

NSK Ltd.

For Immediate Release

October 27, 2015

CONSOLIDATED RESULTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2015 (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	Toshihiro Uchiyama, President and CEO
Contact person	Kenichi Yamana, Vice President
Filing date of quarterly securities report	November 12, 2015
Payment date of cash dividends	December 1, 2015

(Amounts are rounded down to the nearest million yen)

1. Consolidated Financial Highlights for the Six Months Ended September 30, 2015

(1) Consolidated financial results

(% of changes from the same period last year)

	Net sales		Operating income		Ordinary income		Net income attributable to shareholders of the parent	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Six months ended Sep. 30, 2015	489,735	5.5	49,438	21.3	49,022	19.8	33,457	29.2
Six months ended Sep. 30, 2014	464,390	12.3	40,746	41.7	40,927	45.4	25,890	75.5

(Note) Comprehensive income Six months ended Sep. 30, 2015 18,040 million yen (57.7)%
Six months ended Sep. 30, 2014 42,623 million yen 30.3%

	Net income per share - Basic	Net income per share - Diluted
	Yen	Yen
Six months ended Sep. 30, 2015	61.80	61.75
Six months ended Sep. 30, 2014	47.88	47.82

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity to total assets
	Millions of Yen	Millions of Yen	%
As of Sep. 30, 2015	1,101,096	488,122	42.2
As of Mar. 31, 2015	1,129,164	481,859	40.4

(Note) Equity capital As of Sep. 30, 2015 464,339 million yen As of Mar. 31, 2015 456,046 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
Year ended Mar. 31, 2015	Yen —	Yen 12.00	Yen —	Yen 16.00	Yen 28.00
Year ending Mar. 31, 2016	—	17.00	—	—	—
Year ending Mar. 31, 2016 (Forecast)	—	—	—	17.00	34.00

(Note) Revisions to the forecast of cash dividends from the latest announcement: None

3. Forecast of Consolidated Results for the Year Ending March 31, 2016

(% of changes from the same period last year)

	Net sales		Operating income		Ordinary income		Net income attributable to shareholders of the parent		Net income per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Year ending Mar. 31, 2016	980,000	0.5	94,000	(3.4)	92,000	1.1	66,000	6.5	121.91

(Note) Revisions to the forecast of consolidated results from the latest announcement: Yes

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
 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: None
 (iii) Changes in accounting estimates: None
 (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, 2015 551,268,104 shares As of Mar. 31, 2015 551,268,104 shares
 (ii) Number of treasury stock at the end of each period:
 As of Sep. 30, 2015 9,813,462 shares As of Mar. 31, 2015 10,085,598 shares
 (iii) Average number of shares issued and outstanding in each period:
 Six months ended Sep. 30, 2015 541,351,293 shares Six months ended Sep. 30, 2014 540,694,942 shares

(Reference) Consolidated Financial Highlights for the Three Months Ended September 30, 2015

(% of changes from the same period last year)

	Net sales		Operating income		Ordinary income		Net income attributable to shareholders of the parent	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Three months ended Sep. 30, 2015	238,513	1.5	23,378	14.9	21,405	4.3	15,620	32.4
Three months ended Sep. 30, 2014	235,083	12.7	20,350	27.8	20,517	40.7	11,799	121.4

(Note) Comprehensive income Three months ended Sep. 30, 2015 (7,704) million yen -%
 Three months ended Sep. 30, 2014 28,293 million yen 181.3%

	Net income per share - Basic	Net income per share - Diluted
	Yen	Yen
Three months ended Sep. 30, 2015	28.85	28.83
Three months ended Sep. 30, 2014	21.82	21.79

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

The NSK Group is working to implement its mid-term management plan for the three years beginning April 2013, with a vision of establishing corporate fundamentals appropriate for a ¥1 trillion company in the year of 2016—the 100th anniversary of the company's foundation. The NSK Group has adopted a business strategy of growth with a focus on profitability, and in order to enhance its corporate fundamentals, NSK is implementing measures to develop the management capability required to handle ¥1 trillion in sales volume.

Reviewing the overall global economy during the first half of the year ending March 31, 2016, the Japanese economy showed signs of a gradual recovery due to the impact of lower crude oil prices and various governmental policies, despite weak export and production situations. The U.S. economy continued to recover steadily, driven primarily by strong consumer spending. The European economy also showed signs of an upturn, primarily in the Eurozone. On the other hand, there was a clear downturn in economic growth in China, and economic conditions in the ASEAN bloc remained weak overall.

In this economic environment, consolidated net sales totaled ¥489,735 million, a year-on-year increase of 5.5%. Operating income totaled ¥49,438 million, a year-on-year increase of 21.3%, and ordinary income totaled ¥49,022 million, a year-on-year increase of 19.8%. Net income attributable to shareholders of the parent, after adjusting for tax expenses and non-controlling interests, was ¥33,457 million, a year-on-year increase of 29.2%.

