

# NSK Ltd.

For Immediate Release

October 29, 2010

## CONSOLIDATED RESULTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2010 (Unaudited) [JP GAAP]

Company name	NSK Ltd.
Stock exchanges on which the shares are listed	Tokyo and Osaka Stock Exchanges in Japan
Code number	6471
URL	<a href="http://www.nsk.com/">http://www.nsk.com/</a>
Representative	Norio Otsuka, President and CEO
Contact person	Yoshio Saito, Senior Vice President
Filing date of quarterly securities report	November 12, 2010
Payment date of cash dividends	December 3, 2010

(Amounts are rounded down to the nearest million yen)

### 1. Consolidated Financial Highlights for the Six Months Ended September 30, 2010

(1) Consolidated financial results (% of changes from the same period last year)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Six months ended Sep. 30, 2010	352,785	36.8	20,293	—	17,347	—	10,565	—
Six months ended Sep. 30, 2009	257,871	(32.7)	(3,911)	—	(8,716)	—	(5,894)	—

	Net income per share - Basic	Net income per share - Diluted
	Yen	Yen
Six months ended Sep. 30, 2010	19.54	19.54
Six months ended Sep. 30, 2009	(10.90)	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity to total assets	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
As of Sep. 30, 2010	774,761	259,627	31.3	448.44
As of Mar. 31, 2010	789,624	264,688	31.4	458.65

(Note) Equity capital As of Sep. 30, 2010 242,422 million yen As of Mar. 31, 2010 247,941 million yen

### 2. Cash Dividends

(Record date)	Cash dividends per share				
	End of the 1st quarter	End of the 2nd quarter	End of the 3rd quarter	Year-end	Full-year total
	Yen	Yen	Yen	Yen	Yen
Year ended Mar. 31, 2010	—	4.00	—	4.00	8.00
Year ending Mar. 31, 2011	—	5.00	—	—	—
Year ending Mar. 31, 2011 (Forecast)	—	—	—	5.00	10.00

(Note) Revisions to the forecast of cash dividends in the current quarter: None

### 3. Forecast of Consolidated Results for the Year Ending March 31, 2011

(% of changes from the same period last year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Year ending Mar. 31, 2011	700,000	19.1	42,000	271.5	37,000	386.9	22,500	372.1	41.62

(Note) Revisions to the forecast of consolidated results in the current quarter: Yes

#### 4. Others (For more details, please refer to page 6 "2. Other")

(1) Changes in the significant subsidiaries during the period (Changes in specified subsidiaries resulting in change in the scope of consolidation): None

Note: This item indicates whether there were changes in significant subsidiaries affecting the scope of consolidation during the period.

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

Note: This item indicates whether there was adoption of simplified accounting methods and special accounting methods for presenting quarterly consolidated financial statements.

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

(i) Changes due to newly issued accounting pronouncements: Yes

(ii) Changes excluding the above: None

Note: This items indicates whether there were changes of accounting policies applied, procedures and disclosures for presenting quarterly consolidated financial statements, described in "Changes in Bases of Presenting Quarterly Consolidated Financial Statements."

(4) Number of shares issued and outstanding (common stock)

(i) Number of shares issued and outstanding at the end of each period (including treasury stock):

As of Sep. 30, 2010	551,268,104 shares	As of Mar. 31, 2010	551,268,104 shares
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(ii) Number of treasury stock at the end of each period:

As of Sep. 30, 2010	10,677,854 shares	As of Mar. 31, 2010	10,682,916 shares
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(iii) Average number of shares issued and outstanding in each period:

Six months ended Sep. 30, 2010	540,591,541 shares	Six months ended Sep. 30, 2009	540,587,842 shares
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#### Information Regarding the Implementation of Quarterly Review Procedures

These quarterly financial results are not subject to quarterly review procedures. Therefore, at the time of this disclosure, the quarterly financial statement review procedures based on the "Financial Instruments and Exchange Law", have not been completed.

