

# NSK

## FINANCIAL CONFERENCE FOR THE RESULTS OF THE YEAR ENDED MARCH 31, 2005 AND FORECASTS FOR THE YEAR ENDING MARCH 31, 2006

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May 17, 2005  
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 Year Ended March 31, 2005**

## Business environment of FY 2004

### ■ Demand environment

#### JAPAN

- Automotive production-related and capital expenditure-related demand remained strong throughout the year
- Demand from the semiconductor and liquid crystal display production equipment sectors weakened from Q3

#### OVERSEAS

- The Americas : Robust demand in Brazil.  
Strong demand from Japanese carmakers in North America
- Europe: Gradual recovery in demand
- Asia: Robust automotive production in Thailand  
Strong industrial demand in China

### ■ World-wide increase of steel prices

# Summary of the Consolidated Business Results for FY 2004



## Business results for FY 2004

- **Both sales and operating income posted record highs**

Sales increased 11%, operating income increased 47% and ordinary income increased 73%, year-on-year

- **Business results by business segment :**

- Industrial Machinery Bearings:**

Achieved double-digit operating income margin

- Automotive Products:**

Demand increased but profits remained flat due to an increase in costs

- Precision Machinery & Parts:**

Maintained stable profitability

- **ROE exceeded 11%**

- **Balance sheet reform:**

Reduced interest-bearing debts by 39.3 billion yen

- **Increased dividends:**

Increased from ¥6.5 per share for FY 2003 to ¥11.0 per share for FY 2004

# Summary of the Consolidated Business Results for FY 2004



(¥100 million)	(Year ended Mar. 31, '03) <b>FY '02</b> <Actual>	(Year ended Mar. 31, '04) <b>FY '03</b> <Actual>	(Year ended Mar. 31, '05) <b>FY '04</b> <Actual>	Difference (amount) compared to the previous year	Difference (%) compared to the previous year
<b>Sales</b>	5,228	5,222	<b>5,810</b>	+588	+11.3%
<b>Operating income</b>	178	260	<b>383</b>	+123	+47.4%
<Operating income margin>	<3.4%>	<5.0%>	<b>&lt;6.6%&gt;</b>		
<b>Ordinary income</b>	108	191	<b>331</b>	+140	+73.1%
<b>Profit before tax</b>	-21	265	<b>350</b>	+85	+32.4%
<b>Net income</b>	-27	143	<b>223</b>	+80	+56.4%
(Rate: 1 US\$= )	(¥125.33)	(¥116.26)	(¥108.20)		
(Rate: 1 EURO= )	(¥117.93)	(¥131.32)	(¥134.08)		

(¥100 million)	(Year ended Mar. 31, '03) <b>FY '02:Year-end</b> <Actual>	(Year ended Mar. 31, '04) <b>FY '03:Year-end</b> <Actual>	(Year ended Mar. 31, '05) <b>FY '04:Year-end</b> <Actual>
<b>ROE</b>	-1.4	8.0	<b>11.9</b>
<b>Interest bearing debts</b>	2,678	2,465	<b>2,072</b>
<b>D/E ratio</b>	1.57	1.31	<b>1.10</b>
<b>Inventory</b>	835	759	<b>817</b>
<b>Inventory turnover (times)</b>	5.8	6.6	<b>7.4</b>

# Net Sales –By Business Segment –



(¥100 million)	(Year ended Mar. 31, '04)	(Year ended Mar. 31, '05)	Difference (amount) compared to the previous year	Difference (%) compared to the previous year
	FY '03 <Actual>	FY '04 <Actual>		
<b>Sales</b>	5,222	<b>5,810</b>	+588	+11.3%
Industrial machinery bearings	1,763	<b>1,855</b>	+92	+5.2%
Automotive products	2,858	<b>3,162</b>	+304	+10.6%
Precision machinery & parts	471	<b>642</b>	+171	+36.4%
Others	195	<b>232</b>	+37	+19.3%
Eliminations	-65	<b>-81</b>	-16	—

- Industrial machinery bearings:** Sales increased backed by continued strong demand from the machine tool and general industrial sectors
- Automotive products:** Sales of hub unit bearings, needle roller bearings and automatic transmission components increased
- Precision machinery & parts:** Sales to the machine tool manufacturers, general industrial sector and the semiconductor and liquid crystal display production equipment sectors increased.

