

**Third Quarter Financial Results  
For the Nine Months Ended December 31, 2005 - Consolidated**

February 6, 2006

## NTN Corporation

Security Code: 6472  
 Listings: The First Section of Tokyo and Osaka Stock Exchanges  
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### 1. Notes Related to the Preparation of This Report

- 1) Use of simplified accounting method: Yes  
 (Corporate income tax and other taxes are calculated using expected annual tax rates based on the statutory income tax rates.)
- 2) Change in accounting policies from the last accounting period: None
- 3) Change in the scope of consolidation or application of the equity method: Yes  
 Consolidated subsidiaries (Newly included): 4

### 2. Consolidated Financial Results for the Nine Months Ended December 31, 2005 (April 1, 2005 to December 31, 2005)

#### (1) Operating Results

(Amounts rounded down to the nearest million yen)

	Net sales		Operating income		Ordinary income	
	million yen	%	million yen	%	million yen	%
Nine months ended December 31, 2005	315,038	10.4	25,725	5.9	21,883	1.4
Nine months ended December 31, 2004	285,234	8.9	24,296	37.2	21,579	40.8
(Ref) Year ended March 31, 2005	388,348	-	33,200	-	28,385	-

	Net income		Net income per share	Diluted net income per share
	million yen	%	yen	yen
Nine months ended December 31, 2005	14,162	4.4	30.66	28.18
Nine months ended December 31, 2004	13,571	39.0	29.37	27.00
(Ref) Year ended March 31, 2005	16,739	-	35.83	32.94

Note: The percentage figures shown in net sales, operating income, ordinary income and net income columns represent year-on-year changes.

## (2) Financial Position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	million yen	million yen	%	yen
Nine months ended December 31, 2005	554,969	176,535	31.8	382.19
Nine months ended December 31, 2004	497,973	153,620	30.8	332.51
(Ref) Year ended March 31, 2005	516,578	157,952	30.6	341.93

## (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
Nine months ended December 31, 2005	16,639	-36,539	6,712	38,700
Nine months ended December 31, 2004	33,236	-32,819	4,197	47,473
(Ref) Year ended March 31, 2005	47,830	-46,151	6,693	51,302

## 3. Forecast for Consolidated Earnings for the Year Ending March 31, 2006 (April 1, 2005 to March 31, 2006)

	Net sales	Operating income	Ordinary income	Net income
	million yen	million yen	million yen	million yen
Full year	427,000	37,000	31,000	20,000

Note: There are no changes from the forecasts last announced on November 8, 2005

Reference: Projected net income per share for the full year: 42.90 yen

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

## Earnings Report for the Nine Months Ended December 31, 2005 (Consolidated)

### [Review of Operating Results]

The Japanese economy experienced a moderate recovery in the nine months under review, as an improvement in corporate profits lifted capital expenditures and consumer spending rebounded. Overseas, economic expansion continued in the U.S. and Asia (mainly in China), while European economies saw a moderate gain. On the other hand, soaring crude oil and steel prices remained a disruptive factor for the global economy.

In this setting, the NTN Group moved into the second year of its three-year business plan, "Rapid Advance 21", setting targets to enhance corporate value through further marketing measures and energetic cost-cutting efforts.

As a result, the Group's net sales for the period increased 10.4% from a year earlier to 315,038 million yen. Operating income increased 5.9% to 25,725 million yen, while ordinary income grew 1.4% to 21,883 million yen. After 224 million yen in extraordinary losses from fixed asset impairment, net income came to 14,162 million yen, an increase of 4.4% on the year.

Sales trends by business segment were as follows:

#### (1) Bearings

Automotive applications showed solid performance in axle bearings and needle-roller bearings, helped by orders from new customers in Japan, North America and Europe. In general industrial machinery, demand expanded in the domestic market and in North America for large bearings for construction machinery and machine tools as well as for precision bearings. There was also solid growth in Europe for bearings for wind power systems. Fluid dynamic bearings for hard disk drive (HDD) motors and bearings for office machines showed solid performance in Asia and other regions. Shipments to distributors were firm both in Japan and overseas. As a result, net sales increased 10.0% year-on-year to 200,953 million yen.

