

Business Results

FY2003 ending March 2004

May 25, 2004
NTN corporation

This presentation and comments made in this conference or during the Q&A session include forward-looking statements about our expectations for our future performance and our future business strategies. They represent the best judgment of the management of the company based on the information currently available. 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 our projections depending on various factors such as changes in product demand, exchange rates and interest rates.

Today's Agenda

I . Overview of “NEW Plan 21” and the first year of
“Rapid Advance 21”

by Yasunobu Suzuki, President

II . Business results for FY2003 ending March 2004
and forecast for FY2004 ending March 2005(Consolidated)

by Tatsuo Kondo, Director

III . Q&A Session

Overview of “NEW Plan 21” and first year of “Rapid Advance 21”

May 25, 2004

NTN corporation

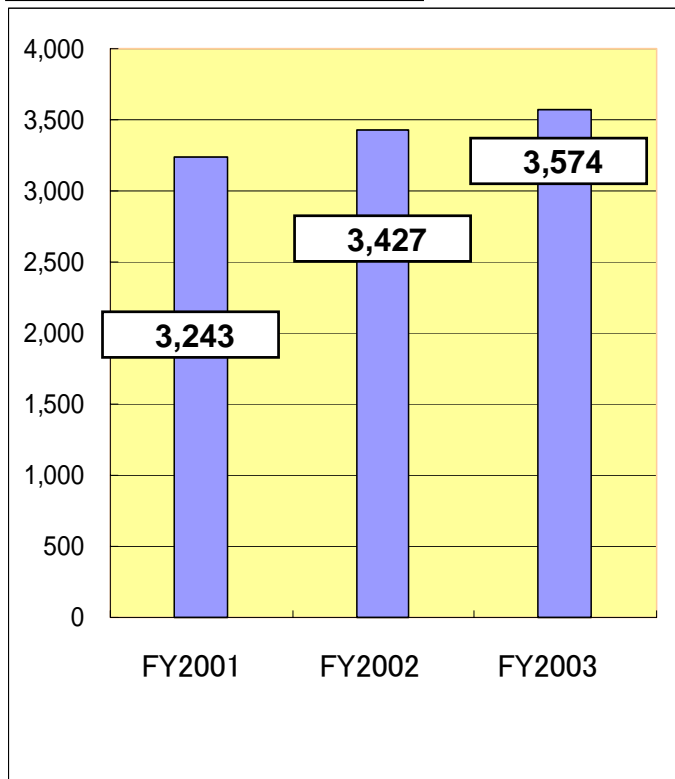
Yasunobu Suzuki, President

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1. Overview of NEW Plan 21

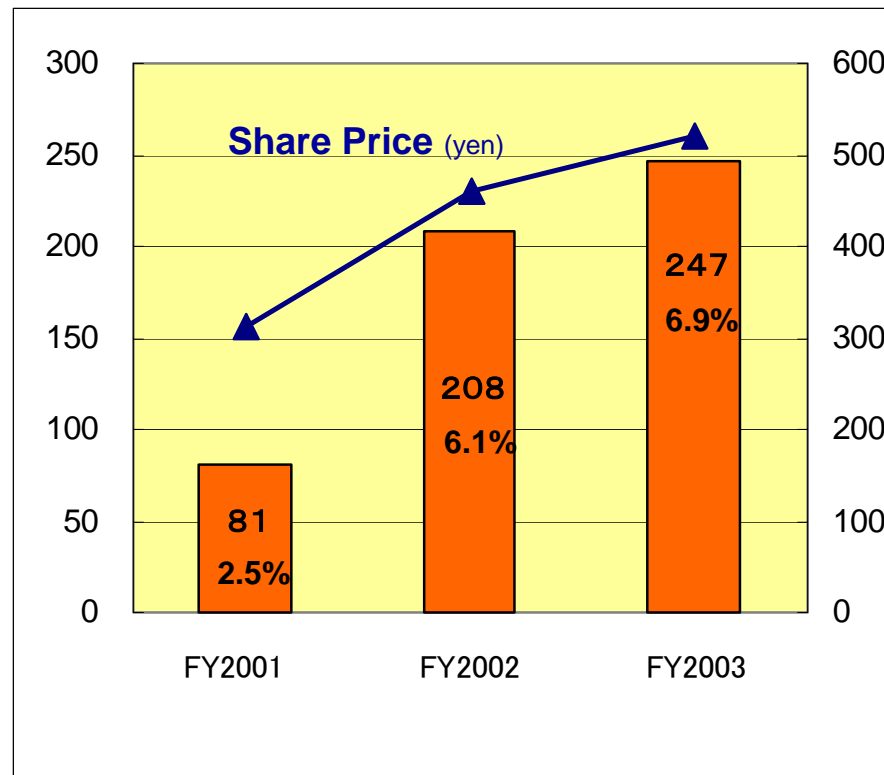
(1) Consolidated Results

Sales (Yen100 million)



Operating Income

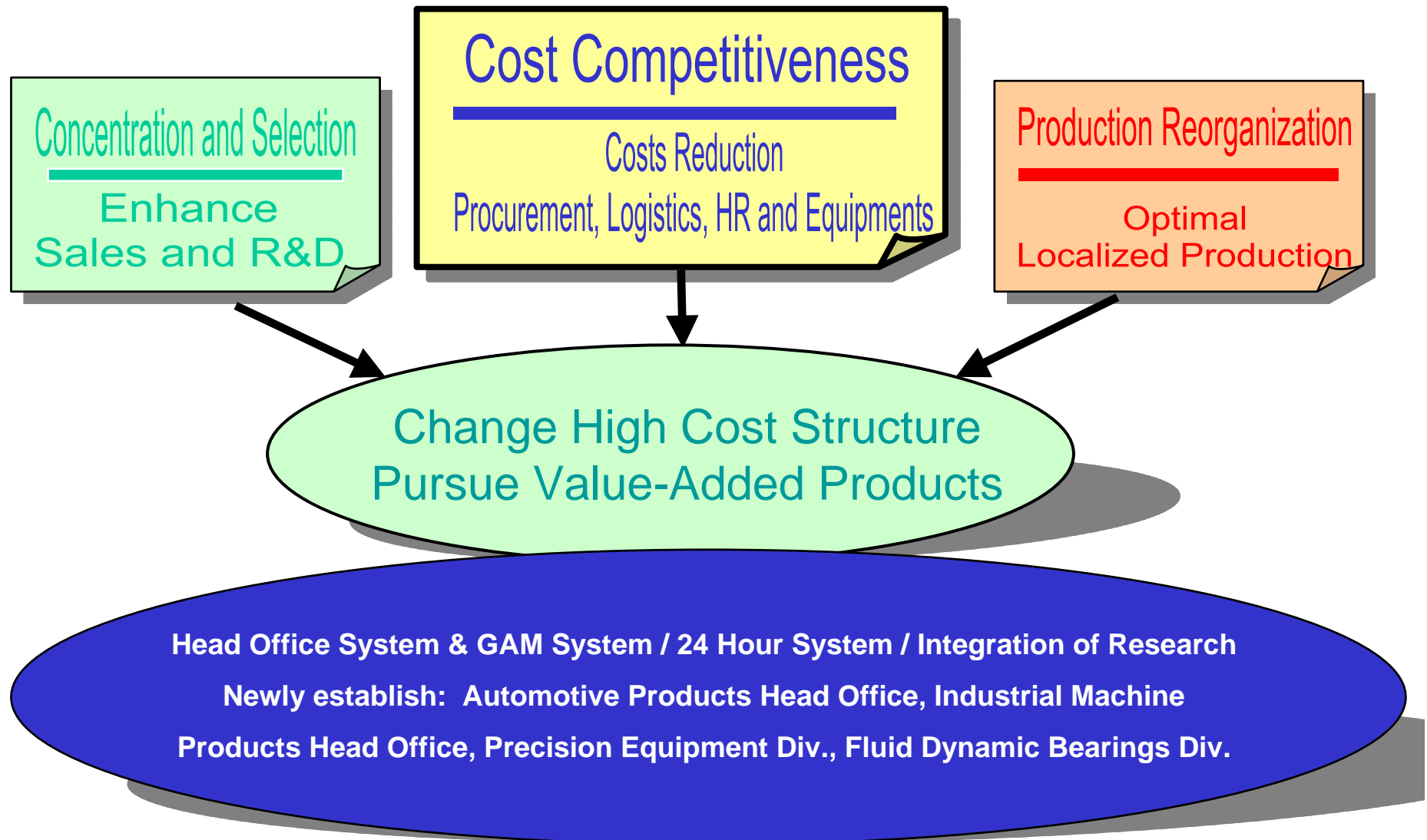
(%: Operating margin) (Yen100 million)



* Share prices are average prices for the last day of fiscal year.