# Net Sales –By Customer Location–



(¥100 million)	(Year ended Mar. 31, '04)	(Year ended Mar. 31, '05)	Difference (amount) compared to the previous year	Difference (%) compared to the previous year
	FY '03 <Actual>	FY '04 <Actual>		
<b>Sales</b>	5,222	<b>5,810</b>	+588	+11.3%
<b>Japan</b>	2,786	<b>3,103</b>	+317	+11.3%
<b>The Americas</b>	749	<b>823</b>	+74	+9.9%
<b>Europe</b>	854	<b>936</b>	+82	+9.6%
<b>Asia</b>	833	<b>948</b>	+115	+13.9%

- Japan:** Strong demand continued from the automotive industry and general industrial sector, while demand for precision machinery and parts also recovered significantly.
- The Americas:** Strong demand continued in Brazil, while the U.S. economy saw a general recovery.
- Europe:** Sales increased as result of sales expansion activities targeting industries such as the automotive sector
- 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 Business Segment –



(¥100 million)	(Year ended Mar. 31, '04)	(Year ended Mar. 31, '05)	Difference (amount) compared to the previous year	Difference (%) compared to the previous year
	FY '03 <Actual>	FY '04 <Actual>		
<b>Sales</b>	5,222	<b>5,810</b>	+588	+11.3%
Industrial machinery bearings	1,763	<b>1,855</b>	+92	+5.2%
Automotive products	2,858	<b>3,162</b>	+304	+10.6%
Precision machinery & parts	471	<b>642</b>	+171	+36.4%
Others	195	<b>232</b>	+37	+19.3%
Eliminations	-65	<b>-81</b>	-16	—
<b>Operating income</b>	260 <5.0%>	<b>383 &lt;6.6%&gt;</b>	+123	+47.4%
Industrial machinery bearings	122 <6.9%>	<b>199 &lt;10.8%&gt;</b>	+77	+64.1%
Automotive products	157 <5.5%>	<b>158 &lt;5.0%&gt;</b>	+1	+0.2%
Precision machinery & parts	0 <-0.0%>	<b>48 &lt;7.4%&gt;</b>	+48	—
Others	12 <6.0%>	<b>18 &lt;7.9%&gt;</b>	+6	+56.5%
Eliminations	-31	<b>-40</b>	-9	—

- Industrial machinery bearings:** Achieved double-digit operating income margin, contributing to the improvement of profitability of the entire NSK Group.
- Automotive products:** Profitability remained flat compared to the previous year due to increased costs arising from increased production to comply to the strong demand.
- Precision machinery & parts:** Profitability improved sharply and profits recorded for the full year for the first time in four years.



