

# NSK Ltd.

For Immediate Release

May 11, 2016

## CONSOLIDATED RESULTS FOR THE YEAR ENDED MARCH 31, 2016

(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                                     | Toshihiro Uchiyama, President and CEO |
| Contact person                                     | Kenichi Yamana, Vice President        |
| Date of the ordinary general shareholders' meeting | June 24, 2016                         |
| Payment date of cash dividends                     | June 03, 2016                         |
| Filing date of securities report                   | June 24, 2016                         |

(Figures are rounded down to the nearest million yen)

### 1. Consolidated Financial Highlights for the Year Ended March 31, 2016

#### (1) Consolidated financial results

(% indicates changes from the previous year)

|                             | Net sales                |      | Operating income    |       | Ordinary income |      | Net income      |      |
|-----------------------------|--------------------------|------|---------------------|-------|-----------------|------|-----------------|------|
|                             | Millions of Yen          | %    | Millions of Yen     | %     | Millions of Yen | %    | Millions of Yen | %    |
| Year ended Mar. 31, 2016    | 975,319                  | 0.0  | 94,726              | (2.7) | 93,964          | 3.3  | 67,169          | 8.4  |
| Year ended Mar. 31, 2015    | 974,885                  | 11.8 | 97,327              | 43.0  | 91,002          | 36.3 | 61,962          | 98.8 |
| (Note) Comprehensive income | Year ended Mar. 31, 2016 |      | 12,554 million yen  |       | (89.7)%         |      |                 |      |
|                             | Year ended Mar. 31, 2015 |      | 121,393 million yen |       | 97.3%           |      |                 |      |

|                          | Net income per share<br>- Basic | Net income per share<br>- Diluted | Return on equity<br>(ROE) | Ordinary income<br>/Total assets | Operating income<br>margin |
|--------------------------|---------------------------------|-----------------------------------|---------------------------|----------------------------------|----------------------------|
|                          | Yen                             | Yen                               | %                         | %                                | %                          |
| Year ended Mar. 31, 2016 | 124.06                          | 123.97                            | 14.9                      | 8.7                              | 9.7                        |
| Year ended Mar. 31, 2015 | 114.56                          | 114.42                            | 15.3                      | 8.6                              | 10.0                       |

(Note) Equity in earnings of affiliates Year ended Mar. 31, 2016 4,729 million yen Year ended Mar. 31, 2015 2,659 million yen

#### (2) Consolidated financial position

|                     | Total assets    | Net assets      | Shareholders' equity to<br>total assets | Net assets per share |
|---------------------|-----------------|-----------------|---|----------------------|
|                     | Millions of Yen | Millions of Yen | %                                       | Yen                  |
| As of Mar. 31, 2016 | 1,038,218       | 473,560         | 43.2                                    | 828.33               |
| As of Mar. 31, 2015 | 1,129,164       | 481,859         | 40.4                                    | 842.69               |

(Note) Equity capital As of Mar. 31, 2016 448,578 million yen As of Mar. 31, 2015 456,046 million yen

#### (3) Consolidated results of cash flow

|                          | Net cash provided by<br>operating activities | Net cash used in<br>investing activities | Net cash used in<br>financing activities | Cash and cash equivalents<br>at the end of the period |
|--------------------------|--|--|--|---|
|                          | Millions of Yen                              | Millions of Yen                          | Millions of Yen                          | Millions of Yen                                       |
| Year ended Mar. 31, 2016 | 105,273                                      | (44,422)                                 | (65,514)                                 | 175,515   |
| Year ended Mar. 31, 2015 | 67,709                                       | (46,335)                                 | (8,304)                                  | 184,374   |

### 2. Cash Dividends

| (Record date)                           | Cash dividends per share |              |                    | Total dividend<br>(Full-year) | Dividend<br>payout ratio<br>(Consolidated) | Dividend on net<br>assets<br>(Consolidated) |
|---|--------------------------|--------------|--------------------|-------------------------------|--|---|
|   | Interim                  | Year-end     | Full-year<br>total |                               |  |   |
| Year ended Mar. 31, 2015                | Yen<br>12.00             | Yen<br>16.00 | Yen<br>28.00       | Millions of Yen<br>15,161     | %<br>24.4                                  | %<br>3.7                                    |
| Year ended Mar. 31, 2016                | 17.00                    | 17.00        | 34.00              | 18,425                        | 27.4                                       | 4.1   |
| Year ending Mar. 31, 2017<br>(Forecast) | 24.00                    | 14.00        | 38.00              |                               | 51.4                                       |   |

(Note) Cash dividends (forecasts) for the first half of the fiscal year ending March 31, 2017 is comprised of ¥14.00 per share as an ordinary dividend and of ¥10.00 per share as the 100<sup>th</sup> anniversary commemorative dividend.

### 3. Forecast of Consolidated Results for the Year Ending March 31, 2017

(% indicates changes from the previous year)

|                                 | Net sales       |   | Operating income |   | Income before taxes |   | Net income attributable to owners of the Parent |   | Net income per share |
|---------------------------------|-----------------|---|------------------|---|---------------------|---|---|---|----------------------|
|                                 | Millions of Yen | % | Millions of Yen  | % | Millions of Yen     | % | Millions of Yen                                 | % | Yen                  |
| Six months ending Sep. 30, 2016 | 450,000         | — | 28,000           | — | 27,000              | — | 17,000  | — | 31.39                |
| Year ending Mar. 31, 2017       | 920,000         | — | 65,000           | — | 63,000              | — | 40,000  | — | 73.86                |

(Note) NSK will adopt International Financial Reporting Standards (IFRS) voluntarily, beginning with the consolidated financial statements in the Annual Securities Report for the year ended March 2016. Consequently, the forecasts for the year ending March 2017 were formulated based on IFRS.

### 4. Others

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

(2) Changes in accounting policies, procedures and disclosures for presenting consolidated financial statements

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

(ii) Changes excluding the above: None

(iii) Changes in accounting estimates: None

(iv) Restatement of corrections: None

(3) 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 Mar. 31, 2016 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 Mar. 31, 2016 9,723,762 shares As of Mar. 31, 2015 10,085,598 shares

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

Year ended Mar. 31, 2016 541,423,065 shares Year ended Mar. 31, 2015 540,865,077 shares

### (Reference)

#### 1. Non-Consolidated Financial Highlights for the Year Ended March 31, 2016

##### (1) Non-consolidated financial results

(% indicates changes from the previous year)

|                          | Net sales       |       | Operating income |        | Ordinary income |        | Net income      |        |
|--------------------------|-----------------|-------|------------------|--------|-----------------|--------|-----------------|--------|
|                          | Millions of Yen | %     | Millions of Yen  | %      | Millions of Yen | %      | Millions of Yen | %      |
| Year ended Mar. 31, 2016 | 443,637         | (4.5) | 9,277            | (56.9) | 23,562          | (38.9) | 22,799          | (29.9) |
| Year ended Mar. 31, 2015 | 464,780         | 1.2   | 21,502           | (1.8)  | 38,566          | 64.7   | 32,537          | 980.6  |

|                          | Net income per share - Basic | Net income per share - Diluted |
|--------------------------|------------------------------|--------------------------------|
|                          | Yen                          | Yen                            |
| Year ended Mar. 31, 2016 | 42.08                        | 42.05                          |
| Year ended Mar. 31, 2015 | 60.11                        | 60.03                          |

##### (2) Non-consolidated financial position

|                     | Total assets    | Net assets      | Shareholders' equity to total assets | Net assets per share |
|---------------------|-----------------|-----------------|--------------------------------------|----------------------|
|                     | Millions of Yen | Millions of Yen | %                                    | Yen                  |
| As of Mar. 31, 2016 | 724,535         | 275,009         | 37.9                                 | 506.54               |
| As of Mar. 31, 2015 | 762,221         | 278,631         | 36.5                                 | 513.98               |

(Note) Equity capital As of Mar. 31, 2016 274,532 million yen As of Mar. 31, 2015 278,378 million yen

#### 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.

Please refer to page 4 "Business Forecast for the year ending March 31, 2017" for the assumptions and preconditions on which the forecast has been based on.

## 1. Business Overview

### (1) Qualitative Information Regarding Consolidated Business Results

In the lead-up to the 100<sup>th</sup> anniversary of the company's foundation in 2016, the NSK Group has worked to implement its 4<sup>th</sup> Mid-Term Plan, spanning the three-year period beginning April 2013, with the objective of "establishing corporate fundamentals appropriate for a company with net sales of ¥1 trillion. In order to enhance its corporate foundation, the NSK Group has adopted a business strategy of growth with a focus on profitability, and is implementing measures to develop the management capability required to handle ¥1 trillion in sales volume.

