTD.	A.	\$ 5,000,000	40	
BEIJING NTN-SEOHAN DRIVESHAFT CO., LTD.	US.	\$ 5,000,000	40	
ASAHI FORGE OF AMERICA CORP.	US.	\$ 6,100,000	32.8	(32.8)

(Note)

Under "Holding in percent," the figure in parentheses indicates the percentage of indirectly owned, and is included as part of the total holding.

The figure in brackets indicates the percentage owned by parties having close ties with the Company. It is not included in the ownership percentage.

NTN's Global Network

As of June 29, 2006

JAPAN

• Sales

Automotive Sales Headquarters

Industrial Sales Headquarters 6th Floor,
TOC Bldg., 22-17 Nishi-Gotanda 7-chome,
Shinagawa-ku,
Tokyo 141-0031, Japan
Phone : +81-3-5487-2826
Fax : +81-3-5487-2940

Precision Equipment Division

6th Floor, TOC Bldg., 22-17
Nishi-Gotanda 7-chome, Shinagawa-ku, Tokyo
141-0031, Japan
Phone : +81-3-5487-2867
Fax : 81-3-5487-2713

Fluid Dynamic Bearing Division

101 Katsutaba, Kanie-cho, Ama-gun, Aichi
497-8541, Japan
Phone : +81-567-95-5005
Fax : 81-567-95-5939

NTN BEARING SERVICE CO., LTD.

1-13, 3-chome, Shibakoen, Minato-ku, Tokyo
108-0074, Japan
Phone : +81-3-5776-6001
Fax : 81-3-5776-6002

KYOEI NTN CORP.

26-4, Hikawa-cho, Itabashi-ku, Tokyo 173-0013,
Japan
Phone : +81-3-3963-2755
Fax : 81-3-3963-2760

• Manufacturing

Kuwana Works

2454 Aza-Tsuchijima, Oaza-Higashikata, Kuwana,
Mie 511-8678, Japan
Phone : +81-594-24-1811
Fax : 81-594-21-0840

Iwata Works

1578 Higashi-Kaizuka, Iwata, Shizuoka 438-8510,
Japan
Phone : +81-538-37-8000
Fax : 81-538-37-8009

Okayama Works

500-1 Hatakeda, Bizen, Okayama 705-8510,
Japan
Phone : +81-869-66-6701
Fax : 81-869-66-8101

Takarazuka Works

2-1 Toyo-cho, Takarazuka, Hyogo 665-0032,
Japan
Phone : +81-797-71-1131
Fax : 81-797-71-1818

Nagano Works

14017-11 Oaza-Nakaminowa, Minowa-machi,
Kamiina-gun, Nagano 399-4601, Japan
Phone : +81-265-79-8888
Fax : 81-265-79-8881

NTN KONGO CORP.

3-13, 1-chome, Kidonishi-cho, Kawachinagano,
Osaka 586-0009, Japan
Phone : +81-721-53-1317
Fax : 81-721-54-6981

NTN ENGINEERING PLASTICS CORP.

970 Oaza Aog, Toin-cho, Inabe-gun,
Mie 511-0243, Japan
Phone : +81-594-76-7221
Fax : 81-594-76-7244

NTN POWDER METAL CORP.

101 Katsutaba, Kanie-cho, Ama-gun,
Aichi 497-8541, Japan
Phone : +81-567-95-3913
Fax : 81-567-95-6160

NTN MIKUMO COMPANY LTD.

750-1 Onoe, Matsusaka, Mie 515-2109, Japan
Phone : +81-598-56-3311
Fax : 81-598-56-7151

NTN CASTING CORP.

475-1, Nadabun-cho, Hirata, Shimane 691-0003,
Japan
Phone : +81-853-63-3108
Fax : 81-853-63-3463

NTN KINAN CORP.

2504-1 Ikuma, Kamitonda-cho, Nishimuro-gun,
Wakayama 649-2103, Japan
Phone : +81-739-47-1801
Fax : 81-739-47-1829

HIKARI SEIKI INDUSTRY CO., LTD.

8 Motohigashikata, Sanmaiden-cho, Tenri,
Nara 632-0046, Japan
Phone : +81-743-66-0285
Fax : 81-743-67-1512

NTN MIE CORP.

3601-25 Mizono, Tado-cho, Kuwana, Mie
511-0118, Japan
Phone : +81-594-48-6711
Fax : 81-594-48-7130

NTN OMAEZAKI CORP.

4681-3, Sakura, Omaezaki, Shizuoka 437-1604,
Japan
Phone : +81-537-86-2480
Fax : 81-537-86-2227

NTN KAMIINA CORP.

