

NSK Ltd.

For Immediate Release

October 30, 2012

CONSOLIDATED RESULTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2012 (Unaudited) [JP GAAP]

Company name	NSK Ltd.
Stock exchanges on which the shares are listed	Tokyo and Osaka Stock Exchanges in Japan
Code number	6471
URL	http://www.nsk.com
Representative	Norio Otsuka, President and CEO
Contact person	Yukio Ikemura, Vice President
Filing date of quarterly securities report	November 12, 2012
Payment date of cash dividends	December 4, 2012

(Amounts are rounded down to the nearest million yen)

1. Consolidated Financial Highlights for the Six Months Ended September 30, 2012

(1) Consolidated financial results

(% of changes from the same period last year)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Six months ended Sep. 30, 2012	369,401	5.0	18,416	(19.7)	16,954	(22.4)	11,857	(17.6)
Six months ended Sep. 30, 2011	351,877	(0.3)	22,935	13.0	21,839	25.9	14,388	36.2

(Note) Comprehensive income Six months ended Sep. 30, 2012 (3,060) million yen —%
Six months ended Sep. 30, 2011 (1,001) million yen —%

	Net income per share - Basic	Net income per share - Diluted
	Yen	Yen
Six months ended Sep. 30, 2012	21.94	—
Six months ended Sep. 30, 2011	26.62	26.61

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity to total assets
	Millions of Yen	Millions of Yen	%
As of Sep. 30, 2012	819,681	291,827	33.3
As of Mar. 31, 2012	845,073	299,066	33.2

(Note) Equity capital As of Sep. 30, 2012 273,312 million yen As of Mar. 31, 2012 280,312 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
	Yen	Yen	Yen	Yen	Yen
Year ended Mar. 31, 2012	—	6.00	—	6.00	12.00
Year ending Mar. 31, 2013	—	6.00	—	—	—
Year ending Mar. 31, 2013 (Forecast)	—	—	—	5.00	11.00

(Note) Revisions to the forecast of cash dividends in the current quarter: Yes

3. Forecast of Consolidated Results for the Year Ending March 31, 2013

(% of changes from the same period last year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Year ending Mar. 31, 2013	715,000	(2.5)	27,000	(39.2)	23,000	(45.2)	15,000	(47.4)	27.76

(Note) Revisions to the forecast of consolidated results in the current quarter: Yes

4. Others

(1) Changes in significant subsidiaries during the period (Changes in specified subsidiaries resulting in change in the scope of consolidation): Yes

One exclusion. (NSK Precision Co., Ltd.)

Note: For more details, please refer to page 5 "2. Matters Regarding Summary Information (Others)".

(2) Adoption of simplified accounting methods and special accounting methods for presenting quarterly consolidated financial statements: Yes

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

(i) Changes due to newly issued accounting pronouncements: Yes

(ii) Changes excluding the above: None

(iii) Changes in accounting estimates: Yes

(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 Sep. 30, 2012 551,268,104 shares As of Mar. 31, 2012 551,268,104 shares

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

As of Sep. 30, 2012 11,344,821 shares As of Mar. 31, 2012 10,708,237 shares

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

Six months ended Sep. 30, 2012 540,346,833 shares Six months ended Sep. 30, 2011 540,563,656 shares

(Reference) Consolidated Financial Highlights for the Three Months Ended September 30, 2012

(% of changes from the same period last year)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Three months ended Sep. 30, 2012	179,326	(3.5)	6,285	(51.6)	5,668	(53.7)	4,861	(42.9)
Three months ended Sep. 30, 2011	185,784	3.9	12,974	30.3	12,247	46.9	8,508	56.2

(Note) Comprehensive income Three months ended Sep. 30, 2012 2,203 million yen -%
Three months ended Sep. 30, 2011 (6,546) million yen -%

	Net income per share - Basic		Net income per share - Diluted	
	Yen	Yen	Yen	Yen
Three months ended Sep. 30, 2012	9.00	—	—	—
Three months ended Sep. 30, 2011	15.74	15.74	15.74	15.74

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

During the first half of the year ending March 31, 2013, although Japanese economic growth gradually recovered supported by demand recovery following the Great East Japan Earthquake, economic growth in emerging countries slowed, particularly in China and ASEAN countries. There were also concerns over the protracted financial crisis in Europe, and overall, the global economy showed signs of deceleration.

