



# FINANCIAL CONFERENCE

## Consolidated Business Results and Forecast

May 14, 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 Year Ended March 31, 2015**
- 2. Consolidated Business Forecast  
for the Year Ending March 31, 2016**
- 3. Progress of the 4<sup>th</sup> Mid-Term Management Plan  
(Supplementary Information)**

# **1. Consolidated Business Results for the Year Ended March 31, 2015**

# Summary of Consolidated Business Results for the Year Ended March 31, 2015



## Business Environment

- ✓ Recovery in Japan, steady demand in the U.S., recovery from market bottom in Europe, slow but stable growth in emerging countries
- ✓ Industrial Machinery Business: Gradual recovery trend continued despite variance between regions/sectors
- ✓ Automotive Business: steady growth continued overall
- ✓ Weaker Japanese yen, lower crude oil prices

## Summary of Business Results

- ✓ Sales ¥974.9 billion (YOY +11.8%), Operating income ¥97.3 billion (YOY +43.0%), Ordinary income ¥91.0 billion (YOY +36.3%), Net Income ¥62.0 billion (YOY +98.8%)
  - YOY increase in both net sales and operating income
  - Records for net sales, operating income, ordinary income, and net income
  - Operating income margin reached double digits
- ✓ Results by Business Segment
  - Industrial Machinery Business: Steady demand for machine tools, wind turbines and railcars, YOY increase in both net sales and operating income
  - Automotive Business: FY2014 results reached record due to higher demand in China and North America
- ✓ Dividend: FY2014 full-year dividend ¥28.0 (1<sup>st</sup> half ¥12.0, 2<sup>nd</sup> half ¥16.0 )

# Summary of Consolidated Business Results for the Year Ended March 31, 2015



(Billions of yen)	FY2013 <Actual>	FY2014 <Actual>	Increase/ Decrease YOY	Difference YOY
Net sales	871.7	974.9	+103.1	+11.8%
Operating income <%>	68.0 <7.8%>	97.3 <10.0%>	+29.3	+43.0%
Ordinary income	66.8	91.0	+24.2	+36.3%
Income before tax	54.3	88.0	+33.6	+61.9%
Net income	31.2	62.0	+30.8	+98.8%
(Exchange rate: US1\$=)	(¥100.24)	(¥109.93)		
(Exchange rate: 1EURO=)	(¥134.37)	(¥138.77)		

## 【Major indexes】

ROE	9.2%	15.3%		
Net D/E ratio (times)	0.41	0.31		
Inventory turnover (times)	6.9	7.1		

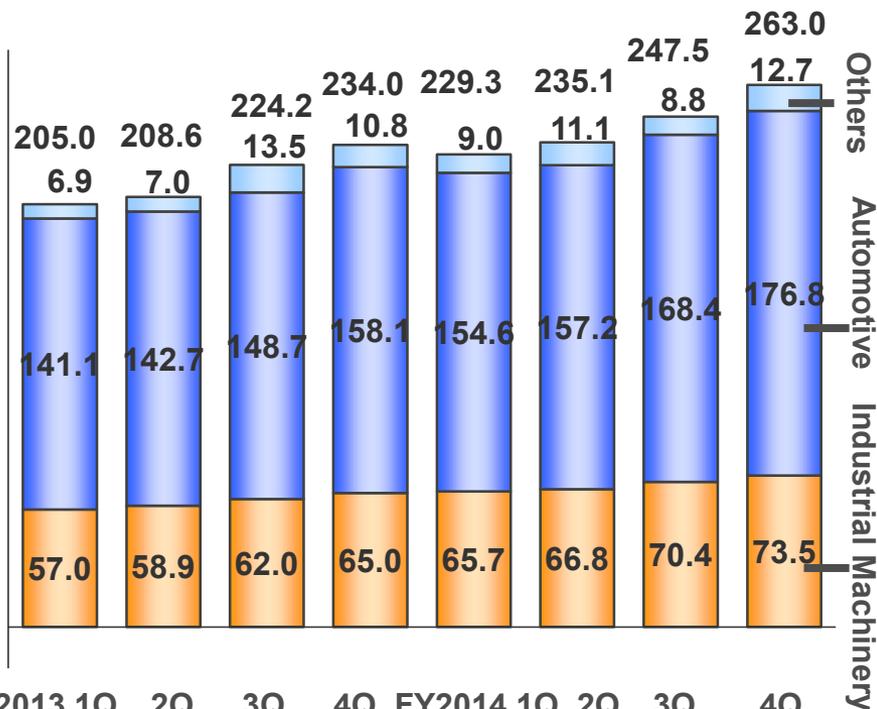
# Quarterly Business Performance



## Sales

Steady demand recovery in the industrial machinery business despite variation between sectors. 4Q results in both automotive bearing and automotive component segments reached record levels.

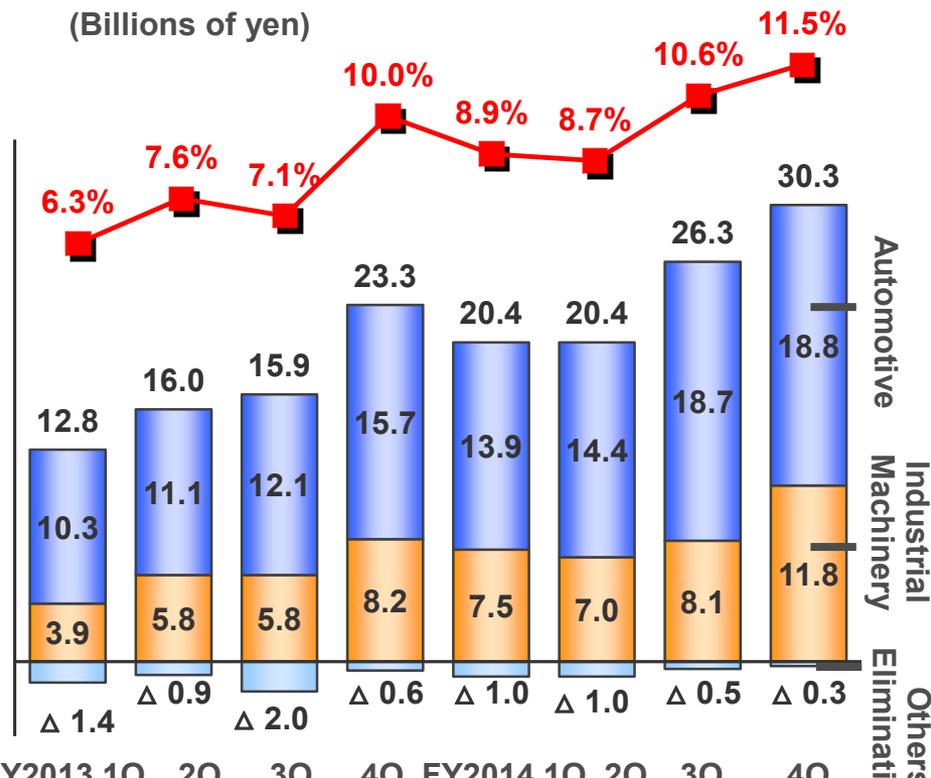
(Billions of yen)



## Operating Income / Margin

Both 4Q operating income and margin reached record levels due to higher volume and the depreciation of the Japanese yen.

