

# Financial Results

## for the Six Months Ended September 30, 2005

November 10, 2005

NTN Corporation

This presentation and comments made in this conference or during the following Q&A session include forward-looking statements about management expectations for future performance and future business strategies. These statements represent the best judgment of the management of the company based on the information currently available. However, there can be no assurance that future results will meet any expectation, estimate or projection conveyed by these statements or comments. Actual results may differ materially from management projections depending on various factors such as changes in product demand, exchange rates and interest rates.

# 《 Today's Agenda 》

## I. Progress in the Second Year of “New Plan 21” and Business Development

by Yasunobu Suzuki, President

## II. Financial Results for the Six Months Ended September 30, 2005 (1HFY2005) and Earnings Forecast for the Year Ending March 31, 2006 (FY2005) - Consolidated -

by Tatsuo Kondo, Director

## III. Q & A Session

# Progress of “New Plan 21” (2<sup>nd</sup> year) and Business Development

November 10, 2005

NTN Corporation

Yasunobu Suzuki, President

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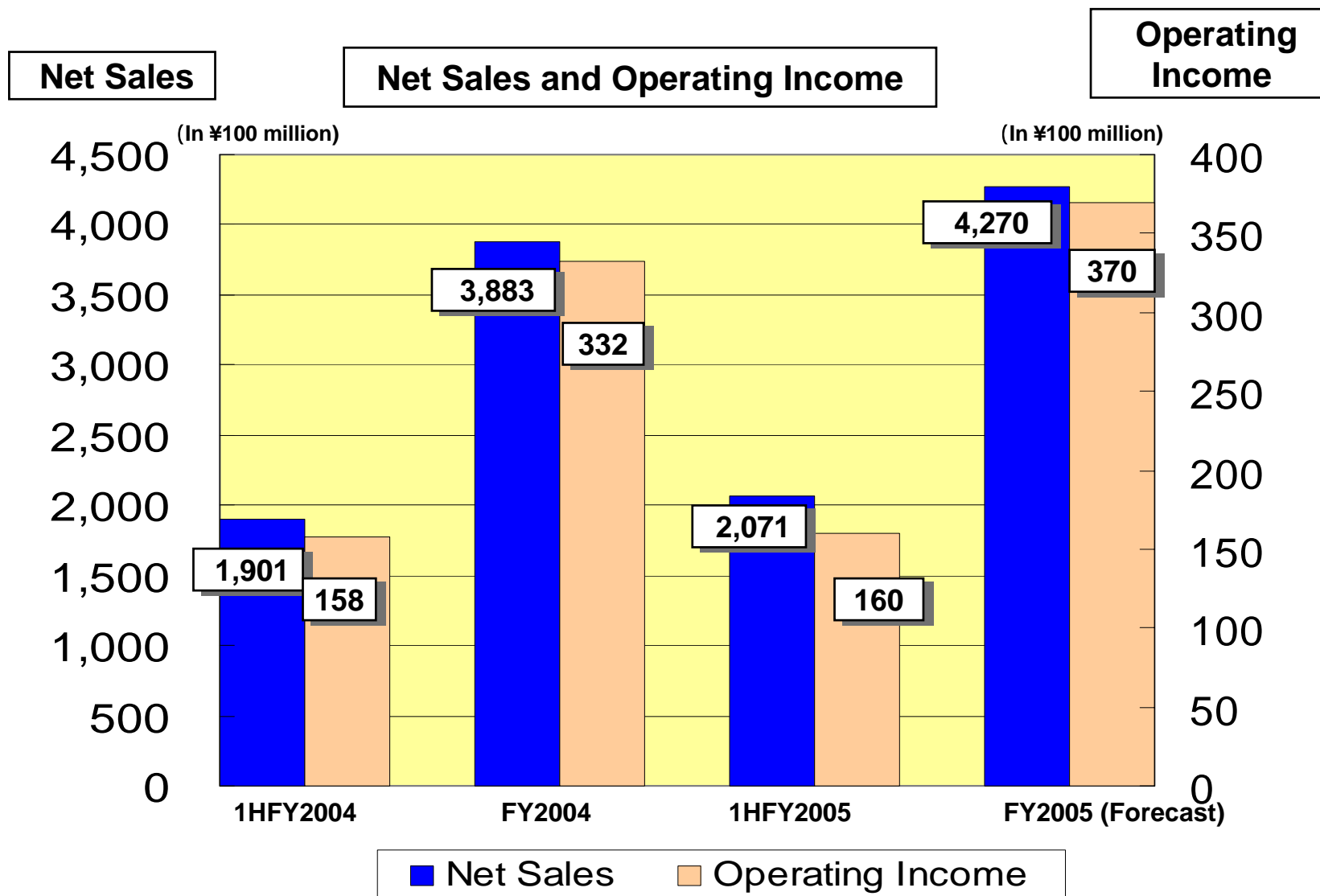
# I. Progress in the Second Year of “Rapid Advance 21” and Business Development

1. Consolidated Operating Results (for FY2004 and FY2005)
2. Achieving Targets for the Year Ending March 31, 2006
  - (1) Changes in Business Environment
  - (2) Reduce Variable Costs and Improve Productivity
  - (3) Increase Sales to Automobile Industry
  - (4) Increase Sales to Industrial Machinery
3. Business Development
  - (1) Fluid Dynamic Bearing Business Expansion
  - (2) Establishment of a Holding Company in China to Oversee Local Production and Sales Subsidiaries
  - (3) Establishment of a New Company in India

(Supplementary Data)

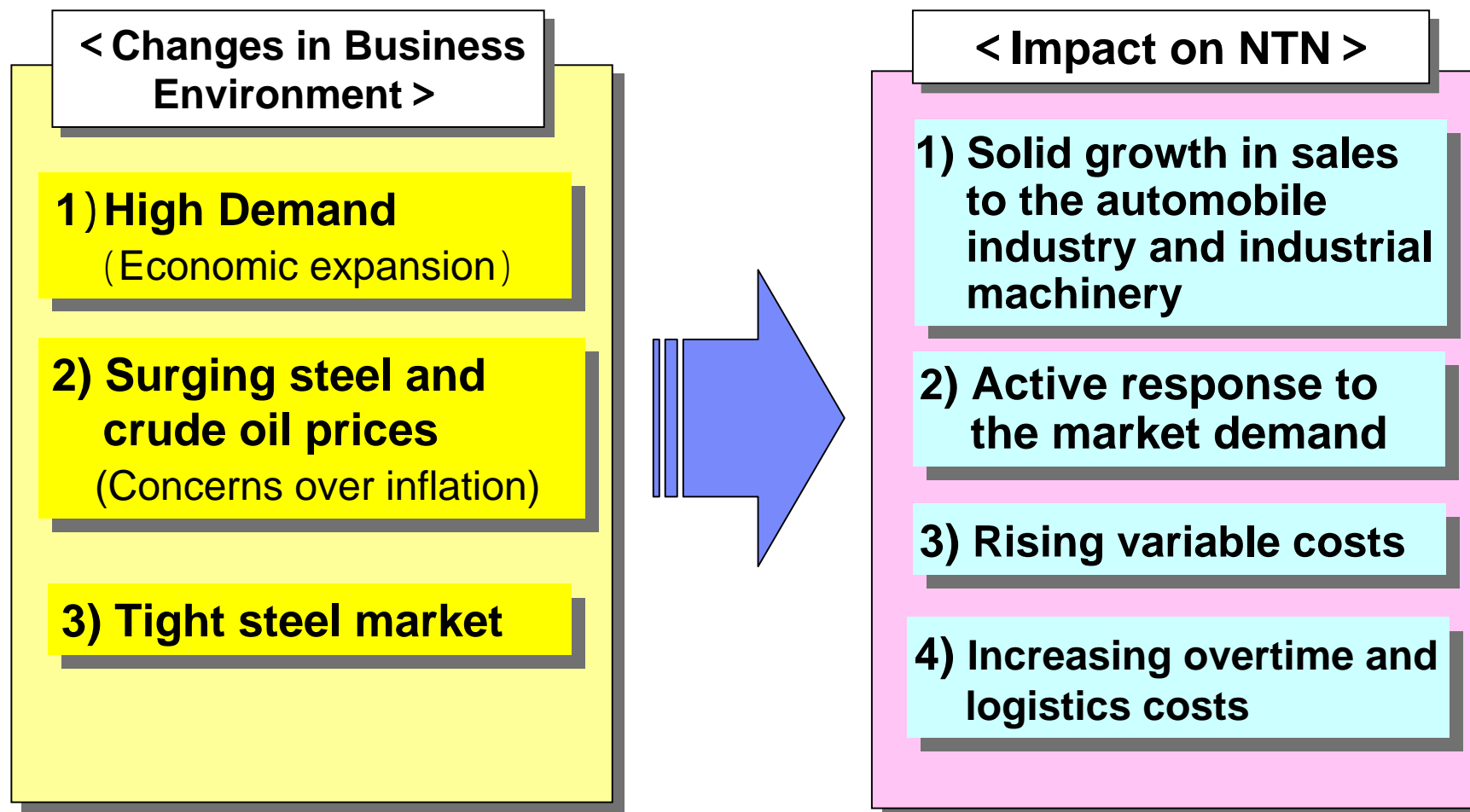
Outlook for Net Sales of Strategic Products (CVJs, Axle Bearings, Needle Bearings)

