

NSK Ltd.

For Immediate Release

August 3, 2010

CONSOLIDATED RESULTS FOR THE THREE MONTHS ENDED JUNE 30, 2010 (Unaudited) [JP GAAP]

Company name	NSK Ltd.
Stock exchanges on which the shares are listed	Tokyo and Osaka Stock Exchanges in Japan
Code number	6471
URL	http://www.nsk.com/
Representative	Norio Otsuka, President and CEO
Contact person	Yoshio Saito, Senior Vice President
Filing date of quarterly securities report	August 6, 2010

(Amounts are rounded down to the nearest million yen)

1. Consolidated Financial Highlights for the Three Months Ended June 30, 2010

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

	Net sales		Operating income		Ordinary income		Net income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Three months ended Jun. 30, 2010	173,979	50.2	10,332	—	9,011	—	5,117	—
Three months ended Jun. 30, 2009	115,804	(39.5)	(4,517)	—	(8,114)	—	(5,346)	—

	Net income per share - Basic	Net income per share - Diluted
	Yen	Yen
Three months ended Jun. 30, 2010	9.47	9.46
Three months ended Jun. 30, 2009	(9.89)	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity to total assets	Net assets per share
	Millions of Yen	Millions of Yen	%	Yen
As of Jun. 30, 2010	772,671	257,332	31.2	445.25
As of Mar. 31, 2010	789,624	264,688	31.4	458.65

(Note) Equity capital As of Jun. 30, 2010 240,700 million yen As of Mar. 31, 2010 247,941 million yen

2. Cash Dividends

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

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

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

(% of changes from the same period last year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Six months ending Sep. 30, 2010	330,000	28.0	16,500	—	14,000	—	8,500	—	15.72
Year ending Mar. 31, 2011	665,000	13.2	38,000	236.1	33,000	334.3	21,000	340.7	38.85

(Note) Revisions to the forecast of consolidated results in the current quarter: None

4. Others

(For more details, please refer to page 5 "2. Other".)

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

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

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

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

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

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

(ii) Changes excluding the above: None

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

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

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

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

As of Jun. 30, 2010	10,671,611 shares	As of Mar. 31, 2010	10,682,916 shares
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(iii) Average number of shares issued and outstanding in each period:

Three months ended Jun. 30, 2010	540,590,929 shares	Three months ended Jun. 30, 2009	540,590,282 shares
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Information Regarding the Implementation of Quarterly Review Procedures

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

Cautionary Statement with Respect to Forward-Looking Statements

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

1. Business Overview

(1) Qualitative Information Regarding Consolidated Business Results

In the first quarter of the year ending March 2011, strong economic growth in emerging countries, mainly in China and ASEAN countries, gradually brought a slow overall recovery in the global economy. However, concerns about negative effects to real economy still exist, exacerbated by a crisis in the credit-worthiness of European governments that was triggered by a debt crisis in Greece.

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

Consolidated net sales for the period totaled ¥173,979 million, a year-on-year increase of 50.2%. Although there were negative effects of reduced export profit margins caused by the appreciation of the Japanese yen, operating income was ¥10,332 million (operating loss was ¥4,517 million in the same period last year), due to improved capacity utilization by an increase in sales and production volume, and reduction of external procurement costs. Ordinary income was ¥9,011 million (ordinary loss was ¥8,114 million in the same period last year). Net income after adjusting for tax expenses and minority interests was ¥5,117 million (net loss was ¥5,346 million in the same period last year).

Results by Business Segment

① Industrial Machinery Business Segment

In the industrial machinery bearings business, the economic recovery led to higher global sales for general industrial and electrical machinery and the aftermarket sector compared to the same period last year. Looking at the geographic breakdown, overall sales in each region increased significantly due to strong demand, despite a leveling-off in demand from the wind power sector in Europe.

In the precision machinery and parts business, global demand from semi-conductor production equipment manufacturers recovered. Demand from machine tool makers was also robust, supported by economic growth in China. Overall, sales in each region increased globally due to steady demand.

As a result, net sales in the industrial machinery business totaled ¥61,813 million, a year-on-year increase of 49.6%. Despite reduced export profit margins caused by the strong Japanese yen, operating income was ¥3,770 million due to greatly increased volume (ordinary loss was ¥2,861 million in the same period last year).

② Automotive Business Segment

Sales of both automotive bearings and automotive components increased greatly in all regions compared to the same period last year. Demand of hub unit bearings and electric power steering (EPS) systems was robust due to expanding automotive markets in emerging countries including China, as well as economic recovery and favorable policies to promote car sales.

As a result, net sales in the automotive business totaled ¥105,636 million, a year-on-year increase of

49.3%. Although there were some cost increase factors such as higher prices for raw materials, operating income was ¥7,281 million due to drastically increased volume (ordinary loss was ¥30 million in the same period last year).

