

NSK

CONSOLIDATED BUSINESS RESULTS

FOR THE THIRD QUARTER
ENDED DECEMBER 31, 2018

February 1, 2019
NSK Ltd.



Cautionary Statements with Respect to Forward-Looking Statements

Statements made in this report with respect to plans, strategies and future performance that are not historical fact are forward-looking statements. NSK cautions that a number of factors could cause actual results to differ materially from those discussed in the forward-looking statements.

Note : This document is an English translation of material written initially in Japanese.

The Japanese original should be considered the primary version

Business Results for FY2018: Q3

	Q3 (Oct. –Dec.)		Q3 YTD (Apr. – Dec.)	
		(vs. FY2017 Q3)		(vs. FY2017 Q3 YTD)
Net Sales	¥ 248.1 billion	(-¥ 16.3 billion / -6.2%)	¥ 757.7 billion	(-¥ 0.0 billion / -0.0%)
Operating Income	¥ 21.3 billion	(-¥ 6.6 billion / -23.8%)	¥ 66.3 billion	(-¥ 4.4 billion / -6.2%)
(O.I%)	(8.6%)		(8.7%)	
Net Income Attributable to Owners of the Parent	¥ 15.8 billion	(-¥ 3.9 billion / -19.6%)	¥ 46.8 billion	(-¥ 1.3 billion / -2.7%)

- ✓ Solid performance in 1H. Entered demand adjustment phase in 2H.
- ✓ Decrease in China and steering businesses. Cost factors including R&D and labor increased.

Revision to Business Forecast

- ✓ Downside risks in global economy, primarily in China due to trade friction increase.

Full year	Feb. Revised forecast	Oct. forecast	(vs. Oct. forecast)	(vs. FY2017)
Net Sales	¥ 985.0 billion	¥ 1,010.0 billion	-¥ 25.0 billion	-¥ 35.3 billion/ -3.5%
Operating Income	¥ 83.0 billion	¥ 93.0 billion	-¥ 10.0 billion	-¥ 14.9 billion/ -15.2%
Net Income Attributable to Owners of the Parent	¥ 58.0 billion	¥ 65.0 billion	-¥ 7.0 billion	-¥ 11.3 billion/ -16.3%

- ✓ FY2018 full-year dividend remains unchanged at ¥40 (2nd half: ¥20), Payout ratio 35.8% (forecast).

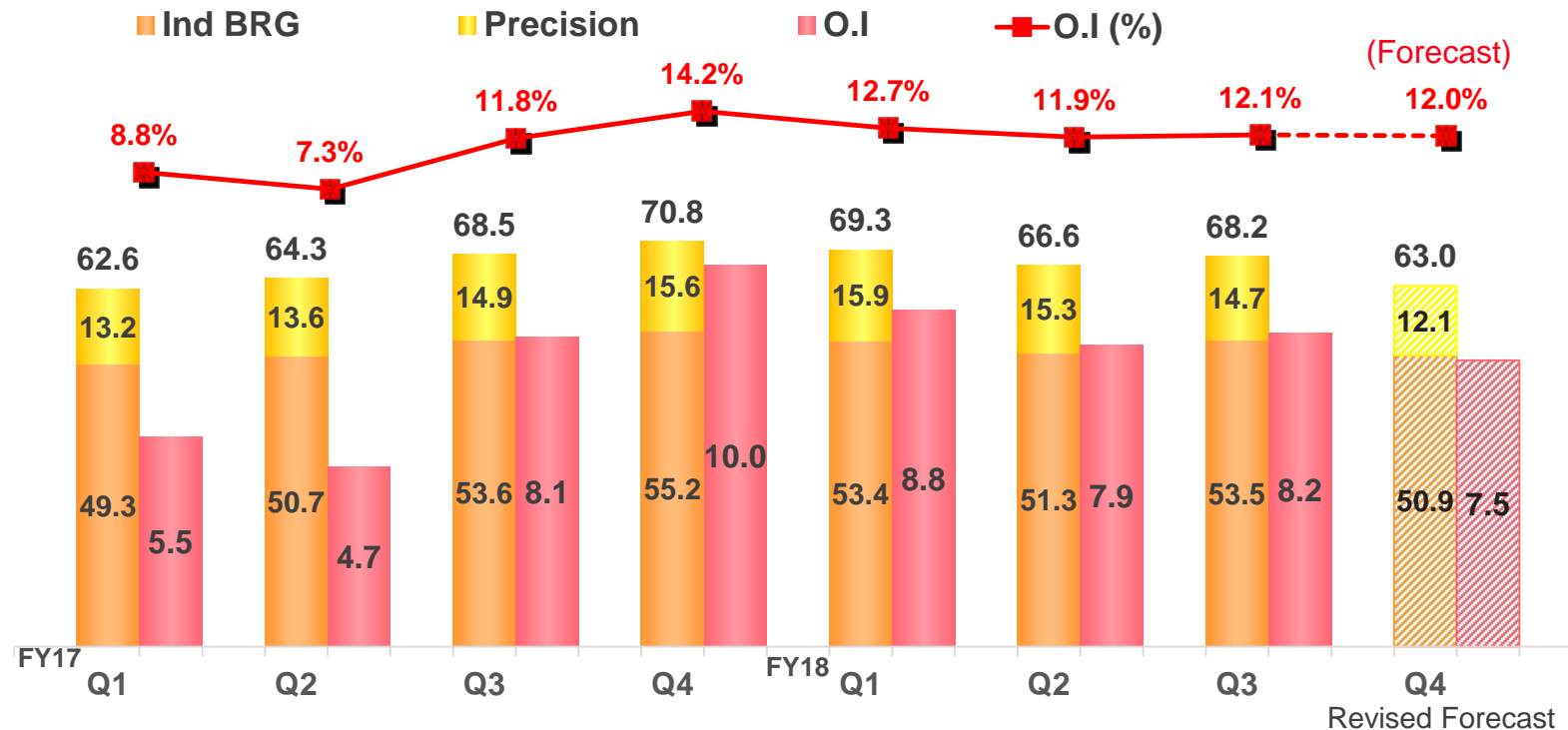
Summary of Consolidated Business Results for FY2018: Q3

