

Consolidated Financial Results for the First Quarter of FY2012

August 2, 2012

NTN Corporation

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Financial Results for the First Quarter of FY2012 : Key Factors

FY2012 1Q Results

- ◇ Net sales **increased by 6.3%** year-on-year to **138.9 billion yen**
(**increased by 11.1%** if excluding the effects of exchange rates)
 - The automotive market **increased by 16.2%** year-on-year due to a positive recovery from the effects of the major disasters in Japan and the Americas in the previous year, however decreased with the slowdown of the European economy (**increased by 21.1%** if excluding the effects of exchange rates)
 - The industrial machinery market **decreased by 8.3%** year-on-year due to a reduction in demand following the slowdown in the European and Chinese economies, despite some sectors showing an increase (**decreased by 4.7%** if excluding the effects of exchange rates)
 - The aftermarket and distributor market **decreased by 9.5%** year-on-year due to a reduction in general machinery following worsening economic conditions, despite strong demand for auto parts in Europe (**decreased by 4.1%** if excluding the effects of exchange rates)
- ◇ Operating income **decreased by 64.1%** year-on-year to **2.0 billion yen**
(**decreased by 36.6%** if excluding the effects of exchange rates)
 - While the effects of increased sales and cost reductions were evident, the effects of exchange rates and a temporary costs in America resulted in an overall decrease

FY2012 1H and Full Year Forecast

- ◇ The forecast of consolidated earnings released in May this year has not been revised, however **revisions are planned for the earnings forecast** for 2Q onwards due to **progress in 1Q** and **changes in external factors**.

Financial Results for the First Quarter of FY2012

1. Consolidated Statements of Operation

(100 million yen)

	FY2011					FY2012	Year on year	
	1Q Results	2Q Results	3Q Results	4Q Results	Full year Results	1Q Results		
Net sales	1,306	1,355	1,318	1,456	5,435	1,389	83	
Operating income	55	52	34	66	207	20	- 35	
Operating margin	(4.2%)	(3.9%)	(2.6%)	(4.5%)	(3.8%)	(1.4%)	(-2.8%)	
Ordinary income	47	39	29	72	187	- 3	- 50	
Extraordinary income/loss	- 12	- 9	17	- 19	- 23	- 6	7	
Net income	20	17	7	15	60	- 8	- 29	
Exchange rate	US \$	81.7	77.9	77.4	79.4	79.1	80.2	- 1.5
	EURO	117.4	110.2	104.3	104.1	109.0	102.8	- 14.5

2. Net Sales by Region

(100 million yen)

	FY2011					FY2012		
	1Q	2Q	3Q	4Q	Full year	1Q	Year on year	
	Results	Results	Results	Results	Results		Results	Volume
Japan	408	507	502	517	1,934	478	70	0
Americas	288	294	302	362	1,246	355	77	- 10
Europe	378	313	296	343	1,330	321	- 14	- 43
Asia & Others	233	240	217	234	924	234	11	- 9
Total	1,306	1,355	1,318	1,456	5,435	1,389	145	- 62

3. Net Sales and Operating Income by Business Sector

<Net Sales by Business Sector>

(100 million yen)

	FY2011					FY2012	Year on year	
	1Q Results	2Q Results	3Q Results	4Q Results	Full year Results	1Q Results	Volume	Forex
Automotive	791	843	859	935	3,429	919	167	- 39
Industrial machinery	269	277	244	276	1,066	247	- 13	- 10
Aftermarket/ Distributor	246	234	214	245	940	223	- 10	- 13
Total	1,306	1,355	1,318	1,456	5,435	1,389	145	- 62

