

# NSK Ltd.

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

For Immediate Release

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## CONSOLIDATED RESULTS FOR THE NINE MONTHS ENDED DECEMBER 31, 2005 (unaudited)

### Financial highlights

	Nine months ended December 31		Change %
	2005	2004	
(Millions of yen)			
Net sales	¥ 462,544	¥ 431,266	7.3
Operating income	29,488	28,834	2.3
Ordinary income	28,371	25,830	9.8
Net income	18,312	15,960	14.7
(Yen)			
Net income per share			
Basic	¥ 33.96	¥ 29.60	
Diluted	¥ 33.95	¥ 29.16	

### Financial position

	As of	As of
	Dec. 31, 2005	Mar. 31, 2005
(Millions of yen)		
Total assets	¥ 689,541	¥ 628,583
Shareholders' equity	230,393	188,265
(%)		
Shareholders' equity to total assets	33.4%	30.0%
(Yen)		
Shareholders' equity per share	¥ 427.17	¥ 349.07

### Cash flow

	Nine months ended December 31	
	2005	2004
(Millions of yen)		
Net cash provided by operating activities	¥ 39,742	¥ 43,344
Net cash used in investing activities	-21,354	-20,995
Net cash used in financing activities	-12,644	-26,589
Cash and cash equivalents at end of period	45,931	54,888

# Consolidated balance sheets

(Millions of yen)	As of Dec. 31, 2005	As of Mar. 31, 2005	Increase/ Decrease
<b>Assets</b>			
Current assets	¥ 294,854	¥ 278,678	¥ 16,176
Cash and deposits	37,522	25,935	11,587
Notes and accounts receivable	114,946	111,821	3,125
Marketable securities	8,498	8,596	-98
Inventories	96,934	81,730	15,204
Deferred tax assets	7,224	14,347	-7,123
Other current assets	31,549	37,648	-6,099
Less allowance for doubtful accounts	-1,821	-1,402	-419
Non-current assets	394,686	349,905	44,781
Property, plant and equipment	220,458	204,604	15,854
Buildings and structures	65,521	62,083	3,438
Machinery and transportation equipment	106,702	94,020	12,682
Land	26,948	26,570	378
Other property, plant and equipment	21,285	21,929	-644
Intangible assets	8,771	8,385	386
Investments and other assets	165,456	136,915	28,541
Investment securities	122,733	92,727	30,006
Prepaid pension costs	33,797	35,454	-1,657
Deferred tax assets	2,636	2,593	43
Other investments and other assets	7,283	7,290	-7
Less allowance for doubtful accounts	-994	-1,150	156
<b>Total assets</b>	<b>689,541</b>	<b>628,583</b>	<b>60,958</b>

**Consolidated balance sheets** (Continued)

(Millions of yen)	As of Dec. 31, 2005	As of Mar. 31, 2005	Increase/ Decrease
<b>Liabilities</b>			
Current liabilities	¥ 263,103	¥ 234,300	¥ 28,803
Notes and accounts payable	112,868	97,623	15,245
Short-term loans	82,573	75,655	6,918
Current portion of corporate bonds	20,000	10,000	10,000
Accrued income taxes	3,037	5,753	-2,716
Other current liabilities	44,624	45,268	-644
Long-term liabilities	183,180	194,420	-11,240
Corporate bonds	60,000	70,000	-10,000
Long-term loans	38,250	51,529	-13,279
Deferred tax liabilities	35,920	22,484	13,436
Accrued employees' retirement benefits	33,878	34,281	-403
Accrued officers' retirement benefits	599	414	185
Other long-term liabilities	14,531	15,710	-1,179
<b>Total liabilities</b>	<b>446,284</b>	<b>428,721</b>	<b>17,563</b>
Minority interests	12,863	11,596	1,267
<b>Shareholders' equity</b>			
Common stock	67,176	67,176	-
Capital surplus	77,958	77,925	33
Retained earnings	71,126	55,783	15,343
Unrealized holding gains on securities	40,394	21,244	19,150
Translation adjustments	-21,883	-29,447	7,564
NSK treasury stock	-4,379	-4,417	38
<b>Total shareholders' equity</b>	<b>230,393</b>	<b>188,265</b>	<b>42,128</b>
<b>Total liabilities and shareholders' equity</b>	<b>689,541</b>	<b>628,583</b>	<b>60,958</b>

