

NSK

FINANCIAL CONFERENCE

FOR THE RESULTS OF THE SIX MONTHS ENDED
SEPTEMBER 30, 2004 AND
FORECASTS FOR THE YEAR ENDING MARCH 31, 2005

Seiichi Asaka
President & CEO
November 04, 2004
NSK Ltd.

Cautionary Statements with Respect to Forward-Looking Statements

Statements made in this report with respect to plans, strategies and future performance that are not historical fact are forward-looking statements. NSK cautions that a number of factors could cause actual results to differ materially from those discussed in the forward-looking statements.

Note : This document is an English translation of material written initially in Japanese. The Japanese original should be considered the primary version.

Business Results for the Six Months Ended September 30, 2004

Summary of the Consolidated Business Results for the First Half of FY 2004



Business environment of the first half of FY 2004

**Strong demand continues,
especially in Japan and Asia**

Healthy automotive production in Japan

(5% increase in completed car production and 18% increase in knock-down set production compared to the same period last year)

Capital expenditures increased in Japan

Increased demand for digital related products

**China continues to lead the global economy as the
“Factory of the World”**

Summary of the Consolidated Business Results for the First Half of FY 2004



Business results for the first half of FY 2004

Increase in both sales and profits

Sales: Up 13.2% (compared to the same period last year)

Operating income: Up 105.6% (compared to the same period last year)

Business results by region:

Robust sales in Japan

Profitability stabilizing in Europe

Business results by business segment:

Sales and profits increased in all segments

Firmly on the way to achieving the targets for the 2nd year of our three year Mid-Term Plan

Interim dividends:

Increased from ¥2.5 per share for the 1st half of FY 2003 to ¥5.5 per share

Summary of the Consolidated Business Results for the First Half of FY 2004



(¥100 million)	(6 months ended Sep. 30, '03) FY '03:1st half <Actual>	(6 months ended Sep. 30, '04) FY '04:1st half <Revised forecast>	(6 months ended Sep. 30, '04) FY '04:1st half <Actual>	Difference (amount) compared to the same period last year	Difference (%) compared to the same period last year
Sales	2,538	2,850	2,873	+335	+13.2%
Operating income	95	185	195	+100	+105.6%
<Operating income margin>	< 3.7% >	< 6.5% >	< 6.8% >		
Ordinary income	61	155	178	+117	+191.9%
Profit before tax	80	161	195	+115	+142.8%
Net income	38	90	118	+80	+207.5%
(Rate: 1 US\$=)	(¥119.14)	(¥108.69)	(¥108.27)		
(Rate: 1 EURO=)	(¥131.71)	(¥131.57)	(¥132.63)		

(¥100 million)	(6 months ended Sep. 30, '03) FY '03:Interim	(Year ended Mar. 31, '04) FY '03:Year-end	(6 months ended Sep. 30, '04) FY '04:Interim
ROE	4.2%	7.6%	13.2%
Interest bearing debts	2,629	2,465	2,274
D/E ratio	1.43	1.31	1.27
Inventory	826	759	767
Inventory turnover (times)	6.1	6.9	7.5

Net Sales

–By Business Segment –



(¥100 million)	(6 months ended Sep. 30, '03) FY '03:1st half	(6 months ended Sep. 30, '04) FY '04:1st half	(6 months ended Sep. 30, '04) FY '04:1st half	Difference (amount) compared to the same period last year	Difference (%) compared to the same period last year
	<Actual>	<Revised forecast>	<Actual>		
Sales	2,538	2,850	2,873	+335	+13.2%
Industrial bearings	871	908	919	+48	+5.4%
Automotive products	1,400	1,540	1,555	+155	+11.1%
Precision machinery	197	330	324	+127	+64.7%
Others	102	78	108	+6	+5.7%
Elimination	-32	-6	-33	-1	

- Industrial bearings:** Strong demand continued from the machine tool and general industrial sectors, especially in Japan and China.
- Automotive products:** Sales of hub unit bearings, needle roller bearings and automatic transmission components increased, especially in Japan and Thailand.
- Precision machinery:** Demand increased from the machine tool industry, and the semiconductor and liquid crystal display production equipment sectors, especially in Japan and Asia.

