

NSK Ltd.

(URL <http://www.nsk.com>)

For Immediate Release

October 29, 2004

CONSOLIDATED RESULTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2004 (unaudited)

Financial highlights

| | Six months ended September 30 | | Change % |
|----------------------|-------------------------------|-----------|-------------|
| | 2004 | 2003 | |
| (Millions of yen) | | | |
| Net sales | ¥ 287,287 | ¥ 253,813 | 13.2 |
| Operating income | 19,456 | 9,462 | 105.6 |
| Ordinary income | 17,755 | 6,083 | 191.9 |
| Net income | 11,816 | 3,842 | 207.5 |
| (Yen) | | | |
| Net income per share | | | |
| Basic | ¥ 21.91 | ¥ 7.12 | |
| Diluted | ¥21.57 | — | |

Financial position

| | As of September 30, 2004 | As of March 31, 2004 |
|--------------------------------------|--------------------------------|----------------------------|
| (Millions of yen) | | |
| Total assets | ¥ 622,206 | ¥ 621,877 |
| Shareholders' equity | 179,529 | 188,662 |
| (%) | | |
| Shareholders' equity to total assets | 28.9% | 30.3% |
| (Yen) | | |
| Shareholders' equity per share | ¥ 332.92 | ¥ 349.83 |

Cash Flow

| | Six months ended September 30 | |
|--|-------------------------------|----------|
| | 2004 | 2003 |
| (Millions of yen) | | |
| Net cash provided by operating activities | ¥ 20,952 | ¥ 12,273 |
| Net cash (used in) investing activities | -13,492 | -13,959 |
| Net cash (used in) financing activities | -20,937 | -5,612 |
| Cash and cash equivalents at end of period | 45,198 | 52,346 |

Consolidated balance sheets

| (Millions of yen) | As of September 30, 2004 | As of March 31, 2004 | Increase/ Decrease |
|--|-----------------------------|-------------------------|-----------------------|
| Assets | | | |
| Current assets | ¥ 284,438 | ¥ 295,491 | ¥ -11,053 |
| Cash and deposits | 33,736 | 43,533 | -9,797 |
| Notes and accounts receivable | 127,557 | 121,208 | 6,349 |
| Marketable securities | 9,425 | 9,385 | 40 |
| Inventories | 76,736 | 75,905 | 831 |
| Deferred tax assets | 10,891 | 11,447 | -556 |
| Other current assets | 27,258 | 35,263 | -8,005 |
| Less allowance for doubtful accounts | -1,167 | -1,252 | 85 |
| Non-current assets | 337,767 | 326,386 | 11,381 |
| Property, plant and equipment | 198,662 | 196,810 | 1,852 |
| Buildings and structures | 63,015 | 63,721 | -706 |
| Machinery and transportation equipment | 92,011 | 90,493 | 1,518 |
| Land | 25,942 | 26,426 | -484 |
| Other property, plant and equipment | 17,693 | 16,169 | 1,524 |
| Intangible assets | 8,395 | 8,368 | 27 |
| Investments and other assets | 130,709 | 121,207 | 9,502 |
| Investment securities | 84,865 | 88,483 | -3,618 |
| Prepaid pension costs | 35,824 | 22,223 | 13,601 |
| Deferred tax assets | 3,638 | 3,619 | 19 |
| Other investments and other assets | 8,087 | 8,595 | -508 |
| Less allowance for doubtful accounts | -1,706 | -1,714 | 8 |
| Total assets | ¥ 622,206 | ¥ 621,877 | ¥ 329 |

Consolidated balance sheets (Continued)

