

# NSK Ltd.

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

For Immediate Release

July 30, 2008

## CONSOLIDATED RESULTS

### FOR THE FIRST QUARTER ENDED JUNE 30, 2008 (unaudited)

#### Consolidated Financial Highlights

(Millions of yen)	Three months ended	Three months ended
	Jun. 30, 2008	Jun. 30, 2007
Net sales	¥ 191,462	¥ 182,853
Operating income	15,262	14,794
Ordinary income	16,182	14,441
Net income (Yen)	9,614	8,756
Net income per share		
Basic	¥ 17.78	¥ 16.20
Diluted	17.78	16.19

#### Consolidated Financial Position

(Millions of yen)	As of Jun. 30,	As of Mar. 31,
	2008	2008
Total assets	¥ 851,974	¥ 828,580
Net assets	310,898	283,775
(%)		
Shareholders' equity to total assets (Yen)	34.6%	32.3%
Net assets per share	¥ 545.21	¥ 495.61

#### Dividends

(Yen)	Year ending Mar. 31, 2009 (Forecast)	Year ended Mar. 31, 2008
Dividends per share		
Interim	¥ 10.00	¥ 9.00
Year-end	10.00	10.00
Full year	20.00	19.00

#### Forecast for the Year Ending March 31, 2009

(Millions of yen)	Year ending Mar.31, 2009	
	1st half	Full year
Net sales	¥ 380,000	¥ 800,000
Operating income	31,500	71,000
Ordinary income	29,500	67,000
Net income (Yen)	19,500	44,000
Net income per share		
Basic	¥ 36.07	¥ 81.39

(Note)

The forecast of results made in this document is based on the information currently available, and actual results may be materially different from any future results expressed herein due to various factors.

## 【Qualitative Information and Consolidated Financial Statements】

### 1. Qualitative Information Regarding Consolidated Business Results

In addition to the steep increases in the prices of crude oil and raw materials, financial uncertainty stemming from the subprime loan crisis in the US impacted upon the real economy, and the global economy in the first quarter of the year ending March, 2009 entered a slowdown phase. The Japanese economy was stagnant due to lackluster consumer spending, weakened exports and production, and flat capital expenditure. In the US, housing investment declined. Production and capital expenditure also slowed, and there is growing concern of an economic recession. Economies in Europe exhibited slower recovery in the Eurozone and UK. In Asia, the economies of China, Taiwan and Singapore continued to expand.

Our business segments were affected by stagnant demand from semiconductor production equipment manufacturers and a decline in automobile sales in Japan, North America and Western Europe. However, expanded orders in emerging markets such as China and India and increased resource and energy-related orders for industrial machinery bearings enabled NSK Group's manufacturing sites to continue to operate at high levels globally.

Under these conditions, in order to realize our mid-term vision "To Become No.1 in Total Quality" we have strived to further enhance profitability, strengthen our ability to respond to risks, and improve our product and operation quality.

As a result, consolidated net sales for the first quarter ended June 30, 2008 totaled ¥191,462 million, a year-on-year increase of 4.7%. Our operating income was ¥15,262 million, a year-on-year increase of 3.2% backed by volume growth resulting from expanding sales and production and reduction in external procurement costs, which more than offset the negative impact of reduced export profit margins due to the appreciation of the Japanese yen and an increase in raw material costs. Our ordinary income was ¥16,182 million, a year-on-year increase of 12.1%.

After taking into account a ¥489 million gain on sales of property, plant and equipment under extraordinary income, net income after adjusting for tax expenses and minority interests was ¥9,614 million, a year-on-year increase of 9.8%.

### Business Segment Information

#### Industrial Machinery Bearings

In Japan, sales to the steelmaking equipment, machine tool and construction machinery sectors increased. Demand from the general machinery and construction machinery sectors was strong, and sales to electrical machinery makers increased in the Americas. In Europe, sales increased significantly, particularly in the wind turbine, machine tool and aftermarket sectors. Sales in Asia rose significantly with brisk demand from the electrical machinery, machine tool and general machinery sectors in China. Sales in India also increased substantially.

