

# NSK Ltd.

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

For Immediate Release

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## CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED JUNE 30, 2005 (unaudited)

### Financial highlights

	First quarter ended June 30 2005	First quarter ended June 30 2004	Change %
(Millions of yen)			
Net sales	¥ 147,112	¥ 140,268	4.9
Operating income	8,084	9,530	-15.2
Ordinary income	7,611	8,480	-10.3
Net income	5,647	4,853	16.3
(Yen)			
Net income per share			
Basic	¥ 10.47	¥ 9.00	
Diluted	10.47	8.87	

### Financial position

	As of June 30, 2005	As of March 31, 2005
(Millions of yen)		
Total assets	¥ 648,228	¥ 628,583
Shareholders' equity	196,089	188,265
(%)		
Shareholders' equity to total assets	30.3%	30.0%
(Yen)		
Shareholders' equity per share	¥ 363.68	¥ 349.07

### Cash Flow

	First quarter ended June 30 2005	First quarter ended June 30 2004
(Millions of yen)		
Net cash provided by operating activities	¥ 13,854	¥ 17,450
Net cash used in investing activities	-5,657	-5,589
Net cash provided by (used in) financing activities	2,305	-7,481
Cash and cash equivalents at end of period	50,063	62,910

# Consolidated balance sheets

(Millions of yen)	As of June 30, 2005	As of March 31, 2005	Increase/ Decrease
<b>Assets</b>			
Current assets	¥ 292,398	¥ 278,678	¥13,720
Cash and deposits	39,453	25,935	13,518
Notes and accounts receivable	110,385	111,821	-1,436
Marketable securities	8,553	8,596	-43
Inventories	89,382	81,730	7,652
Deferred tax assets	12,636	14,347	-1,711
Other current assets	33,476	37,648	-4,172
Less allowance for doubtful accounts	-1,489	-1,402	-87
Non-current assets	¥ 355,830	¥ 349,905	¥ 5,925
Property, plant and equipment	¥ 208,125	¥ 204,604	¥ 3,521
Buildings and structures	62,933	62,083	850
Machinery and transportation equipment	95,898	94,020	1,878
Land	26,612	26,570	42
Other property, plant and equipment	22,682	21,929	753
Intangible assets	¥ 8,702	¥ 8,385	¥ 317
Investments and other assets	¥ 139,002	¥ 136,915	¥ 2,087
Investment securities	92,769	92,727	42
Deferred tax assets	4,854	2,593	2,261
Prepaid pension costs	35,225	35,454	-229
Other investments and other assets	7,278	7,290	-12
Less allowance for doubtful accounts	-1,125	-1,150	25
<b>Total assets</b>	<b>¥ 648,228</b>	<b>¥ 628,583</b>	<b>¥ 19,645</b>

**Consolidated balance sheets** (Continued)

(Millions of yen)	As of June 30, 2005	As of March 31, 2005	Increase/ Decrease
<b>Liabilities</b>			
Current liabilities	¥ 255,023	¥ 234,300	¥20,723
Notes and accounts payable	101,343	97,623	3,720
Short-term loans	81,759	75,655	6,104
Current portion of bonds payable	20,000	10,000	10,000
Income taxes payable	2,839	5,753	-2,914
Other current liabilities	49,081	45,268	3,813
Long-term liabilities	¥ 185,258	¥ 194,420	¥ -9,162
Bonds payable	60,000	70,000	-10,000
Long-term loans	50,771	51,529	-758
Deferred tax liabilities	25,787	22,484	3,303
Accrued employees' retirement benefits	34,322	34,281	41
Accrued officers' retirement benefits	462	414	48
Other long-term liabilities	13,915	15,710	-1,795
<b>Total liabilities</b>	<b>¥ 440,282</b>	<b>¥ 428,721</b>	<b>¥ 11,561</b>
<b>Minority interests</b>	<b>¥ 11,856</b>	<b>¥ 11,596</b>	<b>¥ 260</b>
<b>Shareholders' equity</b>			
Common stock	67,176	67,176	—
Capital surplus	77,926	77,925	1
Retained earnings	61,430	55,783	5,647
Unrealized holding gains on securities	21,118	21,244	-126
Translation adjustments	-27,139	-29,447	2,308
NSK treasury stock	-4,423	-4,417	-6
<b>Total shareholders' equity</b>	<b>¥ 196,089</b>	<b>¥ 188,265</b>	<b>¥ 7,824</b>
<b>Total liabilities and shareholders' equity</b>	<b>¥ 648,228</b>	<b>¥ 628,583</b>	<b>¥ 19,645</b>

