

# **FINANCIAL CONFERENCE**

**FOR THE RESULTS OF THE SIX MONTHS ENDED  
SEPTEMBER 30, 2003 AND  
FORECASTS FOR THE YEAR ENDING MARCH 31, 2004**

**Seiichi Asaka  
President & CEO**

**November 06, 2003**

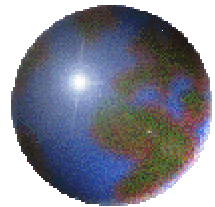
**NSK Ltd.**

**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.

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**NSK**



# **Business Results for the Six Months Ended September 30, 2003**

# Summary of the Interim Business Results for FY 2003

(¥100 million)	(6 months ended Sep. 30, '02) FY '02:1 <sup>st</sup> half	(6 months ended Mar. 31, '03) FY '02:2 <sup>nd</sup> half	(6 months ended Sep. 30, '03) FY '03:1 <sup>st</sup> half	Difference (%)	(Revised forecast)	(Initial forecast)
<b>Sales</b>	2,607	2,621	<b>2,538</b>	-2.6%	(2,530)	(2,470)
<b>Operating income</b>	65	113	<b>95</b>	+45.8%	(100)	(90)
<b>Ordinary income</b>	32	76	<b>61</b>	+89.7%	(70)	(65)
<b>Profit before tax</b>	75	-96	<b>80</b>	+6.7%	(76)	(70)
<b>Net income</b>	8	-35	<b>38</b>	+352.9%	(30)	(20)
(Rate: 1 US\$= )	(¥129.67)	(¥120.99)	(¥119.14)		(¥119.14)	(¥118)
(Rate: 1 STG£= )	(¥187.30)	(¥188.69)	(¥192.45)		(¥192.45)	(¥192)
(Rate: 1 EURO= )	(¥115.98)	(¥119.88)	(¥131.71)		(¥131.71)	(¥120)

(¥100 million)	(6 months ended Sep. 30, '02) FY '02:Interim	(6 months ended Mar. 31, '03) FY '02:Year end	(6 months ended Sep. 30, '03) FY '03:Interim	Difference (%)
<b>Interest bearing debt</b>	2,559	2,678	<b>2,629</b>	-49
<b>D/E ratio (times)</b>	1.43	1.57	<b>1.43</b>	
<b>Inventories</b>	841	835	<b>826</b>	-9
<b>Inventory turnover (turns)</b>	6.2	6.3	<b>6.2</b>	

# Changes in the Scope of Consolidation



## (1) Changes in the scope of consolidated subsidiaries

(76 companies → 76 companies)

### < Increase due to establishment of new corporate entities: 4 companies >

- NSK (China) Investment Co., Ltd. (Equity: 100%), etc.

### < Increase due to transfer from the scope of affiliates accounted for under the equity method : 1 company >

- NSK Needle Bearings Co., Ltd. (Equity: 49.03% → 98.06%)

### < Decrease due to discontinuation of operations: 5 companies >

- NSK Autoliv Co., Ltd. (Equity: 60%), etc.

## (2) Changes in affiliates accounted for under the equity method

(22 companies → 21 companies)

### < Decrease due to transfer to the scope of consolidated subsidiaries: 1 company >

- NSK Needle Bearings Co., Ltd.

## Consolidated net sales –By customer location–

(¥100 million)	(Six months ended Sep. 30, 2002) FY '02:1 <sup>st</sup> half	(Six months ended Sep. 30, 2003) FY '03:1 <sup>st</sup> half	Increase/ (decrease)	Upper: Effect of discontinued operations Lower: Effect of FOREX	Net increase/ (decrease)
<b>Japan</b>	1,366	1,324	-42	-113	+71 (+5.7%)
(Overseas sales ratio)	(47.6%)	(47.8%)		-33	
<b>Overseas</b>	1,241	1,214	-27	-19	+25 (+2.1%)
<b>The Americas</b>	431	386	-45	-14 -48	+17 (+3.9%)
<b>Europe</b>	418	440	+22	+39	-17 (-3.8%)
<b>Asia</b>	392	388	-4	-19 -10	+25 (+6.5%)
<b>Total</b>	2,607	2,538	-69	-146 -19	+96 (+3.9%)

- **Japan:** Sales to the automotive industry remained strong. Sales to the general industrial sector also increased, while demand for precision machinery and parts have started to recover.
- **The Americas:** Sales in Brazil and Canada increased, but sales to the general industrial sector in the U.S. were sluggish. Sales to the automotive industry were strong throughout the region.
- **Europe:** Bearing sales to the automotive industry were strong, but demand from the general industrial sector was weak.
- 4 • **Asia:** Sales to the automotive industry increased

## Consolidated net sales –By business segment–

(¥100 million)	(Six months ended Sep. 30, 2002) FY '02:1 <sup>st</sup> half	(Six months ended Sep. 30, 2003) FY '03:1 <sup>st</sup> half	Increase/ (decrease)	Upper: Effect of discontinued operations Lower: Effect of FOREX	Net increase/ (decrease)
<b>Bearings</b>	1,604	1,641	+37	-16	+53 (+3.3%)
<b>Automotive components</b>	751	630	-121	-119 -3	+1 (+0.2%)
<b>Precision machinery</b>	165	197	+32	+0	+32 (+19.0%)
<b>Others</b>	87	70	-17	-27 +0	+10 (+16.5%)
<b>Total</b>	2,607	2,538	-69	-146 -19	+96 (+3.9%)

- Bearings:** Sales to the automotive industry increased 4.5%, including a special demand for trucks in Japan following the implementation of a stricter emission-control regulation for diesel-fueled vehicles in October 2003. Sales to the general industrial sector increased 2.2%, supported by strong demand in Japan.
- Automotive components:** Sales of automatic transmission components increased, but sales in Europe were sluggish.
- Precision machinery:** Domestic sales to the semiconductor, liquid crystal display (LCD) production equipment industries and the machine tool sectors increased.

# Consolidated net sales

–Precision machinery and parts–



(¥100 million)	(Year ended Mar. 31, '02) <u>FY 2001</u>		(Year ended Mar. 31, '03) <u>FY 2002</u>		(Year ending Mar. 31, '04) <u>FY 2003</u>	(Year ending Mar. 31, '04) <u>FY 2003</u>
	1st half	2nd half	1st half	2nd half	1st half	2nd half
<b>Precision machinery</b>	<b>209</b>	<b>131</b>	<b>165</b>	<b>184</b>	<b>197</b>	<b>253</b>
Linear products	127	89	102	106	128	150
(Difference compared to the previous half year)	-29.8%	-29.9%	14.6%	3.9%	20.8%	17.2%
<b>Mechatronics products, etc.</b>	<b>69</b>	<b>32</b>	<b>46</b>	<b>55</b>	<b>60</b>	<b>57</b>
(Difference compared to the previous half year)	-31.0%	-53.6%	43.8%	19.6%	9.1%	-5.0%
<b>Systemized products</b>	<b>13</b>	<b>10</b>	<b>17</b>	<b>23</b>	<b>9</b>	<b>46</b>
(Difference compared to the previous half year)	-18.8%	-23.1%	70.0%	35.3%	-60.9%	411.1%

