



# FINANCIAL CONFERENCE

## Consolidated Business Results and Forecast

November 2, 2015  
NSK Ltd.



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

Statements made in this report with respect to plans, strategies and future performance that are not historical fact are forward-looking statements. NSK cautions that a number of factors could cause actual results to differ materially from those discussed in the forward-looking statements.

Note : This document is an English translation of material written initially in Japanese.

The Japanese original should be considered the primary version

- 1. Consolidated Business Results  
for the Six Months Ended September 30, 2015**
- 2. Consolidated Business Forecast  
for the Year Ending March 31, 2016**
- 3. Forecast of the 4<sup>th</sup> Mid-Term Management Plan**
- 4. Policy of the 5<sup>th</sup> Mid-Term Management Plan  
  
(Supplementary Information)**

# **1. Consolidated Business Results for the Six Months Ended September 30, 2015**

# Summary of Consolidated Business Results for the Six Months Ended September 30, 2015



## Business Environment

### ✓ Industrial Machinery Business:

Variation by sector, but clearly slowing overall, with concern for China's economy

### ✓ Automotive Business:

Production cutbacks continued in China, while demand remained steady in North America. YOY increase in overseas production of Japanese automakers.

### ✓ YoY depreciation of the Japanese yen against US dollar and Chinese RMB

## Summary of Business Results

(From FY2014: 1H)

Net Sales :	¥489.7 billion	( +¥25.3 billion / +5.5% )
Operating Income :	¥49.4 billion	( +¥8.7 billion / +21.3% )
Net Income Attributable to Shareholders of the Parent :	¥33.5 billion	( +¥7.6 billion / +29.2% )

### ✓ 1H Actual: YOY increase in both net sales and operating income. Record net sales, operating income, ordinary income, and net income.

### ✓ Results by Business Segment

- Industrial Machinery Business: YOY increase in both net sales and operating income due to depreciation of Japanese yen and higher demand for machine tools, wind turbines, etc.
- Automotive Business: Decrease in China due to production cutbacks covered by other regions. 1H result marked a record high.

# Summary of Consolidated Business Results for the Six Months Ended September 30, 2015



(Billions of yen)	FY2014 1 <sup>st</sup> half <Actual>	FY2015 1 <sup>st</sup> half <Actual>	Increase/ Decrease YOY	Difference YOY	FY2015 1 <sup>st</sup> half <Original forecast in May>
Net sales	464.4	489.7	+25.3	+5.5%	490.0
Operating income <%>	40.7 <8.8%>	49.4 <10.1%>	+8.7	+21.3%	47.0 <9.6%>
Ordinary income	40.9	49.0	+8.1	+19.8%	46.0
Income before tax	37.9	49.0	+11.1	+29.3%	46.0
Net income attributable to shareholders of the parent	25.9	33.5	+7.6	+29.2%	31.0
(Exchange rate: US1\$=)	(¥103.04)	(¥121.80)			(¥115)
(Exchange rate: 1EURO=)	(¥138.92)	(¥135.07)			(¥125)

## Major Indexes

ROE	13.8%	14.5%			
Net D/E ratio (times)	0.40	0.26			
Inventory turnover (times)	6.7	6.9			

# Results by Business Segment



(Billions of yen)	FY2014 1 <sup>st</sup> half <Actual>		FY2015 1 <sup>st</sup> half <Actual>		Increase/ Decrease YOY	Difference YOY	FY2015 1 <sup>st</sup> half <Original forecast in May>
<b>Net sales</b>	<b>464.4</b>		<b>489.7</b>		<b>+25.3</b>	<b>+5.5%</b>	<b>490.0</b>
Industrial machinery business	<b>132.5</b>		<b>136.6</b>		<b>+4.0</b>	<b>+3.0%</b>	<b>142.5</b>
Industrial machinery bearings	111.7		114.2		+2.5	+2.3%	119.5
Precision machinery and parts	20.9		22.4		+1.5	+7.2%	23.0
<b>Automotive business</b>	<b>311.8</b>		<b>339.0</b>		<b>+27.2</b>	<b>+8.7%</b>	<b>335.0</b>
Automotive bearings	146.3		155.1		+8.8	+6.0%	153.0
Automotive components	165.5		183.9		+18.4	+11.1%	182.0
Others	<b>34.8</b>		<b>27.1</b>		<b>-7.7</b>	<b>-22.2%</b>	<b>27.0</b>
Eliminations	<b>-14.7</b>		<b>-12.9</b>		<b>+1.8</b>	<b>-</b>	<b>-14.5</b>
<b>Operating income</b>	<b>40.7</b>	<b>&lt;8.8%&gt;</b>	<b>49.4</b>	<b>&lt;10.1%&gt;</b>	<b>+8.7</b>	<b>+21.3%</b>	<b>47.0</b>
Industrial machinery business	<b>14.5</b>	<b>&lt;10.9%&gt;</b>	<b>17.5</b>	<b>&lt;12.8%&gt;</b>	<b>+3.0</b>	<b>+20.8%</b>	<b>18.0</b>
Automotive business	<b>28.2</b>	<b>&lt;9.1%&gt;</b>	<b>34.5</b>	<b>&lt;10.2%&gt;</b>	<b>+6.3</b>	<b>+22.4%</b>	<b>32.0</b>
Others	<b>2.2</b>	<b>&lt;6.2%&gt;</b>	<b>2.0</b>	<b>&lt;7.4%&gt;</b>	<b>-0.2</b>	<b>-7.5%</b>	<b>2.0</b>
Eliminations/corporate	<b>-4.1</b>		<b>-4.6</b>		<b>-0.5</b>	<b>-</b>	<b>-5.0</b>

\*Systemized products (photofabrication exposure equipment) have been removed from "Others" as of FY2015 due to the divestiture of related businesses.

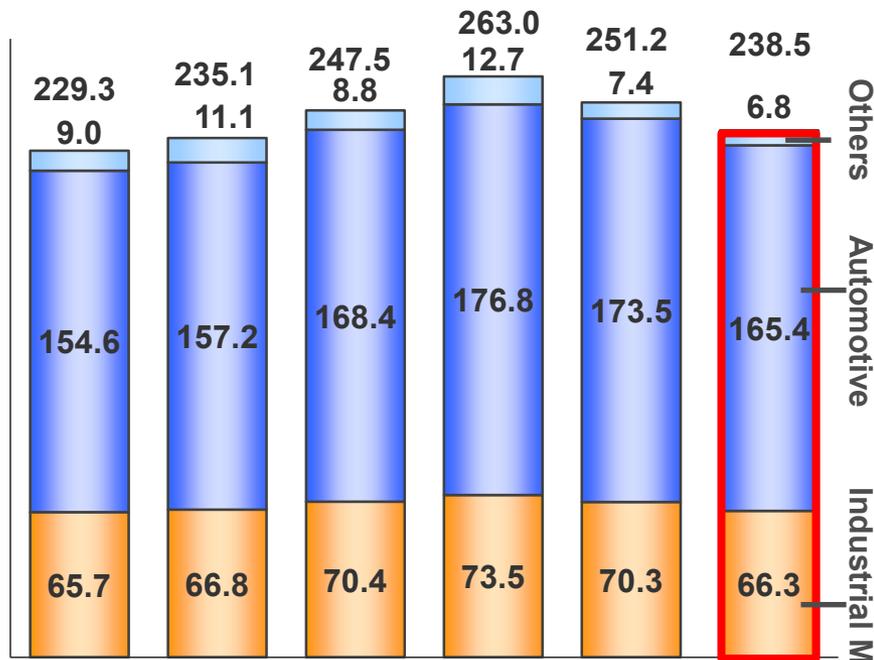
# Quarterly Business Performance



## Sales

Automotive increased due to strong production in NA. 2Q Sales increased YOY driven by depreciation of the Japanese yen.

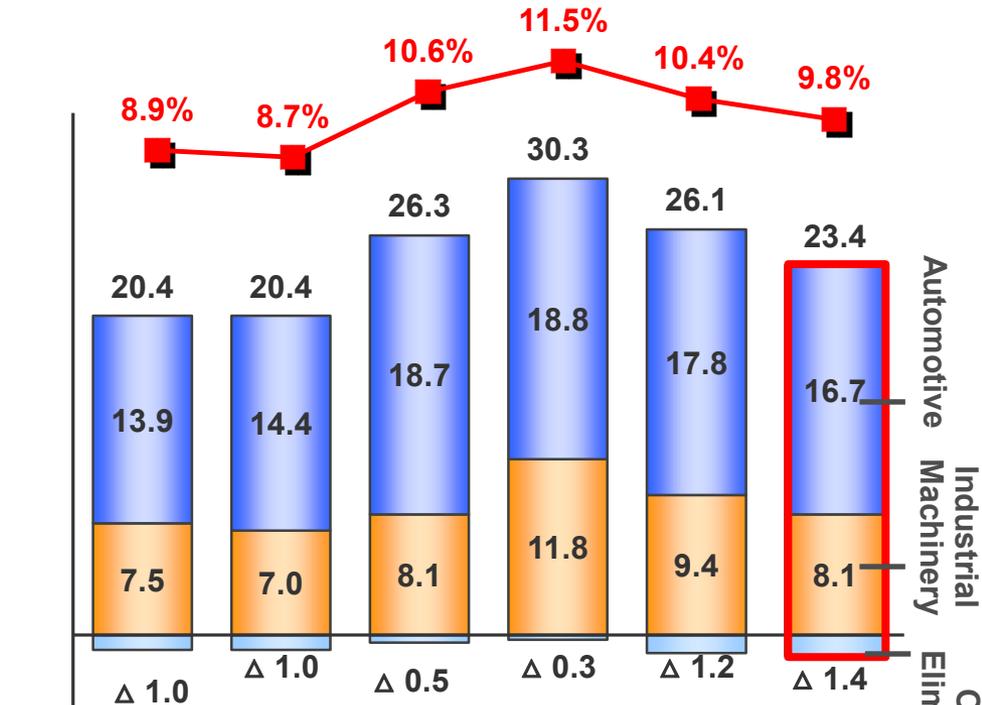
(Billions of yen)



## Operating Income / Margin

Although overall operating income in 2Q increased significantly YOY, it contracted from 1Q results. Margin remained strong for 2Q at 9.8%.