# 1. Consolidated Operating Results



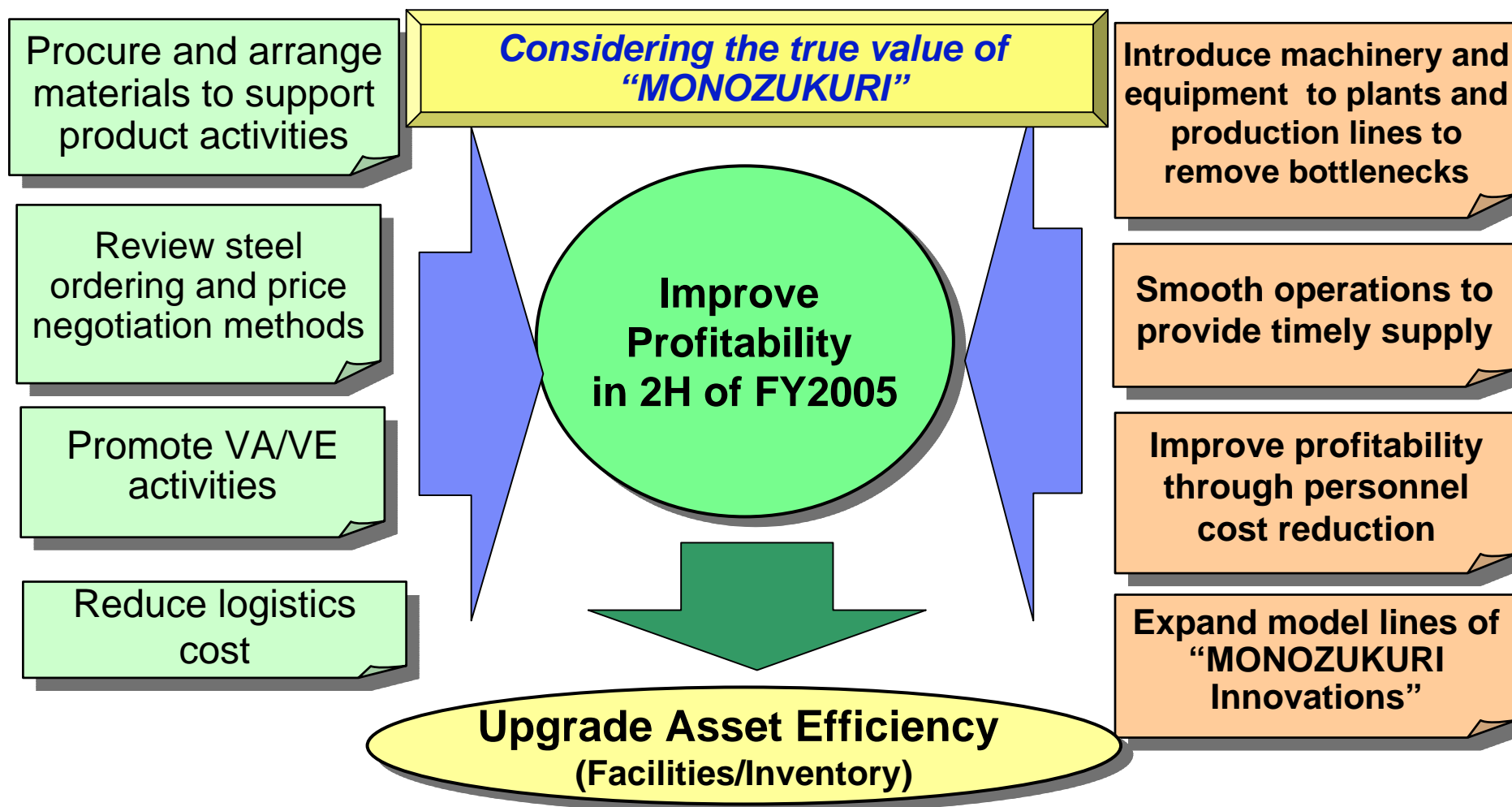
## 2. Achieving Targets for FY2005

### (1) Changes in Business Environment



## 2. Achieving Targets for FY2005

### (2) Reduce Variable Costs and Improve Productivity



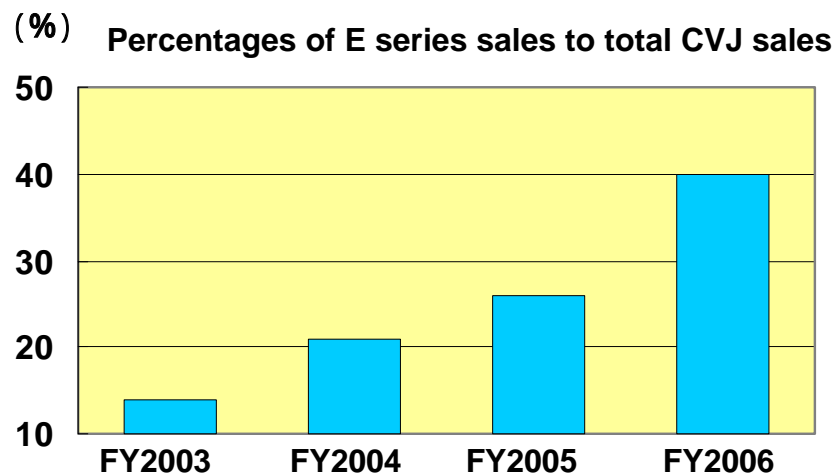
## 2. Achieving Targets for FY2005

### (3) Increase Sales to the Automobile Industry

Sales increase through global promotion of project activities

*Stabilize supply by linking sales, technology and production*

*Incorporate cost increases in selling price while raising prices and controlling price erosion*



