

# NSK Ltd.

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

For Immediate Release

October 31, 2003

## CONSOLIDATED RESULTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2003 (unaudited)

### Financial highlights

	Six months ended September 30		Change %
	2003	2002	
(Millions of yen)			
Net sales	¥ 253,813	¥ 260,694	-2.6
Operating income	9,462	6,488	45.8
Ordinary income	6,083	3,206	89.7
Net income	3,842	848	352.9
(Yen)			
Net income per share			
Basic	¥ 7.12	¥ 1.54	
Diluted	—	—	

### Financial position

	As of September 30, 2003	As of March 31, 2003
(Millions of yen)		
Total assets	¥ 615,962	¥ 593,098
Shareholders' equity	183,230	170,566
(%)		
Shareholders' equity to total assets	29.7%	28.8%
(Yen)		
Shareholders' equity per share	¥ 339.76	¥ 316.27

### Cash Flow

	Six months ended September 30	
	2003	2002
(Millions of yen)		
Net cash provided by operating activities	¥ 12,273	¥ 19,838
Net cash (used in) investing activities	-13,959	-8,077
Net cash (used in) provided by financing activities	-5,612	-18,235
Cash and cash equivalents at end of period	52,346	49,460

# Consolidated balance sheets

(Millions of yen)	As of September 30,	As of March 31,	
	2003	2003	Increase Decrease
<b>Assets</b>			
Current assets	¥ 282,879	¥ 285,749	¥ -2,870
Cash and deposits	29,326	37,271	-7,945
Notes and accounts receivable	114,448	113,513	935
Marketable securities	15,743	17,565	-1,822
Inventories	82,637	83,487	-850
Other current assets	41,985	35,186	6,799
Less allowance for doubtful accounts	-1,262	-1,276	14
Non-current assets	333,082	307,349	25,733
Property, plant and equipment	205,321	198,635	6,686
Buildings and structures	66,994	65,282	1,712
Machinery and transportation equipment	95,092	95,517	-425
Land	26,720	22,915	3,805
Other property, plant and equipment	16,513	14,920	1,593
Intangible assets	8,542	2,732	5,810
Investments and other assets	119,217	105,981	13,236
Investment securities	82,898	79,697	3,201
Prepaid pension costs	23,362	14,842	8,520
Deferred tax assets	5,610	5,325	285
Other investments and other assets	9,538	7,577	1,961
Less allowance for doubtful accounts	-2,193	-1,461	-732
<b>Total assets</b>	<b>¥ 615,962</b>	<b>¥ 593,098</b>	<b>¥ 22,864</b>

## Consolidated balance sheets (Continued)

(Millions of yen)	As of September 30,	As of March 31,	Increase Decrease
	2003	2003	
<b>Liabilities</b>			
Current liabilities	¥ 225,953	¥ 227,314	¥ -1,361
Notes and accounts payable	75,996	87,382	-11,386
Short-term loans	87,492	93,102	-5,610
Current portion of bonds payable	20,000	10,000	10,000
Income taxes payable	6,168	3,816	2,352
Other current liabilities	36,295	33,012	3,283
Long-term liabilities	194,356	183,481	10,875
Bonds payable	96,989	106,989	-10,000
Long-term loans	58,376	57,688	688
Deferred tax liabilities	11,913	2,756	9,157
Accrued employees' retirement benefits	18,381	6,503	11,878
Accrued officers' retirement benefits	1,591	1,668	-77
Other long-term liabilities	7,103	7,875	-772
<b>Total liabilities</b>	<b>420,309</b>	<b>410,795</b>	<b>9,514</b>
Minority interests	12,421	11,736	685
<b>Shareholders' equity</b>			
Common stock	67,176	67,176	—
Capital surplus	77,924	77,923	1
Retained earnings	50,858	48,366	2,492
Unrealized holding gains on securities	14,696	5,133	9,563
Translation adjustments	-23,053	-23,670	617
Treasury stock	-4,372	-4,362	-10
<b>Total shareholders' equity</b>	<b>183,230</b>	<b>170,566</b>	<b>12,664</b>
<b>Total liabilities and shareholders' equity</b>	<b>¥ 615,962</b>	<b>¥ 593,098</b>	<b>¥ 22,864</b>

