

NSK Ltd.

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For Immediate Release

February 04, 2005

CONSOLIDATED RESULTS FOR THE NINE MONTHS ENDED DECEMBER 31, 2004 (unaudited)

Financial highlights

	Nine months ended Dec. 31 2004	Nine months ended Dec. 31 2003
(Millions of yen)		
Net sales	¥431,266	¥383,504
Operating income	28,834	16,668
Ordinary income	25,830	12,235
Net income	15,960	8,993
(Yen)		
Net income per share		
Basic	¥ 29.60	¥ 16.68
Diluted	¥ 29.16	¥ 16.52

Financial position

	As of Dec. 31, 2004	As of March 31, 2004
(Millions of yen)		
Total assets	¥ 636,269	¥ 621,877
Shareholders' equity	188,521	188,662
(%)		
Shareholders' equity to total assets	29.6%	30.3%
(Yen)		
Shareholders' equity per share	¥ 349.63	¥ 349.83

Cash Flow

	Nine months ended Dec. 31 2004	Nine months ended Dec. 31 2003
(Millions of yen)		
Net cash provided by operating activities	¥ 43,344	¥ 23,859
Net cash used in investing activities	-20,995	-14,605
Net cash used in financing activities	-26,589	-16,105
Cash and cash equivalents at end of the year	54,888	51,934

Consolidated balance sheets

(Millions of yen)	As of December 31, 2004	As of March 31, 2004	Increase/ Decrease
Assets			
Current assets	¥ 291,399	¥ 295,491	¥ -4,092
Cash and deposits	37,931	43,533	-5,602
Notes and accounts receivable	114,956	121,208	-6,252
Marketable securities	9,426	9,385	41
Inventories	84,259	75,905	8,354
Deferred tax assets	8,212	11,447	-3,235
Other current assets	37,968	35,263	2,705
Less allowance for doubtful accounts	-1,355	-1,252	-103
Non-current assets	344,869	326,386	18,483
Property, plant and equipment	201,056	196,810	4,246
Buildings and structures	62,112	63,721	-1,609
Machinery and transportation equipment	93,031	90,493	2,538
Land	26,627	26,426	201
Other property, plant and equipment	19,285	16,169	3,116
Intangible assets	8,667	8,368	299
Investments and other assets	135,145	121,207	13,938
Investment securities	89,723	88,483	1,240
Prepaid pension costs	35,404	22,223	13,181
Deferred tax assets	3,783	3,619	164
Other investments and other assets	7,920	8,595	-675
Less allowance for doubtful accounts	-1,685	-1,714	29
Total assets	¥ 636,269	¥ 621,877	¥ 14,392

Consolidated balance sheets (Continued)

(Millions of yen)	As of December 31, 2004	As of March 31, 2004	Increase/ Decrease
Liabilities			
Current liabilities	¥ 248,047	¥ 245,588	¥ 2,459
Notes and accounts payable	101,669	83,713	17,956
Short-term loans	76,780	77,418	-638
Current portion of corporate bonds	26,989	36,989	-10,000
Accrued income taxes	3,967	6,708	-2,741
Other current liabilities	38,640	40,759	-2,119
Long-term liabilities	187,997	175,548	12,449
Corporate bonds	70,000	70,000	—
Long-term loans	52,211	62,141	-9,930
Deferred tax liabilities	19,440	16,722	2,718
Accrued employees' retirement benefits	31,221	17,316	13,905
Accrued officers' retirement benefits	276	1,729	-1,453
Other long-term liabilities	14,848	7,638	7,210
Total liabilities	436,045	421,137	14,908
Minority interests	11,702	12,077	-375
Shareholders' equity			
Common stock	67,176	67,176	—
Capital surplus	77,924	77,923	1
Retained earnings	54,776	58,856	-4,080
Unrealized holding gains on securities	19,949	19,127	822
Translation adjustments	-26,900	-30,061	3,161
NSK treasury stock	-4,406	-4,361	-45
Total shareholders' equity	188,521	188,662	-141
Total liabilities and shareholders' equity	¥ 636,269	¥ 621,877	¥ 14,392

