

Financial Report for the 1st Quarter of Fiscal Year 2004 Ended June 30, 2004 (Consolidated)

NTN Corporation

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1. Items regarding Preparation of the Summary of the Quarterly Results

- 1) Adoption of simplified accounting procedures: Yes
 (Corporate income tax and other taxes are calculated using expected annual tax rates based on the statutory income tax rates.)
- 2) Changes in accounting policies from the latest consolidated fiscal year: None
- 3) Change in the scope of consolidation or application of the equity method: Yes
 Consolidated subsidiaries (Newly included): 2

2. Consolidated Business Results and Financial Position for the 1st Quarter FY2004
(From April 1, 2004 to June 30, 2004)
(1) Results of Operations

(Amounts rounded down to million yen)

	Net sales		Operating income		Ordinary income	
	million yen	%	million yen	%	million yen	%
1st Quarter FY2004	94,925	8.2	7,832	34.9	7,354	39.1
1st Quarter FY2003	87,712	-	5,807	-	5,228	-
(Ref.) FY 2003	357,394	-	24,709	-	20,776	-

	Net income		Net income per share	Diluted net income per share
	million yen	%	yen	yen
1st Quarter FY2004	4,376	38.2	9.47	9.27
1st Quarter FY2003	3,165	-	6.85	6.33
(Ref.) FY 2003	11,031	-	23.54	21.87

Note: The percentage figures represent year-on-year changes.

(2) Financial Position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholder's equity per share
	million yen	million yen	%	yen
1st Quarter FY2004	469,962	145,931	31.1	315.74
1st Quarter FY2003	474,145	138,749	29.3	300.09
(Ref.) FY 2003	460,340	142,487	31.0	308.27

(3) Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	million yen	million yen	million yen	million yen
1st Quarter FY2004	10,755	(9,768)	(1,593)	42,146
(Ref.) FY 2003	21,142	(34,990)	6,043	42,157

Note: The figures of consolidated cash flows for the 1st Quarter FY2003 are not listed as they were not disclosed in the previous year.

3. Forecast for Fiscal Year 2004 (From April 1, 2004 to March 31, 2005)

	Sales	Operating income	Ordinary income	Net income
	million yen	million yen	million yen	million yen
Interim	190,000	15,500	13,500	8,500
Full year	380,000	31,000	26,500	16,500

Note: Projected net income per share for the full year: 35.37 yen

* The above estimate incorporates certain assumptions and projections based upon which the future outlook and plans by the Company as announced in this document are formulated. Actual results may differ from the above projections depending on various conditions.

Qualitative Information about Results of Operations

Japan's economy in the first quarter saw steady recovery, primarily on improvement in corporate profits, and expanding exports as well as capital expenditures. Overseas, a strong economic recovery continued in the United States, led by personal consumption and capital expenditures, while Europe's economy also showed mild recovery aided by exports and other external demand. In addition, growth in the Asian economies also continued centering on China, supported by strong consumption and export growth.

In this environment, the NTN Group is promoting various programs as outlined in its "Rapid Advance 21" medium-term business plan, which began from April 2004. These programs are aimed at strengthening profitability, and included active marketing in response to strong demand growth, productivity improvements, and reducing variable cost.

As a result, sales for the first quarter amounted to 94.925 billion yen, representing an year-on-year increase of 7.213 billion yen or 8.2%. In terms of earnings, operating profit was 7.832 billion yen (up 34.9% year-on-year), ordinary profit was 7.354 billion yen (up 39.1%) and net income for the quarter was 4.376 billion yen (up 38.2%).

Sales trends by business segment were as follows;

(1) Bearings

In Japan, sales for automotive business increased, while sales for general machinery and for distributors also trended favorably. Sales for automakers and general machinery increased in North America, while yen-denominated sales declined from the previous year due to the exchange rate impact of a weaker US dollar. Sales for automakers and distributors in Asia increased, while European sales were also favorable. As a result, total sales in bearings rose by 4.501 billion yen, or 8.1% year-on-year to 60.190 billion yen.