# Consolidated statements of income

(Millions of yen)	First quarter	First quarter	Change
	ended June 30 2005	ended June 30 2004	
			%
Net sales	¥ 147,112	¥ 140,268	4.9
Cost of sales	114,800	108,685	5.6
Selling, general and administrative expenses	24,227	22,052	9.9
Operating income	<u>8,084</u>	<u>9,530</u>	<u>-15.2</u>
Non-operating income:	¥ 1,968	¥ 1,878	4.8
Interest and dividend income	657	597	10.1
Equity in earnings of affiliated companies	890	551	61.5
Other	420	729	-42.4
Non-operating expenses:	¥ 2,442	¥ 2,928	-16.6
Interest expenses	1,219	1,292	-5.7
Other	1,222	1,635	-25.2
Ordinary income	<u>¥ 7,611</u>	<u>¥ 8,480</u>	<u>-10.3</u>
Extraordinary income:	¥ 2,657	¥ 650	308.6
Gain on sales of investment securities	1,413	650	117.4
Gain on sales of property, plant and equipment	1,243	—	—
Extraordinary losses:	—	¥ 68	—
Loss on devaluation of investment securities	—	68	—
Income before income taxes and minority interests	<u>¥ 10,268</u>	<u>¥ 9,062</u>	<u>13.3</u>
Income taxes:			
Current taxes	1,964	2,688	-26.9
Deferred taxes	2,434	1,179	106.4
Minority income in earnings of consolidated subsidiaries	222	341	-34.7
Net income	<u>¥ 5,647</u>	<u>¥ 4,853</u>	<u>16.3</u>

# Consolidated statements of surplus

(Millions of yen)	First quarter ended June 30 2005	First quarter ended June 30 2004	Increase/ Decrease
<b>Capital surplus</b>			
Capital surplus at the beginning of period	¥ 77,925	¥ 77,923	¥2
Increase in capital surplus	¥ 0	—	¥0
Gain on disposal of NSK treasury stocks	¥ 0	—	¥0
Capital surplus at the end of period	¥ 77,926	¥ 77,923	¥3
<b>Retained earnings</b>			
Retained earnings at the beginning of period	¥ 55,783	¥ 58,856	¥ -3,073
Increase in retained earnings	¥ 5,647	¥ 4,853	¥ 794
Net income	5,647	4,853	794
Decrease in retained earnings	—	¥ 17,221	¥ -17,221
Loss on retirement benefit liabilities of UK subsidiaries	—	17,221	-17,221
Retained earnings at the end of period	¥ 61,430	¥ 46,488	¥ 14,942

# Consolidated statements of cash flows

(Millions of yen)

	First quarter ended June 30 2005	First quarter ended June 30 2004
<b>Operating activities</b>		
Income before income taxes and minority interests	¥ 10,268	¥ 9,062
Depreciation and amortization	6,557	6,381
Amortization of excess of cost over net assets acquired	142	142
Increase in allowance for doubtful accounts	57	141
Increase in provision for retirement benefits	596	986
Interest and dividend income	-657	-597
Interest expense	1,219	1,292
Equity in earnings of affiliated companies	-890	-551
Gain on sales of investment securities	-1,413	-650
Loss on devaluation of investment securities	—	68
Decrease (increase) in notes and accounts receivable	1,987	-2,265
Increase in inventories	-7,122	-2,048
Increase in notes and accounts payable	3,610	5,613
Other	5,031	5,239
Subtotal	¥ 19,386	¥ 22,815
Interest and dividends received	1,494	2,529
Interest paid	-1,477	-1,547
Income taxes paid	-5,548	-6,347
Net cash provided by operating activities	¥ 13,854	¥ 17,450
<b>Investing activities</b>		
Additions to property, plant and equipment	-8,448	-7,111
Proceeds from sales of property, plant and equipment	1,469	1,017
Acquisition of investment securities	-5	-43
Proceeds from sales of investment securities	1,846	1,033
Acquisition of affiliated companies' stock	-618	—
Proceeds from sales of affiliated companies' stock	428	—
Payments for advances	-12	-89
Proceeds from collection of advances	41	22
Other	-358	-418
Net cash used in investing activities	¥ -5,657	¥ -5,589
<b>Financing activities</b>		
Net increase (decrease) in short-term bank loans	5,832	4,520
Long-term debt – borrowing	—	736
Long-term debt – repayments	-409	-655
Payments for redemption of bonds	—	-10,000
Payments for acquisition of NSK treasury stock	-7	-8
Dividends paid	-2,971	-1,926
Dividends paid to minority stockholders	-85	-112
Other	-52	-35
Net cash used in financing activities	¥ 2,305	¥ -7,481
Effect of exchange rate changes on cash and cash equivalents	¥ 172	¥ -461
Net increase (decrease) in cash and cash equivalents	¥ 10,675	¥ 3,917
Cash and cash equivalents at beginning of the year	¥ 39,387	¥ 58,993
Cash and cash equivalents at end of the period	¥ 50,063	¥ 62,910