# Consolidated business results

–By geographical segment–



(¥100 million)		(Six months ended Sep. 30, '02) FY '02:1 <sup>st</sup> half	(Six months ended Sep. 30, '03) FY '03:1 <sup>st</sup> half	Y.O.Y.	Revised forecast	Initial forecast
<b>Japan</b>	Sales	1,920	1,868		1,872	1,830
	Operating income (%)	42 (2.2%)	64 (3.4%)	+52.4%	73	68
<b>The Americas</b>	Sales	411	379		383	377
	Operating income (%)	10 (2.4%)	8 (2.1%)	-20.0%	7	7
<b>Europe</b>	Sales	438	460		457	431
	Operating income (%)	-10 (-2.3%)	3 (0.7%)		-1	-1
<b>Asia</b>	Sales	291	280		278	275
	Operating income (%)	22 (7.6%)	21 (7.5%)	-4.5%	20	20
<b>Elimination</b>	Sales	-453	-449		-460	-443
	Operating income (%)	1 (-)	-1 (-)		1	-4
<b>Total</b>	Sales	2,607	2,538		2,530	2,470
	Operating income (%)	65 (2.5%)	95 (3.7%)	+45.8%	100	90



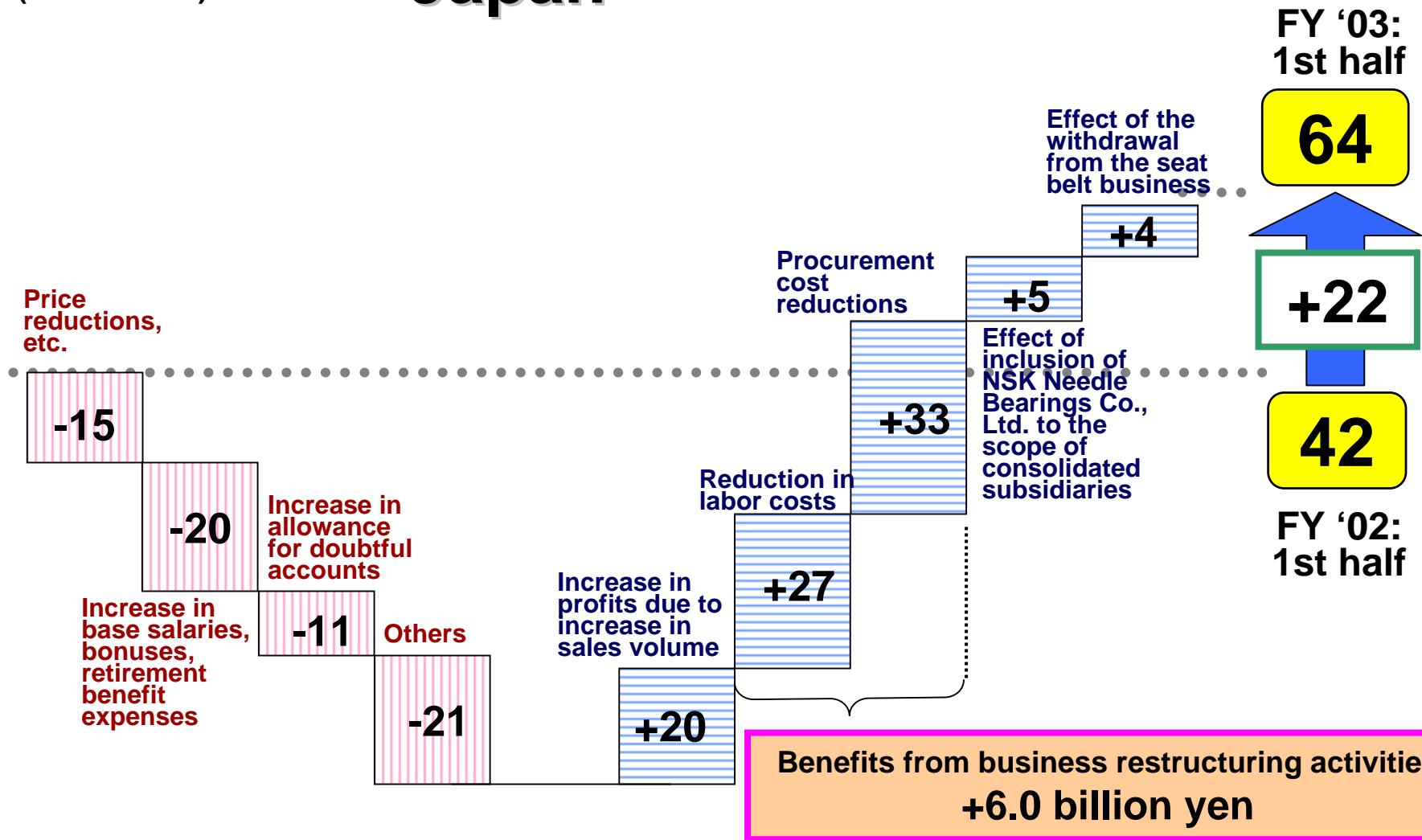
# Operating income: Improvement factors

(FY '02:1st half VS FY '03:1st half)



(¥100 million)