| (Millions of yen) | As of September 30, 2004 | As of March 31, 2004 | Increase/ Decrease |
|---|-----------------------------|-------------------------|-----------------------|
| Liabilities | | | |
| Current liabilities | ¥ 237,307 | ¥ 245,588 | ¥ -8,281 |
| Notes and accounts payable | 92,169 | 83,713 | 8,456 |
| Short-term loans | 71,096 | 77,418 | -6,322 |
| Current portion of corporate bonds | 26,989 | 36,989 | -10,000 |
| Accrued income taxes | 4,464 | 6,708 | -2,244 |
| Other current liabilities | 42,587 | 40,759 | 1,828 |
| Long-term liabilities | 192,744 | 175,548 | 17,196 |
| Corporate bonds | 70,000 | 70,000 | — |
| Long-term loans | 59,313 | 62,141 | -2,828 |
| Deferred tax liabilities | 17,786 | 16,722 | 1,064 |
| Accrued employees' retirement benefits | 30,752 | 17,316 | 13,436 |
| Accrued officers' retirement benefits | 138 | 1,729 | -1,591 |
| Other long-term liabilities | 14,754 | 7,638 | 7,116 |
| Total liabilities | 430,051 | 421,137 | 8,914 |
| Minority interests | 12,625 | 12,077 | 548 |
| Shareholders' equity | | | |
| Common stock | 67,176 | 67,176 | — |
| Capital surplus | 77,924 | 77,923 | 1 |
| Retained earnings | 50,631 | 58,856 | -8,225 |
| Unrealized holding gains on securities | 17,502 | 19,127 | -1,625 |
| Translation adjustments | -29,322 | -30,061 | 739 |
| NSK treasury stock | -4,383 | -4,361 | -22 |
| Total shareholders' equity | 179,529 | 188,662 | -9,133 |
| Total liabilities and shareholders' equity | ¥ 622,206 | ¥ 621,877 | ¥ 329 |

Consolidated statements of operations

| (Millions of yen) | Six months ended September 30 | | |
|---|-------------------------------|-----------|-------------|
| | 2004 | 2003 | Change % |
| Net sales | ¥ 287,287 | ¥ 253,813 | 13.2 |
| Cost of sales | 222,979 | 200,666 | 11.1 |
| Gross profit | 64,307 | 53,146 | 21.0 |
| Selling, general and administrative expenses | 44,851 | 43,684 | 2.7 |
| Operating income | 19,456 | 9,462 | 105.6 |
| Non-operating income: | 3,788 | 3,526 | 7.4 |
| Interest and dividend income | 916 | 717 | 27.8 |
| Equity in earnings of affiliated companies | 1,283 | 1,209 | 6.1 |
| Other | 1,589 | 1,600 | -0.7 |
| Non-operating expenses: | 5,489 | 6,906 | -20.5 |
| Interest expenses | 2,520 | 3,169 | -20.5 |
| Other | 2,968 | 3,736 | -20.5 |
| Ordinary income | 17,755 | 6,083 | 191.9 |
| Extraordinary income: | 1,840 | 2,721 | -32.3 |
| Gain on transfer to defined contribution pension plan | 1,059 | — | — |
| Gain on sales of investment securities | 781 | 2,207 | -64.6 |
| Gain on sales of investments in affiliated companies | — | 513 | — |
| Extraordinary losses: | 90 | 769 | -88.2 |
| Loss on devaluation of investment securities | 90 | — | — |
| Loss on disposal of property, plant and equipment | — | 769 | — |
| Income before income taxes and minority interests | 19,505 | 8,034 | 142.8 |
| Income taxes: | | | |
| Current | 4,612 | 6,176 | -25.3 |
| Deferred | 2,472 | -2,195 | — |
| Minority interests in earnings of consolidated subsidiaries | 604 | 211 | 185.4 |
| Net income | ¥ 11,816 | ¥ 3,842 | 207.5 |

Consolidated statements of surplus

| (Millions of yen) | Six months ended September 30 | | |
|--|-------------------------------|-----------------|------------------------------------|
| | <u>2004</u> | <u>2003</u> | <u>Increase</u> <u>Decrease</u> |
| Capital surplus | | | |
| Capital surplus at the beginning of period | <u>¥ 77,923</u> | <u>¥ 77,923</u> | <u>¥ —</u> |
| Increase in capital surplus | 0 | 0 | 0 |
| Gain on disposal of NSK treasury stock | 0 | 0 | 0 |
| Capital surplus at the end of period | <u>¥ 77,924</u> | <u>¥ 77,924</u> | <u>¥ 0</u> |
| Retained earnings | | | |
| Retained earnings at the beginning of period | <u>¥ 58,856</u> | <u>¥ 48,366</u> | <u>¥ 10,490</u> |
| Increase in retained earnings | 11,816 | 3,842 | 7,974 |
| Interim net income | 11,816 | 3,842 | 7,974 |
| Decrease in retained earnings | <u>20,041</u> | <u>1,349</u> | <u>18,692</u> |
| Dividends | 2,970 | 1,349 | 1,621 |
| Loss on retirement benefit liabilities of UK subsidiaries | 17,070 | — | 17,070 |
| Retained earnings at the end of period | <u>¥ 50,631</u> | <u>¥ 50,858</u> | <u>¥ -227</u> |