#### (2) Constant-velocity Joints (CVJs)

In North America, orders from new customers, including Japanese-owned and U.S. automakers, contributed substantially to significant sales growth. Deliveries were also solid in Japan and Europe, while in China, Malaysia and South Korea, orders from new customers contributed to sales growth. As a result, net sales increased 16.0% from the year-earlier period to 94,908 million yen.

#### (3) Precision Equipment

While parts feeders for automobile manufacturing plants and other facilities performed favorably, products such as liquid crystal repair equipment and plasma display panel (PDP) rib repair systems posted declines. As a result, net sales came to 19,177 million yen, or a decline of 7.3% from the year-earlier period.

Sales by geographical segment were as follows:

#### (1) Japan

Solid conditions prevailed for automotive bearings and CVJs, as well as for large and precision bearings for general industrial machinery applications such as construction machinery and machine tools. NTN increased deliveries to distributors of bearing units and large-size bearings for repairing facilities and plants. As a result, net sales reached 235,091 million yen, up 8.4% from a year earlier. Despite a surge in prices of raw materials, operating income increased 5.0% year-on-year to 18,042 million yen, partly reflecting increased sales and cost reductions.

## (2) North America

Sales expanded strongly for automotive CVJs and axle-bearings, while sales performed favorably for general industrial machinery applications, particularly large-size bearings for construction machinery. Deliveries to distributors were also solid. As a result, net sales reached 81,870 million yen, rising 22.5% from a year earlier. Despite surging raw materials prices and increased expenses associated with production capacity increases, operating income came to 2,817 million yen, up 18.2% year-on-year, owing mainly to increased sales.

## (3) Europe

In automotive applications, demand for CVJs remained firm, while orders from new customers contributed to axle-bearing sales. In the industrial machinery market, shipments of large-size bearings for wind power systems as well as shipments to distributors were solid. As a result, net sales reached 47,863 million yen, a 3.5% increase from the year earlier period. Operating income came to 1,775 million yen, down 20.5% from a year earlier, as surging prices of raw materials and increased depreciation and other expenses outpaced higher sales.

## (4) Asia and other regions

In China, sales of automotive bearings and CVJs grew and sales of fluid dynamic bearings and bearings for office machines were also solid. In ASEAN markets, sales of motorcycle bearings increased in Indonesia and sales of CVJs grew in Malaysia and South Korea. As a result, net sales reached 31,921 million yen, rising 35.1% from a year earlier. Operating income surged 49.3% on the year to 2,719 million yen, partly due to higher sales.

### **[Review of Change in Financial Position]**

Net cash from operating activities was 16,639 million yen, a decrease of 16,597 million yen, or 49.9%, from the same period last year. This reflects 21,659 million yen in pretax profit, 20,773 million yen in depreciation expenses and a 6,294 million yen increase in trade payables, offset by a 15,091 million yen increase in inventories and 12,777 million yen in income taxes.

Cash used in investment activities increased 3,720 million yen, or 11.3% year-on-year, to 36,539 million yen, due mainly to outlays of 34,902 million yen for acquisition of fixed assets.

Cash from financing activities was 6,712 million yen, an increase of 2,515 million yen, or 59.9%, from the year-earlier period. This was due mainly to a 11,353 million yen increase in short-and long-term borrowings which was partly offset by 4,619 million yen paid in dividends.

As a result of these cash flows, and including an increase of 585 million yen from foreign exchange translation differences, cash and cash equivalents as of the end of the nine-month period came to 38,700 million yen, a decline of 12,602 million yen, or 24.6%, compared with the end of the previous fiscal year.

### **[Forecast of Earnings]**

Our full year forecast for the March 2006 reporting period released in the interim results remains unchanged as financial results for the nine-month period under review were largely on track vis-a-vis the Group's previous forecasts.