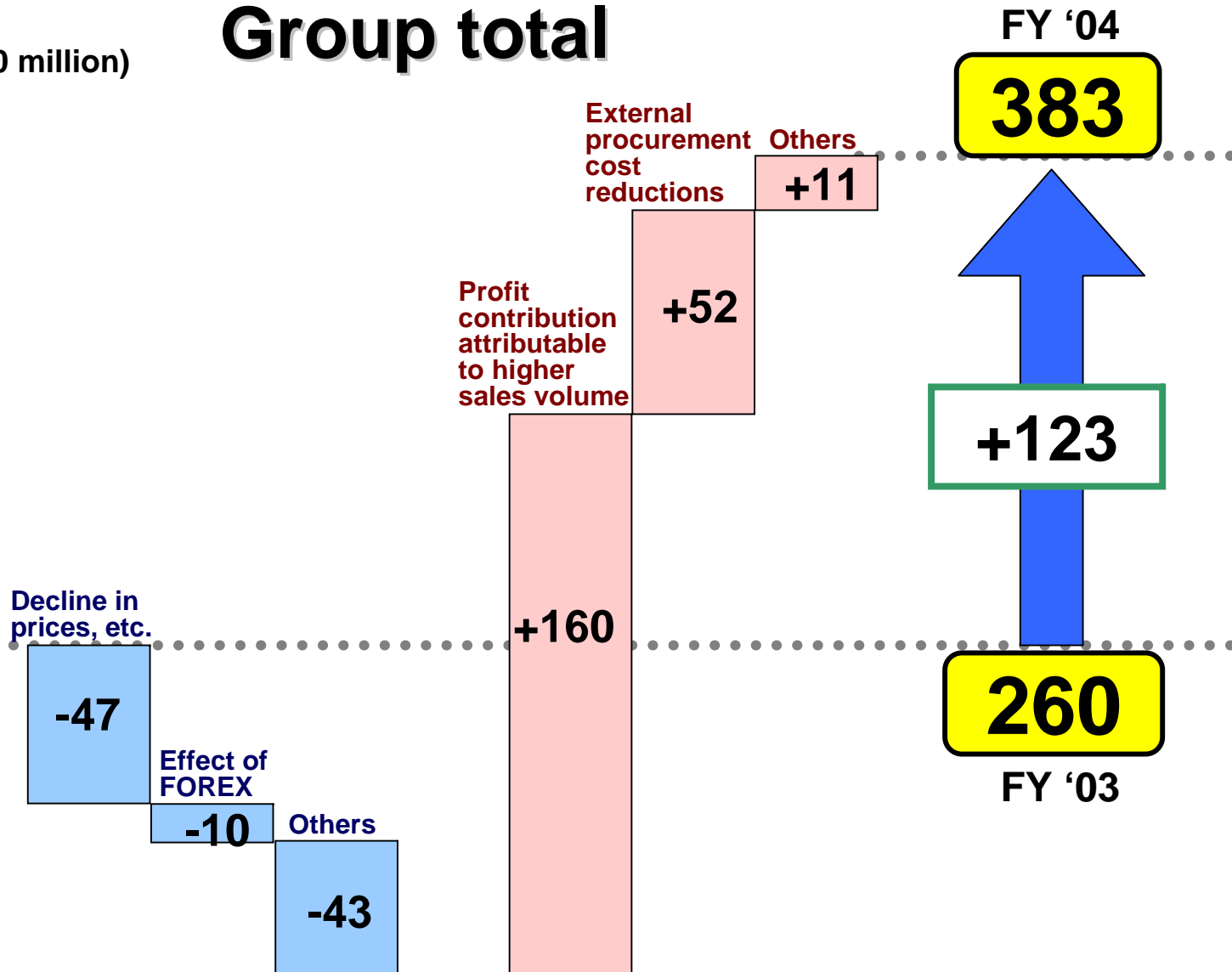
# Operating Income: Improvement Factors

(FY '03 VS FY '04)



(¥100 million)

## Group total



# Business Results

## – By Geographical Segment –



(¥100 million)	(Year ended Mar. 31, '04)		(Year ended Mar. 31, '05)		Difference (amount) compared to the previous year	Difference (%) compared to the previous year
	FY '03 <Actual>		FY '04 <Actual>			
<b>Sales</b>	5,222		<b>5,810</b>		+588	+11.3%
<b>Japan</b>	3,918		<b>4,395</b>		+477	+12.2%
<b>The Americas</b>	738		<b>805</b>		+67	+9.2%
<b>Europe</b>	898		<b>1,002</b>		+104	+11.5%
<b>Asia</b>	576		<b>642</b>		+66	+11.4%
<b>Eliminations</b>	-908		<b>-1,034</b>		-126	—
<b>Operating income</b>	260	<5.0%>	<b>383</b>	<6.6%>	+123	+47.4%
<b>Japan</b>	192	<4.9%>	<b>273</b>	<6.2%>	+81	+41.6%
<b>The Americas</b>	6	<0.8%>	<b>25</b>	<3.2%>	+19	+335.4%
<b>Europe</b>	26	<2.9%>	<b>48</b>	<4.8%>	+22	+83.0%
<b>Asia</b>	38	<6.6%>	<b>33</b>	<5.1%>	-5	-13.6%
<b>Eliminations</b>	-2		<b>4</b>		+6	—

- Japan:** Profits increased backed by strong demand, benefits from capital expenditures, and product price increases.
- The Americas:** Demand in Brazil remained strong, while demand recovered in the U.S., leading to improved profitability.
- Europe:** Increased production and sales volumes resulting from marketing activities lead to increased profitability.
- Asia:** Profits in Thailand increased backed by strong demand, but profitability of our overall Asian business decreased due to up-front expenses of investments in China.

# Non-operating Income and Losses, Extraordinary Income and Losses



## Non-operating income and losses

- Non-operating balance improved, as reductions in interest-bearing debts brought about an improvement in our financial position.

