

# NSK Ltd.

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

For Immediate Release

May 11, 2007

## CONSOLIDATED RESULTS FOR THE YEAR ENDED MARCH 31, 2007 (unaudited)

### Financial Highlights

(Millions of yen)	Year ended Mar. 31,		Change (%)
	2007	2006	
Net sales	¥ 717,225	¥ 628,474	14.1
Operating income	62,383	42,552	46.6
Ordinary income	57,595	38,916	48.0
Net income	34,853	25,586	36.2
(Yen)			
Net income per share			
Basic	¥ 64.53	¥ 47.28	
Diluted	64.47	47.26	
(%)			
ROE	14.0%	12.1%	
Ordinary income/total assets	7.4%	5.7%	
Operating income margin	8.7%	6.8%	

### Financial Position

(Millions of yen)	As of Mar. 31,	
	2007	2006
Total assets	¥ 815,788	¥ 743,032
Net assets	276,727	235,716
(%)		
Shareholders' equity to total assets	32.2%	31.7%
(Yen)		
Net assets per share	¥ 485.62	¥ 436.48

### Cash Flow

(Millions of yen)	Year ended Mar. 31,	
	2007	2006
Net cash provided by operating activities	¥ 64,153	¥ 66,332
Net cash used in investing activities	(64,600)	(62,386)
Net cash provided by financing activities	20,929	7,600
Cash and cash equivalents at the end of the year	73,319	51,812

### Dividends

(Yen)	Year ended Mar. 31,	
	2007	2006
Dividends per share		
Interim	¥ 7.00	¥ 5.50
Year-end	9.00	6.50
Full year	16.00	12.00

(Millions of yen)	Year ended Mar. 31,	
	2007	2006
Total dividend (full year)	¥ 8,650	¥ 6,482
(%)		
Dividends payout ratio	24.8%	25.4%
Dividends on net assets	3.5%	3.1%

## Consolidated Balance Sheets

(Millions of yen)	As of Mar. 31, 2007	2006	Increase/ (Decrease)
<b>Assets</b>			
Current assets	¥ 389,067	¥ 313,569	¥ 75,498
Cash and deposits	68,354	47,332	21,022
Notes and accounts receivable	131,417	115,232	16,185
Marketable securities	40,339	11,261	29,078
Inventories	105,043	101,337	3,706
Deferred tax assets	10,190	10,477	(287)
Other current assets	35,481	29,920	5,561
Less allowance for doubtful accounts	(1,759)	(1,992)	233
Non-current assets	426,721	429,462	(2,741)
Property, plant and equipment	256,872	250,230	6,642
Buildings and structures	72,737	73,583	(846)
Machinery and transportation equipment	124,679	117,541	7,138
Land	37,110	36,855	255
Other property, plant and equipment	22,345	22,249	96
Intangible assets	9,438	9,988	(550)
Investments and other assets	160,410	169,244	(8,834)
Investment securities	112,352	125,876	(13,524)
Long-term loans – receivable	216	198	18
Deferred tax assets	2,855	2,825	30
Prepaid pension costs	38,063	33,731	4,332
Other investments and other assets	8,059	7,545	514
Less allowance for doubtful accounts	(1,138)	(933)	(205)
<b>Total assets</b>	<b>¥ 815,788</b>	<b>¥ 743,032</b>	<b>¥ 72,756</b>

**Consolidated Balance Sheets (Continued)**

(Millions of yen)	As of Mar. 31,		Increase/ (Decrease)
	2007	2006	
<b>Liabilities</b>			
<b>Current liabilities</b>	¥ 297,489	¥ 266,834	¥ 30,655
Notes and accounts payable	122,115	111,992	10,123
Short-term loans	84,869	80,184	4,685
Commercial paper	—	5,000	(5,000)
Current portion of corporate bonds	23,000	10,000	13,000
Accrued income taxes	11,183	7,845	3,338
Other current liabilities	56,320	51,812	4,508
<b>Long-term liabilities</b>	241,571	228,373	13,198
Corporate bonds	102,000	85,000	17,000
Long-term loans	45,687	42,733	2,954
Deferred tax liabilities	39,536	42,958	(3,422)
Accrued employees' retirement benefits	39,893	41,428	(1,535)
Accrued officers' retirement benefits	938	700	238
Reserves for environmental safety measures expenses	685	909	(224)
Other long-term liabilities	12,830	14,642	(1,812)
<b>Total liabilities</b>	539,061	495,208	43,853
<b>Minority interests</b>	—	12,107	—
<b>Shareholders' equity</b>			
Common stock	—	67,176	—
Capital surplus	—	78,097	—
Retained earnings	—	71,241	—
Unrealized holding gains on securities	—	42,297	—
Translation adjustments	—	(18,871)	—
Treasury stock	—	(4,224)	—
<b>Total shareholders' equity</b>	—	235,716	—
<b>Total liabilities and shareholders' equity</b>	—	743,032	—
<b>Net assets</b>			
<b>Shareholders' equity</b>	262,736	—	—
Common stock	67,176	—	—
Capital surplus	78,238	—	—
Retained earnings	121,441	—	—
Treasury stock	(4,119)	—	—
<b>Differences on revaluation and translation</b>	(311)	—	—
Unrealized holding gains on securities	36,548	—	—
Translation adjustments	(11,963)	—	—
Loss on retirement benefits obligation in non-Japan subsidiaries	(24,895)	—	—
<b>Stock acquisition rights</b>	56	—	—
<b>Minority interests</b>	14,245	—	—
<b>Total net assets</b>	276,727	—	—
<b>Total liabilities and net assets</b>	¥ 815,788	¥ —	¥ —

