

# NSK Ltd.

For Immediate Release

January 31, 2014

## CONSOLIDATED RESULTS FOR THE NINE MONTHS ENDED December 31, 2013 (Unaudited) [JP GAAP]

Company name	NSK Ltd.
Stock exchange 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	February 10, 2014

(Amounts are rounded down to the nearest million yen)

### 1. Consolidated Financial Highlights for the Nine Months Ended December 31, 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	%
Nine months ended Dec. 31, 2013	637,758	18.2	44,713	98.8	44,922	105.5	15,804	17.0
Nine months ended Dec. 31, 2012	539,434	0.5	22,496	(32.2)	21,862	(29.8)	13,503	(33.0)

(Note) Comprehensive income  
 Nine months ended Dec. 31, 2013 55,373 million yen 133.7%  
 Nine months ended Dec. 31, 2012 23,697 million yen 327.1%

	Net income per share - Basic	Net income per share - Diluted
	Yen	Yen
Nine months ended Dec. 31, 2013	29.26	29.23
Nine months ended Dec. 31, 2012	25.00	—

#### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity to total assets
	Millions of Yen	Millions of Yen	%
As of Dec. 31, 2013	994,320	390,948	37.0
As of Mar. 31, 2013	882,547	340,812	36.2

(Note) Equity capital As of Dec. 31, 2013 368,385 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	—	7.00	—	—	—
Year ending Mar. 31, 2014 (Forecast)	—	—	—	7.00	14.00

(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
Year ending Mar. 31, 2014	860,000	17.4	63,000	94.7	61,000	101.2	26,000	65.2	48.14

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

## 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

Note: For more details, please refer to page 6 "2. Matters Regarding Summary Information (Others) (2) Adoption of special accounting methods for presenting quarterly consolidated financial statements."

(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

Note: For more details, please refer to page 6 "2. Matters Regarding Summary Information (Others) (3) Changes in accounting principles, changes in accounting estimates, and retrospective restatements for the preparation of the quarterly consolidated financial statements."

(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 Dec. 31, 2013 551,268,104 shares As of Mar. 31, 2013 551,268,104 share

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

As of Dec. 31, 2013 11,114,126 shares As of Mar. 31, 2013 11,349,715 shares

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

Nine months ended Dec. 31, 2013 540,057,979 shares Nine months ended Dec. 31, 2012 540,204,905 shares

## (Reference) Consolidated Financial Highlights for the Three Months Ended December 31, 2013

(% 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 Dec. 31, 2013	224,154	31.8	15,961	291.3	16,782	242.0	1,054	(35.9)
Three months ended Dec. 31, 2012	170,032	(8.0)	4,079	(60.2)	4,907	(47.2)	1,645	(71.5)

(Note) Comprehensive income Three months ended Dec. 31, 2013 22,662 million yen (15.3%)  
Three months ended Dec. 31, 2012 26,757 million yen 308.6%

	Net income per share - Basic	Net income per share - Diluted
	Yen	Yen
Three months ended Dec. 31, 2013	1.95	1.95
Three months ended Dec. 31, 2012	3.05	—

### 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 global economy during the nine months of the year ending March 31, 2014, the Japanese economy continued its gradual recovery against the backdrop of a weaker yen and higher stock prices. The U.S. economy also continued to expand gradually, exemplified by steady consumer spending and a more robust housing market, while the European economy also showed signs of a mild recovery. In Asia, although there were signs of economic slowdown in ASEAN, the Chinese economy continued to show stable growth thanks to steady domestic demand.

In this economic environment, the NSK Group launched its new mid-term management plan for the three years beginning April 2013, aiming to achieve net sales of ¥1 trillion in 2016 - the 100<sup>th</sup> anniversary of the company's foundation,. The Group is implementing a business strategy of "growth with a focus on profitability," and measures to "develop management capability to handle ¥1 trillion in sales volume" in order to enhance corporate foundations.

As a result, consolidated net sales totaled ¥637,758 million, a year-on-year increase of 18.2%, and operating income totaled ¥44,713 million, a year-on-year increase of 98.8%. Ordinary income was ¥44,922 million, a year-on-year increase of 105.5%. Net income after adjusting for income taxes and minority interests was ¥15,804 million, a year-on-year increase of 17.0%, including extraordinary income of ¥2,425 million on sales of investment securities and ¥933 million on sales of fixed assets, and an extraordinary loss of ¥16,749 million related to the Antimonopoly Act.

### Business Segment Information

#### ① Industrial Machinery Business

Demand in the industrial machinery business has gradually recovered from the decline in the second half of the previous fiscal year. Looking at results on a regional basis, sales in Japan declined, mainly in capital-goods-related sectors, although the aftermarket sector moved towards recovery. Sales in the Americas rose due to a gradual recovery in demand and the impact of exchange rates, while demand in the in electrical and aftermarket sectors showed signs of recovery in Europe. In Asia, although business was impacted by slowing growth in ASEAN countries, sales in China increased, mainly in the electrical sector.

