ANNUAL REPORT 2001

CORPORATE PROFILE

Since its establishment in 1918, NTN Corporation has been a pioneer in developing and producing bearings essential to industrial progress. In addition, through ceaseless efforts in development and production of constant velocity joints (CVJs), key components for automotive drive-trains, NTN has captured the top share of the Japanese market. The ultra-precision technology NTN has fostered through the production of bearings has allowed us to expand our product range to include various precision equipment such as parts feeders and liquid crystal display (LCD) repair devices.

NTN began expanding its business abroad early in 1961, and today the Company's worldwide network encompasses 76 marketing bases in 18 countries and 31 production centers in eight countries, employing 12,619 people worldwide as of March 31, 2001. To better serve our customers, in 2000 we launched CVJ production in France, thus completing our quadrilateral marketing and production system for CVJs and bearings alike, covering four strategic regions: Japan, the Americas, Europe and Asia. With our breadth and resources, we are striving to create new technologies and fulfill our role as a citizen of the global business community.

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.

CONTENTS

FINANCIAL HIGHLIGHTS

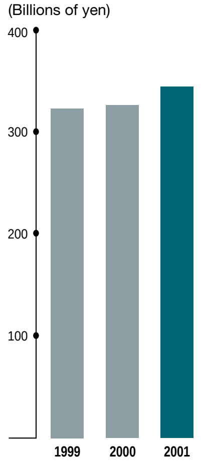
NTN CORPORATION and consolidated subsidiaries
Year ended March 31

	Millions of yen except per share amounts			Thousands of U.S. dollars except per share amounts
	1999	**2000**	**2001**	**2001**
FOR THE YEAR DATA				
Net sales	¥ 325,812	¥ 326,474	**¥ 340,551**	**$2,748,596**
Operating income	13,633	9,675	**14,335**	**115,698**
Income(loss) before income taxes and minority interests	9,726	(41,822)	**6,888**	**55,594**
Net income(loss)	4,067	(24,677)	**4,289**	**34,617**
PER SHARE DATA				
Shareholders' equity	371.39	310.77	**299.44**	**2.42**
Net income(loss)				
- Basic	8.78	(53.30)	**9.26**	**0.07**
- Diluted	8.31	—	**8.78**	**0.07**
Cash dividends	8.00	6.50	**6.00**	**0.05**
AT YEAR-END DATA				
Total assets	487,477	494,677	**478,945**	**3,865,577**
Shareholders' equity	171,969	143,874	**138,625**	**1,118,847**
Number of employees	12,554	12,770	**12,619**	**12,619**

Notes : U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥123.90=U.S.$1.00, the approximate Tokyo foreign exchange market rate as of March 31, 2001.

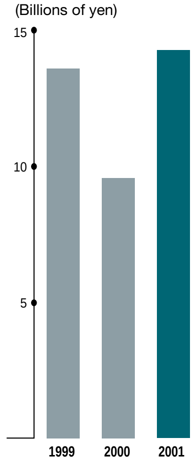
Net sales

(Billions of yen)



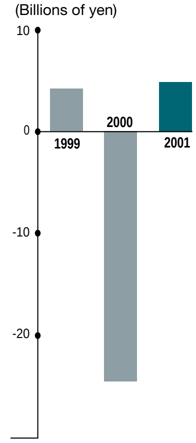
Operating income

(Billions of yen)



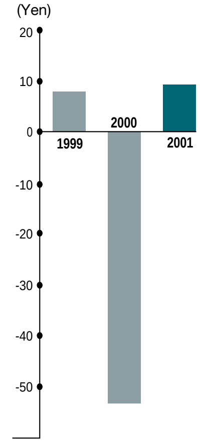
Net income(loss)

(Billions of yen)



Net income(loss) per share – Basic

(Yen)



TO OUR SHAREHOLDERS

A New Century: The New NTN

Welcome to the first annual report produced by NTN. Fiscal year 2000, ended March 31, 2001, heralded the emergence of a new NTN. As the world steps into the new century, NTN is undergoing a transformation that provides significant potential for the Company and all its stakeholders. This report is designed to convey our commitment to increasing shareholder value.

Fiscal 2000 was a period of very respectable achievement. Consolidated net sales during the year rose 4.3% from the previous term to ¥340.6 billion. Operating income jumped 48.2% to ¥14.3 billion, and we posted net income of ¥4.3 billion.

Going Forward Through Strategic Initiatives

Competition for corporate survival is intensifying around the world with the rapid acceleration of information technology (IT) development and advancing globalization. Having foreseen the rigors of this environment, NTN has actively worked to enhance its profitability and sharpen its competitive edge. This has meant reinforcing core product lines, restructuring its Group businesses, and strengthening its corporate foundations. We are also carrying out various strategic projects such as the Management System Transformation Project and a new alliance with FAG Kugelfischer Georg Schäfer AG (FAG) of Germany, one of the leading bearing manufacturers in the world.

Reinforcing Core Product Lines

NTN has worked resolutely to solidify its profit base for core product lines, including needle bearings, axle units and CVJs. Currently our needle bearings enjoy the top share—40 percent—of the Japanese market. To further increase our competitive edge, we have expanded our business abroad. In 1999 we started production of needle bearings at NTN Manufacturing (Thailand) Co., Ltd. (NMT), and the following year at NTN-BCA Corp. (NTN-BCA) in the United States.

In our axle units business, we have established a global production system encompassing the four key regions of Japan, the Americas, Europe and Asia. In response to increased demand for third-generation hub bearings, we are bolstering our production capabilities particularly in Japan and the United States.

At approximately 45 percent, NTN boasts the highest share of the domestic market for CVJs. Key to this overwhelming presence—and the prime motivator in the progress of our CVJ operations—is the aforementioned quadrilateral network. This network comprises NTN Driveshaft, Inc. (NDI) in the United States, NMT in Thailand, and NTN Transmissions Europe (NTE), a joint venture that started production in June, 2000 in France under 80% ownership by NTN and 20% by Renault. Moreover, we have established a global network for technological development to cover Japan, the Americas and Europe, thereby expediting our response to globalization among automakers.

Reflecting the automobile industry's need for modular component systems, we have pioneered the development of an innovative, fourth-generation hubjoint module. This design successfully integrates an axle unit and CVJ, these being the two key components in an automotive suspension. The new hubjoint module has captured the attention of automakers worldwide as a next-generation modular product of great potential. NTN enjoys a significant head start over the competition, owing mainly to its expertise in the manufacture and marketing of both axle units and CVJs. We will continue expanding our hubjoint module business by taking full advantage of this expertise, extending it to brake systems and other corner modules.

Restructuring Group Businesses

In September 2000, we merged NTN Sales Corp. which had been responsible for marketing to distributors in Japan. The new arrangement facilitates quicker response to customer needs through closer ties involving development, production and sales, thus enabling us to further increase our competitiveness and market share in Japan. In production, in April of this year we merged NTN Hirano Corp. and closed NTN Kawachi Corp. and others, effectively streamlining our operations.

Strengthening Corporate Foundations

NTN is now engaged in the progressive reduction of inventories and interest-bearing debt in order to bolster our financial standing. Accordingly, inventories dropped ¥3.7 billion to ¥106.4 billion and interest-bearing debt, ¥17.0 billion to ¥173.8 billion at the end of fiscal 2000, relative to the previous year. We are also utilizing information technology to enhance our efficiency, which in turn helps reduce labor costs.

Concurrently, NTN is implementing a program of production reorganization designed to dramatically improve our production basis. The goal here is to enhance productivity, reduce lead time and ensure higher quality through the more effective use of employees and their special skills. We are also working to increase profits through the global sourcing of parts and materials.

Revolutionizing NTN's Management System

In the face of increasingly intense global competition and radical changes in the business environment that have accompanied advances in information technology, NTN launched the Management System Transformation Project in April of this year. The project aims to create the ultimate business model by improving customer satisfaction, accelerating management policy decisions and increasing cash flow efficiency. This comprehensive customer-oriented program will facilitate an essential shift in focus from individual optimization toward company-wide optimization.

Building an Alliance with FAG

In February of this year NTN signed an agreement with FAG to study specific issues toward the achievement of a global strategic alliance.

The NTN/FAG alliance will bring greater efficiency to the two

companies, which in our present activities are highly complementary in every aspect of operations, including our respective product portfolios, customer bases and regional presence and strengths. The partnership also promises to maximize customer satisfaction as we reap the benefits of collaborative manufacturing, deeper market access and expanded product lines, making the best use of the different production capabilities, marketing resources and regional strengths the two companies possess. Project teams are now studying the relevant issues in detail, including a possible joint venture in manufacturing and sales.

The environment surrounding NTN has never been smooth and uneventful, nor do we foresee calm waters in the future. However, we are striving to emerge victorious despite the competitive environment of the 21st century, revolutionizing our corporate culture and dedicating our efforts to renewed competitiveness. We are doing so by maximizing the capabilities of every single employee, building enthusiasm for the challenges that lie ahead. Though we may confront new challenges, we continue to perceive the new century as a chance to grow and achieve. We move forward in our effort to maximize our corporate value and greatly appreciate your ongoing support as we forge ahead.

Toyoaki Itoh

Toyoaki Itoh
President

REVIEW OF OPERATIONS : BEARINGS

Outline of Operations

Bearings are a major factor in NTN's technological advantage and profitability, accounting for 68 percent of overall sales. In the 1960s NTN aggressively expanded its overseas marketing network in this segment, followed by the expansion of its overseas production during the 1970s.

Today NTN is a global producer and distributor of many bearing products, including ball bearings, needle bearings, axle units, bearing units, tapered roller bearings, cylindrical roller bearings and spherical roller bearings. Our products play an important role in the work of several major industries: automotive and construction equipment, aircraft and rocket production, office-automation equipment and information-related devices. Of the many bearing products NTN produces, our needle bearings and axle units are the keys to driving our production and marketing.

Strategy

Until recently, our overseas bearing business has largely focused on production and marketing in North America. However, now that France's NTE has begun CVJ sales, NTN's current European bearing sales should also grow quickly, adding to our European presence. And in Asia, we are working to achieve a significant increase in bearing sales, using Thailand's NMT as our launching point.

NTN has a long history of producing and marketing needle bearings in Japan. As a result, our needle bearings currently enjoy the single largest share—40 percent—of the Japanese market. Overseas production began in October 1999, when the needle-bearing line at Thailand's NMT went into operation. In March 2000 NTN-BCA in Indiana began production, and in September 2001 that operation will start producing needle bearings for automotive transmissions.

Our company has many competitive advantages in the needle bearings market, including:

(1) diverse product variations, ranging from models for automotive use to others for general machinery;

(2) a flexible production system supported by in-house production of needle rollers and facilities capable of small-lot production;

(3) a superior product development process and an ability to respond rapidly to customer needs;

(4) advanced proprietary technologies such as HL processing.

We are now expanding our share of the overseas market for needle bearings through the use of proprietary technologies that our competitors simply cannot offer.

NTN's outstanding reputation for high quality technologies and responsive customer service has earned us a large share of the market in axle units. We have already established a quadrilateral production system encompassing the four key regions of Japan, the Americas, Europe and Asia. In particular, our third-generation hub bearings—which require a consistently high level of quality—are increasingly in demand, mainly in the North American market. As a result, NTN is expanding its facilities at both the American NTN Bearing Mfg. Corp. (ANBM) plant in Elgin, Illinois and at its Okayama, Japan plant.

Overview of Performance

Despite the negative impact of the weakening euro, and flagging sales to North American automobile manufacturers and distributors, sales to the auto industry and general machine

Major products

- Ball bearings
- Roller bearings
  - -Needle bearings
  - -Tapered roller bearings
  - -Cylindrical roller bearings
  - -Spherical roller bearings
- Axle units
- Bearing units
- Oil-impregnated sintered bearings
- Engineering plastics sliding bearings, etc.

industry in Japan grew in fiscal 2000. Sales to automakers in Europe have increased as well. Accordingly, consolidated sales rose to ¥230 billion, up ¥5.2 billion (2.3%) from last year.

Japan

Fiscal 2000 saw the integration and strengthening of NTN's domestic sales functions, through the merger of NTN Sales Corp. in September 2000. As a result, sales to distributors and general machinery manufacturers increased dramatically, while sales to domestic automakers continued steadily.