EBJ



EPTJ



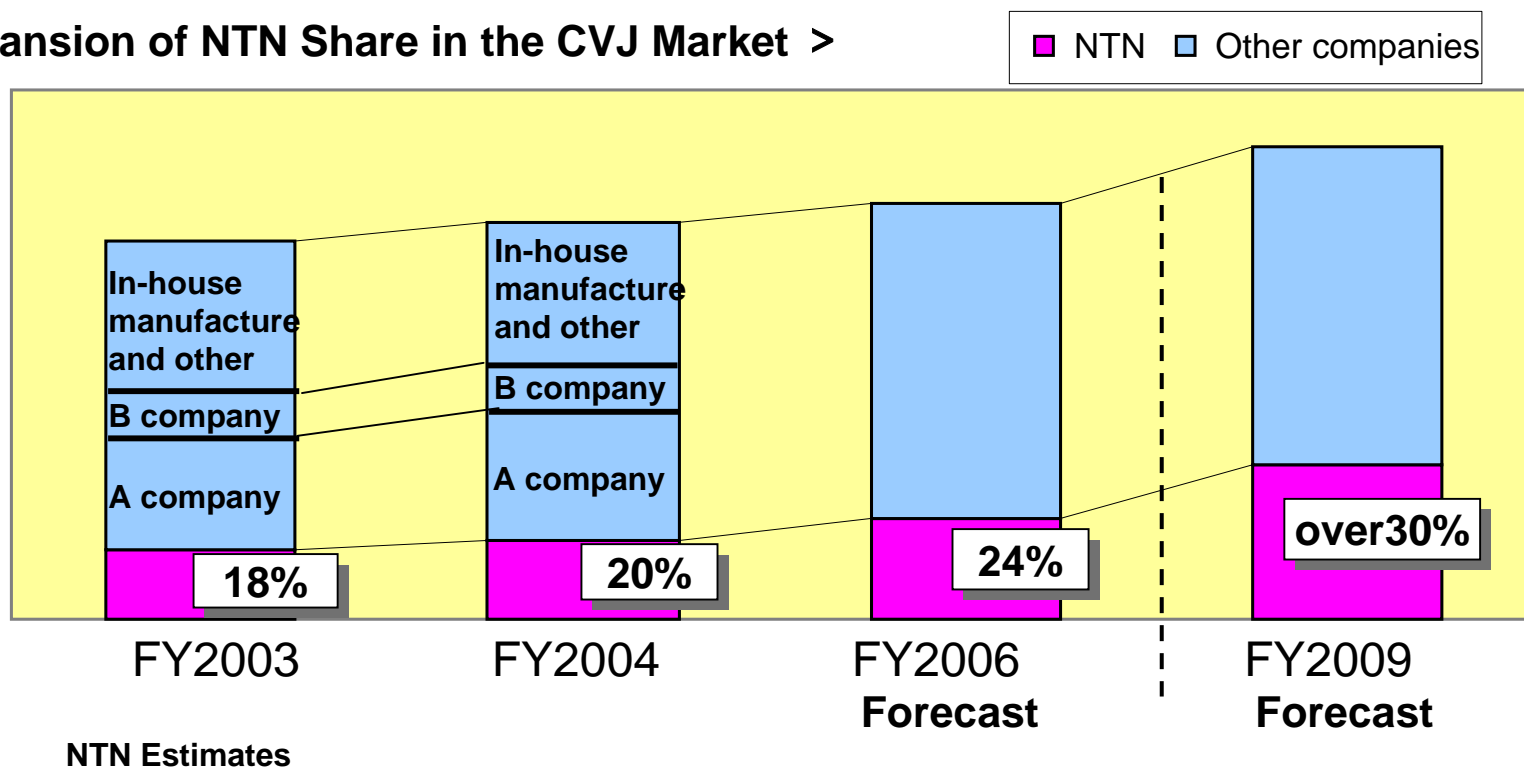


## 2. Achieving Targets for FY2005

### (3) Increase Sales to the Automobile Industry

- **Market**: Increase car production in BRICs and other countries
- **NTN**: Obtain new orders, utilizing technology used in new products

#### < Expansion of NTN Share in the CVJ Market >



## 2. Achieving Targets for FY2005

### (4) Increase Sales to Industrial Machinery

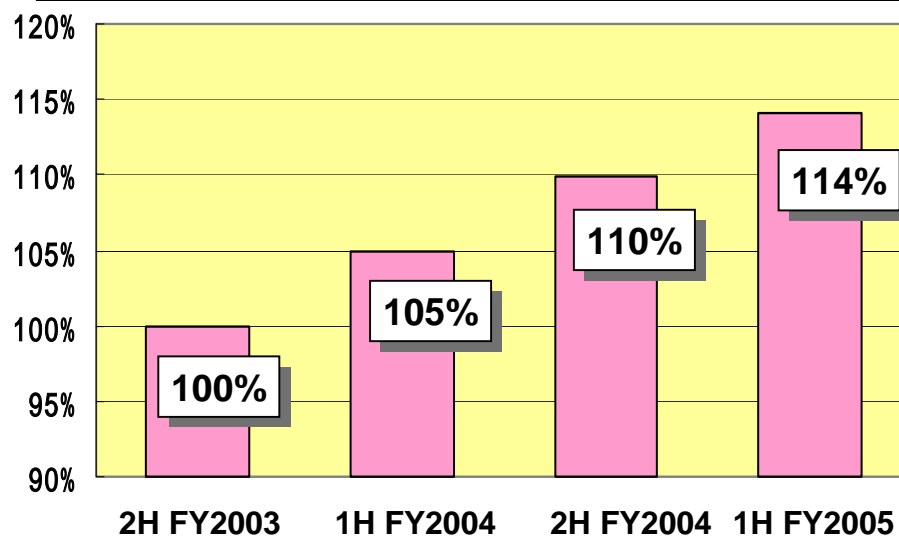
#### Global Promotion of GAM Activities

Construction machinery, Machine tools, Rolling stock, Wind-power generators, Office machines, Medical equipment, Plant maintenance machines, etc.

*Link sales,  
technology and  
production to  
stabilize supply*

*Incorporate cost  
increases in selling  
price while raising  
prices and  
controlling price  
reduction*

Growth rate for industrial machinery related sales (%)



Using net sales of 2H FY2003 as a benchmark (100%)

