

For New Technology Network

NTN®

New Medium-term Management Plan
“Revival 2014”

February 18, 2013

NTN Corporation

I. New Medium-term Management Plan “Revival 2014”

- Main policies

“Emergency Measures”

“Centralization of Management Resources”

“Structural Reform”

“Expansion of New Product and New Business”

- Target value in 2 years

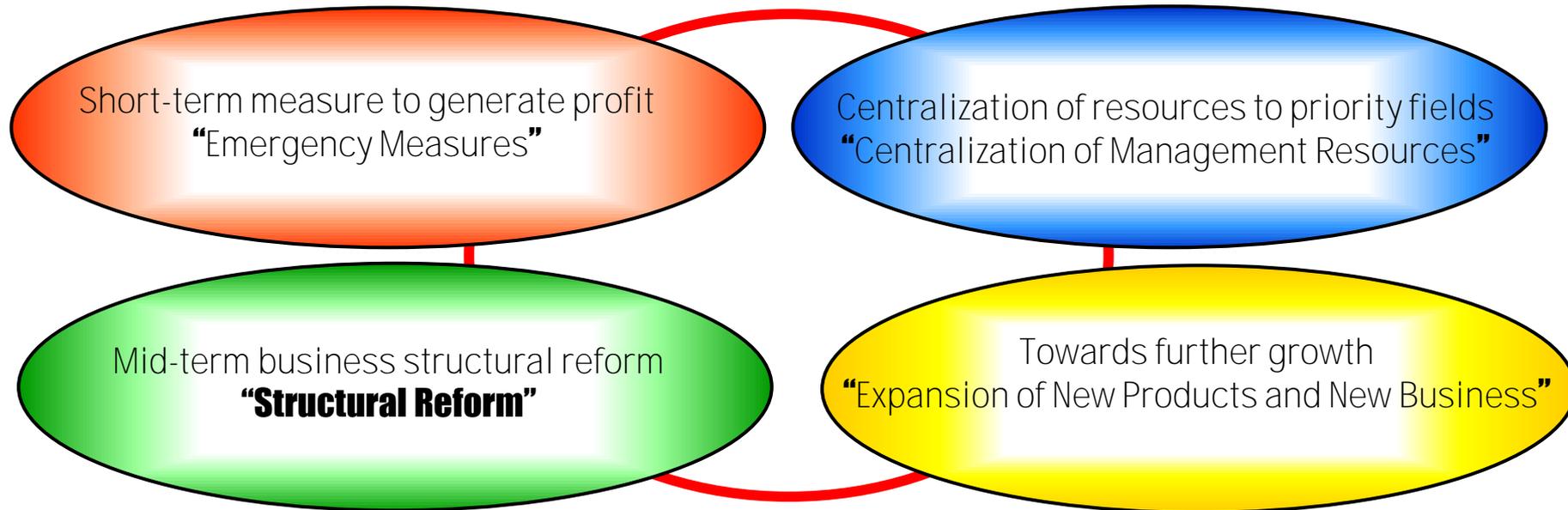
II. Objectives and Effects of “Revival 2014”

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[Basic Policy]

Reform business structure to generate profit

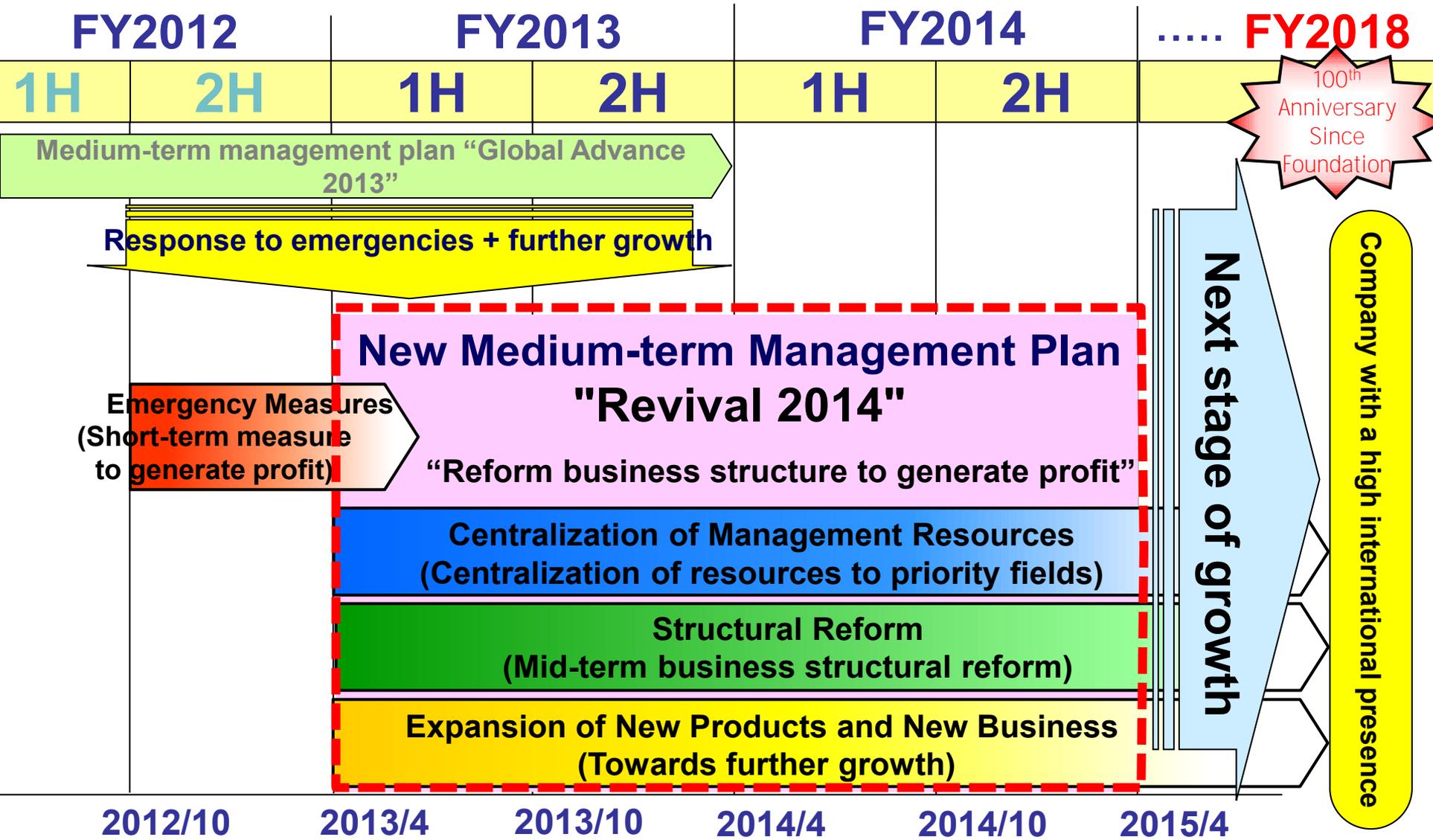
[Main Policies]