Consolidated statements of cash flows

Six months ended September 30

(Millions of yen)

| | 2004 | 2003 |
|---|-----------------|-----------------|
| Operating activities | | |
| Income before income taxes and minority interests | ¥ 19,505 | ¥ 8,034 |
| Depreciation and amortization | 13,147 | 13,335 |
| Amortization of excess of cost over net assets acquired | 285 | 142 |
| (Decrease) increase in allowance for doubtful accounts | -84 | 659 |
| (Decrease) increase in provision for retirement benefits | -17,117 | 1,045 |
| Interest and dividend income | -916 | -717 |
| Interest expense | 2,520 | 3,169 |
| Equity in earnings of affiliated companies | -1,283 | -1,209 |
| Loss on disposal of property, plant and equipment | — | 769 |
| Gain on sales of investment securities | -781 | -2,207 |
| Loss on devaluation of investment securities | 90 | — |
| Gain on sales of investments in affiliated companies | — | -513 |
| (Increase) in notes and accounts receivable | -6,411 | -2,750 |
| (Increase) decrease in inventories | -976 | 2,522 |
| Increase (decrease) in notes and accounts payable | 8,430 | -7,039 |
| Other | 10,882 | 2,170 |
| Subtotal | 27,290 | 17,412 |
| Interest and dividends received | 2,851 | 1,501 |
| Interest paid | -2,653 | -3,242 |
| Income taxes paid | -6,536 | -3,398 |
| Net cash provided by operating activities | <u>20,952</u> | <u>12,273</u> |
| Investing activities | | |
| Additions to property, plant and equipment | -15,096 | -9,577 |
| Proceeds from sales of property, plant and equipment | 1,367 | 2,490 |
| Acquisition of investment securities | -111 | -23 |
| Proceeds from sales of investment securities | 1,278 | 3,652 |
| Acquisition of subsidiaries' stock resulting in changes in the scope of consolidation | — | -9,339 |
| Payments arising from sales of subsidiaries' stock resulting in changes in the scope of consolidation | — | -218 |
| Acquisition of affiliated companies' stock | — | -95 |
| Payments for advances | -95 | -362 |
| Proceeds from collection of advances | 85 | 86 |
| Other | -919 | -572 |
| Net cash (used in) investing activities | <u>-13,492</u> | <u>-13,959</u> |
| Financing activities | | |
| Net (decrease) in short-term loans | -8,127 | -4,638 |
| Long-term debt – borrowing | 674 | 2,475 |
| Long-term debt – repayments | -1,124 | -1,990 |
| Payments for redemption of corporate bonds | -10,000 | — |
| Payments for acquisition of NSK treasury stock | -21 | -6 |
| Dividends paid | -2,158 | -1,349 |
| Dividends paid to minority stockholders | -112 | -37 |
| Other | -68 | -65 |
| Net cash (used in) financing activities | <u>-20,937</u> | <u>-5,612</u> |
| Effect of exchange rate changes on cash and cash equivalents | -316 | 706 |
| Net (decrease) in cash and cash equivalents | <u>-13,794</u> | <u>-6,591</u> |
| Cash and cash equivalents at beginning of the year | <u>58,993</u> | <u>58,938</u> |
| Cash and cash equivalents at end of period | <u>¥ 45,198</u> | <u>¥ 52,346</u> |

Sales by business segment

| Six months ended September 30, 2004 | | | | | | | |
|-------------------------------------|-------------------------------|---------------------|-------------------------------|---------|-----------|------------------------|--------------|
| (Millions of yen) | Industrial machinery bearings | Automotive products | Precision machinery and parts | Other | Total | Eliminations and other | Consolidated |
| Sales to third parties | ¥ 91,880 | ¥ 155,523 | ¥ 32,411 | ¥ 7,471 | ¥ 287,287 | — | ¥ 287,287 |
| Intersegment sales and transfers | — | — | — | 3,336 | 3,336 | -3,336 | — |
| Total | 91,880 | 155,523 | 32,411 | 10,808 | 290,624 | -3,336 | 287,287 |
| Operating expenses | 82,517 | 146,551 | 29,805 | 10,250 | 269,125 | -1,293 | 267,831 |
| Operating income | ¥ 9,363 | ¥ 8,971 | ¥ 2,605 | ¥ 558 | ¥ 21,499 | ¥ -2,043 | ¥ 19,456 |