Large scale bearings

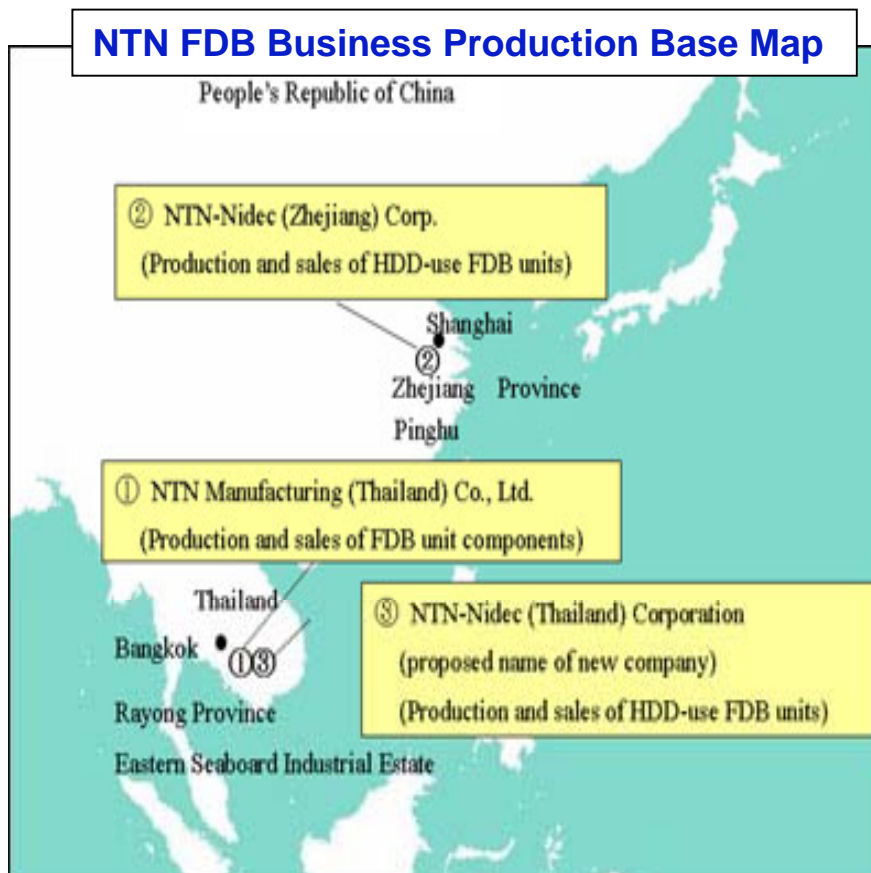


Precision bearings  
for machine tools



### 3. Business Development

#### (1) Fluid Dynamic Bearing Business Expansion (New Joint Venture Company)



#### Profile of New Joint Venture

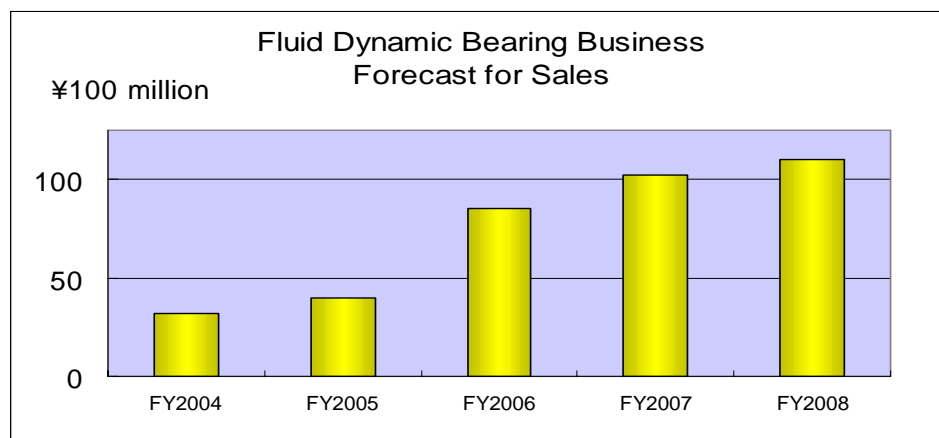
- **Company name :**  
NTN-Nidec (Thailand) Corporation (Proposed)
- **Capitalization : Approx. ¥1.5 billion (Planned)**
- **Investment ratio : NTN 60%, Nidec 40%**
- **Location : Eastern Seaboard Industrial Estate, Rayong Province, Thailand**
- **Product line : 3.5-inch HDD-use FDB units**
- **Establishment: November 2005 (Planned)**
- **Start of Operation : June 2006 (Planned)**
- **Site area : Approx. 21,350m<sup>2</sup>**
- **Investment amount : Approx. ¥3.0bn (Planned)**
- **Planned production :**
  - 3 million units/month in 2006
  - 6 million units/month in 2008
  - 9 – 10 million/month in 2009 – and beyond

## 3. Business Development

### (1) Fluid Dynamic Bearing Business Expansion



3.5-inch HDD-use FDB units to be produced in a new joint venture company in Thailand



#### **Business Outlook**

**Meet increasing demand for**

**3.5-inch HDD**

**Changing HDD market environment**

**3.5 inch - 2.5 inch HDD:**

**Expansion of usage : from PCs to household electrical appliances, et al.**

**Under 1.8 inch HDD**

**Further differentiation between under 1.8 inch HDD and flash memories**

#### **Productivity Enhancement Plan**

**Target: production of 18 million units/month in the NTN Group (by the end of 2009)**

**Sales Target**

**Over ¥10 billion in two years (FY2007)**

**Goal: Win 40% of Global Market for FDB units**

### 3. Business Development

(2) Establishment of a Holding Company in China to  
Oversee Local Production and Sales Subsidiaries

#### NTN (China) Investment Corporation

- Investment related to product activities
- Local materials and parts procurement
- Consulting services, et al.

- Sales of manufactured products and technical support
- Set-up and management of R&D Center

Shanghai NTN



Beijing NTN



NTN-  
NIDEC



Guangzhou  
NTN



Changzhou NTN



## 3. Business Development

### (3) Establishment of a New Company in India

#### NTN Manufacturing India Private Limited (Proposed)

##### < Profile of New Company >

**Location: Growth Centre of Bawal,  
Haryana**

**Site area: 85,000 m<sup>2</sup>**

**Investment amount:  
¥2 billion (initial plan)**

**Product line: CVJs**

**Start of operation: March 2007  
(Planned)**

**Sales target:  
Approx. ¥1.5 billion in FY2007**

##### < Full-scale entry into BRICs markets >

**Production of automobiles in India  
The 4th largest market in Asia  
(2010: Approx. 2.3 million cars)**

**Announcements to enter the Indian  
market by Japanese automobile  
makers**

**Global platform cars**

**Acquire market share of Made-in-  
India cars**

**Collaboration with local companies**

**Obtain orders from Indian makers**

## Supplementary Information

# Strategic Products Net Sales Forecast

(CVJs, Axle Bearings, Needle Bearings)

(In ¥100 million)

	Region	FY2004		FY2005		FY2006 (Forecast)
		1H (Actual)	Full Year (Actual)	1H (Actual)	Full Year (Forecast)	
CVJs  ( ) represents sales in China	Japan	225	457	226	468	475
	North America	155	332	209	458	545
	Europe	134	265	137	279	305
	Asia and Other Areas	30 (10)	59 (19)	41 (17)	85 (37)	95 (39)
	<b>Total</b>	<b>544</b>	<b>1,113</b>	<b>613</b>	<b>1,290</b>	<b>1,420</b>
Axle Bearings  ( ) represents sales in China	Japan	64	135	73	150	160
	North America	66	140	83	168	184
	Europe	12	28	17	36	36
	Asia and Other Areas	9 (3)	20 (8)	11 (5)	24 (12)	40 (17)
	<b>Total</b>	<b>151</b>	<b>323</b>	<b>184</b>	<b>378</b>	<b>420</b>
Needle Bearings	Japan	148	288	151	310	315
	Overseas	35	98	53	110	128
	<b>Total</b>	<b>183</b>	<b>386</b>	<b>204</b>	<b>420</b>	<b>443</b>

Exchange Rates 1HFY2004: US\$:¥110, EURO:¥133 FY2004 Full Year: US\$:¥108, EURO:¥135  
 1HFY2005: US\$:¥110, EURO:¥136 2HFY2005·FY2006 Full Year (Forecast): US\$:¥110, EURO:¥135

Financial Results for the Six Months Ended September 30, 2005  
and  
Forecast of Earnings for the Year Ending March 31, 2006  
- Consolidated -