## Consolidated Statements of Operations

(Millions of yen)	Year ended Mar. 31,		Change %
	2007	2006	
Net sales	¥ 717,225	¥ 628,474	14.1
Cost of sales	551,069	487,717	13.0
Gross profit	166,155	140,757	18.0
Selling, general and administrative expenses	103,772	98,204	5.7
Operating income	62,383	42,552	46.6
Non-operating income:	9,783	8,816	11.0
Interest and dividend income	2,425	1,795	35.1
Equity in earnings of affiliated companies	3,925	3,727	5.3
Other	3,431	3,293	4.2
Non-operating expenses:	14,571	12,452	17.0
Interest expenses	5,473	4,566	19.9
Other	9,098	7,886	15.4
Ordinary income	57,595	38,916	48.0
Extraordinary income:	1,883	7,561	(75.1)
Gain on sales of property, plant and equipment	1,342	1,681	(20.1)
Gain on sales of stocks of affiliated companies	540	—	—
Gain on sales of investment securities	—	5,879	—
Extraordinary losses:	2,441	3,409	(28.4)
Cost related to business restructuring	2,441	2,499	(2.3)
Cost related to reserves for environmental safety measures expenses	—	909	—
Income before income taxes and minority interests	57,037	43,068	32.4
Income taxes:			
Current	17,371	11,925	45.7
Deferred	2,827	4,486	(37.0)
Minority interests	1,985	1,069	85.6
Net income	¥ 34,853	25,586	36.2

## Consolidated Statements of Shareholders' Equity

Year ended Mar. 31, 2007  
(Millions of yen)

	Shareholders' Equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at Mar. 31, 2006	¥67,176	¥78,097	¥71,241	¥(4,224)	¥212,290
Increase (decrease) during the year					
Cash dividends			(8,650)		(8,650)
Net income			34,853		34,853
Increase in surplus resulting in changes in settlement period for consolidated subsidiaries and affiliates accounted for by equity method			906		906
Repurchase of treasury stock				(135)	(135)
Sales of treasury stock		140		240	381
Net increase during the year, except for items under shareholders' equity			23,091		23,091
Total increase in the year	—	140	50,200	105	50,446
Balance at Mar. 31, 2007	¥67,176	¥78,238	¥121,441	¥(4,119)	¥262,736

	Valuation and translation adjustments				Stock acquisition rights	Minority interests	Total net assets
	Unrealized holding gains on securities	Translation adjustments	Loss on retirement benefits obligation in non-Japan subsidiaries	Total valuation and translation adjustments			
Balance at Mar. 31, 2006	¥42,297	¥(18,871)	¥ —	¥ 23,425	¥ —	¥12,107	¥247,823
Increase (decrease) during the year							
Cash dividends							(8,650)
Net income							34,853
Increase in surplus resulting in changes in settlement period for consolidated subsidiaries and affiliates accounted for by equity method							906
Repurchase of treasury stock							(135)
Sales of treasury stock							381
Net increase (decrease) during the year, except for items under shareholders' equity	(5,749)	6,908	(24,895)	(23,736)	56	2,137	1,549
Total increase (decrease) in the year	(5,749)	6,908	(24,895)	(23,736)	56	2,137	28,903
Balance at Mar. 31, 2007	¥36,548	¥(11,963)	¥(24,895)	¥ (311)	¥ 56	¥14,245	¥276,727

**Note:**

Increase in surplus resulting in changes in settlement period for consolidated subsidiaries and affiliates accounted for by equity method include changes in 40 consolidated subsidiaries and 3 affiliates accounted for by the equity method, which mainly changed their settlement period from December 31 to March 31.

## Consolidated Statements of Surplus

(Millions of yen)	Year ended Mar. 31, <u>2006</u>
<b>Capital surplus</b>	
Capital surplus at the beginning of the year	<u>¥ 77,925</u>
Increase in capital surplus	171
Gain on sales of treasury stock	171
Capital surplus at the end of the year	<u>78,097</u>
<b>Retained earnings</b>	
Retained earnings at the beginning of the year	<u>55,783</u>
Decrease in retained earnings	<u>10,128</u>
Dividends	6,479
Loss on retirement benefit liabilities of UK subsidiaries	3,649
Net income	25,586
Retained earnings at the end of the year	<u>71,241</u>