Consolidated statements of income

(Millions of yen)	Nine months ended Dec. 31	Nine months ended Dec. 31	Change
	2004	2003	%
Net sales	¥ 431,266	¥ 383,504	12.5
Cost of sales	334,356	302,580	10.5
Selling, general and administrative expenses	68,076	64,256	5.9
Operating income	<u>28,834</u>	<u>16,668</u>	<u>73.0</u>
Non-operating income:	<u>5,202</u>	<u>5,175</u>	<u>0.5</u>
Interest and dividend income	1,235	1,080	14.3
Equity in earnings of affiliated companies	1,939	1,881	3.1
Other	2,027	2,213	-8.4
Non-operating expenses:	<u>8,207</u>	<u>9,608</u>	<u>-14.6</u>
Interest expenses	3,820	4,597	-16.9
Other	4,386	5,010	-12.5
Ordinary income	<u>25,830</u>	<u>12,235</u>	<u>111.1</u>
Extraordinary income:	<u>2,195</u>	<u>5,482</u>	<u>-60.0</u>
Gain on sales of investment securities	1,136	4,968	-77.1
Gain on transfer to defined contribution pension plan	1,059	—	—
Gain on sales of investments in affiliated companies	—	513	—
Extraordinary losses:	<u>192</u>	<u>776</u>	<u>-75.2</u>
Loss on sales of investments in affiliated companies	102	7	—
Loss on devaluation of investment securities	90	—	—
Loss on disposal of property, plant and equipment	—	769	—
Income before income taxes and minority interests	<u>27,833</u>	<u>16,941</u>	<u>64.3</u>
Income taxes:			
Current taxes	5,746	6,389	-10.1
Deferred taxes	5,309	1,190	345.8
Minority income in earnings of consolidated subsidiaries	817	366	123.0
Net income	<u>¥ 15,960</u>	<u>¥ 8,993</u>	<u>77.5</u>

Consolidated statements of surplus

(Millions of yen)	Nine months ended Dec. 31 2004	Nine months ended Dec. 31 2003	Increase/ Decrease
Capital surplus			
Capital surplus at the beginning of period	¥ 77,923	¥ 77,923	¥ —
Increase in capital surplus	¥ 0	¥ 0	¥ 0
Gain on disposal of NSK treasury stock	0	0	0
Capital surplus at the end of period	¥ 77,924	¥ 77,924	¥ 0
Retained earnings			
Retained earnings at the beginning of period	¥ 58,856	¥ 48,366	¥ 10,490
Increase in retained earnings	¥ 15,960	¥ 8,993	¥ 6,967
Net income	15,960	8,993	6,967
Decrease in retained earnings	¥ 20,040	¥ 1,349	¥ 18,691
Dividends	2,969	1,349	1,620
Loss on retirement benefit liabilities of UK subsidiaries	17,070	—	17,070
Retained earnings at the end of period	¥ 54,776	¥ 56,010	¥ -1,234

Consolidated statements of cash flows

(Millions of yen)