| Six months ended September 30, 2003 | | | | | | | |
|-------------------------------------|-------------------------------|---------------------|-------------------------------|---------|-----------|------------------------|--------------|
| (Millions of yen) | Industrial machinery bearings | Automotive products | Precision machinery and parts | Other | Total | Eliminations and other | Consolidated |
| Sales to third parties | ¥ 87,157 | ¥ 139,955 | ¥ 19,681 | ¥ 7,019 | ¥ 253,813 | — | ¥ 253,813 |
| Intersegment sales and transfers | — | — | — | 3,205 | 3,205 | -3,205 | — |
| Total | 87,157 | 139,955 | 19,681 | 10,224 | 257,018 | -3,205 | 253,813 |
| Operating expenses | 82,284 | 132,945 | 21,160 | 9,597 | 245,987 | -1,636 | 244,350 |
| Operating income (loss) | ¥ 4,873 | ¥ 7,010 | ¥ -1,479 | ¥ 627 | ¥ 11,031 | ¥ -1,568 | ¥ 9,462 |

Sales by geographical segment

| Six months ended September 30, 2004 | | | | | | | |
|-------------------------------------|-----------|----------|----------|----------|-----------|------------------------|--------------|
| (Millions of yen) | Japan | Americas | Europe | Asia | Total | Eliminations and other | Consolidated |
| Sales to third parties | ¥ 173,192 | ¥ 40,022 | ¥ 48,461 | ¥ 25,611 | ¥ 287,287 | — | ¥ 287,287 |
| Interarea sales and transfers | 40,122 | 260 | 2,993 | 5,485 | 48,861 | -48,861 | — |
| Total | 213,314 | 40,282 | 51,454 | 31,096 | 336,148 | -48,861 | 287,287 |
| Operating expenses | 197,746 | 39,076 | 48,724 | 29,403 | 314,951 | -47,120 | 267,831 |
| Operating income | ¥ 15,567 | ¥ 1,205 | ¥ 2,730 | ¥ 1,693 | ¥ 21,197 | ¥ -1,741 | ¥ 19,456 |

| Six months ended September 30, 2003 | | | | | | | |
|-------------------------------------|-----------|----------|----------|----------|-----------|------------------------|--------------|
| (Millions of yen) | Japan | Americas | Europe | Asia | Total | Eliminations and other | Consolidated |
| Sales to third parties | ¥ 149,098 | ¥ 37,774 | ¥ 44,048 | ¥ 22,891 | ¥ 253,813 | — | ¥ 253,813 |
| Interarea sales and transfers | 37,727 | 173 | 1,938 | 5,102 | 44,942 | -44,942 | — |
| Total | 186,826 | 37,947 | 45,987 | 27,993 | 298,755 | -44,942 | 253,813 |
| Operating expenses | 178,185 | 37,109 | 45,725 | 25,810 | 286,830 | -42,479 | 244,350 |
| Operating income | ¥ 8,641 | ¥ 837 | ¥ 262 | ¥ 2,183 | ¥ 11,925 | ¥ -2,462 | ¥ 9,462 |

Sales by customer location

Six months ended September 30, 2004

| (Millions of yen) | Americas | Europe | Asia | Total |
|---|----------|----------|----------|-----------|
| Overseas sales | ¥ 41,107 | ¥ 48,590 | ¥ 46,910 | ¥ 136,607 |
| Consolidated net sales | — | — | — | 287,287 |
| Ratio of overseas sales to consolidated net sales | 14.3% | 16.9% | 16.4% | 47.6% |

Six months ended September 30, 2003

| (Millions of yen) | Americas | Europe | Asia | Total |
|---|----------|----------|----------|-----------|
| Overseas sales | ¥ 38,567 | ¥ 44,058 | ¥ 38,759 | ¥ 121,385 |
| Consolidated net sales | — | — | — | 253,813 |
| Ratio of overseas sales to consolidated net sales | 15.2% | 17.3% | 15.3% | 47.8% |

Management Policy Statement

1. Basic Policy

NSK Ltd.'s goal is to establish itself as a world-class company by improving management's capabilities to stay ahead of the rapid changes in the business environment and by further increasing the value of the corporate brand. Consistent with the corporate philosophy of "Contributing to the World through our Motion & Control technology," our goals are:

- (1) To improve the QCDS (i.e. Quality, Cost, Delivery and Service) capabilities of our engineering, manufacturing and sales operations so that we will be able to meet the increasingly diverse needs of our customers and become the No.1 company in terms of customer satisfaction.
- (2) To continue to reduce negative environmental impact by effectively using our expertise in tribology, the science of anti-friction and lubrication technologies, which is our core technology and forms the basis of our entire business.
- (3) To be the outstanding corporate citizen in all the locations where we operate, including all international manufacturing locations.