(Billions of yen)



FY2014 1Q 2Q 3Q 4Q FY2015 1Q 2Q

US\$= ¥102.16 ¥103.92 ¥114.53 ¥119.11 ¥121.36 ¥122.24

EURO= ¥140.07 ¥137.77 ¥143.06 ¥134.18 ¥134.16 ¥135.98

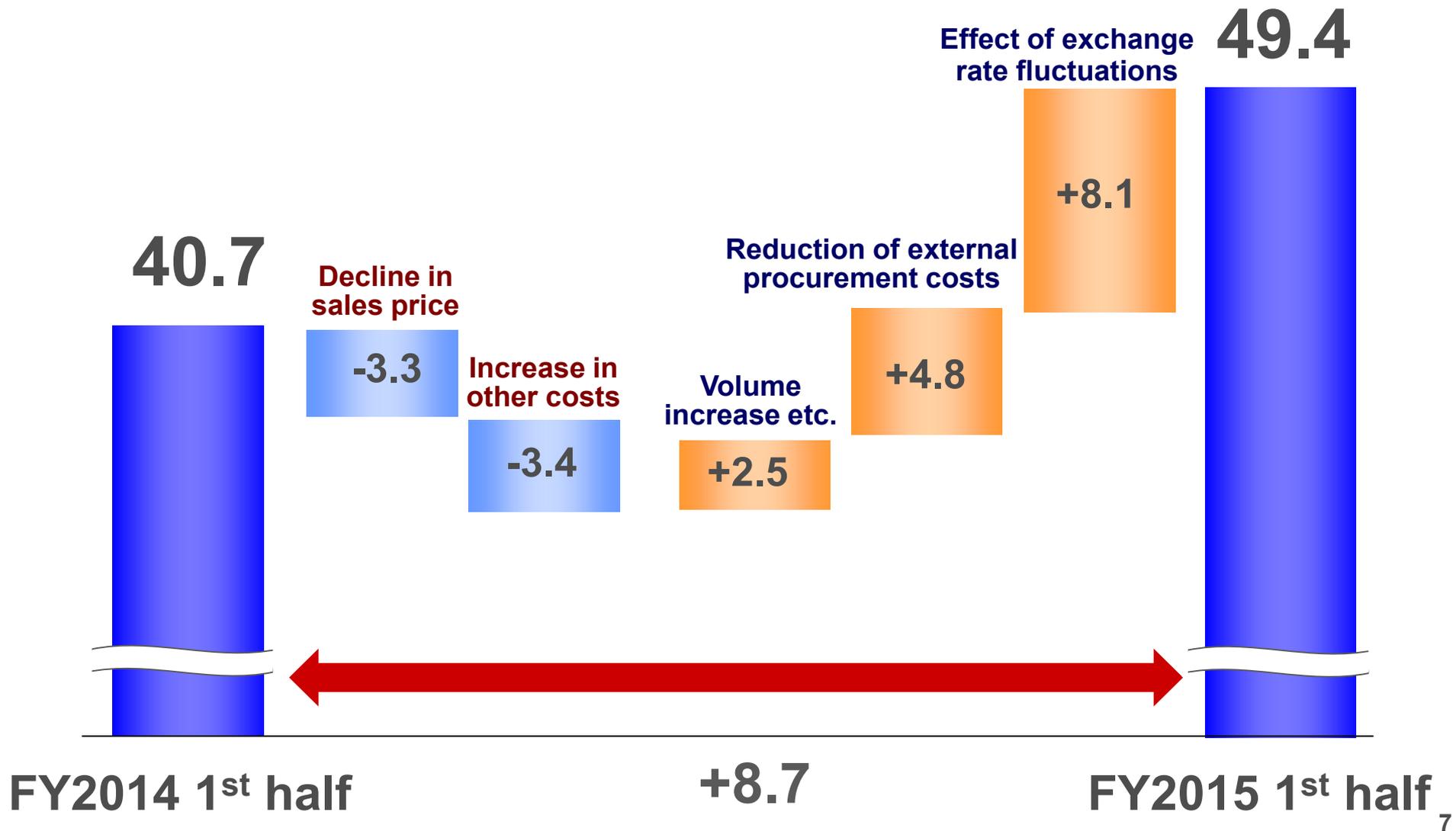
FY2014 1Q 2Q 3Q 4Q FY2015 1Q 2Q

US\$= ¥102.16 ¥103.92 ¥114.53 ¥119.11 ¥121.36 ¥122.24

EURO= ¥140.07 ¥137.77 ¥143.06 ¥134.18 ¥134.16 ¥135.98

# Operating Income: Factors Behind Increase (FY2014 1<sup>st</sup> Half ⇒ FY2015 1<sup>st</sup> Half)

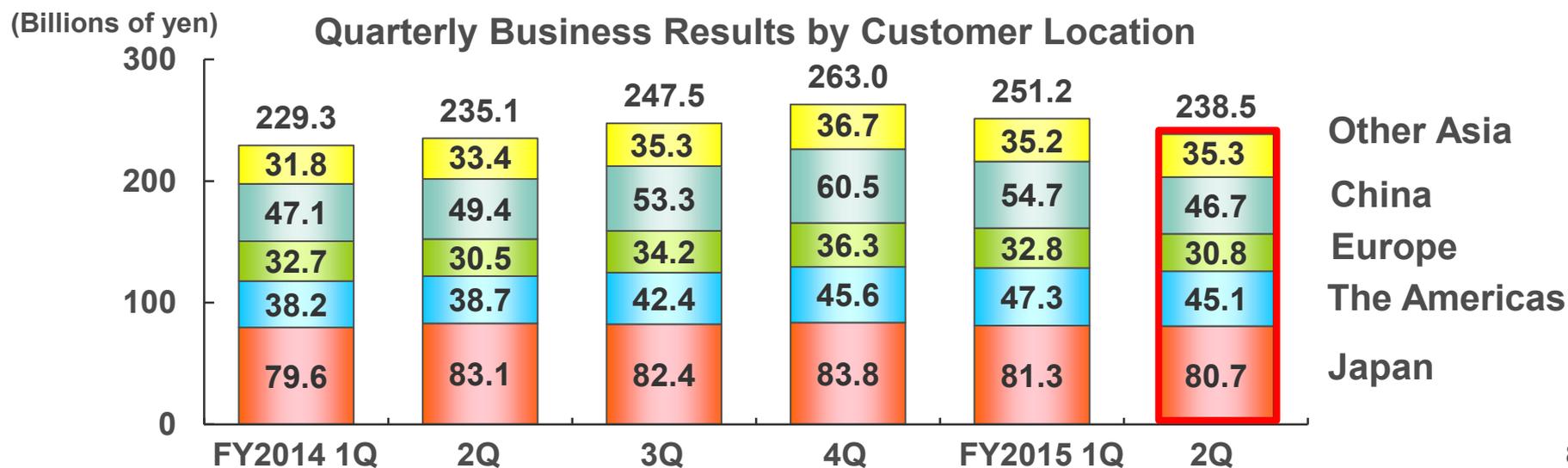
(Billions of yen)



# Business Results by Customer Location



(Billions of yen)	FY2014 1 <sup>st</sup> half <Actual>	FY2015 1 <sup>st</sup> half <Actual>	Increase/ Decrease YOY	Difference YOY
Net sales	464.4	489.7	+25.3	+5.5%
Japan	162.6	162.0	-0.7	-0.4%
Non-Japan (Non-Japan ratio)	301.7 (65.0%)	327.8 (66.9%)	+26.0	+8.6%
The Americas	76.8	92.3	+15.5	+20.2%
Europe	63.3	63.6	+0.3	+0.5%
China	96.5	101.4	+4.9	+5.1%
Other Asia	65.2	70.5	+5.3	+8.2%