(2) Constant-velocity Joints (CVJs)

Sales to Renault in Europe increased, and the start-up of mass production at Guangzhou NTN-Yulon Drivetrain Co.,Ltd. also contributed. In addition, sales to Japanese capital-affiliated automobile manufacturers in North America were also strong. As a result, total sales of the CVJs were 27.426 billion yen, or 1.483 billion yen higher than last year and up 5.7% year-on-year.

(3) Precision Equipment

Reflecting strong demand for digital home electronic equipment, and growth in LCD repair equipment and other system products, sales for this business segment increased by 1.228 billion yen, or 20.2% over the previous year to 7.308 billion yen.

Sales by geographical area are as follows (no year-on-year comparison is given for operating profits because the Company did not disclose operating profits in the previous year);

(1) Japan

Supported by strong increases in automobile and digital home electronic products, growth was seen in bearings for automobile, LCD repair equipment and other system products. Bearing sales for general machinery and for distributors were also favorable. As a result, total Japan sales increased by 5.444 billion yen, or 8.5% to 69.432 billion yen.

(2) North America

Sales of CVJs and general machinery bearings increased, but weaker dollar exchange rates resulted in yen-denominated values being largely flat with the previous year at 22.685 billion yen.

(3) Europe

Sales of CVJs to Renault increased, and bearing sales for automobile as well as for general machinery were stronger. Consequently, total Europe sales were 1.314 billion yen higher and increased 8.8% year-on-year to 16.229 billion yen.

(4) Asia, Others

In China, sales increased markedly with the start-up of mass production of bearings at NTN-Nidec (Zhejiang) Corporation, and of CVJs at Guangzhou NTN-Yulon Drivetrain Co., Ltd. In addition, bearing sales for automobile and for distributors in the ASEAN region were strong. As a result, sales for this region increased 39.5% year-on-year, or by 2.138 billion yen, to 7.549 billion yen.

Qualitative Information Regarding Financial Position

Cash flow from operating activities increased by 10.755 billion yen, mainly because of quarterly pretax profit of 7.354 billion yen, depreciation expenses of 5.648 billion yen, an increase of accounts payable of 2.931 billion yen, and an increase of 2.271 billion yen in accounts receivable.

Cash flow from investing activities declined by 9.768 billion yen, mainly because of purchases of tangible assets amounting to 10.844 billion yen.

Cash flow from financing activities declined by 1.593 billion yen, owing mainly to dividend payments of 1.386 billion yen.

In addition to the above, an increase of 420 million yen related to conversion differentials and an increase of 175 million yen resulting from the inclusion of newly consolidated subsidiaries resulted in cash and cash equivalents on hand of 42,146 million yen at the end of the first quarter, representing a decrease of 11 million yen from the end of the previous fiscal year.

Shareholders' equity was 145.931 billion yen, or 3.444 billion yen higher than at the end of the previous fiscal year, while shareholders' equity ratio was 31.1%, or 0.1 percentage point higher than at the end of the previous fiscal year.

Qualitative Information Regarding Business Forecasts

1. Revision of the Forecast for Fiscal Year 2004 (from April 1, 2004 to March 31, 2005)

		millions of yen			
		Sales	Operating Income*	Ordinary Income	Net income
Previous Forecast (A)	Interim	180,000	12,500	10,000	6,500
	Full Year	370,000	28,000	23,000	14,500
Current Forecast (B)	Interim	190,000	15,500	13,500	8,500
	Full Year	380,000	31,000	26,500	16,500
Increase/Decrease (B)-(A)	Interim	10,000	3,000	3,500	2,000
	Full Year	10,000	3,000	3,500	2,000
Change (%)	Interim	5.6%	24.0%	35.0%	30.8%
	Full Year	2.7%	10.7%	15.2%	13.8%
FY2003 Actual	Interim	175,488	11,271	9,947	6,356
	Full Year	357,394	24,709	20,776	11,031

*While not publicly disclosed in the Company's previous announcement, this was included for comparison purposes with current forecasts.