## Consolidated Statements of Cash Flows

(Millions of yen)	Year ended Mar. 31,	
	2007	2006
<b>Operating activities</b>		
Income before income taxes and minority interests	¥ 57,037	¥ 43,068
Depreciation and amortization	35,316	30,099
Amortization of excess of cost over net assets acquired	—	490
Amortization of goodwill	730	—
(Decrease) increase in allowance for doubtful accounts	(44)	309
(Decrease) increase in provision for retirement benefits and prepaid pension cost	(11,010)	2,344
Interest and dividend income	(2,425)	(1,795)
Interest expense	5,473	4,566
Equity in earnings of affiliated companies	(3,925)	(3,727)
Gain on sales of property, plant and equipment	(1,342)	(1,681)
Gain on sales of investment securities	—	(5,879)
Gain on sales of stocks of affiliated companies	(594)	—
Cost related to business restructuring	1,903	—
(Increase) decrease in notes and accounts receivable	(7,884)	3,491
Decrease (increase) in inventories	477	(10,665)
Increase in notes and accounts payable	8,223	10,069
Other	(2,575)	6,404
Subtotal	79,357	77,095
Interest and dividends received	7,339	3,757
Interest paid	(5,660)	(4,414)
Income taxes paid	(16,883)	(10,105)
Net cash provided by operating activities	64,153	66,332
<b>Investing activities</b>		
Net (increase) in time deposit	(10,220)	—
Payments for acquisition of marketable securities	(17,973)	—
Proceeds from sales of marketable securities	2,524	—
Additions to property, plant and equipment	(39,062)	(47,157)
Proceeds from sales of property, plant and equipment	2,020	3,148
Acquisition of investment securities	(1,245)	(42)
Proceeds from sales of investment securities	45	9,655
Payments for acquisition of subsidiaries' stock resulting in changes in scope of consolidation	—	(27,539)
Proceeds from sales of subsidiaries' stock resulting in changes in scope of consolidation	1,861	—
Payments for sales of subsidiaries' stock resulting in changes in scope of consolidation	—	(130)
Proceeds from sales of stocks in companies accounted for by equity method	—	782
Payments for advances	(285)	(73)
Proceeds from collection of advances	124	158
Other	(2,391)	(1,187)
Net cash used in investing activities	(64,600)	(62,386)
<b>Financing activities</b>		
Net increase in short-term loans	4,704	336
Net (decrease) increase in commercial paper issued	(5,000)	5,000
Increase in long-term loans	13,238	7,772
Long-term debt – repayments	(14,515)	(13,978)
Proceeds from the issue of corporate bonds	40,000	25,000
Payments for redemption of corporate bonds	(10,000)	(10,000)
Payments for acquisition of treasury stock	(121)	(59)
Dividends paid	(7,291)	(5,935)
Dividends paid to minority stockholders	(435)	(131)
Other	350	(402)
Net cash provided by financing activities	20,929	7,600
Effect of exchange rate changes on cash and cash equivalents	969	878
Net increase in cash and cash equivalents	21,452	12,424
Cash and cash equivalents at the beginning of the year	51,812	39,387
Increase in cash and cash equivalents resulting in changes in settlement period for consolidated subsidiaries	54	—
Cash and cash equivalents at the end of the year	¥ 73,319	¥ 51,812

## Sales by Business Segments

Year ended Mar. 31, 2007

(Millions of yen)	Industrial machinery bearings	Automotive products	Precision machinery and parts	Other	Total	Eliminations/corporate	Consolidated
Sales to third parties	¥ 216,338	¥ 397,863	¥ 77,719	¥ 25,303	¥ 717,225	¥ —	¥ 717,225
Intersegment sales and transfers	—	—	—	19,812	19,812	(19,812)	—
Total	216,338	397,863	77,719	45,116	737,037	(19,812)	717,225
Operating expenses	186,786	375,175	66,179	42,717	670,858	(16,016)	654,842
Operating income	29,551	22,687	11,540	2,398	66,178	(3,795)	62,383
Assets	228,627	291,650	64,177	84,748	669,203	146,585	815,788
Depreciation expenses	13,144	17,564	3,436	2,375	36,519	(1,202)	35,316
Capital expenditure	12,174	19,550	3,402	3,038	38,164	(475)	37,689

Year ended Mar. 31, 2006

(Millions of yen)	Industrial machinery bearings	Automotive products	Precision machinery and parts	Other	Total	Eliminations/corporate	Consolidated
Sales to third parties	¥ 195,556	¥ 353,124	¥ 65,831	¥ 13,962	¥ 628,474	¥ —	¥ 628,474
Intersegment sales and transfers	—	—	—	9,562	9,562	(9,562)	—
Total	195,556	353,124	65,831	23,525	638,037	(9,562)	628,474
Operating expenses	173,496	335,735	60,263	22,220	591,717	(5,794)	585,922
Operating income	22,060	17,388	5,567	1,304	46,320	(3,768)	42,552
Assets	227,506	263,429	60,889	87,698	639,522	103,509	743,032
Depreciation expenses	11,662	15,455	3,868	298	31,284	(1,185)	30,099
Capital expenditure	¥ 17,088	¥ 30,048	¥ 2,700	¥ 397	¥ 50,236	¥ (1,452)	¥ 48,784

## Sales by Geographical Segments

Year ended Mar. 31, 2007

(Millions of yen)	Japan	Americas	Europe	Asia	Total	Eliminations/corporate	Consolidated
Sales to third parties	¥ 416,479	¥ 102,349	¥ 121,101	¥ 77,294	¥ 717,225	¥ —	¥ 717,225
Interarea sales and transfers	105,858	571	6,479	21,399	134,309	(134,309)	—
Total	522,338	102,921	127,581	98,694	851,534	(134,309)	717,225
Operating expenses	474,943	99,114	120,927	89,241	784,227	(129,384)	654,842
Operating income	¥ 47,394	¥ 3,806	¥ 6,653	¥ 9,453	¥ 67,307	¥ (4,924)	¥ 62,383
Assets	¥ 639,878	¥ 69,466	¥ 89,871	¥ 94,528	¥ 893,744	¥ (77,955)	¥ 815,788