	Nine months ended Dec. 31 2004	Nine months ended Dec. 31 2003
Operating activities		
Income (loss) before income taxes and minority interests	¥ 27,833	¥ 16,941
Depreciation and amortization	20,128	20,232
Amortization of excess of cost over net assets acquired	427	285
Increase (decrease) in allowance for doubtful accounts	50	199
Increase (decrease) in provision for retirement benefits	-16,944	2,218
Interest and dividend income	-1,235	-1,080
Interest expense	3,820	4,597
Equity in earnings of affiliated companies	-1,939	-1,881
Loss on disposal of property, plant and equipment	—	769
Gain on sales of investment securities	-1,136	-4,968
Loss on devaluation of investment securities	90	—
Gain on sales of investments in affiliated companies	—	-513
Loss on sales of investments in affiliated companies	102	7
Decrease (increase) in notes and accounts receivable	7,599	-5,811
Increase (decrease) in inventories	-7,107	1,728
Increase (decrease) in notes and accounts payable	17,701	305
Other	4,220	-932
Subtotal	53,610	32,096
Interest and dividends received	4,010	2,675
Interest paid	-3,911	-4,845
Income taxes paid	-10,364	-6,066
Net cash provided by operating activities	43,344	23,859
Investing activities		
Additions to property, plant and equipment	-22,175	-15,213
Proceeds from sales of property, plant and equipment	1,528	2,880
Acquisition of investment securities	-117	-29
Proceeds from sales of investment securities	1,791	8,364
Acquisition of subsidiaries' stock resulting in changes in the scope of consolidation	—	-9,339
Payments arising from sales of subsidiaries' stock resulting in changes in the scope of consolidation	-895	-355
Acquisition of affiliated companies' stock	—	-95
Payments for advances	-202	-395
Proceeds from collection of advances	141	156
Other	-1,065	-576
Net cash used in investing activities	-20,995	-14,605
Financing activities		
Net increase (decrease) in short-term bank loans	-10,593	-2,222
Long-term debt – borrowing	806	4,219
Long-term debt – repayments	-1,702	-5,396
Payments for redemption of bonds	-10,000	-10,000
Payments for acquisition of NSK treasury stock	-44	-12
Dividends paid	-4,816	-2,553
Dividends paid to minority stockholders	-112	-37
Other	-127	-102
Net cash used in financing activities	-26,589	-16,105
Effect of exchange rate changes on cash and cash equivalents	135	-153
Net increase (decrease) in cash and cash equivalents	-4,104	-7,004
Cash and cash equivalents at beginning of the year	58,993	58,938
Cash and cash equivalents at end of the year	¥ 54,888	¥ 51,934

Sales by product segment

Nine months ended December 31, 2004

(Millions of yen)	Industrial bearings	Automotive products	Precision machinery and parts	Other	Total	Eliminations and other	Consolidated
Sales to third parties	¥ 138,470	¥ 233,516	¥ 48,093	¥ 11,186	¥ 431,266	¥ —	¥ 431,266
Inter-segment sales and transfers	—	—	—	4,709	4,709	-4,709	—
Total	138,470	233,516	48,093	15,896	435,976	-4,709	431,266
Operating expenses	123,999	221,463	44,201	14,631	404,295	-1,863	402,432
Operating income	¥ 14,471	¥ 12,052	¥ 3,892	¥ 1,265	¥ 31,681	¥ -2,846	¥ 28,834

Nine months ended December 31, 2003

(Millions of yen)	Industrial bearings	Automotive products	Precision machinery and parts	Other	Total	Eliminations and other	Consolidated
Sales to third parties	¥ 129,888	¥ 210,771	¥ 32,134	¥ 10,710	¥ 383,504	¥ —	¥ 383,504
Inter-segment sales and transfers	—	—	—	4,491	4,491	-4,491	—
Total	129,888	210,771	32,134	15,202	387,996	-4,491	383,504
Operating expenses	121,738	199,783	33,525	14,230	369,277	-2,440	366,836
Operating income (loss)	¥ 8,149	¥ 10,987	¥ -1,390	¥ 972	¥ 18,719	¥ -2,051	¥ 16,668

Sales by geographic segment

Nine months ended December 31, 2004

(Millions of yen)	Japan	Americas	Europe	Asia	Total	Eliminations and other	Consolidated
Sales to third parties	¥ 261,542	¥ 60,452	¥ 70,556	¥ 38,715	¥ 431,266	¥ —	¥ 431,266
Inter-area sales and transfers	61,298	488	4,785	8,693	75,265	-75,265	—
Total	322,840	60,940	75,341	47,409	506,532	-75,265	431,266
Operating expenses	299,466	59,118	71,605	44,760	474,950	-72,518	402,432
Operating income	¥ 23,374	¥ 1,821	¥ 3,736	¥ 2,648	¥ 31,581	¥ -2,746	¥ 28,834