<Operating Income by Business Sector>

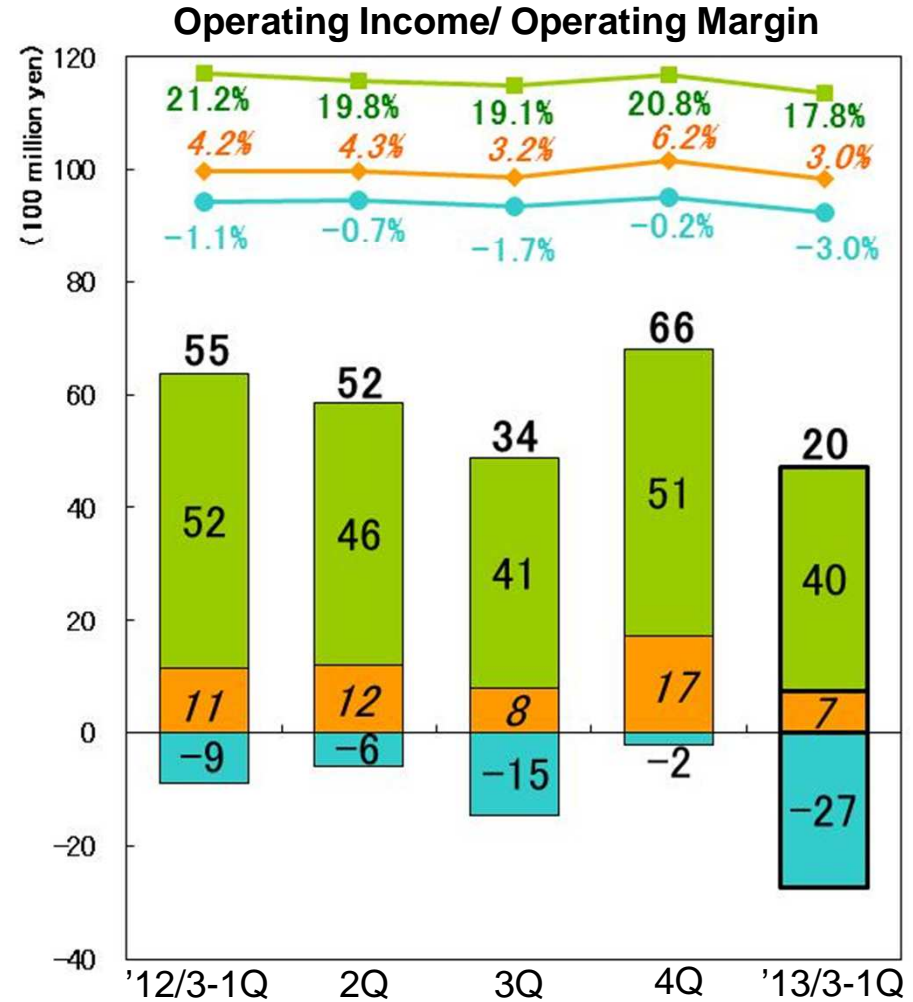
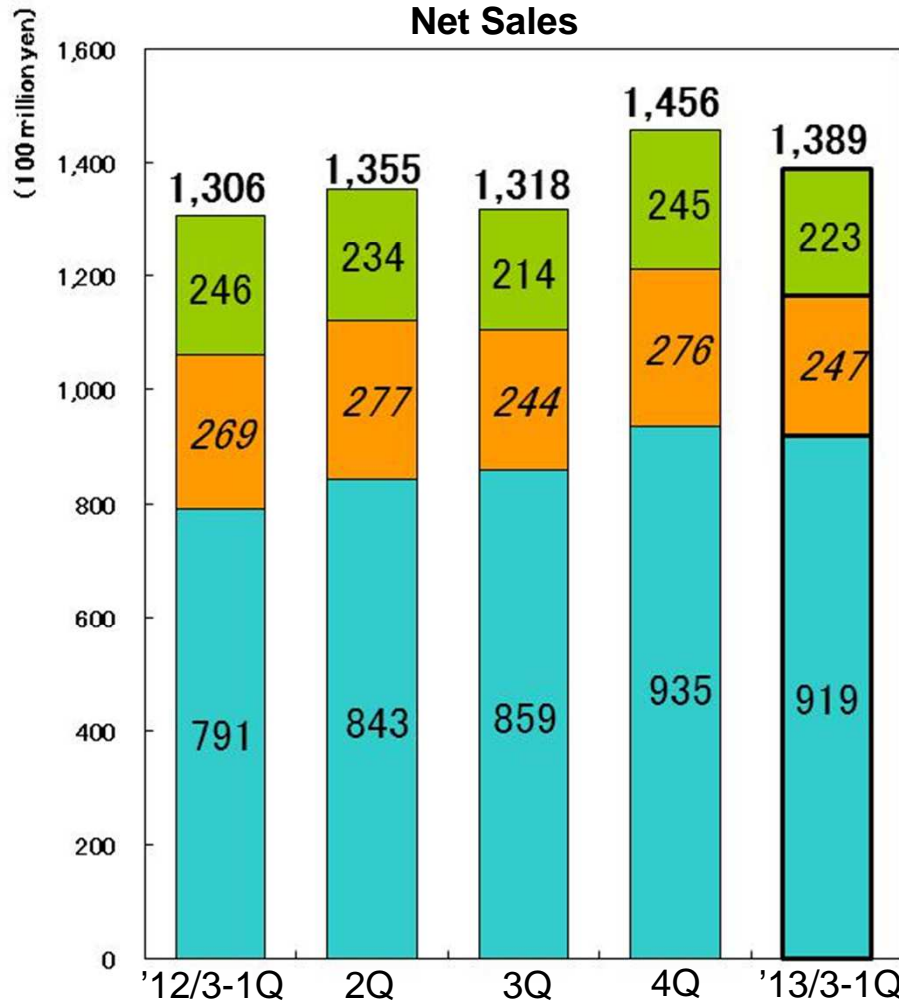
(100 million yen)

	FY2011					FY2012	Year on year	
	1Q Results	2Q Results	3Q Results	4Q Results	Full year Results	1Q Results		
Automotive	- 9	- 6	- 15	- 2	- 32	- 27		- 19
Industrial machinery	11	12	8	17	48	7		- 4
Aftermarket/ Distributor	52	46	41	51	191	40		- 13
Total	55	52	34	66	207	20		- 35