2. Reason for Forecast Revision

First quarter consolidated results were higher than forecast when March 2004 results were announced. While raw material prices and domestic as well as overseas business conditions need to be carefully watched, given favorable automobile as well as general machinery-related demand, the Company has revised its forecast for the current interim period ending September 2004. Full fiscal year forecasts have also been revised accordingly.

1. Condensed Consolidated Balance Sheets

(millions of yen)

	1st Quarter FY2004	FY2003	Increase	1st Quarter FY2003
	(As of June 30, 2004)	(As of March 31, 2004)	(Decrease)	(As of June 30, 2003)
	Amount	Amount	Amount	Amount
Assets				
I Current assets				
1 Cash and bank deposits	10,215	19,027	(8,812)	18,212
2 Notes and accounts receivable-trade	94,437	91,431	3,006	85,524
3 Securities	6,996	6,996	-	6,999
4 Inventories	84,577	83,565	1,012	96,266
5 Other current assets	41,720	34,448	7,272	45,614
6 Allowance for doubtful accounts	(59)	(399)	340	(408)
Total current assets	237,887	235,070	2,817	252,209
II Fixed Assets				
1 Property, plant & equipment				
(1) Buildings & structures	50,668	47,979	2,689	48,812
(2) Machinery, equipment & vehicles	90,351	88,003	2,348	91,213
(3) Land	24,521	23,792	729	22,134
(4) Construction in progress	15,940	13,877	2,063	8,177
(5) Other property, plant & equipment	7,752	7,480	272	7,597
Total property, plant & equipment	189,235	181,133	8,102	177,935
2 Intangible fixed assets	2,469	2,512	(43)	2,167
3 Investments & other assets				
(1) Investment securities	20,681	21,751	(1,070)	16,969
(2) Other investments & other assets	20,556	20,734	(178)	25,806
(3) Allowance for doubtful accounts	(867)	(861)	(6)	(943)
Total investments and other assets	40,370	41,624	(1,254)	41,832
Total fixed assets	232,074	225,270	6,804	221,935
Total assets	469,962	460,340	9,622	474,145

(millions of yen)

	1st Quarter FY2004	FY2003	Increase	1st Quarter FY2003
	(As of June 30, 2004)	(As of March 31, 2004)	(Decrease)	(As of June 30, 2003)
	Amount	Amount	Amount	Amount
Liabilities				
I Current liabilities				
1 Notes and accounts payable-trade	71,652	68,003	3,649	67,466
2 Short-term loans	73,573	72,585	988	73,972
3 Current portion of bonds	-	-	-	50,000
4 Accrued income taxes	4,757	3,170	1,587	1,913
5 Other current liabilities	25,793	25,923	(130)	25,305
Total current liabilities	175,777	169,683	6,094	218,658
II Long-term liabilities				
1 Bonds	50,000	50,000	-	50,000
2 Convertible bonds with equity warrant	30,000	30,000	-	-
3 Long-term loans	11,907	11,505	402	9,988
4 Accrued retirement benefits for employees	46,593	46,304	289	44,623
5 Accrued retirement benefits for directors and statutory auditors	282	450	(168)	303
6 Reserve for product defect compensations	1,931	2,656	(725)	4,500
7 Goodwill	-	-	-	791
8 Other long-term liabilities	3,871	3,761	110	3,770
Total long-term liabilities	144,586	144,678	(92)	113,978
Total liabilities	320,363	314,362	6,001	332,636
Minority interests				
Minority interests	3,666	3,490	176	2,758
Shareholders' equity				
I Common stock				
I Common stock	39,599	39,599	-	39,599
II Capital Surplus				
II Capital Surplus	52,622	52,622	-	52,622
III Retained earnings				
III Retained earnings	62,172	59,332	2,840	52,559
IV Net unrealized holding gain on securities				
IV Net unrealized holding gain on securities	4,712	4,966	(254)	1,881
V Translation adjustments				
V Translation adjustments	(12,808)	(13,682)	874	(7,636)
VI Treasury stock				
VI Treasury stock	(366)	(350)	(16)	(276)
Total shareholders' equity	145,931	142,487	3,444	138,749
Total liabilities, minority interests and shareholders' equity	469,962	460,340	9,622	474,145

