



NSK

FINANCIAL CONFERENCE

Consolidated Business Results and Forecast

&

Review of the Progress of Mid-Term Plan (FY'06 ~ FY'08)

Seiichi Asaka
President & CEO

November 06, 2006

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.

I .Consolidated Business Results & Forecast

- Results for the Six Months Ended September 30, 2006
- Forecast for the Year Ending March 31, 2007

II .Review of the Mid-Term Plan (FY'06-FY'08)

- Outline of the Mid-Term Plan
- Forecast for the first year of the mid-term plan
- Progress in Each Business Segment
- Regional strategy in China



. Consolidated Business Results & Forecasts

**Results for the Six Months
Ended September 30, 2006**

Summary of Consolidated Business Results for the first half of FY 2006



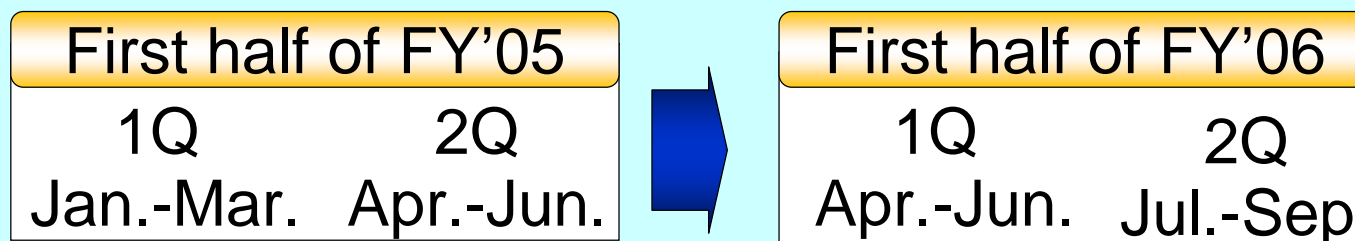
- ◆ Business results achieved targets revised in August.
Sales and operating income increased year on year.
Posted record sales and profits for the 1st half.

⇒ Strong demand from industrial machinery bearings and automotive products in each region of the world.

⇒ Healthy growth in Japanese capital expenditures.

⇒ While production at certain automobile manufactures declined, overall manufacturing volume increased.

- ◆ Changed settlement period of European and American operation from December 31 to March 31 (consistent with Japan)



Summary of Consolidated Business Results for the first half of FY 2006



(¥100 million)	(6 months ended Sep. 30, '05) FY '05:1st half <Actual>	(6 months ended Sep. 30, '06) FY '06: 1st half < Actual >	Difference On a year-on-year basis(amount)	Difference On a year-on- year basis(%)	(6 months ended Sep. 30, '06) FY '06: 1st half < Forecast revised in Aug.>
Sales	3,029	3,493	+464	+15.3%	(3,450)
Operating income	184	300	+116	+63.0%	(280)
<Operating income margin>	<6.1%>	< 8.6% >			<8.1%>
Ordinary income	169	278	+109	+64.2%	(250)
Profit before tax	190	280	+90	+46.9%	(250)
Net income	100	173	+73	+73.6%	(150)
(Rate: 1 US\$=)	(¥106.27)	(¥115.29)			(¥112.17)
(Rate: 1 EURO=)	(¥137.10)	(¥146.16)			(¥140.01)

	(6 months ended Sep. 30, '05) FY '05:Interim	(6 months ended Sep. 30, '06) FY '06:Interim	Difference On a year-on-year basis(amount)	Difference On a year-on- year basis(%)	
ROE	10.0%	14.4%		—	
Net interest-bearing debts	1,647	1,733		—	
Net D/E Ratio	0.79	0.71			
Inventories	902	1,053			
Inventory turnover 4 (times)	7.0	6.8		—	