## Sales by business segment

(Millions of yen)	First quarter ended June 30, 2005						
	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
Inter-segment 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 (loss)	¥ 4,839	¥ 2,971	¥ 699	¥ 363	¥ 8,874	¥ -790	¥ 8,084

(Millions of yen)	First quarter ended June 30, 2004						
	Industrial machinery bearings	Automotive products	Precision machinery and parts	Other	Total	Eliminations and other	Consolidated
Sales to third parties	¥ 45,235	¥ 75,410	¥ 15,987	¥ 3,635	¥ 140,268	¥ —	¥ 140,268
Inter-segment sales and transfers	—	—	—	608	608	-608	—
Total	45,235	75,410	15,987	4,244	140,877	-608	140,268
Operating expenses	40,648	70,825	14,986	4,099	130,558	179	130,738
Operating income (loss)	¥ 4,587	¥ 4,584	¥ 1,001	¥ 145	¥ 10,318	¥ -788	¥ 9,530

## Sales by geographic segment

(Millions of yen)	First quarter ended June 30, 2005						
	Japan	The Americas	Europe	Asia	Total	Eliminations and other	Consolidated
Sales to third parties	¥ 87,660	¥ 20,781	¥ 25,011	¥ 13,658	¥ 147,112	¥ —	¥ 147,112
Inter-area 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 (loss)	¥ 6,700	¥ 345	¥ 963	¥ 954	¥ 8,964	¥ -879	¥ 8,084

(Millions of yen)	First quarter ended June 30, 2004						
	Japan	The Americas	Europe	Asia	Total	Eliminations and other	Consolidated
Sales to third parties	¥ 84,827	¥ 19,385	¥ 23,503	¥ 12,552	¥ 140,268	¥ —	¥ 140,268
Inter-area sales and transfers	19,336	93	1,334	2,532	23,296	-23,296	—
Total	104,163	19,478	24,837	15,085	163,564	-23,296	140,268
Operating expenses	96,750	18,870	23,569	14,297	153,487	-22,749	130,738
Operating income (loss)	¥ 7,412	¥ 608	¥ 1,268	¥ 787	¥ 10,076	¥ -546	¥ 9,530

## Sales by customer location

### First quarter ended June 30, 2005

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

### First quarter ended June 30, 2004

(Millions of yen)	<u>The Americas</u>	<u>Europe</u>	<u>Asia</u>	<u>Total</u>
Overseas sales	¥ 19,879	¥ 23,491	¥ 23,160	¥ 66,531
Consolidated sales				140,268
Ratio of overseas sales to consolidated sales	% 14.2	% 16.7	% 16.5	% 47.4



# Overview of the first quarter ended June 30, 2005

The Japanese economy recovered gradually in the first quarter, backed by increases in consumer spending and capital investment, although weakness remained in the exporting and IT areas.

The economic environment in the U.S. remained healthy with increases in production and consumer expenditures. European economies exhibited steady recovery, although recovery of German domestic demand lagged. In Asia, countries such as China and Thailand continued to experience economic growth, although South Korea saw a decline in its exporting activities.

NSK group manufacturing locations continue to operate at maximum levels due to the positive global environment and healthy capital expenditures despite demand weakness in the semiconductor and LCD production equipment sector.

Our consolidated net sales for the first quarter ended June 30, 2005, totaled ¥147,112 million, a year-on-year increase of 4.9%. Efforts were made to offset increases in material costs through increases in sales prices, production enhancements activities, and reduction of procurement costs. However, our operating income was ¥8,084 million and ordinary income was ¥7,611 million, a year-on-year decrease of 15.2%, and 10.3% respectively, due to increases in capital expenditures and distribution costs.

The net income after adjusting for income taxes, deferred taxes and minority interests in earnings of consolidated subsidiaries, was ¥5,647 million, a year-on-year increase of 16.3% including gains on sales of investment securities and fixed assets equipment to ¥1,471 million and ¥1,243 million, respectively.