(¥100 million)	FY '02	FY '03	FY '04	Difference (amount) compared to the previous year
<b>Operating income</b>	178	260	<b>383</b>	+123
<b>Non-operating income</b>	81	76	<b>70</b>	-6
Interest and dividend income	18	14	<b>14</b>	-0
Equity in earnings of affiliated companies	34	29	<b>31</b>	+2
Miscellaneous income	29	33	<b>25</b>	-8
<b>Non-operating losses</b>	151	145	<b>122</b>	-23
Interest expenses	66	61	<b>50</b>	-11
Miscellaneous expenses	85	84	<b>72</b>	-12

## 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)	FY '02	FY '03	FY '04	Difference (amount) compared to the previous year
<b>Ordinary income</b>	<b>108</b>	191	<b>331</b>	+140
<b>Extraordinary income</b>	<b>160</b>	85	<b>24</b>	-61
Gain on sales of investment securities	32	77	<b>13</b>	-64
Gain on transfer to defined contribution pension plan	—	—	<b>11</b>	+11
Gain on sales of investments in affiliated companies	—	8	—	-8
Gain on contribution of securities to employees' retirement benefit trust	119	—	—	—
Gain on sales of property, plant and equipment	9	—	—	—
<b>Extraordinary losses</b>	<b>289</b>	11	<b>5</b>	-6
Loss on disposal of property, plant and equipment	—	11	<b>2</b>	-9
Loss on devaluation of affiliated company stocks	8	0	<b>2</b>	+2
Loss on devaluation of investment securities	129	—	<b>1</b>	+1
Costs related to business restructuring	150	—	—	—
Provision for employee' retirement benefit trust	2	—	—	—
<b>Income before tax</b>	<b>-21</b>	265	<b>350</b>	+85