Looking at global economic conditions during the year ended March 31, 2016, uncertainty in the overall Japanese economy rose, partially due to the yen's appreciation from the beginning of the year, despite the positive impact of lower crude oil prices and various policies implemented by the Japanese government. The U.S. economy continued its steady growth, primarily due to strong consumer spending. The European economy continued on a path of moderate recovery, primarily in the Eurozone. The Chinese economy continued to slow, while conditions in other Asian countries remained stagnant—although there were signs of an upturn in some areas.

In this economic environment, consolidated net sales for the year ended March 31, 2016 totaled ¥975,319 million, a year-on-year increase of 0.0%, and operating income totaled ¥94,726 million, a year-on-year decrease of 2.7%. Ordinary income was ¥93,964 million, a year-on-year increase of 3.3%. Net income attributable to shareholders of the parent after adjusting for income taxes, net income attributable to non-controlling interests, and other factors was ¥67,169 million, a year-on-year increase of 8.4%.

### Business Segment Information

#### ① Industrial Machinery Business Segment

Demand in the industrial machinery business decreased due to the economic slowdown, primarily in emerging markets. Looking at results by region, sales in Japan decreased, primarily in the machine tool sector. In the Americas, sales in the aftermarket sector decreased. In Europe, sales declined due to lower sales in the aftermarket sector, despite increased sales in the home appliance sector. Sales in China decreased, primarily in the electrical sector, despite higher sales in the wind turbine sector. In other Asian countries, sales decreased due to overall weak demand.

As a result, net sales in the industrial machinery business totaled ¥259,784 million, a year-on-year decrease of 6.0%, and operating income was ¥28,125 million, a year-on-year decrease of 18.2%.

#### ② Automotive Business Segment

The global automotive market continued its gradual expansion during the year under review. Looking at results by geographic breakdown, the NSK Group's sales in Japan declined due to sluggish sales of Japanese mini vehicles. In the Americas, sales of both electric power systems (EPS) and automotive bearings rose due to robust demand in the North American market. In Europe, continued gradual recovery in the automotive market led to higher sales. In China, sales increased due to the impact of special tax incentives for compact cars, despite slower growth in the automotive market. Sales in other Asian countries also increased, primarily due to demand for EPS, although market conditions varied between countries.

As a result, net sales in the automotive business totaled ¥689,122 million, a year-on-year increase of 4.9%, and operating income totaled ¥73,386 million, a year-on-year increase of 11.7%.

## **Business Forecast for the Year Ending March 31, 2017**

Regarding the global economic outlook for the year ending March 31, 2017, although a gradual recovery in automotive demand is anticipated, the adjustment phase in the industrial machinery business is likely to continue. A number of risks also remain, including the impact of the phasing out of U. S. monetary easing policy, rising geopolitical tensions, as well as the possibility of further slowdown in economic growth, primarily in emerging markets

Given such circumstances, NSK forecasts the following financial results for the year ending March 31, 2017.

NSK will adopt International Financial Reporting Standards (IFRS) voluntarily, beginning with the consolidated financial statements in the Annual Securities Report for the year ended March 2016. Consequently, forecasts for the year ending March 2017 were formulated based on IFRS.

|   | <u>Year ending Mar. 31, 2017</u> |
|---|----------------------------------|
| <b>Consolidated Financial Highlights<br/>(IFRS)</b> |                                  |
| Net sales   | ¥ 920,000 million                |
| Operating income                                    | 65,000                           |
| Income before income taxes                          | 63,000                           |
| Net income attributable to owners of the Parent     | 40,000                           |

- Exchange rate forecast for the year ending March 31, 2017:  
U.S.\$1=¥105, 1€=¥120

### Notes

All forecasts are based on a number of assumptions regarding 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) Qualitative Information Regarding Consolidated Financial Position**

### **Assets and Liabilities**

Total assets were ¥1,038,218 million, a decrease of ¥90,945 million compared to total assets as of March 31, 2015. The main reasons for this decrease were decreases of ¥12,801 million in notes and accounts receivable, ¥17,552 million in short-term investment securities, ¥7,864 million in property, plant and equipment, ¥19,371 million in investment securities, and ¥27,463 million in net defined benefit assets.

Total liabilities were ¥564,658 million, a decrease of ¥82,645 million compared to total liabilities as of March 31, 2015. The main reasons for this decrease were decreases of ¥10,723 million in notes and accounts payable, ¥8,259 million in short-term loans, and ¥29,400 million in current portion of long-term loans payable, ¥10,587 million in long-term loans, and ¥15,289 million in deferred tax liabilities.

### **Net assets**

Net assets totaled ¥473,560 million, a decrease of ¥8,299 million compared to net assets as of March 31, 2015. The main reasons for this decrease were ¥10,789 million in valuation difference on available-for-sale securities, ¥26,226 million in translation adjustments, and ¥19,519 million in remeasurements of defined benefit plans, which offset 67,169 in net income attributable to shareholders of the parent.

### **Cash Flows**

Total cash and cash equivalents at the end of the period were ¥175,515 million, a year-on-year decrease of ¥8,858 million.

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

Net cash flow provided by operating activities totaled ¥105,273 million, an increase of ¥37,563 million, compared to the same period of the previous year. This includes ¥90,447 million in income before tax expenses and minority interests, and ¥41,500 million in depreciation and amortization, which offset decrease of ¥17,831 million in income taxes paid.

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

Net cash flow used in investing activities totaled ¥44,422 million, a decrease of ¥1,912 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 ¥65,514 million, an increase of ¥57,209 million compared to the same period of the previous year. This includes a net increase of ¥9,735 million in long-term loans, which was offset by decreases of ¥47,793 million due to repayments of long-term loans, ¥17,861 million in dividends paid, and ¥2,974 million in dividends paid to non-controlling interests.

|  | As of Mar.<br>31, 2013 | As of Mar.<br>31, 2014 | As of Mar.<br>31, 2015 | As of Mar.<br>31, 2016 |
|--|------------------------|------------------------|------------------------|------------------------|
| Shareholders' equity to total assets (%)                 | 36.2                   | 35.9                   | 40.4                   | 43.2                   |
| Shareholders' equity to total assets at market value (%) | 43.7                   | 57.3                   | 84.3                   | 53.7                   |
| Cash flow to interest ratio (Years)                      | 5.7                    | 4.5                    | 4.8                    | 2.6                    |
| Interest coverage ratio (Times)                          | 11.4                   | 14.4                   | 13.2                   | 22.0                   |

- Shareholders' equity to total assets:  $\text{Shareholders' equity} / \text{Total assets}$
- Shareholders' equity to total assets at market value:  $\text{Market capitalization} / \text{Total assets}$
- Cash flow to interest ratio:  $\text{Interest bearing debts} / \text{Net cash provided by operating activities}$
- Interest coverage ratio:  $\text{Net cash provided by operating activities} / \text{Interest paid}$

- (Notes) 1. All indices have been calculated based on consolidated data.
2. Market capitalization has been calculated as:  
“Closing share price at end of the year” × “Common shares outstanding at end of the year”
3. Net cash provided by operating activities refers to the net cash provided by operating activities on the consolidated statements of cash flows. Interest-bearing debts refer to the total amount of liabilities paying interests on the balance sheet.

**(3) Basic Policy on Appropriation of Retained Earnings and Dividends**

NSK places great importance on shareholder returns. Our basic dividend policy is to provide dividends to our shareholders on an ongoing basis. Specifically, we aim to pay a per-share dividend, maintaining a dividend payout ratio of approximately 30% on a consolidated basis, while taking into account financial situation.

The year-end dividend for the fiscal year ended March 31, 2016 will be ¥17.00 per share. Including the dividend of ¥17.00 per share for the first half of the year, paid on December 1, 2015, the full year dividend will be ¥34.00 per share, a year-on-year increase of ¥6.00.

Dividends for the year ending March 31, 2017 are planned to be ¥38.00 per share (¥24.00 per share for the first half of the year, and ¥14.00 per share for the year-end). This includes a commemorative dividend of ¥10.00 per share during the first half of the year as an expression of gratitude to our shareholders on the occasion of our 100<sup>th</sup> anniversary on November 8, 2016.

## 2. Management Policy Statement

### (1) Basic Management Policies

NSK aims to contribute to the well-being and safety of society and to protect the global environment through its innovative technology integrating “MOTION & CONTROL”. We are guided by our vision of NSK as a truly international enterprise, and are working across national boundaries to improve relationships between people throughout the world.

We have the following management principles to achieve our goals.

- ① To serve our customers through innovative and responsive solutions, taking advantage of our world leading technologies.
- ② To provide challenges and opportunities to our employees, channeling their skills and fostering their creativity and individuality.
- ③ To identify the needs of the times and of the future and to use all of NSK's resources to meet those needs by being versatile, responsive and dynamic.
- ④ To work together with our employees and contribute to the communities in which we operate.
- ⑤ To manage our business from an international perspective and to develop a strong presence throughout the world.

### (2) Key Indicators

NSK will focus on improving its asset efficiency to increase return on equity (ROE) and net debt-equity ratio and recognizes operating income margin as a key indicator of profit stability.

