



# NSK

## FINANCIAL CONFERENCE

FOR THE RESULTS OF THE SIX MONTHS ENDED  
SEPTEMBER 30, 2005 AND  
FORECASTS FOR THE YEAR ENDING MARCH 31, 2006

**Seiichi Asaka**  
**President & CEO**  
November 01, 2005  
**NSK Ltd.**

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

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

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



**Business Results for  
the Six Months Ended September 30,  
2005**

# Summary of the Consolidated Business Results for the First Half of FY 2005



## Summary: First Half of FY 2005

- ◆ Results of the first half close to business plan
  - ⇒ Japanese car production remains healthy.
  - ⇒ Strong demand for capital expenditures in Japan.
  - ⇒ Growth in the semiconductor/LCD segment flat.
  - ⇒ Overseas demand remains strong; some adjustment in demand seen in China.
- ◆ Results of 2Q better than 1Q.

# Summary of the Consolidated Business Results for the First Half of FY 2005



## Progress of key objectives

Key measures for FY2005	Progress (April-September 2005)
Maximize business opportunities	△
Timely execute capital expenditure plan	◎
Offset material price increase with increase in selling price and cost reduction measure	◎
Increase of selling price	◎
Ensure stable supply of materials	○
Improve overseas profitability	△

# Summary of the Consolidated Business Results for the First Half of FY 2005

(¥100 million)	(6 months ended Sep. 30, '03) <b>FY '04:1st half</b> <Actual>	(6 months ended Sep. 30, '04) <b>FY '05: 1st half</b> <forecast>	(6 months ended Sep. 30, '04) <b>FY '05: 1st half</b> <Actual>	Difference (amount) compared to the same period last year	Difference (%) compared to the same period last year
<b>Sales</b>	<b>2,873</b>	(2,990)	<b>3,029</b>	+156	+5.4%
<b>Operating income</b>	<b>195</b>	190	<b>184</b>	-11	-5.4%
<Operating income margin>	<6.8%>	<6.4%>	<6.1%>		
<b>Ordinary income</b>	<b>178</b>	170	<b>169</b>	-9	-4.8%
<b>Profit before tax</b>	<b>195</b>	182	<b>190</b>	-5	-2.3%
<b>Net income</b>	<b>118</b>	100	<b>100</b>	-18	-15.8%
(Rate: 1 US\$= )	(¥108.27)	(¥104)	(¥106.27)		
(Rate: 1 EURO= )	(¥132.63)	(¥136)	(¥137.10)		

(¥100 million)	(6 months ended Sep. 30, '03) <b>FY '04:Interim</b>	(Year ended Mar. 31, '04) <b>FY '05:Year-end</b>	(6 months ended Sep. 30, '04) <b>FY '05:Interim</b>
<b>ROE</b>	<b>12.8%</b>	<b>11.9%</b>	<b>10.0%</b>
<b>Interest bearing debts</b>	<b>2,274</b>	<b>2,072</b>	<b>2,071</b>
<b>Shareholders' equity</b>	<b>1,795</b>	<b>1,883</b>	<b>2,084</b>
<b>D/E ratio</b>	<b>1.27</b>	<b>1.10</b>	<b>0.99</b>
<b>Inventory</b>	<b>767</b>	<b>817</b>	<b>902</b>
<b>Inventory turnover (times)</b>	<b>7.5</b>	<b>7.4</b>	<b>7.0</b>