1. Overview of NEW Plan 21

(2) Goals for NEW Plan 21

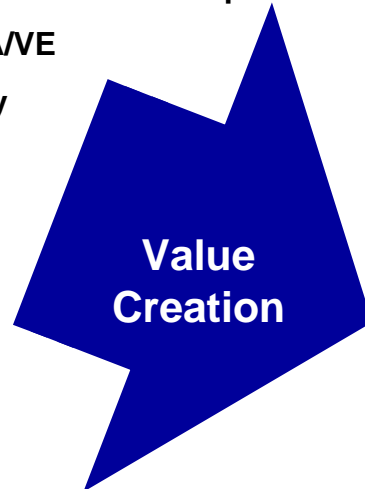


1. Overview of NEW Plan 21

(3) From NEW Plan 21 to Rapid Advance 21

Continuation of NEW Plan 21

- Complete Restructuring of Production
- Improve Technological Production Capabilities
- Active Promotion of VA/VE
- Raise Capital Efficiency



Rapid Advance 21 Increase Corporate Value

Value Creation ⇒ Goods and People

Increase Operating Income ⇒ Increase Sales / Reduce CGS

Maximize ROI ⇒ Effective Investment

Increase ROA ⇒ Improve Asset Turnover Ratio

2. Actions During First Year of Rapid Advance 21

(1) Corporate Governance

Introduction of an Executive Officer System

Clarification of Function
- Accelerate Operations
- Enhance Efficiency

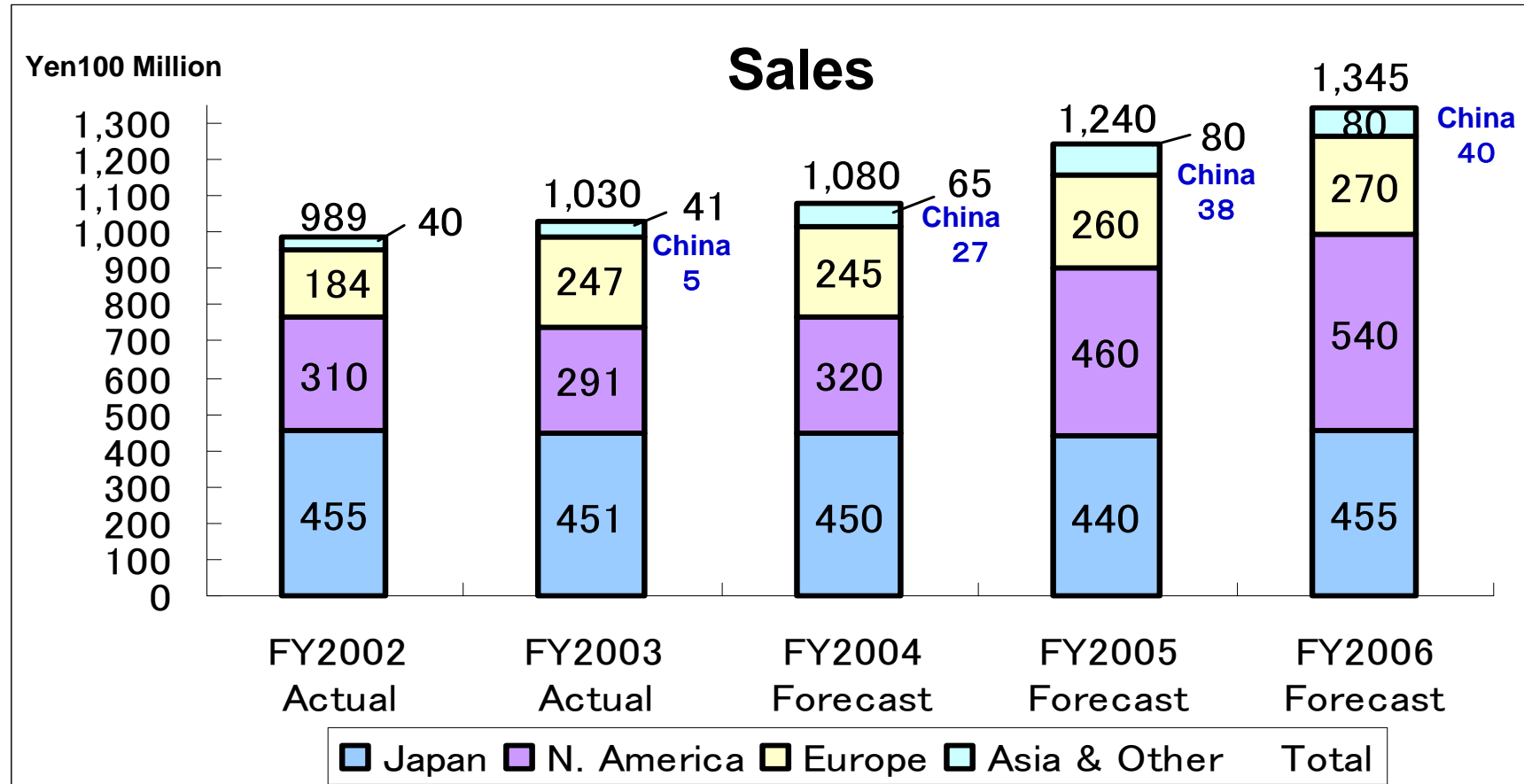
No. of Directors: 20 → 10
Executive Officers: 15

(2) Organizational Reform

China Headquarters
- **Planning Dept. (Japan)**
- **Shanghai Representative Office (China)**

Transfer IR responsibilities to Management Planning Dept.
- **Enhance Disclosure**
- **Strengthen IR Functions**