Year ended Mar. 31, 2006

(Millions of yen)	Japan	Americas	Europe	Asia	Total	Eliminations/corporate	Consolidated
Sales to third parties	¥ 379,103	¥ 89,879	¥ 97,457	¥ 62,034	¥ 628,474	¥ —	¥ 628,474
Interarea sales and transfers	97,063	484	7,479	13,746	118,772	(118,772)	—
Total	476,166	90,363	104,936	75,780	747,247	(118,772)	628,474
Operating expenses	440,610	87,954	100,699	70,635	699,900	(113,978)	585,922
Operating income	35,556	2,408	4,236	5,145	47,347	(4,794)	42,552
Assets	¥ 631,829	¥ 65,243	¥ 78,207	¥ 82,245	¥ 857,526	¥ (114,494)	¥ 743,032



## Sales by Customer Location

	Year ended Mar. 31, 2007			
(Millions of yen)	Americas	Europe	Asia	Total
Non-Japan sales	¥ 105,111	¥ 121,698	¥ 126,021	¥ 352,830
Consolidated net sales				717,225
Ratio of Non-Japan sales to consolidated net sales	14.6%	17.0%	17.6%	49.2%

	Year ended Mar. 31, 2006			
(Millions of yen)	Americas	Europe	Asia	Total
Non-Japan sales	¥ 92,367	¥ 98,165	¥ 107,880	¥ 298,413
Consolidated net sales				628,474
Ratio of Non-Japan sales to consolidated net sales	14.7%	15.6%	17.2%	47.5%

## Per Share Data

	Year ended Mar. 31,	
	2007	2006
(Yen)		
Net assets per share	¥ 485.62	¥ 436.48
Net income per share		
Basic	64.53	47.28
Diluted	64.47	47.26

(Note) The followings are the basis for calculation of per share data.

	Year ended Mar. 31,	
	2007	2006
(Millions of yen)		
Basic net income per share		
Net income	¥ 34,853	¥ 25,586
Amount not available for common stock	—	85
(Bonus to directors)	(—)	(85)
Net income related to common stock	34,853	25,500
Average shares of common stock (thousands of shares)	540,106	539,343
Diluted net income per share		
Number of common stocks increased (thousands of shares)	508	290
(Stock acquisition rights) (thousands of shares)	(508)	(290)

Outline of the residual shares not included in the calculation of diluted net income per share due to no dilution effects

— Common stock  
372  
(thousands of shares)  
Stock option  
approved at the ordinary  
general meeting of  
shareholders  
held on June 29th, 2000

## Overview of the year ended March 31, 2007

The Japanese economy recovered gradually in the fiscal year ended March 31, 2007, backed by strong capital investments, although consumer spending weakened slightly. In the U.S. economic environment, consumer spending and capital investments increased. However, housing investments declined and economic expansion became moderate. Economies in Europe and U.K. exhibited steady recovery. In Asia, economy in countries such as Thailand and South Korea experienced gradual expansion, and the Chinese economy continued to grow.

In our business segments, precision machinery and parts segment remains negatively affected by adjustment continuing from the middle of FY2006 with soft demand from semiconductor and liquid crystal production equipment manufacturers. However, in industrial machinery bearings and automotive products segments, NSK Group's manufacturing sites worldwide continue to operate at high levels due to the positive capital expenditures and automobile production.

Under these favorable economic conditions, NSK Group made efforts to realize the mid-term vision "to become No.1 in total quality." We have avoided excessive emphasis on quantitative expansion and focused instead on the development of a robust corporate structure through continuing structural improvement. Also, we implemented our growth strategies in industrial machinery bearings and automotive products segments.

As a result, we have posted record sales and income for the past third consecutive years. Our consolidated net sales for the year ended March 31, 2007, totaled ¥717,225 million, a year-on-year increase of 14.1%. Our operating income increased by 46.6% year on year to ¥62,383 million backed by improved capacity utilization resulting from sales and volume growth, improvement of productivity, improvement in export profit margins due to the depreciation of the yen, and reduction of external procurement costs. Our ordinary income was ¥57,595 million, a year-on-year increase of 48.0%. Sales of fixed assets for ¥1,342 million and sales of stocks of affiliated companies for ¥540 million were posted in extraordinary income, and ¥2,441 million of business restructuring expenses in Americas and Europe were posted in extraordinary losses. Net income after adjusting for income taxes, deferred taxes and minority interests, was ¥34,853 million, a year-on-year increase of 36.2%.

## Net Sales by Business Segments

### Industrial Machinery Bearings

Demand from steel, machine tools and general machinery increased, and demand from the electrical machinery and IT equipment sectors were also robust in Japan. In Americas, demand from aftermarket in Brazil declined, but sales to construction machinery and general machinery in the U.S. increased. In Europe, sales to wind turbine and home appliances strengthened, and sales to aftermarket also increased. Demand in Asia also became robust with increase in sales to electrical machinery, IT equipment, machine tools, general machinery and after market sectors in China, sales to steel and machine tools industries in South Korea, and sales to aftermarket in ASEAN region. As a result, overall industrial machinery bearings sales amounted to ¥216,338 million, a year-on-year increase of 10.6%. Operating income was ¥29,551 million, a year-on-year increase of 34.0% due to improved capacity utilization resulting from volume growth and improvement in export profit margins due to the depreciation of the yen.

