

# NSK Ltd.

For Immediate Release

February 1, 2016

## CONSOLIDATED RESULTS FOR THE NINE MONTHS ENDED DECEMBER 31, 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	<a href="http://www.nsk.com/">http://www.nsk.com/</a>
Representative	Toshihiro Uchiyama, President and CEO
Contact person	Kenichi Yamana, Vice President
Filing date of quarterly securities report	February 10, 2016
Payment date of cash dividends	-

(Amounts are rounded down to the nearest million yen)

### 1. Consolidated Financial Highlights for the Nine Months Ended December 31, 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	%
Nine months ended Dec. 31, 2015	735,457	3.3	73,714	10.0	74,060	10.8	50,275	15.0
Nine months ended Dec. 31, 2014	711,903	11.6	67,021	49.9	66,833	48.8	43,725	176.7

(Note) Comprehensive income  
 Nine months ended Dec. 31, 2015 36,257 million yen (57.5)%  
 Nine months ended Dec. 31, 2014 85,238 million yen 53.9%

	Net income per share - Basic	Net income per share - Diluted
	Yen	Yen
Nine months ended Dec. 31, 2015	92.86	92.79
Nine months ended Dec. 31, 2014	80.86	80.75

#### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity to total assets
	Millions of Yen	Millions of Yen	%
As of Dec. 31, 2015	1,117,007	506,321	43.1
As of Mar. 31, 2015	1,129,164	481,859	40.4

(Note) Equity capital As of Dec. 31, 2015 481,773 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	—	17.00	—	—	—
Year ending Mar. 31, 2016 (Forecast)	—	—	—	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
Year ending Mar. 31, 2016	980,000	0.5	94,000	(3.4)	92,000	1.1	66,000	6.5	121.91

(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 Dec. 31, 2015                      551,268,104 shares      As of Mar. 31, 2015                      551,268,104 shares  
 (ii) Number of treasury stock at the end of each period:  
     As of Dec. 31, 2015                      9,798,977 shares      As of Mar. 31, 2015                      10,085,598 shares  
 (iii) Average number of shares issued and outstanding in each period:  
     Nine months ended Dec. 31, 2015      541,390,996 shares      Nine months ended Dec. 31, 2014      540,782,244 shares

#### (Reference) Consolidated Financial Highlights for the Three Months Ended December 31, 2015

(% 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 Dec. 31, 2015	245,721	(0.7)	24,275	(7.6)	25,037	(3.4)	16,818	(5.7)
Three months ended Dec. 31, 2014	247,512	10.4	26,274	64.6	25,906	54.4	17,834	-

(Note) Comprehensive income Three months ended Dec. 31, 2015 18,216 million yen (57.3)%  
 Three months ended Dec. 31, 2014 42,615 million yen 88.0%

	Net income per share - Basic	Net income per share - Diluted
	Yen	Yen
Three months ended Dec. 31, 2015	31.06	31.05
Three months ended Dec. 31, 2014	32.97	32.93

#### 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 corporate fundamentals appropriate for a ¥1 trillion 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, is implementing measures to develop the management capability required to handle ¥1 trillion in sales volume.

Reviewing the overall global economy during the nine months of the year ending March 31, 2016, there was growing uncertainty surrounding the Japanese economy due to weak export and production levels, despite the impact of lower crude oil prices and various government policies. The U.S. economy continued to recover steadily, driven primarily by strong consumer spending. The European economy also continued to show signs of an upturn, primarily in the Eurozone. On the other hand, the deceleration in Chinese economic growth became clearer, and economic conditions in the ASEAN bloc remained weak overall.

In this economic environment, consolidated net sales totaled ¥735,457 million, a year-on-year increase of 3.3%. Operating income totaled ¥73,714 million, a year-on-year increase of 10.0%, and ordinary income totaled ¥74,060 million, a year-on-year increase of 10.8%. Net income attributable to shareholders of the parent, after adjusting for tax expenses and non-controlling interests, was ¥50,275 million, a year-on-year increase of 15.0%.

### **Business Segment Information**

#### **1) Industrial Machinery Business**

Demand in the industrial machinery business decreased due to economic slowdown, primarily in developing countries. Looking at results by region, sales in Japan decreased, primarily in the machine tool sector. In the Americas, sales in the aftermarket sector declined. In Europe, sales in the home appliance sector increased, while the aftermarket sector declined. Sales in China decreased, primarily in the electrical sector. In other Asian countries, sales increased due to the positive effect of foreign currency movements, despite sluggish demand overall.

