

# **FINANCIAL CONFERENCE**

**FOR THE RESULTS OF THE YEAR ENDED  
MARCH 31, 2004 AND  
FORECASTS FOR THE YEAR ENDING MARCH 31, 2005**

**Seiichi Asaka  
President & CEO**

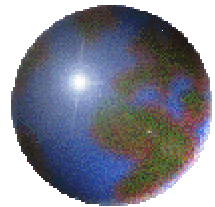
**May 18, 2004  
NSK Ltd.**

**Cautionary Statements with Respect to Forward-Looking Statements**

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

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

**MOTION & CONTROL**  
**NSK**



# **Consolidated Business Results for the Year Ended March 31, 2004**

# Summary of the Consolidated Business Results for FY 2003



## 《Major Achievements of FY 2003》

**Achieved profits exceeding the targets set for FY 2003 in the Mid-Term Plan**

**The European Business returned to profit for the first time in six years as result of business restructuring activities**

**Profitability of the Precision Machinery and Parts Business recorded a sharp recovery**

**Increased sales of bearings to the automotive and general industrial sectors**

**Planning to increase FY 2003 dividends by 1.5 yen compared to FY 2002**

**Will put more emphasis on shareholder value and greater reflect business results on dividends**

# Summary of the Consolidated Business Results for FY 2003



\*Profit and loss items are compared with the same period last year. Balance sheet items are compared with year-end data for FY 2002.

(¥100 million)	(Year ended Mar. 31, '02) FY 2001	(Year ended Mar. 31, '03) FY 2002	(Year ended Mar. 31, '04) FY 2003	Previous forecast	Difference (%)	
<b>Sales</b>	4,809	5,228	<b>5,222</b>	5,200	-6	-0.1%
<b>Operating income</b>	39	178	<b>260</b>	240	+82	+45.5%
<b>Ordinary income</b>	-32	108	<b>191</b>	175	+83	+76.7%
<b>Profit before tax</b>	-103	-21	<b>265</b>	241	+286	
<b>Net income</b>	-177	-27	<b>143</b>	110	+170	
(Rate: 1 US\$= )	(¥121.50)	(¥125.33)	(¥116.26)			
(Rate: 1 EURO= )	(¥108.63)	(¥117.93)	(¥131.32)			

(¥100 million)	(Year ended Mar. 31, '02) FY 2001	(Year ended Mar. 31, '03) FY 2002	(Year ended Mar. 31, '04) FY 2003	Difference (%)	
<b>Return on equity (ROE)</b>	-8.13	-1.41	<b>7.96</b>		
<b>Interest bearing debt</b>	2,724	2,678	<b>2,465</b>	-213	-7.9%
<b>D/E ratio (times)</b>	1.31	1.57	<b>1.31</b>		
<b>Inventories</b>	975	835	<b>759</b>	-76	-9.1%
<b>Inventory turnover (turns)</b>	4.9	6.3	<b>6.9</b>		

# Consolidated net sales –By product segment–



(¥100 million)	(Year ended March 31, 2003) <b>FY 2002</b>	(Year ended March 31, 2004) <b>FY 2003</b>	Increase/ (decrease)	Effect of discontinued operations, FOREX, etc.	Net increase/ (decrease)
<b>Bearings</b>	3,219	<b>3,328</b>	+109	-6	+115 (+3.5%)
<b>Automotive components</b>	1,507	<b>1,293</b>	-214	-239	+25 (+2.0%)
<b>Precision machinery</b>	349	<b>471</b>	+122	+1	+121 (+34.8%)
<b>Others</b>	153	<b>130</b>	-23	-33	+10 (+8.4%)
<b>Total</b>	5,228	<b>5,222</b>	-6	-277	+271 (+5.5%)

- **Bearings:** Sales to the automotive industry and the general industrial sector were both strong
- **Automotive components:** Sales of automatic transmission components increased, but overall sales decreased due to the withdrawal from the seat belt business.
- **Precision machinery:** Sales to the machine tool, semiconductor and liquid crystal display (LCD) production equipment industries increased, as well as demand for our photofabrication equipment

# Consolidated net sales –By customer location–

(¥100 million)	(Year ended March 31, 2003) <u>FY 2002</u>	(Year ended March 31, 2004) <u>FY 2003</u>	Increase/ (decrease)	Effect of discontinued operations, FOREX, etc.	Net increase/ (decrease)
<b>Japan</b>	2,793	<b>2,786</b>	-7	-193	+186 (7.2%)
(Overseas sales ratio)	(46.6%)	<b>(46.6%)</b>			
<b>Overseas</b>	2,435	<b>2,436</b>	+1	-84	+85 (+3.6%)
<b>The Americas</b>	818	<b>749</b>	-69	-90	+21 (+2.7%)
<b>Europe</b>	814	<b>854</b>	+40	+62	-22 (-2.8%)
<b>Asia</b>	803	<b>833</b>	+30	-56	+86 (+11.3%)
<b>Total</b>	5,228	<b>5,222</b>	-6	-277	+271 (+5.5%)

- **Japan:** Sales to the automotive industry and the general industrial sector increased, and demand for precision machinery and parts saw a sharp recovery.
- **The Americas:** Sales in Brazil were robust, but sales to the general industrial sector and the aftermarket in the U.S were sluggish.
- **Europe:** Sales to the general industrial sector and aftermarket decreased, as did sales of automotive components.
- **Asia:** Sales in China were robust, and sales to the automotive industry and demand for our precision machinery and parts increased.