### Automotive Products

Sales of automotive bearings including hub unit bearings, standard ball bearings and needle roller bearings increased globally. Sales of automotive components grew with demand for electric power steering (EPS) systems and AT components in Japan. There was also robust demand for steering columns in the Americas, Thailand and China, and for EPS systems in Europe. As a result, net sales increased 12.7% year on year to ¥397,863 million. Operating income also increased 30.5% year on year to ¥22,687 million due to improved capacity

utilization resulting from volume growth and reduction of external procurement costs.

## Precision Machinery and Parts

Demands by semiconductor and liquid crystal production equipment sectors have been in an adjustment phase since the middle of FY2006. However, in addition to continuing strong demand in the machine tools industry, increase in sales of photofabrication equipment for LCD color filter production contributed to increase in overall sales of ¥77,719 million, a year-on-year increase of 18.1%. Operating income was ¥11,540 million, a year-on-year increase of 107.3% due to improved capacity utilization resulting from volume growth and reduction of external procurement costs.

## Other

Sales in other business segment totaled ¥45,116 million, a year-on-year increase of 91.8%, and operating income was ¥2,398 million, a year-on-year increase of 83.9%. These results included effects of Amatsuji Steel Ball Manufacturing Co., Ltd., which became NSK's wholly owned subsidiary in March 2006.

## Net Sales by Regions

### Japan

Sales to the steel, construction machinery and general machinery sectors increased, and sales to electrical machinery and IT equipment sectors were robust in industrial machinery bearings segment. In the automotive products segment, sales of automotive bearings including hub-unit bearings and needle roller bearings grew. Sales of automotive components such as EPS systems also increased largely. In precision machinery and parts segment, although demand in semiconductor and liquid crystal production equipment sectors have been in an adjustment phase since the middle of FY2006, sales to machine tools industry continue to grow. Sales in other business segment also increased due to the acquisition of Amatsuji Steel Ball Manufacturing Co. Ltd.

As a result, overall sales in Japan totaled ¥522,338 million, a year-on-year increase of 9.7%. Operating income was ¥47,394 million, a year-on-year increase of 33.3%. This increase in operating income is a result of improved capacity utilization resulting from volume growth, improvement in export profit margins due to the depreciation of the yen, reduction of external procurement costs, and consolidation of Amatsuji Steel Ball Manufacturing Co., Ltd.

### Americas

Sales of industrial machinery bearings to construction and general machinery sectors increased in U.S., although demand from aftermarket weakened in Brazil. In automotive products segment, sales of automotive bearings were flat on a year-on-year basis due to decrease in orders from some customers, while sales of automotive components grew with strong demand for steering columns. Sales to semiconductor production equipment manufacturers increased in precision machinery and parts segment. Net sales totaled ¥102,921 million, an increase of 13.9% compared to the same period last year with increase resulting from exchange rate fluctuations. Operating income, which was affected positively by reduction of external procurement costs and increase in sales price, was ¥3,806 million, an increase of 58.0% compared to the same period last year.

### Europe

Sales of industrial machinery bearings saw an increase in wind turbine, home appliances and after market sectors. Sales of hub unit bearings and EPS systems produced in Poland pushed up sales in automotive products segment. In precision machinery and parts segment, sales to machine tools industry and semiconductor production equipment manufacturers increased. With increase resulting from exchange rate fluctuations, sales in Europe totaled ¥127,581 million, a year-on-year increase of 21.6%. Operating income was ¥6,653 million, an increase of 57.0% compared to the same period last year due to improved capacity utilization resulting from volume growth and reduction of external procurement costs.

## Asia

In industrial machinery bearings segment, sales increased due to strong demand from electrical machinery and IT equipment sectors, general machinery, and aftermarket in China, steel and machine tools industries in South Korea, and aftermarket in ASEAN region. Demand for automotive bearings including hub unit bearings and needle roller bearings increased in China, and sales of automotive components grew with demand for steering columns in Thailand and China. Sales of precision machinery and parts segment strengthened in South Korea, ASEAN region and China, and sales of photofabrication equipment for LCD color filter production increased in Taiwan. In addition to these positive factors, favorable exchange rate fluctuations contributed to increase in overall sales totaled ¥98,694 million, a year-on-year increase of 30.2%. Our operating income was ¥9,453 million, a year-on-year increase of 83.7% due to improved capacity utilization resulting from volume growth and effects resulting from exchange rate fluctuations.

## Forecast for the Year Ending March 31, 2008

### Business results

(Millions of yen)	Year ending Mar. 31, 2008 (first half)	Change (%)	Year ending Mar. 31, 2008 (full year)	Change (%)
Net sales	¥ 360,000	3.1	¥ 745,000	3.9
Operating income	31,000	3.3	68,000	9.0
Ordinary income	28,000	0.9	63,500	10.3
Net income	17,500	1.3	39,000	11.9
(Yen)				
Net income per share	¥ 32.38		¥ 72.17	

### Dividends

(Yen)	Year ending Mar. 31, 2008 (year-end)
Dividends per share	¥ 18.00
(%)	
Dividends payout ratio	24.9%

The forecasts have been made based on following factors.

Forecasted exchange rate :  
U.S.\$1=¥115, 1Euro=¥150

**Industrial machinery bearings:**  
NSK expects profit to increase on a year-on-year basis due to the increasing demand for bearings and continuing global economic expansion, although uncertainty such as U.S. economy's slowdown remains.