# Consolidated statements of operations

(Millions of yen)	Six months ended September 30		
	2003	2002	Change %
Net sales	¥ 253,813	¥ 260,694	-2.6
Cost of sales	200,666	211,699	-5.2
Gross profit	53,146	48,995	8.5
Selling, general and administrative expenses	43,684	42,506	2.8
Operating income	9,462	6,488	45.8
Non-operating income:	3,526	4,032	-12.5
Interest and dividend income	717	989	-27.5
Equity in earnings of affiliated companies	1,209	1,546	-21.8
Other	1,600	1,496	7.0
Non-operating expenses:	6,906	7,315	-5.6
Interest expenses	3,169	3,365	-5.8
Other	3,736	3,949	-5.4
Ordinary income	6,083	3,206	89.7
Extraordinary income:	2,721	14,979	-81.8
Gain on sales of investment securities	2,207	2,326	-5.1
Gain on sales of investments in affiliated companies	513	—	—
Gain on contribution of securities to employees' retirement benefit trust	—	11,891	—
Gain on sales of property, plant and equipment	—	761	—
Extraordinary losses:	769	10,658	-92.8
Loss on disposal of property, plant and equipment	769	—	—
Costs related to business restructuring	—	9,446	—
Loss on sales of investments in affiliated companies	—	844	—
Loss on devaluation of investment securities	—	216	—
Provision for employees' retirement benefit trust	—	151	—
Income before income taxes and minority interests	8,034	7,526	6.7
Income taxes:			
Current	6,176	1,814	240.3
Deferred	-2,195	5,051	—
Minority interests in earnings of consolidated subsidiaries	211	-188	—
Net income	¥ 3,842	¥ 848	352.9

# Consolidated statement of surplus

(Millions of yen)	Six months ended September 30		Increase Decrease
	2003	2002	
<b>Capital surplus</b>			
Capital surplus at the beginning of period	<u>¥ 77,923</u>	<u>¥ 77,923</u>	<u>¥ —</u>
Increase in capital surplus	0	—	0
Gain on disposal of NSK treasury stock	0	—	0
Capital surplus at the end of period	<u>¥ 77,924</u>	<u>¥ 77,923</u>	<u>¥ 1</u>
<b>Retained earnings</b>			
Retained earnings at the beginning of period	<u>¥ 48,366</u>	<u>¥ 53,921</u>	<u>¥ -5,555</u>
Increase in retained earnings	3,842	848	2,994
Interim net income	3,842	848	2,994
Decrease in retained earnings	1,349	1,363	-14
Dividends	1,349	1,363	-14
Retained earnings at the end of period	<u>¥ 50,858</u>	<u>¥ 53,405</u>	<u>¥ -2,547</u>

# Consolidated statements of cash flows

Six months ended September 30

(Millions of yen)