Overall industrial machinery bearings sales totaled ¥60,652 million, a year-on-year increase of 7.2%. Operating income was ¥8,198 million, a year-on-year increase of 12.0% backed by volume growth which offset the negative impact of reduced export profit margins due to the appreciation of the Japanese yen and an increase in equipment and labor costs associated with the reinforcement of production capability.

## Automotive Products

In the automotive bearings business, sales of ball bearings and needle roller bearings in Japan grew, backed by sales expansion and increase in demand from automatic transmission (AT) manufacturers. Although sales of products for motorcycles increased in Brazil, total sales in the Americas were flat due to decline in production by US automakers. Sales of hub unit bearings increased in Europe. In Asia, sales of hub unit bearings and small-sized tapered roller bearings grew in China.

In the automotive component business, sales of electric power steering (EPS) systems and automatic transmission (AT) components grew in Japan due to efforts to expand sales. In the Americas, sales of steering columns decreased due to a cease in production of car models that use them. In Europe, sales of EPS systems increased due to aggressive sales activities. In Asia, sales of steering columns increased in Thailand and China.

Net sales in the automotive products segment increased by 4.6% year-on-year to ¥107,957 million. Although there were positive effects of volume growth and reduction in external procurement costs, operating income decreased by 2.6% year-on-year to ¥6,126 million due to the negative impact of reduced export profit margins caused by the appreciation of the Japanese yen, a steep increase in raw material costs and an increase in selling, general and administrative expenses.

## Precision Machinery and Parts

Sales to the machine tool sector continued to be robust worldwide, and sales expansion activities in the Americas and Asia led to an increase in sales of linear motion products, particularly ball screws. However, sales of mechatronic products decreased due to a decline in demand from semiconductor production equipment manufacturers. Sales of exposure equipment for LCD panel production also decreased.

As a result, overall sales totaled ¥14,904 million, a year-on-year decrease of 9.1%. Operating income was ¥1,405 million, a year-on-year decrease of 22.8% due to a decline in production and sales volume.

## Other

Sales in other business segments totaled ¥14,176 million, a year-on-year increase of 15.6%, backed by an increase in sales of steel balls to third parties. Operating income increased 64.2% year-on-year to ¥943 million due to volume growth.

## Geographical Segment Information

### Japan

In the industrial machinery bearings segment, sales to the steelmaking equipment, machine tool and construction machinery sectors increased. In the automotive products segment, sales expansion activities and growing demand for automatic transmission (AT) components contributed to an increase in sales of ball bearings and needle roller bearings. In the automotive components business, sales of EPS and AT components increased. In the precision machinery and parts segment, demand from machine tool makers was robust, while demand from the semiconductor production equipment sector was stagnant.

As a result, overall sales in Japan totaled ¥138,607 million, a year-on-year increase of 7.1%. Operating income was ¥8,921 million, a year-on-year decrease of 15.0%. This decrease in operating income is the result of the negative impact of reduced export profit margins due to the appreciation of the Japanese yen, a steep increase in raw material costs, and increases in both employees' retirement benefits and selling, general and administrative expenses, despite the positive effect of volume growth.

### **The Americas**

Sales of industrial machinery bearings increased with growing demand from general machinery, construction machinery and electrical machinery makers. In the automotive products segment, sales of automotive bearings for motorcycles increased in Brazil. However, total sales of automotive bearings slowed due to a decline in production by US automakers. In the automotive components business, sales of steering columns decreased due to a cease in production of car models that use them. In the precision machinery and parts segment, sales to the semiconductor production sector decreased, while sales to machine tool makers increased.

Net sales in the Americas totaled ¥24,707 million, a decrease of 10.5% compared to the same period last year, partly affected by the depreciation of the US dollar. Operating income, which was negatively affected by increases in raw material costs and selling, general and administrative expenses, was ¥793 million, a year-on-year decrease of 11.3%.

### **Europe**

Sales of industrial machinery bearings saw a substantial increase in the wind turbine, machine tool and aftermarket sectors. In the automotive products segment, sales of hub unit bearings increased. In addition, sales of EPS systems increased in the automotive components business, due to sales expansion efforts. In the precision machinery and parts segment, sales to the machine tool sector grew.