Net Sales

–By Customer Location–



(¥100 million)	(6 months ended Sep. 30, '03) FY '03:1st half	(6 months ended Sep. 30, '04) FY '04:1st half	(6 months ended Sep. 30, '04) FY '04:1st half	Difference (amount) compared to the same period last year	Difference (%) compared to the same period last year
	<Actual>	<Revised forecast>	<Actual>		
Sales	2,538	2,850	2,873	+335	+13.2%
Japan	1,324	1,478	1,507	+183	+13.8%
The Americas	386	411	411	+25	+6.6%
Europe	440	485	486	+46	+10.3%
Asia	388	476	469	+81	+21.0%

- Japan:** Strong demand continued from the automotive industry and general industrial sector, while demand for precision machinery and parts also recovered significantly.
- The Americas:** The U.S. economy saw a general recovery, while strong demand continued in Brazil.
- Europe:** Sales of bearings to the automotive industry increased as result of sales expansion activities
- Asia:** Strong demand continued in China. In Thailand, strong sales to the automotive industry also continued, and demand for our precision machinery and parts, such as our photofabrication equipment, increased.

Business Results

– By Geographical Segment –



(¥100 million)	(6 months ended Sep. 30, '03)		(6 months ended Sep. 30, '04)		Difference (amount) compared to the same period last year	Difference (%) compared to the same period last year
	FY '03:1st half <Actual>		FY '04:1st half <Revised forecast>			
Sales	2,538		2,850		2,873	+335 +13.2%
Japan	1,868		2,108		2,133	+265 +14.2%
The Americas	379		403		403	+24 +6.3%
Europe	460		514		515	+55 +12.0%
Asia	280		312		311	+31 +11.1%
Eliminations	-449		-487		-489	-40
Operating income	95	<3.7%>	185	<6.5%>	195	<6.8%> +100 +105.6%
Japan	68	<3.6%>	131	<6.2%>	134	<6.3%> +66 +97.1%
The Americas	8	<2.2%>	10	<2.5%>	12	<3.0%> +4 +50.0%
Europe	3	<0.6%>	24	<4.7%>	27	<5.3%> +24 +800.0%
Asia	22	<7.8%>	15	<4.8%>	17	<5.4%> -5 -22.7%
Eliminations	-6		5		5	+11

- **Japan:** Strong demand and procurement cost reduction activities contributed to an increase in profits.
- **Overseas:** Profitability in the Americas recovering.
Profitability of our European business stabilizing.
Profits from our Asian business decreased due to up-front expenses of investments in China.