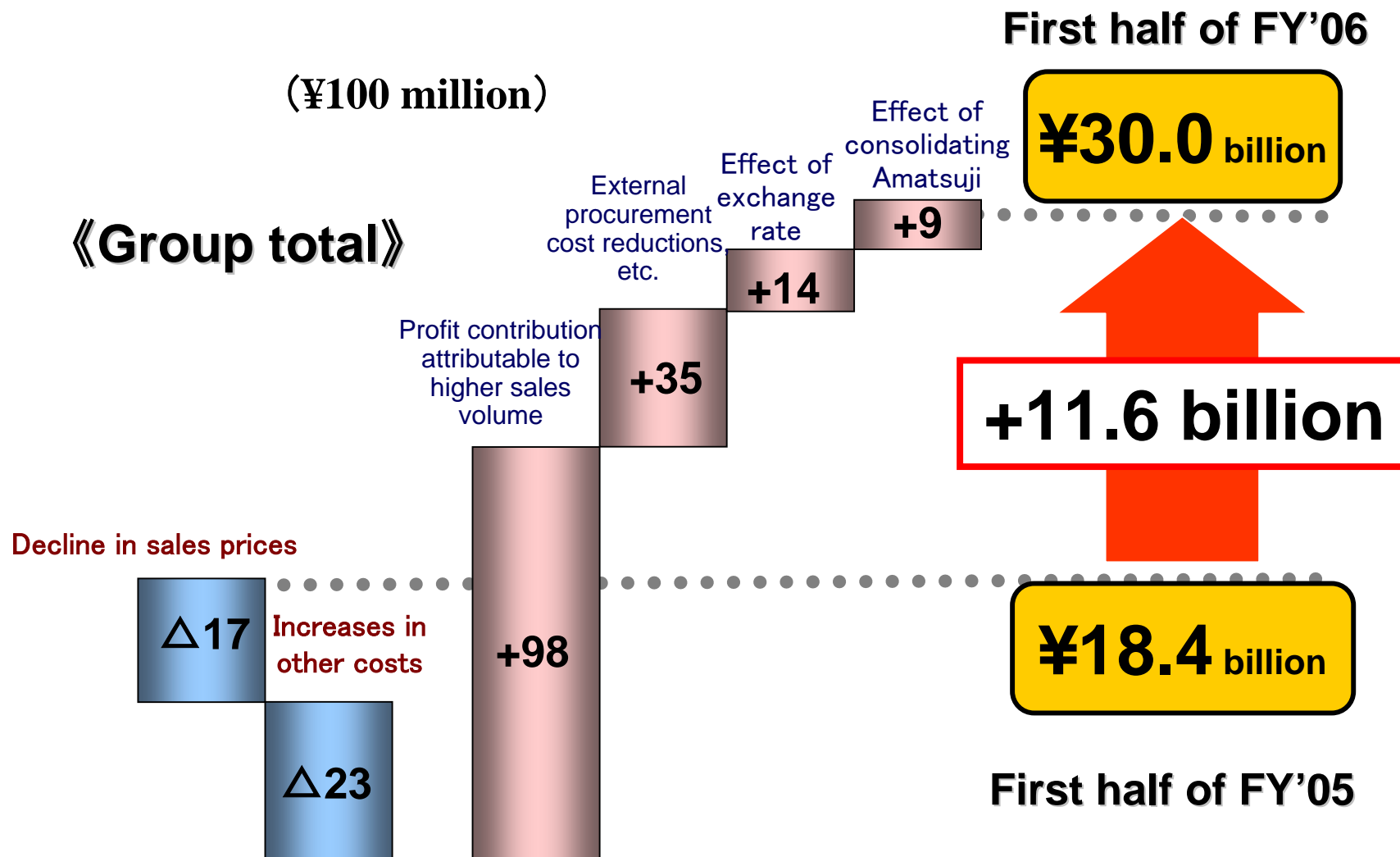
Business Results –By Business Segment –



(¥100 million)	(6 months ended Sep. 30, '05) FY '05:1st half <Actual>	(6 months ended Sep. 30, '06) FY '06: 1st half < Actual >	Difference On a year-on-year basis(amount)	Difference On a year-on- year basis(%)	(6 months ended Sep. 30, '06) FY '06: 1st half < Forecast revised in Aug. >
Sales	3,029	3,493	+464	+15.3%	(3,450)
Industrial bearings	948	1,056	+108	+11.3%	(1,036)
Automotive products	1,688	1,922	+234	+13.9%	(1,921)
Precision machinery & Parts	322	389	+67	+20.7%	(370)
Others	118	226	+108	+92.3%	(226)
Elimination	-47	-100	-53		(-103)
Operating income	184 <6.1%>	300 <8.6%>	+116	+63.0%	(280) <8.1%>
Industrial bearings	101 <10.6%>	136 <12.9%>	+35	+34.4%	(128) <12.4%>
Automotive products	75 <4.4%>	108 <5.6%>	+33	+44.9%	(112) <5.8%>
Precision machinery & parts	19 <5.8%>	60 <15.4%>	+41	+219.3%	(50) <13.5%>
Others	8 <7.0%>	13 <5.8%>	+5	+57.7%	(15) <6.6%>
Elimination	-19	-17	+2		(-25)

- ◆ Industrial bearings : Robust growth in capital expenditures, profits increased due to volume growth and increase in sales price.
- ◆ Automotive products : Strong demand from Japanese automobile manufacturers continued, income increased with volume growth and in-house improvement activities.
- ◆ Precision machinery & Parts : Profitability recovered largely with volume growth and improvement of productivity in plants

Operating Income: Improvement Factors (First half of FY'05 First half of FY'06)



Business Results – By Geographical Region –

(¥100 million)	(6 months ended Sep. 30, '05) FY '05: 1st half <Actual>	(6 months ended Sep. 30, '06) FY '06: 1st half <Actual>	Difference On a year-on-year basis(amount)	Difference On a year-on-year basis(%)	(6 months ended Sep. 30, '06) FY '06: 1st half < Forecast revised in Aug. >
Sales	3,029	3,493	+464	+15.3%	(3,450)
Japan	2,274	2,538	+264	+11.6%	(2,541)
Americas	435	502	+67	+15.6%	(494)
Europe	534	618	+84	+15.7%	(601)
Asia	350	496	+146	+41.4%	(477)
Elimination	-564	-661	-97		(-663)
Operating income	184 <6.1%>	300 <8.6%>	+116	+63.0%	(280) <8.1%>
Japan	137 <6.0%>	202 <8.0%>	+65	+47.4%	(192) <7.6%>
Americas	13 <3.1%>	20 <4.0%>	+7	+49.8%	(20) <4.0%>
Europe	16 <3.0%>	32 <5.2%>	+16	+97.2%	(33) <5.5%>
Asia	22 <6.4%>	46 <9.2%>	+24	+103.8%	(41) <8.6%>
Elimination	-4	0	+4		(-6)

◆ **Japan** : Factors resulting in profits increases were volume growth, productivity improvement, reduction of external procurement costs, effects of consolidating Amatsuji Steel Ball Manufacturing Co., Ltd., and improvement in export profit margins due to the depreciation of the yen.

◆ **Americas** : Sales increased due to volume growth, although some effects of business restructuring expenses in U.S. still remain.

◆ **Europe** : Sales increased due to volume growth, increase in sales price, and stability of production in plants of steering systems.

7◆ **Asia** : Profitability increased with healthy demand in Thailand and ASEAN and production stability in China.