2. Actions During First Year of Rapid Advance 21 (3) Marketing Innovation (CVJs)



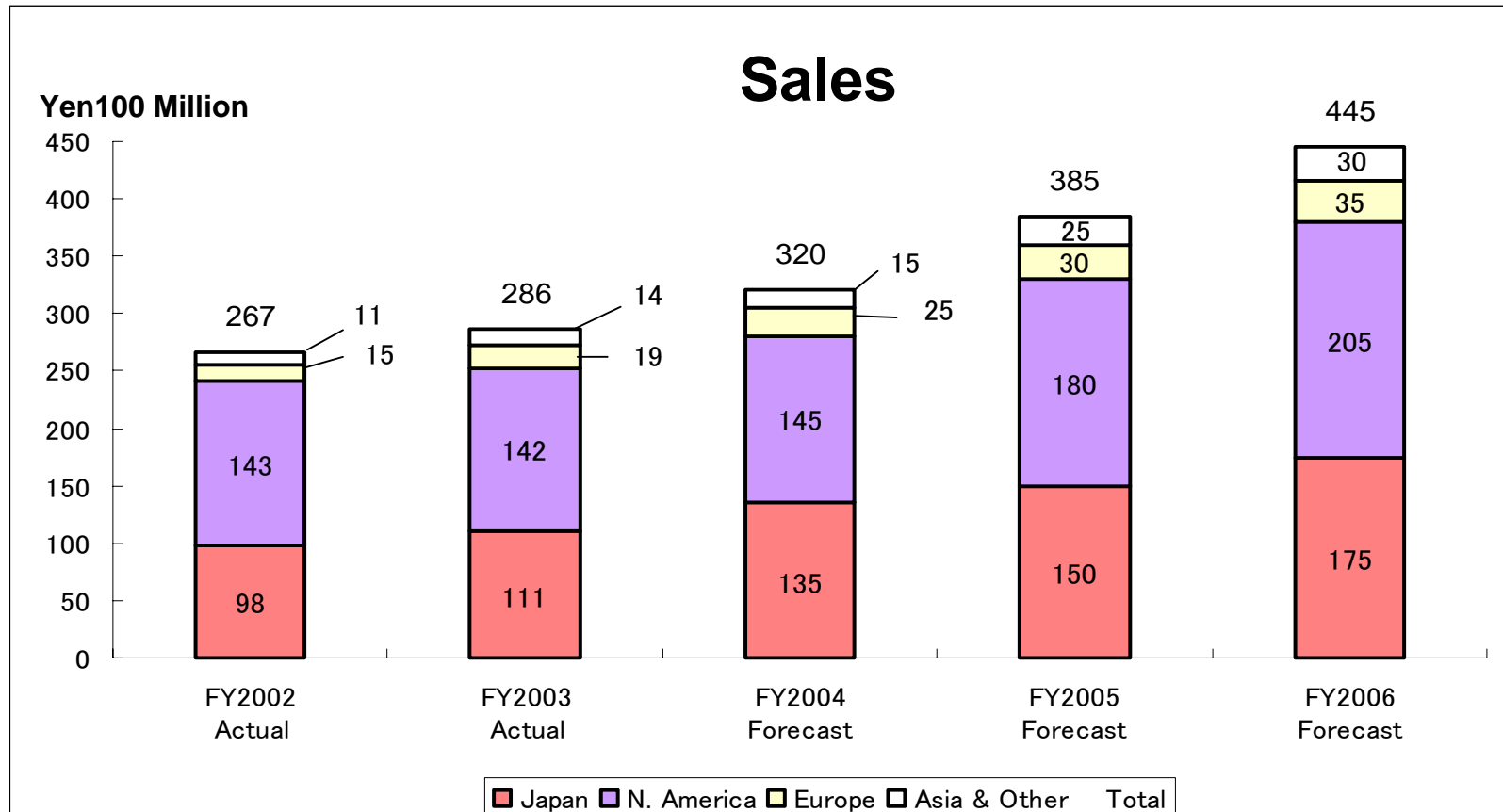
Exchange Rates

FY2002: US\$=Yen122, EURO=Yen121
 FY2003: US\$=Yen113, EURO=Yen133
 Forecast: US\$=Yen105, EURO=Yen130

New Business

Europe: Tier 1, Yen100M/Year from 2H of FY2004
 Europe: Japanese Makers, Yen200M/Year from 1H of FY2005
 Japan: 2 Companies, Yen1.8B/Year from 2H of FY2005

2. Actions During First Year of Rapid Advance 21 (3) Marketing Innovation (Axle Units)



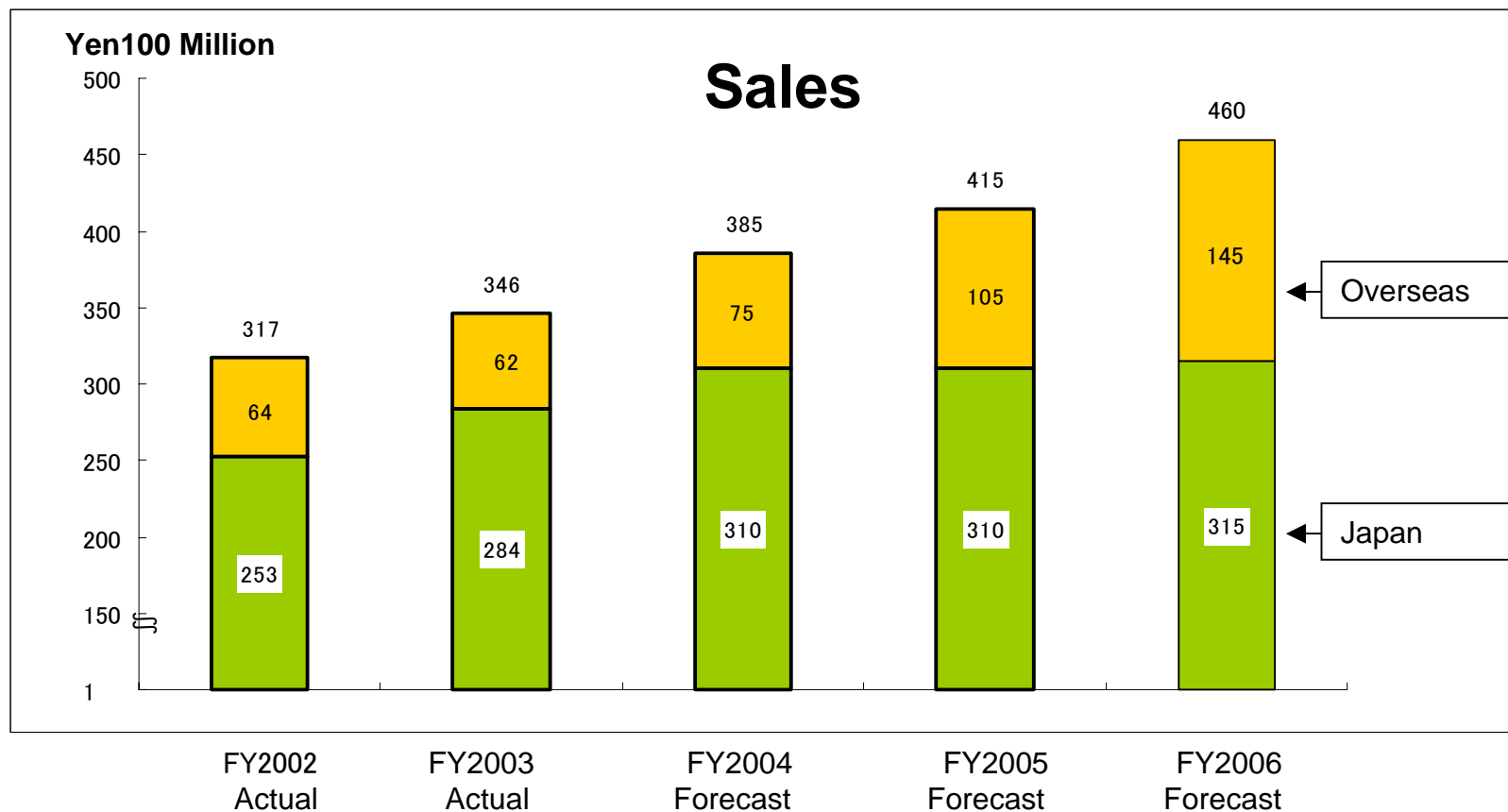
Exchange Rates

FY2002: US\$=Yen122, EURO=Yen121
 FY2003: US\$=Yen113, EURO=Yen133
 Forecast: US\$=Yen105, EURO=Yen130

New Business

Japan: 2nd Generation, Yen160M/Yr from 1H of FY2004
 3rd Generation, Yen290M/Yr from 2H of FY2005
 N. America: Big 3 1st Generation, Yen410M/Yr from 2H of FY2004
 Europe: European 2nd Generation, Yen470M/Yr from 1H of FY2004
 Asia: Big 3 and others, Yen210M/Yr from 1H of FY2005

2. Actions During First Year of Rapid Advance 21 (3) Marketing Innovation (Needle Bearings)



Exchange Rates

FY2002: US\$=Yen122, EURO=Yen121
 FY2003: US\$=Yen113, EURO=Yen133
 Forecast: US\$=Yen105, EURO=Yen130

New business

Japan: Inc. from 2H of FY2004 → Inc. of base from higher auto production
 China: Sales of Cahngzhou NTN Companies
 FY2004, Yen600M/Year FY2005, Yen170M/Year
 FY2006, Yen290M/Year

2. Actions During First Year of Rapid Advance 21 (4) Increased Productivity

Productivity Increase; Yen18 Billion / 3 Yrs ⇒ Yen6.1 Billion for First Year

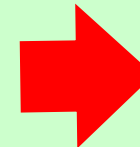
“Productivity Increase” to Create Value

Increase Machine Productivity

- Investment
- Labor savings and rationalization
- Increase productivity

Increase Labor Productivity

- Elimination of “muri (overburden)” and “muda (waste)” thorough analysis of processes, work and operations
- Change process design and layout for easier production
- Review core and non-core business areas



***Roll out to
all factories
in Japan and
overseas
in three years***

2. Actions During First Year of Rapid Advance 21 (5) Reduction of Variable Cost

Reduce Variable Cost; Yen10 Billion / 3 Years ⇒ Yen3.6 Billion for First Year

Measures : Minimization of Costs at Development and Design Stages

Cost Reduction by VAVE

- Materials VA, change of specifications
- Raise output yield
- Design for easier process. Parts specifications review.
- Reduction: processes and number of parts

Win Win with Suppliers

- Reorganization, ISO9002/ISO14001, etc.