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

The forecasts in this document are based on currently available information, and actual results may materially differ from any future results expressed herein due to various factors.

**(Reference) Consolidated Financial Highlights for the Three Months Ended September 30, 2010**

(% of changes from the same period last year)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Three months ended Sep. 30, 2010	178,806	25.9	9,960	—	8,335	—	5,448	—
Three months ended Sep. 30, 2009	142,066	(26.0)	606	(95.5)	(601)	—	(547)	—

	Net income per share - Basic	Net income per share - Diluted
	Yen	Yen
Three months ended Sep. 30, 2010	10.08	—
Three months ended Sep. 30, 2009	(1.01)	—

## 1. Qualitative Information and Consolidated Financial Statements

### (1) Qualitative Information Regarding Consolidated Business Results

In the first half of the year ending March 2011, strong economic growth in emerging countries, mainly in China and ASEAN countries, gradually brought a slow overall recovery in the global economy. However, concerns about negative effects to real economy still exist, exacerbated by deceleration of growth in emerging economies and rapid fluctuation in the yen.

Among our business segments, in the automotive business demand from automakers recovered compared to the same period last year due to the global economic recovery and higher global sales of automobiles by favorable stimulus policies enacted by governments. Sales in each region were strong overall. In addition to economic recovery, favorable policies to promote car sales, such as tax credits for purchasing eco-friendly cars and subsidies for customers replacing older vehicles brought increased sales in Japan. Demand from leading car manufacturers in the Americas recovered, while in Europe, in addition to economic recovery, the weaker EURO led to higher automobile production due to increased exports. Automotive markets expanded in China and India. In the industrial machinery business, economic recovery contributed to higher demand for industrial machinery bearings and precision machinery and parts. Demand from construction machinery, machine tool and semiconductor production equipment manufacturers increased in Japan. In the Americas and Europe, higher demand from the economic recovery and recovery in aftermarket demand positively affected the results. Furthermore, in the Asia region, infrastructure-related sales in China increased. IT-related sales in ASEAN countries were also higher, as were sales to manufacturers of semiconductor production equipment in South Korea.

Consolidated net sales for the period totaled ¥352,785 million, a year-on-year increase of 36.8%. Although there were negative effects of reduced export profit margins caused by the appreciation of the Japanese yen, operating income was ¥20,293 million (operating loss was ¥3,911 million in the same period last year), due to an increase in sales, improved capacity utilization due to growth of production, productivity improvement and reduction of external procurement costs. Ordinary income was ¥17,347 million (ordinary loss was ¥8,716 million in the same period last year). Net income after adjusting for tax expenses and minority interests was ¥10,565 million (net loss was ¥5,894 million in the same period last year).

### Results by Business Segment

#### ① Industrial Machinery Business Segment

In the industrial machinery bearings business, the economic recovery led to higher global sales for general industrial and electrical machinery and the aftermarket sector compared to the same period last year. Looking at the geographic breakdown, sales in each region increased significantly due to strong demand and the positive effects of sales expansion activities. In the precision machinery and parts business, sales in each region increased greatly. Global demand from semiconductor production equipment manufacturers recovered. In addition, demand from machine tool makers was also robust, supported by economic growth in China. Demand for exposure equipment used in LCD panel production also contributed to greatly increased sales.

As a result, net sales in the industrial machinery business totaled ¥127,461 million, a year-on-year increase of 41.9%. Despite reduced export profit margins caused by the strong Japanese yen, operating income was ¥8,236 million due to greatly increased volume, productivity improvement and reduced external procurement costs (operating loss was ¥4,139 million in the same period last year).

#### ② Automotive Business Segment

Sales of both automotive bearings and automotive components increased greatly in all regions compared to the same period last year. Demand for hub unit bearings and electric power steering

(EPS) systems was robust due to expanding automotive markets in emerging countries including China, as well as overall economic recovery and favorable policies to promote car sales. As a result, net sales in the automotive business totaled ¥212,168 million, a year-on-year increase of 32.8%. Although there were some cost increase factors such as higher prices for raw materials, operating income was ¥13,582 million, a year-on-year increase of 263.1% due to drastically increased volume, productivity improvement and reduction of external procurement costs.