**Automotive products**  
Automotive related production is expected to increase due to growing demand in the Americas and Europe, and continuing economic expansion in emerging countries such as China and India. Profits are expected to increase on a year-on-year basis.

**Precision machinery and parts**  
Demands from semiconductor and liquid crystal equipment manufacturers, which have been in adjustment phase, are expected to recover, and the demand from machine tools is also expected to increase. However, sales of photofabrication equipment for LCD color filter production are forecasted to decrease compared to the last year, and total profits in this segment is forecasted to decrease on a year-on-year basis.

### 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.

## Financial Position

### Assets, liabilities and net assets

Total assets were ¥815,788 million, a year-on-year increase of ¥72,756 million. The main reason of this increase is that current assets increased ¥75,498 million compared to the end of last fiscal year, due to increase in cash and deposits, marketable securities, and notes and accounts receivable backed by sales expansion.

Liabilities totaled ¥539,061 million, a year-on-year increase of ¥43,853 million including issuance of unsecured straight corporate bonds in Japan for payments for redemption of corporate bonds and parts of capital expenditures.

Net assets totaled ¥276,727 million with increase in retained earnings.

### Cash flows

Net cash flow provided by operating activities amounted to ¥64,153 million including ¥57,037 million of income before income taxes and minority interests, and ¥35,316 million provided by depreciation and amortization, and income taxes paid.

Including investments in the acquisition of property, plant and equipment for growing fields, cash flow used in investing activities totaled ¥64,600 million.

Net cash provided by financing activities totaled ¥20,929 million including issuance of corporate bonds, although we had payments for redemption of corporate bonds, CP and dividends.

In aggregate, the net increase in cash and cash equivalents was ¥21,507 million, resulting in cash and cash equivalents at the end of the period to total ¥73,319 million.

	As of March 31, 2004	As of March 31, 2005	As of March 31, 2006	As of March 31, 2007
Shareholders' equity to total assets (%)	30.3	30.0	31.7	32.2
Shareholders' equity to total assets at market value (%)	44.5	47.3	74.3	74.5
Debt redemption period (Years)	6.5	3.6	3.4	4.0
Interest coverage ratio	6.1	11.3	15.0	11.3

- Shareholders' equity to total assets (%): Shareholders' equity/Total assets
- Shareholders' equity to total assets at market value (%): Market capitalization/Total assets
- Debt redemption period (Years): Interest bearing debts/ Net cash provided by operating activities
- Interest coverage ratio: Net cash provided by operating activities/Interest paid

(Notes) 1. All indices have been calculated based on consolidated data.

2. Market capitalization has been calculated as:

“Closing share price at the end of the year” × “Common shares outstanding at the end of the year”

3. Net cash provided by operating activities refers to the net cash provided by operating activities on the consolidated statements of cash flows. Interest-bearing debts refer to the total amount of liabilities paying interests appropriated on the balance sheet.

## Dividends

NSK places great importance on shareholder returns. We will maintain our basic policy of issuing consistent dividend, and ensure that our dividends better reflect our consolidated payout ratio and business results.

Considering this dividends policy and our 90th anniversary on November 8, 2006, dividend for the second half of FY 2006 was ¥9.00 per share including ordinary dividends of ¥8.00 and commemorative dividend of ¥1.00 per share. The annual dividend was ¥16.00 per share with an interim dividend of ¥7.00 per share paid on December 12th, 2006.

Dividends for FY2007 are forecasted at ¥18.00 per share with an interim dividend of ¥9.00 per share.

## Management Policy Statement

### Basic Policy, Key Indicators

NSK has not changed its basic policy or key indicators announced in November 1st, 2006. Please refer to the following URL for details.

NSK HP

<http://www.nsk.com/index.html>

Tokyo Stock Exchange HP (Listed Company Information - Company Search)

<http://www.tse.or.jp/listing/compsearch/index.html>

### Mid -Term Strategies

NSK celebrated its 90th anniversary on November 8, 2006.

In considering where NSK should be at our 100th anniversary, we made the vision “Next 10”, through which we will realize our goals for the next decade. As the first step for the “Next 10”, we started the new mid-term plan (FY2006~FY2008.) NSK will continue on the growth strategy implemented in the prior mid-term plan as well as improving cost efficiencies. Furthermore, we will make every effort to become strong by not only expanding the scale of our business but also improving our financial position. Our mid-term vision is “to become No.1 in total quality”, which includes quality in products and in all services. To realize this vision, we have put in place the following four key strategies:

- (1) Reinforcement of manufacturing capability
- (2) Reinforcement of product development capabilities
- (3) Reinforcement of overseas profitability
- (4) Reinforcement of global management capability

### Key Management Tasks

With favorable external factors, we achieved our sales and profits targets for FY2006, the first year of the mid-term plan and we will make further efforts to strengthen our structure.

Our strategies and tasks by business segments are as follows;

Industrial machinery bearings

NSK has identified this segment as its “income growth driver” and will make aggressive investments for improving productive capacity of roller bearings, which are high value-added products. Also, we will expand our global sales by enhancing sales and manufacturing capabilities.

Automotive products

This segment is our “stable source of income.” We will intensify our efforts to win orders from Japanese and non-Japanese automobile manufacturers, and strengthen profitability by reducing costs with measures such as enhancing pre-processing operations, promoting global procurement, increasing the percentage of products made in-house at overseas plants, and developing new facilities and processing technology.