## Japan



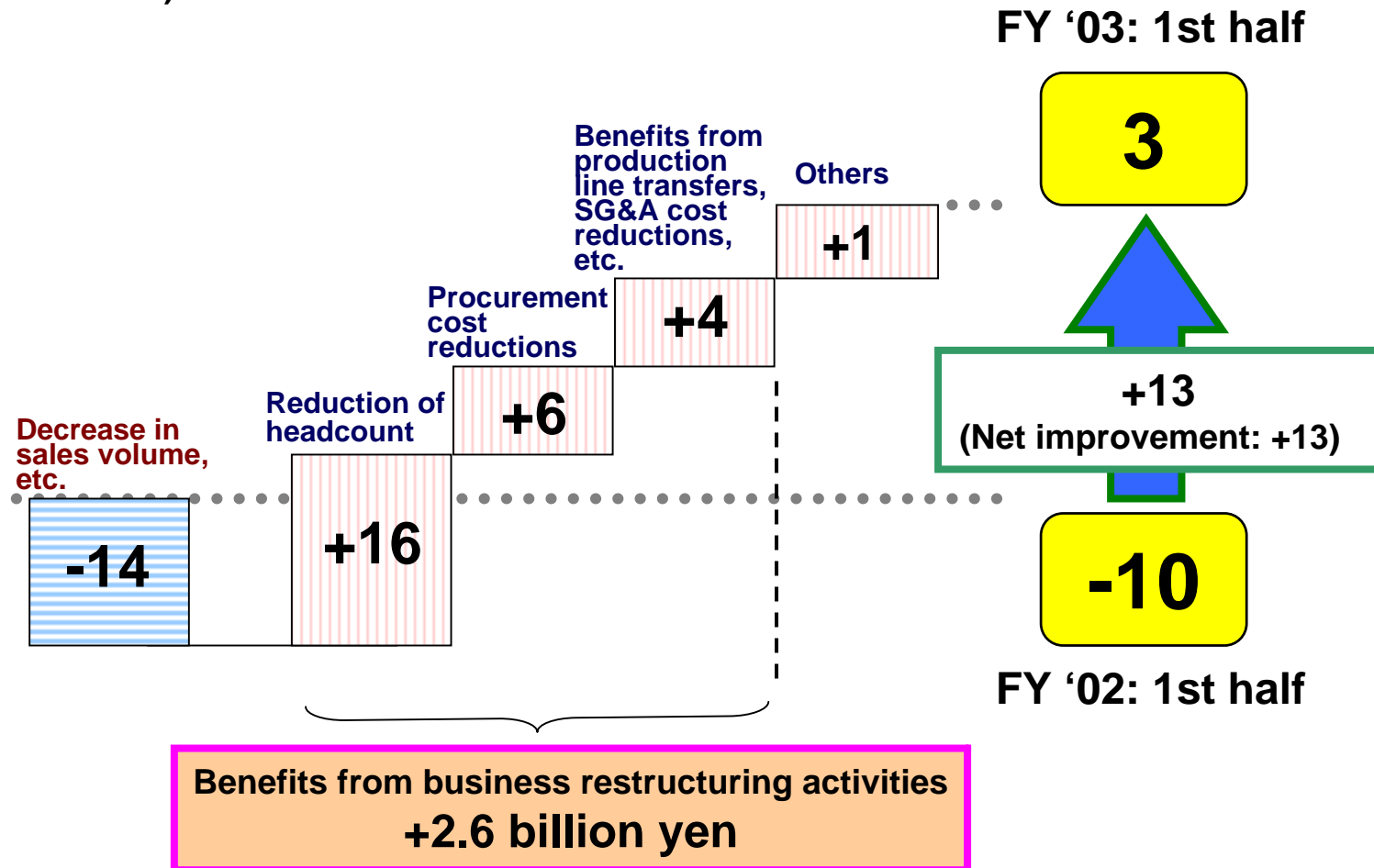
# Operating income: Improvement factors

(FY '02:1st half VS FY '03:1st half)



## Europe

(¥100 million)



# Summary of Benefits from the 2nd Phase of the "NSK Business Restructuring Program"



(¥ 100 million)	(6 months ended Sep. 30, '03)	(Year ending Mar. 31, '04)
	<b>FY 2003:1st half</b>	<b>FY 2003</b>
	<b>Profit contribution</b> (Compared to FY 2002: 1st half)	<b>Initial profit contribution forecast</b> (Compared to FY 2002)
Restructuring of our domestic employment system	<b>+27</b>	<b>+27</b>
Reduction of global procurement costs	<b>+43</b>	<b>+78</b>
Restructuring of our European business	<b>+20</b>	<b>+30</b>
<b>Total</b>	<b>+90</b>	<b>+135</b>

# Consolidated business results

–By business segment–



(¥100 million)		(Six months ended Sep. 30, '02) FY '02:1 <sup>st</sup> half	(Six months ended Sep. 30, '03) FY '03:1 <sup>st</sup> half	Y.O.Y.	Revised forecast	Initial forecast
<b>Bearings</b>	Sales	1,604	1,641		1,648	1,600
	Operating income (%)	94 (+5.8%)	97 (+5.9%)	+3.2%	96	90
<b>Automotive components</b>	Sales	751	630		622	610
	Operating income (%)	20 (+2.6%)	22 (+3.5%)	+10.0%	18	18
<b>Precision machinery</b>	Sales	165	197		200	200
	Operating income (%)	-34 (-20.7%)	-15 (-7.5%)	+55.9%	0	0
<b>Others</b>	Sales	87	70		60	60
	Operating income (%)	4	6		5	2
<b>Corporate expenses</b>		-19	-15		-19	-20
<b>Total</b>	Sales	2,607	2,538		2,530	2,470
	Operating income (%)	65 (+2.5%)	95 (+3.7%)	+45.8%	100	90

# Consolidated non-operating income and losses



(¥100 million)	(Six months ended Sep. 30, 2002)	(Six months ended Mar. 31, 2003)	(Six months ended Sep. 30, 2003)	Y.O.Y
	FY '02:1 <sup>st</sup> half	FY '02:2 <sup>nd</sup> half	FY '03:1 <sup>st</sup> half	
<b>Operating income</b>	<b>65</b>	<b>113</b>	<b>95</b>	<b>+30</b>
<b>Non-operating income</b>	<b>40</b>	<b>41</b>	<b>35</b>	<b>-5</b>
Interest and dividend income	10	8	7	-3
Equity in earnings of affiliated companies	15	18	12	-3
Miscellaneous income	15	15	16	+1
<b>Non-operating loss</b>	<b>73</b>	<b>78</b>	<b>69</b>	<b>-4</b>
Interest expenses	34	32	32	-2
Miscellaneous expenses	39	46	37	-2
<b>Ordinary income</b>	<b>32</b>	<b>76</b>	<b>61</b>	<b>+29</b>

# Consolidated extraordinary income and losses

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	(Six months ended Sep. 30, 2002)	(Six months ended Mar. 31, 2003)	(Six months ended Sep. 30, 2003)	
(¥100 million)	FY '02:1 <sup>st</sup> half	FY '02:2 <sup>nd</sup> half	FY '03:1 <sup>st</sup> half	Y.O.Y
<b>Ordinary income</b>	32	76	61	+29
<b>Extraordinary income</b>	150	10	27	-123
Gain on sales of property, plant and equipment	8	1		-8
Gain on sales of investment securities	23	9	22	-1
Gain on contribution of securities to employees' retirement benefit trust	119			-119
Gain on sales of investments in affiliated companies			5	+5
<b>Extraordinary losses</b>	107	182	8	-99
Loss on sales of investments in affiliated companies	8			-8
Loss on devaluation of investment securities	2	127		-2
Costs related to business restructuring	95	55		-95
Provision for employees' retirement benefit trust	2			-2
Loss on disposal of property, plant and equipment			8	+8
<b>Income before tax</b>	75	-96	80	+5

# Consolidated balance sheets

(¥100 million)	(Six months ended Sep. 30, 2002) <b>FY '02:1<sup>st</sup> half</b>	(Six months ended Mar. 31, 2003) <b>FY '02:2<sup>nd</sup> half</b>	(Six months ended Sep. 30, 2003) <b>FY '03:1<sup>st</sup> half</b>	Difference from the previous half-year
<b>Current assets</b>	2,758	2,858	2,829	-29
Cash and deposits	298	373	293	-80
Notes and accounts receivable	1,192	1,135	1,145	+10
Marketable securities	124	176	158	-18
Inventories	841	835	826	-9
Deferred tax assets	62	60	115	+55
Other current assets	241	279	292	+13
<b>Non-current assets</b>	3,240	3,073	3,331	+258
Property, plant and equipment	2,077	2,014	2,139	+125
Investment securities	939	797	829	+32
Prepaid pension expenses	139	148	234	+86
Others	85	114	129	+15
<b>* &lt;Capital expenditure&gt;</b>	<132>	<98>	<108>	<+10>
<b>Total assets</b>	5,998	5,931	6,160	+229
(Rate: 1 US\$= )	(¥119.50)	(¥119.90)	(¥119.80)	
(Rate: 1 STG £ =)	(¥182.75)	(¥192.44)	(¥198.11)	
(Rate: 1 EURO=)	(¥118.13)	(¥125.08)	(¥136.92)	

# Consolidated inventories

(¥100 million)	(Six months ended Sep. 30, 2002) FY '02: 1 <sup>st</sup> half	(Six months ended Mar. 31, 2003) FY '02: 2 <sup>nd</sup> half	(Six months ended Sep. 30, 2003) FY '03: 1 <sup>st</sup> half	Y.O.Y	Excluding effect of FOREX, etc.	Y.O.Y in local currencies
<b>Japan</b>	409	380	<b>362</b>	-18		-18
<b>&lt;Non- consolidated&gt;</b>	244	184	<b>172</b>	-12		-12
<b>Overseas</b>	432	455	<b>464</b>	+9	+22	-13
Americas	150	152	<b>166</b>	+14	+5	+9
Europe	179	195	<b>190</b>	-5	+15	-20
Asia	103	108	<b>108</b>	0	+2	-2
<b>Total</b>	841	835	<b>826</b>	-9	+22	-31



