

# NSK Ltd.

For Immediate Release

February 3, 2012

## CONSOLIDATED RESULTS FOR THE NINE MONTHS ENDED DECEMBER 31, 2011 (Unaudited) [JP GAAP]

Company name	NSK Ltd.
Stock exchanges on which the shares are listed	Tokyo and Osaka Stock Exchanges in Japan
Code number	6471
URL	<a href="http://www.nsk.com">http://www.nsk.com</a>
Representative	Norio Otsuka, President and CEO
Contact person	Yoshio Saito, Senior Vice President
Filing date of quarterly securities report	February 13, 2012

(Amounts are rounded down to the nearest million yen)

### 1. Consolidated Financial Highlights for the Nine Months Ended December 31, 2011

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

	Net sales		Operating income		Ordinary income		Net income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Nine months ended Dec. 31, 2011	536,630	0.7	33,185	0.8	31,141	5.4	20,164	8.3
Nine months ended Dec. 31, 2010	532,736	28.8	32,917	—	29,532	—	18,617	—

(Note) Comprehensive income  
 Nine months ended Dec. 31, 2011 5,547 million yen 4.2%  
 Nine months ended Dec. 31, 2010 5,323 million yen —%

	Net income per share - Basic		Net income per share - Diluted	
	Yen	Yen	Yen	Yen
Nine months ended Dec. 31, 2011	37.30	37.30	37.30	37.30
Nine months ended Dec. 31, 2010	34.44	34.44	34.44	34.44

### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity to total assets
	Millions of Yen	Millions of Yen	%
As of Dec. 31, 2011	847,901	278,278	30.7
As of Mar. 31, 2011	788,626	275,269	32.6

(Note) Equity capital As of Dec. 31, 2011 260,459 million yen As of Mar. 31, 2011 257,012 million yen

### 2. Cash Dividends

(Record date)	Cash dividends per share				
	End of the 1st quarter	End of the 2nd quarter	End of the 3rd quarter	Year-end	Full-year total
	Yen	Yen	Yen	Yen	Yen
Year ended Mar. 31, 2011	—	5.00	—	6.00	11.00
Year ending Mar. 31, 2012	—	6.00	—	—	—
Year ending Mar. 31, 2012 (Forecast)	—	—	—	6.00	12.00

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

### 3. Forecast of Consolidated Results for the Year Ending March 31, 2012

(% of changes from the same period last year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Year ending Mar. 31, 2012	720,000	1.3	43,000	(1.2)	39,000	1.1	26,000	(0.4)	48.10

(Note) Revisions to the forecast of consolidated results in the current quarter: Yes

#### 4. Others

- (1) Changes in significant subsidiaries during the period (Changes in specified subsidiaries resulting in change in the scope of consolidation): None
- (2) Adoption of simplified accounting methods and special accounting methods for presenting quarterly consolidated financial statements: Yes
- (3) Changes to accounting policies applied, procedures and disclosures for presenting quarterly consolidated financial standards
- (i) Changes due to newly issued accounting pronouncements: Yes
  - (ii) Changes excluding the above: None
  - (iii) Changes in accounting estimates: None
  - (iv) Retrospective restatements: None
- (4) Number of shares issued and outstanding (common stock)
- (i) Number of shares issued and outstanding at the end of each period (including treasury stock):

As of Dec. 31, 2011	551,268,104 shares	As of Mar. 31, 2011	551,268,104 shares
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  - (ii) Number of treasury stock at the end of each period:

As of Dec. 31, 2011	10,704,109 shares	As of Mar. 31, 2011	10,702,137 shares
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  - (iii) Average number of shares issued and outstanding in each period:

Nine months ended Dec. 31, 2011	540,564,156 shares	Nine months ended Dec. 31, 2010	540,588,443 shares
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##### Information Regarding the Implementation of Quarterly Review Procedures

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

##### Cautionary Statement with Respect to Forward-Looking Statements

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

**(Reference) Consolidated Financial Highlights for the Three Months Ended December 31, 2011**

(% of changes from the same period last year)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Three months ended Dec. 31, 2011	184,753	2.7	10,249	(18.8)	9,301	(23.7)	5,775	(28.3)
Three months ended Dec. 31, 2010	179,950	15.6	12,623	133.2	12,185	132.2	8,052	140.8