November 10, 2005  
NTN Corporation  
by Tatsuo Kondo, Director

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## II. Financial Results for the Six Months Ended September 30, 2005 (1HFY2005) and Earnings Forecast for the Year Ending March 31, 2006 (FY2005) - Consolidated -

### 1. Operating Results

(1) Major Achievements and Challenges

(2) Consolidated Statements of Operations

### 2. Net Sales

By Region and Business Segment

### 3. Operating Income Analysis

(1) First Half of FY 2005

(2) FY2005 (Full Year)

### 4. Net Sales and Operating Income (Margin) by Region

### 5. Inventories

### 6. Interest-Bearing Debt

### 7. Capital Expenditures and Depreciation

### 8. Cash Flows

# 1. Operating Results

## (1) Major Achievements and Challenges

Financial results of first half and forecast for FY2005

- Consolidated Operating Margin    1H 7.7%    Full year 8.7% (FY2004: 8.5%)
- Improvement in ROA                    1H 3.4%    Full year 3.8% (FY2004: 3.4%)
- Improvement in ROE                    1H 10.9%    Full year 11.9% (FY2004:11.1%)

Challenges for second Half of FY2005

- Improve earnings                    Raise sales prices  
     Reduce procurement costs  
     Improve productivity  
     Enhance invested asset efficiency
- Improve asset efficiency

# 1. Operating Results

## (2) Consolidated Statements of Operations

In 100 million yen

	FY2004			FY2005			YoY Change	
	1H	2H	Full Year	1H	2H	Full Year	1H	Full Year
							-	-
<b>Net Sales</b>	1,901	1,982	3,883	2,071	2,199	4,270	170	387
<b>Operating Income</b>	158	174	332	160	210	370	2	38
<b>(Operating Margin)</b>	(8.3%)	(8.8%)	(8.5%)	(7.7%)	(9.5%)	(8.7%)	(- 0.6%)	(0.2%)
<b>Net Interest Expenses</b>	-10	-12	-22	-15	-20	-35	-5	-13
<b>Other</b>	-5	-21	-26	-4	-21	-25	1	1
<b>Ordinary Income</b>	143	141	284	141	169	310	-2	26
<b>Extraordinary Income/Loss</b>		-18	-18	-2		-2	-2	16
<b>Net Income</b>	87	80	167	89	111	200	2	33
<b>Exchange Rate</b>								
<b>US\$</b>	109.8	105.2	107.6	109.5	110.0	109.8	-0.3	2.2
<b>EURO</b>	133.3	137.1	135.2	135.6	135.0	135.3	2.3	0.1
<b>ROA</b>	3.7%	3.2%	3.4%	3.4%	4.1%	3.8%	-0.3%	0.4%
<b>ROE</b>	11.8%	10.5%	11.1%	10.9%	12.8%	11.9%	-0.9%	0.8%
<b>Inventory Turnover Ratio (Times)</b>	4.4	4.3	4.2	4.1	4.8	4.7	-0.3	0.5

## 2. Net Sales

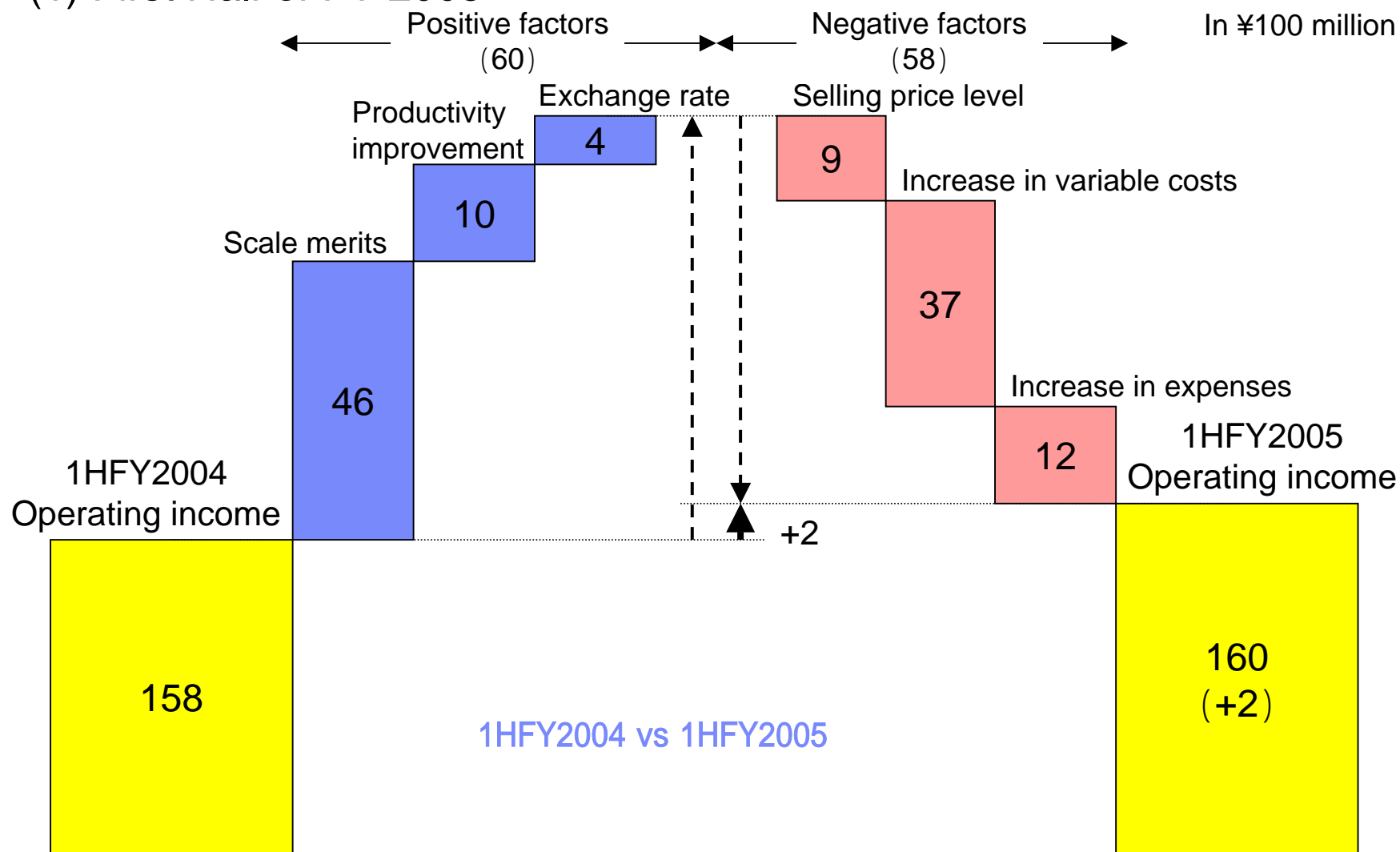
### (1) Geographic and Business Segments

(In 100 million yen)