(2) Financial Position

Assets and Liabilities

Total assets were ¥772,671 million, a decrease of ¥16,953 million, compared to total assets as of March 31, 2010. The main reasons for this decrease are a decrease of ¥5,496 million in marketable securities, ¥7,689 million decrease of property, plant and equipment due to limiting new investments within the depreciation and amortization level and ¥6,976 million in investment securities due to weaker stock prices etc., which offset an increase of ¥7,612 million in cash and deposits.

Total liabilities were ¥515,339 million, a decrease of ¥9,596 million, compared to total liabilities as of March 31, 2010. The main reasons for this decrease are a decrease of ¥10,000 million in corporate bonds and ¥2,062 million in short-term loans. These offset an increase of ¥5,963 million in notes and accounts payable.

Net assets

Net assets totaled ¥257,332 million, a decrease of ¥7,356 million, compared to net assets as of March 31, 2010. The main reasons for this decrease are a decrease of ¥7,813 million in translation adjustments and a decrease of ¥4,551 million in unrealized gains on securities accompanying a decline in stock prices. These offset an increase of ¥5,117 million in net income.

Cash Flows

① Net cash flow provided by operating activities

Net cash flow provided by operating activities totaled ¥26,119 million, an increase of ¥21,424 million, compared to the same period last year. This includes ¥9,011 million income before income taxes and minority interests, ¥8,486 million provided by depreciation and amortization and an increase of ¥7,175 million in notes and accounts payable, which offset an increase of ¥4,279 million in notes and accounts receivable and ¥3,586 million in inventories.

② Net cash flow used in investing activities

Cash flow used in investing activities totaled ¥6,367 million, an increase of ¥193 million, compared to the same period last year. This includes ¥6,137 million for acquisitions to property etc.

③ Net cash flow used in financing activities

Net cash used in financing activities totaled ¥15,404 million, an increase of ¥13,118 million, compared to the same period last year. This includes ¥10,000 million redemption of corporate bonds, ¥3,089 million repayment of short-term loans and ¥2,072 million of dividends paid.

In aggregate, cash and cash equivalents totaled ¥125,891 million, an increase of ¥2,454 million compared to March 31, 2010, and an increase of ¥2,893 million from the same period last year.

(3) Qualitative Information Regarding Consolidated Business Forecast

No revision has been made to the forecasts released on May 11, 2010 for the year ending March 31, 2011.

2. Other

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

None.

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

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

Tax expenses were calculated using a reasonably estimated annual effective tax rate for this fiscal year including this quarter.

When there has been no marked change in the business environment or taxable temporary differences since the end of the previous fiscal year, the potential recovery of deferred tax assets is determined based on the business performance forecasts of the previous fiscal year and tax planning methods.

Income taxes-deferred is stated on our consolidated statements of operations as "Income Taxes".

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

Application of the accounting standards for asset retirement obligations

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

The effect of this application on income is immaterial.

3. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

	(Millions of Yen)	
	As of Jun. 30, 2010	As of Mar. 31, 2010
Assets		
Current assets:		
Cash and deposits	86,034	78,421
Notes and accounts receivable	133,717	134,409
Short-term investment securities	43,942	49,438
Finished goods	56,172	59,356
Work in process	37,419	35,341
Raw materials and supplies	11,159	10,831
Others	42,562	44,606
Less allowance for doubtful accounts	(1,065)	(1,237)
Total current assets	409,943	411,167
Non-current assets:		
Property, plant and equipment		
Buildings and structures	67,506	70,356
Machinery, vehicles and equipment	108,636	114,460
Others	53,917	52,933
Total property, plant and equipment	230,060	237,750
Intangible fixed assets	10,547	10,594
Investments and other assets		
Investment securities	68,857	75,833
Prepaid pension costs	43,861	44,247
Others	9,892	10,619
Less allowance for doubtful accounts	(491)	(589)
Total investments and other assets	122,119	130,111
Total non-current assets	362,727	378,456
Total assets	772,671	789,624

(Millions of Yen)

	As of Jun. 30, 2010	As of Mar. 31, 2010
Liabilities		
Current liabilities:		
Notes and accounts payable	120,516	114,552
Short-term loans	69,305	71,367
Current portion of corporate bonds	15,300	25,000
Accrued income taxes	4,406	4,347
Others	46,350	42,439
Total current liabilities	255,877	257,706
Non-current liabilities:		
Corporate bonds	95,000	95,300
Long-term loans	109,585	113,270
Accrued employees' retirement benefits	21,955	22,948
Accrued officers' retirement benefits	1,445	1,541
Reserves for environmental safety measures	163	167
Others	31,311	34,001
Total non-current liabilities	259,461	267,229
Total liabilities	515,339	524,935
Net assets		
Shareholders' equity		
Common stock	67,176	67,176
Additional paid-in capital	78,334	78,330
Retained earnings	140,020	134,902
Treasury stock	(4,158)	(4,160)
Total shareholders' equity	281,372	276,248
Valuation, translation adjustments and other		
Unrealized gains on securities	9,149	13,701
Translation adjustments	(49,821)	(42,007)
Total valuation, translation adjustments and other	(40,671)	(28,306)
Share subscription rights	458	423
Minority interests	16,173	16,323
Total net assets	257,332	264,688
Total liabilities and net assets	772,671	789,624