# Net Sales · Operating income

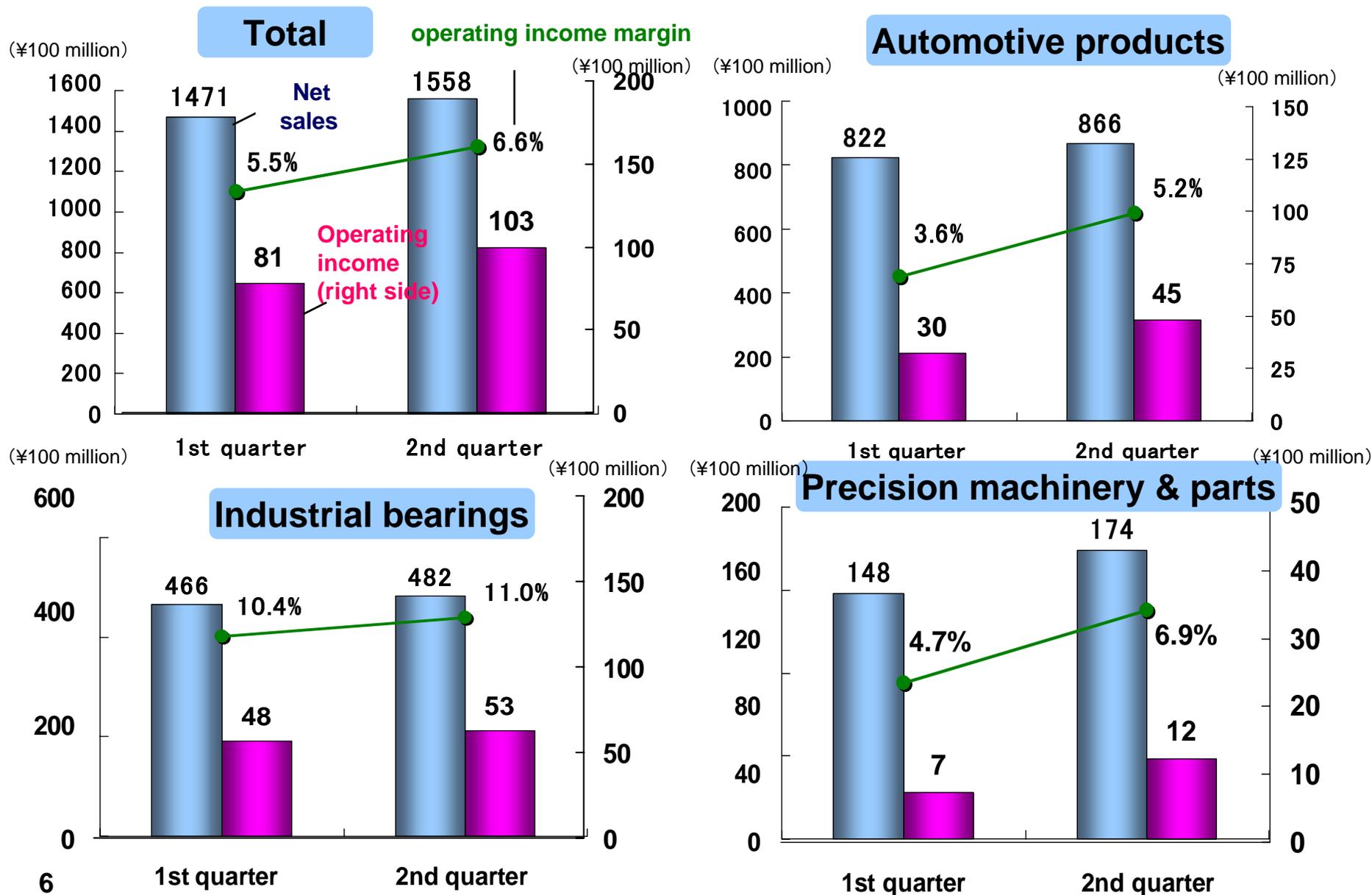


## –By Business Segment –

( $\yen 100$ million)	(6 months ended Sep. 30, '03)		(6 months ended Sep. 30, '04)		Difference (amount) compared to the same period last year	Difference (%) compared to the same period last year		
	<u>FY '04: 1st half</u> <Actual>		<u>FY '05: 1st half</u> <forecast>	<u>FY '05: 1st half</u> <Actual>				
<b>Sales</b>	<b>2,873</b>	(2,990)		<b>3,029</b>	+156	+5.4%		
Industrial bearings	919	(950)		948	+29	+3.2%		
Automotive products	1,555	(1,650)		1,688	+133	+8.5%		
Precision machinery & parts	324	(320)		322	-2	-0.5%		
Others	108	(110)		118	+10	+8.6%		
Elimination	-33	(-40)		-47	-14	-		
<b>Operating income</b>	<b>195</b>	<6.8%>	(190)	<6.4%>	<b>184</b>	<6.1%>	-11	-5.4%
Industrial bearings	94	<10.2%>	(105)	<11.1%>	101	<10.6%>	+7	+7.8%
Automotive products	90	<5.8%>	(75)	<4.5%>	75	<4.4%>	-15	-16.7%
Precision machinery & parts	26	<8.0%>	(25)	<7.8%>	19	<5.8%>	-7	-27.9%
Others	5	<5.2%>	(8)	<7.3%>	8	<7.0%>	+3	+48.0%
Elimination	-20		(-23)		-19		+1	

- Industrial bearings maintained a 10% operating income margin.
- Automotive products achieved results close to business plan due to healthy global demand, although material price and cost for increasing production increased
- Demand for precision machinery & parts from the semiconductor and LCD equipment sectors declined.

# Business results - 1st and 2nd quarter of FY 2005



# Factors affecting operating income



《Group total》

Apr – Sep 2005

**19.5 billion**

(¥ billion)

Decline in prices,  
etc.

△1.7

Effect of  
exchange  
rate  
△0.3

Increase in  
Other costs  
△4.8

Profit  
contribution  
attributable to  
higher sales  