[Applicable Period]

April 2013 to March 2015 (2 year period)

New Medium-term Management Plan "Revival 2014"



2012/10

2013/4

2013/10

2014/4

2014/10

2015/4

Main Policy-1 “Emergency Measures”

Emergency Measures

Implemented from FY2012 2H as short-term measures

Forecast of FY2012 and Schedule of “Revival 2014”

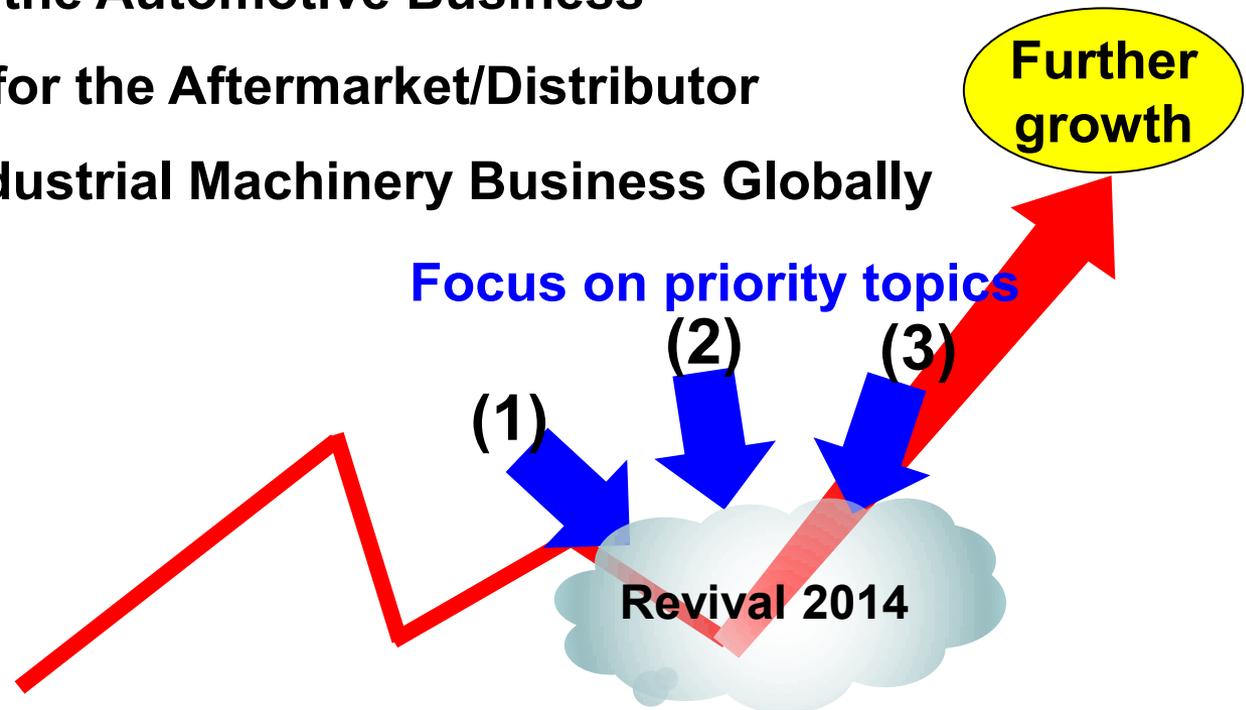
Main Policies	FY2012 (forecast)	“Revival 2014”
Reduce personnel costs (reduction in salaries, bonuses, etc)	Approximately 2 billion yen reduction planned	Approximately 2.8 billion yen reduction planned
Reduce fixed costs (reduction in expenses across all departments, etc)	Approximately 3.5 billion yen reduction planned	Approximately 7.4 billion yen reduction planned
Limit capital expenditure	Approximately 48 billion yen planned	Limited to 51 billion yen under depreciation costs over 2 years
Reduce inventories	Approximately 157 billion yen planned	Reduction of up to 145 billion yen planned in 2 years
Abolish, sell assets	Approximately 2.5 billion yen planned	-

Centralization of Management Resources

Centralization of resources to priority fields

Management resources have been focused on **priority topics** as part of **the following issues**

- (1) Greater profits in the Automotive Business
- (2) Sales expansion for the Aftermarket/Distributor
- (3) Strengthening Industrial Machinery Business Globally



2-(1) Greater Profits in the Automotive Business-1

Improvements to the profit ratio of automotive products

Review of design and manufacturing methods

Designs focusing on functionality and ease-of-production

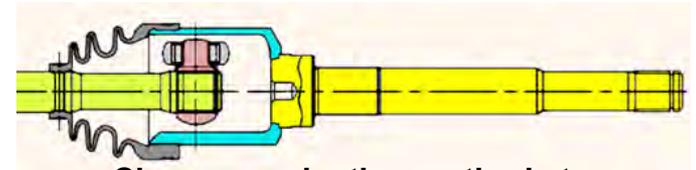
Standardization of parts, integrated varieties and cheaper materials