2. Dividends

NSK places great importance on shareholder returns and will maintain our basic policy of issuing consistent dividends. However, in the future, greater emphasis will be placed on our dividend payout ratio and to ensuring that dividends better reflect our consolidated business results.

3. Key Indicators

NSK aims to increase return on equity (ROE) and recognizes operating income margin as a key indicator of profit stability. The Company also recognizes the importance of asset efficiency and cash flow.

4. Mid- and Long-Term Strategies

In order to achieve the mid-term targets that were set in fiscal 2003 and to sustain growth of operations, NSK is constantly striving to become No. 1 in customer satisfaction, utilizing the Group's comprehensive business capabilities and restructuring its business foundations. NSK endeavors to become a company capable of producing profits consistently, regardless of the volatile changes of the surrounding business environment, by aggressively pursuing the completion of the 2nd phase of the "NSK Business Restructuring Program." The 2nd phase of the "NSK Business Restructuring Program" includes the following activities:

- (1) Production innovation activities to strengthen our production system.
- (2) Quality improvement activities to increase the reliability of the "NSK" brand.
- (3) Salary and employment, and preprocessing and procurement system reforms to strengthen our profit structure.
- (4) Balance sheet reforms to strengthen our financial position.

NSK will continue to strategically focus its global management resources. We will also actively seek global alliances without limiting ourselves to past practices.

5. Key Management Tasks

During the past six months, NSK has continued to press forward with its structural improvements and the implementation of growth strategies, both focal themes of the company's Mid-term Business Plan.

Regarding structural improvements, we have expanded the scope of our production innovation activities, which had focused on manufacturing operations. Going forward, our production innovation activities will be expanded to include R&D, sales and administrative divisions. Through these Group-wide activities, we endeavor to implement management reforms throughout the NSK Group. As for growth strategies, we are increasing capital expenditures in various locations around the world. These investments will build the foundations of our future growth, contribute to profit

targets and accelerate our transition to a high-profit company. Our overseas strategy focuses on our accelerated expansion of business in China. In the past six months, we have established a needle roller bearing production company in the Changshu Southeast Economic Development Zone (Jiangsu). Production is scheduled to start in mid 2005. We are increasing not only our production capacity but also reinforcing our sales, marketing, and R&D network to establish a firm lead over our competitors.

Furthermore, we are committed to strengthen our “market-oriented” R&D capabilities. By combining our company’s unique technical know-how in fundamental technologies in areas such as tribology and mechatronics with state-of-the-art technologies, we aim to further improve the functions of existing products as well as develop innovative new products.

As for our environmental activities, we are continuing to expand our lineup of environmentally-friendly products that, for an example, are effective in the prevention of global warming, as a means of contributing to environmental protection and to improve the level of our environmental management.