(Note) Comprehensive income Three months ended Dec. 31, 2011 6,549 million yen (16.2)%  
Three months ended Dec. 31, 2010 7,812 million yen —%

	Net income per share - Basic	Net income per share - Diluted
	Yen	Yen
Three months ended Dec. 31, 2011	10.68	—
Three months ended Dec. 31, 2010	14.90	14.90

## 1. Business Overview

### (1) Qualitative Information Regarding Consolidated Business Results

During the nine months ended December 31, 2011, economic growth appeared steady through to early October, supported by the recovery from the impact of the Great East Japan Earthquake and continued economic expansion in emerging countries, particularly China and ASEAN countries. However, from the beginning of the third quarter of the year ending March 31, 2012, the downturn in the overall global has become pronounced, due to the effect of flooding in Thailand and financial uncertainty in several European countries.

In this economic environment, the NSK Group has striven to lower costs and to ensure the continued stable supply of high quality products to minimize the impact of the Great East Japan Earthquake and the Thailand Floods. As a result, consolidated net sales totaled ¥536,630 million, a year-on-year increase of 0.7% and operating income was ¥33,185 million, a year-on-year increase of 0.8%. Ordinary income was ¥31,141 million, a year-on-year increase of 5.4%. Net income after adjusting for tax expenses and minority interests was ¥20,164 million, a year-on-year increase of 8.3%, including an ¥863 million extraordinary loss on devaluation of investment securities.

### Business Segment Information

#### ① Industrial Machinery Business Segment

In the industrial machinery bearings business, although demand for both industrial machinery bearings and precision machinery and parts increased during the nine months ended December 31, 2011, due to economic growth in emerging countries, as well as demand recovery in the countries in which NSK operates, demand has slowed since the beginning of the third quarter. Looking at the geographic breakdown, in Japan, while demand to machine tool manufacturers increased thanks to high demand, both domestically and overseas mainly in China, demand in the semiconductor sector declined sharply. In the Americas and Europe, demand in the aftermarket sector increased with the gradual economic recovery, and in China, sales for machine tools and infrastructure-related equipment increased. Overall, demand increased steadily in each region.

As a result, net sales in the industrial machinery business totaled ¥193,882 million (a year-on-year increase of 0.5%). Despite reduced export profit margins due to the appreciation of the Japanese yen, operating income was ¥20,790 million (a year-on-year increase of 45.9%), owing to higher volume and reduced costs.

#### ② Automotive Business Segment

In the automotive business, global demand is expanding despite the temporary impact of the Great East Japan Earthquake and the Thailand Floods. Looking at results on a regional basis, in Japan, our customers have rapidly restored their operations following the earthquake. In the Americas, despite a decline in sales to major Japanese automakers due to the earthquake, the automotive market continues to recover gradually. In Europe, however, stagnation in the market has become marked. In Asia, the automotive market continues to grow despite the temporary production decrease caused by the ending of the tax incentives for eco-friendly vehicles in China and the Thailand Floods.

As a result, under market conditions stated above, net sales in the automotive business totaled ¥316,975 million (a year-on-year decrease of 0.8%), and operating income was ¥15,036 million (a year-on-year decrease of 28.3%) due to the appreciation of the Japanese yen.

## **(2) Qualitative Information Regarding Consolidated Financial Position**

### **Assets and Liabilities**

Total assets were ¥847,901 million, an increase of ¥59,274 million compared to total assets as of March 31, 2011. The main reasons for this were increases of ¥10,830 million in notes and accounts receivable, ¥56,378 million in short-term investment securities, which offset a decrease of ¥17,310 million in cash and deposits.

Total liabilities were ¥569,623 million, an increase of ¥56,265 million, compared to total liabilities as of March 31, 2011. The main reasons for this were an increase of ¥14,609 million in notes and accounts payable and ¥56,607 million in long-term loans.

### **Net assets**

Net assets totaled ¥278,278 million, an increase of ¥3,008 million compared to net assets as of March 31, 2011, due to an increase of ¥20,164 million in net income, and a decrease of ¥3,125 million in valuation difference on available-for-sale securities and ¥11,448 million in translation adjustments.