In this economic situation, the NSK Group promoted growth strategy and profitability improvement, and strove to expand sales and reduce costs.

As a result, consolidated net sales totaled ¥369,401 million, a year-on-year increase of 5.0%, and operating income totaled ¥18,416 million, a year-on-year decrease of 19.7%. Ordinary income was ¥16,954 million, a year-on-year decrease of 22.4%. Net income after adjusting for income taxes and minority interests was ¥11,857 million, a year-on-year decrease of 17.6%.

Business Segment Information

① Industrial Machinery Business Segment

Demand in the industrial machinery business has slowed since the beginning of the third quarter of the fiscal year. Despite sales promotions in each region, sales of both industrial machinery bearings and precision machinery and parts decreased. Looking at results on a regional basis, in Japan, sales in the machine tool sector, which showed strong performance during the previous fiscal year, and in the construction sector decreased due to slowing economic growth in China. In the Americas, demand in the aftermarket sector declined, mainly in South America. In Europe, demand in the general machinery and IT/electrical sectors decreased. In China, demand in aftermarket sector and machine tool sector declined.

As a result, net sales in the industrial machinery business totaled ¥112,225 million, a year-on-year decrease of 15.7%, and operating income was ¥8,766 million, a year-on-year decrease of 41.7%.

② Automotive Business Segment

In the automotive business, sales of both automotive bearings and automotive components increased. Looking at the geographic breakdown, in Japan, sales expanded thanks to the production recovery from the Great East Japan Earthquake and the effect of government subsidies for eco-cars. In the Americas, there were signs of an economic upturn; sales by Japanese automakers recovered and demand for electric power steering (EPS) systems increased. In Europe, sales declined due to protracted market stagnation. In China, market expansion slowed and the impact of reduced production by Japanese automakers affected sales. In Thailand, demand for automotive bearings and EPS systems expanded, supported by factors such as automotive purchasing incentives.

As a result, net sales in the automotive business totaled ¥243,827 million, a year-on-year increase of 21.8%, and operating income totaled ¥12,344 million, a year-on-year increase of 34.4%, despite the appreciation of the Japanese yen.

(2) Qualitative Information Regarding Consolidated Financial Position

Assets and Liabilities

Total assets were ¥819,681 million, a decrease of ¥25,392 million, compared to total assets as of March 31, 2012. The main reasons for this were decreases of ¥23,621 million in cash and deposits, ¥16,357 million in notes and accounts receivable, and ¥8,976 million in investment securities, which offset an increase of ¥22,504 million in short-term investment securities.

Total liabilities were ¥527,854 million, a decrease of ¥18,153 million, compared to total liabilities as of March 31, 2012. The main reasons for this were decreases of ¥7,302 million in notes and accounts payable and ¥2,005 million in accrued income taxes.

Net assets

Net assets totaled ¥291,827 million, a decrease of ¥7,239 million, compared to net assets as of March 31, 2012. The main reasons for this were an increase of ¥11,857 million in net income, which offset decrease of ¥5,413 million in valuation difference on available-for-sale securities and ¥9,930 million in translation adjustments.

Cash Flows

Total cash and cash equivalents at the end of the period were ¥137,096 million, an increase of ¥1,788 million, compared to total cash and cash equivalents as of March 31, 2012, and a year-on-year increase of ¥20,072 million.

① Net cash flow provided by operating activities

Net cash flow provided by operating activities totaled ¥26,623 million, an increase of ¥15,684 million compared to the same period previous year. This includes ¥16,136 million in income before income taxes and minority interests, ¥16,393 million provided by depreciation and amortization, and a decrease of ¥11,637 million in notes and accounts receivable, which offset an increase of ¥6,625 million in inventories, and a decrease of ¥5,869 million in notes and accounts payable.