As a result, overall sales in Europe totaled ¥37,398 million, a year-on-year increase of 11.7%. Operating income was ¥3,505 million, a year-on-year increase of 85.6%, due to volume growth and reduction in external procurement costs.

### **Asia**

In the industrial machinery bearings segment, sales to the electrical machinery, machine tool and general machinery sectors grew substantially in China. Sales in India also increased significantly. In the automotive product segment, sales of hub unit bearings and small-sized tapered roller bearings rose in China. Sales of automotive components grew, with an increase in sales of steering columns in Thailand and China. In precision machinery and parts segment, sales of linear motion products increased in South Korea, China and Taiwan, while sales of exposure equipment for LCD panel production decreased in Taiwan.

Overall sales in Asia totaled ¥29,677 million, a year-on-year increase of 10.6%. Our operating income was ¥3,245 million, a year-on-year increase of 15.4%, due to volume growth.

## **2. Qualitative Information Regarding Consolidated Financial Position**

### **Total assets**

Total assets were ¥851,974 million, an increase of ¥23,393 million compared to total assets as of March 31, 2008, due to increases in cash and deposits, notes and accounts receivable, and property, plant and equipment.

Liabilities totaled ¥541,075 million, a decrease of ¥3,728 million compared to liabilities as of March 31, 2008, including an increase in short-term loans and a decrease in current portion of corporate bonds.

### **Net assets**

Net assets totaled ¥310,898 million with an increase of ¥27,122 million from net assets as of March 31, 2008, including net income and increases in unrealized holding gains on securities and translation adjustments.

### Cash flows

Net cash flow provided by operating activities amounted to ¥12,913 million, including ¥16,671 million of income before income taxes and minority interests and ¥9,299 million for depreciation and amortization, which more than offset increases in inventories for ¥9,082 million, notes and accounts receivable for ¥7,404 million, and payments for income taxes of ¥6,749 million.

Net cash used in investing activities totaled ¥12,903 million, including ¥13,147 million of capital investments in growing fields.

Net cash provided by financing activities totaled ¥13,898 million, including ¥10,000 million of payments for redemption of corporate bonds and ¥5,168 million of dividends paid.

In aggregate, cash and cash equivalents at the end of the quarter totaled ¥100,114 million.

### 3. Qualitative Information Regarding Consolidated Business Forecast

No revision has been made to the forecasts released on May 13, 2008 for the year ending March 31, 2009.

### 4. Other

(1) Changes in significant subsidiaries during the period (Changes in specific subsidiaries resulting in change in the scope of consolidation)

Not applicable.

(2) Adoption of simplified financial accounting methods and special accounting methods for presenting quarterly consolidated financial statements

(2)-1 Method of valuating inventories

Inventories at the end of the first quarter are mainly calculated using a reasonable estimate based on actual inventories at the end of the previous fiscal year, in lieu of an actual physical inventory.

In addition, the carrying amount of inventories is reduced to estimated net selling value only where there is an obvious decrease in profitability.

(2)-2 Method of calculating depreciation of non-current assets

For assets depreciated using the declining balance method, depreciation expenses applicable to the fiscal year are calculated on a pro-rata basis.

(2)-3 Method of calculating tax expenses, deferred tax expenses and deferred tax liabilities

Tax expenses for the first quarter ended June 30, 2008 was calculated using reasonably estimated annual effective tax rate for this fiscal year including this quarter.

When there has been no marked change in the business environment or temporary fluctuations since the end of the previous fiscal year, the potential recovery of deferred tax assets is determined based on the business performance forecasts of the previous fiscal year and tax planning methods.

Income taxes deferred are included in tax expense figures.

(3) Changes of accounting policies applied, procedures and disclosures for presenting quarterly consolidated financial standards

(3)-1. Effective from the fiscal year ending March 2009, the “Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No.12) and its Implementation Guidance, “Guidance on Accounting Standard for Quarterly Financial Reporting” (ASBJ Guidance No.14) have been applied. Quarterly consolidated financial statements have been prepared in accordance with the “Regulation for Quarterly Consolidated Financial Reporting.”