### **Cash flows**

Cash flow totaled ¥159,241 million, an increase of ¥38,908 million compared to cash and cash equivalents as of March 31, 2011, and an increase of ¥27,993 million compared to the same period during the previous fiscal year.

#### **① Net cash flow provided by operating activities**

Net cash flow provided by operating activities totaled ¥30,519 million, a decrease of ¥19,128 million compared to the same period of the previous fiscal year. This includes ¥30,277 million in income before tax expenses and minority interests, ¥26,299 million provided by depreciation and amortization, and an increase of ¥15,923 million in notes and accounts payable, which offset increase of ¥15,819 million in notes and accounts receivable, and ¥17,518 million in inventories.

#### **② Net cash flow used in investing activities**

Cash flow used in investing activities totaled ¥38,976 million, an increase of ¥17,525 million compared to the corresponding period during the previous fiscal year. This includes ¥36,374 million for purchase of property, plant and equipment.

#### **③ Net cash flow used in financing activities**

Net cash flow used in financing activities totaled ¥50,251 million, a decrease of ¥68,046 million compared to the corresponding period during the previous fiscal year. This includes ¥7,423 million for increase of short-term loans, ¥62,343 million for increase of long-term loans, which offset ¥12,466 million of repayments of long-term loans, and ¥6,353 million of dividends paid.

## **(3) Qualitative Information Regarding Consolidated Business Forecast**

Although outlook for the global economy is still unclear, we are revising our year-end consolidated business forecast for the year ending March 31, 2012, based on the company's business results for the nine months ended December 31, 2011.

#### **●Business forecast for the year ending March, 2012**

Net sales ¥720.0 billion, Operating income ¥43.0 billion, Ordinary income ¥39.0 billion,  
Net income ¥26.0 billion

**【Reference】** Business forecast for the year ending March, 2012 announced in June, 2011

Net sales ¥730.0 billion, Operating income ¥50.0 billion, Ordinary income ¥46.0 billion,  
Net income ¥31.0 billion

The following are the factors behind the revision.

- Forecasted exchange rate for the fourth quarter of the year ending March 31, 2012

1U.S.\$=¥75, 1Euro=¥100

- There are downside impacts to our business environment such as the financial crisis in European countries and the Thailand Floods, and customer orders in both industrial machinery business and automotive business are below our original forecast. In addition, the appreciation of the Japanese yen is stronger than initially anticipated. We therefore expect income to be lower than that previously announced.

Our business forecast stated above is based on certain conditions such as the economic environment and our business strategies at the time the documents were created. Actual results could therefore differ from those forecast due to several factors.

## 2. Matters Regarding Summary Information (Others)

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

None.

(2) Adoption of special accounting methods for presenting quarterly consolidated financial statements (Method of calculating tax expenses)

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

(3) Changes in accounting principles, changes in accounting estimates, and retrospective restatements for the preparation of the quarterly consolidated financial statements

(Application of Accounting Standards for Per-Share Net Income)

From the first quarter of the subject fiscal year, the Company has applied "Accounting Standard for Earnings Per Share"(ASBJ Statement No.2, June 30, 2010); "Guidance on Accounting Standard for Earnings Per Share"(ASBJ Guidance No.4, June 30, 2010).

(4) Additional Information

(Application of Accounting Standard for Accounting Changes and Error Corrections)

For accounting changes and error corrections to be conducted from the beginning of the first quarter of the subject fiscal year, the Company has applied "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No.24, December 4, 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No.24, December 4, 2009).

(Change in matters concerning fiscal year of consolidated subsidiaries)

14 consolidated subsidiaries including NSK (CHINA) Investment Co., LTD currently use an account closing date of December 31. In order to disclose consolidated financial information in an appropriate manner, these companies have changed their fiscal year end from December 31 to March 31. Profit and loss for 3 months of January to March 2011 has been adjusted for as retained earnings.