As a result, net sales in the industrial machinery business totaled ¥198,355 million, a year-on-year decline of 2.2%. Operating income was ¥22,664 million, a year-on-year increase of 0.3%.

#### **2) Automotive Business**

Global automotive demand continued to expand gradually. Looking by region, NSK Group sales in Japan increased, primarily in transmission parts. In the Americas, strong automotive sales in the U.S. led to higher sales of both electric power steering (EPS) systems and automotive bearings. In Europe, continued gradual recovery led to an increase in overall sales. In China, sales increased due to the impact of special tax incentives for compact cars, despite slower growth in the automotive market. Meanwhile, sales in other Asian countries also increased, primarily due to demand for EPS systems, although market conditions varied between countries.

As a result, net sales in the automotive business totaled ¥516,892 million, a year-on-year increase of 7.6%. Operating income totaled ¥55,670 million, a year-on-year increase of 18.7%.

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

### **Assets and Liabilities**

Total assets were ¥1,117,007 million, a decrease of ¥12,156 million compared to total assets as of March 31, 2015. The main reasons for this were decreases of ¥12,558 million in notes and accounts receivable, ¥7,399 million in property, plant and equipment, and ¥6,548 million in investment securities, which offset an increase of ¥16,289 million in cash and deposits.

Total liabilities were ¥610,686 million, a decrease of ¥36,618 million compared to total liabilities as of March 31, 2015. The main reasons for this were decreases of ¥1,766 million in short-term loans and ¥13,777 million in long-term loans.

### **Net Assets**

Net assets totaled ¥506,321 million, an increase of ¥24,461 million compared to net assets as of March 31, 2015. The main reason for this was an increase of ¥50,275 million in net income attributable to shareholders of the parent, which offset decreases of ¥2,258 million in valuation difference on available-for-sale securities and ¥11,992 million in translation adjustments.

### **Cash Flows**

Total cash and cash equivalents at the end of the period were ¥207,708 million, an increase of ¥23,334 million compared to total cash and cash equivalents as of March 31, 2015, and a year-on-year increase of ¥16,565 million.

#### **1) Net Cash Flow Provided by Operating Activities**

Net cash flow provided by operating activities totaled ¥87,430 million, an increase of ¥48,633 million compared to the same period of the previous year. This includes ¥74,060 million in income before income taxes and non-controlling interests and ¥31,046 million provided by depreciation and amortization, which offset ¥13,695 million in income taxes paid.

#### **2) Net Cash Flow Used in Investing Activities**

Cash flow used in investing activities totaled ¥27,138 million, a decrease of ¥2,924 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 ¥34,972 million, an increase of ¥44,079 million compared to the same period of the previous year. This includes payments of ¥12,148 million in repayments of long-term loans, ¥17,687 million in dividends paid and ¥2,977 million in dividends paid to non-controlling interests.

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

No revision has been made to the consolidated business forecast for the year ending March 31, 2016 announced on October 27, 2015.

## **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.

### **(4) Additional Information**

In accordance with Paragraph 39 of “Accounting Standard for Consolidated Financial Statements” (ASBJ\* Statement No. 22, September 13, 2013), the NSK Group changed the indications of quarterly net income, etc. and shifted from minority interests to non-controlling interests. In order to reflect these changes, the NSK Group reproduced the quarterly consolidated financial statements for the previous nine months and the annual consolidated financial statements for the previous year.

\*ASBJ: Accounting Standards Board of Japan

### 3. Quarterly Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

	(Millions of Yen)	
	As of Mar. 31, 2015	As of Dec. 31, 2015
<b>Assets</b>		
Current assets:		
Cash and deposits	76,089	92,379
Notes and accounts receivable	189,635	177,077
Short-term investment securities	106,141	108,096
Finished goods	74,060	75,365
Work in process	45,363	41,748
Raw materials and supplies	22,746	22,331
Others	61,793	58,671
Less allowance for doubtful accounts	(2,674)	(2,343)
Total current assets	573,157	573,327
Non-current assets:		
Property, plant and equipment		
Buildings and structures	84,999	82,460
Machinery, vehicles and equipment	171,335	175,350
Others	78,561	69,686
Total property, plant and equipment	334,896	327,497
Intangible fixed assets	11,791	11,988
Investments and other assets		
Investment securities	118,672	112,124
Net defined benefit asset	77,361	78,836
Others	13,664	13,583
Less allowance for doubtful accounts	(380)	(350)
Total investments and other assets	209,319	204,194
Total non-current assets	556,007	543,680
Total assets	1,129,164	1,117,007