Net Sales –By Customer Location–

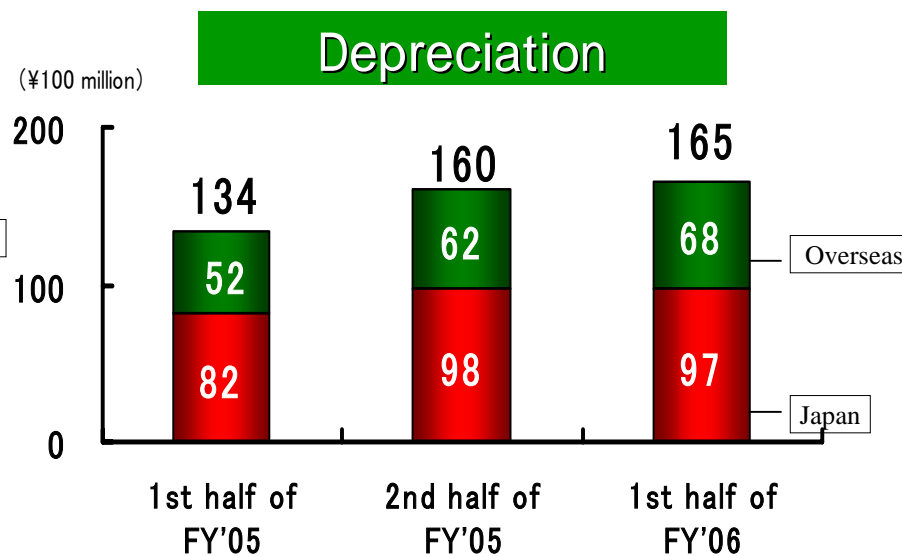
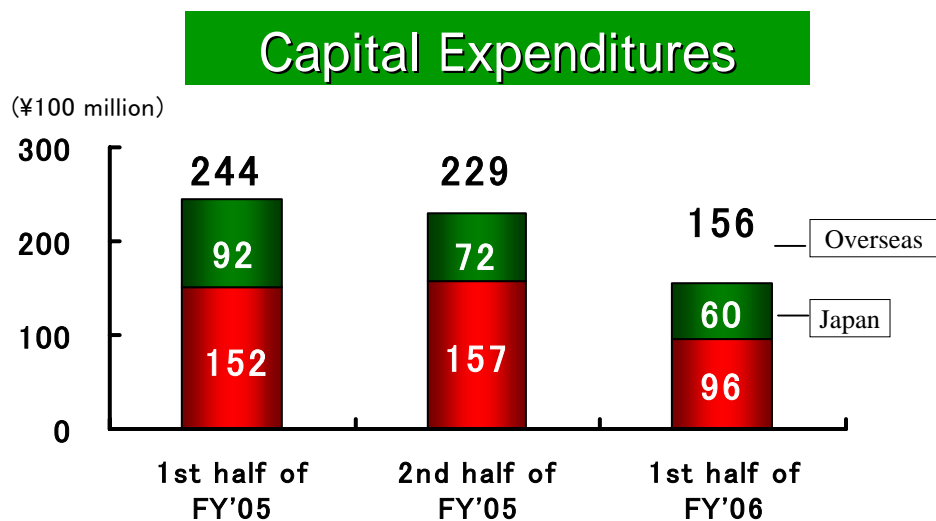
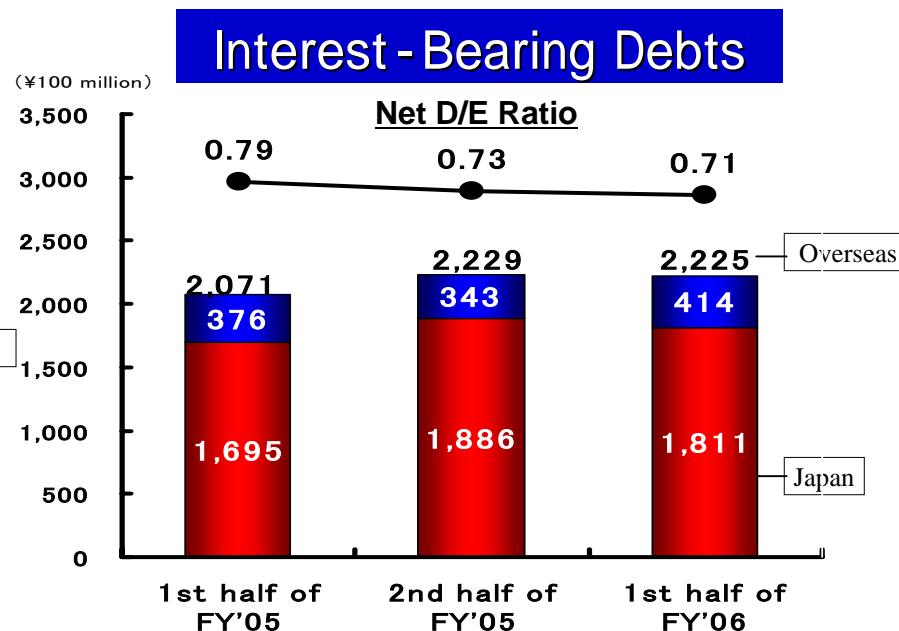
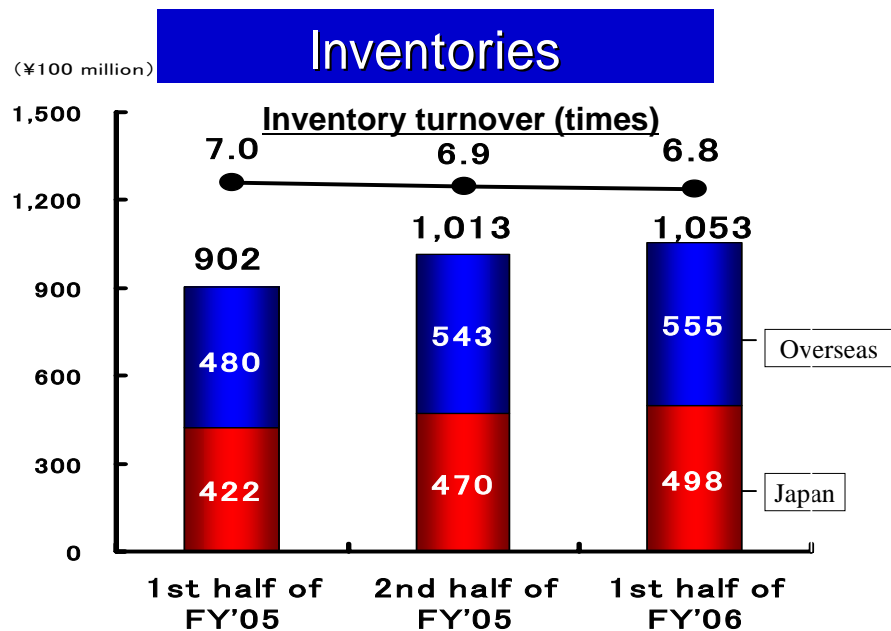
(¥100 Million)	(6 months ended Sep. 30, '05) FY '05:1st half <Actual>	(6 months ended Sep. 30, '06) FY '06: 1st half <Actual>	Difference On a year-on-year basis(amount)	Difference On a year-on-year basis(%)	(6 months ended Sep. 30, '06) FY '06: 1st half < Forecast revised in Aug.>
Sales	3,029	3,493	+464	+15.3%	(3,450)
Japan	1,563	1,764	+201	+12.8%	(1,766)
Americas	446	514	+68	+15.3%	(507)
Europe	497	589	+92	+18.6%	(567)
Asia	523	626	+103	+19.6%	(610)

- ◆**Japan** : Strong demand continued in the machine tools and industrial machinery sectors. Sales to automobile manufacturers, semiconductor and liquid crystal manufacturers increased.
- ◆**Americas** : Sales to automotive manufacturers increased, especially to Japanese automobile manufacturers. Semiconductor demand recovered.
- ◆**Europe** : Sales to industrial machinery and automobile manufacturers, especially EPS, increased.
- ◆**Asia**: Sales to automobile manufacturers in Thailand and China increased. Precision machinery and parts, especially photofabrication equipment for LCD color filter production, increased.

