

NSK Ltd.

For Immediate Release

November 1, 2016

CONSOLIDATED RESULTS FOR THE SIX MONTHS ENDED September 30, 2016 (Unaudited) [IFRS]

| | |
|---|---|
| Company name | NSK Ltd. |
| Stock exchange on which the shares are listed | Tokyo Stock Exchange in Japan |
| Code number | 6471 |
| URL | http://www.jp.nsk.com/ |
| Representative | Toshihiro Uchiyama, President and CEO |
| Contact person | Kenichi Yamana, Vice President |
| Filing date of quarterly securities report | November 9, 2016 |
| Payment date of cash dividends | December 1, 2016 |

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Highlights for the Six Months Ended September 30, 2016

(1) Consolidated financial results

(% indicates changes from the previous year)

| | Net sales | | Operating income | | Income before income taxes | | Net income | | Net income attributable to owners of the Parent | | Total comprehensive income | |
|--------------------------------|-----------------|------|------------------|-------|----------------------------|-------|-----------------|-------|---|-------|----------------------------|---|
| | Millions of Yen | % | Millions of Yen | % | Millions of Yen | % | Millions of Yen | % | Millions of Yen | % | Millions of Yen | % |
| Six months ended Sep. 30, 2016 | 455,580 | -7.0 | 27,328 | -43.7 | 26,511 | -44.1 | 21,389 | -37.4 | 19,869 | -39.0 | -12,603 | — |
| Six months ended Sep. 30, 2015 | 489,735 | — | 48,513 | — | 47,416 | — | 34,190 | — | 32,558 | — | 7,610 | — |

| | Basic earnings per share | Diluted earnings per share |
|--------------------------------|--------------------------|----------------------------|
| | Yen | Yen |
| Six months ended Sep. 30, 2016 | 37.48 | 37.48 |
| Six months ended Sep. 30, 2015 | 60.14 | 60.09 |

(2) Consolidated financial position

| | Total assets | Total equity | Total equity attributable to owners of the Parent | Equity ratio attributable to owners of the Parent |
|---------------------|-----------------|-----------------|---|---|
| | Millions of Yen | Millions of Yen | Millions of Yen | % |
| As of Sep. 30, 2016 | 967,590 | 439,643 | 418,828 | 43.3 |
| As of Mar. 31, 2016 | 1,032,374 | 478,871 | 454,661 | 44.0 |

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, 2016 | Yen — | Yen 17.00 | Yen — | Yen 17.00 | Yen 34.00 |
| Year ending Mar. 31, 2017 | — | 24.00 | | | |
| Year ending Mar. 31, 2017 (Forecast) | | | — | 14.00 | 38.00 |

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

(Note) Cash dividends for the first half of the fiscal year ending March 31, 2017 is comprised of ¥14.00 per share as an ordinary dividend and of ¥10.00 per share as the 100th anniversary commemorative dividend.

3. Forecast of Consolidated Results for the Year Ending March 31, 2017

(% indicates changes from the previous year)

| | Net sales | | Operating income | | Income before income taxes | | Net income attributable to owners of the Parent | | Basic earnings per share |
|---------------------------|-----------------|------|------------------|-------|----------------------------|-------|---|-------|--------------------------|
| | Millions of Yen | % | Millions of Yen | % | Millions of Yen | % | Millions of Yen | % | Yen |
| Year ending Mar. 31, 2017 | 920,000 | -5.7 | 65,000 | -27.4 | 63,000 | -27.8 | 40,000 | -39.1 | 75.71 |

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

4. Others

(1) Changes in the significant subsidiaries during the period (Changes in specified subsidiaries resulting in change in the scope of consolidation): None

(2) Changes in accounting policies, or changes in accounting estimates

(i) Changes in accounting policies required by IFRS: None

(ii) Changes excluding the above: None

(iii) Changes in accounting estimates: None

(3) 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 Sep. 30, 2016 551,268,104 shares As of Mar. 31, 2016 551,268,104 shares

(ii) Number of treasury stock at the end of each period:

As of Sep. 30, 2016 22,866,491 shares As of Mar. 31, 2016 9,723,762 shares

(iii) Average number of shares issued and outstanding in each period:

Six months ended Sep. 30, 2016 530,160,294 shares Six months ended Sep. 30, 2015 541,351,293 shares

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

NSK will celebrate its 100th anniversary on November 8, 2016. In order to realize NSK's Mission Statement, NSK has established "NSK Vision 2026 (Setting the Future in Motion), an overarching vision of the type of company it aims to become in the 10 years following its 100th anniversary. Under "NSK Vision 2026", the NSK Group has commenced its 5th mid-term management plan for the three years beginning April 2016. Under the slogan "embark on new chapter in evolution towards next 100 years" with two key policies of "operational excellence" and "innovate and challenge", we will address three main management tasks: achieving sustainable growth, reconstructing our profit base, and establishing new growth fields.

Looking at global economic conditions during the first half of the year ending March 31, 2017, the Japanese economy remained flat, partially due to appreciation of the yen, although consumer spending recovered slightly. The US economy continued its steady growth, supported by consumer spending. The European economy continued on a moderate recovery trend, primarily in the Eurozone, although uncertainty remained over the future direction of the region due to the UK's decision to exit the European Union. Although the Chinese economy continued to slow, other Asian countries showed signs of an upturn. In this economic environment, consolidated net sales for the first half of the year ending March 31, 2017 totaled ¥455,580 million, a year-on-year decrease of 7.0%, and operating income totaled ¥27,328 million, a year-on-year decrease of 43.7%. Income before income taxes was ¥26,511 million, a year-on-year decline of 44.1%. Net income attributable to owners of the parent was ¥19,869 million, a year-on-year decrease of 39.0%.

Business Segment Information

① Industrial Machinery Business Segment

Demand in the industrial machinery business decreased due to the economic slowdown, primarily in emerging markets. Looking at the Company's results by geographic breakdown, sales in Japan were lower, primarily in the machine tool sector. In the Americas, sales in the aftermarket sector decreased. In Europe, sales declined, primarily in the general machinery sector, despite higher sales in the aftermarket sector. In China, overall sales declined due to lower demand in the machine tool and wind power sectors, despite higher sales in the railcar sector. Sales in other Asian countries also decreased, primarily in the electrical sector.

With the appreciation of the yen also negatively impacting results, net sales in the industrial machinery business totaled ¥114,672 million, a year-on-year decrease of 16.0%, and operating income was ¥5,843 million, a year-on-year decline of 61.7%.

② Automotive Business Segment

The global automotive market continued its gradual expansion. Looking at the Company's results by geographic breakdown, sales in Japan increased, primarily in products for transmission systems. In the Americas, sales of both electric power steering (EPS) systems and automotive bearings rose due to robust demand in the North American market. In Europe, the market continued its gradual recovery. In China, sales rose, backed by special tax incentives for compact cars. Meanwhile, the general upward demand trend in Asian countries continued.

Despite the above regional performance, the yen's appreciation impacted results. As a result, net sales in the automotive business totaled ¥328,593 million, a year-on-year decrease of 3.1%, and operating income totaled ¥27,528 million, a year-on-year decline of 14.7%.

(2) Qualitative Information Regarding Consolidated Financial Position

Assets and Liabilities

Total assets were ¥967,590 million, a decrease of ¥64,783 million compared to total assets as of March 31, 2016. The main reasons for this decline were decreases of ¥22,353 million in cash and cash equivalents, ¥6,877 million in trade receivables and other receivables, ¥4,801 million in inventories, ¥3,958 million in other current assets, and ¥23,140 in property, plant and equipment.

Total liabilities were ¥527,947 million, a decrease of ¥25,555 million compared to total liabilities as of March 31, 2016. The main reasons for this decline were decreases of ¥7,972 million in trade payables and other payables, ¥3,984 million in other financial liabilities (current), ¥8,369 million in financial liabilities (non-current), ¥3,187 million in deferred tax liabilities, and ¥3,285 million in net defined benefit liabilities.