### 3. Quarterly Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

	(Millions of Yen)	
	As of Mar. 31, 2011	As of Dec. 31, 2011
<b>Assets</b>		
Current assets:		
Cash and deposits	71,047	53,736
Notes and accounts receivable	136,016	146,846
Short-term investment securities	51,387	107,765
Finished goods	61,871	68,753
Work in process	36,582	38,265
Raw materials and supplies	13,195	15,545
Others	49,418	52,433
Less allowance for doubtful accounts	(934)	(918)
Total current assets	418,584	482,428
Non-current assets:		
Property, plant and equipment		
Buildings and structures	69,429	67,094
Machinery, vehicles and equipment	104,983	108,753
Others	61,493	62,410
Total property, plant and equipment	235,906	238,257
Intangible fixed assets	10,509	11,648
Investments and other assets		
Investment securities	72,207	63,949
Prepaid pension costs	42,339	42,465
Others	9,542	9,614
Less allowance for doubtful accounts	(463)	(461)
Total investments and other assets	123,626	115,567
Total non-current assets	370,042	365,473
Total assets	788,626	847,901

(Millions of Yen)

	As of Mar. 31, 2011	As of Dec. 31, 2011
<b>Liabilities</b>		
Current liabilities:		
Notes and accounts payable	124,103	138,712
Short-term loans	81,442	79,938
Current portion of corporate bonds	30,300	30,000
Accrued income taxes	6,061	5,463
Others	51,973	43,689
Total current liabilities	293,881	297,804
Non-current liabilities:		
Corporate bonds	65,000	65,000
Long-term loans	97,842	154,450
Accrued employees' retirement benefits	21,142	20,062
Accrued officers' retirement benefits	1,689	1,506
Reserves for environmental safety measures	160	136
Others	33,641	30,663
Total non-current liabilities	219,475	271,819
Total liabilities	513,357	569,623
<b>Net assets</b>		
Shareholders' equity		
Common stock	67,176	67,176
Additional paid-in capital	78,334	78,340
Retained earnings	155,062	173,083
Treasury stock	(4,180)	(4,186)
Total shareholders' equity	296,392	314,413
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,213	9,087
Translation adjustments	(51,593)	(63,041)
Total accumulated other comprehensive income	(39,379)	(53,953)
Share subscription rights	569	511
Minority interests	17,686	17,307
Total net assets	275,269	278,278
Total liabilities and net assets	788,626	847,901

## (2) Consolidated Statement of Operations

For the nine months ended December 31

	(Millions of Yen)	
	Nine months ended Dec. 31, 2010	Nine months ended Dec. 31, 2011
Net sales	532,736	536,630
Cost of sales	422,388	425,589
Gross profit	110,347	111,041
Selling, general and administrative expenses	77,430	77,855
Operating income	32,917	33,185
Non-operating income:		
Interest income	632	554
Dividend income	814	978
Equity in earnings of affiliated companies	2,683	2,287
Others	1,876	2,429
Total non-operating income	6,006	6,250
Non-operating expenses:		
Interest expenses	3,494	3,653
Exchange loss	1,591	1,903
Others	4,305	2,737
Total non-operating expenses	9,391	8,294
Ordinary income	29,532	31,141
Extraordinary loss:		
Loss on devaluation of investment securities	366	863
Total extraordinary loss	366	863
Income before tax expenses and minority interests	29,166	30,277
Income taxes	9,541	9,469
Income before minority interests	19,624	20,807
Minority interests	1,007	643
Net income	18,617	20,164

## Consolidated Statements of Comprehensive Income

For the nine months ended December 31

(Millions of Yen)

	Nine months ended Dec. 31, 2010	Nine months ended Dec. 31, 2011
Income before minority interests	19,624	20,807
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,155)	(3,122)
Translation adjustments	(13,124)	(11,971)
Share of other comprehensive income of associates accounted for using equity method	(21)	(166)
Total other comprehensive income	(14,301)	(15,260)
Comprehensive income	5,323	5,547
(Details)		
Comprehensive income attributable to parent company	4,984	5,589
Comprehensive income attributable to minority interests	338	(41)

### (3) Consolidated Statement of Cash Flows

(Millions of Yen)