### (3) Mid-Term Strategies and Key Management Tasks

NSK will celebrate its 100<sup>th</sup> anniversary on November 8, 2016. In order to realize NSK's Mission Statement, NSK has established “NSK Vision 2026 (Setting the Future in Motion)”, an overarching vision of the type of company it aims to become in the 10 years following its 100<sup>th</sup> anniversary. Under “NSK Vision 2026”, the NSK Group has commenced its 5<sup>th</sup> mid-term management plan for the three years beginning April 2016. Under the slogan “embark on new chapter in evolution towards next 100 years” and supported by the two main pillars of “operational excellence” and “innovate and challenge”, we will address three main management tasks: achieving sustainable growth, reconstructing our profit base, and establishing new growth fields.

The following are key measures for each management pillar:

#### Measures to achieve Operational Excellence

- Pursuit of business competitiveness
- Pursuit of efficient management
- Development of human resources and manufacturing (*monozukuri*) expertise

#### Measures to Innovate and Challenge

- Sowing seeds for the next phase of growth
- Innovation in manufacturing
- Development of new products and technologies targeting new fields

The NSK Group regards the reduction of energy loss through its global business as one of its social responsibilities, and is steadily upgrading its environment-conscious management in order to contribute to environmental preservation and the development of a sustainable society. We aim to continue to grow by building trust relationships with a range of stakeholders, including customers and local communities, by respecting all relevant laws and acting with high ethical standards as a good corporate citizen. To do so, we are implementing a range of initiatives aimed at strengthening compliance, including further refinement of organizational structures and systems, and thorough compliance-related training and awareness programs. NSK operates under a “Company with Three Committees” system with the aim of enhancing management transparency and soundness, and conducting fair and prompt decision-making by clearly defining the respective roles of the executive and supervisory functions.

NSK will continue working to reinforce its corporate governance structure in light of social requirements, including Japan's recently-released Corporate Governance Code, in order to deliver sustainable growth and mid-to-long term enhancement in corporate value.

### **3. Basic Stance on Selection of Accounting Standards**

NSK will adopt International Financial reporting Standards (IFRS) voluntarily, beginning with the consolidated financial statements in the Annual Securities Report for the year ended March 2016. NSK decided to adopt IFRS to improve management efficiency through standardization of the group's financial reporting and enhance comparability of financial information across international capital markets.

**4. Consolidated Financial Statements**  
**(1) Consolidated Balance Sheets**

(Millions of Yen)

|  | As of March 31, 2015 | As of March 31, 2016 |
|--|----------------------|----------------------|
| <b>Assets</b>                          |                      |                      |
| Current assets:                        |                      |                      |
| Cash and deposits                      | 76,089               | 80,732               |
| Notes and accounts receivable          | 189,635              | 176,834              |
| Short-term investment securities       | 106,141              | 88,589               |
| Finished goods                         | 74,060               | 68,991               |
| Work in process                        | 45,363               | 39,965               |
| Raw materials and supplies             | 22,746               | 21,607               |
| Deferred tax assets                    | 11,807               | 10,956               |
| Others                                 | 49,985               | 46,306               |
| Less allowance for doubtful accounts   | (2,674)              | (2,237)              |
| Total current assets                   | 573,157              | 531,745              |
| Non-current assets:                    |                      |                      |
| Property, plant and equipment          |                      |                      |
| Buildings and structures               | 228,425              | 225,837              |
| Accumulated depreciation               | (143,425)            | (144,803)            |
| Buildings and structures, net          | 84,999               | 81,033               |
| Machinery, vehicles and equipment      | 655,604              | 652,280              |
| Accumulated depreciation               | (484,269)            | (480,583)            |
| Machinery, vehicles and equipment, net | 171,335              | 171,696              |
| Tools, furniture and fixtures          | 76,789               | 78,671               |
| Accumulated depreciation               | (62,799)             | (63,904)             |
| Tools, furniture and fixtures, net     | 13,989               | 14,767               |
| Land                                   | 37,836               | 37,751               |
| Lease assets                           | 3,198                | 3,508                |
| Accumulated depreciation               | (2,197)              | (2,470)              |
| Lease assets, net                      | 1,001                | 1,037                |
| Construction in progress               | 25,734               | 20,745               |
| Total property, plant and equipment    | 334,896              | 327,031              |
| Intangible fixed assets                |                      |                      |
| Goodwill                               | 111                  | —                    |
| Others                                 | 11,680               | 13,274               |
| Total intangible fixed assets          | 11,791               | 13,274               |
| Investments and other assets           |                      |                      |
| Investment securities                  | 118,672              | 99,301               |
| Long-term loans receivable             | 283                  | 198                  |
| Deferred tax assets                    | 3,113                | 6,712                |
| Net defined benefit asset              | 77,361               | 49,898               |
| Others                                 | 10,267               | 10,374               |
| Less allowance for doubtful accounts   | (380)                | (318)                |
| Total investments and other assets     | 209,319              | 166,167              |
| Total non-current assets               | 556,007              | 506,473              |
| Total assets                           | 1,129,164            | 1,038,218            |

(Millions of Yen)

|   | As of March 31, 2015 | As of March 31, 2016 |
|---|----------------------|----------------------|
| <b>Liabilities</b>                                    |                      |                      |
| Current liabilities:                                  |                      |                      |
| Notes and accounts payable                            | 137,900              | 127,176              |
| Short-term loans                                      | 69,339               | 61,080               |
| Current portion of long-term loans payable            | 47,569               | 18,168               |
| Current portion of corporate bonds                    | —                    | 20,000               |
| Accrued income taxes                                  | 5,804                | 5,047                |
| Others  | 78,823               | 75,804               |
| Total current liabilities                             | 339,436              | 307,277              |
| Non-current liabilities:                              |                      |                      |
| Corporate bonds                                       | 60,000               | 40,000               |
| Long-term loans                                       | 149,491              | 138,903              |
| Deferred tax liabilities                              | 48,088               | 32,798               |
| Accrued officers' retirement benefits                 | 1,674                | 1,762                |
| Reserves for environmental safety measures            | 179                  | 1,751                |
| Net defined benefit liability                         | 40,059               | 34,072               |
| Others  | 8,375                | 8,091                |
| Total non-current liabilities                         | 307,867              | 257,381              |
| Total liabilities                                     | 647,304              | 564,658              |
| <b>Net assets</b>                                     |                      |                      |
| Shareholders' equity                                  |                      |                      |
| Common stock  | 67,176               | 67,176               |
| Additional paid-in capital                            | 78,938               | 79,127               |
| Retained earnings                                     | 252,667              | 301,411              |
| Treasury stock  | (4,083)              | (3,949)              |
| Total shareholders' equity                            | 394,699              | 443,765              |
| Accumulated other comprehensive income                |                      |                      |
| Valuation difference on available-for-sale securities | 44,438               | 33,649               |
| Translation adjustments                               | 7,592                | (18,633)             |
| Remeasurements of defined benefit plans               | 9,316                | (10,202)             |
| Total accumulated other comprehensive income          | 61,347               | 4,812                |
| Share subscription rights                             | 252                  | 476                  |
| Non-controlling interests                             | 25,560               | 24,505               |
| Total net assets                                      | 481,859              | 473,560              |
| Total liabilities and net assets                      | 1,129,164            | 1,038,218            |

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

**Consolidated Statements of Operations**

(Millions of Yen)