Consolidated Balance Sheets

(¥100 Million)	(6 months ended Sep. 30, '05)		(6 months ended Sep. 30, '06)	
	FY'05		FY'06	
	1st half	2nd half	1st half	Difference On a year-on-year basis(amount)
<u>Assets</u>				
Current assets	2,865	3,136	3,250	+114
Non-current assets	3,728	4,294	4,212	-82
Total assets	6,593	7,430	7,462	+32
<u>Liabilities and Shareholder's equity</u>				
Current liabilities	2,617	2,668	2,693	+25
Long-term liabilities	1,769	2,284	2,184	-100
Total liabilities	4,386	4,952	4,877	-75
Minority interests	123	121	—	-121
Total shareholder's equity	2,084	2,357	—	-2,357
Net assets	—	—	2,585	+2,585
Total liabilities and shareholder's equity (net assets)	6,593	7,430	7,462	+32
(Rate:1US\$=)	(¥110.62)	(¥118.07)	(¥117.90)	
9 (" :1EURO=)	(¥133.63)	(¥139.83)	(¥149.77)	

Inventories/Interest-Bearing Debts/ Capital Expenditures/Depreciation



. Consolidated Business Results & Forecasts

**Forecast for the Year
Ending March 31, 2007**



Revised Business Results

- ◆ Further upward revisions to sales and profits were made to forecast revised in August.
⇒ Expected record sales and profits for three consecutive years.
- ◆ Exchange rate forecast for the 2nd half of FY'06
US\$=¥115、Euro=¥145 (Original forecast for 2nd half of FY'06 US\$=¥108、Euro=¥136)
- ◆ Increase dividends
1st half: ¥7、2nd half forecast: ¥9 (Including 90th anniversary commemorative dividend of ¥1)、
Full year forecast: ¥16
(Original forecast for 1st half: ¥6.5、2nd half: ¥6.5、Full year: ¥13)

Business Environment

【Japan】

- ◆ Machine tools/Industrial machinery ⇒ Demands expected to remain strong, especially in Japan.
- ◆ Automotive production ⇒ Uncertainty remains in some automobile manufacturers.
However, total automotive production expected to increase Y-O-Y.

【Overseas】

- ◆ Americas ⇒ Some uncertainty remains in automotive products segment.
- ◆ Europe ⇒ Gradual recovery expected
- ◆ Asia ⇒ Capital expenditures in China expected to increase while ASEAN demand may experience slight decline.

Forecasts for the Year Ending Mar. 31, 2007 **NSK**

(¥100 million)	FY'05	FY'06		FY'06		Full year <Forecast revised in Aug.>
	Full year <Actual>	1st half <Actual>	2nd half <Forecast>	Full year <Forecast>	Difference on a year-on- year basis	
Sales	6,285	3,493	3,557	7,050	+765	(6,900)
Operating income <Margin>	426 <6.8%>	300 <8.6%>	310 <8.7%>	610 <8.7%>	+184	(555) <8.0%>
Ordinary income	389	278	287	565	+176	(500)
Profit before tax	431	280	287	567	+136	(500)
Net income	256	173	172	345	+89	(300)
(Rate:1US\$=)	(¥110.37)	(¥115.29)	(¥115.00)	(¥115.15)		(¥110.09)
(" :1EURO=)	(¥137.39)	(¥146.16)	(¥145.00)	(¥145.58)		(¥138.01)

Forecasts –By Business Segment–



(¥100 million)	FY'05		FY'06			
	Full year <Actual>	1st half <Actual>	2nd half <Forecast>	Full year <Forecast>	Difference on a year-on- year basis	Full year <Forecast revised in Aug. >
Sales	6,285	3,493	3,557	7,050	+765	(6,900)
Industrial bearings	1,956	1,056	1,104	2,160	+204	(2,086)
Automotive products	3,531	1,922	1,943	3,865	+334	(3,841)
Precision machinery & parts	658	389	389	778	+120	(730)
Others	235	226	224	450	+215	(446)
Elimination	-95	-100	-103	-203	-108	(-203)
Operating Income	426 <6.8%>	300 <8.6%>	310 <8.7%>	610 <8.7%>	+184	(555) <8.0%>
Industrial bearings	221 <11.3%>	136 <12.9%>	144 <13.0%>	280 <13.0%>	+59	(252) <12.1%>
Automotive products	174 <4.9%>	108 <5.6%>	112 <5.8%>	220 <5.7%>	+46	(229) <6.0%>
Precision machinery & parts	56 <8.5%>	60 <15.4%>	60 <15.4%>	120 <15.4%>	+64	(92) <12.6%>
Others	13 <5.5%>	13 <5.8%>	13 <5.8%>	26 <5.8%>	+13	(32) <7.2%>
Elimination	-38	-17	-19	-36	2	(-50)

Business Results – By Geographical Region –

(¥100 million)	FY'05	FY'06				
	Full year <Actual>	1st half <Actual>	2nd half <Forecast>	Full year <Forecast>	Difference on a year-on- year basis	Full year <Forecast revised in Aug.>
Sales	6,285	3,493	3,557	7,050	+765	(6,900)
Japan	4,762	2,538	2,705	5,243	+481	(5,131)
Americas	904	502	527	1,029	+125	(984)
Europe	1,049	618	568	1,186	+137	(1,151)
Asia	758	496	480	976	+218	(927)
Elimination	-1,188	-661	-723	-1,384	-196	(-1,293)
Operating income	426 <6.8%>	300 <8.6%>	310 <8.7%>	610 <8.7%>	+184	(555) <8.0%>
Japan	316 <6.6%>	202 <8.0%>	215 <8.0%>	417 <8.0%>	+101	(392) <7.6%>
Americas	24 <2.7%>	20 <4.0%>	25 <4.7%>	45 <4.4%>	+21	(38) <3.9%>
Europe	42 <4.0%>	32 <5.2%>	27 <4.8%>	59 <5.0%>	+17	(58) <5.0%>
Asia	51 <6.7%>	46 <9.2%>	45 <9.4%>	91 <9.3%>	+40	(78) <8.4%>
Elimination	-7	0	-2	-2	+5	(-11)