# Consolidated Balance Sheets

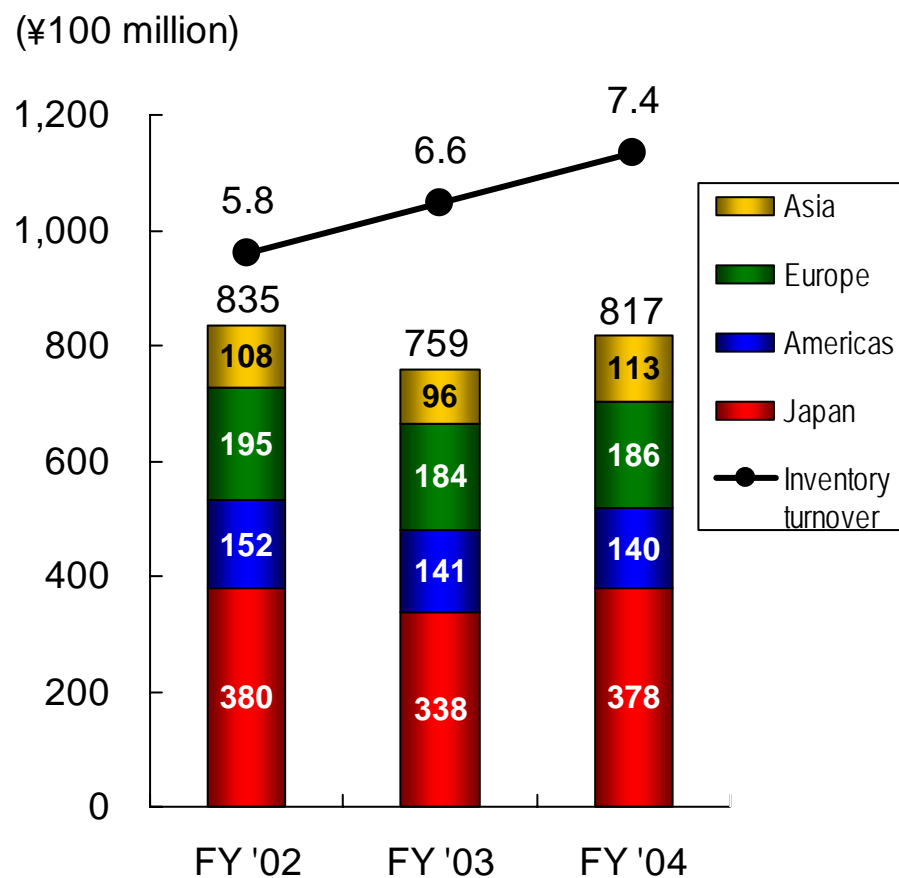


(¥100 million)	(Year ended Mar. 31, '03) <b>FY 2002</b> Year-end	(Year ended Mar. 31, '04) <b>FY 2003</b> Year-end	(Year ended Mar. 31, '05) <b>FY 2004</b> Year-end	<b>Difference</b> (Compared to FY '03: Year-end)
<b>Assets</b>				
Current assets	2,857	2,955	<b>2,787</b>	-168
Non-current assets	3,074	3,264	<b>3,499</b>	+235
<b>Total assets</b>	<b>5,931</b>	<b>6,219</b>	<b>6,286</b>	<b>+67</b>
<b>Liabilities and Shareholder's equity</b>				
Current liabilities	2,274	2,456	<b>2,343</b>	-113
Long-term liabilities	1,834	1,755	<b>1,944</b>	+189
<b>Total liabilities</b>	<b>4,108</b>	<b>4,211</b>	<b>4,287</b>	<b>+76</b>
Minority interests	117	121	<b>116</b>	-5
<b>Total shareholder's equity</b>	<b>1,706</b>	<b>1,887</b>	<b>1,883</b>	<b>-4</b>
<b>Total liabilities and shareholder's equity</b>	<b>5,931</b>	<b>6,219</b>	<b>6,286</b>	<b>+67</b>
(Rate: 1US\$=)	(¥119.90)	(¥107.13)	(¥104.21)	
(Rate: 1EURO=)	(¥125.08)	(¥133.74)	(¥141.61)	

# Inventories and Interest Bearing Debts

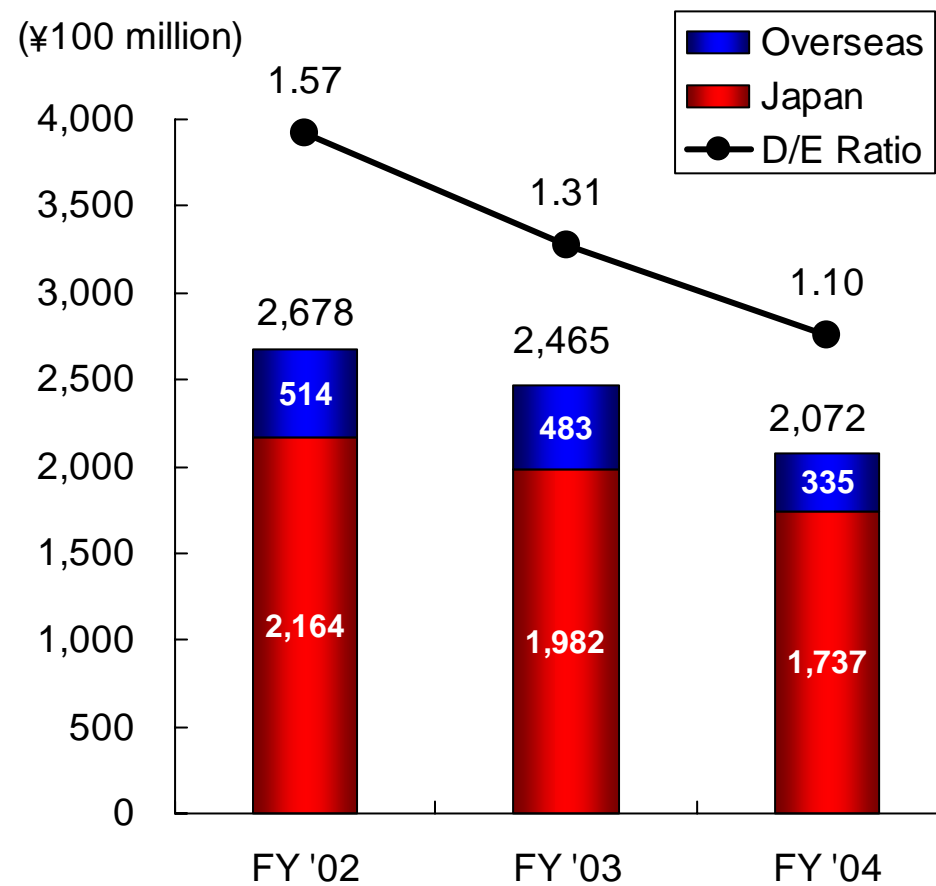
## Inventories

- Higher sales volumes led to increased inventories, but inventory turnover improved.



## Interest Bearing Debts

- Interest-bearing debts were reduced both in Japan and overseas.



# Capital Expenditures, Depreciation & Amortization



- Capital expenditures that will support our future growth will be carried out, primarily in Japan and Asia.