4. Results by Business Sector (Quarterly Trend)

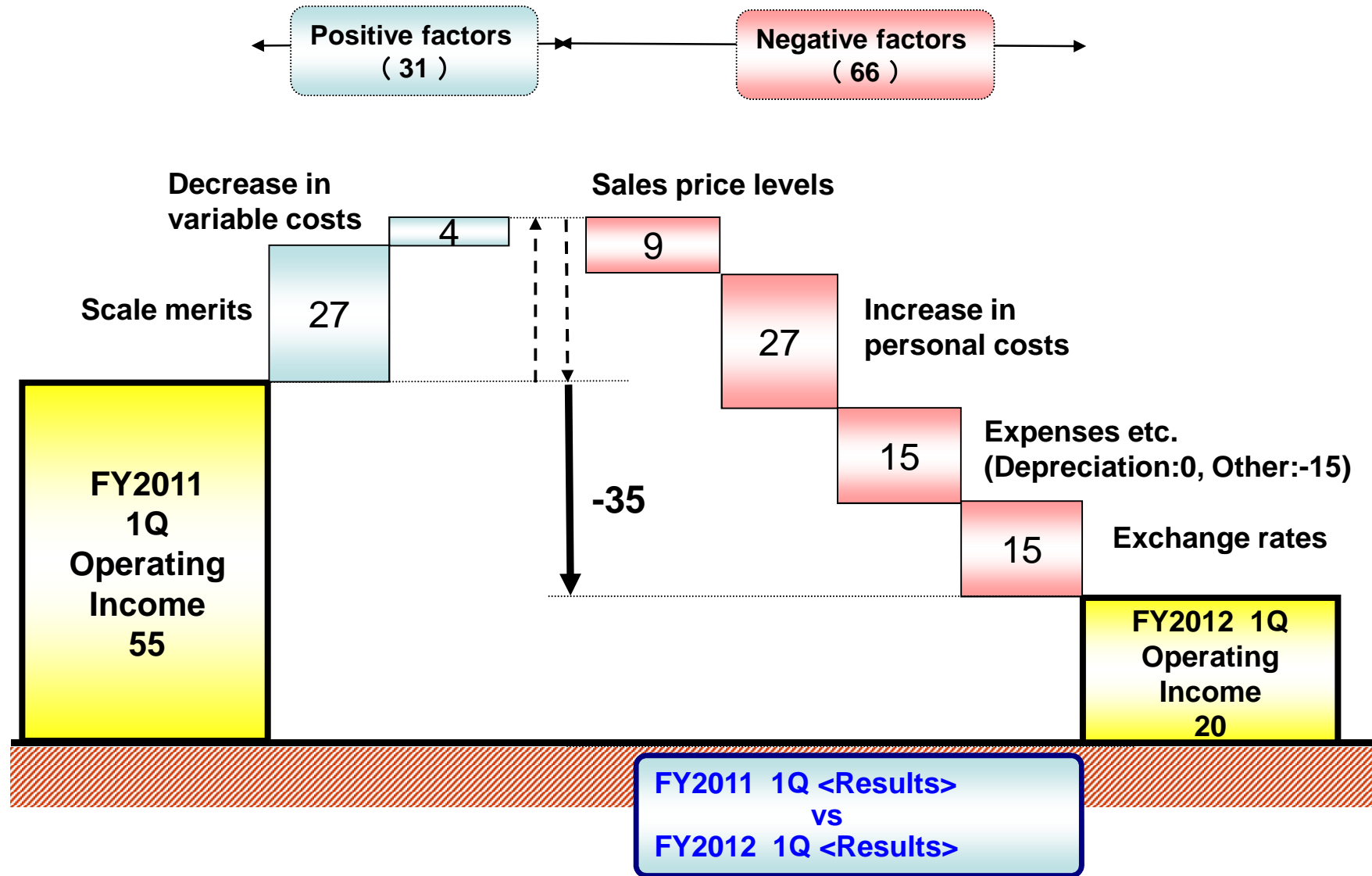
◆ Net sales and Operating income have both decreased in 1Q compared to 4Q due to factors such as a slowdown in the European economy.

Automotive Industrial machinery Aftermarket/Distributor



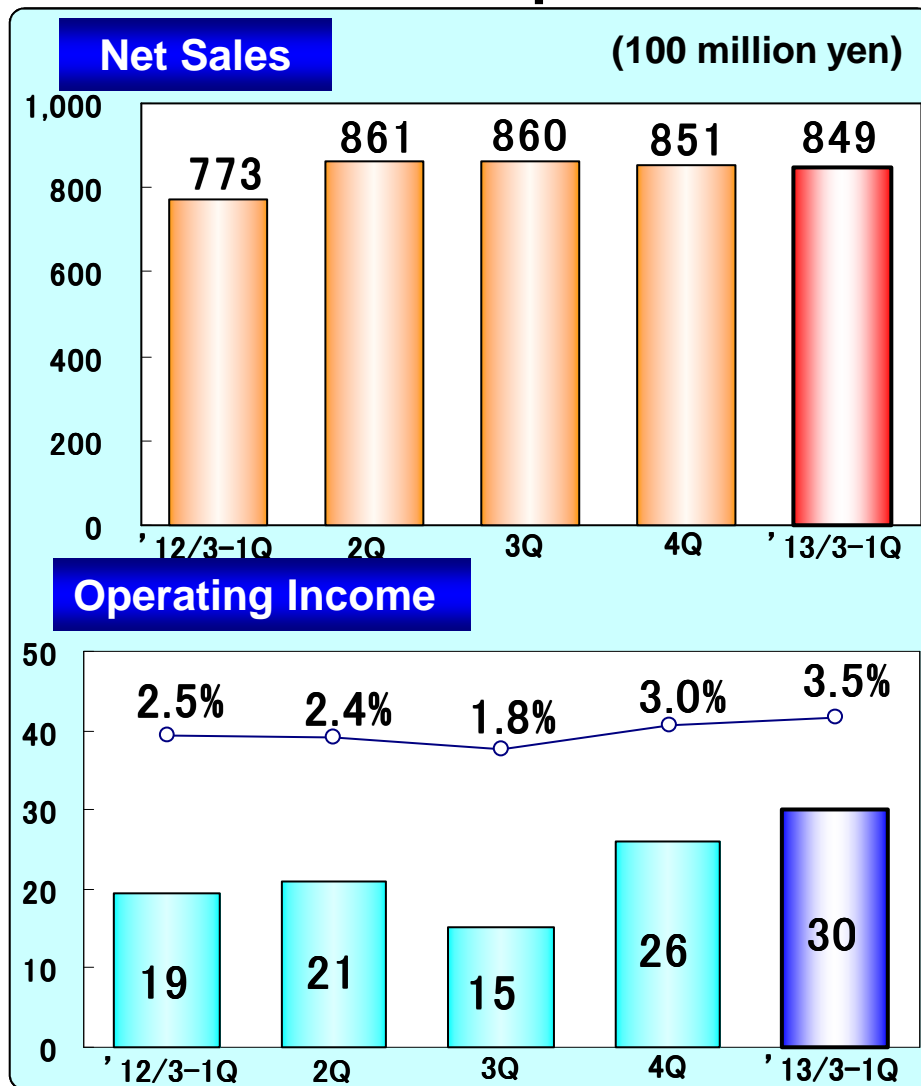
5. Analysis of Operating Income (1Q Results)