Total equity

Total equity totaled ¥439,643 million, a decrease of ¥39,227 million compared to total equity as of March 31, 2016. The main reasons for this decrease were ¥13,982 million in treasury shares, ¥32,586 million in other components of equity, and ¥3,395 million in non-controlling interests, which offset ¥19,869 million in net income attributable to owners of the parent.

Cash Flows

Total cash and cash equivalents at the end of the period were ¥153,162 million, a decrease of ¥22,353 million compared to total cash and cash equivalents as of March 31, 2016, and a ¥40,274 million decrease on year-on-year basis.

① Net cash flow provided by operating activities

Net cash flow provided by operating activities totaled ¥39,472 million, a decrease of ¥11,697 million, compared to the same period of the previous year. This includes ¥26,511 million in income before income taxes and ¥20,914 million in depreciation and amortization. Meanwhile, the main outflow was ¥9,451 million in income tax paid.

② Net cash flow used in investing activities

Net cash flow used in investing activities totaled ¥22,934 million, an increase of ¥5,106 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 ¥33,640 million, an increase of ¥10,280 million compared to the same period of the previous year. This includes ¥6,008 million in repayments of long-term loans, ¥15,000 million in acquisition of treasury shares, ¥9,204 million in dividends paid, and ¥2,482 million in dividends paid to non-controlling interests.

(3) Explanation regarding future forecast information including consolidated business forecast

No revision has been made to the consolidated business forecasts for the year ending March 31, 2017 announced on May 11, 2016.

2. Matters Regarding Summary Information (Others)

(1) Changes in Significant Subsidiaries during the Period

None.

(2) Changes in Accounting Policies, or Changes in Accounting Estimates

None.

1. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Statements of Financial Position

(Millions of yen)

| | As of Mar.31, 2016 | As of Sep.30, 2016 |
|---|--------------------|--------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 175,515 | 153,162 |
| Trade receivables and other receivables | 182,332 | 175,455 |
| Inventories | 130,564 | 125,763 |
| Other financial assets | 4,052 | 1,876 |
| Income tax receivables | 2,174 | 4,543 |
| Other current assets | 16,613 | 12,654 |
| Total current assets | 511,253 | 473,455 |
| Non-current assets | | |
| Property, plant and equipment | 323,116 | 299,976 |
| Intangible assets | 15,785 | 15,937 |
| Investments accounted for using equity method | 22,179 | 21,297 |
| Other financial assets | 86,163 | 85,419 |
| Deferred tax assets | 20,455 | 18,656 |
| Net defined benefit assets | 49,898 | 49,783 |
| Other non-current assets | 3,522 | 3,064 |
| Total non-current assets | 521,121 | 494,134 |
| Total assets | 1,032,374 | 967,590 |
| Liabilities and Equity | | |
| Liabilities | | |
| Current liabilities | | |
| Trade payables and other payables | 140,713 | 132,741 |
| Other financial liabilities | 99,674 | 95,689 |
| Provisions | 150 | 93 |
| Income tax payables | 4,536 | 4,024 |
| Other current liabilities | 48,172 | 49,288 |
| Total current liabilities | 293,247 | 281,837 |
| Non-current liabilities | | |
| Financial liabilities | 179,654 | 171,284 |
| Provisions | 1,855 | 3,134 |
| Deferred tax liabilities | 35,540 | 32,353 |
| Net defined benefit liabilities | 38,125 | 34,839 |
| Other non-current liabilities | 5,080 | 4,497 |
| Total non-current liabilities | 260,255 | 246,109 |
| Total liabilities | 553,503 | 527,947 |
| Equity | | |
| Issued capital | 67,176 | 67,176 |
| Capital surplus | 79,603 | 79,598 |
| Retained earnings | 278,524 | 289,265 |
| Treasury shares | -3,949 | -17,932 |
| Other components of equity | 33,306 | 720 |
| Total equity attributable to owners of the Parent | 454,661 | 418,828 |
| Non-controlling interests | 24,210 | 20,815 |
| Total equity | 478,871 | 439,643 |
| Total liabilities and equity | 1,032,374 | 967,590 |

