

NSK HPS

# Deeper into the Market

Annual Report 2012

Year ended March 31, 2012

# Mission Statement

NSK aims to contribute to the well-being and safety of society and to protect the global environment through its innovative technology integrating MOTION & CONTROL.

We are guided by our vision of NSK as a truly international enterprise, and are working across national boundaries to improve relationships between people throughout the world.

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## Disclaimer

Statements made in this annual report with respect to plans, strategies, and future performance that are not historical facts 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.

This document is an English translation of "Annual Report 2012" dated August 1, 2012, that was originally prepared in the Japanese language, and it is provided for convenience purposes only. Therefore, this document does not include any event that has occurred, or has been found to have occurred, on or after August 1, 2012. NSK makes no representation or warranty that this document is a complete or accurate translation of the original Japanese text, and it is not intended to be relied upon. In the event that there is a discrepancy between the Japanese and English versions, the Japanese version shall prevail. This document is not intended and should not be construed as an inducement to purchase or sell stock in NSK.

## Annual Report 2012

NSK has prepared this annual report to further understanding among shareholders, investors, and various other stakeholders of its business results for fiscal 2011, ended March 31, 2012, and its growth strategies going forward. Although we have been developing our overseas businesses for many years, the special feature focuses on recent initiatives in China's fast-growing market.

For further information about the Company, its products, business activities, and financial position, please see NSK's web site. For further information about the Company's philosophy and initiatives relating to corporate social responsibility (CSR), please see the sustainability section of NSK's web site and NSK's CSR reports.



## Outside Agency Assessments

Social responsibility indexes (SRIs) include companies that promise long-term sustainable growth because they merit high evaluations for environmental and social contributions as well as financial performance. Moreover, a broad range of institutional investors are attributing greater importance to such companies. As of March 2012, NSK is included in four internationally recognized SRIs.

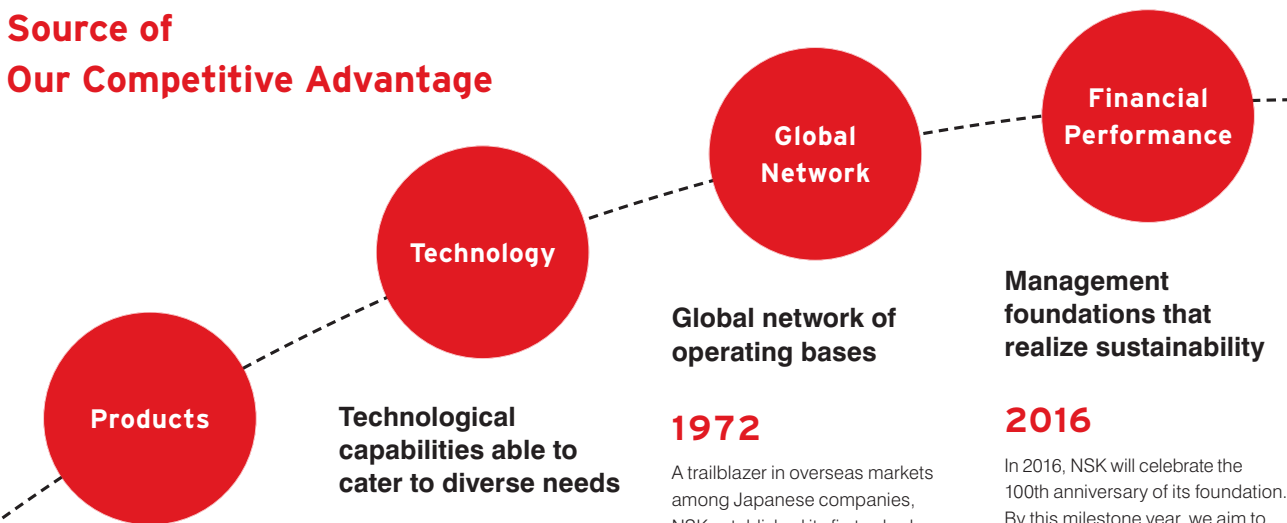


# This Is NSK

Over a history of almost one century, NSK has developed and supplied the world with a wide variety of bearings, automotive products, and precision machinery and parts. These efforts have given the Company an extensive product lineup, technological capabilities able to cater to diverse needs, a global network of operating bases, and management foundations that realize sustainability—in other words, the wellsprings of NSK’s competitive advantage.

Maintaining the MOTION & CONTROL concept of our Mission Statement as the overriding goal of our business activities, we will market products that control friction and curb energy loss with a view to facilitating the safe development of society.

## Source of Our Competitive Advantage



### Products

#### Extensive product lineup

#### 1916


This was the year that saw the establishment of NSK Ltd. (NSK) as Japan’s first bearing manufacturer. In the 1930s, we realized mass production by establishing a new plant and ramping up production capacity. Subsequently, we expanded and enriched our lineup of bearings as Japan’s economy prospered and various industries flourished, including those related to automobiles, railways, and aircraft. We also leveraged technologies fostered in bearings operations and expanded into automotive products and precision machinery and parts. Today, NSK’s diverse selection of high-quality products reliably performs crucial functions around the world, making NSK a trusted brand.

### Technology

#### Technological capabilities able to cater to diverse needs

#### 1966

Science and technology dealing with friction and lubrication, which are fundamental to bearings, began developing into a formal academic discipline called tribology in 1966. At the same time, the important role of tribology in industrialized societies became widely acknowledged. At NSK, tribology is at the heart of our technology and advanced product development. Along with material engineering, analysis technology, and mechatronics, tribology is one of the four core technologies comprising our technological base and a major source of products that cater to diverse requirements.

 For an explanation of our four core technologies, please see page 30.

### Global Network

#### Global network of operating bases

#### 1972

A trailblazer in overseas markets among Japanese companies, NSK established its first sales base outside Japan in 1962. Subsequently, in 1972, we began manufacturing bearings at the Suzano Plant in Brazil, which has become an integral part of the local community over 40 years. We then developed production, sales, and technology base networks worldwide. As well as expanding in the Americas and Europe, from the mid-1990s we stepped up the pace of business development in China and other parts of Asia. Today, we have operating bases in 27 countries.

### Financial Performance

#### Management foundations that realize sustainability

#### 2016

In 2016, NSK will celebrate the 100th anniversary of its foundation. By this milestone year, we aim to grow net sales to ¥1 trillion. However, we do not intend to reach this target simply by increasing operational scale. We will sustain growth and establish a corporate profile that earns us recognition as a globally excellent company by heightening profitability and efficiency, stability, and growth potential while evolving to meet society’s expectations in areas such as corporate governance, CSR, and environmentally aware business management.



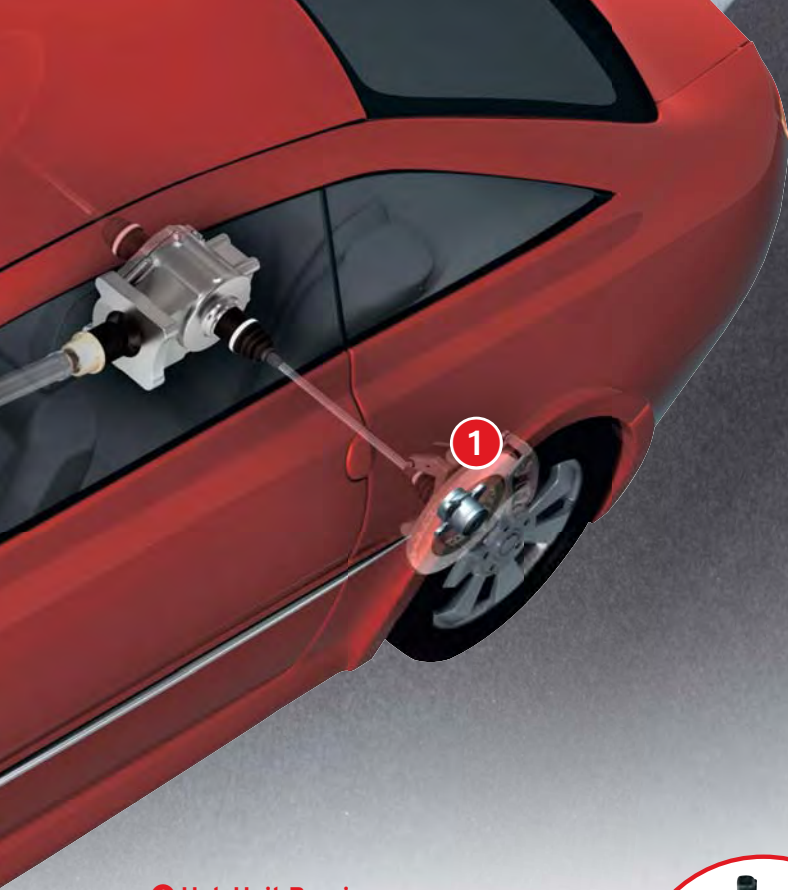


In a single car,

**150** bearings

In this modern era, automobiles have become an essential part of our daily lives, and automobile production is thus expected to continue rising around the world, particularly in emerging countries. One car generally contains between 100 and 150 bearings. NSK provides these bearings along with a wide range of other automotive components including automatic transmission related-components, steering columns and joints, and electric power steering (EPS) systems. NSK has become a globally recognized brand for automotive components and is supporting the driving, steering, and braking functions of vehicles by supplying such components.

The automotive industry is undergoing drastic changes as demand for more compact and fuel-efficient vehicles rises and as hybrid vehicles and electric vehicles become increasingly common. NSK will quickly respond to the demand created by these changes and is committed to keeping cars driving safely and comfortably into the future.



### 1 Hub Unit Bearings

Hub unit bearings are a key component in automobile wheels, as they prevent water and mud from entering the wheel under a wide variety of driving conditions. These important components must be both long lasting and light in weight. NSK's hub unit bearings feature superior durability and can meet customer expectations in terms of weight, fuel efficiency, and modularity. These products continue to support smooth driving.



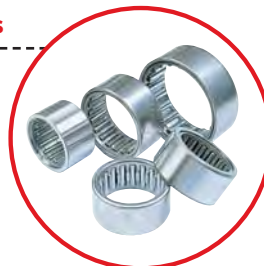
### 2 Transmission Components

Automatic transmissions must efficiently transmit mechanical power from the engine of an automobile to its wheels, and they also must provide smooth acceleration and deceleration. NSK offers a range of automatic transmission components that utilize its sophisticated tribology technologies to limit friction and achieve smooth driving with minimal energy loss.



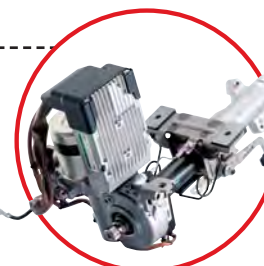
### 3 Engine Parts and Electrical Accessories

Engines could be considered the "heart" of an automobile. The components used in engines must be able to withstand extreme temperatures and vibration and operate under other harsh conditions. High reliability and durability are therefore imperative. Additional demand is also placed on engine components as the development of highly efficient engines for conventional gasoline and diesel vehicles accelerates with the aim of improving fuel efficiency. NSK is expanding its lineup of high-efficiency products that meet the high standards of this new era of automobiles.



### 4 Electric Power Steering

NSK first began mass production of EPS systems in the late 1980s. As environmental awareness rises, rapid growth has occurred in the number of vehicles equipped with EPS systems, which help improve fuel efficiency, are quiet and easy to install, do not require the disposal of used oil, and boost safety through software control. NSK has particular expertise in providing EPS systems for compact vehicles, a strength it is leveraging to further the spread of EPS.



### Steel Plant Facilities

Bearings used in steel plants must be highly reliable and long lasting since they must be able withstand to harsh operating conditions such as heavy loads, high temperatures, rapid movement, water, and contamination. NSK has developed an intimate understanding of the needs of the steel industry, based on which it has created sealed roll neck bearings and other revolutionary products. Going forward, we will further cement our standing as the world's No. 1 supplier of bearings to the steel industry.



### IT Equipment

Hard disk drives (HDDs) are widely used in personal computers and car navigation systems. The actuator arms that read magnetic data in HDDs use a pivot unit, consisting of miniature bearings and precision formed components, as a fulcrum. Leveraging its breadth of technological and other expertise fostered through bearing manufacturing, we are developing higher-quality, lower-cost products with precision that enables movements in HDDs to be controlled with accuracy on the micron level.



### Semiconductors

Semiconductors are found in countless devices with which we interact on a daily basis, including personal computers and mobile phones. A number of NSK's bearings and precision machinery and parts are used in manufacturing these key components, and we are working to respond to the diversifying needs for semiconductor manufacturing equipment, such as those relating to precision, speed, durability, and eco-friendliness.



# In space for **15** years

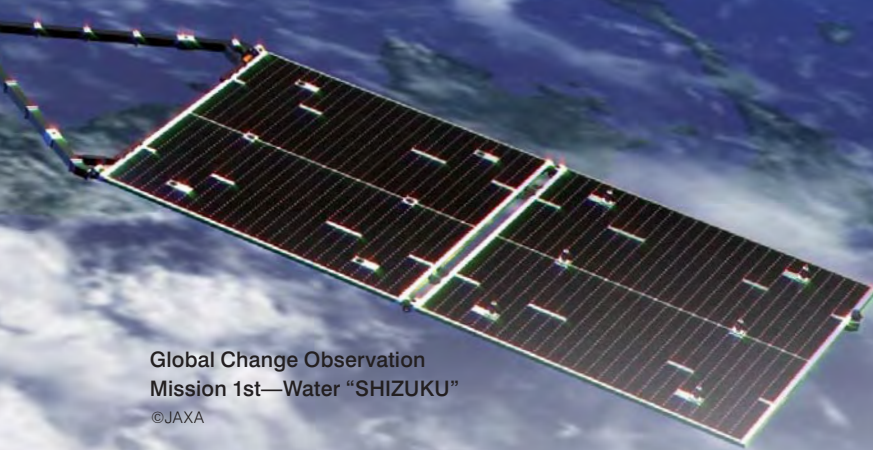
It has been more than 50 years since Yuri Gagarin took humanity's first trip into space in 1961. Since then, aerospace development has come to embody the dreams and hopes of the human race. Successful aerospace ventures cannot be conducted without bearings and precision machinery and parts, and NSK has been developing and supplying such products for use in space since the 1980s. Our products are currently being put to work in the Japanese experiment module "Kibo" on the international space station, the Greenhouse Gases Observing Satellite (GOSAT) "IBUKI," launched in January 2009, and the Global Change Observation Mission 1st-Water (GCOM-W1) "SHIZUKU," launched in May 2012.

Aerospace projects are national projects that require vast amounts of funding meaning failure is never an option. The bearings and precision machinery and parts used for these projects must survive extreme conditions that differ greatly from those seen on Earth. It is absolutely essential that these components possess superior levels of longevity and reliability since they are forced to withstand the vacuum of space, a low-gravity environment, while exposed to severe temperature differences and bombarded by cosmic rays. The super precision bearings used in the wheels that satellites employ to control their attitude must last throughout the 10-to-15-year lifespan of the satellite and continue to operate in space without breaking down. NSK possesses the superior technologies needed to create such components that help satellites operate stably.



H-IIA Launch Vehicle

©JAXA



Global Change Observation Mission 1st—Water "SHIZUKU"

©JAXA

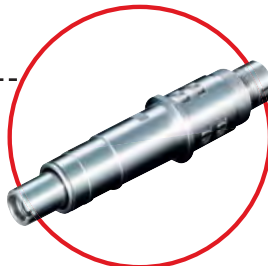
**1 High-Performance Wheel Bearing for Satellite Attitude Control**

The wheels on the satellites, which utilize the rotation of a rotating mass, are very important components, since they control the position and orientation of the satellites. As satellites become more sophisticated, higher performance is required for the bearings used in wheels. These wheels now rotate at up to 6,000 times per minute, and must achieve lower levels of vibration and torque than ever to maintain their performance. NSK's core tribology, material engineering, and analysis technologies succeed in achieving such high levels of reliability.



**2 Ball Screw for Vectored Propulsion Nozzle for H-IIA Launch Vehicle**

Liquid-fueled H-IIA launch vehicles are commonly used to launch satellites into orbit. The actuators used to control the direction of propulsion of these launch vehicles employ NSK's ball screws for vectored propulsion nozzles. The specification for positioning capabilities is exceptionally high for such systems installed in these launch vehicles, which have to carry heavy loads to space ensuring trajectory control accuracy. In this kind of aerospace application, NSK's ball screws contribute to impeccable positioning motion, which leads to successful escape of the vehicles against the Earth's atmosphere. NSK stringently selects ideal materials and lubricants, and furthermore utilizes appropriate processes including heat treatment, precision machining and finishing, comprehensively covering high astronomic demands.



**Precision to the Degree of 1/10,000 mm**

Machine tools are used to create a number of industrial goods that have become fixtures in our lives, ranging from consumer electronics and mobile phones to automobiles and airplanes. These tools must be able to manipulate steel, aluminum, and other metals, as well as precision-formed components, with precision accurate to the degree of 1/10,000 mm. NSK develops and provides super precision bearings and precision machinery and parts, which meet the required high-speed, high-precision, and high-rigidity specifications for machine tools, and contributes to the performance of machine tools.



**Smooth Operation at Speeds of 300 km per Hour**

Shinkansen bullet trains transport people safely over long distances at high speeds. Since these trains were first built 50 years ago, NSK has continued to provide bearings. The bearings used in the Shinkansen, which can travel at speeds of more than 300 km per hour, need to be tough enough to withstand the impact of rails while spinning at high speeds with minimal loss. NSK is developing and providing smaller, lighter, and faster bearings with longer maintenance cycles to keep Shinkansen trains running safely and smoothly.

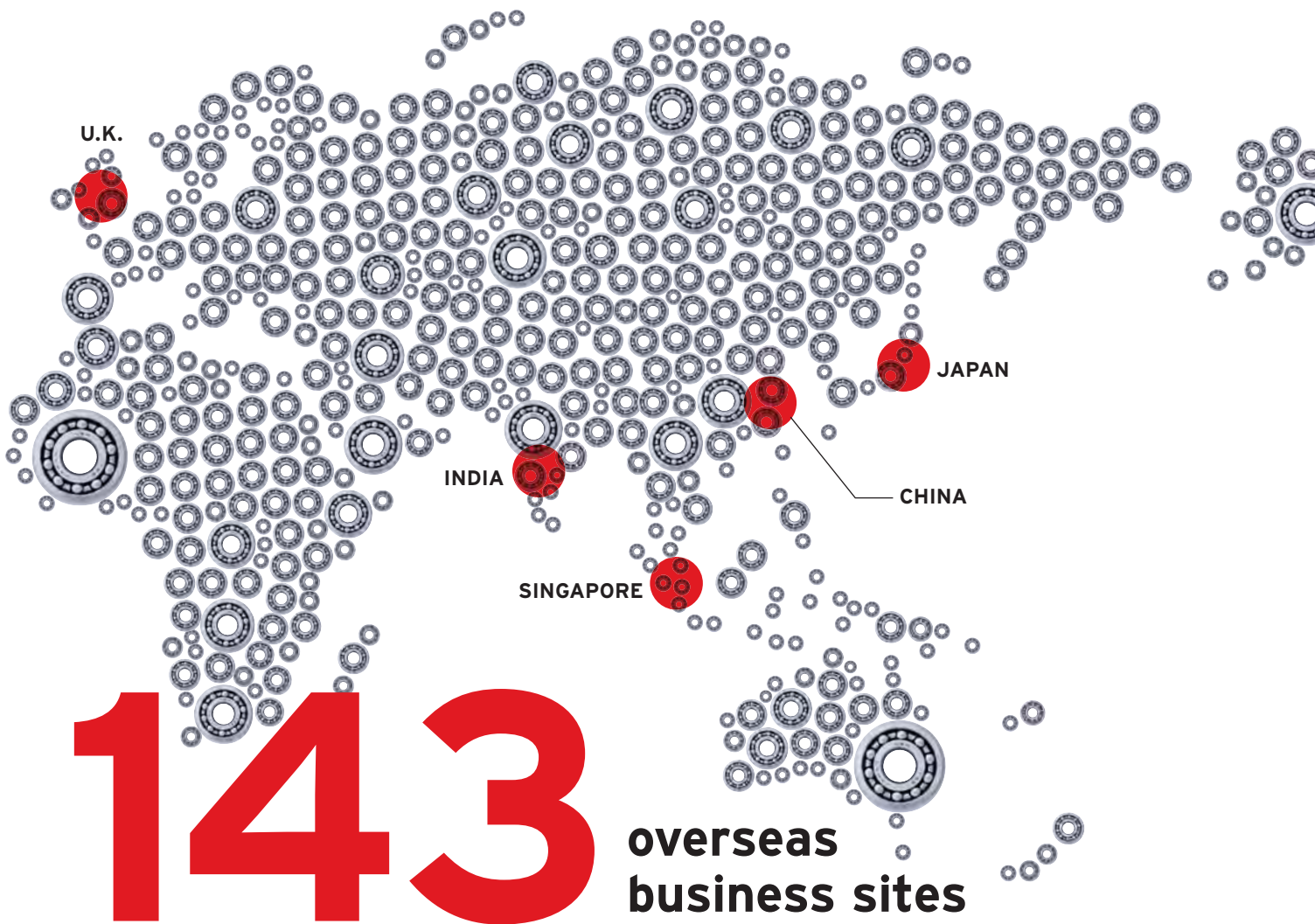


**Reducing Friction Loss by 1/2**

Motors are a source of power for various forms of industry. As movements to reduce CO<sub>2</sub> emissions and energy usage advance around the world, there is a drive to improve the efficiency of motors, which use approximately 50% of all electricity consumed in Japan. Accordingly, bearings need to reduce friction even further to contribute to this efficiency. Through the optimization of designs, NSK has succeeded in developing energy-efficient bearings for motors that reduce friction loss by one-half. By reducing the electricity used by motors, we are contributing to protect the global environment.

Global Network

Since becoming the first company to manufacture bearings in Japan, NSK has provided high-quality bearings and catered to an increasingly diverse range of areas as society has evolved. After World War II, Japan's economic growth fueled significantly higher demand for bearings. Meanwhile, as Japanese products spread overseas, Japan's reputation for quality grew, and demand for bearings made in Japan rose accordingly. Setting its sights on expanding its business and becoming a company trusted worldwide, NSK began developing bases overseas from the early 1960s. At present, we have operating bases at 208 locations in 28 countries centered on Japan, the Americas, Europe, and Asia. Through this global network, NSK meets the needs of many different industries worldwide.

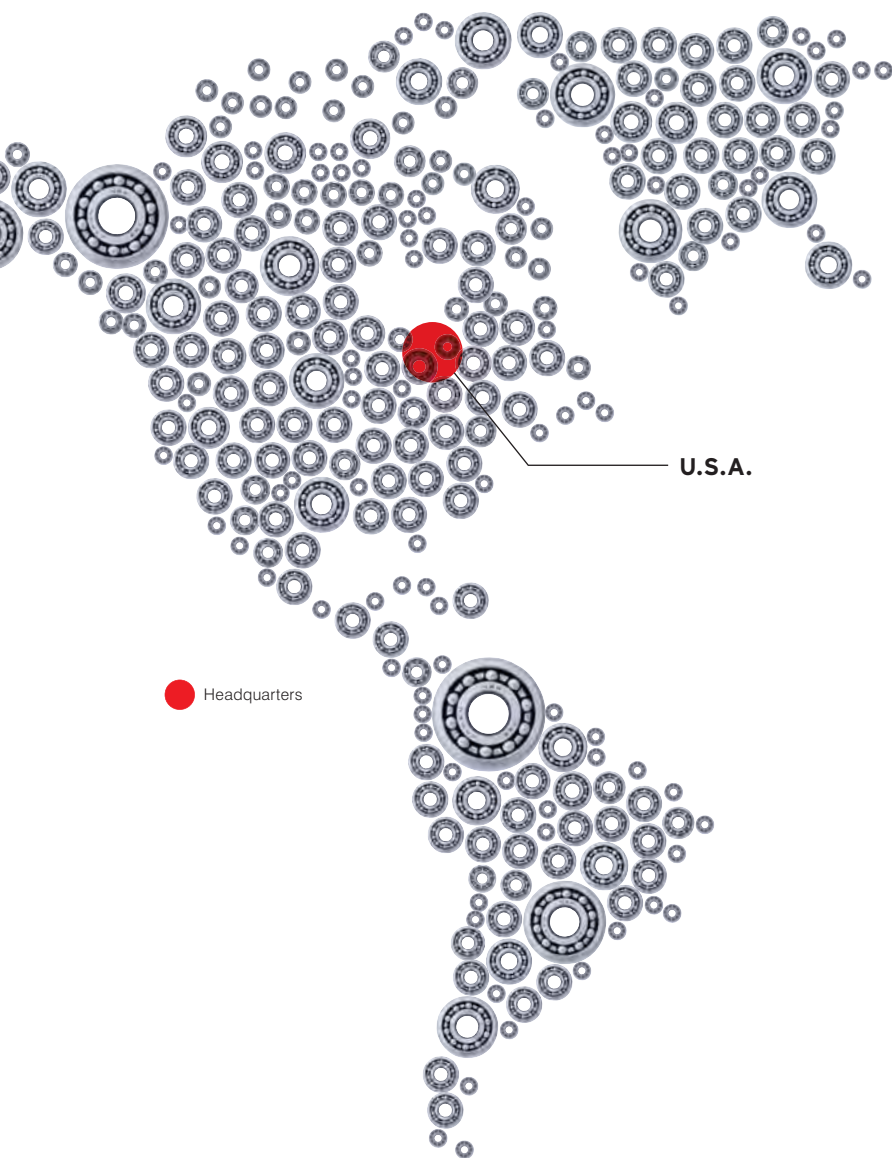


Number of Sites by Region (As of March 2012)

EUROPE / AFRICA	THE AMERICAS	ASIA / OCEANIA
U.K.	U.S.A.	Thailand
Germany	Canada	Singapore
France	Mexico	Indonesia
Italy	Brazil	Malaysia
Spain	Peru	Philippines
Poland	Argentina	Vietnam
Norway		India
Turkey		Australia
South Africa		New Zealand
		Japan
		China
		South Korea
		Taiwan

- Headquarters..... 6
- Production site..... 62
- Sales site..... 118
- R&D center ..... 14
- Representative office ... 8





## 16,181 people

NSK's operating bases around the world employ 27,444 people as of March 31, 2012. Of these, approximately 60%, or 16,181, work overseas. Although our work force comprises employees with different nationalities and cultures, each individual adheres to NSK's Mission Statement by contributing to operational management that is rooted in local communities.



Globalization has made localization key for strengthening NSK's competitiveness. With this in mind, we aim to localize manufacturing, sales, technology, and management divisions in each region in order to enhance profitability and accelerate operational management. As part of this effort, we send employees from each region to Japan for training, and we are promoting exchanges and communication among personnel from different regions.

In addition to the NSK Management College in Japan, in fiscal 2011 we established the NSK Global Management College, which is tasked with the ongoing training of personnel that manage our overseas subsidiaries.

### Related Article



To provide examples of NSK's overseas development, the special feature focuses on the Company's initiatives in the Chinese market.

Financial Performance

NSK Ltd. and Consolidated Subsidiaries

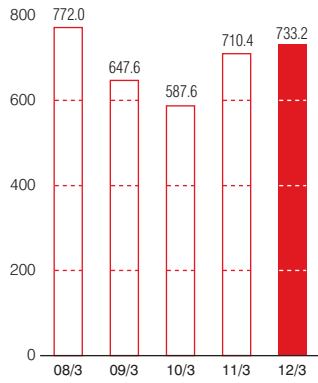
Higher Sales and Profits in a Challenging Business Environment

In the first half of the year ended March 31, 2012, sales in the Automotive Business slumped due to the Great East Japan Earthquake, although the Industrial Machinery Business recorded solid results, supported by economic growth in emerging countries. In the second half of the year, economic growth in China slowed and the flooding in Thailand had an adverse effect on NSK's business. However, a recovery in automotive manufacturing offset sluggish demand for industrial machinery, and for the full fiscal year NSK recorded higher sales and profits for the second consecutive year.

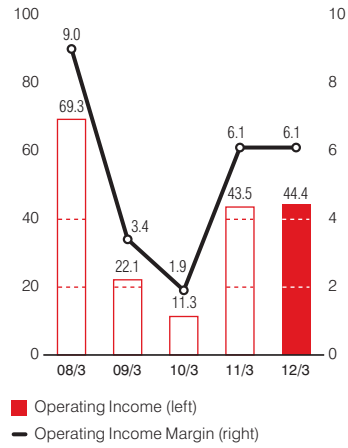
Years ended March 31	Millions of yen Unless otherwise specified			Percent change	Thousands of U.S. dollars
	2012	2011	2010		2012
<b>FOR THE YEAR</b>					
Net sales	¥733,192	¥710,431	¥587,572	3.2%	\$8,941,366
Gross profit	148,184	147,478	104,829	0.5	1,807,122
Operating income	44,417	43,524	11,305	2.1	541,671
Net income	28,514	26,110	4,765	9.2	347,732
Capital expenditures (excluding intangible assets)	50,268	38,747	19,829	29.7	613,024
Depreciation and amortization	35,807	34,943	37,149	2.5	436,671
R&D expenditures	10,373	10,515	8,794	-1.4	126,500
<b>AT YEAR-END</b>					
Total assets	845,073	788,626	789,624	7.2	10,305,768
Net assets	299,066	275,269	264,688	8.6	3,647,146
Interest-bearing debt	296,750	274,585	304,937	8.1	3,618,902
Number of employees (persons)	27,444	26,334	24,633	—	—
<b>CASH FLOWS</b>					
Cash flows from operating activities	57,158	64,973	51,108	-12.0	697,049
Cash flows from investing activities	(56,090)	(33,348)	(29,355)	—	(684,024)
Cash flows from financing activities	14,637	(32,966)	(24,956)	—	178,500
Cash and cash equivalents at end of the year	135,307	120,333	123,437	12.4	1,650,085
<b>PER SHARE (Yen, U.S. dollars)</b>					
Net income	52.75	48.30	8.82	—	0.643
Net assets	518.56	475.45	458.65	—	6.324
Cash dividends	12.0	11.0	8.0	—	0.146
<b>RATIOS</b>					
Operating income margin	6.1%	6.1%	1.9%	—	—
ROA	3.5%	3.3%	0.6%	—	—
ROE	10.6%	10.3%	2.0%	—	—
Net D/E ratio (times)	0.58	0.60	0.73	—	—

Note: The amounts represented in dollars appearing in this annual report refer to U.S. currency. Yen amounts have been translated at the rate of ¥82 = U.S.\$1.00, the approximate exchange rate on March 31, 2012, solely for the reader's convenience. For more detail, please refer to the Eleven-Year Summary on page 38.