With a view to aggressively expanding our market share, we have introduced Customer Development Teams (CDTs), a cross-functional framework of production, sales and engineering personnel, in order to offer our customers comprehensive solutions. This effort is bearing fruit in the form of strong sales to steel and paper manufacturers.

And in order to enhance our productivity and competitiveness, we are moving forward with a program of production reorganization. Results have been remarkable, particularly in the reduction of semi-finished products and works-in-process, the shortening of production lead time, and the overall improvement of productivity.

As well, in April of this year we streamlined our overall operating profile by merging NTN Hirano Corp. and closing some companies, including NTN Kawachi Corp.

North America

North American sales of bearings for automotive and aftermarket use began to decline during fall 2000, largely as a result of the slowing U.S. economy. In order to improve aftermarket sales, NTN is reinforcing our sales infrastructure by establishing an aftermarket sales division within NTN Bearing Corp. of America (NBCA), our U.S. marketing arm. At the same time we are strengthening our system of technical support for distributors.

We now have seven manufacturing bases in North America, producing a wide variety of products such as ball bearings, tapered roller bearings and axle units. The production of needle bearings began in 2000 at the NTN-BCA plant in Indiana, and the ANBM plant in Elgin, Illinois is being expanded in order to satisfy the growing demand for third-generation hub bearings.

Europe

Despite a weakening euro, overall European sales including those to the automotive industry remained strong, reflecting the region's robust economy.

To take advantage of the widening European market due to the ongoing unification process, and to capitalize on our new presence with NTE, we have implemented marketing measures designed to motivate sales of axle units and other bearing products. In addition to NTE, we continue to produce ball bearings and axle units through NTN Kugellagerfabrik (Deutschland) G.m.b.H, our production base in Germany.

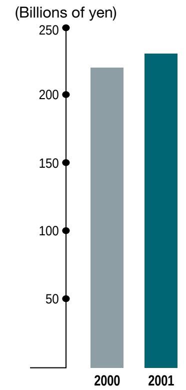
Asia and Other Areas

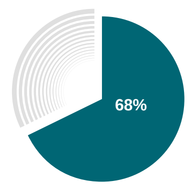
Despite slowing economic growth among ASEAN nations, sales of bearings in the region remained strong.

Since the majority of automotive bearing sales in the ASEAN region are to local Japanese transplants, we have worked closely with our Japanese sales division in order to market to this region in an effective and timely manner.

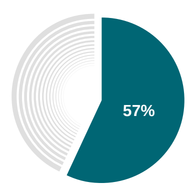
NMT, which began producing automotive-related bearings and needle bearings in 1999, also recently began the production of axle units for local automotive manufacturers.

Sales

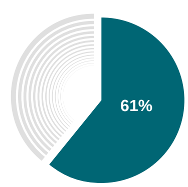




R&D expenses



Capital expenditures



REVIEW OF OPERATIONS : CONSTANT-VELOCITY JOINTS

Major products

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

Outline of Operations

Constant-velocity joints (CVJs) are our core product, and they present considerable potential for growth. This product segment currently accounts for 25 percent of overall sales.

NTN's CVJ business began in Japan in 1962. By the 1990s, we had begun a program to expand our CVJ operation overseas, using our extensive experience in research, development and production. In 1991 NDI (U.S.) became NTN's first overseas plant to manufacture CVJs, and in January 2000 NMT (Thailand) also began production. With the incorporation of NTE, our joint venture with France's Renault that began CVJ production in June 2000, we have established a quadrilateral production and marketing system covering Japan, the Americas, Europe and Asia. Because of this system we now have the means to satisfy the increasingly global sourcing requirements of major automobile manufacturers.

In addition, we now have in place an R&D network covering Japan, the Americas and Europe—the three key regions in which the large automakers maintain research centers. Our global engineering teams can now support manufacturers all the way through the development process, answering their needs in production, engineering and sales.

Strategy

Constant-velocity joints are an essential component of front-wheel-drive (FWD) and four-wheel-drive (4WD) vehicles. CVJ applications are now being expanded to include propeller shafts and steering shafts.

Recently the demand for lower vibration levels in CVJs has intensified as automotive manufacturers seek to reduce noise and enhance driving comfort. Given the greater awareness of environmental issues among manufacturers, there is also an increasing demand for lighter, more compact CVJs. Anticipating such advanced needs, NTN has developed and marketed a series of new products that includes the EBJ, which is 20 percent lighter than a conventional CVJ.

NTN has earned an excellent reputation for its wide assortment of CVJ products, its technological achievements and its ability to provide consistently high levels of quality to customers—a reputation which is helping us expand our CVJ business across the globe.

Overview of Performance

Thanks to strong demand in Japan and overseas, as well as increased sales of locally produced products in Europe and Asia, our consolidated sales of constant-velocity joints rose to ¥86.3 billion, up ¥4.9 billion (6.1%) from last year. NTN's CVJ business continues to grow, reflecting our policy of aggressive global expansion.

Japan

Japanese sales of CVJs during the first half of fiscal 2000 remained strong. In the second half, the growth in market demand slowed, due in part to production cutbacks among key automotive customers.

Our CVJ production sites in Japan—Iwata Works in Shizuoka and Okayama Works in Okayama—supply CVJ parts to overseas subsidiaries such as NDI, NTE and NMT, and also produce finished products for domestic customers.

North America

Overall CVJ sales were strong, thanks to a favorable U.S. economy during the first half of fiscal 2000. Although affected by a production cutback by the Big Three automakers in the second half, total sales in fiscal 2000 were in good shape, supported by healthy demand among Japanese manufacturers in the U.S. After a decade of experience in North America, we have been able to raise the local procurement rate, allowing us to create a more profitable foundation. Furthermore, we are implementing a series of planned capital investments in order to meet growing production demand in the region.

Europe

NTE is a joint venture owned 80% by NTN and 20% by France's Renault S.A. The company was established in December of 1998 in Allonnes, near Renault's home base of Le Mans. Strategically located in the heart of the EU market, NTE will serve as a base for NTN's CVJ development, design and production functions, and we anticipate its growth to mirror that of the overall EU economy.

Following its successful production launch in June 2000, NTE is now increasing its production volume on schedule. Sales to Renault have been especially favorable, and we have also started supplying Opel. Thanks to recent orders from other tier-one manufacturers, NTE's business is growing steadily.

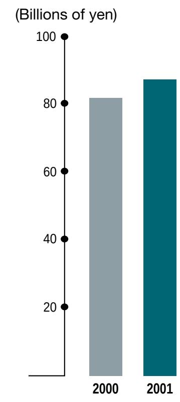
In response to increasing competition throughout the global automotive industry, NTE is using state-of-the-art computer systems to provide customers with prompt, personalized service. For instance, in the engineering area, NTN now employs three-dimensional CAD in the design and development process. Because this facilitates a direct interface with the customer via a network connection, 3-D CAD is expected to reduce the lead time required to develop and manufacture new products—a huge benefit to our customers as well as to NTN.

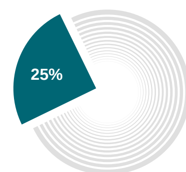
Asia and Other Areas

Although NTN has been affected to some degree by the sluggishness of Korea's automotive industry, CVJ sales in this region have actually increased overall, supported by the start of local production at NMT in Thailand.

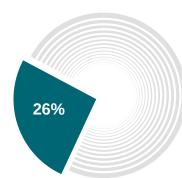
A wholly owned subsidiary of NTN, NMT (Thailand) is our Asian production arm. It began producing pulleys for use in automotive engines and needle bearings in October 1999, and in January 2000 went on-line with CVJs. NMT is located in Thailand's Eastern Seaboard Industrial Park, also known as "the Detroit of the East."

Sales

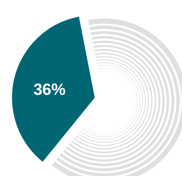




R&D expenses



Capital expenditures



REVIEW OF OPERATIONS : PRECISION EQUIPMENT

Major products

- Auto-tensioners
- Parts feeders
- Ball screws
- LCD repair devices
- Magnetic-bearing spindles
- Hydrostatic bearings
- XY tables
- Engineering plastics parts
- Machine equipment, etc.

Outline of Operations

This business segment covers an extremely diverse range of products, including high-tech units employed in IT and other application-specific products. And while business conditions can vary greatly from product to product, fiscal 2000 was favorable for the entire segment.

Our mechatronics products (such as LCD repair devices, which incorporate NTN's ultra-precision processing and positioning technologies) are winning praise from customers. Our air spindles and magnetic bearings have earned a sizable share of the high-precision parts market, where applications typically require ultra-high-speed revolutions far exceeding the limits of rolling bearings.

Parts feeders are used to automatically align a wide variety of components and feed them, via vibrating troughs, into automated production machinery for processing. NTN is a pioneer in the design and production of super-compact, high-speed SMD (surface-mounted device) feeders. These products are ideal for the line assembly of microchips such as those used in mobile phones. NTN's SMD feeders, with their sophisticated transfer technologies, are winning rave reviews from users around the world.

Ball screws are widely used as essential components in feeding apparatuses. NTN's large ball screws for use in injection molding—developed for application in machine tools and other high-load environments—continue to increase their market share.

Auto-tensioners automatically adjust the tension of an engine timing belt, reducing the noise generated by the belt and increasing its useful life–making the auto-tensioner essential to enhanced engine reliability. NTN's highly functional, super-reliable hydraulic auto-tensioners are enjoying positive response in the Japanese market, and we are actively promoting their sales overseas.

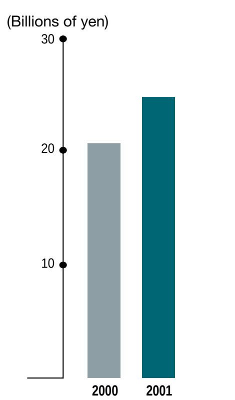
Strategy

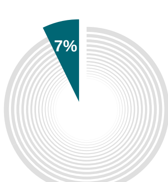
NTN is now emphasizing growth products and is implementing market-expansion measures designed to reflect the advantages of each individual product. Moreover, we are combining R&D and marketing strategies to provide each user segment with customer-specific products of the highest quality.

Overview of Performance

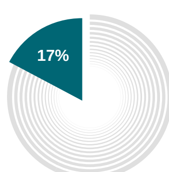
Our mechatronics products posted record sales, thanks to strong demand in IT-related industries. Ball screws marked a similar achievement, due to increased sales of ball screws for injection-molding machines, mainly during the first half of fiscal 2000. Parts feeders also showed strong results, boosted by healthy orders from manufacturers of OA equipment, and sales of auto-tensioners increased in Europe. Overall, consolidated sales rose to ¥24.2 billion, up ¥3.9 billion (19.4%) from last year.

Sales

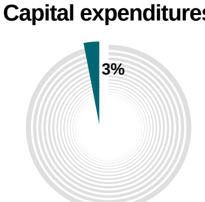




R&D expenses



Capital expenditures



HIGHLIGHTS OF THE YEAR

Alliance with FAG

NTN Corporation and FAG Kugelfischer Georg Schäfer AG (FAG), the largest bearing manufacturer in Germany, signed a Memorandum of Understanding in February 2001 and have agreed to study specific issues relating to the creation of a worldwide strategic alliance.

We have begun studying ways to form a joint venture in the production and marketing of rolling bearings and axle units in North America and Europe. We will also examine the possibility of collaboration in areas such as R&D, product and production technologies, and common procurement.

The central objective of the alliance is to jointly develop the kind of cutting-edge products that will usher our industry into a new era of growth and prosperity. The partnership will also reinforce our corporate values by allowing NTN and FAG to offer competitive products and better services to increase customer satisfaction.

In addition we are studying ways to achieve mutual OEM supplies and cross-licensing agreements. Six project teams were established in April 2001 in a comprehensive effort to initiate the alliance. The project objectives were:
(1) establishment of a common sales and marketing organization in Canada;
(2) establishment of joint production companies for ball bearings and tapered roller bearings in Europe;
(3) establishment of a joint production company for axle-units in the U.S.;
(4) common procurement;
(5) joint product development, and standardization of production;
(6) joint participation in an e-commerce marketplace.