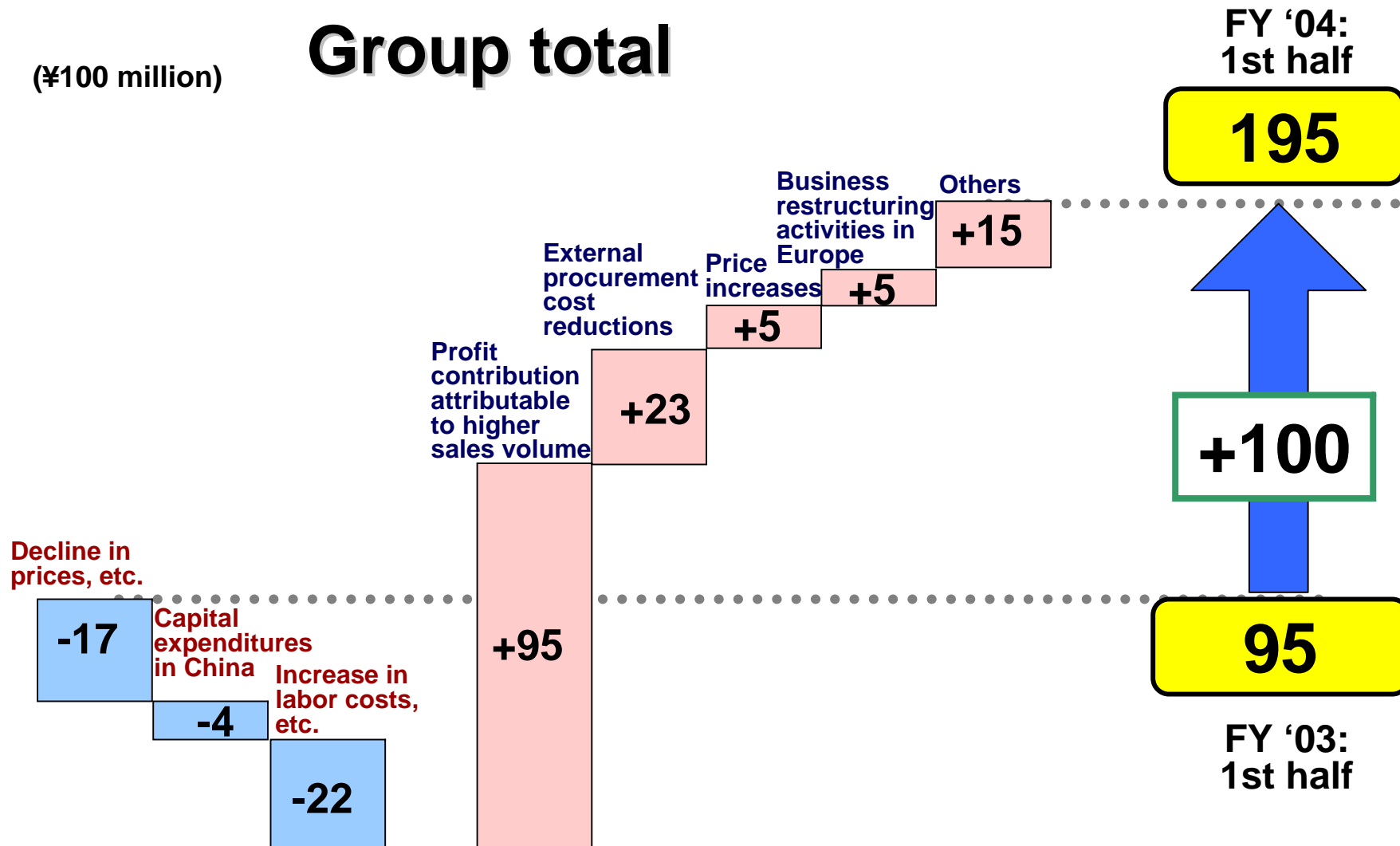
Operating Income: Improvement Factors



(FY '03:1st half VS FY '04:1st half)

(¥100 million)

Group total



Business Results

–By Business Segment –



(¥100 million)	(6 months ended Sep. 30, '03)		(6 months ended Sep. 30, '04)		Difference (amount) compared to the same period last year	Difference (%) compared to the same period last year
	FY '03:1 st half <Actual>	FY '04:1 st half <Revised forecast>	FY '04:1 st half <Actual>	FY '04:1 st half <Actual>		
Sales	2,538	2,850	2,873		+335	+13.2%
Industrial bearings	871	908	919		+48	+5.4%
Automotive products	1,400	1,540	1,555		+155	+11.1%
Precision machinery	197	330	324		+127	+64.7%
Others	102	78	108		+6	+5.7%
Eliminations	-32	-6	-33		-1	
Operating income	95 <3.7%>	185 <6.5%>	195 <6.8%>		+100	+105.6%
Industrial bearings	49 <5.6%>	82 <9.0%>	94 <10.2%>		+45	+92.1%
Automotive products	70 <5.0%>	85 <5.5%>	90 <5.8%>		+20	+28.0%
Precision machinery	-15 <-7.5%>	30 <9.1%>	26 <8.0%>		+41	
Others	6 <6.1%>	5 <6.4%>	5 <5.2%>		-1	-10.8%
Eliminations	-15	-17	-20		-5	

Profitability of the Industrial bearings and Automotive products segments are improving, and the Precision machinery and parts business contributed to Group profits.

Non-operating Income and Losses, Extraordinary Income and Losses



Non-operating income and losses

- Balance of financial revenue and expense improved due to the reduction of interest-bearing debts

(¥100 million)	<u>FY '03:</u> <u>1st half</u>	<u>FY '04:</u> <u>1st half</u>	Difference (amount) compared to the same period last year
Operating income	95	195	+100
Non-operating income	35	38	+3
Interest and dividend income	7	9	+2
Equity in earnings of affiliated companies	12	13	+1
Miscellaneous income	16	16	0
Non-operating losses	69	55	-14
Interest expenses	32	25	-7
Miscellaneous expenses	37	30	-7

Extraordinary income and losses

- Extraordinary income arose from the the partial adoption of a defined contribution pension plan instead of the existing 100% defined benefit pension plan