volume  
+3.4

External  
procurement cost  
reductions  
+2.3

△1.1 billion

**18.4 billion**

Apr – Sep 2006

# Sales and Operating Income

–By Geographical Location –



(¥100 million)	(6 months ended Sep. 30, '03)		(6 months ended Sep. 30, '04)		Difference (amount) compared to the same period last year	Difference (%) compared to the same period last year
	FY '04: 1st half <Actual>	FY '05: 1st half <forecast>	FY '05: 1st half <Actual>			
<b>Sales</b>	<b>2,873</b>	(2,990)	<b>3,029</b>		+156	+5.4%
<b>Japan</b>	<b>2,133</b>	(2,260)	<b>2,274</b>		+141	+6.6%
<b>The Americas</b>	<b>403</b>	(430)	<b>435</b>		+32	+7.9%
<b>Europe</b>	<b>515</b>	(540)	<b>534</b>		+19	+3.7%
<b>Asia</b>	<b>311</b>	(350)	<b>350</b>		+39	+12.5%
<b>Eliminations</b>	<b>-489</b>	(-590)	<b>-564</b>		-75	
<b>Operating income</b>	<b>195 &lt;6.8%&gt;</b>	(190) <6.4%>	<b>184 &lt;6.1%&gt;</b>		-11	-5.4%
<b>Japan</b>	<b>134 &lt;6.3%&gt;</b>	(136) <6.0%>	<b>137 &lt;6.0%&gt;</b>		+3	+2.2%
<b>The Americas</b>	<b>12 &lt;3.0%&gt;</b>	(16) <3.7%>	<b>13 &lt;3.1%&gt;</b>		+1	+8.3%
<b>Europe</b>	<b>27 &lt;5.3%&gt;</b>	(24) <4.4%>	<b>16 &lt;3.0%&gt;</b>		-11	-40.7%
<b>Asia</b>	<b>17 &lt;5.4%&gt;</b>	(19) <5.4%>	<b>22 &lt;6.4%&gt;</b>		+5	+29.4%
<b>Eliminations</b>	<b>5</b>	(-5)	<b>-4</b>		-9	

- ◆ **Japan** : Strong demand continued, and results close to business plan.
- ◆ **The Americas** : Demand for industrial bearings and automotive products were healthy.  
Precision machinery & parts demand declined.
- ◆ **Europe** : European car manufacturers bankruptcy and change of exchange ratio negatively affected results.
- ◆ **Asia** : Demand in Thailand and Asean area remains strong contributing to bottom line.