NTN and FAG will maintain their independence both legally and financially, and will continue to market products under their respective brand names.

Management System Transformation Project

On April 1 NTN Corporation launched the Management System Transformation Project to create a new management model and to position NTN as a global leader in the 21st century. The project, which will be implemented at all levels, is comprised of the four subprojects listed below.
(1) Customer Relationship Management (CRM)
(2) Supply Chain Management (SCM)
(3) Product Development Management (PDM)
(4) Business System Management (BSM)

For the past few years, NTN has been actively promoting constructive internal changes and the results have been extremely favorable. These changes have included projects for the reorganization of production and sales expansion, as well as the implementation of such essential systems as a data warehouse and the upgrading of internal IT infrastructure under the Operations Reform Project. Each individual project has proved highly effective; however, the results have not been readily extended to overall management.

The present Management System Transformation Project begins with central coordination of the individual projects that have been implemented to date. Far from being a mere extension of these projects, however, its goals are to maximize their effects from a management perspective by focusing on company-wide optimization and the common objectives of improving customer satisfaction, accelerating management policy decisions and increasing cash flow efficiency.

RESEARCH & DEVELOPMENT : THE SOURCE OF EXCELLENCE

Research and development is the cornerstone of NTN's strategies, and we are reinforcing our R&D organization in order to anticipate the emergence of new market trends. The top priority in that effort is to move closer to our customers by responding with the cutting-edge technologies that users will request.

Strong R&D Foundation at NTN

Our R&D centers throughout the world serve as the driving force behind our solid quadrilateral system of production and marketing. From bases in Japan, the Americas and Europe, our engineering teams serve users in a broad spectrum of industries from the earliest stages of product development onward, putting forth a team effort to address development issues based on the principle of the so-called "Concept In."

In the spring of 2000 NTN launched a reform project called VARUE (Virtual And Rapid Upgrade Engineering) as a means of implementing concurrent engineering. The goal of this project is to achieve a dramatic shift in development focus from the physical object to digital data. Moreover, three-dimensional simulation at all development stages, from design to prototyping, is expected to shorten the product-development cycle and reduce costs.

Our R&D bases in Japan, the Americas and Europe are interconnected via an IT network that permits access to the central databases from anywhere in the world. This reflects our commitment to an optimized R&D system; one that ensures a quick response to our users' global sourcing needs.

Japan

Given their breadth and proven abilities, our three R&D centers in Japan—the Bearing Engineering R&D Center, New Product Development R&D Center and Production Machinery R&D Center—are a vital resource for today and tomorrow. Their efforts cover a wide range of basic research and other R&D activities essential for the development of new products. Our five engineering departments—the Bearing Engineering Department, Automotive Product Engineering Department, CVJ Engineering Department, Needle Roller Bearing Engineering Department and Precision Equipment Engineering Department—focus on applied technologies, as well as the development, improvement and expansion of applications for technologies and products.

The Americas

The Michigan-based NTN Technical Center (U.S.A.), Inc. (NTC) is responsible for compiling information and developing new products. Established in March of 1999, NTN Automotive Center (NAC)—also in Michigan—has facilities for both design and testing. Its current priority is to bring cooperative development teams to the challenges of new product development based on the principle of the so-called "Concept In," where various departments participate in the entire product cycle, beginning with the development stage, putting forth a team effort with regard to development issues. By working closely with automakers, specifically the Big Three, the center is also building comprehensive systems for engineering services.

Europe

Thanks to the establishment of the Research and Development Department at NTE in France in June, 2000, we have put in place a comprehensive system encompassing R&D activities ranging from engineering discussion, design and prototyping to experimentation and on-vehicle testing.

Close at hand throughout the world, our R&D centers are the driving force behind our quadrilateral production and marketing system covering Japan, the Americas, Europe, and Asia.

Kuwana Engineering Center
(Mie, Japan)

New Product Development R&D Center
(Shizuoka, Japan)

Production Machinery R&D Center
(Shizuoka, Japan)

Iwata Engineering Center
(Shizuoka, Japan)

NTN Automotive Center
(Michigan, U.S.A.)

NTN Technical Center (U.S.A.) Inc.
(Michigan, U.S.A.)

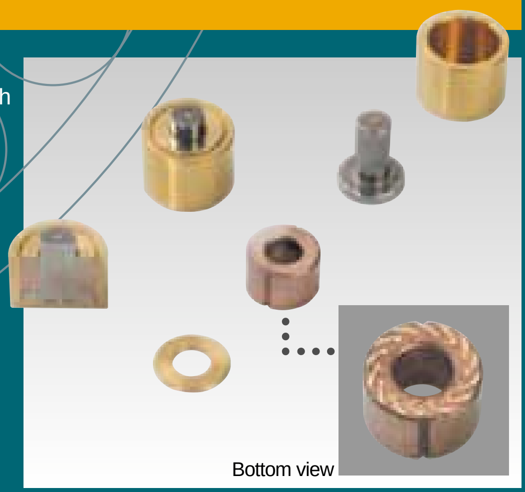
Research and Development Department at NTE
(Allonnes, France)

NEW PRODUCTS

The Hydrodynamic BEARPHITE™ Unit

NTN has been mass-producing oil-impregnated sintered bearings with dynamic pressure grooves on the bore and end face, principally for use with LBP scanner motors. Now, through the application of this technology we have developed an oil-impregnated sintered bearing unit known as the hydrodynamic BEARPHITE™ unit, which is ideal for use in the spindle motors employed in hard-disk drives.

Integrating the spindle shaft with the bearing and bearing housing, the new unit requires no complex assembly on the user side. Moreover, it is ideal for hard-disk drives and other applications in which a high degree of rotational accuracy is required. Key features include a compact, ultra-thin body, excellent impact resistance and quiet operation. The hydrodynamic BEARPHITE™ unit incorporates 43 NTN patents.

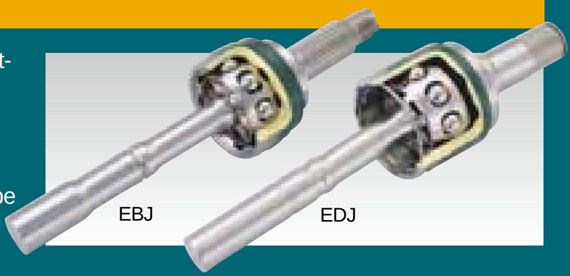


ECO Series

Responding to growing concern for the protection of our global environment, NTN has developed a family of eco-friendly products called the ECO Series. With environmentally friendly features such as compact, lightweight design, long life, low torque and low noise, these products are contributing to energy savings and the conservation of natural resources. The ECO Series is growing, as we continue to develop products that serve the needs of the worldwide community.

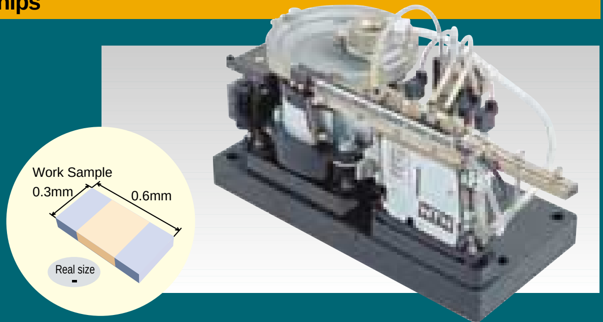
High-Performance Compact CVJs : The E Series

The latest addition to our conservation effort is a new line of constant-velocity joints called the E Series. The E Series features high operating efficiency and minimal temperature rise in a compact body. This has been achieved through drastic design changes including an increase from six to eight balls. Two fixed types (EBJ, EUJ) and one plunging type (EDJ) are available.



The SMD Feeder : Alignment and Transfer System for Microchips

The SMD feeder is capable of aligning microchips with their correct sides facing upward, and supplies them to the next processing device. Microchips are rapidly becoming smaller, a reflection of the trend toward smaller, lighter portable AV devices, cellular phones and other mobile-communications equipment. Our SMD feeder offers outstanding aligning capability, and is among the fastest in the industry.



Fourth-Generation Hubjoint

Responding to the automobile industry's need for modularity, NTN has developed a "fourth-generation hubjoint" that combines an axle unit and constant-velocity joint. This is the next-generation, high-performance modular product integrating an axle unit and CVJ, developed by taking full advantage of NTN's expertise in the areas of bearings and CVJs.

The new hubjoint also reflects NTN's unending pursuit of reduced size and weight. In fact, this design significantly reduces the vehicle's unsprung weight, including the tires, wheels, breaking system and drive train. Moreover, it increases the flexibility of design for suspension parts and enables an optimal layout with respect to the surrounding parts.

Applied Clutch Products : Two-Way Clutch Unit for Power Transmissions

A two-way clutch incorporates a mechanism to switch the engagement direction of two parts, thereby enabling the transmission of torque in both the forward and reverse directions. Conventional two-way clutches execute this directional switching externally, and therefore their structures are complex. Contrastingly, NTN's two-way clutch unit—with its much simpler structure—can automatically switch engagement directions using a friction-based switching plate. Developed for use in continuously variable transmissions, or CVTs, our two-way clutch unit enables automatic switching between gear drive at low speed and belt drive at high speed.

Applied Clutch Products : Reverse-Input Shutoff Clutch: Torque Diode™

NTN's Torque Diode™ is a ground-breaking mechanical element of a type and design not previously available on the market.

Conventional clutches control whether to contact or slip according to the rotating direction of an input shaft. Thus their transmitting force is limited to one direction. If an unexpected rotating force (reverse input) were transmitted from the output shaft side, the equipment engaged at the input shaft side could potentially sustain damage. To solve the problem, NTN has created the innovative Torque Diode™, which transmits the rotating force being applied to the input shaft to the output shaft, but does not transmit the rotating force from the output shaft (reverse input) to the input shaft.

Two types are available: the locking type and free type. The locking type secures the output shaft in the event that reverse input is applied to the output shaft. The free type allows the output shaft to slip even if reverse input is applied to the output shaft.

NTN's new Torque Diodes™ are applicable as safety devices in various types of speed reducers, and are equally suitable for use in the motor units of electric security shutters and safety doors.

ENVIRONMENTAL ACTIVITIES

The close of the 20th century brought an explosion of technological development that affected a broad spectrum of fields, and much of that served to make life more convenient. That rapid progress, however, has transformed our society into one of mass production, mass consumption and mass disposal, and has exacted a heavy toll from our precious environment. The world now faces numerous environmental issues, including the depletion of natural resources, desertification of land, marine pollution, acid rain, depletion of the ozone layer, global warming and the reduction of tropical rainforest.

NTN is working to reduce the negative load on the environment. We are striving for improved global conditions through our Environmental Policy and a set of environmental targets.

ISO 14001 certification of registration

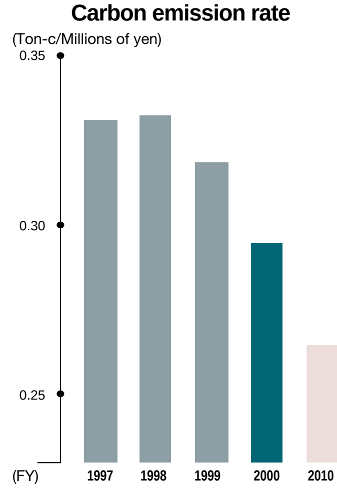
ISO 14001 Certification

NTN, as part of its management policy, has endeavored to obtain certification under ISO 14001, the international standard for systems of environmental management. In November of 1999 we obtained ISO 14001 certification under the multiple-site system. Further, by the end of March, 2001, all of our overseas plants had received certifications. The newly established plants, NTE (France) and NMT (Thailand) are scheduled for ISO 14001 certification by the end of March, 2003.

Prevention of Global Warming

The Third Conference of the Parties to the United Nations Framework Convention on Climate Change (COP3), held in Kyoto in December 1997, was one in which the participating nations reached an agreement on the reduction of carbon dioxide and other greenhouse gas emissions. The reduction target for Japan was set at six percent. But NTN, moving one step ahead, is striving to reduce the carbon emission rate by 20 percent by 2010, relative to the figure for 1997. In fact, we are already making significant headway, driving our carbon emissions in fiscal 2000 down nearly 11 percent from the 1997 level.