(Billions of yen)	FY2017			FY2018						Full year <Fcst>	
	Q3 <Actual>	Apr-Dec <Actual>	Full year <Actual>	Q3 <Actual>	Increase/ Decrease YOY	Difference YOY	Apr-Dec <Actual>	Increase/ Decrease YOY	Difference YOY	<Oct.>	<Feb.>
Net sales	264.3	757.7	1,020.3	248.1	-16.3	-6.2%	757.7	-0.0	-0.0%	1,010.0	985.0
Operating income	27.9	70.7	97.9	21.3	-6.6	-23.8%	66.3	-4.4	-6.2%	93.0	83.0
<%>	<10.6%>	<9.3%>	<9.6%>	<8.6%>			<8.7%>			<9.2%>	<8.4%>
Income before income taxes	28.0	70.4	97.2	21.2	-6.8	-24.3%	66.3	-4.1	-5.9%	93.0	82.5
Net income attributable to owners of the parent	19.7	48.1	69.3	15.8	-3.9	-19.6%	46.8	-1.3	-2.7%	65.0	58.0
(Ex. rate:1USD=)	112.99	111.71	110.86	112.91	-0.08	-0.1%	111.15	-0.56	-0.5%	110.14	110.86
(" 1EUR=)	133.01	128.53	129.70	128.79	-4.22	-3.2%	129.49	+0.96	+0.7%	127.42	128.37
(" 1CNY=)	17.08	16.64	16.75	16.33	-0.75	-4.4%	16.61	-0.03	-0.2%	16.48	16.51
<p>*Reference: Segment Income : Operating income before deduction of other operating expenses Other operating expenses : Antimonopoly Act -related losses, foreign exchange losses</p>											
Segment income	28.3	72.5	100.3	21.8	-6.4	-22.8%	68.2	-4.3	-5.9%	95.0	85.5
<%>	<10.7%>	<9.6%>	<9.8%>	<8.8%>			<9.0%>			<9.4%>	<8.7%>

Sales & Operating Income Results by Business Segment

(Billions of yen)		FY2017			FY2018						Full year <Fcst>	
		Q3 <Actual>	Apr-Dec <Actual>	Full year <Actual>	Q3 <Actual>	Increase/ Decrease YOY	Difference YOY	Apr-Dec <Actual>	Increase/ Decrease YOY	Difference YOY	Full year <Oct.>	<Feb.>
Total	Net sales	264.3	757.7	1,020.3	248.1	-16.3	-6.2%	757.7	-0.0	-0.0%	1,010.0	985.0
	Operating income	27.9	70.7	97.9	21.3	-6.6	-23.8%	66.3	-4.4	-6.2%	93.0	83.0
	<%>	10.6%	9.3%	9.6%	8.6%			8.7%			9.2%	8.4%
Industrial Machinery Business	Net sales	68.5	195.5	266.2	68.2	-0.4	-0.6%	204.0	+8.6	+4.4%	276.0	267.0
	Industrial Machinery Bearings	53.6	153.7	208.9	53.5	-0.2	-0.3%	158.1	+4.5	+2.9%	215.0	209.0
	Precision Machinery and Parts	14.9	41.8	57.4	14.7	-0.2	-1.6%	45.9	+4.1	+9.8%	61.0	58.0
	Operating income	8.1	18.3	28.3	8.2	+0.2	+2.0%	25.0	+6.6	+36.3%	35.0	32.5
	<%>	11.8%	9.4%	10.6%	12.1%			12.2%			12.7%	12.2%
Automotive Business	Net sales	187.8	540.0	723.6	171.6	-16.2	-8.6%	529.2	-10.8	-2.0%	703.0	687.0
	Automotive Bearings	91.5	262.0	350.9	88.2	-3.3	-3.6%	264.7	+2.6	+1.0%	359.5	348.5
	Automotive Components	96.3	277.9	372.6	83.5	-12.9	-13.4%	264.5	-13.4	-4.8%	343.5	338.5
	Operating income	18.6	49.8	66.0	11.8	-6.8	-36.4%	38.5	-11.3	-22.7%	54.0	47.0
	<%>	9.9%	9.2%	9.1%	6.9%			7.3%			7.7%	6.8%
Others	Net sales	15.2	41.9	57.9	17.7	+2.5	+16.8%	48.1	+6.2	+14.8%	63.0	64.0
	Operating income	1.5	4.1	5.7	2.0	+0.5	+30.0%	4.8	+0.7	+17.6%	6.0	6.0
	<%>	10.1%	9.8%	9.8%	11.2%			10.0%			9.5%	9.4%
Eliminations (sales)		-7.2	-19.6	-27.4	-9.4	-2.2		-23.7	-4.0		-32.0	-33.0
Other operating expenses / Adjustments		-0.3	-1.6	-2.1	-0.7	-0.5		-2.0	-0.5		-2.0	-2.5