# Net sales

## –By Customer Location –



(¥100 million)	(6 months ended Sep. 30, '03)	(6 months ended Sep. 30, '04)	(6 months ended Sep. 30, '04)	Difference (amount) compared to the same period last year	Difference (%) compared to the same period last year
	<b>FY '04: 1st half</b> <Actual>	<b>FY '05: 1st half</b> <forecast>	<b>FY '05: 1st half</b> <Actual>		
<b>Net sales</b>	<b>2,873</b>	(2,990)	<b>3,029</b>	+156	+5.4%
<b>Japan</b>	<b>1,507</b>	(1,558)	<b>1,563</b>	+56	+3.8%
<b>The Americas</b>	<b>411</b>	(435)	<b>446</b>	+35	+8.4%
<b>Europe</b>	<b>486</b>	(490)	<b>497</b>	+11	+2.2%
<b>Asia</b>	<b>469</b>	(507)	<b>523</b>	+54	+11.5%

- **Japan:** Sales to the automotive, machine tool sector and the general industrial sector remained strong, although sales to semiconductor and liquid crystal display production equipment sector declined.
- **The Americas:** Sales in Brazil and demand from the automotive industry in the U.S. were robust.
- **Europe:** Sales to the automotive and industry were increased.
- **Asia :** Sales of precision machinery & parts were increased. Sales in Thailand and China were healthy.

# Non-operating income and losses Extraordinary income and losses



## Non-operating income and losses

- Financial position improved.
- Equity in earnings of affiliated companies increased.

(¥100 million)	<u>FY '04:</u> <u>1st half</u>	<u>FY '05:</u> <u>1st half</u>	Difference (amount) compared to the same period last year
<b>Operating income</b>	<b>195</b>	<b>184</b>	-11
<b>Non-operating income</b>	<b>38</b>	<b>39</b>	+1
Interest and dividend income	9	9	0
Equity in earnings of affiliated companies	13	16	+3
Miscellaneous income	16	14	-2
<b>Non-operating losses</b>	<b>55</b>	<b>54</b>	-1
Interest expenses	25	22	-3
Miscellaneous expenses	30	32	+2

## Extraordinary income and losses

- Gain on sales of investment securities, property, plant and equipment were appropriated.
- Restructuring expenses in U.S. and Europe were appropriated.

(¥100 million)	<u>FY '04: 1st</u> <u>half</u>	<u>FY '05:</u> <u>1st half</u>	Difference (amount) compared to the same period last year
<b>Ordinary income</b>	<b>178</b>	<b>169</b>	-9
<b>Extraordinary income</b>	<b>18</b>	<b>39</b>	+21
Gain on sales of investment securities	8	25	+17
Gain on sales of property, plant and equipment	—	14	+14
Gain on transfer to defined contribution pension plan	10	—	-10
<b>Extraordinary losses</b>	<b>1</b>	<b>18</b>	+17
Restructuring expenses	1	—	-1
Gain on sales of investment securities	—	18	+17
<b>Income before tax</b>	<b>195</b>	<b>190</b>	-5