|   | Year ended Mar. 31, 2015 | Year ended Mar. 31, 2016 |
|---|--------------------------|--------------------------|
| Net sales   | 974,885                  | 975,319                  |
| Cost of sales   | 749,374                  | 751,093                  |
| Gross profit  | 225,511                  | 224,225                  |
| Selling, general and administrative expenses          |                          |                          |
| Packing and haulage expenses                          | 20,558                   | 20,823                   |
| Sales commission                                      | 1,533                    | 1,250                    |
| Salaries and wages                                    | 46,761                   | 46,983                   |
| Welfare expenses                                      | 8,770                    | 9,117                    |
| Retirement payments                                   | 103                      | 357                      |
| Retirement benefit expenses                           | 2,221                    | 1,398                    |
| Provision for officers' retirement benefits           | 285                      | 360                      |
| Rent expenses   | 5,704                    | 5,846                    |
| Depreciation and amortization                         | 4,681                    | 4,844                    |
| Transportation and communication expenses             | 6,290                    | 6,177                    |
| Provision of allowance for doubtful accounts          | (72)                     | (128)                    |
| Research and development expenses                     | 9,071                    | 9,490                    |
| Others  | 22,274                   | 22,977                   |
| Total selling, general and administrative expenses    | 128,183                  | 129,498                  |
| Operating income                                      | 97,327                   | 94,726                   |
| Non-operating income:                                 |                          |                          |
| Interest income                                       | 834                      | 642                      |
| Dividend income                                       | 1,913                    | 1,735                    |
| Equity in earnings of affiliated companies            | 2,659                    | 4,729                    |
| Others  | 3,683                    | 4,094                    |
| Total non-operating income                            | 9,090                    | 11,202                   |
| Non-operating expenses:                               |                          |                          |
| Interest expenses                                     | 5,059                    | 4,728                    |
| Exchange loss   | 380                      | 1,868                    |
| Product compensation                                  | 5,507                    | 2,234                    |
| Others  | 4,467                    | 3,133                    |
| Total non-operating expenses                          | 15,415                   | 11,965                   |
| Ordinary income                                       | 91,002                   | 93,964                   |
| Extraordinary income:                                 |                          |                          |
| Gain on sales of investment securities                | —                        | 701                      |
| Total extraordinary income                            | —                        | 701                      |
| Extraordinary loss:                                   |                          |                          |
| Antimonopoly Act related loss                         | 3,025                    | 2,647                    |
| Reserves for environmental safety measures            | —                        | 1,571                    |
| Total extraordinary loss                              | 3,025                    | 4,218                    |
| Income before tax expenses and minority interests     | 87,976                   | 90,447                   |
| Current income taxes                                  | 20,340                   | 20,221                   |
| Deferred income taxes                                 | 2,380                    | (555)                    |
| Total income taxes                                    | 22,721                   | 19,665                   |
| Net income  | 65,255                   | 70,781                   |
| Net income attributable to non-controlling interests  | 3,293                    | 3,611                    |
| Net income attributable to shareholders of the parent | 61,962                   | 67,169                   |

## Consolidated Statements of Comprehensive Income

(Millions of Yen)

|   | Year ended Mar. 31, 2015 | Year ended Mar. 31, 2016 |
|---|--------------------------|--------------------------|
| Net income  | 65,255                   | 70,781                   |
| Other comprehensive income  |                          |                          |
| Valuation difference on available-for-sale securities                               | 13,040                   | (10,722)                 |
| Translation adjustments   | 23,016                   | (27,317)                 |
| Remeasurement of defined benefit plans  | 19,678                   | (19,195)                 |
| Share of other comprehensive income of associates accounted for using equity method | 402                      | (990)                    |
| Total other comprehensive income  | 56,138                   | (58,226)                 |
| Comprehensive income  | 121,393                  | 12,554                   |
| (Details)   |                          |                          |
| Comprehensive income attributable to parent company                                 | 116,215                  | 10,634                   |
| Comprehensive income attributable to non-controlling interests                      | 5,178                    | 1,920                    |

### (3) Consolidated Statements of Changes in Net Assets

Year ended March 31, 2015

(Millions of Yen)

|   | Shareholders' equity |                            |                   |                |                            |
|---|----------------------|----------------------------|-------------------|----------------|----------------------------|
|   | Common stock         | Additional paid-in capital | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at the beginning of current period            | 67,176               | 78,560                     | 210,739           | (4,369)        | 352,107                    |
| Cumulative effects of changes in accounting policies  |                      |                            | (4,872)           |                | (4,872)                    |
| Restated Balance                                      | 67,176               | 78,560                     | 205,867           | (4,369)        | 347,234                    |
| Changes of items during the period                    |                      |                            |                   |                |                            |
| Cash dividends  |                      |                            | (15,161)          |                | (15,161)                   |
| Net income attributable to shareholders of the parent |                      |                            | 61,962            |                | 61,962                     |
| Purchase of treasury stock                            |                      |                            |                   | (49)           | (49)                       |
| Disposal of treasury stock                            |                      | 378                        |                   | 335            | 714                        |
| Net changes of items other than shareholders' equity  |                      |                            |                   |                |                            |
| Total changes of items during the period              | —                    | 378                        | 46,800            | 285            | 47,464                     |
| Balance at the end of current period                  | 67,176               | 78,938                     | 252,667           | (4,083)        | 394,699                    |

|   | Accumulated other comprehensive income                |                         |   |                                  | Share subscription rights | Non-controlling interests | Total net assets |
|---|---|-------------------------|---|----------------------------------|---------------------------|---------------------------|------------------|
|   | Valuation difference on available-for-sale securities | Translation adjustments | Remeasurements of defined benefit plans | Total other comprehensive income |                           |                           |                  |
| Balance at the beginning of current period            | 31,387  | (14,067)                | (10,225)                                | 7,094                            | 328                       | 22,626                    | 382,155          |
| Cumulative effects of changes in accounting policies  |   |                         |   |                                  |                           |                           | (4,872)          |
| Restated Balance                                      | 31,387  | (14,067)                | (10,225)                                | 7,094                            | 328                       | 22,626                    | 377,283          |
| Changes of items during the period                    |   |                         |   |                                  |                           |                           |                  |
| Cash dividends  |   |                         |   |                                  |                           |                           | (15,161)         |
| Net income attributable to shareholders of the parent |   |                         |   |                                  |                           |                           | 61,962           |
| Purchase of treasury stock                            |   |                         |   |                                  |                           |                           | (49)             |
| Disposal of treasury stock                            |   |                         |   |                                  |                           |                           | 714              |
| Net changes of items other than shareholders' equity  | 13,050  | 21,659                  | 19,542                                  | 54,253                           | (75)                      | 2,934                     | 57,112           |
| Total changes of items during the period              | 13,050  | 21,659                  | 19,542                                  | 54,253                           | (75)                      | 2,934                     | 104,576          |
| Balance at the end of current period                  | 44,438  | 7,592                   | 9,316                                   | 61,347                           | 252                       | 25,560                    | 481,859          |

Year ended March 31, 2016

(Millions of Yen)

|   | Shareholders' equity |                            |                   |                |                            |
|---|----------------------|----------------------------|-------------------|----------------|----------------------------|
|   | Common stock         | Additional paid-in capital | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at the beginning of current period            | 67,176               | 78,938                     | 252,667           | (4,083)        | 394,699                    |
| Cumulative effects of changes in accounting policies  |                      |                            |                   |                | —                          |
| Restated Balance                                      | 67,176               | 78,938                     | 252,667           | (4,083)        | 394,699                    |
| Changes of items during the period                    |                      |                            |                   |                |                            |
| Cash dividends  |                      |                            | (18,425)          |                | (18,425)                   |
| Net income attributable to shareholders of the parent |                      |                            | 67,169            |                | 67,169                     |
| Purchase of treasury stock                            |                      |                            |                   | (12)           | (12)                       |
| Disposal of treasury stock                            |                      | 188                        |                   | 146            | 335                        |
| Net changes of items other than shareholders' equity  |                      |                            |                   |                | —                          |
| Total changes of items during the period              | —                    | 188                        | 48,743            | 134            | 49,066                     |
| Balance at the end of current period                  | 67,176               | 79,127                     | 301,411           | (3,949)        | 443,765                    |

|   | Accumulated other comprehensive income                |                         |   |                                  | Share subscription rights | Non-controlling interests | Total net assets |
|---|---|-------------------------|---|----------------------------------|---------------------------|---------------------------|------------------|
|   | Valuation difference on available-for-sale securities | Translation adjustments | Remeasurements of defined benefit plans | Total other comprehensive income |                           |                           |                  |
| Balance at the beginning of current period            | 44,438  | 7,592                   | 9,316                                   | 61,347                           | 252                       | 25,560                    | 481,859          |
| Cumulative effects of changes in accounting policies  |   |                         |   |                                  |                           |                           | —                |
| Restated Balance                                      | 44,438  | 7,592                   | 9,316                                   | 61,347                           | 252                       | 25,560                    | 481,859          |
| Changes of items during the period                    |   |                         |   |                                  |                           |                           |                  |
| Cash dividends  |   |                         |   |                                  |                           |                           | (18,425)         |
| Net income attributable to shareholders of the parent |   |                         |   |                                  |                           |                           | 67,169           |
| Purchase of treasury stock                            |   |                         |   |                                  |                           |                           | (12)             |
| Disposal of treasury stock                            |   |                         |   |                                  |                           |                           | 335              |
| Net changes of items other than shareholders' equity  | (10,789)  | (26,226)                | (19,519)                                | (56,535)                         | 223                       | (1,054)                   | (57,366)         |
| Total changes of items during the period              | (10,789)  | (26,226)                | (19,519)                                | (56,535)                         | 223                       | (1,054)                   | (8,299)          |
| Balance at the end of current period                  | 33,649  | (18,633)                | (10,202)                                | 4,812                            | 476                       | 24,505                    | 473,560          |