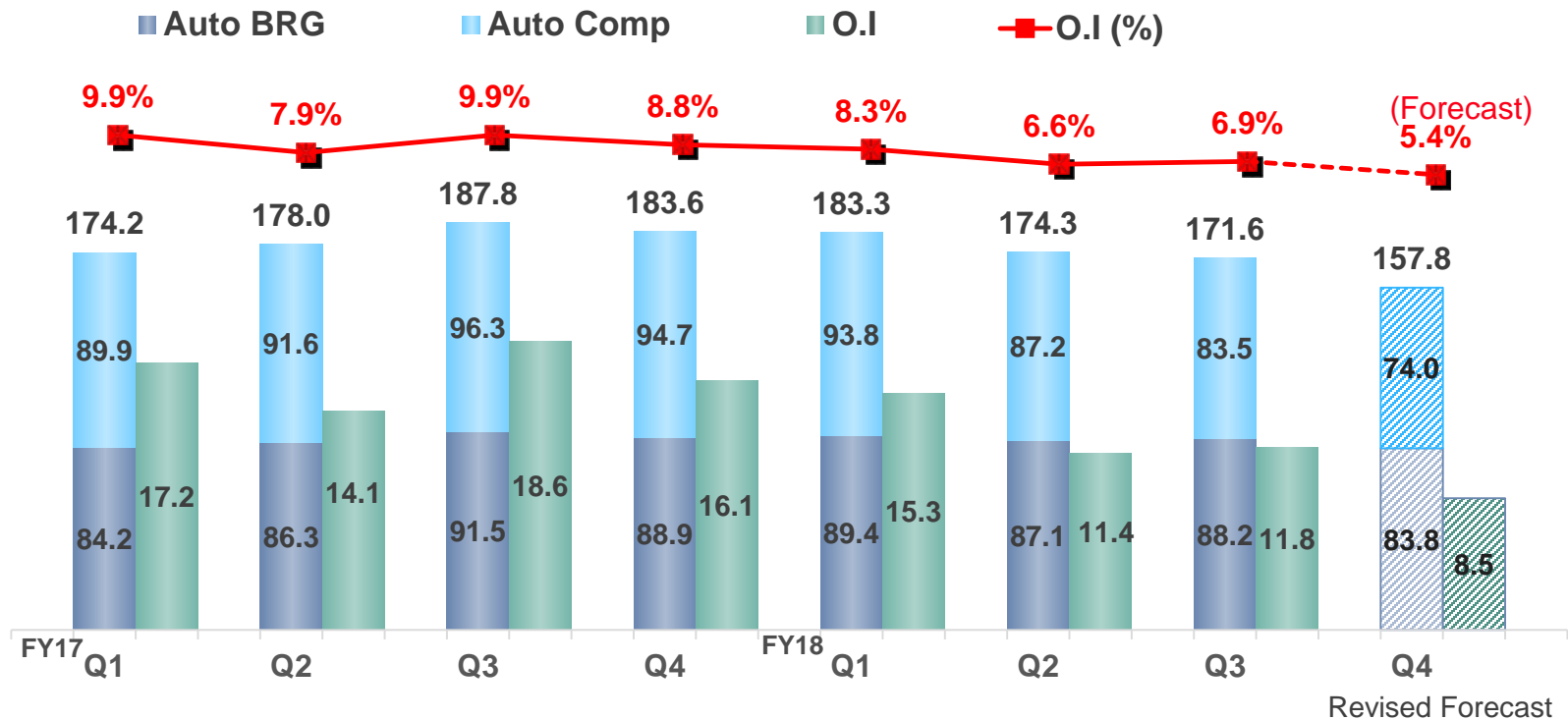
Business Trend: Industrial Machinery Business



1USD=	111.10	111.04	112.99	108.31	109.07	111.47	112.91	110.00
1EUR=	122.19	130.39	133.01	133.21	130.06	129.62	128.79	125.00
1CNY=	16.21	16.63	17.08	17.08	17.13	16.37	16.33	16.20

- ✓ FY2018 Q3 remained flat YOY (increased excl. currency fluctuation), rose QOQ (industrial bearings +4%, precision -4%).
- ✓ Operating income increased YOY and QOQ, maintained 12% level.
- ✓ Demand adjustment overall is to continue, although infrastructure sectors including wind power remain solid.