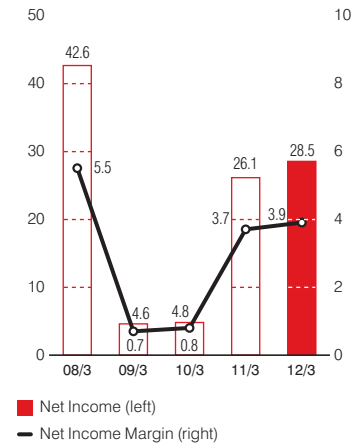
**Net Sales**  
(¥ Billions)



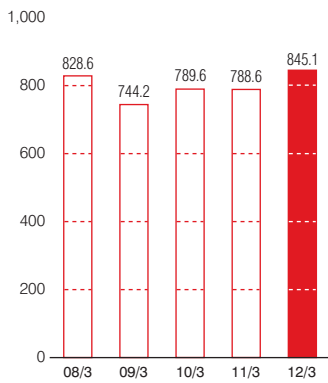
**Operating Income**  
**Operating Income Margin**  
(¥ Billions / %)



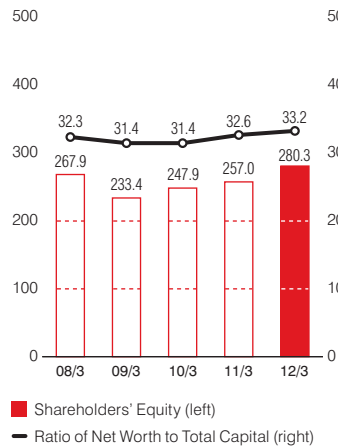
**Net Income**  
**Net Income Margin**  
(¥ Billions / %)



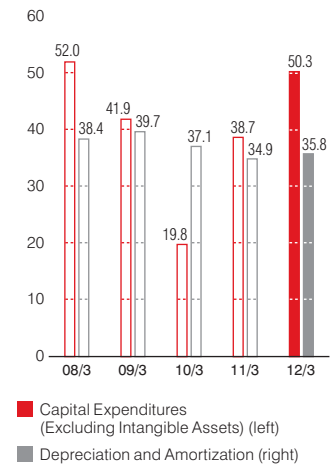
**Total Assets**  
(¥ Billions)



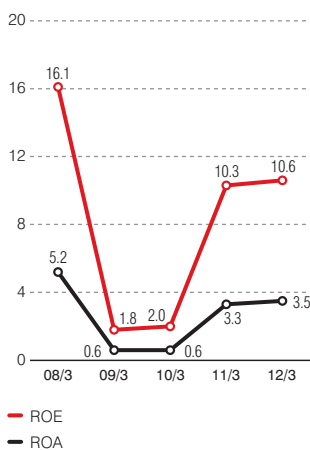
**Shareholders' Equity**  
**Ratio of Net Worth to Total Capital**  
(¥ Billions / %)



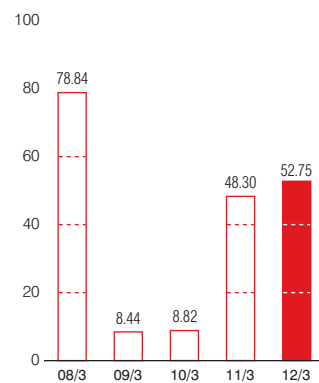
**Capital Expenditures**  
**Depreciation and Amortization**  
(¥ Billions)



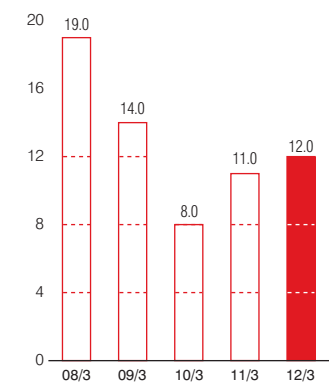
**ROE / ROA**  
(%)

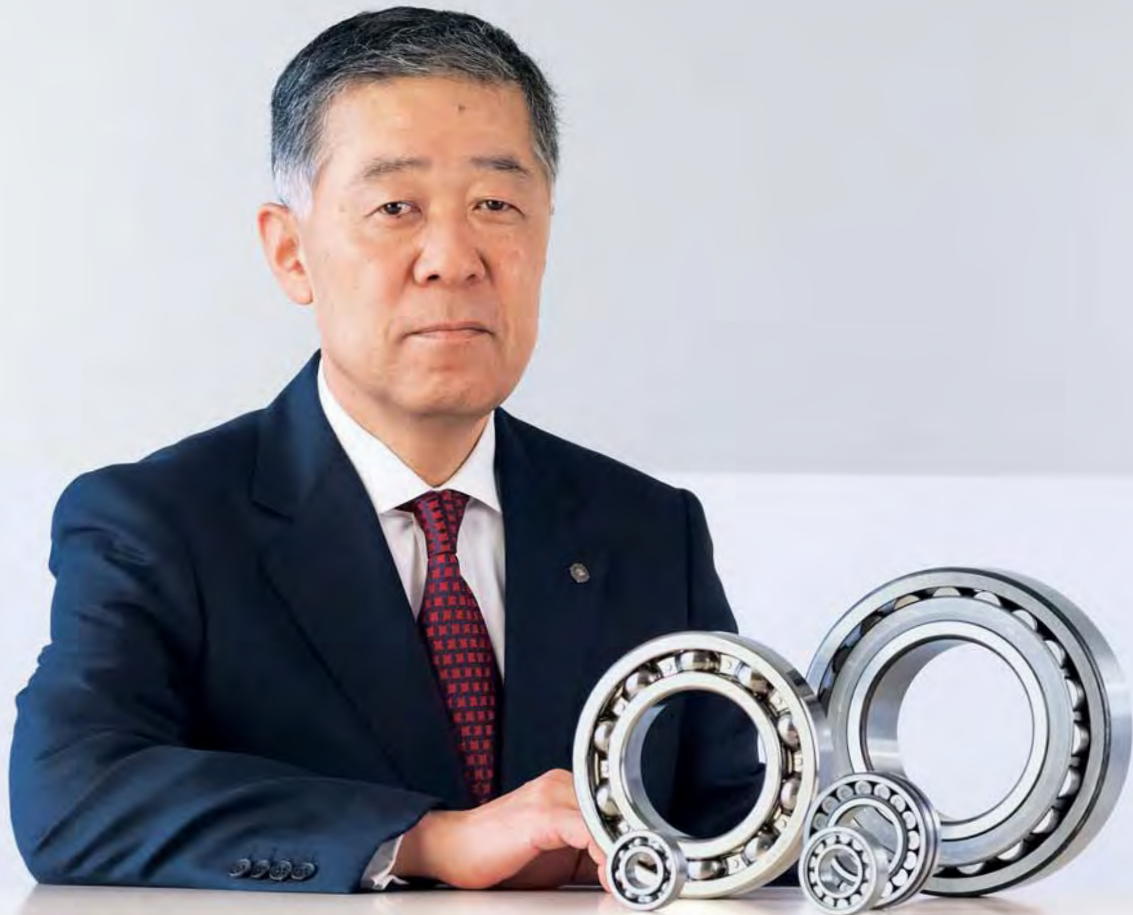


**Net Income per Share**  
(Yen)



**Cash Dividends per Share**  
(Yen)





**We will remain focused on the numerical targets set in our mid-term plan and rigorously implement measures to bolster our production capability and strengthen our organizational makeup. In this way, we will strive to achieve net sales of ¥1 trillion—and to establish an organizational makeup that is appropriate for a company of that size—by 2016, when NSK will mark the 100th anniversary of its establishment.**

On June 14, 2012, the Company, its former officers and its former employee were prosecuted for a violation of the Antimonopoly Act of Japan by the Tokyo District Public Prosecutors Office. I offer the most sincere apologies for the great deal of concern caused to our shareholders and other stakeholders regarding this matter. As the leader of the management team, I regard this situation with the utmost solemnity and sincerity; accordingly, I will take the lead and devote every effort to implement measures to strengthen our compliance so that we can regain trust as quickly as possible.

In the year ended March 31, 2012, our business activities were significantly affected by large-scale natural disasters: the Great East Japan Earthquake and the flooding in Thailand. Due to slowing economic growth in emerging countries and to the fiscal and financial crises in Europe, the global economic situation became increasingly uncertain. In addition, Japanese companies faced a number of challenging issues, such as the extreme strength of the yen and electricity shortages. In this operating environment, we worked to maintain stable supply conditions in accordance with changes in production by our customers, to ensure quality in various supply chain scenarios, and to increase sales and profits. As a result, we recorded higher sales and profits for the second consecutive year. One key factor in this performance was strong sales in the Industrial Machinery Business in the first half of the fiscal year. There was solid demand for products for machine tools and construction equipment, mainly in emerging countries. In addition, during the second half, the recovery of automotive manufacturing following the earthquake led to a pickup in the Automotive Business.

The year ending March 31, 2013 is the final year of the mid-term plan that we announced in November 2009. Looking at the operating environment, while situations in Japan remain difficult, economic conditions are gradually recovering with support from reconstruction-related demand. On the other hand, conditions in the global economy are expected to remain uncertain. It appears that some time will be required to resolve the problems in Europe, and despite the fact that business conditions in the United States are relatively firm, a strong recovery is not expected. In addition, economic trends in China do not support an optimistic outlook. Our forecast for net sales in the year ending March 31, 2013 is ¥780.0 billion, which is in line with the target set in the mid-term plan. On the other hand, we are forecasting operating income of ¥50.0 billion, which is less than the mid-term plan target of ¥66.0 billion. The principal reason is the appreciation of the yen. However, to succeed in global competition, we must build a profit structure that can withstand currency fluctuations. To that end, we will increase our overseas production ratio, reduce direct costs through localization and local procurement, increase the efficiency of existing facilities, and take steps to boost our production capability, such as expanding our supply chain base. In these ways, we will do our utmost to come as close as possible to our mid-term targets for strengthening our organizational makeup.

In our mid-term plan, we identified expanding our business base in China and increasing sales of electric power steering (EPS) as pillars

of our growth strategy. In the past year, we made strong progress with these initiatives. In China, our production bases have been concentrated in coastal areas. In the fiscal year under review, we opened two plants in Shenyang, Liaoning Province in the northeast, one for ball screws and the other for large bearings. In China's inland region, in October 2012 we will start production of standard-size ball bearings at our 12th production base in China, in Hefei, Anhui Province. In addition, on the sales front we continued to expand our sales bases and our distributor network. In technology, at the R&D base that we relocated and upgraded in 2009, we enhanced the design development function and improved customer service. Our sales in China have increased to the ¥100.0 billion level—the target set out in the mid-term plan—and establishment of a strategy for further expansion will be the theme of our next mid-term plan.

With regard to EPS systems, sales are expanding at a pace that will exceed the mid-term plan's target of ¥140.0 billion. For the year ending March 31, 2013, we expect sales of EPS systems to surpass ¥150.0 billion. In addition to our sales to Japanese automakers, we have expanded our business to include European automakers as well. For production bases, we expanded our capacity in China, India, and Thailand in addition to Japan, Europe, and the United States. Moreover, we have divided our technological development organization into two divisions, one to handle EPS mass production projects and one to specialize in advanced development. Further, together with Toshiba we have established a joint venture company to develop electronic control technologies for EPS systems. Through these measures, we have enhanced our development capabilities.

We are currently in the process of creating the next mid-term plan, which will cover the three-year period starting in the year ending March 31, 2014. In this plan, we will outline specific measures to reach our goals of achieving net sales of ¥1 trillion in 2016, when NSK will mark the 100th anniversary of its establishment, and of establishing an organizational makeup worthy of a ¥1 trillion company. As we move forward, we will continue to follow our growth strategy based on the optimal allocation of management resources. We will implement measures to strengthen our profit structure so that we can succeed amidst intensifying global competition. Moreover, we will rebuild and strengthen our highly transparent governance and compliance systems, which will support the initiatives mentioned above. In these ways, we will strive to increase our corporate value.

I would like to ask for the continued understanding and support of our shareholders, investors, and other stakeholders.

July 2012



Norio Otsuka  
President and Chief Executive Officer

**Norio Otsuka**  
President and  
Chief Executive Officer



**NSK succeeded in addressing major changes in its operating environment and achieved higher sales and profits for the second consecutive year. The initiatives of the mid-term plan are steadily beginning to produce results. In the year ending March 31, 2013, the final year of the plan, the Company will bolster its measures to resolve major challenges and prepare for the next mid-term plan.**

**Q1**

**What were the Company's results in the year ended March 31, 2012?**

**A1**

**Our operating environment was extremely unstable during the year, reflecting the impact of the Great East Japan Earthquake, the flooding in Thailand, and the higher than expected appreciation of the yen. The Company's results were led by the Industrial Machinery Business in the first half of the year, and by the Automotive Business in the second half. We achieved higher full-year sales and profits for the second consecutive year.**

In an extremely unstable operating environment, reflecting the impact of the Great East Japan Earthquake, the flooding in Thailand, and the higher than expected appreciation of the yen, we achieved higher sales and profits for the second consecutive year.

In the first half of the fiscal year, the earthquake had a significant effect on demand in the Automotive Business. Automakers reduced production substantially, especially in the first quarter, as a result of significant disruption in the supply of parts due to the breakdown of the supply chain. Production subsequently recovered at a rapid pace from the second quarter, including output increases to make up for the previous production cut-backs. Although the decline in the automotive industry in the first quarter had an adverse effect on NSK's sales and profits, we recorded higher sales in the Industrial Machinery Business, where demand was comparatively robust. As a result, NSK's net sales in the first half of the year were approximately level with the first half of the previous year, declining only 0.3% year on year, to ¥351.9 billion, and operating income rose 13.0%, to ¥22.9 billion. Meanwhile, we ramped up production to accommodate growth in sales of industrial machinery and boosted production by our customers in the automotive industry. As a result, our inventories grew, which became an issue in the second half of the year.

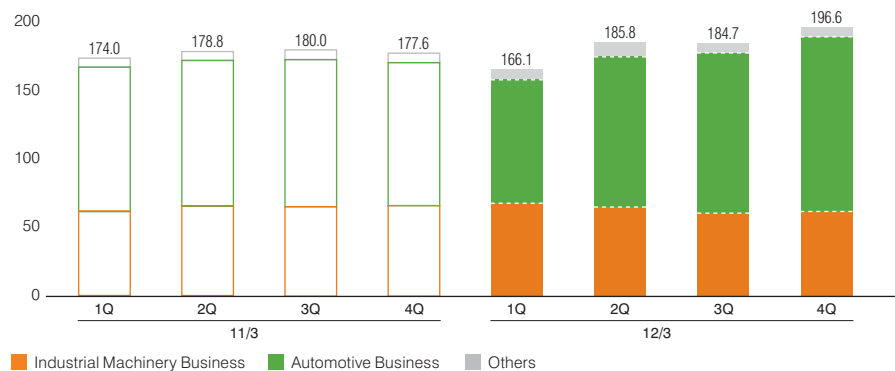
Automotive manufacturing continued to expand for a time in the second half of the year. However, the large-scale flooding in Thailand led to temporary adjustments in the recovery plans for automotive manufacturing, which had been at a high level. Overall, however, the global production of Japanese automakers in the second half of the fiscal year was up year on year. Moreover, we recorded higher sales of EPS systems. Consequently, the net sales of NSK's Automotive Business in the second half of the year increased substantially, rising 15.3% year on year, to ¥244.5 billion. Due to the influence of the strong yen, however, operating income was held to a small increase, rising 1.0% year on year, to ¥13.4 billion. On the other hand, in the Industrial Machinery Business, the decline in demand due to the rising fiscal and financial problems in Europe also affected emerging countries, such as China, and a trend toward slower economic growth started to become apparent. Consequently, the net sales of the Industrial Machinery Business in the second half of the year were down 6.8% year on year, to ¥122.7 billion, and operating income declined 12.3%, to ¥10.7 billion. Unfortunately, in the fourth quarter, we had no choice but to reduce operations at plants as a measure to decrease inventories, which had grown in the first half of the year.

In this way, due to changes in demand stemming from fluctuations in the external environment, our results were led by the Industrial Machinery Business in the first half of the year and by the Automotive Business in the second half. For the full year, in the Industrial Machinery Business net sales were down 1.3%, to ¥255.8 billion, and operating income was up 26.1%, to ¥25.7 billion. In the Automotive Business, net sales were up 4.8%, to ¥444.6 billion, and operating income declined 15.8%, to ¥22.6 billion. For the Company as a whole, net sales increased 3.2%, to ¥733.2 billion, and operating income rose 2.1%, to ¥44.4 billion.

## Quarterly Business Results

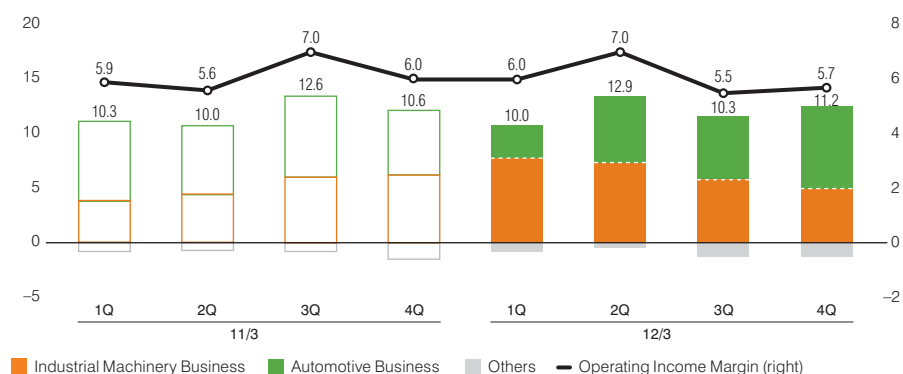
### Net Sales

(¥ Billions)



### Operating Income

(¥ Billions / %)



**Q2**

Please outline the Company's key policies for the year ending March 31, 2013.

**A2**

An important theme for the year is our commitment to achieving the profitability targets in the mid-term plan. In the Industrial Machinery Business, we will work to secure profits by expanding sales, and in the Automotive Business our operational approach will prioritize profits. In addition, as a priority issue, we will strengthen our compliance system.

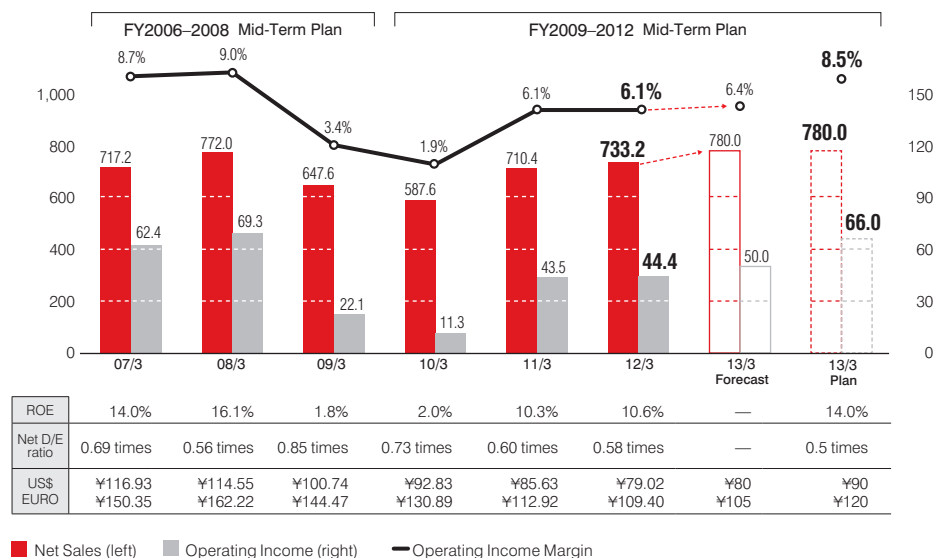
The operating environment in the year ending March 31, 2013, the final year of the mid-term plan, will be challenging. In this setting, an important theme is our commitment to achieving the profitability targets set out in the mid-term plan. By business segment, in the Industrial Machinery Business we will work to secure profits by expanding sales, and in the Automotive Business our operational approach will prioritize profits. In the Industrial Machinery Business, fluctuations in demand are comparatively large but profit levels are relatively high. In this business, it will be important for NSK to expand unit sales by making proactive technology proposals and implementing rigorous sector-based initiatives. In the Automotive Business, meanwhile, in addition to measures to increase productivity, we will work to improve procurement and design costs and continue to improve the profitability of mass-produced products. In addition, we will focus on determining costs at the mass-production preparation stage, after orders are received but before the production facilities are ready. Moreover, in an environment characterized by the sustained, extreme strength of the yen, we will continue to advance localization and local procurement initiatives.

In terms of cash flow management, an important challenge will be to increase capital expenditure efficiency and the level of inventory management. For capital expenditure, we will continue to implement strictly selected investment for the purpose of fostering growth. Although we have focused our investment on expanding capacity in the past, we will shift to take a more balanced approach, with consideration for qualitative improvements in areas such as rationalization and labor saving. In managing inventory, we will aim to improve the level of inventory stratification and to increase our inventory turnover ratio.

Overall, strengthening the compliance system is and will be our top priority. First, to strengthen our compliance, in March 2012 we established the Compliance Committee, which is an internal framework at the upper level of management. The committee formulates policies intended to strengthen the level of compliance. In order to effectively implement such policies, the committee decides on and promotes measures; furthermore, it monitors and supervises the implementation of these measures. The committee periodically reports on the results of these activities to the Board of Directors. Moreover, in July 2012 we established the Compliance Enhancement Office as a specialized organizational unit responsible for all compliance-related operations. Furthermore, we have made the necessary improvements to our internal rules. We have revised the "NSK Code of Corporate Ethics," the "NSK Corporate Governance Rules," and the "Compliance Rules," furthermore, we have also established the new "Rules for Compliance with the Competition Law." On this basis, we will work to further enhance and implement education and training for officers and employees in Japan and overseas.

**Mid-Term Plan: Progress**

(¥ Billions)



■ Net Sales (left) ■ Operating Income (right) — Operating Income Margin



**Q3**

**The Company is in the final year of the third mid-term plan, which covers a period of four years. Would you discuss the results that have been achieved to date?**

**A3**

**The plan has three pillars: growth strategy, profitability improvement, and enhancement of business-based management. We have achieved particularly good results with growth strategy, where we have succeeded in strengthening our business base in China and in increasing sales of EPS systems.**

The third mid-term plan has three pillars: growth strategy, profitability improvement, and enhancement of business-based management. One objective is to respond to two paradigm shifts: the expansion of high-volume markets termed “volume zone” and the advance of technological innovation. Another objective is to establish an operational platform to achieve ¥1 trillion in net sales. On the task of growth strategy, we have had two major successes: strengthening our business base in China and increasing sales of EPS systems.

While continuing to address the issue of profitability improvement, we have made progress. For example, we have optimized our production system in Japan and overseas, increased our overseas production ratio during the period covered by the plan from 30% to 40%, and made progress in localizing procurement, including raw materials. In the reorganization of global production sites, we have implemented a total of 150 projects, such as strengthening ball screw production capability by restructuring sites.

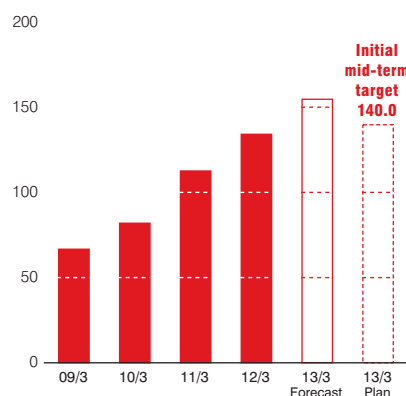
To enhance business-based management, we have revised our previous system, which comprised three product-based segments—industrial machinery bearings, automotive products, and precision machinery and parts. The new system is based on two distinct businesses—the industrial machinery and automotive businesses. Under the new system, all functions, including production, sales, and technology, are consolidated in the respective business division headquarters. This framework facilitates business management based on speedier decision-making.

In the Industrial Machinery Business, we have expanded and strengthened sector-based sales initiatives. As a result, we have succeeded in increasing sales of products for pumps and compressors. To expand our sales channels in the aftermarket sector, we have added 30 to 40 new sales distributors each year, thereby strengthening our sales foundation in regions with less coverage, as well as in emerging countries, where maintenance and repair demand is expected to increase. In the Automotive Business, one example of successful measures was our launch of products designed specifically for emerging countries, such as hub unit bearings for wheels that can withstand harsh driving conditions. Another example is the expansion of our business in the eco car field, where we recorded substantial growth in sales of bearings designed specifically for hybrid vehicles. Also, in preparation for the coming age of the electric vehicle, we established the Future Technology Development Center. We have established a system under which specialist engineers maintain constant contact with our customers' advanced development departments, and we are working to strengthen our R&D in the field of new technologies.

In addition, we have also made progress in expanding to emerging countries other than China, such as the establishment of a regional headquarters in India and a local subsidiary in Peru. Full-scale initiatives to address high volume markets will be an important theme during the next mid-term plan.

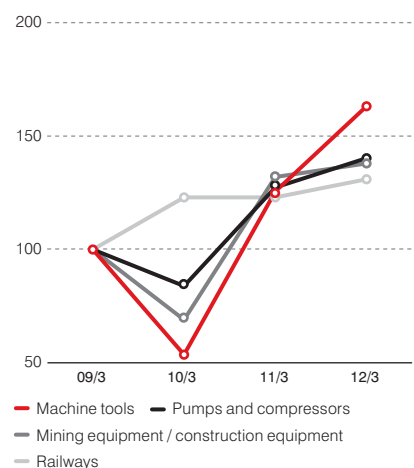
**Sales of EPS Systems**

(¥ Billions)



**Sales Indices by Sector**

(09/3 scaled to 100)



**Q4**

**Global competition is intensifying. What are your thoughts about the challenges NSK faces in markets around the world?**

**A4**

**As we continue working to boost our overseas production ratio, the optimization of our domestic production system is a key challenge. Overseas, we will implement initiatives in the Americas, Europe, and Asia that are aligned with the distinctive characteristics of each region, and we will strive to penetrate new markets. In Asia, which will be the engine of our growth, important issues include the establishment of a strategy for high-volume markets and the achievement of a balance between growth and risk.**

In Japan, the yen remains strong and the population is following a long-term declining trend. Internal demand is sluggish, and customers are expected to continue to shift their production capacity to overseas locations. In this setting, NSK is also taking steps to increase its overseas production ratio. While the optimization of our production system in Japan is an important challenge, we are also striving to improve efficiency across all functional areas, including sales, technology, and management.

In the Americas, key issues include increasing the competitiveness of our U.S. plants and enhancing our presence in Central and South America. NSK has a manufacturing base in Brazil that has been in operation for more than 40 years, and we are considered an insider in local markets and communities. We hold a high market share, and moving forward we will establish new strategies to enhance our presence in other Central and South American countries.

In Europe, dealing with the depreciation of the euro will be an important issue. Imports from Japan currently account for a high share of our sales of products for industrial machinery in Europe. Accordingly, we will consider increasing the number of products that are produced locally. In addition, in peripheral markets, such as Eastern Europe, Russia, the Middle East, and Africa, we will work to achieve further success with market development measures and to expand our sales.

Asia, which will continue to be the engine of our growth, is the most important region for NSK. The issues that we face differ slightly in each region in Asia. Although its economic growth has slowed, China will continue to play the key role in our growth over the medium term. Major issues include enhancing our status as a local insider and achieving further growth while considering alliances, including those with customers, suppliers, and other companies in the same industry. In ASEAN, which spans a diverse range of countries and markets, we will establish a strong regional headquarter function to advance operations in accordance with a comprehensive regional strategy. Enhancing the level of our growth strategy will be an important theme in these endeavors. In India, the local currency has substantially devalued, and our highest priority will be to reestablish our business foundation. In Asia overall, key issues will be determining how to address high-volume markets, establishing a strategy for these markets, and achieving a balance between growth and risk management.

**Regional Issues**

- |  |  |
|--|--|
| <b>Japan</b>                               | <ul style="list-style-type: none"> <li>• Optimize the production system</li> <li>• Increase efficiency in sales, technical services, and management</li> </ul>   |
| <hr style="border-top: 1px dashed #000;"/> |  |
| <b>The Americas</b>                        | <ul style="list-style-type: none"> <li>• Strengthen the competitiveness of U.S. plants</li> <li>• Enhance our presence in Central and South America</li> </ul>   |
| <hr style="border-top: 1px dashed #000;"/> |  |
| <b>Europe</b>                              | <ul style="list-style-type: none"> <li>• Take steps to deal with the depreciation of the euro</li> <li>• Step up market development in Eastern Europe, Russia, the Middle East, and Africa</li> </ul>    |
| <hr style="border-top: 1px dashed #000;"/> |  |
| <b>Asia</b>                                | <ul style="list-style-type: none"> <li>• China: Advance our presence as an insider</li> <li>• ASEAN: Strengthen regional headquarter function</li> <li>• India: Reestablish the business base</li> </ul> |

**Q5**

Would you discuss the Company's approach, direction, and vision in regard to the formulation of the next mid-term plan?

**A5**

**We are aiming to reach ¥1 trillion in net sales in 2016, when NSK will mark the 100th anniversary of its establishment. To this end, under the next mid-term plan we will further strengthen our profitability, and we will implement a growth strategy with consideration for focusing resources on key areas as well as for strategic alliances. In addition, we will take steps to further increase management transparency. These will be our top-priority issues.**

We are aiming to reach ¥1 trillion in net sales in 2016, when NSK will mark the 100th anniversary of its establishment. The establishment of an organizational makeup that is suitable for a ¥1 trillion company has an importance that transcends the simple expansion of scale. This will be our fundamental approach in formulating the next mid-term plan.

To this end, our priorities will be to reestablish our business base, to further strengthen our profitability, to implement a growth strategy while focusing resources on key areas and considering strategic alliances, and to further strengthen governance and compliance, and to increase management transparency. We will conduct deliberations within the Company to prioritize specific details and key measures. Continued tasks will include taking on the challenge of achieving a double-digit operating margin, improving our business portfolio to attain a better balance between the Industrial Machinery Business and the Automotive Business, increasing the overseas production ratio through the optimal allocation of manufacturing bases, and establishing a profit structure that is less susceptible to fluctuations in business conditions and exchange rates.