## 1. Summary of Consolidated Balance Sheets

(In millions of yen)

	As of December 31, 2005 (A)	As of March 31, 2005 (B)	(A) – (B)	As of December 31, 2004
	Amount	Amount	Amount	Amount
<b>Assets</b>				
I Current assets				
1 Cash and bank deposits	21,702	22,418	-716	19,578
2 Notes and accounts receivable -trade	102,161	100,889	1,272	96,173
3 Securities	6,998	6,997	1	6,997
4 Inventories	110,668	93,167	17,501	93,283
5 Other current assets	30,238	38,988	-8,750	37,031
6 Allowance for doubtful accounts	-32	-63	31	-58
Total current assets	271,737	262,397	9,340	253,005
II Fixed Assets				
1 Property, plant and equipment				
(1) Buildings and structures	63,072	58,258	4,814	57,263
(2) Machinery, equipment and vehicles	123,536	105,353	18,183	96,654
(3) Land	23,159	23,041	118	23,262
(4) Construction in progress	10,346	13,164	-2,818	15,963
(5) Other property, plant and equipment	8,030	7,841	189	7,796
Total property, plant and equipment	228,144	207,659	20,485	200,939
2 Intangible fixed assets	3,283	2,833	450	2,316
3 Investments and other assets				
(1) Investment securities	31,690	22,164	9,526	21,798
(2) Other investments and other assets	21,169	22,488	-1,319	20,914
(3) Allowance for doubtful accounts	-1,055	-964	-91	-1,001
Total investments and other assets	51,804	43,687	8,117	41,711
Total fixed assets	283,232	254,181	29,051	244,968
Total assets	554,969	516,578	38,391	497,973

(In millions of yen)

	As of December 31, 2005 (A)	As of March 31, 2005 (B)	(A) – (B)	As of December 31, 2004
	Amount	Amount	Amount	Amount
<b>Liabilities</b>				
I Current liabilities				
1 Notes and accounts payable-trade	91,505	84,702	6,803	81,566
2 Short-term loans	98,746	88,080	10,666	84,129
3 Current portion of corporate bonds	10,000	-	10,000	-
4 Accrued income taxes	4,007	8,164	-4,157	6,967
5 Other	30,463	31,462	-999	26,903
Total current liabilities	234,722	212,409	22,313	199,565
II Long-term liabilities				
1 Bonds	40,000	50,000	-10,000	50,000
2 Corporate bonds with equity warrant	30,000	30,000	-	30,000
3 Long-term loans	14,872	8,105	6,767	8,545
4 Accrued retirement benefits for employees	48,480	47,347	1,133	46,912
5 Accrued retirement benefits for directors and statutory auditors	-	329	-329	310
6 Reserve for product defect compensation	428	1,918	-1,490	1,040
7 Other	5,630	4,450	1,180	4,008
Total long-term liabilities	139,411	142,151	-2,740	140,817
Total liabilities	374,134	354,560	19,574	340,383
<b>Minority interests</b>				
Minority interests	4,299	4,065	234	3,969
<b>Shareholders' equity</b>				
I Common stock	39,599	39,599	-	39,599
II Capital Surplus	52,635	52,622	13	52,622
III Retained earnings	81,544	72,918	8,626	69,750
IV Net unrealized holding gain on Securities	10,075	5,231	4,844	4,867
V Translation adjustments	-6,752	-11,911	5,159	-12,747
VI Treasury stock	-567	-508	-59	-472
Total shareholders' equity	176,535	157,952	18,583	153,620
Total liabilities, minority interests and shareholders' equity	554,969	516,578	38,391	497,973

## 2. Summary of Consolidated Statements of Operations

(In millions of yen)

	Nine months ended December 31, 2005 (A)	Nine months ended December 31, 2004 (B)	(A) – (B)	Year ended March 31, 2005
	Amount	Amount	Amount	Amount
I Net sales	315,038	285,234	29,804	388,348
II Cost of sales	247,361	221,900	25,461	303,232
Gross profit	67,676	63,334	4,342	85,116
III Selling, general and administrative expenses	41,950	39,037	2,913	51,915
Operating income	25,725	24,296	1,429	33,200
IV Non-operating income	2,245	2,389	-144	3,259
1 Interest and dividend income	390	257	133	286
2 Other	1,854	2,131	-277	2,972
V Non-operating expenses	6,087	5,106	981	8,074
1 Interest expense	2,805	1,766	1,039	2,460
2 Other	3,282	3,339	-57	5,613
Ordinary Income	21,883	21,579	304	28,385
VI Extraordinary losses	224	-	224	1,800
1 Impairment losses	224	-	224	-
2 Reserve for product defect compensation	-	-	-	1,800
Income before income taxes and minority interests	21,659	21,579	80	26,585
Income and other taxes	7,237	7,806	-569	9,601
Minority interests in subsidiaries	258	201	57	244
Net income	14,162	13,571	591	16,739