Business Segment Information

1) Industrial Machinery Business

Demand in the industrial machinery business continues to gradually recover worldwide. Looking at results by region, sales in Japan increased, primarily in the machine tool sector. In the Americas, sales in the general machinery sector grew. In Europe, sales in the aftermarket sector declined. In China, sales in the machine tool and wind turbine sectors rose, while sales in the home electrical appliance sector declined. In other Asian countries, sales in the aftermarket sector increased.

As a result, net sales in the industrial machinery business totaled ¥136,563 million, a year-on-year increase of 3.0%. Operating income was ¥17,527 million, a year-on-year increase of 20.8%.

2) Automotive Business

Despite variation by region, global automotive demand continued to expand gradually. Looking by region, NSK Group sales in Japan decreased due to sluggish sales of mini vehicles. In the Americas, steady market demand in North America led to higher sales of electric power steering (EPS) systems and automotive bearings. In Europe, the automotive market continued to gradually recover, and overall sales increased. In China, sales growth slowed due to the impact of a weakening automotive market, while sales increased in other Asian countries, primarily due to demand for EPS systems—although market conditions varied between countries.

As a result, net sales in the automotive business totaled ¥338,978 million, a year-on-year increase of 8.7%. Operating income totaled ¥34,539 million, a year-on-year increase of 22.4%.

(2) Qualitative Information Regarding Consolidated Financial Position

Assets and Liabilities

Total assets were ¥1,101,096 million, a decrease of ¥28,067 million compared to total assets as of March 31, 2015. The main reasons for this were decreases of ¥10,335 million in notes and accounts receivable, and ¥14,488 million in investment securities.

Total liabilities were ¥612,974 million, a decrease of ¥34,330 million compared to total liabilities as of March 31, 2015. The main reasons for this were decreases of ¥9,344 million in notes and accounts payable, ¥5,792 million in short-term loans, and ¥5,743 million in long-term loans.

Net Assets

Net assets totaled ¥488,122 million, an increase of ¥6,262 million compared to net assets as of March 31, 2015. The main reason for this was an increase of ¥33,457 million in net income attributable to shareholders of the parent, which offset decreases of ¥7,231 million in valuation difference on available-for-sale securities and ¥7,888 million in translation adjustments.

Cash Flows

Total cash and cash equivalents at the end of the period were ¥193,436 million, an increase of ¥9,062 million compared to total cash and cash equivalents as of March 31, 2015, but a year-on-year decrease of ¥6,769 million.

1) Net Cash Flow Provided by Operating Activities

Net cash flow provided by operating activities totaled ¥50,359 million, an increase of ¥32,000 million compared to the same period of the previous year. This includes ¥49,022 million in income before tax expenses and minority interests and ¥20,533 million provided by depreciation and amortization, which offset decreases of ¥7,945 million in decrease in notes and accounts payable and ¥7,535 million in income taxes paid.

2) Net Cash Flow Used in Investing Activities

Cash flow used in investing activities totaled ¥17,425 million, a decrease of ¥2,631 million compared to the same period of the previous year.

3) Net Cash Flow Used in Financing Activities

Net cash flow used in financing activities totaled ¥22,952 million, an increase of ¥54,422 million compared to the same period of the previous year. This includes payments of ¥9,602 million in repayments of long-term loans, ¥8,656 million in dividends paid and ¥2,859 million in dividends paid to non-controlling interests.

(3) Qualitative Information Regarding Consolidated Business Forecast

NSK is revising its consolidated business forecast for the year ending March 31, 2016, announced on May 11, 2015, based on the company's business results for the six months ended September 30, 2015.

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

	Revised Forecast	Previous Forecast	Increase/Decrease	% Change
	Millions of yen	Millions of yen	Millions of yen	
Net sales	980,000	1,020,000	(40,000)	(3.9)%
Operating income	94,000	102,000	(8,000)	(7.8)%
Ordinary income	92,000	100,000	(8,000)	(8.0)%
Net income attributable to shareholders of the parent	66,000	70,000	(4,000)	(5.7)%

- Forecast exchange rate from October 1, 2015 to March 31, 2016:
US\$1=¥115, €1=¥125

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.

NSK has outlined details of the change to its consolidated business forecast in the statement entitled "Revision of Consolidated Business Forecast", released today (October 27, 2015).

2. Matters Regarding Summary Information (Others)

(1) Changes in Significant Subsidiaries during the Period

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

None.