# Consolidated capital expenditures

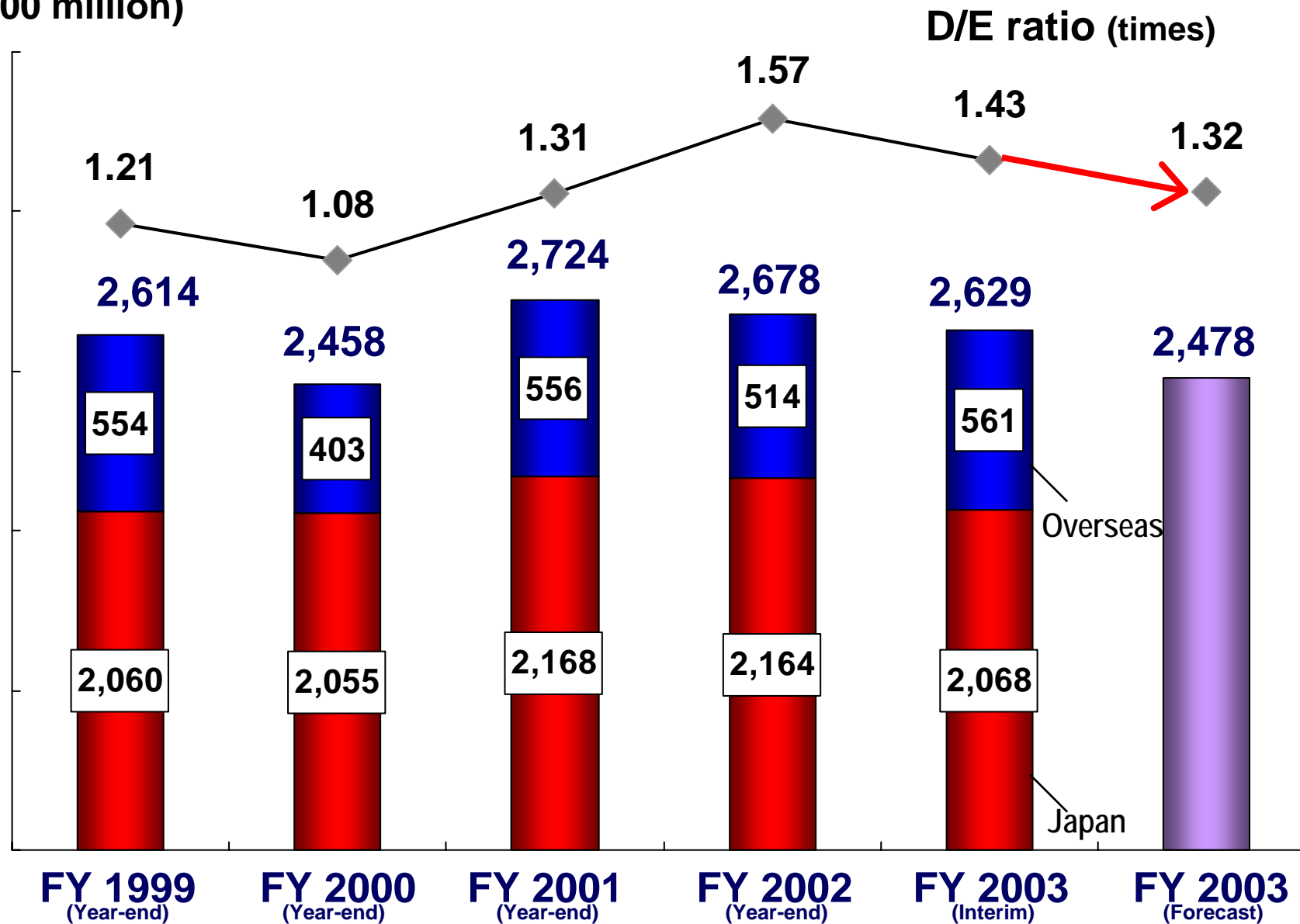
(¥100 million)	(Six months ended Sep. 30, 2002) <b>FY '02:1<sup>st</sup> half</b>	(Six months ended Mar. 31, 2003) <b>FY '02: 2<sup>nd</sup> half</b>	(Six months ended Sep. 30, 2003) <b>FY '03:1<sup>st</sup> half</b>	(Six months ending Mar. 31, 2004) <b>FY '03: 2<sup>nd</sup> half</b> <Forecast>
<b>Total capital expenditures</b>	132	98	<b>108</b>	<b>132</b>
<b>Japan</b>	62	58	<b>55</b>	<b>65</b>
<Non-consolidated>	<44>	<33>	<31>	<44>
<b>Overseas</b>	70	40	<b>53</b>	<b>67</b>
Americas	25	12	<b>17</b>	<b>20</b>
Europe	21	16	<b>15</b>	<b>7</b>
Asia	24	12	<b>21</b>	<b>40</b>
<b>Depreciation</b>	140	148	<b>133</b>	<b>155</b>
<b>Japan</b>	77	85	<b>73</b>	<b>80</b>
<Non- consolidated>	<54>	<45>	<39>	<32>
<b>Overseas</b>	63	63	<b>60</b>	<b>75</b>

# Consolidated balance sheets

(¥100 million)	(Six months ended Sep. 30, 2002) <b>FY '02:1<sup>st</sup> half</b>	(Six months ended Mar. 31, 2003) <b>FY '02:2<sup>nd</sup> half</b>	(Six months ended Sep. 30, 2003) <b>FY '03:1<sup>st</sup> half</b>	Difference from the previous half-year
<b>Current liabilities</b>	2,314	2,274	<b>2,260</b>	<b>-14</b>
Notes and accounts payables	854	874	760	-114
Short term loans, Bonds	1,011	1,031	1,075	+44
Others	449	369	425	+56
<b>Long term liabilities</b>	<b>1,778</b>	<b>1,834</b>	<b>1,943</b>	<b>+109</b>
Bonds, Long term loans, etc.	1,547	1,647	1,553	-94
Deferred tax liabilities	87	27	119	+92
Accrued retirement benefits	63	65	184	+119
Others	81	95	87	-8
<b>Total liabilities</b>	<b>4,092</b>	<b>4,108</b>	<b>4,203</b>	<b>+95</b>
* <Interest-bearing debts>	<2,558>	<2,678>	<2,629>	<-49>
<b>Minority interests</b>	<b>121</b>	<b>117</b>	<b>124</b>	<b>+7</b>
Common stock, capital surplus	1,451	1,451	1,451	0
Retained earnings	534	484	509	+25
Unrealized holding gains on securities	52	51	147	+96
Translation adjustments	-228	-236	-230	+6
Treasury stock	-24	-44	-44	0
<b>Total shareholder's equity</b>	<b>1,785</b>	<b>1,706</b>	<b>1,833</b>	<b>+127</b>
<b>Total liabilities and 17 shareholder's equity</b>	<b>5,998</b>	<b>5,931</b>	<b>6,160</b>	<b>+229</b>

# Consolidated interest bearing debts

(¥100 million)



