

# NSK Ltd.

For Immediate Release

July 30, 2013

## CONSOLIDATED RESULTS FOR THE THREE MONTHS ENDED JUNE 30, 2013 (Unaudited) [JP GAAP]

Company name	NSK Ltd.
Stock exchanges on which the shares are listed	Tokyo Stock Exchange in Japan
Code number	6471
URL	http://www.nsk.com
Representative	Norio Otsuka, President and CEO
Contact person	Toshihiko Enomoto, Vice President
Filing date of quarterly securities report	August 9, 2013

(Amounts are rounded down to the nearest million yen)

### 1. Consolidated Financial Highlights for the Three Months Ended June 30, 2013

(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	%
Three months ended Jun. 30, 2013	205,010	7.9	12,822	5.7	13,553	20.1	9,420	34.6
Three months ended Jun. 30, 2012	190,075	14.4	12,130	21.8	11,286	17.7	6,996	19.0

(Note) Comprehensive income Year ended Jun. 30, 2013 22,652 million yen - %  
Year ended Jun. 30, 2012 (5,264) million yen - %

	Net income per share - Basic	Net income per share - Diluted
	Yen	Yen
Three months ended Jun. 30, 2013	17.45	17.43
Three months ended Jun. 30, 2012	12.94	—

### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity to total assets
	Millions of Yen	Millions of Yen	%
As of Jun. 30, 2013	929,430	363,113	36.7
As of Mar. 31, 2013	882,547	340,812	36.2

(Note) Equity capital As of Jun. 30, 2013 341,238 million yen As of Mar. 31, 2013 319,286 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, 2013	—	6.00	—	5.00	11.00
Year ending Mar. 31, 2014	—	—	—	—	—
Year ending Mar. 31, 2014 (Forecast)	—	6.00	—	6.00	12.00

(Note) Revisions to the forecast of cash dividends in the current quarter: None

### 3. Forecast of Consolidated Results for the Year Ending March 31, 2014

(% 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
Six months ending Sep. 30, 2013	390,000	5.6	21,000	14.0	19,500	15.0	12,000	1.2	22.23
Year ending Mar. 31, 2014	790,000	7.8	49,000	51.4	46,000	51.8	30,000	90.6	55.56

(Note) Revisions to the forecast of consolidated results in the current quarter: None

#### 4. Others

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

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

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

(i) Changes due to newly issued accounting pronouncements: None

(ii) Changes excluding the above: Yes

(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 Jun. 30, 2013	551,268,104 shares	As of Mar. 31, 2013	551,268,104 shares
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(ii) Number of treasury stock at the end of each period:

As of Jun. 30, 2013	11,265,017 shares	As of Mar. 31, 2013	11,349,715 shares
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(iii) Average number of shares issued and outstanding in each period:

Three months ended Jun. 30, 2013	539,975,196 shares	Three months ended Jun. 30, 2012	540,558,404 shares
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#### 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

Reviewing the overall global economy during the first quarter of the year ending March 31, 2014, the Japanese economy exhibited a gradual recovery due to the effect of financial policy, represented by the correction of the yen's appreciation and rising stock prices. In the Americas, the economy continued to recovery gradually, including improvement in the housing market and rising stock prices. Meanwhile, the European economy remained stagnant due to the ongoing impact of the financial crisis, and economic growth in Asian countries slowed due to investment control measures and decreased exports in China.

In this economic situation, the NSK Group launched its new mid-term plan for the three years from April 2013, with the aim to achieving net sales of ¥1 trillion in 2016, the 100th anniversary of the Company's establishment, and commenced measures to achieve "growth with focus on profitability" and "management capability to handle ¥1 trillion in sales volume" by enhancing business strategies and operating foundations.

As a result, consolidated net sales totaled ¥205,010 million, a year-on-year increase of 7.9%. Operating income totaled ¥12,822 million, a year-on-year increase of 5.7%. Ordinary income was ¥13,553 million, a year-on-year increase of 20.1%. Net income after adjusting for tax expenses and minority interests was ¥9,420 million, a year-on-year increase of 34.6%, including extraordinary income of ¥509 million on sales of investment securities.