Improve sales price of low-profit products

Shift to focus on profits from expansion of sales and market share

Early release to market of high-value added products

Module products, system products



Change production methods to assemble standardized parts

Designs chiefly focused on cost reductions



Gearbox for Electronic brake



Press Cut Spline Hub Joint

Directly linked to greater profits from products

Link weight-saving and fuel efficiency

2-(1) Greater Profits in the Automotive Business-2

Improvements to the profit ratio of automotive products

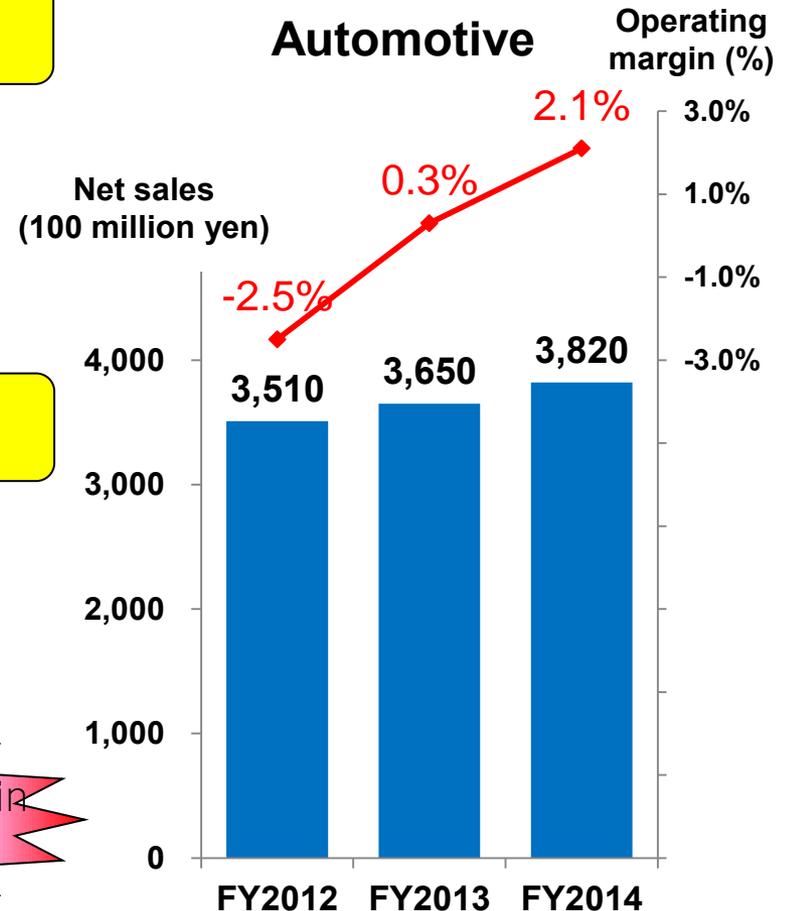
Expand production in areas of local demand in growth markets

Reduction in exports from Japan

Expand local procurement of steel and pre-process parts

Effects of personnel cost structural reform

Increase operating margin to 2.1% by FY2014



2-(1) Greater Profits in the Automotive Business-3

Utilization of local materials and greater integrated production of parts from pre-process

Expand utilization of local steel

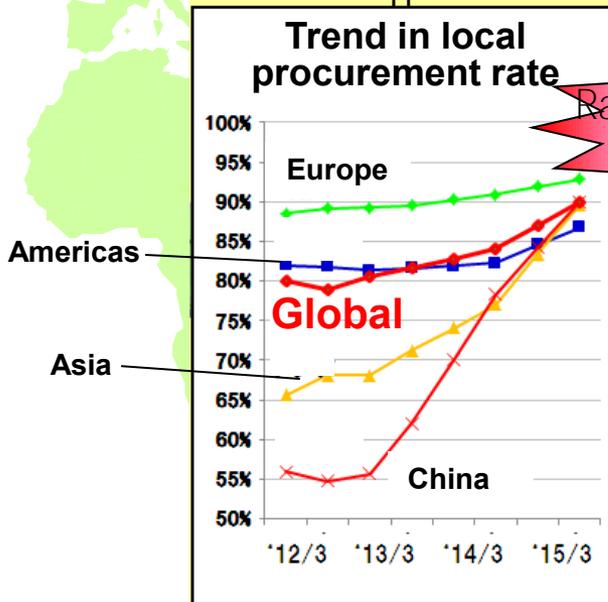
Local procurement of pre-process parts

Utilization of materials from China, Korea and other countries

Establish relations with new local manufacturers

Utilization of FTA, etc

Partnerships with suppliers



Raise the local procurement rate up to 90% in FY2014



NTPT (Thailand)



CVJs



NTA (USA)



Hub bearing

Improve profits of the Automotive Business

2-(2) Sales Expansion for the Aftermarket/Distributor-1

Focusing on greater sales in high-profit businesses

Strengthen the global supply chain

Establish central aftermarket warehouse in Japan

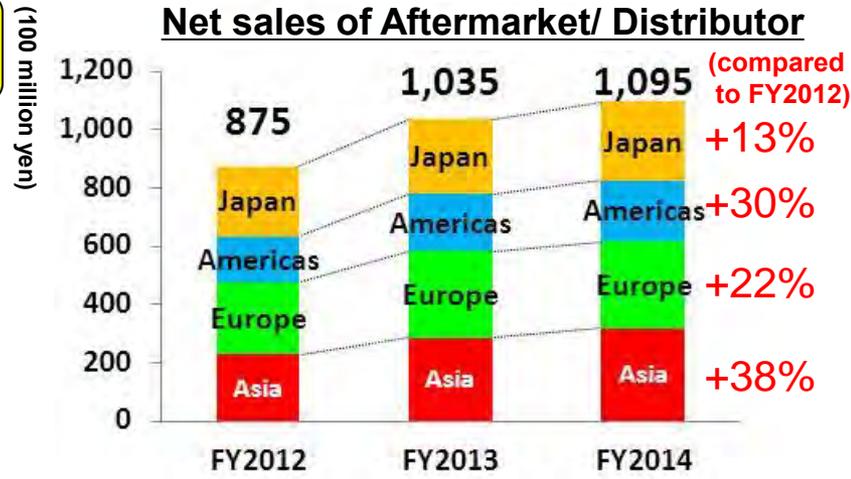
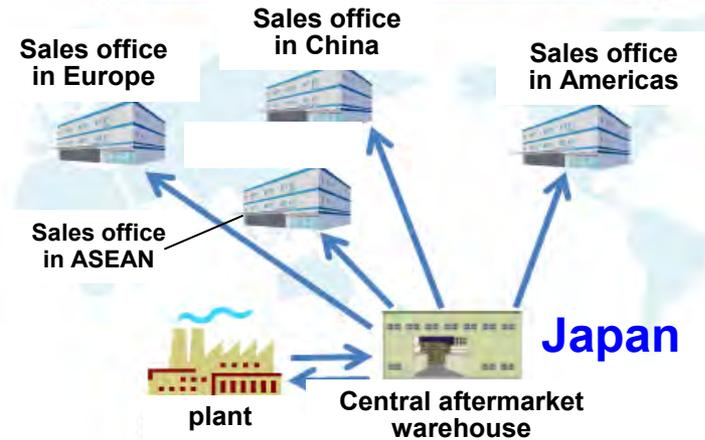
Reduction in global stock through sharing