# Consolidated statements of operations

(Millions of yen)	Nine months ended December 31		Change %
	2005	2004	
Net sales	¥ 462,544	¥ 431,266	7.3
Cost of sales	359,699	334,356	7.6
Gross profit	102,844	96,910	6.1
Selling, general and administrative expenses	73,355	68,076	7.8
Operating income	29,488	28,834	2.3
Non-operating income:	6,233	5,202	19.8
Interest and dividend income	1,370	1,235	10.9
Equity in earnings of affiliated companies	2,569	1,939	32.5
Other	2,292	2,027	13.1
Non-operating expenses:	7,350	8,207	-10.4
Interest expenses	3,390	3,820	-11.3
Other	3,960	4,386	-9.7
Ordinary income	28,371	25,830	9.8
Extraordinary income:	6,401	2,195	191.6
Gain on sales of investment securities	4,861	1,136	327.8
Gain on sales of property, plant and equipment	1,540	-	-
Gain on transfer to defined contribution pension plan	-	1,059	-
Extraordinary losses:	2,175	192	-
Restructuring expenses	2,175	-	-
Loss on sales of investments in affiliated companies	-	102	-
Loss on devaluation of investment securities	-	90	-
Income before income taxes and minority interests	32,597	27,833	17.1
Income taxes:			
Current	5,793	5,746	0.8
Deferred	7,426	5,309	39.9
Minority income in earnings of consolidated subsidiaries	1,065	817	30.3
Net income	18,312	15,960	14.7

# Consolidated statements of surplus

(Millions of yen)	Nine months ended December 31		Increase/ Decrease
	2005	2004	
<b>Capital surplus</b>			
Capital surplus at the beginning of period	<u>¥ 77,925</u>	<u>¥ 77,923</u>	<u>¥ 2</u>
Increase in capital surplus	32	0	32
Gain on disposal of NSK treasury stock	32	0	32
Capital surplus at the end of period	<u>77,958</u>	<u>77,924</u>	<u>34</u>
<b>Retained earnings</b>			
Retained earnings at the beginning of period	<u>55,783</u>	<u>58,856</u>	<u>-3,073</u>
Increase in retained earnings	18,312	15,960	2,352
Net income	18,312	15,960	2,352
Decrease in retained earnings	<u>2,969</u>	<u>20,040</u>	<u>-17,071</u>
Dividends	2,969	2,969	0
Loss on retirement benefit liabilities of UK subsidiaries	-	17,070	-17,070
Retained earnings at the end of period	<u>71,126</u>	<u>54,776</u>	<u>16,350</u>

# Consolidated statements of cash flows

(Millions of yen)	Nine months ended December 31	
	2005	2004
<b>Operating activities</b>		
Income before income taxes and minority interests	¥ 32,597	¥ 27,833
Depreciation and amortization	21,454	20,128
Amortization of excess of cost over net assets acquired	347	427
Increase (Decrease) in allowance for doubtful accounts	247	50
Increase (Decrease) in provision for retirement benefits	1,900	-16,944
Interest and dividend income	-1,370	-1,235
Interest expense	3,390	3,820
Equity in earnings of affiliated companies	-2,569	-1,939
Gain on sales of property, plant and equipment	-1,540	-
Gain on sales of investment securities	-4,861	-1,136
Loss on devaluation of investment securities	-	90
Loss on sales of investments in affiliated companies	-	102
Increase in notes and accounts receivable	-1,308	7,599
Increase in inventories	-12,903	-7,107
Increase in notes and accounts payable	14,979	17,701
Other	-743	4,220
Subtotal	49,620	53,610
Interest and dividends received	3,248	4,010
Interest paid	-3,639	-3,911
Income taxes paid	-9,487	-10,364
Net cash provided by operating activities	39,742	43,344
<b>Investing activities</b>		
Additions to property, plant and equipment	-31,663	-22,175
Proceeds from sales of property, plant and equipment	2,812	1,528
Acquisition of investment securities	-35	-117
Proceeds from sales of investment securities	7,979	1,791
Net cash outflows from sales of subsidiaries' stock resulting in changes in scope of consolidation	-130	-895
Acquisition of affiliated companies' stock	-618	-
Proceeds from sales of affiliated companies' stock	782	-
Payments for advances	-47	-202
Proceeds from collection of advances	150	141
Other	-583	-1,065
Net cash used in investing activities	-21,354	-20,995
<b>Financing activities</b>		
Net increase (decrease) in short-term loans	6,892	-10,593
Long-term debt – borrowing	0	806
Long-term debt – repayments	-13,363	-1,702
Payments for redemption of corporate bonds	-	-10,000
Payments for acquisition of NSK treasury stock	-29	-44
Dividends paid	-5,607	-4,816
Dividends paid to minority stockholders	-86	-112
Other	-450	-127
Net cash used in financing activities	-12,644	-26,589
Effect of exchange rate changes on cash and cash equivalents	799	135
Net increase (decrease) in cash and cash equivalents	6,543	-4,104
Cash and cash equivalents at the beginning of year	39,387	58,993
Cash and cash equivalents at end of period	45,931	54,888