(¥100 million)	<u>FY '03:</u> <u>1st half</u>	<u>FY '04:</u> <u>1st half</u>	Difference (amount) compared to the same period last year
Ordinary income	61	178	+117
Extraordinary income	27	18	-9
Gain on sales of investment securities	22	8	-14
Gain on sales of investments in affiliated companies	5		-5
Gain on transfer to defined contribution pension plan		10	+10
Extraordinary losses	8	1	-7
Loss on devaluation of investment securities		1	+1
Loss on disposal of property, plant and equipment	8		-8
Income before tax	80	195	+115

Consolidated Balance Sheets



(¥100 million)	FY 2003		FY 2004	
	(6 months ended Sep. 30, '03) Interim	(Year ended Mar. 31, '04) Year-end	(6 months ended Sep. 30, '04) Interim	Difference (Compared to FY '03: Year-end)
Assets				
Current assets	2,829	2,955	2,844	-111
Non-current assets	3,331	3,264	3,378	+114
Total assets	6,160	6,219	6,222	+3
Liabilities and Shareholder's equity				
Current liabilities	2,260	2,456	2,373	-83
Long-term liabilities	1,943	1,755	1,928	+173
Total liabilities	4,203	4,211	4,301	+90
Minority interests	124	121	126	+5
Total shareholder's equity	1,833	1,887	1,795	-92
Total liabilities and shareholder's equity	6,160	6,219	6,222	+3
(Rate: 1US\$=)	(¥119.80)	(¥107.13)	(¥108.43)	
(Rate: 1EURO=)	(¥136.92)	(¥133.74)	(¥131.06)	

Inventories and Capital Expenditures

Inventories

- Inventory levels in Japan increased due to the increase in sales
- APS (Advanced Production System) activities will be continued to further reduce inventories

(¥100 million)	<u>FY '03:</u> <u>Interim</u>	<u>FY '03:</u> <u>Year-end</u>	<u>FY '04:</u> <u>Interim</u>	Difference (amount) compared to FY '03 year-end
Inventories	826	759	767	+8
Japan	362	338	364	+26
<Non-consolidated>	172	162	183	+21
Overseas	464	421	403	-18
The Americas	166	141	132	-9
Europe	190	184	169	-15
Asia	108	96	102	+6