## (2) Qualitative Information Regarding Consolidated Financial Position

### Assets and Liabilities

Total assets were ¥774,761 million, a decrease of ¥14,862 million, compared to total assets as of March 31, 2010. The main reasons for this decrease are a decrease of ¥3,367 million in finished goods, ¥7,454 million decrease of property, plant and equipment due to limiting new investments within the depreciation and amortization level and ¥8,454 million in investment securities due to weaker stock prices, which offset an increase of ¥1,849 million in cash and deposits and ¥2,415 million in notes and accounts receivable.

Total liabilities were ¥515,133 million, a decrease of ¥9,802 million, compared to total liabilities as of March 31, 2010. The main reasons for this decrease are a decrease of ¥10,000 million in corporate bonds and ¥11,453 million in long-term loans. These offset an increase of ¥9,778 million in notes and accounts payable.

### Net assets

Net assets totaled ¥259,627 million, a decrease of ¥5,060 million, compared to net assets as of March 31, 2010. The main reasons for this decrease are a decrease of ¥8,856 million in translation adjustments and a decrease of ¥4,526 million in unrealized gains on securities accompanying a decline in stock prices. These offset an increase of ¥10,565 million in net income.

### Cash Flows

#### ① Net cash flow provided by operating activities

Net cash flow provided by operating activities totaled ¥34,304 million, an increase of ¥18,729 million, compared to the same period last year. This includes ¥17,347 million income before tax expenses and minority interests, ¥17,070 million provided by depreciation and amortization and an increase of ¥11,010 million in notes and accounts payable, which offset an increase of ¥6,908 million in notes and accounts receivable and ¥3,860 million in inventories.

#### ② Net cash flow used in investing activities

Cash flow used in investing activities totaled ¥15,276 million, a decrease of ¥396 million, compared to the same period last year. This includes ¥15,164 million for acquisitions to property.

#### ③ Net cash flow used in financing activities

Net cash flow used in financing activities totaled ¥17,126 million, an increase of ¥11,266 million, compared to the same period last year. This includes ¥10,000 million redemption of corporate bonds, ¥3,580 million repayment of short-term loans and ¥2,166 million of dividends paid.

In the aggregate, cash and cash equivalents totaled ¥123,470 million, an increase of ¥33 million compared to March 31, 2010, and an increase of ¥3,193 million from the same period last year.

## (3) Qualitative Information Regarding Consolidated Business Forecast

Although uncertainties in the business environment still remain, we are revising our year-end consolidated business forecast for the year ending March 31, 2011, in light of the company's business

results for the six months ended September 30, 2010.

- Business forecast for the year ending March, 2011

Net sales ¥700.0 billion, Operating income ¥42.0 billion, Ordinary income ¥37.0 billion, Net income ¥22.5 billion

- 【Reference】 Business forecast for the year ending March, 2011 announced in May, 2010

Net sales ¥665.0 billion, Operating income ¥38.0 billion, Ordinary income ¥33.0 billion, Net income ¥21.0 billion

The factors behind the revision are stated below.

- Forecasted exchange rate for the second half of the year ending March 31, 2011:

U.S.\$1=¥80, 1Euro=¥110

- Industrial machinery business:

Despite expecting fluctuation in exchange rates, demand from the machine tool and industrial machinery sectors has been on an upward trend in emerging countries. We therefore expect sales in this segment to increase.

- Automotive business

Although demand is expected to decrease as purchasing subsidies for customers replacing older vehicles end in Japan, we expect global production of automobiles to remain at a strong level. We therefore expect sales in this segment to increase.

#### Notes

All forecasts are based on a number of assumptions regarding business environment and policies, and are subject to change with various developments. 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.