Set up dedicated production lines for aftermarket products

Specialized for individual products and high-diversity, small-lot products

Quicker deliveries, stable supply

Global Supply Chain (Image)



2-(2) Sales Expansion for the Aftermarket/Distributor-2

Focusing on greater sales in high-profit businesses

Greater sales of automotive aftermarket (auto parts) business

Share NTN-SNR know-how

Strengthen sales in North America and China



Greater parts kit line-up



Parts kits for North America

Centralization of businesses with low share

Expand MRO business

Collaborate with distributors to improve sales network

Maintain databases, provide bearing technology training

Greater sales of maintenance and inspection tools

Maintenance
Repair
Overhaul



Oil, gas, power generation, steel, mining, cement, etc



Seminars held with special vans



Maintenance tool

2-(3) Strengthening Industrial Machinery Business Globally

Focus on greater sales in growth industries and low-share regions

Expand sales in growth industries

Focus on aircraft, rolling stock, wind turbine, machine tools, agricultural equipment, etc



New project
Aircraft



New project
Offshore wind power generation

Greater acquisition of new projects

Strengthen business in the China and ASEAN region

Strengthen business for wind turbine, machine tools, construction machinery, and rolling stock

Expand sales to local manufacturers

Increase speed of local development with the China Technical Center

Greater sales in low-share regions



China Technical Center



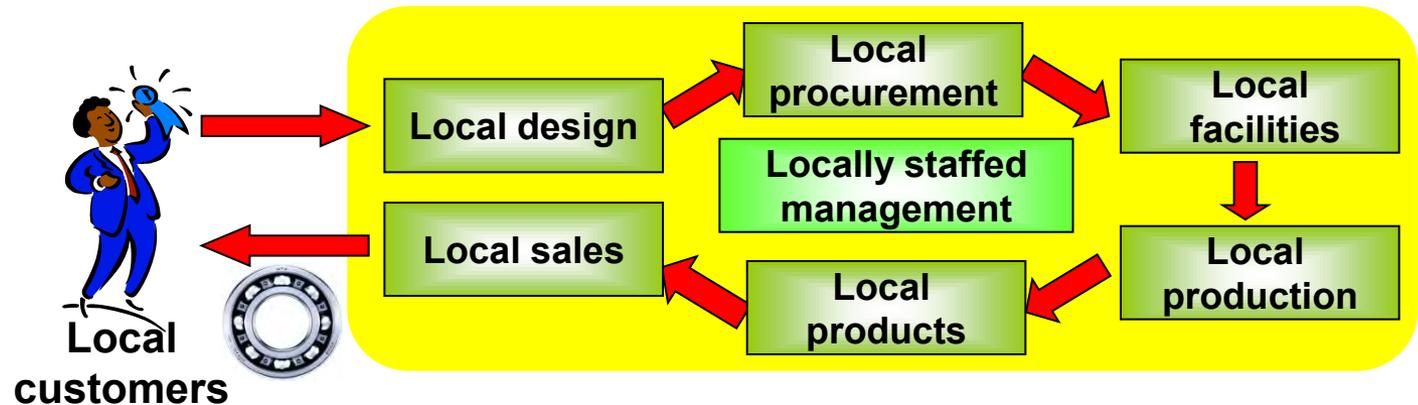
Mobile training unit activities

Structural Reform

Mid-term business structural reform

- (1) Reforms to personnel costs
- (2) Acceleration of overseas production
- (3) Selection of business

The “on local site with local materials by local personnel” system



3-(1) Reforms to Personnel Costs

Reforms to personnel organization by region and personnel costs following acceleration of production overseas

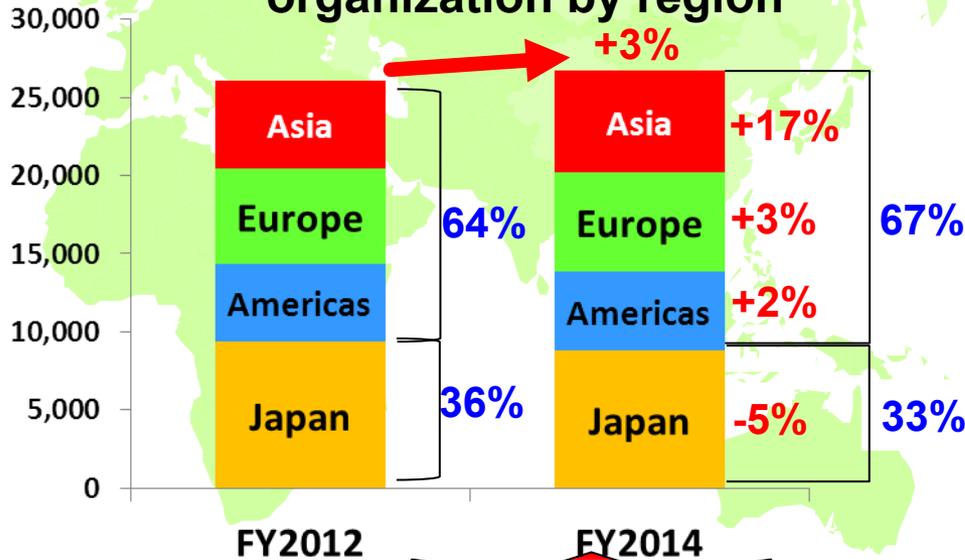
Increase personnel in overseas

Reductions to personnel costs

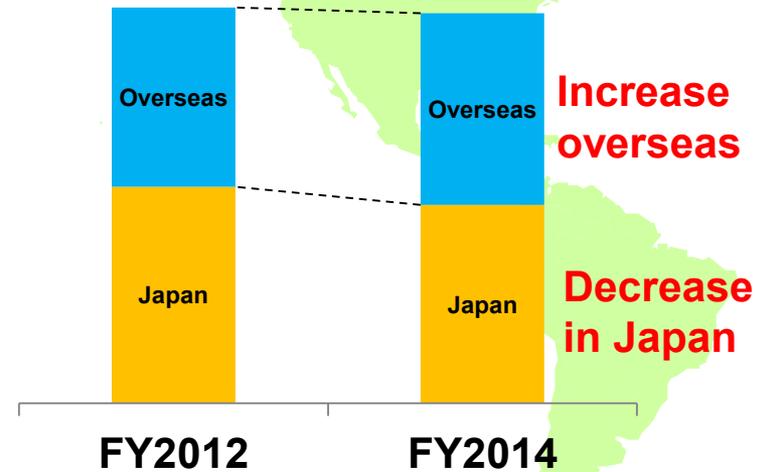
Local personnel for leaders and managers at local sites