# Consolidated cash flow (FY 2003: 1st half)

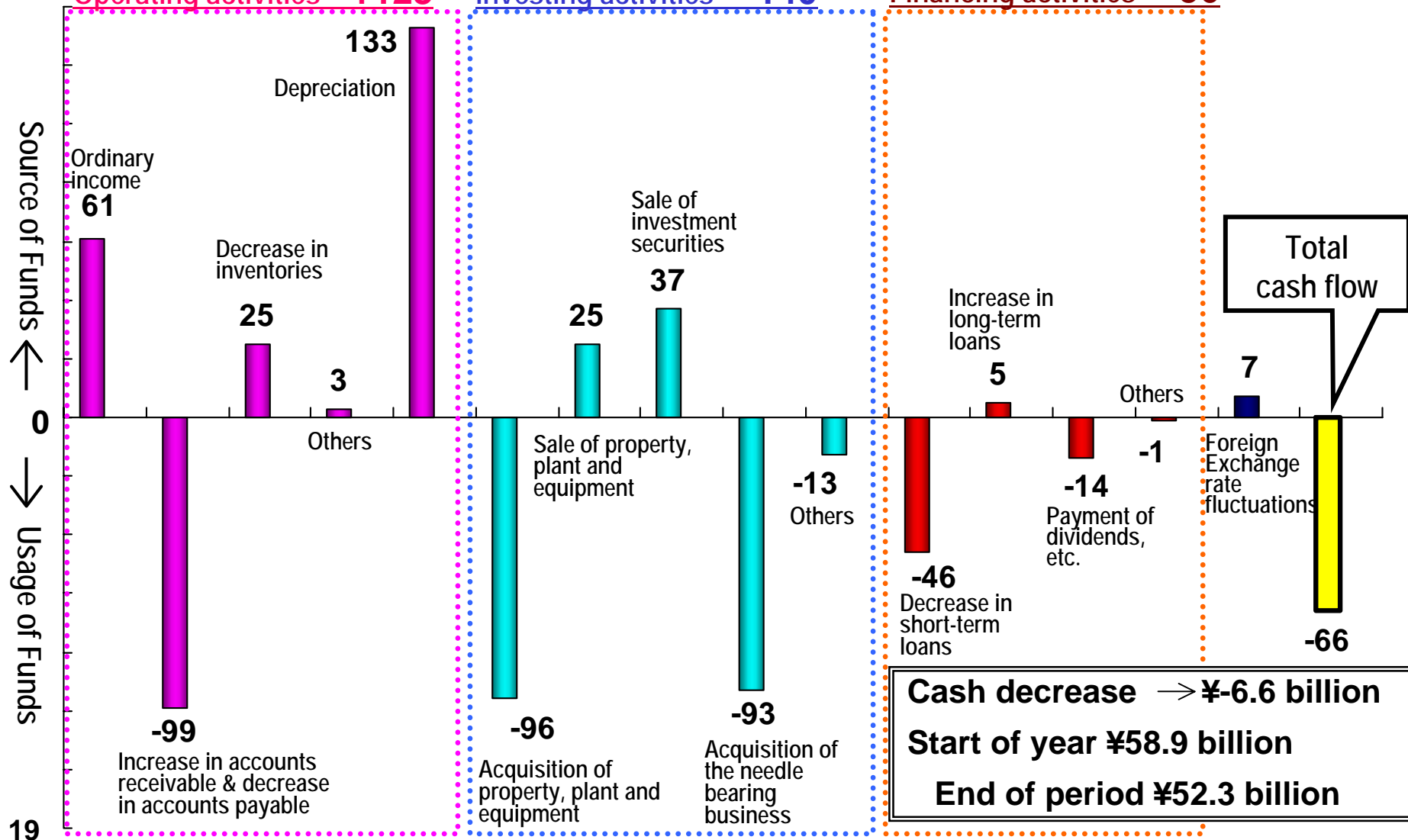
(¥100 million)

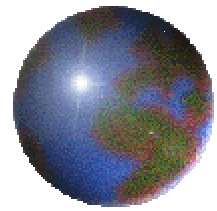
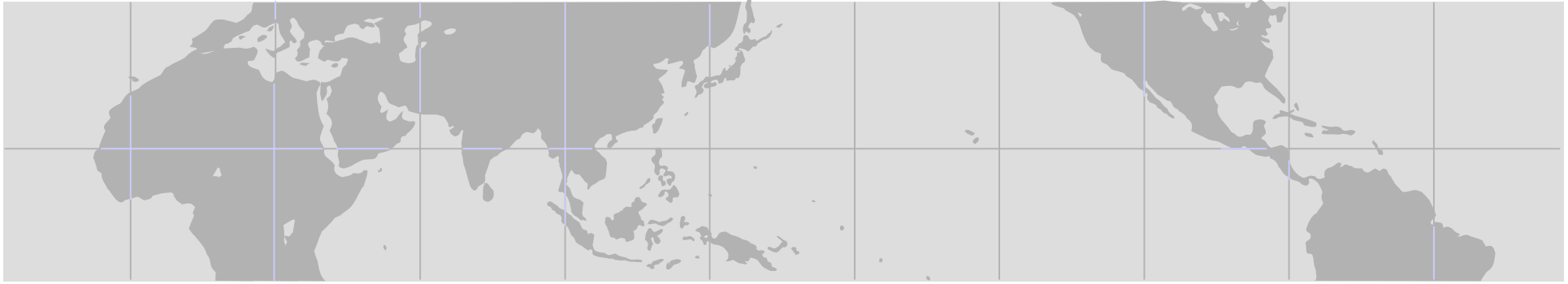
(Excluding the effect of exchange rate fluctuations)

**(1) Cash flow provided by Operating activities +123**

**(2) Cash flow used in Investing activities -140**

**(3) Cash flow used in Financing activities -56**





# Forecasts for the Year Ending March 31, 2004

# Consolidated business forecasts for the year ending March 31, 2004



(¥100 million)	Year ended March 31, 2003			Year ending March 31, 2004			Y.O.Y
	<u>FY 2002</u>			<u>FY 2003</u>			
	<Actual> 1st half	<Actual> 2nd half	<Actual> Total	<Actual> 1st half	<Forecast> 2nd half	<Forecast> Total	
Net sales	2,607	2,621	5,228	<b>2,538</b>	<b>2,542</b>	<b>5,080</b>	<b>-2.8%</b>
Operating income	65	113	178	<b>95</b>	<b>135</b>	<b>230</b>	<b>+29.2%</b>
Ordinary income	32	76	108	<b>61</b>	<b>109</b>	<b>170</b>	<b>+57.4%</b>
Income before tax	75	-96	-21	<b>80</b>	<b>109</b>	<b>189</b>	
Net income	8	-35	-27	<b>38</b>	<b>62</b>	<b>100</b>	
(Rate: 1 US\$= )	(¥129.67)	(¥120.99)	(¥125.33)	(¥119.14)	(¥110.00)	(¥114.57)	
(Rate: 1 STG£= )	(¥187.30)	(¥188.69)	(¥187.99)	(¥192.45)	(¥190.00)	(¥191.23)	
(Rate: 1 EURO= )	(¥115.98)	(¥119.88)	(¥117.93)	(¥131.71)	(¥120.00)	(¥125.86)	