(2) Consolidated Statement of Operations

For the three months ended June 30, 2010

	(Millions of Yen)	
	Three months ended Jun. 30, 2009	Three months ended Jun. 30, 2010
Net sales	115,804	173,979
Cost of sales	98,436	138,064
Gross profit	17,368	35,914
Selling, general and administrative expenses	21,885	25,582
Operating income (loss)	(4,517)	10,332
Non-operating income:		
Interest income	202	189
Dividend income	624	389
Equity in earnings of affiliated companies	487	1,003
Other	1,295	530
Total non-operating income	2,610	2,113
Non-operating expenses:		
Interest expenses	1,598	1,154
Exchange loss	—	1,138
Product compensation	3,394	—
Other	1,214	1,141
Total non-operating expenses	6,207	3,434
Ordinary income (loss)	(8,114)	9,011
Income (loss) before tax expenses and minority interests	(8,114)	9,011
Income taxes	(2,791)	3,576
Income (loss) before minority interests	—	5,435
Minority interests	23	317
Net income (loss)	(5,346)	5,117

(3) Consolidated Statement of Cash Flows

(Millions of Yen)

	Three months ended Jun. 30, 2009	Three months ended Jun. 30, 2010
Operating activities		
Income before income taxes and minority interests	(8,114)	9,011
Depreciation and amortization	8,912	8,486
Amortization of goodwill	171	176
Increase (decrease) in allowance for doubtful accounts	(475)	(158)
Increase (decrease) in provision for retirement benefits and prepaid pension cost	236	665
Interest and dividend income	(826)	(579)
Interest expenses	1,598	1,154
Equity in losses (earnings) of affiliates	(487)	(1,003)
Decrease (increase) in notes and accounts receivable	(1,414)	(4,279)
Decrease (increase) in inventories	(760)	(3,586)
Increase (decrease) in notes and accounts payable	(830)	7,175
Other	7,333	12,154
Subtotal	5,342	29,217
Interest and dividends received	1,353	811
Interest paid	(1,434)	(729)
Income taxes paid	(566)	(3,179)
Net cash provided by operating activities	4,695	26,119
Investing activities		
Net decrease (increase) in time deposits	—	(159)
Purchase of short-term investment securities	—	(0)
Proceeds from sales of short-term investment securities	17	—
Purchase of property, plant and equipment	(5,638)	(6,137)
Proceeds from sales of property, plant and equipment	43	60
Purchase of investment securities	(148)	(9)
Proceeds from sales of investment securities	5	500
Payments of loans receivable	(14)	(9)
Collection of loans receivable	24	22
Other	(464)	(634)
Net cash used in investing activities	(6,173)	(6,367)
Financing activities		
Net increase (decrease) in short-term loans	(418)	(3,089)
Increase in long-term loans	639	704
Repayments of long-term debts	(459)	(739)
Payments for redemption of corporate bonds	—	(10,000)
Acquisition of treasury stock	(5)	(4)
Dividends paid	(2,038)	(2,072)
Dividends paid to minority shareholders	(116)	(231)
Other	111	28
Net cash used in financing activities	(2,286)	(15,404)
Effect of exchange rate changes on cash and cash equivalents	1,341	(1,892)
Net increase (decrease) in cash and cash equivalents	(2,423)	2,454
Cash and cash equivalents at beginning of the year	124,944	123,437
Increase in cash and cash equivalents resulting from changes in fiscal year ends of consolidated subsidiaries	477	—
Cash and cash equivalents at end of the period	122,998	125,891

(4) Going Concern Assumption

None.

(5) Segment Information

【Sales by Business Segment】

Three months ended June 30, 2009

(Millions of Yen)

	Industrial machinery bearings	Automotive products	Precision machinery & parts	Others	Total	Eliminations/Corporate	Consolidated
Sales							
(1) Sales to third parties	35,067	70,753	6,262	3,721	115,804	—	115,804
(2) Inter-segment sales and transfers	—	—	—	3,279	3,279	(3,279)	—
Total	35,067	70,753	6,262	7,000	119,084	(3,279)	115,804
Operating income (loss)	(1,045)	(30)	(1,816)	(649)	(3,541)	(976)	(4,517)

【Segment Information】

1. Outline of Reportable Segments

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

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

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

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

2. Sales by Reportable Segments

Three months ended June 30, 2010

(Millions of Yen)

	Reportable segments			Other (Note)	Total	Adjustments	Consolidated
	Industrial Machinery business	Automotive business	Sub-total				
Sales							
(1) Sales to third parties	61,813	105,636	167,449	6,529	173,979	—	173,979
(2) Inter-segment sales and transfers	—	—	—	6,293	6,293	(6,293)	—
Total	61,813	105,636	167,449	12,823	180,273	(6,293)	173,979
Segment income (Operating income)	3,770	7,281	11,052	1,192	12,245	(1,912)	10,332

(Note)

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

(Additional information)

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

(6) Substantial Changes in Shareholders' Equity

None.