② Net cash flow used in investing activities

Cash flow used in investing activities totaled ¥21,512 million, a decrease of ¥4,686 million compared to the same period of the previous year. This includes ¥23,193 million for purchase of property, plant and equipment.

③ Net cash flow used in financing activities

Net cash flow used in financing activities totaled ¥1,780 million, an increase of ¥16,470 million compared to the same period of the previous year. Major inflows included an increase of ¥3,525 million in short-term loans, while major outflows included ¥1,329 million for repayments of long-term loans and ¥3,241 million for dividends paid.

(3) Qualitative Information Regarding Consolidated Business Forecast

Our business environment has been more severe than initially expected, and we expect these conditions will continue during the second half of this fiscal year. We are therefore revising our year-end consolidated business forecast for the year ending March 31, 2013, which was announced on May 11, 2012.

2. Matters Regarding Summary Information (Others)

(1) Changes in significant subsidiaries during the period

(Changes in specific subsidiaries resulting in change in scope of consolidation)

NSK Precision Co., Ltd., one of our consolidated subsidiaries, was absorbed into NSK Ltd. on July 1, 2012.

(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

(Changes in Accounting Policies for Items that are Difficult to Categorize as Changes in Accounting Estimates)

In accordance with revisions to the Corporation Tax Act, the Company and its domestic consolidated subsidiaries have revised their method of accounting for depreciation for property, plant and equipment acquired on or after April 1, 2012, in accordance with the post-revision Corporation Tax Act, from the six months ended September 30, 2012. The impact of these changes on income during the six months ended September 30, 2012, was immaterial.

(4) Additional Information

(Change in matters concerning fiscal year of consolidated subsidiaries)

2 consolidated subsidiaries used an account closing date of December 31. In order to disclose consolidated financial information in an appropriate manner, from the first quarter of this fiscal year, these companies changed their fiscal year end from December 31 to March 31. Profit and loss for the 3 months from January to March 2012 has been adjusted for as retained earnings.

3. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

	(Millions of Yen)	
	As of Mar. 31, 2012	As of Sep. 30, 2012
Assets		
Current assets:		
Cash and deposits	72,726	49,104
Notes and accounts receivable	155,234	138,877
Short-term investment securities	66,067	88,571
Finished goods	62,881	63,428
Work in process	37,476	37,839
Raw materials and supplies	15,059	15,746
Others	46,202	47,590
Less allowance for doubtful accounts	(1,015)	(972)
Total current assets	454,631	440,184
Non-current assets:		
Property, plant and equipment		
Buildings and structures	70,129	69,228
Machinery, vehicles and equipment	112,551	112,634
Others	68,963	68,414
Total property, plant and equipment	251,644	250,277
Intangible fixed assets	12,526	12,915
Investments and other assets		
Investment securities	74,811	65,834
Prepaid pension costs	42,712	41,972
Others	9,211	8,960
Less allowance for doubtful accounts	(464)	(464)
Total investments and other assets	126,271	116,303
Total non-current assets	390,442	379,496
Total assets	845,073	819,681

(Millions of Yen)

	As of Mar. 31, 2012	As of Sep. 30, 2012
Liabilities		
Current liabilities:		
Notes and accounts payable	137,607	130,304
Short-term loans	84,403	84,910
Current portion of corporate bonds	30,000	30,000
Accrued income taxes	4,764	2,758
Others	51,725	48,988
Total current liabilities	308,501	296,962
Non-current liabilities:		
Corporate bonds	35,000	35,000
Long-term loans	147,346	146,715
Accrued employees' retirement benefits	20,990	18,693
Accrued officers' retirement benefits	1,592	1,527
Reserves for environmental safety measures	136	136
Others	32,439	28,818
Total non-current liabilities	237,506	230,891
Total liabilities	546,007	527,854
Net assets		
Shareholders' equity		
Common stock	67,176	67,176
Additional paid-in capital	78,340	78,340
Retained earnings	178,186	186,855
Treasury stock	(4,188)	(4,513)
Total shareholders' equity	319,514	327,858
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	14,766	9,353
Translation adjustments	(53,969)	(63,899)
Total accumulated other comprehensive income	(39,202)	(54,545)
Share subscription rights	540	482
Minority interests	18,212	18,032
Total net assets	299,066	291,827
Total liabilities and net assets	845,073	819,681