Business Trend: Automotive Business

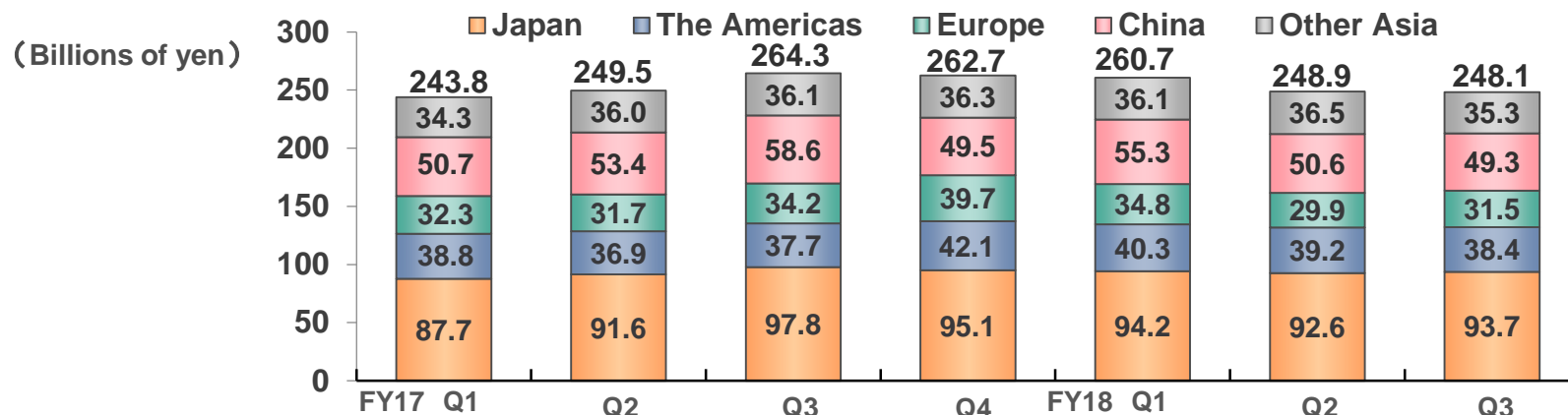


1USD=	111.10	111.04	112.99	108.31	109.07	111.47	112.91	110.00
1EUR=	122.19	130.39	133.01	133.21	130.06	129.62	128.79	125.00
1CNY=	16.21	16.63	17.08	17.08	17.13	16.37	16.33	16.20

- ✓ FY2018 Q3 QOQ: auto bearings increased (+1%), steering and AT decreased (-4%).
- ✓ Affected by decline in vehicle sales in China (YOY, Q4 forecast).
- ✓ Lowered sales forecast. Strengthen inventory control as a measure against volume decrease.

Sales Results by Customer Location

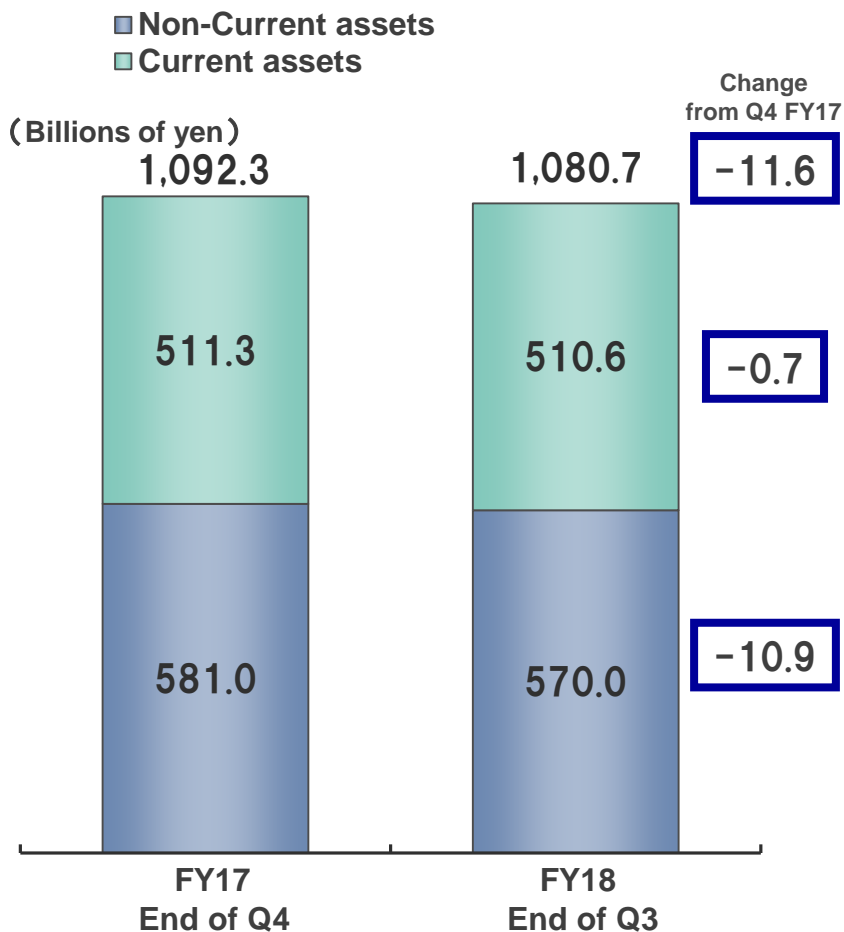
(Billions of yen)	FY2017			FY2018						Full year <Fcst>	
	Q3 <Actual>	Apr-Dec <Actual>	Full year <Actual>	Q3 <Actual>	Increase/ Decrease YOY	Difference YOY	Apr-Dec <Actual>	Increase/ Decrease YOY	Difference YOY	<Oct.>	<Feb.>
Net sales	264.3	757.7	1,020.3	248.1	-16.3	-6.2%	757.7	-0.0	-0.0%	1,010.0	985.0
Japan	97.8	277.1	372.1	93.7	-4.1	-4.2%	280.6	+3.5	+1.3%	375.5	366.5
Non-Japan	166.5	480.6	648.2	154.4	-12.2	-7.3%	477.1	-3.5	-0.7%	634.5	618.5
<Non-Japan ratio>	<63.0%>	<63.4%>	<63.5%>	<62.2%>			<63.0%>			<62.8%>	<62.8%>
The Americas	37.7	113.4	155.5	38.4	+0.6	+1.7%	117.9	+4.4	+3.9%	151.5	153.5
Europe	34.2	98.1	137.9	31.5	-2.7	-7.9%	96.2	-2.0	-2.0%	133.0	127.5
China	58.6	162.6	212.1	49.3	-9.3	-15.8%	155.2	-7.4	-4.5%	204.5	196.5
Other Asia	36.1	106.4	142.8	35.3	-0.8	-2.3%	107.9	+1.4	+1.3%	145.5	141.0