Carbon emission rate



Reduction of Waste Materials

Waste coolant and grinding swarf account for roughly 25 and 40 percent, respectively, of the overall industrial waste materials generated by NTN operations. To reduce waste, NTN has developed a technology to reuse or recycle grinding swarf containing oil-based coolant by compressing it into solid briquettes. These briquettes can be used as a raw material in the manufacturing of quality steel. The technology has been in use since the installation of our first solidification system in December, 2000. Moreover, the oil-based coolant extracted during the compression process can be reused.

Briquettes from grinding swarf

Introduction and Effects of Environmental Accounting

NTN was the first Japanese bearing manufacturer to introduce environmental accounting, as announced in our Environmental Report issued in June of 2000. The goals of environmental accounting are to manage the costs associated with environmental preservation and to analyze the cost-effectiveness of environmental measures, individually and collectively. Based on the principles of environmental accounting, we are moving forward with investments targeted at more effective environmental protection, reflecting the results of impact assessment and calculated processing costs.

Economic effect resulting from environmental preservation activities in FY 2000 (Millions of yen)

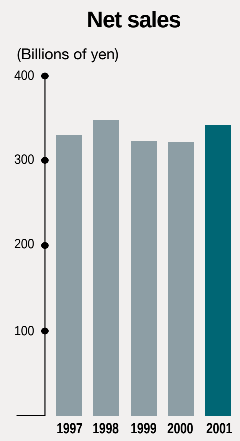
Expenses reduced through resource conservation	28
Expenses reduced through energy conservation	125
Waste-disposal expenses reduced through recycling	32
Total	185
The figure in ( ) on the right is the grand total for FY 1999	(300)

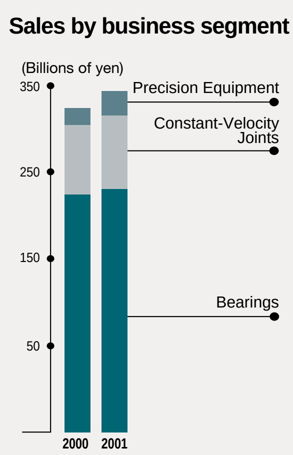
Environmental Accounts for NTN's 12 Domestic Operations in FY 2000

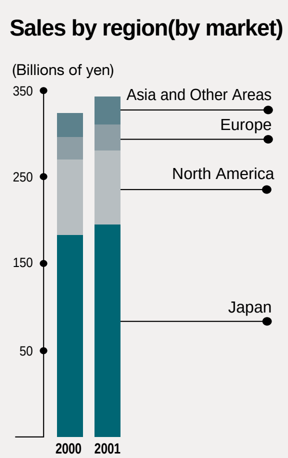
(Millions of yen)

Category		Major activities	Environment-related capital expenditures	Environmental preservation expenses
Expenses incurred within the manufacturing facilities	Pollution prevention	• completely abolishing the use of dichloromethane • refurbishing waste water treatment facilities	238	98
	Global environmental preservation	• changing fuel from electricity to gas for heat treatment furnace • reducing extinguishers containing Halon • installing air-conditioners	166	133
	Resource recycling	• installing oil/water separation equipment • installing grinding swarf solidifying equipment	110	563
	Subtotal		514	794
Expenses incurred before or after the manufacturing process	Reducing environmental impact	• changing packing materials, etc.	0	4
Management expenses	Environmental education	environmental education and EMS audit expenses	0	19
	Resources	environment-related personnel expenses, etc.	0	137
	Others	environmental impact on air and water measurement expenses, etc.	0	29
	Subtotal		0	185
R & D expenses		developing Eco-friendly products and their related personnel expenses	3	136
Public relations expenses	News releases and other advertising	newspaper and magazine advertising expenses	0	78
	Others	"Greening" at plants, etc.	0	35
	Subtotal		0	113
Grand Total			517	1,232
		The figures in ( ) on the right are the grand total for FY 1999	(610)	(1,305)

FINANCIAL REVIEW







Sales and Income

Results of Operations

Sales during the fiscal year under review increased 4.3% over the preceding year to ¥340,551 million, up ¥14,077 million.

Sales by Business Segment

Despite the impact of a weakening euro and flagging sales to North American auto manufacturers and dealers, overall sales of bearings rose to ¥230,017 million, up ¥5,198 million (2.3%) on the previous year. Sales in Japan were bolstered by increased orders from the automobile and general machinery industries, while European sales increased in the automobile sector.

Sales of constant-velocity joints (CVJs) were up ¥4,936 million (6.1%), to ¥86,318 million. Both Japanese and overseas sales were driven by healthy demand, and locally manufactured CVJs in Europe and Asia contributed to improved overall sales.

Sales of precision equipment jumped ¥3,943 million (19.4%) to ¥24,216 million, fueled by stronger demand for repair devices and parts feeders in the Japanese IT industry, along with healthy orders for auto-tensioners in Europe.

Sales by Region

The integration and reinforcement of our domestic sales functions in Japan, along with the merger of NTN Sales Corp. produced significant growth in sales, particularly to manufacturers of general machinery such as machine tools, office equipment and information related devices. Sales were also strong in the automotive sector. Accordingly, overall sales from Japanese operations rose to ¥195,134 million, up ¥11,198 million (6.1%) from the previous year.

North American sales dropped slightly to ¥85,925 million, down ¥474 million (0.5%) on last year. Sales were affected by weakening bearing sales to the automotive industry and dealers as a result of a slowing U.S. economy, which overshadowed the solid performance of CVJs in the automotive segment.

Overall European sales remained strong on the back of the region's healthy economy. Despite the weakening euro, products from the newly operational NTE (France) boosted sales. All in all, sales increased 10.3% (up ¥2,847 million) to ¥30,449 million from the previous year.

Dwindling economic growth in the ASEAN nations and elsewhere were more than offset by increased sales, up 1.8% (¥506 million) on the previous year, at ¥29,043 million.

Cost of Sales and Selling, General and Administrative Expenses

Cost of sales rose 3.1% from the previous year to ¥278,268 million, while the percentage of cost to overall sales improved 1.0 point to 81.7%. Costs were driven upward by the relative strength of the Japanese yen against the declining euro and increased allocation to retirement benefit reserves. However, they were more than offset by higher production and sales, lower material costs and enhanced productivity, as described earlier in this report.

Selling, general and administrative expenses were ¥47,948 million, a 0.3% improvement in relation to total sales over the previous year.

Income

Operating income in the 2000 fiscal year jumped 48.2% to ¥14,335 million. Operating margins were up 1.2% to 4.2%, driven by improved ratios for cost of sales and selling, general and administrative expenses relative to total sales.

With regard to other non-operating income and expenses, the Company posted a loss of ¥7,447 million. Expenses included a one-time loss of ¥12,848 million due to the adoption of new accounting standards for retirement benefits, and a one-time gain of ¥10,078 million on securities contribution to employee retirement benefit trust. Income included the following: ¥878 million in proceeds from the sale of fixed assets (primarily land); ¥769 million equity in earnings(increased compared with the previous year due to improved profits among the applicable Group companies). Expenses included ¥5,129 million interest expenses (reduced compared with the previous year due to reduced borrowing). In FY 2000, the Company's above-mentioned net loss of other non-operating income and expenses was ¥44,050 million less than that in the previous year, a loss of ¥51,497 million. This was partly because in FY 1999 the Company used a new ratio in reserving for retirement benefits to employees, as well as other costs incurred in reforming the Company, including writes-offs of excess inventories and losses on the disposal of assets.

All in all, income before income taxes and minority interests rose ¥48,710 million to ¥6,888 million, while net income was up ¥28,966 million to ¥4,289 million. Net income per share was ¥9.26, of which ¥6 was paid out as a dividend for the fiscal year.

R&D Expenses and Capital Expenditures

Research and Development Expenses

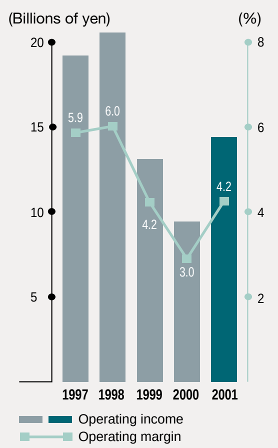
Our total expenses for research and development were ¥10,618 million, representing an increase of 8.6% over the previous year. This figure accounts for 3.1% of our overall sales. Breaking it down by business segment, ¥6,086 million was spent on research and development in the area of bearings. R&D spending on constant-velocity joints and precision equipment equaled ¥2,788 million and ¥1,744 million, respectively.

Capital Expenditures

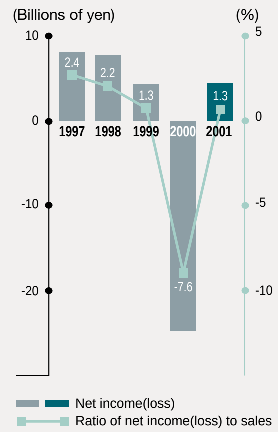
The Company spent ¥24,123 million on capital investment during the fiscal year. That money was used to increase production capacity, implement labor savings and associated rationalization, maintain and upgrade existing facilities, enhance the safety of our facilities, and expedite the research and development of new products.

With regard to our investment in the area of bearings, a total of ¥14,599 million was invested, mainly to extend production lines for third-generation hub joints at ANBM and the Okayama Works and needle bearing products. With regard to constant-velocity joints, ¥8,703 million was spent to introduce new manufacturing equipment at NTE in France, to upgrade both the NDI facilities in the U.S. and the Iwata Works in Japan. In the area of precision equipment, ¥821 million was spent primarily to bolster the Nagano Works' manufacturing capabilities with regard to ball screws and auto-tensioners. All the required expenses were funded from cash, with depreciation for the year amounting to ¥23,402 million.

Operating income

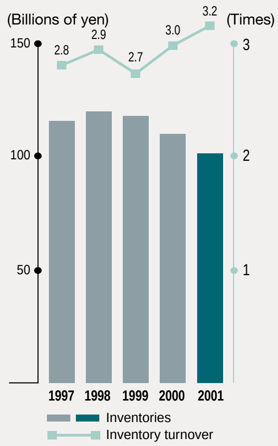


Net income(loss)

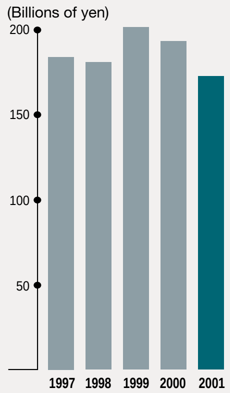


Note: Years in all graphs refer to years ended March 31.

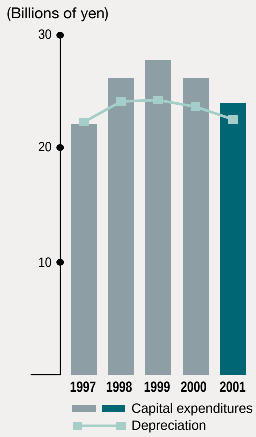
Inventories



Interest-bearing debt



Capital expenditures and depreciation



Financial Position and Cash Flows

Financial Position

Total assets at year end came to ¥478,945 million, a decrease of ¥15,732 million compared with the previous year. The turnover ratio of total assets improved slightly to 0.71 times a year, up 0.05 times a year from the previous year.

Total current assets decreased by ¥29,393 million to ¥246,358 million during the year. The reclassification of marketable securities to investment securities in accordance with revised accounting standards caused current assets to decrease ¥25,506 million. Operating assets decreased by ¥13,316 million. As the result of increased sales, trade notes and accounts receivable rose by ¥11,678 million. Inventories declined by ¥3,733 million with the inventory turnover ratio improved to 3.2 turns, up 0.2 turns from the previous year.

During the year, total current liabilities fell by ¥8,223 million to ¥189,369 million. An analysis of notable changes in current liabilities shows that short-term interest-bearing debt decreased by ¥20,358 million (including a decrease of ¥20,000 million in short-term redeemable bonds) and other current liabilities increased by ¥5,058 million, whereas accrued income taxes rose by ¥4,482 million and trade notes and accounts payable increased ¥2,553 million. As a result, net working capital fell by ¥21,170 million to ¥56,989 million, and the liquidity ratio was 130%, down 10% from the previous year.