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

Consolidated Statements of Operations

	(Millions of Yen)	
	Six months ended Sep. 30, 2011	Six months ended Sep. 30, 2012
Net sales	351,877	369,401
Cost of sales	276,943	298,361
Gross profit	74,934	71,039
Selling, general and administrative expenses	51,998	52,623
Operating income	22,935	18,416
Non-operating income:		
Interest income	388	267
Dividend income	508	706
Equity in earnings of affiliated companies	1,526	1,567
Others	1,888	1,202
Total non-operating income	4,311	3,744
Non-operating expenses:		
Interest expenses	2,427	2,448
Exchange loss	1,222	1,281
Others	1,758	1,476
Total non-operating expenses	5,408	5,206
Ordinary income	21,839	16,954
Extraordinary loss:		
Loss on devaluation of investment securities	—	818
Total extraordinary loss	—	818
Income before tax expenses and minority interests	21,839	16,136
Income taxes	6,902	3,288
Income before minority interests	14,936	12,847
Minority interests	547	989
Net income	14,388	11,857

Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Six months ended Sep. 30, 2011	Six months ended Sep. 30, 2012
Income before minority interests	14,936	12,847
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,357)	(5,381)
Translation adjustments	(12,419)	(10,384)
Share of other comprehensive income of associates accounted for using equity method	(161)	(141)
Total other comprehensive income	(15,938)	(15,908)
Comprehensive income	(1,001)	(3,060)
(Details)		
Comprehensive income attributable to parent company	(827)	(3,485)
Comprehensive income attributable to minority interests	(173)	424

(3) Consolidated Statement of Cash Flows

(Millions of Yen)

	Six months ended Sep. 30, 2011	Six months ended Sep. 30, 2012
Operating activities		
Income before income taxes and minority interests	21,839	16,136
Depreciation and amortization	17,154	16,393
Amortization of goodwill	384	362
Increase (decrease) in allowance for doubtful accounts	86	14
Increase (decrease) in provision for retirement benefits and prepaid pension cost	(467)	(841)
Interest and dividend income	(896)	(974)
Interest expenses	2,427	2,448
Equity in losses (earnings) of affiliates	(1,526)	(1,567)
Loss (gain) on devaluation of investment securities	—	818
Decrease (increase) in notes and accounts receivable	(12,715)	11,637
Decrease (increase) in inventories	(11,536)	(6,625)
Increase (decrease) in notes and accounts payable	3,512	(5,869)
Others	(1,008)	637
Subtotal	17,253	32,568
Interest and dividends received	2,091	1,779
Interest paid	(2,219)	(2,385)
Income taxes paid	(6,186)	(5,338)
Net cash provided by operating activities	10,939	26,623
Investing activities		
Net decrease (increase) in time deposits	(611)	2,322
Purchase of short-term investment securities	(3,300)	(3,700)
Proceeds from sales of short-term investment securities	3,545	4,604
Purchase of property, plant and equipment	(24,993)	(23,193)
Proceeds from sales of property, plant and equipment	1,134	334
Purchase of investment securities	(372)	(199)
Proceeds from sales of investment securities	305	107
Payments for loans receivable	(45)	(40)
Collection of loans receivable	56	67
Others	(1,916)	(1,813)
Net cash used in investing activities	(26,198)	(21,512)
Financing activities		
Net increase (decrease) in short-term loans	13,143	3,525
Increase in long-term loans	17,334	734
Repayments of long-term loans	(11,782)	(1,329)
Payments for redemption of corporate bonds	(300)	—
Acquisition of treasury stock	(6)	(323)
Dividends paid	(3,247)	(3,241)
Dividends paid to minority shareholders	(380)	(605)
Others	(70)	(540)
Net cash provided by (used in) financing activities	14,690	(1,780)
Effect of exchange rate changes on cash and cash equivalents	(2,583)	(1,440)
Net increase (decrease) in cash and cash equivalents	(3,151)	1,890
Cash and cash equivalents at beginning of the year	120,333	135,307
Increase (decrease) in cash and cash equivalents resulting from changes in fiscal year-ends of consolidated subsidiaries	(157)	(101)
Cash and cash equivalents at end of the period	117,023	137,096