6. Corporate Governance Policy and Structure

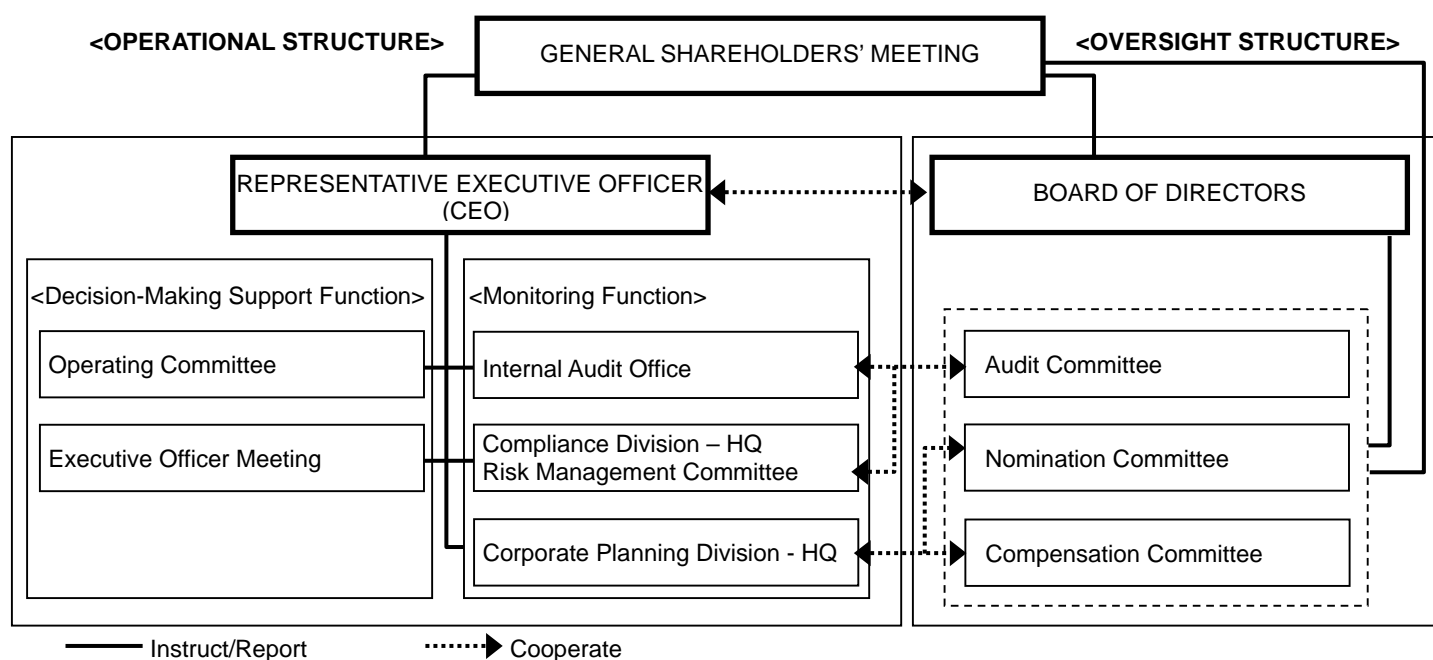
NSK recognizes “corporate governance” as a system that, under the close surveillance of the Board of Directors, enables the operational organizations to focus on expanding business and improving profitability, thus achieving our ultimate goal of increasing shareholder value and increasing management transparency.

In order to do this, we have implemented the following measures:

- (1) The Board of Directors has relinquished a large portion of its decision-making authority to the operational organizations to speed-up decision-making processes.
- (2) The oversight structure and the operational organizations are working in cooperation to reinforce internal monitoring functions.
- (3) The Company has reinforced the monitoring functions of its business operations

Beginning in 1999, NSK has continued to strengthen its corporate governance structure through measures such as introducing a voluntary executive officers system, appointing an independent director, and establishing a voluntary Executive Compensation Committee. To further accelerate this process, NSK adopted the “company-with-committees” system of corporate governance on June 29, 2004.

NSK's Corporate Governance Structure



To reinforce our internal monitoring functions, we have taken the following measures:

(1) Establishment of the "Internal Audit Office"

The Internal Audit Office was established on June 29, 2004 in place of the former Audit Office, and is in charge of monitoring the legality, validity, and efficiency of Group operations. The Internal Audit Office has introduced a new "risk reporting system," and consistent with the policies and schedules of the Audit Committee, has started to perform actual audits. The Internal Audit Office will not only monitor the Group's internal management systems, but will also be in charge of drawing up improvement plans and advising on improvement activities based on the audit results.

(2) Establishment of the "Compliance Division – Headquarters"

The existing divisions in charge of legal matters were combined to form the new Compliance Division – Headquarters on June 29, 2004 to further ensure all laws, regulations and rules on corporate ethics are respected throughout the NSK Group. The Compliance Division – Headquarters plans and implements compliance reinforcement and social contribution activities based on the Company's "Corporate Social Responsibility Promotion Program."

In addition, the Company, lead by the Corporate Planning Division – Headquarters, is also in the process of reviewing its various business management rules and regulations, beginning with the issuance of a new "Corporate Governance Standard."

Regarding risk management, the Risk Management Committee established new rules that are to be followed if an earthquake should ever hamper Tokyo headquarter functions. The Risk Management Committee identifies and monitors risk factors to prevent crises and minimize damage in cases of actual emergencies.