(Billions of yen)



US\$= ¥98.76 ¥98.94 ¥100.47 ¥102.79 ¥102.16 ¥103.92 ¥114.53 ¥119.11 US\$= ¥98.76 ¥98.94 ¥100.47 ¥102.79 ¥102.16 ¥103.92 ¥114.53 ¥119.11

EURO= ¥128.95 ¥131.05 ¥136.69 ¥140.79 ¥140.07 ¥137.77 ¥143.06 ¥134.18 EURO= ¥128.95 ¥131.05 ¥136.69 ¥140.79 ¥140.07 ¥137.77 ¥143.06 ¥134.18

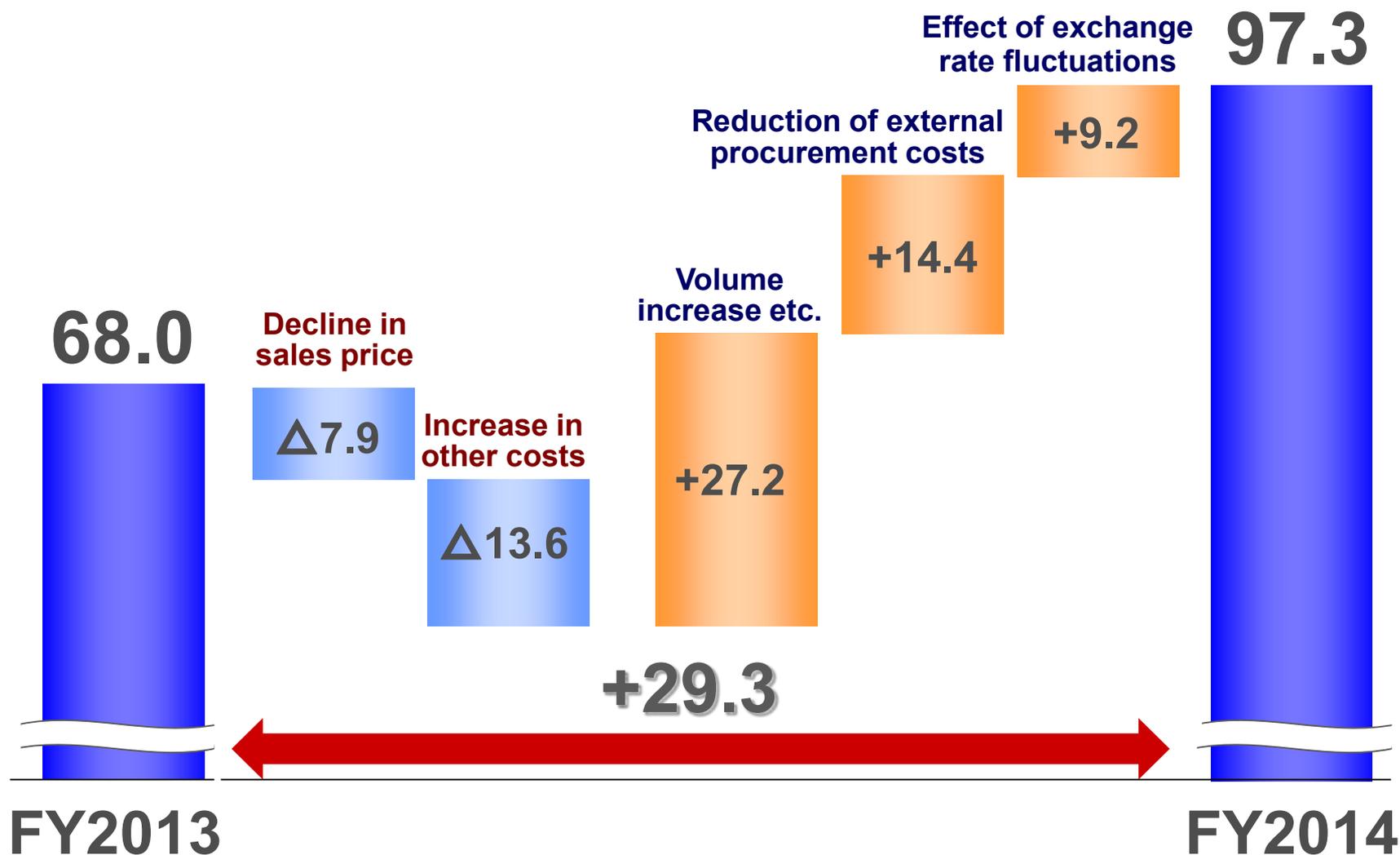
# Results by Business Segment



(Billions of yen)	FY2013 <Actual>	FY2014 <Actual>	Increase/ Decrease YOY	Difference YOY
<b>Net sales</b>	<b>871.7</b>	<b>974.9</b>	<b>+103.1</b>	<b>+11.8%</b>
Industrial machinery business	243.0	276.4	+33.4	+13.7%
Industrial machinery bearings	205.7	232.4	+26.7	+13.0%
Precision machinery and parts	37.3	44.0	+6.7	+17.9%
Automotive business	<b>590.5</b>	<b>657.0</b>	<b>+66.5</b>	<b>+11.3%</b>
Automotive bearings	278.0	306.4	+28.3	+10.2%
Automotive components	312.5	350.6	+38.1	+12.2%
Others	64.7	72.9	+8.2	+12.7%
Eliminations	-26.5	-31.4	-4.9	-
<b>Operating income</b>	<b>68.0 &lt;7.8%&gt;</b>	<b>97.3 &lt;10.0%&gt;</b>	<b>+29.3</b>	<b>+43.0%</b>
Industrial machinery business	23.7 <9.8%>	34.4 <12.4%>	+10.6	+44.9%
Automotive business	49.2 <8.3%>	65.7 <10.0%>	+16.5	+33.6%
Others	2.9 <4.5%>	5.8 <7.9%>	+2.9	+99.2%
Eliminations/Corporate	-7.8	-8.5	-0.8	-

# Operating Income: Factors Behind Increase (FY2013 ⇒ FY2014)

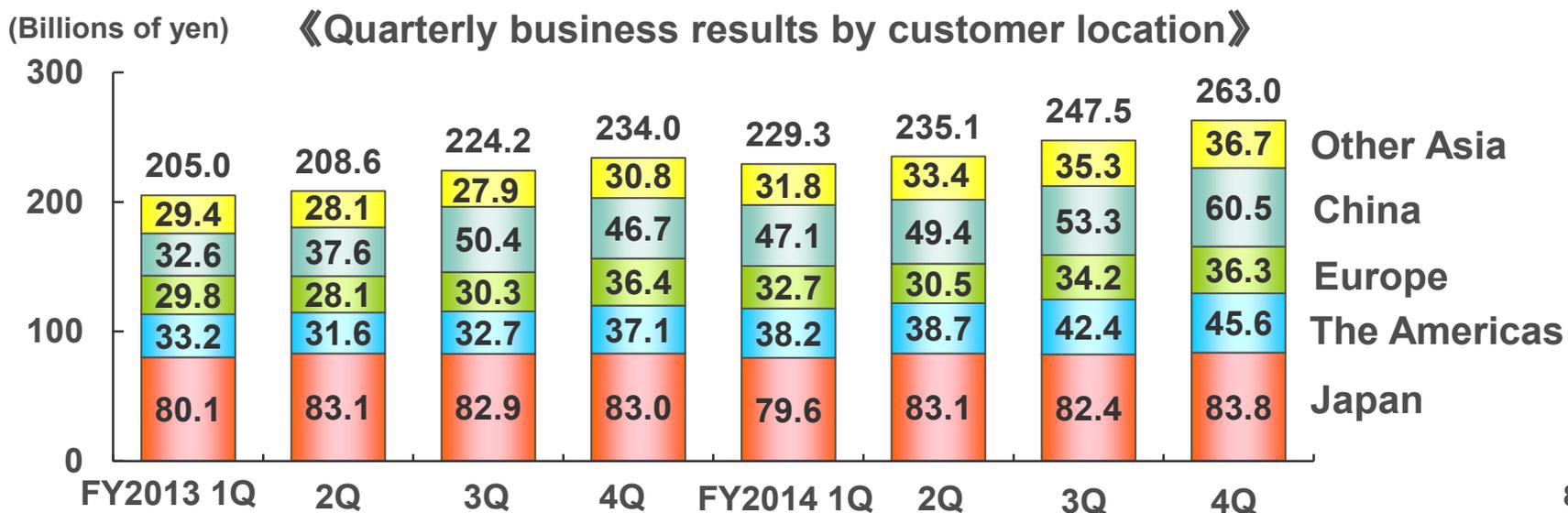
(Billions of yen)