522-2 Oaza-Nakasone, Minowa-machi,
Kamiina-gun, Nagano
399-4605, Japan
Phone : +81-265-79-7877
Fax : 81-265-79-7366

THE AMERICAS

• Holding Company

NTN USA CORP.

1600 E. Bishop Court, P.O. Box 7604,
Mount Prospect, IL 60056-7604, U.S.A.
Phone : +1-847-298-7500
Fax : 1-847-294-1209

• Sales

NTN BEARING CORP. OF AMERICA

1600 E. Bishop Court, P.O. Box 7604,
Mount Prospect, IL 60056-7604, U.S.A.
Phone : +1-847-298-7500
Fax : 1-847-699-9744

NTN BEARING CORP. OF CANADA LTD.

305 Courtneypark Drive West, Mississauga,
Ontario, L5W 1Y4, Canada
Phone : +1-905-564-2700
Fax : 1-905-564-7749

NTN SUDAMERICANA, S.A.

World Trade Center Panama Calle 53 Este,
Urbanización Marbella Piso NO.16, Oficina 1601
Apartado Postal 832-0487, Panamá, Rep.de
Panamá
Phone : +507-269-4777
Fax : 507-264-5592

NTN DE MEXICO, S.A.

Calle 22 No.2465, Esq, Calle 3, Zona Industrial,
C.P. 44940 Guadalajara, Jalisco, México
Phone : +52-33-3145-1490
Fax : 52-33-3145-1594

NTN DO BRASIL LTDA.

Av. Moema, 94-9º Andar, Conj. 92 a 94 Cep
04077-020, Indianópolis, São Paulo, SP, Brasil
Phone : +55-11-5051-0600
Fax : 55-11-5051-2807

• Manufacturing

AMERICAN NTN BEARING MFG. CORP.

Elgin Plant

1500 Holmes Road, Elgin, IL 60123, U.S.A.
Phone : +1-847-741-4545
Fax : 1-847-888-1226

Schiller Park Plant

9515 Winona Avenue, Schiller Park, IL 60176,
U.S.A.
Phone : +1-847-671-5450
Fax : 1-708-681-5298

NTN-BOWER CORP.

Macomb Plant

711 North Bower Road, Macomb, IL 61455 U.S.A.
Phone : +1-309-833-4541
Fax : 1-309-837-7373

Hamilton Plant

2086 Military Street South, Hamilton, AL 35570,
U.S.A.
Phone : +1-205-921-2173
Fax : 1-205-921-2059

NTN DRIVESHAFT, INC.

8251 South International Drive Columbus,
IN 47201 U.S.A.
Phone : +1-812-342-7000
Fax : 1-812-342-1155

NTN-BCA CORP.

401 West Lincoln Avenue, Lititz, PA 17543-7020,
U.S.A.
Phone : +1-717-627-3623
Fax : 1-717-627-2581

NTK PRECISION AXLE CORP.

741 South County Rd 200 West Rd Frankfort,
IN 46041, U.S.A.
Phone : +1-765-656-1000
Fax : 1-765-656-1001

ASAHİ FORGE OF AMERICA CORP.

5030 Corporate Way Richmond, KY 40475
Phone : +1-859-626-4100
Fax : 1-859-626-5611

NTN BEARING MFG. CANADA

A DIV. OF NTN BEARING CORP. OF
CANADA LTD.
6740 Kitimat Road, Mississauga, Ontario, L5N
1M6, Canada
Phone : +1-905-826-5500
Fax : 1-905-821-3486

EUROPE

● Sales

NTN WÄLZLAGER (EUROPA) GmbH

Max-Planck-Strasse 23, 40699 Erkrath,
F.R. Germany
Phone : +49-211-2508-0
Fax : 49-211-2508400

NTN BEARINGS (UK) LTD.

Wellington Crescent, Fradley Park, Lichfield,
Staffordshire, WS13 8RZ, U.K.
Phone : +44-1543-445000
Fax : +44-1543-445035

NTN FRANCE S.A.

Z.I.Sablière BP 338 Schweighouse Sur Moder
67507 Haguenau Cedex, France
Phone : +33-3-88-53-2222
Fax : 33-3-88-73-4695

● Manufacturing

NTN KUGELLAGERFABRIK (DEUTSCHLAND) GmbH

NTN Strasse 1-3, 40822 Mettmann, F.R. Germany
Phone : +49-2104-1409-0
Fax : 49-2104-13138

NTN TRANSMISSIONS EUROPE

Z.A. des Trémelières Communauté Urbaine du
Mans 72704 Allonnes Cedex, France
Phone : +33-2-43-83-9000
Fax : 33-2-43-83-9030

ASIA AND OTHER AREAS

● Sales

NTN BEARING-SINGAPORE (PTE) LTD.