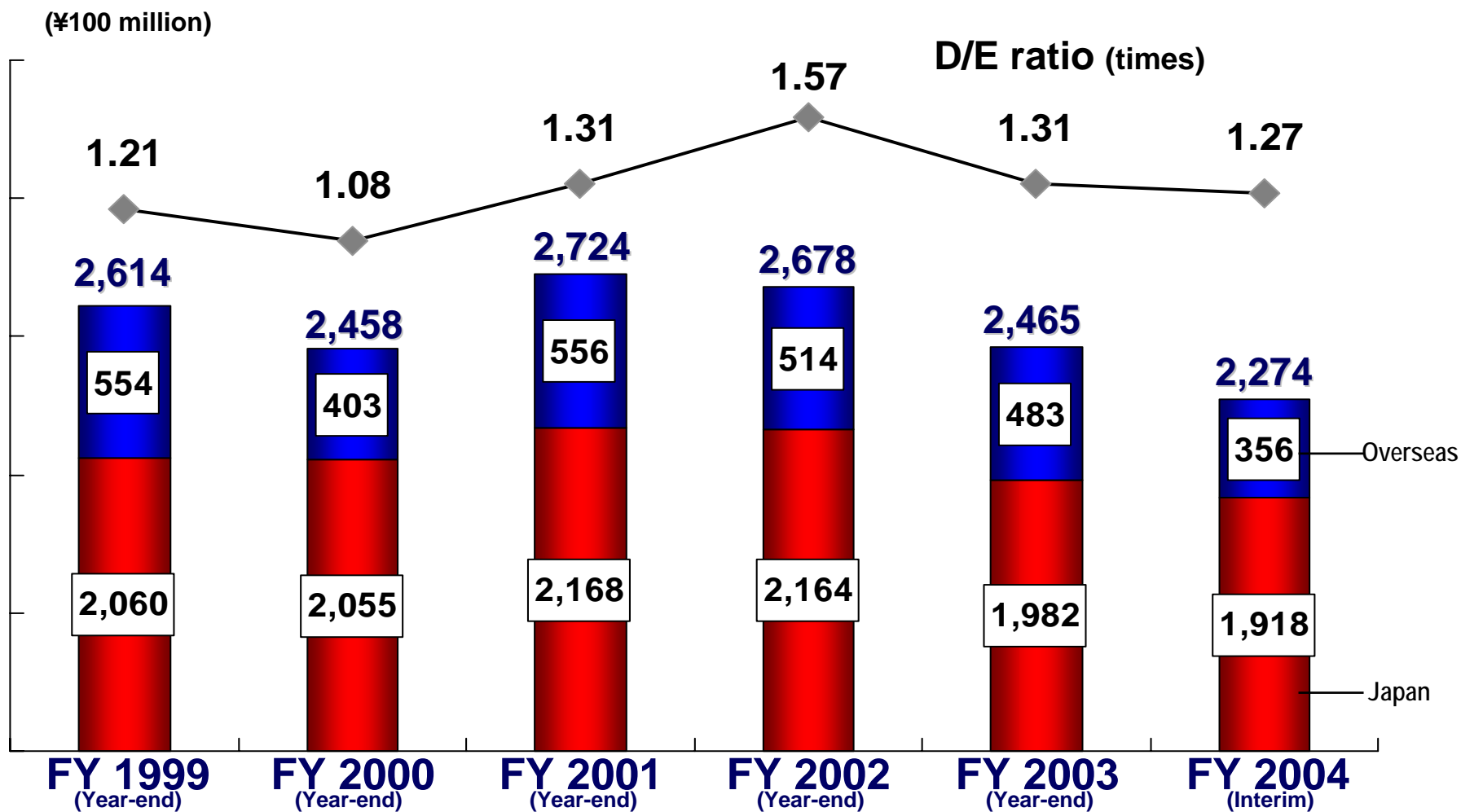
Capital expenditures

- Further capital expenditures will be made consistent with our growth strategies

(¥100 million)	<u>FY '03:</u> <u>1st half</u>	<u>FY '03:</u> <u>2nd half</u>	<u>FY '04:</u> <u>1st half</u>
Capital expenditures	108	147	151
Japan	55	93	114
<Non-consolidated>	<31>	<44>	<57>
Overseas	53	54	37
The Americas	17	11	7
Europe	15	13	8
Asia	21	30	22
Depreciation	133	133	130
Japan	73	83	74
<Non-consolidated>	<39>	<42>	<37>
Overseas	60	50	56

Interest Bearing Debts

Continue to reduce interest-bearing debts



Consolidated Cash Flow (FY 2004: 1st half)