#### (4) Consolidated Statements of Cash Flows

(Millions of Yen)

|  | Year ended Mar. 31, 2015 | Year ended Mar. 31, 2016 |
|--|--------------------------|--------------------------|
| Operating activities   |                          |                          |
| Income before income taxes and minority interests  | 87,976                   | 90,447                   |
| Depreciation and amortization  | 38,453                   | 41,500                   |
| Amortization of goodwill   | 114                      | 111                      |
| Increase (decrease) in allowance for doubtful accounts   | 907                      | (209)                    |
| Net defined benefit liabilities and net defined benefit assets                                   | (2,272)                  | (8,718)                  |
| Interest and dividend income   | (2,748)                  | (2,378)                  |
| Interest expenses  | 5,059                    | 4,728                    |
| Equity in losses (earnings) of affiliates  | (2,659)                  | (4,729)                  |
| Antimonopoly Act related loss  | 3,025                    | 2,647                    |
| Reserves for environmental safety measures   | —                        | 1,571                    |
| Loss (gain) on investments in securities   | —                        | (701)                    |
| Decrease (increase) in notes and accounts receivable   | (16,119)                 | (475)                    |
| Decrease (increase) in inventories   | (4,470)                  | 519                      |
| Increase (decrease) in notes and accounts payable  | 3,404                    | (6,658)                  |
| Others   | 3,807                    | 5,105                    |
| Subtotal   | 114,478                  | 122,759                  |
| Interest and dividends received  | 7,917                    | 5,126                    |
| Interest paid  | (5,120)                  | (4,781)                  |
| Antimonopoly Act related loss paid   | (18,878)                 | —                        |
| Income taxes paid  | (30,687)                 | (17,831)                 |
| Net cash provided by operating activities  | 67,709                   | 105,273                  |
| Investing activities   |                          |                          |
| Net decrease (increase) in time deposits   | (96)                     | (1,381)                  |
| Purchase of short-term investment securities   | (200)                    | —                        |
| Proceeds from sales of short-term investment securities  | 540                      | —                        |
| Purchase of property, plant and equipment  | (43,891)                 | (45,897)                 |
| Proceeds from sales of property, plant and equipment   | 1,008                    | 402                      |
| Purchase of investment securities  | (46)                     | (49)                     |
| Proceeds from sales of investment securities   | 227                      | 3,994                    |
| Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation | —                        | 1,042                    |
| Payments for loans receivable  | (755)                    | (3,058)                  |
| Collection of loans receivable   | 151                      | 5,287                    |
| Others   | (3,271)                  | (4,762)                  |
| Net cash used in investing activities  | (46,335)                 | (44,422)                 |

(Millions of Yen)

|  | Year ended Mar. 31, 2015 | Year ended Mar. 31, 2016 |
|--|--------------------------|--------------------------|
| Financing activities   |                          |                          |
| Net increase (decrease) in short-term loans                  | (4,527)                  | (6,507)                  |
| Increase in long-term loans                                  | 9,647                    | 9,735                    |
| Repayments of long-term loans                                | (25,123)                 | (47,793)                 |
| Proceeds from issuance of corporate bonds                    | 40,000                   | —                        |
| Payments for redemption of corporate bonds                   | (15,000)                 | —                        |
| Acquisition of treasury stock                                | (44)                     | (5)                      |
| Dividends paid   | (11,353)                 | (17,861)                 |
| Dividends paid to non-controlling interests                  | (2,244)                  | (2,974)                  |
| Others   | 340                      | (106)                    |
| Net cash provided by (used in) financing activities          | (8,304)                  | (65,514)                 |
| Effect of exchange rate changes on cash and cash equivalents | 2,364                    | (4,195)                  |
| Net increase (decrease) in cash and cash equivalents         | 15,434                   | (8,858)                  |
| Cash and cash equivalents at beginning of the year           | 168,940                  | 184,374                  |
| Cash and cash equivalents at end of the period               | 184,374                  | 175,515                  |

## **(5) Notes to Consolidated Financial Statements**

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

None.

### **(Important Items Regarding Preparation of Consolidated Financial Statements)**

#### 1. Items Regarding the Scope of Consolidated Subsidiaries and Affiliates

##### (1) Consolidated subsidiaries

Number of consolidated subsidiaries:

90 companies (20 Japanese entities and 70 non-Japanese entities).

Names of principal companies:

NSK Steering Systems Co., Ltd.,  
NSK Needle Bearings Ltd., Amatsuji Steel Ball Mfg. Co., Ltd.,  
NSK Americas, Inc., NSK Brasil Ltda., NSK Europe Ltd.,  
NSK (China) Investment Co., Ltd., Kunshan NSK Co., Ltd.,  
PT. NSK Bearings Manufacturing Indonesia, NSK Korea Co., Ltd.

##### (2) Affiliated companies accounted for by the equity method

Number of affiliated companies accounted for by the equity method:

16 companies (9 Japanese entities and 7 non-Japanese entities).

Name of principal company:

NSK-Warner K. K.

##### (3) Changes in the scope of consolidated subsidiaries and affiliates

Consolidated subsidiaries

-Decrease due to transfer of stock: 3 companies

NSK Technology Co., Ltd.  
Korea NSK Technology Co., Ltd.  
Taiwan NSK Technology Co., Ltd.

Notes regarding items other than those mentioned above have been omitted as there have not been any significant changes to the notes disclosed in the most recent Securities Report (filed on June 24, 2015).

### **(Changes in Presentation methods)**

**(Changes according to application of the Accounting Standard for Business Combinations, etc.)**

Based on the Article 39 of the Revised Accounting Standard for Consolidated Financial Statements (ASBJ\* Statement No. 22, September 13, 2013), we altered the presentation of net income, with minority interests now presented as non-controlling interests. As a result of these changes in presentation method, the consolidated financial statements for the previous fiscal year have been reclassified.

\*ASBJ: Accounting Standards Board of Japan

### **(Consolidated Statements of Operations)**

In the previous consolidated fiscal year, "Exchange loss", which was classified in "Others" under "Non-operating expenses" is stated independently from the fiscal year under review, as it has become significant in terms of amount. As a result of this change in presentation method, the consolidated statement of operations for the previous fiscal year has been reclassified. Subsequently, in the consolidated statement of operations for the previous year, the amount of ¥4,848 million, which was classified in "Others" under "Non-operating expenses" has been reclassified as ¥380 million under "Exchange loss", and ¥4,467 million under "Others."

**(Changes in Matters Concerning Consolidated Balance Sheets)**  
**Litigation and Other Legal Matters**  
**(The year ended Mar. 31, 2016)**

Regarding sales of their products, NSK and some of its subsidiaries are under investigation by relevant authorities outside Japan on suspicion of violating competition laws. The NSK Group is cooperating fully with these respective investigations.

In addition, in the United States and Canada, plaintiffs, including representatives of purchasers of bearings or other products, have filed class actions and a *parens patriae* suit against certain parties, including NSK and some of its subsidiaries in the United States, Canada and Europe. The plaintiffs allege, among other things, that the defendants conspired with each other to restrict competition in sales of bearings and other products in these countries, and seek damages, injunctive relief, and other relief against the defendants.

In the United States, with respect to bearings or other products, tentative classes representing (i) direct purchasers of bearings, such as automotive manufacturers and industrial equipment manufacturers, (ii) automobile dealers, (iii) dealers of commercial vehicles, medium and heavy duty trucks, buses, heavy machinery and other similar vehicles, (iv) end purchasers of automobiles and (v) a state government respectively have each filed a class action or, in the case of the state government, a lawsuit that is both a *parens patriae* suit (on behalf of the citizens of the state) and a suit on behalf of the state government itself, against NSK and some of its subsidiaries in the United States and Europe. All of these lawsuits are pending in the Eastern District of Michigan.

Discovery (the formal process in which both parties in a lawsuit request disclosure from the other of evidence that may be presented at trial, including documents relating to the lawsuit) has begun for several of these lawsuits. After discovery, the court will rule on the plaintiffs' motions to certify the class in each lawsuit. The future course of each litigation will depend on the court's ruling on the motions to certify the classes.

In Canada, tentative classes of direct (such as automotive manufacturers) and indirect purchasers (such as automobile dealers and end purchasers of automobiles) have filed class actions against NSK and some of its US, Canadian and European subsidiaries in Ontario, Quebec, British Columbia, and Saskatchewan, with respect to bearings or other products. All of these class actions are in the primary stages and have not yet proceeded to the class certification stage.

Furthermore, Peugeot S.A. and 18 of its subsidiaries (collectively, the "Claimants") have filed a claim in the United Kingdom Competition Appeal Tribunal against defendants, including NSK and some of its subsidiaries in Europe, seeking 507.8 million euros (provisional amount) in damages on a joint and several basis related to a violation of European competition law that the European Commission settled on March 19, 2014 (Brussels Time). The Claimants allege that the percentage of purchases from NSK and its subsidiaries is approximately 10% of the total bearing purchases from the eight bearing manufacturers named as defendants.

At the end of the current consolidated fiscal year, NSK has posted losses and other related costs in connection with settlements with its customers related to suspected violations of competition laws in sales of its and some of its subsidiaries' products.

NSK, its subsidiaries and its affiliated companies may face additional follow-on actions similar or identical in nature to these actions.