# Business Results by Customer Location



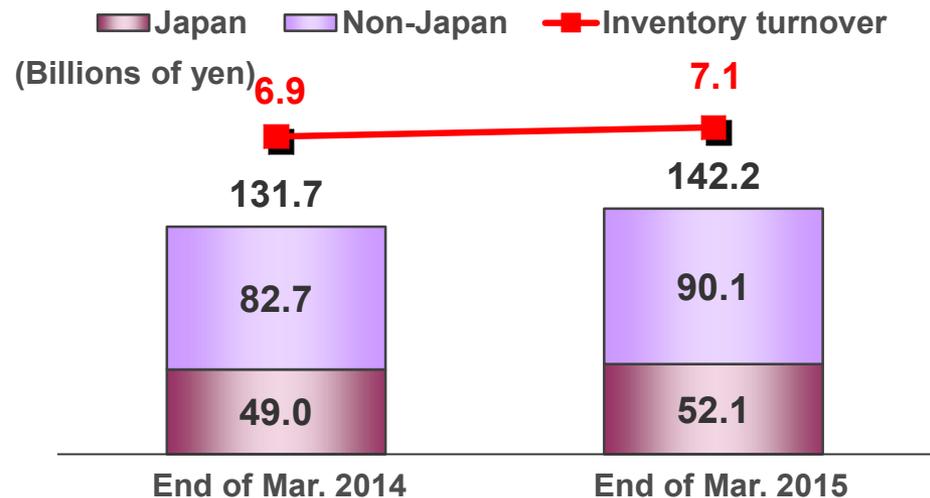
(Billions of yen)	FY2013 <Actual>	FY2014 <Actual>	Increase/ Decrease YOY	Difference YOY
Net sales	871.7	974.9	+103.1	+11.8%
Japan	329.1	328.8	-0.3	-0.1%
Non-Japan (Non-Japan ratio)	542.6 (62.2%)	646.0 (66.3%)	+103.4	+19.1%
The Americas	134.5	164.8	+30.3	+22.6%
Europe	124.6	133.8	+9.2	+7.4%
China	167.2	210.2	+43.0	+25.7%
Other Asia	116.3	137.2	+20.9	+18.0%



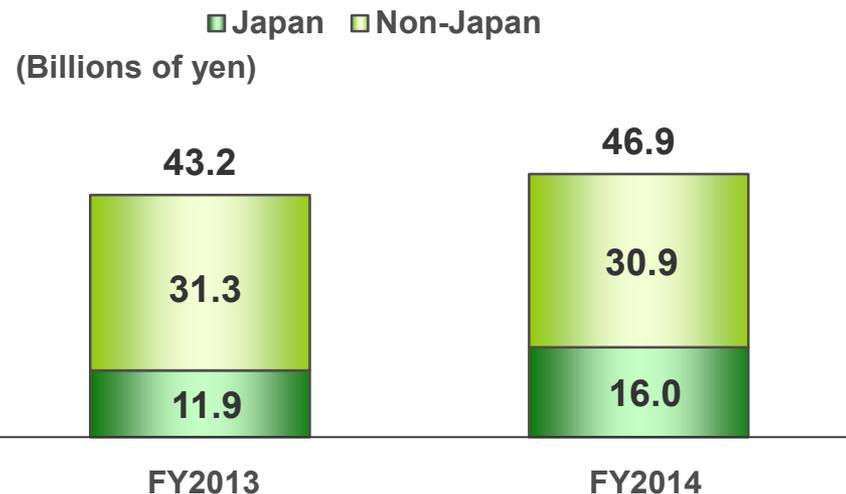
# Inventories / Interest-Bearing Debt, Capital Expenditure / Depreciation and Amortization



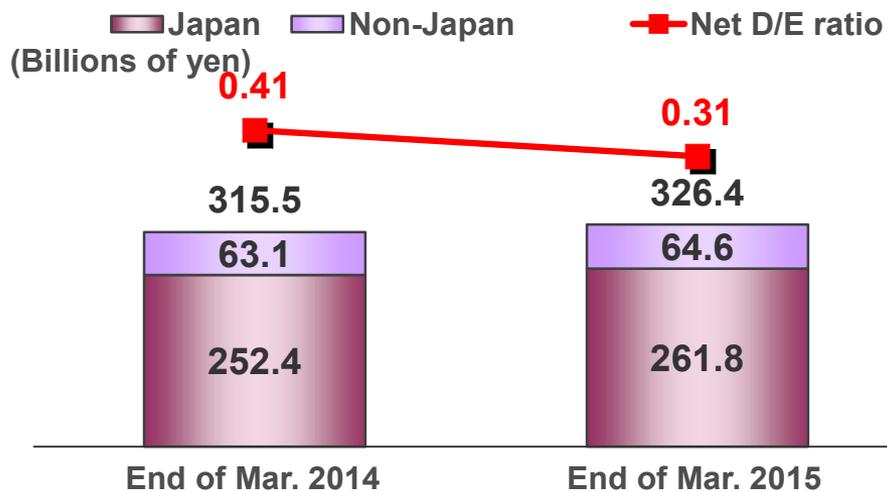
## Inventories



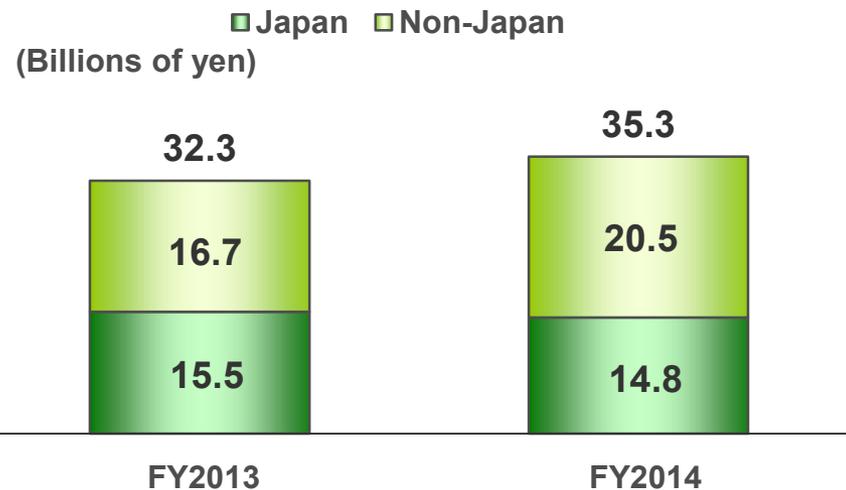
## Capital Expenditure



## Interest-Bearing Debt



## Depreciation and Amortization



## **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

- ✓ **Japan:** Recovery trend driven by the depreciation of the Japanese yen and lower crude oil prices, despite cost increase factors
- U.S.:** Steady demand to continue, **Europe:** fluctuating conditions
- China:** “new normal” economic environment
- ✓ **Industrial machinery business:**
  - Overall recovery trend continues despite mixed demand between sectors
- ✓ **Automotive business:**
  - Production in Japan: Slow demand continues due to the impact of Japanese mini vehicle tax increase, YOY sales decrease
  - Global production: Steady demand in North America and China, demand recovery in Europe and ASEAN

## Business Forecast

- ✓ **Forecast net sales exceeding ¥1 trillion and operating income of over ¥100.0 billion for the first time**
- ✓ **Net sales ¥1,020.0 billion (+4.6% YoY) / Operating Income ¥102.0 billion (+4.8% YoY)**  
**Ordinary Income ¥100.0 billion (+9.9% YoY) / Net Income ¥70.0 billion (+12.9% YoY)**
- ✓ **YOY increase in both net sales and operating income,**  
**Records for net sales, operating income, ordinary income, and net income**
- ✓ **Exchange rate forecast: US\$=¥115.0, EURO=¥125.0**
- ✓ **Annual dividend: ¥34.0 (1<sup>st</sup> half ¥17.0, 2<sup>nd</sup> half ¥17.0 )**

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

(Billions of yen)	FY2014			FY2015			Difference YOY	Change YOY
	1 <sup>st</sup> half <Actual>	2 <sup>nd</sup> half <Actual>	Full year <Actual>	1 <sup>st</sup> half <Forecast>	2 <sup>nd</sup> half <Forecast>	Full year <Forecast>		
Net sales	464.4	510.5	974.9	490.0	530.0	1,020.0	+45.1	+4.6%
Operating income <%>	40.7 <8.8%>	56.6 <11.1%>	97.3 <10.0%>	47.0 <9.6%>	55.0 <10.4%>	102.0 <10.0%>	+4.7	+4.8%
Ordinary income	40.9	50.1	91.0	46.0	54.0	100.0	+9.0	+9.9%
Income before tax	37.9	50.1	88.0	46.0	54.0	100.0	+12.0	+13.7%
Net income	25.9	36.1	62.0	31.0	39.0	70.0	+8.0	+13.0%
(Exchange rate: US\$ =)	(¥103.04)	(¥116.82)	(¥109.93)	(¥115)	(¥115)	(¥115)		
(Exchange rate: EURO =)	(¥138.92)	(¥138.62)	(¥138.77)	(¥125)	(¥125)	(¥125)		