Utilization of early retirement system (end of March)

Change in personnel organization by region



Reduction of personnel costs



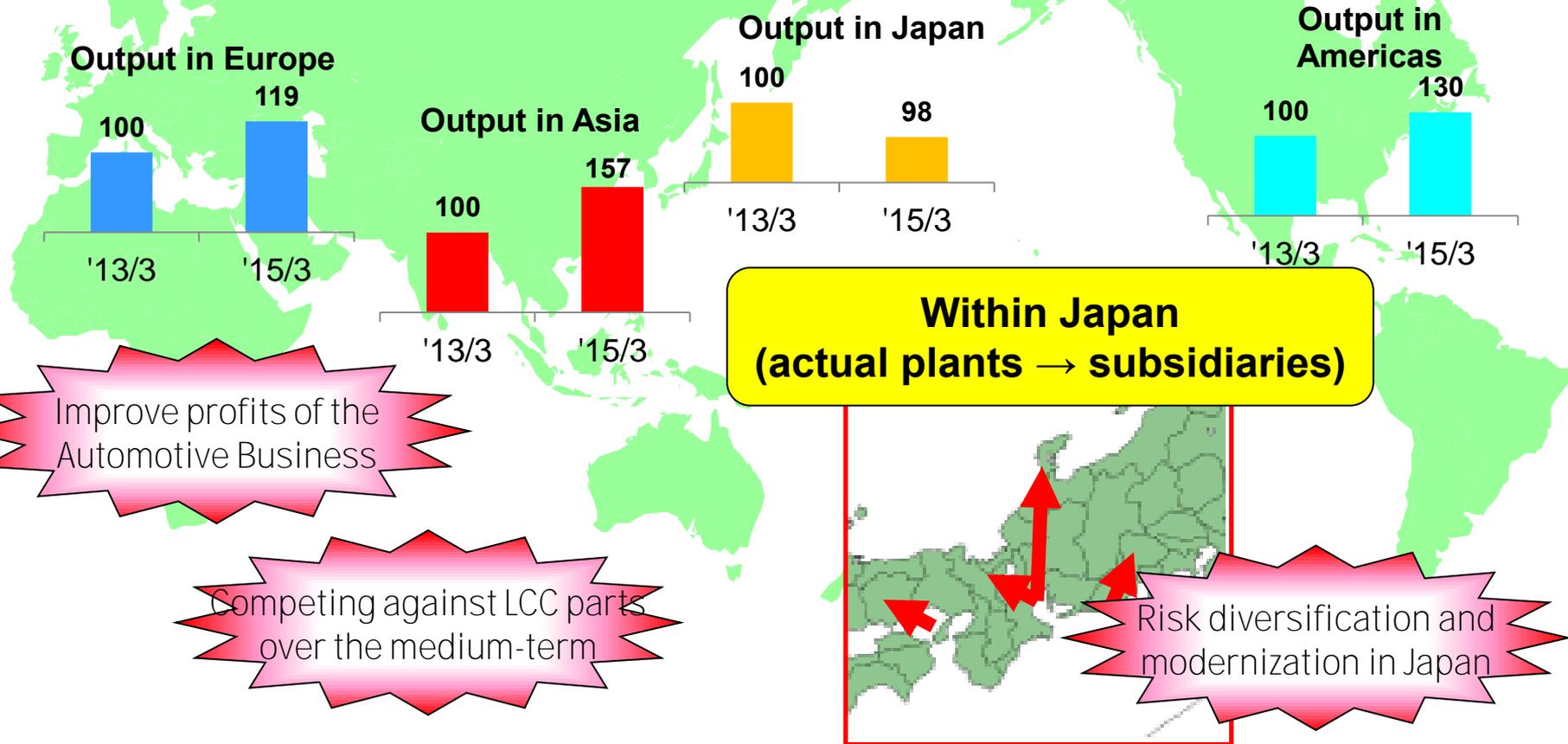
Approximately 5% reduction in the number of personnel in Japan
 Increase personnel in overseas

Savings of approximately 11.5 billion yen by reducing staff in Japan

3-(2) Acceleration of Overseas Production

Establish a system based in areas of local demand, that are not affected by exchange rates

Acceleration of overseas production



3-(3) Selection of Business

Reduction of logistics costs in Japan and withdrawal from a part of business in the precision equipment

Integration of production logistics and sales logistics

Eliminate reorganization and wasted logistics

More efficient transportation of joint logistics



Reduction of logistics costs about 1 billion yen

Export Distribution Center (Kuwana)

Withdrawal from some products in the precision equipment business that have low profits

Narrow down products to withdraw

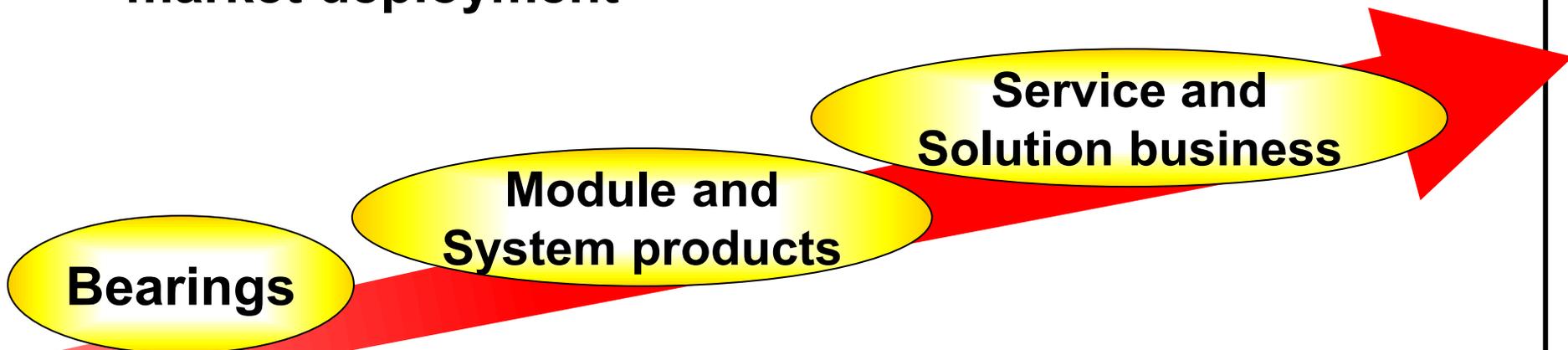
Establish After-sales service

Personnel moved to development and sales of New products and New business

Expansion of New Products and New Business

Towards further growth

- (1) Strengthening development of module products and system products**
- (2) Full operation of the EV system products business**
- (3) Development of composite material products and market deployment**



