

NSK Ltd.

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For Immediate Release

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CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED JUNE 30, 2006 (unaudited)

Financial highlights

	Three months ended Jun. 30,		Change %
	2006	2005	
(Millions of yen)			
Net sales	¥ 174,050	¥ 147,112	18.3
Operating income	14,778	8,084	82.8
Ordinary income	13,741	7,611	80.5
Net income	8,379	5,647	48.4
(Yen)			
Net income per share			
Basic	¥ 15.52	¥ 10.47	
Diluted	15.50	10.47	

Financial position

	As of Jun. 30,	As of Mar. 31,
	2006	2006
(Millions of yen)		
Total assets	¥ 742,916	¥ 743,032
Shareholders' equity	251,723	235,716
(%)		
Shareholders' equity to total assets	32.2%	31.7%
(Yen)		
Shareholders' equity per share	¥ 443.16	¥ 436.48

Cash flow

	Three months ended Jun. 30,	
	2006	2005
(Millions of yen)		
Net cash provided by operating activities	¥ 14,850	¥ 13,854
Net cash used in investing activities	(9,022)	(5,657)
Net cash (used in) provided by financing activities	(5,426)	2,305
Cash and cash equivalents at the end of the period	52,148	50,063

Consolidated balance sheets

(Millions of yen)	As of Jun. 30, 2006	As of Mar. 31, 2006	Increase/ Decrease
Assets			
Current assets	¥ 324,694	¥ 313,569	¥ 11,125
Cash and deposits	47,643	47,332	311
Notes and accounts receivable	122,325	115,232	7,093
Marketable securities	11,662	11,261	401
Inventories	102,807	101,337	1,470
Deferred tax assets	12,528	10,477	2,051
Other current assets	29,499	29,920	(421)
Less allowance for doubtful accounts	(1,773)	(1,992)	219
Non-current assets	418,222	429,462	(11,240)
Property, plant and equipment	250,165	250,230	(65)
Buildings and structures	72,936	73,583	(647)
Machinery and transportation equipment	118,625	117,541	1,084
Land	36,914	36,855	59
Other property, plant and equipment	21,689	22,249	(560)
Intangible assets	9,787	9,988	(201)
Investments and other assets	158,268	169,244	(10,976)
Investment securities	113,568	125,876	(12,308)
Long-term loans	198	198	0
Deferred tax assets	2,769	2,825	(56)
Prepaid pension costs	34,611	33,731	880
Other investments and other assets	8,049	7,545	504
Less allowance for doubtful accounts	(928)	(933)	5
Total assets	¥ 742,916	¥ 743,032	¥ (116)

Consolidated balance sheets (Continued)

(Millions of yen)	As of Jun. 30, 2006	As of Mar. 31, 2006	Increase/ Decrease
Liabilities			
Current liabilities	¥ 273,938	¥ 266,834	¥ 7,104
Notes and accounts payable	113,228	111,992	1,236
Short-term loans	86,936	80,184	6,752
Commercial paper	5,000	5,000	—
Current portion of corporate bonds	10,000	10,000	—
Accrued income taxes	6,120	7,845	(1,725)
Other current liabilities	52,653	51,812	841
Long-term liabilities	217,253	228,373	(11,120)
Corporate bonds	75,000	85,000	(10,000)
Long-term loans	45,601	42,733	2,868
Deferred tax liabilities	39,845	42,958	(3,113)
Accrued employees' retirement benefits	42,538	41,428	1,110
Accrued officers' retirement benefits	710	700	10
Reserves for environmental safety measures expenses	771	909	(138)
Other long-term liabilities	12,786	14,642	(1,856)
Total liabilities	491,192	495,208	(4,016)
Minority interests	—	12,107	—
Shareholders' equity			
Common stock	—	67,176	—
Capital surplus	—	78,097	—
Retained earnings	—	71,241	—
Unrealized holding gains on securities	—	42,297	—
Translation adjustments	—	(18,871)	—
Treasury stock	—	(4,224)	—
Total shareholders' equity	—	235,716	—
Total liabilities and shareholders' equity	—	743,032	—
Net assets			
Shareholders' equity	244,690	—	—
Common stock	67,176	—	—
Capital surplus	78,114	—	—
Retained earnings	103,618	—	—
Treasury stock	(4,218)	—	—
Differences on revaluation and translation	(5,422)	—	—
Unrealized holding gains on securities	36,535	—	—
Translation adjustments	(18,866)	—	—
Loss on retirement benefits obligation by subsidiaries in the U.K.	(23,091)	—	—
Minority interests	12,455	—	—
Total net assets	251,723	—	—
Total liabilities and net assets	¥ 742,916	¥ —	¥ —