	2003	2002
<b>Operating activities</b>		
Income before income taxes and minority interests	¥ 8,034	¥ 7,526
Depreciation and amortization	13,335	13,964
Amortization of excess of cost over net assets acquired	142	—
Increase (decrease) in allowance for doubtful accounts	659	-88
Increase (decrease) in provision for retirement benefits	1,045	-14,326
Interest and dividend income	-717	-989
Interest expense	3,169	3,365
Equity in earnings of affiliated companies	-1,209	-1,546
Gain on sales of property, plant and equipment	—	-761
Loss on disposal of property, plant and equipment	769	—
Gain on sales of investment securities	-2,207	-2,326
Loss on devaluation of investment securities	—	216
Gain on sales of investments in affiliated companies	-513	—
Loss on sales of investments in affiliated companies	—	844
Business restructuring expenses	—	790
Increase (decrease) in notes and accounts receivable	-2,750	-8,956
Decrease (increase) in inventories	2,522	9,381
Increase (decrease) in notes and accounts payable	-7,039	-427
Other	2,170	14,985
Subtotal	17,412	21,653
Interest and dividends received	1,501	1,876
Interest paid	-3,242	-4,304
Income taxes paid	-3,398	612
Net cash provided by operating activities	12,273	19,838
<b>Investing activities</b>		
Additions to property, plant and equipment	-9,577	-12,994
Proceeds from sales of property, plant and equipment	2,490	1,710
Acquisition of investment securities	-23	-435
Proceeds from sales of investment securities	3,652	3,291
Acquisition of subsidiaries' stock resulting in changes in the scope of consolidation	-9,339	—
Payments arising from acquisition of subsidiaries' stock resulting in changes in the scope of consolidation	-218	—
Proceeds from sales of subsidiaries' stock resulting in changes in the scope of consolidation	—	1,046
Acquisition of affiliated companies' stock	-95	-147
Payments for advances	-362	-5
Proceeds from collection of advances	86	105
Other	-572	-647
Net cash (used in) investing activities	-13,959	-8,077
<b>Financing activities</b>		
Net (decrease) increase in short-term bank loans	-4,638	-6,364
Long-term debt – borrowing	2,475	3,018
Long-term debt – repayments	-1,990	-1,647
Payments for redemption of bonds	—	-10,000
Payments for acquisition of NSK treasury stock	-6	-1,754
Dividends paid	-1,349	-1,375
Dividends paid to minority stockholders	-37	-23
Other	-65	-89
Net cash used in (provided by) financing activities	-5,612	-18,235
Effect of exchange rate changes on cash and cash equivalents	706	-624
Net decrease (increase) in cash and cash equivalents	-6,591	-7,097
Cash and cash equivalents at beginning of the year	58,938	56,558
Cash and cash equivalents at end of period	¥ 52,346	¥ 49,460

## Sales by business segment

Six months ended September 30, 2003

(Millions of yen)	Bearings	Automotive components	Precision machinery and parts	Other	Total	Eliminations and other	Consolidated
Sales to third parties	¥ 164,110	¥ 63,002	¥ 19,681	¥ 7,019	¥ 253,813	—	¥ 253,813
Intersegment sales and transfers	—	—	—	3,205	3,205	-3,205	—
Total	164,110	63,002	19,681	10,224	257,018	-3,205	253,813
Operating expenses	154,412	60,816	21,160	9,597	245,987	-1,636	244,350
Operating income (loss)	¥ 9,697	¥ 2,186	¥ -1,479	¥ 627	¥ 11,031	¥ -1,568	¥ 9,462

Six months ended September 30, 2002

(Millions of yen)	Bearings	Automotive components	Precision machinery and parts	Other	Total	Eliminations and other	Consolidated
Sales to third parties	¥ 160,355	¥ 75,074	¥ 16,525	¥ 8,739	¥ 260,694	—	¥ 260,694
Intersegment sales and transfers	—	—	—	2,657	2,657	-2,657	—
Total	160,355	75,074	16,525	11,397	263,351	-2,657	260,694
Operating expenses	151,009	73,109	19,950	10,998	255,068	-863	254,205
Operating income (loss)	¥ 9,345	¥ 1,964	¥ -3,425	¥ 398	¥ 8,282	¥ -1,793	¥ 6,488

## Sales by geographical segment

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 (loss)	¥ 8,641	¥ 837	¥ 262	¥ 2,183	¥ 11,925	¥ -2,462	¥ 9,462

Six months ended September 30, 2002

(Millions of yen)	Japan	Americas	Europe	Asia	Total	Eliminations and other	Consolidated
Sales to third parties	¥ 155,051	¥ 40,898	¥ 42,058	¥ 22,685	¥ 260,694	—	¥ 260,694
Interarea sales and transfers	36,925	152	1,778	6,396	45,253	-45,253	—
Total	191,976	41,050	43,837	29,082	305,947	-45,253	260,694
Operating expenses	185,971	40,000	45,039	26,886	297,897	-43,692	254,205
Operating income (loss)	¥ 6,005	¥ 1,050	¥ -1,201	¥ 2,195	¥ 8,050	¥ -1,561	¥ 6,488

## Sales by customer location

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%

Six months ended September 30, 2002

(Millions of yen)	Americas	Europe	Asia	Total
Overseas sales	¥ 43,085	¥ 41,793	¥ 39,251	¥ 124,130
Consolidated net sales	—	—	—	260,694
Ratio of overseas sales to consolidated net sales	16.5%	16.0%	15.1%	47.6%