Net Sales –By Customer Location–



(¥100 million)	FY'05	FY'06				
	Full year <Actual>	1st half <Actual>	2nd half <Forecast>	Full year <Forecast>	Difference on a year-on-year basis	Full year <Forecast revised in Aug.>
Sales	6,285	3,493	3,557	7,050	+765	(6,900)
Japan	3,301	1,764	1,844	3,608	+307	(3,604)
Americas	923	514	535	1,049	+126	(998)
Europe	982	589	541	1,130	+148	(1,083)
Asia	1,079	626	637	1,263	+184	(1,215)

**. Review of the Mid-Term Plan
(FY'06-FY'08)**



Summary of the Mid-Term Plan (FY'06-FY'08)

《Outline》

Mid-Term Vision

『Become No.1 in Total Quality』

Strengthen:

Manufacturing Capability

Product Development Capability

Overseas Profitability

Global Management Capability

Growth Strategy

Improve Profitability

Strategies by Business Segments

Industrial machinery bearings

『Profit Growth Driver』

Expand global sales

Automotive products

『Foundation of stable profit』

Improve profitability and focus on orders beyond 2009

Precision machinery & Parts

『Contribution to total profits』

Focus on linear motion products

Numerical Target for FY'08

Sales	¥740 billion
Operating income	¥74 billion
Operating income margin	10.0%
ROE	15.0%
Net D/E Ratio	0.4

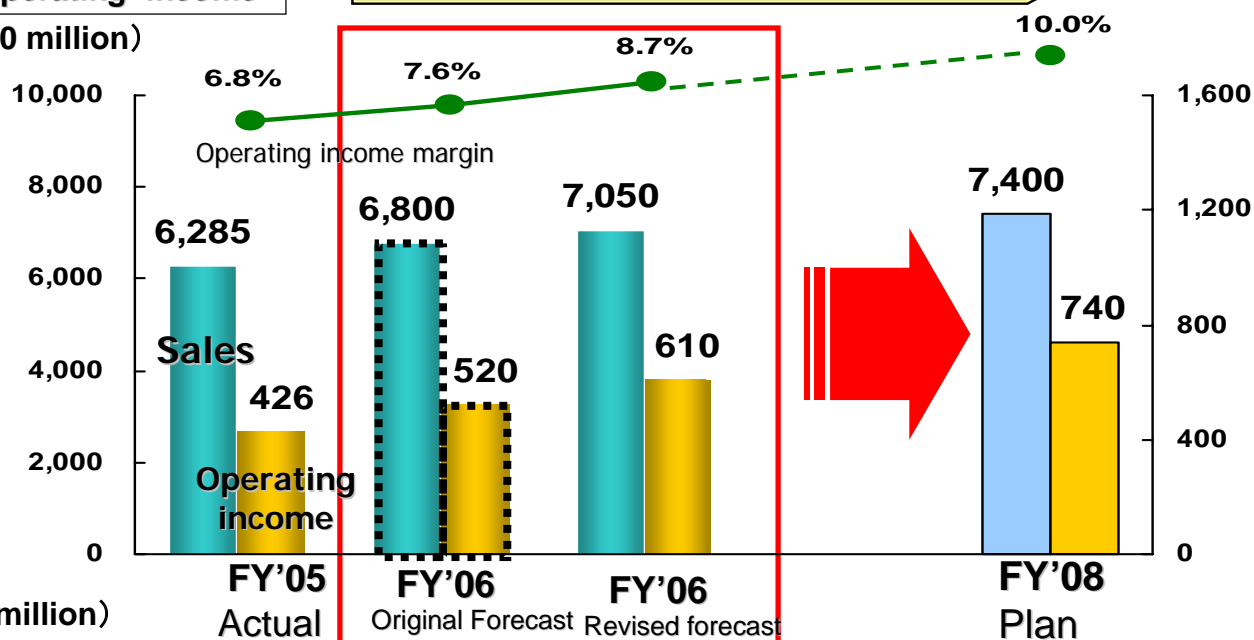
Forecast for the first year of Mid-Term Plan (FY'06-FY'08)



left: Sales
right: Operating income

Mid-term plan (FY'06-FY'08)

(¥100 million)



(¥100 million)

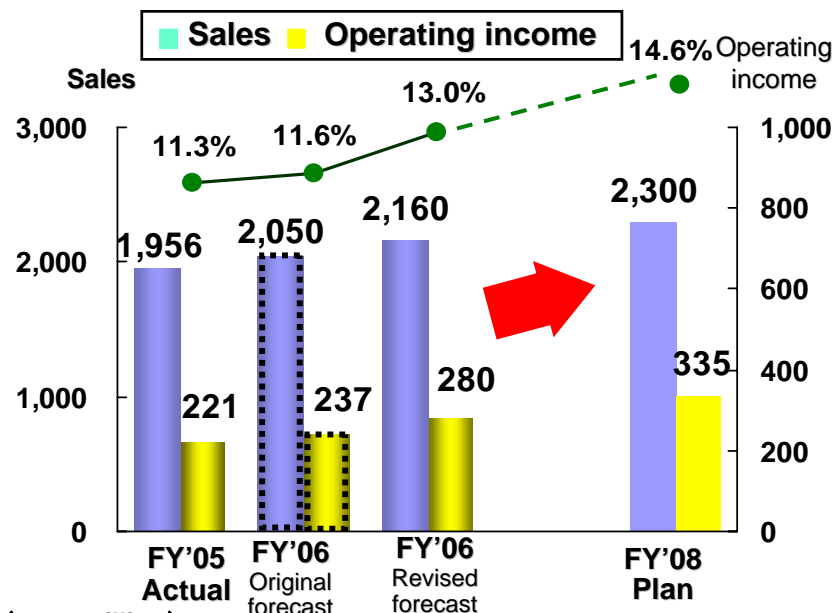
Sales	6,285	6,800	7,050	7,400
Operating Income	426	520	610	740
Margin	6.8%	7.6%	8.7%	10.0%
Ordinary Income	389	470	565	715
Net income	256	280	345	445
Exchange rate \$	110.37	108.00	115.15	108.00
Euro	137.39	136.00	145.58	136.00

Industrial Machinery Bearings segment



Business Plan

(¥100 million)



Business environment

Underlying strength expected to continue

Focus on changes in business environment in U.S. and China, as well as changes in capital expenditures.