As a result, net sales in the industrial machinery business totaled ¥177,926 million, a year-on-year increase of 9.8%, and operating income was ¥15,504 million, a year-on-year increase of 52.7%.

#### ② Automotive Business

Strong demand in China and the U.S drove the automotive market, which continues to expand globally. Looking at the geographic breakdown, sales in Japan decreased due to the end of government subsidies for eco-cars, despite a boost from the rush to beat the scheduled consumption tax rise. Sales in the Americas increased due to the robust automotive market expansion backed by steady demand from consumers replacing older vehicles. The European automotive market has trended towards recovery since last summer, and currency factors also contributed to higher sales. In Asia, although growth in each ASEAN market varied, overall sales expanded due to the expansion of the Chinese market and the launch of new projects.

As a result, net sales in the automotive business totaled ¥432,455 million, a year-on-year increase of 20.7%, and operating income totaled ¥33,525 million, a year-on-year increase of 102.0%.

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

### **Assets and Liabilities**

Total assets were ¥994,320 million, an increase of ¥111,772 million compared to total assets as of March 31, 2013. The main reasons for this were increases of ¥9,869 million in cash and deposits, ¥14,390 million in notes and accounts receivable, ¥13,906 million in short-term investment securities, ¥12,039 million in finished goods, ¥22,429 million in property, plant and equipment, and ¥18,630 million in investment securities.

Total liabilities were ¥603,372 million, an increase of ¥61,637 million compared to total liabilities as of March 31, 2013. The main reasons for this were increases of ¥20,245 million in notes and accounts payable, ¥6,846 million in accrued income taxes, ¥10,000 million in provision for Antimonopoly Act related loss, and ¥27,608 million in long-term loans, which offset a decrease of ¥14,322 million in short-term loans.

### **Net assets**

Net assets totaled ¥390,948 million, an increase of ¥50,135 million compared to net assets as of March 31, 2013. The main reasons for this were increases of ¥15,804 million in net income, ¥12,440 million in valuation difference on available-for-sale securities, and ¥24,262 million in translation adjustments.

### **Cash Flows**

Total cash and cash equivalents at the end of the period were ¥165,175 million, an increase of ¥23,522 million compared to total cash and cash equivalents as of March 31, 2013, and a year-on-year increase of ¥33,475 million.

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

Net cash flow provided by operating activities totaled ¥51,889 million, an increase of ¥21,544 million compared to the same period of the previous year. This includes ¥31,532 million in income before income taxes and minority interests, ¥25,969 million provided by depreciation and amortization, ¥16,749 million in Antimonopoly Act related loss, and an increase of ¥16,038 million in notes and accounts payable, which offset increases of ¥4,668 million in notes and accounts receivable, ¥8,079 million in inventories and ¥6,222 million in income taxes paid.

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

Cash flow used in investing activities totaled ¥29,585 million, a decrease of ¥2,805 million compared to the same period of the previous year. This includes ¥31,050 million for purchase of property, plant and equipment.

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

Net cash flow used in financing activities totaled ¥2,267 million, a decrease of ¥285 million compared to the same period of the previous year. Major inflows included an increase of ¥46,993 million in long-term loans, while major outflows included ¥42,029 million for repayments of long-term loans and ¥6,374 million for dividends paid.

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

NSK is revising its year-end consolidated business forecast for the year ending March 31, 2014 announced on September 30, 2013 based on the company's business results for the nine months ended December 31, 2013.

### Forecast for the Year Ending March 31, 2014

	Revised forecast (A)	Previous forecast (B)	(A) – (B)	% change
	Millions of yen	Millions of yen	Millions of yen	
Net sales	860,000	840,000	20,000	2.4%
Operating income	63,000	58,000	5,000	8.6%
Ordinary income	61,000	55,000	6,000	10.9%
Net income	26,000	34,000	(8,000)	(23.5%)

The followings are the factors behind the revision.

- Forecast exchange rate for the fourth quarter of the year ending March 31, 2014  
1U.S.\$=¥100, 1Euro=¥135

- NSK expects net sales, operating income and ordinary income to be higher than previously announced due to the depreciation of the Japanese yen.

- During the third quarter of the fiscal year ending March 31, 2014, NSK has allocated losses related to the Antimonopoly Act as an extraordinary loss. The company is therefore revising net income downward as stated above.

- For more details about the extraordinary loss, please refer to page 13 “3. Quarterly Consolidated Financial Statement (5) Notes to Quarterly Consolidated Balance Sheet 1. Litigation and Other Legal Matters ① Prosecution by the Tokyo District Public Prosecutors Office, etc.”