By business segment, the Industrial Machinery Business still has room to grow in both quantity and quality, especially overseas, and we must formulate specific strategies to achieve this growth. In the Automotive Business, although the automotive industry has been positioned as a growth industry, we need to develop growth strategies that address both quantity and quality.

Our ultimate objective is to achieve a corporate value of ¥1 trillion and to reach our vision of being highly regarded as a leading global company.

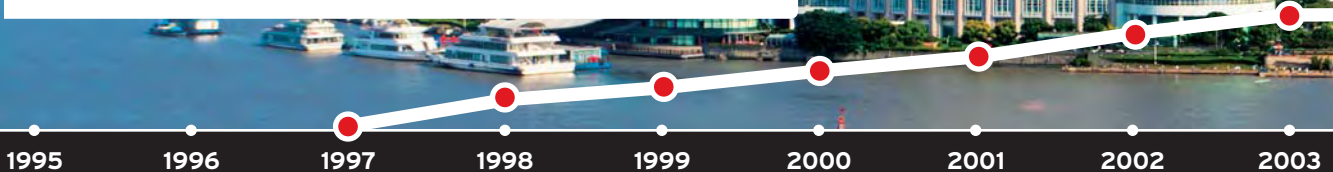
**“ The establishment of an organizational makeup that is suitable for a ¥1 trillion company has an importance that transcends the simple expansion of scale. This will be our fundamental approach in formulating the next mid-term plan. ”**



# Deeper into the Market

## Aiming for Further Growth through Business Activities with Close Ties to Local Communities

Growth in the markets of emerging countries is key for the expansion of NSK's business. China, which has surpassed Japan to become the second largest economy in the world by GDP, will be the engine of our growth. NSK commenced business in China in the 1960s, and the Company has built a solid position in the Chinese market through business activities with close ties to local communities. NSK now has 50 years of experience in China. This special feature introduces these operations, with a focus on the Company's history in China, market development initiatives, and future business development.



### 1995

Established a joint venture production company (now Kunshan NSK Co., Ltd.) in Kunshan, together with a local government-owned enterprise.

### 2002–2005

Expanded production bases (established seven plants).

### 2003

Established a regional headquarters, NSK (China) Investment Co., Ltd. Opened a technical center at the Kunshan Plant.

## Advancing into the Chinese Market

In the 1960s, NSK commenced exports to China and began aggressively implementing technical exchanges and trainee programs. In the 1980s, NSK began to consider local production in response to increasing demand for high-quality bearings in the Chinese market. At that point, the market in China was relatively undeveloped, and there were no overseas bearing companies with manufacturing bases in China. However, China was expected to grow into a massive market. We recognized that China would be an important market for our overseas business and that we could increase our visibility by starting local production. Consequently, NSK began seriously considering manufacturing locally.

In the 1990s, China began the full-scale introduction of market economy principles, and overseas companies started to invest more heavily in China. In this setting, NSK established a manufacturing company as a joint venture with a local government-owned enterprise and set up a manufacturing base in 1995. China has a distinctive legal system and business culture, and the establishment of a local plant entailed a number of challenges. Nonetheless, in 1997 NSK's manufacturing of bearings in China got under way with the start of operations at the Kunshan Plant.

## Steady Business Development in the Chinese Market

In 2001 China joined the World Trade Organization and began to achieve rapid economic development. To capture the demand that accompanied this growth, NSK opened seven plants in China in the four-year period from 2002. We expanded our product lineup to include not only our mainstay ball bearings but also needle bearings, EPS systems, tapered roller bearings, and bearing parts.

To support this rapid business development, in 2003 we established NSK (China) Investment Co., Ltd., as a regional headquarters with overall responsibility for our China operations, and opened the China Technology Center within the Kunshan Plant.

In this way, we took steps to strengthen and speed up technology-related services for customers.

Subsequently, we steadily expanded our systems for production, sales, and technology-related services. In 2009, to strengthen our sales capabilities and technology-related services, we established NSK (China) Research and Development Co., Ltd. Until that point, our manufacturing bases were principally located in China's coastal region. With the subsequent opening of a manufacturing base for ball screws and large ball bearings in Shenyang, in northeast China, we established a full lineup of locally manufactured products. In



Number of Employees in China

6,000

**2009**

Established NSK (China) Research and Development Co., Ltd. (China Technology Center) in Kunshan City. Moved the regional headquarters, NSK (China) Investment Co., Ltd., from Shanghai to Kunshan City.

**2011**

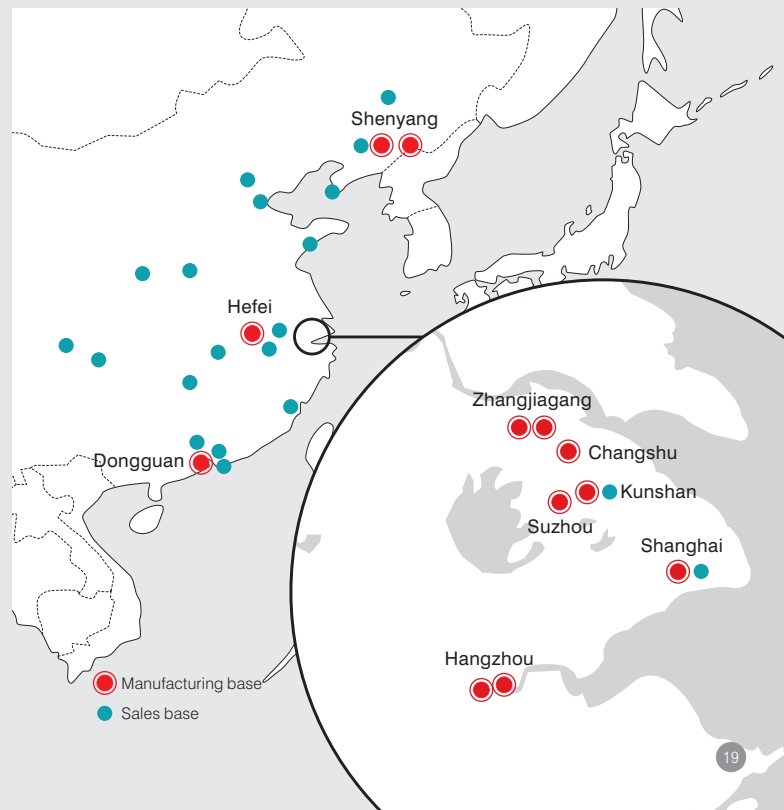
Commenced production of large bearings at the Shenyang Plant.

**2012**

Start of operations at the Hefei Plant.

autumn 2012, we will further reinforce our ability to meet local demand when our new plant in inland China (Hefei, Anhui Province) begins full-scale operation. We are also bolstering our sales system by steadily expanding our network of sales bases and distributors. In this way, NSK has built a solid position in the Chinese market by enhancing its systems for manufacturing, sales, and technology-related services.

NSK's fundamental approach to overseas business development is to conduct business as a member of local markets and local communities. Based on this approach, we have followed a policy of localization in China. As our China operations have expanded, our workforce in China has grown from 108 in 1995 to about 6,000 today. Moving forward, the Chinese economy is expected to benefit from steady economic growth due to expansion in internal demand. In this setting, NSK will strive to attain further growth as an insider brand.



## Hefei Plant Project

### Head of China Operations Discusses the Establishment of the Hefei Plant

In July 2011, NSK established Hefei NSK Co., Ltd., in Hefei, Anhui Province, as its 12th production base in China. Mass production at the plant will begin in October 2012. Along with the Kunshan Plant, the new plant in Hefei will be a principal production site for ball bearings. By establishing this facility, NSK will reinforce its ability to meet demand in China, which continues to grow. We interviewed Hideki Doi, Head of China Operations for NSK, about the circumstances of the establishment of the Hefei Plant and the outlook for the Company's strategy in China.



**Hideki Doi**  
Senior Vice President, Head of China Operations, CEO of NSK (China) Investment Co., Ltd.

### Q What were the Company's objectives in establishing a new ball bearing plant in Hefei, China?

To meet growing demand in the Chinese market, we have worked to expand our production capacity. This investment was implemented at an unprecedented speed, even for NSK, which has a history of rapidly establishing manufacturing bases in quick succession. In 2011, the Shenyang Plant began production of large bearings, which are used in fields such as wind power generation, steel, and construction machinery. For NSK, this step marked the establishment of a full lineup of locally manufactured products in China.

However, the Chinese market is expanding at an unimaginable pace. Over the past several years, China's GDP has continued to expand by about 10% a year. In other words, China is generating double-digit growth. The scale of the Chinese market is huge, and as a result the scale of the expansion is also overwhelming. The Chinese government has shifted its policy focus toward stable expansion, reducing the growth rate below previous levels. Nonetheless, the rate of growth is still high.

We took steps to boost our production capacity for ball bearings by expanding the facilities at our Kunshan Plant, but we realized that we might not be able to cover the growth in demand resulting from

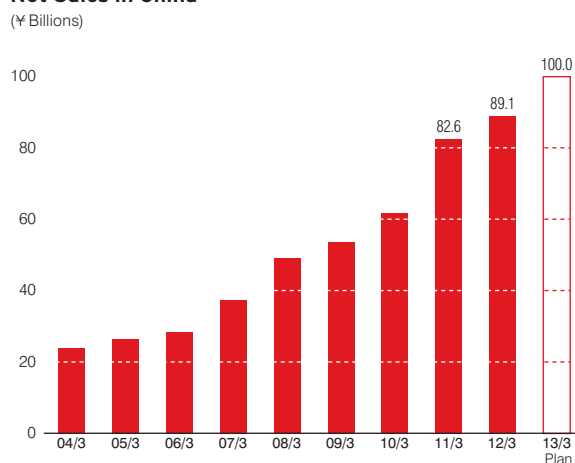
the rapid expansion in the Chinese market. Ball bearings play an important role in growth industries in China, such as electrical machinery and automobiles. At the same time, ball bearings are also one of NSK's mainstay bearing products. To further expand our China operations, it is essential that we maintain our ability to maintain a steady supply of ball bearings to meet demand.

Based on this understanding, we decided to establish a new ball bearing plant in Hefei to further enhance our business foundation in this growth market. This will be the largest amount that NSK has invested to establish a plant overseas. However, we will be able to further strengthen our ability to capture demand in China, which continues to expand. In addition, I believe that it will further strengthen NSK's competitive position in the ball bearing market as well as the automotive and electrical machinery industries. Our objective for China operations is to achieve sales of ¥100.0 billion in the year ending March 31, 2013, the final year of the mid-term plan. I think that this new plant is a major step toward the achievement of this goal, as well as toward the further expansion of our China operations.

#### Overview of the Hefei Plant

<b>Company name</b>	Hefei NSK Co., Ltd.
<b>Location</b>	National Hefei New and High Technology Development Zone, Hefei, Anhui Province, China
<b>Date of establishment</b>	July 2011
<b>Business areas</b>	Manufacture and sale of automobile bearings and industrial machinery bearings
<b>Number of employees</b>	Approximately 500 planned at the initial stage
<b>Capital</b>	US\$62 million (about ¥5.0 billion) at the initial stage
<b>Investment breakdown</b>	100% from NSK Ltd.
<b>Size of plant</b>	Site area: approximately 100,000 m <sup>2</sup>
<b>Building floor space</b>	Approximately 50,000 m <sup>2</sup> at the initial stage
<b>Commencement of operations</b>	Planned for October 2012
<b>Investment amount</b>	Approximately US\$150 million planned at the initial stage

#### Net Sales in China





**To date, all of NSK's production bases in China have been in coastal areas. This time, the Company has advanced into the inland area. Would you explain the reason for the selection of Hefei, and the background to that decision?**

We gave serious consideration to an inland location this time because our focus was on finding a location that would enable us to capture demand most effectively while also enabling us to conduct production efficiently. We directed our attention to China's 12th five-year plan, which was announced in March 2011. This plan includes a number of items related to the development of inland areas. In China, the influence of government measures on the economy is extremely high in comparison with other countries, and accordingly many companies have begun to advance into inland areas, including customers of NSK. Considering these developments, NSK decided to take the lead over other companies and start manufacturing in inland areas.

We considered a number of candidate sites, but in the end the choice of Hefei was clear. First, it is close to a region that hosts many Japanese companies and is a source of demand from NSK's major customer industries, such as electrical machinery and automobiles. Second, Hefei is the capital of Anhui Province, and as a result it already has the infrastructure of an industrial city. The infrastructure is important not only for convenience in building a new plant but also for the lifestyles of employees. Some employees will be transferring from the Kunshan Plant, and as a result we wanted to select a location where it would be easy for them to live. In addition, we had been planning to use the Kunshan Plant as the "mother plant" for the new base, and accordingly we thought it would be an advantage to select a location relatively near the Kunshan Plant. Hefei and Kunshan are linked by an expressway,

with the trip taking about five hours by car. Furthermore, Hefei's welcoming approach to Japanese companies was also a positive factor. The region is also home to one of China's leading science and technology universities. Another deciding factor was the ability to hire superior human resources. As a result, we chose Hefei.



**Hefei City, Anhui Province**

Hefei is the capital of Anhui Province, which is located in inland China. Many Japanese companies, such as electrical machinery and automobile companies, have already set up in the region, which has one of China's leading science and technology universities.

**Deeper into the Chinese Market  
Strengthening Partnerships with Distributors**

NSK is working to strengthen its sales system by expanding its in-house sales bases in China. However, to address the rapid development of the massive Chinese market, it is extremely important that NSK expand its business through a system that is centered on NSK's sales bases, with distributors in each region. Distributors are familiar with local area information and business practices, and their cooperation is essential, particularly in boosting our business with local Chinese manufacturers.

We will also work to expand our commercial area by enhancing our distributor network. In addition, we will strive to reinforce the

marketing capabilities of distributors by aggressively implementing sales support activities, such as bolstering technical service and staff training for each distributor. These sales support activities will reinforce the relationships of trust between NSK and its distributors and will enhance NSK's brand power.

Moving forward, NSK will take steps to further strengthen its partnerships with distributors and capture demand in China as an insider brand.



NSK distributor in China



Meeting with distributor to discuss increasing sales

## Special Feature

### **Q This will be the first time that NSK has selected a plant located outside of Japan as the “mother plant” for a new facility. Why did the Company choose this framework?**

One reason was to increase the speed of management. As I mentioned, the growth of the Chinese market is extremely fast, and if we do not keep up with this growth, we cannot capture related demand. In establishing a plant, an important issue is how fast you can get the plant up and running. Accordingly, we thought that a plant in China would be best for the mother plant, rather than one in Japan.

However, it is also important that the facility has the capability to provide support as a mother plant. The Kunshan Plant has steadily built a strong track record over the 15 years since starting operation in 1997. It is now one of NSK's main plants, and we judged that the Kunshan Plant could function as the mother plant. The presence of motivated employees was another major factor. At the Kunshan Plant, many management class employees possess high levels of

production-related expertise. This group includes employees who volunteered to help start up the Hefei Plant. In China, many people are resistant to the idea of relocating to another region for work. However, we were reassured that we had employees who were willing to take on the challenge of starting up a new plant.

Currently, employees who were hired at the Hefei Plant are undergoing training at the Kunshan Plant. Of course, local employees are taking the central role in this training. Also, because the Hefei Plant will use production equipment made at the Kunshan Plant, employees will learn about the production of ball bearings on the same production equipment that will be used at the new plant. When the training is completed, the employees will return to the Hefei Plant, together with the equipment.

### **Q The Hefei Plant is also very localized in areas other than its mother plant. What types of specific initiatives has the Company implemented?**

Aiming to become a truly global company, NSK is moving ahead with localization in all areas. In China, localization is extremely important in further expanding our presence in a growth market. We are working to build an autonomous management system spanning production, sales, and technology.

For the Hefei Plant, the selection of Kunshan as the mother plant has a special significance. The successful completion of the startup of the Hefei Plant, led by local employees, will be a step toward an autonomous management system, as well as a good opportunity to accelerate localization.

In addition, the management-class employees at the plant are mostly Chinese, including the president. Currently, Chinese employees account for about 70% of management-class employees in our China operations as a whole, but nearly 100% at the Hefei Plant. As a result, you could say that the localization of human resources at this plant has progressed beyond that at our other plants in China. With a system led by local employees, our policy is to implement business management with a sense of speed.

We are also advancing local procurement. Even if we make progress in local production, we will still face the problem of exchange rate fluctuations if we need to import raw materials, bearing parts, or components from Japan or other markets. In this sense, to achieve true localization we must also work to localize procurement. At the Kunshan Plant, local procurement already provides about 90% of the raw materials for the Industrial Machinery Business. Using the Kunshan Plant as a model, the Hefei Plant will promote local

purchasing. Furthermore, as I mentioned, the Hefei Plant will use equipment manufactured at the Kunshan Plant. Overall, our basic policy is to use products from China. Through this, we can shorten the lead time required to introduce equipment and reduce costs. For the Hefei Plant, the key concepts are automation and efficiency. To boost productivity and promote labor saving, we have moved forward aggressively with the introduction of cutting-edge equipment and automation of the conveyance functions. Most of this equipment was procured locally.

#### **Features of the Hefei Plant**

- The first NSK plant in an inland area
- NSK's largest overseas plant investment
- Labor saving and high efficiency through cutting-edge equipment
- Can accommodate sophisticated products and China's "middle zone"
- The mother plant is the Kunshan Plant (This is the first time that NSK has selected an overseas plant as a mother plant.)
- Speed-oriented management led by local employees
- A higher level of local procurement





**Finally, what short-term issues does NSK face in expanding its China operations? Also, prior to China, you worked in such markets as Singapore and Thailand. Based on that experience, what do you think is important in expanding overseas operations?**

First, our most important short-term issue is to start mass production operations at the Hefei Plant in October 2012, as planned, and to get production off to a solid start. Next, in Shenyang, we need to move our precision machinery plant and our large bearing plant, which makes products for industrial machinery, into full-scale operation. Achieving these objectives in a short period of time will be the first step toward our next stage of growth. To that end, we will continue to focus on further advancing localization and developing our human resources. We currently expect the Hefei Plant to reach full production in 2016, but we will work together with NSK's China operations to expand our business so that we can reach full production even sooner.

It has been about three years since I began to work in China operations. Before that, I was in charge of a plant in Thailand. When I first came to China, I was surprised at the speed of operations and the youth of the management team. This was something that I had not experienced in other countries, and this observation still holds true today. The market is expanding at a rapid pace, and young

managers are driving growth in substantial areas of business. If we do not implement management with a sense of speed, we will not survive in China. I have a strong sense of this every day.

In addition, there are many aspects of working here that are not encountered in other countries, such as China's distinctive business practices. However, the important thing is to be accepting and to put down strong roots in the local community. In that sense, my approach is the same as when I was in Thailand and Singapore. To become an insider, it is essential to conduct business with a focus on what can be contributed to the host country and to its people. In the end, this approach will lead to business growth.

Moving forward, we will maintain a strong attachment to China and an awareness that NSK is here for China's benefit as we advance localization. On this basis, we will strive to build an autonomous management system as a China insider and to expand our China operations further.

**Deeper into the Chinese Market  
Establishing an Extensive Technology Support System**

An extensive technology support system is one of the important frameworks for NSK's China operations. In 2009, the China Technology Center was moved to a new location and significantly expanded. The center tracks local needs, designs products, and evaluates and analyzes products and materials. In addition, the center provides technical services through on-site visits to customers and distributors. In these ways, the center is building relationships and increasing trust.

The center is also advancing technical support initiatives in locations that are closer to actual work sites. These initiatives include implementing

technical exchange and exhibitions as well as installing a technical laboratory (testing room) in the facilities of a customer and providing technical support through NSK staff members who work at the laboratory on a full-time basis.

To offer superior technical services, the training and education of staff is important. Our technical staff in China are highly skilled, and more than 70% of them have undergone training at our Corporate Research & Development Center in Japan.

Moving forward, we will continue to strengthen our technical support system to enhance NSK's presence in the Chinese market.



NSK's headquarters and technology center in China



Technical laboratory in the facilities of a customer

## Business Segments



### Industrial Machinery Business

Industrial Machinery Bearings / Precision Machinery and Parts

Net Sales

**¥255.8 billion**

Year on Year

**1.3%**



Note: As of April 1, 2011, the classification of systemized products was changed from the Industrial Machinery Business segment to the Others segment.

#### Segment Profile

The Industrial Machinery Business includes operations in two areas: the industrial machinery bearings business, which boasts a comprehensive product lineup ranging from miniature to ultra-large offerings, and the precision machinery and parts business, which provides ball screws, linear guides, and mechatronic products. Capitalizing on our diverse product lineup and advanced technological capabilities, we cater to the needs of industries that manufacture a wide variety of products, including machine tools, steel, railcars, domestic appliances, personal computers, production equipment for semiconductors and LCDs, and medical equipment.



### Automotive Business

Automotive Bearings / Automotive Components

Net Sales

**¥444.6 billion**

Year on Year

**4.8%**



#### Segment Profile

Helping automobiles run smoothly and safely, the products of the Automotive Business fall under two categories: automotive bearings, such as hub unit bearings and needle roller bearings, and automotive components, including electric power steering (EPS) systems and automatic transmission (AT) components. In recent years, we have utilized our leading-edge technological capabilities and global network to cater to an ever-increasing need for environment-friendly products and buoyant demand from emerging countries.

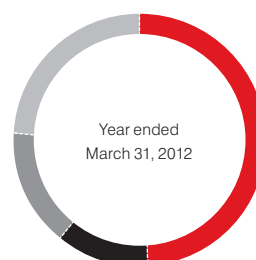
## Geographical Segments

### Market Trends and Regional Summary

Looking at the overall market trends of respective regions, Japan began recovering from the effect of the Great East Japan Earthquake, while the U.S. economic climate held firm as the employment market improved. However, in the second half mounting fiscal and financial uncertainty in Europe and China's softening economic growth strengthened uncertainty over the global economy. As for NSK's sales by customer location, in Japan they were up 2.6%, to ¥363.8 billion. Meanwhile, despite the yen's appreciation, the Company secured year-on-year sales increases of 0.9%, to ¥86.3 billion in the Americas and 5.7%, to ¥107.9 billion, in Europe. In Asia, a 4.1% rise in sales, to ¥175.2 billion, reflected the Company's continued solid performance in the region.

### Net Sales Breakdown by Customer Location

(%)



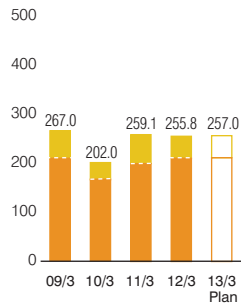
■ Japan	.....	49%
■ The Americas	.....	12%
■ Europe	.....	15%
■ Asia	.....	24%

**Net Sales Breakdown by Segment**  
(%)



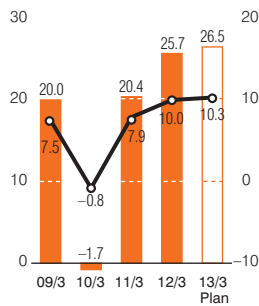
- Industrial Machinery Bearings .....29%
- Precision Machinery and Parts ....6%

**Net Sales**  
(¥ Billions)



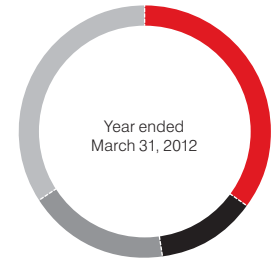
- Industrial Machinery Bearings
- Precision Machinery and Parts

**Operating Income**  
**Operating Income Margin**  
(¥ Billions / %)



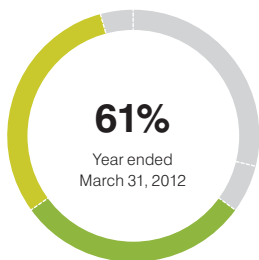
- Operating Income (left)
- Operating Income Margin (right)

**Net Sales Breakdown by Region**  
(%)



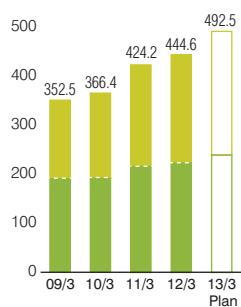
- Japan .....35%
- The Americas .....13%
- Europe .....18%
- Asia .....34%

**Net Sales Breakdown by Segment**  
(%)



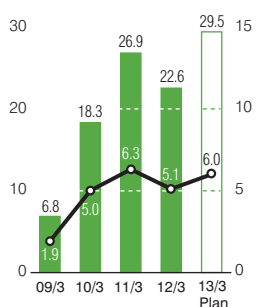
- Automotive Bearings .....30%
- Automotive Components.....31%

**Net Sales**  
(¥ Billions)



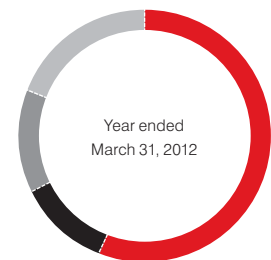
- Automotive Bearings
- Automotive Components

**Operating Income**  
**Operating Income Margin**  
(¥ Billions / %)



- Operating Income (left)
- Operating Income Margin (right)

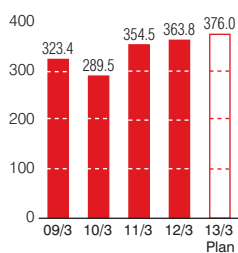
**Net Sales Breakdown by Region**  
(%)



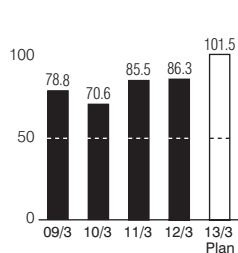
- Japan .....56%
- The Americas .....12%
- Europe .....13%
- Asia .....19%

**Net Sales by Customer Location**  
(¥ Billions)

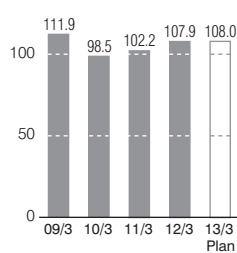
**Japan**  
500



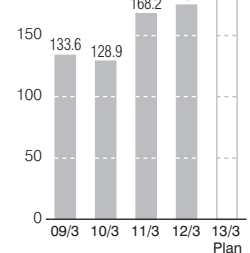
**The Americas**  
150



**Europe**  
150



**Asia**  
200



**Main Products**

**Industrial Machinery Bearings**



Angular contact thrust ball bearings for ball screw support for machine tools



Miniature ball bearings

**Precision Machinery and Parts**



Nut cooling ball screws for machine tools

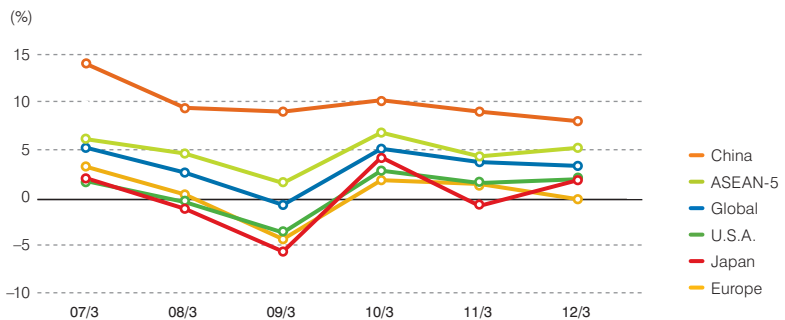


NSK Linear Guides™, roller guide equipped with high-performance side seals

**Market Trends**

Emerging countries recovered rapidly following the slump resulting from the 2008 financial crisis, while the pace of recovery among developed countries was more gradual. Reflecting these trends, after the financial crisis NSK's Industrial Machinery Business saw demand for industrial machinery bearings for machine tools and construction machinery recover and increase mainly in emerging countries. However, from the second half of fiscal 2011 Europe's fiscal and financial uncertainty and softening of economic growth in China and other emerging countries caused a marked slowdown in sales of industrial machinery bearings and precision machinery and parts.

**GDP Growth**



Source: World Economic Outlook, International Monetary Fund, April 2012

**Basic Strategy**

**NSK's Competitive Advantages**

- The extensive product lineup of a comprehensive manufacturer
- Technological capabilities based on our four core technologies\*1
- Accumulated expertise in customer needs and technology for a wide range of industries and applications
- Manufacturing, supply, and technical support capabilities based on a global network

The industrial machinery bearings business comprises the general machinery OEM sub-segment, which manufactures bearings for applications in a wide range of industries; the electrical machinery and IT equipment sub-segment, which includes bearings for domestic applications, office equipment, hard disk drives (HDDs), and general purpose motors; and the aftermarket business, which provides maintenance and repair services. The precision machinery and parts business manufactures linear motion products and mechatronic products used in machine tools, injection mold machines, production equipment for semiconductors and LCD panels, and transfer machines. The most important task of NSK in this area is to increase sales by leveraging its advantage as a general manufacturer able to offer a diverse product lineup.

To increase sales, we will pursue sector-oriented initiatives globally. As well as capturing demand from leading manufacturers in the respective industrial areas of developed countries, we will step up measures in the high-volume markets of emerging countries, which promise continued growth. We intend to grow sales by clearly identifying target sectors based on market size, growth potential, and sector characteristics. These efforts will focus on sectors with strong growth potential—such as the environment, infrastructure, and resources—as well as sectors centered on maintenance and repair services. Also, in the aftermarket business we will seek further market penetration for the NSK brand by broadening our customer base and expanding and improving sales channels.

\*1 Tribology, material engineering, analysis technology, and mechatronics

**Business Results and Main Initiatives  
for the Year Ended March 31, 2012**

**Despite signs of deceleration in the second half, earnings rose on growth in emerging countries.**

Net Sales	<b>¥255.8 billion</b>	1.3%	↓
Operating Income	<b>¥25.7 billion</b>	26.1%	↑

In the first half of the year ended March 31, 2012, industrial machinery bearings and precision machinery and parts posted solid performances thanks to higher revenues from products for machine tools and general industry and aftermarket services, which reflected economic growth among emerging countries and a pick-up in demand among other countries. Although the business climate showed signs of slowing in the second half, for fiscal 2011 the segment's full-year net sales were ¥255.8 billion, which is a year-on-year increase if the effect of segment reclassification is excluded.\*2 In addition, operating income rose 26.1%, to ¥25.7 billion, as higher order volumes and cost reduction counteracted a worsening of export profitability due to yen appreciation. In addition, targeting China's growing market, we further expanded and improved our production foundations by starting up operations at a plant for large roller bearings in Shenyang, China, in January 2012.