(2) Quarterly Consolidated statements of Income and Quarterly Consolidated Statements of Comprehensive Income

Quarterly Consolidated Statements of Income

(Millions of yen)

| | Six months ended Sep. 30, 2015 | Six months ended Sep. 30, 2016 |
|---|-----------------------------------|-----------------------------------|
| Sales | 489,735 | 455,580 |
| Cost of sales | 376,018 | 356,934 |
| Gross profit | 113,717 | 98,646 |
| Selling, general and administrative expenses | 65,638 | 65,354 |
| Share of profits of investments accounted for using the equity method | 2,096 | 1,697 |
| Other operating expenses | 1,662 | 7,660 |
| Operating income (loss) | 48,513 | 27,328 |
| Financial income | 1,371 | 1,268 |
| Financial expenses | 2,469 | 2,085 |
| Income (loss) before income taxes | 47,416 | 26,511 |
| Income tax expense | 13,225 | 5,122 |
| Net income | 34,190 | 21,389 |
| Net income attributable to: | | |
| Owners of the Parent | 32,558 | 19,869 |
| Non-controlling interests | 1,631 | 1,520 |
| (Net income per share attributable to owners of the Parent) | | |
| Basic earnings per share (yen) | 60.14 | 37.48 |
| Diluted earnings per share (yen) | 60.09 | 37.48 |

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

| | Six months ended Sep. 30, 2015 | Six months ended Sep. 30, 2016 |
|---|-----------------------------------|-----------------------------------|
| Net income | 34,190 | 21,389 |
| Other comprehensive income | | |
| Items that will not be reclassified to profit or loss | | |
| Remeasurements of net defined benefit liability (asset) | -10,452 | -849 |
| Net changes in financial assets measured at fair value through other comprehensive income | -7,223 | -326 |
| Share of other comprehensive income of investments accounted for using equity method | -30 | 53 |
| Total items that will not be reclassified to profit or loss | -17,706 | -1,122 |
| Items that may be reclassified to profit or loss | | |
| Exchange differences on translating foreign operations | -8,700 | -32,371 |
| Share of other comprehensive income of investments accounted for using equity method | -173 | -498 |
| Total items that may be reclassified to profit or loss | -8,873 | -32,870 |
| Total other comprehensive income, net of tax | -26,580 | -33,993 |
| Total comprehensive income for the period | 7,610 | -12,603 |
| Total comprehensive income for the period attributable to: | | |
| Owners of the parent | 6,847 | -12,676 |
| Non-controlling interests | 762 | 72 |

(3) Quarterly Consolidated Statements of Changes in Equity

From April 1, 2015 to September 30, 2015

(Millions of yen)

| | Equity attributable to owners of the Parent | | | |
|---|---|-----------------|-------------------|-----------------|
| | Issued capital | Capital surplus | Retained earnings | Treasury shares |
| Opening balance | 67,176 | 79,191 | 230,214 | -4,083 |
| Net income | — | — | 32,558 | — |
| Other comprehensive income | — | — | — | — |
| Total comprehensive income for the period | — | — | 32,558 | — |
| Purchase of treasury shares | — | — | — | -6 |
| Disposal of treasury shares | — | 132 | — | 109 |
| Share-based payment transactions | — | 58 | — | — |
| Cash dividends | — | — | -8,665 | — |
| Changes in the ownership interest in subsidiaries | — | — | — | — |
| Other | — | — | 26 | — |
| Total transactions with owners, etc. | — | 190 | -8,639 | 102 |
| Closing balance | 67,176 | 79,382 | 254,133 | -3,981 |

