

## Annual Report 2008

Year ended March 31, 2008

NTN Corporation

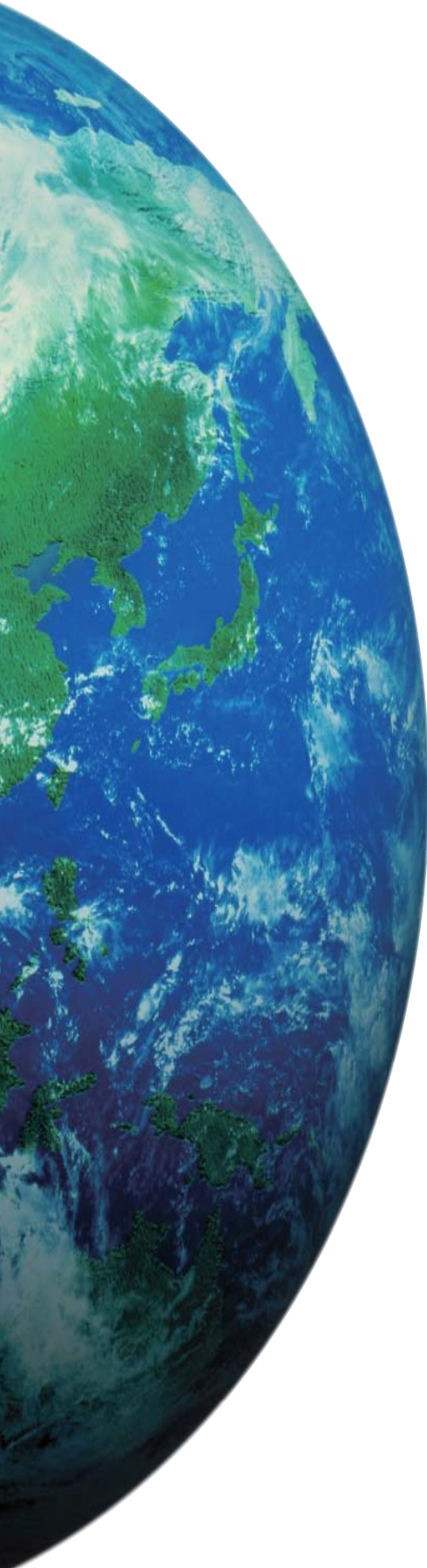
# Growth through Creativity and Achievements



For New Technology Network

# NTN®





## Profile

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NTN, a precision equipment manufacturer, ranks among the top three in the world in **bearing sales**. The Company holds the **largest share of the global market for axle bearings**, critical automotive components that enable wheel axles to turn.

In fields other than bearings, NTN holds the No. 2 global market share of **constant-velocity joints (CVJs)**, a key component for automobile drivetrains. We are now aiming to capture the **No. 1 spot in the world market**.

NTN is a global organization, with more than **60% of its approximately 19,000 employees** working overseas. Since it began overseas sales and production in 1961, NTN has been building a **five-sided production, sales, and technology network** encompassing Japan, the Americas, Europe, Asia, and China. Today, **the ratio of overseas sales to consolidated net sales is approximately 60%**.

NTN is aggressively developing business in newly emerging markets, which are achieving notable economic growth. In **China**, the Company already has four production bases manufacturing bearings and CVJs. Production has also commenced at a dedicated CVJ site recently established in **India**.

April 2007 marked the **start of the “Growth through Creativity and Achievements 21” medium-term business plan**. Right now, the Company is striving to realize its long-term vision of raising productivity and profitability to achieve **¥1 trillion in consolidated net sales** in fiscal 2015 by unveiling initiatives to further improve enterprise value.

## Corporate Philosophy

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### For New Technology Network

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, as well as its customers, local communities, and other stakeholders.



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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.

# Eleven-year Consolidated Financial Highlights

Years ended March 31

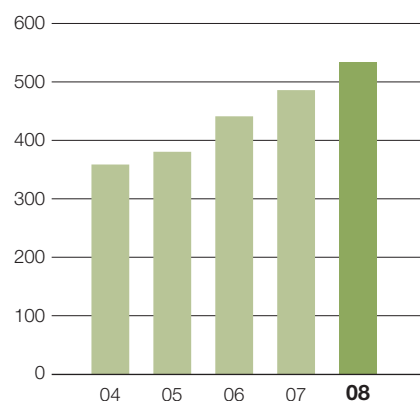
Millions of yen (except per share amounts)

	2008	2007	2006	2005	2004
<b>FOR THE YEAR DATA</b>					
Net sales .....	<b>¥533,985</b>	¥483,818	¥434,837	¥388,349	¥357,394
Operating income.....	<b>49,612</b>	46,793	37,645	33,201	24,709
Income (loss) before income taxes.....	<b>44,313</b>	45,170	30,370	26,586	18,181
Net income (loss).....	<b>27,431</b>	27,014	19,550	16,740	11,032
Capital expenditures.....	<b>59,504</b>	59,347	49,284	49,670	38,092
Depreciation.....	<b>39,547</b>	32,693	28,586	24,870	23,979
R&D costs.....	<b>15,006</b>	14,221	14,771	14,952	13,543
<b>YEAR-END DATA</b>					
Total assets .....	<b>¥629,464</b>	¥611,944	¥561,494	¥516,578	¥460,341
Net assets/Shareholders' equity .....	<b>216,401</b>	215,815	183,247	157,952	142,487
Number of employees .....	<b>18,960</b>	17,306	14,631	12,788	11,885
<b>PER SHARE DATA</b>					
Net assets/Shareholders' equity .....	<b>¥445.98</b>	¥445.61	¥396.73	¥341.93	¥308.27
Net income (loss):					
- Basic .....	<b>58.43</b>	58.34	41.94	35.83	23.54
- Diluted.....	<b>54.59</b>	53.74	38.55	32.94	21.87
Cash dividends.....	<b>19.00</b>	16.00	11.00	8.50	5.50
<b>OTHER INFORMATION</b>					
Net income (loss)/Average total assets (ROA)	<b>4.4%</b>	4.6%	3.6%	3.4%	2.4%
Net income (loss)/Average shareholders' equity (ROE)	<b>13.1%</b>	13.8%	11.5%	11.1%	8.0%
Shareholders' equity ratio .....	<b>33.3%</b>	34.2%	32.6%	30.6%	31.0%

U.S. dollar amounts have been converted from yen, for convenience only, using the approximate exchange rate on March 31, 2008, which was U.S.\$1 = ¥100.19.

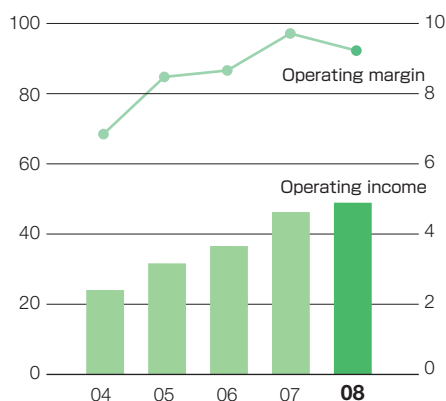
## Net sales

Billions of yen



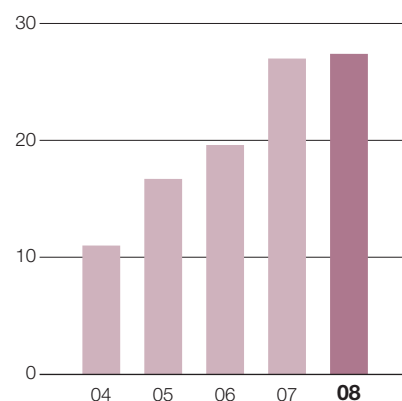
## Operating income/Operating margin

Billions of yen/%



## Net income

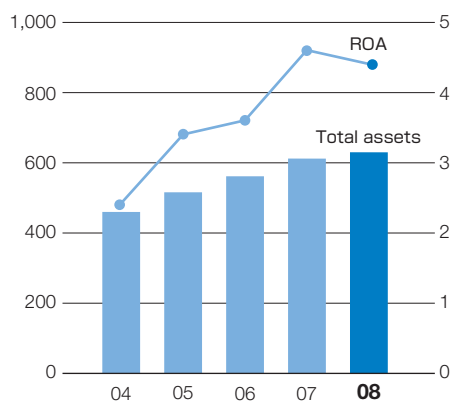
Billions of yen



Millions of yen (except per share amounts)						Thousands of U.S. dollars (except per share amounts)
2003	2002	2001	2000	1999	1998	2008
¥342,745	¥324,339	¥340,551	¥326,474	¥325,812	¥347,919	\$5,329,724
20,785	8,140	14,335	9,675	13,633	20,816	495,179
6,198	(701)	6,888	(41,822)	9,726	14,144	442,290
2,657	(132)	4,289	(24,677)	4,067	7,690	273,790
25,264	21,088	24,123	26,013	27,609	26,265	593,912
23,838	24,400	23,402	24,122	24,835	24,411	394,720
12,255	11,706	10,618	9,779	9,274	9,015	149,775
¥467,198	¥462,895	¥478,945	¥494,677	¥487,477	¥473,320	\$6,282,703
134,928	138,532	138,625	143,874	171,969	172,046	2,159,907
11,810	11,989	12,619	12,770	12,554	12,675	
¥291.82	¥299.27	¥299.44	¥310.77	¥371.39	¥371.55	\$4.45
5.70	(0.29)	9.26	(53.30)	8.78	16.61	0.58
5.51	—	8.78	—	8.31	15.44	0.54
5.00	5.50	6.00	6.50	8.00	9.00	0.18
0.6%	(0.03%)	0.9%	(5.0%)	0.8%	1.6%	
1.9%	(0.1%)	3.0%	(15.6%)	2.4%	4.5%	
28.9%	29.9%	28.9%	29.1%	35.3%	35.3%	

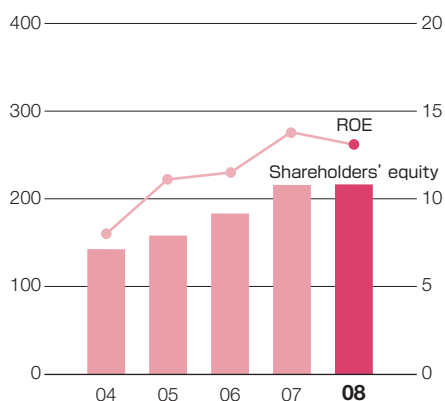
### Total assets/ROA

Billions of yen/%



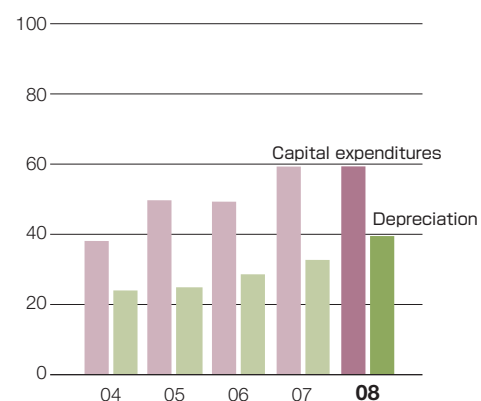
### Shareholders' equity/ROE

Billions of yen/%



### Capital expenditures/Depreciation

Billions of yen



# Sixth Straight Year of Top- and Bottom-Line Growth Crowned by Record-High Earnings



**Yasunobu Suzuki**  
Chairman and CEO

**Tatsuo Kondo**  
President

## Overview of Fiscal 2007

The business year ended March 2008 saw the NTN Group unite in a concerted drive to raise enterprise value during the first year of the “Growth through Creativity and Achievements 21” medium-term business plan, through even more aggressive sales and cost-cutting activities. Our efforts were rewarded with growth in revenues and earnings for the sixth consecutive year, with net sales and operating income both at record highs.

Consolidated sales rose 10.4% over the previous year to ¥534.0 billion, buoyed by firm domestic and overseas growth in sales of automotive bearings and constant-velocity joints (CVJs). Sales of large bearings for use in general industrial machinery, including construction machinery and wind power systems, also contributed to the increase in consolidated sales. In spite of a fall in unit prices and soaring raw materials costs, earnings benefited from the higher sales and cost reductions, with

operating income climbing 6.0% year-on-year to ¥49.6 billion, ordinary income up 2.4% to ¥43.2 billion, and net income rising 1.5% to ¥27.4 billion.

In consideration of consolidated performance for the year and the payout ratio, we paid an annual cash dividend of ¥19 per share, ¥3 higher than the previous year, including a term-end dividend of ¥10 per share, which was ¥1 more than the interim dividend of ¥9 per share. In addition, the dividend incorporated a commemorative dividend to mark the integration of SNR Roulements S.A as a consolidated subsidiary of NTN.

## Fiscal 2008 Outlook

We anticipate that the Japanese economy will experience a continued gradual recovery in fiscal 2008, despite a temporary slowdown during the first half of the year. Meanwhile, the slowdown in the U.S. economy, soaring raw materials and crude oil prices, and fluctuations in foreign exchange rates and financial markets are all having an impact on the global economy, and we will be monitoring business trends in each region and business sector.

It is under these conditions that we are developing various initiatives in the second year of our “Growth through Creativity and Achievements 21” medium-term business plan. For the full year, we forecast sales of ¥650 billion, operating income of ¥51 billion, ordinary income of ¥45 billion, and net income of ¥28 billion. These forecasts assume exchange rates of U.S.\$1 = ¥100 and €1 = ¥155.

## The “Growth Through Creativity and Achievements 21” Medium-term Business Plan

In our three-year medium-term business plan “Growth through Creativity and Achievements 21,” launched in April 2007, the NTN Group aims to enhance asset efficiency by quickly reaping the benefits of earlier investments, while pursuing continuous business development through investments aimed at spurring further growth. The plan’s most important objective, however, is to build corporate value for the NTN Group. To this end, the fundamental policy of the plan is to achieve results and growth by encouraging all employees to create new products and technologies, thinking beyond the way things were done in the past.

Through initiatives on the sales and technology fronts, we will strive to raise the value of the NTN brand by achieving further quality enhancements, stronger proposal capabilities, and a faster development pace. We are also working to create synergies from the integration of technological and sales capabilities of the French company SNR Roulements (“SNR”), which became a consolidated subsidiary in April 2008. In

order to establish a long-term technological advantage, we are constructing a new R&D center in the Kuwana region of Japan, scheduled to become operational in December 2008. This will allow us to amass elemental technologies that will be the source of NTN Group product competitiveness, and also bolster R&D for products used in industrial machinery. By researching new materials and new approaches to surface formation, we are strengthening the development of distinctive products to support everyday life in terms of the environment, safety, and comfort. At the same time, we are building a network of patents to reinforce our efforts to protect and utilize intellectual property. In industrial machinery, we will focus on expanding sales of mainly large-size and precision bearings in the global market to meet strong demand from sectors such as wind power systems, construction machinery, rolling stock, aviation, and machine tools, demand that is underpinned by global environmental protection issues and the development of natural resources. In the automotive field, we are looking to further expand our product lineup in response to market demands, including the development of axle bearings utilizing cutting-edge sensor technology and development of the new "V (Value) Series" of CVJs.

The Company will focus its production initiatives on measures to promote HITOZUKURI, or personnel development and MONOZUKURI, or manufacturing and innovation, in ways that dramatically improve production efficiency, through a complete reevaluation of its workforce, facilities, materials, and production methods. By emphasizing HITOZUKURI for passing down both technology and skills, we plan to bolster quality control, facility, development and a host of other production-side technological capabilities. In Japan, we have responded to growing demand for large-size and other bearings for industrial machinery by realigning our production sites in the Kuwana region. This response included boosting production capacity at the Kuwana works and expanding operations to a second works at NTN Mie Corporation. NTN Hakui Corporation became operational in November 2007 to meet production needs for bearings and other products for wind power systems, and in April 2008 we established NTN Houdatsushimizu Corporation (both located in Ishikawa Prefecture).

In the automobile axle bearing business, a second plant at NTN Kinan Corporation (Wakayama Prefecture) became operational in February 2008, strengthening our pre-process production capacity. Going forward, we will work to achieve consistent operations at these new production sites as quickly as possible. Looking overseas, we will proactively strengthen our operations in the rapidly growing BRIC countries and other emerging markets. In January this year, operations started at Nanjing Puzhen NTN Railway Bearing Co., Ltd., which manufactures and sells bearings

for rolling stock. We are strengthening our commitment to meet automotive demand in newly emerging economies, including expanding production of CVJs in India and making full use of SNR's plants in Romania and Brazil.

As part of initiatives for building a stronger earnings structure, global business expansion will be coupled with the ongoing pursuit of cost reductions. To this end we will promote VA (value-analysis) and VE (value-engineering) in addition to expanding global and local procurement activities. Another goal is to improve asset efficiency through reform of MONOZUKURI to boost inventory turnover and capacity utilization rates.

We recognize the importance of corporate social responsibility (CSR), which is why we are working to build a Group-wide internal control system, ensure strict compliance, and bolster our risk management framework. In terms of environmental initiatives, meanwhile, we are developing and expanding sales of environmentally friendly products, and eliminating the use of environmentally harmful substances. We are also working to reduce CO<sub>2</sub> emission volumes and promote activities aimed at mitigating the environmental impact of our operations, by proactively incorporating renewable energy systems such as wind and solar power, as well as energy-saving equipment and processing facilities, into new plants.

## Toward Sustainable Growth

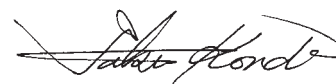
Companies today must operate in a challenging environment that has only grown more severe in recent years, fueled by a global economic slowdown against a backdrop of high crude oil prices and the sub-prime loan problem. Nevertheless, our long-term vision at NTN is to boost productivity and profitability to deliver more than ¥1 trillion in net sales by fiscal 2015. Along with a wide range of measures to realize this vision, we are committed to working to increase corporate value by enhancing the NTN brand.

We look forward to your continued support and understanding as the Company takes the steps necessary to achieve these goals.

June 2008



**Yasunobu Suzuki**  
Chairman and CEO



**Tatsuo Kondo**  
President





### Q | What measures have you implemented since becoming President and Chairman in November 2001?

When I became President in 2001, the Group's operations had been weakened by challenging business conditions, and our share price had fallen below the ¥200 level.

In "NEW Plan 21," which started in April 2002, our focus was on "concentration and selection," and we implemented top-down structural reforms aimed at fundamentally transforming our corporate culture. Our stated goal was to transform ourselves into a lean organization unaffected by changes in size, to identify structural issues that had developed over NTN's 80-year history, and to reduce personnel expenses, and external procurement and logistics costs.

We set the duration of "NEW Plan 21" at two years in hopes that the difficult times would be short, and I am happy to say that the activities we embarked on under the plan indeed reaped results. Having cut costs, in the fiscal year ended March 31, 2005 we launched our "Rapid Advance 21" three-year medium-term plan to make further strides forward. Enhancing corporate value was the underlying concept of "Rapid Advance 21," and we therefore shifted the focus of our efforts to outside of the Group, enhancing customer satisfaction through quality, delivery and pricing.

Then, in the fiscal year ended March 31, 2008, we launched the new "Growth through Creativity and Achievements 21" medium-term business plan. We coined the phrase "Growth through Creativity and Achievements 21" based on the concept of all employees uniting to generate results from creativity, and delivering sustained growth. In the year to March 31, 2010, we are targeting sales of ¥700 billion and a double-digit operating margin. To achieve this goal, I think it is important for us to think not just about our past successes, but also to take a completely fresh look at the present. I am confident that this will be NTN Group's "revolution" in which all our employees think for themselves, create new things, and continue to grow.

### Q | Please summarize NTN's business results for the year ended March 31, 2008.

In the year ended March 31, 2008, we achieved ¥534.0 billion in consolidated sales and ¥49.6 billion in operating income, the sixth straight year of top- and bottom-line growth, and the fifth straight year of record-high earnings.

However, conditions were also challenging for the Group with such factors as the U.S. economic slowdown triggered by the subprime loan crisis, soaring global raw materials prices and rapid appreciation of the yen.

Like others, we were affected by the high raw material prices and the rapid appreciation of the yen, and were unable to achieve our original plans. This was largely the result of external conditions, but rather than viewing the need to respond to constraints on resources and energy as a disadvantage, I believe



that going forward we will be able to appreciate the benefits of the technological developments and other initiatives we have taken in the past.