Precision machinery and parts

In this segment, we aim to improve customer satisfaction levels by responding quickly to users’ demands and delivering our products in a timely manner. We will make this segment sustain “contribution to total group profits,” and reinforce both Japan and non-Japan sales capability and improve profitability.

NSK recognizes that global energy conservation through our business is our social responsibility and will strive to improve our environmental management levels. To contribute to global environment protection, NSK will:

- (1) Meet customer demands for better energy efficiency.
- (2) Expand line-up of environment-friendly products.
- (3) Comply with chemical substance regulations.
- (4) Strengthen supervision over chemical substances in each process from procurement of parts and materials to shipment.
- (5) Globally supply products that accelerate response to changing regulations.

With these methods, NSK will focus on achieving our mid-term vision and make efforts to improve our corporate value.



## NON-CONSOLIDATED RESULTS FOR THE YEAR ENDED MARCH 31, 2007 (unaudited)

### Financial Highlights

	Year ended Mar. 31,		Change %
	2007	2006	
(Millions of yen)			
Net sales	¥ 446,588	¥ 425,373	5.0
Operating income	19,248	13,697	40.5
Ordinary income	19,375	13,261	46.1
Net income	15,247	12,376	23.2
(Yen)			
Net income per share			
Basic	¥ 28.21	¥ 22.92	
Diluted	28.18	22.90	

### Financial Position

	As of Mar. 31,	
	2007	2006
(Millions of yen)		
Total assets	¥ 715,341	¥ 668,810
Net assets	264,411	261,160
(%)		
Shareholders' equity to total assets	37.0%	39.0%
(Yen)		
Net assets per share	¥ 488.84	¥ 483.39

## Non-consolidated Balance Sheets

(Millions of yen)	As of Mar. 31, 2007	2006	Increase/ (Decrease)
<b>Assets</b>			
Current assets	¥ 259,892	¥ 209,212	¥ 50,680
Cash and deposits	39,283	20,084	19,199
Notes receivable	278	286	(8)
Accounts receivable – trade	100,743	105,659	(4,916)
Marketable securities	37,168	8,990	28,178
Finished goods	10,839	9,867	972
Work in process	11,498	14,218	(2,720)
Materials	346	321	25
Stored goods	811	789	22
Accounts receivable – other	40,727	35,665	5,062
Deferred income taxes	3,968	3,762	206
Short-term loans – receivable	11,075	8,676	2,399
Other current assets	3,150	1,004	2,146
Less allowance for doubtful accounts	—	(114)	114
Non-current assets	455,449	459,597	(4,148)
Property, plant and equipment	84,558	84,740	(182)
Buildings	26,921	27,827	(906)
Structures	1,631	1,656	(25)
Machinery and equipment	33,010	33,202	(192)
Vehicles and transportation equipment	78	110	(32)
Tools and spare parts	3,021	3,292	(271)
Land	15,924	15,868	56
Construction in progress	3,970	2,782	1,188
Intangible assets	3,257	3,288	(31)
Land lease rights	1,027	1,049	(22)
Other intangible assets	2,230	2,238	(8)
Investments and other assets	367,632	371,568	(3,936)
Investment securities	76,378	85,367	(8,989)
Stocks of affiliated companies	208,888	208,602	286
Investments in affiliated companies	12,588	11,966	622
Long-term loans – receivable	95	95	—
Long-term loans – receivable to affiliated companies	28,085	28,355	(270)
Long-term prepaid expenses	223	207	16
Prepaid pension costs	38,035	33,731	4,304
Other investments and assets	4,358	4,074	284
Less allowance for doubtful accounts	(1,020)	(832)	(188)
<b>Total assets</b>	<b>715,341</b>	<b>668,810</b>	<b>46,531</b>

## Non-consolidated Balance Sheets (Continued)

(Millions of yen)	As of Mar. 31,		Increase/ (Decrease)
	2007	2006	
<b>Liabilities</b>			
Current liabilities	¥ 271,770	¥ 246,139	¥ 25,631
Notes payable	1,865	1,950	(85)
Accounts payable – trade	125,023	118,423	6,600
Short-term loans	91,960	84,363	7,597
Commercial paper	—	5,000	(5,000)
Current portion of corporate bonds	23,000	10,000	13,000
Accounts payable – other	12,260	13,406	(1,146)
Accrued expenses	11,204	9,753	1,451
Accrued income taxes	5,577	2,011	3,566
Other current liabilities	879	1,229	(350)
Long-term liabilities	179,159	161,510	17,649
Corporate bonds	102,000	85,000	17,000
Long-term loans	41,000	36,500	4,500
Deferred tax liabilities	32,369	34,408	(2,039)
Accrued officers' retirement benefits	938	700	238
Reserves for environmental safety measures expenses	516	860	(344)
Other long-term liabilities	2,335	4,041	(1,706)
<b>Total liabilities</b>	<b>450,929</b>	<b>407,650</b>	<b>43,279</b>
<b>Shareholders' equity</b>			
Common stock	—	67,176	—
Capital surplus	—	77,986	—
Capital reserve	—	77,923	—
Other reserves	—	62	—
Gain on disposal of treasury stock	—	62	—
Retained earnings	—	79,786	—
Legal reserve	—	10,292	—
Other reserves	—	57,510	—
Unappropriated retained earnings	—	11,983	—
Unrealized holding gains on securities	—	40,218	—
Treasury stock	—	(4,006)	—
<b>Total shareholders' equity</b>	<b>—</b>	<b>261,160</b>	<b>—</b>
<b>Total liabilities and shareholders' equity</b>	<b>—</b>	<b>668,810</b>	<b>—</b>