		FY2004			FY2005			YoY Change			
		1H	2H	Full Year	1H	2H	Full Year	1H -	Full Year -	Exchange Rate	Exchange Rate
		Quantity	Exchange Rate	Quantity	Exchange Rate	Quantity	Exchange Rate	Quantity	Exchange Rate	Quantity	Exchange Rate
Japan	Bearings	586	613	1,199	626	657	1,283	40		84	
	CVJs	225	232	457	226	242	468	1		11	
	Precision Equipment	122	122	244	112	126	238	-10		-6	
	Total	933	967	1,900	964	1,025	1,989	31	0	89	0
North America	Bearings	290	288	578	316	321	637	24	2	43	16
	CVJs	155	177	332	209	249	458	54	0	116	10
	Precision Equipment	5	5	10	4	6	10	-1	0	0	0
	Total	450	470	920	529	576	1,105	77	2	159	26
Europe	Bearings	163	179	342	176	187	363	10	3	21	0
	CVJs	134	131	265	137	142	279	1	2	14	0
	Precision Equipment	9	9	18	8	9	17	-1	0	-1	0
	Total	306	319	625	321	338	659	10	5	34	0
Asia & Other Areas	Bearings	178	191	369	210	212	422	30	2	46	7
	CVJs	30	29	59	41	44	85	11	0	24	2
	Precision Equipment	4	6	10	6	4	10	2	0	0	0
	Total	212	226	438	257	260	517	43	2	70	9
Total	Bearings	1,217	1,271	2,488	1,328	1,377	2,705	104	7	194	23
	CVJs	544	569	1,113	613	677	1,290	67	2	165	12
	Precision Equipment	140	142	282	130	145	275	-10	0	-7	0
	Total	1,901	1,982	3,883	2,071	2,199	4,270	161	9	352	35

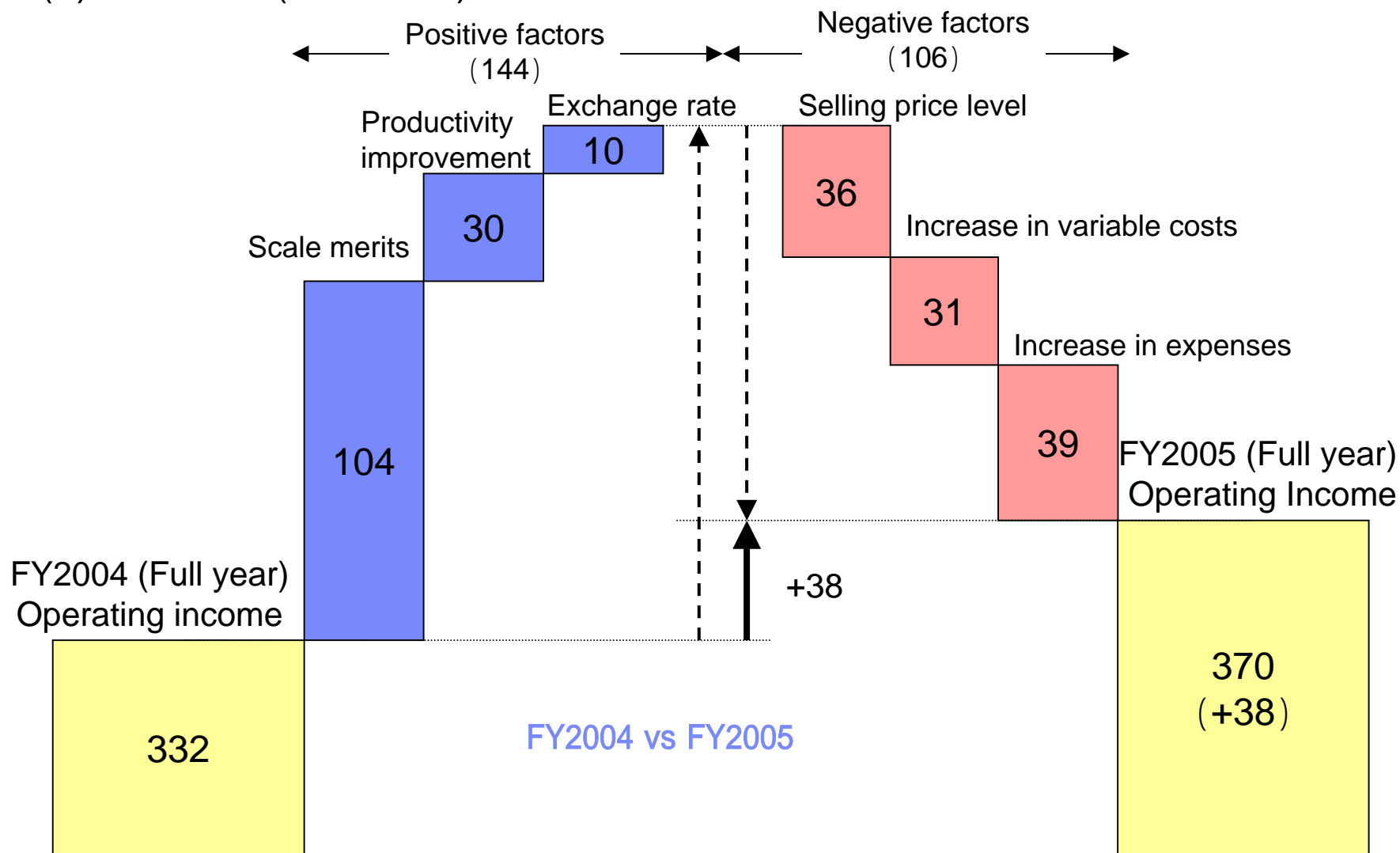
### 3 . Operating Income Analysis

(1) First Half of FY 2005



### 3. Operating Income Analysis

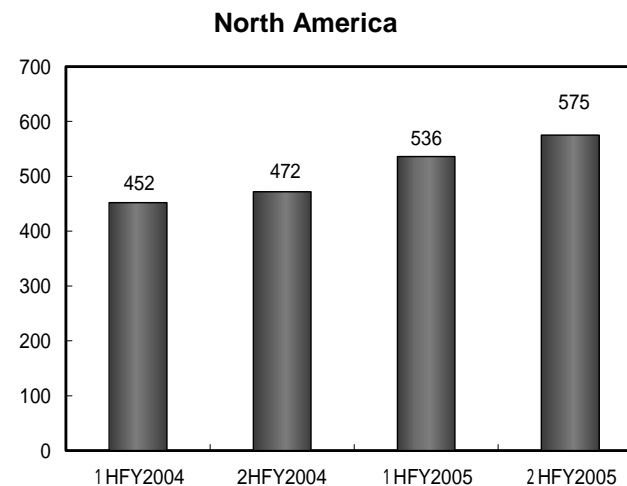
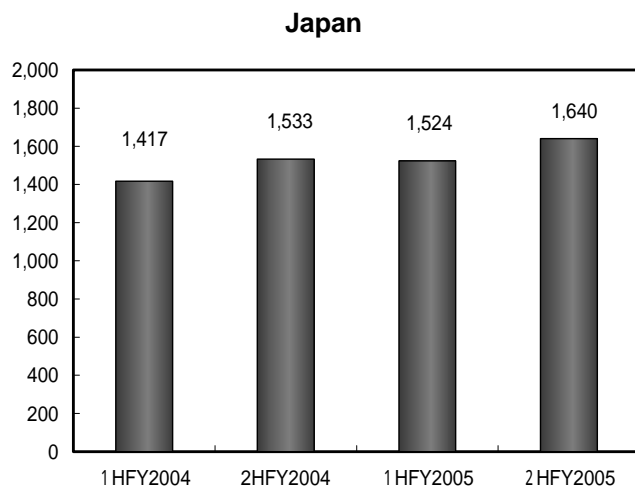
(1) FY 2005 (Full Year)