# Consolidated Balance Sheets



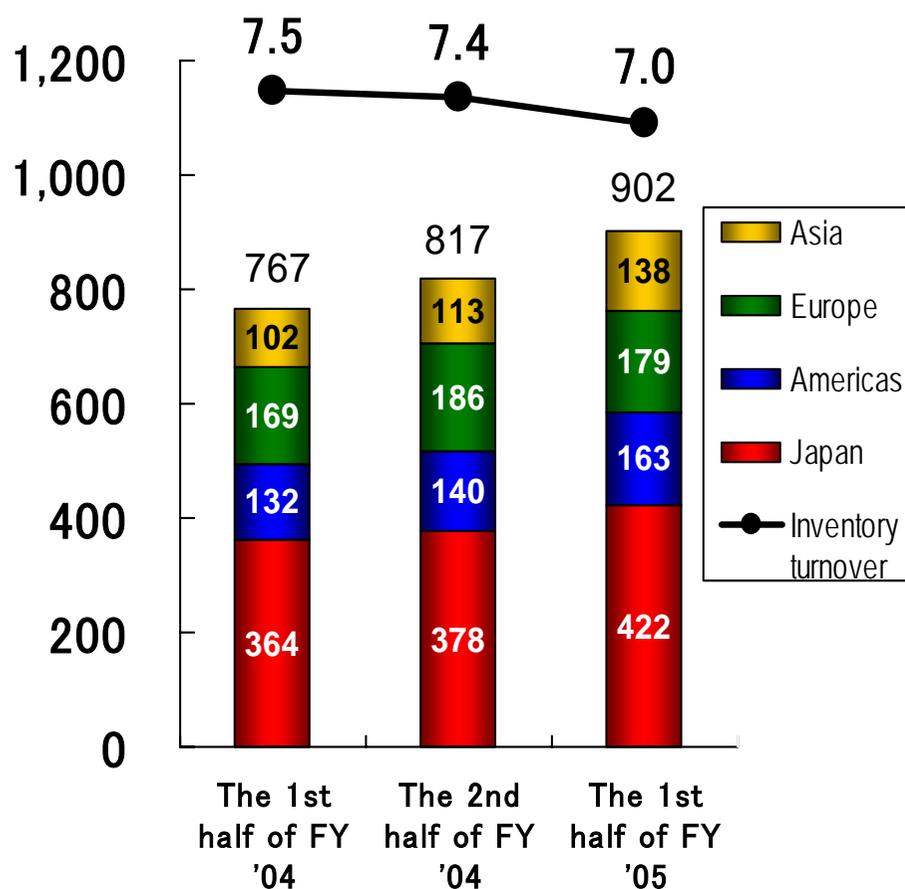
(¥100 million)	FY 2004		FY 2005	
	(6 months ended Sep. 30, '04) Interim	(Year ended Mar. 31, '05) Year-end	(6 months ended Sep. 30, '05) Interim	Difference (Compared to FY '04: Year-end)
<b>Assets</b>				
Current assets	2,844	2,787	2,865	+78
Non-current assets	3,378	3,499	3,728	+229
<b>Total assets</b>	<b>6,222</b>	<b>6,286</b>	<b>6,593</b>	<b>+307</b>
<b>Liabilities and Shareholder's equity</b>				
Current liabilities	2,373	2,343	2,617	+274
Long-term liabilities	1,928	1,944	1,769	-175
<b>Total liabilities</b>	<b>4,301</b>	<b>4,287</b>	<b>4,386</b>	<b>+99</b>
Minority interests	126	116	123	+7
<b>Total shareholder's equity</b>	<b>1,795</b>	<b>1,883</b>	<b>2,084</b>	<b>+201</b>
<b>Total liabilities and shareholder's equity</b>	<b>6,222</b>	<b>6,286</b>	<b>6,593</b>	<b>+307</b>
(Rate: 1US\$=)	(¥108.43)	(¥104.21)	(¥110.62)	
(Rate: 1EURO=)	(¥131.06)	(¥141.61)	(¥133.63)	

# Inventories and Interest Bearing Debts

## Inventories

- Higher sales resulted increased inventories.
- Turnover will be improved in the 2<sup>nd</sup> half of FY 2005 by improving the inventory efficiency.