Consolidated statements of operations

Three months ended Jun. 30,

(Millions of yen)	2006	2005	Change %
Net sales	¥ 174,050	¥ 147,112	18.3
Cost of sales	134,386	114,800	17.1
Gross profit	39,664	32,312	22.8
Selling, general and administrative expenses	24,886	24,227	2.7
Operating income	14,778	8,084	82.8
Non-operating income:	2,371	1,968	20.5
Interest and dividend income	908	657	38.1
Equity in earnings of affiliated companies	817	890	(8.2)
Other	646	420	53.8
Non-operating expenses:	3,407	2,442	39.6
Interest expenses	1,243	1,219	2.0
Other	2,164	1,222	77.0
Ordinary income	13,741	7,611	80.5
Extraordinary income:	—	2,657	—
Gain on sales of investment securities	—	1,413	—
Gain on sales of property, plant and equipment	—	1,243	—
Income before income taxes and minority interests	13,741	10,268	33.8
Income taxes:			
Current	5,659	1,964	188.1
Deferred	(678)	2,434	—
Minority interests	382	222	71.6
Net income	¥ 8,379	¥ 5,647	48.4

Consolidated statements of shareholders' equity

Three months ended Jun. 30, 2006
(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at Mar. 31, 2006	¥67,176	¥78,097	¥94,333	¥(4,224)	¥235,382
Increase (decrease) during the period					
Net income			8,379		8,379
Increase in surplus resulting in changes in settlement period for consolidated subsidiaries			906		906
Acquisition of treasury stock				(35)	(35)
Sales of treasury stock		16		41	58
Net increase (decrease) during the period, except for items under shareholders' equity					
Total increase in the period	—	16	9,285	5	9,307
Balance at Jun. 30, 2006	¥67,176	¥78,114	¥103,618	¥(4,218)	¥244,690

	Valuation and translation adjustment				Minority interests	Total net assets
	Unrealized holding gains on securities	Translation adjustments	Loss on retirement benefits obligation by subsidiaries in U.K.	Total valuation and translation adjustment		
Balance at Mar. 31, 2006	¥42,297	¥(18,871)	¥(23,091)	¥ 333	¥12,107	¥247,823
Increase (decrease) during the period						
Net income						8,379
Increase in surplus resulting in changes in settlement period for consolidated subsidiaries						906
Acquisition of treasury stock						(35)
Sales of treasury stock						58
Net increase (decrease) during the period, except for items under shareholders' equity	(5,761)	5		(5,755)	347	(5,408)
Total increase (decrease) in the period	(5,761)	5	—	(5,755)	347	3,899
Balance at Jun. 30, 2006	¥36,535	¥(18,866)	¥(23,091)	¥(5,422)	¥12,455	¥251,723

Note:

Increase in surplus resulting in changes in settlement period for consolidated subsidiaries include changes in 40 consolidated subsidiaries and 3 affiliates accounted for by the equity method, which mainly changed their settlement period from December 31 to March 31.

Consolidated statements of surplus

Three months ended Jun. 30,

(Millions of yen)	<u>2005</u>
Capital surplus	
Capital surplus at the beginning of the period	<u>¥ 77,925</u>
Increase in capital surplus	0
Gain on sales of treasury stock	0
Capital surplus at the end of the period	<u>77,926</u>
Retained earnings	
Retained earnings at the beginning of the period	<u>55,783</u>
Increase in retained earnings	<u>5,647</u>
Net income	5,647
Decrease in retained earnings	<u>—</u>
Dividends	—
Directors' bonus	—
Loss on retirement benefit liabilities of UK subsidiaries	—
Retained earnings at the end of the period	<u>61,430</u>