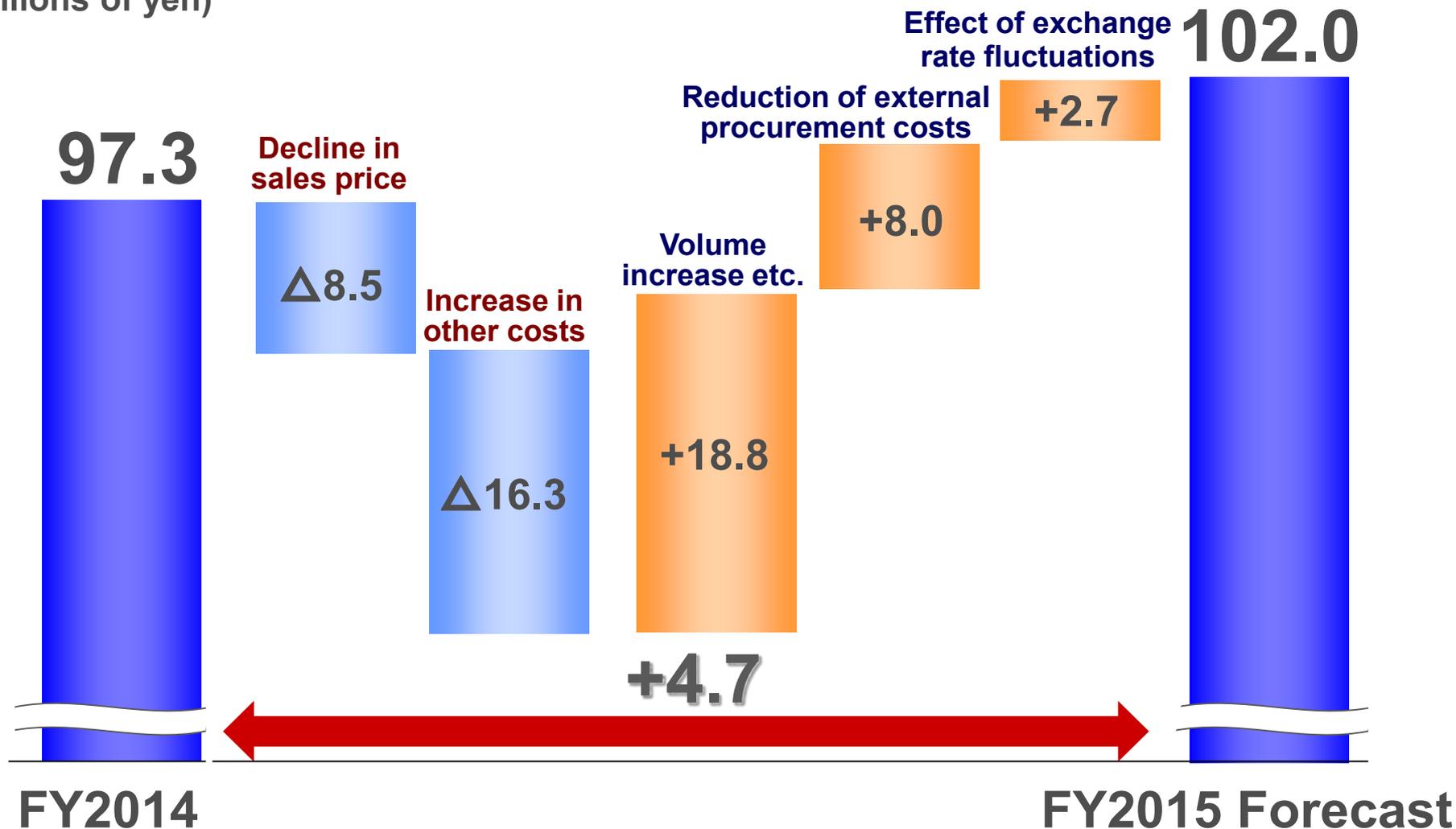
# Forecast by Business Segment

(Billions of yen)	FY2014			FY2015			Difference YOY	Change YOY
	1 <sup>st</sup> half <Actual>	2 <sup>nd</sup> half <Actual>	Full year <Actual>	1 <sup>st</sup> half <Forecast>	2 <sup>nd</sup> half <Forecast>	Full year <Forecast>		
<b>Net sales</b>	<b>464.4</b>	<b>510.5</b>	<b>974.9</b>	<b>490.0</b>	<b>530.0</b>	<b>1,020.0</b>	<b>+45.1</b>	<b>+4.6%</b>
Industrial machinery business	132.5	143.8	276.4	142.5	149.5	292.0	+15.6	+5.6%
Industrial machinery bearings	111.7	120.7	232.4	119.5	125.5	245.0	+12.6	+5.4%
Precision machinery and parts	20.9	23.1	44.0	23.0	24.0	47.0	+3.0	+6.8%
<b>Automotive business</b>	<b>311.8</b>	<b>345.2</b>	<b>657.0</b>	<b>335.0</b>	<b>366.0</b>	<b>701.0</b>	<b>+44.0</b>	<b>+6.7%</b>
Automotive bearings	146.3	160.1	306.4	153.0	165.5	318.5	+12.1	+3.9%
Automotive components	165.5	185.1	350.6	182.0	200.5	382.5	+31.9	+9.1%
<b>Others</b>	<b>34.8</b>	<b>38.1</b>	<b>72.9</b>	<b>27.0</b>	<b>27.0</b>	<b>54.0</b>	<b>-18.9</b>	<b>-25.9%</b>
<b>Eliminations</b>	<b>-14.7</b>	<b>-16.7</b>	<b>-31.4</b>	<b>-14.5</b>	<b>-12.5</b>	<b>-27.0</b>	<b>+4.4</b>	<b>-</b>
<b>Operating income</b>	<b>40.7</b> <8.8%>	<b>56.6</b> <11.1%>	<b>97.3</b> <10.0%>	<b>47.0</b> <9.6%>	<b>55.0</b> <10.4%>	<b>102.0</b> <10.0%>	<b>+4.7</b>	<b>+4.8%</b>
Industrial machinery business	14.5 <10.9%>	19.9 <13.8%>	34.4 <12.4%>	18.0 <12.6%>	20.0 <13.4%>	38.0 <13.0%>	+3.6	+10.5%
Automotive business	28.2 <9.1%>	37.5 <10.9%>	65.7 <10.0%>	32.0 <9.6%>	38.0 <10.4%>	70.0 <10.0%>	+4.3	+6.5%
Others	2.2 <6.2%>	3.6 <9.5%>	5.8 <7.9%>	2.0 <7.4%>	1.5 <5.6%>	3.5 <6.5%>	-2.3	-39.7%
Eliminations/ Corporate	-4.1	-4.4	-8.5	-5.0	-4.5	-9.5	-1.0	-

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

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

(Billions of yen)



# Forecast by Customer Location



(Billions of yen)	FY2014			FY2015			Increase/ Decrease YOY	Change YOY
	1st half <Actual>	2nd half <Actual>	Full year <Actual>	1st half <Forecast>	2nd half <Forecast>	Full year <Forecast>		
<b>Net sales</b>	<b>464.4</b>	<b>510.5</b>	<b>974.9</b>	<b>490.0</b>	<b>530.0</b>	<b>1,020.0</b>	<b>+45.1</b>	<b>+4.6%</b>
<b>Japan</b>	<b>162.6</b>	<b>166.2</b>	<b>328.8</b>	<b>164.5</b>	<b>169.0</b>	<b>333.5</b>	<b>+4.7</b>	<b>+1.4%</b>
<b>Non-Japan</b> (Non-Japan ratio)	<b>301.7</b> <b>(65.0%)</b>	<b>344.3</b> <b>(67.4%)</b>	<b>646.0</b> <b>(66.3%)</b>	<b>325.5</b> <b>(66.4%)</b>	<b>361.0</b> <b>(68.1%)</b>	<b>686.5</b> <b>(67.3%)</b>	<b>+40.5</b>	<b>+6.3%</b>
<b>The Americas</b>	<b>76.8</b>	<b>88.0</b>	<b>164.8</b>	<b>84.0</b>	<b>93.5</b>	<b>177.5</b>	<b>+12.7</b>	<b>+7.7%</b>
<b>Europe</b>	<b>63.3</b>	<b>70.5</b>	<b>133.8</b>	<b>61.0</b>	<b>67.0</b>	<b>128.0</b>	<b>-5.8</b>	<b>-4.3%</b>
<b>China</b>	<b>96.5</b>	<b>113.7</b>	<b>210.2</b>	<b>109.5</b>	<b>123.0</b>	<b>232.5</b>	<b>+22.3</b>	<b>+10.6%</b>
<b>Other Asia</b>	<b>65.2</b>	<b>72.1</b>	<b>137.2</b>	<b>71.0</b>	<b>77.5</b>	<b>148.5</b>	<b>+11.3</b>	<b>+8.2%</b>