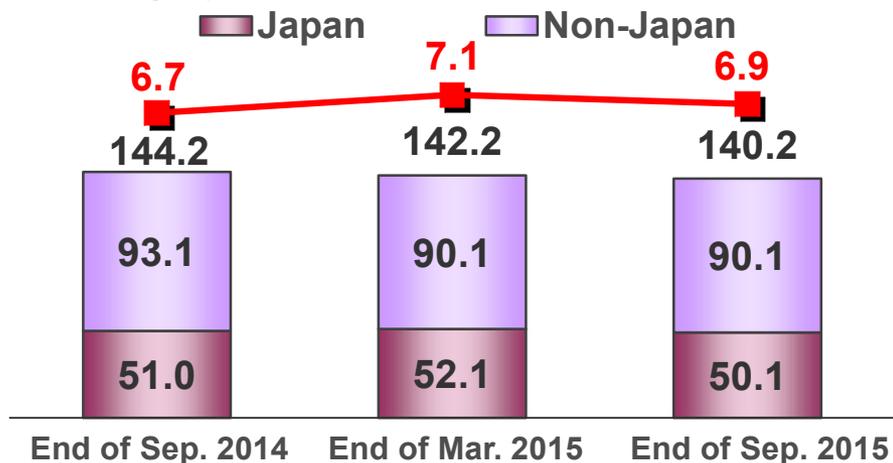


# Inventories / Interest-Bearing Debt, Capital Expenditure / Depreciation and Amortization



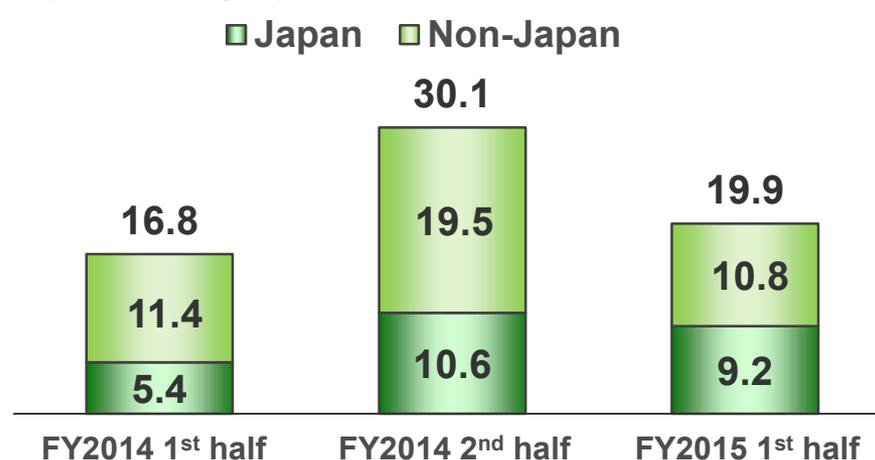
## Inventories

(Billions of yen)



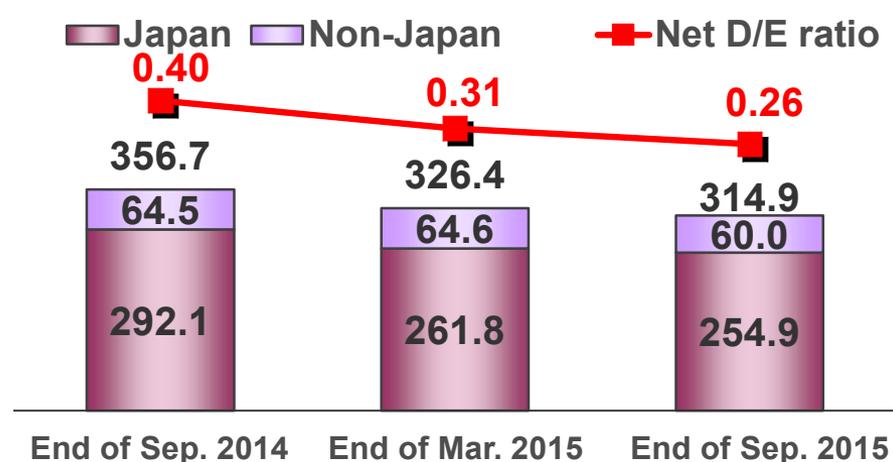
## Capital Expenditure

(Billions of yen)



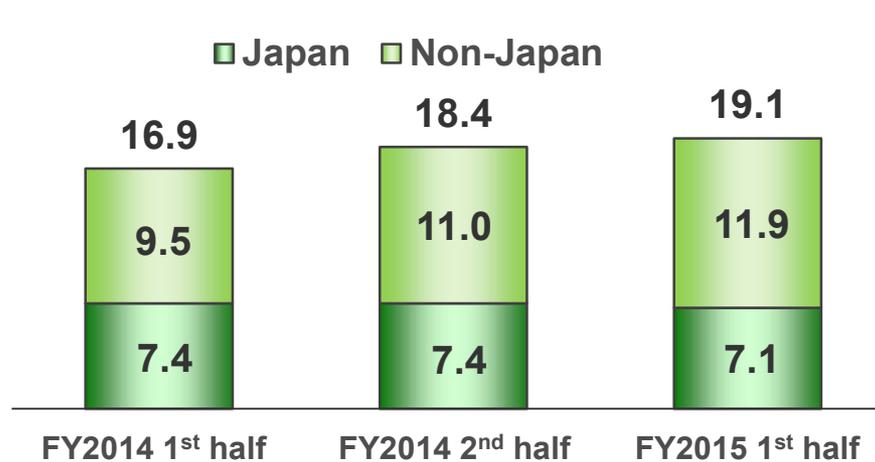
## Interest-Bearing Debt

(Billions of yen)



## Depreciation and Amortization

(Billions of yen)



## **2. Consolidated Business Forecast for the Year Ending March 31, 2016**

# Summary of Consolidated Business Forecast for the Year Ending March 31, 2016



## Forecasted Business Environment

- ✓ To see shifts in demand
- ✓ Recovery in Japan to be slower than expected. Concern over the impact China's slowdown will have on the global economy. Keeping an eye on the timing of rate rises in the U.S. Although signs of recovery have been seen in Europe, concern remains over the geopolitical situation.
- ✓ Industrial machinery business:
  - Slowdown of the Chinese economy to have a global impact.
  - Demand to decrease in all sectors, except wind turbines and rail.
- ✓ Automotive business:
  - China to see a sudden deceleration, but steady demand expected in NA.
  - Need to monitor the impact of the German automaker's scandal.

## Business Forecast

- ✓ Forecast revised down since May

(YOY)

Net Sales :	¥980.0 billion	( +¥5.1 billion / +0.5% )
Operating Income :	¥94.0 billion	( -¥3.3 billion / -3.4% )
Net Income Attributable to Shareholders of the Parent :	¥66.0 billion	( +¥4.0 billion / +6.5% )

- ✓ Exchange rate forecast for the 2nd half : 1US\$=¥115, 1EURO=¥125,  
Annual Dividend ¥34

# Summary of Consolidated Business Forecast for the Year Ending March 31, 2016 (FY2015)



(Billions of yen)	FY2014	FY2015					
	Full year <Actual>	1 <sup>st</sup> half <Actual>	2 <sup>nd</sup> half <Revised forecast>	Full year <Revised forecast>	Increase/ Decrease YOY	Change YOY	Full year <May Forecast>
Net sales	974.9	489.7	490.3	980.0	+5.1	+0.5%	1,020.0
Operating income <%>	97.3 <10.0%>	49.4 <10.1%>	44.6 <9.1%>	94.0 <9.6%>	-3.3	-3.4%	102.0 <10.0%>
Ordinary income	91.0	49.0	43.0	92.0	+1.0	+1.1%	100.0
Income before tax	88.0	49.0	43.0	92.0	+4.0	+4.5%	100.0
Net income attributable to shareholders of the parent	62.0	33.5	32.5	66.0	+4.0	+6.5%	70.0
(Exchange rate: US\$ =)	(¥109.93)	(¥121.80)	(¥115.00)	(¥118.40)			(¥115)
(Exchange rate: EURO =)	(¥138.77)	(¥135.07)	(¥125.00)	(¥130.04)			(¥125)

