

Summary of Consolidated Financial Results  
for the Year Ended March 31, 2006

May 18, 2006

Nihon Seiko Co., Ltd.

(URL <http://www.nihonseiko.co.jp>)

Listed stock exchange: The second section of Tokyo Stock Exchange

Headquarters: Tokyo

Securities Code: 5729

Company Representative: Osamu Iwayama, President

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Date of Director Meetings for FY2005 Financial Results: May 18, 2006

1. Consolidated Financial Results for the Years Ended March 31, 2006 and 2005

(1) Operating Results (Consolidated) (Rounded down to millions of Japanese Yen)

|                     | Net Sales       |      | Operating Income |      | Recurring Profit |      | Net Income      |      |
|---------------------|-----------------|------|------------------|------|------------------|------|-----------------|------|
|                     | Millions of Yen | %    | Millions of Yen  | %    | Millions of Yen  | %    | Millions of Yen | %    |
| For the years ended |                 |      |                  |      |                  |      |                 |      |
| March 31, 2006      | 6,405           | 12.6 | 737              | 23.1 | 763              | 21.6 | 280             | 18.4 |
| March 31, 2005      | 5,688           | 19.4 | 599              | 61.7 | 627              | 73.0 | 236             | 60.7 |

|                     | Net Income per share | Return on Equity | Recurring Profit to Total Assets ratio | Recurring Profit to Net Sales ratio |
|---------------------|----------------------|------------------|--|-------------------------------------|
|                     | Yen                  | %                | %                                      | %                                   |
| For the years ended |                      |                  |  |                                     |
| March 31, 2006      | 20.96                | 8.7              | 12.2                                   | 11.9                                |
| March 31, 2005      | 17.58                | 7.7              | 10.7                                   | 11.0                                |

Notes:

1 Equity in Earnings of Unconsolidated subsidiaries and affiliate during the period: (Millions of Yen)

Current fiscal year : - Last fiscal year : -

2 Average number of outstanding shares during the period:

Current fiscal year 12,995,759 Last fiscal year : 13,002,981

3 Change in accounting policies during the period : No

4 Percentage indicate changes in net sales, operating income, recurring profit and net income are compared with preceding period.

(2) Financial Position (Consolidated)

|                | Total Assets    | Shareholders' Equity | Shareholders' Equity Ratio | Shareholders' Equity per share |
|----------------|-----------------|----------------------|----------------------------|--------------------------------|
|                | Millions of Yen | Millions of Yen      | %                          | Yen                            |
| As of          |                 |                      |                            |                                |
| March 31, 2006 | 6,487           | 3,317                | 51.1                       | 254.78                         |
| March 31, 2005 | 6,024           | 3,142                | 52.2                       | 241.18                         |

Note:

1 Number of outstanding shares at the end of the period:

Current fiscal year 12,991,722 Last fiscal year : 12,998,486

(3) Consolidated Statements of Cash Flows

|                     | Operating Activities | Investing Activities | Financing Activities | Cash & Cash Equivalents at the end of the period |
|---------------------|----------------------|----------------------|----------------------|--|
|                     | Millions of Yen      | Millions of Yen      | Millions of Yen      | Millions of Yen                                  |
| For the years ended |                      |                      |                      |  |
| March 31, 2006      | 172                  | (1)                  | (13)                 | 965  |
| March 31, 2005      | 450                  | (283)                | (101)                | 807  |

(4) Consolidated subsidiaries: 1

Unconsolidated subsidiaries (accounted for by the equity method): -

Unconsolidated affiliates (accounted for by the equity method): -

(5) Consolidated subsidiaries: (Increase) - (Decrease) -

Affiliated companies accounted for by the equity method: (Increase) - (Decrease) -

2. Consolidated Earnings Forecast for the Year Ending March 2007 (April 1, 2006 ~ March 31, 2007):

|                           | Net Sales       | Recurring Profit | Net Income      |
|---------------------------|-----------------|------------------|-----------------|
|                           | Millions of Yen | Millions of Yen  | Millions of Yen |
| First half 2006           | 3,600           | 430              | 165             |
| Year ended March 31, 2007 | 7,100           | 830              | 310             |

Reference: EPS (projection): JPY23.86

Note : The above-mentioned forecast is based on available information at present.

Therefore, actual results may differ materially from the forecast due to many factors.