# Management Policy Statement

## 1. Basic Policy

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

- (1) NSK will meet the increasingly diverse needs of our customers to become the No.1 company in terms of customer satisfaction by improving the QCDS (i.e. Quality, Cost, Delivery and Service) capabilities of our engineering, manufacturing and sales operations.
- (2) NSK will do its utmost to reduce environmental impact through our expertise in tribology, the science of anti-friction and lubrication technologies, which is the core technology that our entire business is based upon.
- (3) NSK seeks to be a good corporate citizen in all the locations where we operate, including all overseas locations where our manufacturing bases continue to expand.

## 2. Dividends

NSK places great importance on shareholder returns. As such, we seek to issue consistent dividends, taking into account a range of factors such as financial performance and dividend payout ratios.

## 3. Key Indicators

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

## 4. Mid- and Long-Term Strategies

NSK believes the ability to keep ahead of and to adapt quickly and precisely to the ever-changing business environment is vital if we are to emerge from the harsh competition as a winner and to sustain growth of our operations.

NSK currently possesses top global market share in each of our bearings, automotive components, and precision machinery and parts businesses. We also have a well-established global engineering, manufacturing and sales network, which enables us to supply products that best suit our customers' needs.

NSK aims to sustain the growth of our operations by further strengthening our business foundations and emerging as a systems supplier, which is capable of offering innovative solutions to our customers' problems, based on our comprehensive operations.

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

As for our global business strategy, we will focus on Asia, especially China, not only as a growing market but also as a center for our global production and logistics operations.

## 5. Key Management Tasks

NSK endeavors to become a company capable of producing constant profits, 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.

Although the economic environment has started to show signs of recovery, we will continue to

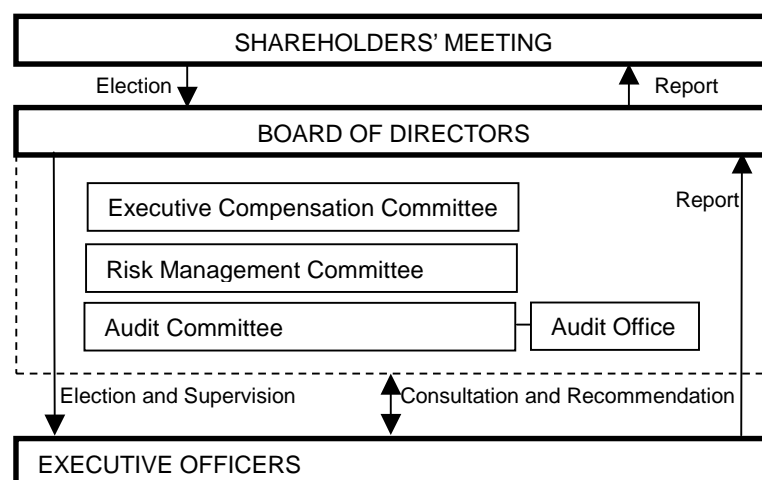
press forward with implementation of these activities, while at the same time focusing our efforts on the education and training of personnel who will lead these projects.

As for our environmental activities, after achieving “zero-emission” at our domestic production facilities in the previous term, we will continue with our environmental conservation efforts.

## 6. Corporate Governance Policy and Structure

NSK recognizes the importance of reinforcing and improving its corporate governance system and has taken steps to speed up management decisions as well as to separate monitoring functions from management’s execution of corporate policy as a means of enhancing transparency. Work began this fiscal year on the creation of a new corporate governance system in order to improve management responsiveness and further enhance the efficiency of monitoring functions.

NSK’s Corporate Governance Structure



### <Executive Compensation Committee>

Following the introduction of an executive officer system in 1999, NSK established an Executive Compensation Committee in June of the same year for the purpose of ensuring fairness and transparency in determining executive compensation. The Committee is made up of three members from the board of directors, including an independent director who chairs the Committee. Thus far, the Committee has decided on and implemented a structure of fixed salaries based on position and responsibility as well as performance-linked compensation and a “management by objectives” system, stock options, and executive officer tenures.