Progress of key strategies

Expand sales of roller bearings

- Improve key business sector activities
Making progress as planned in key business sectors

Expand aftermarket sales

- Improve logistic service; adjust inventory and create exclusive AM inventory; improve service level to end-users
- Expand and enhance distribution sales network

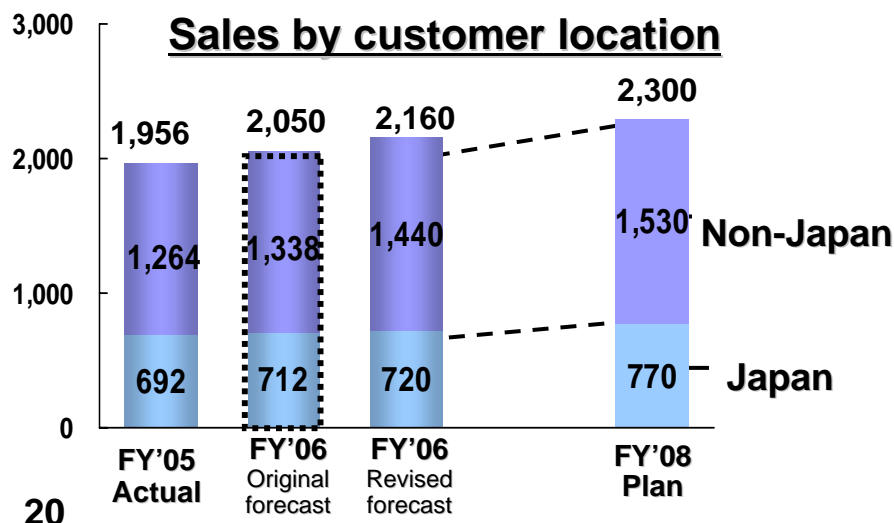
Improve manufacturing capability

- Need to respond to increasing demands for large bearings

Aggressive capital expenditures made at Fujisawa plant including the new plant

Sales by customer location

(¥100 million)

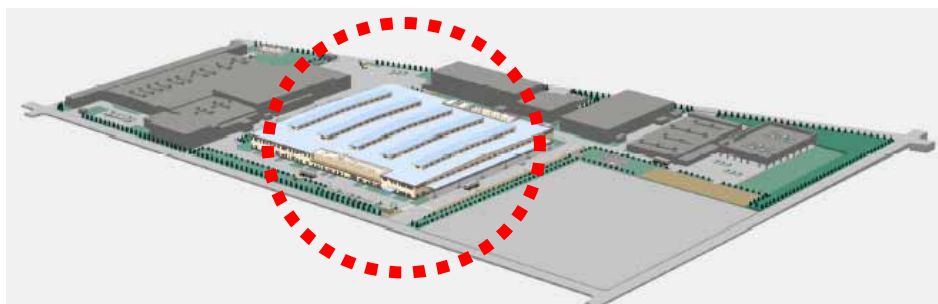


Industrial Machinery Bearings -Build Foundation for Growth Strategy-

NSK

~ **New Fujisawa Plant** Construction started ~

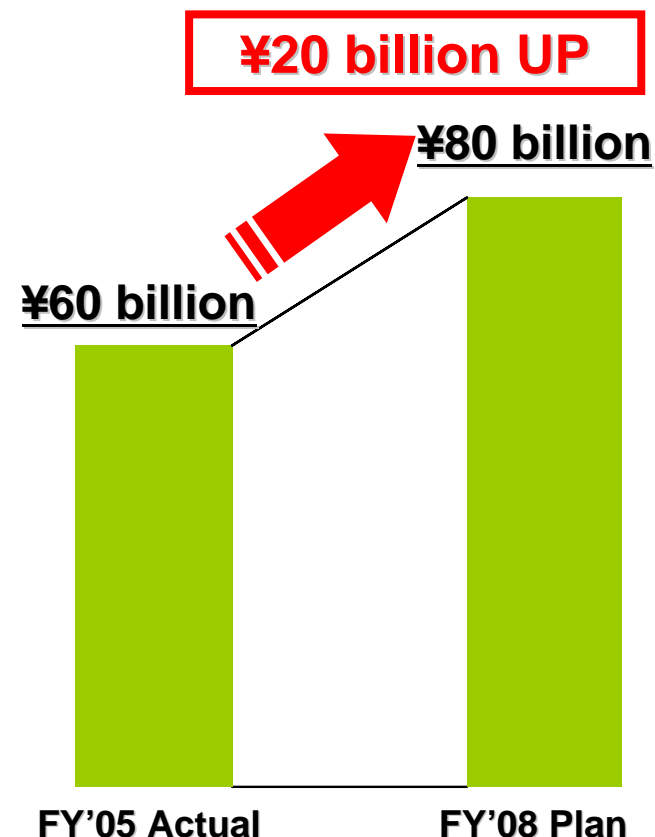
《Outline of new plant》



Production category : Large roller bearings
Operation starting : January, 2008 (Plan)
Investment amount : About ¥11.3 billion
Concepts : Become model plant to produce high-performance bearings with the latest production technology.