| | Equity attributable to owners of the Parent | | | | | | | |
|---|--|---|---|---------|---------|--------|---------------------------|--------------|
| | Other components of equity | | | | Total | Total | Non-controlling interests | Total equity |
| | Exchange differences on translating foreign operations | Net changes in financial assets measured at fair value through other comprehensive income | Remeasurements of net defined benefit liability (asset) | Total | | | | |
| Opening balance | 23,451 | 46,356 | 19,230 | 89,038 | 461,536 | 25,265 | 486,801 | |
| Net income | — | — | — | — | 32,558 | 1,631 | 34,190 | |
| Other comprehensive income | -8,024 | -7,257 | -10,429 | -25,711 | -25,711 | -869 | -26,580 | |
| Total comprehensive income for the period | -8,024 | -7,257 | -10,429 | -25,711 | 6,847 | 762 | 7,610 | |
| Purchase of treasury shares | — | — | — | — | -6 | — | -6 | |
| Disposal of treasury shares | — | — | — | — | 241 | — | 241 | |
| Share-based payment transactions | — | — | — | — | 58 | — | 58 | |
| Cash dividends | — | — | — | — | -8,665 | -2,859 | -11,524 | |
| Changes in the ownership interest in subsidiaries | — | — | — | — | — | — | — | |
| Other | — | — | — | — | 26 | — | 26 | |
| Total transactions with owners, etc. | — | — | — | — | -8,345 | -2,859 | -11,205 | |
| Closing balance | 15,427 | 39,098 | 8,800 | 63,326 | 460,038 | 23,168 | 483,207 | |

From April 1, 2016 to September 30, 2016

(Millions of yen)

| | Equity attributable to owners of the Parent | | | |
|---|---|-----------------|-------------------|-----------------|
| | Issued capital | Capital surplus | Retained earnings | Treasury shares |
| Opening balance | 67,176 | 79,603 | 278,524 | -3,949 |
| Net income | — | — | 19,869 | — |
| Other comprehensive income | — | — | — | — |
| Total comprehensive income for the period | — | — | 19,869 | — |
| Purchase of treasury shares | — | — | — | -15,003 |
| Disposal of treasury shares | — | 27 | — | 1,021 |
| Share-based payment transactions | — | 156 | — | — |
| Cash dividends | — | — | -9,213 | — |
| Changes in the ownership interest in subsidiaries | — | -189 | — | — |
| Other | — | — | 85 | — |
| Total transactions with owners, etc. | — | -5 | -9,127 | -13,982 |
| Closing balance | 67,176 | 79,598 | 289,265 | -17,932 |

| | Equity attributable to owners of the Parent | | | | | | |
|---|--|---|---|---------|---------|---------------------------|--------------|
| | Other components of equity | | | | Total | Non-controlling interests | Total equity |
| | Exchange differences on translating foreign operations | Net changes in financial assets measured at fair value through other comprehensive income | Remeasurements of net defined benefit liability (asset) | Total | | | |
| Opening balance | -3,191 | 35,292 | 1,204 | 33,306 | 454,661 | 24,210 | 478,871 |
| Net income | — | — | — | — | 19,869 | 1,520 | 21,389 |
| Other comprehensive income | -31,424 | -328 | -792 | -32,545 | -32,545 | -1,447 | -33,993 |
| Total comprehensive income for the period | -31,424 | -328 | -792 | -32,545 | -12,676 | 72 | -12,603 |
| Purchase of treasury shares | — | — | — | — | -15,003 | — | -15,003 |
| Disposal of treasury shares | — | — | — | — | 1,048 | — | 1,048 |
| Share-based payment transactions | — | — | — | — | 156 | — | 156 |
| Cash dividends | — | — | — | — | -9,213 | -2,482 | -11,696 |
| Changes in the ownership interest in subsidiaries | — | — | — | — | -189 | -984 | -1,173 |
| Other | — | -40 | — | -40 | 44 | — | 44 |
| Total transactions with owners, etc. | — | -40 | — | -40 | -23,156 | -3,467 | -26,624 |
| Closing balance | -34,615 | 34,923 | 412 | 720 | 418,828 | 20,815 | 439,643 |