### <Risk Management Committee>

NSK’s Risk Management Committee, formed in 2002, is currently made up of 13 individuals including six directors and seven officers, and handles all aspects of risk management. The Committee enacted “NSK’s Business Ethics Regulations” in June 2002, and this year, responded to issues that resulted from the war in Iraq and the SARS outbreak.

### <Audit Committee and Audit Office>

In June 2003, NSK established an Audit Committee under the board of directors and an audit office to strengthen monitoring throughout the NSK Group and in preparation for the transition to the “Company with Committees System”. The Audit Committee is composed of an independent director who heads the committee, two members from the board of directors and a statutory auditor.

In addition, NSK has established a Preparation Committee in June 2003 to prepare for the transition to the “Company with Committees System” scheduled for next year and to enhance functions of the aforementioned committees. This Committee is composed of four directors including an independent director, four executive officers, and outside consultants, and is studying the corporate governance structure that best suits NSK, as well as reviewing the Company’s decision-making system.

## Overview of the six months ended September 30, 2003

In Japan, the economy saw a slow but steady recovery, supported by a healthy export demand. Consumer demand remained stable but weak, with income levels continuing to deteriorate and unemployment remaining at a high level. However, stock prices have risen in the second quarter of the term and improvements in capital expenditures are expected to have a favorable effect on corporate earnings.

In the U.S., strong domestic demand has led the economy back onto the path of recovery, with tax reductions boosting consumer demand and increasing capital expenditures. In Europe, Germany has fallen into recession, leading to a general weakening of the European economy. In Asia, the economy continues to grow, although at a slightly slower pace, supported by robust export demand, increase in foreign direct investments and public investments.

Under these conditions, the NSK Group has continued with our business restructuring activities and has improved profitability by addressing major business issues such as the reduction of procurement and fixed costs in order to survive in the ever-changing business environment.

As a result, the consolidated net sales for the six months ended September 30, 2003 were ¥253,813 million, a decrease of ¥6,881 million or 2.6% from the same period last year. Excluding the effect of discontinued operations, which include the sale our seat belt business, sales recorded a year-on-year increase of 2.5%. Operating income increased to ¥9,462 million, a year-on-year increase of ¥2,974 million or 45.8%, while ordinary income was ¥6,083 million, up by ¥2,877 million or 89.7%.

Gain on sales of investment securities of ¥2,207 million and gain on sales of investments in affiliated companies of ¥513 million has been appropriated as extraordinary income, while extraordinary losses of ¥769 million was recognized due to loss on disposal of property, plant and equipment. 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 ¥3,842 million.

The Company will pay an interim dividend of ¥2.5 per share, taking into consideration the Company's policy to issue consistent dividends and its business forecast for fiscal 2003.

## Net sales by product category

### Bearings

Domestic sales to the automotive industry have remained strong and demand from other industries, such as the machine tool, construction machinery, and general machinery sectors have also started to recover, resulting in domestic sales to exceed the results of the same period last year. Overseas, sales of automotive bearings also recorded a year-on-year increase, with robust demand in Asia. Sales of general industrial bearings were flat with demand varying from region to region. As a result, overall bearings sales amounted to ¥164,110 million, up 2.3% (¥3,755 million) from the same period last year. Operating income was ¥9,697 million.

### Automotive components

Sales of automatic transmission components increased in Japan, but due to business structural changes such as the withdrawal from the seatbelt business, domestic sales decreased as compared to the same period last year. Overseas sales have also decreased from the same period last year, due to the effect of the sale of the seatbelt business and the weakening of the European economy, even though sales increased in Asia and the Americas. As a result, overall sales totaled ¥63,002 million, down 16.1% (¥12,072 million) from the previous year. Operating income was ¥2,186 million.

### Precision machinery and parts, mechatronic products

Domestic sales, especially to the machine tool, LCD, and semiconductor production equipment sectors, have recovered sharply compared to the same period last year. Sales in Asia, Europe and the Americas have also started to recover, although not as strongly as in Japan. As a result, overall sales increased to ¥19,681 million, up 19.1% (¥3,156 million) from the same period last year. We were able to reduce our operating loss to ¥1,479 million, although we are still on the way to profitability.