2. Summary of Consolidated Statements of Operations

(millions of yen)

	1st Quarter FY2004	1st Quarter FY2003	Increase (Decrease)	FY2003
	(From April 1, 2004 to June 30, 2004)	(From April 1, 2003 to June 30, 2003)		(From April 1, 2003 to March 31, 2004)
	Amount	Amount	Amount	Amount
I Net Sales	94,925	87,712	7,213	357,394
II Cost of sales	74,044	69,185	4,859	282,594
Gross profit	20,881	18,526	2,355	74,800
III Selling, general and administrative expenses	13,048	12,718	330	50,090
Operating income	7,832	5,807	2,025	24,709
IV Non-operating income	777	1,275	(498)	4,223
1 Interest and dividend income	120	143	(23)	294
2 Other	656	1,131	(475)	3,929
V Non-operating expenses	1,255	1,794	(539)	8,156
1 Interest expenses	562	739	(177)	2,792
2 Other	693	1,055	(362)	5,363
Ordinary Income	7,354	5,288	2,066	20,776
VI Extraordinary losses	-	-	-	2,595
Income before income taxes and minority interests	7,354	5,288	2,066	18,181
Income and other taxes	2,867	2,059	808	7,074
Refund of current income taxes	-	-	-	105
Minority interests in subsidiaries	111	63	48	180
Net income	4,376	3,165	1,211	11,031

3. Consolidated Statements of Cash Flows*

(millions of yen)

	1st Quarter FY2004	FY2003
	(From April 1, 2004 to June 30, 2004)	(From April 1, 2003 to March 31, 2004)
	Amount	Amount
I Cash flows from operating activities:		
1 Income before income taxes and minority interests	7,354	18,181
2 Depreciation and amortization	5,648	23,979
3 Amortization of goodwill	(41)	(1,057)
4 Increase (decrease) in allowance for doubtful accounts	(19)	31
5 Increase (decrease) in reserve for employees' early retirement incentive plan	-	(10,987)
6 Increase (decrease) in accrued retirement benefits for employees	68	(7,163)
7 Retirement benefits paid under employees' early retirement incentive plan	-	20,446
8 Increase (decrease) in accrued retirement benefits for directors and statutory auditors	(168)	(68)
9 Increase (decrease) in reserve for product defect compensation	(725)	(1,843)
10 Interest and dividend income	(120)	(294)
11 Interest expenses	562	2,792
12 Translation adjustments/Foreign exchange losses(gains)	(577)	647
13 Equity in earnings of affiliates	(175)	(568)
14 Increase (decrease) in trade receivables	(2,271)	(7,262)
15 Increase (decrease) in inventories	(275)	7,191
16 Increase (decrease) in trade payables	2,931	1,502
17 Bonuses paid to directors and statutory auditors	(153)	(21)
18 Other	(117)	138
Subtotal	11,918	45,644
19 Interest and dividend income received	688	952
20 Interest expenses paid	(679)	(2,920)
21 Retirement benefits paid under employees' early retirement incentive plan	-	(20,446)
22 Income taxes paid	(1,171)	(2,087)
Net cash provided by operating activities	10,755	21,142
II Cash flows from investing activities:		
1 Increase in time deposits	-	(100)
2 Decrease in time deposits	-	290
3 Purchase of property, plant and equipment	(10,844)	(36,414)
4 Proceeds from sales of property, plant and equipment	918	-
5 Purchase of intangible fixed assets	30	(711)
6 Proceeds from sales of investment securities and others	4	1,644
7 Decrease in short-term loans receivable, net	0	36
8 Other	122	264
Net cash used in investing activities	(9,768)	(34,990)
III Cash flows from financing activities		
1 Decrease in short-term loans, net	(134)	(5,965)
2 Proceeds from long-term loans	4,316	4,362
3 Repayment of long-term loans	(4,366)	(1,140)
4 Proceeds from issuance of bonds	-	59,757
5 Redemption of bonds	-	(50,000)
6 Issuance of common stock assigned to minority shareholders	13	1,384
7 Cash dividends paid	(1,386)	(2,311)
8 Other	(36)	(44)
Net cash provided (used) by financing activities	(1,593)	6,043