No.9 Clementi Loop Singapore 129812
Phone : +65-64698066
Fax : 65-64695400

NTN CHINA LTD.

Rm. 1914-1915, Park-in Commercial Centre,
56 Dundas Street, Mongkok, Kowloon,
Hong Kong
Phone : +852-2385-5097
Fax : 852-2385-2138

NTN BEARING-THAILAND CO., LTD.

12th Floor, Panjathani Tower, 127/15
Nonsee Road, Chongnonsee Yannawa,
Bangkok 10120, Thailand
Phone : +66-2-681-0401
Fax : 66-2-681-0408

NTN BEARING-MALAYSIA SDN. BHD.

Lot No. 764C, 4 1/2 Miles Jalan Kelang Lama,
58000 Kuala Lumpur, Malaysia
Phone : +60-3-79817931
Fax : 60-3-79814678

NTN KOREA CO., LTD.

10th Floor, Press Center, 25, Taepyeong-Ro
1-GA, Jung-Gu, Seoul 100-745, Korea
Phone : +82-2-757-9005
Fax : 82-2-779-4150

NTN-CBC (AUSTRALIA) PTY. LTD.

3, The Crescent, Kingsgrove, NSW 2208,
LOCKED BAG 1800, Kingsgrove 1480.
NSW Australia
Phone : +61-2-9502-1833
Fax : 62-2-9502-4013

NTN (CHINA) INVESTMENT CORPORATION

Unit 2201A, Shanghai Maxdo Centre 8 Xing Yi
Road, Shanghai District Shanghai 200336, China

● Manufacturing

NTN MANUFACTURING (THAILAND) CO., LTD.

11 1/2 Moo 4, Tambol Pluakdaeng, Amphur
Pluakdaeng, Rayong 21140, Thailand
Phone : +66-38-955-185
Fax : 66-38-955-191

SHANGHAI NTN CORP.

No.666, Nanle Road, Songjiang Industrial Zone,
Songjiang, Shanghai, China
Phone : +86-21-5774-8666
Fax : 86-21-5774-8555

NTN-NIDEC (ZHEJIANG) CORP.

No.600, Changsheng Road, Pinghu Economic
Development Zone, Pinghu City, Zhejiang
Province, China
Phone : +86-573-5096688
Fax : 86-573-5096767

GUANGZHOU NTN-YULON DRIVETRAIN CO., LTD.

No.11 Jun Da Road, East District of Guangzhou
Economic and Technological Development Zone,
Guangzhou, Guangdong Province, China
Phone : +86-20-8226-6458
Fax : 86-20-8226-6937

CHANGZHOU NTN-GUANGYANG CORP.

52 Hanjiang Road, New District, Changzhou,
Jiangsu, China 213022
Phone : +86-519-5158888
Fax : 86-519-5150888

BEIJING NTN-SEOHAN DRIVESHAFT CO., LTD.

Beijing Opto-mechatronics Industrial Park
(101111), China
Phone : +86-10-69507492
Fax : 86-10-69507492

TUNG PEI INDUSTRIAL CO., LTD.

10th Floor No.142, Chung Hsiao E.Rd., Sec. 4,
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Phone : +886-2-2741-7321
Fax : 886-2-2741-6623

TAOYUAN PLANT

600 Sec. 1, Chieh-Shou Road, Pa-te City,
Taoyuan Hsien, Taiwan R.O.C.
Phone : +886-3-361-3151
Fax : 886-3-362-8039

CHUNGLI PLANT

7 Sung-Chiang N. Road, Chung-Li Ind. Zone,
Chung-Li City, Taiwan, R.O.C.
Phone : +886-3-452-6801
Fax : 886-3-451-3046

TAIWAN LTD.

No.14, Kwang Fu Road, Hukou 303, Hsinchu,
Taiwan, R.O.C.
Phone : +886-3-5983601
Fax : 886-3-5982787

UNIDRIVE PTY. LTD.

45-49 McNaughton Road, Clayton, Victoria 3168
Australia
Phone : +61-3-9542-4100
Fax : 61-3-9544-8117

NTN-NIDEC (THAILAND) CO., LTD.