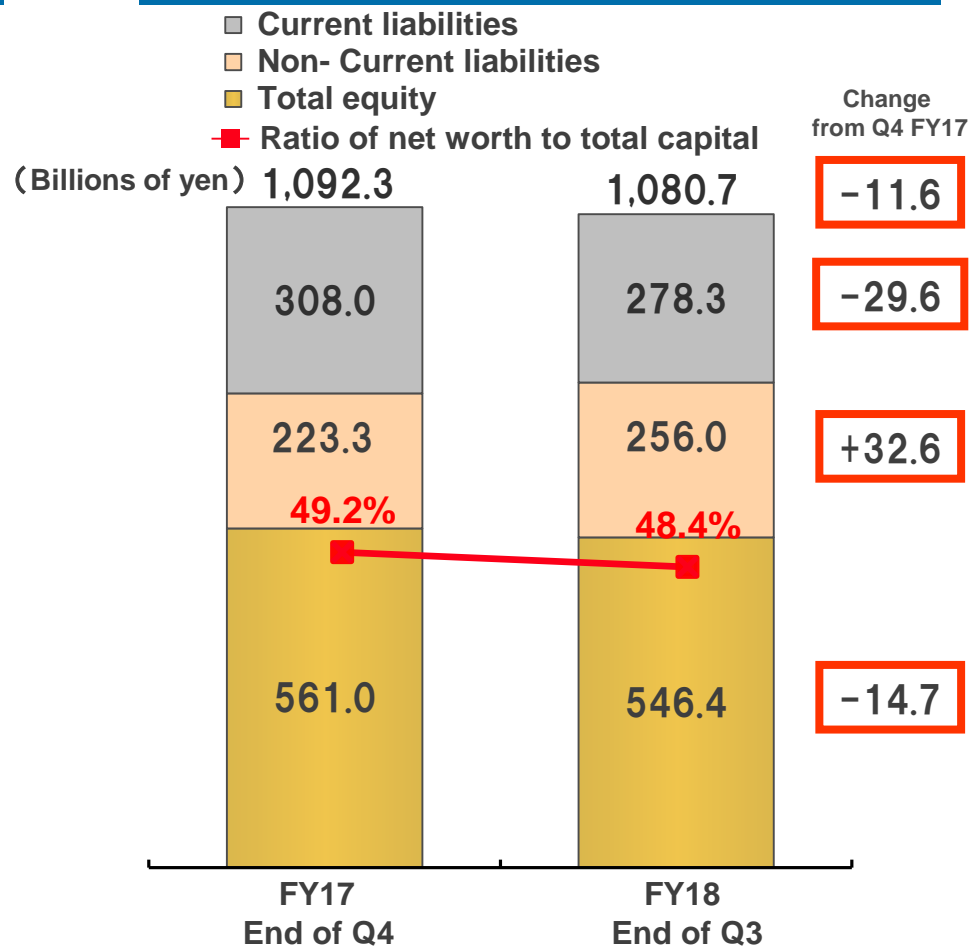
1USD=	111.10	111.04	112.99	108.31	109.07	111.47	112.91
1EUR=	122.19	130.39	133.01	133.21	130.06	129.62	128.79
1CNY=	16.21	16.63	17.08	17.08	17.13	16.37	16.33