IV Effect of exchange rate changes on cash and cash equivalents	420	(328)
V Increase (decrease) in cash and cash equivalents	(186)	(8,132)
VI Cash and cash equivalents, at beginning of the year	42,157	50,240
VII Increase in cash and cash equivalents resulting from addition of newly consolidated subsidiaries	175	-
VIII Increase in cash and cash equivalents resulting from merger of a unconsolidated subsidiary	-	50
IX Cash and cash equivalents, at end of the year	42,146	42,157

* Consolidated statement of cash flows for the 1st Quarter FY2003 is not disclosed.

Note: Reconciliation of the amounts of cash and cash equivalents at end of the year stated in Consolidated Statements of Cash Flows to the amounts of accounts stated in Consolidated Balance Sheets.

	As of June 30, 2004	As of March 31, 2004
Cash and bank deposits	10,215	19,027
Securities	6,996	6,996
Short-term loans receivable	25,062	16,602
Time deposits with original maturities of more than three months	(66)	(66)
Short-term loans receivable(excl.repurchase agreement)	(62)	(402)
Cash and cash equivalents	42,146	42,157

4. Segment Information

(1) Business Segment Information

1st Quarter Fiscal Year 2004 (From April 1, 2004 to June 30, 2004)

(millions of yen)

	Bearings	CVJs	Precision Equipment	Total
Net Sales	60,190	27,426	7,308	94,925

1st Quarter Fiscal Year 2003 (From April 1, 2003 to June 30, 2003)

(millions of yen)

	Bearings	CVJs	Precision Equipment	Total
Net Sales	55,689	25,943	6,080	87,712

Fiscal Year 2003 (From April 1, 2003 to March 31, 2004)

(millions of yen)

	Bearings	CVJs	Precision Equipment	Total
Net Sales	228,615	102,959	25,820	357,394

(2) Geographic Segment Information

(millions of yen)

	1st Quarter FY2004 (From April 1, 2004 to June 30, 2004)						
	Japan	North America	Europe	Asia and other areas	Total	Elimination	Consolidated total
Sales & Operating income (loss)							
Sales							
(1) External sales	48,886	22,527	16,114	7,397	94,925	-	94,925
(2) Inter-segment sales	20,546	157	115	151	20,971	(20,971)	-
Total	69,432	22,685	16,229	7,549	115,896	(20,971)	94,925
Operating expenses	64,525	21,694	15,288	6,992	108,501	(21,408)	87,093
Operating income	4,906	990	940	557	7,395	437	7,832

Notes: Classification of geographic segment and major countries or regions in each segment

(1) Classification method of geographic segment: by geographic proximity

(2) Major countries or regions in each segment: North America: U.S.A., Canada

Europe: Germany, France, United Kingdom

Asia & other areas: Asia, South and Central America

(millions of yen)

	1st Quarter FY2003 (From April 1, 2003 to June 30, 2003)						
	Japan	North America	Europe	Asia and other areas	Total	Elimination	Consolidated total
Sales & Operating income (loss)							
Sales							
(1) External sales	44,818	22,589	14,899	5,405	87,712	-	87,712
(2) Inter-segment sales	19,170	95	15	6	19,288	(19,288)	-
Total	63,988	22,685	14,915	5,411	107,001	(19,288)	87,712