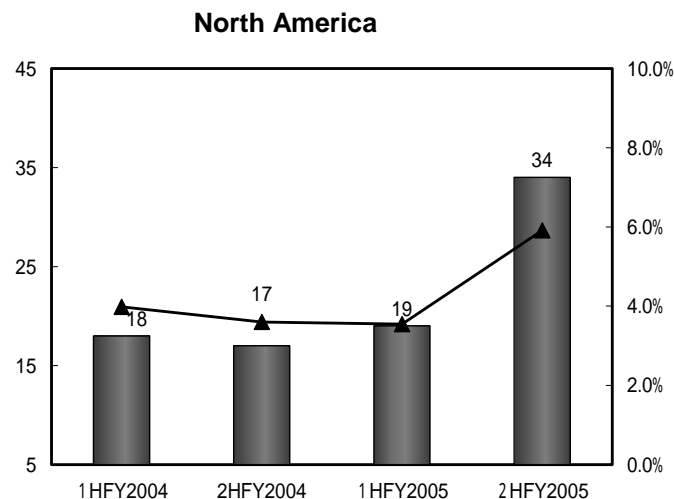
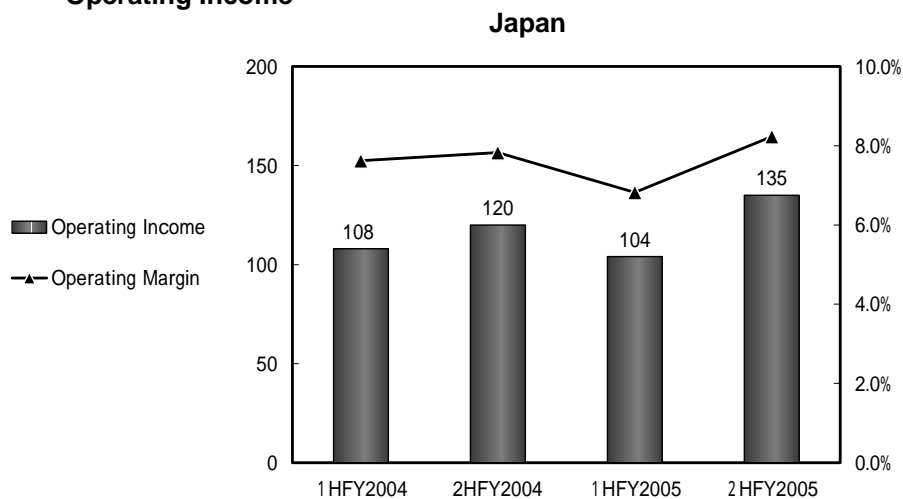
# 4. Net Sales and Operating Income (Margin) by Region

In 100 million yen

## • Net Sales



## • Operating Income

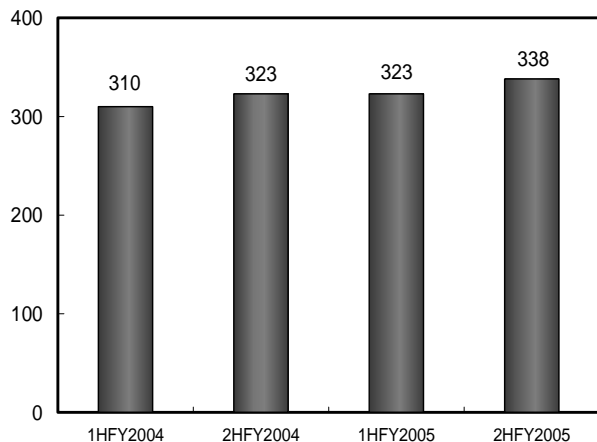


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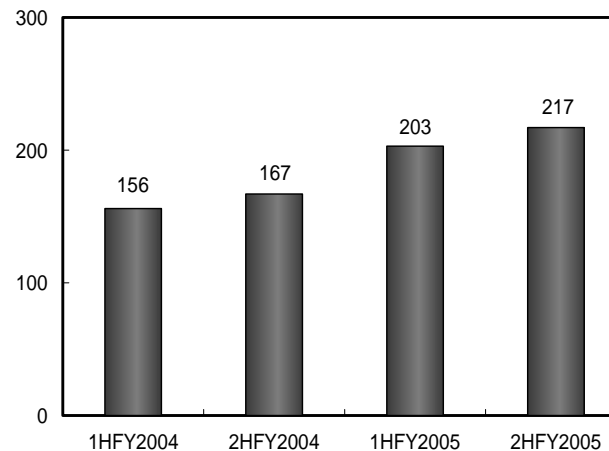
## • Net Sales