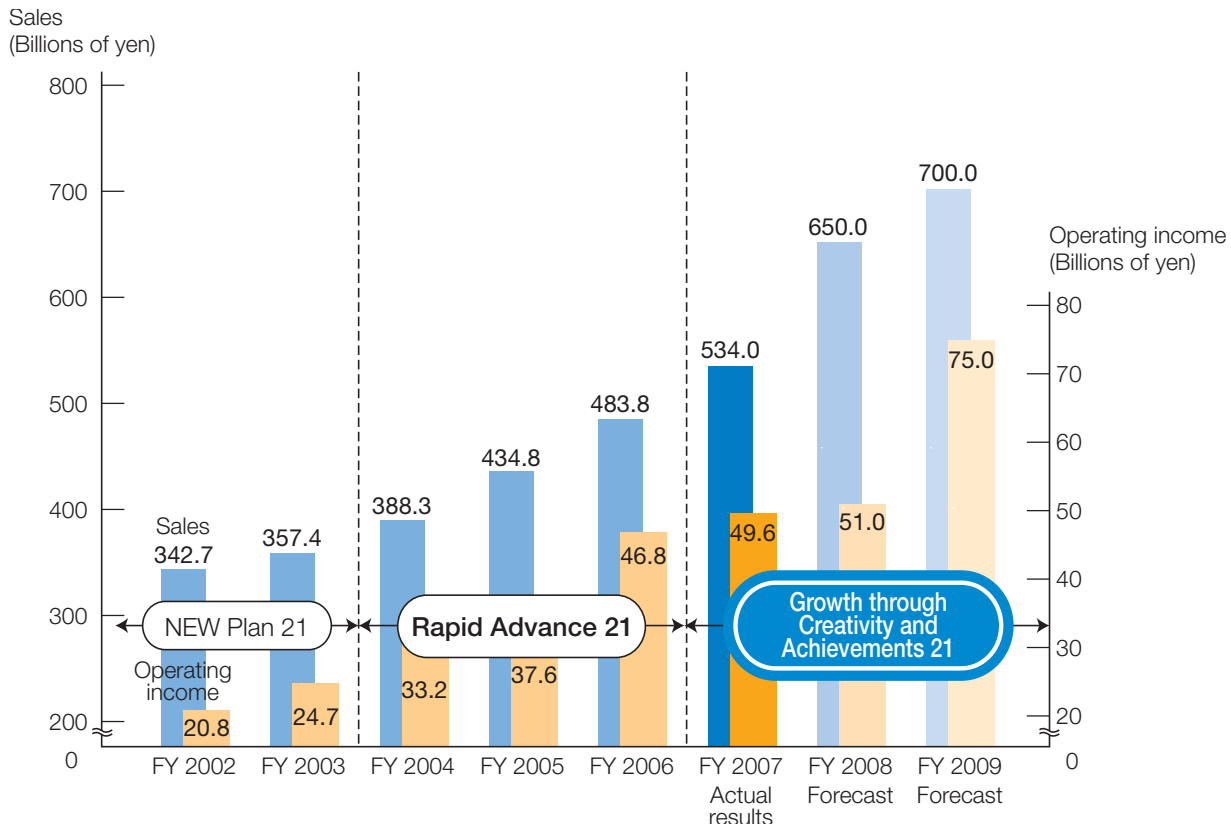
## Q | What are your plans for the fiscal year ending March 31, 2009?

With the addition of SNR Roulements (“SNR”) as a consolidated subsidiary, we are anticipating a seventh straight year of top- and bottom-line growth and a sixth straight year of record-high earnings in the fiscal year to March 31, 2009. Our projections are for consolidated sales of ¥650 billion and operating income of ¥51 billion.

Like last year, we expect performance to be significantly affected by external factors, including continuing high crude oil and raw material prices, yen strengthening/dollar weakening, and production cuts among automakers due to the U.S. economic slowdown. In order to respond to high raw materials prices, we will reduce the volume of materials we use, cut back on processing, and develop alternative materials. At the same time, we will add value to our products, expand into growth markets, and press ahead with global expansion of our cutting-edge core technological capabilities to contribute to the environment and to society.

### Results and Forecasts

#### Trends in Sales and Operating Income





### Q | Recently, steeply rising oil and raw materials prices have had a major impact on the global economy. How is this affecting NTN?

Our products employ special steel materials such as the steel used in bearings, which we purchase from various steel manufacturers. Iron ore prices have continued their steep climb this year, and we expect steel materials prices to continue rising as well. This is one of the major factors putting pressure on profits. We have already worked hard to achieve rationalization and cost reductions, and in addition to offsetting high prices through our own efforts, we have reflected some of the costs in our selling prices.

However, we are now approaching the limits of what we can do to offset the sharp rise in raw materials prices, which is having a significant impact on operations. While we will continue working to cut costs in the future through rationalization and other measures, inevitably we will have to pass on the cost of high raw materials prices to our customers.

We will also maintain internal efforts to mitigate the management risks posed by further deterioration in external conditions, including working to conserve energy and resources through reduction of material loss and developing surface formation technologies, such as fine austenitic steel strengthening treatment technology, to transform inexpensive steel – which can be obtained anywhere in the world – into special steel materials that are sufficiently durable for use in bearings.

### Q | The U.S. economy has begun to slow down as a result of the subprime loan problem. What kind of business strategy is NTN planning for the U.S.?

I think that the U.S. slowdown, which was triggered by the subprime loan crisis and by production cuts among automakers due to high gasoline prices, will continue for some time. Also, we cannot ignore the impact of yen appreciation and the weakening of the dollar.

We are forecasting ¥133.1 billion in sales in the Americas this fiscal year, down ¥2.7 billion from the ¥135.8 billion in sales recorded last fiscal year. However, production of compact cars remains firm, in spite of lower production of large SUVs and pickup trucks, so I think we will have a good opportunity to demonstrate our expertise in compact, lightweight and energy-saving technologies. In that sense, you could say that this will bring to fruition all of our technological development.

Demand in the emerging economies is firm, and strong performance in deliveries of automobile bearings to these countries is expected to continue.

NTN already manufactures and sells bearings and CVJs for automotive applications, notably axle bearings and needle roller bearings, but we feel a particular need to strengthen our operations in these newly emerging markets. In Russia, we plan to supply CVJs from Japan to local automobile manufacturers at the end of 2008. In India, we are planning to produce automotive bearings in addition to CVJs at NTN Manufacturing India Private Limited, which began

operations last year. In Brazil, we are working proactively to expand orders for the SNR brand.

In the industrial machinery sector, demand is strong for construction machinery, agricultural machinery, and aviation applications, and we will continue to expand sales going forward.

## Q | What is NTN's global automotive strategy going forward?

Globally, auto production is expected to fall, primarily among the Detroit Three. Nor can we expect significant growth in Europe and Japan. Demand is flourishing in emerging markets, however, particularly in the BRIC countries, and we expect supplies of automotive parts to these countries to remain robust.

I feel that we need to strengthen our operations in product segments such as axle bearings and CVJs for car wheels, as well as needle bearings used in transmissions, particularly for supply to emerging markets. In Russia, we will start supplying CVJs from Japan to local automakers at the end of 2008, and in India we are planning to produce both automotive bearings and CVJs at NTN India (NMI), which became operational last year. In Brazil, we are planning to utilize SNR's production base to expand sales of axle bearings to local manufacturers.

For automobiles, we will take the technological capability we have built up in industrial machinery production and apply it to automobiles, aiming to enhance commercial functions and develop even more compact and lightweight products that will contribute to the environment. In the current economy, with skyrocketing raw material prices, we will further expand profitable sales.

## Q | What will NTN's future global strategy in the industrial machinery sector look like?

Demand is growing for large bearings and precision bearings used in industrial machinery, including construction machinery and wind power systems, rolling stock, and aircraft. This growth in demand stems from accelerated global resource and infrastructure development, the use of renewable energy and a modal shift aimed at conserving the global environment, and the proactive adoption of energy-saving technologies.

Bearings such as these demand highly advanced technological capabilities. For example, bearings used in wind power systems need to keep turning for long periods of time without maintenance, and bearings used in machine tools revolve millions of times per minute. NTN is building the New Kuwana R&D Center to strengthen our elemental technology and R&D functions. We are also boosting production capacity to meet growth in demand, including the construction of a new ultra-large bearing factory at the Kuwana works, which is now fully operational, and the start of operations at NTN Hakui Corporation and Nanjing



CVJ V Series

Puzhen NTN Railway Bearing Company. NTN Houdatsushimizu Corporation is also scheduled to begin operations in 2009.

In addition, we are also cooperating with SNR in the rolling stock and aviation fields, where SNR has a strong presence, and we are aiming to expand our market share based on technological advantage.

Demand for industrial machinery is active around the world, and we aim to use our high-precision and high-quality technological capability to expand our market share and improve profitability. In April 2008, SNR Roulements, the top bearing manufacturer in France, joined the NTN Group.

## Q | SNR Roulements has become a member of the NTN Group. What kind of synergies have emerged from this addition?

It has been more than 40 years since NTN entered the European market. Now that SNR, with its regional brand strength, is a member of the NTN Group, we will be able to integrate the two companies' technological, production, and market development capabilities, strengthening our business platform and enhancing our presence. With SNR's automotive sensor technology, we will be able to build a strong position as the number-one manufacturer of axle bearings. We are also aiming to strengthen our ability to supply products to the BRIC countries and other emerging markets using SNR's production bases in Romania, Brazil, and other countries where NTN previously had no presence. We will also be strengthening these bases as technology development, sales, and product supply bases for industrial machinery.



SNR Romania plant

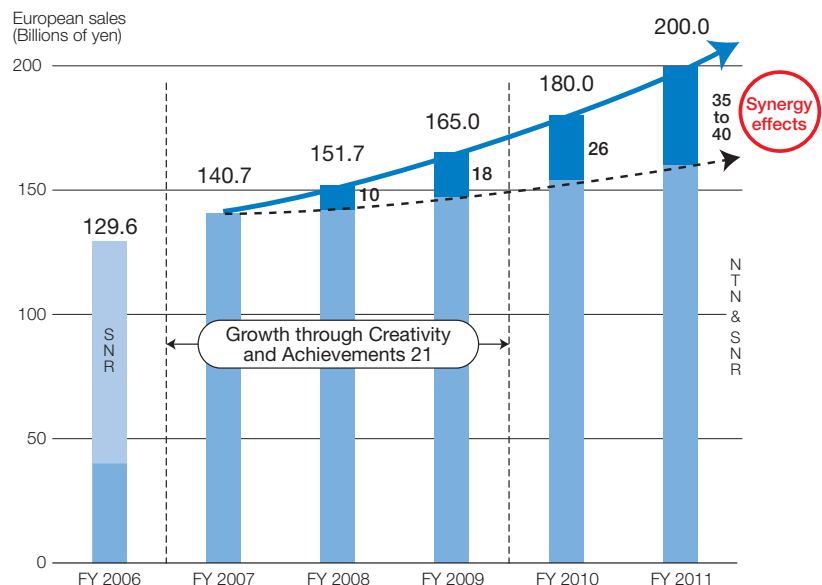


SNR Brazil plant



SNR Anney plant

### NTN & SNR: Bearing Sales Growth in the European Region





**Q | Damage to the global environment, including global warming, has become a major concern. What initiatives is NTN taking to combat this issue?**

For corporations, establishing a sound environmental protection structure is a particularly important social obligation. NTN is tackling environmental issues on a Group-wide basis. Our bearings and CVJs are actually eco-friendly products, because they help to save energy by reducing friction.

At the development stage, we are working to develop products that are kind to people and the environment. We can do this, for example, by eliminating the use of environmentally harmful substances, and by developing bearings and other products employing biodegradable materials that return to nature. At the production stage, we are looking to develop compact facilities that do not use oil.

With regard to waste disposal, we have achieved a significant reduction in waste through internal development of grinding sludge solidification systems. By supplying these systems to other industries and companies, we can also contribute to the creation of a recycling-oriented society.

We are tackling environmental issues in a variety of ways. For example, we support our partners in obtaining “Eco Stage” certification in preparation for ISO 14001 certification, thereby helping them to build environmental management systems. We also distribute “Environmental Household Account” books to employees to raise awareness of energy conservation in the home.



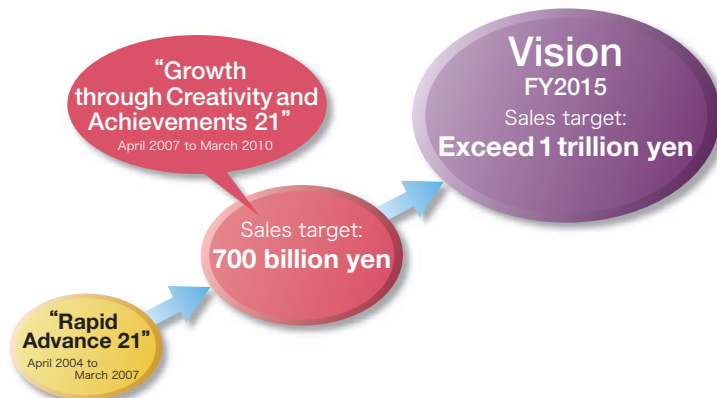
Photovoltaic generation at NTN Mie Corp. Plant No. 2



Environmentally friendly roller bearings

**Q | When you announced the “Growth through Creativity and Achievements 21” medium-term business plan, you set out a long-term vision to fiscal 2015. What sort of company do you envision NTN will be in 2015?**

In order to more fully realize NTN's vision of being a company that contributes to society, makes full use of its employees' skills, and has leading operations worldwide, we will maintain and accelerate our expansionary course, aiming to be a ¥1 trillion company by fiscal 2015. At the same time, we will strive to improve the NTN brand and return profits to our shareholders.



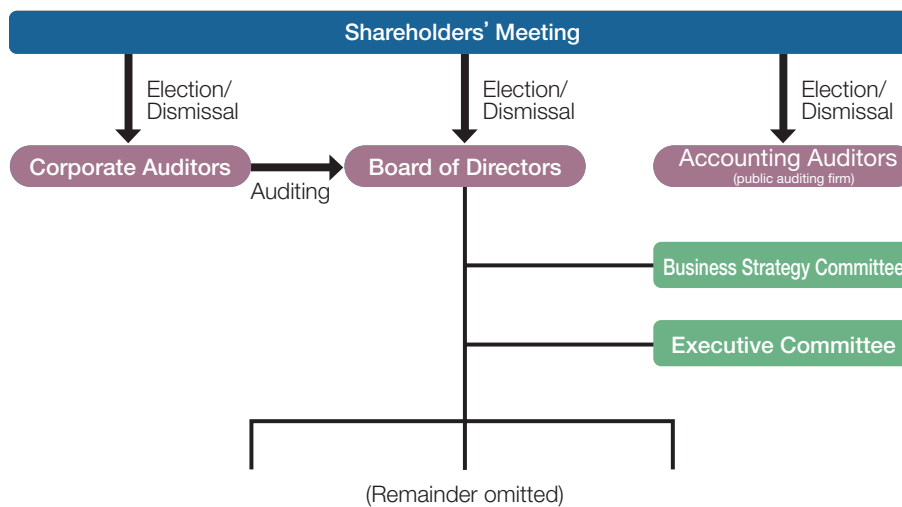
## Basic Approach to Corporate Governance

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 and most accurate information to ensure greater management transparency.

## Improving Our Corporate Governance Structure

NTN employs an auditing system. To reinforce its corporate governance organization, however, the Company is strengthening its Board of Directors and, through its corporate auditors, its management oversight organization.

**Organizational Chart of Corporate Governance**



### ■ Board of Directors (meets at least once per month)

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

### ■ Business Strategy Committee (meets twice per 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 to be taken as quickly as possible. Reviews of monthly performance are conducted by the Executive Committee, comprising Directors and Executive Officers.

### ■ 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 and express their opinions during meetings of the Business Strategy and Executive committees. The corporate auditors also strive to increase the efficiency of the overall auditing process, meeting regularly to coordinate their own corporate audits, independent public auditing firm audits, and internal audits. There are no special business relationships or interests between the outside auditors and NTN.

### ■ Internal Audit Department

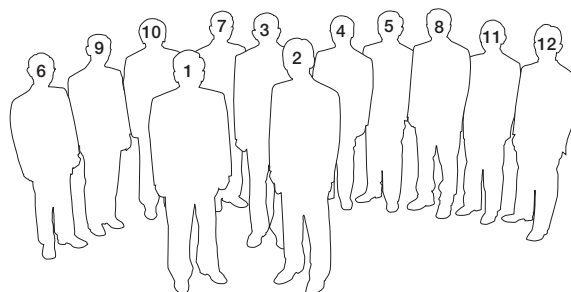
Regarding internal audits, the Internal Audit Department is established as an independent auditing organization to audit business execution throughout the Company.

## Management (As of June 30, 2008)



### Directors

- |  |  |  |
|--|--|--|
| 1. Chairman and CEO<br><b>Yasunobu Suzuki</b>        | 2. President<br><b>Tatsuo Kondo</b>                  | 3. Executive Vice President<br><b>Hirotsugu Mori</b>   |
| 4. Senior Managing Director<br><b>Tadatoshi Kato</b> | 5. Senior Managing Director<br><b>Osamu Wakisaka</b> | 6. Senior Managing Director<br><b>Naohiko Fujimura</b> |
| 7. Managing Director<br><b>Kenji Okada</b>           | 8. Director<br><b>Osamu Kato</b>                     | 9. Director<br><b>Yoshikazu Fukumura</b>               |
| 10. Director<br><b>Kazuhiro Shigeta</b>              | 11. Director<br><b>Masaharu Yoshikawa</b>            | 12. Director<br><b>Hisaji Kawabata</b>                 |



### Statutory Auditors

Standing Statutory Auditors

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

Statutory Auditors

**Tadao Kagono**  
**Norifumi Ishii**

### Executive Officers

Executive Officers

**Martin Croydt**  
**Shouji Kido**  
**Shigetoshi Tsujibayashi**  
**Yasunori Terada**  
**Hidenori Nishikawa**  
**Kazuyoshi Wakabayashi**

**Seiichi Konishi**  
**Yoshinobu Yasuda**  
**Haruhito Tanobe**  
**Masashi Honma**  
**Shigeharu Hashimoto**  
**Fukumatsu Kometani**

**Ken Horiuchi**  
**Shigeyoshi Takagi**  
**Didier Sepulchre de Conde**  
**Philippe Caillot**  
**Toshiharu Kato**  
**Hitoshi Takai**

## Risk Management

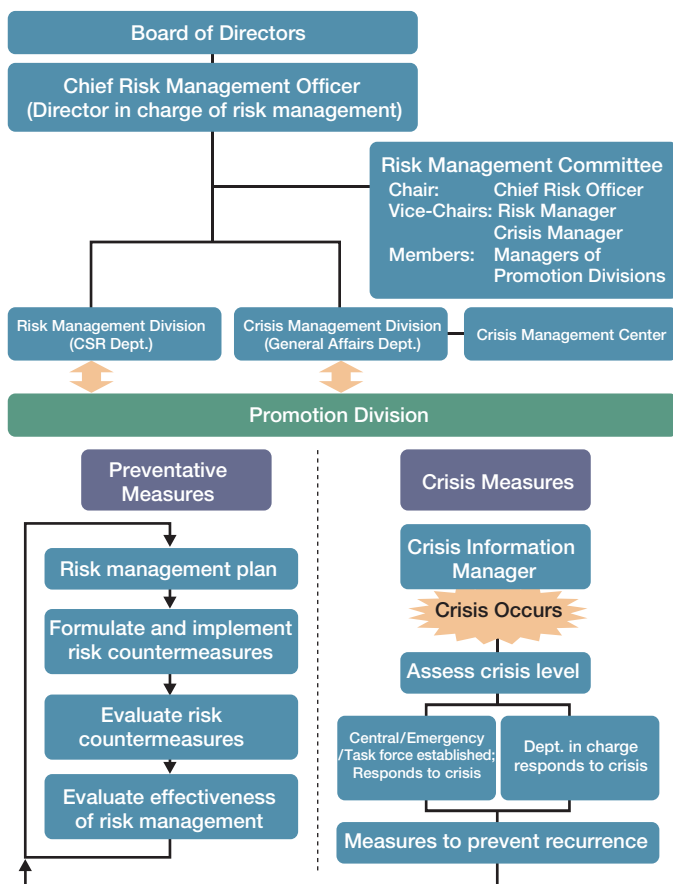
In March 2008, NTN established its Basic Policies on Risk Management and replaced its Crisis Management Regulations with Risk Management Regulations, which contain an integrated process for addressing everything from risk prevention measures to crisis measures. The Company also established a new Risk Management Committee.