# Consolidated business results



–By geographical segment–

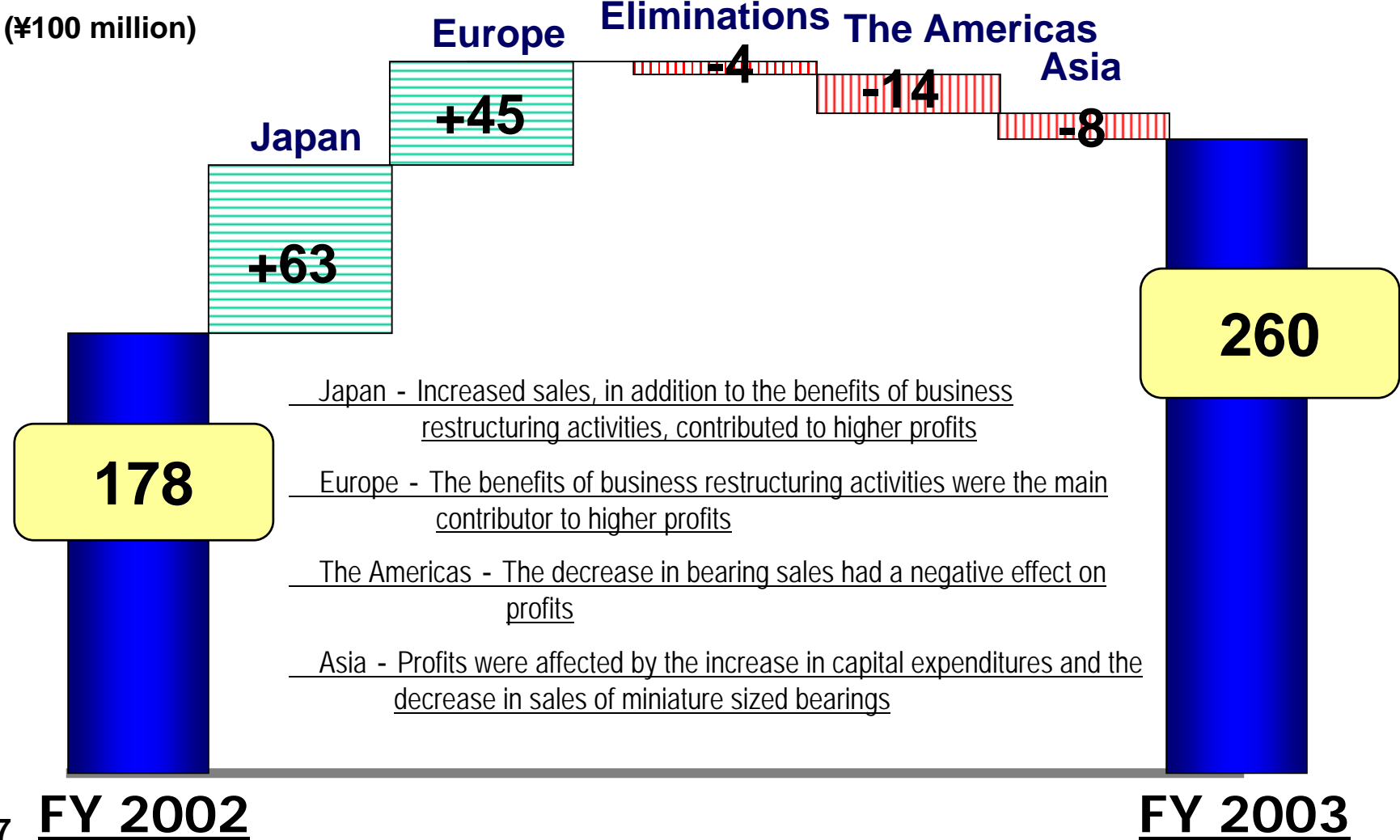
(¥100 million)		(Year ended March 31, 2003) FY 2002	(Year ended March 31, 2004) FY 2003	Increase/ (decrease)
<b>Japan</b>	Sales	3,955	3,918	
	Operating income (%)	129 (3.3%)	192 (4.9%)	+48.8%
<b>The Americas</b>	Sales	774	738	
	Operating income (%)	20 (2.6%)	6 (0.8%)	-70.0%
<b>Europe</b>	Sales	850	898	
	Operating income (%)	-19 (-2.2%)	26 (2.9%)	
<b>Asia</b>	Sales	575	576	
	Operating income (%)	46 (8.0%)	38 (6.6%)	-17.4%
<b>Elimination</b>	Sales	-926	-908	
	Operating income (%)	2 (-)	-2 (-)	
<b>Total</b>	Sales	5,228	5,222	
	Operating income (%)	178 (3.4%)	260 (5.0%)	+45.5%

# Operating income:

## Improvement factors by geographical segment



**Profits increased by 8.2 billion yen year-on-year**  
 Major profitability improvement contributions from Japan and Europe