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

# 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》

## Business Strategies

Growth with focus on profitability

Growth in emerging countries

Enhancement of customer and sector strategies

Production and technology development capabilities

Strategic alliances

Industrial Machinery business

Automotive business

## Corporate Foundation

Develop management capability to handle ¥1 trillion in sales volume

Enhancement of corporate governance and compliance

Reform of business structure

Advancement of global management

New production, sales and administration systems

Business management Regional management

**Safety, Quality, and Compliance**

	Numerical Targets	The 2 <sup>nd</sup> year Actual
	FY2015	FY2014
Net Sales	¥940.0 billion	¥974.9 billion
Operating Income	¥86.0 billion	¥97.3 billion
Ordinary Income	¥80.0 billion	¥91.0 billion
Net Income	¥52.0 billion	¥62.0 billion
Operating Income %	9.1%	10.0%
ROE	13.0%	15.3%
Net D/E Ratio	0.40	0.31
Exchange Rate	1US\$=¥90 1Euro=¥120	1US\$=¥110 1Euro=¥139

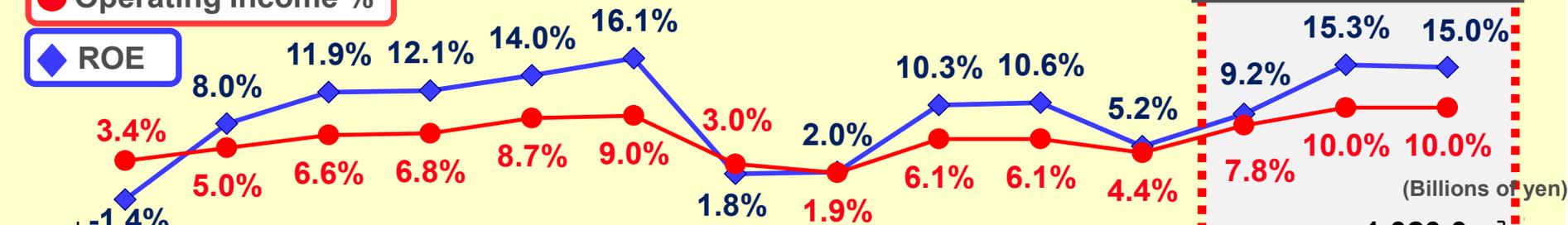
# The 4<sup>th</sup> Mid-Term Management Plan: Business Forecast



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

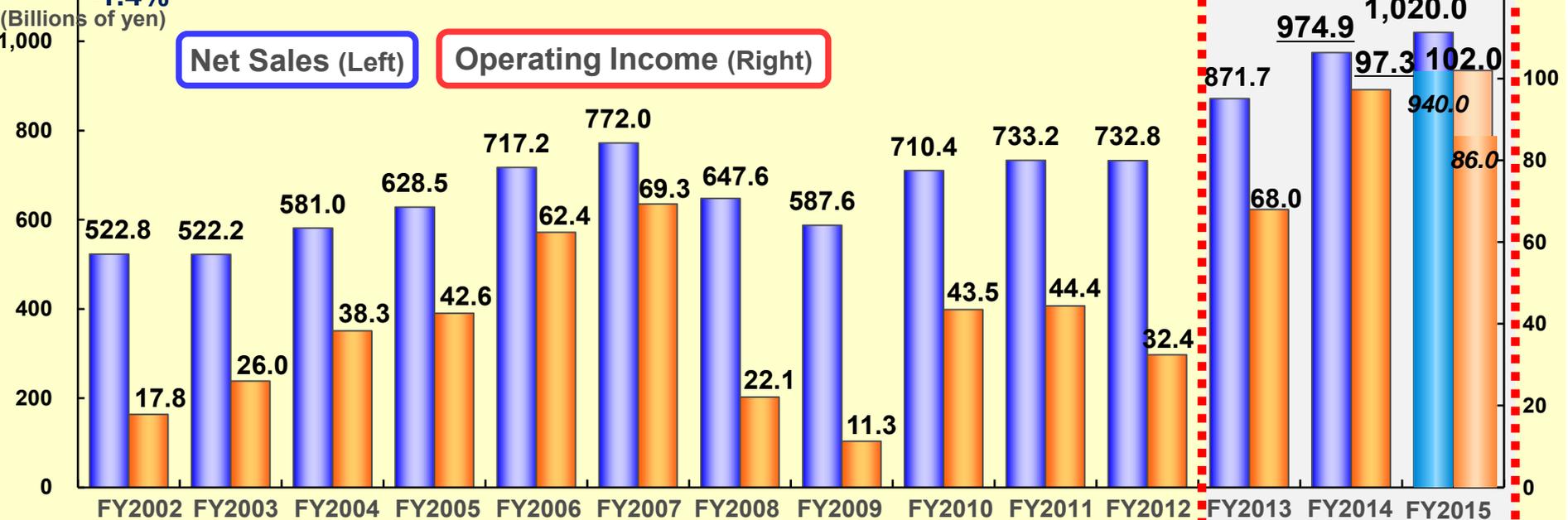
● Operating Income %

◆ ROE



Net Sales (Left)

Operating Income (Right)