Nine months ended December 31, 2003

(Millions of yen)	Japan	Americas	Europe	Asia	Total	Eliminations and other	Consolidated
Sales to third parties	¥ 229,436	¥ 55,991	¥ 63,298	¥ 34,778	¥ 383,504	¥ —	¥ 383,504
Inter-area sales and transfers	56,559	296	2,963	7,518	67,338	-67,338	—
Total	285,996	56,287	66,262	42,296	450,842	-67,338	383,504
Operating expenses	271,111	55,426	65,428	39,318	431,285	-64,448	366,836
Operating income	¥ 14,884	¥ 861	¥ 833	¥ 2,977	¥ 19,557	¥ -2,889	¥ 16,668

Sales by customer location

Nine months ended December 31, 2004

(Millions of yen)	Americas	Europe	Asia	Total
Overseas sales	¥ 62,224	¥ 70,835	¥ 70,811	¥ 203,871
Consolidated sales				431,266
Ratio of overseas sales to consolidated sales	% 14.5	% 16.4	% 16.4	% 47.3

Nine months ended December 31, 2003

(Millions of yen)	Americas	Europe	Asia	Total
Overseas sales	¥ 57,284	¥ 63,197	¥ 60,938	¥ 181,420
Consolidated sales				383,504
Ratio of overseas sales to consolidated sales	% 14.9	% 16.5	% 15.9	% 47.3

Overview of the nine months ended December 31, 2004

The Japanese economy continued to recover steadily in the nine months ended December 31, 2004, backed by improved corporate earnings and strength in capital expenditures, although there are signs of a slow down in consumer spending and export demand. The U.S. and European economies also continued to recover gradually. In Asia, the economies in China and Thailand continued to expand, although export demand and production showed signs of weakness in South Korea.

Supported by the favorable global economic environment, our production facilities throughout the world are currently operating at full capacity. However, certain points of concern have arisen in the latter half of the period, such as a drop in demand from the semiconductor and liquid crystal display (LCD) production equipment industries, and the adverse effect of production stoppages at certain car manufacturers in Japan due to the tight supply of steel.

Overall, our consolidated net sales for the nine months ended December 31, 2004, totaled ¥431,266 million, an increase of 12.5% compared to the same period last year. Operating income was ¥28,834 million, and ordinary income was ¥25,830 million, a year-on-year increase of 73.0% and 111.1%, respectively.

Gain of ¥1,059 million on the partial adoption of a defined contribution pension plan instead of the existing 100% defined benefit pension plan at the parent company and Japanese subsidiaries and gain on sales of investment securities of ¥1,136 million have been appropriated as extraordinary income, while losses of ¥102 million on sales of investments in affiliated companies and ¥90 million on devaluation of investment securities were appropriated as extraordinary losses.

After adjustment of income taxes, deferred taxes and minority interest in earnings of consolidated subsidiaries, net income for the nine months ended December 31 was ¥15,960 million, a year-on-year increase of 77.5%.

Net sales by product category

Industrial Bearings

Strong demand from the machine tool industry, aftermarket, and general industrial sector continued in Japan. Business overseas was also active, with strong demand from all regions of the Americas, Europe and Asia, especially from China. As a result, industrial bearings sales totaled ¥138,470 million, a year-on-year increase of 6.6%. Profitability in Japan and Europe improved, boosting operating income by 77.6% compared to the same period last year to ¥14,471 million.

Automotive products

Demand for automotive bearings in Japan was robust, especially for bearings for automatic transmissions and wheel hub unit bearings. Overseas, sales increased sharply in the Americas compared to the previous year. Sales in Europe and Asian countries such as Thailand also increased sharply as a result of active marketing activities. As for automotive components, sales of electric power steering systems and automotive transmission components increased in Japan. Business in the Americas was also healthy and demand for steering columns in Thailand remained strong. As a result, sales totaled ¥233,516 million, an increase of 10.8% compared to the same period last year. An increase in profits in Europe and Asia contributed to an overall increase in operating income of 9.7% compared to the same period last year to ¥12,052 million.