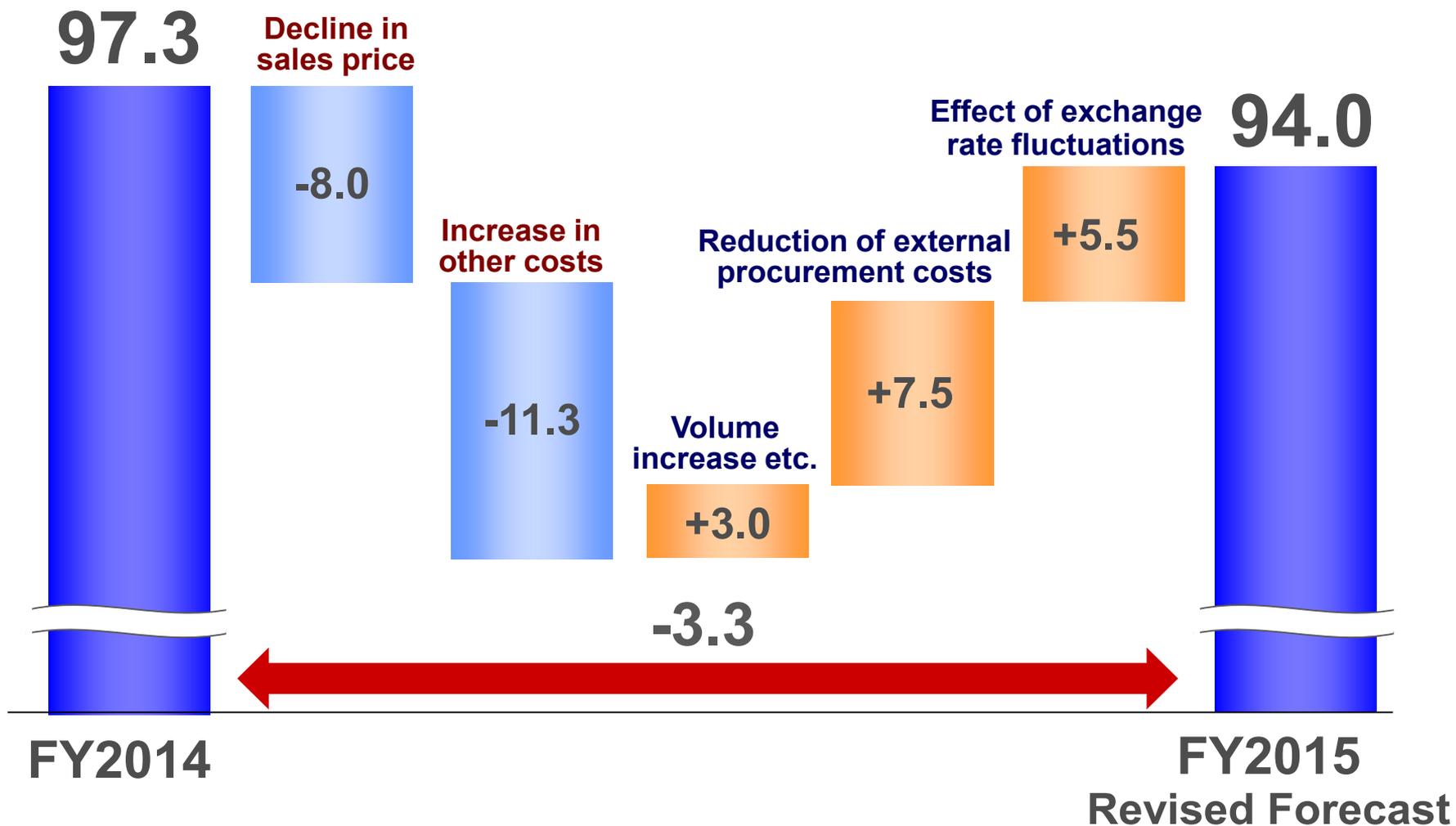
# Forecast by Business Segment



(Billions of yen)	FY2014		FY2015				
	Full year <Actual>	1 <sup>st</sup> half <Actual>	2 <sup>nd</sup> half <Revised forecast>	Full year <Revised forecast>	Increase/ Decrease YOY	Change YOY	Full year <May Forecast>
<b>Net sales</b>	<b>974.9</b>	<b>489.7</b>	<b>490.3</b>	<b>980.0</b>	<b>+5.1</b>	<b>+0.5%</b>	<b>1,020.0</b>
Industrial machinery business	276.4	136.6	129.4	266.0	-10.4	-3.8%	292.0
Industrial machinery bearings	232.4	114.2	109.8	224.0	-8.4	-3.6%	245.0
Precision machinery and parts	44.0	22.4	19.6	42.0	-2.0	-4.5%	47.0
<b>Automotive business</b>	<b>657.0</b>	<b>339.0</b>	<b>349.0</b>	<b>688.0</b>	<b>+31.0</b>	<b>+4.7%</b>	<b>701.0</b>
Automotive bearings	306.4	155.1	157.9	313.0	+7.1	+2.3%	318.5
Automotive components	350.6	183.9	191.1	375.0	+23.9	+6.8%	382.5
<b>Others</b>	<b>72.9</b>	<b>27.1</b>	<b>26.9</b>	<b>54.0</b>	<b>-18.9</b>	<b>-25.9%</b>	<b>54.0</b>
<b>Eliminations</b>	<b>-31.4</b>	<b>-12.9</b>	<b>-15.1</b>	<b>-28.0</b>	<b>+3.4</b>	<b>-</b>	<b>-27.0</b>
<b>Operating income</b>	<b>97.3 &lt;10.0%&gt;</b>	<b>49.4 &lt;10.1%&gt;</b>	<b>44.6 &lt;9.1%&gt;</b>	<b>94.0 &lt;9.6%&gt;</b>	<b>-3.3</b>	<b>-3.4%</b>	<b>102.0 &lt;10.0%&gt;</b>
Industrial machinery business	34.4 <12.4%>	17.5 <12.8%>	13.5 <10.4%>	31.0 <11.7%>	-3.4	-9.9%	38.0 <13.0%>
Automotive business	65.7 <10.0%>	34.5 <10.2%>	33.5 <9.6%>	68.0 <9.9%>	+2.3	+3.5%	70.0 <10.0%>
Others	5.8 <7.9%>	2.0 <7.4%>	2.0 <7.4%>	4.0 <7.4%>	-1.8	-31.0%	3.5 <6.5%>
Eliminations/ Corporate	-8.5	-4.6	-4.4	-9.0	-0.5	-	-9.5

# Operating Income: Factors Behind Decrease (FY2014 ⇒ FY2015 Revised Forecast)

(Billions of yen)



# Forecast by Customer Location



(Billions of yen)	FY2014	FY2015					
	Full year <Actual>	1 <sup>st</sup> half <Actual>	2 <sup>nd</sup> half <Revised forecast>	Full year <Revised forecast>	Increase/ Decrease YOY	Change YOY	Full year <May Forecast>
Net sales	974.9	489.7	490.3	980.0	+5.1	+0.5%	1,020.0
Japan	328.8	162.0	160.5	322.5	-6.3	-1.9%	333.5
Non-Japan (Non-Japan ratio)	646.0 (66.3%)	327.8 (66.9%)	329.7 (67.2%)	657.5 (67.1%)	+11.5	+1.8%	686.5 (67.3%)
The Americas	164.8	92.3	93.7	186.0	+21.2	+12.9%	177.5
Europe	133.8	63.6	61.9	125.5	-8.3	-6.2%	128.0
China	210.2	101.4	105.6	207.0	-3.2	-1.5%	232.5
Other Asia	137.2	70.5	68.5	139.0	+1.8	+1.3%	148.5

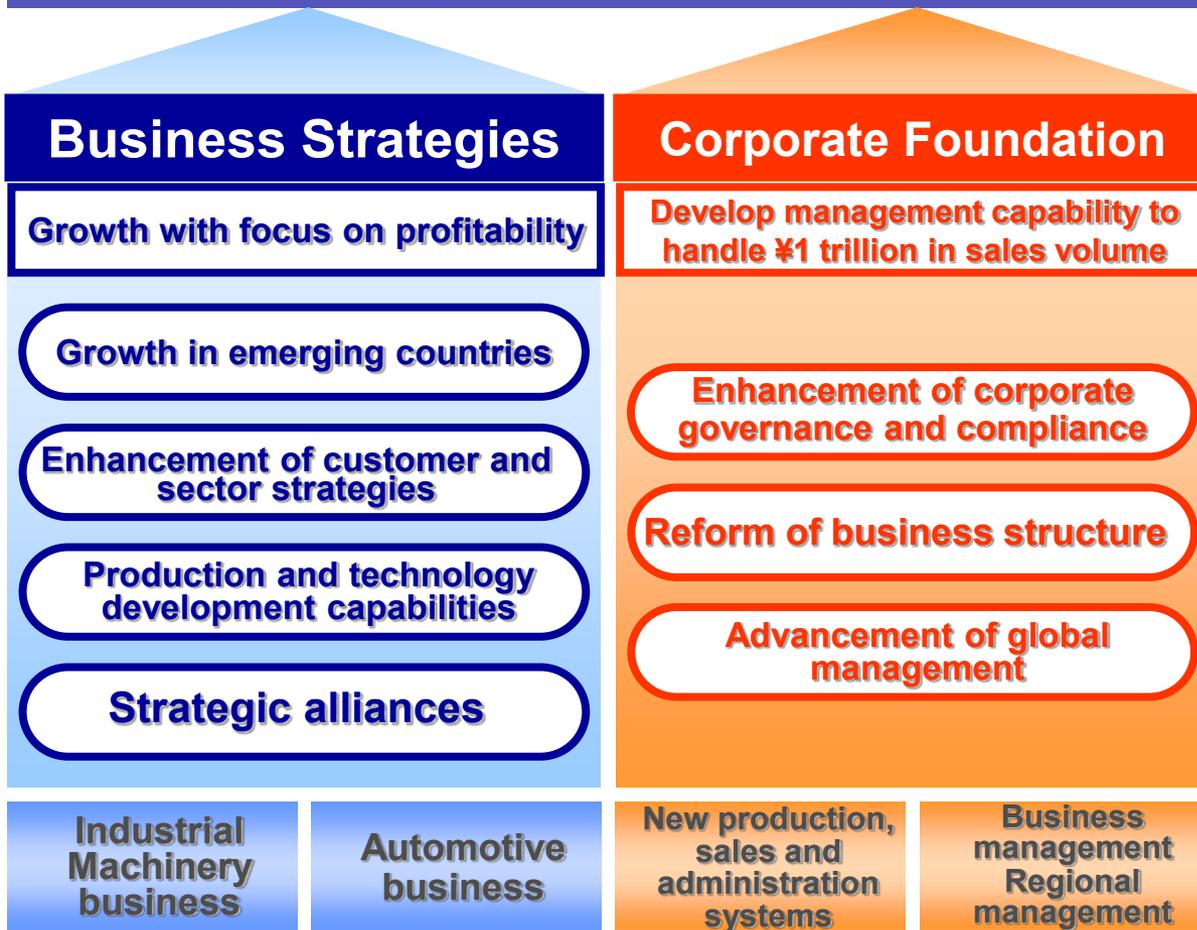
### **3. Forecast of the 4<sup>th</sup> Mid-Term Management Plan**

# The 4<sup>th</sup> Mid-Term Management Plan: Outline



Establishing corporate fundamentals appropriate for a company with net sales of ¥1 trillion

《The 4<sup>th</sup> Mid-term Management Plan》



Safety, Quality, and Compliance

	Numerical Targets	Final Year Forecast
	FY2015	FY2015
Net Sales	¥940.0 billion	¥980.0 billion
Operating Income	¥86.0 billion	¥94.0 billion
Ordinary Income	¥80.0 billion	¥92.0 billion
Net Income	¥52.0 billion	¥66.0 billion
Operating Income %	9.1%	9.6%
ROE	13.0%	14.0%
Net D/E Ratio	0.4	0.2
Exchange Rate	1US\$=¥90 1Euro=¥120	1US\$=¥118 1Euro=¥130