(3)-2. Inventories:

Previously, finished products and raw materials were stated at the lower of cost or market, cost being determined principally by the weighted average method, work in process was stated at cost determined principally by the weighted average method, and supplies were stated at cost determined by the moving average method.

However, effective from the first quarter ended June 30, 2008, the “Accounting Standard for Measurement of Inventories” (ASBJ Statement No.9) has been applied, and now these inventories are stated at cost (for the value stated on the balance sheet, book value is written down based on the decreased profitability).

The effect of this application on income is immaterial.

(3)-3. Effective from the first quarter ended June 30, 2008, the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (ASBJ PITF No.18) has been applied, and accordingly some revisions have been made to the consolidated accounts as necessary.

The effect of this application on income is immaterial.

This application caused a decrease in retained earnings for ¥17,378 million due mainly to transfer of a part of unfunded retirement benefits obligation of overseas subsidiaries, which was stated on valuation, translation adjustments and other.

## 5. Quarterly Consolidated Financial Statements

## (1) Consolidated Balance Sheets

	As of Jun. 30, 2008	(Millions of Yen) As of Mar. 31, 2008
<b>Assets</b>		
Current assets:		
Cash and deposits	72,934	66,259
Notes and accounts receivable	151,714	137,439
Marketable securities	31,837	51,600
Finished products	63,504	57,860
Raw materials and supplies	11,382	10,156
Work in process	38,935	33,832
Others	46,362	48,488
Less allowance for doubtful accounts	(1,265)	(1,223)
Total current assets	415,406	404,412
Non-current assets:		
Property, plant and equipment		
Buildings and structures	79,796	77,773
Machinery, vehicles and equipment	134,921	125,577
Others	59,096	64,704
Total property, plant and equipment	273,814	268,055
Intangible assets	10,442	10,520
Investments and other assets		
Investment securities	97,547	91,051
Prepaid pension costs	44,066	43,830
Others	11,482	11,499
Less allowance for doubtful accounts	(785)	(789)
Total investments and other assets	152,310	145,591
Total non-current assets	436,567	424,167
Total assets	851,974	828,580

	As of Jun. 30, 2008	(Millions of Yen) As of Mar. 31, 2008
<b>Liabilities</b>		
Current liabilities:		
Notes and accounts payable	131,691	130,966
Short-term loans	90,253	84,787
Current portion of corporate bonds	-	10,000
Accrued income taxes	6,115	6,199
Others	63,002	62,364
Total current liabilities	291,063	294,318
Long-term liabilities:		
Corporate bonds	127,000	127,000
Long-term loans	43,565	42,625
Accrued employees' retirement benefits	30,719	36,592
Accrued officers' retirement benefits	1,234	1,202
Reserves for environmental safety measures expenses	202	268
Others	47,289	42,795
Total long-term liabilities	250,011	250,486
Total liabilities	541,075	544,804
<b>Net assets</b>		
Shareholders' equity		
Common stock	67,176	67,176
Additional paid-in capital	78,313	78,304
Retained earnings	147,082	154,846
Treasury stock	(4,138)	(4,134)
Total shareholders' equity	288,434	296,193
Valuation, translation adjustments and other		
Unrealized holding gains on securities	22,937	18,216
Translation adjustments	(16,633)	(21,586)
Unfunded retirement benefits obligation of overseas subsidiaries	-	(24,909)
Total valuation, translation adjustments and other	6,304	(28,279)
Share subscription rights	203	170
Minority interests	15,956	15,690
Total net assets	310,898	283,775
Total liabilities and net assets	851,974	828,580

**(2) Consolidated Statements of Income**

For the first quarter ended June 30, 2008

	(Millions of Yen)
	Three months ended in Jun. 30, 2008
Net sales	191,462
Cost of sales	148,751
Gross profit	42,711
Selling, general and administrative expenses	27,448
Operating income	15,262
Non-operating income:	
Interest income	417
dividend income	739
Equity in earnings of affiliates	1,058
Other	1,250
Total non-operating income	3,465
Non-operating expenses:	
Interest expenses	1,546
Other	999
Total non-operating expenses	2,545
Ordinary income	16,182
Extraordinary income:	
Gain on sales of property, plant and equipment	489
Total extraordinary income	489
Income before tax expenses and minority interests	16,671
Income taxes:	6,541
Minority interests	515
Net income	9,614