Precision machinery and parts

Demand from the semiconductor and LCD production equipment sectors entered an adjustment phase in the latter half of the period, but sales to the machine tool industry, and demand for ball screws for electric injection molding machines and photofabrication equipment for LCD color filter production continued to be strong. As a result, sales totaled ¥48,093 million, a year-on-year increase of 49.7%. Increased profits in Japan and the return to profitability of the American business resulted in operating income of ¥3,892 million compared to a loss of ¥1,390 million for the same period last year.

Other

Sales of other products totaled ¥15,896 million, a year-on-year increase of 4.6%. Operating income increased 30.1% compared to the same period last year to ¥1,265 million.

Net sales by region

Japan

Industrial bearings saw strong sales, especially to the machine tool industry, aftermarket, and general industrial sector, backed by the increase in capital expenditures. Looking at automotive products, sales of automotive components such as electric power steering systems and automatic transmission components increased, as did sales of automotive bearings such as needle bearings and hub unit bearings. Although demand from the semiconductor and LCD production equipment sectors declined in the latter half of the period, demand for our precision machinery and parts from the machine tool industry remained strong.

As a result, overall sales totaled ¥322,840 million, an increase of 12.9% from the same period last year. Operating income was ¥23,374 million, a year-on-year increase of 57.0%.

The Americas

Sales of industrial bearings to the aftermarket increased following the recovery in the U.S. economy. Sales of automotive products also increased, backed by the strong demand from Japanese car manufactures. Demand from semiconductor production equipment manufacturers also recovered, pushing up sales of precision machinery and parts significantly. After taking into account the adverse effect of foreign exchange, overall sales for the region ended at ¥60,940 million, up 8.3% from the same period last year, with operating income of ¥1,821 million, a year-on-year increase of 111.4%.

Europe

Sales of automotive products were robust, with the effect of active marketing activities for our automotive bearings beginning to bear fruit. Sales of industrial bearings and precision machinery and parts also increased as result of marketing activities and the recovery in the European economy. Including the favorable effect of foreign exchange rates, sales ended at ¥75,341 million, a year-on-year increase of 13.7%. As result of increased turnover and cost reduction activities, operating income improved sharply to end at ¥3,736 million from ¥833 million for the same period last year.

Asia and Oceania

Demand from the information technology (IT) industry declined in the ASEAN region, but this was offset by the strong demand for industrial bearings in China, automotive products in Thailand, and precision machinery and parts from the semiconductor and LCD production equipment industries in Taiwan and South Korea. After taking into account the adverse effect of foreign exchange, sales in Asia totaled ¥47,409 million, an increase of 12.1% compared to the same period last year. Due to the effect of rising steel prices and the start-up costs of new production facilities in China, operating income declined by 11.1% year-on-year to ¥2,648 million.

Cash Flow

Cash flow provided by operating activities in the nine months ended December 31, 2004 was ¥43,344 million with income before income taxes and minority interests providing ¥27,833 million and depreciation and amortization providing ¥20,128 million in cash.

Net cash flow used in investing activities totaled ¥20,995 million, including ¥22,175 million in cash used for additions to property, plant and equipment.

Cash flow used in financing activities was ¥26,589 million, with ¥11,488 million in cash used to reduce net borrowings, ¥10,000 million used for the redemption of corporate bonds, and ¥4,816 million used to pay dividends.

In aggregate, the net decrease in cash and cash equivalents was ¥4,104 million, resulting in cash and cash equivalents at the end of the period to total ¥54,888 million.

Forecast for the year ending March 31, 2005

(Millions of yen)	Year ending March 31 2005
Net sales	¥ 580,000
Operating income	39,500
Ordinary income	35,500
Net income	21,000

<Reference> Projected net income per share for the year ending March 31, 2005: ¥38.94.

NSK has not revised our forecasts for the full year ending March 31, 2005 announced in October 2004.

Notes

All forecasts are based on a number of assumptions and are subject to change. Actual financial results may differ materially and NSK Ltd. accepts no liability whatsoever for any direct or consequential loss arising from any use of this report.