Consolidated statements of cash flows

Three months ended Jun. 30,

(Millions of yen)	2006	2005
Operating activities		
Income before income taxes and minority interests	¥ 13,741	¥ 10,268
Depreciation and amortization	8,162	6,557
Amortization of excess of cost over net assets acquired	171	142
(Decrease) increase in allowance for doubtful accounts	(147)	57
(Decrease) increase in provision for retirement benefits and prepaid pension cost	(561)	596
Interest and dividend income	(908)	(657)
Interest expense	1,243	1,219
Equity in earnings of affiliated companies	(817)	(890)
Gain on sales of investment securities	—	(1,413)
(Increase) decrease in notes and accounts receivable	(2,078)	1,987
(Increase) in inventories	(707)	(7,122)
Increase in notes and accounts payable	727	3,610
Other	3,513	5,031
Subtotal	22,339	19,386
Interest and dividends received	3,075	1,494
Interest paid	(1,497)	(1,477)
Income taxes paid	(9,067)	(5,548)
Net cash provided by operating activities	14,850	13,854
Investing activities		
Proceeds from sales of marketable securities	1,008	—
Additions to property, plant and equipment	(9,226)	(8,448)
Proceeds from sales of property, plant and equipment	169	1,469
Acquisition of investment securities	(307)	(5)
Proceeds from sales of investment securities	9	1,846
Payments for acquisition of stock in companies accounted for by equity method	—	(618)
Proceeds from sales of stock in companies accounted for by equity method	—	428
Payments for advances	(16)	(12)
Proceeds from collection of advances	25	41
Other	(685)	(358)
Net cash used in investing activities	(9,022)	(5,657)
Financing activities		
Net increase in short-term loans	5,624	5,832
Increase in Long-term loans	3,001	—
Long-term debt – repayments	(627)	(409)
Payments for redemption of corporate bonds	(10,000)	—
Payments for acquisition of treasury stock	(16)	(7)
Dividends paid	(3,228)	(2,971)
Dividends paid to minority stockholders	(186)	(85)
Other	6	(52)
Net cash (used in) provided by financing activities	(5,426)	2,305
Effect of exchange rate changes on cash and cash equivalents	(120)	172
Net increase in cash and cash equivalents	281	10,675
Cash and cash equivalents at beginning of the period	51,812	39,387
Increase in cash and cash equivalents resulting in changes in settlement period for consolidated subsidiaries	54	—
Cash and cash equivalents at end of the period	¥ 52,148	¥ 50,063

Sales by business segment

Three months ended Jun. 30, 2006							
(Millions of yen)	Industrial machinery bearings	Automotive products	Precision machinery and parts	Other	Total	Eliminations and other	Consolidated
Sales to third parties	¥ 51,994	¥ 97,665	¥ 18,146	¥ 6,244	¥ 174,050	¥ —	¥ 174,050
Intersegment sales and transfers	—	—	—	5,301	5,301	(5,301)	—
Total	51,994	97,665	18,146	11,546	179,352	(5,301)	174,050
Operating expenses	45,483	91,733	15,554	10,794	163,566	(4,293)	159,272
Operating income	¥ 6,510	¥ 5,931	¥ 2,592	¥ 751	¥ 15,786	¥ (1,008)	¥ 14,778

Three months ended Jun. 30, 2005							
(Millions of yen)	Industrial machinery bearings	Automotive products	Precision machinery and parts	Other	Total	Eliminations and other	Consolidated
Sales to third parties	¥ 46,626	¥ 82,174	¥ 14,773	¥ 3,538	¥ 147,112	¥ —	¥ 147,112
Intersegment sales and transfers	—	—	—	2,060	2,060	(2,060)	—
Total	46,626	82,174	14,773	5,599	149,173	(2,060)	147,112
Operating expenses	41,787	79,202	14,073	5,235	140,298	(1,270)	139,028
Operating income	¥ 4,839	¥ 2,971	¥ 699	¥ 363	¥ 8,874	¥ (790)	¥ 8,084

Sales by geographical segment

Three months ended Jun. 30, 2006							
(Millions of yen)	Japan	Americas	Europe	Asia	Total	Eliminations and other	Consolidated
Sales to third parties	¥ 99,263	¥ 25,514	¥ 31,564	¥ 17,708	¥ 174,050	¥ —	¥ 174,050
Interarea sales and transfers	26,192	133	1,436	4,767	32,528	(32,528)	—
Total	125,455	25,647	33,000	22,476	206,579	(32,528)	174,050
Operating expenses	114,529	24,670	30,866	20,574	190,642	(31,369)	159,272
Operating income	¥ 10,925	¥ 976	¥ 2,133	¥ 1,901	¥ 15,937	¥ (1,159)	¥ 14,778

Three months ended Jun. 30, 2005							
(Millions of yen)	Japan	Americas	Europe	Asia	Total	Eliminations and other	Consolidated
Sales to third parties	¥ 87,660	¥ 20,781	¥ 25,011	¥ 13,658	¥ 147,112	¥ —	¥ 147,112
Interarea sales and transfers	21,909	87	2,406	2,847	27,250	(27,250)	—
Total	109,569	20,868	27,418	16,505	174,363	(27,250)	147,112
Operating expenses	102,869	20,523	26,454	15,551	165,399	(26,370)	139,028
Operating income	¥ 6,700	¥ 345	¥ 963	¥ 954	¥ 8,964	¥ (879)	¥ 8,084