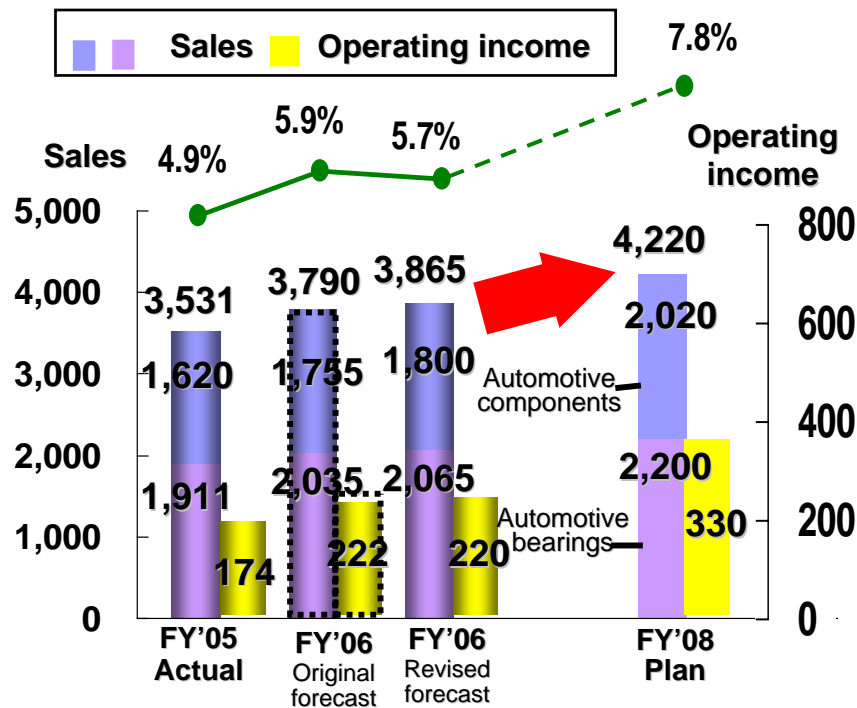
Foundation for achieving the mid-term plan
(Expand sales of roller bearings/aftermarket,
Improve productivity)



Fujisawa plant (overall)
-Production sales value -

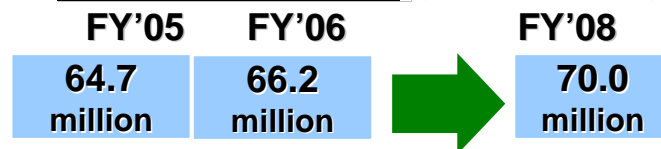
Business Plan

(¥100 million)



Expected global automotive production

Number of vehicles (NSK estimate)



Business environment

Number of automotive production forecast

Increase 102% Y-O-Y (expected to be slightly below to NSK estimate)

Each automobile manufacturer faces different conditions

Progress of key strategies

Strengthen productivity

- Enforce activities for stabilizing production with improvement of productivity and pre-processing capability
- Respond to increasing production in non-Japan plants
- Realize global procurement policies
(Best location for supplying, Increase in-house production)

Expand sales of strategic products

Hub unit bearings/Needle roller bearings/EPS/AT components

Business result for FY'06 expected to increase about 10% year-on-year

Automotive Products -Progress in Each Region-

NSK

Europe

Expand production at steering plant in Poland

Respond to new EPS orders

Drive sales expansion activities to automobile manufacturers in Europe

Use NSK technological strengths

Japan

Stabilize productivity by improving productivity capability and pre-processing capacity

Effect of reducing expenses for responding to volume growth appears

Asia

Expand and stabilize production in China

(At the 3rd building in Kunshan NSK, and Changshu NSK Needle Bearing)

Set up 2nd building in NSK Bearings Manufacturing (Thailand)

Production category : Hub unit bearings

Completion period : May, 2007

Americas

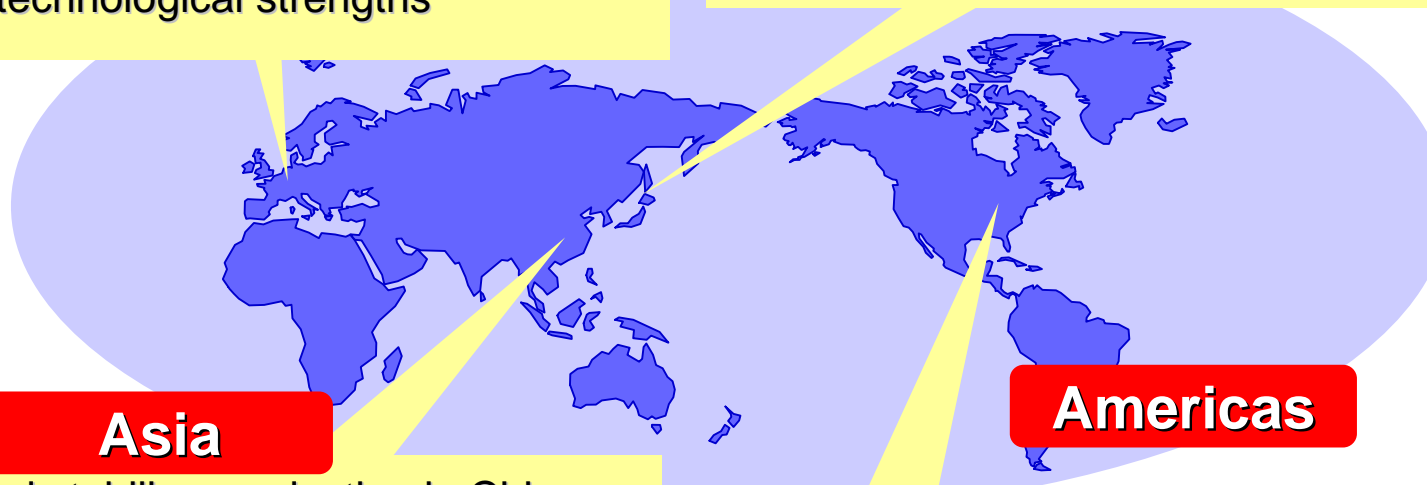
Business restructuring in North America is expected to be completed within 2007.

Set up 2nd steering product plant in U.S.