Reduction: defect rate, indirect materials costs, energy costs, etc.

Procurement from optimal locations

2. Actions During First Year of Rapid Advance 21 (6) NTN Mie Corporation

Fully competitive with China → Creating a mix with NTN's unique technology that cannot be matched by competitors



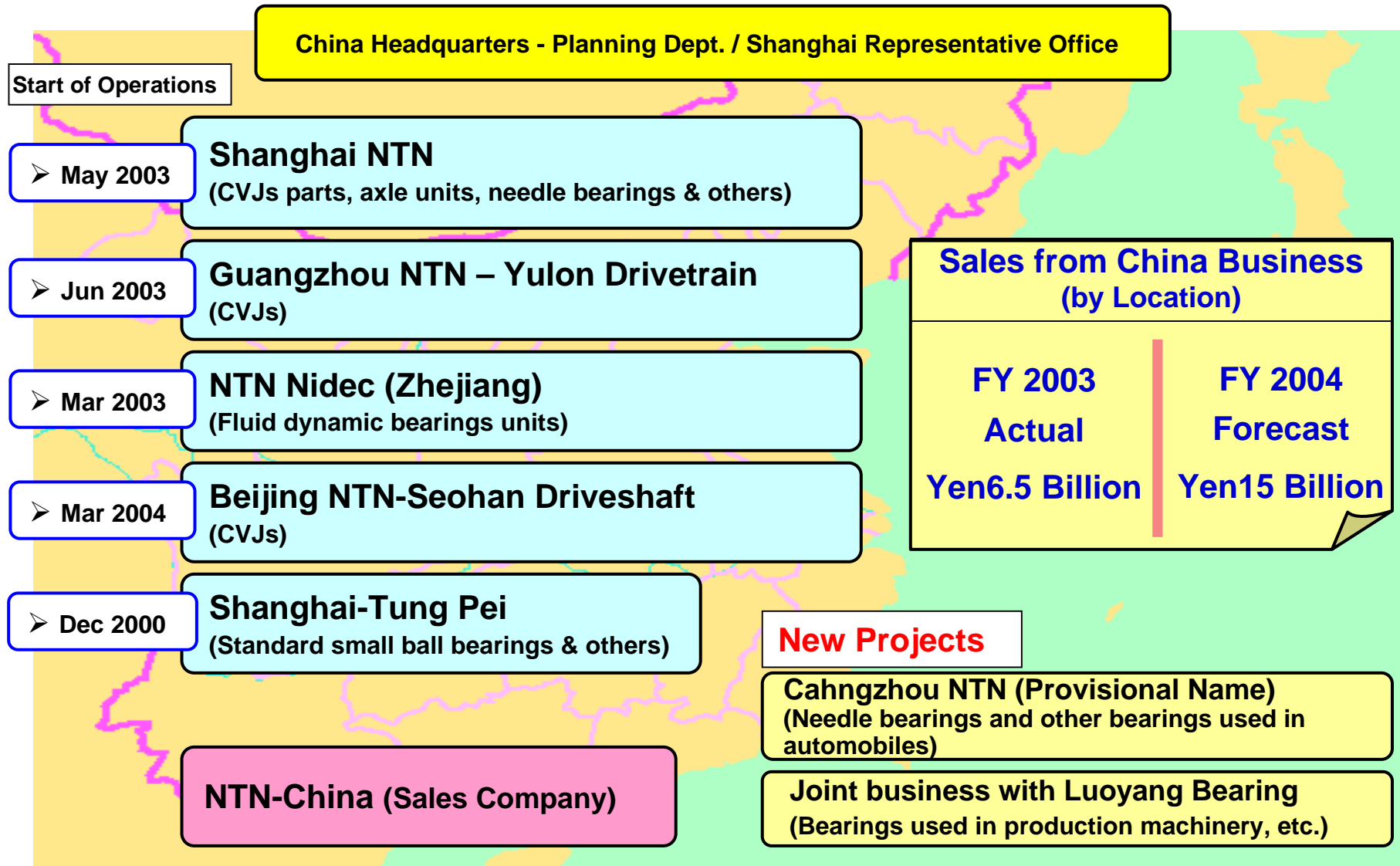
Operations Scheduled to Start in September 2004



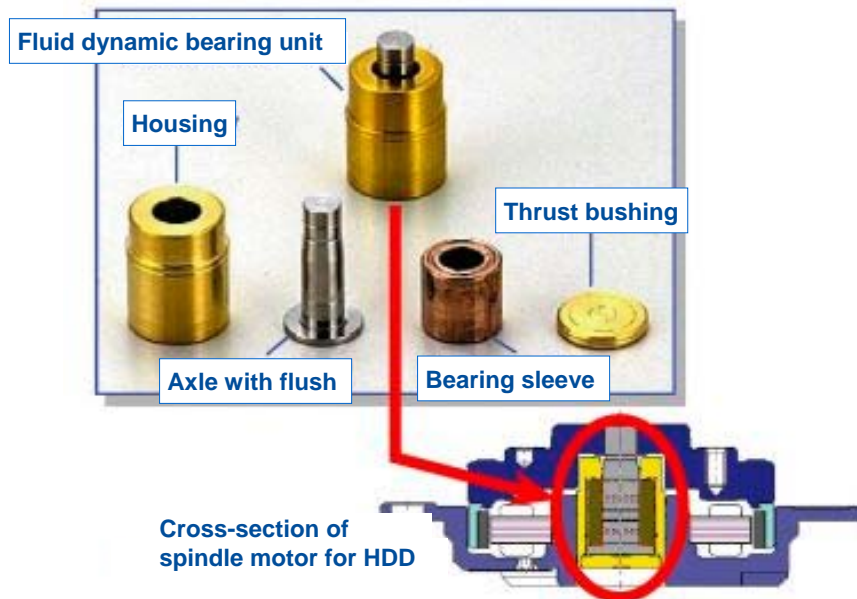
Goals for NTN Mie Corporation

1. NTN's unique method of bearing production that cannot be matched by competitors
2. Introduction of multi-kind products, variable quantity production
3. Diversified production methods
4. Better productivity through low-cost high-function machines
Reduction of number of machines
5. Reduction of material flow cost

2. Actions During First Year of Rapid Advance 21 (7) Launch of China Business



2.Actions During First Year of Rapid Advance 21 (8) Expansion of Fluid Dynamic Bearing Business