\*2 As of April 1, 2011, the classification of operations for the manufacture and sale of systemized products, such as exposure equipment for LCD panel production, was changed from the Industrial Machinery Business segment to the Others segment.

**Outlook and Priority Measures  
for the Year Ending March 31, 2013**

**We expect revenues and earnings to rise as the economic climate recovers modestly.**

Net Sales	<b>¥257.0 billion</b>	0.5%	↑
Operating Income	<b>¥26.5 billion</b>	3.1%	↑

In the first half of the year ending March 31, 2013, the current fiscal year, the segment's revenues are likely to decrease year on year due to economic deceleration continuing from the second half of the fiscal year under review. However, we expect that a second-half pick-up in demand will grow net sales 0.5% year on year, to ¥257.0 billion. Furthermore, we project a 3.1% year-on-year rise in operating income, to ¥26.5 billion, and an operating income margin of 10.3%, stemming from higher order volumes, reorganization of manufacturing, and lower purchasing cost.

In the current fiscal year, NSK will increase sales by stepping up sector-oriented initiatives globally in areas such as machine tools and mining machinery. Regarding the reorganization of our production system, we plan to completely transfer ball screw manufacturing from Kyushu, Japan, to Shenyang, China, during 2012. Steadily reorganizing manufacturing in this way will realize cost reduction and heighten profitability. In another initiative to expand and improve our manufacturing foundations and meet rising demand in China, we have built a new plant in Hefei, located in an inland region of the country, which will commence mass production of ball bearings in October 2012. Moreover, we aim to grow sales in the aftermarket sector by developing a network of new distributors and strengthening technical support services.

**Deeper into the Market:**

**Sector-Oriented Initiatives—Growing Sales of Bearings for Pumps and Compressors**

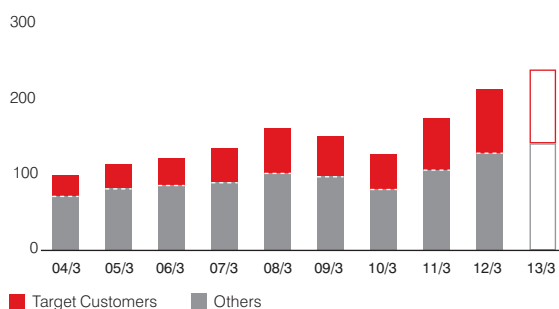
NSK is advancing "sector-oriented initiatives," which entail tightening the focus of the Industrial Machinery Business on priority industries and tailoring R&D, manufacturing, and sales to match the needs of each industry. Among these initiatives, our efforts in the pump and compressor sector are yielding particularly favorable results.

Pumps and compressors are used to adjust the pressures of liquids and gases. Pumps are used in water-related operations, such as dams, filtration plants, and hydroelectric power plants; the petrochemical industry; and paper manufacturing. Meanwhile, compressors have a broad range of applications, including air conditioners and refrigerators for household and commercial use. Sales of bearings for pumps and compressors are likely to grow vigorously on the back of increasing demand from emerging countries. However, to ensure higher sales, precise analysis of customer needs and the market trends of each region are indispensable. After beginning full-fledged sector-oriented initiatives, NSK undertook rigorous global marketing activities. These involved identifying target customers in each region, investigating demand, and analyzing market needs and competitive conditions. Moreover, the technology, production, and sales divisions launched a concerted effort to further customers' understanding of NSK's comprehensive capabilities with respect to product performance and quality, global supply networks, and carefully customized technical support services.

These unflagging sales initiatives have borne fruit—all of the world's leading pump and compressor manufacturers now incorporate our products. Our sales in this area have doubled compared with their level before beginning sector-oriented initiatives. Aiming to expand this business even further, we are advancing product development, stepping up manufacturing, and increasing sales with a sense of urgency.

**Growth in NSK's Sales in the Global Market for Pumps and Compressors**

(04/3 scaled to 100)



**Main Products**

**Automotive Bearings**



High-performance sealing hub unit bearings



Low-torque ball bearings for hybrid vehicles

**Automotive Components**



Column-type electric power steering (EPS) systems



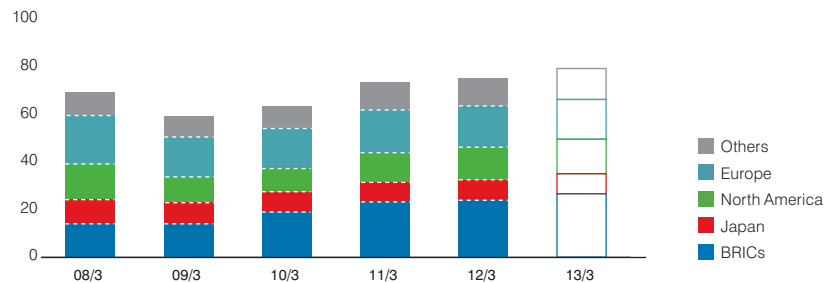
Slidable intermediate shafts

**Market Trends**

Having fallen due to the drop in demand following the financial crisis, worldwide automotive manufacturing returned to pre-financial-crisis levels in 2010 thanks to respective countries' incentives to encourage automobile sales. Subsequently, automotive manufacturing remained robust as the automotive markets of China and other emerging countries grew and the eco car sector expanded, reflecting an increasing emphasis on the environment in developed countries. For fiscal 2012, automotive manufacturing is expected to decline year on year in Europe but rise in North America and emerging countries. Moreover, EPS systems are likely to see a continued expansion in demand due to a higher proportion of vehicles incorporating these systems and growth of the small vehicle market.

**Global Automobile Production**

(Million Units)



Source: NSK

**Basic Strategy**

**NSK's Competitive Advantages**

- Wide-ranging business relationships / customer base among finished vehicle manufacturers and first-tier automotive component manufacturers
- Global supply capabilities
- Developmental capabilities / technological response capabilities for advances in driving, steering, and braking functions
- Global management system that leads efforts to cater to non-Japanese customers

Demand from emerging countries is likely to spur continued growth of the automotive market. At the same time, the pace of technological innovation is increasing in the development of hybrid vehicles, electric cars, and fuel-efficient vehicles.

Business relationships with all Japanese automobile manufacturers, almost all of the North America and European automobile manufacturers, and a wide range of first-tier automotive component manufacturers have enabled NSK to reflect customers' latest needs and technological trends in product development. Going forward, we will cater to the increasingly advanced and diverse requirements of automobiles by accelerating technological development based on medium-to long-term perspectives.

Further, to cater to the spread of demand for automobiles worldwide, major automobile manufacturers are ramping up overseas production capacity, creating common components and units, and boosting the efficiency of new vehicle development. NSK is ready to cater to the global needs of such manufacturers by utilizing its production bases and technology bases in regions worldwide. We will continue to further expand and strengthen these capabilities in growing regions and sectors.

For EPS systems—strategic growth products—we will respond to Europe's safety specifications and develop next-generation models while enhancing profitability by reducing purchasing cost and improving our earning power.

**Business Results and Main Initiatives  
for the Year Ended March 31, 2012**

**The segment overcame the effects of the earthquake in Japan and flooding in Thailand to post higher revenues for the full year.**

Net Sales	<b>¥444.6 billion</b>	4.8%	↑
Operating Income	<b>¥22.6 billion</b>	15.8%	↓

In the first half of the year ended March 31, 2012, higher demand due to expansion of automotive markets of emerging countries centered on China and India did not fully offset a decline in Japan's automotive manufacturing. As a result, the segment's first-half net sales were down year on year. However, EPS system sales grew due to a rapid pick-up in Japan's automotive manufacturing following the earthquake and a continued gradual recovery of markets in the Americas. Also, in Asia sales rose centered on EPS systems, despite softening economic growth in China and flooding in Thailand in October 2011. In the second half, improving global economic trends absorbed deepening stagnation in Europe. Consequently, for fiscal 2011 the segment's net sales grew 4.8% year on year, to ¥444.6 billion. Operating income declined 15.8% year on year, to ¥22.6 billion as efforts to improve productivity and lower purchasing cost were unable to completely compensate for the yen's appreciation.

**Outlook and Priority Measures  
for the Year Ending March 31, 2013**

**The segment will continue to expand in growing sectors and bolster profitability.**

Net Sales	<b>¥492.5 billion</b>	10.8%	↑
Operating Income	<b>¥29.5 billion</b>	30.5%	↑

In the current fiscal year ending March 31, 2013, demand from emerging countries will likely continue to spur growth in the automotive market. Further, with higher demand for EPS systems in Asia as a tailwind, net sales are projected to rise 10.8%, to ¥492.5 billion. We also expect a 30.5% year-on-year rise in operating income, to ¥29.5 billion, giving an operating income margin of 6.0%.

In the current fiscal year, we aim to increase sales of products that match the local needs of emerging countries, which promise continued demand growth, while expanding production capacity. In addition, we will build an earnings structure resistant to currency fluctuations by increasing local manufacturing and procurement.

For EPS systems, sales of these strategic growth products are rising as Asia's economies continue to grow—putting us on course to significantly surpass the net sales target for these products of ¥140 billion set out for the final year of the mid-term plan. Given the favorable prospects for further market growth, NSK will redouble efforts to develop next-generation EPS systems with its sights set on capturing demand. Other initiatives will include ensuring the successful launch of projects for new automobile models and stabilizing manufacturing rapidly while improving profitability by reducing procurement costs, automating production lines, and reducing production line personnel.

**Deeper into the Market:**

**Expanding the Automotive Business in Emerging Markets**

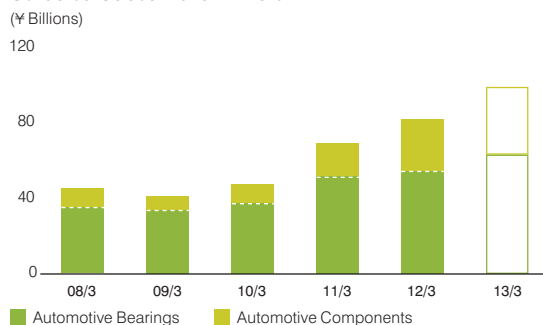
With the automotive markets of the BRICs countries (Brazil, Russia, India, and China) and other emerging countries on track for sustained growth over the medium term, NSK will concentrate efforts on further increasing sales in emerging countries. Among these markets, the growth of markets in Asia is particularly striking. As automotive manufacturers increase production in Asia, the accompanying expansion of NSK's Automotive Business in Asia is becoming a growth driver.

A feature of Asia's market is strong demand for small vehicles. Because column-type EPS systems suited to small vehicles are an area in which we have particular expertise, we have started expanding sales of these products in earnest. To meet further increases in demand for EPS systems based on production capacity in Asia, we began manufacturing EPS systems in Thailand in 2011, and we are taking initiatives to significantly increase manufacturing in China.

As part of our strategy of targeting the high-volume markets of emerging countries, in April 2012 we decided to take a stake in a local Chinese bearing manufacturer, Gongzhuling Bearing Co., Ltd. Gongzhuling Bearing supplies automotive bearings to a wide range of Chinese automobile manufacturers and specializes in high-volume markets. This collaboration will bring us even earlier insights into future market trends in China while strengthening our ability to capture demand in high-volume markets.

Increasing sales in emerging countries is absolutely essential if NSK is to reach its ¥1 trillion target for net sales. We therefore aim to further expand operations in emerging markets. To this end, our efforts will be based on expanding our business with existing Japanese and Western customers—who are currently accelerating growth in these markets—and preparing next-phase strategies for sales and technology that cater to high-volume markets.

**Sales to Customers in Asia**



## NSK's Research and Development

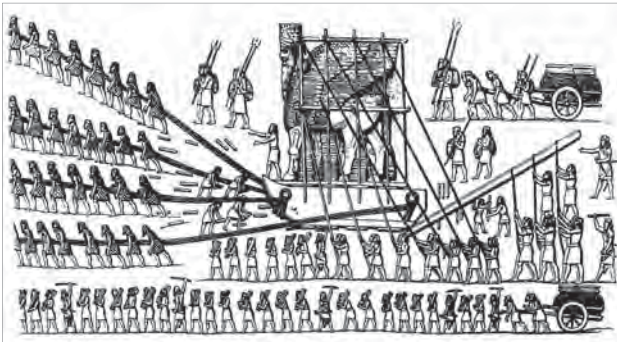
During a history spanning nearly a century, NSK has raised product quality by continually developing new technologies. We are a world leader in the areas of bearings, automotive products, and precision machinery and parts. Our technologies are founded on four core technologies: tribology, material engineering, analysis technology, and

mechatronics. Based on these core technologies, NSK will continue developing ever more advanced technologies. By enabling us to provide high-quality advanced products that reflect market demand in a timely manner, these initiatives will contribute to the development of an array of industries worldwide.

### NSK's Four Core Technologies

#### Tribology

Tribology is a technology that controls friction and wear of sliding surfaces in relative motion. This is one of the key technologies for bearings that support rotational or linear motion applications. The principle of bearings traces its origin to ancient Mesopotamia, where gigantic stones were transported with relative ease by placing logs underneath them.



From a mural unearthed at Nineveh, the capital of ancient Assyria

#### POINT 1: Energy Conservation

Bearings which use rollers or balls are able to reduce friction between sliding surfaces of machine parts, and allow machines to operate smoothly. This contributes to energy savings.

#### POINT 2: Longer Service Life

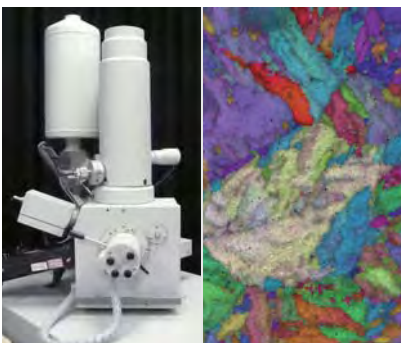
Sliding surfaces that generate friction always produce wear. Smooth rotation of bearings reduces friction and wear, and this extends machine service life, saving resources.

#### POINT 3: Reliability

Friction always generates heat. Excessive frictional heat causes the sliding surfaces of machinery to seize. By reducing the frictional heat, bearings prevent seizure and improve reliability of machinery.

#### Material Engineering

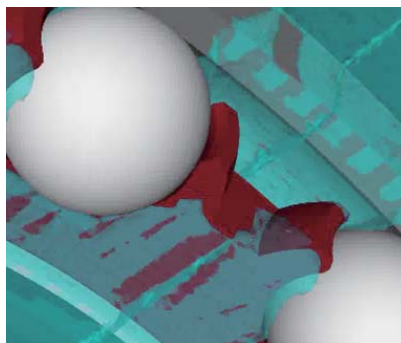
Materials play a key role in heightening the performance and durability of bearings subjected to extreme usage conditions. Aiming to develop products with even greater durability and reliability, we use a wide variety of performance assessments and analytical technologies to develop new materials with optimal compositions and new heat treatment processes with optimal conditions. Moreover, we develop technologies that use new materials, such as ceramics and high polymeric materials.



Results of crystal orientation analysis of bearing steel using the electron backscatter diffraction pattern (EBSP) method

#### Analysis Technology

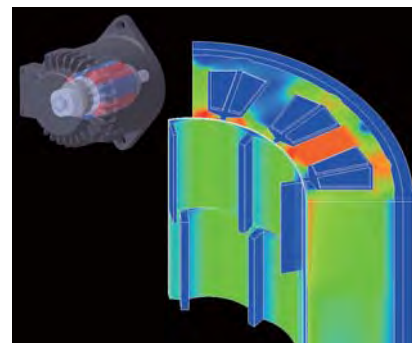
We use computer simulations to test and assess the performance of bearings in virtual environments. Taking advantage of advanced analysis technology enables us to assess performance in extreme conditions, under which testing in actual machinery is difficult. This helps us speed up the creation of optimal designs and product development for bearings.



Results of CFD (Computational Fluid Dynamics) analysis of lubricants for ball bearings

#### Mechatronics

NSK has honed mechatronics, which combines electronics with mechanical technologies the Company has fostered through product development and at production sites. In a broad spectrum of areas—including motors, control, and sensors—mechatronics creates new products exemplifying NSK's initiatives to integrate MOTION & CONTROL.



Simulation of electromagnetic field of motors



## NSK's Technology Centers Worldwide

Playing critical roles around the world, NSK's products have become a trusted brand. Supporting our ability to supply high-quality products are our technology centers in Japan, Europe, the Americas, and Asia. Worldwide, we currently operate 14 technology centers, where experts in a range of fields develop platform technologies and

next-generation products. To cater flexibly and rapidly to the needs of customers in each region, NSK shares technological data globally and is heightening its ability to respond quickly to dynamically evolving business conditions.



### Leading-Edge R&D

#### Contributing to the Advancement of Human-Assisting Technology through the Development of Original Robots

Drawing on our four core technologies—tribology, material engineering, analysis technology, and mechatronics—NSK is developing original robots with a view to discovering future technologies and products. We showcased some of the results of these efforts at the International Robot Exhibition 2011. Our Guide-Dog Style Robot and Lead-Robot with Obstacle Avoidance Capabilities generated considerable media interest.

Usable as alternatives to wheelchairs, guide dogs, and service dogs, these technologies are contributing to the realization of autonomous robots that assist the visually impaired, of whom there are approximately 285 million\* worldwide at present. Through the development of robots designed for human-assistance, NSK will continue working to create robotic solutions to real human needs.

\* Source: WHO Fact Sheet (October 2011)

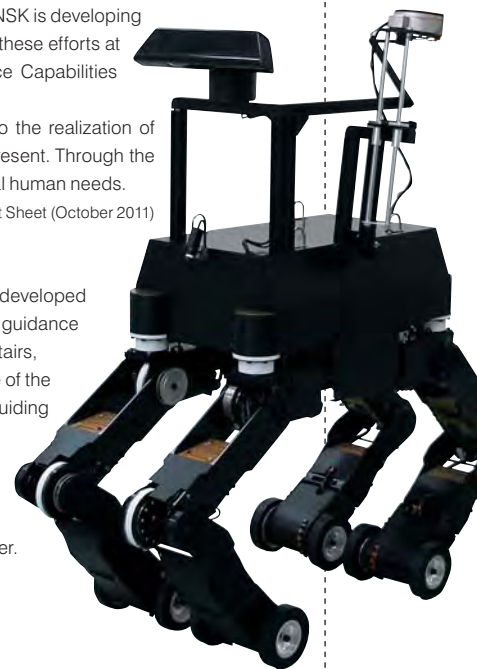


#### ▶ A Lead-Robot with Obstacle Avoidance Capabilities

Combining external recognition and obstacle avoidance technology with attitude controls, a lead-robot with obstacle avoidance capabilities guides users as they walk. Through hand grips, the robot interprets the user's intended direction and moves in that direction while detecting and avoiding obstacles on the route.

#### ▶ A Guide-Dog Style Robot

A Guide-dog style robot uses newly developed external recognition technology and guidance functions to detect the positions of stairs, autonomously recognizes the shape of the stairs, as it climbs staircases while guiding the user. The robot independently processes external information obtained from image sensors and distance sensors, climbs as it recognizes stairs, and guides the user.



## Basic Philosophy for Corporate Social Responsibility

NSK's Mission Statement unequivocally states a commitment to helping develop society and protect the environment. Furthermore, our Management Principles guide efforts to realize this Mission Statement. The Mission Statement and Management Principles are based on the belief that we can best fulfill our corporate social responsibility through our day-to-day business activities.

As a company with global business operations, we will aim to enhance our corporate value and achieve sustained growth by providing high-quality products and services to meet the needs of customers and other stakeholders while maintaining consideration for social issues and the environment.

### Mission Statement

NSK aims to contribute to the well-being and safety of society and to protect the global environment through its innovative technology integrating MOTION & CONTROL. We are guided by our vision of NSK as a truly international enterprise, and are working across national boundaries to improve relationships between people throughout the world.

### Management Principles

- 1 To serve our customers through innovative and responsive solutions, taking advantage of our world-leading technologies.
- 2 To provide challenges and opportunities to our employees, channeling their skills and fostering their creativity and individuality.
- 3 To identify the needs of the times and of the future and to use all of NSK's resources to meet those needs by being versatile, responsive, and dynamic.
- 4 To work together with our employees and contribute to the communities in which we operate.
- 5 To manage our business from an international perspective and to develop a strong presence throughout the world.

## Raising CSR Awareness

### CSR Education

NSK believes that it is important for all employees to take an active approach to CSR through their work. In accordance with this approach, CSR has been incorporated into the curriculum for the e-learning education that is offered each year for all officers and employees. In addition, lecture-based training sessions for new employees and newly promoted managers include CSR content tailored to their specific positions.



CSR program implemented through e-learning and employees. In addition, lecture-based training sessions for new employees and newly promoted managers include CSR content tailored to their specific positions.

### CSR Procurement

NSK shares with its suppliers its understanding of the expectations of society, and then works in coordination with the suppliers to implement the necessary measures. We believe that this approach will result in growth for both the suppliers and NSK. To this end, in

fiscal 2010, the Company distributed the NSK Supplier CSR Guidelines to major suppliers in Japan and overseas. In fiscal 2011, we expanded these guidelines to a wider range of suppliers, and held meetings with suppliers to explain the purpose of the guidelines and request the implementation of CSR activities.



Meeting to explain the NSK Supplier CSR Guidelines

## As a Member of Society

### Social Contribution Activities

Aiming to be a company that is needed, trusted, and respected in countries and regions around the world, NSK focuses its efforts on the following three important areas:

1. Promoting science and technology that supports the prosperity of society.
2. Fostering the development of the next generation.
3. Engaging in activities designed to build mutual harmony and benefit with communities.

### Supporting Reconstruction in Areas Affected by the Great East Japan Earthquake

NSK provided monetary assistance after the Great East Japan Earthquake, which occurred in March 2011. We have subsequently continued to support the areas affected by the disaster, through initiatives



such as employee volunteer activities and the donation of used stamps. In November 2011, NSK Steering Systems Co., Ltd., held a charity event instead of its usual manufacturing plant festival. In addition to fund-raising activities, vegetables from the local area and from Fukushima Prefecture were sold in open-air stalls, and a portion of the sales was donated to areas affected by the disaster.

### Support for Areas Affected by the Large-Scale Flooding in Thailand

In the large-scale flooding that occurred in Thailand in October 2011, employees of NSK's local work sites engaged in activities to support areas affected by the disaster. These initiatives included donation of



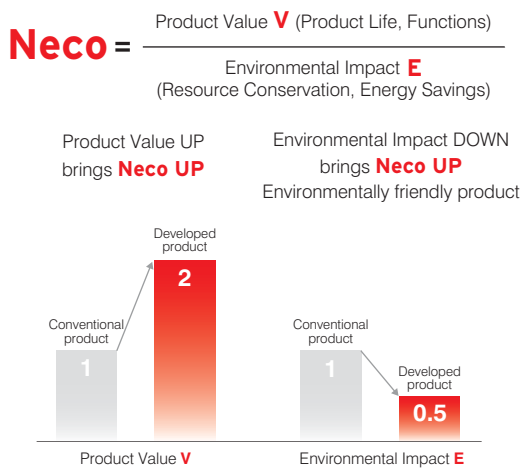
needed supplies, such as goods, foods, and beverages, to shelters and donation of blood to aid people injured in the flooding. In addition, NSK provided financial assistance to disaster-afflicted areas.

# The Environment and NSK

## Contributing to the Environment through Our Products

NSK has established the NSK eco-efficiency indicators (Neco), an original yardstick for quantitatively evaluating the environmental friendliness of products that the Company develops. Through Neco, NSK determines the degree of a product's environmental friendliness based on the relationship between product value and environmental impact. On this basis, the Company is advancing the development of environmentally friendly products.

### Neco: NSK Eco-Efficiency Indicators



#### Neco Report:

#### Development of High-Reliability, Low-Torque Bearings for Continuously Variable Transmissions

Belt-type CVTs are increasingly being deployed in markets such as Japan and China in recent years, as they offer excellent fuel efficiency combined with smooth driving performance. There is demand to develop CVTs that offer even greater efficiency, in order to meet global tighter fuel efficiency standards, and higher reliability is required of bearings for CVTs. In anticipation of these market needs, NSK has developed High-Reliability, Low-Torque Ball Bearings for Continuously Variable Transmissions, which offer significantly less friction loss, while delivering greatly improved reliability under low-viscosity and lean lubrication conditions. The ball bearings improve bearing life approximately 2.5 times compared to the current products (heat treated), and lower the torque as much as 30%, contributing to improved CVT efficiency.

NSK will continue working to develop products that offer higher product value and lower environmental burden.

\* Belt-type CVTs are a form of transmission that changes speed continuously without employing gears. A belt is used to transmit engine power at an ideal transmission ratio according to the engine rpm.



High-reliability, low-torque bearings for continuously variable transmissions



## Global Warming Countermeasures

In Japan, energy-saving initiatives have been implemented to counter electric power supply shortages resulting from the Great East Japan Earthquake. NSK has implemented energy-saving measures, such as increasing production efficiency by consolidating production lines and switching to the use of inverters. In addition, we have taken steps to reduce energy consumption in each application area, including air conditioning, lighting, production equipment, and incidental equipment. Of these measures, substantial reductions in electricity consumption were achieved by measures to halt unnecessary use of electricity (turning power off, turning lights off, removing light bulbs from certain lighting fixtures), the shift to inverters, and steps to reduce leakage and pressure loss in compressed air equipment. Meanwhile, due to the need to reduce electricity usage during peak periods, we offset electricity shortages through adjustments to operating hours and the introduction of in-house power generation facilities. As a result, our seasonal electricity consumption per production unit improved by up to 7.4% year on year. We have also implemented energy saving measures such as halting unnecessary electricity use at our headquarter office, and electricity consumption per unit of production was reduced by up to 33% year on year. In distribution, we increased the volume of goods transported under the modal shift\* initiative, and average energy consumption per unit of production over a two-year period—fiscal 2010 and 2011—fell 9% from fiscal 2009. Moving forward, the entire NSK Group will work together to make steady progress with global warming countermeasures.

\* This refers to the use of rail or ship transport, which generates lower CO<sub>2</sub> emissions than truck transport.

## Promoting Green Procurement

In accordance with its environmental principles, NSK is working to reduce its environmental burden and provide safe products. To this end, we are promoting management of environmentally harmful substances through every stage, including development, design, procurement, manufacturing, and import / export. As one facet of these initiatives, we have published the NSK Group Green Procurement Standard since 2011, and we have asked for cooperation in building a system that is free from environmentally harmful substances. In response to increasingly rigorous regulation of chemical substances, we formulated Green Procurement Standard in fiscal 2011. In addition, to facilitate a greater understanding of NSK's activities, we held meetings to explain green procurement in Japan and overseas. In the future, we plan to offer these meetings in a wider range of locations. Furthermore, each year NSK revises its List of NSK Environmentally Harmful Substances to reflect national laws and regulations as well as industry standards. Based on this list, we are conducting checks of environmentally harmful substances contained in parts and materials. Through these initiatives, we are working to ensure environmental quality.

## Corporate Governance

### Basic Philosophy

NSK defines corporate governance as a structure that enables the operational organizations to realize efficient and fair management under the supervision of the Board of Directors. This philosophy is the essence of the NSK Corporate Governance Rules, under which we are reinforcing our governance systems through implementation of the following policies.

- ① Improve management flexibility by delegating more authority from the Board of Directors to the operational organizations.
- ② Ensure the supervision of the operational organizations by the supervisory organizations by separating the former and the latter.
- ③ Strengthen the supervision of the operational organizations by the supervisory organizations through close cooperation between the former and the latter.
- ④ Increase management fairness by strengthening the compliance system.

### Corporate Governance Structure

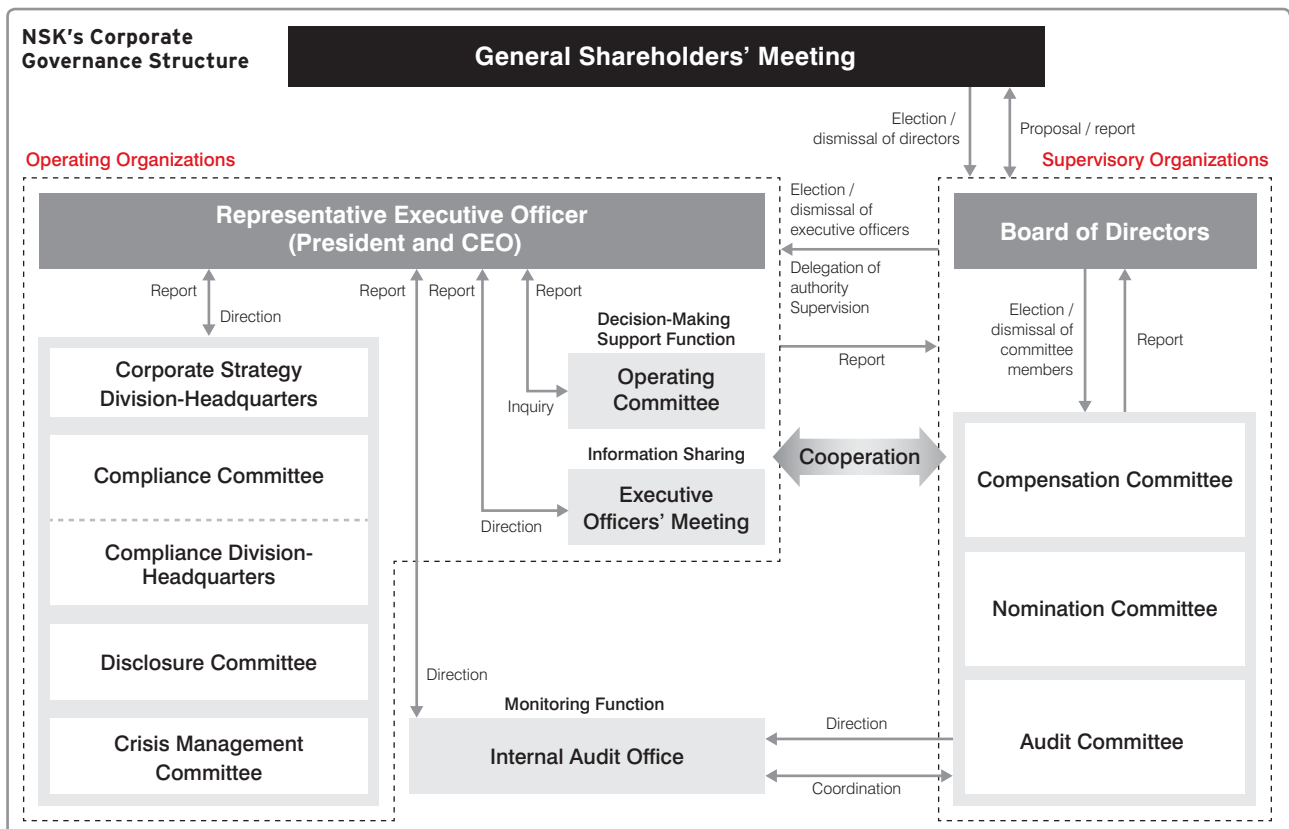
NSK has strengthened its governance structure by adopting a “Company with Committees” system. We have established a sound and highly transparent management structure based on clearly defined executive and supervisory roles.