The Risk Management Committee decides which department will manage selected key risks based on discovery and evaluation of risk. The committee also investigates and monitors the status of risk countermeasures and crisis management measures in each department.

When a major crisis occurs, a central emergency task force is established to formulate countermeasures to minimize damage.

The NTN Group also makes its Basic Policies on Risk Management known to Group companies, and provides instruction to all Group companies on improving risk management structures. Major risks common to the entire Group are handled by the NTN Risk Management Committee.

### Risk Management Structure



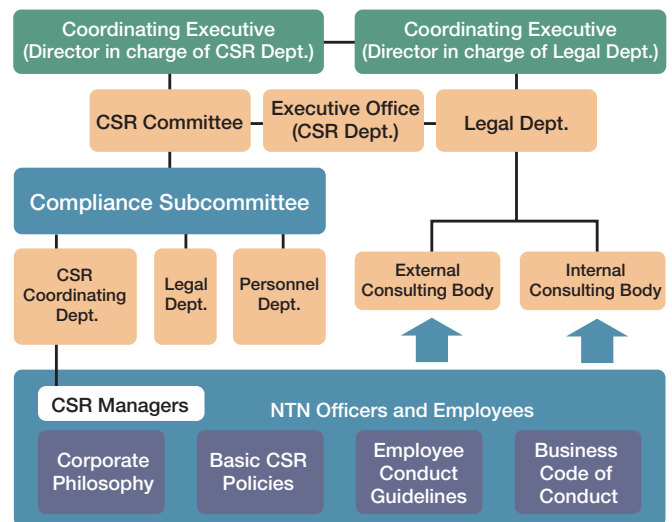
## Compliance

### Compliance Promotion Structure

NTN has established a Compliance Subcommittee under the CSR Committee. The subcommittee is composed of the CSR Coordinating Department, the Legal Department, and the Personnel Department. The CSR Coordinating Department is responsible for compliance, risk survey and analysis, and compliance education and instruction. The Legal Department is charged with making determinations regarding compliance based on laws and regulations and in-house rules, as well as managing the helpline, while the Personnel Department is responsible for making determinations from the perspective of personnel policy and personnel measures. Together, these three departments comprehensively promote and control compliance for all Group companies in Japan.

The CSR Coordinating Executive Office works with the CSR Coordinating Department and the personnel in charge of CSR in each department to promote compliance.

### Compliance Organization and Management Structure of "Helpline"



### Enhancing Employee Compliance Education

NTN conducts CSR and compliance education, and corporate legal training for employees at several stages, including when they join the Company, during their third-year training, and during training conducted for management-level promotion.

In fiscal 2008, we plan to revise our CSR Guidebook and conduct CSR and compliance information sessions for all management-level employees.







The New Kuwana R&D Center (due to be completed in December 2008)

## R&D

Anticipating future developments in cutting-edge technological fields, NTN is focused on medium-to-long term research and development in the automotive field, including in-wheel-motor vehicles, fuel cell vehicles, and clean energy, as well as on research and development in the environment and energy, and medical and welfare fields.

In the automotive field, NTN continues to develop next-generation constant velocity joints, including the ultra-low vibration and ultra-compact types, which have optimum NVH (noise, vibration, harshness) performance and are both smaller and lighter. NTN has developed intelligent hub bearings incorporating high-performance sensors in order to improve safety and vehicle performance through advanced vehicle control and motorization. We are also developing in-wheel-motor type axle units for use with next-generation vehicles including in-wheel-motor and fuel-cell vehicles, as well as actuator units for by-wires.

In the industrial machinery field, NTN is developing technologies that have even greater precision and are faster and more eco-friendly, in order to meet the technological requirements of expanding markets such as machine tools, rolling stock and wind turbines. In December 2008, operations are due to commence at the New Kuwana R&D Center, which will perform evaluation testing of large bearings and ultra-large bearings used in wind turbines, large-scale construction machinery, medical equipment, and rolling stock.

In the IT field, we will continue to develop repair systems in response to the development of larger and higher-precision Flat Panel Displays (FPD).

## Intellectual Property Strategy

NTN launches 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 1,400 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 a main patent, including peripheral and essential technologies, to achieve a dominant and proprietary position in the field that competitors cannot match.

At March 31, 2008, NTN's total portfolio of patents, including utility models, comprised approximately 1,100 patents in Japan and about 1,150 patents in other countries. In the future, we plan to continue applying for patents on strategic products and to effectively use them as business resources.

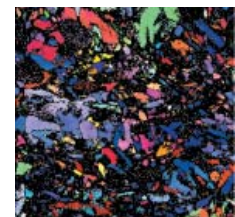
## Examples of Proprietary NTN Product and Technology Patents

### 1. Fine Austenite Strengthening Treatment Technology

NTN was the first in the world to develop a special heat treatment technology for its roller bearings called 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 210 outstanding patent applications for FA treatment technologies, including the composition for roller bearings, the heat treatment method, the production equipment, and the system, as well as application technologies for each type of automotive and industrial machine bearing, in Japan and around the world.



Grain size after nitrocarburizing treatment

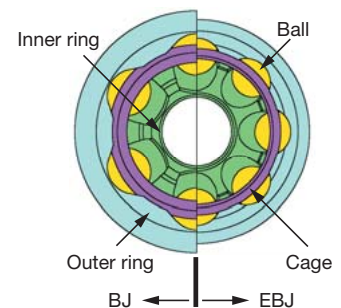


Grain size after FA treatment

### 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, meanwhile, is an improved tripod joint. The E series CVJs are lighter and two sizes smaller than the conventional design. For these joints, we have filed for about 260 patents in Japan and other countries, covering the basic structure, proportions, materials, manufacturing methods, and other aspects of these products.



# Corporate Social Responsibility (CSR) Activities

## NTN Group's Approach to CSR

In April 2006, NTN Group established its basic CSR policies. This identified corporate social responsibility as an integral part of management, and strengthened NTN's commitment to enhancing corporate value as a company that is trusted by society. Through this policy, we pledge to fulfill our obligations to all of our stakeholders by addressing issues such as global environmental protection, social contribution, and workplace environment improvement, based on strengthened corporate governance and full compliance. We have established employee conduct guidelines to encourage positive conduct on the part of our employees, management, and supervisory personnel, as well as revised our business code of conduct, which requires compliance by our directors and employees. All Group directors and employees are made aware of these issues using NTN's CSR Guidebook and cards inscribed with the key precepts, and the information is also published on our external website.

## Basic CSR Policies

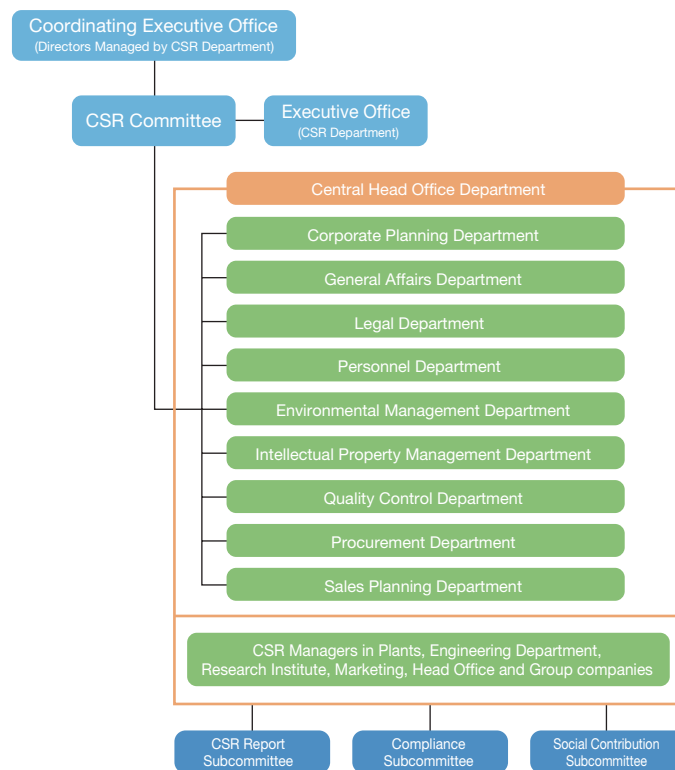
- 1. Legal compliance/Policy for activities:** We shall comply with both the letter and the spirit of laws and regulations, and carry out our business activities in an open and honest manner.
- 2. Customers:** We shall strive to develop new technologies and new products, as well as to provide safe and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

## CSR Promotion Structure

In all its departments and domestic group affiliates, the NTN Group has appointed CSR managers under the auspices of the CSR Committee, which is overseen by the Coordinating Executive Office. The CSR Department, which acts as the administrative head office, regularly holds CSR Committee meetings to monitor the results of CSR activities and future CSR plans in the departments and domestic affiliates, and supports their activities. In fiscal 2007, as part of the activities to expand opportunities for women being considered by the CSR Committee, a Project for the Advancement of Women was officially launched by the Personnel Department in October 2007. We believe that diversity in our human resources, particularly the advancement of women, is key to further enhancing and developing our competitive edge. The project

members, comprising the Personnel Department and 17 female representatives (one from each department) have the following objectives: to reform employee awareness and corporate culture, create systems and schemes to enable women to flourish, and develop women's skills so that women can play an even more active role in the Company.

## CSR Committee and Organization



Employees participate in an activity as part of NTN's Project for the Advancement of Women

## Social Contribution Activities

As a good corporate citizen, we support social contribution in the form of cultural, educational and sports activities. At all NTN sites around the world, we participate in activities that contribute to society in accordance with the needs of each locality. Efforts include making donations to charitable organizations, dispatching staff to assist with disaster relief or other community activities, and supporting educational, cultural and sports events.

Among other initiatives, we have systems that allow employees to take time off work to contribute to volunteer activities in their own communities or participate in the new bone marrow transplant volunteer program in Japan.



Parent-child tour of the Iwata Works (NTN Corporation)



Employee volunteers help maintain flower beds in a city park (NTN Omaezaki Corporation)



Supporting Japanese cultural awareness activities at a local library (NTK Precision Axle Corporation)



Regional volunteer activities on Children's Day in Thailand (NTN Bearing-Thailand Co., Ltd.)

## Motor Sports

### WRC sponsorship agreement signed with Suzuki

In order to promote its brand image, NTN has signed an agreement with Suzuki to sponsor the automobile manufacturer's team in the 2008 World Rally Championship (WRC), the world's top rally event and the equivalent of the F1 championship. Following trial races in 2007 (2 out of 16 races), Suzuki entered the 2008 season with the SX4, its global strategic car. As Suzuki's sponsor, NTN's logo will appear on the vehicle in five locations, as well as on the driver suits, team-uniform and on the side of the racing car transportation trailer. The WRC competition will begin January 24 and end November 30, 2008, with 15 races around the world in varying weather conditions and terrains. The championship gets under way in Monte Carlo, Monaco and concludes nearly a year later with the Wales Rally in the U.K. Through its active support for

motor sports and contribution to research and development in this field, NTN will demonstrate its competitive products and creative abilities to the world.



### Sponsorship agreement with Honda Racing F1 Team renewed for the 2008 season

For a fourth season, the NTN logo will appear on the Honda Racing F1 Team's driver suits, pit crew uniforms, team trailer and hospitality area. Although, like last year, the NTN logo will not appear on Honda's cars, NTN fully endorses Honda's bold earth-color design concept, which helps to raise environmental awareness.



### Independent assessment

In recent years, there has been growing interest in Socially Responsible Investment (SRI) as a basis for evaluating investment decisions. SRI calls for a holistic evaluation of investments that takes into account environmental issues and social contribution in portfolio management rather than simply profitability and growth. NTN has been selected for inclusion in the following SRI indices (as of June 30, 2008):



MS-SRI



FTSE4Good



Ethibel



# Environmental Protection Initiatives

## Environmental Management Structure

In 1993, NTN established environmental committees in every division—from our Head Office, to technical, manufacturing, sales, and distribution divisions—and commenced environmental activities on a Companywide scale. In 1998, these committees were reorganized as environmental management committees and on-site environmental management committees were created in the Manufacturing and Sales & Administration divisions. With the additional participation of affiliated companies in Japan, this established an environmental management structure for the entire domestic Group. In the Manufacturing Division, pollution prevention, conservation of energy and resources, and environmentally harmful substances are monitored. In the Sales & Administration Division, the monitored areas are the distribution environment and office environment. Divisions set targets in each area and undertake activities to achieve these targets.

## Environmental Management System

**NTN aims to complete ISO 14001 certification at all operating bases in Japan and overseas by the fiscal year ending March 31, 2011**

In order to build an integrated environmental management system at all of our domestic offices and plants by fiscal 2010, the NTN Group is pushing forward with multi-site ISO 14001 certification. We are establishing a structure that will allow offices and plants that have yet to receive certification, including new sites, to be admitted to multi-site certification.

In fiscal 2007, NTN Fukuroi Corporation (Fukuroi City, Shizuoka Prefecture) and NTN Kinan Corporation (Nishimuro-gun, Wakayama Prefecture) were added to our multi-site certification. NTN Kamiina Corporation (Kamiina-gun, Nagano Prefecture) and NTN Bizen Corporation (Akaiwa City, Okayama Prefecture / Nishiwaki City, Hyogo Prefecture), which are as yet uncertified, obtained simplified environmental certification, including Eco Stage, in order to establish a basis for addition to multi-site certification. In our overseas operations, meanwhile, NTN-Nidec (Thailand) Co., Ltd. has now obtained ISO 14001 certification. As of March 31, 2008, 17 out of our 19 plants and offices in Japan have obtained ISO 14001 certification, of which 16 have been admitted to multi-site certification.

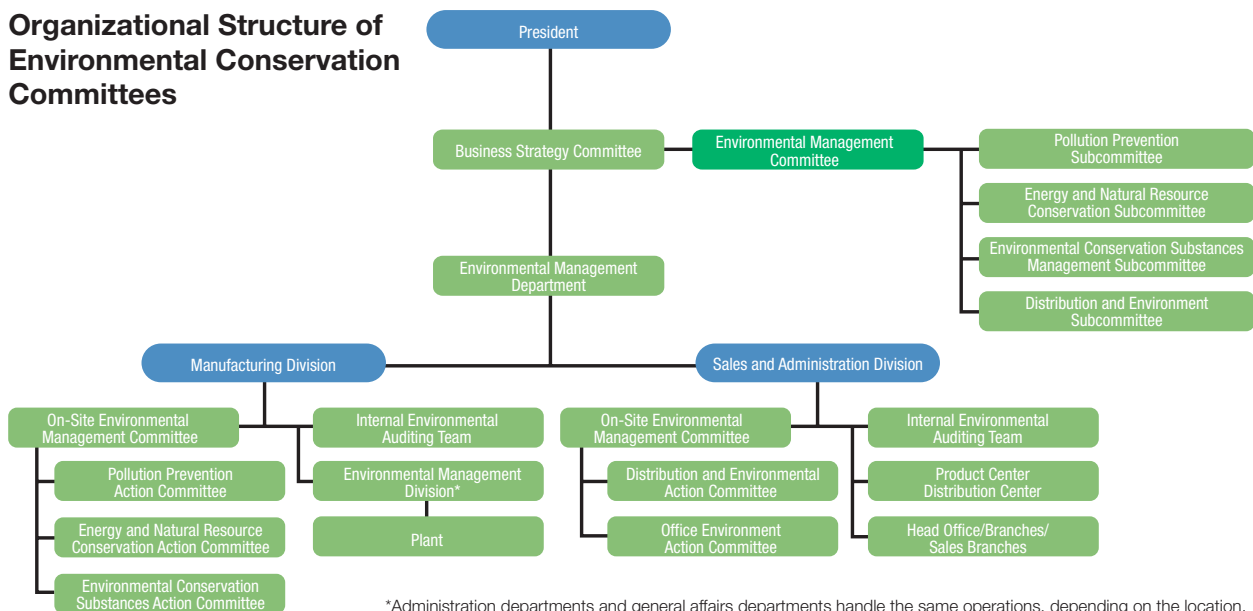
## Environmental Protection Structure Initiatives

### Internal training seminars to foster environmental awareness

The NTN Group implements comprehensive environmental training both by division and by employee level.

In fiscal 2007, a number of presentations were held to promote green procurement. We also implemented internal employee training aimed at eliminating environmentally harmful substances from our products. In addition, environmental journalist Junko Eda held a seminar aimed primarily at Head Office management on the topic “global environmental issues and corporate social responsibility.” The seminar was filmed to allow employees at our other locations the opportunity to view it as well.

## Organizational Structure of Environmental Conservation Committees



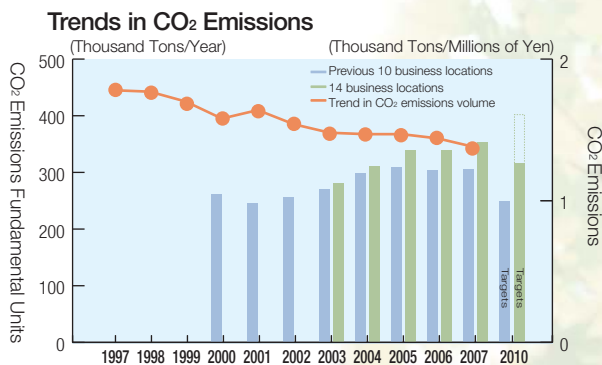


## Reducing CO<sub>2</sub> Emissions

In fiscal 2007, our plants and offices in Japan achieved a 22.0% reduction in CO<sub>2</sub> emissions compared to fiscal 1997 for a total emission volume of 240,000 tons (calculated based on a CO<sub>2</sub> emission coefficient of 0.381 kg/kWh for electric power), thanks to energy conservation initiatives targeting a 22% reduction in CO<sub>2</sub> and total emissions of 261,000 tons or less. Using the electric power companies' fiscal 2006 emission coefficient, the total emission volume, including four new sites admitted to the multi-site ISO 14001 certification since 2003, amounted to 353,000 tons. The NTN Group has been reducing CO<sub>2</sub> emissions based on a goal of 25% reduction in CO<sub>2</sub> basic unit emission volume between fiscal 1997 and fiscal 2010, far more ambitious than the 13% reduction targeted by NTN's industry sector in Japan. However, in light of the current global warming crisis, and in order to set an even more realistic target, we have now established an overall target that calls for total CO<sub>2</sub> emissions of less than 317,000 tons\* by 2010, including new sites. With rising global awareness of the need for energy conservation and growth in demand for bearings that can help to save energy, this target should stem total emissions even as the NTN Group's bearing production volume and CO<sub>2</sub> emissions increase year on year.

At our overseas operating bases, meanwhile, there was substantial progress in basic unit reduction in operating bases in the North America region, with a basic unit reduction of 7.3% achieved versus a target of 1% reduction over fiscal 2006. We are now strengthening initiatives aimed at further CO<sub>2</sub> reductions in order to meet our fiscal 2010 target.

\* Calculated based on electric power companies' 2010 target emission coefficient.



Note: Excluding new affiliates established since fiscal 2003.

(Calculated based on CO<sub>2</sub> emissions factors for each electric power company)

\* Projected emissions volume if measures not taken

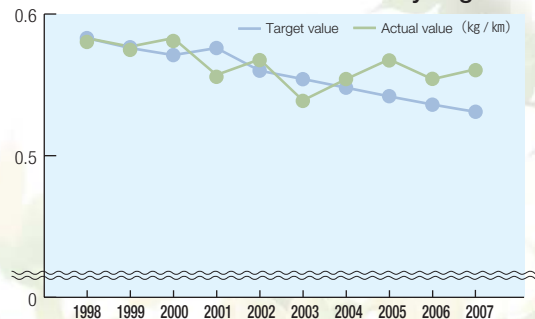
(CO<sub>2</sub> emissions factors are uniformly calculated at 0.381 kg/kWh)

## CO<sub>2</sub> Reduction through a Modal Shift in Distribution

Ninety-nine percent of the NTN Group's products are transported by truck, in all cases contracted out to external transportation companies. The annual transportation volume is 90 million ton-kilometers, which corresponds to the category of

"Specified Freight Carrier" (large shippers transporting at least 30 million ton-kilometers per year) under the Act on the Rational Use of Energy. Therefore, a 1% average annual reduction in CO<sub>2</sub> emission volume units is needed over the medium-to-long term. Since 1998, the NTN Group has targeted a 12% reduction in the CO<sub>2</sub> emission volume base units between fiscal 1998 and fiscal 2010 in order to address the environmental impact of distribution, and we continue to encourage transportation companies to raise their awareness of eco-friendly driving and switch to low-pollution vehicles. At the same time, we are seeking to effect a modal shift away from trucking to rail and sea transportation, which has a lower environmental impact. In fiscal 2007, we switched from trucks to rail transport on the long-haul Kanto-Hokkaido route, and we have embarked on initiatives to use ferries for large-volume transportation of heavy items.