(Millions of Yen)

	As of Mar. 31, 2015	As of Dec. 31, 2015
<b>Liabilities</b>		
Current liabilities:		
Notes and accounts payable	137,900	137,359
Short-term loans	116,909	115,142
Accrued income taxes	5,804	8,012
Others	78,823	59,035
Total current liabilities	339,436	319,549
Non-current liabilities:		
Corporate bonds	60,000	60,000
Long-term loans	149,491	135,713
Accrued officers' retirement benefits	1,674	1,633
Reserves for environmental safety measures	179	178
Net defined benefit liability	40,059	38,266
Others	56,463	55,343
Total non-current liabilities	307,867	291,136
Total liabilities	647,304	610,686
<b>Net assets</b>		
Shareholders' equity		
Common stock	67,176	67,176
Additional paid-in capital	78,938	79,081
Retained earnings	252,667	293,731
Treasury stock	(4,083)	(3,978)
Total shareholders' equity	394,699	436,011
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	44,438	42,179
Translation adjustments	7,592	(4,399)
Remeasurements of defined benefit plans	9,316	7,982
Total accumulated other comprehensive income	61,347	45,762
Share subscription rights	252	398
Non-controlling interests	25,560	24,149
Total net assets	481,859	506,321
Total liabilities and net assets	1,129,164	1,117,007

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

**Consolidated Statements of Operations**

	(Millions of Yen)	
	Nine months ended Dec. 31, 2014	Nine months ended Dec. 31, 2015
Net sales	711,903	735,457
Cost of sales	549,465	564,483
Gross profit	162,437	170,973
Selling, general and administrative expenses	95,416	97,259
Operating income	67,021	73,714
Non-operating income:		
Interest income	650	461
Dividend income	1,696	1,655
Equity in earnings of affiliated companies	3,374	3,197
Others	3,057	3,470
Total non-operating income	8,779	8,785
Non-operating expenses:		
Interest expenses	3,762	3,618
Product compensation	3,905	1,878
Others	1,298	2,941
Total non-operating expenses	8,966	8,439
Ordinary income	66,833	74,060
Extraordinary loss:		
Antimonopoly Act related loss	3,025	—
Total extraordinary loss	3,025	—
Income before income taxes and non-controlling interests	63,807	74,060
Income taxes	17,872	21,284
Net income	45,935	52,776
Net income attributable to non-controlling interests	2,210	2,500
Net income attributable to shareholders of the parent	43,725	50,275

## Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Nine months ended Dec. 31, 2014	Nine months ended Dec. 31, 2015
Net Income	45,935	52,776
Other comprehensive income		
Valuation difference on available-for-sale securities	6,437	(2,220)
Translation adjustments	32,975	(12,632)
Remeasurement of defined benefit plans	(620)	(1,369)
Share of other comprehensive income of associates accounted for using equity method	510	(298)
Total other comprehensive income	39,303	(16,519)
Comprehensive income	85,238	36,257
(Details)		
Comprehensive income attributable to parent company	81,117	34,690
Comprehensive income attributable to non-controlling interests	4,121	1,566

### (3) Consolidated Statement of Cash Flows

(Millions of Yen)