- Operational Executive Functions: The CEO makes decisions with reference to the deliberations of the Operating Committee. The executive officers in charge put these decisions into action.

- Supervisory Functions: The Board of Directors makes decisions on fundamental management policies and supervises the activities of executive officers. It maintains an Audit Committee, a Compensation Committee, and a Nomination Committee, each consisting of two independent directors and one non-independent director.

### Internal Control Systems

Each business division is responsible for the global operations of NSK in its assigned areas. At the same time, we are reinforcing the group-wide internal control structure by establishing NSK Group Management Rules that apply across the entire NSK Group. Basic principles are set forth in the Management Rules to serve as the framework of Group management and internal control systems. The Internal Audit Office audits the legality, appropriateness, and efficiency of business operations and monitors the status of business operations. The Compliance Division-Headquarters plans, formulates, implements, and supervises policies to ensure compliance with laws, regulations, rules, and corporate ethics. The Corporate Strategy Division-Headquarters plans and implements management strategies, monitors progress of the implementation of these strategies, and conducts overall management of all risks in NSK’s business operations. In addition, the Corporate Strategy Division-Headquarters is responsible for maintaining and strengthening internal control systems that are necessary in the implementation of global business operations.



## Risk Management

### Basic Philosophy

When operating an increasingly global business, appropriate management of risk is critical. Accordingly, NSK's "Risk Management Rules" stipulate the principles of action for risks that apply to the entire NSK Group. We categorize foreseeable risks into operating risks, hazard risks, compliance risks, and financial reporting risks, and determine which organization is responsible for each type of risk. We also conduct overall management of preventative measures for risk and countermeasures when risks actualize. In addition, the Internal Audit Office receives monthly risk reports from Group companies around the world and identifies, evaluates, and routinely monitors significant risks. Furthermore, in order to share awareness about risk and measures in response to risk, each year the Internal Audit Office identifies potential / existing risks jointly with Group companies and offices and prepares a company-wide "risk heat map." Audits are conducted based on the level of each risk.

### Business Continuity Plan

In accordance with the basic policies of Putting Human Life First, Ensuring Safety, and Supporting Rapid Recovery by Fulfilling Our Supply Responsibilities, NSK is working to formulate a business continuity plan (BCP) in preparation for disasters, such as a large-scale earthquake. As a first step, we took measures to reduce damage in the event of a large-scale earthquake. We evaluated the earthquake resistance of buildings, implemented building reinforcement work, and took steps to prevent equipment from falling over and to make equipment more earthquake resistant. To enhance our BCP, NSK is conducting the following measures:

- Clarify business continuity policy
- Prepare a disaster response manual
- Conduct periodic training
- Prepare communication procedures to confirm personal safety and ensure communication among work sites
- Prepare food and other emergency supplies, and prepare measures to help people return home
- Increase inventories of parts for which substitute production / procurement is difficult

In addition, from 2011, as we continue these activities, we will also take the following measures based on lessons learned from the Great East Japan Earthquake.

- Revise our basic plan for business continuity
- Formulate specific BCP initiatives by function
- Strengthen supply chain management
- Strengthen IT infrastructure earthquake resistance measures and data backup
- Consider methods of facilitating complementary roles among manufacturing bases
- Consider headquarter function continuity measures in case of damage to the headquarter building

## Compliance

### Basic Philosophy

To continue to be a company trusted by society, NSK believes that complying with laws, regulations, and corporate ethics (compliance) is one of the most important management tasks that we should undertake. The foundation of compliance at NSK is the NSK Code of Corporate Ethics, which stipulates universal principles that must be followed by all officers and employees. To ensure awareness of the content of this Code, NSK periodically implements educational programs for personnel at specific levels from new employees to senior management and conducts e-learning.

### Initiatives to Strengthen the Compliance Structure

On June 14, 2012, NSK Ltd., certain former officers and a former employee were prosecuted for a violation of the Antimonopoly Act of Japan regarding sales of bearing products at the Tokyo District Court by the Tokyo District Public Prosecutors Office. NSK regards this matter with the utmost solemnity and sincerity, and the Company is implementing a range of measures to further strengthen its compliance system. The new compliance promotion system and the major compliance strengthening measures that have been implemented to date are as follows:

#### 1. Strengthening the Compliance System

##### ① Establishment of the Compliance Committee (March 15, 2012)

This committee is an internal framework at the upper level of management to promote various company-wide compliance measures under the direct guidance and supervision of the president and the executive officers in charge of the divisions. The committee formulates policies intended to strengthen the level of compliance, and decides on and promotes measures designed to enhance compliance in order to effectively implement such policies. In addition, the committee monitors and supervises implementation of these compliance measures and periodically reports on the progress thereof to the Board of Directors.

##### ② Establishment of the Compliance Enhancement Office (July 1, 2012)

To further strengthen its compliance system, NSK established the Compliance Enhancement Office under the control of the Legal Department, Compliance Division Headquarters, as a specialized organizational unit responsible for all compliance-related operations for the NSK Group based on policies and compliance strengthening measures formulated by the Compliance Committee. The office, which works in cooperation with the Legal Department, further intends to plan, implement, confirm, and correct all compliance-related operations.

#### 2. Improving Internal Rules

NSK has made the necessary improvements to its internal rules. We have revised the NSK Code of Corporate Ethics, the NSK Corporate Governance Rules, and the Compliance Rules; furthermore, we have also established the new "Rules for Compliance with the Competition Law." In this way, we are working to strengthen our compliance system further.

#### 3. Enhancing Compliance Education

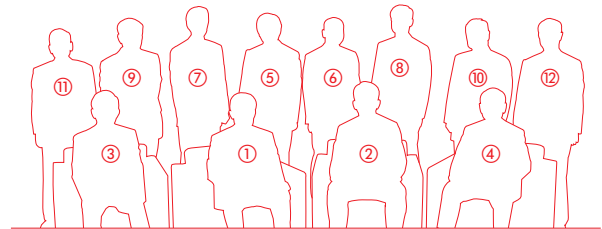
In Japan and overseas, NSK provides officers and employees at specific levels with lecture-based training sessions and e-learning on such topics as compliance, CSR, information security, environmental management, intellectual property rights, internal controls, security export management, and human rights. In particular, in fiscal year ended March 2012, we implemented intensive lecture-based training about the Antimonopoly Act of Japan, which was centered around sales departments. Since April 2012, the Company has been continuing to implement this lecture-based training at other work sites in Japan and overseas.

## Management Team As of June 22, 2012



### Board of Directors

- ① Norio Otsuka
- ② Ryoichi Saito
- ③ Tsutomu Komori
- ④ Toshihide Shimbo
- ⑤ Hideyuki Shibamoto
- ⑥ Naoki Mitsue
- ⑦ Toshihiro Uchiyama
- ⑧ Tatsuo Ichikawa
- ⑨ Yoshikazu Sashida  
Independent Director:  
Adviser, Nisshinbo Holdings Inc.  
Outside Director, Sojitz Corporation
- ⑩ Toshitaka Hagiwara  
Independent Director:  
Senior Adviser, Komatsu Ltd.  
Outside Director, Zensho Co., Ltd.  
External Director, Yamato Holdings., Ltd.
- ⑪ Kazuo Suzuki  
Independent Director:  
Certified Public Accountant  
Outside Corporate Auditor,  
Sumitomo Osaka Cement Co., Ltd.
- ⑫ Yukio Obara  
Independent Director:  
Outside Auditor, Showa Denko K.K.



### Executive Officers

#### President and Chief Executive Officer

Norio Otsuka\*

#### Executive Vice Presidents

Ryoichi Saito\*  
Tsutomu Komori\*  
Toshihide Shimbo\*  
Norbert Schneider  
Hideyuki Shibamoto  
Naoki Mitsue

#### Senior Vice Presidents

Kazuo Nagatake  
Masakazu Aijima  
Toshihiro Uchiyama  
Masahide Matsubara  
Hirotohi Aramaki  
Hideki Doi  
Yasutsugu Hada  
Nobuo Goto  
Shigeyuki Suzuki  
Naoki Sugimoto

#### Vice Presidents

Toshiyuki Nagashima  
Masaru Watari  
Hiroshi Suzuki  
Yasuhiro Kamio  
Koji Inoue  
Sakae Kuwashiro  
Bernard M. Lindsay  
Yukio Ikemura  
Hideo Nakajima

### Group Officers

Yujiro Otsubo  
Kihichi Isogai  
Takashi Tonotsuka  
Kenichi Yamanaka  
Takanao Miki  
Seong-Il Jo

\* Representative Executive Officers

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## Eleven-Year Summary

NSK Ltd. and Consolidated Subsidiaries

Years ended March 31	2012	2011	2010	2009
<b>FOR THE YEAR</b>				
Net sales	¥733,192	¥710,431	¥587,572	¥647,593
Cost of sales and SG&A expenses	688,775	666,907	576,267	625,487
Operating income	44,417	43,524	11,305	22,106
Other income (expenses)	(3,157)	(5,284)	(4,970)	(11,776)
Income (loss) before income taxes and minority interests	41,259	38,239	6,335	10,330
Income taxes	11,881	10,805	819	4,887
Net income (loss)	28,514	26,110	4,765	4,561
Capital expenditures (excluding intangible assets)	50,268	38,747	19,829	41,915
Depreciation and amortization	35,807	34,943	37,149	39,729
R&D expenditures	10,373	10,515	8,794	10,691
Cash flows from operating activities (A)	57,158	64,973	51,108	11,785
Cash flows from investing activities (B)	(56,090)	(33,348)	(29,355)	(46,422)
Free cash flows (A) + (B)	1,068	31,625	21,753	(34,637)
<b>AT YEAR-END</b>				
Current assets	454,631	418,584	411,167	369,590
Non-current assets	390,442	370,042	378,456	374,638
Total assets	845,073	788,626	789,624	744,229
Current liabilities	308,501	293,881	257,706	210,322
Long-term liabilities	237,506	219,475	267,229	285,119
Net assets	299,066	275,269	264,688	248,787
Total liabilities and net assets	845,073	788,626	789,624	744,229
Number of employees (persons)	27,444	26,334	24,633	24,050
<b>PER SHARE (YEN)</b>				
Net income (loss)	¥ 52.75	¥ 48.30	¥ 8.82	¥ 8.44
Net assets	518.56	475.45	458.65	431.74
<b>RATIOS</b>				
Gross profit margin	20.2%	20.8%	17.8%	19.4%
Operating income margin	6.1	6.1	1.9	3.4
SG&A expenses/net sales	14.1	14.7	15.9	16.0
Net income margin	3.9	3.7	0.8	0.7
Return on average assets (ROA)	3.5	3.3	0.6	0.6
Return on average shareholders' equity (ROE)	10.6	10.3	2.0	1.8
Ratio of net worth to total capital	33.2	32.6	31.4	31.4
Asset turnover (times)	0.90	0.90	0.77	0.82
Inventory turnover (times)	6.5	6.5	5.5	6.2
Net D/E ratio (times)	0.58	0.60	0.73	0.85
Interest coverage ratio (times)	11.8	14.0	9.2	2.0



Millions of yen  
Unless otherwise specified

2008	2007	2006	2005	2004	2003	2002
¥772,036	¥717,225	¥628,474	¥580,989	¥522,217	¥522,820	¥480,902
702,692	654,842	585,922	542,706	496,245	504,972	476,954
69,343	62,383	42,552	38,283	25,972	17,847	3,947
(5,730)	(5,346)	516	(3,251)	479	(19,974)	(14,271)
63,613	57,037	43,068	35,031	26,451	(2,127)	(10,324)
19,173	20,198	16,412	11,601	11,473	970	7,181
42,613	34,853	25,586	22,349	14,293	(2,670)	(17,696)
51,971	36,216	47,293	36,912	25,502	23,010	36,183
38,380	35,316	30,099	27,435	26,909	28,812	27,536
10,240	10,100	9,728	9,806	8,722	8,307	8,036
69,236	64,153	66,332	57,987	37,889	30,961	30,331
(23,187)	(64,600)	(62,386)	(31,638)	(16,958)	(16,223)	(34,372)
46,049	(447)	3,946	26,349	20,931	14,738	(4,041)
404,412	389,067	313,569	278,678	295,491	285,749	291,490
424,167	426,721	429,462	349,905	326,386	307,349	351,332
828,580	815,788	743,032	628,583	621,877	593,098	642,823
294,318	297,489	266,834	234,300	245,588	227,314	239,378
250,486	241,571	228,373	194,420	175,548	183,481	182,455
283,775	276,727	247,823	199,861	200,739	182,302	220,989
828,580	815,788	743,032	628,583	621,877	593,098	642,823
25,069	23,413	22,639	20,737	19,772	20,351	22,337
¥ 78.84	¥ 64.53	¥ 47.28	¥ 41.35	¥ 26.12	¥ (5.22)	¥ (31.79)
495.61	485.62	436.48	349.07	349.83	316.27	378.03
23.1%	23.2%	22.4%	22.5%	21.5%	19.6%	18.1%
9.0	8.7	6.8	6.6	5.0	3.4	0.8
14.1	14.5	15.6	15.9	16.5	16.2	17.3
5.5	4.9	4.1	3.8	2.7	(0.5)	(3.7)
5.2	4.5	3.7	3.6	2.4	(0.4)	(2.7)
16.1	14.0	12.1	11.9	8.0	(1.4)	(8.1)
32.3	32.2	31.7	30.0	30.3	28.8	32.4
0.94	0.92	0.92	0.93	0.86	0.85	0.73
7.5	7.0	6.9	7.4	6.6	5.8	4.8
0.56	0.69	0.73	0.89	0.99	1.22	1.04
11.0	11.3	15.0	11.3	6.1	4.1	4.2

## Six-Year Segment Information

Millions of yen / %

Years ended March 31

	2012	2011	2010	2009	2008	2007
<b>SALES BY SEGMENT</b>						
Industrial Machinery Business	¥255,835	¥259,095	¥201,963	—	—	—
Automotive Business	444,585	424,157	366,463	—	—	—
Others	32,772	27,178	19,145	—	—	—
Total	733,192	710,431	587,572	—	—	—
<b>SALES BY BUSINESS SEGMENT (PREVIOUS SEGMENTS)</b>						
Industrial machinery bearings	—	—	¥166,873	¥209,530	¥239,056	¥216,338
Automotive products	—	—	366,463	352,453	435,705	397,863
Precision machinery and parts	—	—	35,089	57,491	68,186	77,719
Others	—	—	19,145	28,118	29,087	25,303
Total	—	—	587,572	647,593	772,036	717,225
<b>INCREASE / DECREASE FROM THE PREVIOUS YEAR</b>						
Industrial Machinery Business	-1.3%	28.3%	—	—	—	—
Automotive Business	4.8	15.7	—	—	—	—
Others	20.6	42.0	—	—	—	—
Total	3.2	20.9	—	—	—	—
<b>INCREASE / DECREASE FROM THE PREVIOUS YEAR (PREVIOUS SEGMENTS)</b>						
Industrial machinery bearings	—	—	-20.4%	-12.4%	10.5%	10.6%
Automotive products	—	—	4.0	-19.1	9.5	12.7
Precision machinery and parts	—	—	-39.0	-15.7	-12.3	18.1
Others	—	—	-31.9	-3.3	15.0	81.2
Total	—	—	-9.3	-16.1	7.6	14.1
<b>SALES BY REGION (BASED ON CUSTOMER LOCATION)</b>						
Japan	¥363,754	¥354,542	¥289,540	¥323,375	¥388,929	¥364,395
The Americas	86,267	85,466	70,609	78,754	107,321	105,111
Europe	107,958	102,176	98,504	111,866	133,853	121,698
Asia	175,212	168,246	128,918	133,596	141,933	126,021
Total	733,192	710,431	587,572	647,593	772,036	717,225
<b>INCREASE / DECREASE FROM THE PREVIOUS YEAR</b>						
Japan	2.6%	22.5%	-10.5%	-16.9%	6.7%	10.4%
The Americas	0.9	21.0	-10.3	-26.6	2.1	13.8
Europe	5.7	3.7	-11.9	-16.4	10.0	24.0
Asia	4.1	30.5	-3.5	-5.9	12.6	16.8
Total	3.2	20.9	-9.3	-16.1	7.6	14.1

Systemized products were moved from the "Industrial Machinery Business" to the "Others" segment from April 1, 2011.

## Analysis of Business Results for The Year Ended March 31, 2012

### 1. Scope of Consolidation

The consolidated financial statements reflect the financial performance of NSK Ltd. and its 92 consolidated subsidiaries (22 in Japan and 70 overseas). NSK's investments in 14 affiliates (9 in Japan and 5 overseas) are accounted for by the equity method.

In the year ended March 31, 2012, NSK established two new companies, including a production company for automotive bearings and industrial machinery bearings in China and a manufacturing and sales company for exposure equipment for the manufacture of flat panel displays in Japan. As a result, the number of consolidated subsidiaries increased by two from the previous fiscal year-end. The number of equity-method affiliates was unchanged from that of the previous fiscal year.

### 2. Overview of the Year Ended March 31, 2012

During the year ended March 31, 2012, the global economy performed steadily in the first half on the back of restoration following the Great East Japan Earthquake and the economic growth of China and other emerging countries, mainly those in the ASEAN region. In the second half, however, trends softened due to flooding in Thailand and fiscal and financial uncertainty in Europe.

In response to these economic conditions, the NSK Group reduced costs while minimizing the effect of the earthquake and flooding by doing its utmost to ensure stable supplies and maintain quality. As a result, consolidated net sales rose 3.2% year on year, to ¥733.2 billion (US\$8,941 million). Operating income was up 2.1%, to ¥44.4 billion (US\$542 million). As a result of recording ¥0.7 billion (US\$9 million) in extraordinary loss on devaluation of investment securities, net income after tax expenses and minority interests was up 9.2%, to ¥28.5 billion (US\$348 million).

### 3. Net Sales

Net sales increased ¥22.8 billion, or 3.2% year on year, to ¥733.2 billion (US\$8,941 million). Excluding the effect of exchange rate fluctuations, the increase was ¥40.4 billion, or 5.7%. Sales in Japan rose ¥9.2 billion, or 2.6%, to ¥363.8 billion (US\$4,436 million). Overseas sales were up ¥13.5 billion, or 3.8%, to ¥369.4 billion (US\$4,505 million). Excluding the effect of exchange rates, the increase was ¥31.2 billion, or 8.8%.

### 4. Cost of Sales, and Selling, General and Administrative (SG&A) Expenses

The cost of sales increased from ¥563.0 billion in the previous fiscal year to ¥585.0 billion (US\$7,134 million). The ratio of cost of sales to net sales deteriorated 0.6 percentage point, to 79.8%.

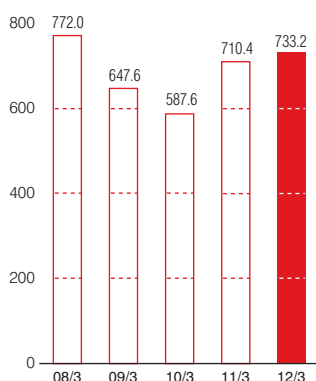
SG&A expenses decreased from ¥104.0 billion in the previous fiscal year to ¥103.8 billion (US\$1,265 million). The ratio of cost of sales to net sales improved 0.6 percentage point, to 14.1%.

### 5. Business Segment Information

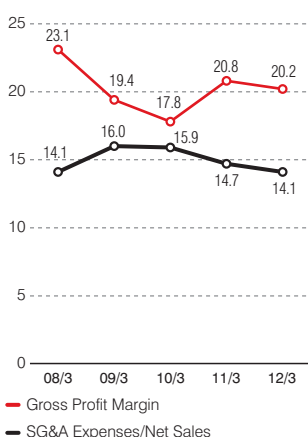
#### (a) Industrial Machinery Business

Demand rose for industrial machinery bearings and precision machinery and parts because the economic growth of emerging countries and demand recovery in other countries counteracted a second-half slowdown. By region, in Japan sales of industrial machinery bearings for machine tools were up domestically and for export to China, but sales for semiconductors declined. In regions overseas, demand was solid. In the Americas and Europe, sales of industrial machinery bearings and sales to the aftermarket sector rose thanks to modest economic recovery. In China, sales increased to the aftermarket sector and for electrical machinery and IT equipment.

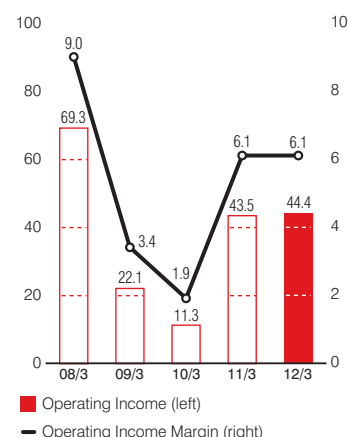
**Net Sales**  
(¥ Billions)



**Gross Profit Margin  
SG&A Expenses/Net Sales**  
(%)



**Operating Income  
Operating Income Margin**  
(¥ Billions / %)



Net sales in the Industrial Machinery Business declined 1.3% year on year, to ¥255.8 billion (US\$3,120 million), due to a change in the segment classification of systemized products. However, operating income rose 26.1%, to ¥25.7 billion (US\$313 million), as higher order volumes and cost reduction offset the worsening profitability of exports due to yen appreciation.

(b) Automotive Business

Demand for automotive bearings and automotive components rose, despite the temporary effect of the earthquake and flooding. By region, in Japan sales of these products increased as automotive production recovered rapidly after the earthquake. In the Americas, although the earthquake temporarily affected sales, the market continued to recover modestly, and sales of EPS systems increased. In Europe, despite conspicuous market stagnation, sales rose centered on hub unit bearings. In Asia, overcoming the effects of softening growth in China and flooding in Thailand, sales increased centered on EPS systems.

As a result, net sales in the Automotive Business grew 4.8% year on year, to ¥444.6 billion (US\$5,422 million). However, operating income declined 15.8%, to ¥22.6 billion (US\$276 million), due to yen appreciation.

6. Other Income and Expenses

Other expenses net of other income amounted to ¥3.2 billion (US\$39 million), compared with ¥5.3 billion for the previous fiscal year, reflecting a reduction in product compensation expenses, although there was an increase in loss on devaluation of investment securities.

7. Income before Income Taxes and Minority Interests

Income before income taxes and minority interests rose ¥3.0 billion, or 7.9%, to ¥41.3 billion (US\$503 million), due to improvements in operating income and non-operating expenses.

8. Tax Expenses

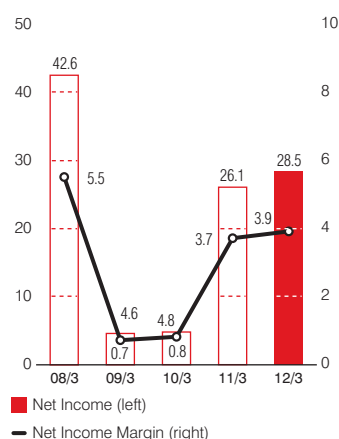
Tax expenses (current and deferred income taxes) amounted to ¥11.9 billion (US\$145 million), up ¥1.1 billion compared with the previous fiscal year. The tax burden ratio (income tax divided by income before income taxes and minority interests) was 28.8%, reflecting the recording of earnings by overseas subsidiaries subject to lower tax rates than in Japan, tax credits associated with R&D expenses, and decrease in tax rates related to deferred tax assets and liabilities accompanying revision of Japan's tax system.

9. Minority Interests

Minority interests, consisting mainly of the interests of minority shareholders in subsidiaries, decreased ¥0.5 billion, or 34.8% year on year, to ¥0.9 billion (US\$11 million).

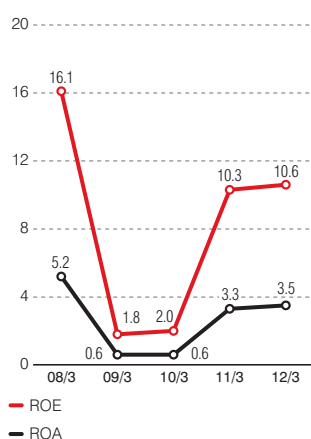
Net Income / Net Income Margin

(¥ Billions / %)



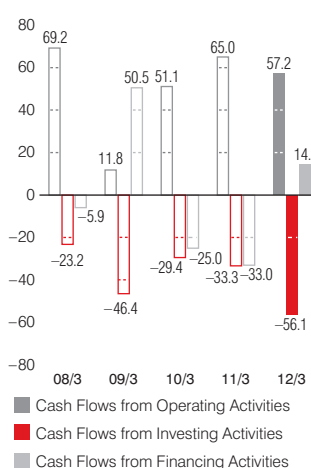
ROE / ROA

(%)



Cash Flows

(¥ Billions)



## 10. Net Income

Net income improved ¥2.4 billion, or 9.2%, to ¥28.5 billion (US\$348 million). Net income per share was ¥52.75 (US\$0.64), up from ¥48.30 in the previous fiscal year. Return on shareholders' equity (ROE) improved from 10.3% in the previous fiscal year to 10.6%.

## 11. Cash Flows and Financial Position

### (a) Cash Flows

Net cash provided by operating activities declined ¥7.8 billion year on year, to ¥57.2 billion (US\$697 million). Major inflows included income before income taxes and minority interests of ¥41.3 billion (US\$503 million), depreciation and amortization of ¥35.8 billion (US\$437 million), and an increase in notes and accounts payable of ¥13.6 billion (US\$166 million). Major outflows included an increase in notes and accounts receivable of ¥19.8 billion (US\$242 million) and income taxes paid of ¥10.3 billion (US\$125 million).

Net cash used in investing activities increased ¥22.7 billion, to ¥56.1 billion (US\$684 million). Major outflows included ¥50.6 billion (US\$617 million) used to acquire additions to property, plant and equipment.

Net cash provided by financing activities was ¥14.6 billion (US\$179 million), an improvement of ¥47.6 billion (US\$581 million) as compared with the previous year. Major inflows included net increase in short-term debt of ¥4.6 billion (US\$56 million) and net increase in long-term debt of ¥63.5 billion (US\$774 million). Major outflows included repayments of long-term loans of ¥16.4 billion (US\$199 million), repayment of bonds of ¥30.3 billion (US\$370 million), and cash dividends paid of ¥6.5 billion (US\$79 million).

As a result, cash and cash equivalents as of March 31, 2012, amounted to ¥135.3 billion (US\$1,650 million), up ¥15.0 billion from the previous fiscal year-end.

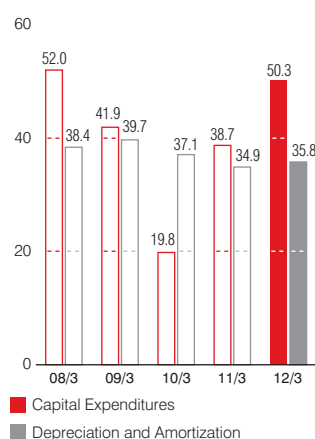
### (b) Financial Position

Total assets at the end of the fiscal year under review amounted to ¥845.1 billion (US\$10,306 million), up ¥56.4 billion from the previous fiscal year-end. Major increases included ¥19.2 billion (US\$234 million) in notes and accounts receivable, ¥14.7 billion (US\$179 million) in short-term invest securities, ¥15.7 billion (US\$191 million) in net property, plant and equipment, and ¥2.6 billion (US\$32 million) in investment securities. Total liabilities amounted to ¥546.0 billion (US\$6,659 million), up ¥32.6 billion from the previous fiscal year-end. Major increases included ¥13.5 billion (US\$165 million) in notes and accounts payable and ¥49.5 billion (US\$604 million) in the current portion of long-term debt. Major decreases included ¥30.0 billion (US\$366 million) in the current portion of long-term bonds. Total net assets were ¥299.1 billion (US\$3,647 million), up ¥23.8 billion. Major increases included ¥28.5 billion (US\$348 million) in net income and ¥2.6 billion (US\$32 million) in unrealized holding gain on securities. Major decreases included ¥2.4 billion (US\$29 million) in translation adjustments.

Total current assets rose ¥36.0 billion from the previous fiscal year-end, to ¥454.6 billion (US\$5,544 million). Total current liabilities increased ¥14.6 billion, to ¥308.5 billion (US\$3,762 million). As a result, the current ratio increased from 1.42 times at the previous fiscal year-end to 1.47 times. Gross interest-bearing debt increased ¥22.2 billion, to ¥296.8 billion (US\$3,620 million). Net interest-bearing debt (interest-bearing debt net of cash and cash equivalents) was up ¥7.2 billion, to ¥161.4 billion (US\$1,968 million). The net debt-equity ratio decreased from 0.60 in the previous fiscal year to 0.58. Net assets per share rose from ¥475.45 to ¥518.56 (US\$6.32). The ratio of net worth to total capital increased from 32.6% to 33.2%.

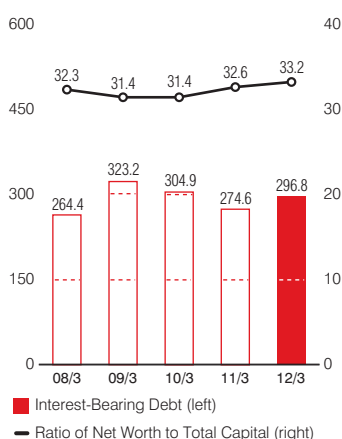
### Capital Expenditures Depreciation and Amortization

(¥ Billions)



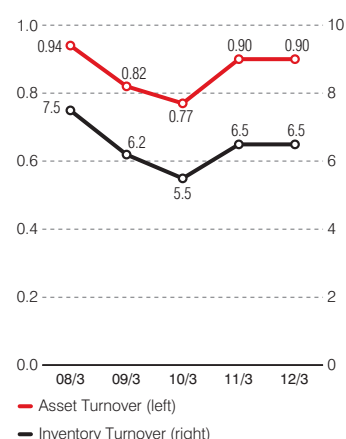
### Interest-Bearing Debt Ratio of Net Worth to Total Capital

(¥ Billions / %)



### Asset Turnover Inventory Turnover

(Times)



## Business Risks and Other Risk Factors

Listed below are the principal risk factors that have the potential to affect the NSK Group, including its business development, performance, and financial position. Any forward-looking statements in the following section are the NSK Group's judgments as of June 22, 2012.