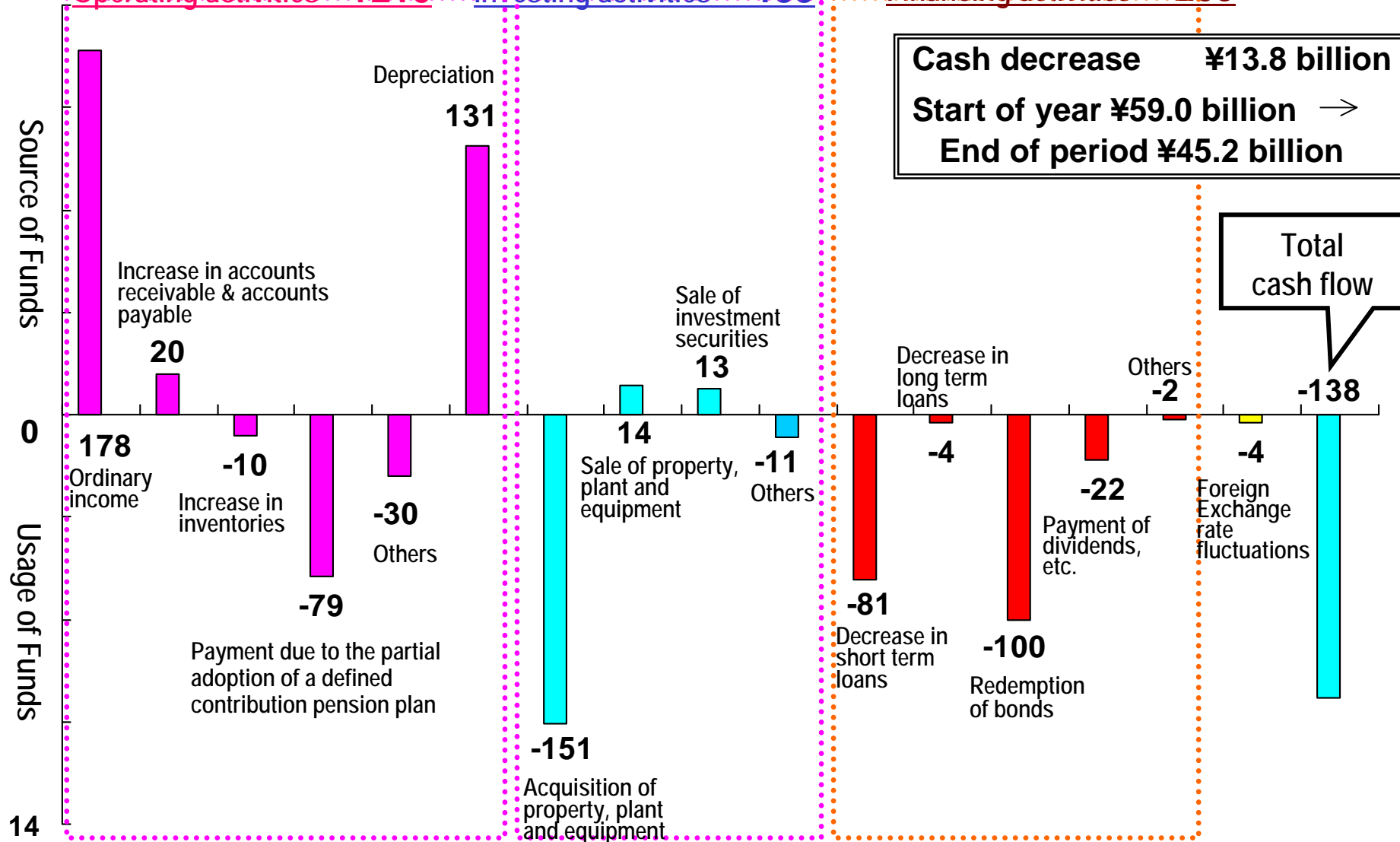
(¥100 million)

(Excluding the effect of exchange rate fluctuations)

(1) Cash flow provided by Operating activities... +210

(2) Cash flow used in Investing activities... -135

(3) Cash flow used in Financing activities... -209



Forecasts for the Year Ending March 31, 2005

Revised forecasts for FY 2004: Full Year

Newly revised full year forecast

<Upward revision>

Sales: ¥580.0 billion, Operating income: ¥39.5 billion

Forecasted business environment for FY 2004: 2nd half

[Japan]

- **Machine tools, General industrial sector:**
Strong demand expected to continue
- **Automotive production:**
Production volumes expected to exceed the previous year's numbers
- **Semiconductor and LCD production equipment industry:**
Demand expected to become weaker

[Overseas]

- **The Americas · Europe:**
Current levels of demand expected to continue, however the overall outlook has become increasingly unclear
- **Asia:** Industrial demand in China expected to remain strong

Forecasted exchange rates for FY 2004: 2nd half

U.S. \$1 = ¥105, 1 euro = ¥130

Revised Forecasts for FY 2004



(¥100 million)	FY 2003	FY 2004			
	Full year (Ended Mar. 31, '04) <Actual>	Full year (Ending Mar. 31, '05) <Revised forecast>	1st half (Ended Sep. 30, '04) <Actual>	Full year (Ending Mar. 31, '05) <New forecast>	Difference (amount) compared to the same period last year
Sales	5,222	5,670	2,873	5,800	+578
Operating income	260	370	195	395	+135
Ordinary income	191	300	178	355	+164
Profit before tax	265	306	195	372	+107
Net income	143	175	118	210	+67
(Rate: 1 US\$=)	(¥116.26)	(¥109.34)	(¥108.27)	(¥106.64)	
(Rate: 1 EURO=)	(¥131.32)	(¥130.79)	(¥132.63)	(¥131.32)	