### Other

Other sales totaled ¥7,019 million, down 19.7% (¥1,720 million) from the same period last year, including the effect of discontinued operations. Operating income was ¥627 million.

## Net sales by region

### Japan

In Japan, sales to the automotive industry continued to be strong, as were sales to the machine tool and other industries. Sales of precision machinery and parts saw a sharp increase, but due to the effect of the withdrawal from the seatbelt business, overall domestic sales decreased by 3.8% (¥5,953 million) to ¥149,098 million from the same period last year. Operating income was ¥8,641 million.

### The Americas

In the Americas, demand from the general industrial sector remained weak, but overall sales of automotive components and bearings both recorded year-on-year increases, due to positive factors such as the strong hike in sales in Brazil. Demand for precision machinery and parts have also started to recover, resulting in total sales calculated in local currencies to exceed the previous year's level. However, after foreign exchange rate translations, sales totaled ¥37,774 million, down 7.6% (¥3,124 million) from the same term last year, and operating income was ¥837 million.

### Europe

The European economy remains weak, with Germany falling into recession, and sales levels were dismal. However, with the effect of foreign exchange rate translations, sales finished at ¥44,048 million, a year-on-year increase of 4.7% (¥1,990 million). As a result of our efforts to improve profitability, such as production reorganizations and reduction of fixed costs, we were

able to return to profit, with operating income of ¥262 million.

### **Asia and Oceania**

South Korea's economy was weak. However, backed by strong exports to countries such as the U.S., an increase in domestic demand from China based on strong consumer demand and capital investments, and an increase of local production in Thailand, we were able to sharply improve sales of automotive components and bearings. After including the effects of discontinued operations and foreign exchange, sales totaled ¥22,891 million, up 0.9% (¥206 million) from the same period last year. Operating income was ¥2,183 million.

## Financial Position

Looking at our consolidated cash flow for the first half of fiscal 2003, net cash flow provided by operating activities amounted to ¥12,273 million, including ¥8,034 million in income before income taxes and minority interests, ¥13,335 million provided by depreciation and amortization, ¥2,522 million provided by reduction of inventory, and ¥7,039 million used to reduce notes and accounts payable.

Investments for future growth areas, consisting of the acquisition of property, plant and equipment, and increased investments in affiliated companies offset revenue provided by sale of investment securities. As a result, net cash flow used in investing activities was ¥13,959 million.

Cash used for repayment of loans exceeded cash provided by loans, resulting in net cash used in financing activities to total ¥5,612 million.

In aggregate, the net decrease in cash and cash equivalents was ¥6,591 million, resulting in cash and cash equivalents at end of the term to total ¥52,346 million.

The following is the trend of our consolidated cash flow:

	As of March 31, 2000	As of March 31, 2001	As of March 31, 2002	As of March 31, 2003	As of September 30, 2003
Ratio of net worth to total capital (%)	32.3	33.4	32.4	28.8	29.7
Ratio of net worth to total capital at market value (%)	64.5	46.7	47.1	29.3	38.4
Debt redemption period (Years)	12.8	10.1	9.0	8.6	—
Interest coverage ratio	2.0	2.5	4.2	4.1	3.8

- 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, 2004

	(Millions of yen)
Net sales	¥ 508,000
Operating income	23,000
Ordinary income	17,000
Net income	10,000

We believe Japan's economy is on an upward trend, but the recovery is still largely dependent on export demand. Domestic capital expenditures have started to increase, but taking into account negative factors such as the uncertainty surrounding the outlook of the U.S. economy, Japan's major export customer, and the strengthening of the yen against the U.S. dollar, we believe the outlook for our business environment is still uncertain.

Under the current economic conditions, NSK forecasts net sales of ¥508,000 million for the full year ending March 31, 2004. Operating income, ordinary income and net income are forecasted at ¥23,000 million, ¥17,000 million and ¥10,000 million, respectively.

Please note that the estimate figures for the second half of fiscal 2003 have been calculated using an estimated foreign exchange rate of \$1=¥110.

## 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.