* All figures in 100 million yen.

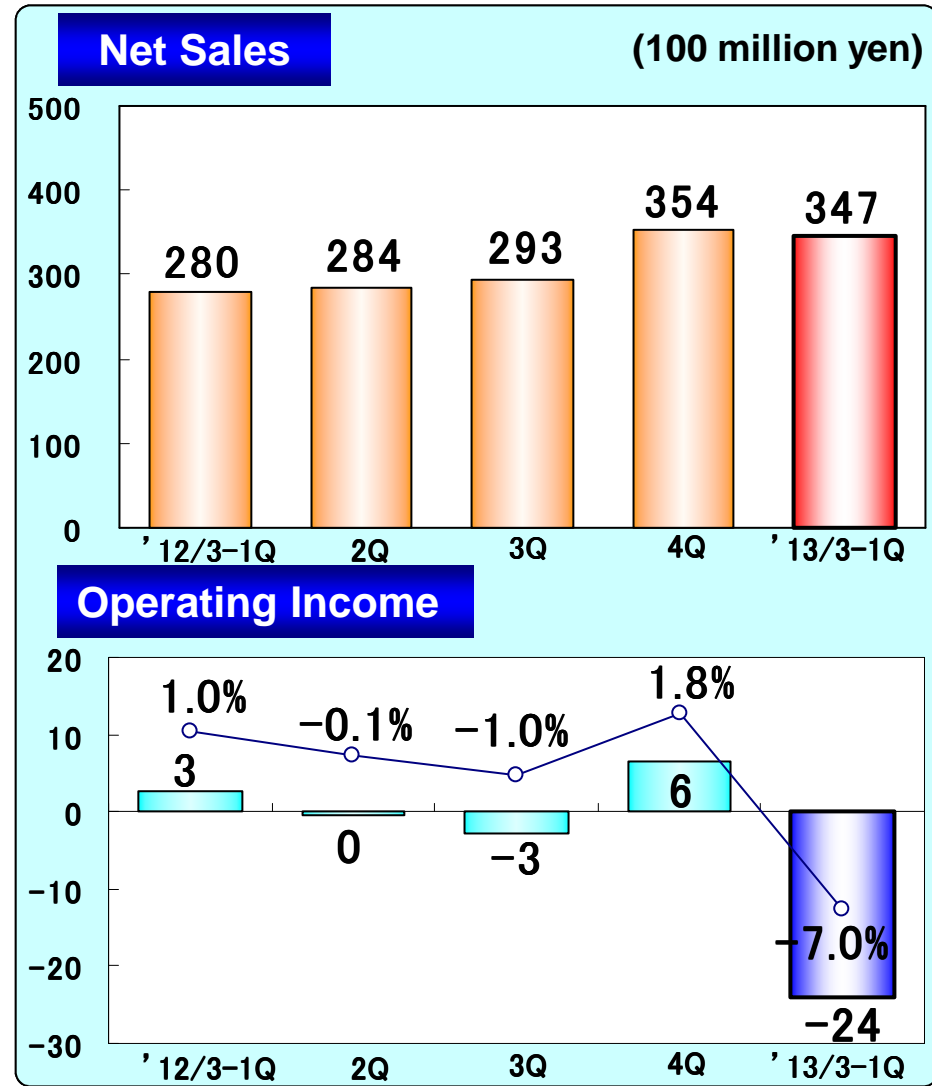


6. Net Sales and Operating Income by Region