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

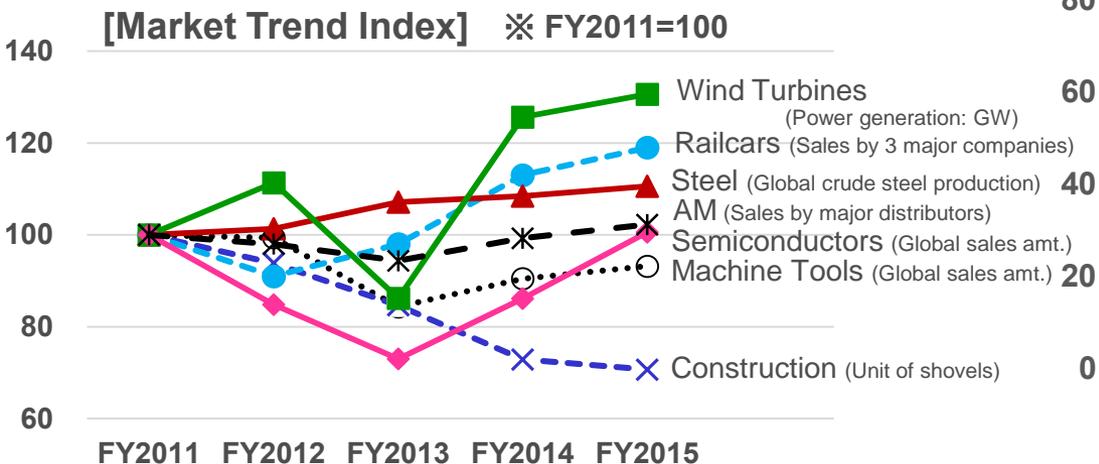
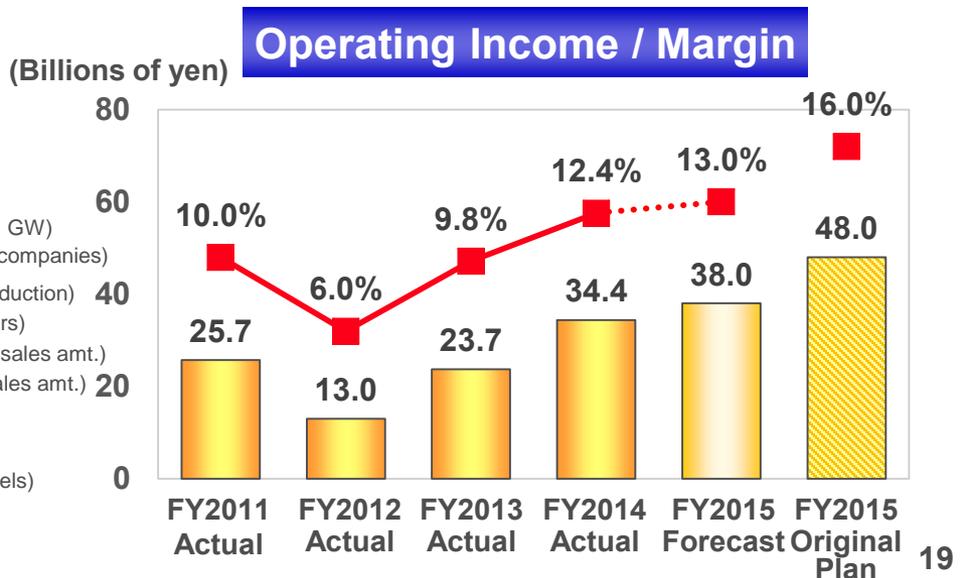
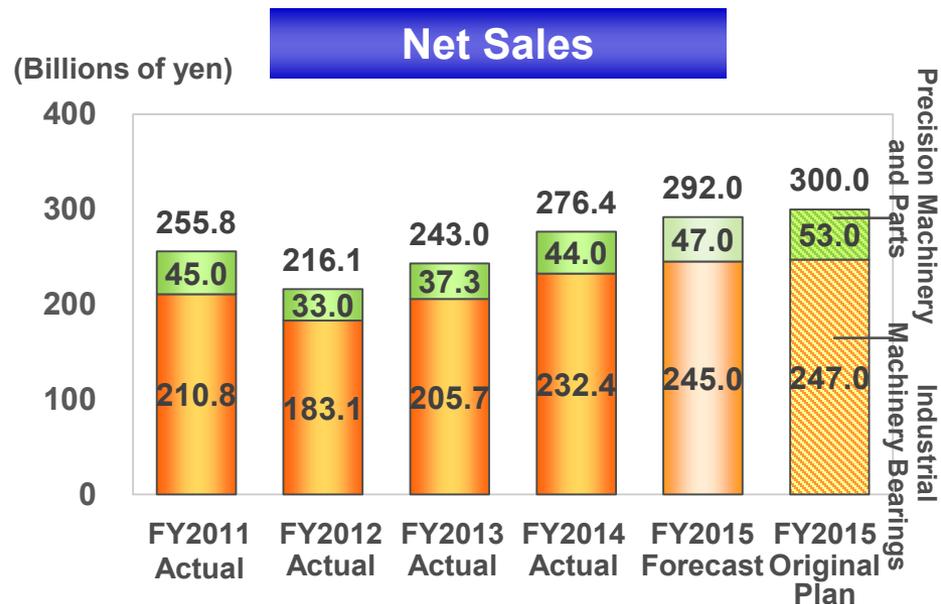


# Industrial Machinery Business ①: FY2014 Business Environment and Business Forecast



【Demand trend by sector】 [FY2014 vs FY2015]

Sectors	Overall	Japan	Non-Japan
Electrical / IT	→	→	→
Steel Plant Facilities	→	→	→
Fluid Machinery	→	→	→
Mining & Construction	↘	↘	↘
Agricultural Machinery	↘	→	↘
Wind Turbines	↗	→	↗
Railcars	↗	→	↗
Machine Tools	→	→	→
Injection Molding	↗	↗	↗
Semiconductors / Liquid Crystal	↗	→	↗
Aftermarket	↗	→	↗



# Industrial Machinery Business ②: Progress of Mid-Term Management Plan



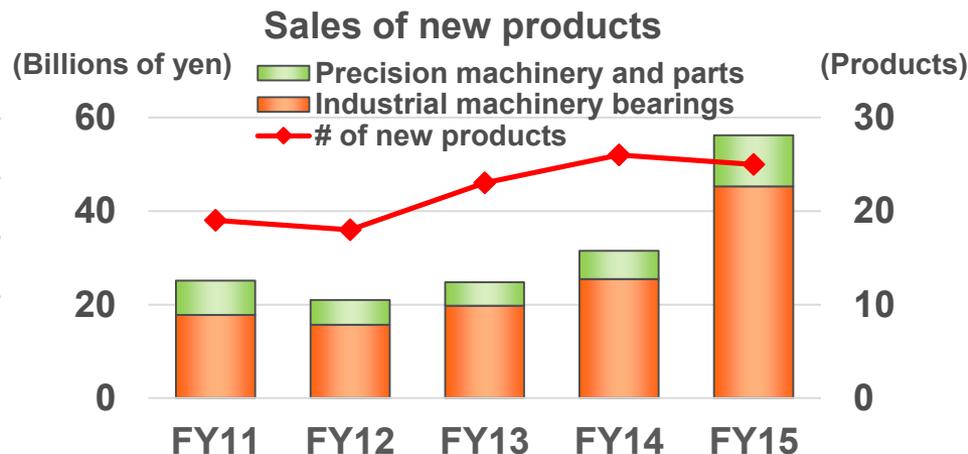
## Sales: Sector-Focused Initiatives

Sectors	Applications	Sales (¥)
Wind Turbines	Gear boxes	2.5 billion
Machine Tools	EMS / Main spindles	3.8 billion
Railcars	High-speed railcars	1.9 billion
Fluid Machinery	Shale gas, mud pumps	0.3 billion
New Fields (Robots)	Medical equipment, robot arms	0.1 billion

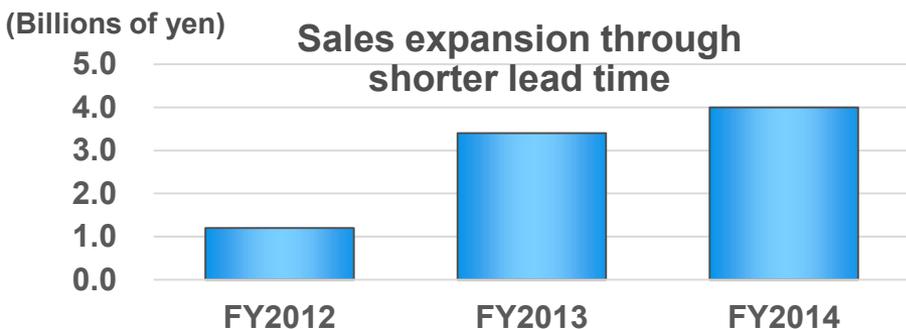
### <Significant projects - active - >

- Global targeted accounts: 57 companies
- Order intake targets: 160 orders, ¥14.0 billion

## Technology: New Products, New Technologies



## Production: Shortening Lead Time



- Industrial machinery bearings: 10 to 60 days shorter
- Precision machinery and parts: 20 to 60 days shorter

## Maintenance Business



- Steel plant facilities, railcars, wind turbines, and general machinery
- Contracted: 8 businesses
- Under negotiation: 20 businesses
- Established dedicated teams

Supporting sales through new products/technologies, shorter production lead time, focus on maintenance business

# Automotive Business ①

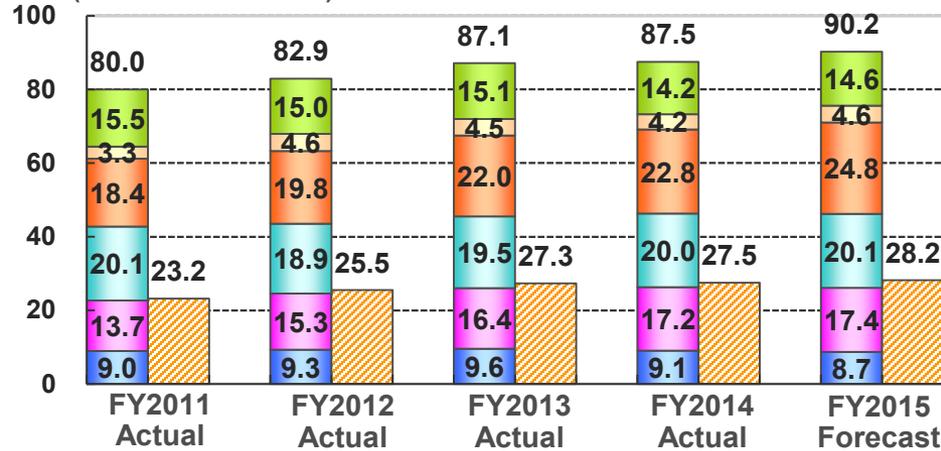
## Vehicle Production and Business Forecast