#### Notes

All forecasts are based on a number of assumptions for business environment and policies, and are subject to change with various factors. Actual financial results may differ materially and NSK accepts no liability whatsoever for any direct or consequential loss arising from any use of this report.

## **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 the 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 nine months of the year ending March 31, 2014 includes a decrease of ¥1,922 million in depreciation, and increases of ¥1,643 million in operating income, ordinary income, and income before tax expenses and minority interests, respectively.

#### **(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 nine months of the year ending March 31, 2014 includes a decrease of ¥750 million in depreciation, and increases of ¥610 million in operating income, ordinary income, and income before income taxes and minority interests, respectively.

#### **(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 Dec. 31, 2013
<b>Assets</b>		
Current assets:		
Cash and deposits	54,643	64,512
Notes and accounts receivable	141,706	156,096
Short-term investment securities	86,272	100,179
Finished goods	63,930	75,970
Work in process	38,534	41,707
Raw materials and supplies	16,804	20,369
Others	47,623	57,383
Less allowance for doubtful accounts	(1,326)	(1,497)
Total current assets	448,187	514,721
Non-current assets:		
Property, plant and equipment		
Buildings and structures	77,017	81,988
Machinery, vehicles and equipment	133,188	148,747
Others	69,883	71,782
Total property, plant and equipment	280,089	302,519
Intangible fixed assets	13,970	14,539
Investments and other assets		
Investment securities	88,635	107,266
Prepaid pension costs	42,579	46,016
Others	9,575	9,744
Less allowance for doubtful accounts	(490)	(487)
Total investments and other assets	140,299	162,540
Total non-current assets	434,359	479,598
Total assets	882,547	994,320

(Millions of Yen)

	As of Mar. 31, 2013	As of Dec. 31, 2013
<b>Liabilities</b>		
Current liabilities:		
Notes and accounts payable	117,808	138,054
Short-term loans	113,426	99,104
Accrued income taxes	2,356	9,203
Provision for Antimonopoly Act related loss	—	10,000
Others	55,870	56,099
Total current liabilities	289,462	312,461
Non-current liabilities:		
Corporate bonds	35,000	35,000
Long-term loans	156,676	184,284
Accrued employees' retirement benefits	19,855	21,930
Accrued officers' retirement benefits	1,693	1,472
Reserves for environmental safety measures	163	184
Others	38,884	48,039
Total non-current liabilities	252,272	290,911
Total liabilities	541,735	603,372
<b>Net assets</b>		
Shareholders' equity		
Common stock	67,176	67,176
Additional paid-in capital	78,343	78,461
Retained earnings	188,034	200,244
Treasury stock	(4,518)	(4,449)
Total shareholders' equity	329,036	341,432
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	21,986	34,427
Translation adjustments	(31,737)	(7,474)
Total accumulated other comprehensive income	(9,750)	26,953
Share subscription rights	510	365
Minority interests	21,015	22,197
Total net assets	340,812	390,948
Total liabilities and net assets	882,547	994,320

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

**Consolidated Statements of Operations**

	(Millions of Yen)	
	Nine months ended Dec. 31, 2012	Nine months ended Dec. 31, 2013
Net sales	539,434	637,758
Cost of sales	439,239	506,384
Gross profit	100,194	131,374
Selling, general and administrative expenses	77,698	86,660
Operating income	22,496	44,713
Non-operating income:		
Interest income	383	465
Dividend income	1,193	1,348
Equity in earnings of affiliated companies	2,335	2,701
Others	1,931	2,452
Total non-operating income	5,843	6,968
Non-operating expenses:		
Interest expenses	3,650	3,608
Product compensation	730	1,400
Others	2,096	1,749
Total non-operating expenses	6,477	6,759
Ordinary income	21,862	44,922
Extraordinary income:		
Gain on sales of investment securities	—	2,425
Gain on sales of fixed assets	—	933
Total extraordinary income	—	3,358
Extraordinary loss:		
Antimonopoly Act related loss	—	16,749
Loss on devaluation of investment securities	353	—
Total extraordinary loss	353	16,749
Income before tax expenses and minority interests	21,508	31,532
Income taxes	6,633	13,841
Income before minority interests	14,874	17,691
Minority interests	1,371	1,887
Net income	13,503	15,804

## Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Nine months ended Dec. 31, 2012	Nine months ended Dec. 31, 2013
Income before minority interests	14,874	17,691
Other comprehensive income		
Valuation difference on available-for-sale securities	339	12,411
Translation adjustments	8,433	24,850
Share of other comprehensive income of associates accounted for using equity method	49	419
Total other comprehensive income	8,822	37,681
Comprehensive income	23,697	55,373
(Details)		
Comprehensive income attributable to parent company	21,813	52,508
Comprehensive income attributable to minority interests	1,883	2,865

