

NSK Ltd.

For Immediate Release

July 29, 2015

CONSOLIDATED RESULTS FOR THE THREE MONTHS ENDED JUNE 30, 2015 (Unaudited) [JP GAAP]

Company name	NSK Ltd.
Stock exchanges on which the shares are listed	Tokyo Stock Exchange in Japan
Code number	6471
URL	http://www.nsk.com
Representative	Toshihiro Uchiyama, President and CEO
Contact person	Kenichi Yamana, Vice President
Filing date of quarterly securities report	August 6, 2015

(Amounts are rounded down to the nearest million yen)

1. Consolidated Financial Highlights for the Three Months Ended June 30, 2015

(1) Consolidated financial results

(% of changes from the same period last year)

	Net sales		Operating income		Ordinary income		Net income attributable to shareholders of the parent	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Three months ended Jun. 30, 2015	251,222	9.6	26,060	27.8	27,616	35.3	17,837	26.6
Three months ended Jun. 30, 2014	229,307	11.9	20,395	59.1	20,409	50.6	14,091	49.6

(Note) Comprehensive income Year ended Jun. 30, 2015 25,744 million yen 79.7 %
Year ended Jun. 30, 2014 14,329 million yen (36.7) %

	Net income per share - Basic	Net income per share - Diluted
	Yen	Yen
Three months ended Jun. 30, 2015	32.95	32.92
Three months ended Jun. 30, 2014	26.07	26.04

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity to total assets
	Millions of Yen	Millions of Yen	%
As of Jun. 30, 2015	1,150,251	505,175	41.8
As of Mar. 31, 2015	1,129,164	481,859	40.4

(Note) Equity capital As of Jun. 30, 2015 480,984 million yen As of Mar. 31, 2015 456,046 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
Year ended Mar. 31, 2015	Yen —	Yen 12.00	Yen —	Yen 16.00	Yen 28.00
Year ending Mar. 31, 2016	—	—	—	—	—
Year ending Mar. 31, 2016 (Forecast)	—	17.00	—	17.00	34.00

(Note) Revisions to the forecast of cash dividends from the latest announcement: None

3. Forecast of Consolidated Results for the Year Ending March 31, 2016

(% of changes from the same period last year)

	Net sales		Operating income		Ordinary income		Net income attributable to shareholders of the parent		Net income per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Six months ending Sep. 30, 2015	490,000	5.5	47,000	15.3	46,000	12.4	31,000	19.7	57.28
Year ending Mar. 31, 2016	1,020,000	4.6	102,000	4.8	100,000	9.9	70,000	13.0	129.35

(Note) Revisions to the forecast of consolidated results from the latest announcement: None

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

Note: For more details, please refer to page 5 "2. Matters Regarding Summary Information (Others) (2) Adoption of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements."

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

(i) Changes due to newly issued accounting pronouncements: None

(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 Jun. 30, 2015	551,268,104 shares	As of Mar. 31, 2015	551,268,104 shares
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(ii) Number of treasury stock at the end of each period:

As of Jun. 30, 2015	9,939,193 shares	As of Mar. 31, 2015	10,085,598 shares
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(iii) Average number of shares issued and outstanding in each period:

Three months ended Jun. 30, 2015	541,280,082 shares	Three months ended Jun. 30, 2014	540,531,191 shares
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Information Regarding the Implementation of Quarterly Review Procedures

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

Cautionary Statement with Respect to Forward-Looking Statements

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

1. Business Overview

(1) Qualitative Information Regarding Consolidated Business Results

The NSK Group is working to implement its mid-term management plan for the three years beginning April 2013, with a vision of establishing a corporate fundamentals appropriate for a 1 trillion yen company in the year of 2016—the 100th anniversary of the company's foundation. The NSK Group has adopted a business strategy of growth with a focus on profitability, and in order to enhance its corporate fundamentals, NSK is implementing measures to develop the management capability required to handle ¥1 trillion in sales volume.

Reviewing the overall global economy during the first quarter of the year ending March 31, 2016, the Japanese economy showed signs of a gradual recovery due to the impact of lower crude oil prices and policies enacted by the Japanese government and the Bank of Japan. The U.S. economy continued to recover steadily, driven primarily by strong consumer spending. The European economy also showed signs of an upturn, primarily in the Eurozone. On the other hand, economic growth in China slowed gradually, and economic conditions in the ASEAN bloc remained weak overall.