7 FY 2002

FY 2003

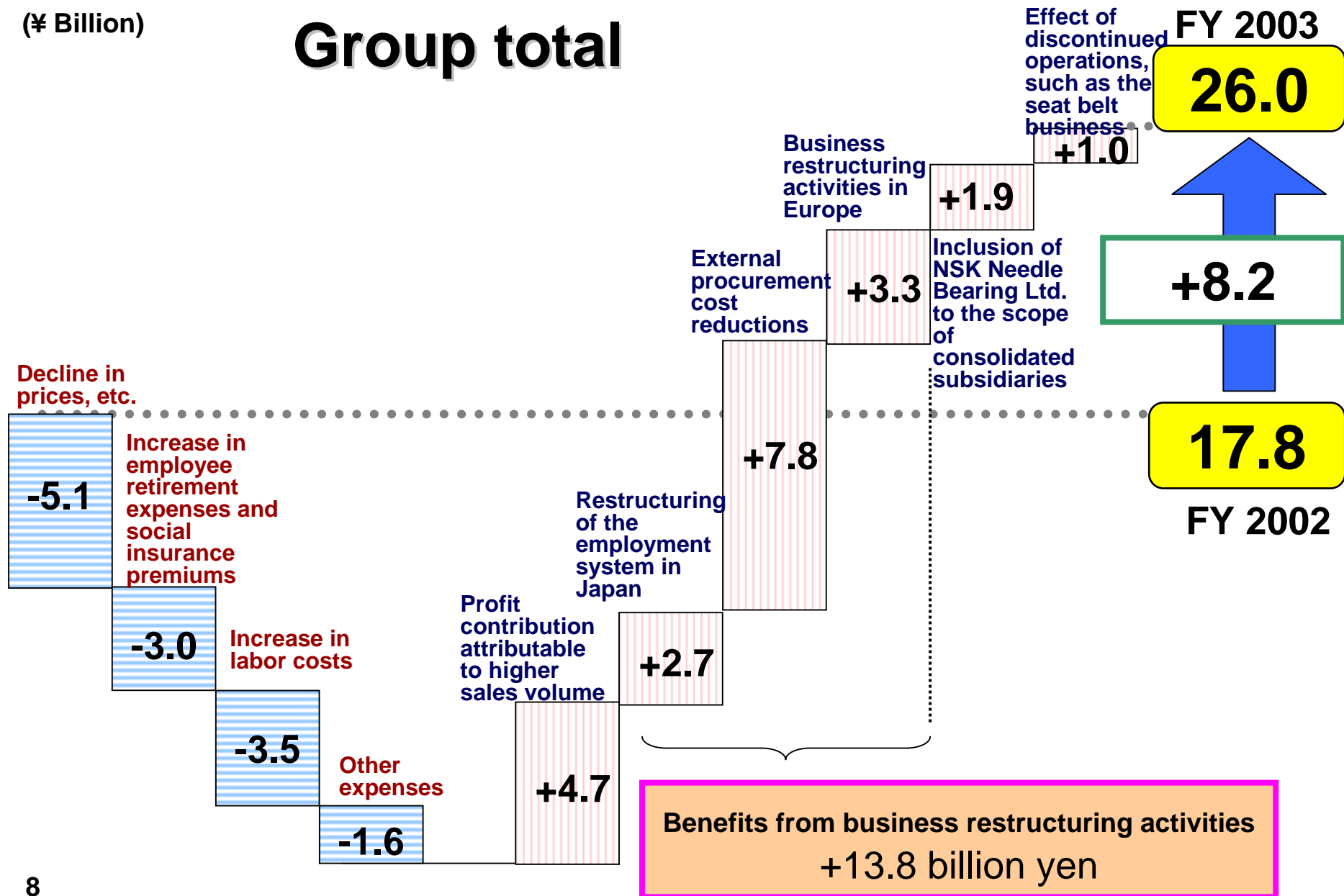


# Analysis of the Improvements in Operating income

(FY 2002 VS FY 2003)

(¥ Billion)

## Group total



# Consolidated business results

–By business segment–

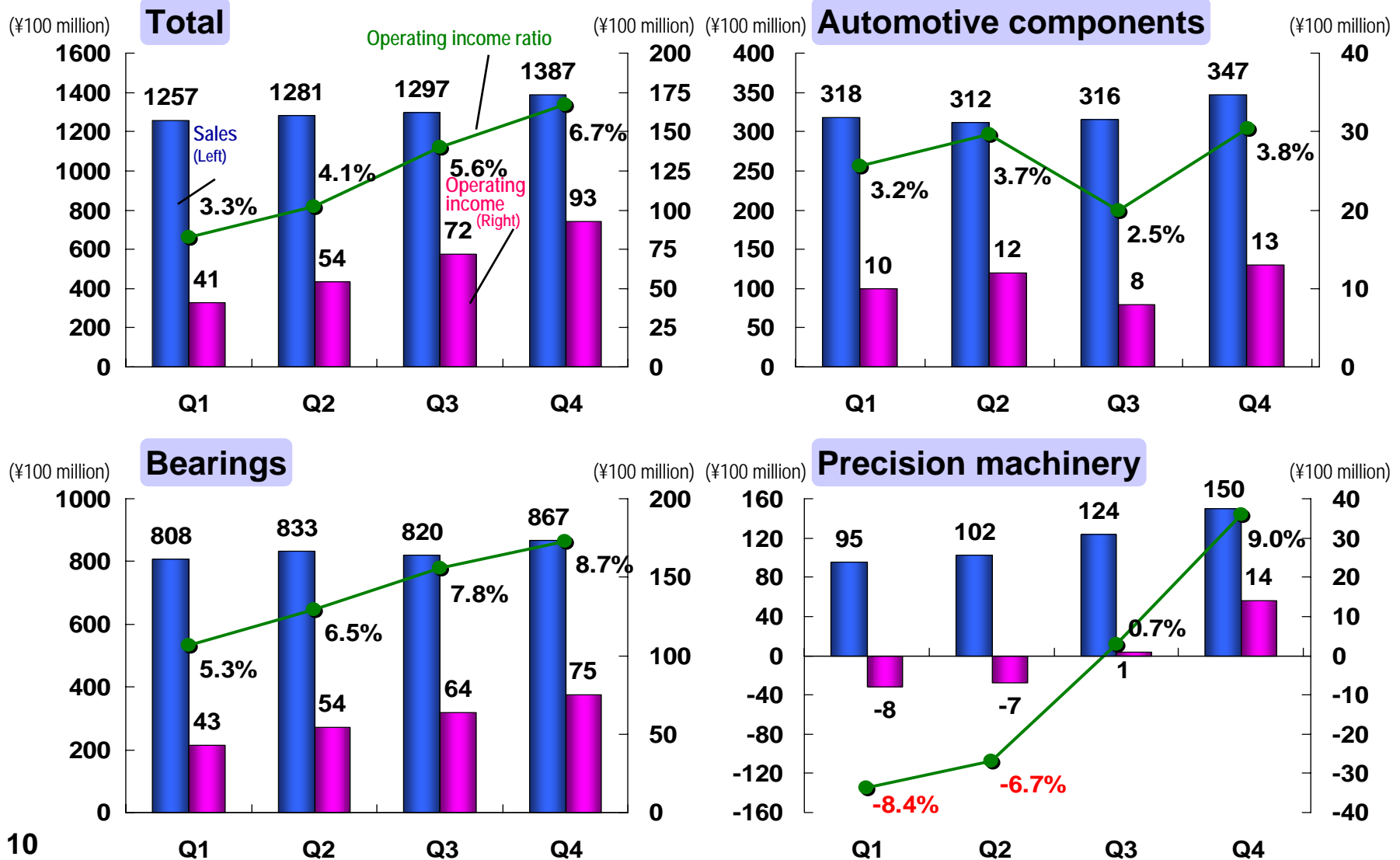


**Bearings maintained their strong profitability, and  
Precision Machinery and Parts recorded a major improvement**

(¥100 million)		(Year ended March 31, 2003) FY 2002	(Year ended March 31, 2004) FY 2003	Increase/ (decrease)	Previous forecast
<b>Bearings</b>	Sales	3,219	3,328		3,315
	Operating income (%)	221 (+6.9%)	236 (+7.1%)	+6.8%	220
<b>Automotive components</b>	Sales	1,507	1,293		1,275
	Operating income (%)	43 (+2.8%)	43 (+3.3%)	0%	40
<b>Precision machinery</b>	Sales	349	471		470
	Operating income (%)	-63 (-18.0%)	0 (0.0%)	-	0
<b>Others</b>	Sales	153	130		140
	Operating income (%)	11	11	-	10
<b>Corporate expenses</b>	Sales	-34	-30	-	-30
<b>Total</b>	Sales	5,228	5,222		5,200
	Operating income (%)	178 (+3.4%)	260 (+5.0%)	+45.5%	240