### 1. Economic Conditions in Countries, Regions, and Industries

The business performance and financial position of the NSK Group could be adversely affected by deterioration in the economic environment resulting from fluctuations in economic conditions in the specific countries and regions in which it sells and manufactures products, or from fluctuations in business conditions in the industries to which its customers and suppliers belong.

### 2. Market Changes and Competition

Competition for sales has intensified on a global scale, and the pace of change in the business environment has accelerated. The NSK Group is strengthening its non-price competitiveness on various levels, including the expansion of its activities in the market for high-quality bearings and the improvement of technical services. However, it is possible that the Group's business performance and financial position will be adversely affected by a rapid increase in sales of low-priced bearings supplied by bearing manufacturers in China and elsewhere. In some business segments and regions, loss of sales opportunities due to delays in entering overseas markets, or a failure to respond quickly enough to demand fluctuations, may adversely affect the business performance and financial position of the NSK Group.

### 3. Reliance on Specific Industries

There is a risk that the business performance and financial position of the NSK Group could be adversely affected by sudden declines in demand from the industries on which it is heavily reliant. Specifically, the NSK Group is particularly dependent on automotive bearings and automotive products for the automotive sector, which accounts for more than one-half of its sales.

### 4. Credit Risks

The NSK Group sells a high percentage of its products to large and relatively stable customers, and recoverability risk relating to notes and accounts receivable and other claims is believed to be negligible. Doubtful claims are covered by reserves based on the likelihood of recovery.

The Group systematically monitors the credit status of customers on a day-to-day basis. Sales divisions and purchasing divisions primarily undertake such monitoring. However, there is a risk that environmental changes and other factors will result in unforeseen bad-debt problems. It is possible that the NSK Group's business performance and financial position will be adversely affected in some circumstances, such as if an economic recession and the global escalation of competition create an environment in which the capital positions of customers in Japan or overseas are weakened.

### 5. Business Alliance Risks

The NSK Group realizes the benefits of business alliances with multiple companies through mutually effective use of management resources, technology development, and production activities. However, an inability to realize the benefits of a business alliance due to a disagreement between the policies of parties to an alliance concerning the purpose of the alliance, the methods used, or other matters could adversely affect the business performance and financial position of the NSK Group.

### 6. Reliance on Specific Suppliers

The NSK Group's basic strategy is to avoid reliance on a single supplier by procuring components and materials from multiple suppliers. However, the Group could become unable to source necessary items due to a supplier's lack of production capacity, poor quality products, fire disaster, bankruptcy, damage due to earthquakes or other natural disasters, nuclear incidents, or other reasons, which in turn could impede the Group's supply of products to customers or lead to the Group incurring higher costs as a result of the use of alternative products that have higher prices or quality problems. Such a contingency could adversely affect the business performance and financial position of the NSK Group.

### 7. Rising Prices of Raw Materials

Economic trends in China and other emerging countries, as well as natural disasters such as heavy rain or earthquakes, have caused major fluctuations in the prices of steel, crude oil, copper, and other raw materials. Upward trends in raw material prices create the risk of rises in the prices of materials and parts used in the products of the NSK Group. The Group is working to reduce costs by conducting Value Analysis (VA) and Value Engineering (VE) campaigns, expanding procurement of materials and parts locally at overseas business sites, boosting utilization of materials and parts imported from overseas, and implementing other initiatives, and pass on cost increases through higher product prices. However, there is a risk that the NSK Group will not be able to recover cost increases fully and that business performance will be adversely affected as a result.

### 8. Quality Risks

The NSK Group has an established quality assurance system for its products. However, if a serious quality problem goes undetected, leading to major accidents, product recalls, the interruption of customers' production operations, or other negative outcomes, the business performance and financial position of the Group could be adversely impacted by the consequences of this situation. Consequences might include the incurring of substantial costs and reputational damage, or being held responsible for the cost of product-related compensation payments under the terms of contracts, or having to pay legal compensation following damage due to unforeseeable misuse of one of the Group's products. Although the NSK Group has

obtained global product liability insurance and product recall insurance, there is a risk that this may not be sufficient to cover all compensation payments and other losses.

### **9. Product Development Risks**

The purpose of product development is to bring new products to the market, which is an important priority from the viewpoint of income expansion. However, because of the diversity of product development needs in the market and the accelerating pace of change in these needs, product development activities involve exposure to a variety of risks, including the risk that new products or new technologies will not be supported in the market, that competitors will be able to develop and mass produce similar products ahead of the NSK Group, or that other companies will introduce new products or new technologies that can be used as alternatives to those developed by the Group. Such a contingency could adversely affect the business performance and financial position of the NSK Group.

### **10. Intellectual Property Risks**

Risks relating to the increasing importance of intellectual property include the risk of invalidity claims concerning the intellectual property of the NSK Group, the risk that the Group will not be able to obtain permission to use the intellectual property of other parties, the risk of infringement of the intellectual property by third parties, and the risk that the NSK Group will not be able to eliminate counterfeit products effectively in certain countries or regions.

### **11. Overseas Expansion Risks**

The NSK Group conducts businesses in regions worldwide. Entry into overseas markets brings with it the risk that the Group will not be able to recover the capital invested according to the original plan and the risk that it will become necessary to consolidate or close production sites or withdraw from a market. There are also unavoidable risks relating to business conditions and systems that are specific to countries and regions into which the NSK Group has expanded.

### **12. Disaster and Terrorist Risks**

The production and sales activities of the NSK Group could be adversely affected if its business sites or those of its suppliers and customers are hit by disasters, such as earthquakes, floods, fires, heavy snow, nuclear incidents, or outbreaks of new infectious diseases, by terrorist attacks, or by physical and human damage resulting from social unrest caused by changes in the political situation. Further, given that insurance does not completely cover all damage resulting from fire disasters and natural disasters, countermeasures for natural disasters and terrorism are one of the Group's important management tasks, and the Group will do its utmost in this regard, including predicting the effects of such disasters if they occur and considering precautionary measures to ensure that the NSK Group can continue operations. However, the Group cannot completely eliminate such risks.

### **13. Compliance Risks**

To ensure full compliance with laws, regulations, and ethical standards, the NSK Group has established a code of business ethics and adopted behavior guidelines. However, there is still a risk that individual employees will commit compliance violations for various reasons, including inappropriate judgments resulting from an excessive emphasis on sales and profits, and that such actions will result in criminal prosecutions, civil suits, or official actions against the NSK Group, as well as reputational damage, or that economic losses will be incurred.

Since the investigation by the Japan Fair Trade Commission regarding sales of bearings of NSK in July 2011, NSK has been placed under investigations by the relevant authorities in Japan and overseas. (For more information, please refer to "Management's Views on Key Issues and Future Policies" described later.) Moreover, in June 2012, NSK, its former officers, and its former employee were accused by the Japan Fair Trade Commission of, and prosecuted at the Tokyo District Court by the Tokyo District Public Prosecutors Office for, violating the Antimonopoly Act of Japan regarding sales of bearing products.

These investigations are still continuing. As a result of the above, it is possible that NSK's operation results could be affected.

### **14. Litigation Risks**

The NSK Group has obtained insurance cover for lawsuits and compensation claims relating to product liability. While this insurance cover will be applicable in some cases, it does not provide unlimited and unconditional indemnity for all compensation costs incurred by the Group. There have been no lawsuits relating to matters other than production transactions with the potential to have a serious impact on the business performance of the Group. However, the possibility that the NSK Group's business performance will be seriously affected by such litigation in the future cannot be ruled out.

### **15. Information Management Risks**

The NSK Group handles substantial amounts of important data and personal information in the course of its business activities and has adopted a security policy designed to prevent external disclosure of this information or its use for unauthorized purposes. Despite management's efforts to disseminate and effectively administer this policy, the possibility of leaks resulting from unforeseen circumstances cannot be ruled out. There is a risk of damage to the NSK Group's reputation and incurrence of substantial costs if such situations arise.

### **16. Information Disclosure and Shareholder Income Risks**

The NSK Group has established timely disclosure systems and strives to ensure the fair disclosure of corporate information and the accuracy of financial data. However, if the Group is unable to adapt its systems effectively to reflect the establishment or amendment of laws and regulations, changes in stock exchange rules, or changes in prevailing conditions, there is a possibility that its information disclosure will be inadequate and that this will cause a decline in the market price of its shares and adversely affect the interests of shareholders.

There is also a possibility that effectiveness assessments or audits of internal control systems relating to financial statements under the Financial Instruments and Exchange Act will lead to the identification of major errors or omissions.

#### 17. Environmental Risks

The NSK Group has identified environmental protection activities as an important aspect of its management policies and has worked to improve its environmental management systems. To date, there have been no major environmental problems. However, there is a risk that environmental problems will occur in the future, leading to costs relating to compensation payments, product recalls, the suspension of production and clean-up operations, as well as fines and other official penalties and reputational damage. It is also possible that the introduction of new regulations will result in substantial costs.

An environmental safety countermeasures reserve has been provided to cover expenditure on actions relating to the disposal of polychlorinated biphenyl (PCB).

#### 18. Information System Risks

There is a possibility that failures will occur in on-line systems and networks used in supply chain operations, including production, sales, and logistics, and that the restoration of these systems will require substantial amounts of time. In such situations, there is a risk that production operations, warehouse management, and sales activities will be impeded and that the disruption of product shipments will affect customers' production plans, leading to compensation claims and loss of customer confidence in the NSK Group.

In particular, in the current fiscal year and the coming fiscal year, the NSK Group plans to undertake large-scale renewal of sales systems at its main offices in Japan, the United States, and Europe. If this transfer to a new system leads to confusion, it could adversely affect the NSK Group's business.

#### 19. Recruitment Risks

The NSK Group recognizes that to maintain its competitiveness it needs to recruit, appoint, and train people with excellent technical knowledge and skills. Some Group companies have imbalances in the age profiles of their work forces, and the number of workers retiring in Japan is expected to increase rapidly for the time being. However, there is rising competition for skilled personnel in the fields in which the Group is involved. If the NSK Group is unable to recruit and train the personnel that it needs, the resulting inability to pass on skills could have an adverse impact on the Group's business activities.

#### 20. Labor Dispute Risks and the Labor Environment

The NSK Group considers that there is little risk of deterioration in labor relations, because it holds labor management council meetings regularly to discuss improvement of the labor environment and labor conditions. However, there is a risk that differences in labor practices in overseas countries and regions, or unforeseeable contingencies, such as changes in the legal, economic, or social environments, may cause labor relations to deteriorate, leading to labor disputes and other problems. In such cases, there is a possibility that the Group's business operations will be curtailed.

The NSK Group is taking initiatives to provide a safe and ideal labor environment, but there is also a risk of industrial accidents caused by malfunctioning equipment or improper operation by workers. In particular, serious industrial accidents may adversely affect the Group's operations.

#### 21. Foreign Exchange and Interest Rate Risks

There is a risk that the business performance and financial position of the NSK Group could be adversely affected by foreign currency denominated commodity transactions and investment or interest rate increases. The Group seeks to reduce the effects of exchange rate and interest rate fluctuations by balancing its foreign currency credits and debts and by using hedging when required, as stipulated in internal regulations. However, the risk of adverse effects cannot be entirely eliminated.

#### 22. Retirement Benefit Liabilities

NSK Ltd. and its consolidated subsidiaries in Japan have established defined-benefit pension plans and lump-sum payment plans. Overseas subsidiaries in the United Kingdom and certain other locations have also established defined-benefit pension plans. There is a risk that the business performance and financial position of the NSK Group could be adversely affected by retirement benefit costs and liabilities if there are changes in the assumptions on which the plans are based, a decline in returns on the investment of pension assets, a fall in the value of shares held in trust, or changes in accounting standards.



## Management's Views on Key Issues and Future Policies

The NSK Group has prepared a mid-term plan, which covers the period through March 2013 and sets out a mid-term vision that calls on the Group to "Pursuit of No. 1 in Total Quality." This means realizing quality not only in products, which is the most fundamental requirement of a manufacturer, but also in all services we provide. In addition to our existing basic strategies of advancing growth strategies and strengthening profitability, we aim to build an operational foundation for future growth amid dramatically changing business conditions. To this end, we will step up efforts to strengthen customer-oriented and business-oriented management by further integrating technology, production, and sales.

Regarding sales and marketing, we intend to take steps to expand sales in such emerging nations as China and India as well as step up initiatives for businesses related to the environment, infrastructure, and resources. As for technology, we will accelerate the creation and development of new products catering to such technological innovations as hybrid vehicles and electric vehicles as well as new sources of energy. Regarding production, we will reinforce manufacturing capabilities by reorganizing our global production system. Further, NSK recognizes that contributing globally to energy saving through its business activities is one of its social responsibilities. Accordingly, we will steadily improve our environmental management levels. Specifically, in response to the increasing demand for energy saving, we will expand our lineup of environmentally friendly products while contributing to the preservation of the natural environment.

Regarding the external environment, the outlook is uncertain due to such factors as the economic slowdown in Europe stemming from financial and fiscal uncertainty and concern over oil price hikes arising from events in the Middle East. In this environment, the NSK Group will continue to pursue its two basic strategies of advancing growth strategies and strengthening profitability based on the leadership of business divisions. At the same time, the NSK Group will make a concerted effort to tackle a variety of issues boldly to increase corporate value sustainability on a global scale.

The headquarters and its relevant sales branches of NSK Ltd. ("NSK") were investigated on July 26 and 27, 2011, by the Japan Fair Trade Commission ("JFTC") in relation to the Japan Antimonopoly Act regarding sales of bearings of NSK. Our sales subsidiary in Germany was inspected on November 8, 2011 (local time), by the European Commission in relation to EU competition law regarding sales of bearings. In addition, our subsidiary in the U.S. received from the United States Department of Justice a subpoena, which requested that it provide information regarding sales of bearings on November 9,

2011 (local time). Furthermore, on April 20, 2012, NSK was searched by the Special Investigation Department of the Tokyo District Public Prosecutors Office and JFTC in relation to the Japan Antimonopoly Act.

Moreover, in June 14, 2012, NSK, its former officers, and its former employee were accused by the Japan Fair Trade Commission of, and prosecuted at the Tokyo District Court by the Tokyo District Public Prosecutors Office for, violating the Antimonopoly Act of Japan regarding sales of bearing products.

NSK and the NSK Group are cooperating fully with authorities in Japan and elsewhere in their respective investigations.

NSK apologizes sincerely to our shareholders, customers, and other stakeholders for the great deal of concern caused by these developments.

NSK solemnly and sincerely accepts the situation, and has dedicated various efforts to strengthen its compliance system further. As a part of these efforts, on March 15, 2012, NSK established a Compliance Committee, an internal framework at the upper level of management to promote various company-wide compliance measures under the direct guidance and supervision of the president and the executive officers in charge of the divisions. The committee formulates policies intended to strengthen the level of compliance within NSK. In order to effectively implement such policies, the committee decides on and promotes measures designed to enhance compliance, and it monitors and supervises the implementation of these measures. The committee periodically reports on the results of these activities to NSK's Board of Directors. Furthermore, to ensure an objective standpoint, the committee solicits proposals and advice based on expert opinions by inviting external experts as advisers. The committee intends to reflect such proposals and advice in measures intended to further enhance the compliance system. Under policies formulated by the committee, NSK will implement measures to strengthen compliance, such as training programs for all employees.

Moreover, for the further strengthening of the compliance system, NSK has made the necessary improvements to its internal rules, such as revisions of the "NSK Code of Corporate Ethics," the "NSK Corporate Governance Rules," and the "Compliance Rules," and establishment of the new "Rules for Compliance with the Competition Law."

Under the new compliance framework, NSK intends to step up its efforts on a company-wide basis to ensure that the business activities of the entire company adhere strictly to applicable laws and regulations, and that they are conducted based on its social responsibilities as a corporation.

## Consolidated Balance Sheets

NSK Ltd. and Consolidated Subsidiaries

As of March 31,	Millions of yen		Thousands of U.S. dollars (Note 2)
	2012	2011	2012
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents (Note 3)	¥ 135,307	¥ 120,333	\$ 1,650,085
Short-term investments (Note 3)	6,485	5,101	79,085
Notes and accounts receivable, trade	155,234	136,016	1,893,098
Less allowance for doubtful receivables	(1,015)	(934)	(12,378)
Inventories (Note 4)	115,417	111,649	1,407,524
Deferred tax assets (Note 7)	9,244	10,452	112,732
Other current assets	33,957	35,966	414,110
<b>Total current assets</b>	<b>454,631</b>	<b>418,584</b>	<b>5,544,280</b>
Non-current assets:			
Property, plant and equipment, at cost (Notes 5, 9 and 15)			
Land	37,173	37,554	453,329
Buildings and structures	193,952	189,953	2,365,268
Machinery, vehicles and equipment	578,498	560,245	7,054,854
Construction in progress	23,170	15,830	282,561
	<b>832,795</b>	<b>803,583</b>	<b>10,156,037</b>
Less accumulated depreciation	(581,150)	(567,677)	(7,087,195)
<b>Property, plant and equipment, net</b>	<b>251,644</b>	<b>235,906</b>	<b>3,068,829</b>
Goodwill	1,168	1,854	14,244
Investments in non-consolidated subsidiaries and affiliates	17,923	17,309	218,573
Investment securities (Notes 3 and 9)	56,888	54,898	693,756
Deferred tax assets (Note 7)	2,461	2,693	30,012
Prepaid pension cost (Note 11)	42,712	42,339	520,878
Other non-current assets	17,643	15,041	215,159
<b>Total non-current assets</b>	<b>390,442</b>	<b>370,042</b>	<b>4,761,488</b>
<b>Total assets</b>	<b>¥ 845,073</b>	<b>¥ 788,626</b>	<b>\$10,305,768</b>

As of March 31,	Millions of yen		Thousands of U.S. dollars (Note 2)
	2012	2011	2012
<b>LIABILITIES AND NET ASSETS</b>			
Current liabilities:			
Short-term debt (Note 6)	¥ 70,569	¥ 65,298	\$ 860,598
Current portion of long-term debt (Note 9)	43,834	46,444	534,561
Notes and accounts payable (Note 9)	137,607	124,103	1,678,134
Accrued income taxes (Note 7)	4,764	6,061	58,098
Accrued expenses and other current liabilities (Notes 8 and 10)	51,725	51,973	630,793
<b>Total current liabilities</b>	<b>308,501</b>	<b>293,881</b>	<b>3,762,207</b>
Long-term liabilities:			
Long-term debt (Note 9)	182,346	162,842	2,223,732
Accrued employees' retirement benefits (Note 11)	20,990	21,142	255,976
Accrued officers' retirement benefits	1,592	1,689	19,415
Deferred tax liabilities (Note 7)	22,118	22,471	269,732
Other long-term liabilities (Note 10)	10,457	11,330	127,524
<b>Total long-term liabilities</b>	<b>237,506</b>	<b>219,475</b>	<b>2,896,415</b>
Net assets:			
Shareholders' equity (Notes 12, 19 and 23):			
Common stock, without par value:			
Authorized:			
2012 – 1,700,000,000 shares			
2011 – 1,700,000,000 shares			
Issued:			
2012 – 551,268,104 shares	67,176	—	819,220
2011 – 551,268,104 shares	—	67,176	—
Additional paid-in capital	78,340	78,334	955,366
Retained earnings	178,186	155,062	2,173,000
Less treasury stock, at cost	(4,188)	(4,180)	(51,073)
<b>Total shareholders' equity</b>	<b>319,514</b>	<b>296,392</b>	<b>3,896,512</b>
Accumulated other comprehensive income:			
Unrealized holding gain on securities	14,766	12,213	180,073
Translation adjustments	(53,969)	(51,593)	(658,159)
<b>Total accumulated other comprehensive income</b>	<b>(39,202)</b>	<b>(39,379)</b>	<b>(478,073)</b>
Share subscription rights	540	569	6,585
Minority interests	18,212	17,686	222,098
<b>Total net assets</b>	<b>299,066</b>	<b>275,269</b>	<b>3,647,146</b>
<b>Total liabilities and net assets</b>	<b>¥845,073</b>	<b>¥788,626</b>	<b>\$10,305,768</b>

See accompanying notes to the consolidated financial statements.

## Consolidated Statements of Income

NSK Ltd. and Consolidated Subsidiaries

Year ended March 31,	Millions of yen		Thousands of U.S. dollars (Note 2)
	2012	2011	2012
Net sales	¥ 733,192	¥ 710,431	\$ 8,941,366
Cost of sales (Notes 5 and 13)	585,008	562,952	7,134,244
Gross profit	148,184	147,478	1,807,122
Selling, general and administrative expenses (Notes 5, 13 and 22)	103,767	103,954	1,265,451
Operating income	44,417	43,524	541,671
Other income (expenses):			
Interest and dividend income	1,800	1,743	21,951
Interest expense	(4,906)	(4,656)	(59,829)
Equity in earnings of affiliates	3,481	3,568	42,451
Product compensation	(1,751)	(3,125)	(21,354)
Net foreign exchange losses	(1,213)	(1,388)	(14,793)
Loss on devaluation of investment securities	(744)	(333)	(9,073)
Other, net	176	(1,091)	2,146
	(3,157)	(5,284)	(38,500)
Income before income taxes and minority interests	41,259	38,239	503,159
Income taxes (Note 7):			
Current	10,274	10,219	125,293
Deferred	1,607	586	19,598
	11,881	10,805	144,890
Income before minority interests	29,378	27,434	358,268
Minority interests in income of consolidated subsidiaries	863	1,324	10,524
Net income (Note 19)	¥ 28,514	¥ 26,110	\$ 347,732

See accompanying notes to the consolidated financial statements.

## Consolidated Statements of Comprehensive Income

NSK Ltd. and Consolidated Subsidiaries

Year ended March 31,	Millions of yen		Thousands of U.S. dollars (Note 2)
	2012	2011	2012
Income before minority interests	¥ 29,378	¥ 27,434	\$ 358,268
Other comprehensive income			
Unrealized holding gain (loss) on securities	2,532	(1,535)	30,878
Translation adjustments	(2,371)	(10,032)	(28,915)
Share of other comprehensive income of affiliates accounted for by the equity method	(19)	9	(232)
Total other comprehensive income (Note 18)	141	(11,557)	1,720
Comprehensive income	¥ 29,519	¥ 15,877	\$ 359,988
(Details)			
Comprehensive income attributable to parent company	¥ 28,678	¥ 15,118	\$ 349,732
Comprehensive income attributable to minority interests	¥ 840	¥ 758	\$ 10,244

See accompanying notes to the consolidated financial statements.

## Consolidated Statements of Changes in Net Assets

NSK Ltd. and Consolidated Subsidiaries

Year ended March 31,	Millions of yen		Thousands of U.S. dollars (Note 2)
	2012	2011	2012
<b>SHAREHOLDERS' EQUITY:</b>			
<b>COMMON STOCK</b>			
Beginning balance	¥ 67,176	¥ 67,176	\$ 819,220
Ending balance	¥ 67,176	¥ 67,176	\$ 819,220
<b>ADDITIONAL PAID-IN CAPITAL</b>			
Beginning balance	¥ 78,334	¥ 78,330	\$ 955,293
Disposition of treasury stock	5	4	61
Ending balance	¥ 78,340	¥ 78,334	\$ 955,366
<b>RETAINED EARNINGS</b>			
Beginning balance	¥155,062	¥134,902	\$1,891,000
Cash dividends	(6,491)	(5,950)	(79,159)
Net income	28,514	26,110	347,732
Effect of changes in fiscal year-end of certain consolidated subsidiaries	1,102	—	13,439
Ending balance	¥178,186	¥155,062	\$2,173,000
<b>TREASURY STOCK</b>			
Beginning balance	¥ (4,180)	¥ (4,160)	\$ (50,976)
Net change during the year	(8)	(19)	(98)
Ending balance	¥ (4,188)	¥ (4,180)	\$ (51,073)
<b>TOTAL SHAREHOLDERS' EQUITY</b>			
Beginning balance	¥296,392	¥276,248	\$3,614,537
Net change during the year	23,121	20,144	281,963
Ending balance	¥319,514	¥296,392	\$3,896,512
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME:</b>			
<b>UNREALIZED HOLDING GAIN ON SECURITIES</b>			
Beginning balance	¥ 12,213	¥ 13,701	\$ 148,939
Net change during the year	2,553	(1,487)	31,134
Ending balance	¥ 14,766	¥ 12,213	\$ 180,073
<b>TRANSLATION ADJUSTMENTS</b>			
Beginning balance	¥ (51,593)	¥ (42,007)	\$ (629,183)
Net change during the year	(2,375)	(9,585)	(28,963)
Ending balance	¥ (53,969)	¥ (51,593)	\$ (658,159)
<b>TOTAL ACCUMULATED OTHER COMPREHENSIVE INCOME</b>			
Beginning balance	¥ (39,379)	¥ (28,306)	\$ (480,232)
Net change during the year	177	(11,073)	2,159
Ending balance	¥ (39,202)	¥ (39,379)	\$ (478,073)
<b>SHARE SUBSCRIPTION RIGHTS</b>			
Beginning balance	¥ 569	¥ 423	\$ 6,939
Net change during the year	(28)	146	(341)
Ending balance	¥ 540	¥ 569	\$ 6,585
<b>MINORITY INTERESTS</b>			
Beginning balance	¥ 17,686	¥ 16,323	\$ 215,683
Net change during the year	525	1,363	6,402
Ending balance	¥ 18,212	¥ 17,686	\$ 222,098
Total net assets	¥299,066	¥275,269	\$3,647,146

See accompanying notes to the consolidated financial statements.

## Consolidated Statements of Cash Flows

NSK Ltd. and Consolidated Subsidiaries

Year ended March 31,	Millions of yen		Thousands of U.S. dollars (Note 2)
	2012	2011	2012
<b>OPERATING ACTIVITIES</b>			
Income before income taxes and minority interests	¥ 41,259	¥ 38,239	\$ 503,159
Depreciation and amortization	35,807	34,943	436,671
Amortization of goodwill	765	760	9,329
Increase (decrease) in provision for retirement benefits	(8)	822	(98)
Interest expense	4,906	4,656	59,829
Increase in notes and accounts receivable, trade	(19,831)	(5,366)	(241,841)
Increase in inventories, net	(4,933)	(10,312)	(60,159)
Increase in notes and accounts payable	13,620	10,474	166,098
Other, net	(4,342)	(1,774)	(52,951)
Subtotal	67,244	72,444	820,049
Interest and dividends received	5,042	5,242	61,488
Interest paid	(4,840)	(4,638)	(59,024)
Income taxes paid	(10,288)	(8,074)	(125,463)
Net cash provided by operating activities	57,158	64,973	697,049
<b>INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment	(50,580)	(33,543)	(616,829)
Proceeds from sales of property, plant and equipment	1,410	498	17,195
Proceeds from acquisition of minority interests	—	15	—
Decrease (increase) in investment securities, net	(1,158)	1,699	(14,122)
Other, net	(5,761)	(2,019)	(70,256)
Net cash used in investing activities	(56,090)	(33,348)	(684,024)
<b>FINANCING ACTIVITIES</b>			
Increase in short-term debt, net	4,610	1,908	56,220
Repayment of bonds	(30,300)	(25,000)	(369,512)
Increase (decrease) in long-term debt, net	47,138	(4,704)	574,854
Cash dividends paid	(6,490)	(4,873)	(79,146)
Acquisition of treasury stock	(9)	(22)	(110)
Other, net	(311)	(273)	(3,793)
Net cash provided by (used in) financing activities	14,637	(32,966)	178,500
Effect of exchange rate changes on cash and cash equivalents	(573)	(1,762)	(6,988)
Net increase (decrease) in cash and cash equivalents	15,132	(3,103)	184,537
Cash and cash equivalents at beginning of the year	120,333	123,437	1,467,476
Decrease in cash and cash equivalents resulting from changes in fiscal year-end of certain consolidated subsidiaries	(157)	—	(1,915)
Cash and cash equivalents at end of the year	¥135,307	¥120,333	\$1,650,085

See accompanying notes to the consolidated financial statements.

# Notes to Consolidated Financial Statements

NSK Ltd. and Consolidated Subsidiaries  
For the year ended March 31, 2012

## 1. Summary of Significant Accounting Policies

### (a) Basis of Presentation

NSK Ltd. (the "Company") and its domestic consolidated subsidiaries maintain their books of account in conformity with the financial accounting standards of Japan, and its foreign consolidated subsidiaries maintain their books of account in conformity with those of their countries of domicile. With regard to foreign subsidiaries, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ PITF No. 18) has been applied, effective from the year ended March 31, 2009, and as a result certain adjustments have been made to the consolidated financial statements.

The accompanying consolidated financial statements have been compiled from the consolidated financial statements prepared by the Company as required under the Financial Instruments and Exchange Law of Japan and have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

As permitted by the Financial Instruments and Exchange Law of Japan, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and in U.S. dollars) do not necessarily agree with the sums of the individual amounts.

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

### (b) Principles of Consolidation and Accounting for Investments in Unconsolidated Subsidiaries and Affiliates

The accompanying consolidated financial statements include the accounts of the Company and any significant companies controlled directly or indirectly by the Company. Significant companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements on an equity basis. All significant inter-company balances and transactions have been eliminated in consolidation.

Investments in subsidiaries which are not consolidated or accounted for by the equity method are carried at cost or less. Where there has been a permanent decline in the value of such investments, the Company has written down the investments.

The balance sheet dates are December 31 for 3 foreign consolidated subsidiaries, and February 28 for Kuribayashi Seisakusho Co., Ltd., which differs from the year end of the Company; any significant effects of this difference in fiscal periods have been adjusted appropriately in consolidation. Although the fiscal year end is December 31 for 14 subsidiaries including NSK (China) Investment Co., Ltd., these companies have changed to process additional financial closings as of the consolidated balance sheet date (i.e. March 31).

Goodwill is being amortized by the straight-line method over a period of 10 years except for immaterial amounts which have been charged or credited to income in the year incurred.