Both sales and profits expected to reach record levels

Revised Forecasts

–By Business Segment–



(¥100 million)	FY 2003	FY 2004			
	Full year (Ended Mar. 31, '04) <Actual>	Full year (Ending Mar. 31, '05) <Revised forecast>	1st half (Ended Sep. 30, '04) <Actual>	Full year (Ending Mar. 31, '05) <New forecast>	Difference (amount) compared to the same period last year
Sales	5,222	5,670	2,873	5,800	+578
Industrial bearings	1,763	1,806	919	1,845	+82
Automotive products	2,858	3,072	1,555	3,165	+307
Precision machinery	471	650	324	636	+165
Others	195	178	108	217	+22
Elimination	-65	-36	-33	-63	+2

Revised Forecasts

–By Customer Location–



(¥100 million)	FY 2003	FY 2004			
	Full year (Ended Mar. 31, '04) <Actual>	Full year (Ending Mar. 31, '05) <Revised forecast>	1st half (Ended Sep. 30, '04) <Actual>	Full year (Ending Mar. 31, '05) <New forecast>	Difference (amount) compared to the same period last year
Sales	5,222	5,670	2,873	5,800	+578
Japan	2,786	2,995	1,507	3,091	+305
The Americas	749	831	411	827	+78
Europe	854	896	486	924	+70
Asia	833	948	469	958	+125

Revised Forecasts

–By Geographical Segment–



(\yen 100 million)	FY 2003		FY 2004			
	Full year (Ended Mar. 31, '04) <Actual>	Full year (Ending Mar. 31, '05) <Revised forecast>	1st half (Ended Sep. 30, '04) <Actual>	Full year (Ending Mar. 31, '05) <New forecast>	Difference (amount) compared to the same period last year	
Sales	5,222	5,670	2,873	5,800	+578	
Japan	3,918	4,248	2,133	4,391	+473	
The Americas	738	813	403	816	+78	
Europe	898	954	515	985	+87	
Asia	576	622	311	638	+62	
Eliminations	-908	-967	-489	-1,030	-122	
Operating income	260 <5.0%>	370 <6.5%>	195 <6.8%>	395 <6.8%>	+135	
Japan	192 <4.9%>	281 <6.6%>	134 <6.3%>	286 <6.5%>	+94	
The Americas	6 <0.8%>	20 <2.5%>	12 <3.0%>	29 <3.6%>	+23	
Europe	26 <2.9%>	39 <4.1%>	27 <5.3%>	43 <4.4%>	+17	
Asia	38 <6.6%>	35 <5.6%>	17 <5.4%>	35 <5.5%>	-3	
Eliminations	-2	-5	5	2	+4	

Revised Forecasts

–By Business Segment–



(¥100 million)	FY 2003		FY 2004			
	Full year (Ended Mar. 31, '04) <Actual>	Full year (Ending Mar. 31, '05) <Revised forecast>	1st half (Ended Sep. 30, '04) <Actual>	Full year (Ending Mar. 31, '05) <New forecast>	Difference (amount) compared to the same period last year	
Sales	5,222	5,670	2,873	5,800	+578	
Industrial bearings	1,763	1,806	919	1,845	+82	
Automotive products	2,858	3,072	1,555	3,165	+307	
Precision machinery	471	650	324	636	+165	
Others	195	178	108	217	+22	
Eliminations	-65	-36	-33	-63	+2	
Operating income	260 <5.0%>	370 <6.5%>	195 <6.8%>	395 <6.8%>	+135	
Industrial bearings	122 <6.9%>	150 <8.3%>	94 <10.2%>	190 <10.3%>	+68	
Automotive products	157 <5.5%>	177 <5.8%>	90 <5.8%>	183 <5.8%>	+26	
Precision machinery	0 <-0.0%>	70 <10.8%>	26 <8.0%>	56 <8.8%>	+56	
Others	12 <6.1%>	10 <5.6%>	5 <5.2%>	10 <4.6%>	-2	
Eliminations	-31	-37	-20	-44	-13	

**Pursuit of our
Mid-term Goals**

**Improve
profitability**

**Maintain
growth
strategy**

**Strengthen
Corporate
Governance**

Focal Activities for the Second Half of FY 2004 **RISK**

— To Achieve our Mid-term Goals —

- **Adapt our businesses to changes in market environment**
- **Reflect cost increases into our product prices**
- **Increase production capacity and improve product mix**
- **Accelerate the expansion of our China business**