《 Japan 》



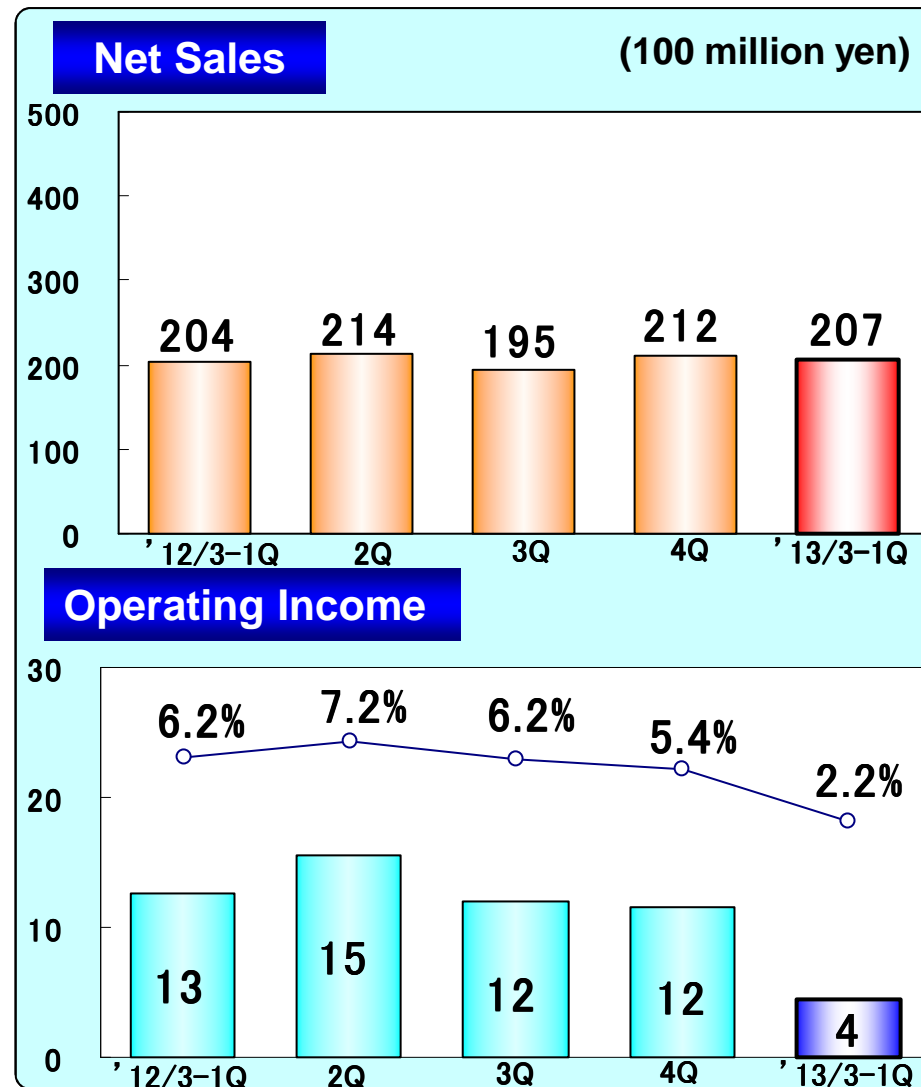
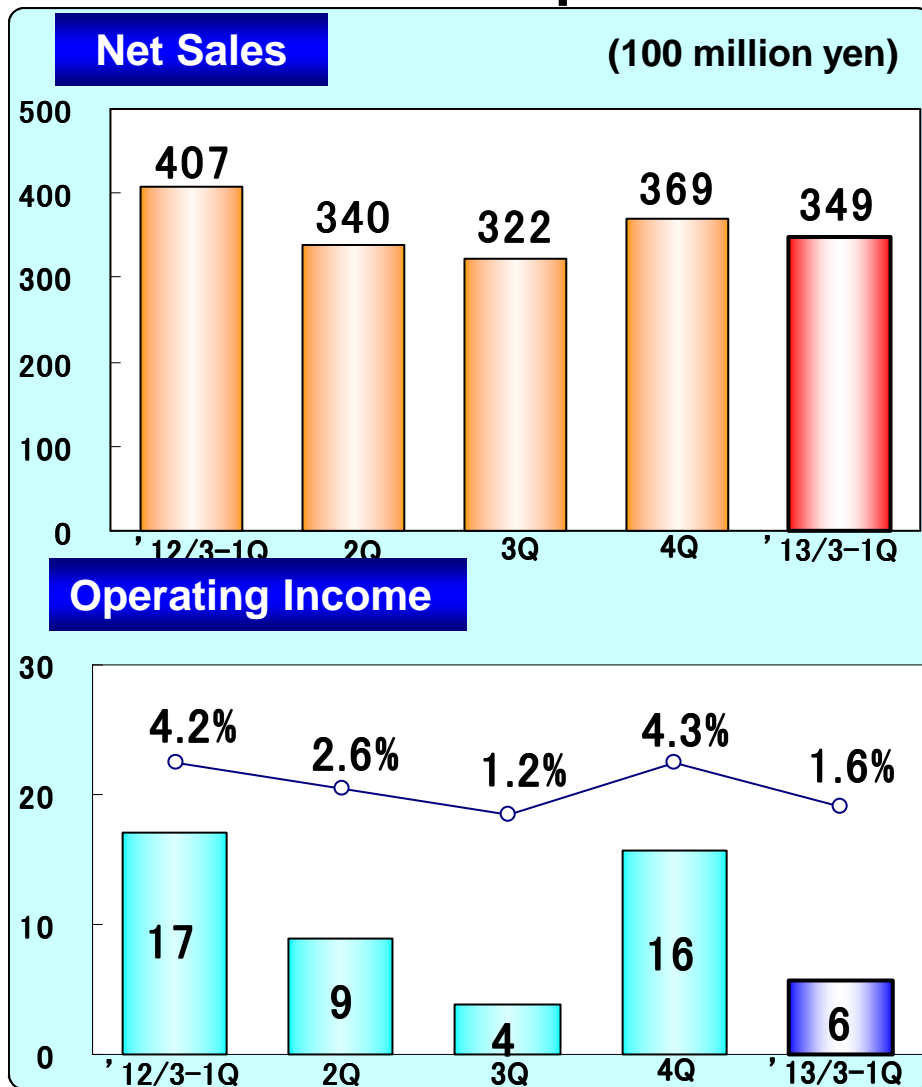
《 Americas 》