Consolidated Balance Sheet

Assets



Liabilities / Total equity

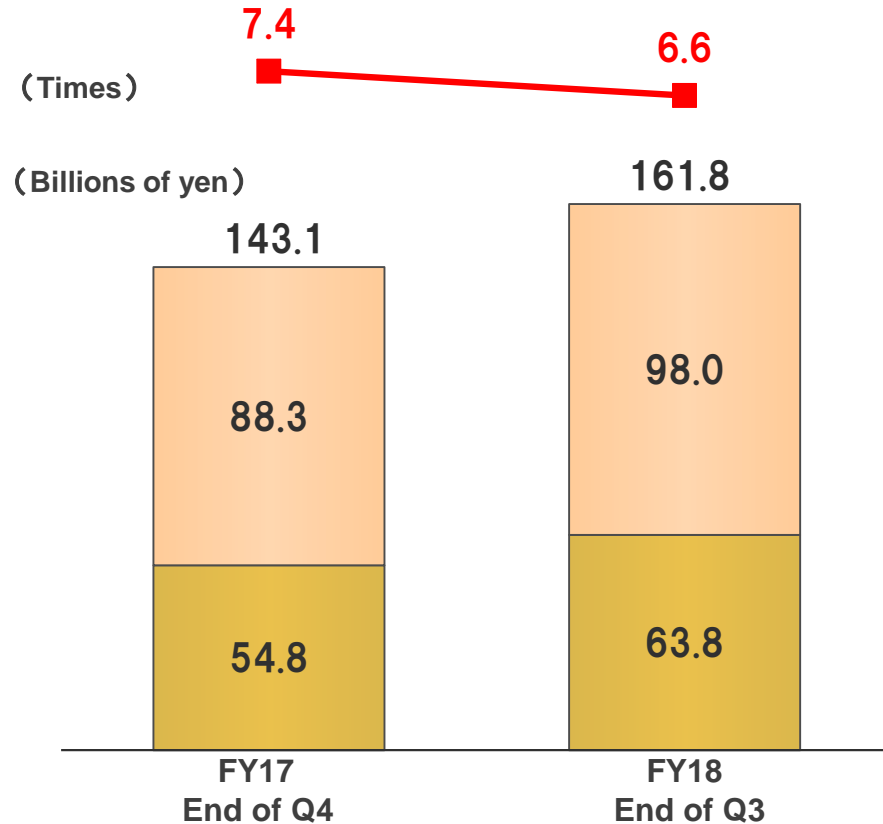


Ex. Rate	FY17 End of Q4	FY18 End of Q3
1USD=	106.27	110.91
1EUR=	130.58	126.88
1CNY=	16.92	16.14