4-(1) Strengthening Development of Module Products and System Products

Development of high-value added products and expansion of service and solution business

Strengthen development of module products

Modulization with surrounding products

Development of advanced modules with more sophisticated and amalgamated mechatronics technology

Strengthen development of system products

Product development centered on sensor technology

More advanced analysis and diagnosis technology

Reduction in the number of parts, smaller and more lightweight

Reduction in maintenance costs of various devices

Spread of Service and Solution business



Press Cut Spline Hub Joint



Gearbox for Electric Brake



Motorized Linear Module for Solar Heat Power Generation



IC Tag Integrated Bearing

Sensors for measurement

Data collection device

Condition Monitoring System for Wind Power Generators (CMS)

4-(2) Full Operation of the EV System Products Business

Development of high-value added products and expansion of service and solution business

Full operation of the EV system products business

Social demonstration tests for commercialization

Faster commercialization of EV system products



Intelligent In-wheel



In-wheel Motor System for compact EVs



In-wheel Motor System



Social demonstration test of compact EV (France)



Planning demonstration tests of ultra-compact mobility vehicles (EV)

Demonstration Tests



World's first demonstration test of converted EV (Iwata City)



Q'mo test car

Product Development

4-(3) Development of Composite Material Products and Market Deployment

Development of high-value added products and expansion of service and solution business

Development of composite material products and market deployment

Bearings

Structural Materials

New Functional Materials

Automotive



“Corrosion Resistant Sintered Bearing” for fuel pumps



MLE Bearings for power seats



Seal rings for transmission



High-strength Sintered Gear



(application) Reactors for EV&HEV

From bearings to structural materials

From structural materials to new functional materials

Industrial machinery



“Thin Type Hydrodynamic BEARPHITE” for thin PC fan motors



“Multi Layer BEARPHITE” for construction machinery

Plastic Sliding Nut and Screw with high load capacity



(application) Food machinery

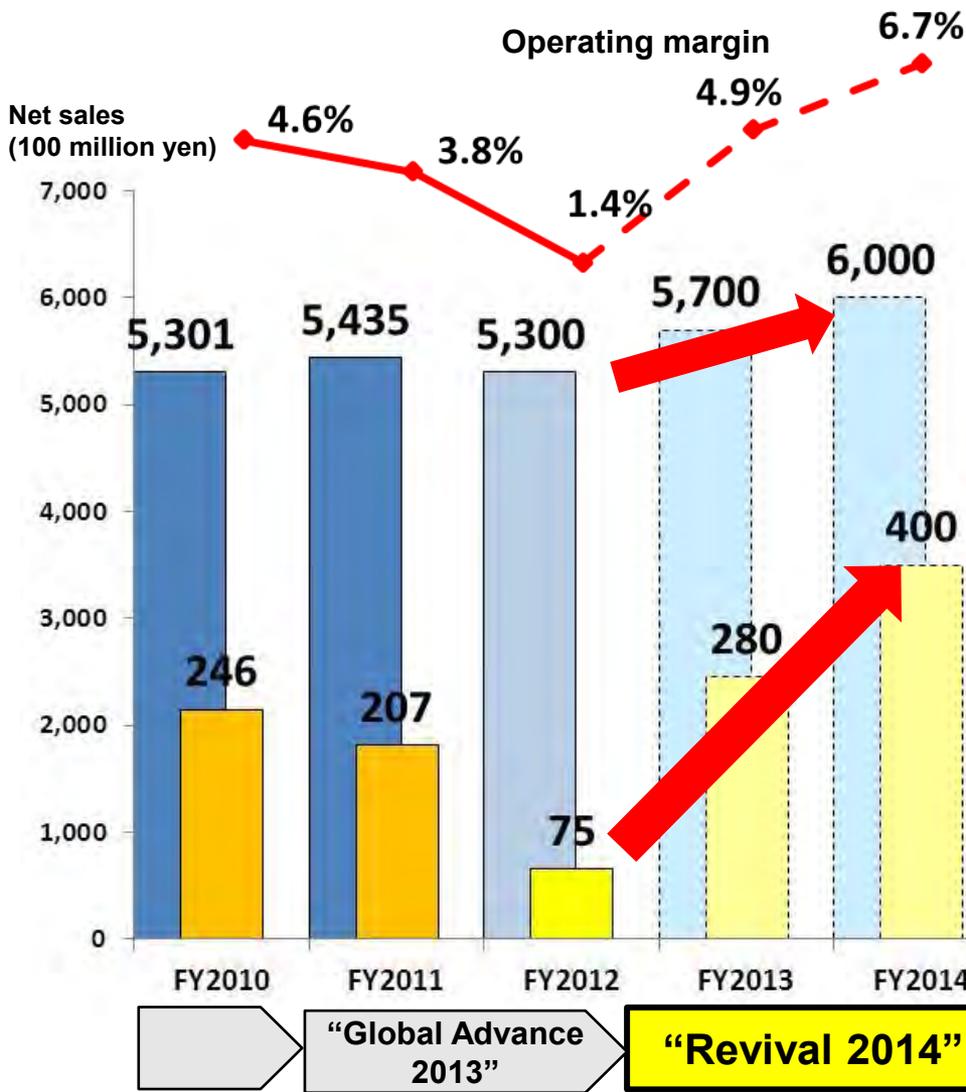


Amorphous Core



(application) Choke coil for MRI

Objectives of “Revival 2014”



FY2012 (Forecast)
 Net sales : 530 billion yen
 Operating income : 7.5 billion yen