6. Net Sales and Operating Income by Region

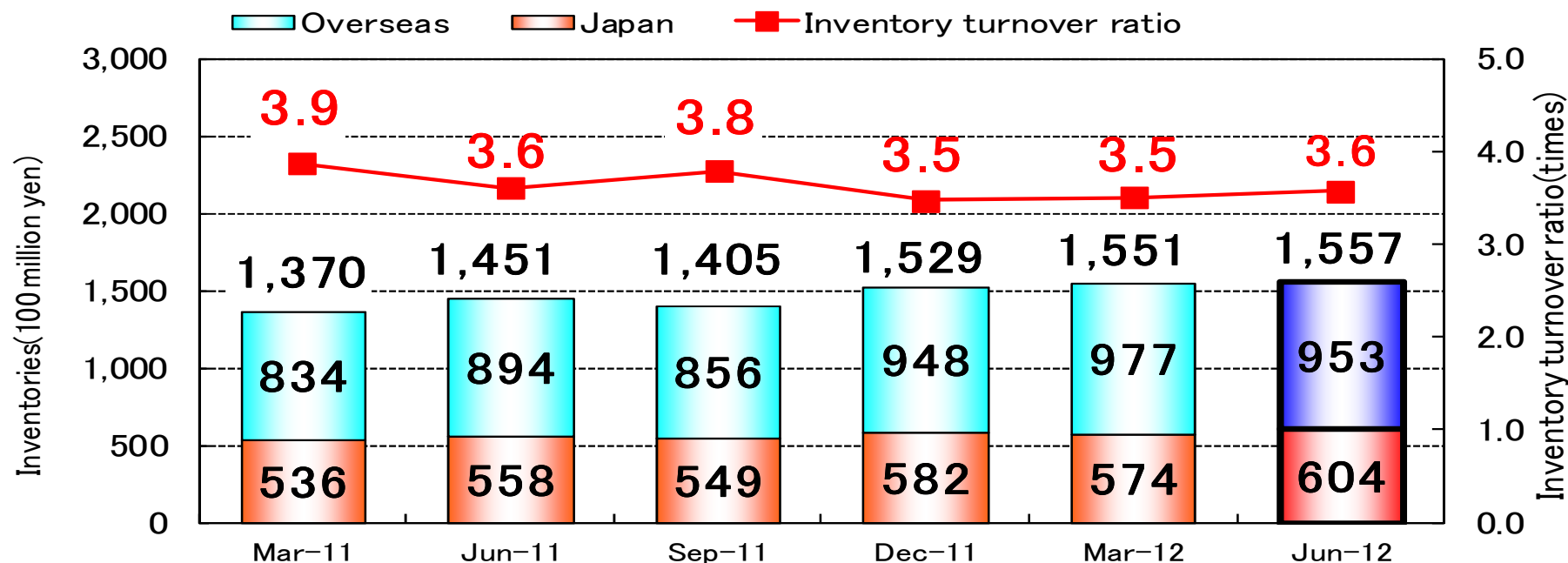
《 Europe 》

《 Asia & Others 》



7. Inventories

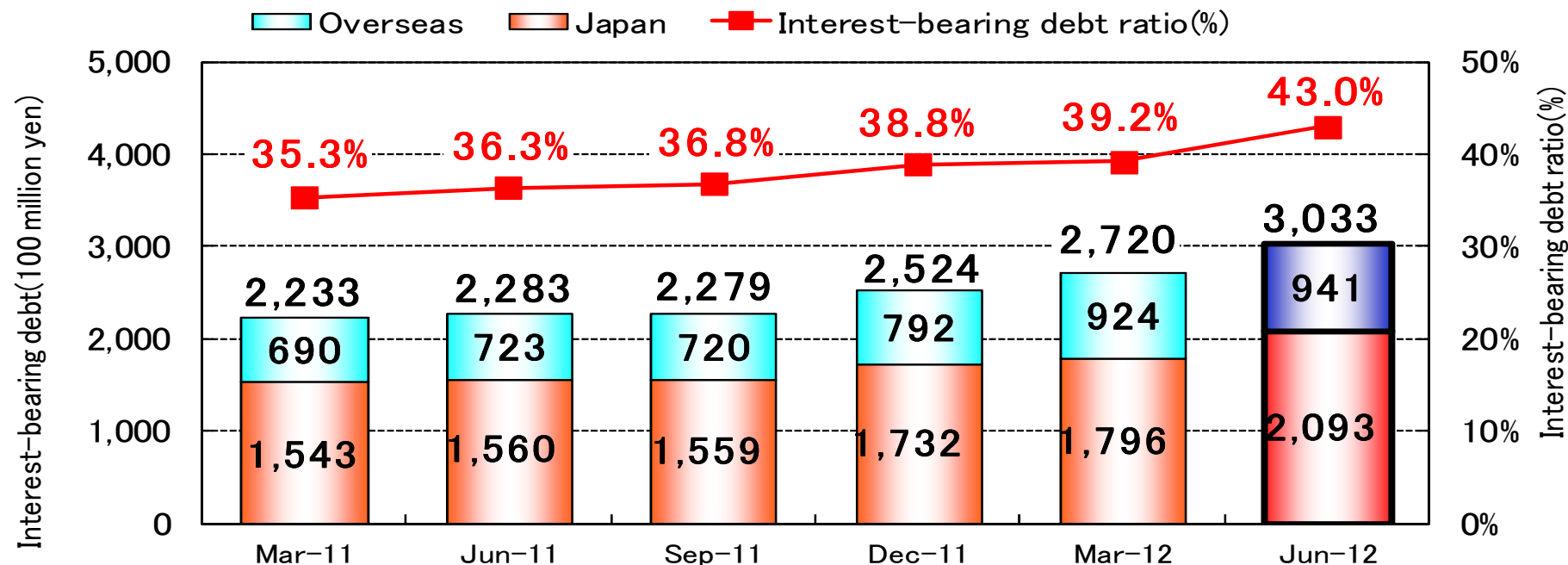
◆ Increase due to the decrease in demand around the world in June 2012