# The 4<sup>th</sup> Mid-Term Management Plan: Consolidated Business Trend



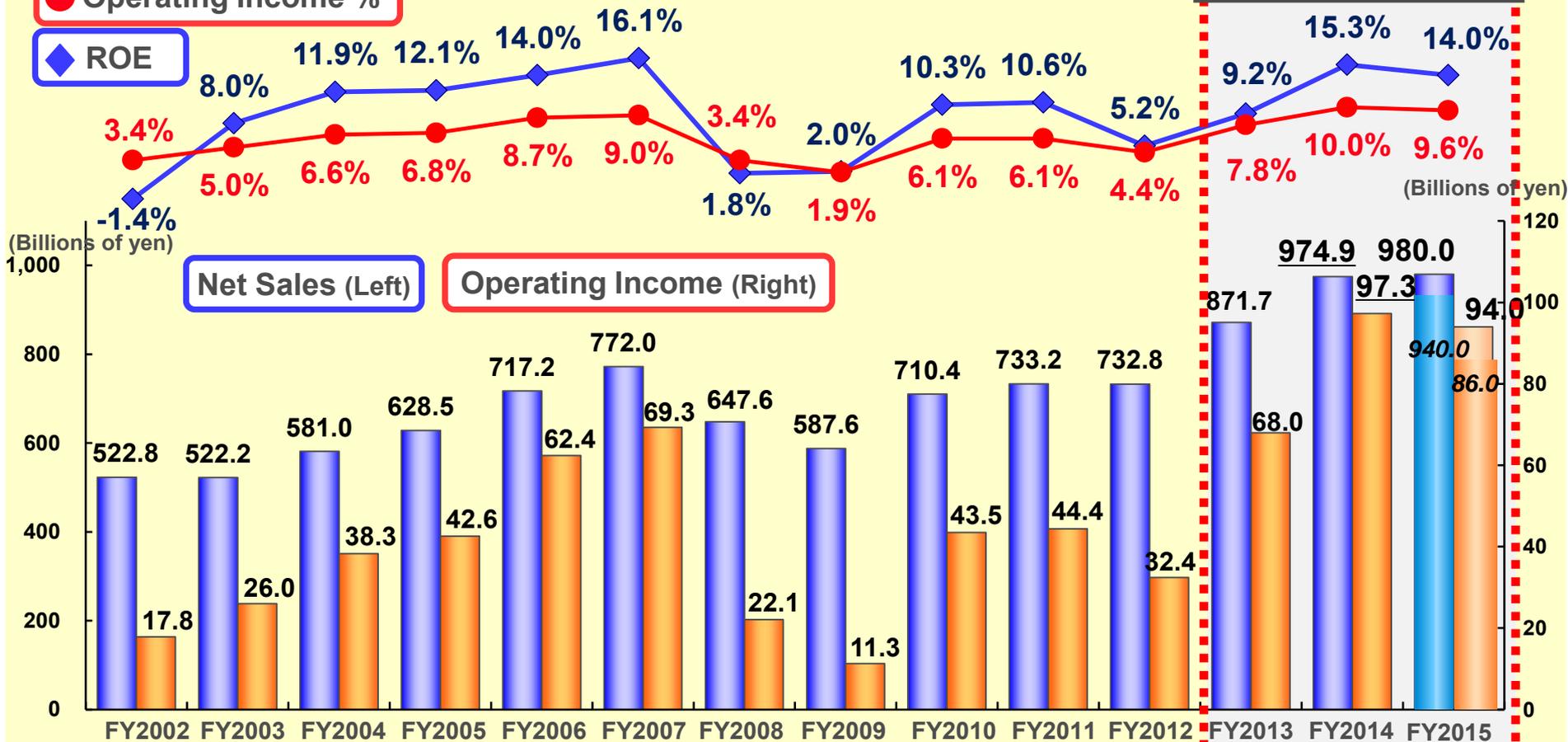
## The 4<sup>th</sup> Mid-term Plan

● Operating Income %

◆ ROE

Net Sales (Left)

Operating Income (Right)



\$	125	116	108	110	117	115	101	93	86	79	83	100	110	118
EURO	118	131	134	137	150	162	145	131	113	109	107	134	139	130



# Industrial Machinery Business FY2015 Business Environment and Business Forecast



## Demand Trend by Sector

※Changes from original forecast

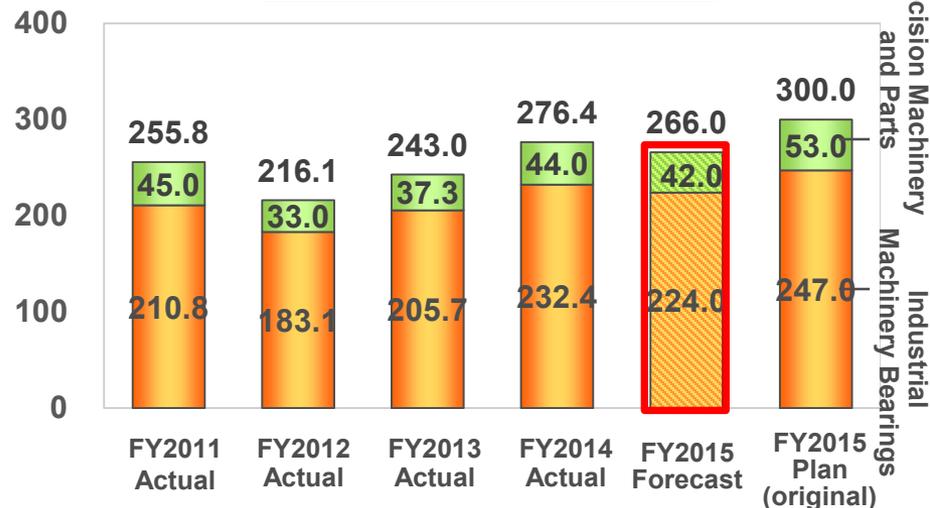
:△ Upward, — Same level, ▼ Downward

Sector	Original (YOY)	Latest Forecast (1H vs. 2H)		
	Overall	Overall	Japan	Non-Japan
Electrical / IT	—	▼▼	▼	▼▼
Steel Plant Facilities	—	—	—	—
Fluid Machinery	—	▼	—	▼
Mining & Construction	▼	▼▼	▼	▼▼
Agricultural Machinery	▼▼▼	—	—	—
Wind Turbines	△	△	—	△
Rail	△	—	▼▼	△
Machine Tools	—	▼▼▼	▼▼▼	▼▼▼
Injection Molding	△△△	▼▼	▼	▼▼
Semiconductors / Liquid Crystal	△	▼▼▼	▼▼▼	▼▼▼
Aftermarket	△	▼	▼	▼

- Sections revised down, such as machine tools and semiconductors, increased
- Wind turbines and rail remained strong

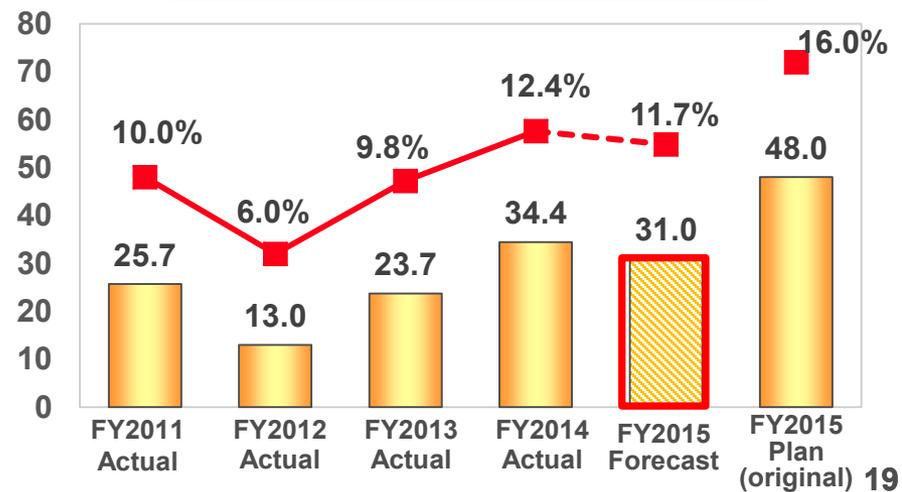
(Billions of yen)

## Net Sales



(Billions of yen)

## Operating Income / Margin

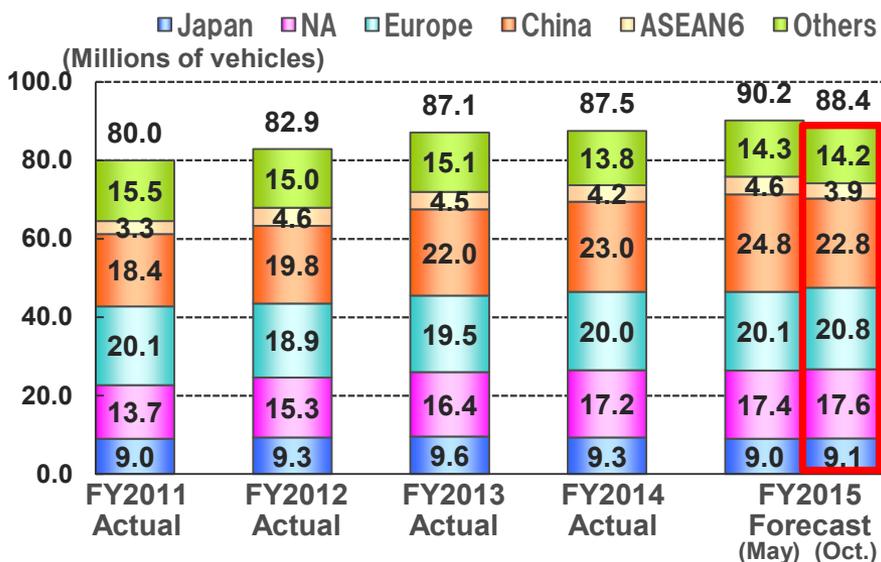


Precision Machinery and Parts  
Industrial Machinery  
Industrial Machinery Bearings