Notes: 1. Classification of geographic segment and major countries or regions in each segment

(1) Classification method of geographic segment: by geographic proximity

(2) Major countries or regions in each segment: North America: U.S.A., Canada

Europe: Germany, France, United Kingdom

Asia & other areas: Asia, South and Central America

2. Geographic segment information for the 1st Quarter FY2003 is not given because it was not disclosed in the previous year.

(millions of yen)

	Consolidated FY2003 (From April 1, 2003 to March 31, 2004)						
	Japan	North America	Europe	Asia and other areas	Total	Elimination	Consolidated total
Sales & Operating income (loss)							
Sales							
(1) External sales	188,169	86,002	58,491	24,730	357,394	-	357,394
(2) Inter-segment sales	76,343	756	216	160	77,475	(77,475)	-
Total	264,513	86,758	58,707	24,890	434,870	(77,475)	357,394
Operating expenses	247,787	84,326	55,751	23,411	411,276	(78,591)	332,685
Operating income	16,725	2,431	2,956	1,479	23,593	1,116	24,709

Notes: Classification of geographic segment and major countries or regions in each segment

- (1) Classification method of geographic segment: by geographic proximity
 (2) Major countries or regions in each segment: North America: U.S.A., Canada
 Europe: Germany, France, United Kingdom
 Asia & other areas: Asia, South and Central America

(3) Overseas Sales

1st Quarter Fiscal Year 2004 (From April 1, 2004 to June 30, 2004)

(millions of yen)

	North America	Europe	Asia & other areas	Total
I Overseas sales	22,592	16,041	10,218	48,853
II Consolidated net sales				94,925
III Ratio of overseas sales to consolidated sales	23.8%	16.9%	10.8%	51.5%

Notes:

1. Classification of geographic segment and major countries or regions in each segment
 (1) Classification method of geographic segment: by geographic proximity
 (2) Major countries or regions in each segment: North America: U.S.A., Canada
 Europe: Germany, France, United Kingdom
 Asia & other areas: Asia, South and Central America
2. "Overseas sales" includes sales by the Company and its consolidated subsidiaries to the countries and regions other than Japan.

1st Quarter Fiscal Year 2003 (From April 1, 2003 to June 30, 2003)

(millions of yen)

	North America	Europe	Asia & other areas	Total
I Overseas sales	22,602	14,870	8,594	46,067
II Consolidated net sales				87,712
III Ratio of overseas sales to consolidated sales	25.8%	17.0%	9.8%	52.5%

Notes:

1. Classification of geographic segment and major countries or regions in each segment
 (1) Classification method of geographic segment: by geographic proximity
 (2) Major countries or regions in each segment: North America: U.S.A., Canada
 Europe: Germany, France, United Kingdom, etc.
 Asia & other areas: Asia, South and Central America, etc.
2. "Overseas sales" includes sales by the Company and its consolidated subsidiaries to the countries and regions other than Japan.

Fiscal Year 2003 (From April 1, 2003 to March 31, 2004)

(millions of yen)

	North America	Europe	Asia & other areas	Total
I Overseas sales	86,084	58,243	36,864	181,192
II Consolidated net sales				357,394
III Ratio of overseas sales to consolidated sales	24.1%	16.3%	10.3%	50.7%

Notes:

1. Classification of geographic segment and major countries or regions in each segment

(1) Classification method of geographic segment: by geographic proximity

(2) Major countries or regions in each segment: North America: U.S.A., Canada

Europe: Germany, France, United Kingdom, etc.

Asia & other areas: Asia, South and Central America, etc.

2. "Overseas sales" includes sales by the Company and its consolidated subsidiaries to the countries and regions other than Japan.