300 Moo4, Tambol Pluakdaeng, Amphur
Pluakdaeng, Rayong Province, 21140, Thailand
Phone : +66-38-959-108
Fax : +66-38-955-891

NTN MANUFACTURING INDIA PVT. LTD

805, International Trade Tower, Nehru Place,
New Delhi 110019 India
Phone : +91-11-41513235
Fax : 91-11-41513236

Investor Information

Head Office

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

Investor Relations

Phone: +81-6-6449-3528
Fax: +81-6-6443-3226
E-mail: irmanager@ntn.co.jp

NTN on Internet

NTN's Web site 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, 2006)

Authorized 800,000,000 shares
Issued and outstanding 463,056,775 shares

Number of Shareholders (As of March 31, 2006)

28,116

Transfer Agent for Common Stock

Mitsubishi UFJ Trust Banking Corporation
4-5, 1-chome, Marunouchi, Chiyoda-ku,
Tokyo 100-8212, Japan

Stock Exchange Listings

Tokyo, Osaka stock exchanges (#6472)

Independent Accountants

Ernst & Young ShinNihon

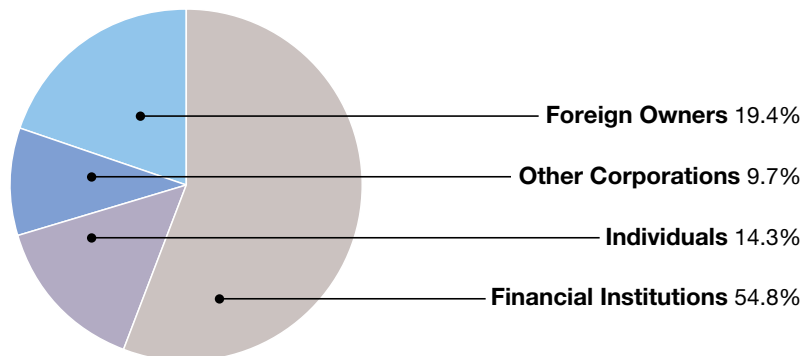
General Meeting of Shareholders

The General Meeting of Shareholders was held on June 29, 2006 in Osaka

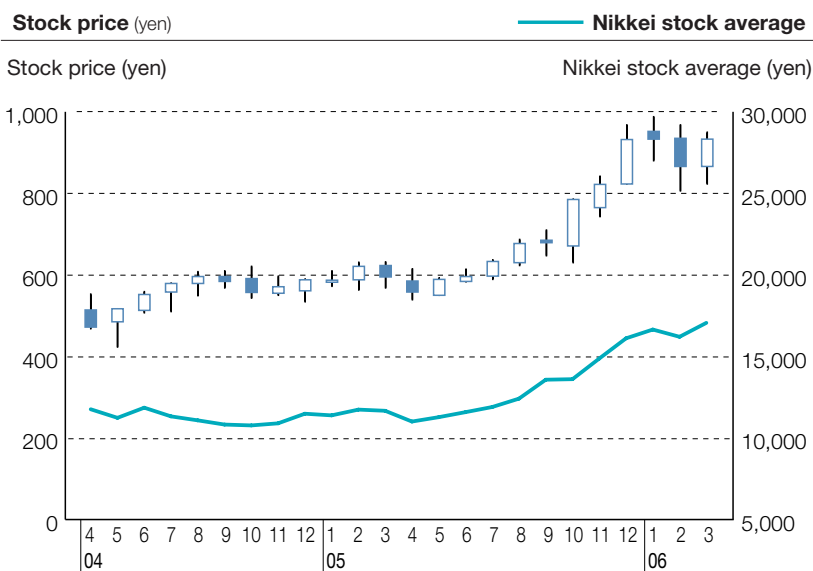
Stock Price Range in Fiscal 2004

High: ¥988
Low: ¥539

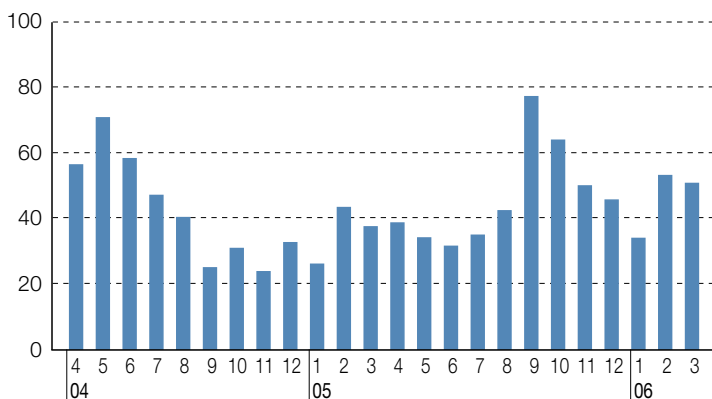
Shareholders by Category



Tokyo Stock Price Range



Monthly volume traded (Million shares)



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

For New Technology Network

NTN®



88th Anniversary

NTN Corporation

Head Office

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

<http://www.ntn.co.jp>