Interest-bearing debt consists of long-term interest-bearing debt and short-term interest-bearing debt. While long-term interest-bearing debt increased by ¥3,358 million, gross interest-bearing debt, together with short-term interest-bearing debt, decreased by ¥17,000 million. As a consequence, the interest-bearing debt / total assets ratio improved to 36.3%, representing a decrease of 2.3% compared with the previous year.

During the year, shareholders' equity decreased by ¥5,249 million to ¥138,625 million despite the increase of ¥1,732 million in the consolidated retained earnings and an increase of ¥2,444 million in net unrealized holding gains on securities. This was due to an equity adjustment of ¥9,424 million for foreign currency translations. (This account had been accounted for in the assets section, but due to a revision in the accounting standards, it was included in the capital section starting in the current year.) The shareholders' equity ratio was 28.9%, down 0.2% from the previous year.

Cash Flows

The net cash provided by operating activities amounted to ¥36,248 million. Out of this, ¥6,888 million was net income before taxes and minority interests, and ¥23,402 million was depreciation. While trade receivables increased by ¥9,140 million, inventories decreased by ¥7,352 million and trade payables increased by ¥2,055 million.

The net cash used in investment activities was ¥10,100 million. The Company used ¥22,602 million in the acquisition of tangible assets, primarily for purposes of increased production capacity and upgraded facilities.

The net cash used in financial activities was ¥26,873 million. This reflects ¥21,828 million spent toward the redemption of corporate bonds and the repayment of long-term loans, and ¥2,778 million in dividend-payout expenses, among others.

In aggregate, cash equivalents at end of the year after an adjustment for the effect of exchange rate changes on cash and cash equivalents amounted to ¥33,541 million, an increase of ¥193 million at the end of the previous year.

FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

NTN CORPORATION and consolidated subsidiaries

Year ended March 31

	Millions of yen except per share amounts					Thousands of U.S. dollars except per share amounts
	1997	1998	1999	2000	2001	2001
FOR THE YEAR DATA						
Net sales	¥ 327,835	¥ 347,919	¥ 325,812	¥ 326,474	**¥ 340,551**	**$2,748,596**
Operating income	19,428	20,816	13,633	9,675	**14,335**	**115,698**
Income(loss) before income taxes※	13,076	14,144	9,726	(41,822)	**6,888**	**55,594**
Net income(loss)	7,926	7,690	4,067	(24,677)	**4,289**	**34,617**
Capital expenditures	22,685	26,265	27,609	26,013	**24,123**	**194,697**
Depreciation	22,936	24,411	24,835	24,122	**23,402**	**188,878**
R&D expenses	8,568	9,015	9,274	9,779	**10,618**	**85,698**
AT YEAR-END DATA						
Total assets	465,432	473,320	487,477	494,677	**478,945**	**3,865,577**
Shareholders' equity	168,699	172,046	171,969	143,874	**138,625**	**1,118,847**
Number of employees	12,772	12,675	12,554	12,770	**12,619**	**12,619**
PER SHARE DATA						
Shareholders' equity	364.32	371.55	371.39	310.77	**299.44**	**2.42**
Net income(loss)						
- Basic	17.12	16.61	8.78	(53.30)	**9.26**	**0.07**
- Diluted	17.01	15.44	8.31	—	**8.78**	**0.07**
Cash dividends	9.00	9.00	8.00	6.50	**6.00**	**0.05**
OTHER INFORMATION						
Net income(loss)/Total assets (ROA)	1.7%	1.6%	0.8%	(5.0%)	**0.9%**	**0.9%**
Net income(loss)/Shareholders' equity (ROE)	4.7%	4.5%	2.4%	(15.6%)	**3.0%**	**3.0%**
Shareholders' equity ratio	36.2%	36.3%	35.3%	29.1%	**28.9%**	**28.9%**

※Income(loss) before income taxes and minority interests

	Millions of yen		Thousands of U.S. dollars
	2000	2001	2001
SEGMENT INFORMATION			
By business			
Bearings	¥ 224,819	**¥ 230,017**	**$1,856,473**
CVJs	81,382	**86,318**	**696,675**
Precision equipment	20,273	**24,216**	**195,448**
By region (by market)			
Japan	183,936	**195,134**	**1,574,931**
North America	86,399	**85,925**	**693,503**
Europe	27,602	**30,449**	**245,755**
Asia and others areas	28,537	**29,043**	**234,407**

Notes : 1) U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥123.90=U.S.$1.00, the approximate Tokyo foreign exchange market rate as of March 31, 2001.

CONSOLIDATED BALANCE SHEETS

NTN CORPORATION and consolidated subsidiaries
March 31, 2001 and 2000

ASSETS

	Millions of yen		Thousands of U.S.dollars (Note 1)
	2001	**2000**	**2001**
Current assets:			
Cash and cash equivalents	**¥ 33,541**	¥ 33,348	**$ 270,710**
Short-term investments (Note 3)	**261**	38,722	**2,107**
Trade receivables			
Notes	**23,063**	21,326	**186,142**
Accounts	**71,842**	61,856	**579,839**
Allowance for doubtful accounts	**(68)**	(23)	**(549)**
Total	**94,837**	83,159	**765,432**
Inventories (Note 4)	**106,409**	110,142	**858,830**
Deferred income taxes (Note 12)	**4,454**	2,795	**35,948**
Other current assets	**6,856**	7,585	**55,334**
Total current assets	**246,358**	275,751	**1,988,361**
Property, plant and equipment (Note 5):			
Land	**21,426**	20,427	**172,930**
Buildings and structures (Note 2(f))	**107,875**	100,311	**870,662**
Machinery and equipment	**413,717**	396,733	**3,339,120**
Construction in progress	**6,957**	8,758	**56,150**
	549,975	526,229	**4,438,862**
Less: accumulated depreciation	**(371,036)**	(354,770)	**(2,994,641)**
Net property, plant and equipment	**178,939**	171,459	**1,444,221**
Investments and other assets:			
Investment securities (Note 3)	**19,790**	1,675	**159,726**
Stock investments in non-consolidated subsidiaries and affiliates	**6,950**	5,800	**56,094**
Deferred income taxes (Note 12)	**22,294**	20,936	**179,935**
Other assets	**4,614**	3,756	**37,240**
Total investments and other assets	**53,648**	32,167	**432,995**
Foreign statement translation adjustments	**-**	15,300	**-**
	¥ 478,945	¥ 494,677	**$3,865,577**

See accompanying notes to the consolidated financial statements

LIABILITIES AND SHAREHOLDERS' EQUITY

	Millions of yen		Thousands of U.S.dollars (Note 1)
	2001	**2000**	**2001**
Current liabilities:			
Short-term bank loans (Note 5)	**¥ 94,451**	¥ 93,893	**$ 762,316**
Current portion of long-term debt (Note 5)	**1,396**	22,312	**11,267**
Trade payables			
Notes	**27,181**	24,811	**219,379**
Accounts	**35,652**	35,469	**287,748**
Total	**62,833**	60,280	**507,127**
Accrued income taxes (Note 12)	**5,648**	1,166	**45,585**
Deferred income taxes (Note 12)	**46**	4	**371**
Other current liabilities	**24,995**	19,937	**201,736**
Total current liabilities	**189,369**	197,592	**1,528,402**
Long-term liabilities:			
Long-term debt (Note 5)	**77,904**	74,546	**628,765**
Accrued retirement benefits to employees (Note 2(g) and 6)	**67,361**	74,273	**543,672**
Accrued retirement benefits to directors and statutory auditors (Note 2(h))	**696**	626	**5,617**
Deferred income taxes (Note 12)	**2,738**	1,369	**22,098**
Other long-term liabilities	**784**	721	**6,328**
Total long-term liabilities	**149,483**	151,535	**1,206,480**
Minority interests	**1,468**	1,676	**11,848**
Shareholders' equity (Note 10):			
Common stock, par value, ¥50 per share			
Authorized 800,000,000 shares			
Issued - 463,056,775 shares			
(463,056,775 shares in 2000)	**39,599**	39,599	**319,605**
Capital surplus	**52,622**	52,622	**424,713**
Retained earnings	**53,459**	51,727	**431,469**
Net unrealized holding gains on securities	**2,444**	-	**19,726**
Foreign statement translation adjustments	**(9,424)**	-	**(76,061)**
Less: cost of treasury stock	**(75)**	(74)	**(605)**
Total shareholders' equity	**138,625**	143,874	**1,118,847**

Contingencies (Note 7)

	¥ 478,945	¥ 494,677	**$3,865,577**

CONSOLIDATED STATEMENTS OF INCOME

NTN CORPORATION and consolidated subsidiaries

Year ended March 31, 2001 and 2000

	Millions of yen		Thousands of U.S.dollars (Note 1)
	2001	**2000**	**2001**
Net sales	**¥ 340,551**	¥ 326,474	**$2,748,596**
Cost of sales (Note 11)	**278,268**	269,917	**2,245,908**
Gross profit	**62,283**	56,557	**502,688**
Selling, general and administrative expenses (Note 11)	**47,948**	46,882	**386,990**
Operating income	**14,335**	9,675	**115,698**
Other income (expenses):			
Interest and dividend income	**669**	703	**5,400**
Interest expenses	**(5,129)**	(5,663)	**(41,396)**
Equity in earnings of affiliates	**769**	450	**6,207**
Gain on securities contribution to employee retirement benefit trust	**10,078**	-	**81,340**
Costs related to adopting new accounting standards for retirement benefit (Note 2(g) and 6)	**(12,848)**	-	**(103,697)**
Gain on sale of fixed assets	**878**	609	**7,086**
Provision of reserve for retirement benefits to employees (Note 2(g))	**-**	(44,627)	**-**
Refund of antidumping duties	**-**	1,061	**-**
Loss on disposal of assets	**-**	(2,643)	**-**
Other, net	**(1,864)**	(1,387)	**(15,044)**
Total	**(7,447)**	(51,497)	**(60,104)**
Income (loss) before income taxes and minority interests	**6,888**	(41,822)	**55,594**
Income taxes (Note 12):			
Current	**5,687**	(230)	**45,900**
Deferred	**(3,016)**	(16,836)	**(24,342)**
Total	**2,671**	(17,066)	**21,558**
Income (loss) before minority interests	**4,217**	(24,756)	**34,036**
Minority interests in subsidiaries	**72**	79	**581**
Net income (loss)	**¥ 4,289**	¥ (24,677)	**$ 34,617**

	yen		U.S.dollars (Note 1)
Net income (loss) per share (Note2(l)):			
Basic	**¥ 9.26**	¥ (53.30)	**$ 0.07**
Diluted	**8.78**	-	**0.07**
Cash dividends per share (Note2(l))	**6.00**	6.50	**0.05**

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

NTN CORPORATION and consolidated subsidiaries

Year ended March 31, 2001 and 2000

	Millions of yen		Thousands of U.S.dollars (Note 1)
	2001	**2000**	**2001**
Common stock:			
Balance at beginning of the year	**¥ 39,599**	¥ 39,599	**$ 319,605**
Balance at end of the year	**¥ 39,599**	¥ 39,599	**$ 319,605**
Capital surplus:			
Balance at beginning of the year	**¥ 52,622**	¥ 52,622	**$ 424,713**
Balance at end of the year	**¥ 52,622**	¥ 52,622	**$ 424,713**
Retained earnings:			
Balance at beginning of the year:			
Unappropriated	**¥ 51,727**	¥ 79,751	**$ 417,489**
Increase in retained earnings in an affiliate which was newly accounted for by the equity method	**251**	-	**2,026**
Net income (loss)	**4,289**	(24,677)	**34,617**
Appropriation:			
Cash dividends	**(2,778)**	(3,240)	**(22,421)**
Bonuses to directors and statutory auditors	**(30)**	(107)	**(242)**
Balance at end of the year	**¥ 53,459**	¥ 51,727	**$ 431,469**
Net unrealized holding gains on securities:			
Balance at beginning of the year	**¥ -**	¥ -	**$ -**
Increase	**2,444**	-	**19,726**
Balance at end of the year	**¥ 2,444**	¥ -	**$ 19,726**
Foreign statement translation adjustments:			
Balance at beginning of the year	**¥ -**	¥ -	**$ -**
Increase	**(9,424)**	-	**(76,061)**
Balance at end of the year	**¥ (9,424)**	¥ -	**$ (76,061)**
Cost of treasury stock:			
Balance at beginning of the year	**¥ (74)**	¥ (3)	**$ (597)**
Increase	**(1)**	(71)	**(8)**
Balance at end of the year	**¥ (75)**	¥ (74)	**$ (605)**