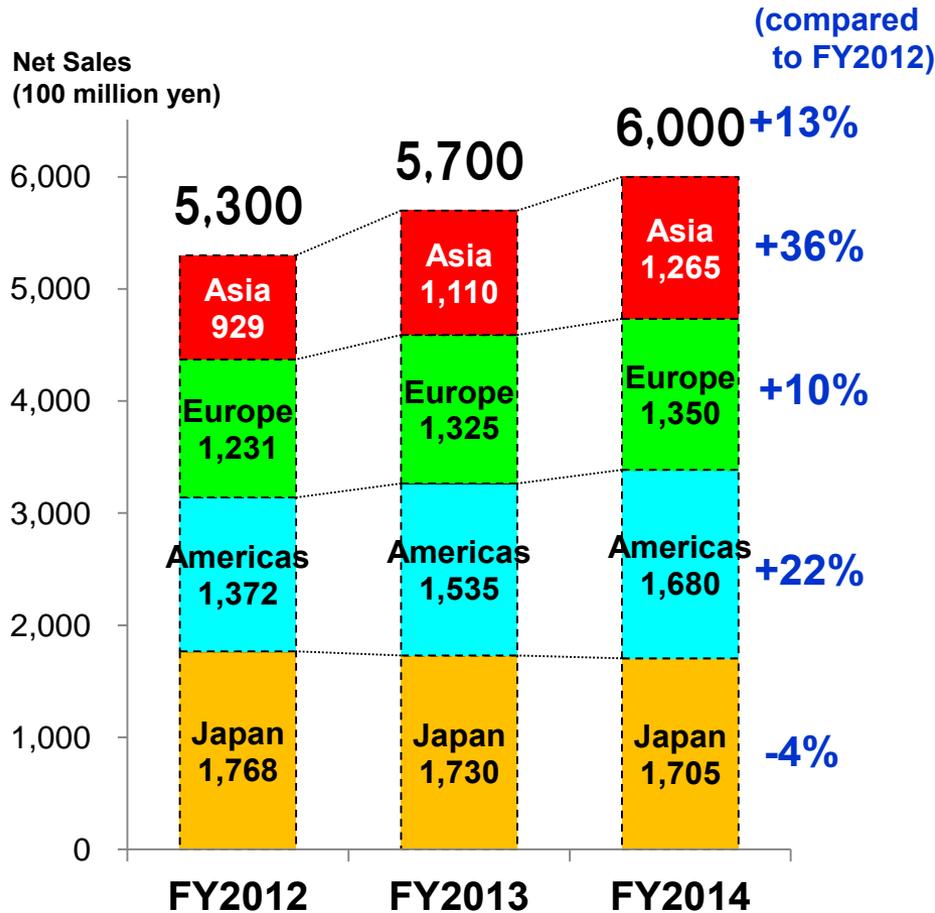
FY2014 (Objective) (Compared to FY2012)
 Net Sales : **600 billion yen (+13%)**
 Operating Income: **40 billion yen (about 5 times)**

Toward business structure to generate profit

Objectives of “Revival 2014”

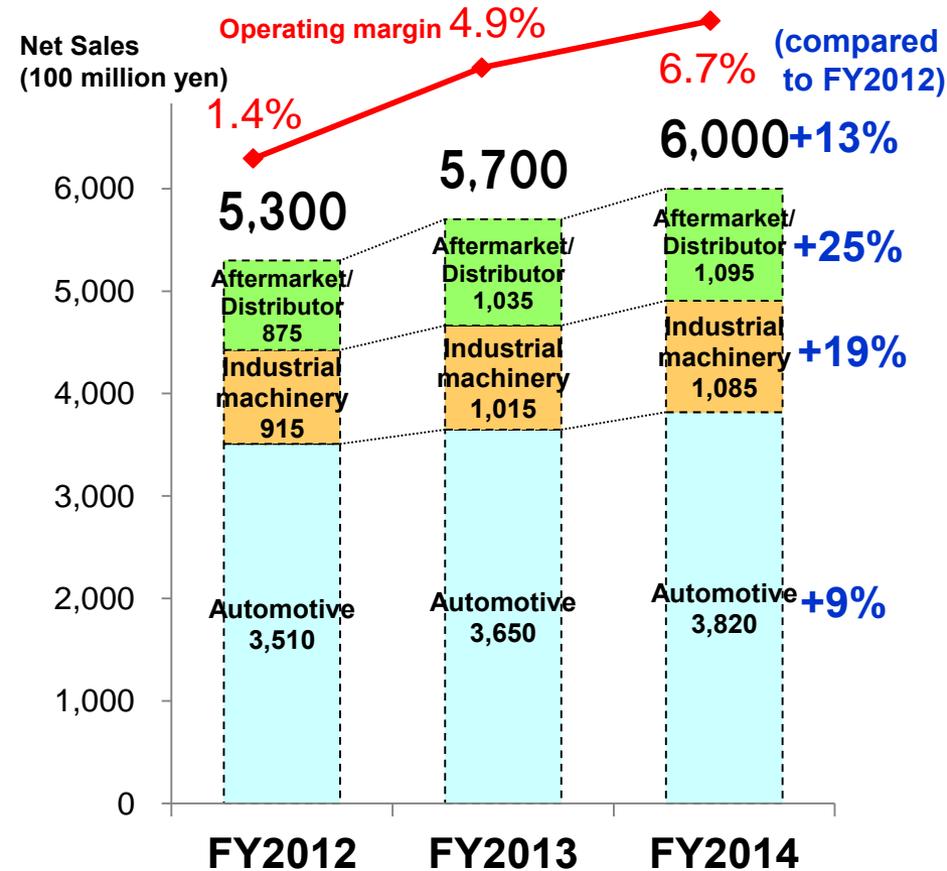
[Net sales by Region]

- Decrease sales in Japan and increase in overseas
- Increase sales ratio in overseas



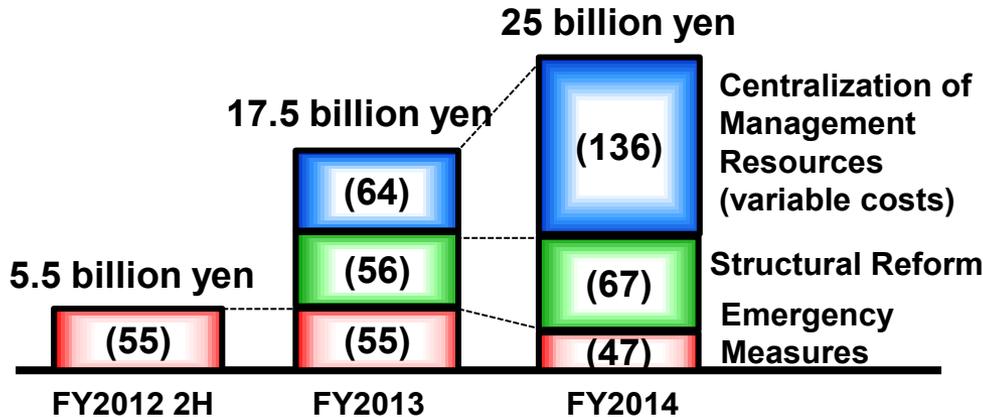
[Net Sales and Operating Income by Business Sector]