Inventories/Interest-bearing debt

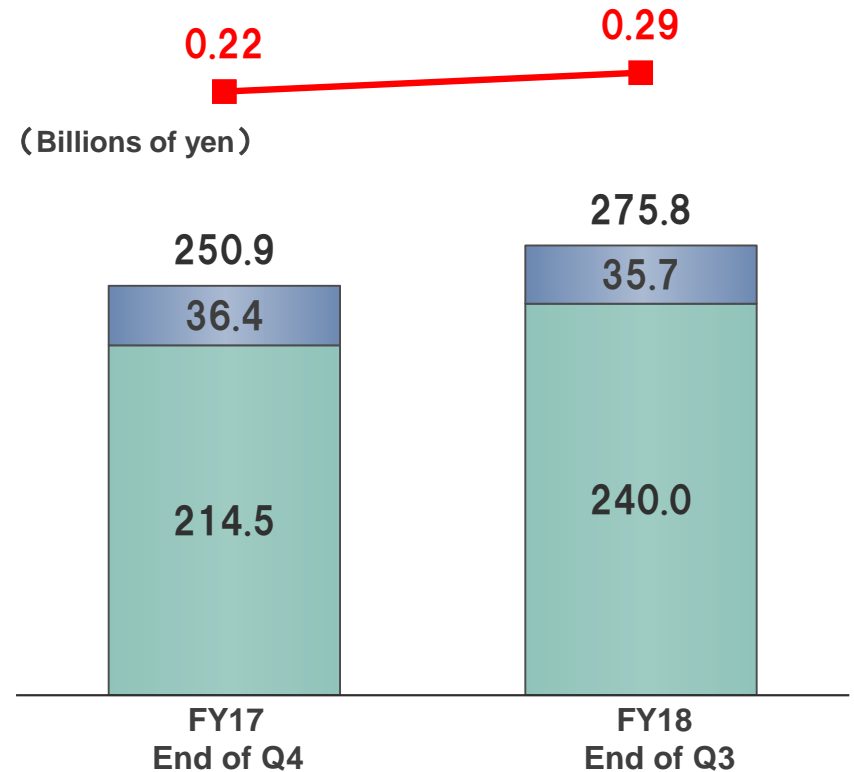
Inventories

■ Japan ■ Non-Japan ■ Inventory turnover



Interest-bearing debt

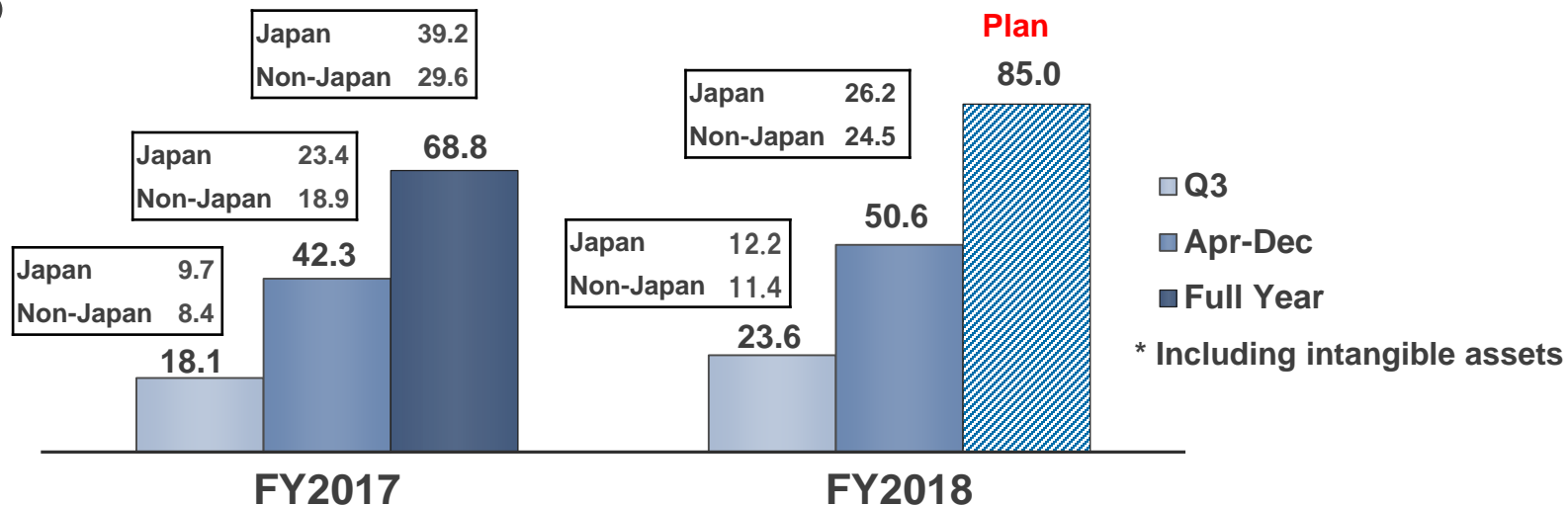
■ Japan ■ Non-Japan ■ Net D/E ratio



Ex. Rate	FY17 End of Q4	FY18 End of Q3
1USD=	106.27	110.91
1EUR=	130.58	126.88
1CNY=	16.92	16.14

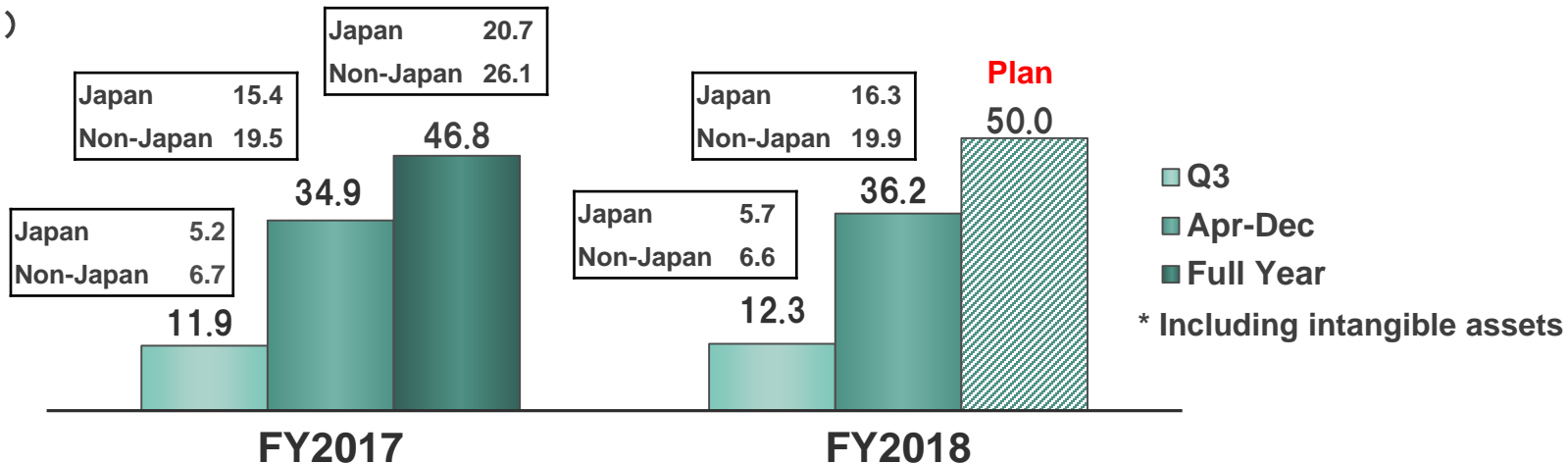
Capital Expenditure

(Billions of yen)