(4) Additional Information

In accordance with Paragraph 39 of “Accounting Standard for Consolidated Financial Statements” (ASBJ* Statement No. 22, September 13, 2013), the NSK Group changed the indications of quarterly net income, etc. and shifted from minority interests to non-controlling interests. In order to reflect these changes, the NSK Group reproduced the quarterly consolidated financial statements for the previous first half and the annual consolidated financial statements for the previous year.

*ASBJ: Accounting Standards Board of Japan

3. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

	(Millions of Yen)	
	As of Mar. 31, 2015	As of Sep. 30, 2015
Assets		
Current assets:		
Cash and deposits	76,089	75,408
Notes and accounts receivable	189,635	179,300
Short-term investment securities	106,141	111,094
Finished goods	74,060	75,502
Work in process	45,363	41,721
Raw materials and supplies	22,746	23,001
Others	61,793	59,080
Less allowance for doubtful accounts	(2,674)	(2,436)
Total current assets	573,157	562,674
Non-current assets:		
Property, plant and equipment		
Buildings and structures	84,999	83,636
Machinery, vehicles and equipment	171,335	174,052
Others	78,561	72,879
Total property, plant and equipment	334,896	330,567
Intangible fixed assets	11,791	11,775
Investments and other assets		
Investment securities	118,672	104,184
Net defined benefit asset	77,361	78,449
Others	13,664	13,796
Less allowance for doubtful accounts	(380)	(351)
Total investments and other assets	209,319	196,079
Total non-current assets	556,007	538,422
Total assets	1,129,164	1,101,096

(Millions of Yen)

	As of Mar. 31, 2015	As of Sep. 30, 2015
Liabilities		
Current liabilities:		
Notes and accounts payable	137,900	128,556
Short-term loans	116,909	111,116
Accrued income taxes	5,804	7,920
Others	78,823	68,252
Total current liabilities	339,436	315,845
Non-current liabilities:		
Corporate bonds	60,000	60,000
Long-term loans	149,491	143,748
Accrued officers' retirement benefits	1,674	1,543
Reserves for environmental safety measures	179	179
Net defined benefit liability	40,059	39,008
Others	56,463	52,648
Total non-current liabilities	307,867	297,128
Total liabilities	647,304	612,974
Net assets		
Shareholders' equity		
Common stock	67,176	67,176
Additional paid-in capital	78,938	79,071
Retained earnings	252,667	276,912
Treasury stock	(4,083)	(3,981)
Total shareholders' equity	394,699	419,179
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	44,438	37,206
Translation adjustments	7,592	(295)
Remeasurements of defined benefit plans	9,316	8,249
Total accumulated other comprehensive income	61,347	45,159
Share subscription rights	252	311
Non-controlling interests	25,560	23,472
Total net assets	481,859	488,122
Total liabilities and net assets	1,129,164	1,101,096

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

Consolidated Statements of Operations

	(Millions of Yen)	
	Six months ended Sep. 30, 2014	Six months ended Sep. 30, 2015
Net sales	464,390	489,735
Cost of sales	360,544	375,079
Gross profit	103,846	114,656
Selling, general and administrative expenses	63,099	65,217
Operating income	40,746	49,438
Non-operating income:		
Interest income	423	319
Dividend income	935	1,041
Equity in earnings of affiliated companies	2,265	2,102
Others	1,072	1,857
Total non-operating income	4,697	5,321
Non-operating expenses:		
Interest expenses	2,444	2,445
Foreign exchange losses	200	1,159
Product compensation	834	1,323
Others	1,037	809
Total non-operating expenses	4,516	5,737
Ordinary income	40,927	49,022
Extraordinary loss:		
Antimonopoly Act related loss	3,025	—
Total extraordinary loss	3,025	—
Income before income taxes and non-controlling interests	37,901	49,022
Income taxes	10,679	13,919
Net income	27,222	35,103
Net income attributable to non-controlling interests	1,331	1,645
Net income attributable to shareholders of the parent	25,890	33,457

Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Six months ended Sep. 30, 2014	Six months ended Sep. 30, 2015
Net Income	27,222	35,103
Other comprehensive income		
Valuation difference on available-for-sale securities	3,576	(7,198)
Translation adjustments	11,658	(8,570)
Remeasurement of defined benefit plans	115	(1,090)
Share of other comprehensive income of associates accounted for using equity method	50	(203)
Total other comprehensive income	15,401	(17,062)
Comprehensive income	42,623	18,040
(Details)		
Comprehensive income attributable to parent company	40,534	17,269
Comprehensive income attributable to non-controlling interests	2,089	771