(4) Going Concern Assumption

None.

(5) Notes to Quarterly Consolidated Balance Sheet

1. Litigation and Other Legal Matters

(The year ended Mar. 31, 2012)

None.

(The second quarter of the year ending Mar. 31, 2013)

① Prosecution by the Tokyo District Public Prosecutors Office, etc.

The headquarters and its relevant sales branches of NSK were investigated in July 2011, by JFTC in relation to the Japan Antimonopoly Act regarding sales of bearings of NSK. In addition, in April 2012, NSK was searched by the Special Investigation Department of the Tokyo District Public Prosecutors Office and JFTC in relation to the Japan Antimonopoly Act. Furthermore, in June 2012, NSK, its former officers, and its former employee were prosecuted by the Tokyo District Public Prosecutors Office for violating the Antimonopoly Act of Japan regarding sales of bearing products. Moreover, our sales subsidiary in Germany was inspected in November 2011, by the European Commission in relation to EU competition law regarding sales of bearings, and our subsidiary in the U.S. received from the United States Department of Justice a subpoena, which requested that it provide information regarding sales of bearings in November 2011. Besides, our manufacturing and sales subsidiary in Korea was investigated in July 2012, by the Korea Fair Trade Commission in relation to the Monopoly Regulation and Fair Trade Act, regarding sales of bearings of NSK. NSK and the NSK Group are cooperating fully with authorities in Japan and elsewhere in their respective investigations.

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

② Class actions filed in the United States

In the United States, the Plaintiffs, representing purchasers, etc. of bearing products, have filed class actions against the Defendants including NSK and its subsidiary located in the United States (the "Actions"). The Plaintiffs allege, among others, that the Defendants conspired with each other to restrict competition regarding transactions related to bearing products in the United States, and seek damages, injunctive relief, and other relief against the Defendants in the Actions.

NSK and its subsidiary located in the United States are going to insist on propriety and contest the Plaintiffs' claim. Although the amounts of damages claimed are not specified in the complaints, as a result of the Actions, it is possible that NSK's operational results, etc. will be affected.

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

(6) Segment Information

Sales by Reportable Segments

Six months ended September 30, 2011

(Millions of Yen)

	Reportable segments			Other	Total	Adjustments	Consolidated
	Industrial machinery business	Automotive business	Sub-total				
Sales							
(1) Sales to third parties	133,112	200,106	333,218	18,658	351,877	—	351,877
(2) Inter-segment sales and transfers	—	—	—	14,097	14,097	(14,097)	—
Total	133,112	200,106	333,218	32,756	365,975	(14,097)	351,877
Segment income (Operating income)	15,045	9,187	24,233	2,025	26,258	(3,322)	22,935

Six months ended September 30, 2012

(Millions of Yen)

	Reportable segments			Other	Total	Adjustments	Consolidated
	Industrial machinery business	Automotive business	Sub-total				
Sales							
(1) Sales to third parties	112,225	243,827	356,053	13,348	369,401	—	369,401
(2) Inter-segment sales and transfers	—	—	—	14,665	14,665	(14,665)	—
Total	112,225	243,827	356,053	28,013	384,067	(14,665)	369,401
Segment income (Operating income)	8,766	12,344	21,111	1,239	22,351	(3,934)	18,416

(7) Substantial Changes in Shareholders' Equity

None.

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