(100 million yen)

	Mar-11 Results	Jun-11 Results	Sep-11 Results	Dec-11 Results	Mar-12 Results	Jun-12 Results
Inventories	1,370	1,451	1,405	1,529	1,551	1,557
Overseas	(834)	(894)	(856)	(948)	(977)	(953)
Japan	(536)	(558)	(549)	(582)	(574)	(604)
Inventory turnover ratio (times)	3.9	3.6	3.8	3.5	3.5	3.6

8. Interest-Bearing Debt



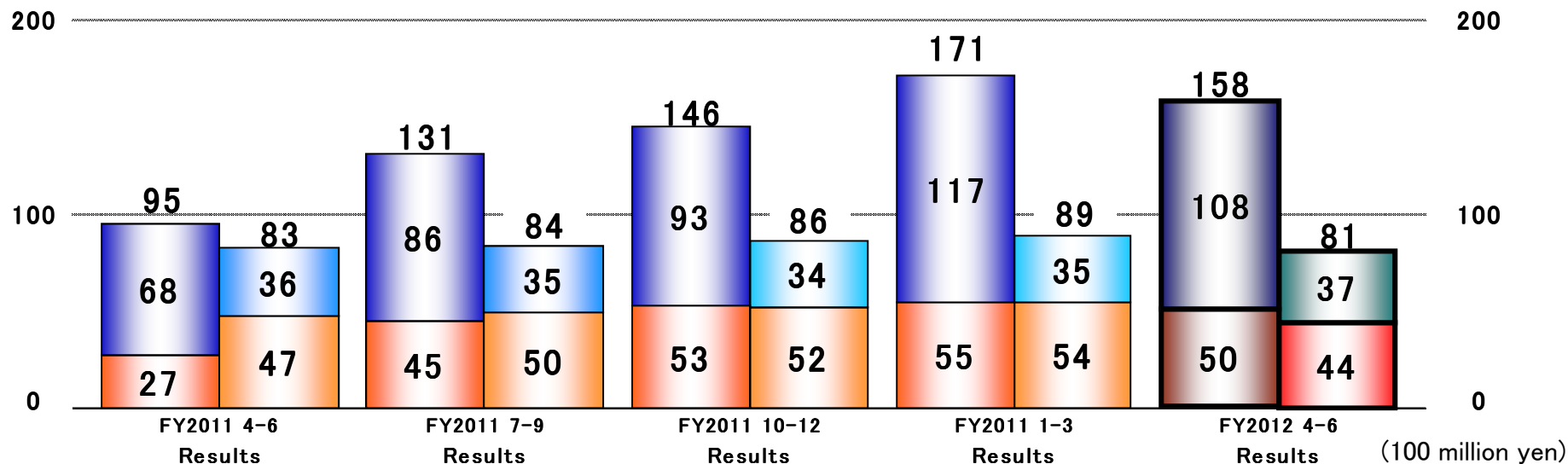
(100 million yen)

	Mar-11 Results	Jun-11 Results	Sep-11 Results	Dec-11 Results	Mar-12 Results	Jun-12 Results
Interest-bearing debt	2,233	2,283	2,279	2,524	2,720	3,033
Overseas	(690)	(723)	(720)	(792)	(924)	(941)
Japan	(1,543)	(1,560)	(1,559)	(1,732)	(1,796)	(2,093)
Interest-bearing debt ratio(%)	35.3%	36.3%	36.8%	38.8%	39.2%	43.0%

9. Capital Expenditure and Depreciation

◆ Increased production capacity overseas, chiefly in Asia and the Americas

Investment (Japan) Investment (Overseas) Depreciation (Japan) Depreciation (Overseas)