### 3. Summary of Consolidated Statements of Cash Flows

(In millions of yen)

	Nine months ended December 31, 2005	Nine months ended December 31, 2004	Year ended March 31, 2005
	Amount	Amount	Amount
<b>I Cash flows from operating activities:</b>			
1 Income before income taxes and minority interests	21,659	21,579	26,585
2 Depreciation and amortization	20,773	18,048	24,870
3 Amortization of consolidation adjustments	45	-40	-40
4 Increase/decrease in allowance for doubtful accounts	-3	156	88
5 Increase/decrease in accrued retirement benefits for employees	988	371	788
6 Increase/decrease in accrued retirement benefits for directors and statutory auditors	-329	-139	-121
7 Increase/decrease in reserve for product defect compensation	-1,489	-1,616	-738
8 Interest and dividend income	-390	-257	-286
9 Interest expenses	2,805	1,766	2,460
10 Foreign currency translation adjustments Foreign exchange losses/gains	-1,012	-568	-629
11 Equity in loss/income of non-consolidated subsidiaries and affiliates	-809	-646	-932
12 Decrease/ increase in trade receivables	810	-3,400	-7,649
13 Decrease/ increase in inventories	-15,091	-9,097	-8,523
14 Increase/decrease in trade payables	6,294	12,545	15,656
15 Bonuses paid to directors and statutory auditors	-184	-153	-153
16 Other	-3,160	-2,360	2,126
Subtotal	30,906	36,186	53,500
17 Interest and dividend income received	1,068	823	852
18 Interest expenses paid	-2,557	-1,897	-2,374
19 Income taxes paid	-12,777	-1,876	-4,149
Net cash provided by operating activities	16,639	33,236	47,830
<b>II Cash flows from investing activities:</b>			
1 Increase in time deposits	-25	-58	-70
2 Decrease in time deposits	138	22	22
3 Purchase of property, plant and equipment	-34,902	-34,369	-47,465
4 Proceeds from sales of property, plant and equipment	517	1,981	2,216
5 Purchase of intangible fixed assets	-852	-429	-1,061
6 Proceeds from sales of investment securities and other	115	6	446
7 Net decrease/increase in short-term loans receivable	-70	60	29
8 Other	-1,458	-32	-269
Net cash used in investing activities	-36,539	-32,819	-46,151
<b>III Cash flows from financing activities</b>			
1 Net increase/decrease in short-term loans	9,794	6,832	8,343
2 Proceeds from long-term loans	5,539	1,971	1,825
3 Repayment of long-term loans	-3,980	-1,649	-505
4 Issuance of common stock assigned to minority shareholders	71	200	223
5 Cash dividends paid	-4,619	-3,004	-3,004
6 Other	-93	-153	-189
Net cash provided by financing activities	6,712	4,197	6,693
<b>IV Effect of exchange rate changes on cash and cash equivalents</b>	585	525	596
<b>V Increase/decrease in cash and cash equivalents</b>	-12,601	5,140	8,969
<b>VI Cash and cash equivalents, at beginning of the year</b>	51,302	42,157	42,157
<b>VII Increase in cash and cash equivalents resulting from addition of newly consolidated subsidiaries</b>	-	175	175
<b>VIII Cash and cash equivalents, at end of the year</b>	38,700	47,473	51,302