# Consolidated net sales forecast

–By customer location–



(¥100 million)	Year ended March 31, 2003			Year ending March 31, 2004			Y.O.Y (%)
	<u>FY 2002</u>			<u>FY 2003</u>			
	<Actual> 1st half	<Actual> 2nd half	<Actual> Total	<Actual> 1st half	<Forecast> 2nd half	<Forecast> Total	
<b>Total</b>	2,607	2,621	5,228	<b>2,538</b>	<b>2,542</b>	<b>5,080</b>	<b>-2.8%</b>
<b>Japan</b>	1,366	1,427	2,793	<b>1,324</b>	<b>1,386</b>	<b>2,710</b>	<b>-3.0%</b>
<b>Overseas</b>	1,241	1,194	2,435	<b>1,214</b>	<b>1,156</b>	<b>2,370</b>	<b>-2.7%</b>
<b>Americas</b>	431	387	818	<b>386</b>	<b>354</b>	<b>740</b>	<b>-9.5%</b>
<b>Europe</b>	418	396	814	<b>440</b>	<b>390</b>	<b>830</b>	<b>+2.0%</b>
<b>Asia</b>	392	411	803	<b>388</b>	<b>412</b>	<b>800</b>	<b>-0.4%</b>

# Consolidated net sales forecast

–By business segment–



(¥100 million)	Year ended March 31, 2003			Year ending March 31, 2004			Y.O.Y (%)
	<u>FY 2002</u>			<u>FY 2003</u>			
	<Actual> 1st half	<Actual> 2nd half	<Actual> Total	<Actual> 1st half	<Forecast> 2nd half	<Forecast> Total	
<b>Total</b>	2,607	2,621	5,228	<b>2,538</b>	<b>2,542</b>	<b>5,080</b>	<b>-2.8%</b>
<b>Bearings</b>	1,604	1,615	3,219	<b>1,641</b>	<b>1,604</b>	<b>3,245</b>	<b>+0.8%</b>
<b>Automotive Components</b>	751	756	1,507	<b>630</b>	<b>635</b>	<b>1,265</b>	<b>-16.1%</b>
<b>Precision Products</b>	165	184	349	<b>197</b>	<b>253</b>	<b>450</b>	<b>+28.9%</b>
<b>Others</b>	87	66	153	<b>70</b>	<b>50</b>	<b>120</b>	<b>-21.6%</b>



# Consolidated net sales forecast

–By geographical segment–



		Year ended March 31, 2003			Year ending March 31, 2004		
		FY 2002			FY 2003		
(&#100 million)		<Actual> 1st half	<Actual> 2nd half	<Actual> Total	<Actual> 1st half	<Forecast> 2nd half	<Forecast> Total
<b>Japan</b>	<b>Sales</b>	1,920	2,035	3,955	1,868	1,955	3,823
	<b>Operating income</b>	42	87	129	64	102	166
	<b>&lt;%&gt;</b>	<2.2>	<4.3>	<3.3>	<3.4>	<5.2>	<4.3>
<b>Americas</b>	<b>Sales</b>	411	363	774	379	361	740
	<b>Operating income</b>	10	10	20	8	4	12
	<b>&lt;%&gt;</b>	<2.4>	<2.8>	<2.6>	<2.1>	<1.1>	<1.6>
<b>Europe</b>	<b>Sales</b>	438	412	850	460	413	873
	<b>Operating income</b>	-10	-9	-19	3	12	15
	<b>&lt;%&gt;</b>	<-2.3>	<-2.2>	<-2.2>	<0.7>	<2.9>	<1.7>
<b>Asia</b>	<b>Sales</b>	291	284	575	280	293	573
	<b>Operating income</b>	22	24	46	21	19	40
	<b>&lt;%&gt;</b>	<7.6>	<8.5>	<8.0>	<7.5>	<6.5>	<7.0>
<b>Elimination</b>	<b>Sales</b>	-453	-473	-926	-449	-480	-929
	<b>Operating income</b>	1	1	2	-1	-2	-3
<b>Total</b>	<b>Sales</b>	2,607	2,621	5,228	2,538	2,542	5,080
	<b>Operating income</b>	65	113	178	95	135	230
	<b>&lt;%&gt;</b>	<2.5>	<4.3>	<3.4>	<3.7>	<5.3>	<4.5>

\* The above sales and operating income breakdown are calculated based on the location of the distributor (i.e. shipping division) and includes interarea sales and transfers. Therefore, the figures do not match the sales breakdown by customer location.

# Consolidated net sales forecast

–By business segment–



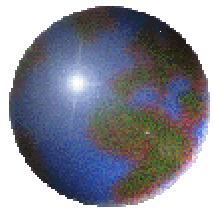
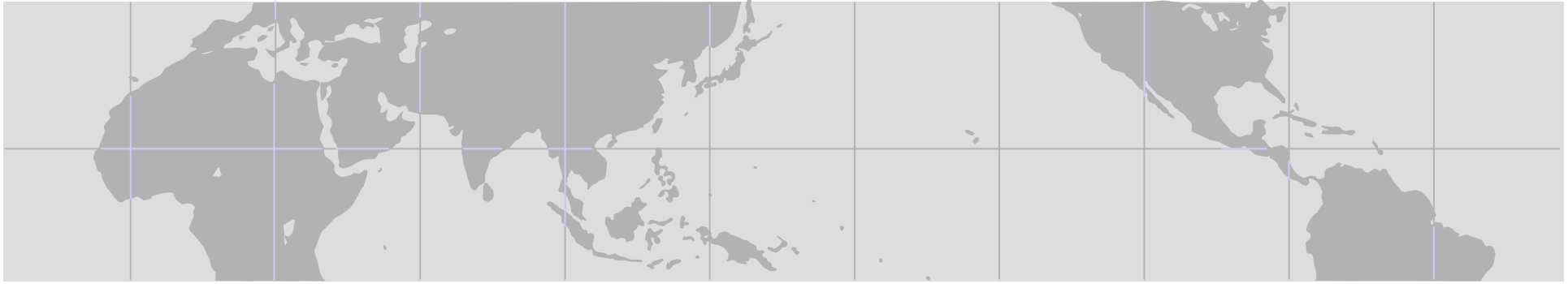
(¥100 million)		Revised forecast (Aug. 07, '03)	Revised forecast (Oct. 31, '03)	1st half	2nd half
<b>Total</b>	Sales	4,980	5,080	2,538	2,542
	Operating income	230	230	95	135
<b>Bearings</b>	Sales	3,218	3,245	1,641	1,604
	Operating income	206	211	97	114
<b>Automotive components</b>	Sales	1,232	1,265	630	635
	Operating income	40	45	22	23
<b>Precision machinery</b>	Sales	420	450	197	253
	Operating income	15	0	-15	15
<b>Others</b>	Sales	110	120	70	50
	Operating income	8	9	6	3
<b>General expenses</b>		-39	-35	-15	-20

# Profitability of the Precision Machinery and Parts Business



(¥100 million)