Consolidated Balance Sheets

(Thousands of Japanese yen)

|                                      | FY2005<br>As of<br>March 31,2006 | FY2004<br>As of<br>March 31,2005 | Increase<br>(Decrease) |
|--------------------------------------|----------------------------------|----------------------------------|------------------------|
| <b>Assets</b>                        |                                  |                                  |                        |
| <b>I Current assets:</b>             |                                  |                                  |                        |
| Cash and time deposits               | 965,181                          | 807,057                          | 158,123                |
| Notes and accounts receivable, trade | 1,431,877                        | 1,281,434                        | 150,443                |
| Securities                           | 11,845                           | 101,920                          | (90,075)               |
| Inventories                          | 1,377,139                        | 939,707                          | 437,431                |
| Deferred tax assets                  | 53,099                           | 44,458                           | 8,640                  |
| Others                               | 47,474                           | 34,794                           | 12,679                 |
| Allowance for doubtful accounts      | (3,549)                          | (4,195)                          | 645                    |
| <b>Total current assets</b>          | <b>3,883,067</b>                 | <b>3,205,176</b>                 | <b>677,891</b>         |
| <b>II Fixed assets:</b>              |                                  |                                  |                        |
| <b>(1) Tangible fixed assets</b>     |                                  |                                  |                        |
| Buildings and structures             | 688,132                          | 728,228                          | (40,096)               |
| Machinery and equipments             | 640,509                          | 644,693                          | (4,182)                |
| Land                                 | 822,657                          | 874,776                          | (52,119)               |
| Construction in progress             | –                                | 7,793                            | (7,793)                |
| <b>Total tangible fixed assets</b>   | <b>2,151,300</b>                 | <b>2,255,492</b>                 | <b>(104,192)</b>       |
| <b>(2) Intangible fixed assets</b>   |                                  |                                  |                        |
| Goodwill                             | 56,679                           | 85,018                           | (28,339)               |
| Others                               | 30,143                           | 40,281                           | (10,137)               |
| <b>Total intangible fixed assets</b> | <b>86,822</b>                    | <b>125,299</b>                   | <b>(38,476)</b>        |
| <b>(3) Investments and others</b>    |                                  |                                  |                        |
| Investments in securities            | 267,289                          | 362,580                          | (95,291)               |
| Securities in affiliated company     | 2,500                            | 2,500                            | –                      |
| Others                               | 96,274                           | 73,874                           | 22,400                 |
| <b>Total investments and others</b>  | <b>366,063</b>                   | <b>438,954</b>                   | <b>(72,890)</b>        |
| <b>Total fixed assets</b>            | <b>2,604,186</b>                 | <b>2,819,746</b>                 | <b>(215,559)</b>       |
| <b>Total assets</b>                  | <b>6,487,254</b>                 | <b>6,024,923</b>                 | <b>462,331</b>         |

(Thousands of Japanese yen)

|   | FY2005<br>As of<br>March 31,2006 | FY2004<br>As of<br>March 31,2005 | Increase<br>(Decrease) |
|---|----------------------------------|----------------------------------|------------------------|
| <b>Liabilities</b>  |                                  |                                  |                        |
| <b>I Current liabilities</b>  |                                  |                                  |                        |
| Notes and accounts payable, trade   | 696,116                          | 635,671                          | 60,444                 |
| Short-term loans  | 592,500                          | 506,700                          | 85,800                 |
| Accounts payable, other   | 83,570                           | 78,148                           | 5,421                  |
| Accrued income taxes  | 203,156                          | 200,685                          | 2,471                  |
| Accrued bonuses   | 75,874                           | 72,622                           | 3,252                  |
| Others  | 117,659                          | 163,564                          | (45,904)               |
| <b>Total current liabilities</b>  | <b>1,768,878</b>                 | <b>1,657,392</b>                 | <b>111,485</b>         |
| <b>II Long-term liabilities</b>   |                                  |                                  |                        |
| Long-term loans   | 483,750                          | 442,600                          | 41,150                 |
| Allowance for retirement benefits of employee                             | 240,275                          | 251,758                          | (11,482)               |
| Allowance for retirement benefits of directors<br>and corporate auditors  | 78,200                           | 62,567                           | 15,633                 |
| Deferred tax liabilities  | 12,403                           | 13,140                           | (737)                  |
| Others  | 35,909                           | 26,045                           | 9,864                  |
| <b>Total long-term liabilities</b>  | <b>850,538</b>                   | <b>796,110</b>                   | <b>54,428</b>          |
| <b>Total liabilities</b>  | <b>2,619,416</b>                 | <b>2,453,503</b>                 | <b>165,912</b>         |
| <b>Minority interests</b>   | <b>550,191</b>                   | <b>428,444</b>                   | <b>121,746</b>         |
| <b>Shareholders' equity</b>   |                                  |                                  |                        |
| <b>I Common stock</b>   | <b>1,018,126</b>                 | <b>1,018,126</b>                 | <b>-</b>               |
| <b>II Capital surplus</b>   | <b>564,725</b>                   | <b>564,725</b>                   | <b>-</b>               |
| <b>III Retained earnings</b>  | <b>1,724,455</b>                 | <b>1,549,885</b>                 | <b>174,570</b>         |
| <b>IV Net unrealized gains on available-for-sale<br/>securities</b>       | <b>25,029</b>                    | <b>22,142</b>                    | <b>2,887</b>           |
| <b>V Treasury stock</b>   | <b>(14,690)</b>                  | <b>(11,905)</b>                  | <b>(2,785)</b>         |
| <b>Total shareholders' equity</b>   | <b>3,317,646</b>                 | <b>3,142,974</b>                 | <b>174,671</b>         |
| <b>Total liabilities, minority interests and<br/>shareholders' equity</b> | <b>6,487,254</b>                 | <b>6,024,923</b>                 | <b>462,331</b>         |

