

NSK Ltd.

For Immediate Release

August 1, 2016

CONSOLIDATED RESULTS FOR THE THREE MONTHS ENDED JUNE 30, 2016 (Unaudited)

[IFRS]

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
Filing date of quarterly securities report	August 5, 2016

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Highlights for the Three Months Ended June 30, 2016

(1) Consolidated financial results

(% indicates changes from the previous year)

	Net sales		Operating income		Income before income taxes		Net income		Net income attributable to owners of the Parent		Total comprehensive income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Three months ended Jun. 30, 2016	231,818	-7.7	14,637	-44.9	14,668	-44.6	12,545	-30.6	11,634	-32.4	-28,128	—
Three months ended Jun. 30, 2015	251,222	—	26,566	—	26,486	—	18,081	—	17,220	—	23,983	—

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended Jun. 30, 2016	21.87	21.87
Three months ended Jun. 30, 2015	31.81	31.78

(2) Consolidated financial position

	Total assets	Total equity	Total equity attributable to owners of the Parent	Equity ratio attributable to owners of the Parent
	Millions of Yen	Millions of Yen	Millions of Yen	%
As of Jun. 30, 2016	965,670	424,247	402,817	41.7
As of Mar. 31, 2016	1,032,374	478,871	454,661	44.0

2. Cash Dividends

(Record date)	Cash dividends per share				
	End of the 1st quarter	End of the 2nd quarter	End of the 3rd quarter	Year-end	Full-year total
Year ended Mar. 31, 2016	Yen —	Yen 17.00	Yen —	Yen 17.00	Yen 34.00
Year ending Mar. 31, 2017	—	—	—	—	—
Year ending Mar. 31, 2017 (Forecast)	—	24.00	—	14.00	38.00

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

(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 100th 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 income taxes		Net income attributable to owners of the Parent		Basic earnings per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
Six months ending Sep. 30, 2016	450,000	-8.1	28,000	-42.3	27,000	-43.1	17,000	-47.8	32.10
Year ending Mar. 31, 2017	920,000	-5.7	65,000	-27.4	63,000	-27.8	40,000	-39.1	75.71

(Note) Revision to the forecast of consolidated results from the latest announcement: None

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, or changes in accounting estimates

(i) Changes in accounting policies required by IFRS: None

(ii) Changes excluding the above: None

(iii) Changes in accounting estimates: 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 Jun. 30, 2016 551,268,104 shares As of Mar. 31, 2016 551,268,104 shares

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

As of Jun. 30, 2016 24,143,997 shares As of Mar. 31, 2016 9,723,762 shares

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

Three months ended Jun. 30, 2016 531,931,302 shares Three months ended Jun. 30, 2015 541,280,082 shares

Information Regarding the Implementation of Quarterly Review Procedures

These quarterly financial results are not subject to quarterly review procedures. Therefore, at the time of this disclosure, the quarterly financial statement review procedures based on the "Financial Instruments and Exchange Law", have not been completed.

Cautionary Statement with Respect to Forward-Looking Statements

The forecasts in this document are based on currently available information, and actual results may materially differ from any future results expressed herein due to various factors.

1. Business Overview

(1) Qualitative Information Regarding Consolidated Business Results

NSK will celebrate its 100th 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 100th anniversary. Under "NSK Vision 2026", the NSK Group has commenced its 5th mid-term management plan for the three years beginning April 2016. Under the slogan "embark on new chapter in evolution towards next 100 years" with two key policies 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.

Looking at global economic conditions during the first quarter of the year ending March 31, 2017, the Japanese economy remained flat due to weak consumption and appreciation of the yen. The US 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. However uncertainty over the future direction of the region is growing due to the UK's decision to exit the European Union. Although the Chinese economy continued to slow, other Asian countries showed signs of an upturn.

In this economic environment, consolidated net sales for the first quarter of the year ending March 31, 2017 totaled ¥231,818 million, a year-on-year decrease of 7.7%, and operating income totaled ¥14,637 million, a year-on-year decrease of 44.9%. Income before income taxes was ¥14,668 million, a year-on-year decline of 44.6%. Net income attributable to owners of the parent was ¥11,634 million, a year-on-year decrease of 32.4%.