## 2. Other

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

None.

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

Method of calculating tax expenses, deferred tax expenses and deferred tax liabilities

Tax expenses were calculated using a 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 taxable temporary differences 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 is stated on our consolidated statements of operations as "Income Taxes".

- (3) Changes to accounting policies applied, procedures and disclosures for presenting quarterly consolidated financial statements

Application of the accounting standards for asset retirement obligations

Effective from the first quarter of the year ending March 31, 2011, the "Accounting Standards for Asset Retirement Obligations" (ASBJ Statement No. 18), as issued on March 31, 2008 and its' implementation guidance, "Guidance on Accounting Standards for Asset Retirement Obligations" (ASBJ Guidance No. 21), as issued on March 31, 2008, have been applied.

The effect of this application on income is immaterial.

## 3. Quarterly Consolidated Financial Statements

## (1) Consolidated Balance Sheets

	(Millions of Yen)	
	As of Sep. 30, 2010	As of Mar. 31, 2010
<b>Assets</b>		
Current assets:		
Cash and deposits	80,270	78,421
Notes and accounts receivable	136,824	134,409
Short-term investment securities	47,790	49,438
Finished goods	55,989	59,356
Work in process	36,509	35,341
Raw materials and supplies	12,187	10,831
Others	46,289	44,606
Less allowance for doubtful accounts	(1,065)	(1,237)
Total current assets	414,797	411,167
Non-current assets:		
Property, plant and equipment		
Buildings and structures	66,920	70,356
Machinery, vehicles and equipment	106,304	114,460
Others	57,070	52,933
Total property, plant and equipment	230,296	237,750
Intangible fixed assets	10,439	10,594
Investments and other assets		
Investment securities	67,379	75,833
Prepaid pension costs	42,830	44,247
Others	9,473	10,619
Less allowance for doubtful accounts	(455)	(589)
Total investments and other assets	119,227	130,111
Total non-current assets	359,963	378,456
Total assets	774,761	789,624

(Millions of Yen)

	As of Sep. 30, 2010	As of Mar. 31, 2010
<b>Liabilities</b>		
Current liabilities:		
Notes and accounts payable	124,330	114,552
Short-term loans	75,471	71,367
Current portion of corporate bonds	15,300	25,000
Accrued income taxes	4,759	4,347
Others	44,290	42,439
Total current liabilities	264,152	257,706
Non-current liabilities:		
Corporate bonds	95,000	95,300
Long-term loans	101,816	113,270
Accrued employees' retirement benefits	20,921	22,948
Accrued officers' retirement benefits	1,526	1,541
Reserves for environmental safety measures	163	167
Others	31,552	34,001
Total non-current liabilities	250,981	267,229
Total liabilities	515,133	524,935
<b>Net assets</b>		
Shareholders' equity		
Common stock	67,176	67,176
Additional paid-in capital	78,334	78,330
Retained earnings	142,763	134,902
Treasury stock	(4,162)	(4,160)
Total shareholders' equity	284,111	276,248
Valuation, translation adjustments and other		
Unrealized gains on securities	9,174	13,701
Translation adjustments	(50,863)	(42,007)
Total valuation, translation adjustments and other	(41,689)	(28,306)
Share subscription rights	497	423
Minority interests	16,707	16,323
Total net assets	259,627	264,688
Total liabilities and net assets	774,761	789,624