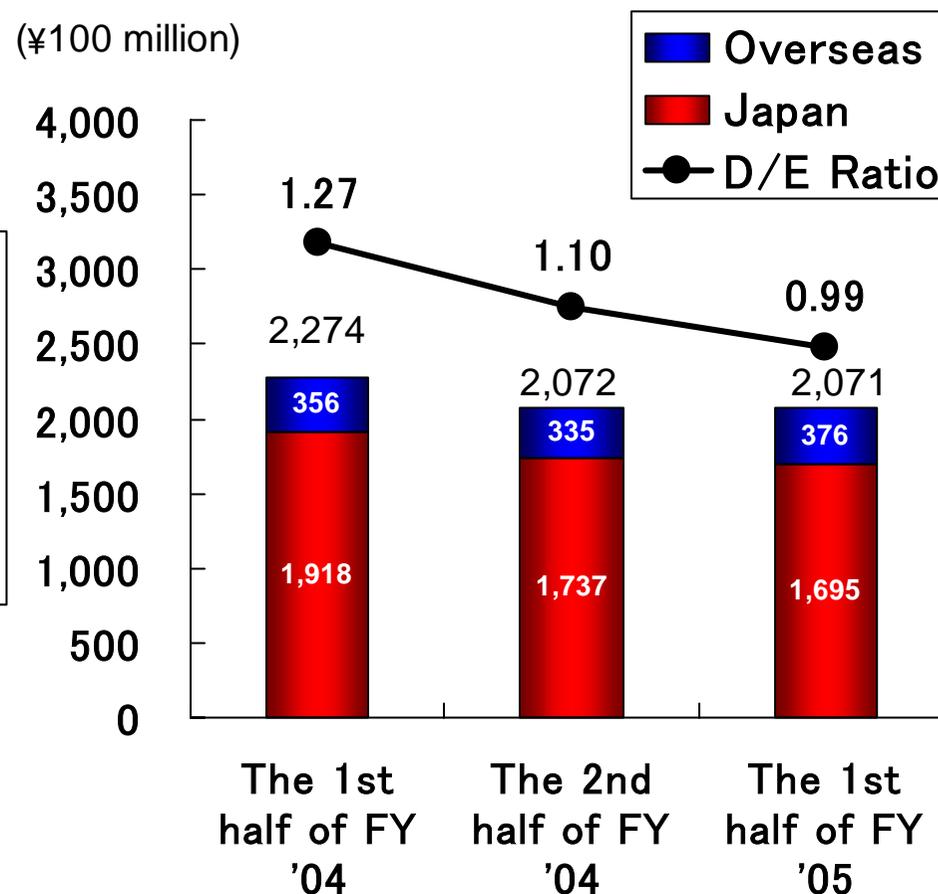
(¥100 million)



## Interest Bearing Debts

- Interest-bearing debts will be reduced in the 2<sup>nd</sup> half of FY 2005, and the financial structure will be improved.

(¥100 million)



# Capital Expenditures, Depreciation & Amortization



- Capital expenditures that will support our future growth were made especially in Japan and Asia, which will be continued in the 2<sup>nd</sup> half of FY 2005.

(¥100 million)	The 1st half of FY '04	The 2nd half of FY '04	The 1st half of FY '05
<b>Capital expenditures</b>	151	218	<b>244</b>
<b>Japan</b>	114	142	<b>152</b>
<b>Overseas</b>	37	76	<b>92</b>
The Americas	7	8	<b>19</b>
Europe	8	29	<b>18</b>
Asia	22	39	<b>55</b>
<b>Depreciation</b>	130	140	<b>134</b>
<b>Japan</b>	74	86	<b>82</b>
<b>Overseas</b>	56	54	<b>52</b>

# Consolidated Cash Flow (FY 2005: 1st half)



(¥100 million)	Apr-Sep '04	Oct-Mar '04	Apr-Sep '05
Cash flow provided by Operating activities	210	369	<b>203</b>
Cash flow used in Investing activities	△135	△181	<b>△153</b>
(Free cash flow)	(75)	(188)	<b>(50)</b>
Cash flow used in Financing activities	△209	△252	<b>△24</b>
Effect of foreign exchange rate fluctuations	△4	6	<b>4</b>
Total cash flow	△138	△58	<b>30</b>
Cash and cash equivalents at the end of the year	452	394	<b>424</b>



**Forecasts for the Year  
Ending March 31, 2005**

# Revised forecasts for FY 2005: Full Year

## Full year forecast

Sales: ¥620.0 billion, Operating income: 41.0 billion, Ordinary income: 37.0 billion

## Forecasted business environment for FY 2005: 2nd half

### 【Japan】

- ◆ Machine tools, General Industrial sector :  
Strong demand expected to continue.
- ◆ Automotive production :  
Production volumes expected to exceed the previous year's.
- ◆ Semiconductor and LCD production equipment industry :  
Demand expected to be the same level as of the 1<sup>st</sup> half.