FDB unit for 3.5-inch HDD



FDB unit with resin housing

Establish Mass Production and High Income Structure

Targeting Production of 8 Million Units Per Month by March 2005

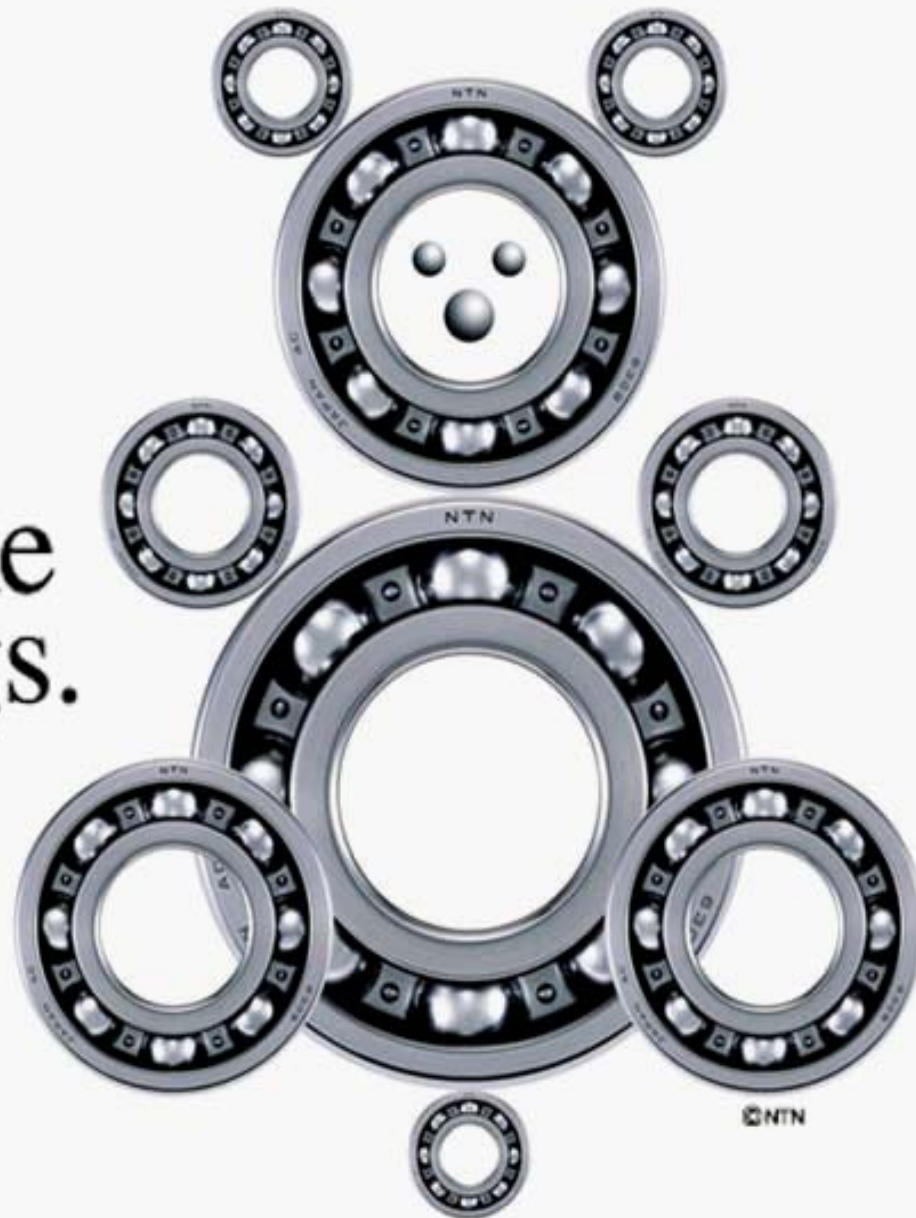


NTN-Nidec (Zhejiang) Corp.



Thai NMT (Diagram of new factory upon completion)

We make
Bearings.



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Business Results for FY2003 ending March 2004 and Forecast for FY2004 ending March 2005 (Consolidated)

May 25, 2004

NTN corporation

Tatsuo Kondo, Director

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II. Business Results for FY2003 ending March 2004 (Consolidated) and Forecast for FY2004 ending March 2005 (Consolidated)

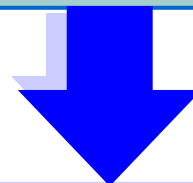
1. Business Results and Challenges
2. Sales and Income
3. Sales by Business Segment
4. Sales by Region
5. Results of Structural Reform
6. Structural Reform and Change in Operating Income
(Compared to 2H of FY2001)
7. Analysis of Operating Income (FY2003)
8. Analysis of Operating Income (FY2004)
9. Sales and Operating Income by Geographic Segment
10. Inventory and Interest Bearing Debt
11. Capital Expenditure and Depreciation
12. Cash Flow

1. Business Results and Challenges

Highlights for FY2003

Achieved Structural Reform Targets ... Record High Profit !

- **Improvement in Consolidated Operating Profit Margin**
 - Higher Earnings
- **Improvement in ROA and ROE**
 - Improved Efficiency in Asset Utilization



Challenges for FY2004

Implementation of measures for increasing Corporate Value

2. Sales and Income

Yen100 million

	FY2001	FY2002 (1)	FY2003 (2)	FY2004 Forecast (3)	YoY Increase/Decrease	
					FY2003 (2) - (1)	FY2004 (3) - (2)
Sales	3,243	3,427	3,574	3,700	146	126
Operating Income	81	208	247	280	39	33
Operating Margin	(2.5%)	(6.1%)	(6.9%)	(7.6%)	(0.8%)	(0.7%)
Ordinary Income	27	162	208	230	46	22
Extraordinary Income/Loss	△ 34	△ 100	△ 26	-	74	26
Net Income	△ 1	27	110	145	84	35
Exchange Rates						
US \$	124.98	121.98	113.19	105.00	△ 8.79	△ 8.19
EURO	110.44	120.88	132.65	130.00	11.77	△ 2.65
ROE	△0.1%	1.9%	8.0%	9.8%	6.1%	1.8%
ROA	0.0%	0.6%	2.4%	3.0%	1.8%	0.6%
Inventory Turnover Ratio (Times)	3.3	3.7	4.3	4.7	0.6	0.4

3. Sales by Business Segment

FY2003 Bearings : Although down in North America, up in Japan, Europe and Asia
 CVJs : Although down in North America and Japan due to weak dollar and lower sale prices, up in Europe
 Precision Equipment : Up in Japan, steady overseas

FY2004 Bearings : Although down in North America due to weak dollar, up in Japan and Asia, steady in Europe
 CVJs : Up in North America and Asia, steady in Japan and Europe
 Precision Equipment : Down from effects of withdrawal from ball screws business

	FY2001	FY2002 (1)	FY2003 (2)	FY2004 Forecast (3)
Bearings	2,156	2,207	2,286	2,380
CVJs	868	989	1,030	1,080
Precision Equipment	220	232	258	240
(Total)	3,243	3,427	3,574	3,700

Yen100 Million

YoY Increase/Decrease	
FY2003 (2) - (1)	FY2004 (3) - (2)
79 (Δ 23)	94 (Δ 62)
41 (Δ 2)	50 (Δ 33)
26 (1)	Δ 18 (Δ 1)
146 (Δ 23)	126 (Δ 96)

Figures in parentheses show changes from previous period due to currency effects

4. Sales by Region

- FY2003
 Japan : Although sales of CVJs were weak, bearings for general machine and distributors increased
 North America : Dollar weakness added to sluggish sales for general machine and distributors
 Europe : Favorable sales in CVJs and bearings for automobiles
 Asia & Other : In Asia, results for automotive were favorable. Sales also increased in China by the contribution of the new company in China
- FY2004
 Japan : Increase in bearings sales primarily for automotive. CVJs also steady
 North America : Increase in CVJs despite weaker dollar
 Europe : Increase in bearings sales. CVJs also steady
 Asia & Other : Increase in bearings and CVJs sales in China and ASEAN countries

Yen100 Million

	FY2001	FY2002 (1)	FY2003 (2)	FY2004 Forecast (3)	YoY Increase/Decrease	
					FY2003 (2) - (1)	FY2004 (3) - (2)
Japan	1,691	1,700	1,762	1,830	62	68
North America	878	927	861	865	△ 66 (△ 57)	4 (△ 62)
Europe	387	479	582	580	104 (48)	△ 2 (△ 13)
Asia & Other	287	322	369	425	47 (△ 14)	56 (△ 21)
(Total)	3,243	3,427	3,574	3,700	146 (△ 23)	126 (△ 96)