Overview of the six months ended September 30, 2004

In Japan, the economy saw a steady recovery, supported by healthy export demand from Asian countries such as China, increase in capital expenditures, sharp recovery in corporate profits, and a gradual recovery in consumer demand, although rising crude oil prices and the continued weakness of the stock market pose as risk factors.

The U.S. economy remains robust, while the European economy continues a gradual recovery. In Asia, strong growth continues in China and Thailand, while the economy in South Korea is also on the recovery.

Under these conditions, the NSK Group has pressed forward with structural reforms by expanding the scope of production innovation activities to cover the Group's entire operations, from manufacturing and sales through to R&D and administrative divisions. NSK has also aggressively pursued growth strategies, such as the reinforcement of our production and sales networks in China, and the development of high function products and innovative new products.

As a result, the consolidated net sales for the six months ended September 30, 2004 were ¥287,287 million, an increase of 13.2% from the same period last year. Operating income increased to ¥19,456 million, a year-on-year increase of 105.6%, while ordinary income was ¥17,755 million, up by 191.9%.

Gain of ¥1,059 million on the partial adoption of a defined contribution pension plan instead of the existing 100% defined benefit pension plan at the parent company and Japanese subsidiaries and gain on sales of investment securities of ¥781 million have been appropriated as extraordinary income, while losses of ¥90 million on devaluation of investment securities were appropriated as extraordinary losses. After adjustment of income taxes, deferred taxes and minority interest in earnings of consolidated subsidiaries, net income for the six months ended September 30 was ¥11,816 million, a year-on-year increase of 207.5%.

The Company will pay an interim dividend of ¥5.5 per share, taking into consideration the business results for the first half of the fiscal year and the forecast for the latter half of fiscal 2004.

Net sales by product category

Industrial machinery bearings

Domestic sales to the industrial machinery, steel, railway, aftermarket and other general machinery sectors remained strong. Overseas, sales in Europe showed only a slight increase due to the relative weakness of the European recovery. However, sales in the American and Asian regions were robust. As a result, overall sales of industrial machinery bearings amounted to ¥ 91,880 million, up 5.4% from the same period last year. With increasing profits from both Japan and Europe, operating income was ¥9,363 million, up 92.1% compared to the same period of the previous year.

Automotive products

Sales of automotive bearings, particularly needle roller bearings for automatic transmission applications, were strong in Japan. Overseas, recovery in the Americas, combined with expanding sales in both Europe and Thailand led to an overall increase in sales. Sales of automotive components in Japan, such as electric power steering systems and automatic transmission components increased. Overseas, sales of steering columns in North America and Thailand were strong. As a result, sales of automotive products amounted to ¥155,523 million, up 11.1% from the same period last year. Operating income increased in Japan, Europe, and Asia for a total of ¥8,971 million, or an increase of 28.0% compared to the same period of the previous year.

Precision machinery and parts, mechatronic products

Overall sales of this product segment, especially to semiconductor and liquid crystal display production equipment sectors increased markedly. In Japan, the Americas, and Asia, sales to the machine tool and general industrial sectors improved, with total sales amounting to ¥32,411 million or an improvement of 64.7% compared to the same period last year with an operating income of ¥2,605 million compared to a loss of ¥1,479 million for the same period of the previous year.

Other

Other sales amounted to ¥10,808 million, up 5.7% from the same period last year with an operating income of ¥558 million, down 10.9% from the same period last year.

Net sales by region

Japan

With increase in overall capital investment, domestic sales to the machine tool, railway, steel and general industrial sectors continued to be strong. Sales of automotive products were also robust, particularly electric power steering systems and automatic transmission components. Needle roller bearings for automotive applications also showed strong sales. Sales of precision machinery and parts to the semiconductor and liquid crystal display production equipment sectors, general machinery manufacturers and the machine tool industry saw a sharp increase.

As a result, total Japan sales amounted to ¥213,314 million, or a 14.2% increase over the same period of the previous year. Operating income was ¥15,567 million or an 80.2% increase when compared to the same period last year.

The Americas

Sales in this region showed a dramatic year on year increase due to recovery of the American economy. Strong demand from Japanese automakers and demand recovery in the precision machinery product business also contributed to increased sales. After accounting for the negative effect of foreign exchange fluctuations, sales totaled ¥40,282 million or a 6.2% increase year on year with operating income of ¥1,205 million or a 43.9% increase.