In this economic environment, consolidated net sales totaled ¥251,222 million, a year-on-year increase of 9.6%. Operating income totaled ¥26,060 million, a year-on-year increase of 27.8%. Ordinary income was ¥27,616 million, a year-on-year increase of 35.3%. Net income attributable to shareholders of the parent was ¥17,837 million, a year-on-year increase of 26.6%.

Business Segment Information

① Industrial Machinery Business Segment

Demand in the industrial machinery business continues to gradually recover worldwide. Looking at results by region, sales in Japan increased, primarily in the machine tool and semiconductor sectors. In the Americas, sales in the general machinery sector grew. In Europe, sales declined due to lower demand in the aftermarket sector, despite steady demand in the wind turbine. In China, sales in the machine tool and wind turbine sectors rose, while sales in the home electrical appliance sector declined. In other Asian countries, sales increased, primarily in the aftermarket sector.

As a result, net sales in the industrial machinery business totaled ¥70,285 million, a year-on-year increase of 6.9%. Operating income was ¥9,384 million, a year-on-year increase of 25.1%.

② Automotive Business Segment

The global automotive market continued to expand gradually, driven by the steady demand in North America, despite a decline in Chinese automotive sales. Looking at the automotive business by geographic breakdown, in Japan, sales increased, driven primarily by demand for automatic transmissions. In the Americas, steady market demand in North America led to higher sales of electric power steering (EPS) systems. In Europe, the automotive market continued to gradually recover, and overall sales rose. In China, sales to Japanese automakers rose, while sales also increased in other parts of Asia, primarily due to demand for EPS systems—although market conditions varied between countries.

As a result, net sales in the automotive business totaled ¥173,542 million, a year-on-year increase of 12.3%. Operating income totaled ¥17,806 million, a year-on-year increase of 28.5%.

(2) Qualitative Information Regarding Consolidated Financial Position

Assets and Liabilities

Total assets were ¥1,150,251 million, an increase of ¥21,087 million compared to total assets as of March 31, 2015. The main reasons for this were increases of ¥14,951 million in short-term investment securities, ¥4,571 million in finished goods and ¥3,225 million in property, plant and equipment.

Total liabilities were ¥645,076 million, a decrease of ¥2,228 million, compared to total liabilities as of March 31, 2015.

Net assets

Net assets totaled ¥505,175 million, an increase of ¥23,315 million compared to net assets as of March 31, 2015. The main reasons for this were increases of ¥17,837 million in net income attributable to shareholders of the parent and ¥5,881 million in translation adjustments.

Cash Flows

Total cash and cash equivalents at the end of the period were ¥202,960 million, an increase of ¥18,586 million compared to total cash and cash equivalents as of March 31, 2015. This represents an increase of ¥35,861 million from the same period of the previous year.

① Net cash flow provided by operating activities

Net cash flow provided by operating activities totaled ¥34,126 million, an increase of ¥19,791 million compared to the same period of the previous year. This includes ¥27,616 million in income before tax expenses and non-controlling interests and ¥10,199 million provided by depreciation and amortization, which offset ¥5,553 million in income taxes paid.

② Net cash flow used in investing activities

Cash flow used in investing activities totaled ¥4,787 million, a decrease of ¥4,096 million compared to the same period of the previous year.

③ Net cash flow used in financing activities

Net cash flow used in financing activities totaled ¥11,766 million, an increase of ¥4,841 million compared to the same period of the previous year. This includes ¥8,526 million for dividends paid and ¥2,571 million for dividends paid to non-controlling interests.

(3) Qualitative Information Regarding Consolidated Business Forecast

No revision has been made to the consolidated business forecasts for the year ending March 31, 2016 announced on May 11, 2015.

Notes

All forecasts are based on a number of assumptions for business environment and policies, and are subject to change with various factors. Actual financial results may differ materially and NSK accepts no liability whatsoever for any direct or consequential loss arising from any use of this report.

2. Matters Regarding Summary Information (Others)

(1) Changes in Significant Subsidiaries during the Period

None.

(2) Adoption of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements

(Method of Calculating Tax Expenses, Deferred Tax Expenses and Deferred Tax Liabilities)

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

(3) Changes in Accounting Principles, Changes in Accounting Estimates, and Retrospective Restatements for the Preparation of the Quarterly Consolidated Financial Statements

None.

3. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

	(Millions of Yen)	
	As of Mar. 31, 2015	As of Jun. 30, 2015
Assets		
Current assets:		
Cash and deposits	76,089	74,750
Notes and accounts receivable	189,635	191,252
Short-term investment securities	106,141	121,093
Finished goods	74,060	78,631
Work in process	45,363	42,851
Raw materials and supplies	22,746	23,003
Others	61,793	61,546
Less allowance for doubtful accounts	(2,674)	(2,719)
Total current assets	573,157	590,410
Non-current assets:		
Property, plant and equipment		
Buildings and structures	84,999	85,624
Machinery, vehicles and equipment	171,335	176,606
Others	78,561	75,891
Total property, plant and equipment	334,896	338,121
Intangible fixed assets	11,791	11,628
Investments and other assets		
Investment securities	118,672	119,159
Net defined benefit asset	77,361	77,458
Others	13,664	13,853
Less allowance for doubtful accounts	(380)	(380)
Total investments and other assets	209,319	210,090
Total non-current assets	556,007	559,841
Total assets	1,129,164	1,150,251

(Millions of Yen)

	As of Mar. 31, 2015	As of Jun. 30, 2015
Liabilities		
Current liabilities:		
Notes and accounts payable	137,900	142,101
Short-term loans	116,909	121,284
Accrued income taxes	5,804	5,286
Others	78,823	71,248
Total current liabilities	339,436	339,920
Non-current liabilities:		
Corporate bonds	60,000	60,000
Long-term loans	149,491	146,064
Accrued officers' retirement benefits	1,674	1,453
Reserves for environmental safety measures	179	180
Net defined benefit liability	40,059	39,903
Others	56,463	57,553
Total non-current liabilities	307,867	305,155
Total liabilities	647,304	645,076
Net assets		
Shareholders' equity		
Common stock	67,176	67,176
Additional paid-in capital	78,938	79,013
Retained earnings	252,667	270,504
Treasury stock	(4,083)	(4,028)
Total shareholders' equity	394,699	412,666
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	44,438	46,493
Translation adjustments	7,592	13,474
Remeasurements of defined benefit plans	9,316	8,350
Total accumulated other comprehensive income	61,347	68,317
Share subscription rights	252	264
Non-controlling interests	25,560	23,926
Total net assets	481,859	505,175
Total liabilities and net assets	1,129,164	1,150,251

(2) Consolidated Statement of Operations and Consolidated Statements of Comprehensive Income

Consolidated Statements of Operations

	(Millions of Yen)	
	Three months ended Jun. 30, 2014	Three months ended Jun. 30, 2015
Net sales	229,307	251,222
Cost of sales	177,760	192,280
Gross profit	51,546	58,941
Selling, general and administrative expenses	31,151	32,881
Operating income	20,395	26,060
Non-operating income:		
Interest income	205	167
Dividend income	815	969
Equity in earnings of affiliated companies	874	982
Others	632	1,388
Total non-operating income	2,527	3,508
Non-operating expenses:		
Interest expenses	1,217	1,221
Others	1,295	730
Total non-operating expenses	2,513	1,951
Ordinary income	20,409	27,616
Income before income taxes and non-controlling interests	20,409	27,616
Income taxes	5,605	8,917
Net income	14,804	18,699
Net income attributable to non-controlling interests	712	862
Net income attributable to shareholders of the parent	14,091	17,837

Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Three months ended Jun. 30, 2014	Three months ended Jun. 30, 2015
Net Income	14,804	18,699
Other comprehensive income		
Valuation difference on available-for-sale securities	2,081	2,065
Translation adjustments	(2,772)	5,991
Remeasurements of defined benefit plans	363	(977)
Share of other comprehensive income of associates accounted for using equity method	(146)	(33)
Total other comprehensive income	(474)	7,045
Comprehensive income	14,329	25,744
(Details)		
Comprehensive income attributable to parent company	13,800	24,807
Comprehensive income attributable to non-controlling interests	529	937

(3) Consolidated Statement of Cash Flows

(Millions of Yen)