Figures in parentheses show changes due to currency effects

5. Results of Structural Reform

C o s t R e d u c t i o n

Procurement

- Purchase price
- Reorganization and consolidation
- VA / VE

HR

- Early retirement program

Logistics

- Fee
- Outsourcing
- Integration of distribution points

Compared against 2H of FY2001

Yen100 Million

Cost Reduction	FY2002			FY2003			Reported Targets (Semiannual Basis)
	1H	2H	Total	1H	2H	Total	
Procurement	24	50	74	73	98	171	100
HR	26	23	49	47	72	119	75
Logistics	4	5	9	8	12	20	10
Other	3	4	7	4	5	9	15
(Total)	57	82	139	132	187	319	200

+180

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6. Structural Reform and Change in Operating Income (Compared to 2H of FY2001)

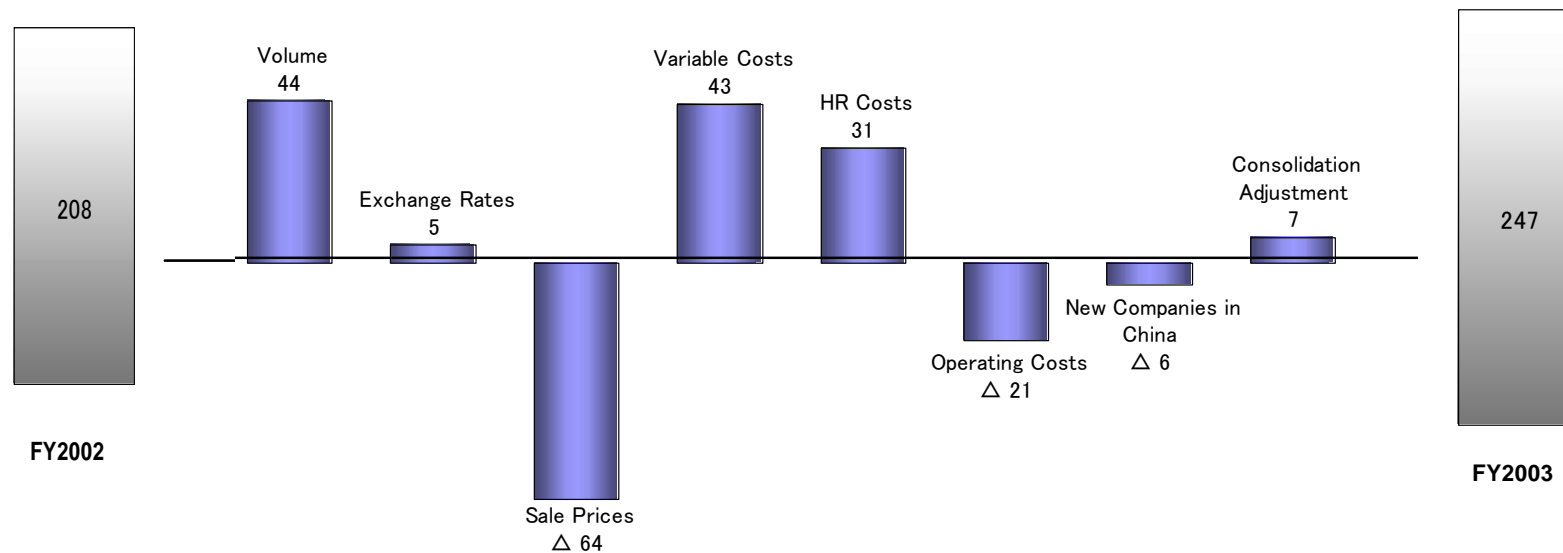
Yen100 Million

		FY2001	FY2002		FY2003	
		2H	1H	2H	1H	2H
Operating Income		32	84	124	113	134
(Operating Margin)		(2.0%)	(5.0%)	(7.0%)	(6.4%)	(7.4%)
Factors	Structural Reform		57	82	132	187
	Volume		43	78	66	99
	Exchange Rates		△ 2	3	10	△ 4
	Sale Prices		△ 17	△ 25	△ 44	△ 62
	Variable Costs		△ 9	△ 19	△ 31	△ 50
	HR Costs		△ 15	△ 13	△ 30	△ 37
	(Effect of the one time measures in 2H of FY 2001)		(△ 8)	(△ 8)	(△ 8)	(△ 8)
	Operating Costs		3	△ 8	△ 13	△ 26
	Effects from 3 New Companies in China		—	△ 1	△ 4	△ 3
Consolidation Adjustment		△ 8	△ 6	△ 5	△ 2	
(Total)			52	91	81	101

7. Analysis of Operating Income (FY2003)

Yen100 Million

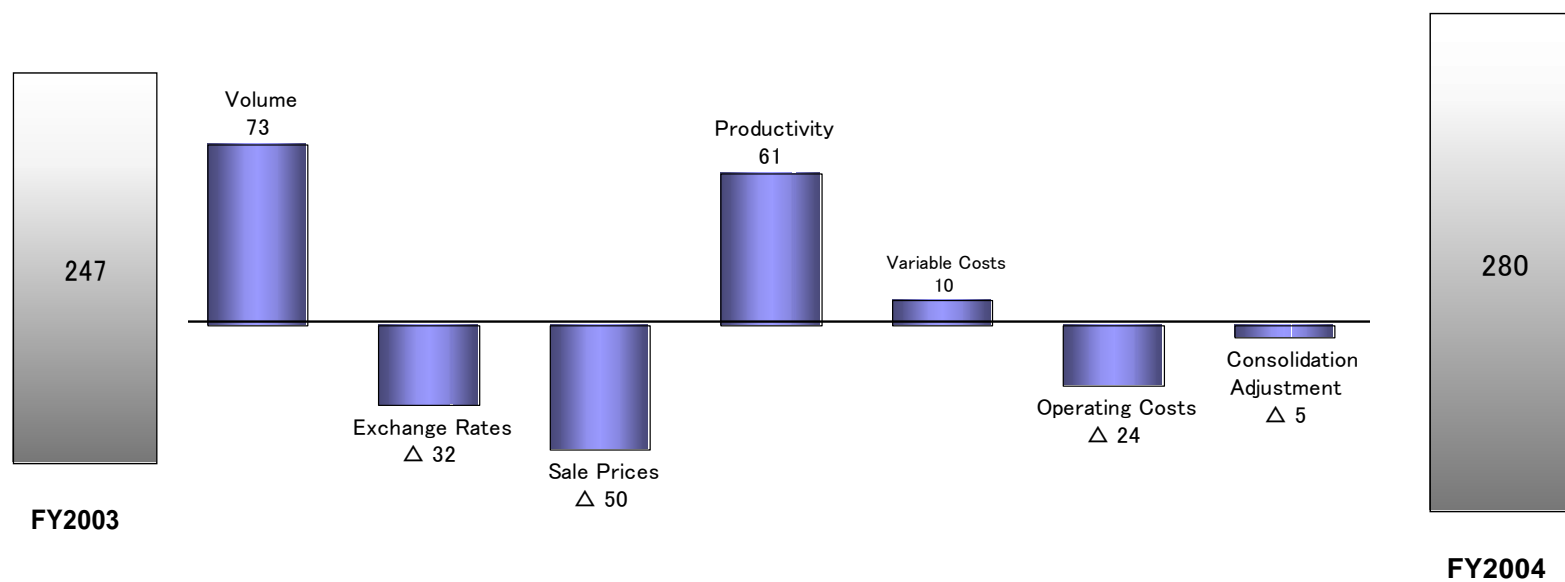
	1H	2H	Total
Volume	23	21	44
Exchange Rates	12	△ 7	5
Sale Prices	△ 27	△ 37	△ 64
Variable Costs	27	16	43
HR Costs	6	25	31
Operating Costs	△ 11	△ 10	△ 21
New Companies in China	△ 4	△ 2	△ 6
Consolidation Adjustment	3	4	7
Total	29	10	39