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

	As of December 31, 2005	As of December 31, 2004	As of March 31, 2005
Cash and bank deposits	21,702	19,578	22,418
Securities	6,998	6,997	6,997
Short-term loans receivable	10,104	21,002	22,032
Time deposits with original maturities of more than three months	-1	-102	-114
Short-term loans receivable (excluding Gensaki agreement)	-102	-2	-32
Cash and cash equivalents	38,700	47,473	51,302

#### 4. Segment Information

##### (1) Business Segment Information

Nine months ended December 31, 2005 (April 1, 2005 – December 31, 2005)

(In millions of yen)

	Bearings	CVJs	Precision Equipment	Total
Net sales	200,953	94,908	19,177	315,038

Nine months ended December 31, 2004 (April 1, 2004 – December 31, 2004)

(In millions of yen)

	Bearings	CVJs	Precision Equipment	Total
Net sales	182,727	81,824	20,683	285,234

Year ended March 31, 2005 (April 1, 2004 – March 31, 2005)

(In millions of yen)

	Bearings	CVJs	Precision Equipment	Total
Net sales	248,810	111,307	28,230	388,348

##### (2) Geographic Segment Information

(In millions of yen)

	Nine months ended December 31, 2005 (April 1, 2005 – December 31, 2005)						
	Japan	North America	Europe	Asia and other areas	Total	Elimination	Consolidated total
Net sales							
(1) External sales	155,606	81,069	47,663	30,698	315,038	-	315,038
(2) Inter-segment sales	79,484	800	199	1,222	81,707	-81,707	-
Total	235,091	81,870	47,863	31,921	396,746	-81,707	315,038
Operating expenses	217,048	79,052	46,087	29,201	371,389	-82,077	289,312
Operating income	18,042	2,817	1,775	2,719	25,356	369	25,725

Note: 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 and other areas: Asia, South and Central America

(In millions of yen)

	Nine months ended December 31, 2004 (April 1, 2004 – December 31, 2004)						
	Japan	North America	Europe	Asia and other areas	Total	Elimination	Consolidated total
Net sales							
(1) External sales	149,947	66,326	45,963	22,996	285,234	-	285,234
(2) Inter-segment sales	66,828	497	300	623	68,250	-68,250	-
Total	216,776	66,824	46,263	23,620	353,484	-68,250	285,234
Operating expenses	199,592	64,440	44,030	21,798	329,861	-68,923	260,938
Operating income	17,183	2,384	2,233	1,821	23,622	673	24,296

Note: 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 and other areas: Asia, South and Central America

(In millions of yen)

	Year ended March 31, 2005 (April 1, 2004 – March 31, 2005)						
	Japan	North America	Europe	Asia and other areas	Total	Elimination	Consolidated total
Net sales							
(1) External sales	202,341	91,669	62,956	31,380	388,348	-	388,348
(2) Inter-segment sales	92,608	705	349	927	94,590	-94,590	-
Total	294,950	92,374	63,305	32,308	482,939	-94,590	388,348
Operating expenses	272,114	88,836	60,155	29,540	450,647	-95,499	355,147
Operating income	22,835	3,537	3,150	2,767	32,292	908	33,200

Note: 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 and other areas: Asia, South and Central America

### (3) Overseas Sales

Nine months ended December 31, 2005 (April 1, 2005 – December 31, 2005)

(In millions of yen)

	North America	Europe	Asia and other areas	Total
I Overseas sales	80,544	47,513	40,990	169,048
II Consolidated net sales				315,038
III Ratio of overseas sales to consolidated sales	25.6%	15.1%	13.0%	53.7%

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

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

Nine months ended December 31, 2004 (April 1, 2004 – December 31, 2004)

(In millions of yen)

	North America	Europe	Asia and other areas	Total
I Overseas sales	66,569	45,719	32,006	144,296
II Consolidated net sales				285,234
III Ratio of overseas sales to consolidated sales	23.3%	16.0%	11.3%	50.6%

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

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

Year ended March 31, 2004 (April 1, 2004 – March 31, 2005)

(In millions of yen)

	North America	Europe	Asia and other areas	Total
I Overseas sales	92,046	62,592	43,719	198,358
II Consolidated net sales				388,348
III Ratio of overseas sales to consolidated sales	23.7%	16.1%	11.3%	51.1%

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

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