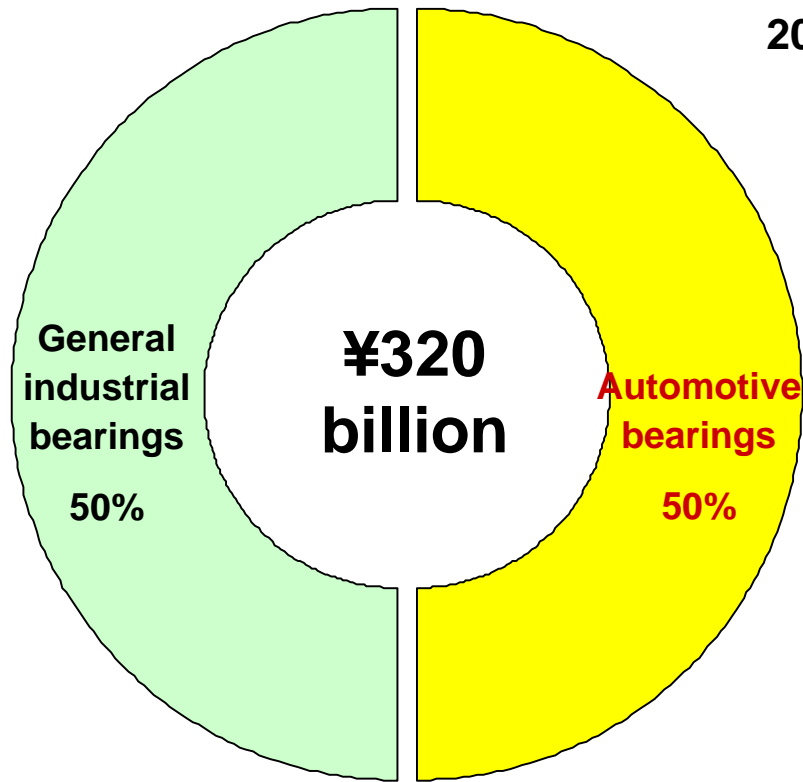
	FY '02: 2 <sup>nd</sup> half <Actual>	FY '03: 1 <sup>st</sup> half <Actual>	FY '03: 1 <sup>st</sup> half <Initial forecast>	FY '03: 1 <sup>st</sup> half <Actual>	FY '03: 2 <sup>nd</sup> half <Reviewed forecast>
Sales	184	197	200	197	253
Operating income	-29	-15	0	-15	+15
	(Difference from FY '02: 2 <sup>nd</sup> half )		(Difference from the initial forecast)		(Difference from FY '03: 1 <sup>st</sup> half )
<b>Profit contributions</b>	<b>+14</b>		<b>-15</b>		<b>+ 30</b>
Sales volume	+ 8		- 1		+ 20
Business restructuring	+ 5		- 7		+ 8
Procurement cost reductions	+ 5		- 1		+ 7
Labor cost reductions	-4		- 6		+ 1
Productivity improvements at the Kyushu (Japan) and Franklin (U.S.) plants	+ 4				+ 1
Others	+ 1		- 7		+ 2



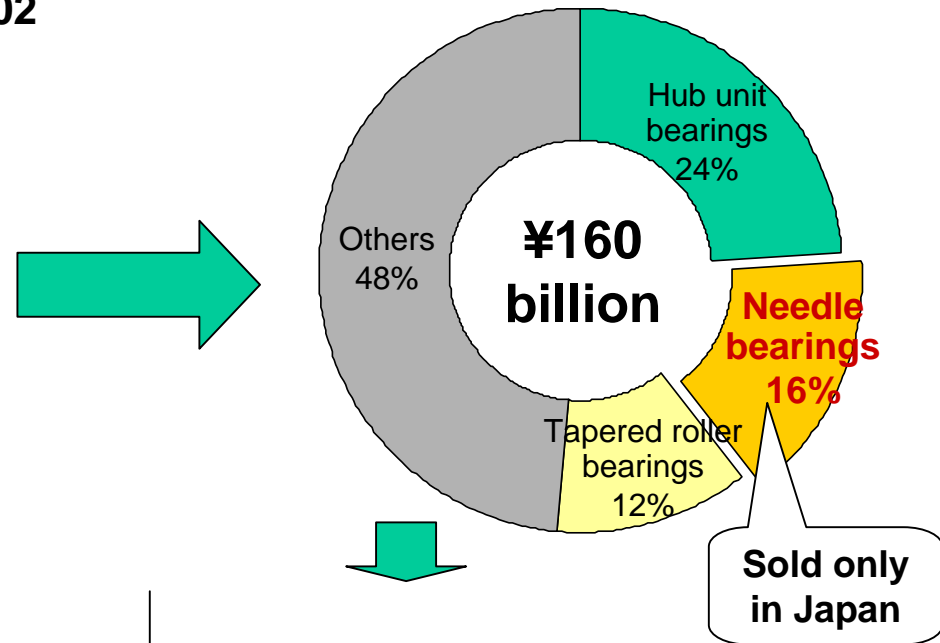
# New Developments in NSK's Needle Bearing Business

- **NSK's Position in the Needle Bearing Market**
- **Current Status of the Needle Bearing Market**
- **Main Applications for Automotive Needle Bearings**
- **NSK's Global Approach to the Needle Bearing Business**