8. Analysis of Operating Income (FY2004)

Yen100 Million

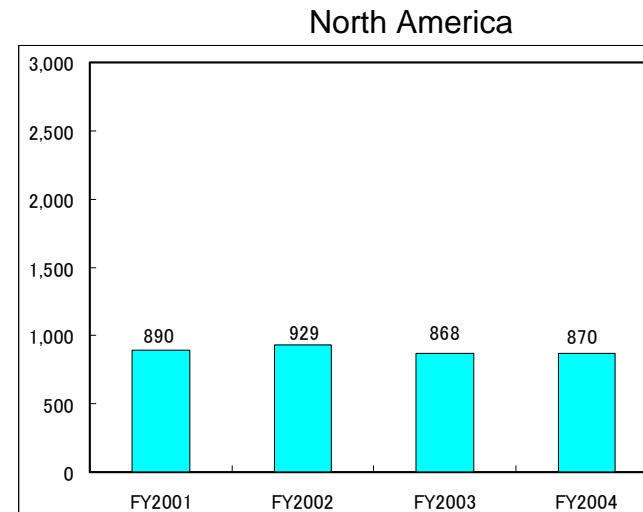
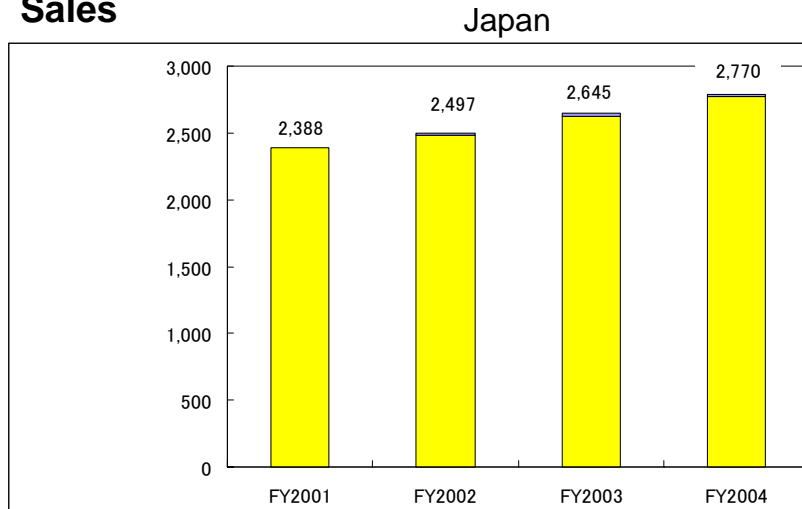
Volume	73
Exchange Rates	△ 32
Sale Prices	△ 50
Productivity	61
Variable Costs	10
Operating Costs	△ 24
Consolidation Adjustment	△ 5
Total	33



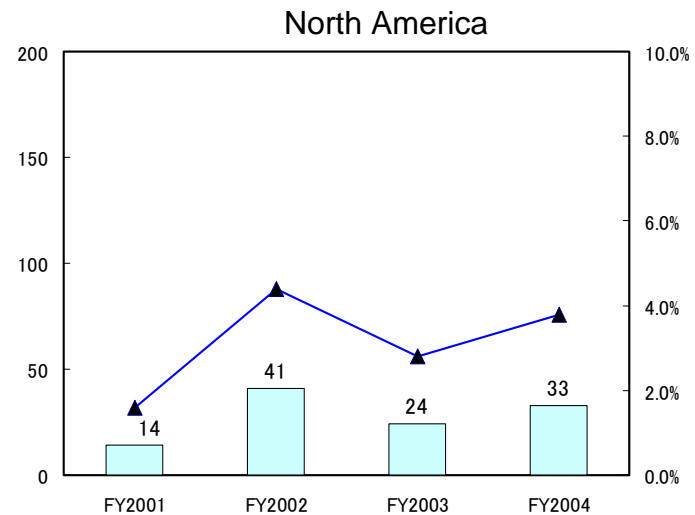
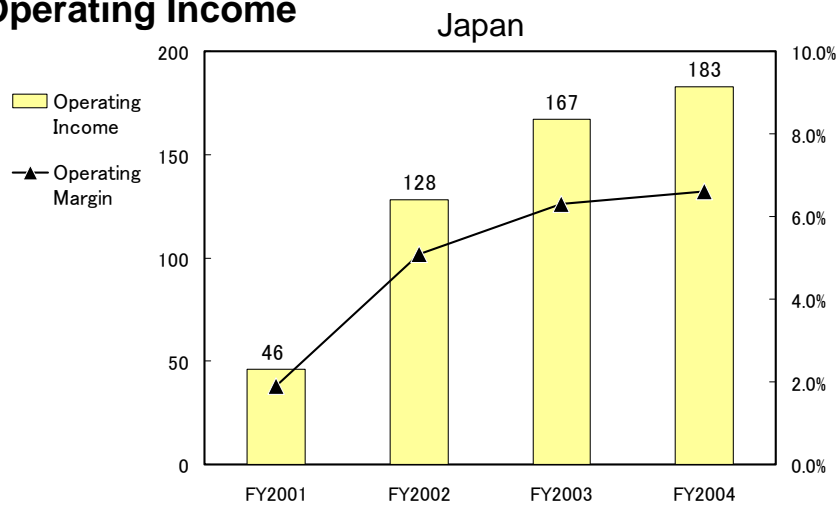
9. Sales and Operating Income by Geographic Segment

Yen100 million

Sales



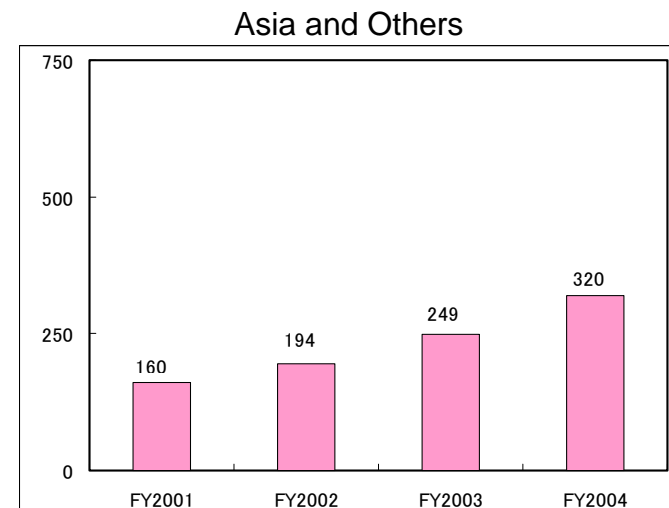
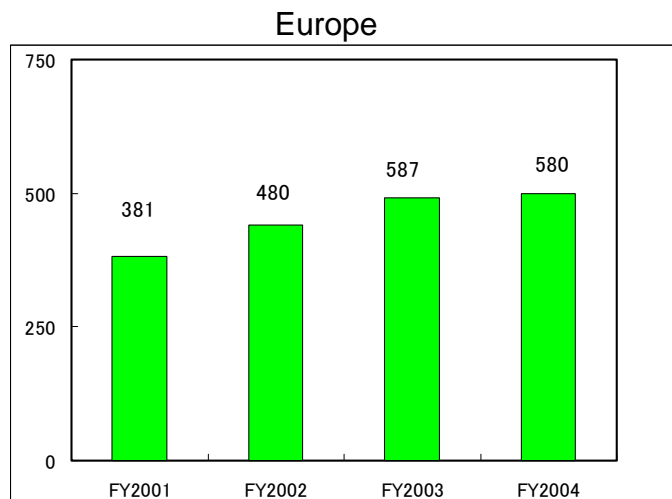
Operating Income