Consolidated Statements of income

(Thousands of Japanese yen)

|   | FY2005    | FY2004    | Increase<br>(Decrease) |
|---|-----------|-----------|------------------------|
| I Net sales   | 6,405,649 | 5,688,753 | 716,896                |
| II Cost of sales  | 5,003,894 | 4,446,980 | 556,914                |
| Gross profit  | 1,401,754 | 1,241,773 | 159,981                |
| III Selling, general and administrative expenses          | 664,153   | 642,544   | 21,609                 |
| Operating income  | 737,600   | 599,229   | 138,371                |
| IV Other income   |           |           |                        |
| Interest income   | 3,645     | 2,054     | 1,591                  |
| Dividends   | 1,049     | 454       | 595                    |
| Foreign exchange profit                                   | 1,613     | -         | 1,613                  |
| Gain on sale of scrap metal                               | 36,062    | 45,967    | (9,905)                |
| Others  | 6,996     | 5,395     | 1,601                  |
| Total other income  | 49,367    | 53,871    | (4,504)                |
| V Other expenses  |           |           |                        |
| Interest expenses   | 18,376    | 19,251    | (875)                  |
| Foreign exchange loss                                     | -         | 1,328     | (1,328)                |
| Others  | 5,210     | 4,903     | 307                    |
| Total other expenses                                      | 23,587    | 25,483    | (1,896)                |
| Recurring profit  | 763,381   | 627,617   | 135,764                |
| VI Extraordinary income                                   |           |           |                        |
| Reversal of allowance for doubtful accounts               | 693       | -         | 693                    |
| Reversal of allowance for retirement benefits of employee | 9,953     | -         | 9,953                  |
| Gain on sale of tangible fixed assets                     | 49        | -         | 49                     |
| Gain on sale of investment in securities                  | 11,434    | -         | 11,434                 |
| Total extraordinary profit                                | 22,131    | -         | 22,131                 |
| VII Extraordinary loss                                    |           |           |                        |
| Loss on sale of tangible fixed assets                     | 1,379     | -         | 1,379                  |
| Loss on disposal of tangible fixed assets                 | 3,033     | 4,196     | (1,163)                |
| Impairment losses on fixed assets                         | 19,521    | 9,790     | 9,731                  |
| Dilution loss from changes in equity interest             |           | 20,022    | (20,022)               |
| Total extraordinary loss                                  | 23,933    | 34,009    | (10,076)               |
| Income before income taxes and minority interests         | 761,578   | 593,607   | 167,971                |
| Income taxes – current                                    | 325,716   | 280,997   | 44,719                 |
| Income taxes – deferred                                   | (11,895)  | (24,297)  | 12,402                 |
| Minority interests in consolidated subsidiaries           | 167,704   | 100,364   | 67,340                 |
| Net income  | 280,053   | 236,543   | 43,510                 |