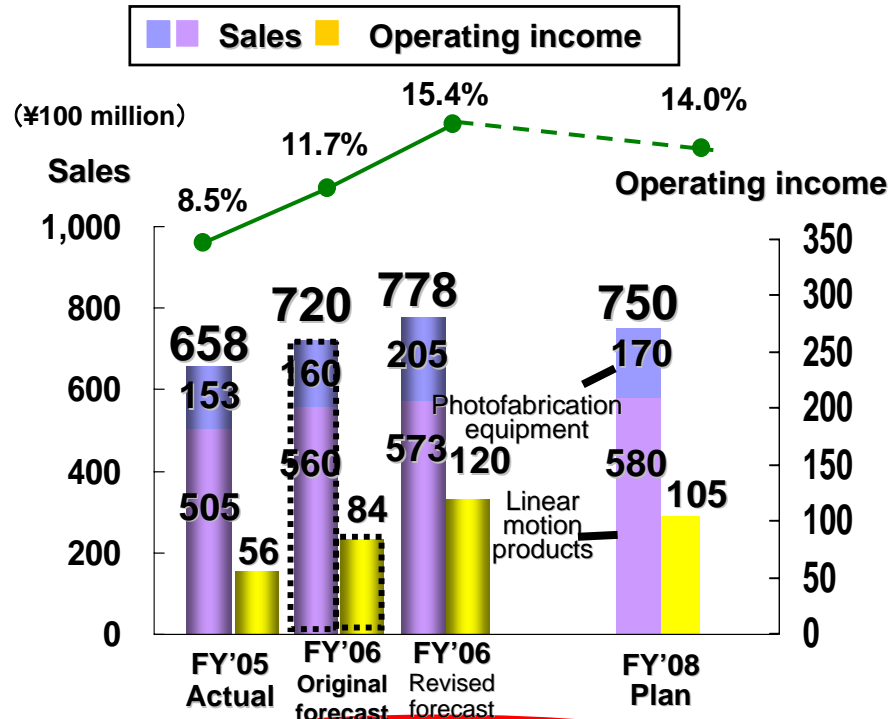
Location : Dyersburg in Tennessee

Production category : Steering Column/EPS

SOP : Early in 2008



Business Plan



Expected to achieve the target for mid-term plan in FY'06 ahead of schedule



Further business expansion with profitability by steadily executing the strategies in the mid-term plan

Business environment

Strong demand for machine tools / industrial machinery.

Temporary adjustment seen for liquid crystal equipment

Progress of key strategies

Reinforce sales activity

- Start new sales management structure from Oct. 1
- Reinforce precision machinery & parts segment
- Improve customer satisfaction and expand sales with collaboration of production/sales/R&D
- Drive activities in non-Japan regions

Improve profitability with effect of productivity improvement

- Productivity improved such as in streamlining operation at Maebashi plant

Contribute to total profits with volume growth

Business environment

Chinese economic growth in the 1st half in 2006 expected to exceed 10%

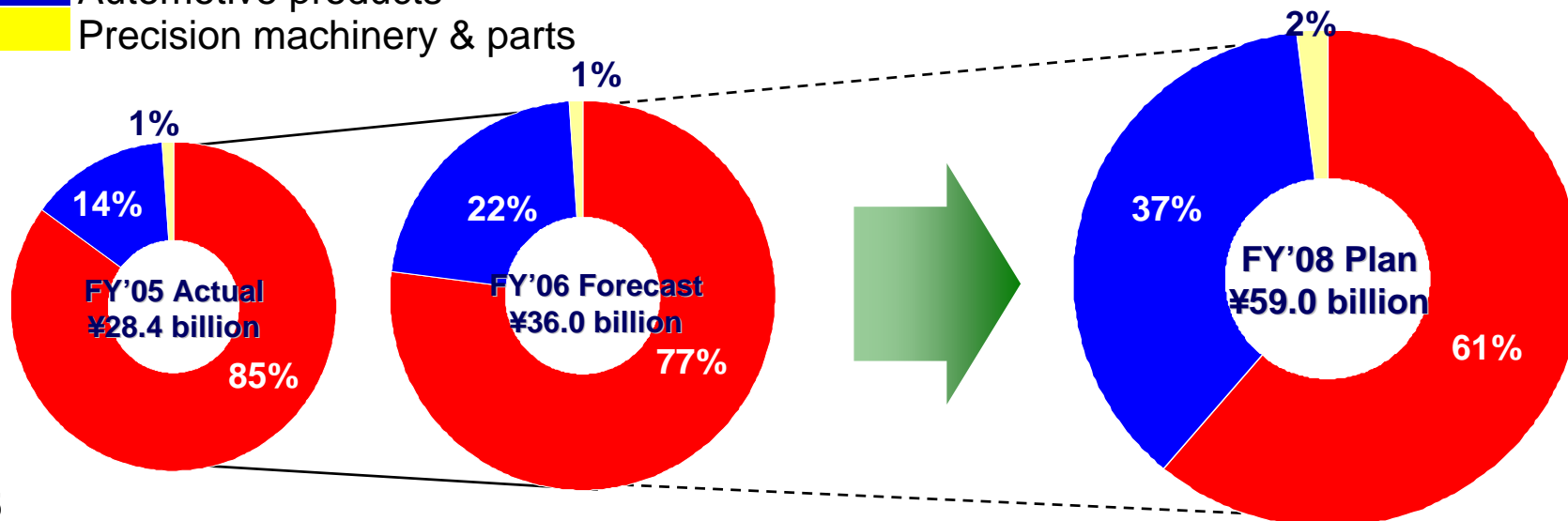
- ◆ Healthy demand from industrial infrastructure
- ◆ Expansion of automobile production
- ◆ Recovery in demand from aftermarket

Progress of key strategies

- ◆ **Steady production in plants**
 - ⇒ Progress in improving profitability
- ◆ **Strengthen technical support system**
 - ⇒ Expand production categories to respond to technical demand
 - ⇒ Enhance local staff
 - ⇒ Technical Support for expanding sales in aftermarket

Sales to China

- Industrial machinery bearings
- Automotive products
- Precision machinery & parts



Supplementary Information

Forecast for FY'06



(¥100 million)	FY'06 <Forecast>
Capital expenditure	355
Japan	231
Overseas	124
Americas	32
Europe	22
Asia	70
(¥100 million)	FY'06 <Forecast>
Depreciation	320
(¥100 million)	FY'06 <Forecast>
R&D	100

Supplementary Information

Forecast for FY'06 by business segments



(¥100 million)	FY'05 Actual		FY'06 Revised forecast		FY'08 Plan	
Industrial machinery bearings						
Sales	1,956		2,160		2,300	
Operating income <Margin>	221	<11.3%>	280	<13.0%>	335	<14.6%>
Automotive products						
Sales	3,531		3,865		4,220	
Operating income <Margin>	174	<4.9%>	220	<5.7%>	330	<7.8%>
Precision machinery & parts						
Sales	658		778		750	
Operating income <Margin>	56	<8.5%>	120	<15.4%>	105	<14.0%>
Others						
Sales	235		450		220	
Operating income <Margin>	13	<5.5%>	26	<5.8%>	15	<6.8%>
Eliminations						
Sales	-95		-203		-90	
Operating income	-38		-36		-45	
Total						
Sales	6,285		7,050		7,400	
Operating income <Margin>	426	<6.8%>	610	<8.7%>	740	<10.0%>