## Non-consolidated Balance Sheets (Continued)

(Millions of yen)	As of Mar. 31, 2007	2006	Increase/ (Decrease)
<b>Net assets</b>			
Shareholders' equity	229,114	—	—
Common stock	67,176	—	—
Capital surplus	78,092	—	—
Capital reserve	77,923	—	—
Other capital reserves	168	—	—
Retained earnings	87,738	—	—
Legal reserve	10,292	—	—
Other reserves	77,446	—	—
Treasury stock	(3,893)	—	—
Differences on revaluation and translation	35,240	—	—
Unrealized holding gains on securities	35,240	—	—
Stock acquisition rights	56	—	—
Total net assets	264,411	—	—
Total liabilities and net assets	¥ 715,341	¥ —	¥ —

## Non-consolidated Statements of Operations

(Millions of yen)	Year ended Mar. 31,		Change %
	2007	2006	
Net sales	¥ 446,588	¥ 425,373	5.0
Cost of sales	383,512	368,296	4.1
Gross profit	63,075	57,077	10.5
Selling, general and administrative expenses	43,827	43,380	1.0
Operating income	19,248	13,697	40.5
Non-operating income:	7,391	6,154	20.1
Interest and dividend income	6,724	5,038	33.5
Other	666	1,116	(40.3)
Non-operating expenses:	7,264	6,590	10.2
Interest expenses	3,007	2,720	10.6
Other	4,256	3,870	10.0
Ordinary income	19,375	13,261	46.1
Extraordinary income:	2,289	7,549	(69.7)
Gain on sales of property, plant and equipment	672	1,674	(59.8)
Gain on sales of stocks of affiliated companies	1,617	—	—
Gain on sales of investment securities	—	5,875	—
Extraordinary losses:	—	1,666	—
Cost related to reserves for environmental safety measures expenses	—	860	—
Loss on devaluation of investments in affiliated companies	—	481	—
Loss on sales of stocks of affiliated companies	—	324	—
Income before income taxes	21,665	19,144	13.2
Income taxes:			
Current taxes	4,362	1,492	192.3
Deferred taxes	2,054	5,274	(61.1)
Net income	15,247	12,376	23.2
Unappropriated retained earnings brought forward	—	2,576	
Interim dividends paid	—	2,970	
Unappropriated retained earnings at the end of the year	—	11,983	

## Non-consolidated Statements of Changes in Shareholders' Equity

(Year ended Mar. 31, 2007)

(Millions of yen)

	Shareholders' Equity										
	Common stock	Capital Surplus			Retained Earnings						
		Capital reserve	Other capital surplus	Total capital surplus	Retained earnings reserve	Other retained earnings				Total retained earnings	
					Reserve for R&D	Reserve for accelerated depreciation	Special reserve for accelerated depreciation	General reserve	Unappropriated retained earnings brought forward		
Balance at Mar. 31, 2006	67,176	77,923	62	77,986	10,292	1,627	2,617	-	53,266	11,983	79,786
Increase (decrease) during the year											
Cash dividends										(7,295)	(7,295)
Transferred to reserves							667	94	4,000	(4,761)	-
Reversal of reserves							(81)			81	-
Reserves during the year							94	320		(320)	94
Reversal of reserves during the year							(67)	(94)		67	(94)
Net income										15,247	15,247
Repurchase of treasury stock											
Disposal of treasury stock			106	106							
Net increase (decrease) during the year, except for items under shareholders' equity											
Total change during the year	-	-	106	106	-	-	611	320	4,000	3,020	7,952
Balance at Mar. 31, 2007	67,176	77,923	168	78,092	10,292	1,627	3,229	320	57,266	15,003	87,738

	Shareholders' Equity		Valuation and translation adjustment, etc.	Stock acquisition rights	Total net assets
	Treasury stock	Total shareholders' equity	Unrealized holding gains on securities		
Balance at Mar. 31, 2006	(4,006)	220,942	40,218	-	261,160
Increase (decrease) during the year					
Cash dividends		(7,295)			(7,295)
Transferred to reserves		-			-
Reversal of reserves		-			-
Reserves during the year		94			94
Reversal of reserves during the year		(94)			(94)
Net income		15,247			15,247
Repurchase of treasury stock	(113)	(113)			(113)
Disposal of treasury stock	226	333			333
Net increase (decrease) during the year, except for items under shareholders' equity		-	(4,977)	56	(4,920)
Total change during the year	113	8,172	(4,977)	56	3,251
Balance at Mar. 31, 2007	(3,893)	229,114	35,240	56	264,411

## Non-consolidated Surplus Statement

(Millions of yen)	Year ended Mar. 31, 2006
Unappropriated retained earnings at the end of the year	¥ 11,983
Reversal of reserve for accelerated depreciation	<u>81</u>
Total	12,065
Appropriation:	
Dividends	3,511 (¥6.50 per share)
	(Yen)
Reserve for accelerated depreciation	667
Special reserve for accelerated depreciation	94
General reserve	<u>4,000</u>
Total	8,273
Unappropriated retained earnings carried forward to the next year	<u>3,791</u>