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

NTN CORPORATION and consolidated subsidiaries
Year ended March 31, 2001 and 2000

	Millions of yen 2001	Millions of yen 2000	Thousands of U.S.dollars (Note 1) 2001
Cash flows from operating activities :			
Net income (loss) before income taxes and minority interests	¥ 6,888	¥ (41,822)	$ 55,594
Adjustments for :			
Depreciation	23,402	24,121	188,878
Increase in allowance for doubtful accounts	253	68	2,042
Increase in reserve for retirement benefits to employees	4,621	45,534	37,296
Increase (decrease) in reserve for retirement benefits to directors and statutory auditors	69	(373)	557
Interest and dividend income	(669)	(703)	(5,400)
Interest expenses	5,129	5,663	41,396
Foreign statement translation adjustments	(1,649)	174	(13,309)
Equity in earnings of affiliates	(769)	(450)	(6,207)
Gain on sale of property, plant and equipment	(878)	(609)	(7,086)
Increase in trade receivables	(9,140)	(7,398)	(73,769)
Decrease in inventories	7,352	9,437	59,338
Increase in trade payables	2,055	4,931	16,586
Payment of bonuses to directors and statutory auditors	(32)	(107)	(258)
Other	2,606	1,653	21,033
Sub total	39,238	40,119	316,691
Interest and dividend income received	1,071	1,202	8,644
Interest expenses paid	(5,174)	(5,628)	(41,759)
Income taxes refunded (paid)	1,113	(3,753)	8,983
Net cash provided by operating activities	36,248	31,940	292,559
Cash flows from investing activities :			
Decrease (increase) in short-term investments, net	12,955	(791)	104,560
Payments for purchase of property, plant and equipment	(22,602)	(28,788)	(182,421)
Proceeds from sale of property, plant and equipment	1,128	989	9,104
Payments for purchase of intangible fixed assets	(865)	-	(6,981)
Payments for investment in affiliates	(342)	(402)	(2,760)
Other	(374)	52	(3,019)
Net cash used in investing activities	(10,100)	(28,940)	(81,517)
Cash flows from financing activities :			
Decrease in short-term bank loans, net	(8,459)	(5,950)	(68,273)
Proceeds from long-term debt	6,197	21,478	50,016
Repayment of long-term debt, including current portion	(21,828)	(22,981)	(176,174)
Issuance of common stock to minority shareholders	-	645	-
Cash dividends paid	(2,778)	(3,240)	(22,421)
Other	(5)	(1)	(40)
Net cash used in financing activities	(26,873)	(10,049)	(216,892)
Effect of exchange rate changes on cash and cash equivalents	918	1,885	7,408
Net increase (decrease) in cash and cash equivalents	193	(5,164)	1,558
Cash and cash equivalents at beginning of the year	33,348	38,474	269,152
Increase in cash and cash equivalents in subsidiaries which were newly consolidated	-	38	-
Cash and cash equivalents at end of the year	¥ 33,541	¥ 33,348	$ 270,710

See accompanying notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NTN CORPORATION and consolidated subsidiaries

March 31, 2001 and 2000

1. Basis of Presenting Consolidated Financial Statements

NTN CORPORATION (the ”Company”) and its domestic subsidiaries maintain their accounts and records in accordance with the provisions set forth in the Commercial Code of Japan and the Securities and Exchange Law and in conformity with accounting principles and practices generally accepted in Japan, which may differ in some material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

The Company’s overseas subsidiaries maintain their accounts and records in conformity with generally accepted accounting principles and practices prevailing in their respective countries of domicile.

The accompanying consolidated financial statements are prepared based on the consolidated financial statements of the Company and its subsidiaries (the ”Group”) as required by the Securities and Exchange Law.

In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. The consolidated financial statements for 2000 have been reclassified in certain accounts to conform to the 2001 presentation.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of the reader, using the approximate exchange rate at March 31, 2001, which was ¥123.90 to US$1.00. These translations have been made for the convenience of the reader, and should not be construed as representations that the Japanese yen amounts have been, or could be in the future, converted into U.S. dollars at this or any other rate of exchange.

2. Summary of Significant Accounting Policies

(a) Consolidation Principles

The consolidated financial statements include the accounts of the Company and significant subsidiaries. All significant inter-company transactions and accounts are eliminated in consolidation.

Investments in significant affiliates are accounted for by the equity method whereby the Group includes in net income its share of income or losses of these companies, and records its investments at cost adjusted for its share of income, losses or dividends received.

Effective April 1, 1999, the Group adopted new accounting standards for consolidation, which were issued by the Business Accounting Deliberation Council.

Investment in a certain affiliate, previously accounted for by the cost method, has been accounted for by the equity method for the fiscal year ended March 31, 2001 due to an increase in our ownership of that company.

(b) Translation of Foreign Currencies

Effective April 1, 2000, the group adopted revised accounting standards for foreign currency transactions, which were issued by the Business Accounting Deliberation Council.

Monetary assets and liabilities denominated in foreign currencies are translated into yen at the rate of exchange in effect at the balance sheet dates. Up until March 31,2000, long-term monetary assets and liabilities were translated at historical exchange rates. Revenues and expenses were, and still are, translated at the rates of exchange prevailing when transactions are made.

Assets and liabilities of foreign subsidiaries and affiliates are translated into Japanese yen at the exchange rates in effect on the respective balance sheet dates, and shareholders’ equity is at the historical rates. Revenue and expenses are translated at the average rates of exchange for the respective years. Differences arising from translation are presented as “Foreign statement translation adjustments“ in the accompanying consolidated financial statements.

Up until March 31, 2000, foreign statement translation adjustments were reflected in assets or liabilities on the consolidated balance sheet. Under the new method, foreign statement translation adjustments are reflected in shareholders' equity and minority interests on the consolidated balance sheet at March 31, 2001.

(c) Consolidated Statement of Cash Flows

For the purposes of the consolidated statements of cash flows, the Company considers all highly liquid investments, which are readily convertible into cash and / or mature within three months or less to be cash equivalents.

(d) Short-term Investments and Investment Securities

Up until March 31, 2000, marketable securities included in short-term investments and investment securities were stated at the lower of cost or market. Other investments are stated at cost. The cost is determined by the moving average method.

Effective April 1, 2000, the Group adopted new accounting standards for financial instruments, which were issued by the Business Accounting Deliberation Council. In accordance with the new standards, securities are classified into four categories: trading securities, held-to-maturity securities, stock investments in subsidiaries and affiliates, and securities available for sale. Except for stock investments in subsidiaries and affiliates, the securities owned by the Group are all securities available for sale.

Marketable securities available for sale are carried at fair value with the unrealized gains and losses, net of tax, reported on a separate line within shareholders' equity. Under the Commercial Code, unrealized holding gains on securities, net of related taxes is not available for distribution as dividends and bonuses to directors and statutory auditors. Declines in value on the securities judged to be other than temporary are charged to income.

Non-marketable securities available for sale are carried at cost. Marketable securities in the amount of ¥18,127 million ($146,303 thousand) classified as short-term investments up until March 31, 2000 were transferred to investment securities.

(e) Inventories

Inventories are principally stated at cost, determined by the average method.

(f) Property, Plant and Equipment

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

The principal estimated useful lives are as follows:

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

(g) Accrued Retirement Benefits to Employees

The Company and certain domestic consolidated subsidiaries principally have a lump-sum benefit plan generally covering all employees. Under the terms of the retirement plan of the Group, substantially all employees are eligible to a lump-sum payment at the time of retirement. The amount of retirement benefit is, in general, determined on the basis of length of service, basic salary at the time of retirement and conditions under which the retirement occurs.

Up until March 31, 1999, the Group principally provided for employees' retirement benefits, at 40 % of the amount which would be required if all eligible employees voluntarily retire as of the balance sheet date. For the year ended March 31, 2000, the Group changed its accounting method for employees' retirement benefits to provide for the full amount which would be required to be paid if all eligible employees voluntarily retired at balance sheet date. As a result of this change, income before income taxes and minority interests decreased by ¥44,627 million for the year ended March 31, 2000.

Effective April 1, 2000, the Group adopted new accounting standards for retirement benefit, which were issued by the Business Accounting Deliberation Council. In accordance with the new standards, reserve for retirement benefits to employees is provided based on the amount of projected benefit obligation reduced by pension plan assets at fair value at balance sheet dates. Costs related to the adoption of the new accounting standards amounting to ¥12,848 million ($103,697 thousand) and was wholly amortized for the year ended March 31, 2001. As a result, periodic benefit cost increased by ¥1,220 million ($9,847 thousand) and income before income taxes and minority interests decreased by ¥3,827 million ($30,888 thousand) for the year ended March 31, 2001.

(h) Accrued Retirement Benefits to Directors and Statutory Auditors

Retirement benefits to directors and statutory auditors of the Company and certain of its domestic subsidiaries are provided based on their pertinent rules and are calculated as the estimated amount which would be payable if all officers retired at the balance sheet dates. Any amounts payable to directors and statutory auditors upon retirement are subject to approval at the shareholders' meeting.

(i) Leases

The finance leases without covenants transferring ownership of the properties to lessees are not capitalized, and accounted for by a method applicable to operating leases.

(j) Research and Development Cost and Computer Software

Research and development cost is charged to income when incurred. Costs relating to computer software developed for internal use is charged to income when incurred, except if it contributes to the generation of income or to cost savings. Such cost is capitalized as an asset and amortized using the straight-line method over its estimated useful life of 5 years.

Effective April 1, 1999, the Group adopted new accounting standards for research and development costs, which were issued by the Business Accounting Deliberation Council.

(k) Income Taxes

Income taxes are based on taxable income and charged to income on an accrual basis. Deferred income taxes relating to timing differences between financial and income tax reporting are provided.

(l) Net Income (Loss) and Cash Dividends Per Share

The computation of primary net income (loss) and cash dividends per share of common stock are based on the weighted average number of shares outstanding each year. Net income (loss) per share assuming full dilution is computed on the basis that all convertible bonds were converted into common stock at the beginning of each year or at the date of issue, with appropriate adjustment of related interest and other expenses, net of taxes, for such convertible bonds.

The diluted amount per share is not presented for 2000, since a net loss was recorded for the year.

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.

(m) Derivative Financial Instruments and Hedging Activities

Effective April 1, 2000, the Group adopted new accounting standards for financial instruments (see (d)). All derivatives are stated at fair value with changes in fair value included in net profit or loss for the period in which they arise, except for derivatives that are designated as "hedging instruments".

Derivative financial instruments are utilized by the Group principally to reduce interest rate and foreign exchange rate risks, and they are comprised of interest-rate swap agreements and forward exchange contracts. The Group has established a control environment which includes policies and procedures for risk assessment and for the approval, reporting and monitoring of transactions involving derivative financial instruments. The Group does not hold or issue derivative financial instruments for speculation.

The Group is exposed to certain market risks arising from its forward exchange contracts and swap agreements. The Group is also exposed to the risk of credit loss in the event of non-performance by the counterparties with respect to currency and interest; however, the Group does not anticipate nonperformance by any of these counterparties all of whom are financial institutions with high credit ratings.

At March 31, 2001, all derivative financial instruments utilized by the Group met the criteria for hedge accounting.

(n) Appropriation of Retained Earnings

Cash dividends, transfer to legal reserve and bonuses to directors and statutory auditors are recorded in the fiscal year in which a proposed appropriation is approved by the shareholders' meeting.