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. Sales in the Americas decreased, primarily in the electrical sector. In Europe, sales declined due to lower demand, primarily in the general machinery sector, despite increased sales in the aftermarket sector. Overall sales in China decreased due to continued downturn in the market, despite higher sales in the railcar sector. In other Asian countries, demand remained stagnant, primarily in the electrical sector. With the appreciation of the yen also negatively impacting results, net sales in the industrial machinery business totaled ¥57,712 million, a year-on-year decrease of 17.9%, and operating income was ¥4,154 million, a year-on-year decline of 52.2%.

② Automotive Business Segment

The global automotive market continued its gradual expansion. Looking at results by geographic breakdown, sales in Japan were flat overall, despite sluggish sales of mini vehicles as well as the impact of the Kumamoto earthquake. In the Americas, sales of both electric power steering (EPS) systems and automotive bearings rose due to robust demand in the North American market. In Europe, the automotive market continued its gradual recovery. In China, sales rose due to the impact of special tax incentives for compact cars. Sales in other Asian countries increased overall.

Despite the above regional performance, the yen's appreciation impacted results. As a result, net sales in the automotive business totaled ¥167,700 million, a year-on-year decrease of 3.4%, and operating income totaled ¥15,437million, a year-on-year decrease of 7.9%.

(2) Qualitative Information Regarding Consolidated Financial Position

Assets and Liabilities

Total assets were ¥965,670 million, a decrease of ¥66,704 million compared to total assets as of March 31, 2016. The main reasons for this decrease were decreases of ¥11,126 million in cash and cash equivalents, ¥7,300 million in trade receivables and other receivables, ¥4,326 million in inventories, ¥21,423 million in property, plant and equipment, ¥6,409 million in other financial assets (non-current), and ¥10,099 million in net defined benefit assets.

Total liabilities were ¥541,423 million, a decrease of ¥12,079 million compared to total liabilities as of March 31, 2016. The main reasons for this decrease were decreases of ¥6,475 million in financial liabilities (non-current), and ¥7,235 million in deferred tax liabilities.

Total equity

Total equity totaled ¥424,247 million, a decrease of ¥54,624 million compared to total equity as of March 31, 2016. The main reasons for this decrease were ¥14,988 million in treasury shares, ¥39,386 million in other components of equity, and ¥2,780 million in non-controlling interests, which offset ¥11,634 million in net income attributable to owners of the parent.

Cash Flows

Total cash and cash equivalents at the end of the period were ¥164,388 million, a decrease of ¥11,126 million compared to total cash and cash equivalents as of March 31, 2016, and a ¥38,572 million decrease on year-on-year basis.

① Net cash flow provided by operating activities

Net cash flow provided by operating activities totaled ¥32,963 million, a decrease of ¥1,326 million, compared to the same period of the previous year. This includes ¥14,668 million in income before income taxes and ¥10,576 million in depreciation and amortization.

② Net cash flow used in investing activities

Net cash flow used in investing activities totaled ¥9,428 million, an increase of ¥4,547 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 ¥29,183 million, an increase of ¥17,346 million compared to the same period of the previous year. This includes a decrease of ¥3,853 million in repayments of long-term loans, ¥15,000 million in acquisition of treasury shares, ¥9,021 million in dividends paid, and ¥2,200 million in dividends paid to non-controlling interests.

(3) Explanation regarding future forecast information including consolidated business forecast

No revision has been made to the consolidated business forecasts for the year ending March 31, 2017 announced on May 11, 2016.

2. Matters Regarding Summary Information (Others)

(1) Changes in Significant Subsidiaries during the Period

None.

(2) Changes in Accounting Policies, or Changes in Accounting Estimates

None.

1. Quarterly Consolidated financial statements

(1) Quarterly Consolidated statements of financial position

(Millions of yen)