In consolidating the financial statements of NSK Brasil Ltda. ("NSK Brazil"), the amount of the Company's investment in NSK Brazil has been offset against the adjusted amount of NSK Brazil's shareholders' equity as of March 31, 1997 based on the indexation accounting system.

### (c) Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into yen at the exchange rates prevailing at the balance sheet dates, except for assets and liabilities hedged by forward foreign exchange contracts.

All revenues and expenses associated with foreign currencies are translated at the rates of exchange prevailing when such transactions were made. The resulting exchange gains and losses are credited or charged to income.

The balance sheet accounts of the foreign consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, except for the components of net assets excluding minority interests which are translated at their historical exchange rates. Revenue and expense accounts are translated at the average rate of exchange in effect during the year.

### (d) Cash Equivalents

Cash and cash equivalents consist of cash on hand, cash in banks which can be withdrawn at any time and short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in value.

### (e) Securities

In general, securities other than those of subsidiaries and affiliates are classified into three categories: trading, held-to-maturity or other securities. Securities held by the Company and its subsidiaries are classified as either held-to-maturity or other securities. Held-to-maturity securities are carried at amortized cost. Other securities with a determinable market value are stated at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Other securities without a determinable market value are stated at cost. Cost of securities sold is determined by the moving average method.

**(f) Inventories**

Finished products are stated at cost, cost being determined principally by the weighted average method (the book value stated on the balance sheet is based on valuation for decreased profitability). Work in process is stated at cost determined principally by the weighted average method (the book value stated on the balance sheet is based on valuation for decreased profitability). Supplies are stated at cost determined by the moving average method (the book value stated on the balance sheet is based on valuation for decreased profitability). Raw materials are stated at cost determined principally by the weighted average method (the book value stated on the balance sheet is based on valuation for decreased profitability).

**(g) Property, Plant and Equipment and Depreciation**

Depreciation of property, plant and equipment is determined mainly by the declining-balance method at rates based on the estimated useful lives of the respective assets. The useful lives of property, plant and equipment are summarized as follows:

Buildings	20 to 50 years
Machinery, vehicles and equipment	3 to 10 years

**(h) Leases**

Non-cancelable leases, excluding leases which stipulate the transfer of ownership of the leased assets to the lessee (regardless of whether such leases are classified as operating or finance leases) are accounted for by the straight-line method, using the lease term as the useful life and recognizing zero residual value.

The finance lease transactions, where the ownership of the leased asset does not move to the lessee, and which started on and before the start of the initial year of the new accounting rule's application, are accounted for according to the previous accounting rules.

**(i) Retirement Benefits**

Accrued employees' retirement benefits or prepaid pension cost are recorded mainly at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets at the balance sheet dates, as adjusted for unrecognized actuarial gain or loss and unrecognized prior service cost. The retirement benefit obligation is attributed to each period by the straight-line method over the estimated years of service of the eligible employees. Actuarial gain and loss are amortized in the year following the year in which the gain or loss is recognized, primarily by the straight-line method and principally over 10 years. Certain foreign subsidiaries adopt the corridor approach for the amortization of actuarial gain and loss. Prior service cost is amortized as incurred by the straight-line method principally over 10 years.

Members of the Board of Directors and executive officers of the Company are customarily entitled to severance payments. Provisions for retirement benefits for them are made at estimated amounts.

**(j) Accrual for Environmental Safety Measures Expenses**

Accrual for environmental safety measures expenses is provided for at an estimated amount of disposal of polychlorinated biphenyl (PCB).

**(k) Income Taxes**

Deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

**(l) Research and Development Costs**

Research and development costs are charged to income when incurred.

**(m) Distribution of Retained Earnings**

Dividends and other distributions of retained earnings are resolved by the Board of Directors held subsequent to the end of the fiscal year, and are reported to the shareholders at a meeting. The accompanying consolidated financial statements reflect the applicable distributions of retained earnings as resolved by the Board of Directors subsequent to the fiscal year end.

**(n) Derivative Financial Instruments and Hedging Activities**

All derivatives are stated at fair value with any changes in fair value included in net income for the period in which they arise, except for derivatives which meet the criteria for hedged accounting under which realized gain or loss, net applicable income taxes, is deferred as a component of net assets. Receivables and payables hedged by forward foreign exchange contracts which meet certain conditions are translated at the corresponding foreign exchange contract rates.

**(o) Changes in Accounting Standards****(Application of the "Accounting Standard for Earnings Per Share")**

Effective from the year ended March 31, 2012, the "Accounting Standard for Earnings Per Share" (ASBJ Statement No. 2, as issued on June 30, 2010), and the "Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No. 4, as issued on June 30, 2010) have been applied.



(p) **Additional Information**

**(Application of the “Accounting Standard for Accounting Changes and Error Corrections”)**

The “Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Statement No. 24, as issued on December 4,

2009), and the “Guidance on Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Guidance No. 24, as issued on December 4, 2009) have been applied to accounting changes and past error corrections made in or after the beginning of the year ended March 31, 2012.

## 2. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is included solely for convenience and has been made, as a matter of arithmetic computation only, at the rate of ¥82 = U.S.\$1.00, the approximate rate of exchange in effect on March 31, 2012. The translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at that or any other rate.

## 3. Securities

(a) Information regarding marketable securities classified as held-to-maturity as of March 31, 2012 and 2011 is as follows:

As of March 31, 2012	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Estimated fair value	Unrealized gain (loss)	Carrying value	Estimated fair value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value:						
Government bonds	¥ —	¥ —	¥ —	\$ —	\$ —	\$ —
Corporate bonds	849	853	4	10,354	10,402	49
Other debt securities	—	—	—	—	—	—
Subtotal	849	853	4	10,354	10,402	49
Securities whose carrying value exceeds their fair value:						
Government bonds	—	—	—	—	—	—
Corporate bonds	599	590	(9)	7,305	7,195	(110)
Other debt securities	—	—	—	—	—	—
Subtotal	599	590	(9)	7,305	7,195	(110)
Total	¥1,449	¥1,443	¥ (5)	\$17,671	\$17,598	\$ (61)

As of March 31, 2011	Millions of yen		
	Carrying value	Estimated fair value	Unrealized gain (loss)
Securities whose fair value exceeds their carrying value:			
Government bonds	¥ —	¥ —	¥—
Corporate bonds	1,097	1,112	14
Other debt securities	—	—	—
Subtotal	1,097	1,112	14
Securities whose carrying value exceeds their fair value:			
Government bonds	—	—	—
Corporate bonds	199	198	(1)
Other debt securities	—	—	—
Subtotal	199	198	(1)
Total	¥1,297	¥1,310	¥12

(b) Information regarding marketable securities classified as other securities as of March 31, 2012 and 2011 is as follows:

As of March 31, 2012	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Acquisition cost	Unrealized gain (loss)	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Stock	¥ 46,308	¥17,998	¥28,309	\$ 564,732	\$ 219,488	\$345,232
Bonds:						
Government bonds	—	—	—	—	—	—
Corporate bonds	—	—	—	—	—	—
Other debt securities	—	—	—	—	—	—
Other	10	9	1	122	110	12
Subtotal	46,319	18,007	28,311	564,866	219,598	345,256
Securities whose acquisition cost exceeds their carrying value:						
Stock	5,568	6,665	(1,097)	67,902	81,280	(13,378)
Bonds:						
Government bonds	19,005	19,005	—	231,768	231,768	—
Corporate bonds	9,996	9,996	—	121,902	121,902	—
Other debt securities	11	11	—	134	134	—
Other	36,515	36,523	(8)	445,305	445,402	(98)
Subtotal	71,097	72,203	(1,106)	867,037	880,524	(13,488)
Total	¥117,416	¥90,211	¥27,205	\$1,431,902	\$1,100,134	\$331,768

As of March 31, 2011	Millions of yen		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Stock	¥ 44,090	¥17,222	¥26,867
Bonds:			
Government bonds	—	—	—
Corporate bonds	45	45	0
Other debt securities	—	—	—
Other	10	9	1
Subtotal	44,145	17,276	26,868
Securities whose acquisition cost exceeds their carrying value:			
Stock	5,619	7,149	(1,529)
Bonds:			
Government bonds	12,007	12,007	—
Corporate bonds	9,997	9,997	—
Other debt securities	11	11	—
Other	29,087	29,097	(10)
Subtotal	56,722	58,262	(1,540)
Total	¥100,868	¥75,539	¥25,328

Acquisition cost in the tables above represents the book value after the devaluation of certain securities.

(c) Information regarding sales of securities classified as other securities for the years ended March 31, 2012 and 2011 is as follows:

Year ended March 31,	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Proceeds from sales	¥ 5	¥60	\$61
Gains on sales	1	19	12
Losses on sales	—	(1)	—

#### 4. Inventories

Inventories at March 31, 2012 and 2011 are as follows:

As of March 31,	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Finished products	¥ 62,881	¥ 61,871	\$ 766,841
Work in process	37,476	36,582	457,024
Raw materials and supplies	15,059	13,195	183,646
Total	¥115,417	¥111,649	\$1,407,524

## 5. Depreciation

Depreciation of property, plant and equipment for the years ended March 31, 2012 and 2011 amounted to ¥34,035 million (\$415,061 thousand) and ¥33,141 million, respectively.

## 6. Short-Term Debt

At March 31, 2012 and 2011, short-term debt consisted of the following:

As of March 31,	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Bank loans	¥70,569	¥65,298	\$860,598
Total	¥70,569	¥65,298	\$860,598

Short-term bank loans are unsecured and the interest rates applicable to the loans at March 31, 2012 and 2011 ranged principally from 0.48% to 11.75% and from 0.48% to 10.50%, respectively.

## 7. Income Taxes

Income taxes applicable to the Company and its domestic subsidiaries comprise corporation tax, inhabitants' taxes and enterprise tax which, in the aggregate, resulted in a statutory tax rate of 40.5% for both 2012 and 2011. Income taxes of the foreign subsidiaries are based generally on the tax rates applicable in their countries of incorporation.

The effective tax rates reflected in the consolidated statement of income for the years ended March 31, 2012 and 2011 differ from the statutory tax rate for the following reasons:

Year ended March 31,	2012	2011
Statutory tax rates	40.5%	40.5%
Effect of:		
Expenses not deductible for income tax purposes	3.3	4.6
Income not recognizable for income tax purposes	(12.3)	(15.5)
Elimination of dividend income	11.3	13.4
Different tax rates applied to income of foreign subsidiaries	(5.3)	(6.3)
Tax credits	(5.1)	(3.6)
Equity in earnings of affiliates	(3.4)	(3.8)
Other, net	(0.2)	(1.0)
Effective tax rates	28.8%	28.3%

The significant components of deferred tax assets and liabilities as of March 31, 2012 and 2011 are as follows:

As of March 31,	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Deferred tax assets:			
Accrued retirement benefits	¥ 14,517	¥ 13,894	\$ 177,037
Property, plant and equipment	1,994	1,808	24,317
Accrual payroll expenses	2,127	2,057	25,939
Net loss carried-forward	9,786	12,124	119,341
Accrued bonuses	4,430	4,562	54,024
Inventories	3,784	3,199	46,146
Loss on devaluation of investment securities	848	699	10,341
Other	6,210	7,929	75,732
Valuation allowance	(19,355)	(19,280)	(236,037)
Total deferred tax assets	24,343	26,997	296,866
Deferred tax liabilities:			
Depreciation	(870)	(863)	(10,610)
Reserve for advanced depreciation of fixed assets	(2,272)	(2,442)	(27,707)
Unrealized holding gain on securities	(9,287)	(9,942)	(113,256)
Gain on contribution of securities to employees' retirement benefit trust	(11,384)	(13,010)	(138,829)
Other	(10,940)	(10,064)	(133,415)
Total deferred tax liabilities	(34,756)	(36,323)	(423,854)
Net deferred tax assets (liabilities)	¥(10,412)	¥ (9,325)	\$(126,976)

In accordance with the promulgation on December 2, 2011, of the Act for Partial Amendment of the Income Tax Act, etc., for the Purpose of Creating a Taxation System Responding to Changes in Economic and Social Structures and the Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake, the effective statutory tax rate, which is used to measure deferred tax assets and deferred tax liabilities, is changed to 37.8% from 40.5% for temporary differences that are expected to

be realized during the period from April 1, 2012 to March 31, 2015, and to 35.4% from 40.5% for temporary differences that are expected to be eliminated on and after April 1, 2015.

As a result, net deferred tax assets (liabilities) decreased by ¥1,974 million and the income taxes-deferred decreased by ¥645 million, whereas accumulated other comprehensive income on unrealized holding gain on securities increased by ¥1,328 million.

## 8. Accrued Expenses and Other Current Liabilities

At March 31, 2012 and 2011, accrued expenses and other current liabilities consisted of the following:

As of March 31,	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Accrued bonuses	¥13,309	¥13,768	\$162,305
Dividends payable	3,276	3,275	39,951
Other	35,140	34,930	428,537
Total	¥51,725	¥51,973	\$630,793

## 9. Long-Term Debt

At March 31, 2012 and 2011, long-term debt consisted of the following:

As of March 31,	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Secured loans from banks, insurance companies and others, due through 2014 at interest rates of 1.00%	¥ 69	¥ 7	\$ 841
Unsecured loans from banks, insurance companies and others, due through 2023 at interest rates ranging from 0.00% to 11.25%	161,111	113,979	1,964,768
Unsecured yen bonds:			
At interest rates ranging from 1.28% to 2.13%, due through 2017	65,000	95,300	792,683
	226,181	209,286	2,758,305
Less current portion	(43,834)	(46,444)	(534,561)
Total	¥182,346	¥162,842	\$2,223,732

The aggregate annual maturities of long-term debt subsequent to March 31, 2012 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2013	¥ 43,834	\$ 534,561
2014	42,325	516,159
2015	36,493	445,037
2016	14,820	180,732
2017 and thereafter	88,707	1,081,793
Total	¥226,181	\$2,758,305

The assets pledged as collateral for notes and accounts payable, and long-term debt at March 31, 2012 are as follows:

As of March 31, 2012	Millions of yen	Thousands of U.S. dollars
Investment securities	¥119	\$1,451
Property, plant and equipment, at net book value	76	927
Total	¥196	\$2,390

## 10. Lease Obligations

At March 31, 2012 and 2011, lease obligations consisted of the following:

As of March 31,	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Current portion of lease obligations	¥ 723	¥ 263	\$ 8,817
Lease obligations, less current portion, due through 2018	679	1,013	8,280
Total	¥1,402	¥1,276	\$17,098

The aggregate annual maturities of lease obligations subsequent to March 31, 2012 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2014	¥315	\$3,841
2015	194	2,366
2016	106	1,293
2017	47	573
2018 and thereafter	14	171
<b>Total</b>	<b>¥679</b>	<b>\$8,280</b>

### 11. Retirement Benefit Plans

The Company and its domestic subsidiaries have defined benefit corporate pension plans and lump-sum payment plans, covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rates of pay, length of service, and the conditions under which termination occurs. Certain foreign subsidiaries also have defined benefit pension plans. Please note that the tax-qualified pension plan was abolished at the end

of March 2012 by the Corporation Tax Act of Japan. By the end of March 2012, the companies which adopted tax-qualified pension plans have switched to defined benefit corporate pension plans, etc.

The following tables set forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheets as of March 31, 2012 and 2011 for the Company's and the subsidiaries' defined benefit plans:

As of March 31,	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Retirement benefit obligation	¥(150,208)	¥(147,481)	\$(1,831,805)
Plan assets at fair value	146,307	138,804	1,784,232
Unfunded retirement benefit obligation	(3,901)	(8,677)	(47,573)
Unrecognized actuarial loss	30,431	32,817	371,110
Unrecognized prior service cost	(4,807)	(2,942)	(58,622)
Net retirement benefit obligation	21,722	21,197	264,902
Prepaid pension cost	42,712	42,339	520,878
Accrued retirement benefits	¥ (20,990)	¥ (21,142)	\$ (255,976)

The components of retirement benefit expenses for the years ended March 31, 2012 and 2011 are outlined as follows:

Year ended March 31,	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Service cost	¥ 4,036	¥ 4,060	\$ 49,220
Interest cost	4,696	4,801	57,268
Expected return on plan assets	(4,429)	(4,474)	(54,012)
Amortization of actuarial gain or loss	3,510	3,085	42,805
Amortization of prior service cost	(868)	(318)	(10,585)
Net period retirement benefit costs	6,946	7,154	84,707
Contribution to defined contribution plans	670	673	8,171
<b>Total</b>	<b>¥ 7,616</b>	<b>¥ 7,827</b>	<b>\$ 92,878</b>

The assumptions used in accounting for the above plans are as follows:

Year ended March 31,	2012	2011
Discount rate	Mainly 2.2%	Mainly 2.2%
Expected rate of return on plan assets	Mainly 2.2%	Mainly 2.2%

## 12. Shareholders' Equity

The Corporation Law of Japan (the "Law"), which superseded most of the provisions of the Commercial Code of Japan, went into effect on May 1, 2006. The Law provides that an amount equal to 10% of the amount to be distributed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the

capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the common stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distributions.

## 13. Research and Development Costs

Research and development costs included in selling, general and administrative expenses and manufacturing costs for the years ended March 31, 2012 and 2011 amounted to ¥10,373 million (\$126,500 thousand) and ¥10,515 million, respectively.

## 14. Commitments and Contingencies

(a) At March 31, 2012, the Company and its subsidiaries had the following contingent liabilities:

As of March 31, 2012	Millions of yen	Thousands of U.S. dollars
As guarantor of indebtedness of:		
Employees	¥ 19	\$ 232
Affiliates	354	4,317
Total	¥374	\$4,561

(b) Factored receivables for the years ended March 31, 2012 and 2011 amounted to ¥4,245 million (\$51,768 thousand) and ¥5,244 million, respectively.



## 15. Leases

### (a) Finance Leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property as of March 31, 2012 and 2011, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

As of March 31,	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Acquisition costs:			
Machinery, vehicles and equipment	¥775	¥1,442	\$ 9,451
Other assets	68	209	829
Total	¥843	¥1,651	\$10,280
Accumulated depreciation:			
Machinery, vehicles and equipment	¥484	¥ 951	\$ 5,902
Other assets	61	166	744
Total	¥545	¥1,118	\$ 6,646
Net book value:			
Machinery, vehicles and equipment	¥290	¥ 490	\$ 3,537
Other assets	6	42	73
Total	¥297	¥ 533	\$ 3,622

Lease payments relating to finance leases accounted for as operating leases amounted to ¥243 million (\$2,963 thousand) and ¥395 million, which were equal to the depreciation expense of the leased assets computed by the straight-line method over the lease terms, for the years ended March 31, 2012 and 2011, respectively.

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2012 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2013	¥ 80	\$ 976
2014 and thereafter	216	2,634
Total	¥297	\$3,622

### (b) Operating Leases

Future minimum lease payments subsequent to March 31, 2012 for noncancelable operating leases are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2013	¥ 904	\$11,024
2014 and thereafter	1,746	21,293
Total	¥2,651	\$32,329

## 16. Derivative Transactions

The Company and certain subsidiaries have entered into derivative transactions in order to manage certain risks arising from adverse fluctuations in foreign currency exchange rates and interest rates.

The Company is exposed to credit risk in the event of nonperformance of the counterparties to its derivatives positions, but any such loss would not be material because the Company

enters into such transactions only with financial institutions with high credit ratings.

Summarized below are the notional amounts and the estimated fair value of the derivative transactions outstanding at March 31, 2012 and 2011:

**(a) Derivative transactions which have not been accounted for as hedges**

## (1) Currency-related transactions

As of March 31, 2012	Millions of yen			Thousands of U.S. dollars		
	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
Transactions, excluding market transactions						
Forward foreign exchange contracts						
Sell:						
US\$	¥3,266	¥ (1)	¥ (1)	\$39,829	\$ (12)	\$ (12)
STG£	17	(0)	(0)	207	(0)	(0)
YEN	398	11	11	4,854	134	134
Buy:						
US\$	¥1,690	¥ (2)	¥ (2)	\$20,610	\$ (24)	\$ (24)
STG£	53	0	0	646	0	0
A\$	47	0	0	573	0	0
EUR	106	(0)	(0)	1,293	(0)	(0)
YEN	1,700	(7)	(7)	20,372	(85)	(85)
Total	¥7,282	¥ (0)	¥ (0)	\$88,805	\$ (0)	\$ (0)

As of March 31, 2011	Millions of yen		
	Notional amount	Fair value	Unrealized gain (loss)
Transactions, excluding market transactions			
Forward foreign exchange contracts			
Sell:			
US\$	¥ 121	¥ 1	¥ 1
STG£	50	(0)	(0)
YEN	198	(1)	(1)
Buy:			
US\$	¥ 306	¥ (5)	¥ (5)
STG£	61	(0)	(0)
A\$	45	(1)	(1)
EUR	89	(1)	(1)
YEN	4,603	(82)	(82)
Total	¥5,477	¥(90)	¥(90)

The notional amounts of the forward foreign exchange contracts presented above exclude those entered into hedge receivables and payables denominated in foreign currencies, which have been translated and are reflected at their corresponding contracted rates in the accompanying consolidated balance sheets.

## (2) Interest-related transactions

As of March 31, 2012	Millions of yen			
	Notional amount	Notional amount due after one year	Fair value	Unrealized gain (loss)
Transactions, excluding market transactions				
Interest swap transactions				
Fixed interest payment / Floating interest receivable	¥558	¥312	¥(15)	¥(15)
Total	¥558	¥312	¥(15)	¥(15)

Thousands of U.S. dollars

As of March 31, 2012	Notional amount	Notional amount due after one year	Fair value	Unrealized gain (loss)
Transactions, excluding market transactions				
Interest swap transactions				
Fixed interest payment / Floating interest receivable	\$6,805	\$3,805	\$(183)	\$(183)
<b>Total</b>	<b>\$6,805</b>	<b>\$3,805</b>	<b>\$(183)</b>	<b>\$(183)</b>

Millions of yen

As of March 31, 2011	Notional amount	Notional amount due after one year	Fair value	Unrealized gain (loss)
Transactions, excluding market transactions				
Interest swap transactions				
Fixed interest payment / Floating interest receivable	¥1,353	¥920	¥(30)	¥(30)
<b>Total</b>	<b>¥1,353</b>	<b>¥920</b>	<b>¥(30)</b>	<b>¥(30)</b>

**(b) Derivative transactions which have been accounted for as hedges**

(1) Currency-related transactions

As of March 31, 2012	Millions of yen		Thousands of U.S. dollars	
	Notional amount	Fair value	Notional amount	Fair value
Transactions, excluding market transactions				
Allocation method				
Forward foreign exchange contracts				
Sell:				
US\$	¥22,159	(Note)	\$270,232	(Note)
STG£	3	(Note)	37	(Note)
EUR	6,073	(Note)	74,061	(Note)
C\$	241	(Note)	2,939	(Note)
A\$	540	(Note)	6,585	(Note)
THB	72	(Note)	878	(Note)
<b>Total</b>	<b>¥29,091</b>	<b>—</b>	<b>\$354,768</b>	<b>—</b>

Millions of yen

As of March 31, 2011	Notional amount	Fair value
Transactions, excluding market transactions		
Allocation method		
Forward foreign exchange contracts		
Sell:		
US\$	¥14,805	(Note)
EUR	8,601	(Note)
C\$	308	(Note)
A\$	436	(Note)
Buy:		
US\$	247	(Note)
<b>Total</b>	<b>¥24,399</b>	<b>—</b>

(Note) Forward foreign exchange contracts accounted for by the allocation method are included in the respective accounts receivable and accounts payable, so the fair value is included in the fair value of the corresponding receivables and payables.

## 17. Financial Instruments

### (a) Matters relating to financial instruments

The Company and its consolidated subsidiaries (collectively, the "Group") mainly raise necessary operating funds and funds for equipments by bank loans and bond issuances. The Group manages temporary cash surpluses through low-risk financial assets.

Notes and accounts receivable are affected by the credit risk of its customers. To quickly identify and mitigate the risk, the sales division regularly monitors the financial position of its customers.

Investment securities are mainly stocks and held-to-maturity securities. Regarding the market price risk of investment securities, the Group monitors the fair value of such securities periodically.

In order to mitigate the foreign currency exchange fluctuation risk, the Group manages the balances of receivables and payables denominated in foreign currencies, and enters into forward foreign exchange contracts in accordance with the internal rules. In order to mitigate the interest rate risk for loans at variable interest rates, the Group also enters into interest rate swap transactions.

### (b) Matters relating to fair values, etc. of financial instruments

Carrying value of financial instruments on the consolidated balance sheet as of March 31, 2012 and 2011, and estimated fair value are shown in the following tables. The following tables do not include financial instruments for which it is extremely difficult to determine the fair value (please refer to Note 2).

As of March 31, 2012	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Estimated fair value	Difference	Carrying value	Estimated fair value	Difference
(1) Cash and cash equivalents	¥ 72,726	¥ 72,726	¥ —	\$ 886,902	\$ 886,902	\$ —
(2) Notes and accounts receivable	154,219	154,219	—	1,880,720	1,880,720	—
(3) Securities and investment securities						
1) Held-to-maturity securities	1,449	1,443	(5)	17,671	17,598	(61)
2) Other securities	117,416	117,416	—	1,431,902	1,431,902	—
Total assets	¥345,810	¥345,805	¥ (5)	\$4,217,195	\$4,217,134	\$ (61)
(1) Notes and accounts payable	¥137,607	¥137,607	¥ —	\$1,678,134	\$1,678,134	\$ —
(2) Short-term loans	70,569	70,569	—	860,598	860,598	—
(3) Bonds*1	65,000	67,370	2,370	792,683	821,585	28,902
(4) Long-term loans*1	161,181	163,635	2,453	1,965,622	1,995,549	29,915
Total liabilities	¥434,357	¥439,181	¥4,823	\$5,297,037	\$5,355,866	\$58,817
Derivatives*2	¥ (15)	¥ (15)	¥ —	\$ (183)	\$ (183)	\$ —

As of March 31, 2011	Millions of yen		
	Carrying value	Estimated fair value	Difference
(1) Cash and cash equivalents	¥ 71,047	¥ 71,047	¥ —
(2) Notes and accounts receivable	135,081	135,081	—
(3) Securities and investment securities			
1) Held-to-maturity securities	1,297	1,310	12
2) Other securities	100,868	100,868	—
Total assets	¥308,295	¥308,308	¥ 12
(1) Notes and accounts payable	¥124,103	¥124,103	¥ —
(2) Short-term loans	65,298	65,298	—
(3) Bonds*1	95,300	98,059	2,759
(4) Long-term loans*1	113,986	115,792	1,806
Total liabilities	¥398,688	¥403,254	¥ 4,565
Derivatives*2	¥ (121)	¥ (121)	¥ —

\*1. Bonds and long-term loans include debts due within one year.

\*2. Derivative transactions are shown at the net value of assets and liabilities. When the net value is a liability, the amount is shown in parentheses.

(Note 1) The calculation method of the estimated fair value of financial instruments and securities and derivative transactions

Assets

(1) Cash and cash equivalents and (2) Notes and accounts receivable  
Since these items are settled in a short term, their carrying value approximates fair value.

(3) Securities and investment securities

The carrying value of securities settled in a short term approximates fair value. The fair value of stocks is based on quoted market prices. The fair value of debt securities is based on either quoted market prices or prices provided by the financial institutions making markets in these securities.

Liabilities

(1) Notes and accounts payable and (2) Short-term loans  
Since these items are settled in a short term, their carrying value approximates fair value.

(3) Bonds

The fair value of bonds is based on either the quoted market price or present value of the total of principal and interest discounted by an interest rate determined taking into account the remaining period of each bond and current credit risk.

(4) Long-term loans

The fair value of long-term loans is based on the present value of the total of principal and interest discounted by an interest rate determined taking into account the remaining period of each loan and current credit risk.

For the fair value of long-term loans at variable interest rates, as the market value is nearly identical to the carrying value, the carrying value is used.

Derivatives

The fair value of derivatives is based on prices provided by the financial institutions making markets in these derivatives. Forward foreign exchange contracts accounted for by the allocation method are included in accounts receivable, so the fair value is included in the corresponding receivables.

(Note 2) Financial instruments for which it is extremely difficult to determine fair value as of March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars	
	Carrying value		Carrying value	
As of March 31, 2012				
Investments in non-consolidated subsidiaries and affiliates	¥17,923		\$218,573	
Unlisted stocks	¥ 4,090		\$ 49,878	
	Millions of yen		Thousands of U.S. dollars	
	Carrying value		Carrying value	
As of March 31, 2011				
Investments in non-consolidated subsidiaries and affiliates	¥17,309		\$ 41,119	
Unlisted stocks	¥ 4,119		\$ 10,298	

As these items do not have market value and their future cash flows cannot be estimated, determining their estimated fair value was deemed to be extremely difficult. Therefore, they are not included in "(3) Securities and investment securities."

(Note 3) Redemption schedule for financial receivables and securities with maturity dates after March 31, 2012

	Millions of yen				Thousands of U.S. dollars			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
As of March 31, 2012								
Cash and cash equivalents	¥ 72,676	¥ —	¥ —	¥ —	\$ 886,293	\$ —	\$ —	\$ —
Notes and accounts receivable	155,234	—	—	—	1,893,098	—	—	—
Securities and investment securities								
Held-to-maturity securities (Corporate bonds)	599	849	—	—	7,305	10,354	—	—
Other securities with maturities (Government bonds)	18,995	9	—	—	231,646	110	—	—
Other securities with maturities (Corporate bonds)	9,996	—	—	—	121,902	—	—	—
Other securities with maturities (Other)	28,401	10	—	—	346,354	122	—	—
Total	¥285,904	¥869	¥—	¥—	\$3,486,634	\$10,598	\$—	\$—

## Notes to Consolidated Financial Statements

(Note 4) Redemption schedule of corporate bonds and long-term loans after March 31, 2012

As of March 31, 2012	Millions of yen						Thousands of U.S. dollars					
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Bonds	¥30,000	¥ —	¥15,000	¥ —	¥20,000	¥ —	\$365,854	\$ —	\$182,927	\$ —	\$243,902	\$ —
Long-term loans	13,834	42,325	21,493	14,820	13,707	55,000	168,707	516,159	262,110	180,732	167,159	670,732
Total	¥43,834	¥42,325	¥36,493	¥14,820	¥33,707	¥55,000	\$534,561	\$516,159	\$445,037	\$180,732	\$411,061	\$670,732

### 18. Other Comprehensive Income

Amount of reclassification adjustment and tax effect allocated to each component of other comprehensive income are as follows:

Year ended March 31, 2012	Millions of yen	Thousands of U.S. dollars
Unrealized holding gain (loss) on securities		
Unrealized holding gain (loss) on securities arising during the year	¥ 2,621	\$ 31,963
Reclassification adjustment	(744)	(9,073)
Net unrealized holding gain (loss) on securities before tax effect	1,876	22,878
Tax effect	655	7,988
Unrealized holding gain (loss) on securities, net of tax	2,532	30,878
Translation adjustments		
Translation adjustments arising during the year	(2,371)	(28,915)
Share of other comprehensive income of affiliates accounted for by the equity method		
Share of other comprehensive income of affiliates accounted for by the equity method arising during the year	(19)	(232)
Total other comprehensive income	¥ 141	\$ 1,720

### 19. Amounts Per Share

Year ended March 31,	Yen		U.S. dollars
	2012	2011	2012
Net income:			
Basic	¥ 52.75	¥ 48.30	\$0.643
Diluted	52.75	48.29	0.643
Net assets	518.56	475.45	6.324
Cash dividends applicable to the year	12.00	11.00	0.146

Basic net income per share is computed based on the net income available for distribution to shareholders of common stock and the weighted average number of shares of common stock outstanding during each year. Diluted net income per share is computed based on the net income available for distribution to the shareholders and the weighted average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the conversion of convertible bonds and the exercise of stock options.