# Quarterly business trend

Profitability improved steadily as result of the benefits from profitability improvement activities and the positive effect of increased sales



# Non-operating income and losses, Extraordinary income and losses



**No major extraordinary losses  
planned for the near future**

(¥100 million)	<u>FY '01</u>	<u>FY '02</u>	<u>FY '03</u>	<u>Increase/ decrease</u>
<b>Operating income</b>	<b>39</b>	<b>178</b>	<b>260</b>	<b>+82</b>
<b>Non-operating income</b>	<b>76</b>	<b>81</b>	<b>76</b>	<b>-5</b>
Interest and dividend income	21	18	14	-4
Equity in earnings of affiliated companies	26	34	29	-5
Miscellaneous income	29	29	33	+4
<b>Non-operating loss</b>	<b>147</b>	<b>151</b>	<b>145</b>	<b>-6</b>
Interest expenses	78	66	61	-5
Miscellaneous expenses	69	85	84	-1

(¥100 million)	<u>FY '01</u>	<u>FY '02</u>	<u>FY '03</u>	<u>Increase/ decrease</u>
<b>Ordinary income</b>	<b>-32</b>	<b>108</b>	<b>191</b>	<b>+83</b>
<b>Extraordinary income</b>	<b>96</b>	<b>160</b>	<b>85</b>	<b>-75</b>
Gain on sales of property, plant and equipment	93	9		-9
Gain on sales of investment securities	3	32	77	+45
Gain on sales of investments in affiliated companies			8	+8
Gain on contribution of securities to employees' retirement benefit trust		119		-119
<b>Extraordinary losses</b>	<b>167</b>	<b>289</b>	<b>11</b>	<b>-278</b>
Loss on sales of investments in affiliated companies		8	0	-8
Loss on devaluation of investment securities	129	129		-129
Loss on disposal of property, plant and equipment			11	+11
Costs related to business restructuring	38	150		-150
Provision for employees' retirement benefit trust		2		-2
<b>Income before tax</b>	<b>-103</b>	<b>-21</b>	<b>265</b>	<b>+286</b>

# Consolidated balance sheets



(¥100 million)	(Year ended Mar. 31, 2002) <b>FY 2001</b>	(Year ended Mar. 31, 2003) <b>FY 2002</b>	(Year ended Mar. 31, 2004) <b>FY 2003</b>	Difference from the previous fiscal year
<b>Assets</b>				
Current assets	2,915	2,857	<b>2,955</b>	<b>+98</b>
Non-current assets	3,513	3,074	<b>3,264</b>	<b>+190</b>
<b>Total assets</b>	<b>6,428</b>	<b>5,931</b>	<b>6,219</b>	<b>+288</b>
<b>Liabilities and Shareholder's equity</b>				
Current liabilities	2,394	2,274	<b>2,456</b>	<b>+182</b>
Long-term liabilities	1,824	1,834	<b>1,755</b>	<b>-79</b>
<b>Total liabilities</b>	<b>4,218</b>	<b>4,108</b>	<b>4,211</b>	<b>+103</b>
Minority interests	128	117	<b>121</b>	<b>+4</b>
<b>Total shareholder's equity</b>	<b>2,082</b>	<b>1,706</b>	<b>1,887</b>	<b>+181</b>
<b>Total liabilities and shareholder's equity</b>	<b>6,428</b>	<b>5,931</b>	<b>6,219</b>	<b>+288</b>

(Rate: 1 US\$= )

(¥131.95)

(¥119.90)

(¥107.13)

12

(Rate: 1 EURO= )

(¥116.51)

(¥125.08)

(¥133.74)

# Inventories and Capital expenditures

## Inventories

- Inventories have continued to be reduced through production innovation activities

(¥100 million)	(As of March 31, 2003) <b>FY 2002</b>	(As of March 31, 2004) <b>FY 2003</b>	Y.O.Y	Excluding effect of FOREX, etc.	Y.O.Y in local currencies
<b>Total inventories</b>	835	<b>759</b>	-76	-10	-66
<b>Japan</b>	380	<b>338</b>	-42		-42
<Non-consolidated>	184	<b>162</b>	-22		-22
<b>Overseas</b>	455	<b>421</b>	-34	-10	-24
Americas	152	<b>141</b>	-11	-13	+2
Europe	195	<b>184</b>	-11	+9	-20
Asia	108	<b>96</b>	-12	-6	-6