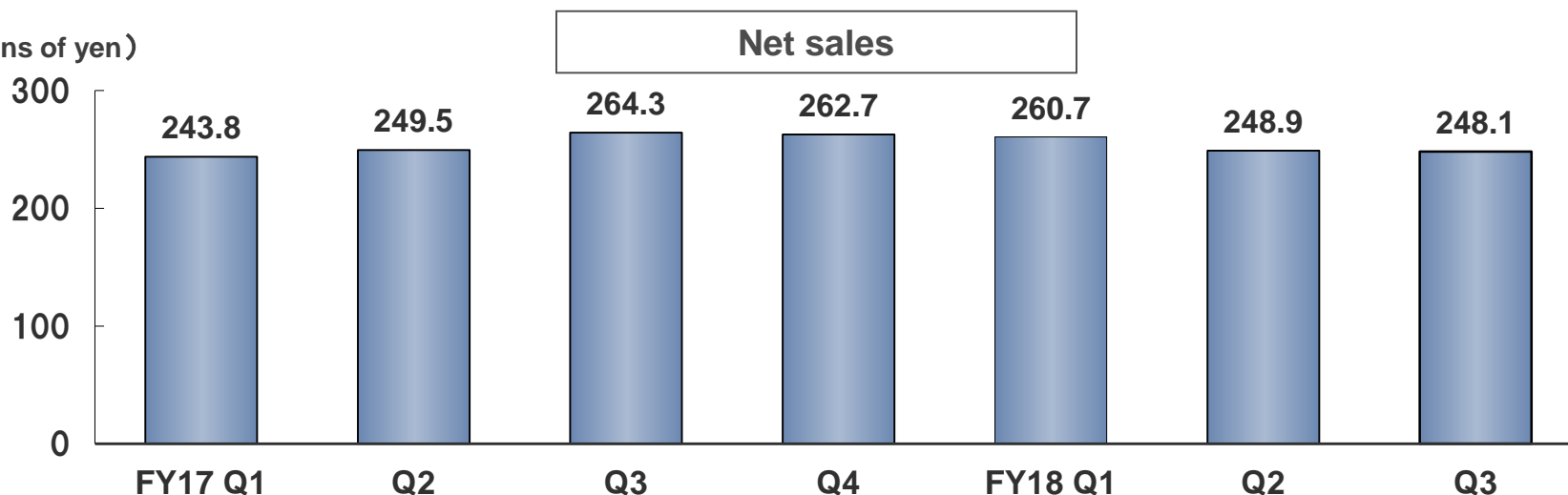
Depreciation and amortisation

(Billions of yen)



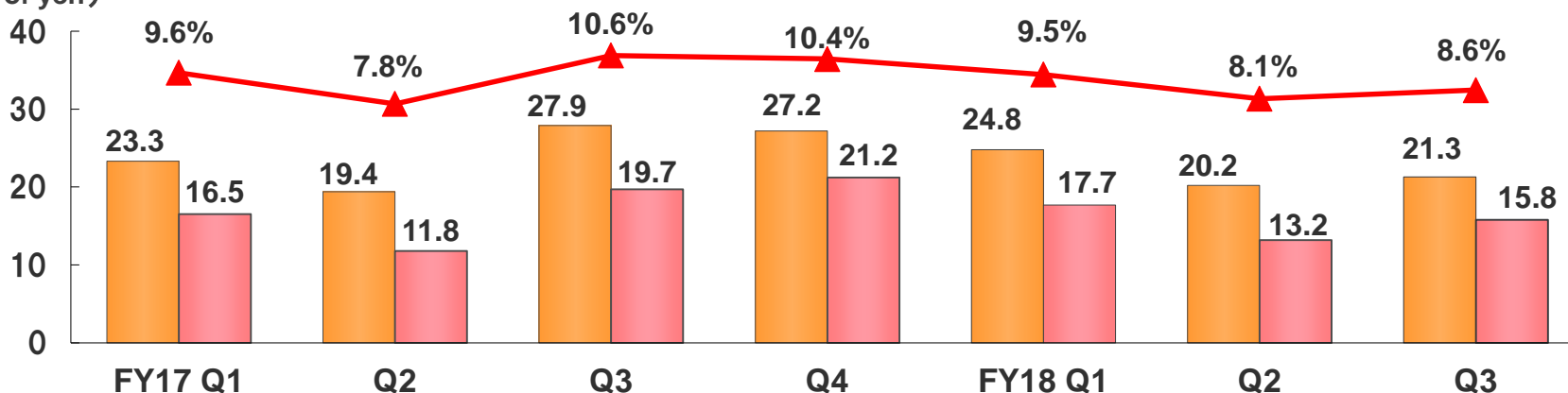
(Supplementary Information) Quarterly Business Performance

(Billions of yen)



■ Operating income
 ■ Net income attributable to owners of the parent
 ▲ Operating income margin

(Billions of yen)



1USD=	111.10	111.04	112.99	108.31	109.07	111.47	112.91
1EUR=	122.19	130.39	133.01	133.21	130.06	129.62	128.79
1CNY=	16.21	16.63	17.08	17.08	17.13	16.37	16.33

(Supplementary Information) R&D Expenses / Number of Employees

(Billions of yen)	FY2017					FY2018			
	Q1	Q2	Q3	Q4	Full year	Q1	Q2	Q3	Full year <Fcst>
R&D Expenses (on a statutory basis)	3.8	4.4	4.5	4.4	17.1	4.4	5.0	4.9	18.0
(Reference) R&D Expenses (on a managerial basis)	6.6	7.1	6.6	7.9	28.2	7.7	8.4	8.0	32.5

(Headcount)	FY2017				FY2018		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Total:	31,614	31,760	32,021	31,861	31,924	31,890	32,045
Japan	11,575	11,564	11,634	11,607	11,818	11,814	11,802
The Americas	3,048	3,087	3,103	3,080	3,127	3,120	3,107
Europe	3,695	3,674	3,806	3,908	3,994	4,104	4,291
Asia	13,296	13,435	13,478	13,266	12,985	12,942	12,845