(4) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

| | Six months ended Sep. 30, 2015 | Six months ended Sep. 30, 2016 |
|--|-----------------------------------|-----------------------------------|
| Operating activities | | |
| Income before income taxes | 47,416 | 26,511 |
| Depreciation and amortisation | 21,351 | 20,914 |
| Increase (decrease) in net defined benefit liability and net defined benefit asset | -2,754 | -2,304 |
| Interest and dividend income | -1,360 | -1,234 |
| Interest expenses | 2,445 | 1,894 |
| Share of profits of investments accounted for using the equity method | -2,096 | -1,697 |
| Decrease (increase) in trade receivables | 4,572 | -5,233 |
| Decrease (increase) in inventories | -3,837 | -5,090 |
| Increase (decrease) in trade payables | -7,381 | 2,981 |
| Other | -1,381 | 10,606 |
| Subtotal | 56,972 | 47,347 |
| Interest and dividend received | 4,168 | 3,395 |
| Interest expenses paid | -2,435 | -1,818 |
| Income tax paid | -7,535 | -9,451 |
| Net cash provided by operating activities | 51,170 | 39,472 |
| Investing activities | | |
| Purchases of property, plant and equipment | -22,277 | -23,175 |
| Proceeds from sale of property, plant and equipment | 175 | 472 |
| Purchases of other financial assets | -26 | -26 |
| Proceeds from sale of other financial assets | 3,162 | 85 |
| Other | 1,137 | -290 |
| Net cash used in investing activities | -17,828 | -22,934 |
| Financial activities | | |
| Proceeds from long-term loans | 291 | — |
| Repayments of long-term loans | -9,602 | -6,008 |
| Acquisition of treasury shares | -3 | -15,000 |
| Dividends paid | -8,656 | -9,204 |
| Dividends paid to non-controlling interests | -2,859 | -2,482 |
| Other | -2,530 | -944 |
| Net cash provided by (used in) financial activities | -23,360 | -33,640 |
| Effect of exchange rate changes on cash and cash equivalents | -919 | -5,251 |
| Net increase (decrease) in cash and cash equivalents | 9,062 | -22,353 |
| Cash and cash equivalents at beginning of the period | 184,374 | 175,515 |
| Cash and cash equivalents at end of the period | 193,436 | 153,162 |

(5) Going Concern Assumption

None.

(6) Notes to Quarterly Consolidated Balance Sheet

Segment Information

1) Overview of Reportable Segments

No changes have been made to the definition of reportable segments, substance of business in each reportable segment, nor the method used to calculate income (loss) in each segment during the first half of the fiscal year under review.

2) Segment Revenue and Performance

From April 1, 2015 to September 30, 2015

(Millions of yen)

| | Reportable segments | | | Others (Note 1) | Total | Adjustments (Note 2) | Consolidated |
|---|-------------------------------------|------------------------|----------|--------------------|---------|-------------------------|--------------|
| | Industrial Machinery Business | Automotive Business | Subtotal | | | | |
| Sales | | | | | | | |
| Sales to third parties | 136,563 | 338,978 | 475,542 | 14,193 | 489,735 | — | 489,735 |
| Intersegment sales | — | — | — | 12,886 | 12,886 | -12,886 | — |
| Total | 136,563 | 338,978 | 475,542 | 27,080 | 502,622 | -12,886 | 489,735 |
| Segment income (loss) (Operating income) | 15,250 | 32,266 | 47,517 | 2,530 | 50,047 | -1,534 | 48,513 |
| Total financial income (expenses) | | | | | | | -1,097 |
| Income before income taxes | | | | | | | 47,416 |

(Note 1) "Others" refers to operating segments excluded from reportable segments and include such businesses as the production and sales of steel balls and production of machineries.

(Note 2) The adjustment made for segment income (loss) in the amount of -¥1,534 million includes intersegment elimination in the amount of ¥127 million and other operating expenses not allocated to the reportable segments in the amount of -¥1,662 million.

From April 1, 2016 to September 30, 2016

(Millions of yen)

| | Reportable segments | | | Others (Note 1) | Total | Adjustments (Note 2) | Consolidated |
|---|-------------------------------------|------------------------|----------------|--------------------|----------------|-------------------------|----------------|
| | Industrial Machinery Business | Automotive Business | Subtotal | | | | |
| Sales | | | | | | | |
| Sales to third parties | 114,672 | 328,593 | 443,265 | 12,314 | 455,580 | — | 455,580 |
| Intersegment sales | — | — | — | 11,519 | 11,519 | -11,519 | — |
| Total | 114,672 | 328,593 | 443,265 | 23,834 | 467,100 | -11,519 | 455,580 |
| Segment income (loss) (Operating income) | 5,843 | 27,528 | 33,372 | 1,518 | 34,890 | -7,561 | 27,328 |
| Total financial income (expenses) | | | | | | | -816 |
| Income before income taxes | | | | | | | 26,511 |

(Note 1) "Others" refers to operating segments excluded from reportable segments and include such businesses as the production and sales of steel balls and production of machineries.