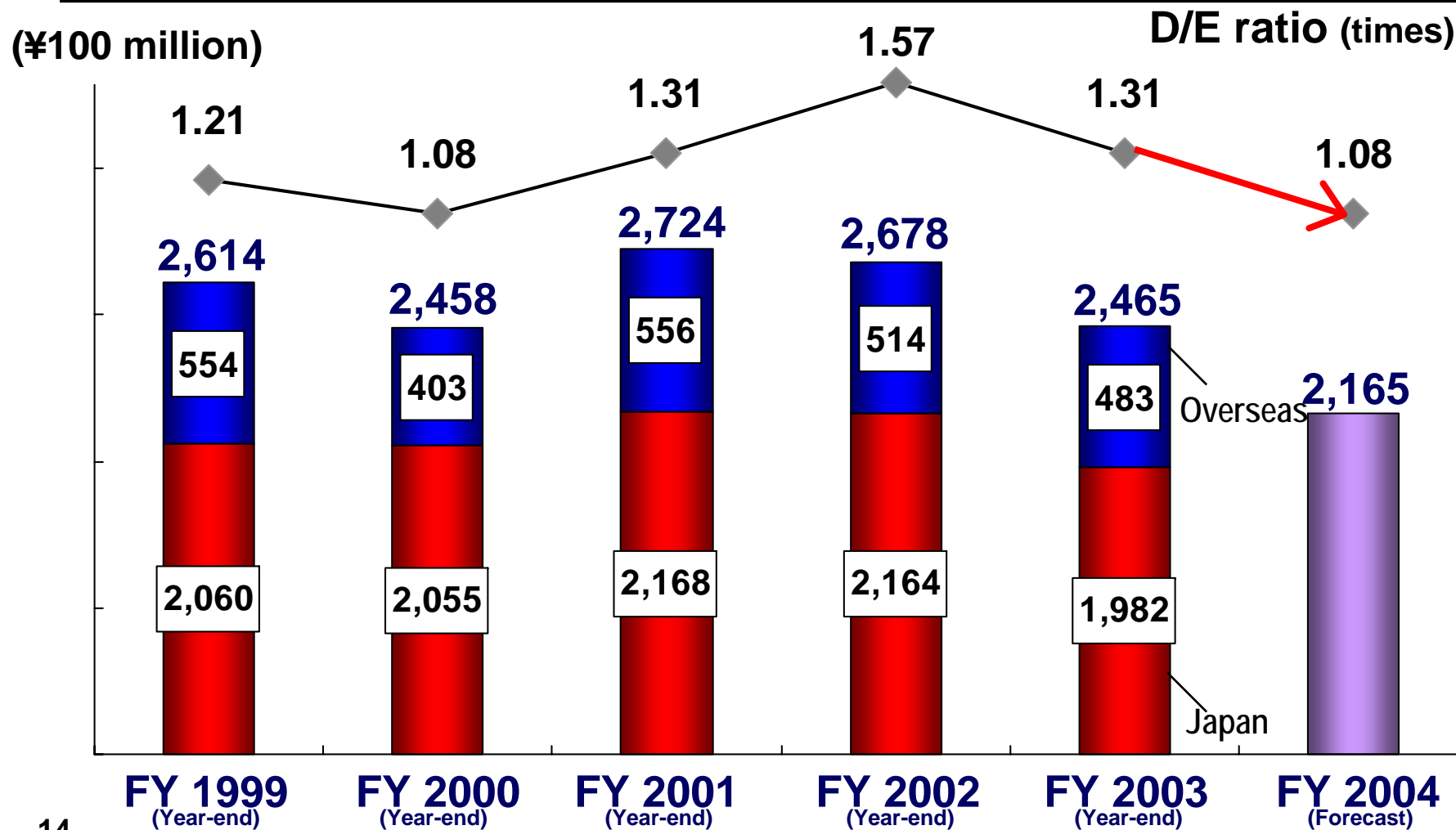
## Capital expenditures

- FY2003 (Actual): Capital expenditures were kept below depreciation
- FY2004 (Forecast): Capital expenditures that will support NSK's growth strategy will be carried out

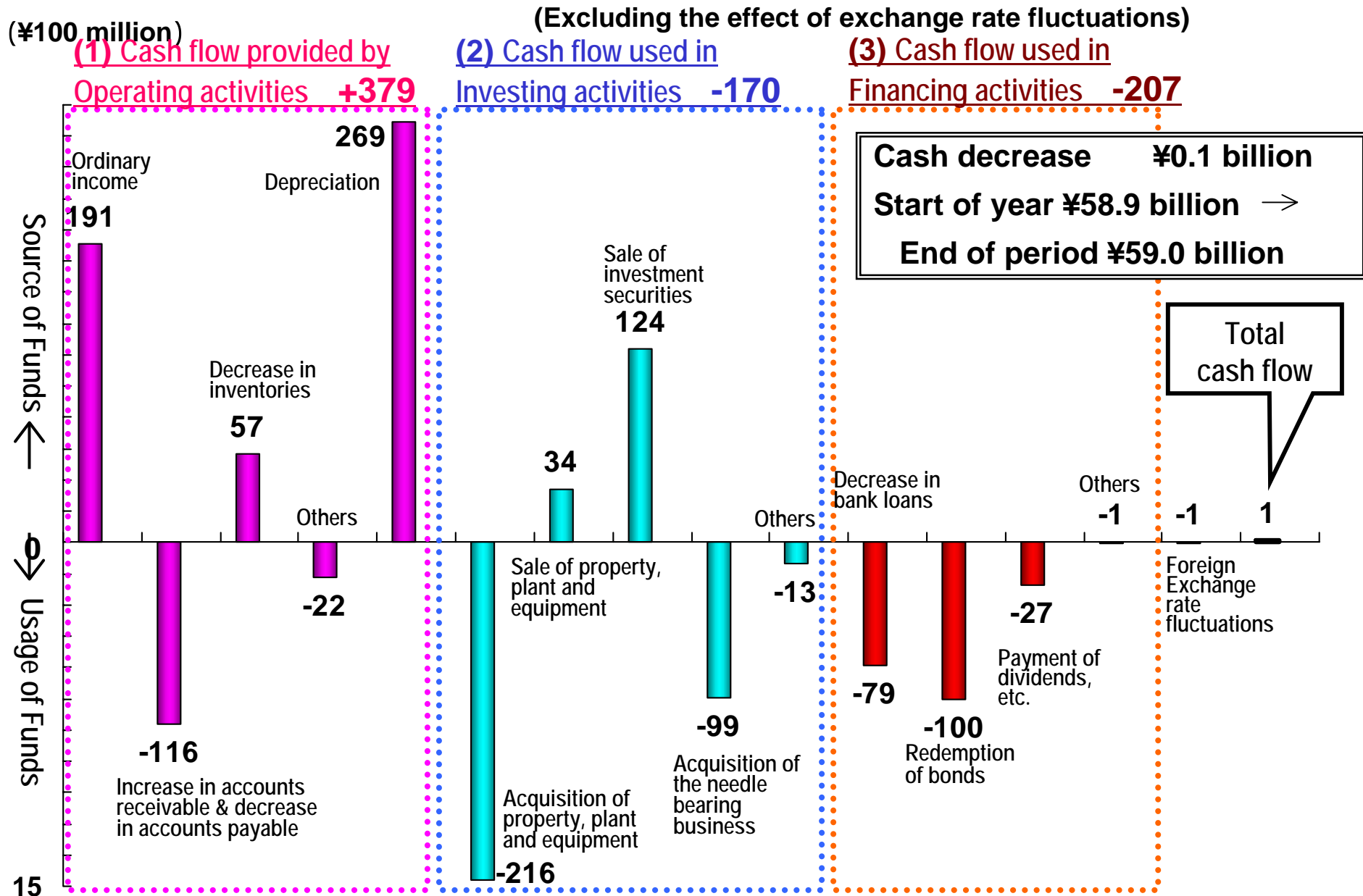
(¥100 million)	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004 Forecast</b>
<b>Total capital expenditures</b>	230	<b>255</b>	<b>300</b>
<b>Japan</b>	120	<b>148</b>	<b>195</b>
<Non-consolidated>	<77>	<75>	<124>
<b>Overseas</b>	110	<b>107</b>	<b>105</b>
Americas	37	<b>28</b>	<b>27</b>
Europe	37	<b>28</b>	<b>27</b>
Asia	36	<b>51</b>	<b>51</b>
<b>Depreciation</b>	288	<b>266</b>	<b>270</b>
<b>Japan</b>	162	<b>156</b>	<b>160</b>
<Non-consolidated>	<99>	<81>	<78>
<b>Overseas</b>	126	<b>110</b>	<b>110</b>