### Business Segment Information

#### ① Industrial Machinery Business Segment

In the industrial machinery business, demand remained slow from the fourth quarter of the previous fiscal year. Sales of industrial machinery bearings increased due to active sales promotions in each region and the effect of currency movements. However, total sales in the industrial machinery business decreased slightly due to lower sales of precision machinery and parts. Looking at results on a regional basis, in Japan, demand in the machine tool, construction machinery, and aftermarket sectors decreased due to slowed economic growth in China. In the Americas and Europe, sales increased due to the effect of currency movements, despite lower demand in the machine tool and aftermarket sectors. In China, demand in the IT/electrical sector increased.

As a result, net sales in the industrial machinery business totaled ¥57,023 million, a year-on-year decrease of 0.2%. Operating income was ¥3,878 million, a year-on-year decrease of 28.1%.

#### ② Automotive Business Segment

Looking at the automotive business by geographic breakdown, sales in Japan declined due to lower production volume as government subsidies for eco-cars ended. In the Americas, demand for automotive products was strong, due to growth in the automotive market and increased sales by Japanese automakers as new vehicle models were launched. In Europe, sales increased due to the effect of currency movements, despite lower production volume caused by economic stagnation,. In China, despite slow growth in automotive sales, demand for EPS systems expanded with the launch of new vehicle models. In ASEAN, demand for automotive bearings increased due to favorable economic conditions in Thailand and Indonesia.

As a result, net sales in the automotive business totaled ¥141,123 million, a year-on-year increase of 11.9%. Operating income totaled ¥10,262 million, a year-on-year increase of 31.5%.

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

### **Assets and Liabilities**

Total assets were ¥929,430 million, an increase of ¥46,882 million, compared to total assets as of March 31, 2013. The main reasons for this were increases of ¥3,959 million in cash and deposits, ¥9,293 million in notes and accounts receivable, ¥8,002 million in short-term investment securities, ¥5,884 million in property, plant and equipment, and ¥9,027 million in investment securities.

Total liabilities were ¥566,316 million, an increase of ¥24,581 million, compared to total liabilities as of March 31, 2013. The main reasons for this were increases of ¥11,461 million in notes and accounts payable and ¥2,985 million in long-term loans.

### **Net assets**

Net assets totaled ¥363,113 million, an increase of ¥22,300 million, compared to net assets as of March 31, 2013. The main reasons for this were increases of ¥9,420 million in net income, ¥5,413 million in valuation difference on available-for-sale securities, and ¥6,868 million in translation adjustments.

### **Cash Flows**

Total cash and cash equivalents at the end of the period were ¥154,354 million, an increase of ¥12,700 million, compared to total cash and cash equivalents as of March 31, 2013, and a year-on-year increase of ¥12,926 million.

#### **① Net cash flow provided by operating activities**

Net cash flow provided by operating activities totaled ¥23,115 million, an increase of ¥724 million compared to the same period of the previous year. This includes ¥14,063 million in income before tax expenses and minority interests, ¥8,804 million provided by depreciation and amortization, an increase of ¥9,923 million in notes and accounts payable, which offset an increase of ¥6,111 million in notes and accounts receivable, and an increase of ¥4,512 million in inventories.

#### **② Net cash flow used in investing activities**

Cash flow used in investing activities totaled ¥9,162 million, a decrease of ¥2,104 million compared to the same period of the previous year. This includes ¥10,155 million for purchase of property, plant and equipment.

#### **③ Net cash flow used in financing activities**

Net cash flow used in financing activities totaled ¥2,014 million, a decrease of ¥1,666 million compared to the same period of the previous year. This includes income from ¥1,951 million in long-term loans, which was offset by ¥2,602 million for dividends paid.

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

No revision has been made to the forecasts released on May 10, 2013 for the year ending March 31, 2014.

## **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)

None.