## Consolidated Statements of Cash Flows

(Thousands of Japanese yen)

|   | FY2005    | FY2004    | Increase<br>(Decrease) |
|---|-----------|-----------|------------------------|
| <b>I</b> Cash flows from operating activities                                     |           |           |                        |
| Income before income taxes and minority interests                                 | 761,578   | 593,607   | 167,971                |
| Depreciation and amortization   | 261,756   | 264,541   | (2,785)                |
| Increase(decrease)in allowance for retirement benefits of employee                | (11,482)  | 6,950     | (18,432)               |
| Increase in allowance for retirement benefits of directors and corporate auditors | 15,633    | 5,625     | 10,008                 |
| Increase in accrued bonuses   | 3,252     | 9,445     | (6,193)                |
| Increase(decrease)in allowance for doubtful accounts                              | (645)     | 180       | (825)                  |
| Interest and dividend income(accrual basis)                                       | (5,013)   | (2,508)   | (2,505)                |
| Interest expense(accrual basis)   | 18,376    | 19,251    | (875)                  |
| Foreign exchange gain   | (356)     | (375)     | 19                     |
| Gain on sale of investment in securities  | (11,434)  | –         | (11,434)               |
| Gain on sale of tangible fixed assets   | (49)      | –         | (49)                   |
| Loss on sale of tangible fixed assets   | 1,379     | –         | 1,379                  |
| Loss on disposal of tangible fixed assets   | 3,033     | 4,196     | (1,163)                |
| Impairment losses on fixed assets   | 19,521    | 9,790     | 9,731                  |
| Dilution loss from changes in equity interest                                     | –         | 20,022    | (20,022)               |
| Increase in notes and accounts receivable, trade                                  | (150,443) | (56,877)  | (93,566)               |
| Increase in inventories   | (437,431) | (212,082) | (225,349)              |
| Increase in notes and accounts payable, trade                                     | 60,444    | 34,588    | 25,856                 |
| Others  | (23,149)  | (11,697)  | (11,452)               |
| Interest and dividend income(cash basis)  | 4,744     | 2,559     | 2,185                  |
| Interest expense(cash basis)  | (18,738)  | (19,525)  | 787                    |
| Income taxes(cash basis)  | (318,728) | (217,674) | (101,054)              |
| Net cash provided by operating activities   | 172,246   | 450,019   | (277,773)              |
| <b>II</b> Cash flows from investing activities                                    |           |           |                        |
| Acquisition of securities   | (1,000)   | (1,000)   | –                      |
| Redemption of securities  | 1,000     | 101,000   | (100,000)              |
| Acquisition of investments in securities  | (17,240)  | (118,662) | 101,422                |
| Redemption of investments in securities   | 100,000   | –         | 100,000                |
| Proceeds from sale of investments in securities                                   | 120,639   | –         | 120,639                |
| Acquisition of tangible fixed assets  | (234,554) | (263,880) | 29,326                 |
| Proceeds from sale of tangible fixed assets                                       | 32,968    | –         | 32,968                 |
| Payments for disposal of tangible fixed assets                                    | (1,100)   | (577)     | (523)                  |
| Acquisition of intangible fixed assets  | (1,794)   | (681)     | (1,113)                |
| Net cash used in investing activities   | (1,080)   | (283,801) | 282,721                |
| <b>III</b> Cash flows from financing activities                                   |           |           |                        |
| Net increase(decrease) in short-term loans  | 200,000   | (50,000)  | 250,000                |
| Proceeds from long-term loans   | 100,000   | 50,000    | 50,000                 |
| Repayments of long-term loans   | (173,050) | (38,450)  | (134,600)              |
| Proceeds from issuance of common stock  | –         | 24,750    | (24,750)               |
| Payments for purchase of treasury stock   | (17,084)  | (2,927)   | (14,157)               |
| Proceeds from sale of treasury stock  | 5,719     | –         | 5,719                  |
| Cash dividends  | (97,483)  | (65,038)  | (32,445)               |
| Cash dividends to minority shareholders   | (31,500)  | (20,250)  | (11,250)               |
| Net cash used in financing activities   | (13,398)  | (101,915) | 88,517                 |
| <b>IV</b> Effect of exchange rate changes on cash and cash equivalents            | 356       | 375       | (19)                   |
| <b>V</b> Net increase in cash and cash equivalents                                | 158,123   | 64,676    | 93,447                 |
| <b>VI</b> Cash and cash equivalents at beginning of period                        | 807,057   | 742,380   | 64,677                 |
| <b>VII</b> Cash and cash equivalents at end of period                             | 965,181   | 807,057   | 158,124                |