	Nine months ended Dec. 31, 2010	Nine months ended Dec. 31, 2011
Operating activities		
Income before tax expenses and minority interests	29,166	30,277
Depreciation and amortization	25,777	26,299
Amortization of goodwill	574	555
Increase (decrease) in allowance for doubtful accounts	(277)	71
Increase (decrease) in provision for retirement benefits and prepaid pension cost	771	(44)
Interest and dividend income	(1,446)	(1,533)
Interest expenses	3,494	3,653
Equity in losses (earnings) of affiliates	(2,683)	(2,287)
Loss (gain) on devaluation of investment securities	366	863
Decrease (increase) in notes and accounts receivable	(9,748)	(15,819)
Decrease (increase) in inventories	(7,299)	(17,518)
Increase (decrease) in notes and accounts payable	19,793	15,923
Others	(3,934)	(1,615)
Subtotal	54,554	38,825
Interest and dividend received	5,026	3,978
Interest paid	(3,105)	(3,257)
Income taxes paid	(6,826)	(9,027)
Net cash provided by operating activities	49,647	30,519
Investing activities		
Net decrease (increase) in time deposit	(63)	(333)
Purchase of short-term investment securities	(4,800)	(3,600)
Proceeds from sales of short-term investment securities	4,800	4,044
Purchase of property, plant and equipment	(21,577)	(36,374)
Proceeds from sales of property, plant and equipment	363	1,126
Purchase of investment securities	(130)	(482)
Proceeds from sales of investment securities	1,859	307
Proceeds from purchase of subsidiary companies' stock resulting in changes in scope of consolidation	15	—
Payments for loans receivable	(38)	(46)
Collection of loans receivable	172	73
Others	(2,052)	(3,691)
Net cash used in investing activities	(21,451)	(38,976)

	(Millions of Yen)	
	Nine months ended Dec. 31, 2010	Nine months ended Dec. 31, 2011
Financing activities		
Net increase (decrease) in short-term loans	1,566	7,423
Increase in long-term loans	782	62,343
Repayments of long-term loans	(4,939)	(12,466)
Payments for redemption of corporate bonds	(10,000)	(300)
Acquisition of treasury stock	(17)	(7)
Dividends paid	(4,745)	(6,353)
Dividends paid to minority shareholders	(244)	(380)
Others	(196)	(6)
Net cash provided by (used in) financing activities	(17,794)	50,251
Effect of exchange rate changes on cash and cash equivalents	(2,591)	(2,728)
Net increase (decrease) in cash and cash equivalents	7,810	39,066
Cash and cash equivalents at beginning of the year	123,437	120,333
Increase (decrease) in cash and cash equivalents resulting from changes in fiscal year-ends of consolidated subsidiaries	—	(157)
Cash and cash equivalents at end of the period	131,247	159,241

#### (4) Going Concern Assumption

None.

#### (5) Segment Information

##### Sales by Reportable Segments

Nine months ended December 31, 2010

(Millions of Yen)

	Reportable segments			Others	Total	Adjustments	Consolidated
	Industrial machinery business	Automotive business	Sub-total				
Sales							
(1) Sales to third parties	192,908	319,635	512,544	20,192	532,736	—	532,736
(2) Inter-segment sales and transfers	—	—	—	19,878	19,878	(19,878)	—
Total	192,908	319,635	512,544	40,071	552,615	(19,878)	532,736
Segment income (Operating income)	14,249	20,974	35,224	3,044	38,268	(5,351)	32,917

Nine months ended December 31, 2011

(Millions of Yen)

	Reportable segments			Others	Total	Adjustments	Consolidated
	Industrial machinery business	Automotive business	Sub-total				
Sales							
(1) Sales to third parties	193,882	316,975	510,858	25,772	536,630	—	536,630
(2) Inter-segment sales and transfers	—	—	—	21,208	21,208	(21,208)	—
Total	193,882	316,975	510,858	46,981	557,839	(21,208)	536,630
Segment income (Operating income)	20,790	15,036	35,826	2,617	38,443	(5,258)	33,185

Systemized Products (Photofabrication Exposure Equipment) have been moved from the "Industrial Machinery Business" segment to the "Others" segment from April 1, 2011.

**(6) Substantial Changes in Shareholders' Equity**

None.