## NSK's Global Bearing Sales by Industry



## Breakdown of Automotive Bearing Sales

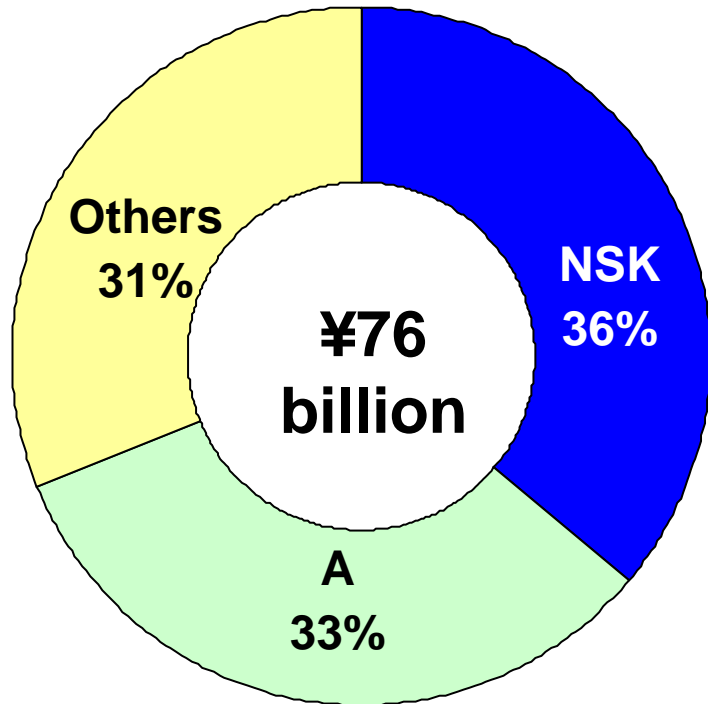


Growth

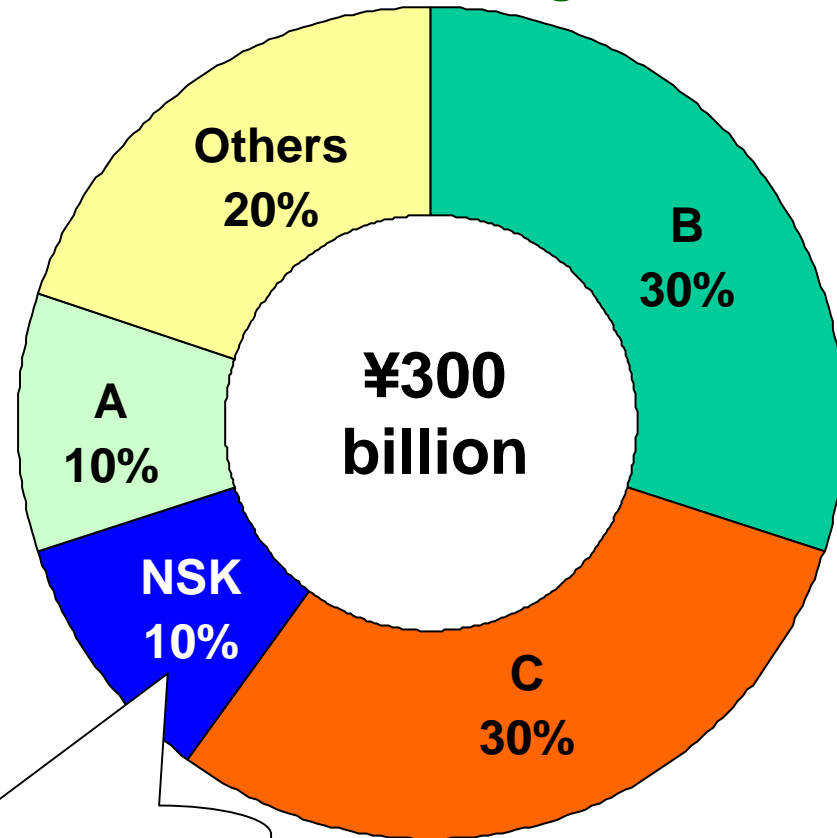


Profitability

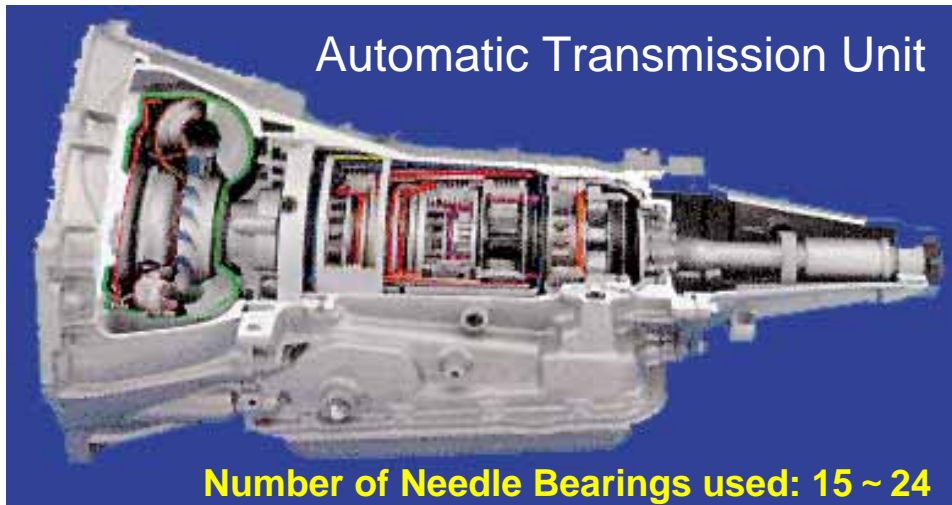
Domestic Market Share of Needle Bearings



Global Market Share of Needle Bearings

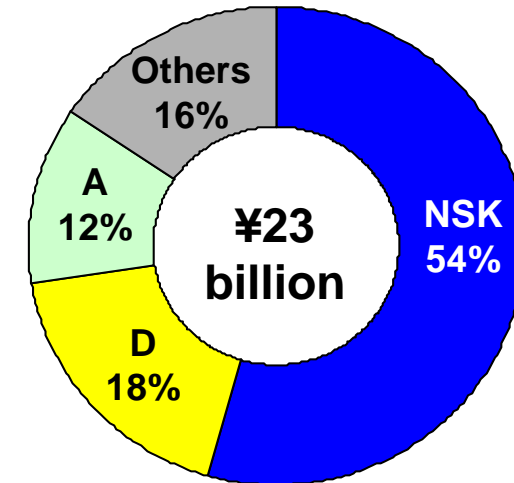


Automotive      ¥25 billion  
General industrial    ¥5 billion

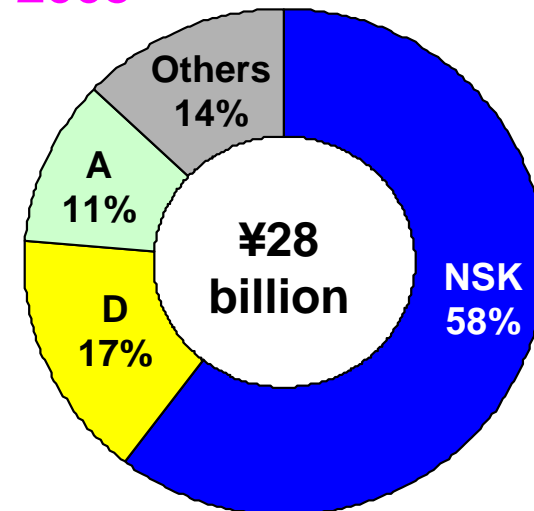


## <Global Demand from Japanese Auto Makers>

### Market Share of Needle Bearings for Automatic Transmission Units



2005



### Market Trend

Japanese automatic transmission manufacturers are expected to increase their global market share based on their high level of technical expertise. Also, demand for multiple-speed automatic transmissions is increasing, leading to a further increase in demand for needle bearings.

### NSK's Business Strategy

- NSK will utilize its expertise in analytical and fundamental technologies to provide engineering solutions and develop bearings that can comply to demands for higher speed and lighter weight.
- NSK will improve customer service by providing comprehensive technical support for bearings and automatic transmission components, as well as establishing a global supply network.



**1963**                    **Start production at a joint venture company with  
The Torrington Company**

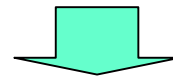
(NSK's sales and production were restricted to Japan)

**2000 ~**                    **Our major Japanese customers begin transfer of  
production to overseas production sites**

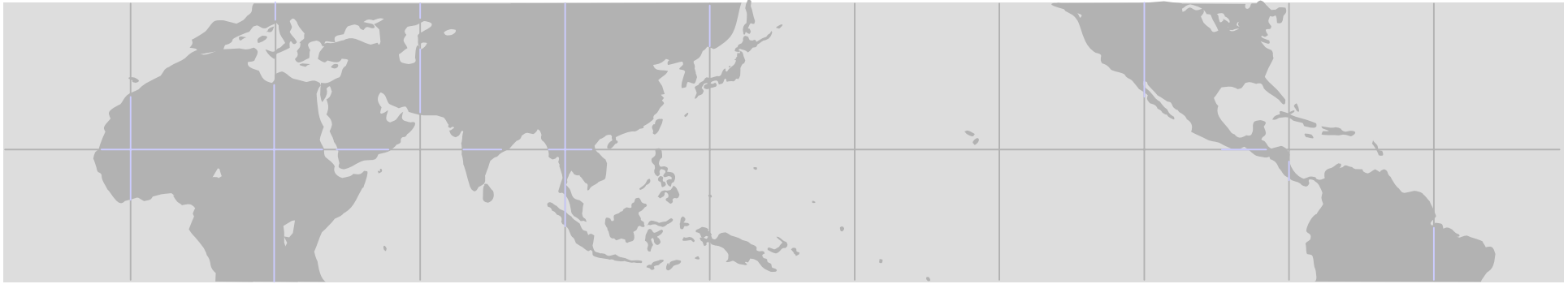
(Global expansion of our needle bearing business becomes vital)

**2003**                    **The Timken Company acquires Torrington**

**NSK gets the opportunity to acquire full control of the needle  
bearing business**



**NSK takes full control of the needle bearing business,  
eliminating all restrictions and  
making global expansion possible**



# **Building on the “Business Restructuring” Phase to Enter a New Stage of Growth and Expansion**