## Sales by business segment

Nine months ended December 31,2005							
(Millions of yen)	Industrial machinery bearings	Automotive products	Precision machinery and parts	Other	Total	Eliminations and other	Consolidated
Sales to third parties	¥ 143,957	¥ 258,803	¥ 49,444	¥ 10,339	¥ 462,544	¥ -	¥ 462,544
Intersegment sales and transfers	-	-	-	6,747	6,747	-6,747	-
Total	143,957	258,803	49,444	17,086	469,292	-6,747	462,544
Operating expenses	128,156	247,033	45,844	16,002	437,037	-3,982	433,055
Operating income	15,800	11,769	3,600	1,084	32,254	-2,765	29,488

Nine months ended December 31,2004							
(Millions of yen)	Industrial machinery 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
Intersegment 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 loss	14,471	12,052	3,892	1,265	31,681	-2,846	¥ 28,834

## Sales by geographical segment

Nine months ended December 31,2005							
(Millions of yen)	Japan	Americas	Europe	Asia	Total	Eliminations and other	Consolidated
Sales to third parties	¥ 279,020	¥ 66,048	¥ 72,753	¥ 44,722	¥ 462,544	¥ -	¥ 462,544
Interarea sales and transfers	69,853	345	5,581	9,851	85,632	-85,632	-
Total	348,873	66,394	78,335	54,573	548,176	-85,632	462,544
Operating expenses	323,788	64,705	75,569	50,964	515,028	-81,973	433,055
Operating income	25,085	1,688	2,765	3,608	33,148	-3,659	29,488

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
Interarea 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

## Sales by customer location

### Nine months ended December 31,2005

(Millions of yen)	Americas	Europe	Asia	Total
Overseas sales	¥ 68,070	¥ 73,321	¥ 80,174	¥ 221,566
Consolidated net sales				462,544
Ratio of overseas sales to consolidated net sales	14.7%	15.9%	17.3%	47.9%

### Nine months ended December 31,2004

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

# Overview of the nine months ended December 31, 2005

The Japanese economy recovered gradually in the period from April to December 2005, backed by steady increases in consumer spending and capital investment, although weakness remained in the exporting and IT areas in the first quarter of the period.

The economic environment in the U.S. remained healthy with increase in consumer expenditures, and European economies exhibited steady recovery. In Asia, the economy in South Korea saw a gradual recovery, and countries such as China, Taiwan, and Thailand continued to experience economic growth.

NSK group manufacturing locations continue to operate at high levels due to the positive global economic environment and healthy demand in capital expenditures.

Our consolidated net sales for the third quarter ended December 31, 2005, totaled ¥462,544 million (a year-on-year increase of 7.3%). Our operating income was ¥29,488 million (a year-on-year increase of 2.3%), and ordinary income was ¥28,371 million (a year-on-year increase of 9.8%). Such results are due to the efforts we made to offset increases in material costs, capital expenditures, and distribution costs through increases in sales prices, production enhancements activities, and reduction of procurement costs.

Net income after adjusting for income taxes, deferred taxes and minority interests in earnings of consolidated subsidiaries, was ¥18,312 million (a year-on-year increase of 14.7%), including extraordinary income such as gains on sales of investment securities and property, plant and equipment, and fixed assets equipment to ¥4,861 million and ¥1,540 million respectively, and extraordinary loss consisting of restructuring expense for ¥2,175 million in our North American and European operation.