(3) Consolidated Statement of Cash Flows

	(Millions of Yen)	
	Six months ended Sep. 30, 2014	Six months ended Sep. 30, 2015
Operating activities		
Income before income taxes and non-controlling interests	37,901	49,022
Depreciation and amortization	18,468	20,533
Amortization of goodwill	57	55
Increase (decrease) in allowance for doubtful accounts	30	(131)
Net defined benefit liabilities and net defined benefit assets	(2,327)	(3,994)
Interest and dividend income	(1,359)	(1,360)
Interest expenses	2,444	2,445
Equity in losses (earnings) of affiliates	(2,265)	(2,102)
Antimonopoly Act related loss	3,025	—
Decrease (increase) in notes and accounts receivable	(1,774)	3,735
Decrease (increase) in inventories	(8,885)	(3,837)
Increase (decrease) in notes and accounts payable	6,374	(7,945)
Others	(92)	(261)
Subtotal	51,596	56,159
Interest and dividends received	4,716	4,168
Interest paid	(2,393)	(2,433)
Antimonopoly Act related loss paid	(18,878)	—
Income taxes paid	(16,682)	(7,535)
Net cash provided by operating activities	18,358	50,359
Investing activities		
Net decrease (increase) in time deposits	(117)	(441)
Purchase of short-term investment securities	(100)	—
Proceeds from sales of short-term investment securities	266	6
Purchase of property, plant and equipment	(18,313)	(22,277)
Proceeds from sales of property, plant and equipment	294	276
Purchase of investment securities	(24)	(26)
Proceeds from sales of investment securities	119	3,155
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	—	1,042
Payments for loans receivable	(660)	(3,021)
Collection of loans receivable	73	5,213
Others	(1,595)	(1,353)
Net cash used in investing activities	(20,057)	(17,425)
Financing activities		
Net increase (decrease) in short-term loans	(1,997)	(2,126)
Increase in long-term loans	6,088	291
Repayments of long-term loans	(5,665)	(9,602)
Proceeds from issuance of bonds	40,000	—
Acquisition of treasury stock	(20)	(3)
Dividends paid	(4,862)	(8,656)
Dividends paid to non-controlling interests	(2,244)	(2,859)
Others	172	4
Net cash provided by (used in) financing activities	31,469	(22,952)
Effect of exchange rate changes on cash and cash equivalents	1,494	(919)
Net increase (decrease) in cash and cash equivalents	31,266	9,062
Cash and cash equivalents at beginning of the year	168,940	184,374
Cash and cash equivalents at end of the period	200,206	193,436

(4) Going Concern Assumption

None.

(5) Notes to Quarterly Consolidated Balance Sheet

1. Litigation and Other Legal Matters

(The second quarter of the year ending Mar. 31, 2016)

Regarding sales of products, NSK and its subsidiaries are under investigation by relevant authorities outside of Japan, in relation to the competition laws. NSK and the NSK Group are cooperating fully with any relevant authorities in their respective investigations.

In addition, in the United States and Canada, the Plaintiffs, representing purchasers, etc. of bearing products, etc., have filed class actions (including parens patriae action) against the Defendants including NSK and some of its subsidiaries located in the United States, Canada and Europe. . The Plaintiffs allege, among others, that the Defendants conspired with each other to restrict competition regarding transactions related to bearing products, etc., in these countries, and seek damages, injunctive relief, and other relief against the Defendants in these actions. NSK and some of its subsidiaries located in the United States, Canada, and Europe are going to insist on what NSK and the NSK Group consider propriety, and cope with the Plaintiffs' claim appropriately.

Moreover, NSK or some of its subsidiaries may consider possibilities of consultation with the Plaintiffs, according to the progress of these actions.

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

As a result of the above investigations, financial losses, such as surcharge payments and damages, 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.

(6) Segment Information

Sales by Reportable Segments

Six months ended September 30, 2014

(Millions of Yen)

	Reportable segments			Other	Total	Adjustments	Consolidated
	Industrial machinery business	Automotive business	Sub-total				
Sales							
(1) Sales to third parties	132,538	311,758	444,296	20,093	464,390	—	464,390
(2) Inter-segment sales and transfers	—	—	—	14,726	14,726	(14,726)	—
Total	132,538	311,758	444,296	34,820	479,116	(14,726)	464,390
Segment income (Operating income)	14,504	28,221	42,726	2,154	44,880	(4,133)	40,746

Six months ended September 30, 2015

(Millions of Yen)

	Reportable segments			Other	Total	Adjustments	Consolidated
	Industrial machinery business	Automotive business	Sub-total				
Sales							
(1) Sales to third parties	136,563	338,978	475,542	14,193	489,735	—	489,735
(2) Inter-segment sales and transfers	—	—	—	12,886	12,886	(12,886)	—
Total	136,563	338,978	475,542	27,080	502,622	(12,886)	489,735
Segment income (Operating income)	17,527	34,539	52,066	1,993	54,059	(4,621)	49,438

(7) Substantial Changes in Shareholders' Equity

None.

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