# Automotive Business Vehicle Production and Business Forecast

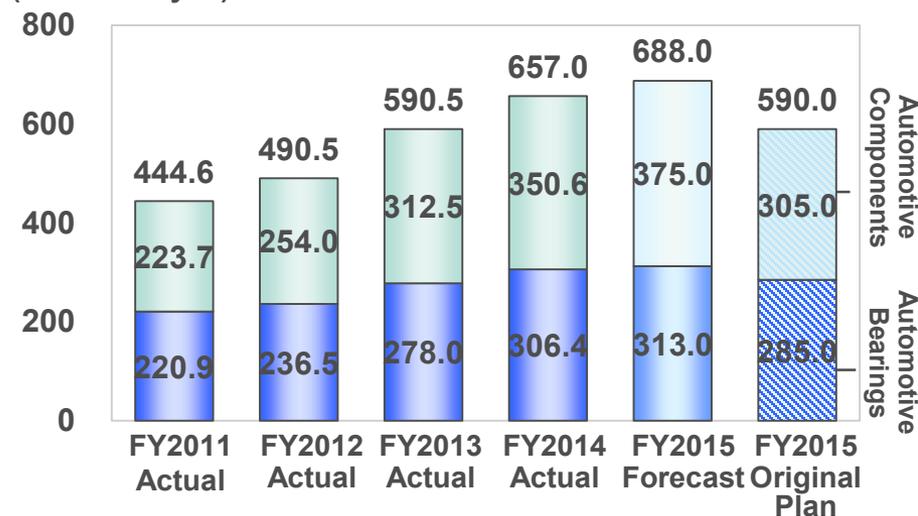


## Global Vehicle Production Volume



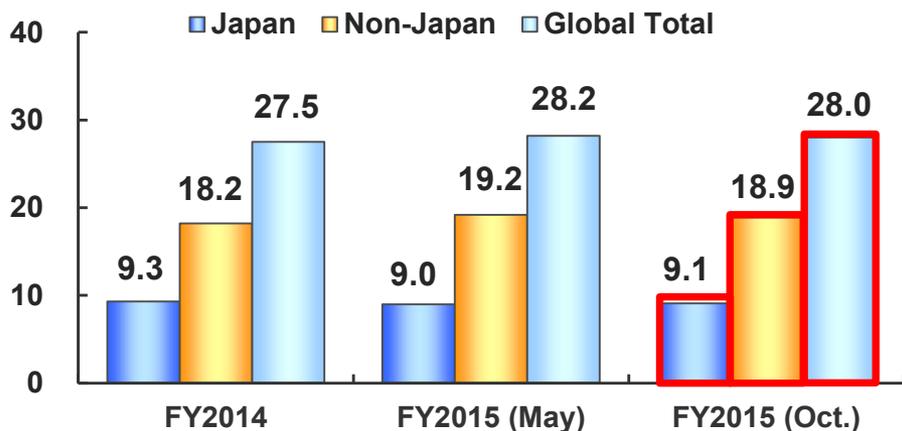
## Net Sales

(Billions of yen)



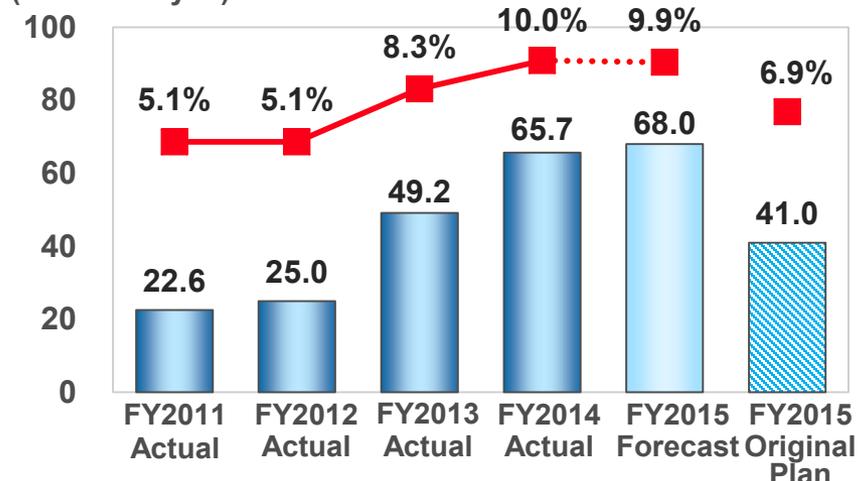
## Production Volume by Japanese Automakers

(Millions of vehicles)



## Operating Income / Margin

(Billions of yen)

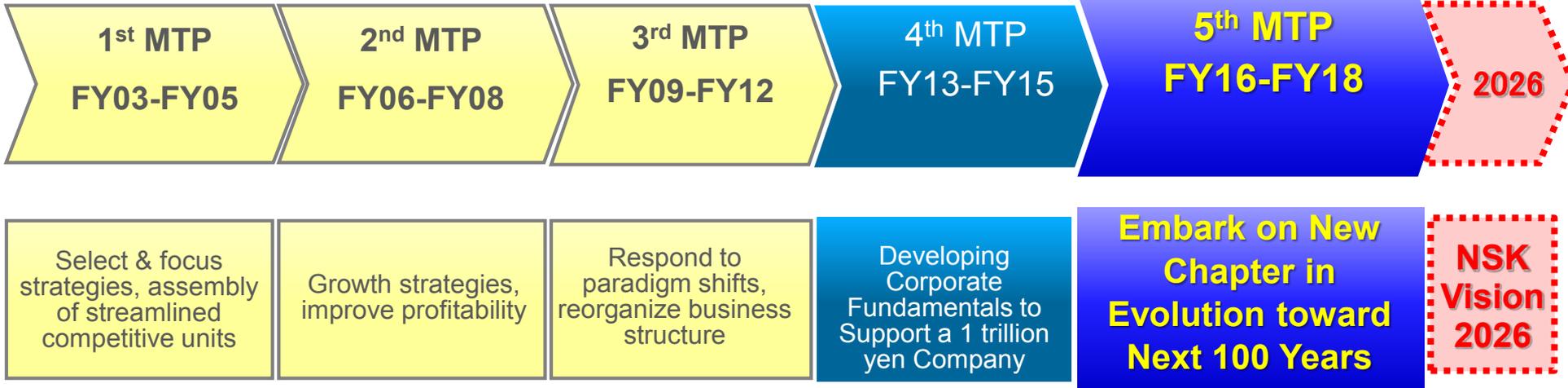


## 4. Policy of the 5<sup>th</sup> Mid-Term Management Plan

# Positioning of the 5<sup>th</sup> Mid-Term Management Plan (FY16-FY18)



2016=100<sup>th</sup> Anniversary



## Positioning and Policy of the 5<sup>th</sup> MTP

- 5<sup>th</sup> MTP overlaps with NSK's 100<sup>th</sup> anniversary
- Start implementing long-term strategies/measures required for sustainable growth
- Continuous efforts to reinforce corporate fundamentals, and create new growth opportunities



## SETTING THE FUTURE IN MOTION

We bring motion to life,  
to enrich lifestyles,  
and to build a brighter future.

Dedicated to uncovering society's needs,  
we set ideas in motion  
to deliver solutions beyond imagination.

We're NSK.  
And, we're setting the future in motion.

## NSK Vision 2026 Setting the Future in Motion

Embark on new chapter in evolution toward next 100 years

### Operational Excellence

Ceaseless Pursuit of Competitiveness

### Sustainable Growth

Deliver new value to society  
Work together with stakeholders

### Establish solid profit base

Increase and stabilize profitability  
Refine the art of manufacturing,  
quality, personnel