**(2) Consolidated Statement of Operations**

For the six months ended September 30, 2010

	(Millions of Yen)	
	Six months ended Sep. 30, 2009	Six months ended Sep. 30, 2010
Net sales	257,871	352,785
Cost of sales	216,258	281,027
Gross profit	41,612	71,758
Selling, general and administrative expenses	45,524	51,464
Operating income (loss)	(3,911)	20,293
Non-operating income:		
Interest income	410	410
Dividend income	652	433
Equity in earnings of affiliated companies	1,012	1,796
Other	1,777	1,131
Total non-operating income	3,853	3,772
Non-operating expenses:		
Interest expenses	2,917	2,306
Product compensation	3,931	1,596
Other	1,809	2,815
Total non-operating expenses	8,658	6,718
Ordinary income (loss)	(8,716)	17,347
Extraordinary loss:		
Business restructuring expenses	1,120	—
Total extraordinary loss	1,120	—
Income (loss) before tax expenses and minority interests	(9,836)	17,347
Income taxes	(4,107)	6,115
Income before minority interests	—	11,232
Minority interests	165	666
Net income (loss)	(5,894)	10,565

For the three months ended September 30, 2010

(Millions of Yen)

	Three months ended Sep. 30, 2009	Three months ended Sep. 30, 2010
Net sales	142,066	178,806
Cost of sales	117,821	142,962
Gross profit	24,244	35,843
Selling, general and administrative expenses	23,638	25,882
Operating income	606	9,960
Non-operating income:		
Interest income	207	221
Dividend income	28	44
Equity in earnings of affiliated companies	525	793
Other	481	600
Total non-operating income	1,242	1,658
Non-operating expenses:		
Interest expenses	1,319	1,151
Product compensation	537	1,241
Other	594	891
Total non-operating expenses	2,451	3,284
Ordinary income (loss)	(601)	8,335
Extraordinary loss:		
Business restructuring expenses	1,120	—
Total extraordinary loss	1,120	—
Income (loss) before tax expenses and minority interests	(1,721)	8,335
Income taxes	(1,315)	2,538
Income before minority interests	—	5,796
Minority interests	141	348
Net income (loss)	(547)	5,448

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

	(Millions of Yen)	
	Six months ended Sep. 30, 2009	Six months ended Sep. 30, 2010
Operating activities		
Income (loss) before tax expenses and minority interests	(9,836)	17,347
Depreciation and amortization	18,171	17,070
Amortization of goodwill	504	386
Decrease in allowance for doubtful accounts	(447)	(222)
Increase (decrease) in provision for retirement benefits and prepaid pension cost	(1,208)	305
Interest and dividend income	(1,062)	(844)
Interest expenses	2,917	2,306
Equity in earnings of affiliates	(1,012)	(1,796)
Business restructuring expenses	1,120	-
Increase in notes and accounts receivable	(17,368)	(6,908)
Decrease (increase) in inventories	4,150	(3,860)
Increase in notes and accounts payable	15,582	11,010
Other	515	4,035
Subtotal	12,025	38,830
Interest and dividends received	1,548	2,151
Interest paid	(2,918)	(2,138)
Income taxes paid	4,919	(4,538)
Net cash provided by operating activities	15,574	34,304
Investing activities		
Net decrease (increase) in time deposit	13	(947)
Purchase of short-term investment securities	(0)	(4,800)
Proceeds from sales of short-term investment securities	17	4,800
Purchase of property, plant and equipment	(12,093)	(15,164)
Proceeds from sales of property, plant and equipment	681	263
Purchase of investment securities	(3,399)	(20)
Proceeds from sales of investment securities	505	1,500
Payments for acquisition of subsidiary companies' stock resulting in changes in scope of consolidation	(413)	-
Payments of loans receivable	(31)	(26)
Collection of loans receivable	58	153
Other	(1,011)	(1,034)
Net cash used in investing activities	(15,672)	(15,276)
Financing activities		
Net decrease in short-term loans	(3,222)	(3,580)
Increase in long-term loans	1,016	709
Repayments of long-term debts	(1,417)	(1,712)
Payments for redemption of corporate bonds	-	(10,000)
Acquisition of treasury stock	(10)	(8)
Dividends paid	(2,167)	(2,166)
Dividends paid to minority shareholders	(116)	(244)
Other	56	(123)
Net cash used in financing activities	(5,860)	(17,126)
Effect of exchange rate changes on cash and cash equivalents	813	(1,868)
Net increase (decrease) in cash and cash equivalents	(5,144)	33
Cash and cash equivalents at beginning of the year	124,944	123,437
Increase in cash and cash equivalents resulting from changes in fiscal year-ends of consolidated subsidiaries	477	-

	Six months ended Sep. 30, 2009	Six months ended Sep. 30, 2010
Cash and cash equivalents at end of the period	120,276	123,470

**(4) Going Concern Assumption**

None.