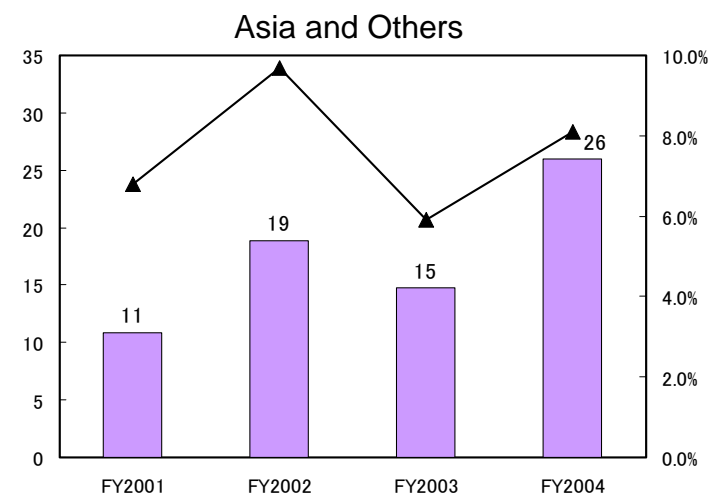
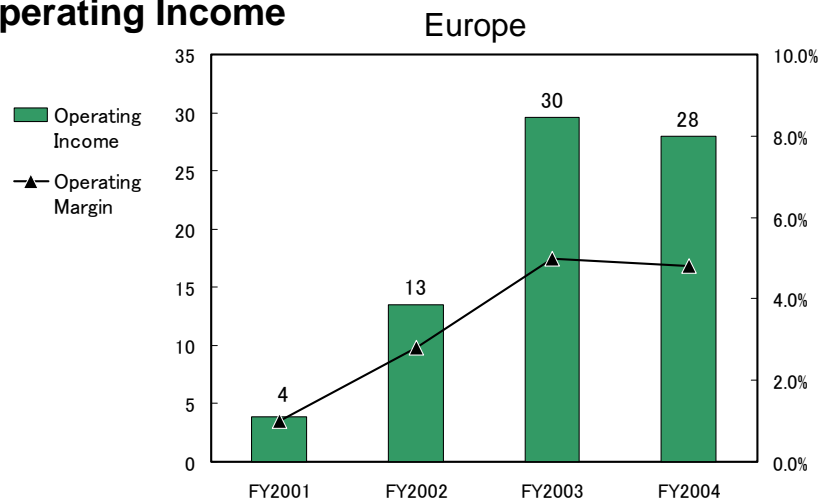
9. Sales and Operating Income by Geographic Segment

Yen100 million

Sales

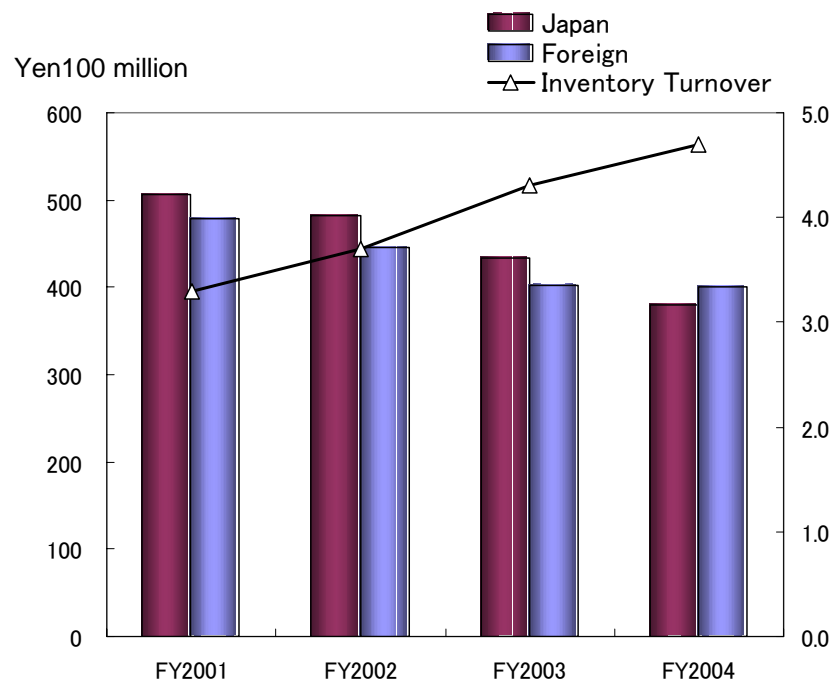


Operating Income



10. Inventory and Interest Bearing Debt

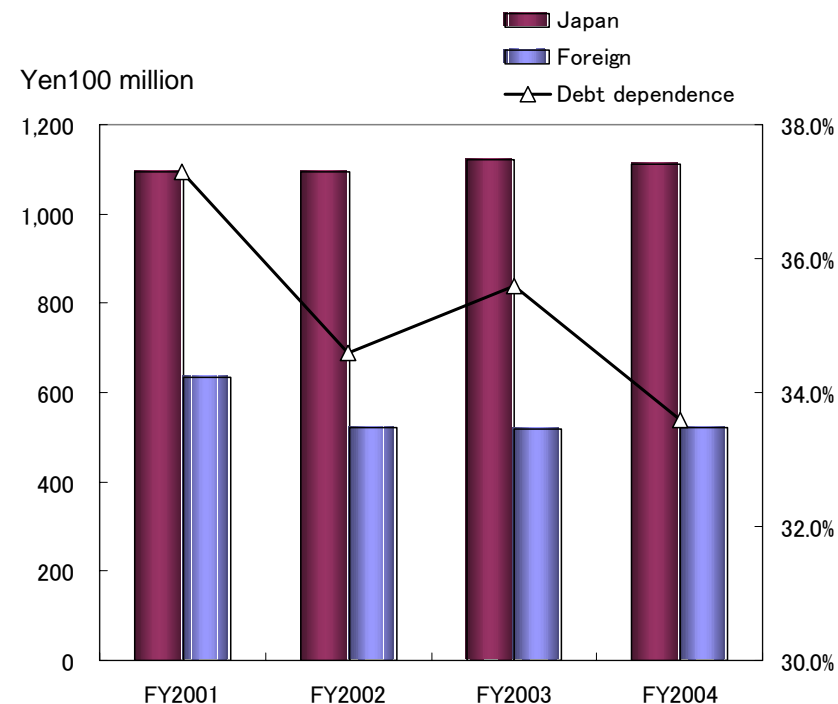
Inventory



Yen100 Million

	FY2001	FY2002	FY2003	FY2004 Forecast
Inventory	985	927	836	780
(Japan)	(506)	(482)	(434)	(380)
(Foreign)	(479)	(445)	(402)	(400)
Inv. Turnover Ratio	×3.3	×3.7	×4.3	×4.7

Interest Bearing Debt



Yen100 Million

	FY2001	FY2002	FY2003	FY2004 Forecast
Int. Bearing Debt	1,726	1,614	1,641	1,630
(Japan)	(1,129)	(1,093)	(1,123)	(1,110)
(Foreign)	(597)	(521)	(518)	(520)
Debt Dependence Ratio	37.3%	34.6%	35.6%	33.6%

11. Capital Expenditure and Depreciation

Yen100 Million

	FY2001	FY2002	FY2003	FY2004 Forecast
		(1)	(2)	(3)
Capital Expenditure	211	253	381	430
(Japan)	(122)	(133)	(176)	(220)
(Foreign)	(89)	(120)	(205)	(210)

YoY Increase/Decrease	
FY2003 (2) - (1)	FY2004 (3) - (2)
128	49
(43)	(44)
(86)	(5)

	FY2001	FY2002	FY2003	FY2004 Forecast
		(1)	(2)	(3)
Depreciation	244	238	240	260
(Japan)	(159)	(148)	(148)	(160)
(Foreign)	(85)	(90)	(92)	(100)

YoY Increase/Decrease	
FY2003 (2) - (1)	FY2004 (3) - (2)
1	20
(Δ 1)	(12)
(2)	(8)

12. Cash Flow

Yen100 Million	FY2001	FY2002	FY2003
I. Cash Flows from Operating Activities	300	484	211
(Amount Paid Through Early Retirement Program)	—	—	(Δ 204)
II. Cash Flows from Investing Activities	Δ 184	Δ 241	Δ 350
III. Cash Flows from Financing Activities	Δ 80	Δ 99	60
IV. Effect of Exchange Rate Changes on Cash and Cash Equivalents	Δ 12	Δ 3	Δ 3
V. Increase in Cash and Cash Equivalents	25	141	Δ 81