	Three months ended Jun. 30, 2014	Three months ended Jun. 30, 2015
Operating activities		
Income before income taxes and non-controlling interests	20,409	27,616
Depreciation and amortization	9,088	10,199
Amortization of goodwill	28	27
Increase (decrease) in allowance for doubtful accounts	(74)	48
Net defined benefit liabilities and net defined benefit assets	(1,115)	(1,802)
Interest and dividend income	(1,020)	(1,137)
Interest expenses	1,217	1,221
Equity in losses (earnings) of affiliates	(874)	(982)
Decrease (increase) in notes and accounts receivable	(5,750)	(3,348)
Decrease (increase) in inventories	(5,501)	(3,378)
Increase (decrease) in notes and accounts payable	4,433	4,095
Others	14,110	6,523
Subtotal	34,950	39,084
Interest and dividends received	1,326	1,696
Interest paid	(1,172)	(1,100)
Antimonopoly Act related loss paid	(9,103)	—
Income taxes paid	(11,666)	(5,553)
Net cash provided by operating activities	14,334	34,126
Investing activities		
Net decrease (increase) in time deposits	(89)	(57)
Proceeds from sales of short-term investment securities	166	6
Purchase of property, plant and equipment	(7,832)	(10,727)
Proceeds from sales of property, plant and equipment	126	246
Purchase of investment securities	(10)	(10)
Proceeds from sales of investment securities	19	3,055
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	—	1,042
Payments for loans receivable	(288)	(3,000)
Collection of loans receivable	35	5,180
Others	(1,011)	(522)
Net cash used in investing activities	(8,883)	(4,787)
Financing activities		
Net increase (decrease) in short-term loans	(634)	(332)
Increase in long-term loans	4,889	—
Repayments of long-term loans	(4,448)	(342)
Acquisition of treasury stock	(6)	(1)
Dividends paid	(4,771)	(8,526)
Dividends paid to non-controlling interests	(2,009)	(2,571)
Others	56	8
Net cash provided by (used in) financing activities	(6,925)	(11,766)
Effect of exchange rate changes on cash and cash equivalents	(366)	1,014
Net increase (decrease) in cash and cash equivalents	(1,841)	18,586
Cash and cash equivalents at beginning of the year	168,940	184,374
Cash and cash equivalents at end of the period	167,098	202,960

(4) Going Concern Assumption

None.

(5) Notes to Quarterly Consolidated Balance Sheet

1. Litigation and Other Legal Matters

(The year ended Mar. 31, 2015)

Regarding sales of products, NSK and its subsidiaries are under investigation by relevant authorities outside of Japan, in relation to the competition laws. NSK and the NSK Group are cooperating fully with any relevant authorities in their respective investigations.

In addition, in the United States and Canada, the Plaintiffs, representing purchasers, etc. of bearing products, etc., have filed class actions and other actions against the Defendants including NSK and its subsidiary located in the United States and Canada (the "Actions"). The Plaintiffs allege, among others, that the Defendants conspired with each other to restrict competition regarding transactions related to bearing products, etc., in these countries, and seek damages, injunctive relief, and other relief against the Defendants in the Actions. NSK and its subsidiaries located in the United States and Canada are going to insist on propriety and contest the Plaintiffs' claim. As a result of these actions, it is possible that NSK's operational results, etc. will be affected.

NSK or its subsidiaries or its affiliated companies may face additional follow-on actions similar to these actions.

As a result of the above investigations, financial losses, such as surcharge payments, may occur in the future; however, it is difficult to provide a reasonable estimate of the amount of such losses at this time. Their impact on NSK's operational results, etc. is uncertain.

(The first quarter of the year ending Mar. 31, 2016)

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(6) Segment Information
Sales by Reportable Segments

Three months ended June 30, 2014

(Millions of Yen)

	Reportable segments			Other	Total	Adjustments	Consolidated
	Industrial machinery business	Automotive business	Sub-total				
Sales							
(1) Sales to third parties	65,738	154,554	220,292	9,014	229,307	—	229,307
(2) Inter-segment sales and transfers	—	—	—	6,650	6,650	(6,650)	—
Total	65,738	154,554	220,292	15,664	235,957	(6,650)	229,307
Segment income (Operating income)	7,502	13,855	21,358	1,058	22,417	(2,021)	20,395

Three months ended June 30, 2015

(Millions of Yen)

	Reportable segments			Other	Total	Adjustments	Consolidated
	Industrial machinery business	Automotive business	Sub-total				
Sales							
(1) Sales to third parties	70,285	173,542	243,827	7,395	251,222	—	251,222
(2) Inter-segment sales and transfers	—	—	—	6,464	6,464	(6,464)	—
Total	70,285	173,542	243,827	13,859	257,687	(6,464)	251,222
Segment income (Operating income)	9,384	17,806	27,190	1,123	28,313	(2,253)	26,060

(7) Substantial Changes in Shareholders' Equity

None.

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