(2) Adoption of special accounting methods for presenting quarterly consolidated financial statements (Method of calculating tax expenses, deferred tax expenses and deferred tax liabilities)

Tax expenses were calculated using a reasonably estimated annual effective tax rate for this fiscal year including this quarter.

(3) Changes in accounting principles, changes in accounting estimates, and retrospective restatements for the preparation of quarterly consolidated financial statements

(Changes in Accounting Principles)

In the past, the NSK Group generally adopted the moving-average method for evaluation of supplies. When implementing its new accounting system, the Group reviewed operations from the perspective of speed and efficiency, and as a result judged that generally adopting the first-in first-out method was more appropriate. There is no retroactive application as the impact of this change is immaterial.

(Changes in Accounting Estimates)

The NSK Group had generally depreciated overseas subsidiaries' "machinery and equipment" in property, plant and equipment, with a life span of 10 years. However, the Group decided to change to a life span of 12 years from the first quarter of the fiscal year ending March 31, 2014.

In the mid-term plan which started from the beginning of this fiscal year, the Group strengthened globally product availability by accelerating capital expenditure in overseas production sites, principally in China and ASEAN, and by significantly increasing the overseas production ratio of items previously manufactured in Japan. In addition, the Group has established a production system resistant to changes in the business environment by compensating for demand fluctuations across its global sites. Furthermore, the Group is striving to extend the life span of its production equipment by establishing a high-quality maintenance system. On this occasion, the Group reviewed the life period, analyzed the estimated duration of service for each equipment at overseas production sites, and decided to adopt a useful life of 12 years, which more accurately reflects actual usage.

The impact of this change during the first quarter of the year ending March 31, 2014 includes a decrease of ¥688 million in depreciation, and increases of ¥493 million in operating income, ordinary income, and income before tax expenses and minority interests.

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

In the past, NSK and the NSK Group's Japanese subsidiaries generally applied the declining-balance method for depreciation of property, plant and equipment, excluding buildings obtained after April 1, 1998. On the occasion of the launch of its new mid-term plan, NSK and its principal Japanese subsidiaries reviewed the depreciation method in order to accurately reflect the actual status of production equipment.

As stable operation and smooth production levels are expected in Japan, NSK and its principal Japanese subsidiaries judged that the straight-line method, which equalizes cost for the duration of life span, is more appropriate for the depreciation method for property, plant and equipment. As a result, NSK and its principal Japanese subsidiaries switched to the straight-line method from the beginning of the first quarter of the year ending March 31, 2014.

The impact of this change during the first quarter of the year ending March 31, 2014 includes an increase of ¥197 million in depreciation and amortization, and decreases of ¥178 million in operating income, ordinary income, and income before income taxes and minority interests.

(4) Additional Information

(Change in matters concerning fiscal year of consolidated subsidiaries)

Previously when preparing consolidated financial statements, Rane NSK Steering Systems Ltd. had been consolidated using financial statements of the period ending three-month prior to the consolidated reporting period, after adjusting for important transactions between consolidated subsidiaries. From the first quarter of the fiscal year ending March 31, 2014, Rane NSK Steering Systems Ltd. has been consolidated using its financial statements for the consolidated balance sheet date.

Profit and loss for the three months from January and March 2013 has been adjusted for as retained earnings.

### 3. Quarterly Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

	(Millions of Yen)	
	As of Mar. 31, 2013	As of Jun. 30, 2013
<b>Assets</b>		
Current assets:		
Cash and deposits	54,643	58,602
Notes and accounts receivable	141,706	151,000
Short-term investment securities	86,272	94,274
Finished goods	63,930	66,191
Work in process	38,534	41,434
Raw materials and supplies	16,804	19,320
Others	47,623	49,370
Less allowance for doubtful accounts	(1,326)	(1,463)
Total current assets	448,187	478,731
Non-current assets:		
Property, plant and equipment		
Buildings and structures	77,017	79,292
Machinery, vehicles and equipment	133,188	137,503
Others	69,883	69,177
Total property, plant and equipment	280,089	285,974
Intangible fixed assets	13,970	13,939
Investments and other assets		
Investment securities	88,635	97,663
Prepaid pension costs	42,579	43,189
Others	9,575	10,422
Less allowance for doubtful accounts	(490)	(490)
Total investments and other assets	140,299	150,784
Total non-current assets	434,359	450,698
Total assets	882,547	929,430