The NSK Group will manage these actions appropriately. Furthermore, as the cases proceed, the NSK Group will consider whether it may be able to reach settlements with such plaintiffs and others. As a result of the above investigations, actions and other consequences, financial losses, such as surcharge payments or damages, may occur in the future; however, it is not possible to provide a reasonable estimate of the amount of such losses at this stage. Their impact on NSK's operational results and other consequences to its business is uncertain.

## **【Segment Information】**

### **1. Outline of Reportable Segments**

The Company has defined its reportable segments to be units composing the Company, for which financial information can be separately obtained. The Company's Board of Directors periodically monitors these business segments in order to determine the allocation of management resources and evaluate business results.

The Company's organization centers on its customer/product-based division headquarters, which plans comprehensive business strategies not only for business in Japan but globally. Therefore, the Company has decided to designate its customer/product-based Industrial Machinery Business segment and Automotive Business segment as its two reportable segments.

The Industrial machinery business is in charge of production and sales of industrial machinery bearings, ball screws, and linear guides.

The Automotive business is in charge of production and sales of bearings for car manufactures and automotive component manufacturers, steering columns and automatic transmission components.

### **2. Calculation Method of Sales, Income (Loss), Assets, Liabilities and Other Items by Reportable Segments**

The accounting methods used in the accounting for reportable segments are basically the same as the "Important Items Regarding the Preparation of the Consolidated Financial Statements". Please note that the income (loss) figures of the reportable segments are operating income based figures.

Inter-segment sales and transfers are based on market-prices.

### 3. Sales, Income (Loss), Assets, Liabilities and Other Items by Reportable Segments

Year ended March 31, 2015

(Millions of Yen)

|   | Reportable segments                 |                        |           | Others<br>(Note) | Total     | Adjustments | Consolidated |
|---|-------------------------------------|------------------------|-----------|------------------|-----------|-------------|--------------|
|   | Industrial<br>machinery<br>business | Automotive<br>business | Sub-total |                  |           |             |              |
| Sales   |                                     |                        |           |                  |           |             |              |
| Sales to third parties                        | 276,361                             | 656,998                | 933,359   | 41,525           | 974,885   | —           | 974,885      |
| Inter-segment sales<br>and transfers          | —                                   | —                      | —         | 31,391           | 31,391    | (31,391)    | —            |
| Total   | 276,361                             | 656,998                | 933,359   | 72,917           | 1,006,277 | (31,391)    | 974,885      |
| Segment income<br>(Operating income)          | 34,362                              | 65,718                 | 100,080   | 5,778            | 105,859   | (8,531)     | 97,327       |
| Segment assets                                | 299,611                             | 528,424                | 828,035   | 102,273          | 930,309   | 198,855     | 1,129,164    |
| Other items                                   |                                     |                        |           |                  |           |             |              |
| Depreciation and<br>amortization              | 12,573                              | 23,247                 | 35,821    | 3,246            | 39,067    | (499)       | 38,568       |
| Investments in affiliated<br>companies        | 5,435                               | 14,787                 | 20,222    | 659              | 20,882    | —           | 20,882       |
| Increase in tangible<br>and intangible assets | 11,812                              | 34,646                 | 46,458    | 3,217            | 49,675    | (477)       | 49,197       |

(Note) "Others" includes production of plant and equipment, and production and sales of steel balls, and systemized products.

Year ended March 31, 2016

(Millions of Yen)

|   | Reportable segments                 |                        |           | Others<br>(Note) | Total     | Adjustments | Consolidated |
|---|-------------------------------------|------------------------|-----------|------------------|-----------|-------------|--------------|
|   | Industrial<br>machinery<br>business | Automotive<br>business | Sub-total |                  |           |             |              |
| Sales   |                                     |                        |           |                  |           |             |              |
| Sales to third parties                        | 259,784                             | 689,122                | 948,907   | 26,411           | 975,319   | —           | 975,319      |
| Inter-segment sales<br>and transfers          | —                                   | —                      | —         | 25,592           | 25,592    | (25,592)    | —            |
| Total   | 259,784                             | 689,122                | 948,907   | 52,004           | 1,000,911 | (25,592)    | 975,319      |
| Segment income<br>(Operating income)          | 28,125                              | 73,386                 | 101,511   | 2,952            | 104,463   | (9,736)     | 94,726       |
| Segment assets                                | 276,493                             | 507,342                | 783,835   | 85,870           | 869,705   | 168,513     | 1,038,218    |
| Other items                                   |                                     |                        |           |                  |           |             |              |
| Depreciation and<br>amortization              | 12,862                              | 25,821                 | 38,684    | 3,347            | 42,031    | (419)       | 41,611       |
| Investments in affiliated<br>companies        | 5,298                               | 15,894                 | 21,193    | 684              | 21,878    | —           | 21,878       |
| Increase in tangible<br>and intangible assets | 16,529                              | 34,334                 | 50,863    | 3,721            | 54,585    | (220)       | 54,364       |

(Note) "Others" includes production of plant and equipment, and production and sales of steel balls.

**【Related Information】**

Year ended March 31, 2015

**1. Information by Products and Services**

Same as 【Segment Information】 .

**2. Information by Region****(1) Sales**

(Millions of Yen)

| Japan   | The Americas | Europe  | China   | Other Asia | Total   |
|---------|--------------|---------|---------|------------|---------|
| 328,837 | 164,821      | 133,752 | 210,236 | 137,238    | 974,885 |

**(2) Tangible assets**

(Millions of Yen)

| Japan   | The Americas | Europe | China  | Other Asia | Total   |
|---------|--------------|--------|--------|------------|---------|
| 133,531 | 32,081       | 29,993 | 93,789 | 45,499     | 334,896 |

**3. Information by Major Customers**

Not applicable.

Year ended March 31, 2016

**1. Information by Products and Services**

Same as 【Segment Information】 .

**2. Information by Region****(1) Sales**

(Millions of Yen)

| Japan   | The Americas | Europe  | China   | Other Asia | Total   |
|---------|--------------|---------|---------|------------|---------|
| 318,434 | 183,652      | 131,830 | 204,361 | 137,042    | 975,319 |

**(2) Tangible assets**

(Millions of Yen)

| Japan   | The Americas | Europe | China  | Other Asia | Total   |
|---------|--------------|--------|--------|------------|---------|
| 140,824 | 29,507       | 29,279 | 84,129 | 43,290     | 327,031 |

**3. Information by Major Customers**

Not applicable.

## 【Per Share Information】

| Year ended Mar. 31, 2015             |        | Year ended Mar. 31, 2016             |        |
|--------------------------------------|--------|--------------------------------------|--------|
| Net assets per share - (Yen)         | 842.69 | Net assets per share - (Yen)         | 828.33 |
| Net income per share - Basic (Yen)   | 114.56 | Net income per share - Basic (Yen)   | 124.06 |
| Net income per share - Diluted (Yen) | 114.42 | Net income per share - Diluted (Yen) | 123.97 |

Note: Net income per share and diluted net income per share have been calculated on the basis of the following data;

|  | Year ended Mar. 31, 2015  | Year ended Mar. 31, 2016  |
|--|---|---|
| <b>Net income per share - Basic</b>  |   |   |
| Net income attributable to shareholders of the parent (Millions of Yen)  | 61,962  | 67,169  |
| Amounts not attributable to common stock (Millions of Yen)   | —   | —   |
| Net income attributable to shareholders of the parent available to common stock (Millions of Yen)                                | 61,962  | 67,169  |
| Average number of shares outstanding during each period (Thousands of shares)  | 540,865   | 541,423   |
| <b>Net income per share - Diluted</b>  |   |   |
| Adjustments to net income attributable to shareholders of the parent (Millions of Yen)   | —   | —   |
| Increase in number of common stock (Thousands of shares)   | 683   | 386   |
| (Share subscription rights included (Thousands of shares))   | (683)   | (386)   |
| Outline of dilutive shares not included in the calculation of diluted net income per share as they do not have a dilutive effect | Stock options (share subscription rights) approved at the General Shareholders' Meeting held on July 29, 2014<br>Number of share subscription rights: 778 | Stock options (share subscription rights) approved at the General Shareholders' Meeting held on July 29, 2015<br>Number of share subscription rights: 820 |

## 【Subsequent Events】

At the Board of Directors meeting held on May 11, 2016, NSK Ltd. resolved the acquisition of treasury stock pursuant to Article 156 of the Companies Act of Japan ("the Companies Act") as applied pursuant to Article 165, Paragraph 3 of the Companies Act.

(1) Reason of acquisition of treasury stock

For return to shareholders and ensuring agile management of capital policy corresponding to any changes of business environment.