Sales by customer location

Three months ended Jun. 30, 2006

(Millions of yen)	Americas	Europe	Asia	Total
Overseas sales	¥ 26,184	¥ 31,722	¥ 29,638	¥ 87,545
Consolidated net sales				174,050
Ratio of overseas sales to consolidated net sales	15.1%	18.2%	17.0%	50.3%

Three months ended Jun. 30, 2005

(Millions of yen)	Americas	Europe	Asia	Total
Overseas sales	¥ 21,508	¥ 25,109	¥ 23,956	¥ 70,575
Consolidated net sales				147,112
Ratio of overseas sales to consolidated net sales	14.6%	17.1%	16.3%	48.0%

Overview of the first quarter ended June 30, 2006

The Japanese economy recovered gradually in the first quarter, backed by increases in consumer spending and capital investment. The economic environment in the U.S. declined with reduction of housing investments and slow down in consumer spending. European economies exhibited steady recovery including increases of production and export in Germany. In Asia, countries such as Thailand and South Korea experienced gradual economic expansion, and the Chinese economy continued to grow.

NSK Groups' manufacturing locations continue to operate at high levels due to the positive global economic environment, healthy capital expenditures, and recovery in demand in the semiconductor and liquid crystal production equipment sectors.

Our consolidated net sales for the first quarter ended June 30, 2006, totaled ¥174,050million, a year-on-year increase of 18.3%. Efforts were made to offset increases in material costs through improved capacity utilization resulting from expansion in sales and production, improvement of productivity, reduction of external procurement costs, and improvement in export profit margins due to the depreciation of the yen. As a result, our operating income increased by 82.8% year on year to ¥14,778 million. Our ordinary income was ¥13,741 million, a year-on-year increase of 80.5%, and the net income after adjusting for income taxes, deferred taxes and minority interests in earnings of consolidated subsidiaries, was ¥8,379 million, a year-on-year increase of 48.4%.

Net sales by product category

Industrial machinery bearings

Domestic demand from the electrical machinery and IT segments were flat compared to the same period last year, while sales to machine tools industry and general industrial machinery remained healthy. In the Americas, demand from aftermarket and general industrial machinery saw moderate increases, though sales to electrical machinery and IT segments decreased. Sales to aftermarket and general industrial machinery in Europe strengthened. Demand in Asia also became robust including increase in sales for electric machine and IT segments, steel and rail cars, and machine tools industry in China and increased sales to aftermarket in South Korea. As a result, overall industrial machinery bearings sales amounted to ¥51,994 million, a year-on-year increase of 11.5%. Operating income was ¥6,510 million, a year-on-year increase of 34.5 % due to improved capacity utilization resulting from volume growth and improvement in export profit margins due to the depreciation of the yen.

Automotive products

Sales of automotive bearings including hub unit bearings used in wheels and needle roller bearings increased. Sales of automotive components also increased with domestic demand for electric power steering (EPS) systems and automatic transmission (AT) components. There was also robust demand for steering columns in the Americas, Thailand and China, and for EPS systems in Europe. As a result, net sales increased 18.9% year on year to ¥97,665 million. Operating income also increased 99.6%, a year on year to 5,931 million due to improved capacity utilization resulting from volume growth and reduction of external procurement costs.

Precision machinery and parts

In addition to continuing strong demand in the machine tools industry, demand for semiconductor and liquid crystal production equipment recovered, and sales of photofabrication equipment for LCD color filter production increased. Overall sales totaled ¥18,146 million, a year-on-year increase of 22.8%. Operating income was ¥2,592 million, a year-on-year increase of 270.4% due to improved capacity utilization resulting from volume growth and reduction in labor cost achieved through productivity improvement.

Other

Sales in other business segment totaled ¥11,546 million, a year-on-year increase of 106.2%, and operating income was ¥751 million, a year-on-year increase of 106.6%. These results included effects of Amatsuji Steel Ball Manufacturing Co., Ltd., which became NSK's wholly owned subsidiary in March 2006.

Net sales by region

Japan

Sales to machine tools industry and general industrial machinery were healthy, while sales to electrical machine and IT sectors were flat compared to the same period last year in industrial machinery bearings segment. In automotive products, needle roller bearings increased, and EPS systems and AT components experienced robust growth. Sales in precision machinery and parts segment to semiconductor and liquid crystal production equipment largely increased. Sales in other business segment also increased due to effects of consolidating Amatsuji Steel Ball Manufacturing Co., Ltd.