# Consolidated interest bearing debts

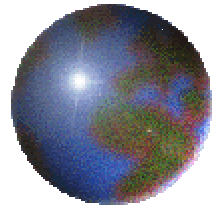
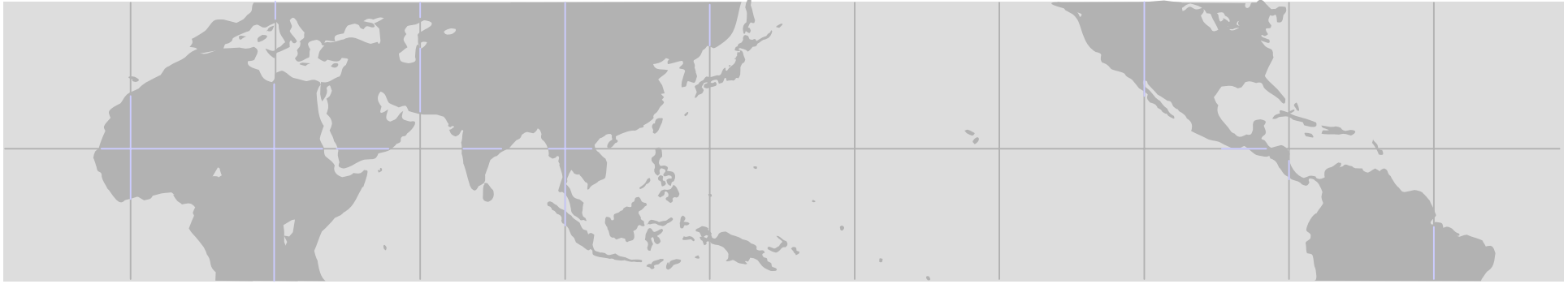
- Reduce interest bearing debts in line with the Mid-term Plan
- Continue financial structural improvements and reduce interest bearing debts by 30 billion yen in FY 2004



# Consolidated cash flow (FY 2003)







# Forecasts for the Year Ending March 31, 2005

## 《Focal Points of the Forecast》

**Aim for record sales and operating income levels by securely executing the Mid-term Plan**

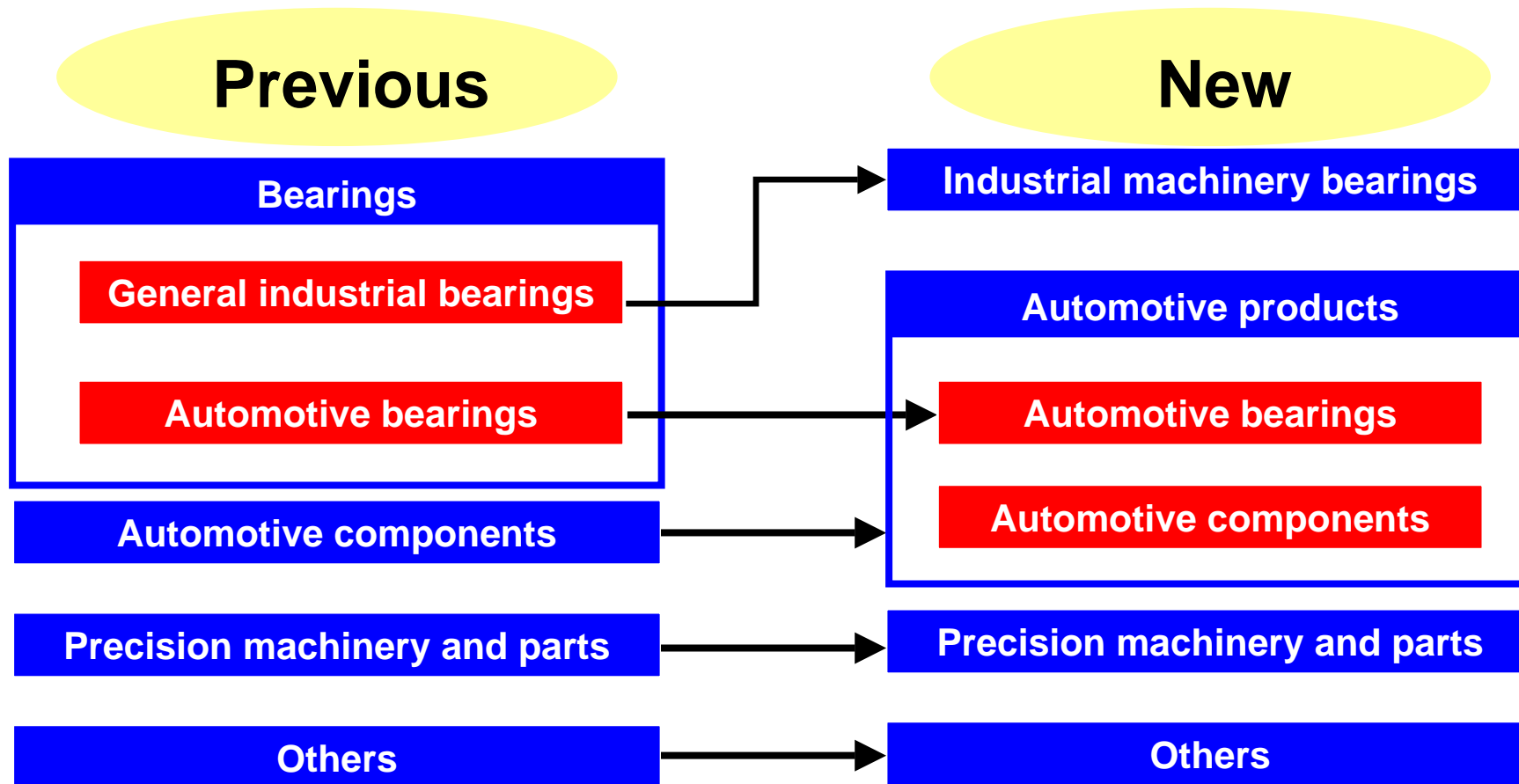
**Aim for improved efficiency and accelerated growth through the new business organization**