3. Short-term Investments, Investment Securities

At March 31, 2001 and 2000, short-term investments, investment securities were as follows:

	Millions of yen 2001			
	Cost	Gross unrealized gains	Gross unrealized losses	Book Value (Estimated fair value)
Short-term Investments :				
Market value not available	¥ 261			
Investment Securities :				
Market value available :				
Stock securities	¥ 13,949	¥ 4,677	¥ 498	¥ 18,128
Other securities	47	-	13	34
	¥ 13,996	¥ 4,677	¥ 511	¥ 18,162
Market value not available :	¥ 1,628			

	Thousands of U.S. dollars 2001			
	Cost	Gross unrealized gains	Gross unrealized losses	Book Value (Estimated fair value)
Short-term Investments :				
Market value not available	$ 2,107			
Investment Securities :				
Market value available :				
Stock securities	$ 112,583	$ 37,748	$ 4,019	$ 146,312
Other securities	379	-	105	274
	$ 112,962	$ 37,748	$ 4,124	$ 146,586
Market value not available :	$ 13,140			

	Millions of yen 2000		
	Carrying amounts	Market value	Unrealized gain-net
Short-term Investments :			
Market value available:			
Stock securities	¥ 25,506	¥ 44,797	¥ 19,291
	25,506	¥ 44,797	¥ 19,291
Market value not available	13,216		
Total	¥ 38,722		
Investment securities :			
Market value not available	¥ 1,675		

4. Inventories

Inventories as of March 31, 2001 and 2000 were comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Finished goods	**¥ 63,266**	¥ 65,382	**$ 510,622**
Work in process and raw materials	**43,143**	44,760	**348,208**
	¥ 106,409	¥ 110,142	**$ 858,830**

5. Short-term Bank Loans and Long-term Debt

Short-term bank loans outstanding are generally represented by unsecured short-term notes and bore interest at an annual average rate of 3.7% and 3.3% in 2001 and 2000, respectively.

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Banks and insurance companies, Maturing serially through 2006	**¥ 9,300**	¥ 6,858	**$ 75,060**
5.1% Unsecured bonds in Japanese yen due 2000	**-**	20,000	**-**
0.85% Unsecured convertible bonds in Japanese yen due 2004	**30,000**	30,000	**242,131**
1.85% Unsecured bonds in Japanese yen due 2003	**20,000**	20,000	**161,421**
2.14% Unsecured bonds in Japanese yen due 2006	**10,000**	10,000	**80,710**
2.7% Unsecured bonds in Japanese yen due 2009	**10,000**	10,000	**80,710**
	79,300	96,858	**640,032**
Less amounts due within one year	**(1,396)**	(22,312)	**(11,267)**
	¥ 77,904	¥ 74,546	**$ 628,765**

Convertible bonds due 2004 are convertible into shares of common stock of the Company at ¥687 ($ 5.54) per share.
As of March 31, 2001, ¥1,860 million ($15,012 thousand) of property, plant and equipment were pledged as collateral for long-term debt of ¥299 million ($2,413 thousand) and short-term bank loans and current portion of long-term debt of ¥1,464 million ($11,816 thousand).

The aggregated annual maturities of long-term debt as of March 31, 2001 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2002	¥ 1,396	$ 11,267
2003	2,305	18,604
2004	50,697	409,177
2005	652	5,262
2006 and after	24,250	195,722
	¥ 79,300	$ 640,032

6. Accrued Retirement Benefits to Employees

The following tables sets forth the changes in benefit obligation, plan assets and funded status of the Group at March 31, 2001.

	Millions of yen	Thousands of U.S. dollars
Benefit obligation at end of year	¥ (164,332)	$(1,326,328)
Fair value of plan assets at end of year	86,254	696,159
Funded status:		
Benefit obligation in excess of plan assets	(78,078)	(630,169)
Unrecognized actuarial loss	10,717	86,497
Accrued pension liability recognized in the consolidated balance sheets	¥ (67,361)	$ (543,672)

Severance and pension costs of the Group included the following components for the year ended March 31, 2001:

	Millions of yen	Thousands of U.S. dollars
Service cost	¥ 5,177	$ 41,784
Interest cost	5,428	43,809
Expected return on plan assets	(2,826)	(22,809)
Amortization:		
Costs related to adopting new accounting standards for retirement benefit	12,848	103,697
Benefit cost	¥ 20,627	$ 166,481

Assumption used in the accounting for the defined benefit plans for the year ended March 31, 2001 is as follows:

Discount rate	3.5%
Long-term rate of return on fund assets	4.0%
Method of attributing benefit to periods of service	straight–line basis
Amortization period for actuarial gains and losses (in and after the next financial year)	15years
Amortization period for costs related to adopting new accounting standards for retirement benefit	1year

7. Contingencies

At March 31, 2001 and 2000, contingent liabilities of the Group amounted to:

	Millions of yen		Thousands of U.S. dollars
	2001	**2000**	**2001**
Notes discounted or endorsed	**¥ 1,168**	¥ 1,162	**$ 9,427**

8. Finance Leases Without Covenants Transferring Ownership of the Properties to Lessees

(a) Information as a Lessee

Properties which were leased under finance leases but which were not capitalized as of March 31, 2001 and 2000, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	**2000**	**2001**
Acquisition cost	**¥ 5,621**	¥ 5,648	**$ 45,367**
Accumulated depreciation	**(2,823)**	(2,569)	**(22,784)**
Net leased property	**¥ 2,798**	¥ 3,079	**$ 22,583**

Future minimum lease payments under finance leases as of March 31,2001 and 2000 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	**2000**	**2001**
Due within one year	**¥ 669**	¥ 617	**$ 5,400**
Due after one year	**2,129**	2,462	**17,183**
Total	**¥ 2,798**	¥ 3,079	**$ 22,583**

The acquisition costs and future minimum lease payments under finance leases include the imputed interest expense portion.

Total lease payments under finance leases were ¥692 million ($ 5,585 thousand) and ¥ 875 million for the year ended March 31, 2001 and 2000, respectively.

(b) Information as a Lessor

Property, plant and equipment under the above kind of finance leases as of March 31, 2001 and 2000, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	**2000**	**2001**
Machinery and equipment			
Acquisition cost	**¥ 72**	¥ 72	**$ 581**
Accumulated depreciation	**(51)**	(42)	**(412)**
Net leased property	**¥ 21**	¥ 30	**$ 169**

Lease income for the years ended March 31, 2001 and 2000 amounted to ¥ 9 million ($73 thousand) and ¥ 9 million, respectively.

Depreciation expense for the years ended March 31, 2001 and 2000 amounted to ¥ 5 million ($40 thousand), and ¥ 3 million, respectively.

Future minimum lease receipts as of March 31, 2001 and 2000 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	**2000**	**2001**
Within one year	**¥ 9**	¥ 9	**$ 73**
After one year	**20**	30	**161**
Total	**¥ 29**	¥ 39	**$ 234**

The imputed interest portion is included in the above amounts.

9. Operating Leases

Obligations under non-cancelable operating leases as of March 31, 2001 and 2000 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	**2000**	**2001**
Due within one year	**¥ 172**	¥ 161	**$ 1,388**
Due after one year	**1,051**	1,072	**8,483**
Total	**¥ 1,223**	¥ 1,233	**$ 9,871**

10. Shareholders' Equity

The Commercial Code of Japan requires that an amount not less than 10 percent of cash dividends and bonuses to directors and statutory auditors shall be appropriated as a legal reserve until such reserve equals to 25 percent of common stock. The legal reserve is not available for dividends but may be used to reduce a deficit or may be transferred to common stock.

Legal reserve of Company, included in retained earnings as of March 31, 2001 and 2000, amounted to ¥ 8,456 million ($ 68,249 thousand) and ¥ 8,178 million, respectively.

Under the Company's articles of incorporation, it is possible for the Company to purchase and retire common shares, up to a maximum of 46,000,000 shares, by using the Company's retained earnings subject to resolution of the Board of Directors.

11. Research and Development Cost

Research and development costs included in cost of sales and selling, general and administrative expenses were ¥ 10,618 million ($ 85,698 thousand) million and ¥9,778 million for the years ended March 31, 2001 and 2000, respectively.

12. Income Taxes

The Company and its domestic subsidiaries are subject to several taxes based on income, which in the aggregate resulted in statutory tax rates of 41.3% for the years ended March 31, 2001 and 2000. Overseas subsidiaries are subject to income taxes of the countries in which they operate.

The effective rate for the year ended March 31, 2001 differs from the Company's statutory tax rate for the following reasons:

Statutory tax rate	41.3	%
Expenses not deductible for income tax purposes	1.6	
Revenues deductible for income tax purposes	(5.9)	
Elimination of dividends received	8.2	
Equity in earnings of affiliates	(4.6)	
Other	(1.8)	
Effective tax rate	38.8	%

Information explaining the difference between the effective tax rate and the Company's statutory rate for the year ended March 31, 2000 is not presented since a net loss was recorded for the year.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets at March 31, 2001 and 2000 are presented below:

	Millions of yen		Thousands of U.S. dollars
	2001	**2000**	**2001**
Deferred tax assets:			
Reserve for retirement benefits to employees	**¥ 23,372**	¥ 20,644	**$ 188,636**
Inventories	**2,122**	1,370	**17,127**
Operating loss carried forward	**1,581**	1,044	**12,760**
Accrued expenses	**1,824**	928	**14,721**
Unrealized holding losses on securities	**211**	-	**1,703**
Other	**1,083**	1,518	**8,741**
Total gross deferred tax assets	**30,193**	25,504	**243,688**
Less valuation allowance	**(256)**	-	**(2,066)**
Deferred tax assets	**29,937**	25,504	**241,622**
Deferred tax liabilities:			
Depreciation	**(3,306)**	(2,296)	**(26,683)**
Unrealized holding gains on securities	**(1,932)**	(-)	**(15,593)**
Reserve for deferred income tax	**(482)**	(333)	**(3,890)**
Other	**(253)**	(517)	**(2,042)**
Deferred tax liabilities	**(5,973)**	(3,146)	**(48,208)**
Net deferred tax assets	**¥ 23,964**	¥ 22,358	**$ 193,414**

13. Segment Information

(1) Geographic Segment Information

The segment information recognized by geographic origin for the years ended March 31, 2001 and 2000 are as follows:

Millions of yen

2001	Japan	North America	Europe	Asia and other areas	Total	Elimination	Consolidated
Sales to customers	¥ 211,574	¥ 86,070	¥ 27,951	¥ 14,956	¥ 340,551	¥ -	¥ 340,551
Intersegment	57,092	337	39	1	57,469	(57,469)	-
Total sales	268,666	86,407	27,990	14,957	398,020	(57,469)	340,551
Operating expenses	258,782	83,164	27,799	13,870	383,615	(57,399)	326,216
Operating income	¥ 9,884	¥ 3,243	¥ 191	¥ 1,087	¥ 14,405	¥ (70)	¥ 14,335
Assets	¥ 351,054	¥ 104,271	¥ 32,813	¥ 13,096	¥ 501,234	¥ (22,289)	¥ 478,945

Millions of yen

2000	Japan	North America	Europe	Asia and other areas	Total	Elimination	Consolidated
Sales to customers	¥ 202,569	¥ 86,591	¥ 23,871	¥ 13,443	¥ 326,474	¥ -	¥ 326,474
Intersegment	48,591	243	55	3	48,892	(48,892)	-
Total sales	251,160	86,834	23,926	13,446	375,366	(48,892)	326,474
Operating expenses	246,684	83,315	23,524	12,759	366,282	(49,483)	316,799
Operating income	¥ 4,476	¥ 3,519	¥ 402	¥ 687	¥ 9,084	¥ 591	¥ 9,675
Assets	¥ 354,009	¥ 90,226	¥ 21,970	¥ 11,356	¥ 477,561	¥ 17,116	¥ 494,677

Thousands of U.S. dollars

2001	Japan	North America	Europe	Asia and other areas	Total	Elimination	Consolidated
Sales to customers	$ 1,707,620	$ 694,673	$ 225,593	$ 120,710	$ 2,748,596	$ -	$ 2,748,596
Intersegment	460,791	2,720	315	8	463,834	(463,834)	-
Total sales	2,168,411	697,393	225,908	120,718	3,212,430	(463,834)	2,748,596
Operating expenses	2,088,637	671,219	224,366	111,945	3,096,167	(463,269)	2,632,898
Operating income	$ 79,774	$ 26,174	$ 1,542	$ 8,773	$ 116,263	$ (565)	$ 115,698
Assets	$ 2,833,366	$ 841,574	$ 264,835	$ 105,698	$ 4,045,473	$ (179,896)	$ 3,865,577

(2) Overseas Sales

Net sales recognized by overseas sales destination for the years ended March 31, 2001 and 2000 are as follows:

Millions of yen

2001	North America	Europe	Asia and other areas	Total
Overseas sales	¥ 85,925	¥ 30,449	¥ 29,043	¥ 145,417
Consolidated net sales	-	-	-	¥ 340,551
Ratio of overseas sales to consolidated sales	25.2%	8.9%	8.5%	42.7%

Millions of yen

2000	North America	Europe	Asia and other areas	Total
Overseas sales	¥ 86,399	¥ 27,602	¥ 28,537	¥ 142,538
Consolidated net sales	-	-	-	¥ 326,474
Ratio of overseas sales to consolidated sales	26.5%	8.5%	8.7%	43.7%

Thousands of U.S. dollars

2001	North America	Europe	Asia and other areas	Total
Overseas sales	$ 693,502	$ 245,755	$ 234,407	$1,173,664
Consolidated net sales	-	-	-	$2,748,595

INDEPENDENT AUDITOR’S REPORT

Century Ota Showa & Co.