Amounts per share of net assets are computed based on net assets available for distribution to the shareholders and the number of shares of common stock outstanding at the year end.

Cash dividends per share represent the cash dividends resolved by the Board of Directors as applicable to that year together with the interim cash dividends paid.

## 20. Related Party Transactions

The Company purchased goods for resale in the amounts of ¥47,668 million (\$581,317 thousand) and ¥49,147 million from NSK-Warner K.K., its major affiliate, which was accounted for by the equity method for the years ended March 31, 2012 and 2011, respectively. The related payable balances at March 31,

2012 and 2011 amounted to ¥11,474 million (\$139,927 thousand) and ¥9,028 million, respectively. The purchase prices were negotiated on an arm's-length basis based on the final retail prices of the Company.

For the years ended March 31, 2012 and 2011, NSK-Warner K.K. has been designated as a significant affiliate, and its summarized financial information is as follows:

NSK-Warner K.K. As of March 31, 2012	Millions of yen	Thousands of U.S. dollars
Total current assets	¥28,172	\$343,561
Total non-current assets	14,466	176,415
Total current liabilities	13,683	166,866
Total long-term liabilities	3,274	39,927
Total net assets	25,680	313,171
Year ended March 31, 2012		
Net sales	¥50,411	\$614,768
Income before income taxes and minority interests	7,490	91,341
Net income	4,858	59,244
As of March 31, 2011		
Total current assets	¥26,086	
Total non-current assets	15,139	
Total current liabilities	12,132	
Total long-term liabilities	3,143	
Total net assets	25,950	
Year ended March 31, 2011		
Net sales	¥52,350	
Income before income taxes and minority interests	8,075	
Net income	5,280	

## 21. Segment Information

The reportable segments of the Company are components for which discrete financial information is available and whose operating results are regularly reviewed by the board of directors to make decisions about resource allocation and to assess performance.

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, and linear guides.

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

Systemized Products (photofabrication exposure equipment) have been moved from the "Industrial Machinery business" segment to the "Others" segment from April 1, 2011.

## Notes to Consolidated Financial Statements

Sales, income (loss), assets, liabilities and other items by reportable segment for the years ended March 31, 2012 and 2011 are summarized as follows:

Millions of yen

Year ended March 31, 2012	Reportable segments			Others	Total	Adjustments	Consolidated
	Industrial Machinery Business	Automotive Business	Subtotal				
<b>Sales</b>							
Sales to third parties	¥255,835	¥444,585	¥700,420	¥32,772	¥733,192	¥ —	¥733,192
Inter-segment sales and transfers	—	—	—	28,256	28,256	(28,256)	—
<b>Total</b>	<b>255,835</b>	<b>444,585</b>	<b>700,420</b>	<b>61,028</b>	<b>761,449</b>	<b>(28,256)</b>	<b>733,192</b>
<b>Segment income (loss) (Operating income)</b>	<b>¥ 25,689</b>	<b>¥ 22,637</b>	<b>¥ 48,327</b>	<b>¥ 3,258</b>	<b>¥ 51,586</b>	<b>¥ (7,168)</b>	<b>¥ 44,417</b>
<b>Segment assets</b>	<b>¥260,825</b>	<b>¥357,405</b>	<b>¥618,231</b>	<b>¥82,287</b>	<b>¥700,518</b>	<b>¥144,555</b>	<b>¥845,073</b>
<b>Other items</b>							
Depreciation and amortization	¥ 13,977	¥ 19,418	¥ 33,396	¥ 3,071	¥ 36,468	¥ (660)	¥ 35,807
Investments in affiliates	¥ 4,245	¥ 12,445	¥ 16,690	¥ 601	¥ 17,291	¥ —	¥ 17,291
Increase in tangible and intangible assets	¥ 18,638	¥ 29,892	¥ 48,530	¥ 6,766	¥ 55,297	¥ (678)	¥ 54,619

Thousands of U.S. dollars

Year ended March 31, 2012	Reportable segments			Others	Total	Adjustments	Consolidated
	Industrial Machinery Business	Automotive Business	Subtotal				
<b>Sales</b>							
Sales to third parties	\$3,119,939	\$5,421,768	\$8,541,707	\$ 399,659	\$8,941,366	\$ —	\$ 8,941,366
Inter-segment sales and transfers	—	—	—	344,585	344,585	(344,585)	—
<b>Total</b>	<b>3,119,939</b>	<b>5,421,768</b>	<b>8,541,707</b>	<b>744,244</b>	<b>9,285,963</b>	<b>(344,585)</b>	<b>8,941,366</b>
<b>Segment income (loss) (Operating income)</b>	<b>\$ 313,280</b>	<b>\$ 276,061</b>	<b>\$ 589,354</b>	<b>\$39,732</b>	<b>\$ 629,098</b>	<b>\$ (87,415)</b>	<b>\$ 541,671</b>
<b>Segment assets</b>	<b>\$3,180,793</b>	<b>\$4,358,598</b>	<b>\$7,539,402</b>	<b>\$1,003,500</b>	<b>\$8,542,902</b>	<b>\$1,762,866</b>	<b>\$10,305,768</b>
<b>Other items</b>							
Depreciation and amortization	\$ 170,451	\$ 236,805	\$ 407,268	\$ 37,451	\$ 444,732	\$ (8,049)	\$ 436,671
Investments in affiliates	\$ 51,768	\$ 151,768	\$ 203,537	\$ 7,329	\$ 210,866	\$ —	\$ 210,866
Increase in tangible and intangible assets	\$ 227,293	\$ 364,537	\$ 591,829	\$ 82,512	\$ 674,354	\$ (8,268)	\$ 666,085



Millions of yen

Year ended March 31, 2011	Reportable segments			Others	Total	Adjustments	Consolidated
	Industrial Machinery Business	Automotive Business	Subtotal				
<b>Sales</b>							
Sales to third parties	¥259,095	¥424,157	¥683,253	¥27,178	¥710,431	¥ —	¥710,431
Inter-segment sales and transfers	—	—	—	25,930	25,930	(25,930)	—
<b>Total</b>	<b>259,095</b>	<b>424,157</b>	<b>683,253</b>	<b>53,108</b>	<b>736,362</b>	<b>(25,930)</b>	<b>710,431</b>
<b>Segment income (loss)</b>							
(Operating income)	¥ 20,379	¥ 26,898	¥ 47,278	¥ 3,500	¥ 50,778	¥ (7,254)	¥ 43,524
<b>Segment assets</b>							
	¥269,886	¥320,709	¥590,595	¥80,273	¥670,869	¥117,757	¥788,626
<b>Other items</b>							
Depreciation and amortization	¥ 15,786	¥ 17,038	¥ 32,824	¥ 2,882	¥ 35,707	¥ (764)	¥ 34,943
Investments in affiliates	¥ 3,772	¥ 12,515	¥ 16,288	¥ 629	¥ 16,917	¥ —	¥ 16,917
Increase in tangible and intangible assets	¥ 16,927	¥ 21,099	¥ 38,027	¥ 3,636	¥ 41,664	¥ (369)	¥ 41,294

## Notes to Consolidated Financial Statements

### 1. Information by Region

#### (1) Sales

Year ended March 31, 2012						Millions of yen
Japan	The Americas	Europe	China	Other Asia	Total	
¥363,754	¥86,267	¥107,958	¥89,068	¥86,143	¥733,192	

Year ended March 31, 2012						Thousands of U.S. dollars
Japan	The Americas	Europe	China	Other Asia	Total	
\$4,436,024	\$1,052,037	\$1,316,561	\$1,086,195	\$1,050,524	\$8,941,366	

#### (2) Tangible assets

As of March 31, 2012						Millions of yen
Japan	The Americas	Europe	China	Other Asia	Total	
¥148,039	¥16,830	¥20,884	¥40,866	¥25,022	¥251,644	

As of March 31, 2012						Thousands of U.S. dollars
Japan	The Americas	Europe	China	Other Asia	Total	
\$1,805,354	\$205,244	\$254,683	\$498,366	\$305,146	\$3,068,829	

### 2. Amortization of Goodwill by Reportable Segment

Year ended March 31, 2012	Reportable segments						Millions of yen
	Industrial Machinery Business	Automotive Business	Subtotal	Others	Corporate / Eliminations	Total	
	Amortization during the year	¥ —	¥650	¥650	¥114	¥ —	¥ 765
Unamortized balance at the end of the year	¥ —	¥712	¥712	¥455	¥ —	¥1,168	

Year ended March 31, 2012	Reportable segments						Thousands of U.S. dollars
	Industrial Machinery Business	Automotive Business	Subtotal	Others	Corporate / Eliminations	Total	
	Amortization during the year	\$ —	\$7,927	\$7,927	\$1,390	\$ —	\$ 9,329
Unamortized balance at the end of the year	\$ —	\$8,683	\$8,683	\$5,549	\$ —	\$14,244	

## 22. Stock Option

Information regarding stock option plans of the Company at March 31, 2012 is as follows:

Date of approval	June 27, 2006	June 26, 2007	June 25, 2008	June 25, 2009	June 25, 2010	June 24, 2011
Date of grant	August 25, 2006	August 28, 2007	August 26, 2008	August 25, 2009	August 26, 2010	August 30, 2011
Grantees	12 directors and 28 executive officers, 37 employees, 18 directors of subsidiaries specified by the NSK Board of Directors Total 95	12 directors and 28 executive officers, 35 employees, 20 directors of subsidiaries specified by the NSK Board of Directors Total 95	12 directors and 28 executive officers, 45 employees, 19 directors of subsidiaries specified by the NSK Board of Directors Total 104	12 directors and 28 executive officers, 56 employees, 20 directors of subsidiaries specified by the NSK Board of Directors Total 116	12 directors and 28 executive officers, 52 employees, 19 directors of subsidiaries specified by the NSK Board of Directors Total 111	12 directors and 27 executive officers, 46 employees, 21 directors of subsidiaries specified by the NSK Board of Directors Total 106
Type of shares to be issued upon exercise of share subscription rights	Common stock	Common stock	Common stock	Common stock	Common stock	Common stock
Number of shares to be issued upon exercise of share subscription rights	667,000 shares	743,000 shares	785,000 shares	828,000 shares	823,000 shares	779,000 shares
Exercise price (yen)	¥928	¥1,312	¥932	¥603	¥641	¥831
Exercise period	August 25, 2006 – August 24, 2011	August 28, 2007 – August 27, 2012	August 26, 2008 – August 25, 2013	August 25, 2009 – August 24, 2014	August 26, 2010 – August 25, 2015	August 30, 2011 – August 29, 2016
Stock options outstanding as of March 31, 2011	662,000 shares	743,000 shares	785,000 shares	828,000 shares	823,000 shares	—
Exercised in this period	—	—	—	12,000 shares	—	—
Expired in this period	662,000 shares	—	—	—	—	—
Stock options outstanding as of March 31, 2012	—	743,000 shares	785,000 shares	816,000 shares	823,000 shares	779,000 shares
Weighted average exercise price (yen)	—	—	—	¥676	—	—
Weighted average fair value per stock at the granted date	—	¥146	¥146	¥207	¥149	¥162

Stock option expense included in selling, general and administrative expenses for the year ended March 31, 2012 amounted to ¥133 million (\$1,622 thousand). Gains on expiration of unexercised stock options recorded for the year ended March 31, 2012 amounted to ¥158 million (\$1,927 thousand). The fair value of the stock options granted for the fiscal year ended March 31, 2012 is estimated based on the following preconditions:

Date of approval	June 24, 2011
Valuation model	Binominal model
Expected volatility	50%
Expected holding period	4.5 years
Expected dividend	1.75%
Risk-free rate	1 year 0.12% 2 year 0.14% 3 year 0.18% 4 year 0.27% 5 year 0.35%

## 23. Treasury Stock

Treasury stock the Company and affiliates owned for the years ended March 31, 2012 and 2011 were 10,708,237 common stocks and 10,702,137 common stocks, respectively.

## 24. Subsequent Event

As of June 14, 2012, NSK, its former officers, and its former employee were accused by the Japan Fair Trade Commission of, and prosecuted at the Tokyo District Court by the Tokyo District Public Prosecutors Office for, violating the Antimonopoly Act of Japan regarding sales of bearing products.

As a result of the above, it is possible that NSK's operation results will be affected.

## Management's Report on Internal Control over Financial Reporting

### Basic Framework of Internal Control over Financial Reporting

Norio Otsuka, President and CEO of NSK Ltd. (the "Company"), is responsible for designing and operating adequate internal control over financial reporting for consolidated financial statements of the Company and its consolidated subsidiaries (the "NSK Group").

The NSK Group has designed and operates adequate internal control over financial reporting in accordance with the basic framework set forth in the "On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" issued by the Business Accounting Council on March 30, 2011.

Internal control achieves its objectives to an appropriate extent given that all individual components of internal control are integrated and function as a whole. Internal control over financial reporting for consolidated financial statements may not completely prevent or detect misstatements in financial reporting.

### Scope of Assessment, Assessment Date and Assessment Procedure

We assessed the effectiveness of the NSK Group's internal control over financial reporting for the accompanying consolidated financial statements as of March 31, 2012 in accordance with the assessment standards for internal control over financial reporting generally accepted in Japan.

For this assessment, we first evaluated the company-level controls based on the "Rules for Internal Control over Financial Reporting" and the "Regulations for Management of Internal Control," both established by the Company on April 1, 2008. For the business processes in the assessment scope of internal control that were selected based on the assessment result of company-level control, we identified the risks which may affect the reliability of financial reporting and selected key controls over the risks. By assessing the design and operation of these key control items, we evaluated the effectiveness of the internal control over the processes included in the scope of evaluation.

We decided the reasonable scope of assessment in the light of their degree of quantitative and qualitative impact on the reliability of financial reporting. 52 of the group companies, consisting of the Company, consolidated subsidiaries and major affiliates accounted for by equity method, were included in the scope of our company-level controls and financial reporting processes to be assessed from a company-level viewpoint. These companies contributed approximately to the top 95% of net sales. We excluded 42 consolidated subsidiaries from the scope of the company-level control assessment since their impacts were deemed insignificant.

For the purpose of determining the scope of process-level control assessment, we selected the 14 companies which contributed approximately to the top two thirds of the NSK Group's net sales on a consolidated basis for the fiscal year ended March 31, 2012 as "Significant Business Locations."

For the Significant Business Locations, we included business processes related to sales, accounts receivable, and inventory in the scope of assessment, as the aforementioned accounts were recognized as being closely associated with the Company's business objectives. In addition, we separately included certain business processes related to accounts involving estimates and management's judgments, identified as having material impacts on financial reporting, in the scope of assessment not only from those "Significant Business Locations" but from all consolidated business locations.

### Assessment Result

Based on the results of our assessment within the above mentioned scope, date and procedures, we concluded that the Company's internal control over financial reporting for the accompanying consolidated financial statements at March 31, 2012 was effective.

June 22, 2012



Norio Otsuka  
President and Chief Executive Officer  
NSK Ltd.



ERNST & YOUNG

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## Independent Auditor's Report

The Board of Directors  
NSK Ltd.

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of NSK Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as of March 31, 2012, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

#### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of NSK Ltd. and its consolidated subsidiaries as of March 31, 2012, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

#### Emphasis of Matter

We draw attention to Note 24 to the consolidated financial statements, which describes, as of June 14, 2012, NSK Ltd. was accused by the Japan Fair Trade Commission of, and prosecuted at the Tokyo District Court by the Tokyo District Public Prosecutors Office for, violating the Antimonopoly Act of Japan regarding sales of bearing products. Our opinion is not qualified in respect of this matter.

#### Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 2.

### Report on the Management's Report

We have also audited the accompanying Management's Report on Internal Control Over Financial Reporting for the consolidated financial statements as of March 31, 2012 of NSK Ltd. and its consolidated subsidiaries (the "Management's Report").

#### Management's Responsibility for the Management's Report

Management is responsible for designing and operating internal control over financial reporting, and the preparation and fair presentation of the Management's Report. Internal control over financial reporting may not prevent or detect misstatements.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the Management's Report based on our audit. We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Management's Report is free of material misstatement.

An internal control audit involves performing procedures to obtain audit evidence about management's assessment on internal control over financial reporting in the Management's Report. The procedures selected depend on the auditor's judgment, including materiality of effect on the reliability of financial reporting. An internal control audit includes examining the overall presentation of the Management's Report, including disclosures on scope, procedures and conclusions of management's assessment of internal control over financial reporting.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our internal control audit opinion.

#### Opinion

In our opinion, the Management's Report referred to above, which represents that internal control over financial reporting of the consolidated financial statements as of March 31, 2012 is effective, presents fairly, in all material respects, management's assessment on internal control over financial reporting for the consolidated financial statements in conformity with standards for assessment of internal control over financial reporting generally accepted in Japan.

Ernst & Young ShinNihon LLC

June 22, 2012  
Tokyo, Japan

Region	Company Name	Consolidated Equity	Outline of Business
Japan	NSK MICRO PRECISION CO., LTD.	55.00%	Manufacture and sales of bearings
	NSK MICRO PRECISION CO., LTD. (NAGANO)	100.00%	Manufacture of bearings
	NSK NEEDLE BEARING LTD.	98.06%	Manufacture of bearings
	NSK STEERING SYSTEMS CO., LTD.	100.00%	Manufacture of automotive components
	NSK PRECISION CO., LTD.	100.00%	Manufacture of precision machinery & parts
	NSK KYUSHU CO., LTD.	100.00%	Manufacture of precision machinery & parts
	NSK TECHNOLOGY CO., LTD.	100.00%	Manufacture and sales of systemized products
	ASAHI SEIKI CO., LTD.	73.75%	Manufacture of bearing parts and automotive components
	AMATSUJI STEEL BALL MFG. CO., LTD.	100.00%	Manufacture and sales of steel and ceramic balls, etc.
	AKS EAST JAPAN CO., LTD.	100.00%	Manufacture of steel balls
	NOMURA TEKKOSHO CO., LTD.	100.00%	Manufacture of bearing parts
	SHINWA SEIKO CO., LTD.	82.42%	Manufacture of bearing parts
	KURIBAYASHI SEISAKUSHO CO., LTD.	73.51%	Manufacture of bearing parts
	NSK MACHINERY CO., LTD.	100.00%	Manufacture of machine tools and precision machinery & parts
	NSK REAL ESTATE CO., LTD.	100.00%	Real estate management and rental
	NISSEI BLDG. MANAGEMENT LTD.	70.00%	Management of Nissei Building
	NSK-CHUGAI, LTD.	45.00%	Insurance agent and sales of machine components, etc.
	NSK HUMAN RESOURCE SERVICES LTD.	100.00%	Provision of personnel support services and consulting
	NSK LOGISTICS CO., LTD.	100.00%	Distributor of NSK products and manufacturing contractor of machine components
	NSK NETWORK AND SYSTEMS CO., LTD.	100.00%	Provision of consulting, design, development, sales and maintenance services for computer systems and networks
	ADTECH CORPORATION	51.00%	Research and development of automotive components
	INOUE JIKUKE KOGYO CO., LTD.	40.00%	Manufacture and sales of bearings
	NSK-WARNER K.K.	50.00%	Manufacture of automotive components
	CHITOSE SANGYO CO., LTD.	50.00%	Manufacture of automotive components

## THE AMERICAS

U.S.A.	NSK AMERICAS, INC.	100.00%	Control of American subsidiaries and affiliates
	NSK CORPORATION	100.00%	Manufacture of bearings and sales of bearings, automotive components and precision machinery & parts
	NSK PRECISION AMERICA, INC.	100.00%	Manufacture and sales of precision machinery & parts
	NSK LATIN AMERICA, INC.	100.00%	Sales of bearings and precision machinery & parts
	NSK STEERING SYSTEMS AMERICA, INC.	100.00%	Manufacture and sales of automotive components
	NSK-AKS PRECISION BALL COMPANY	100.00%	Manufacture and sales of steel balls
	NSK-WARNER U.S.A., INC.	50.00%	Sales and technical services of automotive components
Canada	NSK CANADA INC.	100.00%	Sales of bearings and precision machinery & parts
Mexico	NSK RODAMIENTOS MEXICANA, S.A. DE C.V.	100.00%	Sales of bearings and precision machinery & parts
Brazil	NSK BRASIL LTDA.	100.00%	Manufacture of bearings and sales of bearings and precision machinery & parts
Argentina	NSK ARGENTINA S.R.L.	100.00%	Sales of bearings and precision machinery & parts
Peru	NSK PERU S.A.C.	100.00%	Sales of bearings and precision machinery & parts

## EUROPE

U.K.	NSK EUROPE LTD.	100.00%	Control of European subsidiaries and affiliates
	NSK UK LTD.	100.00%	Sales of bearings, automotive components and precision machinery & parts
	NSK BEARINGS EUROPE LTD.	100.00%	Manufacture of bearings
	NSK STEERING SYSTEMS EUROPE LTD.	100.00%	Manufacture of automotive components
	NSK PRECISION UK LTD.	100.00%	Manufacture of precision machinery & parts
	AKS PRECISION BALL EUROPE LTD.	100.00%	Manufacture and sales of steel balls
Germany	NSK EUROPA HOLDING GMBH	100.00%	Holding company of subsidiaries in Germany
	NSK DEUTSCHLAND GMBH	100.00%	Sales of bearings and automotive components
	NEUWEG FERTIGUNG GMBH	100.00%	Manufacture of bearings
France	NSK FRANCE S.A.S	100.00%	Sales of bearings, automotive components and precision machinery & parts
Italy	NSK ITALIA S.P.A.	100.00%	Sales of bearings, automotive components and precision machinery & parts
Spain	NSK SPAIN S.A.	100.00%	Sales of bearings, automotive components and precision machinery & parts

Region	Company Name	Consolidated Equity	Outline of Business
Netherlands	NSK EUROPEAN DISTRIBUTION CENTRE B.V.	100.00%	Warehousing and distribution of bearings and automotive components
Poland	NSK BEARINGS POLSKA S.A.	95.50%	Manufacture of bearings
	NSK POLSKA SP. Z O.O.	100.00%	Sales of bearings
	NSK NEEDLE BEARING POLAND SP. Z O.O.	100.00%	Manufacture of bearings
	NSK STEERING SYSTEMS EUROPE (POLSKA) SP. Z O.O.	100.00%	Manufacture of automotive components
	AKS PRECISION BALL POLSKA SP. Z O.O.	100.00%	Manufacture and sales of steel balls
Turkey	NSK RULMANLARI ORTA DOGU TIC. LTD. STI (NSK BEARINGS MIDDLE EAST TRADING CO., LTD.)	100.00%	Sales of bearings and precision machinery & parts
South Africa	NSK SOUTH AFRICA (PTY) LTD.	100.00%	Sales of bearings and precision machinery & parts

## ASIA

Singapore	NSK INTERNATIONAL (SINGAPORE) PTE LTD.	100.00%	Sales of bearings
	NSK SINGAPORE (PRIVATE) LTD.	70.00%	Sales of bearings and precision machinery & parts
Indonesia	PT. NSK BEARINGS MANUFACTURING INDONESIA	100.00%	Manufacture of bearings
	PT. NSK INDONESIA	100.00%	Sales of bearings
	PT. AKS PRECISION BALL INDONESIA	100.00%	Manufacture and sales of steel balls
	PT. NSK-WARNER INDONESIA	50.00%	Manufacture of automotive components
Thailand	NSK BEARINGS MANUFACTURING (THAILAND) CO., LTD.	74.90%	Manufacture and sales of bearings
	SIAM NSK STEERING SYSTEMS CO., LTD.	74.90%	Manufacture and sales of automotive components
	NSK ASIA PACIFIC TECHNOLOGY CENTRE (THAILAND) CO., LTD.	100.00%	Technological support and development of bearings
	NSK BEARINGS (THAILAND) CO., LTD.	49.00%	Sales of bearings, automotive components and precision machinery & parts
Malaysia	NSK BEARINGS (MALAYSIA) SDN. BHD.	51.00%	Sales of bearings, automotive components and precision machinery & parts
	NSK MICRO PRECISION (M) SDN. BHD.	100.00%	Manufacture of bearings
	ISC MICRO PRECISION SDN. BHD.	100.00%	Manufacture of bearings
China	NSK (CHINA) INVESTMENT CO., LTD.	100.00%	Holding company of Chinese subsidiaries and affiliates, sales of bearings, automotive components and precision machinery & parts
	NSK (SHANGHAI) TRADING CO., LTD.	100.00%	Sales of bearings, automotive components and precision machinery & parts
	KUNSHAN NSK CO., LTD.	85.00%	Manufacture of bearings
	CHANGSHU NSK NEEDLE BEARING CO., LTD.	100.00%	Manufacture of bearings
	NSK CHINA SALES CO., LTD.	100.00%	Sales of bearings, automotive components and precision machinery & parts
	NSK STEERING SYSTEMS DONGGUAN CO., LTD.	100.00%	Manufacture of automotive components
	ZHANGJIAGANG NSK PRECISION MACHINERY CO., LTD.	100.00%	Manufacture of bearing parts
	SUZHOU NSK BEARINGS CO., LTD.	100.00%	Manufacture of bearings
	AKS PRECISION BALL (HANGZHOU) CO., LTD.	100.00%	Manufacture and sales of steel balls
	NSK (CHINA) RESEARCH AND DEVELOPMENT CO., LTD.	100.00%	Technological support and development of bearings, automotive components and precision machinery & parts
	NSK-WARNER (SHANGHAI) CO., LTD.	50.00%	Manufacture of automotive components
	NSK-WANDA ELECTRIC POWER ASSISTED STEERING SYSTEMS CO., LTD.	90.00%	Manufacture of automotive components
	NSK-YAGI PRECISION FORGING (ZHANGJIAGANG) CO., LTD.	70.00%	Manufacture of bearing parts
	SHENYANG NSK PRECISION CO., LTD.	100.00%	Manufacture of precision machinery & parts
	SHENYANG NSK CO., LTD.	100.00%	Manufacture of bearings
HEFEI NSK CO., LTD.	100.00%	Manufacture of bearings	
Hong Kong	NSK HONG KONG LTD.	70.00%	Sales of bearings, automotive components and precision machinery & parts
Taiwan	TAIWAN NSK PRECISION CO., LTD.	70.00%	Sales of precision machinery & parts
	TAIWAN NSK TECHNOLOGY CO., LTD.	100.00%	Sales of systemized products
South Korea	NSK KOREA CO., LTD.	100.00%	Manufacture of bearings and precision machinery & parts and sales of bearings, automotive components and precision machinery & parts
	NSK NEEDLE BEARING KOREA CO., LTD.	100.00%	Manufacture of bearings
Vietnam	NSK VIETNAM CO., LTD.	100.00%	Sales of bearings
India	NSK INDIA SALES CO. PVT. LTD.	100.00%	Sales of bearings and automotive components
	NSK-ABC BEARINGS LTD.	96.71%	Manufacture and sales of bearings
	RANE NSK STEERING SYSTEMS LTD.	51.00%	Manufacture and sales of automotive components
Australia	NSK AUSTRALIA PTY. LTD.	100.00%	Sales of bearings, automotive components and precision machinery & parts
New Zealand	NSK NEW ZEALAND LTD.	100.00%	Sales of bearings, automotive components and precision machinery & parts

# Information for Investors

As of March 31, 2012

## Corporate Address

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Fax: +81-3-3779-7442  
E-mail: [ir@nsk.com](mailto:ir@nsk.com)

## NSK's Web Site

NSK has established a corporate web site to provide information on earnings and other data, including Annual Reports.  
<http://www.nsk.com>

## Annual Meeting of Shareholders

The Annual Meeting of Shareholders was held on June 22, 2012 at the Company's headquarters in Tokyo.

## Common Stock

Authorized: 1,700,000,000 shares  
Issued: 551,268,104 shares  
(Treasury stock: 10,279,972)

## Number of Shareholders

25,302

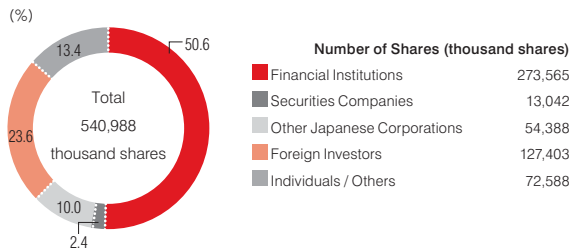
## Transfer Agent

Mizuho Trust & Banking Co., Ltd.  
1-2-1 Yaesu, Chuo-ku, Tokyo 103-8670, Japan

## Listings

Tokyo, Osaka

## Breakdown of Shareholders



## Share Price Movement



The TOPIX (Tokyo Stock Price Index) is the stock price index calculated and published by the Tokyo Stock Exchange in order to express the changes of the Tokyo Stock Market. The TOPIX is calculated by aggregated market value listed in the 1st Section of the Tokyo Stock Exchange to denominate the base market value (January 4, 1968) x 100. The TOPIX (Tokyo Stock Price Index) is the intellectual property owned by the Tokyo Stock Exchange and the Tokyo Stock Exchange owns all rights relating to the TOPIX Index such as calculating, publishing and use of the TOPIX Index Value and relating to the TOPIX Trademarks.







NSK used environmentally friendly paper and printing methods for this publication.

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