Trend in CO<sub>2</sub> Emissions Generated by Logistics



## Reducing Household CO<sub>2</sub> Emissions with Environmental Account Books


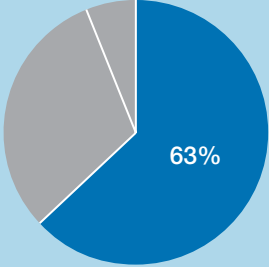

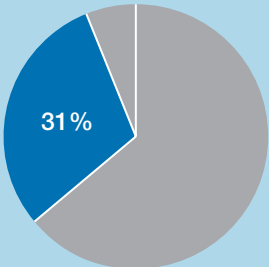

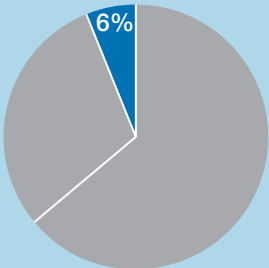
The NTN Group estimates that our employees generate 70,000 tons of CO<sub>2</sub> annually in their homes (see note below). We have launched an initiative aimed at reducing these emissions.

Specifically, we have issued all of our 12,000 employees (including temporary staff) an "NTN Environmental Household Account Book" in which to record their monthly usage of electricity, gas and other utilities. The aim is to raise awareness of energy conservation in the home and reduce CO<sub>2</sub> emissions. We are encouraging employees to keep records every month on a voluntary basis. We are aiming to establish this practice and expand the implementation rate so that it becomes an ongoing activity. We are also distributing the account book to interested distributors and business partners in order to extend the chain of activity outside of the Group.

Note: 5-6 tons of CO<sub>2</sub> per household per year × 12,000 households = 70,000 tons/year



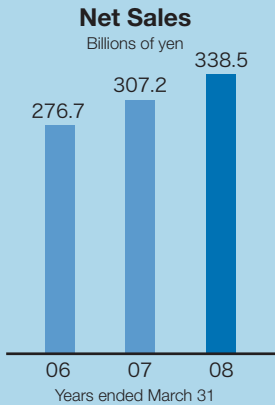
NTN Environmental Household Account Book

	Major Products	Net Sales Share
<h2 data-bbox="315 463 472 502">Bearings</h2> 	<ul style="list-style-type: none"> <li>Ball bearings</li> <li>Roller bearings</li> <li>Axle bearings</li> <li>Bearing units</li> <li>Large bearings</li> <li>Precision bearings</li> <li>Fluid dynamic bearings</li> <li>Sliding bearings</li> <li>Other bearings</li> </ul>	<p data-bbox="1214 476 1399 502"><b>Net sales share</b></p> <p data-bbox="1286 506 1328 527">(08/3)</p> 
<h2 data-bbox="181 987 613 1025">Constant-Velocity Joints</h2> 	<ul style="list-style-type: none"> <li>Automotive CVJs (for halfshafts, propeller shafts, and steering shafts)</li> <li>CVJs for industrial machinery</li> </ul>	<p data-bbox="1214 995 1399 1021"><b>Net sales share</b></p> <p data-bbox="1286 1025 1328 1046">(08/3)</p> 
<h2 data-bbox="178 1481 617 1557">Precision Equipment and Other Products</h2> 	<ul style="list-style-type: none"> <li>LCD repair devices</li> <li>PDP rib barrier defect repair system</li> <li>Parts feeders</li> <li>XY tables</li> <li>Magnetic-bearing spindles</li> <li>Auto-tensioners</li> <li>Engineering plastics parts</li> <li>Machines, apparatus, and others</li> </ul>	<p data-bbox="1214 1510 1399 1536"><b>Net sales share</b></p> <p data-bbox="1286 1540 1328 1561">(08/3)</p> 

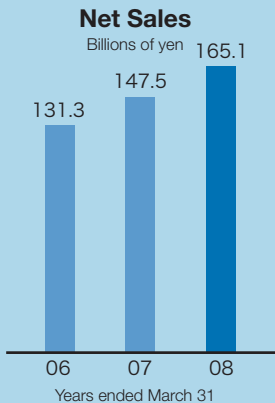
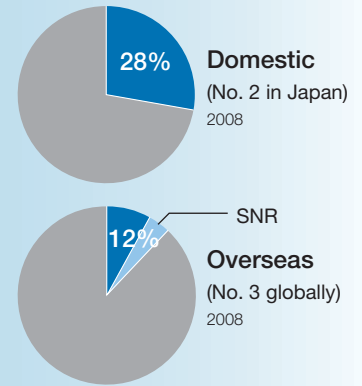
Net Sales

Description

Market Share

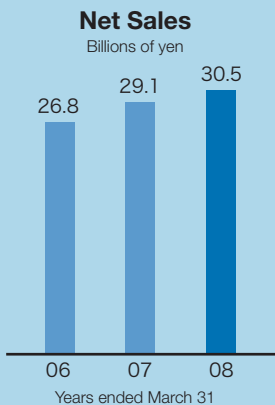
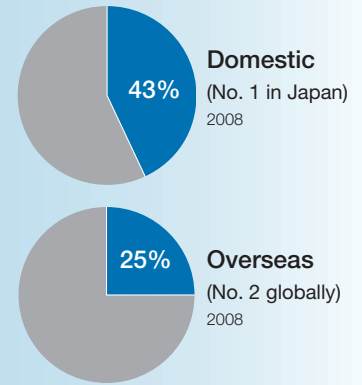


NTN began international expansion of its sales in the 1960s and followed with the development of a global manufacturing network a decade later. Today, NTN is using its expertise as a leading bearing manufacturer to create new value-added products and services to meet the needs of customers in a wide range of industries. We supply bearings for the automotive industry and for industrial machinery including construction machinery, rolling stock, and wind power systems. In addition, we also serve the semiconductor and medical industries. In particular, demand is growing sharply for our 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 currently regarded highly by the market.



NTN started CVJ production in Japan in 1963, and in 2007 the number of CVJs produced on a cumulative basis surpassed 400 million units. Following aggressive expansion of production worldwide in the 1990s, today the Company has a strong base of operations to respond to the global sourcing needs of the automotive industry, major customers for CVJs. 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.



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 this market with products having special characteristics.

## Improving Quality Further and Strengthening Cost Competitiveness

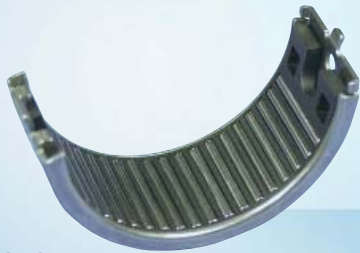
### Recently Announced Major Products



**Hub bearings with built-in high-resolution rotational sensors**  
▶ For details, see p.26



**Energy-saving light weight hub bearing**  
▶ For details, see p.26



**High-function cradle bearing for disk brakes of large commercial vehicles**  
▶ For details, see p.27



**Low-vibration bearing for CT scanners**  
▶ For details, see p.25

**Stainless-steel oil-impregnated sintered bearing**





## Review of Operations

During the fiscal year under review, sales of bearings rose ¥31.3 billion, or 10.2%, to ¥338.5 billion. Despite the appreciation of the yen, orders were strong for large bearings used in general industrial machinery, including construction machinery and wind power generation in Japan, and for wind power generation in the Americas and Europe. New orders from the automobile industry also contributed, with strong sales of axle bearings and needle bearings in the Europe region and China supporting robust sales.

In Japan, sales increased of large bearings used in sectors such as construction machinery and wind power generation. In November 2007 operations began at NTN Hakui Corporation, the Company's new production site established to meet the growing demand for large bearings and bearings used in industrial machinery. In April 2008 the Company also established NTN Houdatsu Shimizu Corporation. As a result of the increase in orders for axle bearings, needle bearings, and other bearings from the automobile industry, sales grew ¥8.7 billion, or 6.5%, to ¥141.8 billion. From the current term, the Company will respond to further increases in demand for large bearings and precision bearings by realigning its production bases in Japan's Kuwana region.

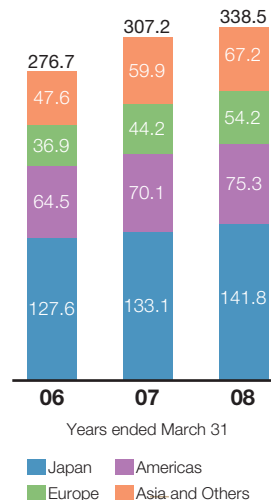
In the Americas, in addition to favorable sales of axle bearings to the automotive industry, sales of bearings for general industrial machinery, such as construction machinery and agricultural machinery, increased. Consequently, sales of bearings in the region rose ¥5.2 billion, or 7.4%, to ¥75.3 billion. Looking ahead, the Company will implement measures to expand sales of bearings for general industrial machinery, such as construction machinery, aircraft, and axle bearings for automobiles, while keeping an eye on trends in demand in these areas.

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 ¥10.0 billion, or 22.6%, to ¥54.2 billion. From the current term, we will move to quickly generate synergies with SNR Roulements S.A., a prominent French bearing manufacturer and a recent addition to the NTN Group.

In Asia and other areas, sales of fluid dynamic bearings for hard disk drive (HDD) motors and bearings for office equipment in China were favorable. Sales of axle bearings and needle bearings for the automobile industry were also strong. As a result, Asia regional sales grew ¥7.3 billion, or 12.2%, to ¥67.2 billion. Going forward from the current term, the Company will actively enhance operations in emerging markets such as the BRIC countries, where growth is anticipated. In January 2008, the Company started operations at Nanjing Puzhen NTN Railway Bearing Co., Ltd., which manufactures and sells railroad bearings in China.

**Total Bearing Sales**

Billions of yen



NTN Houdatsu Shimizu Corporation



NTN Kinan Corporation's Plant No. 2



NTN Hakui Corporation

## Bearings for Industrial Machinery

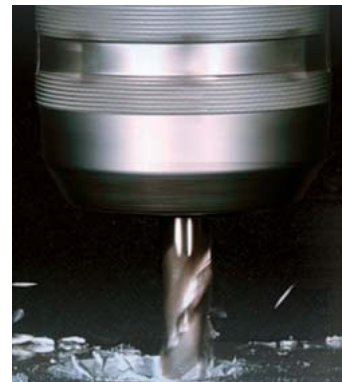
### Aircraft

Due to environmental issues and the high price of oil, there is increasing demand on all aircraft manufacturers to convert to new equipment with better efficiency. NTN is bolstering its ability to provide the bearings used in the extremely high-precision, high-rotative-speed axial engines of aircraft on a global basis.



### Machine Tools

For machine tools, the bearings used in the primary spindle must have exceptionally high precision and rotation speeds. At NTN, we continue to supply products to our customers with the performance and quality they need by providing input to major manufacturers from the initial development stages. Our R&D activities are centered on the pursuit of the best bearings imaginable. The technologies generated in the process become the cornerstone of NTN's development of products for other industrial machinery and automobiles.



### Construction Machinery

Construction machinery is critical to building vital infrastructure. Thanks to NTN's commitment to outstanding quality and active response to increased demand, many of the Company's products can be found in the wheels and drive components of these machines. Today, the number of construction machines manufactured using NTN products is on the rise, particularly in China and other emerging markets where the number of infrastructure projects has grown sharply.



### Wind Power Systems

One response to environmental conservation in recent years has been the global spread of wind power systems, which supply clean energy free of CO<sub>2</sub> emissions. NTN manufactures and sells the full range of bearings used for the primary spindles, speed controls, and generators found in wind power systems. The Company has established a strong reputation among wind power system producers for its role in ensuring the reliability and long-term stability of this technology.



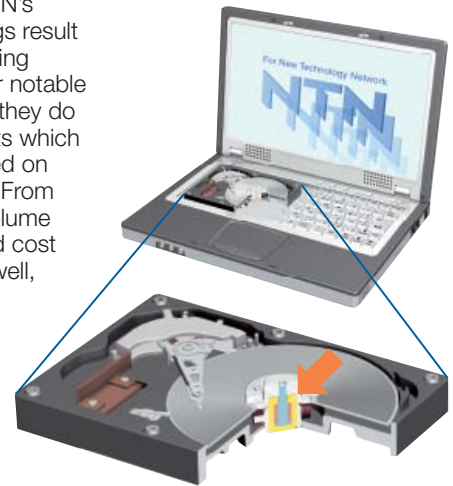
## Rolling Stock

Demand for railroad construction is climbing worldwide as efforts to protect the environment gain momentum. In turn, this trend is sparking growth in global sales of NTN products. Everywhere, special management systems are being developed to preserve and improve the quality of rolling stock, since even small defects in the rail cars used to transport people and large amounts of cargo can result in catastrophic damage. In an acknowledgement of NTN's technological skills, its products have been approved for use in Japan's N700 series bullet train.



## Fluid Dynamic Bearings

Hard disk drives (HDD) are found inside electronic devices of all kinds, from computers, digital video cameras, mobile devices, car navigation systems, and mobile phones. As memory volumes grow larger, there are increasingly strict demands on the precision of motor rotation. NTN's fluid dynamic bearings result in no accidental etching phenomena. Another notable characteristic is that they do not cause any defects which render the data stored on the disk unreadable. From the perspective of volume press production and cost competitiveness as well, these bearings offer real benefits.



## Medical Equipment

In today's medical field, where sophisticated diagnosis is a must, there is a demand for further advancement in CT scanner technology. Successive improvements in NTN's bearings for high-speed CT scanners have enabled these diagnostic devices to scan accurate images more quickly and quietly. Shorter diagnosis times, in turn, make it easier to use CT scanners for diagnosing children and the elderly, for whom such tests can be particularly taxing. NTN's people-friendly bearing technology will continue to evolve and play an active role in the field of medicine as part of our commitment to safeguarding human life.



## New Products

### Low-vibration bearing for CT scanners

There are limits to the viable equipment dimensions and weight of CT scanners. Going forward, there will be a need for lighter and more compact units as well as higher performance. A rotating part of the CT scanner called the gantry, which includes the imaging equipment such as the X-ray tube and detection device, is supported by a bearing and a frame. As frames get lighter and more streamlined, however, the amount of vibration increases, affecting the precision of the imaging.

In order to minimize these gantry vibrations, NTN developed a low-vibration bearing for CT scanners that enables significant reduction of gantry vibrations through the incorporation of a dynamic damper within the bearing.



Low-vibration bearing for use in CT scanners



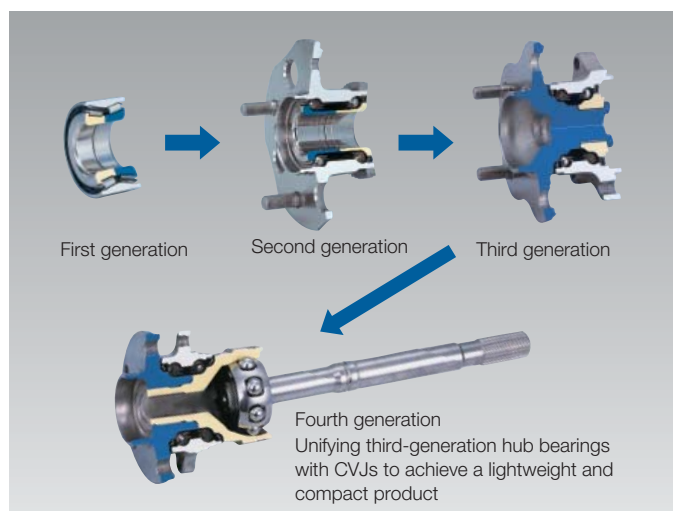
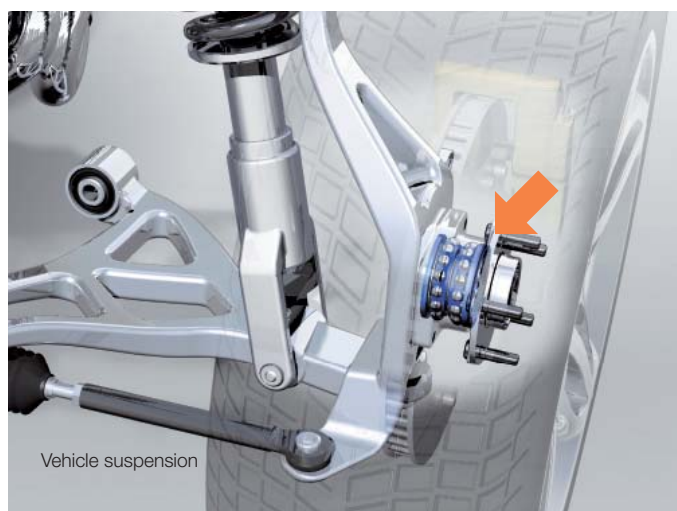
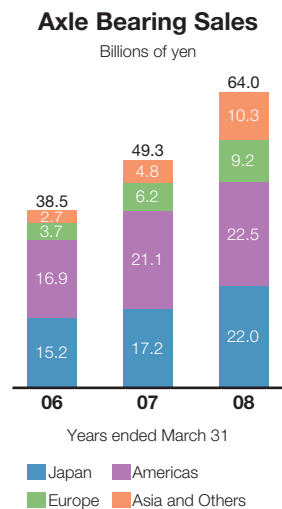
## Automobile Bearings

### Axle Bearings

Attached to the wheels of automobiles, axle bearings enable the wheels to turn while also bearing the weight of the vehicle body. Although extremely basic, axle bearings play an essential role in vehicle movement.

In the pursuit of greater ease of assembly, NTN has witnessed the evolution of three generations of axle bearings. As the modularization of axle bearings progresses with each successive generation, we are achieving lighter and more compact products by reducing the number of components.

In addition to having a complete lineup of all types of first- through third-generation axle bearings, the Company has set up a global supply network by establishing production bases in Japan, the United States, Europe, and Asia, including China. Together with SNR, which is strong in axles with built-in sensors, NTN supplies axle bearings to automobile manufacturers worldwide. The Company has also developed a fourth-generation hub joint (GEN 4 hub joint) that combines third-generation axle bearings with CVJs in one unit. This unique product has been made possible by NTN's prowess in bearing and CVJ manufacturing technologies. As this new product illustrates, NTN continues to stand at the forefront of modularization.



## New Products

### Hub Bearings with Built-in High-Resolution Rotational Sensors

NTN joined with SNR to develop hub bearings with built-in high-resolution rotational sensors that contribute to vehicle safety control. This sensor is composed of a magnetic encoder, which combines magnetic sensor technology that achieves resolution 40 times that of conventional technology, with NTN's third-generation hub bearing technology, which allows a seal structure to protect sensor electronic parts from the external environment. The signal processing method has also been improved, resulting in an upgrade of resolution.



Hub bearings with high-resolution rotational sensors

### Energy-Saving Lightweight Hub Bearing

In response to global environmental concerns and soaring resource costs, NTN Corporation developed an energy-saving lightweight hub bearing that uses 20% less material to produce than conventional hubs. This is achieved by improving the material yield ratio during the manufacturing process.

On the design end, the weight reduction in this new hub was achieved by utilizing FEM analysis to cut out portions of the irregular flange and wheel pilot. In terms of manufacturing, the material yield ratio was improved by reducing the number of machining positions made possible through advanced forging technology. In this way, weight and material usage reductions of hub bearings were made possible while still maintaining the conventional function and strength of the hub.



Energy-saving lightweight hub bearing

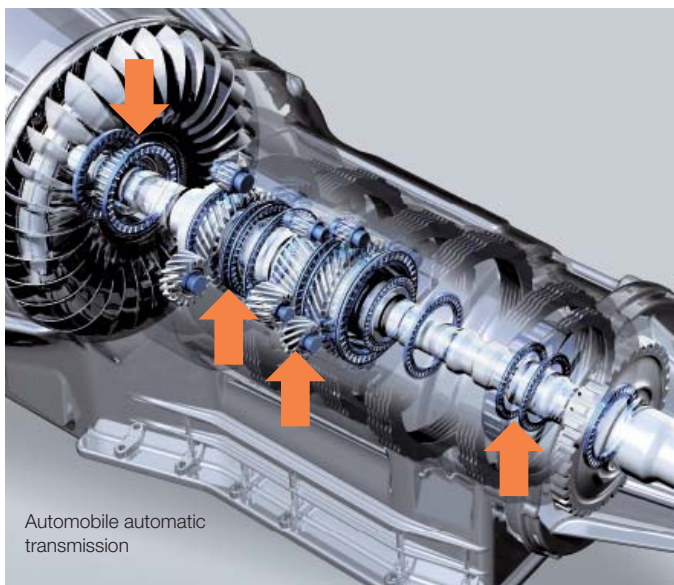
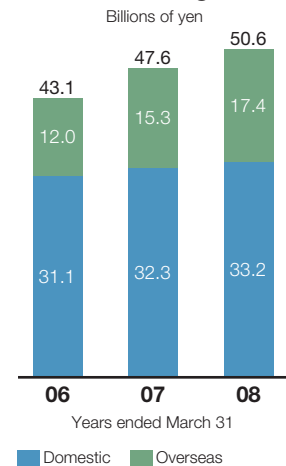


## Needle Bearings

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 allow 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 Japan in 1962. Having operated as a compact unit encompassing production, 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 been actively developing a network of overseas production bases, beginning production in Thailand in 1999, the United States in 2000, and China in 2005. In 2006, the Company moved to boost production of high-precision rollers and reduce costs with the start of full-scale operations at NTN Kamiina Corp.