	Nine months ended Dec. 31, 2014	Nine months ended Dec. 31, 2015
Operating activities		
Income before income taxes and non-controlling interests	63,807	74,060
Depreciation and amortization	28,347	31,046
Amortization of goodwill	86	83
Increase (decrease) in allowance for doubtful accounts	(52)	(176)
Net defined benefit liabilities and net defined benefit assets	(2,527)	(5,490)
Interest and dividend income	(2,347)	(2,117)
Interest expenses	3,762	3,618
Equity in losses (earnings) of affiliates	(3,374)	(3,197)
Antimonopoly Act related loss	3,025	—
Decrease (increase) in notes and accounts receivable	(5,311)	4,295
Decrease (increase) in inventories	(16,921)	(3,876)
Increase (decrease) in notes and accounts payable	12,516	1,593
Others	(2,664)	(62)
Subtotal	78,347	99,777
Interest and dividends received	7,498	4,893
Interest paid	(3,595)	(3,545)
Antimonopoly Act related loss paid	(18,878)	—
Income taxes paid	(24,575)	(13,695)
Net cash provided by operating activities	38,796	87,430
Investing activities		
Net decrease (increase) in time deposits	(154)	(101)
Purchase of short-term investment securities	(200)	—
Proceeds from sales of short-term investment securities	366	84
Purchase of property, plant and equipment	(28,059)	(31,335)
Proceeds from sales of property, plant and equipment	729	343
Purchase of investment securities	(35)	(39)
Proceeds from sales of investment securities	220	3,257
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	—	1,042
Payments for loans receivable	(711)	(3,035)
Collection of loans receivable	108	5,242
Others	(2,326)	(2,596)
Net cash used in investing activities	(30,062)	(27,138)
Financing activities		
Net increase (decrease) in short-term loans	(1,989)	(2,655)
Increase in long-term loans	7,622	577
Repayments of long-term loans	(23,194)	(12,148)
Proceeds from issuance of bonds	40,000	—
Acquisition of treasury stock	(28)	(4)
Dividends paid	(11,248)	(17,687)
Dividends paid to non-controlling interests	(2,244)	(2,977)
Others	189	(76)
Net cash provided by (used in) financing activities	9,106	(34,972)
Effect of exchange rate changes on cash and cash equivalents	4,362	(1,985)
Net increase (decrease) in cash and cash equivalents	22,203	23,334
Cash and cash equivalents at beginning of the year	168,940	184,374
Cash and cash equivalents at end of the period	191,143	207,708

#### **(4) Going Concern Assumption**

None.

#### **(5) Notes to Quarterly Consolidated Balance Sheet**

##### **1. Litigation and Other Legal Matters**

###### **(The third quarter of the year ending Mar. 31, 2016)**

Regarding sales of their products, NSK and some of its subsidiaries are under investigation by relevant authorities outside Japan on suspicion of violating competition laws. The NSK Group is cooperating fully with these respective investigations.

In addition, in the United States and Canada, the Plaintiffs, including representatives of purchasers of bearing products or other products, have filed class actions (including a parens patriae action) against the Defendants including NSK and some of its subsidiaries in the United States, Canada and Europe. The Plaintiffs allege, among other things, that the Defendants conspired with each other to restrict competition in sales of bearing products and other products in these countries, and seek damages, injunctive relief, and other relief against the Defendants.

NSK, its subsidiaries or its affiliated companies may face additional follow-on claims or other actions similar or identical in nature to these class actions.

The NSK Group is going to manage the Plaintiffs' and other parties' claims appropriately. Moreover, the NSK Group will also consider the possibility of settlements with the Plaintiffs and other parties, as the situation warrants.

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

## (6) Segment Information

### Sales by Reportable Segments

Nine months ended December 31, 2014

(Millions of Yen)

	Reportable segments			Other	Total	Adjustments	Consolidated
	Industrial machinery business	Automotive business	Sub-total				
Sales							
(1) Sales to third parties	202,889	480,162	683,052	28,851	711,903	—	711,903
(2) Inter-segment sales and transfers	—	—	—	23,489	23,489	(23,489)	—
Total	202,889	480,162	683,052	52,341	735,393	(23,489)	711,903
Segment income (Operating income)	22,597	46,906	69,504	3,860	73,365	(6,344)	67,021

Nine months ended December 31, 2015

(Millions of Yen)

	Reportable segments			Other	Total	Adjustments	Consolidated
	Industrial machinery business	Automotive business	Sub-total				
Sales							
(1) Sales to third parties	198,355	516,892	715,248	20,209	735,457	—	735,457
(2) Inter-segment sales and transfers	—	—	—	18,787	18,787	(18,787)	—
Total	198,355	516,892	715,248	38,996	754,244	(18,787)	735,457
Segment income (Operating income)	22,664	55,670	78,335	2,469	80,805	(7,090)	73,714

## (7) Substantial Changes in Shareholders' Equity

None.

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