(¥100 million)	FY '02	FY '03	FY '04
<b>Capital expenditures</b>	230	255	<b>369</b>
<b>Japan</b>	120	148	<b>255</b>
<b>Overseas</b>	110	107	<b>114</b>
The Americas	37	28	<b>16</b>
Europe	37	28	<b>37</b>
Asia	36	51	<b>61</b>
<b>Depreciation</b>	288	266	<b>270</b>
<b>Japan</b>	162	156	<b>160</b>
<b>Overseas</b>	126	110	<b>110</b>

# Consolidated Cash Flow



(¥100 million)	FY '02	FY '03	FY '04
Cash flow provided by Operating activities	309	379	<b>579</b>
Cash flow used in Investing activities	-162	-170	<b>-316</b>
(Free cash flow)	(147)	(209)	<b>(263)</b>
Cash flow used in Financing activities	-118	-207	<b>-461</b>
Effect of foreign exchange rate fluctuations	-5	-1	<b>2</b>
<b>Total cash flow</b>	<b>24</b>	<b>1</b>	<b>-196</b>
Cash and cash equivalents at the end of the year	589	590	<b>394</b>

# Forecasts for the Year Ending March 31, 2006



# Forecasts for FY 2005

## Full year forecast for FY 2005

**Sales: ¥610.0 billion**

**Operating income: ¥41.0 billion**

**Ordinary income: ¥37.0 billion**

**Aiming to achieve record sales and profits for the second consecutive year, despite the continued rise of steel prices**

## Forecasted business environment for FY 2005

### [Japan]

- **Machine tools, General industrial sector:**  
Strong demand expected to continue, especially in Japan
- **Automotive production:**  
Robust demand expected to continue
- **Semiconductor and LCD production equipment industry:**  
Demand expected to recover in the latter half of the year

### [Overseas]

- **The Americas • Europe:**  
General outlook is unclear, but economic recovery expected to continue
- **Asia:** Automotive related demand in Thailand and industrial demand in China expected to remain strong

# Key Strategies for FY 2005

## Improve profitability

### Continue profitability improvement measures

- Adhere to capital expenditure schedules that are the foundation of corporate growth strategies
- Reflect rising steel prices onto our sales prices, as well as cost reduction efforts
- Implement price increases
- Secure stable steel supply
- Improve profitability of overseas businesses

## Growth Strategy

### Capture new demand

- Industrial Machinery Bearings  
Market is expected to grow, but at a slower pace
- Automotive Products  
Robust demand from Japanese car makers
- Precision Machinery and Parts  
Slowdown in production expected, but demand from the machine tool sector is expected to remain strong

# Forecasts for FY 2005



( <b>¥100 million</b> )	<b>FY 2004</b>			<b>FY 2005</b>			
	<b>1st half</b> (Ended Sep. 30, '04) <Actual>	<b>2nd half</b> (Ended Mar. 31, '05) <Actual>	<b>Full year</b> (Ended Mar. 31, '05) <Actual>	<b>1st half</b> (Ending Sep. 30, '05) <Forecast>	<b>2nd half</b> (Ending Mar. 31, '06) <Forecast>	<b>Full year</b> (Ending Mar. 31, '06) <Forecast>	<b>Difference (amount) compared to the previous year</b>
<b>Sales</b>	2,873	2,937	5,810	<b>2,990</b>	<b>3,110</b>	<b>6,100</b>	+290
<b>Operating income</b>	195	188	383	<b>190</b>	<b>220</b>	<b>410</b>	+27
<Operating income margin>	<6.8%>	<6.4%>	<6.6%>	<6.4%>	<7.1%>	<6.7%>	
<b>Ordinary income</b>	178	153	331	<b>170</b>	<b>200</b>	<b>370</b>	+39
<b>Profit before tax</b>	195	155	350	<b>182</b>	<b>200</b>	<b>382</b>	+32
<b>Net income</b>	118	105	223	<b>100</b>	<b>125</b>	<b>225</b>	+2
(Rate: 1 US\$= )	(¥108.27)	(¥108.13)	(¥108.20)	<b>(¥104)</b>	→	→	
(Rate: 1 EURO=)	(¥132.63)	(¥135.54)	(¥134.08)	<b>(¥136)</b>	→	→	

# Forecasts for FY 2005 –By Business Segment–



(¥100 million)	FY 2004			FY 2005			
	1st half (Ended Sep. 30, '04) <Actual>	2nd half (Ended Mar. 31, '05) <Actual>	Full year (Ended Mar. 31, '05) <Actual>	1st half (Ending Sep. 30, '05) <Forecast>	2nd half (Ending Mar. 31, '06) <Forecast>	Full year (Ending Mar. 31, '06) <Forecast>	Difference (amount) compared to the previous year
<b>Sales</b>	<b>2,873</b>	<b>2,937</b>	<b>5,810</b>	<b>2,990</b>	<b>3,110</b>	<b>6,100</b>	<b>+290</b>
Industrial machinery bearings	919	936	1,855	950	990	1,940	+85
Automotive products	1,555	1,607	3,162	1,650	1,725	3,375	+213
Precision machinery & parts	324	318	642	320	325	645	+3
Others	108	124	232	110	110	220	-12
Eliminations	-33	-48	-81	-40	-40	-80	+1