### Needle Bearing Sales

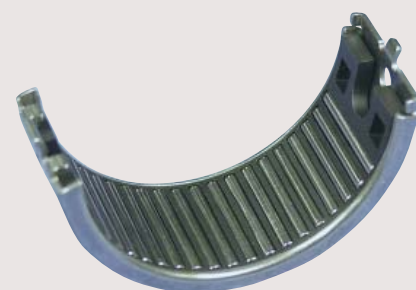


## New Products

### High-Function Cradle Bearing for Disc Brakes of Large Commercial Vehicles

With this newly developed high-function cradle bearing, the configuration of the cage pocket stake has been improved so that the quantity of rollers and roller diameter is nearly the same as a full-complement bearing. Additionally, a special heat treatment is applied to the outer ring and rollers, more than doubling the bearing service life and reducing fretting wear\* by up to 50%. This product will contribute greatly to improving the reliability of disc brakes. Moreover, the new, non-separable structure will make initial assembly work at the customer-end easier and allow for improvements in productivity.

\* Fretting wear: A defect that occurs due to sliding between two surfaces. The phenomenon that wear generates locally when the touching portions of a stationary bearing are exposed to micro vibrations.



High-function cradle bearing

Striving to Achieve Compact, Lightweight, High performance Products That Will Contribute to the Global Environment

## Recently Announced Major Products



CVJ V Series  
▶ For details, see p.31

High-efficiency, compact LJ

## Review of Operations

Sales of constant-velocity joints (CVJs) rose to ¥165.1 billion, up ¥17.6 billion or 11.9% from the previous term. Despite the appreciation of the yen and slacked automobile production in the wake of the subprime loan issue, sales increased in all regions.

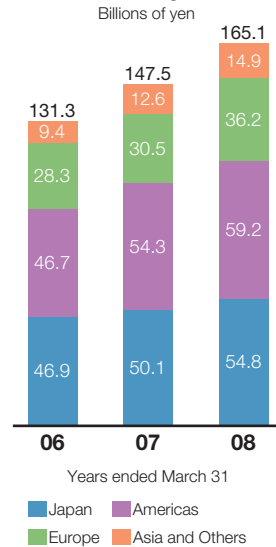
In Japan, sales were robust, boosted by the launch of mass production of new compact car models and other products. As a result, sales grew by ¥4.7 billion, or 9.4% from the previous term, to ¥54.8 billion. Going forward, the Company will work to promote sales expansion to capture new orders around various vehicle models, with efforts based around the mother plant at Iwata Works and NTN Fukuroi Corporation, which features state-of-the-art equipment.

Sales in the Americas grew as a result of an increase in sales to U.S. automobile manufacturers, climbing ¥4.9 billion, or 9.0%, to ¥59.2 billion. In the current term, we plan to begin operations at the joint venture we formed in 2007 in the U.S. state of Alabama with the KOFCO Group, a supplier of CVJs to South Korean automaker Hyundai Motor Company.

In Europe, sales rose ¥5.7 billion, or 18.6%, to ¥36.2 billion, lifted by increased sales to Japanese automobile manufacturers for mass production of new products. Looking ahead, NTN will continue to plan even more detailed activities to gain orders in Europe through its global account manager (GAM) program. In addition, on June 1, 2008, NTN Transmissions Europe, a CVJ manufacturing subsidiary of NTN, decided to acquire the Crézancy Plant of the SETFORGE Group, a leading forging manufacturer in France. Going forward, we will continue to accelerate the expansion of our CVJ business activities in Europe.

In Asia and other regions, sales jumped ¥2.3 billion, or 18.3%, to ¥14.9 billion, largely due to new orders from China and Thailand. From the current term, we are expanding production of constant-velocity joints in India and other locations, and bolstering the response to demand from the automobile industry by making use of SNR plants in Romania and Brazil.

**Constant-Velocity Joint Sales**



NTN Manufacturing India Private Limited



NTN Fukuroi Corporation



Seohan-NTN Driveshaft USA Corporation



The Crézancy Plant acquired from the SETFORGE Group



## CVJs

NTN was the first to bring fixed CVJs to the Japanese market in 1963, and followed by adding the double offset joint (DOJ), tripod joint (TJ) and other plunging CVJs to its lineup. Attaching fixed and plunging CVJs to a driveshaft, the Company started supplying these products to automotive manufacturers that were making front-wheel-drive vehicles.

Spurred by 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, the 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 reduce 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. These requirements are fully addressed by NTN's products: NTN's E series or constant-velocity steering joint (CSJ, lightweight and compact type); pillow journal tripod joint (PTJ); or efficiency pillow journal tripod joint (EPTJ, ultra-low vibration type). Their reputation for improved function is well known among our customers.



### 1. CVJs for Steering Shafts

#### 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

### 2. CVJs for Driveshafts

#### 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 Reduction of 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 SFJ, by enhancing 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





### 3. CVJs for Propeller Shafts

CVJs for propeller shafts are components used in propeller shafts (front-to-rear axles, transmissions, etc.) for 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.

The basic structure of the new CVJs is identical to that of driveshaft CVJs, consisting of an outer ring, inner ring, and balls and rollers. Depending on the application, the CVJs come in two types: fixed (BJ) or sliding (LJ, DOJ, TJ). However, in contrast to rotation speeds of 3,000 RPM or less for driveshaft CVJs, propeller shaft CVJs must exhibit high-speed rotation performance, with rotational speeds of around 10,000 RPM.

At NTN, we 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, all while 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.



## New Products

### V Series

NTN Corporation has developed a new product group—the V (Value) Series. The series includes a constant-velocity joint for low-priced cars in developing markets, where demand is expected to increase, and a hub joint formed of a CVJ and an axle bearing.

Demand for low-priced cars has skyrocketed in recent years in emerging economies such as the BRIC countries. NTN, as an expert manufacturer of both axle bearings and CVJs, used unique, high-technological capabilities to develop the compact, lightweight, high-cost-performance V Series of CVJs and axle bearings for use in low-priced cars.

Going forward, we will supply these valuable, high-cost-performance V Series products to customers around the world to meet the needs of the increasingly competitive market for low-priced cars in emerging economies.



CVJ V Series

# Quickly Advancing Development of New Products That Anticipate Customer Needs

## Recently Announced Major Products



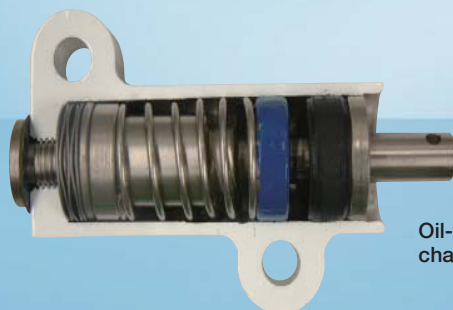
Extra large precision XY table  
▶ For details, see p.33



Monodrive two-way feeder for chip capacitors  
▶ For details, see p.33



Planetary roller screw-type electric brake actuator



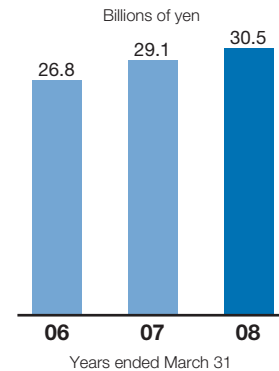
Oil-feeding-free chain tensioner

## Review of Operations

Sales of precision equipment and other products rose ¥1.4 billion, or 4.8%, to ¥30.5 billion. Sales of clutch unit products and parts feeders offset a slump in defect repair equipment for plasma display panels (PDPs) and liquid crystal displays (LCDs).

NTN also offers 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 grown steadily. For mechatronic products and other precision equipment supplied to the semiconductor, LCD, electronic devices and other industries, NTN set up separate divisions to adapt flexibly to the rapid technological innovation and fluctuating production levels of these major customers. Going forward, as a step to aggressively promote sales activities for the growing LCD and PDP sectors, we will pursue the timely launch of new products such as the extra-large precision XY table, designed for manufacture and inspection of tenth-generation liquid crystal glass substrates.

### Precision Equipment and Other Products Sales



## New Products

### Extra-Large Precision XY Table

NTN has commenced sales of an extra-large precision XY table for precise positioning on the tenth generation of liquid crystal glass substrate, the largest size available at present.

The sizes of glass substrates are getting larger and larger in order to improve productivity. The tenth generation (2,850mm x 3,050mm) is just now being adopted, and there is a need to provide larger production and inspection equipment to accommodate the new sizes. However, there are restrictions on transportation of fully-assembled long stroke positioning equipment due to vehicle width regulation laws (Road Trucking Vehicle Law). In the past, this posed obstacles to smooth installation and positioning accuracy because units had to be re-assembled when delivered to production plants.

This new extra-large precision XY table has a longer stroke than the previous product and employs new methods for the separation and joint structure. It also has superior reproducibility and makes high-precision positioning possible even after reassembly.

Unlike its predecessors, the new product is not only another XY driving mechanism in NTN's product lineup, but can be applied to production and inspection of other manufacturers' equipment as well.



Extra-Large Precision XY Table

### Monodrive Two-Way Feeder for Chip Capacitors

NTN's monodrive two-way feeders for chip capacitors move a two-way monodrive feeder (MD2 feeder) at a high frequency in order to transport electronic component chips. More compact than previous models, the new product contributes significantly to freedom of design for equipment peripheries, expanding the benefits of an MD2 feeder, including space saving, to the field of electronic component chip transportation.

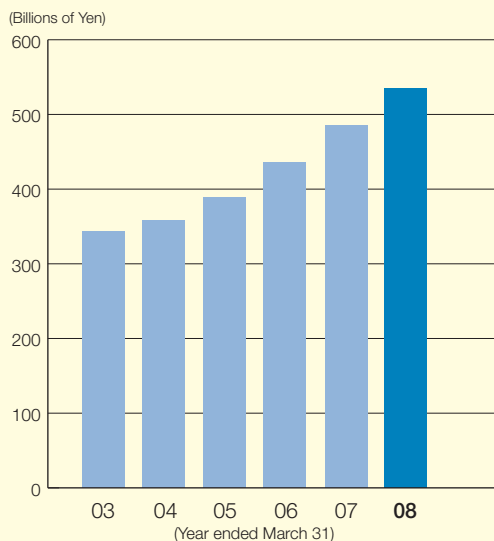
The new product makes it possible to generate reverse vibration simultaneously in both the align/supply chute and the return chute using a single linear feeder unit and controller. This allows it to circulate electronic component chips within each chute and supply the aligned electronic component chips to the following device.

This technology achieves a space savings of approximately two-thirds compared to conventional supply equipment, which combined a bowl feeder and linear feeder. In addition, through adjustment of the alignment and supply chutes, we achieved an improvement in work alignment efficiency, and output capacity increased by a factor of 1.2. Moreover, the structure is simple and the alignment and supply chutes are easy to replace and maintain, making it ideal for low-volume production of multiple product types.

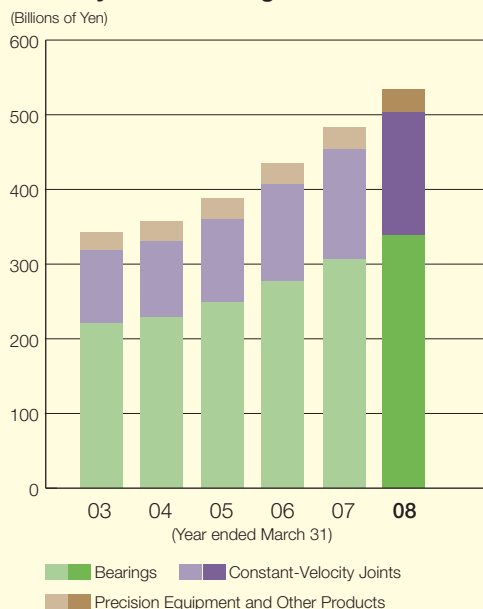


Monodrive two-way feeder for chip capacitors

## Net Sales



## Sales by Business Segment



## Scope of Consolidation

The scope of consolidation as of March 31, 2008, consisted of NTN Corporation and 39 consolidated subsidiaries (12 domestic and 27 overseas subsidiaries). A total of 10 affiliates (all overseas affiliates) were accounted for by the equity method. The following changes to the scope of consolidation and application of the equity method were made during the fiscal year under review.

- ◆ Consolidation  
(no additions)
- ◆ Equity method affiliation  
(2 companies added)  
Seohan-NTN Driveshaft USA CORP.  
Nanjing Puzhen NTN Railway Bearing Co., Ltd.

## Sales and Earnings

### Sales Performance

Consolidated net sales for the fiscal year ended March 31, 2008, amounted to ¥533,985 million, an increase of ¥50,167 million (10.4%) from the previous fiscal year. Excluding the ¥8,144 million increase from currency exchange, the actual increase in net sales was ¥42,023 million. Overseas sales totaled ¥313,851 million, an increase of ¥36,958 million (13.3%) year on year. Overseas sales accounted for 58.7% of net sales overall (the Americas 25.4%;

Europe 17.5%; and Asia and other areas 15.8%), an increase of 1.5 percentage points from the previous fiscal year.

### Sales by Business Segment

#### Bearings

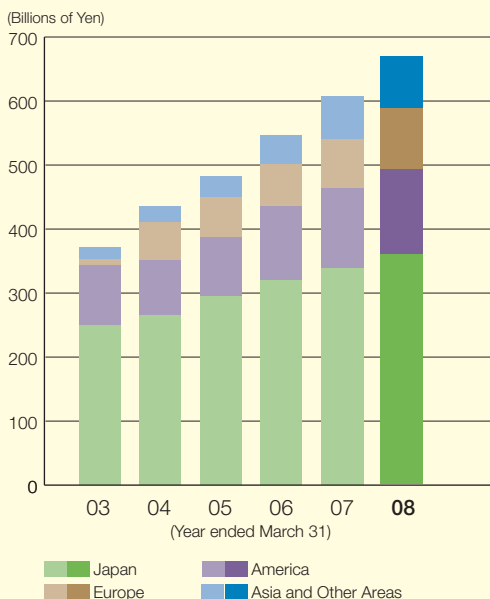
In applications for general industrial machinery, large bearings for construction machinery enjoyed strong sales in Japan, while large bearings for wind power systems sold well in Japan, the Americas and Europe. In the Asian region, sales of bearings for office equipment were strong in China, while fluid dynamic bearings for hard disk drive (HDD) motors saw significant growth in Thailand. In automotive applications, axle bearings and needle roller bearings showed solid performance in the European region and China, while sales of axle bearings were also robust in Japan, the Americas, and Asia and other regions. As a result, segment net sales for the fiscal year under review increased 10.2% from a year earlier to ¥338,452 million.

#### Constant-Velocity Joints (CVJs)

Sales of CVJs in Europe, and in Asia and other regions, were strong, boosted by the start of volume production on new projects mainly by Japanese automakers. The sale of CVJs mainly to U.S. automakers contributed to firm sales in the Americas, while in Japan steady performance was backed by exports and the start of volume production for compact cars and other new projects. As a result, segment net sales for the fiscal year under review increased 11.9% from a year earlier to ¥165,072 million.



## Net Sales by Region



### Precision equipment and other products

Although plasma display panel (PDP) defect repair equipment and LCD repair equipment posted weak sales, sales of clutch unit products and parts feeders were healthy. As a result, segment net sales for the fiscal year under review increased 4.7% from a year earlier to ¥30,461 million.

### Sales by Region

#### Japan

Sales were solid for automotive applications including CVJs and axle bearings. Large bearings for general industrial machinery and wind power systems showed healthy performance. As a result, regional net sales for the fiscal year under review increased 6.7% from a year earlier to ¥362,344 million.

#### Americas

Sales for automotive applications such as CVJs and axle bearings posted growth. In general industrial machinery applications, performance was strong for bearings for agricultural machinery and large bearings for wind power systems. As a result, regional net sales for the fiscal year under review increased 3.7% from a year earlier to ¥132,440 million.

#### Europe

In automotive applications, CVJs, axle bearings and needle roller bearings exhibited solid performance. In general industrial

machinery applications, sales of large bearings, mainly for wind power systems, were strong, and shipments to distributors increased. As a result, regional net sales for the fiscal year under review increased 21.3% from a year earlier to ¥94,601 million.

#### Asia and other areas

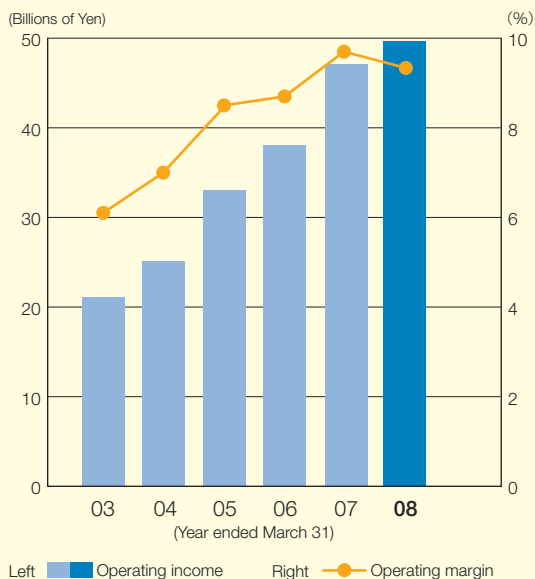
In China, sales of bearings for office equipment and axle bearings and needle roller bearings for automotive applications were healthy, and shipments to distributors increased. In Thailand, a significant increase in sales was posted for fluid dynamic bearings, while axle bearings and CVJs performed strongly. As a result, regional net sales for the fiscal year under review increased 30.4% from a year earlier to ¥81,222 million.

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

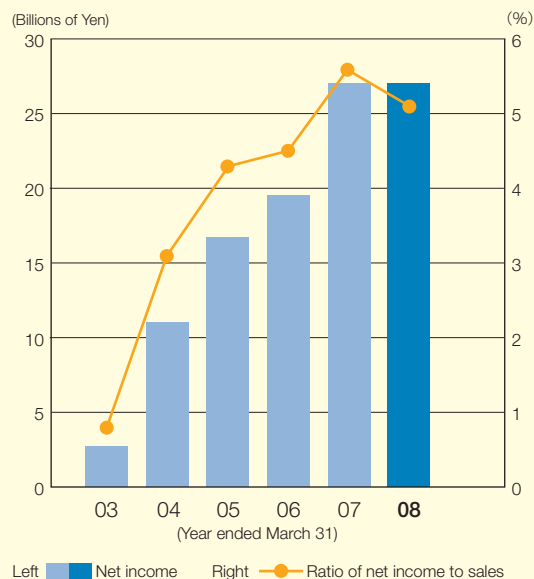
Cost of sales amounted to ¥421,990 million, with the percentage of cost to overall sales rising 0.8 of a percentage point to 79.0%. This was mainly due to a decline in sales prices and steeply rising raw materials prices.

Selling, general and administrative (SG&A) expenses amounted to ¥62,383 million, with the percentage of cost to overall sales falling 0.4 of a percentage point to 11.7%.

## Operating Income/Operating Margin



## Net Income/Ratio of Net Income to Sales



### • Earnings

Operating income amounted to ¥49,612 million, an increase of ¥2,819 million (6.0%) compared with the previous fiscal year. The operating margin declined 0.4 of a percentage point to 9.3% following an increase in the percentage of cost of sales to net sales.