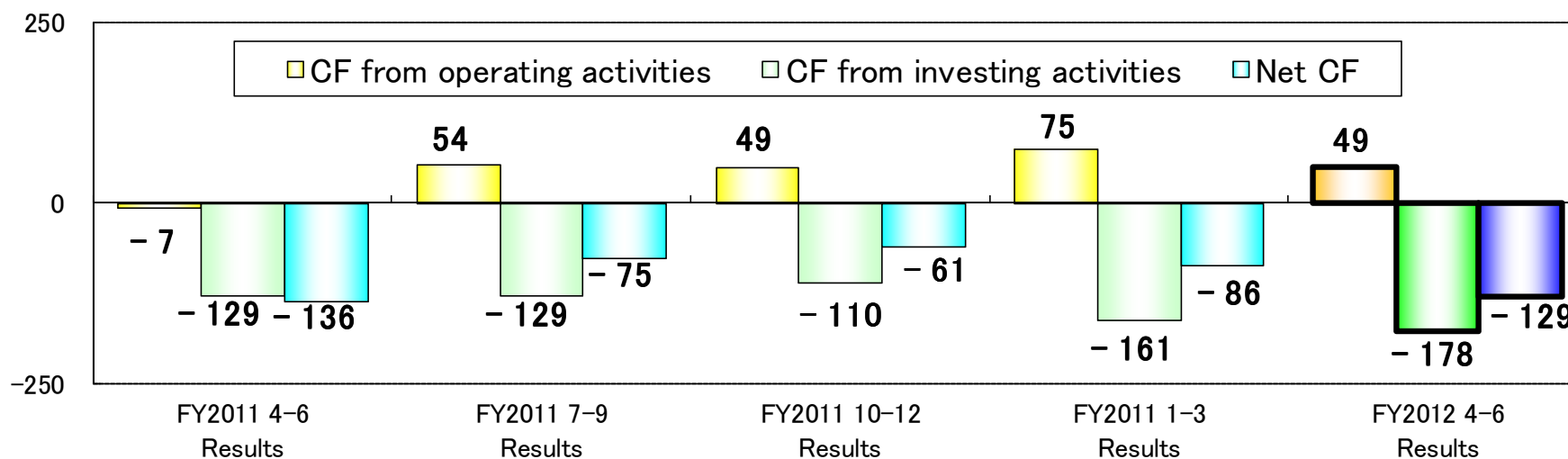


	FY2011 4-6 Results①	FY2011 7-9 Results	FY2011 10-12 Results	FY2011 1-3 Results	FY2012 4-6 Results②	②-①
Capital expenditure	95	131	146	171	158	63
Overseas	(68)	(86)	(93)	(117)	(108)	(40)
Japan	(27)	(45)	(53)	(55)	(50)	(23)
Depreciation	83	84	86	89	81	-2
Overseas	(36)	(35)	(34)	(35)	(37)	(1)
Japan	(47)	(50)	(52)	(54)	(44)	(-4)

10. Cash Flows

◆ Free cash flow decreased by 12.9 billion yen due to an increase in CF from investing activities

(100 million yen)	FY2011 4-6 Results①	FY2011 7-9 Results	FY2011 10-12 Results	FY2011 1-3 Results	FY2012 4-6 Results②	②-①
I. Cash flow from operating activities	-7	54	49	75	49	56
II. Cash flow from investing activities	-129	-129	-110	-161	-178	-49
III. Cash flow from financing activities	38	67	216	152	331	293
IV. Effect of exchanging rate translation on cash and cash equivalents	10	11	-5	-6	25	15
V. Net increase in cash and cash equivalents	-88	3	151	60	227	315



About future forecast

Reviews of plans

- ◆ Emergency countermeasures and drastic structural reforms will be conducted, including reviews of the medium-term management plan “Global Advance 2013,” to provide greater flexibility with changes in the business environment, as well as to strengthen the corporate structure.

Current understanding

- There have been **sudden changes to the external environment surrounding NTN’s business activities** since “Global Advance 2013” was established, including the European financial crisis, a slowdown in growth in expanding economies such as China and India, and the yen remaining strong over the long-term.
- **Progress has been insufficient** to meet plans for the first half of the year due to a decrease in sales of industrial machinery and aftermarket/distributor, and an increase in costs in America in 1Q.
- Implement the **“on local site with local materials by local personnel” concept faster** over the medium to long-term
- The most pressing challenges for the short-term are to **strengthen the corporate structure by increasing margins**, and **improving cash flow** by limiting capital expenditure and decreasing inventory.

Strengthening the corporate structure

- ◆ Changes to the estimated business environment that are part of preconditions.
- ◆ Focus on **increasing margins** and **improving cash flow**.

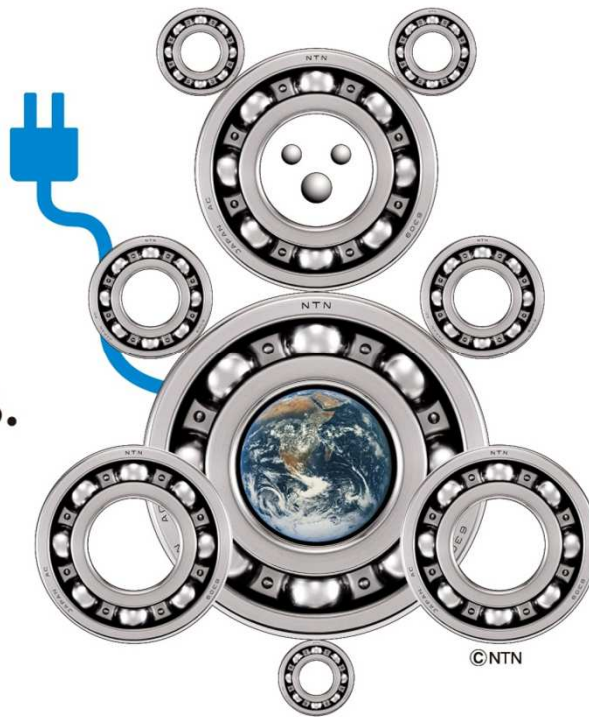
- **Decrease costs** and **lower exchange rate risks** by local production and local procurement
- Increase selling capacity in **growth markets**
- Improve operating margin for **Automotive products**

**Focus on investments
in growth markets**

- Limit **capital expenditure** within the scope of depreciation costs
- Decrease **inventories**
- Reorganization of global **production systems**
- Reform **head office functionality**, and **personnel cost structure**
- **Training** of global and local **personnel**

**Structural reform
instead of improvements**

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