### Expand into new growth fields

Growth in core businesses  
New products, new fields

### Innovate and Challenge

Creating New Value

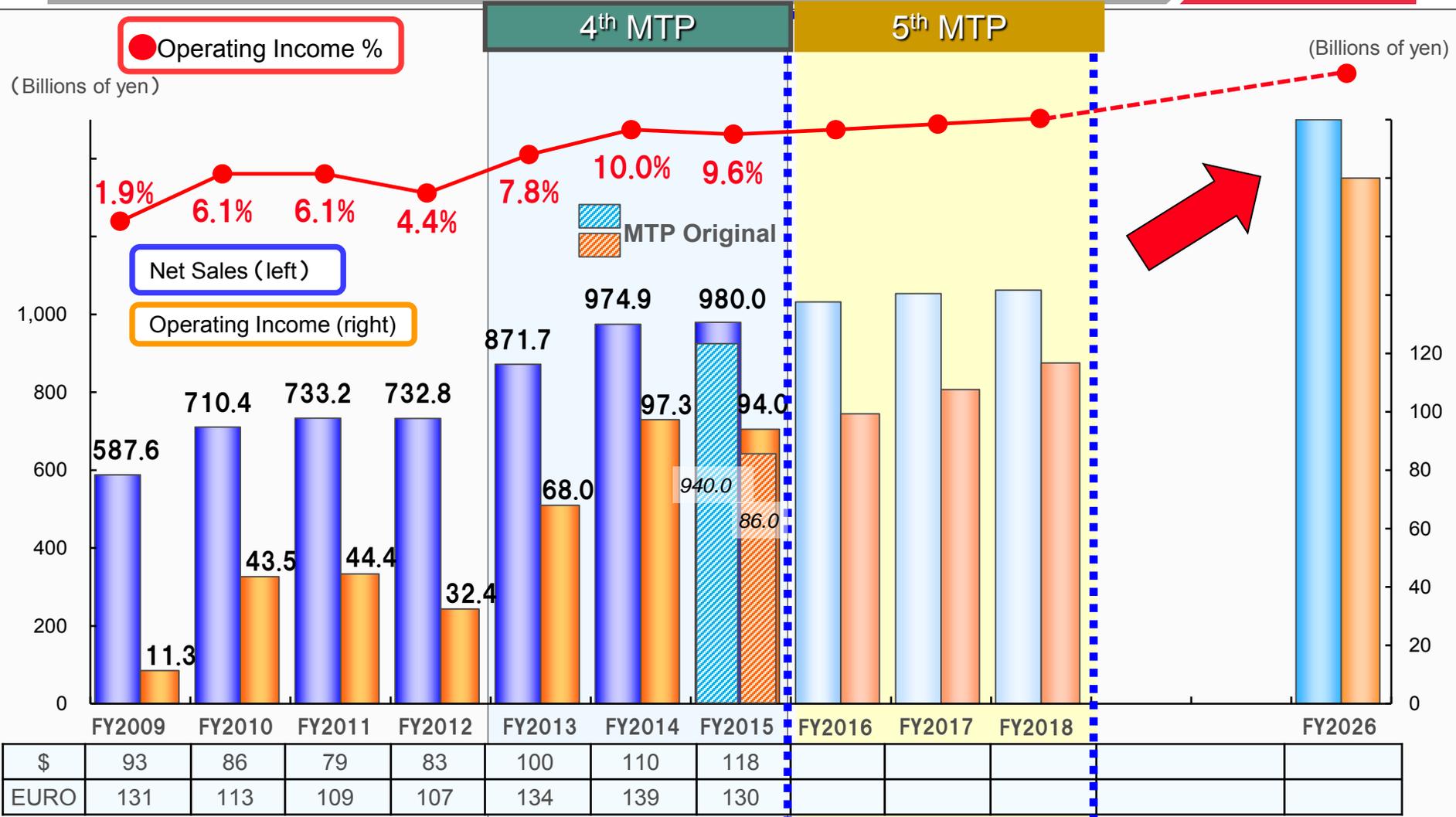
Three pillar business structure

Industrial Machinery • Automotive Bearings • Automotive Components

Business Foundation as 1 Trillion Yen Company

Safety • Quality • Compliance

# 5<sup>th</sup> MTP and Long-Term Sales & Profit Targets



Respond to Paradigm Shifts, Reorganize Business Structure

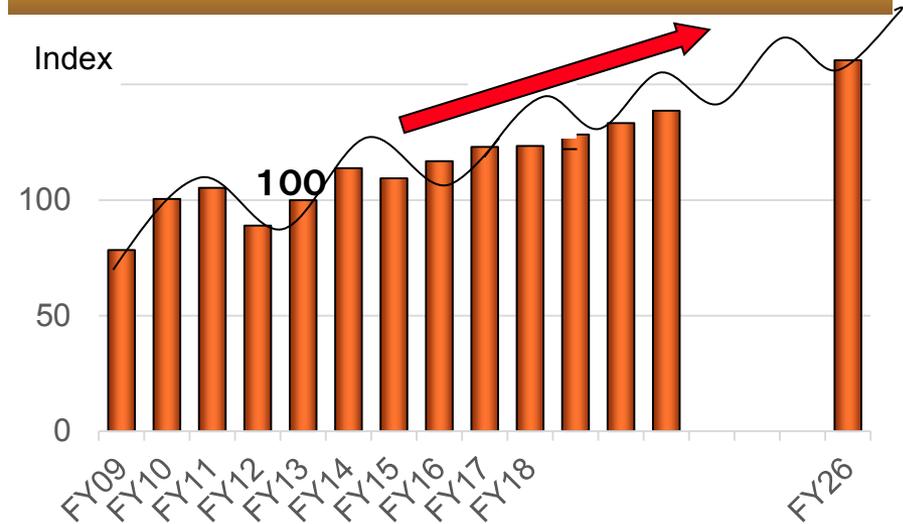
Developing Corporate Fundamentals to Support a 1 Trillion Yen Company

Embark on New Chapter in Evolution Toward Next 100 Years

## Business Environment

- GDP growth rate (Global) FY16-FY18  
Avg.3.8%/year
- Developed countries - acceleration of technologic advancement
- Emerging economies – economic stagnation, infrastructure-related demand stable
- Increasing focus on environment and sustainability

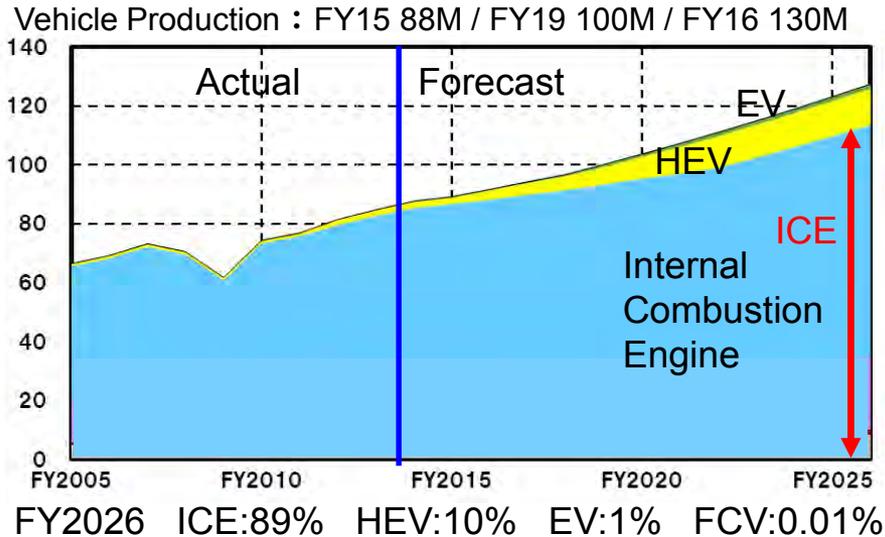
## Sales Growth



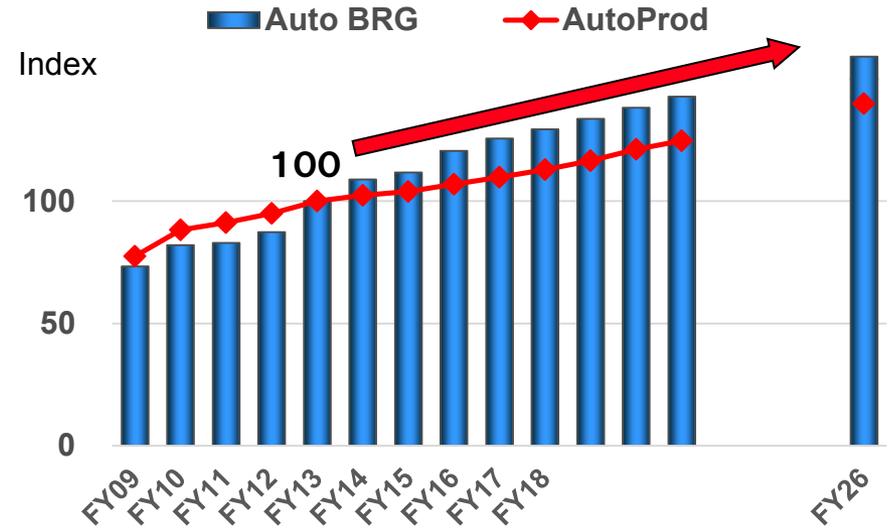
## Growth Beyond the Business Cycle

- Strategies for advanced technology fields
  - ✓ More effort in new fields, smart technology (IoT, CMS, maintenance), robots and medical applications
  - ✓ Electrification & machine tools (synergy between bearings and precision machinery and parts)
- Business expansion centered on emerging markets, growth fields and environmental-related markets
  - ✓ Infrastructure-related markets in Asia, eco-friendly technology (energy and resources)
- Reinforcement of corporate fundamentals
  - ✓ Expand capacity in key products by increasing productivity, and improve response to fluctuating demand.