**Reinforce our foundations for growth in our China business**

**Reinforce our corporate governance structure and increase shareholder value**

# Changes in Business Segment

From FY 2004, we have changed our accounting segments to match the organizational changes implemented in February 2004



## 《Economic Outlook for FY 2004》

**Japan: Healthy economic conditions expected to continue**

- **Strong domestic demand for machine tools and industrial machinery expected to continue**
- **Automobile production expected to remain flat**
- **Demand from the semiconductor and LCD production equipment sectors expected to remain robust**

**Overseas:**

- **Continued strong demand expected from China, especially for the industrial machinery sector**
- **Demand from the Americas and Europe expected to recover gradually**

# Business forecasts for the year ending March 31, 2005



	Year ended March 31, 2004			Year ending March 31, 2005			Y.O.Y
	<u>FY 2003</u>			<u>FY 2004</u>			
(¥100 million)	<Actual> 1st half	<Actual> 2nd half	<Actual> Total	<Forecast> 1st half	<Forecast> 2nd half	<Forecast> Total	
Net sales	2,538	2,684	5,222	<b>2,730</b>	<b>2,820</b>	<b>5,550</b>	<b>+6.3%</b>
Operating income	95	165	260	<b>165</b>	<b>185</b>	<b>350</b>	<b>+34.6%</b>
Ordinary income	61	130	191	<b>125</b>	<b>145</b>	<b>270</b>	<b>+41.4%</b>
Income before tax	80	185	265	<b>125</b>	<b>145</b>	<b>270</b>	<b>+1.9%</b>
Net income	38	105	143	<b>70</b>	<b>85</b>	<b>155</b>	<b>+8.4%</b>
(Rate: 1 US\$= )	(¥119.14)	(¥113.39)	(¥116.26)	(¥110)			
(Rate: 1 EURO=)	(¥131.71)	(¥130.93)	(¥131.32)	(¥130)			

# Consolidated net sales forecast

–By business segment–



(¥100 million)	Year ended March 31, 2004 <u>FY 2003</u>			Year ending March 31, 2005 <u>FY 2004</u>			Y.O.Y
	<Actual> 1st half	<Actual> 2nd half	<Actual> Total	<Forecast> 1st half	<Forecast> 2nd half	<Forecast> Total	
<b>Net sales</b>	<b>2,538</b>	<b>2,684</b>	<b>5,222</b>	<b>2,730</b>	<b>2,820</b>	<b>5,550</b>	<b>+6.3%</b>
<b>Industrial machinery bearings</b>	<b>877</b>	<b>889</b>	<b>1,766</b>	<b>912</b>	<b>898</b>	<b>1,810</b>	<b>+2.5%</b>
<b>Automotive products</b>	<b>1,394</b>	<b>1,461</b>	<b>2,855</b>	<b>1,448</b>	<b>1,532</b>	<b>2,980</b>	<b>+4.4%</b>
<b>Precision machinery and parts</b>	<b>197</b>	<b>274</b>	<b>471</b>	<b>310</b>	<b>320</b>	<b>630</b>	<b>+33.8%</b>
<b>Others</b>	<b>70</b>	<b>60</b>	<b>130</b>	<b>60</b>	<b>70</b>	<b>130</b>	<b>±0%</b>

# Consolidated net sales forecast

–By geographical segment–



		Year ended March 31, 2004			Year ending March 31, 2005		
		FY 2003			FY 2004		
(¥100 million)		<Actual> 1st half	<Actual> 2nd half	<Actual> Total	<Forecast> 1st half	<Forecast> 2nd half	<Forecast> Total
<b>Japan</b>	<b>Sales</b>	1,868	2,050	3,918	<b>2,030</b>	<b>2,140</b>	<b>4,170</b>
	<b>Operating income</b>	68	124	192	<b>125</b>	<b>150</b>	<b>275</b>
	<b>&lt;%&gt;</b>	<b>&lt;3.6&gt;</b>	<b>&lt;6.0&gt;</b>	<b>&lt;4.9&gt;</b>	<b>&lt;6.2&gt;</b>	<b>&lt;7.0&gt;</b>	<b>&lt;6.6&gt;</b>
<b>Americas</b>	<b>Sales</b>	379	359	738	<b>390</b>	<b>410</b>	<b>800</b>
	<b>Operating income</b>	8	-2	6	<b>10</b>	<b>10</b>	<b>20</b>
	<b>&lt;%&gt;</b>	<b>&lt;2.1&gt;</b>	<b>&lt;-0.6&gt;</b>	<b>&lt;0.8&gt;</b>	<b>&lt;2.6&gt;</b>	<b>&lt;2.4&gt;</b>	<b>&lt;2.5&gt;</b>
<b>Europe</b>	<b>Sales</b>	460	438	898	<b>480</b>	<b>440</b>	<b>920</b>
	<b>Operating income</b>	3	23	26	<b>20</b>	<b>15</b>	<b>35</b>
	<b>&lt;%&gt;</b>	<b>&lt;0.7&gt;</b>	<b>&lt;5.3&gt;</b>	<b>&lt;2.9&gt;</b>	<b>&lt;4.2&gt;</b>	<b>&lt;3.4&gt;</b>	<b>&lt;3.8&gt;</b>
<b>Asia</b>	<b>Sales</b>	280	296	576	<b>310</b>	<b>310</b>	<b>620</b>
	<b>Operating income</b>	22	16	38	<b>20</b>	<b>20</b>	<b>40</b>
	<b>&lt;%&gt;</b>	<b>&lt;7.9&gt;</b>	<b>&lt;5.4&gt;</b>	<b>&lt;6.6&gt;</b>	<b>&lt;6.5&gt;</b>	<b>&lt;6.5&gt;</b>	<b>&lt;6.5&gt;</b>
<b>Elimination</b>	<b>Sales</b>	-449	-459	-908	<b>-480</b>	<b>-480</b>	<b>-960</b>
	<b>Operating income</b>	-6	4	-2	<b>-10</b>	<b>-10</b>	<b>-20</b>
<b>Total</b>	<b>Sales</b>	2,538	2,684	5,222	<b>2,730</b>	<b>2,820</b>	<b>5,550</b>
	<b>Operating income</b>	95	165	260	<b>165</b>	<b>185</b>	<b>350</b>
	<b>&lt;%&gt;</b>	<b>&lt;3.7&gt;</b>	<b>&lt;6.1&gt;</b>	<b>&lt;5.0&gt;</b>	<b>&lt;6.0&gt;</b>	<b>&lt;6.6&gt;</b>	<b>&lt;6.3&gt;</b>