In 100 million yen

### Europe

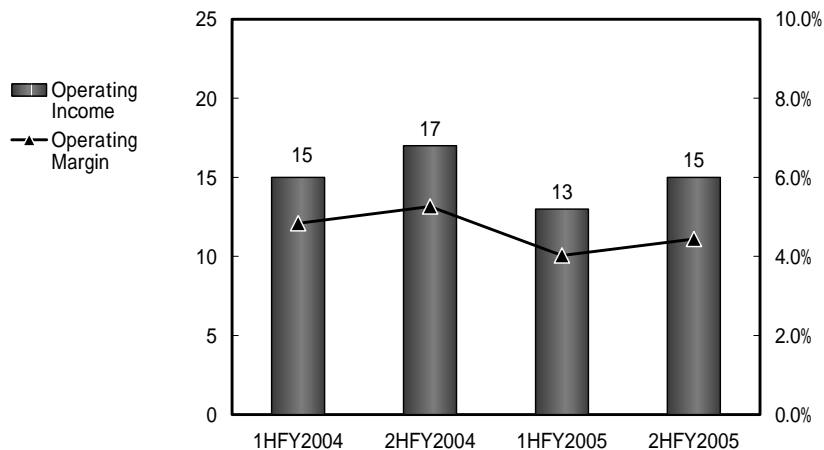


### Asia and Other Areas

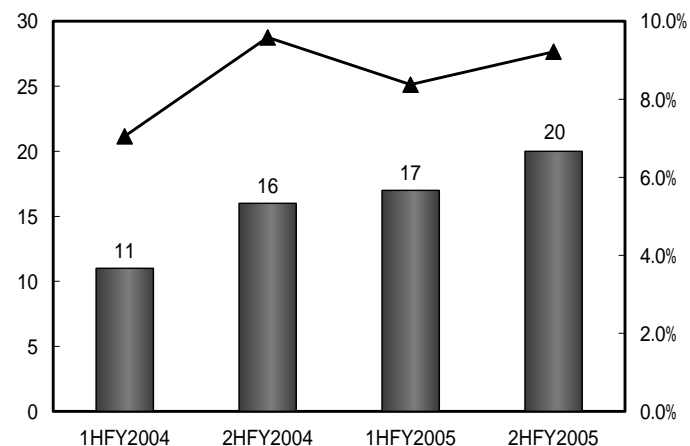


## • Operating Income

### Europe



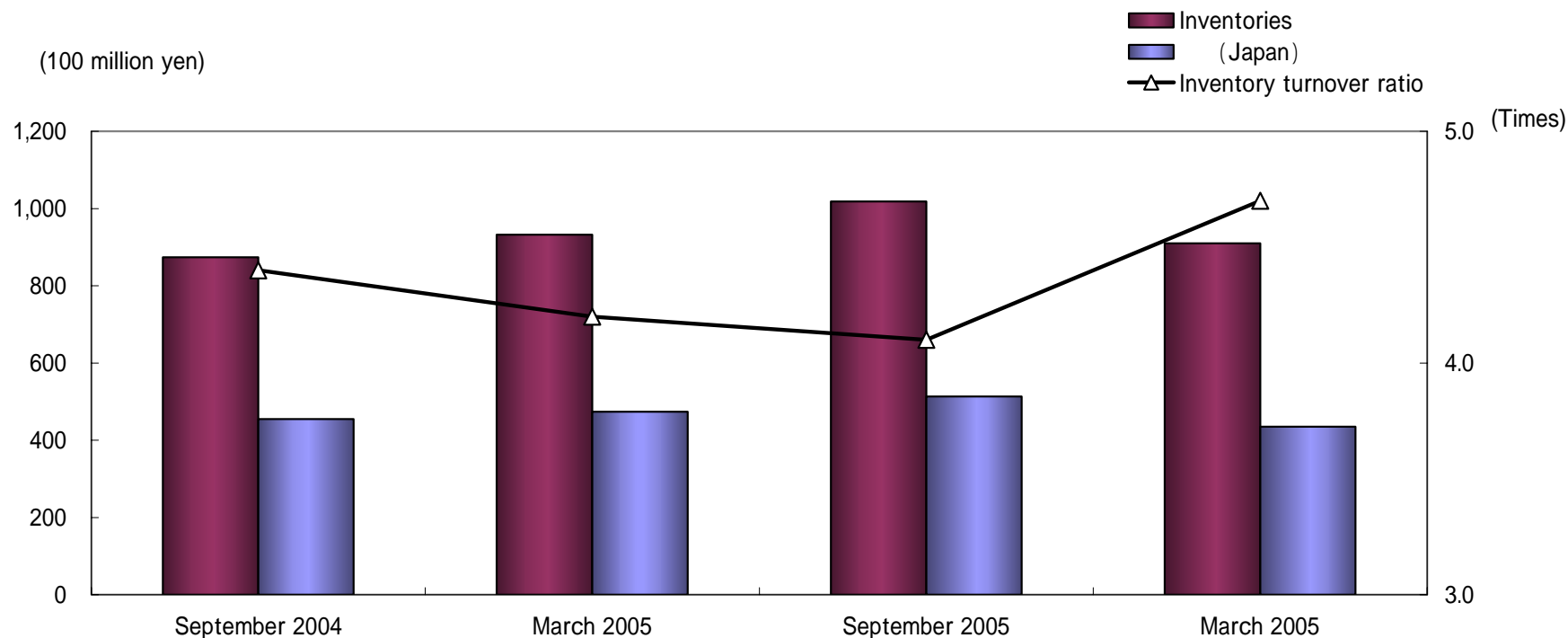
### Asia and Other Areas





## 5. Inventories

(100 million yen)

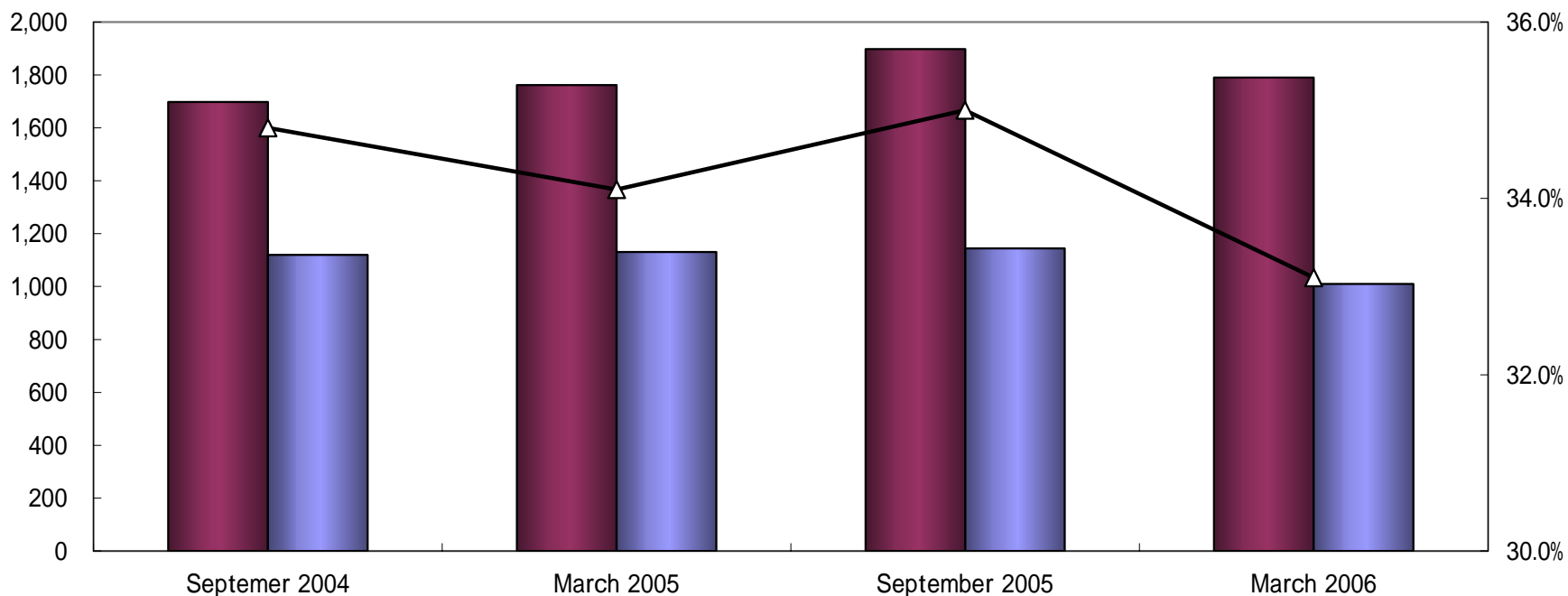


(In 100 million yen)

	September 2004	March 2005	September 2005	March 2006 Forecast
Inventories	874	932	1,018	910
( Japan )	(454)	(474)	(513)	(435)
( Overseas )	(419)	(458)	(505)	(475)
Inventory turnover ratio	4.4 times	4.2 times	4.1 times	4.7 times

## 6. Interest-Bearing Debt

(100 million yen)



(In 100 million yen)

	September 2004	March 2005	September 2005	March 2006 Forecast
Interest-bearing debt	1,698	1,762	1,898	1,790
( Japan )	(1,120)	(1,131)	(1,145)	(1,010)
( Overseas )	(577)	(631)	(753)	(780)
Interest-bearing debt ratio	34.8%	34.1%	35.0%	33.1%

## 7. Capital Expenditures and Depreciation

In 100 million yen

	FY2004 1H	FY2004 Full Year	FY2005 1H	F2005 Full Year Forecast
Capital expenditures	258	497	237	490
( Japan )	(139)	(262)	(127)	(272)
(Overseas)	(119)	(235)	(110)	(218)

YoY Change	
1H	Full Year
-	-
-21	-7
(- 12)	(10)
(- 9)	(- 17)

	FY2004 1H	FY2004 Full Year	FY2005 1H	F2005 Full Year Forecast
Depreciation	116	249	133	290
( Japan )	(71)	(155)	(78)	(176)
(Overseas)	(45)	(94)	(55)	(114)

YoY Change	
1H	Full Year
-	-
17	41
(7)	(21)
(10)	(20)

## 8. Cash Flows

In 100 million yen

	FY2004		FY2005	
	1H	2H	1H	2H
. Cash flows from operating activities	270	208	478	138
. Cash flows from investing activities	-221	-241	-462	-252
. Cash flows from financing activities	9	58	67	85
. Effect of exchange rate changes on cash and cash equivalents	5	1	6	3
. Increase in cash and cash equivalents	63	26	89	-26