### (3) Consolidated Statement of Cash Flows

(Millions of Yen)

	Nine months ended Dec. 31, 2012	Nine months ended Dec. 31, 2013
Operating activities		
Income before income taxes and minority interests	21,508	31,532
Depreciation and amortization	25,093	25,969
Amortization of goodwill	533	236
Increase (decrease) in allowance for doubtful accounts	67	23
Provision for retirement benefits and prepaid pension cost	(857)	(3,083)
Interest and dividend income	(1,577)	(1,814)
Interest expenses	3,650	3,608
Equity in losses (earnings) of affiliates	(2,335)	(2,701)
Loss (gain) on sales of investment securities	—	(2,425)
Loss (gain) on sales of property, plant and equipment	—	(933)
Antimonopoly Act related loss	—	16,749
Loss (gain) on devaluation of investment securities	353	—
Decrease (increase) in notes and accounts receivable	26,843	(4,668)
Decrease (increase) in inventories	(6,534)	(8,079)
Increase (decrease) in notes and accounts payable	(19,481)	16,038
Others	(8,009)	(14,747)
Subtotal	39,255	55,705
Interest and dividends received	3,572	6,013
Interest paid	(3,449)	(3,606)
Income taxes paid	(9,033)	(6,222)
Net cash provided by operating activities	30,344	51,889
Investing activities		
Net decrease (increase) in time deposits	1,867	(1,271)
Purchase of short-term investment securities	(4,800)	(300)
Proceeds from sales of short-term investment securities	6,004	1,001
Purchase of property, plant and equipment	(34,066)	(31,050)
Proceeds from sales of property, plant and equipment	570	2,325
Purchase of investment securities	(211)	(47)
Proceeds from sales of investment securities	822	2,885
Payments for loans receivable	(64)	(561)
Collection of loans receivable	96	101
Others	(2,609)	(2,668)
Net cash used in investing activities	(32,391)	(29,585)
Financing activities		
Net increase (decrease) in short-term loans	8,086	38
Increase in long-term loans	1,761	46,993
Repayments of long-term loans	(4,880)	(42,029)
Acquisition of treasury stock	(324)	(34)
Dividends paid	(6,346)	(6,374)
Dividends paid to minority shareholders	(605)	(911)
Others	(244)	51
Net cash provided by (used in) financing activities	(2,552)	(2,267)
Effect of exchange rate changes on cash and cash equivalents	1,093	3,462
Net increase (decrease) in cash and cash equivalents	(3,505)	23,499
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	131,700	165,175

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

None.

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

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

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

##### **(The year ended Mar. 31, 2013)**

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.

##### **(The third quarter of the year ending Mar. 31, 2014)**

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 manufacturing and sales subsidiary in Korea was investigated in July 2012 by the Korean 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. Furthermore, the headquarters and related sales branches of NSK's subsidiary Amatsuji Steel Ball Mfg. Co., Ltd. were investigated in January 2014 by the Japan Fair Trade Commission in relation to the Japan Antimonopoly Act for past sales of its products.

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 of the end of the third quarter of the consolidated fiscal year ending March 31, 2014, with regard to the investigations by relevant authorities in Europe and some other countries, NSK has allocated 10,000 million yen as an allowance for the Antimonopoly Act related loss as the best estimated amount of potential financial losses in the future. However, the amount of this allowance may increase or decrease with the future progress of the investigations. With respect to the other investigations, it is difficult to provide a reasonable estimate of the amount of losses, such as surcharge payments at this time; therefore, the impact from these investigations by relevant authorities on NSK's operational results, etc. is uncertain at this time.

##### **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. 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

Nine months ended December 31, 2012

(Millions of Yen)

	Reportable segments			Other	Total	Adjustments	Consolidated
	Industrial machinery business	Automotive business	Sub-total				
Sales							
(1) Sales to third parties	161,996	358,237	520,233	19,200	539,434	—	539,434
(2) Inter-segment sales and transfers	—	—	—	21,305	21,305	(21,305)	—
Total	161,996	358,237	520,233	40,506	560,740	(21,305)	539,434
Segment income (Operating income)	10,150	16,598	26,749	1,639	28,388	(5,891)	22,496

Nine months ended December 31, 2013

(Millions of Yen)

	Reportable segments			Other	Total	Adjustments	Consolidated
	Industrial machinery business	Automotive business	Sub-total				
Sales							
(1) Sales to third parties	177,926	432,455	610,381	27,377	637,758	—	637,758
(2) Inter-segment sales and transfers	—	—	—	19,498	19,498	(19,498)	—
Total	177,926	432,455	610,381	46,875	657,257	(19,498)	637,758
Segment income (Operating income)	15,504	33,525	49,029	1,372	50,402	(5,688)	44,713

## (7) Substantial Changes in Shareholders' Equity

None.

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