# Forecasts for FY 2005 –By Customer Location–

(¥100 million)	FY 2004			FY 2005			
	1st half (Ended Sep. 30, '04) <Actual>	2nd half (Ended Mar. 31, '05) <Actual>	Full year (Ended Mar. 31, '05) <Actual>	1st half (Ending Sep. 30, '05) <Forecast>	2nd half (Ending Mar. 31, '06) <Forecast>	Full year (Ending Mar. 31, '06) <Forecast>	Difference (amount) compared to the previous year
<b>Sales</b>	<b>2,873</b>	<b>2,937</b>	<b>5,810</b>	<b>2,990</b>	<b>3,110</b>	<b>6,100</b>	+290
<b>Japan</b>	1,507	1,596	3,103	1,558	1,674	3,232	+129
<b>The Americas</b>	411	412	823	435	438	873	+50
<b>Europe</b>	486	450	936	490	482	972	+36
<b>Asia</b>	469	479	948	507	516	1,023	+75

# Forecasts for FY 2005 –By Business Segment–



(¥100 million)	FY 2004			FY 2005			
	1st half (Ended Sep. 30, '04) <Actual>	2nd half (Ended Mar. 31, '05) <Actual>	Full year (Ended Mar. 31, '05) <Actual>	1st half (Ending Sep. 30, '05) <Forecast>	2nd half (Ending Mar. 31, '06) <Forecast>	Full year (Ending Mar. 31, '06) <Forecast>	Difference (amount) compared to the previous year
<b>Sales</b>	2,873	2,937	5,810	2,990	3,110	6,100	+290
Industrial machinery bearings	919	936	1,855	950	990	1,940	+85
Automotive products	1,555	1,607	3,162	1,650	1,725	3,375	+213
Precision machinery & parts	324	318	642	320	325	645	+3
Others	108	124	232	110	110	220	-12
Eliminations	-33	-48	-81	-40	-40	-80	+1
<b>Operating income</b>	195 <6.8%>	188 <6.4%>	383 <6.6%>	190 <6.4%>	220 <7.1%>	410 <6.7%>	+27
Industrial machinery bearings	94 <10.2%>	105 <11.3%>	199 <10.8%>	105 <11.1%>	115 <11.6%>	220 <11.3%>	+21
Automotive products	90 <5.8%>	68 <4.2%>	158 <5.0%>	75 <4.5%>	90 <5.2%>	165 <4.9%>	+7
Precision machinery & parts	26 <8.0%>	22 <6.8%>	48 <7.4%>	25 <7.8%>	30 <9.2%>	55 <8.5%>	+7
Others	5 <5.2%>	13 <10.3%>	18 <7.9%>	8 <7.3%>	7 <6.4%>	15 <6.8%>	-3
Eliminations	-20	-20	-40	-23	-22	-45	-5