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

Three months ended September 30, 2009

(Millions of Yen)

	Industrial machinery bearings	Automotive products	Precision machinery & parts	Other	Total	Eliminations/Corporate	Consolidated
Sales							
(1)Sales to third parties	41,108	89,005	7,362	4,588	142,066	—	142,066
(2)Inter-segment sales and transfers	—	—	—	3,327	3,327	(3,327)	—
Total	41,108	89,005	7,362	7,916	145,394	(3,327)	142,066
Operating income (loss)	1,377	3,771	(2,655)	(290)	2,202	(1,596)	606

Six months ended September 30, 2009

(Millions of Yen)

	Industrial machinery bearings	Automotive products	Precision machinery & parts	Others	Total	Eliminations/Corporate	Consolidated
Sales							
(1)Sales to third parties	76,176	159,759	13,624	8,310	257,871	—	257,871
(2)Inter-segment sales and transfers	—	—	—	6,607	6,607	(6,607)	—
Total	76,176	159,759	13,624	14,917	264,478	(6,607)	257,871
Operating income (loss)	331	3,740	(4,471)	(939)	(1,338)	(2,572)	(3,911)

## 【Segment Information】

### 1. Outline of Reportable Segments

The Company has defined its reportable segments to be units composing the Company, for which financial information can be separately obtained. The Company's Board of Directors periodically monitors these business segments in order to determine the allocation of management resources and evaluate business results.

The Company's organization centers on its customer/product-based division headquarters, which plans comprehensive business strategies not only for business in Japan but globally. Therefore, the Company has decided to designate its customer/product-based Industrial Machinery segment and Automotive segment as its two reportable segments.

The Industrial Machinery business is in charge of production and sales of industrial machinery bearings, ball screws, linear guides and exposure equipment for LCD panel production.

The Automotive business is in charge of production and sales of bearings for car manufactures and automotive component manufacturers, steering columns and automatic transmission components.

### 2. Sales by Reportable Segments

Six months ended September 30, 2010

(Millions of Yen)

	Reportable segments			Other (Note)	Total	Adjustments	Consolidated
	Industrial machinery business	Automotive business	Sub-total				
Sales							
(1) Sales to third parties	127,461	212,168	339,630	13,155	352,785	—	352,785
(2) Inter-segment sales and transfers	—	—	—	12,941	12,941	(12,941)	—
Total	127,461	212,168	339,630	26,096	365,727	(12,941)	352,785
Segment income (Operating income)	8,236	13,582	21,819	2,155	23,975	(3,682)	20,293

(Note) "Other" includes production of plant and equipment, and production and sales of steel balls.

Three months ended September 30, 2010

(Millions of Yen)

	Reportable segments			Other (Note)	Total	Adjustments	Consolidated
	Industrial machinery business	Automotive business	Sub-total				
Sales							
(1) Sales to third parties	65,647	106,532	172,180	6,625	178,806	—	178,806
(2) Inter-segment sales and transfers	—	—	—	6,647	6,647	(6,647)	—
Total	65,647	106,532	172,180	13,273	185,454	(6,647)	178,806
Segment income (Operating income)	4,466	6,300	10,767	962	11,730	(1,769)	9,960

(Note) "Other" includes production of plant and equipment, and production and sales of steel balls.

(Additional information)

Effective from the first quarter of the year ending March 31, 2011, the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17), as issued on March 27, 2009, and its' implementation guidance, "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20), as issued on March 21, 2008, have been applied.

**(6) Substantial Changes in Shareholders' Equity**

None.