- Increase sales for Industrial machinery and Aftermarket/Distributor
- Improve operating margin for Automotive



II. Objectives and Effects of “Revival 2014”

Amount of improvement to profits of each policy



Term	Amount
FY2012 2H	5.5 billion yen
FY2013	17.5 billion yen
FY2014	25 billion yen
Total (2 years and half) (Revival 2014)	48 billion yen 42.5 billion yen

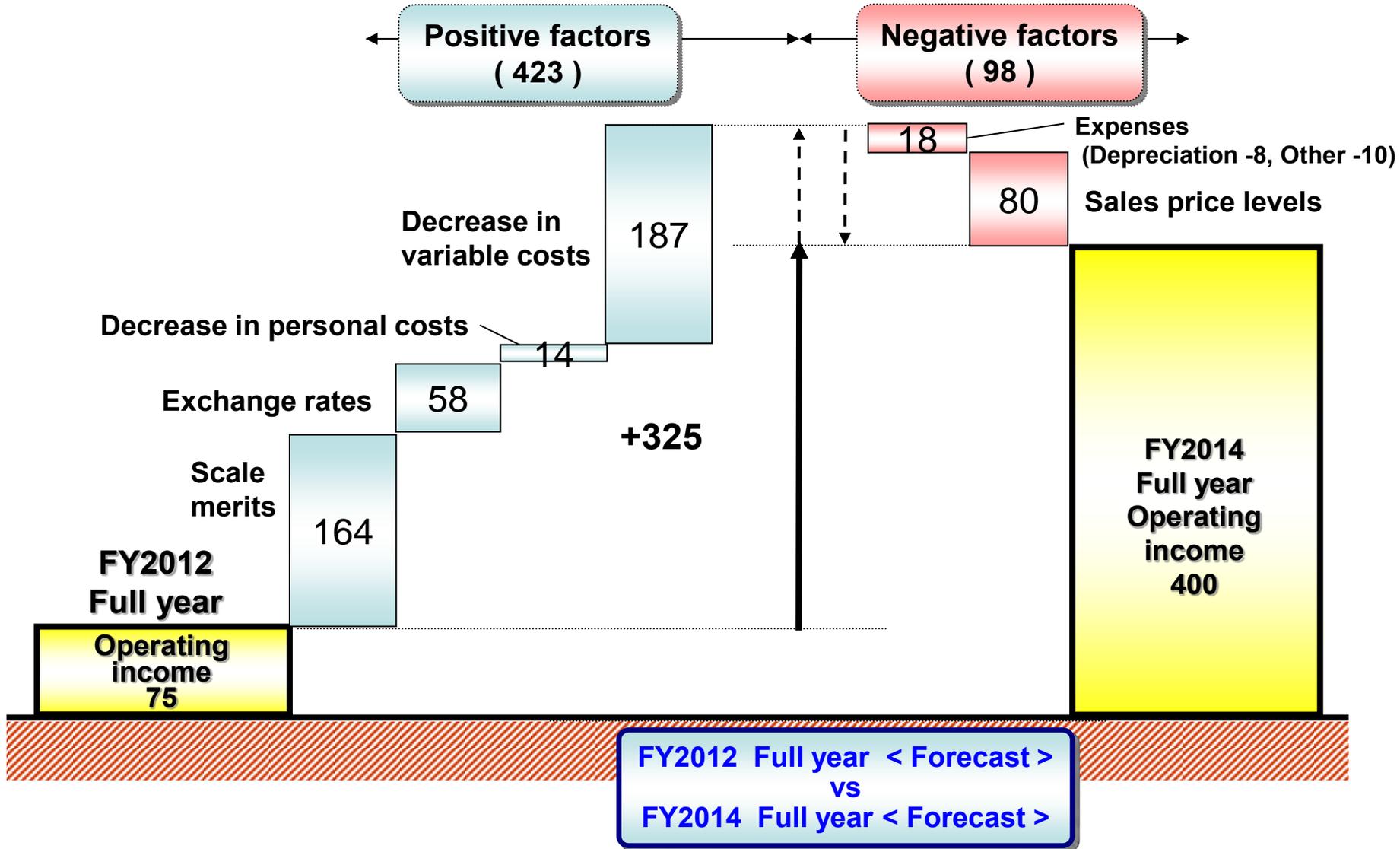
Amount of improvement of each policy over a 2 year period by business type

	Centralization of Management Resources (variable costs)(a)	Structural Reform(b)	Total (c=a+b)	Emergency Measures (d)	Total (c+d)
Automotive	15.2	9.7	24.9	10.2	42.5
Industrial machinery /Aftermarket	4.8	2.6	7.4		
Total	20	12.3	32.3		

(billion yen)

Analysis of Operating Income of "Revival 2014"

* All figures in 100 million yen.



Main Management Index of “Revival 2014”

For New Technology Network

NTN
(100 million yen)

	Forecast	Revival 2014		Year on year (2) – (1)
	FY2012 (1)	FY2013	FY2014 (2)	
Net sales	5,300	5,700	6,000	+700
Operating income	75	280	400	+325
Operating margin	1.4%	4.9%	6.7%	+5.3 point
Net income	-70	120	200	+270
Inventories	1,570	1,500	1,450	-120
Inventory turnover ratio (times)	3.4	3.8	4.1	+0.7
ROA	-1.0%	1.6%	2.6%	+3.6 point
ROE	-3.6%	6.4%	10.5%	+14.1 point
Net D/E ratio	1.44	1.46	1.24	0.20 improvement
NTN-ROI (*)	1.2%	4.3%	6.4%	+5.2 point
Exchange rate	\$:¥81.2 €:¥105.3	\$:¥85 €:¥110	\$:¥85 €:¥110	-

We make
Bearings.



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