(2) Contents of acquisition of Treasury Stock

|                                       |   |
|---------------------------------------|---|
| Class of shares to be acquired        | Common shares of the Company  |
| Total number of shares to be acquired | 16 million shares (maximum)<br>(% of issued shares (excluding Treasury Stock) 3.0%) |
| Total acquisition cost                | ¥15 billion (maximum)   |
| Period of acquisition                 | From May 17, 2016 to September 30, 2016   |

## 5. Non-Consolidated Financial Statements

### (1) Non-Consolidated Balance Sheets

(Millions of Yen)

|   | As of Mar. 31, 2015 | As of Mar. 31, 2016 |
|---|---------------------|---------------------|
| <b>Assets</b>                           |                     |                     |
| Current assets                          |                     |                     |
| Cash and deposits                       | 15,220              | 12,903              |
| Notes receivable                        | 6,910               | 6,703               |
| Electronically recorded monetary claims | 5,886               | 12,558              |
| Accounts receivables - trade            | 89,375              | 73,927              |
| Marketable securities                   | 106,081             | 88,589              |
| Finished products                       | 19,346              | 18,939              |
| Work in process                         | 11,030              | 10,673              |
| Raw materials and supplies              | 2,163               | 2,339               |
| Accounts receivables - other            | 45,761              | 39,830              |
| Deferred tax assets                     | 4,351               | 4,234               |
| Others                                  | 12,628              | 15,394              |
| Total current assets                    | 318,756             | 286,093             |
| Non-current assets                      |                     |                     |
| Property, plant and equipment           |                     |                     |
| Buildings                               | 23,126              | 23,534              |
| Structures                              | 1,174               | 1,110               |
| Machinery and equipment                 | 27,568              | 29,342              |
| Vehicles and transportation equipment   | 42                  | 63                  |
| Tools and spare parts                   | 1,974               | 2,256               |
| Land                                    | 15,466              | 15,466              |
| Lease assets                            | 575                 | 710                 |
| Construction in progress                | 3,182               | 6,466               |
| Total property, plant and equipment     | 73,112              | 78,951              |
| Intangible fixed assets                 |                     |                     |
| Leasehold rights                        | 930                 | 930                 |
| Others                                  | 8,154               | 9,131               |
| Total intangible fixed assets           | 9,085               | 10,061              |
| Investment and other assets             |                     |                     |
| Investment securities                   | 78,997              | 61,697              |
| Affiliated company stocks               | 198,757             | 198,757             |
| Investments in affiliated companies     | 35,626              | 35,626              |
| Long-term loans                         | 4,131               | 2,508               |
| Long-term prepaid expenses              | 224                 | 386                 |
| Prepaid pension costs                   | 39,838              | 46,766              |
| Others                                  | 3,948               | 3,942               |
| Less allowance for doubtful accounts    | (258)               | (258)               |
| Total investments and assets            | 361,266             | 349,427             |
| Total non-current assets                | 443,464             | 438,441             |
| Total assets                            | 762,221             | 724,535             |

(Millions of Yen)

|  | As of Mar. 31, 2015 | As of Mar. 31, 2016 |
|--|---------------------|---------------------|
| <b>Liabilities</b>                                 |                     |                     |
| Current liabilities                                |                     |                     |
| Notes payable                                      | 2,968               | 3,548               |
| Electronically recorded obligations                | 28,402              | 25,865              |
| Accounts payable - trade                           | 84,558              | 81,255              |
| Short-term loans                                   | 127,150             | 108,901             |
| Current portion of corporate bonds                 | —                   | 20,000              |
| Lease obligations                                  | 143                 | 206                 |
| Accounts payable - other                           | 12,020              | 9,478               |
| Accrued expenses                                   | 15,997              | 15,870              |
| Accrued income taxes                               | 1,186               | 294                 |
| Deposits received                                  | 1,204               | 1,203               |
| Others   | 25                  | 5                   |
| Total current liabilities                          | 273,657             | 266,629             |
| Non-current liabilities                            |                     |                     |
| Corporate bonds                                    | 60,000              | 40,000              |
| Long-term loans                                    | 124,500             | 120,000             |
| Lease obligations                                  | 455                 | 546                 |
| Deferred tax liabilities                           | 21,198              | 16,893              |
| Accrued officers' retirement benefits              | 1,674               | 1,762               |
| Reserves for environmental safety measures         | 147                 | 1,718               |
| Others   | 1,955               | 1,975               |
| Total non-current liabilities                      | 209,931             | 182,896             |
| Total liabilities                                  | 483,589             | 449,526             |
| <b>Net assets</b>                                  |                     |                     |
| Shareholders' equity                               |                     |                     |
| Common stock                                       | 67,176              | 67,176              |
| Additional paid-in capital                         |                     |                     |
| Capital reserve                                    | 77,923              | 77,923              |
| Other additional paid-in capital                   | 862                 | 1,050               |
| Total additional paid-in capital                   | 78,785              | 78,974              |
| Retained earnings                                  |                     |                     |
| Legal reserve                                      | 10,292              | 10,292              |
| Other retained earnings                            |                     |                     |
| Reserve for R&D                                    | 1,627               | —                   |
| Reserve for advanced depreciation                  | 4,267               | 4,236               |
| General reserves                                   | 51,766              | 66,766              |
| Retained earnings carried forward                  | 31,000              | 22,580              |
| Total retained earnings                            | 98,954              | 103,875             |
| Treasury stock                                     | (3,826)             | (3,685)             |
| Total shareholders' equity                         | 241,090             | 246,341             |
| Valuation, translation adjustments and other       |                     |                     |
| Unrealized holding gains on securities             | 37,288              | 28,191              |
| Total valuation, translation adjustments and other | 37,288              | 28,191              |
| Share subscription rights                          | 252                 | 476                 |
| Total net assets                                   | 278,631             | 275,009             |
| Total liabilities and net assets                   | 762,221             | 724,535             |

## (2) Non-Consolidated Statements of Operations

(Millions of Yen)

|  | Year ended Mar. 31, 2015 | Year ended Mar. 31, 2016 |
|--|--------------------------|--------------------------|
| Net sales  | 464,780                  | 443,637                  |
| Cost of sales  | 381,588                  | 371,620                  |
| Gross profit   | 83,192                   | 72,017                   |
| Selling, general and administrative expenses               | 61,690                   | 62,739                   |
| Operating income   | 21,502                   | 9,277                    |
| Non-operating income:                                      |                          |                          |
| Interest and dividend income                               | 24,649                   | 18,923                   |
| Others   | 1,862                    | 951                      |
| Total non-operating income                                 | 26,511                   | 19,875                   |
| Non-operating expenses:                                    |                          |                          |
| Interest expenses  | 3,194                    | 2,898                    |
| Others   | 6,253                    | 2,692                    |
| Total non-operating expenses                               | 9,447                    | 5,590                    |
| Ordinary income  | 38,566                   | 23,562                   |
| Extraordinary income:                                      |                          |                          |
| Gain on sales of stocks of subsidiaries and affiliates     | —                        | 2,000                    |
| Gain on sales of investment securities                     | —                        | 658                      |
| Total extraordinary income                                 | —                        | 2,658                    |
| Extraordinary expenses:                                    |                          |                          |
| Reserves for environmental safety measures                 | —                        | 1,571                    |
| Antimonopoly Act related loss                              | 3,025                    | —                        |
| Loss on valuation of stocks of subsidiaries and affiliates | 511                      | —                        |
| Total extraordinary expenses                               | 3,537                    | 1,571                    |
| Income before income taxes                                 | 35,028                   | 24,649                   |
| Current income taxes                                       | 4,020                    | 908                      |
| Deferred income taxes                                      | (1,528)                  | 941                      |
| Total income taxes   | 2,491                    | 1,850                    |
| Net income   | 32,537                   | 22,799                   |

### (3) Non-Consolidated Statements of Changes in Net Assets

Year ended March 31, 2015

(Millions of Yen)

|  | Shareholders' equity |                            |                                  |                       |
|--|----------------------|----------------------------|----------------------------------|-----------------------|
|  | Common stock         | Additional paid-in capital |                                  |                       |
|  |                      | Capital reserves           | Other additional paid-in capital | Total paid-in capital |
| Balance at the beginning of current period           | 67,176               | 77,923                     | 483                              | 78,407                |
| Cumulative effects of changes in accounting policies |                      |                            |                                  | —                     |
| Restated Balance                                     | 67,176               | 77,923                     | 483                              | 78,407                |
| Changes of items during the period                   |                      |                            |                                  |                       |
| Cash dividends                                       |                      |                            |                                  | —                     |
| Provision of reserve                                 |                      |                            |                                  | —                     |
| Reversal of reserve                                  |                      |                            |                                  | —                     |
| Increase by change of tax rates                      |                      |                            |                                  | —                     |
| Net income   |                      |                            |                                  | —                     |
| Purchase of treasury stock                           |                      |                            |                                  | —                     |
| Disposal of treasury stock                           |                      |                            | 378                              | 378                   |
| Net changes of items other than shareholders' equity |                      |                            |                                  | —                     |
| Total changes of items during the period             | —                    | —                          | 378                              | 378                   |
| Balance at the end of current period                 | 67,176               | 77,923                     | 862                              | 78,785                |