## Vehicle Production Forecast by Power Source



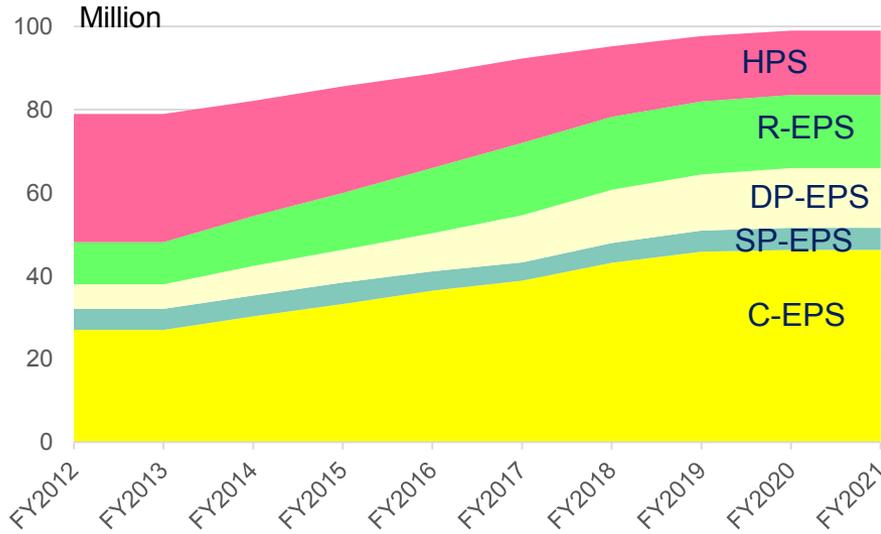
## Sales Growth



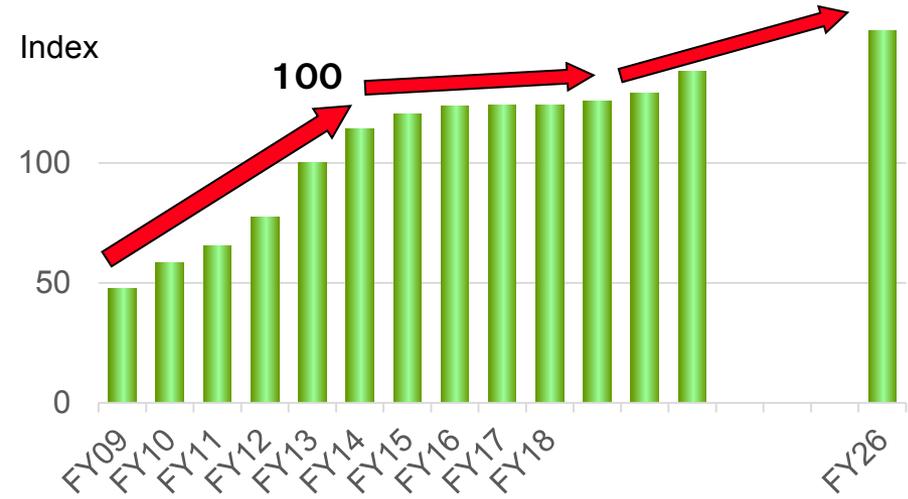
## Maximize Opportunities from Changes in the Automotive Market

- Adjust to changes set for the 2020s
- Expansion in order of product portfolio priority
  - ✓ Expand drivetrain components
  - ✓ Powertrain components (electrification, high-efficiency, severe environments)
  - ✓ New products, new fields
- Strengthen foundations (customer base, production base, sales capability)

## Demand Forecast by EPS Type



## Sales Growth



## Future Growth Strategies

- Build on strength of steering columns to expand business in column-type EPS and manual steering columns
  - ✓ Expand sales of columns for compact vehicles to core customers
  - ✓ Build-up customer base
- Accelerate the development of Rack Assist EPS
- Improvements for further business development
  - ✓ Project management, purchasing strategy
  - ✓ New strategic manufacturing footprint

# (Supplementary Information)

## Forecast by Geographical Segment

(Billions of yen)	FY2014		FY2015							
	Full year <Actual>		1 <sup>st</sup> half <Actual>	2 <sup>nd</sup> half <Revised forecast>	Full year <Revised forecast>	Increase/ Decrease YOY	Change YOY			
<b>Net sales</b>	974.9		489.7	490.3	980.0	+5.1	+0.5%			
Japan	522.7		248.3	245.2	493.5	-29.2	-5.6%			
The Americas	156.7		89.1	87.4	176.5	+19.8	+12.6%			
Europe	138.8		65.7	66.3	132.0	-6.8	-4.9%			
Asia	353.9		184.0	184.5	368.5	+14.6	+4.1%			
Eliminations	-197.4		-97.4	-93.1	-190.5	+6.9	-			
<b>Operating Income</b>	97.3	<10.0%>	49.4	<10.1%>	44.6	<9.1%>	94.0	<9.6%>	-3.3	-3.4%
Japan	41.0	<7.8%>	19.2	<7.7%>	13.3	<5.4%>	32.5	<6.6%>	-8.5	-20.7%
The Americas	10.5	<6.7%>	6.9	<7.8%>	6.6	<7.6%>	13.5	<7.6%>	+3.0	+28.6%
Europe	11.3	<8.2%>	3.6	<5.5%>	5.4	<8.1%>	9.0	<6.8%>	-2.3	-20.3%
Asia	44.2	<12.5%>	23.4	<12.7%>	24.1	<13.1%>	47.5	<12.9%>	+3.3	+7.5%
Eliminations/ Corporate	-9.7		-3.7	-4.8	-8.5					-

(Supplementary Information)  
**Consolidated Balance Sheets**

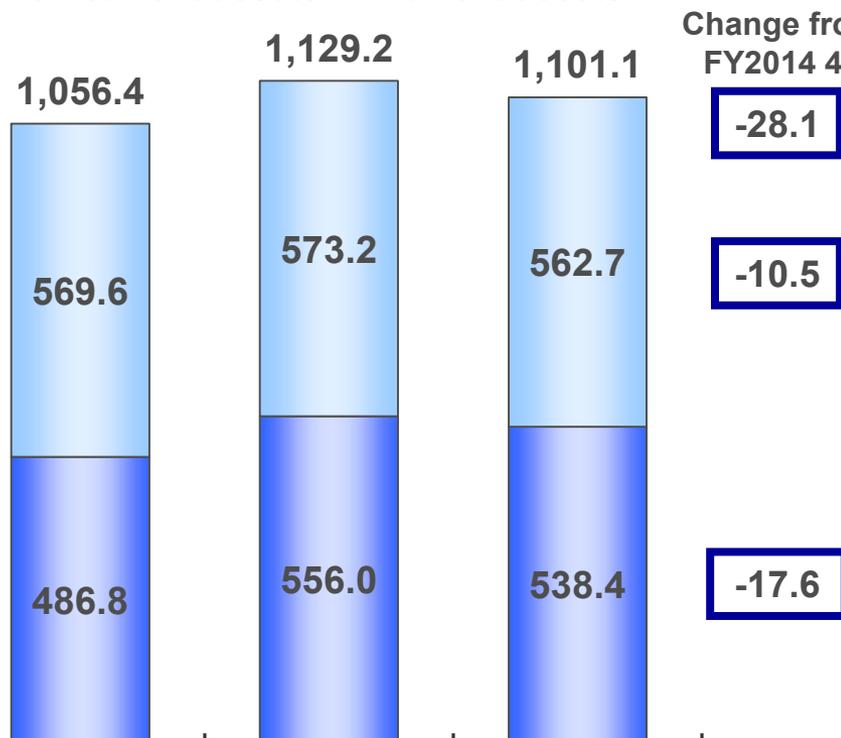


**Assets**

**Liabilities and Net Assets**

(Billions of yen)

■ Non-current assets   ■ Current assets

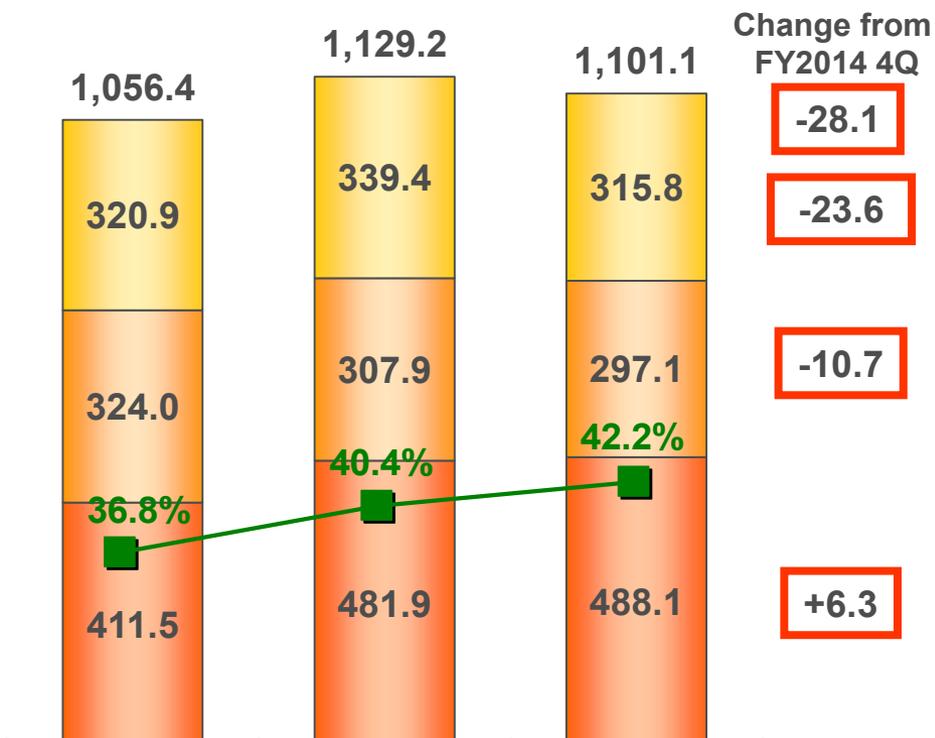


End of Sep. 2014   End of Mar. 2015   End of Sep. 2015

US\$:	109.45	120.17	119.96
Euro:	138.87	130.32	134.97

(Billions of yen)

■ Net assets   ■ Non-current liabilities  
 ■ Current liabilities   ■ Ratio of net worth to total capital



End of Sep. 2014   End of Mar. 2015   End of Sep. 2015

US\$:	109.45	120.17	119.96
Euro:	138.87	130.32	134.97

(Supplementary Information) **Capital Expenditure,  
Depreciation and Amortization, R&D Expenses**



(Billions of yen)	FY2014 <Actual>	FY2015 1 <sup>st</sup> half <Actual>	FY2015 <Forecast>
Capital expenditure (※)	46.9	19.9	51.0

※Excluding intangible assets

(Billions of yen)	FY2014 <Actual>	FY2015 1 <sup>st</sup> half <Actual>	FY2015 <Forecast>
Depreciation and amortization (※)	35.3	19.1	38.0

※Excluding intangible assets

(Billions of yen)	FY2014 <Actual>	FY2015 1 <sup>st</sup> half <Actual>	FY2015 <Forecast>
R&D expenses	10.7	5.5	11.0