### 【Overseas】

- ◆ The Americas :  
Demand expected to remain strong, however the demands from automotive sector is unclear.
- ◆ Europe :  
Demand expected to recover gradually.
- ◆ Asia  
Demand is unclear in China, while automotive production expected to remain strong in Thailand.

# Year-end forecast for FY 2005



FY 2004	FY 2005				Difference (amount) compared to the same period last year
	Full year (Ended Mar. 31, '05) <Actual>	Full year (Ending Mar. 31, '06) <forecast>	1st half (Ended Sep. 30, '05) <Actual>	Full year (Ending Mar. 31, '06) <New forecast>	
(¥100 million)					
<b>Sales</b>	5,810	(6,100)	3,029	<b>6,200</b>	<b>+390</b>
<b>Operating income</b>	383	(410)	184	<b>410</b>	<b>+27</b>
<b>&lt;ratio&gt;</b>	<6.6%>	<6.7%>	<6.1%>	<6.6%>	
<b>Ordinary income</b>	331	(370)	169	<b>370</b>	<b>+39</b>
<b>Profit before tax</b>	350	(382)	190	<b>382</b>	<b>+32</b>
<b>Net income</b>	223	(225)	100	<b>225</b>	<b>+2</b>
(Rate: 1 US\$= )	<b>(¥108.20)</b>	(¥104)	<b>(¥106.27)</b>	<b>(¥107.14)</b>	
(Rate: 1 EURO= )	<b>(¥134.08)</b>	(¥136)	<b>(¥137.10)</b>	<b>(¥136.55)</b>	

**Record income levels expected for two consecutive years.**

# Year-end forecast for FY 2005



## –By Business Segment–

(#100 million)	FY 2004		FY 2005		
	Full year (Ended Mar. 31, '05) <Actual>	Full year (Ending Mar. 31, '06) <forecast>	1st half (Ended Sep. 30, '05) <Actual>	Full year (Ending Mar. 31, '06) <New forecast>	Difference (amount) compared to the same period last year
<b>Sales</b>	<b>5,810</b>	(6,100)	<b>3,029</b>	<b>6,200</b>	<b>+390</b>
Industrial bearings	1,855	(1,940)	948	1,940	+85
Automotive products	3,162	(3,375)	1,688	3,475	+313
Precision machinery	642	(645)	322	650	+8
Others	232	(220)	118	228	-4
Elimination	-81	(-80)	-47	-93	-12
<b>Operating income</b>	<b>383 &lt;6.6%&gt;</b>	(410) <6.7%>	<b>184 &lt;6.1%&gt;</b>	<b>410 &lt;6.6%&gt;</b>	<b>+27</b>
Industrial bearings	199 <10.8%>	(220) <11.3%>	101 <10.6%>	220 <11.3%>	+21
Automotive products	158 <5.0%>	(165) <4.9%>	75 <4.4%>	170 <4.9%>	+12
Precision machinery	48 <7.4%>	(55) <8.5%>	19 <5.8%>	43 <6.6%>	-5
Others	18 <7.9%>	(15) <6.8%>	8 <7.0%>	14 <6.1%>	-4
Elimination	-40	(-45)	-19	-37	+3