**(3) Consolidated Statements of Cash Flows**

(Millions of Yen)

Three months ended in Jun. 30, 2008

Operating activities	
Income before income taxes and minority interests	16,671
Depreciation and amortization	9,299
Amortization of goodwill	171
Increase (decrease) in allowance for doubtful accounts	(26)
Increase (decrease) in provision for retirement benefits and prepaid pension cost	(611)
Interest and dividend income	(1,156)
Interest expense	1,546
Equity in earnings of affiliates	(1,058)
Gain on sales of property, plant and equipment	(489)
Decrease (increase) in notes and accounts receivable	(7,404)
Decrease (increase) in inventories	(9,082)
Increase (decrease) in notes and accounts payable	49
Other	8,987
Subtotal	16,895
Interest and dividends received	4,050
Interest paid	(1,283)
Income taxes paid	(6,749)
Net cash provided by operating activities	12,913
Investing activities	
Net decrease (increase) in time deposit	(318)
Payments for acquisition of marketable securities	(3,500)
Proceeds from sales of marketable securities	4,300
Additions to property, plant and equipment	(13,147)
Proceeds from sales of property, plant and equipment	809
Acquisition of investment securities	(436)
Proceeds from sales of investment securities	45
Payments for advances	(19)
Proceeds from collection of advances	34
Other	(670)
Net cash used in investing activities	(12,903)
Financing activities	
Net increase (decrease) in short-term loans	436
Increase in long-term loans	1,364
Long-term debt - repayments	(368)
Payments for redemption of corporate bonds	(10,000)
Payments for acquisition of treasury stock	(12)

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	Three months ended in Jun. 30, 2008
Dividends paid	(5,168)
Dividends paid to minority shareholders	(336)
Other	187
Net cash provided by financing activities	(13,898)
Effect of exchange rate changes on cash and cash equivalents	775
Net increase (decrease) in cash and cash equivalents	(13,112)
Cash and cash equivalents at beginning of the year	113,226
Cash and cash equivalents at end of the period	100,114

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**(4) Segment Information****【Sales by Business Segment】**

Three months ended June 30, 2008

(Millions of Yen)

	Industrial machinery bearings	Automotive products	Precision machinery & parts	Other	Total	Eliminations/corporate	Consolidated
Sales to third parties	60,652	107,957	14,904	7,947	191,462	-	191,462
Inter-segment sales and transfers	-	-	-	6,228	6,228	( 6,228 )	-
Total	60,652	107,957	14,904	14,176	197,690	( 6,228 )	191,462
Operating income	8,198	6,126	1,405	943	16,674	( 1,411 )	15,262

**【Sales by Geographical Segment】**

Three months ended June 30, 2008

(Millions of Yen)

	Japan	The Americas	Europe	Asia	Total	Eliminations/corporate	Consolidated
Sales to third parties	108,004	24,417	35,867	23,173	191,462	-	191,462
Inter-area sales and transfers	30,603	290	1,531	6,504	38,929	( 38,929 )	-
Total	138,607	24,707	37,398	29,677	230,391	( 38,929 )	191,462
Operating income	8,921	793	3,505	3,245	16,465	( 1,202 )	15,262

**【Sales by customer location】**

Three months ended June 30, 2008

(Millions of Yen)

	The Americas	Europe	Asia	Total
Non-Japan sales	24,897	36,230	34,816	95,944
Consolidated net sales	-	-	-	191,462
Ratio of Non-Japan sales to consolidated net sales	13.0	18.9	18.2	50.1

**(Reference)**

Summary: Consolidated Statements of Income for the first quarter ended June 30, 2007

(Millions of Yen)