### 【Vehicle Production Volume (Global / By Japanese Automakers)】

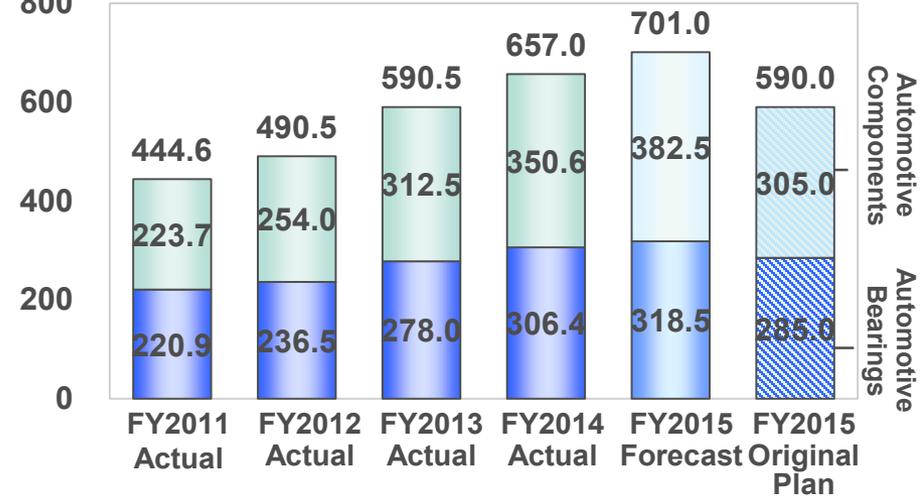
Left: Global ■ Japan ■ N. America ■ Europe ■ China ■ ASEAN6 ■ Others  
 Right: By Japanese Automakers

(Millions of vehicles)



### Net Sales

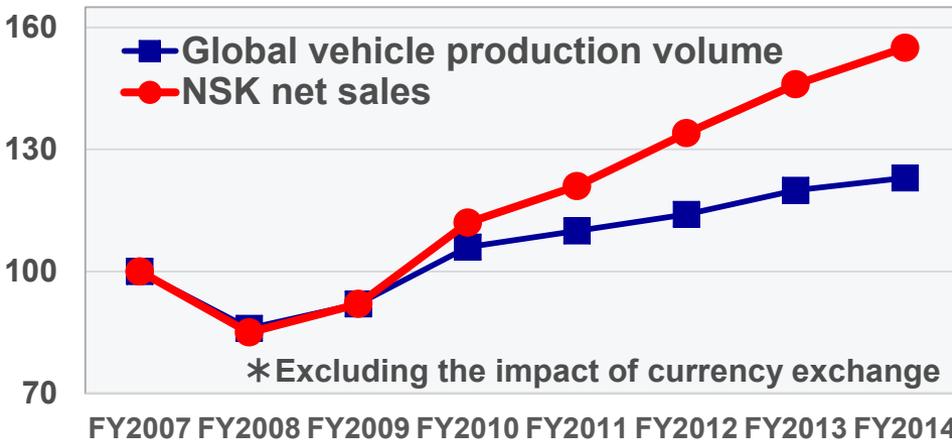
(Billions of yen)



### 【NSK's Business vs. Automotive Market Trends】

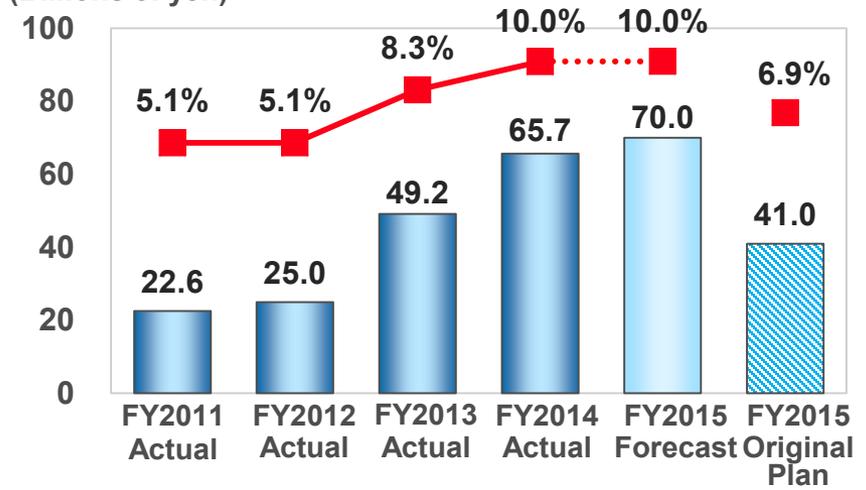
**NSK's sales outpacing growth in overall automotive market.**

(Index)



### Operating Income / Margin

(Billions of yen)



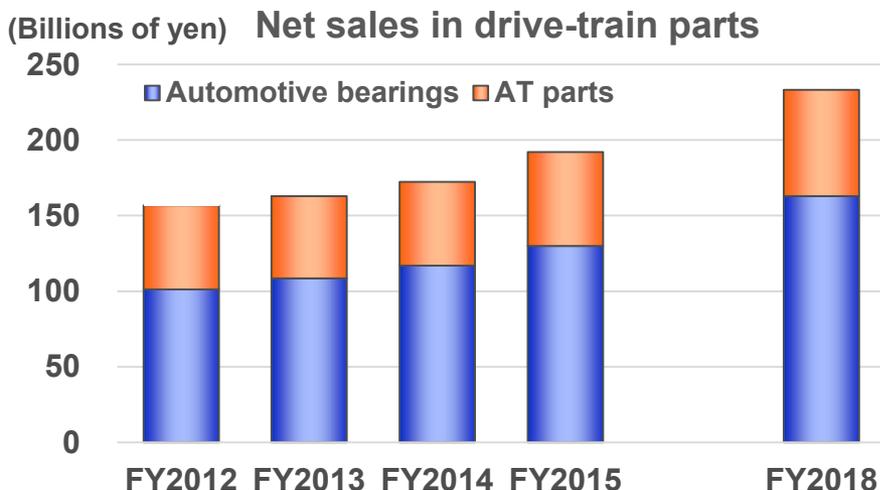
# Automotive Business ②

## Progress of Mid-Term Management Plan



### Automotive Bearings • Automotive Components

#### Sales expansion in drive-train parts

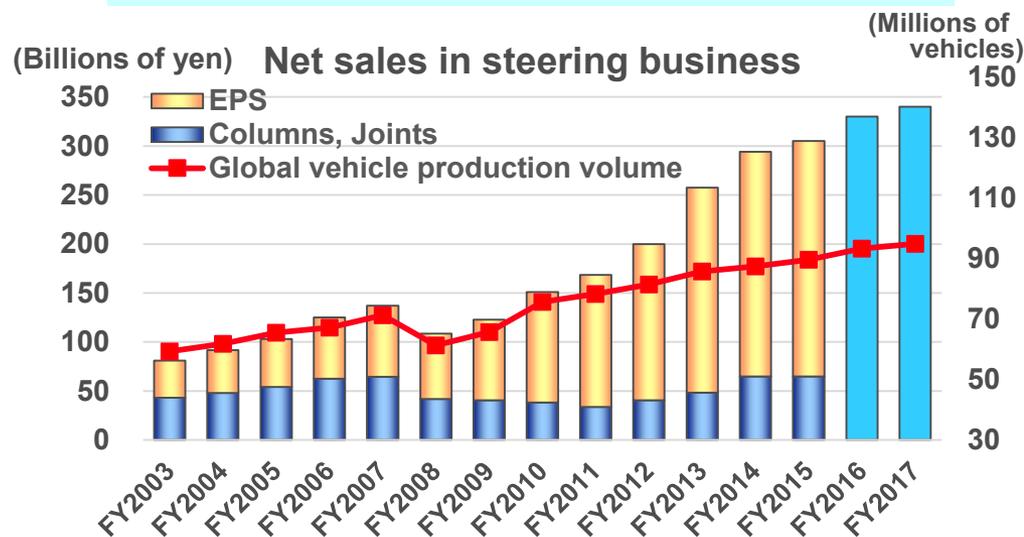


#### Strengths & Expansion Strategy

- Response to each type of transmission
- Customer solutions spanning both bearings and AT parts
- Sales expansion by multi-stepping of Step AT
- Sales expansion with core Japanese customers
- Targeting expansion with non-Japanese customers