(Millions of Yen)

	As of Mar. 31, 2013	As of Jun. 30, 2013
<b>Liabilities</b>		
Current liabilities:		
Notes and accounts payable	117,808	129,270
Short-term loans	113,426	114,885
Accrued income taxes	2,356	3,470
Others	55,870	59,732
Total current liabilities	289,462	307,359
Non-current liabilities:		
Corporate bonds	35,000	35,000
Long-term loans	156,676	159,661
Accrued employees' retirement benefits	19,855	20,559
Accrued officers' retirement benefits	1,693	1,281
Reserves for environmental safety measures	163	191
Others	38,884	42,263
Total non-current liabilities	252,272	258,957
Total liabilities	541,735	566,316
<b>Net assets</b>		
Shareholders' equity		
Common stock	67,176	67,176
Additional paid-in capital	78,343	78,382
Retained earnings	188,034	197,643
Treasury stock	(4,518)	(4,495)
Total shareholders' equity	329,036	338,707
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	21,986	27,400
Translation adjustments	(31,737)	(24,868)
Total accumulated other comprehensive income	(9,750)	2,531
Share subscription rights	510	508
Minority interests	21,015	21,366
Total net assets	340,812	363,113
Total liabilities and net assets	882,547	929,430

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

**Consolidated Statements of Operations**

	(Millions of Yen)	
	Three months ended Jun. 30, 2012	Three months ended Jun. 30, 2013
Net sales	190,075	205,010
Cost of sales	152,227	163,347
Gross profit	37,847	41,662
Selling, general and administrative expenses	25,716	28,840
Operating income	12,130	12,822
Non-operating income:		
Interest income	145	144
Dividend income	628	700
Equity in earnings of affiliated companies	888	881
Others	450	819
Total non-operating income	2,113	2,546
Non-operating expenses:		
Interest expenses	1,185	1,165
Exchange loss	1,074	—
Others	697	649
Total non-operating expenses	2,957	1,815
Ordinary income	11,286	13,553
Extraordinary income:		
Gain on sales of investment securities	—	509
Total extraordinary income	—	509
Extraordinary loss:		
Loss on devaluation of investment securities	658	—
Total extraordinary loss	658	—
Income before tax expenses and minority interests	10,627	14,063
Income taxes	3,129	3,914
Income before minority interests	7,497	10,149
Minority interests	501	729
Net income	6,996	9,420

## Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Three months ended Jun. 30, 2012	Three months ended Jun. 30, 2013
Income before minority interests	7,497	10,149
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,318)	5,421
Translation adjustments	(9,364)	7,075
Share of other comprehensive income of associates accounted for using equity method	(78)	6
Total other comprehensive income	(12,761)	12,503
Comprehensive income	(5,264)	22,652
(Details)		
Comprehensive income attributable to parent company	(5,268)	21,608
Comprehensive income attributable to minority interests	4	1,044

**(3) Consolidated Statement of Cash Flows**

(Millions of Yen)