	Three months ended Jun. 30, 2007
Net sales	182,853
Cost of sales	141,766
Gross profit	41,086
Selling, general and administrative expenses	26,292
Operating income	14,794
Non-operating income	2,645
Interest and dividend income	979
Equity in earnings of affiliates	918
Other	746
Non-operating expenses	2,997
Interest expense	1,604
Other	1,393
Ordinary income	14,441
Extraordinary losses	164
Loss on sales of investments of affiliates	164
Income before income taxes and minority interests	14,277
Income taxes	
Current	5,474
Deferred	(511)
Minority interests	558
Net income	8,756

**(Reference)**

Summary: Consolidated Statements of Cash Flows for the first quarter ended June 30, 2007

(Millions of Yen)

	Three months ended Jun. 30, 2007
<b>Operating activities</b>	
Income before income taxes and minority interests	14,277
Depreciation and amortization	9,042
Amortization of goodwill	176
Increase (decrease) in allowance for doubtful accounts	(302)
Increase (decrease) in provision for retirement benefits and prepaid pension cost	(1,427)
Interest and dividend income	(979)
Interest expense	1,604
Equity in earnings of affiliates	(918)
Loss on sales of investments of affiliates	164
Decrease (increase) in notes and accounts receivable	2,603
Decrease (increase) in inventories	1,202
Increase (decrease) in notes and accounts payable	(259)
Other	1,251
Subtotal	26,434
Interest and dividends received	1,748
Interest paid	(1,537)
Income taxes paid	(11,709)
<b>Net cash provided by operating activities</b>	<b>14,936</b>
<b>Investing activities</b>	
Net decrease (increase) in time deposit	109
Proceeds from sales of marketable securities	1,400
Additions to property, plant and equipment	(8,210)
Proceeds from sales of property, plant and equipment	365
Acquisition of investment securities	(1,348)
Payments for advances	(77)
Proceeds from collection of advances	36
Other	(680)
<b>Net cash used in investing activities</b>	<b>(8,405)</b>
<b>Financing activities</b>	
Net increase (decrease) in short-term loans	2,307
Long-term debts - repayments	(258)
Payments for redemption of corporate bonds	(10,000)
Payments for acquisition of treasury stock	(38)
Dividends paid	(4,600)
Dividends paid to minority shareholders	(245)
Other	6
<b>Net cash provided by financing activities</b>	<b>(12,828)</b>
Effect of exchange rate changes on cash and cash equivalents	935
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(5,362)</b>
Cash and cash equivalents at beginning of the year	73,319
Increase (decrease) in cash and cash equivalents resulting from changes in fiscal year ends of consolidated subsidiaries	726
<b>Cash and cash equivalents at end of the period</b>	<b>68,682</b>

**(Reference)****【Sales by Business Segment】**

Three months ended June 30, 2007

(Millions of Yen)

	Industrial machinery bearings	Automotive products	Precision machinery & parts	Other	Total	Eliminations/corporate	Consolidated
Sales to third parties	56,562	103,221	16,393	6,675	182,853	-	182,853
Inter-segment sales and transfers	-	-	-	5,583	5,583	( 5,583 )	-
Total	56,562	103,221	16,393	12,259	188,437	( 5,583 )	182,853
Operating expenses	49,242	96,933	14,572	11,684	172,431	( 4,372 )	168,059
Operating income	7,320	6,288	1,821	574	16,005	( 1,211 )	14,794

**【Sales by Geographical Segment】**

Three months ended June 30, 2007

(Millions of Yen)

	Japan	The Americas	Europe	Asia	Total	Eliminations /corporate	Consolidated
Sales to third parties	102,318	27,407	31,703	21,424	182,853	-	182,853
Inter-area sales and transfers	27,125	196	1,791	5,412	34,526	( 34,526 )	-
Total	129,444	27,604	33,494	26,836	217,379	( 34,526 )	182,853
Operating expenses	118,945	26,709	31,605	24,025	201,285	( 33,226 )	168,059
Operating income	10,499	895	1,888	2,811	16,094	( 1,300 )	14,794

**【Sales by customer location】**

Three months ended June 30, 2007

(Millions of Yen)

	The Americas	Europe	Asia	Total
Non-Japan sales	27,998	31,807	32,194	92,000
Consolidated net sales	-	-	-	182,853
Ratio of Non-Japan sales to consolidated net sales	15.3	17.4	17.6	50.3