\* 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 customer location–



	Year ended March 31, 2004 <u>FY 2003</u>			Year ending March 31, 2005 <u>FY 2004</u>			Y.O.Y
(¥100 million)	<Actual> 1st half	<Actual> 2nd half	<Actual> Total	<Forecast> 1st half	<Forecast> 2nd half	<Forecast> Total	
<b>Total</b>	2,538	2,684	5,222	<b>2,730</b>	<b>2,820</b>	<b>5,550</b>	<b>6.3%</b>
<b>Japan</b>	1,324	1,462	2,786	<b>1,405</b>	<b>1,517</b>	<b>2,922</b>	<b>4.9%</b>
<b>Overseas</b>	1,214	1,222	2,436	<b>1,325</b>	<b>1,303</b>	<b>2,628</b>	<b>7.9%</b>
Americas	386	363	749	<b>400</b>	<b>420</b>	<b>820</b>	<b>9.5%</b>
Europe	440	414	854	<b>455</b>	<b>411</b>	<b>866</b>	<b>1.4%</b>
Asia	388	445	833	<b>470</b>	<b>472</b>	<b>942</b>	<b>13.1%</b>

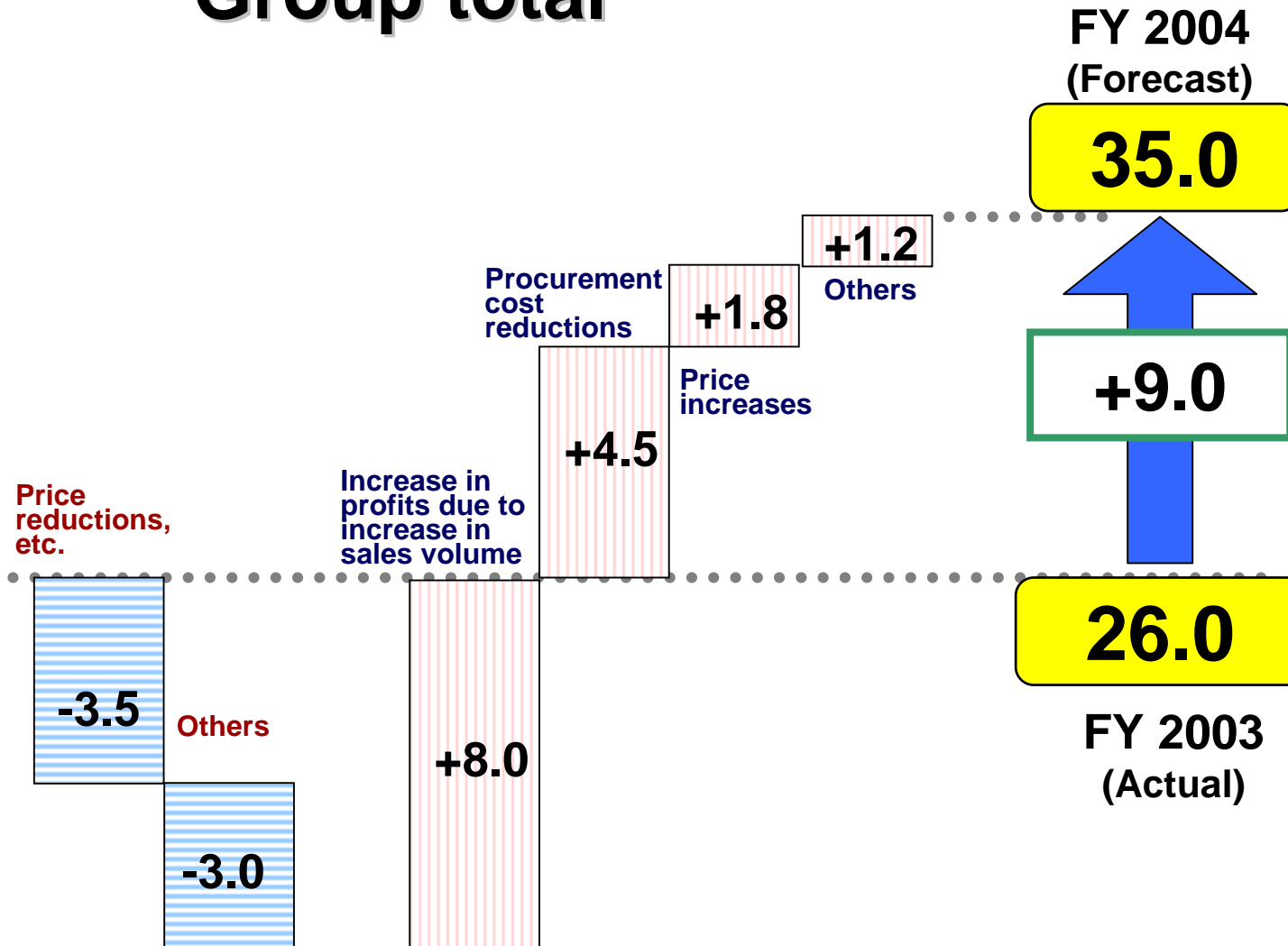


# Operating income: Improvement factors

(FY 2003 VS FY 2004)

(¥100 million)

## Group total



# Consolidated net sales forecast

–By business segment–



(¥100 million)		(Year ended March 31, 2004)	(Year ended March 31, 2005)	1st half Forecast	2nd half Forecast
		FY 2003 Actual	FY 2004 Forecast		
<b>Industrial machinery bearings</b>	Sales	1,766	1,810	912	898
	Operating income (%)	115 (+6.5%)	140 (+7.7%)	72	68
<b>Automotive products</b>	Sales	2,855	2,980	1,448	1,532
	Operating income (%)	164 (+5.7%)	170 (+5.7%)	78	92
<b>Precision machinery and parts</b>	Sales	471	630	310	320
	Operating income (%)	0 (0.0%)	70 (+11.1%)	30	40
<b>Others</b>	Sales	130	130	60	70
	Operating income (%)	12	10	5	5
<b>Corporate expenses</b>		-31	-40	-20	-20
<b>Total</b>	Operating income (%)	5,222	5,550	2,730	2,820
	Sales	260 (+5.0%)	350 (+6.3%)	165	185