## Net sales by product category

### Industrial machinery bearings

Demand from the domestic machine tool industry and electric equipment strengthened during the course of the period. In the Americas, demand from aftermarket was healthy in North America and Latin America, although sales to the electric machine and general industries decreased. Demand from aftermarket, electric and general industries strengthened in Europe. In Asia, sales to the general industry were healthy, while demand from electric and IT sectors declined in the Asean nations and South Korea. As a result, overall industrial machinery bearings sales amounted to ¥143,957 million (a year-on-year increase of 4.0%), and operating income was ¥15,800 million (a year-on-year increase of 9.2 %).

### 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, although demand for electric power steering systems in Europe declined. There was also robust demand for steering columns in the Americas and Thailand. As a result, net sales increased to ¥25,883 million (a year-on-year increase of 10.8%). However, operating income was ¥11,769 million (a year-on-year decrease of 2.4%) This decrease can be attributed to increases in material prices, labor and capital expenditures, and distribution costs.

## Precision machinery and parts, mechatronic products

Demand for photofabrication equipment for LCD production equipment increased and demand for industrial machinery and injection molding machines were healthy, while sales to semiconductor and liquid crystal equipment sectors declined. Overall sales totaled ¥49,444 million (a year-on-year increase of 2.8%). With increase in material prices, operating income was ¥3,600 million (a year-on-year decrease of 7.5%).

## Other

Sales of other products totaled ¥17,086 million (a year-on-year increase of 7.5%), due to increase in sale of manufacturing equipment to NSK group companies. Operating income was ¥1,084 million (a year-on-year decrease of 14.3%).

## Net sales by region

### Japan

Due to the healthy sales of products in all the business segments, overall sales in Japan totaled ¥348,873 million (a year-on-year increase of 8.1%). Operating income was ¥25,085 million (a year-on-year increase of 7.3%). This result reflected the increased level of sales and declining distribution costs, although there were some increase in cost of goods, and sales, general and administrative expenses.

### The Americas

Sales of industrial machinery bearings to the aftermarket were healthy, although sales to the electrical and general industry declined. The demand from automotive manufacturers, especially from Japanese automotive manufactures, pushed up sales of automotive products. Decrease in demand for semiconductor production equipment manufacturers lead to a decline in sales of precision machinery and parts. Net sales totaled ¥66,394 million (a year-on-year increase of 8.9%). Operating income, which was affected by increase in cost of goods, and general and administrative expenses, was ¥1,688 million (a year-on-year decrease of 7.3%).

### Europe

Sales of industrial machinery bearings to the general industrial sector and aftermarket increased. Sales of automotive bearings were good, while sales of electric power steering systems declined. Net sales in Europe totaled ¥78,335 million (a year-on-year increase of 4.0%). Operating income recorded a profit of ¥2,765 million (a year-on-year decrease of 26.0%). This decrease is attributed to adverse exchange rate fluctuations and loss from doubtful receivables, although efforts were made to increase sales price and decrease distribution costs.

### Asia and Oceania

Although there was a decline in industrial machinery bearings in sales to the electric and IT sector in South Korea and the Asean nations, sales to general industry were healthy. Sales of automotive products in the Asean nations, China, and South Korea were robust. Overall, sales in Asia totaled ¥54,573 million (a year-on-year increase of 15.1%), and operating income, which reflected increase in sales, was ¥3,608 million (a year-on-year increase of 36.2%).

## Financial Position

Looking at our consolidated cash flow for the third quarter of fiscal 2005, net cash flow provided by operating activities amounted to ¥39,742 million, including ¥32,597 million in income before income taxes and minority interests, and ¥21,454 million provided by depreciation and amortization.

Including gain on sales of investment securities for ¥7,979 million, and the acquisition of property, plant and equipment, which used cash of ¥31,663, net cash flow used in investing activities totaled to ¥21,354 million.

Cash was used for payment for dividends for ¥5,607 million, and net decrease in loans totaled to ¥6,469 million. As a result, net cash used in financing activities amounted to total ¥12,644 million.

In aggregate, the net increase in cash and cash equivalents was ¥6,543 million, resulting in cash and cash equivalents at end of the third quarter of the period to total ¥45,931 million.

# Forecast for the year ending March 31, 2006

	(Millions of yen)
Net sales	¥ 620,000
Operating income	41,000
Ordinary income	37,000
Net income	22,500

Rising crude oil prices and direction of the Chinese economy continue to add to market uncertainty. However, sales of industrial machinery bearings, as well as automotive products, continued to increase.

Therefore, NSK has not revised forecasts for the full year ending March 31, 2006 announced in October 2005.

## 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.