Other expenses amounted to a net expense of ¥5,299 million. Major contributors to other income included ¥989 million in interest and dividend income, ¥1,523 million in equity in earnings of affiliates, and ¥4,073 million in gain on contribution of securities to employees' retirement benefit trust, which were offset by ¥5,761 million in interest expense, ¥1,700 million in provision of reserve for product defect compensation, ¥762 million in payment of customs duties for prior periods, and ¥530 million in reorganization expenses.

As a result, the Company reported income before income taxes and minority interests of ¥44,313 million, down ¥857 million from the previous year, with consolidated net income of ¥27,431 million, up ¥417 million. Net income per share was ¥58.43 for the fiscal year under review.

The year-end dividend for the fiscal year under review was ¥1 per share higher than the interim dividend, totaling ¥10 per share (including a dividend of ¥1 per share commemorating the acquisition of SNR). The dividend for the full fiscal year amounted to ¥19 per share.

### ■ R&D and Capital Expenditures

#### • R&D Costs

NTN concentrated business resources in R&D for strategic products (such as CV joints, axle bearings, needle roller bearings, clutches, and precision bearings) and bearings for industrial machinery such as wind power systems, rolling stock and machine tools, in order to achieve the targets set in the new medium-term business plan "Growth through Creativity and Achievements 21." As a result, R&D costs for the fiscal year under review totaled ¥15,006 million (up ¥785 million from the previous fiscal year), representing 2.8% of consolidated net sales.

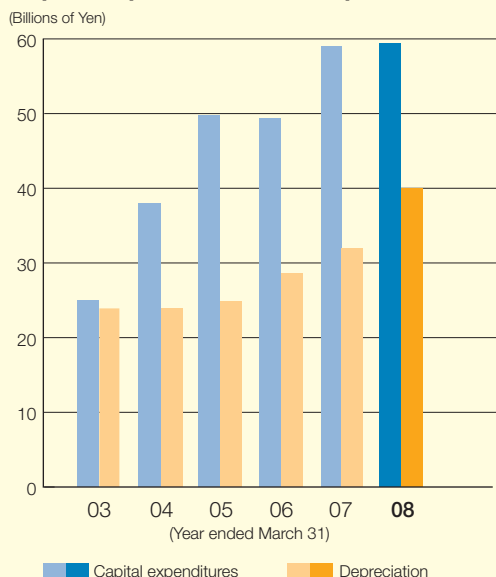
By segment, R&D costs for bearings were ¥9,085 million (up ¥534 million year on year); CVJ costs were ¥5,040 million (up ¥147 million); and precision equipment and other products came to ¥880 million (up ¥105 million).

#### • Capital Expenditures

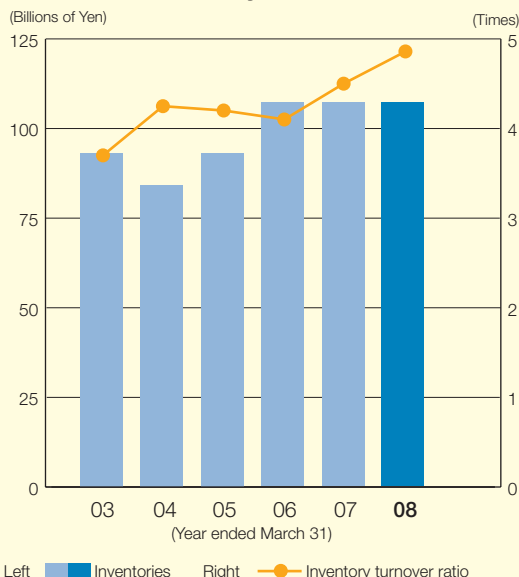
Capital expenditures for the fiscal year under review amounted to ¥59,504 million (up ¥157 million from the previous fiscal year). The main focus of expenditures was on increasing production capacity, labor savings and rationalization, maintenance and upgrading of existing facilities, improving safety, and R&D for new products.

In the bearings segment, capital expenditures totaled ¥43,273 million (up ¥4,097 million from the previous fiscal year). Expenditures included increases in production equipment and expansion of facilities at NTN Mie Corporation and the Company's

## Capital Expenditures and Depreciation



## Inventories/Inventory Turnover Ratio



Kuwana Works, and increases in production equipment at the Company's Okayama Works and AMERICAN NTN BEARING MFG. Corporation.

In the CVJ segment, capital expenditures totaled ¥15,711 million (down ¥3,863 million from the previous fiscal year). Expenditures included increases in production equipment at NTN Driveshaft Inc. and NTN Fukuroi Corporation.

In the precision equipment and other products segment, capital expenditures totaled ¥520 million (down ¥75 million from the previous fiscal year).

All expenditures were funded from internal funds and short-term loans. Depreciation for the fiscal year under review amounted to ¥39,547 million (up ¥6,854 million from the previous fiscal year).

## Financial Position and Cash Flows

### Financial Position

Total current assets at the fiscal year-end amounted to ¥281,136 million, an increase of ¥1,088 million, or 0.4%, from the end of the previous fiscal year. Total noncurrent assets increased ¥16,432 million, or 5.0%, from the end of the previous fiscal year, to ¥348,328 million. Major factors included a ¥6,153 million increase in investment securities, an increase of ¥1,817 million in investments in unconsolidated subsidiaries and affiliates, and an increase of ¥5,961 million in property, plant and equipment, net. As a result, total assets at March 31, 2008, amounted to ¥629,464

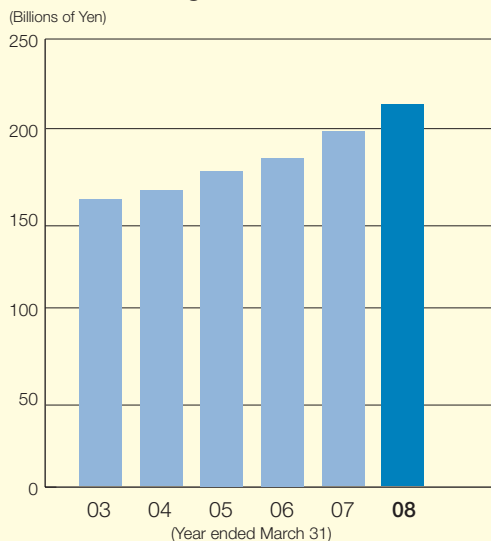
million, an increase of ¥17,520 million or 2.9% from the end of the previous fiscal year.

Current liabilities at the fiscal year-end were ¥300,309 million, an increase of ¥49,684 million, or 19.8% year on year. Major factors included a ¥34,213 million increase in the current portion of long-term debt, and a ¥10,480 million increase in notes and accounts payable-trade. Long-term liabilities declined 22.5% or ¥32,750 million from the end of the previous fiscal year, to ¥112,754 million, due primarily to a decrease in long-term debt of ¥24,543 million. As a result, total liabilities rose ¥16,934 million, or 4.3%, from the end of the previous fiscal year to ¥413,063 million.

Total net assets at the end of the fiscal year amounted to ¥216,401 million, an increase of ¥586 million, or 0.3%, from the previous fiscal year-end. The primary contributors were an ¥18,981 million increase in retained earnings, a ¥9,801 million decline in net unrealized holding gain on securities, and a decrease of ¥8,919 million in translation adjustments.

The shareholders' equity ratio was 33.3% (declining 0.9 of a percentage point year on year). Total net assets per share, based on the number of shares outstanding at the end of the fiscal year, were ¥445.98 per share (an increase of ¥0.37 per share year on year). Interest-bearing debt amounted to ¥212,874 million, an increase of ¥14,963 million, or 7.6%, from the end of the previous fiscal year. Taking into account the ¥8,623 million decrease in currency adjustments, interest-bearing debt expanded ¥23,586 million. The ratio of interest-bearing debt to total assets was 33.8%

## Interest-Bearing Debt



(up 1.5 percentage points).

Net working capital was -¥19,173 million, a decrease of ¥48,596 million from the end of the previous fiscal year. The current ratio was 93.6% (down 18.1 percentage points year on year). This is a temporary situation resulting from an increase of ¥34,213 million in the current portion of long-term debt.

The inventory turnover ratio for the fiscal year under review was 4.86 times (up 0.34 times year on year), while the turnover ratio of total assets was 0.85 (up 0.06 from the end of the previous fiscal year).

### • Cash Flows

Net cash provided by operating activities was ¥66,263 million, a year-on-year increase of ¥7,777 million, or 13.3%. This mainly reflected inflows of ¥44,313 million in income before income taxes and minority interests; ¥39,547 million in depreciation and amortization; and an ¥11,130 million increase in trade payables; partly offset by outflows of ¥15,104 million in income taxes paid; a ¥6,734 million increase in inventories; and a ¥5,933 million decrease in accrued retirement benefits for employees.

Cash used in investing activities increased ¥11,364 million, or 15.7% year on year, to ¥83,549 million. This was due mainly to outlays of ¥57,515 million for purchases of property, plant and equipment, and ¥24,254 million for purchases of investment securities.

Net cash provided by financing activities was ¥15,606 million,

a year-on-year increase of ¥4,684 million, or 42.9%. This was due mainly to a net increase of ¥23,590 million in long- and short-term loans, which offset ¥8,450 million in cash dividends paid.

Factoring in the ¥2,132 million increase due to the effect of exchange rate changes, cash and cash equivalents at the end of the fiscal year under review amounted to ¥32,536 million, an increase of ¥452 million, or 1.4%, from the end of the previous fiscal year.

Free cash flow, the difference between net cash provided by operating activities and net cash used in investing activities, amounted to -¥17,286 million. The proportion of net cash provided by operating activities to net sales was 12.4%.



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 30, 2008.

## 1) Economy

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

## 2) Foreign Exchange Fluctuations

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

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

## 3) Declines in Market Prices

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

## 4) Rise in Raw Materials Prices

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

## 5) Disasters and Accidents

Production plants and facilities of the NTN Group and its transaction counterparts are exposed to the risk of damage from

natural disasters such as earthquakes, floods, and fires. Although the NTN Group has put into place crisis management systems and stands ready to engage in measures to contain damage as much as possible, risks cannot be completely eliminated. Business performance and the financial status of the NTN Group may be affected by a natural disaster or by accidents.

## 6) Dependence on Specific Industries

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

## 7) Product Defects

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

## 8) Intellectual Property

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

## 9) Risks Associated with Global Operations

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

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

# Consolidated Balance Sheets

March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
<b>Assets</b>			
Current assets:			
Cash and cash equivalents.....	¥ 32,536	¥ 32,084	\$ 324,743
Short-term investments .....	723	2	7,216
Trade receivables:			
Notes.....	9,942	14,973	99,231
Accounts .....	95,281	99,315	951,003
Allowance for doubtful accounts .....	(142)	(130)	(1,417)
	105,081	114,158	1,048,817
Inventories (Note 4) .....	109,970	107,131	1,097,615
Deferred income taxes (Note 14) .....	8,340	9,578	83,242
Other current assets.....	24,486	17,095	244,396
Total current assets .....	281,136	280,048	2,806,029
Property, plant and equipment, at cost (Notes 2(g), 5 and 6):			
Land .....	27,123	24,337	270,716
Buildings and structures.....	142,524	141,207	1,422,537
Machinery, equipment and vehicles .....	563,865	552,472	5,627,957
Construction in progress .....	15,223	15,548	151,941
	748,735	733,564	7,473,151
Less accumulated depreciation .....	(475,333)	(466,123)	(4,744,316)
Property, plant and equipment, net.....	273,402	267,441	2,728,835
Investments and other assets:			
Investment securities (Note 3).....	31,227	25,074	311,678
Investments in unconsolidated subsidiaries and affiliates .....	22,291	20,474	222,487
Deferred income taxes (Note 14) .....	16,617	13,491	165,855
Other assets.....	4,791	5,416	47,819
Total investments and other assets.....	74,926	64,455	747,839
Total assets .....	¥ 629,464	¥ 611,944	\$ 6,282,703

See accompanying notes to the consolidated financial statements

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
<b>Liabilities and net assets</b>			
Current liabilities:			
Short-term bank loans (Note 6) .....	¥105,670	¥100,377	\$1,054,696
Current portion of long-term debt (Note 6) .....	36,857	2,644	367,871
Trade payables:			
Notes .....	13,265	11,866	132,398
Accounts .....	94,235	85,154	940,563
	107,500	97,020	1,072,961
Accrued income taxes (Note 14) .....	6,727	9,774	67,142
Deferred income taxes (Note 14) .....	742	562	7,406
Other current liabilities .....	42,813	40,248	427,319
Total current liabilities .....	300,309	250,625	2,997,395
Long-term liabilities:			
Long-term debt (Note 6) .....	70,347	94,890	702,136
Accrued retirement benefits for employees (Note 7) .....	27,668	34,375	276,155
Reserve for product defect compensation .....	1,379	701	13,764
Deferred income taxes (Note 14) .....	2,311	1,960	23,066
Other long-term liabilities .....	11,049	13,578	110,280
Total long-term liabilities .....	112,754	145,504	1,125,401
Contingent liabilities (Note 9)			
Net assets (Note 2(o)):			
Shareholders' equity (Note 8):			
Common stock:			
Authorized – 800,000,000 shares			
Issued –470,463,527 shares in 2008 and 2007 .....	42,340	42,340	422,597
Capital surplus .....	55,411	55,411	553,059
Retained earnings (Note 18) .....	125,049	106,068	1,248,119
Treasury stock, at cost: 1,059,883 shares in 2008 and 910,194 shares in 2007 .....	(723)	(569)	(7,216)
Total shareholders' equity .....	222,077	203,250	2,216,559
Valuation and translation adjustments:			
Net unrealized holding (loss) gain on securities (Note 3) .....	(1,939)	7,862	(19,353)
Translation adjustments .....	(10,794)	(1,875)	(107,735)
Total valuation and translation adjustments .....	(12,733)	5,987	(127,088)
Minority interests (Note 2(o)) .....	7,057	6,578	70,436
Total net assets .....	216,401	215,815	2,159,907
Total liabilities and net assets .....	¥629,464	¥611,944	\$6,282,703

# Consolidated Statements of Income

Years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Net sales (Note 17) .....	<b>¥533,985</b>	¥483,818	<b>\$5,329,724</b>
Cost of sales (Note 13) .....	<b>421,990</b>	378,261	<b>4,211,898</b>
Gross profit .....	<b>111,995</b>	105,557	<b>1,117,826</b>
Selling, general and administrative expenses (Note 13) .....	<b>62,383</b>	58,764	<b>622,647</b>
Operating income (Note 17) .....	<b>49,612</b>	46,793	<b>495,179</b>
Other income (expenses):			
Interest and dividend income .....	<b>989</b>	822	<b>9,871</b>
Interest expense .....	<b>(5,761)</b>	(5,462)	<b>(57,501)</b>
Equity in earnings of affiliates .....	<b>1,523</b>	484	<b>15,201</b>
Gain on amendment of pension plans (Note 2(h)) .....	<b>-</b>	2,851	<b>-</b>
(Loss) gain on sales of investment securities (Note 3) .....	<b>(5)</b>	1,663	<b>(50)</b>
Gain on contribution of securities to employees' retirement benefits trust .....	<b>4,073</b>	-	<b>40,653</b>
Provision of reserve for product defect compensation (Note 2(i)) .....	<b>(1,700)</b>	-	<b>(16,968)</b>
Payments of customs duties for prior periods .....	<b>(762)</b>	-	<b>(7,605)</b>
Reorganization expenses .....	<b>(530)</b>	(318)	<b>(5,290)</b>
Loss on impairment of fixed assets (Notes 2(g) and 5) .....	<b>-</b>	(1,220)	<b>-</b>
Other, net .....	<b>(3,126)</b>	(443)	<b>(31,200)</b>
	<b>(5,299)</b>	(1,623)	<b>(52,889)</b>
Income before income taxes and minority interests .....	<b>44,313</b>	45,170	<b>442,290</b>
Income taxes (Note 14):			
Current .....	<b>12,259</b>	11,901	<b>122,358</b>
Deferred .....	<b>4,210</b>	6,073	<b>42,020</b>
	<b>16,469</b>	17,974	<b>164,378</b>
Income before minority interests .....	<b>27,844</b>	27,196	<b>277,912</b>
Minority interests in subsidiaries .....	<b>(413)</b>	(182)	<b>(4,122)</b>
Net income .....	<b>¥ 27,431</b>	¥ 27,014	<b>\$ 273,790</b>

See accompanying notes to the consolidated financial statements



# Consolidated Statements of Changes in Net Assets

Years ended March 31, 2008 and 2007

	Millions of yen								
	Number of shares in issue	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding (loss) gain on securities	Translation adjustments	Minority interests	Total net assets
Balance at March 31, 2006 .....	463,056,775	¥39,599	¥52,639	¥ 86,932	¥(586)	¥10,740	¥ (6,077)	¥ -	¥183,247
Reclassified balance at March 31, 2007 (Note 2(o))....	-	-	-	-	-	-	-	5,330	5,330
Issuance of new stock due to conversion of convertible bonds.....	7,406,752	2,741	2,741	-	-	-	-	-	5,482
Cash dividends paid .....	-	-	-	(6,007)	-	-	-	-	(6,007)
Bonuses to directors and corporate auditors .....	-	-	-	(178)	-	-	-	-	(178)
Net income.....	-	-	-	27,014	-	-	-	-	27,014
Gain on sales of treasury stock..	-	-	31	-	-	-	-	-	31
Purchases of treasury stock .....	-	-	-	-	(250)	-	-	-	(250)
Sales of treasury stock .....	-	-	-	-	267	-	-	-	267
Adjustments relating to post-retirement benefits at overseas consolidated subsidiaries .....	-	-	-	(1,693)	-	-	-	-	(1,693)
Other changes.....	-	-	-	-	-	(2,878)	4,202	1,248	2,572
Balance at March 31, 2007 .....	470,463,527	42,340	55,411	106,068	(569)	7,862	(1,875)	6,578	215,815
Cash dividends paid .....	-	-	-	(8,450)	-	-	-	-	(8,450)
Net income.....	-	-	-	27,431	-	-	-	-	27,431
Purchases of treasury stock .....	-	-	-	-	(171)	-	-	-	(171)
Sales of treasury stock .....	-	-	-	-	17	-	-	-	17
Other changes.....	-	-	-	-	-	(9,801)	(8,919)	479	(18,241)
Balance at March 31, 2008 .....	470,463,527	¥42,340	¥55,411	¥125,049	¥(723)	¥(1,939)	¥(10,794)	¥7,057	¥216,401

	Thousands of U.S. dollars (Note 1)								
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding (loss) gain on securities	Translation adjustments	Minority interests	Total net assets	
Balance at March 31, 2007 .....	\$422,597	\$553,059	\$1,058,669	\$(5,679)	\$78,471	\$ (18,714)	\$65,655	\$2,154,058	
Cash dividends paid .....	-	-	(84,340)	-	-	-	-	(84,340)	
Net income.....	-	-	273,790	-	-	-	-	273,790	
Purchases of treasury stock .....	-	-	-	(1,707)	-	-	-	(1,707)	
Sales of treasury stock .....	-	-	-	170	-	-	-	170	
Other changes .....	-	-	-	-	(97,824)	(89,021)	4,781	(182,064)	
Balance at March 31, 2008 .....	\$422,597	\$553,059	\$1,248,119	\$(7,216)	\$(19,353)	\$(107,735)	\$70,436	\$2,159,907	

# Consolidated Statements of Cash Flows

Years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests.....	¥ 44,313	¥ 45,170	\$ 442,290
Adjustments for:			
Depreciation and amortization .....	39,547	32,694	394,720
Amortization of goodwill .....	0	2	0
Decrease in allowance for doubtful accounts .....	(50)	(190)	(499)
(Decrease) increase in accrued retirement benefits for directors.....	(9)	199	(90)
Decrease in accrued retirement benefits for employees .....	(5,993)	(14,215)	(59,816)
Increase (decrease) in reserve for product defect compensation.....	678	(1,353)	6,767
(Decrease) increase in other current and long-term liabilities resulting from amendment of pension plans ....	(2,287)	11,641	(22,827)
Interest and dividend income.....	(989)	(822)	(9,871)
Interest expense.....	5,761	5,462	57,501
Translation adjustments and foreign exchange (gain) loss, net .....	(967)	219	(9,652)
Equity in earnings of affiliates .....	(1,523)	(484)	(15,201)
Gain on contribution of securities to employees' retirement benefits trust .....	(4,073)	-	(40,653)
Contribution to employees' retirement benefits trust .....	5,626	-	56,152
Decrease (increase) in trade receivables .....	2,702	(12,382)	26,969
(Increase) decrease in inventories .....	(6,734)	1,427	(67,212)
Increase in trade payables.....	11,130	7,847	111,089
Payments of bonuses to directors and corporate auditors.....	-	(180)	-
Other.....	(1,833)	(1,901)	(18,295)
Subtotal.....	85,299	73,134	851,372
Interest and dividend income received .....	1,817	1,530	18,136
Interest paid .....	(5,749)	(5,044)	(57,381)
Income taxes paid .....	(15,104)	(11,134)	(150,754)
Net cash provided by operating activities.....	¥ 66,263	¥ 58,486	\$ 661,373
<b>Cash flows from investing activities:</b>			
(Increase) decrease in short-term investments .....	¥ (820)	¥ 561	\$ (8,184)
Purchases of property, plant and equipment.....	(57,515)	(58,099)	(574,059)
Purchases of other assets .....	(659)	(510)	(6,578)
Proceeds from sales of property, plant and equipment.....	131	447	1,308
Purchases of investment securities .....	(24,254)	(7,863)	(242,080)
Proceeds from sales of investment securities .....	73	3,302	729
Increase in investments in affiliates accounted for by the equity method .....	(702)	(10,487)	(7,007)
Other .....	197	464	1,965
Net cash used in investing activities.....	(83,549)	(72,185)	(833,906)
<b>Cash flows from financing activities:</b>			
Increase in short-term bank loans, net.....	11,863	6,404	118,405
Proceeds from long-term debt.....	17,218	22,103	171,853
Repayment of long-term debt, including current portion .....	(5,491)	(12,407)	(54,806)
Proceeds from issuance of common stock assigned to minority shareholders of consolidated subsidiaries .....	916	865	9,143
Cash dividends paid .....	(8,450)	(6,007)	(84,340)
Other .....	(450)	(36)	(4,491)
Net cash provided by financing activities.....	15,606	10,922	155,764
Effect of exchange rate changes on cash and cash equivalents.....	2,132	(1,030)	21,280
Net increase (decrease) in cash and cash equivalents.....	452	(3,807)	4,511
Cash and cash equivalents at beginning of the year.....	32,084	35,891	320,232
Cash and cash equivalents at end of the year.....	¥ 32,536	¥ 32,084	\$ 324,743

See accompanying notes to the consolidated financial statements

# Notes to the Consolidated Financial Statements

March 31, 2008

## 1. Basis of Preparation

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

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

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at ¥100.19 = U.S.\$1.00, the exchange rate prevailing on March 31, 2008. This translation should not be construed as a representation that yen can be converted into U.S. dollars at the above or any other rate.