The Board of Directors and Shareholders
NTN CORPORATION

We have audited the consolidated balance sheets of NTN CORPORATION and consolidated subsidiaries as of March 31, 2001 and 2000, and the related consolidated statements of income, shareholders’ equity and cash flows for the years then ended, all expressed in yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements, expressed in yen, present fairly the consolidated financial position of NTN CORPORATION and consolidated subsidiaries as of March 31, 2001 and 2000, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis except for the changes, with which we concur, in the accounting method of reserve for retirement benefits to employees as described in note 2 to the consolidated financial statements for the year ended March 31, 2000.

As described in note 2 to the consolidated financial statements, NTN CORPORATION and consolidated subsidiaries have adopted new accounting standards for retirement benefit, financial instruments and translation of foreign currencies, effective April 1, 2000, and new accounting standards for consolidation and research and development costs, effective April 1, 1999, in the preparation of their consolidated financial statements.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2001 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 to the consolidated financial statements.

Century Ota Showa & Co.

Osaka, Japan
June 28, 2001

See note 1 to the consolidated financial statements which explains the basis of preparing the consolidated financial statements of NTN CORPORATION under Japanese accounting principles and practices.

NTN GROUP INVESTMENT HOLDINGS

As of March 31, 2001

Consolidated Subsidiaries

	Paid-in capital	Holding in percent
HIGASHINIHON NTN SERVICE CORP.	¥40,000,000	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	40[60]
NTN MIKUMO COMPANY LTD.	¥450,000,000	100
NTN PRECISION FORGING CO., LTD.	¥1,000,000,000	100
NTN CASTING CORP.	¥450,000,000	100(3.3)
NTN KISHIWADA CORP.	¥20,000,000	100
NTN HIRANO CORP.	¥150,000,000	100
NTN KINAN CORP.	¥450,000,000	100
NTN USA CORP.	US.$97,820,000	100
NTN BEARING CORP. OF AMERICA	US.$24,700,000	100(100)
NTN DRIVESHAFT, INC.	US.$38,580,000	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)
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 38,100,000	80
NTN BEARING-SINGAPORE (PTE) LTD.	S.$12,000,000	100(2.9)
NTN CHINA LTD.	HK.$2,500,000	100
NTN BEARING-THAILAND CO., LTD.	BAHT 10,000,000	49(49)[51]
NTN MANUFACTURING (THAILAND) CO., LTD.	BAHT 347,000,000	99.999(0.001)
NTN BEARING-MALAYSIA SND. BHD.	M.$350,000	70(70)
NTN KOREA CO., LTD	WON 500,000,000	100

Affiliated Companies Accounted for by the Equity Method

SOCIÉTÉ NOUVELLE DE TRANSMISSIONS DU MANS	EURO 32,994,600	20
TUNG PEI INDUSTRIAL CO., LTD.	NT.$1,142,938,750	27.35
TAIWAY LTD.	NT.$160,000,000	20
UNIDRIVE PTY. LTD.	A.$5,000,000	40

Notes : 1) NTN Corporation's share of voting rights in NTN Powder Metal Corp. and NTN Bearing-Thailand Co., Ltd. is less than 50%. As these companies are substantially controlled by NTN Corporation, however, they are treated as subsidiaries.

2) As for voting rights, the figure in parentheses indicates the percentage of indirectly owned, and is included as part of the total holding. The figure in brackets indicates the percentage owned by parties having close ties with the Company. It is not included in the ownership percentage.

NTN'S GLOBAL NETWORK

As of June 30, 2001

Japan

Sales

SALES HEADQUARTERS
6th Floor, TOC Bldg., 22-17 Nishi-Gotanda
7-chome, Shinagawa-ku, Tokyo
141-0031, Japan
Phone : +81-3-5487-2816
Fax : +81-3-5487-2939

HIGASHINIHON NTN SERVICE CORP.
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1-5, 3-chome, Osaki, Shinagawa-ku, Tokyo
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438-8510, Japan
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Fax : +81-594-76-7244

NTN POWDER METAL CORP.
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Fax : +81-739-47-1829

HIKARI SEIKI INDUSTRY CO., LTD.
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Fax : +1-847-294-1209

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Rep.de Panamá
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Fax : +52-3-145-1594

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Elgin Plant
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Fax : +1-847-888-1226

NTN-BOWER CORP.

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Hamilton Plant
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NTN DRIVESHAFT, INC.
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Fax : +1-812-342-1155

NTN-BCA CORP.

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Phone : +1-717-627-3623
Fax : +1-717-627-4560

Greensburg Plant
987 North U.S. Highway 421, Greensburg,
IN 47240-9399, U.S.A.
Phone : +1-812-663-3361
Fax : +1-812-663-5442

NTN BEARING MFG. CANADA
A DIV. OF NTN BEARING CORP. OF CANADA LTD.
6740 Kitimat Road, Mississauga, Ontario,
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Fax : +1-905-821-3486

R&D

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Phone : +1-734-761-3610
Fax : +1-734-761-3632

Europe

Sales

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NTN BEARINGS (UK) LTD.
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Manufacturing

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NTN TRANSMISSIONS EUROPE
Z.A. Des Tremelieres Communaute
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NTN CHINA LTD.
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56, Dundas Street, Kowloon, Hong Kong
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Fax : +852-2385-2138

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NTN KOREA CO., LTD.
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Fax : +82-2-779-4150

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3, The Crescent, Kingsgrove, NSW 2208,
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Fax : +61-2-9502-4013

Manufacturing

NTN MANUFACTURING (THAILAND) CO., LTD.
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Pluakdaeng, Rayong 21140, Thailand
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Fax : +886-3-5982787

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

MANAGEMENT

As of June 28, 2001

Toyoaki Itoh

Yasunobu Suzuki

Masashi Sanami

Shichiro Fukumoto

Yasuhiro Gotoh

DIRECTORS

Toyoaki Itoh ※
President

Yasunobu Suzuki ※
Deputy President

Masashi Sanami
Senior Managing Director

Shichiro Fukumoto ※
Senior Managing Director

Yasuhiro Gotoh ※
Senior Managing Director

Tomosaburo Ogiuchi
Managing Director

Naokazu Iyama
Managing Director

Takuji Mukoyama
Managing Director

Hiroshi Katsuma
Managing Director

Takehiko Murakami
Managing Director

Satoshi Miyatake
Director

Hiroyuki Tomari
Director

Morihisa Itoh
Director

Naohiko Fujimura
Director

Hideo Sofue
Director

Junji Oba
Director

Osamu Wakisaka
Director

Wasaburo Suganuma
Director

Tadatoshi Kato
Director

Katsuhiro Inoue
Director

※ Representative Directors

AUDITORS

Hideki Takeda
Standing Statutory Auditor

Mitsunobu Matsuo
Standing Statutory Auditor

Tadataka Nishiyama
Statutory Auditor

Isamu Nakano
Statutory Auditor

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

Investor Relations
Phone : +81-6-6449-3612
Fax : +81-6-6443-6966
e-mail : sysad@osa.ntn.co.jp

NTN on Internet
NTN's web site offers a variety of corporate and product information, including the latest annual report and financial results.
http//www.ntn.co.jp

Common Stock
Par value ¥50
Authorized 800,000,000 shares
Issued and outstanding 463,056,775 shares

Number of Shareholders (As of March 31, 2001)
36,487

Transfer Agent for Common Stock
The Toyo Trust & Banking Co.,Ltd.
4-3, 1-chome, Marunouchi, Chiyoda-ku,
Tokyo 100-0005, Japan

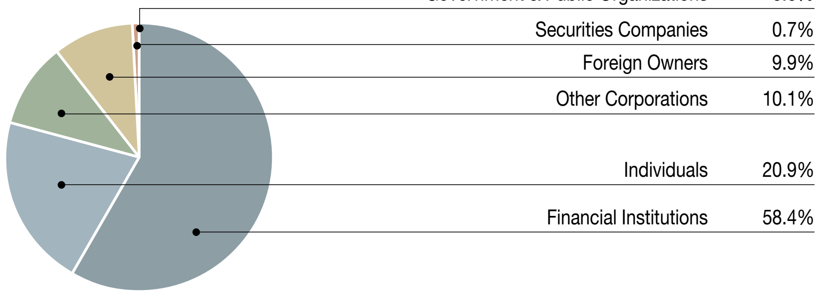
Stock Exchange Listings
Tokyo, Osaka, Nagoya, Fukuoka, and Sapporo stock exchanges (#6472)

Independent Accountants
Century Ota Showa & Co.

General Meeting of Shareholders
The General Meeting of Shareholders was held on June 28, 2001 in Osaka.

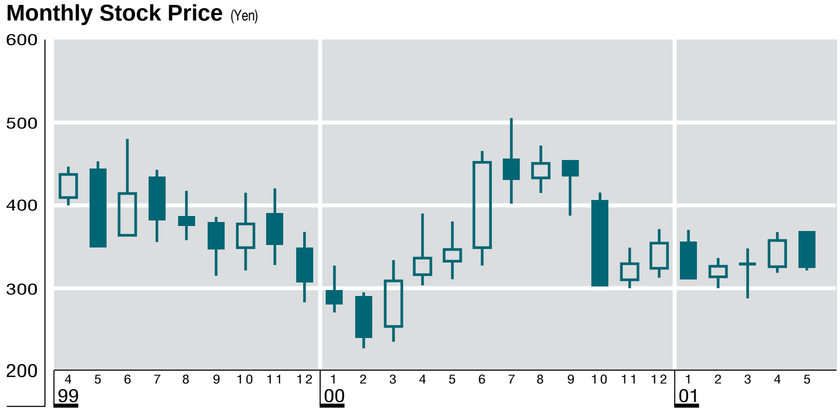
Stock Price Range in Fiscal 2000
High : ¥506 (July 11, 2000)
Low : ¥291 (March 15, 2001)

Breakdown of Shareholders

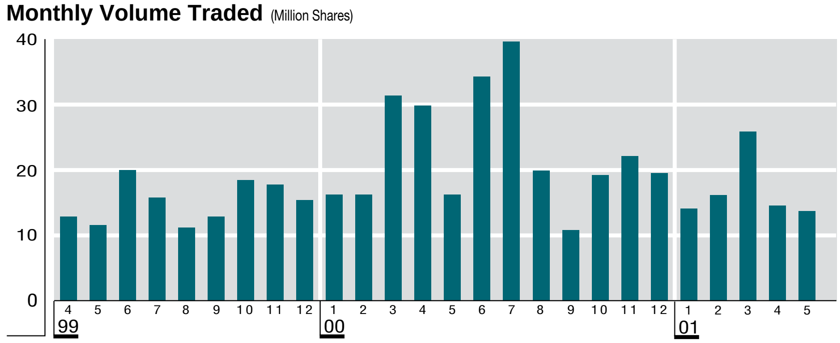


Tokyo Stock Price Range (As of May 31, 2001)

Monthly Stock Price (Yen)



Monthly Volume Traded (Million Shares)



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