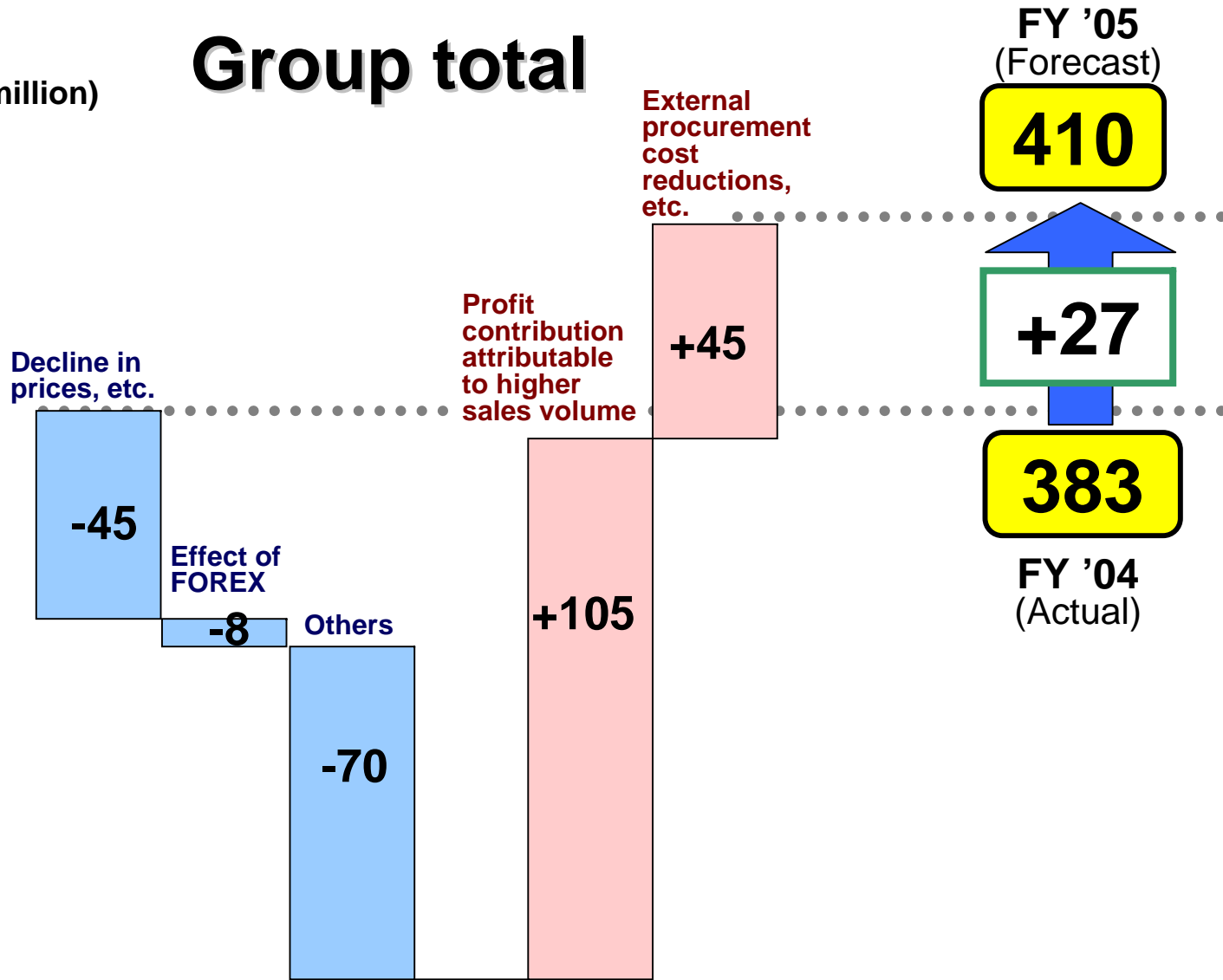
# Operating Income: Improvement Factors

(FY '04 VS FY '05)



(¥100 million)

## Group total



# Forecasts for FY 2005 –By Geographical Segment–



(¥100 million)	FY 2004			FY 2005			
	1st half (Ended Sep. 30, '04) <Actual>	2nd half (Ended Mar. 31, '05) <Actual>	Full year (Ended Mar. 31, '05) <Actual>	1st half (Ending Sep. 30, '05) <Forecast>	2nd half (Ending Mar. 31, '06) <Forecast>	Full year (Ending Mar. 31, '06) <Forecast>	Difference (amount) compared to the previous year
<b>Sales</b>	2,873	2,937	5,810	2,990	3,110	6,100	+290
Japan	2,133	2,262	4,395	2,260	2,370	4,630	+235
The Americas	403	402	805	430	430	860	+55
Europe	515	487	1,002	540	520	1,060	+58
Asia	311	331	642	350	390	740	+98
Eliminations	-489	-545	-1,034	-590	-600	-1,190	-156
<b>Operating income</b>	195 <6.8%>	188 <6.4%>	383 <6.6%>	190 <6.4%>	220 <7.1%>	410 <6.7%>	+27
Japan	134 <6.3%>	139 <6.1%>	273 <6.2%>	136 <6.0%>	148 <6.2%>	284 <6.1%>	+11
The Americas	12 <3.0%>	13 <3.3%>	25 <3.2%>	16 <3.7%>	20 <4.7%>	36 <4.2%>	+11
Europe	27 <5.3%>	21 <4.2%>	48 <4.8%>	24 <4.4%>	26 <5.0%>	50 <4.7%>	+2
Asia	17 <5.4%>	16 <4.7%>	33 <5.1%>	19 <5.4%>	23 <5.9%>	42 <5.7%>	+9
Eliminations	5	-1	4	-5	3	-2	-6



# Reference

(¥100 million)

## Capital expenditures

Japan

Overseas

The Americas

Europe

Asia

FY 2005  
<Forecast>

400

268

132

30

34

68

(¥100 million)

## Depreciation

FY 2005  
<Forecast>

295

(¥100 million)

## R&D expenses

FY 2005  
<Forecast>

110