## Net sales by product category

### Industrial Machinery Bearings

Demand from the domestic machine tool industry, steel industry, railway and the aftermarket strengthened during the course of the quarter. Demand in Europe also became more robust due to sales expansion activities. However, sales in the electric and IT sectors declined in the Americas and Asia. As a result, overall industrial machinery bearings sales amounted to ¥46,626 million, a year-on-year increase of 3.1%. Operating income was 4,839 million, a year-on-year increase of 5.5 %.

### Automotive Products

Sales of HUB unit bearings used in wheels increased worldwide. Sales of automotive components also increased with strong domestic demand for electric power steering systems and automatic transmission components. There was also robust demand for steering columns in the Americas and Thailand. As a result, net sales increased 9.0% year-on-year to ¥82,174 million. Operating income was ¥2,971 million, a year-on-year decrease of 35.2%. This decrease can be attributed to increases in material prices, labor and capital expenditures, and distribution costs.

### Precision Machinery and Parts

Demand for ball screws and protofabrication equipment for LCD production equipment was strong, while sales to semiconductor and liquid crystal equipment sectors declined. Overall sales totaled ¥14,773 million, a year-on-year decrease of 7.6%. Operating income was ¥699 million, a year-on-year decrease of 30.1%.

## Other Products

Sales of other products totaled ¥5,599 million, a year-on-year increase of 31.9% due to increase in sale of manufacturing equipment to NSK group companies. Operating income was ¥363 million, a year-on-year increase of 150.3%.

## Net sales by region

### Japan

Due to the increase in sales of industrial machinery bearings and automotive products, overall sales in Japan totaled ¥109,569 million, a year-on-year increase of 5.2% despite the decrease in sales of precision machinery and parts due to weaker demand from the semiconductor and LCD production equipment sectors. Operating income was ¥6,700 million, a year-on-year decrease of 9.6%. This decrease is a result of increases in material price, labor costs, and capital expenditures made to increase production capacity.

### The Americas

The demand from automotive manufacturers pushed up sales of automotive products, while sales of industrial machinery bearings to the electrical industry declined. Decrease in demand for semiconductor production equipment manufacturers lead to a decline in sales of precision machinery and parts. Net sales totaled ¥20,868 million, an increase of 7.1% compared to the same period last year. Operating income, which was affected by increase in price of raw materials, was ¥345 million, a decrease of 43.2% compared to the same period last year.

### Europe

Sales of industrial machinery bearings saw an increase with sales in Europe totaling ¥27,418 million, a year-on-year increase of 10.4%. Operating income recorded a profit of ¥963 million, a decrease of 24.0% compared to the same period of the previous year. This decrease is attributed to rising steel costs and adverse exchange rate fluctuations.

### Asia and Oceania

Although there was a decline of industrial machinery bearings in sales to the electric and IT sector in South Korea and the Asean nations, sales of automotive products in China and the Asean nations were robust. Overall, sales in Asia totaled ¥16,505 million and operating income was ¥954 million, a year-on-year increase of 9.4% and 21.2% respectively.

## Cash Flow

Cash flow provided by operating activities in the first quarter of fiscal 2005 was ¥13,854 million with income before income taxes and minority interests providing ¥10,268 million, and depreciation and amortization providing ¥6,557 million,

Additions to property, plant and equipment used ¥8,448 million in cash, while proceed from sales of investment securities provided cash of ¥1,846 million. As a result, net cash flow used in investing activities totaled ¥5,657 million.

Cash flow provided by financing activities was ¥2,305 million with ¥2,971 million used to pay dividends, and ¥5,832 million provided by the net increase in short-term bank loans.

In aggregate, the net increase in cash and cash equivalents was ¥10,675 million, resulting in cash and cash equivalents at the end of the quarter to total ¥50,063 million.

# Forecast for the year ending March 31, 2006

(Millions of yen)	Six months ending September 30	Year ending March 31
	2005	2006
Net sales	¥ 299,000	¥ 610,000
Operating income	19,000	41,000
Ordinary income	17,000	37,000
Net income	10,000	22,500

<Reference> Projected net income per share for the year ending March 31, 2006: ¥41.73

We are anticipating demand recovery in the IT sector to lag, uncertainty in the US and Europe economies, and the effect of the Chinese yuan revaluation to remain ambiguous. In addition, we are making efforts to cover increases in material costs by raising sales prices, cutting procurement expenses, and strengthening productivity. In spite of many uncertainties, we will not change our forecast released in May, 2005 for the six months ending September 30, 2005 and year ending March 31, 2006.

## Note

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.