|  | Shareholders' equity |                                |   |                 |                                   |                         |
|--|----------------------|--------------------------------|---|-----------------|-----------------------------------|-------------------------|
|  | Retained earnings    |                                |   |                 |                                   |                         |
|  | Legal reserves       | Other retained earnings        |   |                 |                                   | Total retained earnings |
|  |                      | Reserve for corporate research | Reserve for advanced depreciation of fixed assets | General reserve | Retained earnings carried forward |                         |
| Balance at the beginning of current period           | 10,292               | 1,627                          | 4,201   | 63,766          | 2,428                             | 82,315                  |
| Cumulative effects of changes in accounting policies |                      |                                |   |                 | (4,535)                           | (4,535)                 |
| Restated Balance                                     | 10,292               | 1,627                          | 4,201   | 63,766          | (2,107)                           | 77,779                  |
| Changes of items during the period                   |                      |                                |   |                 |                                   |                         |
| Cash dividends                                       |                      |                                |   |                 | (11,362)                          | (11,362)                |
| Provision of reserve                                 |                      |                                |   |                 |                                   | —                       |
| Reversal of reserve                                  |                      |                                | (140)   | (12,000)        | 11,933                            | (206)                   |
| Increase by change of tax rates                      |                      |                                | 206   |                 |                                   | 206                     |
| Net income   |                      |                                |   |                 | 32,537                            | 32,537                  |
| Purchase of treasury stock                           |                      |                                |   |                 |                                   | —                       |
| Disposal of treasury stock                           |                      |                                |   |                 |                                   | —                       |
| Net changes of items other than shareholders' equity |                      |                                |   |                 |                                   | —                       |
| Total changes of items during the period             | —                    | —                              | 66  | (12,000)        | 33,107                            | 21,174                  |
| Balance at the end of current period                 | 10,292               | 1,627                          | 4,267   | 51,766          | 31,000                            | 98,954                  |

(Millions of Yen)

|  | Shareholders' equity |                            | Valuation and translation adjustments                 |   | Share subscription rights | Total net assets |
|--|----------------------|----------------------------|---|---|---------------------------|------------------|
|  | Treasury stock       | Total shareholders' equity | Valuation difference on available-for-sale securities | Total valuation and translation adjustments |                           |                  |
| Balance at the beginning of current period           | (4,118)              | 223,781                    | 28,016  | 28,016                                      | 328                       | 252,126          |
| Cumulative effects of changes in accounting policies |                      | (4,535)                    |   | —   |                           | (4,535)          |
| Restated Balance                                     | (4,118)              | 219,245                    | 28,016  | 28,016                                      | 328                       | 247,590          |
| Changes of items during the period                   |                      |                            |   |   |                           |                  |
| Cash dividends                                       |                      | (11,362)                   |   | —   |                           | (11,362)         |
| Provision of reserve                                 |                      | —                          |   | —   |                           | —                |
| Reversal of reserve                                  |                      | (206)                      |   | —   |                           | (206)            |
| Increase by change of tax rates                      |                      | 206                        |   | —   |                           | 206              |
| Net income   |                      | 32,537                     |   | —   |                           | 32,537           |
| Purchase of treasury stock                           | (44)                 | (44)                       |   | —   |                           | (44)             |
| Disposal of treasury stock                           | 335                  | 714                        |   | —   |                           | 714              |
| Net changes of items other than shareholders' equity |                      | —                          | 9,272   | 9,272                                       | (75)                      | 9,196            |
| Total changes of items during the period             | 291                  | 21,844                     | 9,272   | 9,272                                       | (75)                      | 31,041           |
| Balance at the end of current period                 | (3,826)              | 241,090                    | 37,288  | 37,288                                      | 252                       | 278,631          |

Year ended March 31, 2016

(Millions of Yen)

|  | Shareholders' equity |                            |                                  |                       |
|--|----------------------|----------------------------|----------------------------------|-----------------------|
|  | Common stock         | Additional paid-in capital |                                  |                       |
|  |                      | Capital reserves           | Other additional paid-in capital | Total paid-in capital |
| Balance at the beginning of current period           | 67,176               | 77,923                     | 862                              | 78,785                |
| Cumulative effects of changes in accounting policies |                      |                            |                                  | —                     |
| Restated Balance                                     | 67,176               | 77,923                     | 862                              | 78,785                |
| Changes of items during the period                   |                      |                            |                                  |                       |
| Cash dividends                                       |                      |                            |                                  | —                     |
| Provision of reserve                                 |                      |                            |                                  | —                     |
| Reversal of reserve                                  |                      |                            |                                  | —                     |
| Increase by change of tax rates                      |                      |                            |                                  | —                     |
| Net income   |                      |                            |                                  | —                     |
| Purchase of treasury stock                           |                      |                            |                                  | —                     |
| Disposal of treasury stock                           |                      |                            | 188                              | 188                   |
| Net changes of items other than shareholders' equity |                      |                            |                                  | —                     |
| Total changes of items during the period             | —                    | —                          | 188                              | 188                   |
| Balance at the end of current period                 | 67,176               | 77,923                     | 1,050                            | 78,974                |

|  | Shareholders' equity |                                |   |                 |                                   |                         |
|--|----------------------|--------------------------------|---|-----------------|-----------------------------------|-------------------------|
|  | Retained earnings    |                                |   |                 |                                   |                         |
|  | Legal reserves       | Other retained earnings        |   |                 |                                   | Total retained earnings |
|  |                      | Reserve for corporate research | Reserve for advanced depreciation of fixed assets | General reserve | Retained earnings carried forward |                         |
| Balance at the beginning of current period           | 10,292               | 1,627                          | 4,267   | 51,766          | 31,000                            | 98,954                  |
| Cumulative effects of changes in accounting policies |                      |                                |   |                 |                                   | —                       |
| Restated Balance                                     | 10,292               | 1,627                          | 4,267   | 51,766          | 31,000                            | 98,954                  |
| Changes of items during the period                   |                      |                                |   |                 |                                   |                         |
| Cash dividends                                       |                      |                                |   |                 | (17,877)                          | (17,877)                |
| Provision of reserve                                 |                      |                                |   | 15,000          | (15,000)                          | —                       |
| Reversal of reserve                                  |                      | (1,627)                        | (129)   |                 | 1,756                             | —                       |
| Increase by change of tax rates                      |                      |                                | 97  |                 |                                   | —                       |
| Net income   |                      |                                |   |                 | 22,799                            | 22,799                  |
| Purchase of treasury stock                           |                      |                                |   |                 |                                   | —                       |
| Disposal of treasury stock                           |                      |                                |   |                 |                                   | —                       |
| Net changes of items other than shareholders' equity |                      |                                |   |                 |                                   | —                       |
| Total changes of items during the period             | —                    | (1,627)                        | (31)  | 15,000          | (8,420)                           | 4,921                   |
| Balance at the end of current period                 | 10,292               | —                              | 4,236   | 66,766          | 22,580                            | 103,875                 |

(Millions of Yen)

|  | Shareholders' equity |                            | Valuation and translation adjustments                 |   | Share subscription rights | Total net assets |
|--|----------------------|----------------------------|---|---|---------------------------|------------------|
|  | Treasury stock       | Total shareholders' equity | Valuation difference on available-for-sale securities | Total valuation and translation adjustments |                           |                  |
| Balance at the beginning of current period           | (3,826)              | 241,090                    | 37,288  | 37,288                                      | 252                       | 278,631          |
| Cumulative effects of changes in accounting policies |                      | —                          |   | —   |                           | —                |
| Restated Balance                                     | (3,826)              | 241,090                    | 37,288  | 37,288                                      | 252                       | 278,631          |
| Changes of items during the period                   |                      |                            |   |   |                           |                  |
| Cash dividends                                       |                      | (17,877)                   |   | —   |                           | (17,877)         |
| Provision of reserve                                 |                      | —                          |   | —   |                           | —                |
| Reversal of reserve                                  |                      | —                          |   | —   |                           | —                |
| Increase by change of tax rates                      |                      | —                          |   | —   |                           | —                |
| Net income   |                      | 22,799                     |   | —   |                           | 22,799           |
| Purchase of treasury stock                           | (5)                  | (5)                        |   | —   |                           | (5)              |
| Disposal of treasury stock                           | 146                  | 335                        |   | —   |                           | 335              |
| Net changes of items other than shareholders' equity |                      | —                          | (9,096)   | (9,096)                                     | 223                       | (8,873)          |
| Total changes of items during the period             | 141                  | 5,251                      | (9,096)   | (9,096)                                     | 223                       | (3,622)          |
| Balance at the end of current period                 | (3,685)              | 246,341                    | 28,191  | 28,191                                      | 476                       | 275,009          |

**(4) Notes on Going Concern Assumptions**

Not applicable.

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