	Three months ended Jun. 30, 2012	Three months ended Jun. 30, 2013
Operating activities		
Income before income taxes and minority interests	10,627	14,063
Depreciation and amortization	8,114	8,804
Amortization of goodwill	191	171
Increase (decrease) in allowance for doubtful accounts	21	106
Increase (decrease) in provision for retirement benefits and prepaid pension cost	117	(476)
Interest and dividend income	(773)	(845)
Interest expenses	1,185	1,165
Equity in losses (earnings) of affiliates	(888)	(881)
Loss (gain) on devaluation of investment securities	658	—
Loss (gain) on sales of investment securities	—	(509)
Decrease (increase) in notes and accounts receivable	2,007	(6,111)
Decrease (increase) in inventories	(5,266)	(4,512)
Increase (decrease) in notes and accounts payable	2,107	9,923
Others	8,204	4,900
Subtotal	26,307	25,797
Interest and dividends received	1,575	1,147
Interest paid	(1,031)	(1,218)
Income taxes paid	(4,459)	(2,611)
Net cash provided by operating activities	22,391	23,115
Investing activities		
Net decrease (increase) in time deposits	634	(311)
Purchase of short-term investment securities	(2,200)	(100)
Proceeds from sales of short-term investment securities	2,400	801
Purchase of property, plant and equipment	(11,625)	(10,155)
Proceeds from sales of property, plant and equipment	138	151
Purchase of investment securities	(13)	(22)
Proceeds from sales of investment securities	100	819
Payments for loans receivable	(28)	(20)
Collection of loans receivable	47	32
Others	(720)	(357)
Net cash used in investing activities	(11,267)	(9,162)
Financing activities		
Net increase (decrease) in short-term loans	194	(112)
Increase in long-term loans	731	1,951
Repayments of long-term loans	(552)	(473)
Acquisition of treasury stock	(1)	(8)
Dividends paid	(3,112)	(2,602)
Dividends paid to minority shareholders	(471)	(693)
Others	(468)	(74)
Net cash provided by (used in) financing activities	(3,681)	(2,014)
Effect of exchange rate changes on cash and cash equivalents	(1,220)	739
Net increase (decrease) in cash and cash equivalents	6,221	12,677
Cash and cash equivalents at beginning of the year	135,307	141,653
Increase (decrease) in cash and cash equivalents resulting from changes in fiscal year-ends of consolidated subsidiaries	(101)	22
Cash and cash equivalents at end of the period	141,427	154,354

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

None.

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

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

###### **① Investigations by authorities**

Regarding sales of bearing products, NSK's sales subsidiary in Germany was investigated in November 2011 by the European Commission in relation to EU competition law. Moreover, 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 the bearing products in November 2011. Furthermore, 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. In addition, our sales subsidiary in Singapore was investigated in February 2013 by the Competition Commission Singapore in relation to the Competition Act.

Moreover, NSK's subsidiaries are under investigation by relevant authorities in some other countries.

NSK and the NSK Group are cooperating fully with any relevant authorities 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.

No change has been made since the fiscal year ended March 31, 2013.

###### **② Class actions filed**

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. In addition, in Canada, similar kinds of class actions against the Defendants including NSK and its subsidiary located in Canada have been filed.

NSK and its subsidiaries located in the United States and Canada 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 these 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 these actions.

No change has been made since the fiscal year ended March 31, 2013.

## (6) Segment Information

### Sales by Reportable Segments

Three months ended June 30, 2012

(Millions of Yen)

	Reportable segments			Other	Total	Adjustments	Consolidated
	Industrial machinery business	Automotive business	Sub-total				
Sales							
(1) Sales to third parties	57,117	126,160	183,277	6,798	190,075	—	190,075
(2) Inter-segment sales and transfers	—	—	—	7,508	7,508	(7,508)	—
Total	57,117	126,160	183,277	14,307	197,584	(7,508)	190,075
Segment income (Operating income)	5,395	7,804	13,200	846	14,046	(1,915)	12,130

Three months ended June 30, 2013

(Millions of Yen)

	Reportable segments			Other	Total	Adjustments	Consolidated
	Industrial machinery business	Automotive business	Sub-total				
Sales							
(1) Sales to third parties	57,023	141,123	198,146	6,863	205,010	—	205,010
(2) Inter-segment sales and transfers	—	—	—	6,659	6,659	(6,659)	—
Total	57,023	141,123	198,146	13,523	211,669	(6,659)	205,010
Segment income (Operating income)	3,878	10,262	14,140	582	14,723	(1,900)	12,822

## (7) Substantial Changes in Shareholders' Equity

None.

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