Europe

Sales of automotive bearings and automotive products were strong. Demand for industrial machinery bearings and precision machinery products increased but only slightly due to later than expected economic recovery. However, with the positive effect of foreign exchange translations, sales finished at ¥51,454 million or 11.9% higher than the same period last year. Operating income amounted to ¥2,730 million, which is a dramatic improvement year on year, compared to the previous year's profit of ¥262 million. This is a result of both increased sales and cost reduction efforts.

Asia and Oceania

Sales to the information technology (IT) sector in the ASEAN nations declined. However, demand for industrial machinery bearings was strong, particularly in China. Demand for automotive products was strong in Thailand, with precision machinery product demand from the semiconductor and liquid crystal display production equipment sectors strong in both Taiwan and South Korea. Sales totaled ¥31,096 million, or an 11.1% increase over last year regardless of an adverse effect of foreign exchange fluctuations. However, operating income declined by 22.5% to ¥1,693 million due to rising steel prices and start-up costs of new production facilities in China.

Financial Position

Looking at our consolidated cash flow for the first half of fiscal 2004, net cash flow provided by operating activities amounted to ¥20,952 million, including ¥19,505 million in income before income taxes and minority interests, and ¥13,147 million provided by depreciation and amortization.

Investments for future growth areas, consisting of the acquisition of property, plant and equipment used cash of ¥15,096 million, resulting in net cash flow used in investing activities to total ¥13,492 million.

Cash was used for reimbursement of corporate bonds and repayment of loans, resulting in net cash used in financing activities to total ¥20,937 million.

In aggregate, the net decrease in cash and cash equivalents was ¥13,794 million, resulting in cash and cash equivalents at end of the period to total ¥45,198 million.

The following is the trend of our consolidated cash flow:

| | As of March 31, 2001 | As of March 31, 2002 | As of March 31, 2003 | As of March 31, 2004 | As of September 30, 2004 |
|---|----------------------------|----------------------------|----------------------------|----------------------------|--------------------------------|
| Ratio of net worth to total capital (%) | 33.4 | 32.4 | 28.8 | 30.3 | 28.9 |
| Ratio of net worth to total capital at market value (%) | 46.7 | 47.1 | 29.3 | 44.5 | 41.0 |
| Debt redemption period (Years) | 10.1 | 9.0 | 8.6 | 6.5 | — |
| Interest coverage ratio | 2.5 | 4.2 | 4.1 | 6.1 | 7.9 |

- Ratio of net worth to total capital (%): Net worth/Total capital
- Ratio of net worth to total capital at market value (%): Market capital/Total capital
- Debt redemption period (Years): Interest bearing debts/ Net cash provided by operating activities (Not calculated for the interim term.)
- Interest coverage ratio: Net cash provided by operating activities/Interest paid

(Notes) 1. All indices have been calculated based on consolidated data.

2. Market capital has been calculated as:

“Closing share price at the end of the term” × “Common shares outstanding at the end of term”

3. Interest-bearing debts refer to the total amount of bonds, loans and commercial paper appropriated on the balance sheet.

Forecast for the year ending March 31, 2005

| | (Millions of yen) |
|------------------|-------------------|
| Net sales | ¥ 580,000 |
| Operating income | 39,500 |
| Ordinary income | 35,500 |
| Net income | 21,000 |

Future business conditions are clouded in uncertainty. Causes for particular concern include continued increase in prices of steel and crude oil, the possibility of a slowdown in the U.S. and Chinese economies, and a peak out in demand from the semiconductor and LCD production equipment manufacturers.

Under the current economic conditions, NSK forecasts net sales of ¥580,000 million for the full year ending March 31, 2005. Operating income, ordinary income and net income are forecasted at ¥39,500 million, ¥35,500 million and ¥21,000 million, respectively.

(The previous forecast for sales, operating income, ordinary income and net income was ¥567,000 million, ¥37,000 million, ¥30,000 million and ¥17,500 million, respectively.)

Please note that the forecasts for the second half of fiscal 2004 have been calculated based on a foreign exchange rate of U.S. \$1=¥105, 1 Euro = ¥130.

Notes

All forecasts are based on a number of assumptions and are subject to change. Actual financial results may differ materially and NSK Ltd. accepts no liability whatsoever for any direct or consequential loss arising from any use of this report.