(Note 2) The adjustment made for segment income (loss) in the amount of -¥7,561 million includes intersegment elimination in the amount of ¥98 million and other operating expenses not allocated to the reportable segments in the amount of -¥7,660 million.

Contingencies

1) Litigation and Other Legal Matters

(The second quarter of the year ending Mar. 31, 2017)

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, plaintiffs, including representatives of purchasers of bearings or other products, have filed class actions and a *parens patriae* suit against certain parties, including NSK and some of its subsidiaries in Japan, 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 bearings and other products in these countries, and seek damages, injunctive relief, and other relief against the defendants.

In the United States, with respect to bearings or other products, tentative classes representing (i) direct purchasers of bearings, such as automotive manufacturers and industrial equipment manufacturers, (ii) automobile dealers, (iii) dealers of commercial vehicles, medium and heavy duty trucks, buses, heavy machinery and other similar vehicles, (iv) end purchasers of automobiles and (v) a state government respectively have each filed a class action or, in the case of the state government, a lawsuit that is both a *parens patriae* suit (on behalf of the citizens of the state) and a suit on behalf of the state government itself, against NSK and some of its subsidiaries in Japan, the United States and Europe. All of these lawsuits are pending in the Eastern District of Michigan. NSK and some of its subsidiaries in Japan and the United States have settled with part of the tentative classes, including the state government, respectively, including a settlement with some indirect purchasers (automobile dealers and end purchasers of automobiles) that are part of the tentative classes in the amount of US\$ 34.5 million on the 22nd of July 2016 (JST) (21st of July 2016 (EST)). However, the aforementioned settlement with the indirect purchasers will require the approval of the Eastern District of Michigan.

Discovery (the formal process in which both parties in a lawsuit request disclosure from the other of evidence that may be presented at trial, including documents relating to the lawsuit) has begun for several of these lawsuits. After discovery, the court will rule on the plaintiffs' motions to certify the class in each lawsuit. The future course of each litigation will depend on the court's ruling on the motions to certify the classes.

In Canada, tentative classes of direct (such as automotive manufacturers) and indirect purchasers (such as automobile dealers and end purchasers of automobiles) have filed class actions against NSK and some of its US, Canadian and European subsidiaries in Ontario, Quebec, British Columbia, and Saskatchewan, with respect to bearings or other products. The class certification stage has begun for some of these class actions.

Furthermore, Peugeot S.A. and 18 of its subsidiaries (collectively, the "Claimants") have filed a claim in the United Kingdom Competition Appeal Tribunal against defendants, including NSK and some of its subsidiaries in Europe, seeking 484.5 million euros (provisional amount) in damages on a joint and several basis related to a violation of European competition law that the European Commission settled on March 19, 2014 (Brussels Time). The Claimants allege that the percentage of purchases from NSK and its subsidiaries is approximately 10% of the total bearing purchases from the five bearing manufacturers named as defendants.

During the second quarter consolidated accounting period, NSK has posted losses in "other operating expenses" in connection with settlements with part of the tentative classes of the class actions and some of its customers related to suspected violations of competition laws in sales of its and some of its subsidiaries' products.

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

The NSK Group will manage these actions appropriately. Furthermore, as the cases proceed, the NSK Group will consider whether it may be able to reach settlements with such plaintiffs and others.

As a result of the above investigations, actions and other consequences, financial losses, such as surcharge payments or damages, may occur in the future; however, it is not possible to provide a reasonable estimate of the amount of such losses at this stage. Their impact on NSK's operational results and other consequences to its business is uncertain.