### Automotive Components

#### Continued expansion of steering business



#### Achievements & Future Strategy

- Increase awarded projects and expand global production
- Strengthen competitiveness through procurement strategy and internal manufacturing
- Enhance quality management (design, production, and procurement)
- Respond to next-gen technological innovations
- Sustainable growth of column-type EPS and manual column businesses

**Sustainable growth accompanied by profitability**

## Positioning of FY2015 and Management Policy

- **Final year to complete mid-term management plan**
  - ✓ Despite achieving numerical targets a year ahead of schedule, will continue enhancing fundamentals and work to meet unachieved areas
  - ✓ Enhance profitability through internal efforts to overcome direct cost increases
  - ✓ Enhance sensitivity and responsiveness toward economic downturn risks and demand fluctuations
- **Continue building corporate fundamentals appropriate for a company with net sales of ¥1 trillion**
  - ✓ Strengthening global business operations through standardization, commonalization and sharing
  - ✓ Continued focus on safety, quality and compliance
- **Drafting 5<sup>th</sup> Mid-Term Management Plan**
- **Full-scale activities for 100<sup>th</sup> anniversary of NSK's foundation**  
~Introducing "NSK Vision 2026"~



## 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.

**(Supplementary Information)**

## Forecast by Geographical Segment

(Billions of yen)	FY2013 <Actual>	FY2014 <Actual>	FY2015 <Forecast>
<b>Net Sales</b>	871.7	974.9	1,020.0
Japan	512.2	522.7	514.0
The Americas	132.4	156.7	173.0
Europe	126.8	138.8	128.5
Asia	288.2	353.9	392.5
Eliminations	-187.9	-197.4	-188.0

<b>Operating Income</b>	68.0 <7.8%>	97.3 <10.0%>	102.0 <10.0%>
Japan	38.4 <7.5%>	41.0 <7.8%>	37.0 <7.2%>
The Americas	6.0 <4.5%>	10.5 <6.7%>	14.0 <8.1%>
Europe	5.2 <4.1%>	11.3 <8.2%>	9.0 <7.0%>
Asia	27.3 <9.5%>	44.2 <12.5%>	51.5 <13.1%>
Eliminations/ Corporate	-8.9	-9.7	-9.5

(Supplementary Information)  
**Consolidated Balance Sheets**

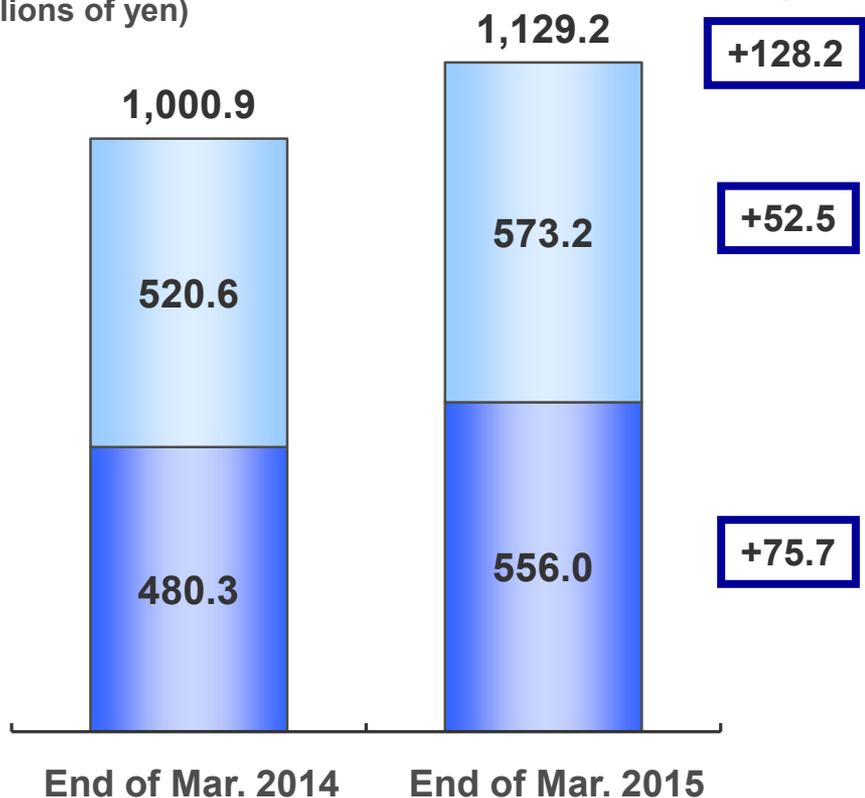


**Assets**

■ Non-current assets   ■ Current assets

(Billions of yen)

Change YOY

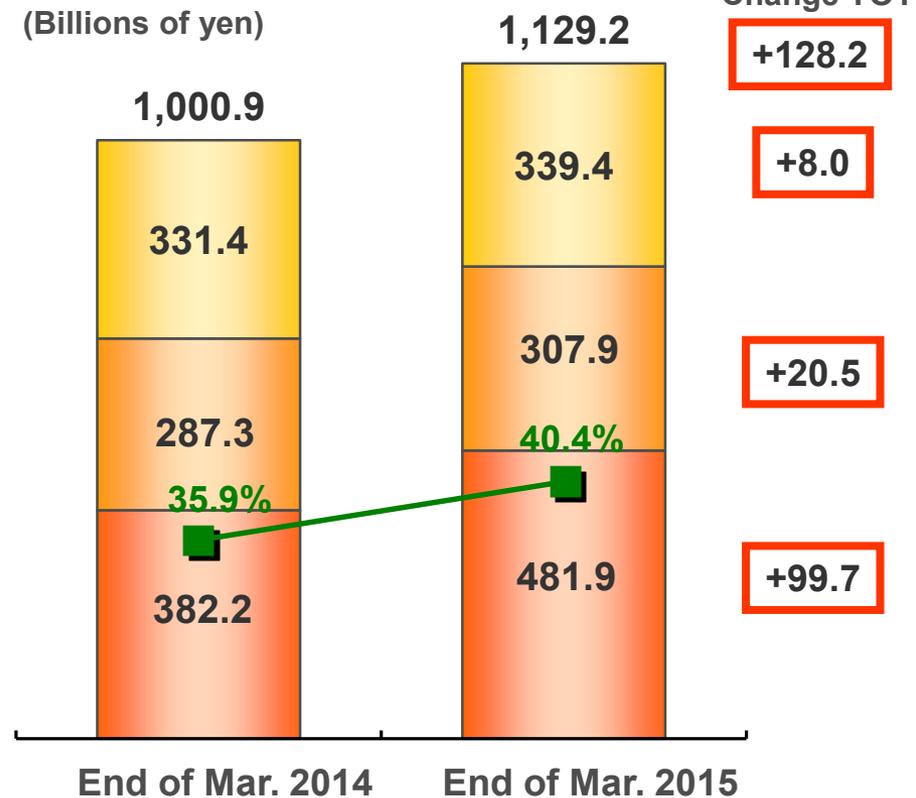


**Liabilities and Net Assets**

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

(Billions of yen)

Change YOY



US\$:	102.92	120.17
Euro:	141.65	130.32

US\$:	102.92	120.17
Euro:	141.65	130.32

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



(Billions of yen)	FY2013 <Actual>	FY2014 <Actual>	FY2015 <Forecast>
Capital expenditure (※)	43.2	46.9	51.0

※Excluding intangible assets

(Billions of yen)	FY2013 <Actual>	FY2014 <Actual>	FY2015 <Forecast>
Depreciation and amortization (※)	32.3	35.3	38.0

※Excluding intangible assets

(Billions of yen)	FY2013 <Actual>	FY2014 <Actual>	FY2015 <Forecast>
R&D expenses	9.9	10.7	11.0