## 2. Summary of Significant Accounting Policies

### (a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and the significant companies which it controls directly or indirectly. Companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the accompanying consolidated financial statements on an equity basis. The assets and liabilities of the initially 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 net assets at the respective dates of acquisition of the consolidated subsidiaries and companies accounted for by the equity method, which were incurred during the years ended March 31, 2008 and 2007, were charged to income for the respective years.

### (b) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date.

Revenues and expenses are translated at the rates of exchange prevailing when the transactions were made.

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

### (c) Cash and cash equivalents

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

### (d) Allowance for doubtful accounts

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

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

The accounting standard for financial instruments requires that securities be classified into three categories: trading, held-to-maturity or other securities. Trading securities are carried at fair value and held-to-maturity debt securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Cost of securities sold is determined by the moving average method. Non-marketable securities classified as other securities are carried at cost based on the moving average method.

### (f) Inventories

Inventories are principally stated at 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

Effective April 1, 2007, the Company and its domestic consolidated subsidiaries have adopted a new method of depreciation for property, plant and equipment acquired on or after April 1, 2007 based on the revised Corporation Tax Law. The effect of the adoption of this method was to decrease

operating income and income before income taxes and minority interests by ¥811 million (\$8,095 thousand) from the corresponding amounts which would have been recorded under the previous method.

Pursuant to the revision of the Corporation Tax Law, effective April 1, 2007, the Company and its domestic consolidated subsidiaries have adopted a method which depreciates the residual book value of property, plant and equipment acquired on or before March 31, 2007 that have been fully depreciated to their respective limits as prescribed in the Corporation Tax Law prior to the revision. Under this method, the residual book value of these assets is depreciated in equal amounts over a five-year period. The effect of the adoption of this method was to decrease operating income and income before income taxes and minority interests by ¥1,274 million (\$12,716 thousand) from the corresponding amounts which would have been recorded under the previous method.

#### **(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 (defined benefit pension plans) to a defined contribution pension plan and a retirement allowance prepayment plan. As a result of this transfer, a gain on amendment of pension plans of ¥2,851 million was recognized as a component of other income in the accompanying consolidated statement of income for the year ended March 31, 2007

#### **(i) Reserve for product defect compensation**

In prior years, the Company encountered serious problems involving significant deficiencies in the quality of certain of its products. As a result, 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 ¥1,700 million (\$16,968 thousand) for the year ended March 31, 2008, which is presented as a component of other expenses in the accompanying consolidated statement of income for the year ended March 31, 2008.

#### **(j) Leases**

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

#### **(k) 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 respective estimated useful lives, generally a 5-year period.

#### **(l) Deferred Income taxes**

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

#### **(m) Derivative financial instruments and hedging activities**

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

#### **(n) Distribution of retained earnings**

Under the Corporation Law of Japan, the distribution of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting held subsequent to the close of the financial period. The accounts for the period do not reflect such distributions. (Refer to Note 18(1).)

#### **(o) Accounting standard for presentation of net assets in the balance sheet**

Effective April 1, 2006, the Company and its domestic consolidated subsidiaries adopted an accounting standard for the presentation of net assets in the balance sheet entitled "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board of Japan Statement No. 5 issued on December 9, 2005) and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board of Japan Guidance No. 8 issued on December 9, 2005). Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of net assets. Such items include minority interests.

Total shareholders' equity under the previous method of presentation amounted to ¥209,237 million at March 31, 2007.

#### **(p) Accounting standard for bonuses to directors and corporate auditors**

Effective April 1, 2006, the Company and its consolidated subsidiaries adopted an accounting standard for bonuses to directors and corporate auditors entitled "Accounting Standard for Directors' Bonus" (Accounting Standards Board of Japan Statement No. 4 issued on November 29, 2005).

The effect of the adoption of this standard was to decrease operating income and income before income taxes and minority interests by ¥199 million for the year ended March 31, 2007 from the corresponding amounts which would have been recorded under the previous method.



### 3. Securities

(a) Information regarding marketable securities classified as other securities at March 31, 2008 and 2007 is summarized as follows:

	Millions of yen					
	2008			2007		
	Acquisition costs	Carrying value	Unrealized gain (loss)	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:						
Equity securities.....	¥ 2,542	¥ 6,847	¥ 4,305	¥8,806	¥21,925	¥13,119
Subtotal.....	2,542	6,847	4,305	8,806	21,925	13,119
Securities whose carrying value does not exceed their acquisition costs:						
Equity securities.....	28,814	21,294	(7,520)	102	99	(3)
Other.....	42	26	(16)	42	29	(13)
Subtotal.....	28,856	21,320	(7,536)	144	128	(16)
Total.....	¥31,398	¥28,167	¥(3,231)	¥8,950	¥22,053	¥13,103

	Thousands of U.S. dollars		
	2008		
	Acquisition costs	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities.....	\$ 25,372	\$ 68,340	\$ 42,968
Subtotal.....	25,372	68,340	42,968
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities.....	287,593	212,536	(75,057)
Other.....	420	260	(160)
Subtotal.....	288,013	212,796	(75,217)
Total.....	\$313,385	\$281,136	\$(32,249)

(b) The carrying value of non-marketable securities classified as other securities at March 31, 2008 and 2007 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Investment securities:			
Unlisted equity securities.....	¥ 542	¥ 503	\$ 5,410
Unlisted foreign bonds.....	2,516	2,516	25,112
	¥3,058	¥3,019	\$30,522

(c) Sales of investments in securities for the years ended March 31, 2008 and 2007 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Sales.....	¥73	¥3,302	\$729
Aggregate (loss) gain.....	(5)	1,663	(50)

### 4. Inventories

Inventories at March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Finished goods.....	¥ 57,621	¥ 55,781	\$ 575,117
Work in process and raw materials.....	52,349	51,350	522,498
	¥109,970	¥107,131	\$1,097,615

## 5. Impairment of Fixed Assets

The Company and its consolidated subsidiaries group fixed assets used for manufacturing by management segment into minimum units which generate identifiable cash flows (e.g., a factory.) They also group fixed assets used at the head office or used for sales activities as shared assets. Consequently, the Company and its consolidated subsidiaries have written down the following assets to their respective net recoverable value and recorded a related loss on impairment of fixed assets of ¥1,220 million in the accompanying consolidated statement of income for the year ended March 31, 2007

	Millions of yen
	2007
Assets to be sold or disposed of:	
Idle land located in Wakayama Prefecture:	
Land .....	¥ 661
Production equipment located in Hyogo Prefecture and other locations:	
Machinery and equipment.....	559
	<u>¥1,220</u>

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

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

Short-term bank loans principally represent short-term notes with average annual interest rates of 2.80% and 4.40% at March 31, 2008 and 2007, respectively.

Long-term debt at March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Loans from banks and other financial institutions, due through 2014, at an average annual interest rate of 3.0% .....	¥ 42,685	¥33,015	\$ 426,041
0.48% unsecured bonds due 2008 .....	10,000	10,000	99,810
2.70% unsecured bonds due 2009 .....	10,000	10,000	99,810
0.76% unsecured bonds due 2010 .....	20,000	20,000	199,621
Zero coupon unsecured convertible bonds with stock acquisition rights due 2009 .....	24,519	24,519	244,725
	<u>107,204</u>	<u>97,534</u>	<u>1,070,007</u>
Less current portion.....	(36,857)	(2,644)	(367,871)
	<u>¥ 70,347</u>	<u>¥94,890</u>	<u>\$ 702,136</u>

The above zero coupon unsecured convertible bonds were convertible at any time up to and including March 4, 2009 into shares of common stock of the Company at a conversion price of ¥740 (\$7.39) per share at March 31, 2008.

Assets pledged as collateral for short-term bank loans of ¥105 million (\$1,048 thousand) and ¥1,351 million at March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Land.....	¥298	¥ 555	\$2,974
Buildings and structures .....	377	713	3,763
	<u>¥675</u>	<u>¥1,268</u>	<u>\$6,737</u>

The aggregate annual maturities of long-term debt subsequent to March 31, 2008 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2009.....	¥ 36,857	\$ 367,871
2010.....	12,091	120,681
2011.....	24,905	248,578
2012.....	13,261	132,358
2013.....	9,975	99,561
2014.....	10,115	100,958
	<u>¥107,204</u>	<u>\$1,070,007</u>

## 7. Accrued Retirement Benefits for Employees

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

The following table sets forth the funded and accrued status and the amounts recognized in the accompanying consolidated balance sheets at March 31, 2008 and 2007 for the Company's and the consolidated subsidiaries' defined benefit pension plans:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Retirement benefit obligation .....	¥(101,485)	¥(100,590)	\$(1,012,925)
Plan assets at fair value .....	62,946	64,431	628,266
Unfunded retirement benefit obligation .....	(38,539)	(36,159)	(384,659)
Unrecognized actuarial loss .....	12,228	3,186	122,048
Unrecognized prior service cost.....	(1,300)	(1,392)	(12,975)
Net retirement benefit obligation .....	(27,611)	(34,365)	(275,586)
Prepaid pension cost.....	57	10	569
Accrued retirement benefits for employees .....	¥ (27,668)	¥ (34,375)	\$ (276,155)

The components of retirement benefit expenses for the years ended March 31, 2008 and 2007 are outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Service cost.....	¥3,152	¥3,079	\$31,460
Interest cost .....	3,154	3,082	31,480
Expected return on plan assets .....	(1,934)	(1,828)	(19,303)
Amortization:			
Actuarial loss .....	569	480	5,679
Prior service cost .....	(117)	(116)	(1,167)
Retirement benefit expenses .....	4,824	4,697	48,149
Gain on amendment of pension plans .....	–	(2,851)	–
Contributions to defined contribution pension plans.....	809	744	8,074
Retirement benefit expenses.....	¥5,633	¥2,590	\$56,223

The assumptions used in accounting for the defined benefit pension plans for the years ended March 31, 2008 and 2007 are a discount rate principally of 2.6% and an expected rate of return on plan assets principally of 2.5%.

## 8. Shareholders' Equity

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

Retained earnings include the legal reserve provided in accordance with the provisions of the Law. The legal reserve of the Company included in retained earnings amounted to ¥8,639 million (\$86,226 thousand) at March 31, 2008 and 2007.

(b) Movements in issued treasury stock during the years ended March 31, 2008 and 2007 are summarized as follows:

	Number of shares (Thousands)			
	2008			
	March 31, 2007	Increase	Decrease	March 31, 2008
Treasury stock .....	910	169	20	1,059
	Number of shares (Thousands)			
	2007			
	March 31, 2006	Increase	Decrease	March 31, 2007
Treasury stock .....	1,157	257	504	910

## 9. Contingent Liabilities

The contingent liabilities of the Company and its consolidated subsidiaries at March 31, 2008 were as follows:

	Millions of yen	Thousands of U.S. dollars
Trade notes receivable discounted with banks .....	¥110	\$1,098
Keep-well agreement with an affiliate .....	165	1,647
Guarantee of loans made by an affiliate .....	75	749
	¥350	\$3,494

## 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, 2008 and 2007, which would have been reflected in the accompanying consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	Millions of yen					
	2008			2007		
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Buildings and structures .....	¥2,647	¥1,912	¥735	¥2,652	¥1,797	¥ 855
Machinery, equipment and vehicles .....	379	190	189	421	260	161
Other assets .....	34	23	11	49	28	21
	<b>¥3,060</b>	<b>¥2,125</b>	<b>¥935</b>	<b>¥3,122</b>	<b>¥2,085</b>	<b>¥1,037</b>

	Thousands of U.S. dollars		
	2008		
	Acquisition costs	Accumulated depreciation	Net book value
Buildings and structures .....	\$26,420	\$19,084	\$7,336
Machinery, equipment and vehicles .....	3,782	1,896	1,886
Other assets .....	340	230	110
	<b>\$30,542</b>	<b>\$21,210</b>	<b>\$9,332</b>

Lease payments relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥205 million (\$2,046 thousand) and ¥195 million for the years ended March 31, 2008 and 2007, respectively. Depreciation of the leased assets computed by the straight-line method over the respective lease terms amounted to ¥205 million (\$2,046 thousand) and ¥195 million for the years ended March 31, 2008 and 2007, respectively.

Future minimum lease payments subsequent to March 31, 2008 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2009.....	¥189	\$1,886
2010 and thereafter .....	746	7,446
Total.....	<b>¥935</b>	<b>\$9,332</b>

The acquisition costs and future minimum lease payments under finance leases presented in the above tables include the imputed interest expense.

No loss on impairment was allocated to any leased assets for the year ended March 31, 2008 and 2007.

### (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, 2008 and 2007:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Machinery, equipment and vehicles:			
Acquisition costs .....	¥ 25	¥ 69	\$ 250
Accumulated depreciation .....	(24)	(65)	(240)
Net book value	<b>¥ 1</b>	<b>¥ 4</b>	<b>\$ 10</b>

Lease income relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥1 million (\$10 thousand) and ¥3 million for the years ended March 31, 2008 and 2007, respectively. Depreciation of the assets leased under finance leases accounted for as operating leases amounted to ¥0 million (\$0 thousand) and ¥1 million for the years ended March 31, 2008 and 2007, respectively.

Future minimum lease receipts subsequent to March 31, 2008 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2009.....	¥0	\$0

The imputed interest income is included in the above amounts.

## 11. Operating Leases

Future minimum lease payments subsequent to March 31, 2008 for noncancelable operating leases were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2009.....	¥ 230	\$ 2,296
2010 and thereafter .....	1,659	16,558
Total.....	<b>¥1,889</b>	<b>\$18,854</b>



## 12. Derivative Financial Instruments

The Company and certain consolidated subsidiaries utilize forward foreign exchange contracts and interest-rate swap agreement principally to reduce foreign exchange rate risk and interest 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 and interest-rate swap agreement. However, they do not anticipate nonperformance by any of the counter parties, all of which are financial institutions with high credit ratings.

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 Financial HQ. and certain consolidated subsidiaries. The Company carries out mutual supervision and monitoring of the derivative transactions in accordance with management policies and its consolidated subsidiaries apply the same approach. Each derivative transaction of the Company is reported to the director responsible when entered into. The consolidated subsidiaries are required to report the status of their open 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 derivatives 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 ¥15,006 million (\$149,775 thousand) and ¥14,221 million for the years ended March 31, 2008 and 2007, 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 a statutory tax rate of 40.0% for the years ended March 31, 2008 and 2007. Overseas subsidiaries are subject to the income taxes of the respective countries in which they operate.

The effective tax rates for the years ended March 31, 2008 and 2007 differ from the Company's statutory tax rate for the following reasons:

	2008	2007
Statutory tax rate.....	40.0%	40.0%
Permanent non-deductible expenses .....	0.2	0.2
Permanent non-taxable income .....	(1.5)	(1.4)
Elimination of dividend income .....	5.1	4.6
Equity in earnings of affiliates .....	(1.4)	(0.4)
Tax credit for research and development costs .....	(1.9)	(1.9)
Differences in overseas consolidated subsidiaries' applicable tax rates .....	(5.7)	(4.5)
Change in valuation allowance .....	1.1	1.4
Other .....	1.3	1.8
Effective tax rates .....	<b>37.2%</b>	<b>39.8%</b>

The tax effects of temporary differences which gave rise to significant portions of the deferred tax assets and liabilities at March 31, 2008 and 2007 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Deferred tax assets:			
Accrued retirement benefits for employees .....	¥ 12,601	¥ 14,399	\$125,771
Inventories .....	2,538	3,962	25,332
Tax loss carryforwards .....	2,574	2,284	25,691
Reserve for product defect compensation .....	552	280	5,510
Accrued expenses .....	3,517	3,715	35,103
Loss on devaluation of investment securities .....	-	323	-
Unrealized holding loss on securities.....	1,300	-	12,975
Accrued expenses for a defined contribution pension plan.....	3,741	4,659	37,339
Other .....	2,441	3,083	24,364
Gross deferred tax assets .....	29,264	32,705	292,085
Less: valuation allowance .....	(1,473)	(965)	(14,702)
Total deferred tax assets .....	27,791	31,740	277,383
Deferred tax liabilities:			
Depreciation and amortization.....	(4,587)	(4,924)	(45,783)
Unrealized holding gain on securities .....	-	(5,245)	-
Reserve for deferred gain on property included in retained earnings .....	(408)	(407)	(4,072)
Retained earnings of overseas consolidated subsidiaries .....	(715)	(527)	(7,136)
Other .....	(177)	(90)	(1,767)
Total deferred tax liabilities.....	(5,887)	(11,193)	(58,758)
Net deferred tax assets .....	¥ 21,904	¥ 20,547	\$218,625

## 15. Amounts per Share

Amounts per share at March 31, 2008 and 2007 and for the years then ended were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Net assets .....	¥445.98	¥445.61	\$4.45
Net income:			
Basic .....	58.43	58.34	0.58
Diluted .....	54.59	53.74	0.54
Cash dividends .....	19.00	16.00	0.18

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

Basic net income 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. 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 and the exercise of stock acquisition rights.

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. Supplementary Cash Flow Information

Significant non-cash transactions for the year ended March 31, 2007 are summarized as follows:

	Millions of yen
	2007
Increase in common stock resulting from exercise of stock acquisition rights .....	¥2,741
Increase in capital surplus resulting from exercise of stock acquisition rights .....	2,741
Decrease in convertible bonds with stock acquisition rights resulting from exercise of stock acquisition rights .....	¥5,482

## 17. Segment Information

The Company and its consolidated subsidiaries are primarily engaged in the manufacture and sale of bearings, constant-velocity joints and precision equipment. As more than 90% of the consolidated net sales and operating income for the years ended March 31, 2008 and 2007 were made in the machinery and equipment parts segment, the disclosure of business segment information has been omitted.