# Year-end forecast for FY 2005



## –By Geographical Segment–

FY 2004	FY 2005				Difference (amount) compared to the same period last year
	Full year (Ended Mar. 31, '05) <Actual>	Full year (Ending Mar. 31, '06) <forecast>	1st half (Ended Sep. 30, '05) <Actual>	Full year (Ending Mar. 31, '06) <New forecast>	
	(¥100 million)				
<b>Sales</b>	<b>5,810</b>	<b>(6,100)</b>	<b>3,029</b>	<b>6,200</b>	<b>+390</b>
<b>Japan</b>	<b>4,395</b>	<b>(4,630)</b>	<b>2,274</b>	<b>4,680</b>	<b>+285</b>
<b>The Americas</b>	<b>805</b>	<b>(860)</b>	<b>435</b>	<b>885</b>	<b>+80</b>
<b>Europe</b>	<b>1,002</b>	<b>(1,060)</b>	<b>534</b>	<b>1,049</b>	<b>+47</b>
<b>Asia</b>	<b>642</b>	<b>(740)</b>	<b>350</b>	<b>746</b>	<b>+104</b>
<b>Elimination</b>	<b>-1,034</b>	<b>(-1,190)</b>	<b>-564</b>	<b>-1,160</b>	<b>-126</b>
<b>Operating income</b>	<b>383 &lt;6.6%&gt;</b>	<b>(410) &lt;6.7%&gt;</b>	<b>184 &lt;6.1%&gt;</b>	<b>410 &lt;6.6%&gt;</b>	<b>+27</b>
<b>Japan</b>	<b>273 &lt;6.2%&gt;</b>	<b>(284) &lt;6.1%&gt;</b>	<b>137 &lt;6.0%&gt;</b>	<b>297 &lt;6.4%&gt;</b>	<b>+24</b>
<b>The Americas</b>	<b>25 &lt;3.2%&gt;</b>	<b>(36) &lt;4.2%&gt;</b>	<b>13 &lt;3.1%&gt;</b>	<b>23 &lt;2.6%&gt;</b>	<b>-2</b>
<b>Europe</b>	<b>48 &lt;4.8%&gt;</b>	<b>(50) &lt;4.7%&gt;</b>	<b>16 &lt;3.0%&gt;</b>	<b>41 &lt;3.9%&gt;</b>	<b>-7</b>
<b>Asia</b>	<b>33 &lt;5.1%&gt;</b>	<b>(42) &lt;5.7%&gt;</b>	<b>22 &lt;6.4%&gt;</b>	<b>50 &lt;6.7%&gt;</b>	<b>+17</b>
<b>Elimination</b>	<b>4</b>	<b>(-2)</b>	<b>-4</b>	<b>-1</b>	<b>-5</b>

# Year-end forecast for FY 2005



–By Customer Location –

(¥100 million)	FY 2004	FY 2005			
	Full year (Ended Mar. 31, '05) <Actual>	Full year (Ending Mar. 31, '06) <forecast>	1st half (Ended Sep. 30, '05) <Actual>	Full year (Ending Mar. 31, '06) <New forecast>	Difference (amount) compared to the same period last year
<b>Sales</b>	<b>5,810</b>	<b>(6,100)</b>	<b>3,029</b>	<b>6,200</b>	+390
Japan	3,103	(3,232)	1,563	3,265	+162
The Americas	823	(873)	446	905	+82
Europe	936	(972)	497	964	+28
Asia	948	(1,023)	523	1,066	+118

# Vision for the final year of our Mid-term Business Plan



**Mid-term Targets**

- Operating income margin : **8.5%** (Vision more than **10%**)
- R O E : More than **10%**
- Financial position : D/E ratio less than **1.0**

- **Net sales**: Expected to achieve strategic target
- **Operating income**:
  - ◆ Industrial bearings ⇒ Achieve 10% operating income margin
  - ◆ Automotive products ⇒ Improve profitability
  - ◆ Precision and machinery ⇒ Review product portfolio
- **ROE**: Achieve ROE of greater than 10%
- **Financial position**:
  - ◆ Reduce interest-bearing debts by 80 billion yen in 3 years, and improve D/E ratio to below 1
  - ◆ Improve inventory turnover

(¥100 million)	FY 2005 <Forecast>
<b>Capital expenditures</b>	<b>40</b>
Japan	268
Overseas	132
The Americas	30
Europe	34
Asia	68

(¥100 million)	FY 2005 < Forecast >
<b>Depreciation</b>	<b>295</b>

(¥100 million)	FY 2005 < Forecast >
<b>R&amp;D</b>	<b>110</b>