As a result, overall sales in Japan totaled ¥125,455 million, a year-on-year increase of 14.5%. Operating income was ¥10,925 million, a year-on-year increase of 63.1%. This increase is a result of improved capacity utilization resulting from volume growth, improvement in export profit margins due to the depreciation of the yen, and consolidating Amatsuji Steel Ball Manufacturing Co., Ltd.

The Americas

Sales of industrial machinery bearings slightly increased in general industrial machinery and aftermarket sectors, while sales to electrical machinery and IT sectors declined. Sales of hub unit bearings used in wheels and steering columns were healthy in automotive products segment, and sales for semiconductor production equipment manufacturers lead to an increase in sales in precision machinery and parts segment. Net sales totaled ¥25,647 million, an increase of 22.9% compared to the same period last year with increase resulting from exchange rate fluctuations. Operating income, which was affected by improved capacity utilization resulting from volume growth and increase in sales price, was ¥976 million, an increase of 182.4% compared to the same period last year.

Europe

Sales of industrial machinery bearings saw an increase in aftermarket and general industrial machinery sectors. Sales of hub unit bearings used in wheels and EPS systems produced in Poland pushed up the sales in automotive products segment. In precision machinery and parts segment, sales to machine tools industry and semiconductor production equipment manufacturers increased. As a result, sales in Europe totaled ¥33,000 million, a year-on-year increase of 20.4%. Operating income was ¥2,133 million, an increase of 121.5% compared to the same period last year due to improved capacity utilization resulting from volume growth and increase in sales price.

Asia and Oceania

In industrial machinery bearings segment, sales to electrical machinery in China and to aftermarket in South Korea increased. Sales of automotive products were healthy in each region including ASEAN, China and South Korea. In South Korea and Taiwan, sales of precision machinery and parts strengthened. Overall, sales totaled ¥22,476 million, a year-on-year increase of 36.2%. Our operating income was ¥1,901 million, a year-on-year increase of 99.3% due to improved capacity utilization resulting from volume growth.

Financial Position

Cash flow provided by operating activities in the first quarter of the year ending March 31, 2007 was ¥14,850 million with ¥13,741 million provided by the net income before adjusting for income taxes, deferred taxes and minority interests in earnings of consolidated subsidiaries, and ¥8,162 million provided by depreciation and amortization.

Cash flow used in investing activities totaled ¥9,022 million with ¥9,226 million used in additions to property, plant and equipment.

Cash flow used in financing activities was ¥5,426 million with ¥10,000 million used in payments for redemption of corporate bonds, ¥7,999 million provided by increase in bank loans, and ¥3,228 million to pay dividends.

In aggregate, the net increase in cash and cash equivalents was ¥281 million, resulting in cash and cash equivalents at end of the first quarter to total ¥52,148 million.

Forecast for the year ending March 31, 2007

(Millions of yen)	Six months ending Sep. 30, 2006	Year ending Mar. 31, 2007
Net sales	¥ 345,000	¥ 690,000
Operating income	28,000	55,500
Ordinary income	25,000	50,000
Net income	15,000	30,000

The forecasts have been made based on following foreign exchange rate.

For the second quarter of the year ending March 31, 2007

U.S.\$1=¥110, 1Euro=¥136

For the second half of the year ending March 31, 2007

U.S.\$1=¥108, 1Euro=¥136

Continuing rising material prices and condition of the U.S. economy add uncertainty to market. However, strong capital expenditure spending is forecasted in industrial machinery bearings and precision machinery and parts segments, and demand in semiconductor and liquid crystal production equipment is forecasted to continue to recover. In automotive products segment, sales to some automotive manufacturers tend to decline, but we expect overall demands to remain high.

Under these conditions, NSK revised its forecast for the first half of the year ending March 31, 2007. Net sales are forecasted to be ¥345,000 million for the first half of the year ending March 31, 2007. Operating income, ordinary income and net income are forecasted at ¥28,000 million, ¥25,000 million and ¥15,000 million respectively. For the full year ending March 31, 2007, we forecast net sales of ¥690,000 million, operating income of ¥55,500 million, ordinary income of ¥50,000 million and net income of ¥30,000 million.

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.

For reference only

Forecast announced in May 2006

(Millions of yen)	Six months ending September 30 2006	Year ending March 31 2007
Net sales	¥ 335,000	¥ 680,000
Operating income	24,500	52,000
Ordinary income	22,000	47,000
Net income	13,000	28,000