### (1) Geographic segment information

Segment information by geographic area for the years ended March 31, 2008 and 2007 is summarized as follows:

	Millions of yen						
	2008						
	Japan	America	Europe	Asia and other areas	Total	Eliminations or corporate	Consolidated
External sales .....	¥236,916	¥131,503	¥94,181	¥71,385	¥533,985	¥ -	¥533,985
Intersegment sales .....	125,428	937	420	9,837	136,622	(136,622)	-
Net sales .....	362,344	132,440	94,601	81,222	670,607	(136,622)	533,985
Operating expenses .....	336,218	126,640	87,727	74,090	624,675	(140,302)	484,373
Operating income .....	¥ 26,126	¥ 5,800	¥ 6,874	¥ 7,132	¥ 45,932	¥ 3,680	¥ 49,612
Total assets .....	¥456,878	¥113,150	¥66,279	¥74,904	¥711,211	¥ (81,747)	¥629,464

	Millions of yen						
	2007						
	Japan	North America	Europe	Asia and other areas	Total	Eliminations or corporate	Consolidated
External sales .....	¥223,653	¥123,263	¥77,681	¥59,221	¥483,818	¥ -	¥483,818
Intersegment sales .....	115,992	991	288	6,667	123,938	(123,938)	-
Net sales .....	339,645	124,254	77,969	65,888	607,756	(123,938)	483,818
Operating expenses .....	311,366	119,723	73,651	59,438	564,178	(127,153)	437,025
Operating income .....	¥ 28,279	¥ 4,531	¥ 4,318	¥ 6,450	¥ 43,578	¥ 3,215	¥ 46,793
Total assets .....	¥414,231	¥123,690	¥67,049	¥82,030	¥687,000	¥ (75,056)	¥611,944

Thousands of U.S. dollars

	2008						
	Japan	America	Europe	Asia and other areas	Total	Eliminations or corporate	Consolidated
External sales .....	\$2,364,667	\$1,312,536	\$940,024	\$712,497	\$5,329,724	\$ -	\$5,329,724
Intersegment sales .....	1,251,902	9,352	4,192	98,183	1,363,629	(1,363,629)	-
Net sales .....	3,616,569	1,321,888	944,216	810,680	6,693,353	(1,363,629)	5,329,724
Operating expenses .....	3,355,804	1,263,999	875,606	739,495	6,234,904	(1,400,359)	4,834,545
Operating income .....	\$ 260,765	\$ 57,889	\$ 68,610	\$ 71,185	\$ 458,449	\$ 36,730	\$ 495,179
Total assets .....	\$4,560,116	\$1,129,354	\$661,533	\$747,620	\$7,098,623	\$ (815,920)	\$6,282,703

Effective April 1, 2006, the Company and its consolidated subsidiaries adopted an accounting standard for directors' bonuses entitled "Accounting Standard for Directors' Bonus" (Accounting Standards Board of Japan Statement No. 4) issued on November 29, 2005).

The effect of the adoption of this standard was to increase operating expenses in the "Japan" segment for the year ended March 31, 2007 by ¥199 million and to decrease operating income by the same amount accordingly from the corresponding amounts which would have been recorded under the previous method.

Effective April 1, 2007, the Company and its domestic consolidated subsidiaries have adopted a new method of depreciation for property, plant and equipment acquired on or after April 1, 2007 based on the revised Corporation Tax Law.

The effect of the adoption of this method was to increase operating expenses in the "Japan" segment for the year ended March 31, 2008 by ¥811 million (\$8,095 thousand) and to decrease operating income by the same amount accordingly from the corresponding amounts which would have been recorded under the previous method.

Pursuant to the revision of the Corporation Tax Law, effective April 1, 2007, the Company and its domestic consolidated subsidiaries have adopted a method which depreciates the residual book value of property, plant and equipment acquired on or before March 31, 2007 that have been fully depreciated to their respective limits as prescribed in the Corporation Tax Law prior to the revision. Under this method, the residual book value of these assets is depreciated in equal amounts over a five-year period.

The effect of the adoption of this method was to increase operating expenses in the "Japan" segment for the year ended March 31, 2008 by ¥1,274 million (\$12,716 thousand) and to decrease operating income by the same amount accordingly from the corresponding amounts which would have been recorded under the previous method.

Prior to the year ended March 31, 2008, "Central and South America" was categorized as a part of the "Asia and other areas" segment. However, effective the year ended March 31, 2008, as a result of an increase in its importance to the Company's business strategy, the Company has included "Central and South America" in the "North America" segment and has renamed the segment "America." Segment information by geographic area for the year ended March 31, 2007 which would have been recorded under the revised segmentation is summarized as follows:

	Millions of yen						
	2007						
	Japan	America	Europe	Asia and other areas	Total	Eliminations or corporate	Consolidated
External sales .....	¥223,653	¥126,868	¥77,681	¥55,616	¥483,818	¥ -	¥483,818
Intersegment sales .....	115,992	800	288	6,661	123,741	(123,741)	-
Net sales .....	339,645	127,668	77,969	62,277	607,559	(123,741)	483,818
Operating expenses .....	311,366	122,553	73,651	56,412	563,982	(126,957)	437,025
Operating income .....	¥ 28,279	¥ 5,115	¥ 4,318	¥ 5,865	¥ 43,577	¥ 3,216	¥ 46,793
Total assets .....	¥414,231	¥126,642	¥67,049	¥78,999	¥686,921	¥ (74,977)	¥611,944

## (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, 2008 and 2007 are summarized as follows:

	Millions of yen			
	2008			
	America	Europe	Asia and other areas	Total
Overseas sales .....	¥135,808	¥93,624	¥84,419	¥313,851
Consolidated net sales .....				533,985
Overseas sales as a percentage of consolidated net sales .....	25.4%	17.5%	15.8%	58.7%

	Millions of yen			
	2007			
	North America	Europe	Asia and other areas	Total
Overseas sales .....	¥125,426	¥77,193	¥74,274	¥276,893
Consolidated net sales .....				483,818
Overseas sales as a percentage of consolidated net sales.....	25.9%	16.0%	15.3%	57.2%

	Thousands of U.S. dollars			
	2008			
	America	Europe	Asia and other areas	Total
Overseas sales .....	<b>\$1,355,504</b>	<b>\$934,465</b>	<b>\$842,589</b>	<b>\$3,132,558</b>
Consolidated net sales .....				<b>5,329,724</b>

Prior to the year ended March 31, 2008, "Central and South America" was categorized as a part of the "Asia and other areas" segment. However, effective the year ended March 31, 2008, as a result of an increase in its importance to the Company's business strategy, the Company has included "Central and South America" in the "North America" segment and has renamed the segment "America." Overseas sales for the year ended March 31, 2007 which would have been recorded under the revised segmentation are summarized as follows:

	Millions of yen			
	2007			
	America	Europe	Asia and other areas	Total
Overseas sales .....	¥130,526	¥77,193	¥69,174	¥276,893
Consolidated net sales .....				483,818
Overseas sales as a percentage of consolidated net sales.....	27.0%	16.0%	14.2%	57.2%

## 18. Subsequent Events

### (1) Cash dividends

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2008, was proposed by the Board of Directors for approval at a shareholders' meeting to be held on June 27, 2008:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends (¥10.0 (U.S.\$0.10) per share).....	<b>¥4,694</b>	<b>\$46,851</b>

### (2) Additional acquisition of stock of S.N.R. ROULEMENTS

On April 7, 2008, the Company has acquired 16% of the stock of S.N.R. ROULEMENTS, which had been accounted for by the equity method, to expand the Company's business in Europe. Upon possessing 51% of S.N.R. ROULEMENTS' stock in total, this company became a subsidiary of the Company. The major business of S.N.R. ROULEMENTS is manufacturing and selling automobile-related parts, industrial machines, and aviation- and space-related parts. The acquisition cost of 16% of stock acquired on April 7, 2008 was 25,600 thousand Euro. S.N.R. ROULEMENTS recorded consolidated net sales in the amount of 643,938 thousand Euro for the year ended December 31, 2007.

### (3) Establishment of NTN HOUDATSU SHIMIZU CORPORATION

On April 1, 2008, the Company established NTN HOUDATSU SHIMIZU CORPORATION in Ishikawa prefecture, which is a wholly-owned subsidiary, in accordance with a resolution approved at the Company's Board of Directors' meeting held on February 21, 2008, to meet the increased demand for extra large-sized bearings. This subsidiary is expected to manufacture and sell extra large-sized bearings and machine parts. The Company paid ¥700 million (\$6,987 thousand) in April 2008 and is planning to pay ¥1,800 million (\$17,966 thousand) in April 2009 as investments into shares of this subsidiary.

### (4) Bond issuance

Pursuant to a resolution for the issuance of unsecured straight bonds approved at a meeting of the Board of Directors held on May 9, 2008, the Company issued certain domestic unsecured straight bonds which are described as follows:

- (a) Total amount of bond issuance: ¥10,000 million (\$99,810 thousand)
- (b) Issue price: 100 percent of the face value (¥100) of the bonds
- (c) Payment date: June 11, 2008
- (d) Redemption at maturity: The bonds will be redeemed on June 11, 2013 at 100 percent of their face value
- (e) Interest rate: 1.66% annually
- (f) Use of proceeds: The net proceeds from the issuance of the bonds will be used in relation to the redemption of previously issued bonds





## 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, 2008 and 2007, and the related consolidated statements of income, changes in net assets, 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, 2008 and 2007, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2008 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.

Osaka, Japan  
June 20, 2008

A handwritten signature in black ink that reads 'Ernst &amp; Young Shin Nihon' in a cursive script.

# NTN Group Investment Holdings

Year ended March 31, 2008

Consolidated Subsidiaries		Paid-in Capital	Holding as percentage (%)	
(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.	¥	3,000,000,000	100	
NTN OMAEZAKI CORP.	¥	266,000,000	97.4	
NTN KAMIINA CORP.	¥	725,000,000	80	
NTN FUKUROI CORP.	¥	1,500,000,000	100	
NTN USA CORP.	US. \$	118,220,000	100	
NTN BEARING CORP. OF AMERICA	US. \$	24,700,000	100	(100)
NTN DRIVESHAFT, INC.	US. \$	54,580,000	100	(100)
AMERICAN NTN BEARING MFG. CORP.	US. \$	24,330,000	100	(100)
NTN-BOWER CORP.	US. \$	67,000,000	100	(100)
NTN-BCA CORP.	US. \$	16,000,000	100	(100)
NTK PRECISION AXLE CORP.	US. \$	10,000,000	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	80,000,000	100	(99.999)
NTN MANUFACTURING (THAILAND) CO., LTD.	BAHT	1,311,000,000	99.999	(99.999)
NTN-NIDEC (THAILAND) CO., LTD.	BAHT	600,000,000	60	(0.001)
NTN Manufacturing India Private Limited	INR	625,250,000	80	(0.01)
NTN BEARING-MALAYSIA SDN.BHD	M. \$	10,000,000	60	(60)
NTN KOREA CO., LTD.	WON	500,000,000	100	
NTN (CHINA) INVESTMENT CORPORATION	US. \$	40,000,000	100	
SHANGHAI NTN CORP.	US. \$	62,900,000	95	(41.61)
NTN-NIDEC (ZHEJIANG) CORP.	US. \$	21,000,000	60	
GUANGZHOU NTN-YULON DRIVETRAIN CO., LTD.	US. \$	12,500,000	60	(12)
CHANGZHOU NTN-GUANGYANG CORP.	US. \$	28,440,000	100	
(Affiliated Companies Accounted for by the Equity Method)				
TUNG PEI INDUSTRIAL CO., LTD.	NT. \$	1,257,232,620	27.35	
TAIWAY LTD.	NT. \$	160,000,000	36.25	
UNIDRIVE PTY. LTD.	A. \$	5,000,000	40	
BEIJING NTN-SEOHAN DRIVESHAFT CO., LTD.	US. \$	6,000,000	40	(6.67)
CHANGZHOU NTN-GUANGYANG CORP.	US. \$	2,000,000	30	
ASAHI FORGE OF AMERICA CORP.	US. \$	6,100,000	32.8	(32.8)
IFA-Antriebstechnik G.m.b.H.	EURO \$	50,000	25	
SNR ROULEMENTS	EURO \$	10,065,000	35	
Seohen-NTN Driveshaft USA CORP.	US. \$	6,000,000	49	
Nanjing Puzhen NTN Railway Bearing Co., Ltd	US. \$	6,600,000	40	(40)

1. Of the above consolidated subsidiaries, NTN USA CORP., NTN DRIVESHAFT, INC., NTN-BOWER CORP., NTN TRANSMISSIONS EUROPE, NTN MANUFACTURING (THAILAND) CO., LTD., NTN (CHINA) INVESTMENT CORPORATION, and SHANGHAI NTN CORP. are specified subsidiaries.

2. Figures in curved brackets under "Holding as percentage" indicate the percentage of indirectly owned holdings, and are included in the total holding. Figures in square brackets indicate the percentage of holdings owned by parties having close ties with NTN, and are not included in the total holdings.

# NTN's Global Network

As of March 31, 2008

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### • Head Office

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### • Sales

#### **Automotive Sales Headquarters**

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#### **Precision Equipment Division**

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#### **Fluid Dynamic Bearing Division**

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#### **KYOEI NTN CORP.**

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### • Manufacturing

#### **Kuwana Works**

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#### **Iwata Works**

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#### **Okayama Works**

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#### **Takarazuka Works**

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#### **Nagano Works**

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#### **NTN KONGO CORP.**

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Osaka 586-0009, Japan  
Phone : +81-721-53-1317

#### **NTN ENGINEERING PLASTICS CORP.**

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Mie 511-0243, Japan  
Phone : +81-594-76-7221

#### **NTN POWDER METAL CORP.**

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#### **NTN MIKUMO COMPANY LTD.**

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#### **NTN CASTING CORP.**

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Japan  
Phone : +81-853-63-3108

#### **NTN KINAN CORP.**

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#### **HIKARI SEIKI INDUSTRY CO., LTD.**

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#### **NTN MIE CORP.**

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#### **NTN FUKUROI CORP.**

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#### **NTN HAKUI CORP.**

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#### **NTN HOUDATSUSHIMIZU CORP.**

1-1 Futakuti, Houdatsushimizu-cho, Hakui-gun,  
Ishikawa

## THE AMERICAS

### • Holding Company

#### **NTN USA CORP.**

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Phone : +1-847-298-7500

### • Sales

#### **NTN BEARING CORP. OF AMERICA**

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#### **NTN BEARING CORP. OF CANADA LTD.**

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#### **NTN SUDAMERICANA, S.A.**

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C.P. 44940 Guadalajara, Jalisco, México  
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#### **NTN DO BRASIL LTDA.**

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### • Manufacturing

#### **AMERICAN NTN BEARING MFG. CORP.**

##### *Elgin Plant*

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Phone : +1-847-741-4545

##### *Schiller Park Plant*

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#### **NTN-BOWER CORP.**

##### *Macomb Plant*

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##### *Hamilton Plant*

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#### **NTN DRIVESHAFT, INC.**

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Phone : +1-812-342-7000

#### **NTN-BCA CORP.**

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## NTK PRECISION AXLE CORP.

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## ASAHI FORGE OF AMERICA CORP.

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## NTN BEARING MFG. CANADA

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## EUROPE

### • Sales

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#### SNR ROULEMENTS

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#### SNR WÄLZLAGER GmbH

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Phone : +49-211-658060

#### SNR ITALIA SPA

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#### SNR RODAMIENTOS IBERICA SA

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### • Manufacturing

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#### NTN TRANSMISSIONS EUROPE

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## ASIA AND OTHER AREAS

### • Head Office

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#### NTN KOREA CO., LTD.

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#### NTN-CBC (AUSTRALIA) PTY. LTD.

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#### TUNG PEI INDUSTRIAL CO., LTD.

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#### CHUNG-LI PLANT

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#### TAIWAY LTD.

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#### NTN-NIDEC (THAILAND) CO., LTD.

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## CHINA

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### • Sales

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#### GUANGZHOU NTN-YULON DRIVETRAIN CO., LTD.

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#### NTN-RAB (CHANGZHOU) CORP.

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#### BEIJING NTN-SEOHAN DRIVESHAFT CO.,LTD.

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Phone : +86-10-69507324

#### SHANGHAI TUNG PEI ENTERPRISE CO.,LTD.

No. 601, Rongle RD.(E), Songjiang Industrial  
Zone, Shanghai, China 201613  
Phone : +86-21-57744698

#### CHANGZHOU NTN-GUANGYANG CORP.

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



# Investor Information

As of March 31, 2008

## Head Office

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

## Investor Relations

Phone: +81-6-6449-3528  
Fax: +81-6-6443-3226  
E-mail: [irmanager@ntn.co.jp](mailto:irmanager@ntn.co.jp)

## NTN on the Internet

NTN's Website offers a variety of corporate and product information, including the latest annual report and financial results.  
<http://www.ntn.co.jp>

## Common Stock (As of March 31, 2008)

Authorized 800,000,000 shares  
Issued and outstanding 470,463,527 shares

## Number of Shareholders (As of March 31, 2008)

25,411

## Transfer Agent for Common Stock

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

## Stock Exchange Listings

First Sections of Tokyo, Osaka (#6472)

## Independent Accountants

Ernst & Young ShinNihon

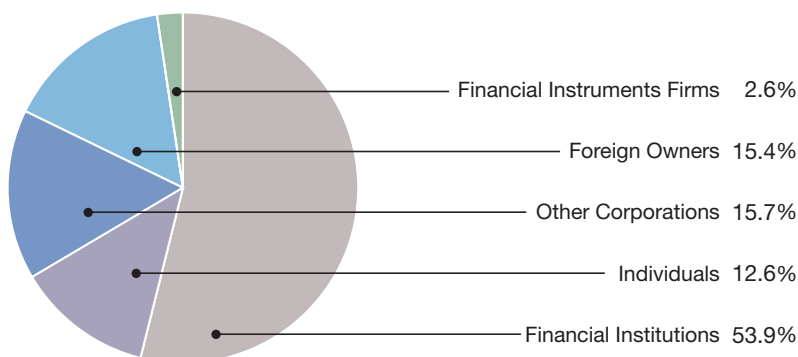
## General Meeting of Shareholders

The General Meeting of Shareholders was held on June 27, 2008 in Osaka

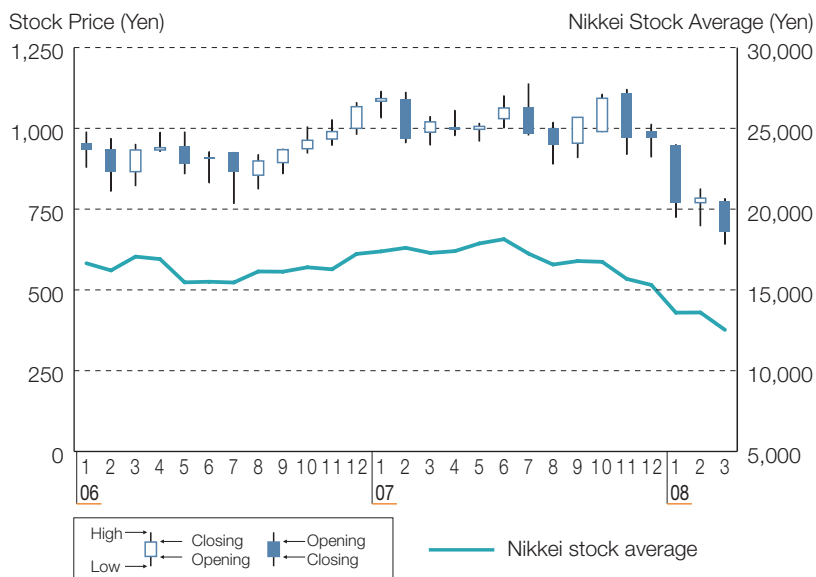
## Stock Price Range in Fiscal 2007

High: ¥1,137  
Low: ¥ 642

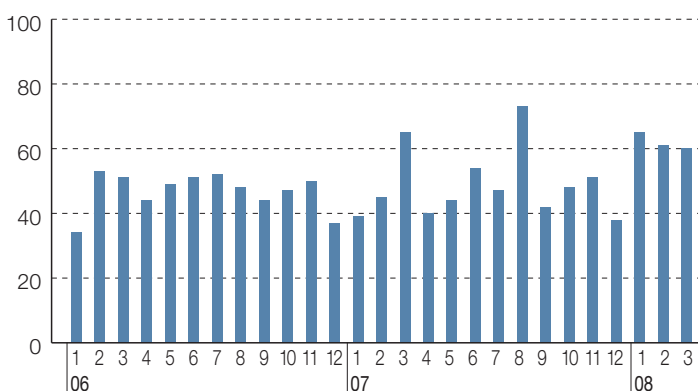
## Shareholders by Category



## Tokyo Stock Price Range



## Monthly Volume Traded (Million Shares)



For New Technology Network

**NTN**®



## NTN Corporation

Head Office

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

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