	As of Mar.31, 2016	As of Jun.30, 2016
Assets		
Current assets		
Cash and cash equivalents	175,515	164,388
Trade receivables and other receivables	182,332	175,032
Inventories	130,564	126,238
Other financial assets	4,052	3,001
Income tax receivables	2,174	3,333
Other current assets	16,613	12,250
Total current assets	511,253	484,244
Non-current assets		
Property, plant and equipment	323,116	301,693
Intangible assets	15,785	15,657
Investments accounted for using equity method	22,179	22,254
Other financial assets	86,163	79,753
Deferred tax assets	20,455	19,149
Net defined benefit assets	49,898	39,798
Other non-current assets	3,522	3,119
Total non-current assets	521,121	481,425
Total assets	1,032,374	965,670
Liabilities and Equity		
Liabilities		
Current liabilities		
Trade payables and other payables	140,713	139,821
Other financial liabilities	99,674	99,135
Provisions	150	84
Income tax payables	4,536	4,129
Other current liabilities	48,172	54,412
Total current liabilities	293,247	297,582
Non-current liabilities		
Financial liabilities	179,654	173,178
Provisions	1,855	1,834
Deferred tax liabilities	35,540	28,305
Net defined benefit liabilities	38,125	35,585
Other non-current liabilities	5,080	4,936
Total non-current liabilities	260,255	243,840
Total liabilities	553,503	541,423
Equity		
Issued capital	67,176	67,176
Capital surplus	79,603	79,708
Retained earnings	278,524	280,951
Treasury shares	-3,949	-18,938
Other components of equity	33,306	-6,080
Total equity attributable to owners of the Parent	454,661	402,817
Non-controlling interests	24,210	21,429
Total equity	478,871	424,247
Total liabilities and equity	1,032,374	965,670

(2) Quarterly Consolidated statements of Income and Quarterly Consolidated Statements of Comprehensive Income

Quarterly Consolidated statements of Income

(Millions of yen)

	Three months ended Jun. 30, 2015	Three months ended Jun. 30, 2016
Sales	251,222	231,818
Cost of sales	192,487	179,668
Gross profit	58,735	52,149
Selling, general and administrative expenses	32,430	32,412
Share of profits of investments accounted for using the equity method	974	686
Other operating expenses	713	5,785
Operating income (loss)	26,566	14,637
Financial income	1,146	1,149
Financial expenses	1,226	1,119
Income (loss) before income taxes	26,486	14,668
Income tax expense	8,405	2,123
Net income	18,081	12,545
Net income attributable to:		
Owners of the Parent	17,220	11,634
Non-controlling interests	860	910
(Net income per share attributable to owners of the Parent)		
Basic earnings per share (yen)	31.81	21.87
Diluted earnings per share (yen)	31.78	21.87

Quarterly Consolidated statements of comprehensive income

(Millions of yen)

	Three months ended Jun. 30, 2015	Three months ended Jun. 30, 2016
Net income	18,081	12,545
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of net defined benefit liability (asset)	-1,578	-7,120
Net changes in financial assets measured at fair value through other comprehensive income	2,039	-4,335
Share of other comprehensive income of investments accounted for using equity method	10	-10
Total items that will not be reclassified to profit or loss	471	-11,466
Items that may be reclassified to profit or loss		
Exchange differences on translating foreign operations	5,475	-28,893
Share of other comprehensive income of investments accounted for using equity method	-43	-313
Total items that may be reclassified to profit or loss	5,431	-29,207
Total other comprehensive income, net of tax	5,902	-40,674
Total comprehensive income for the period	23,983	-28,128
Total comprehensive income for the period attributable to:		
Owners of the parent	23,054	-27,745
Non-controlling interests	929	-383

(3) Quarterly Consolidated statements of changes in equity

From April 1, 2015 to June 30, 2015

(Millions of yen)

	Equity attributable to owners of the Parent			
	Issued capital	Capital surplus	Retained earnings	Treasury shares
Opening balance	67,176	79,191	230,214	-4,083
Net income	—	—	17,220	—
Other comprehensive income	—	—	—	—
Total comprehensive income for the period	—	—	17,220	—
Purchase of treasury shares	—	—	—	-3
Disposal of treasury shares	—	74	—	58
Share-based payment transactions	—	11	—	—
Cash dividends	—	—	-8,665	—
Other	—	—	—	—
Total transactions with owners, etc.	—	86	-8,665	55
Closing balance	67,176	79,278	238,769	-4,028

	Equity attributable to owners of the Parent						Non-controlling interests	Total equity
	Other components of equity				Total	Total		
	Exchange differences on translating foreign operations	Net changes in financial assets measured at fair value through other comprehensive income	Remeasurements of net defined benefit liability (asset)	Total				
Opening balance	23,451	46,356	19,230	89,038	461,536	25,265	486,801	
Net income	—	—	—	—	17,220	860	18,081	
Other comprehensive income	5,370	2,029	-1,566	5,833	5,833	69	5,902	
Total comprehensive income for the period	5,370	2,029	-1,566	5,833	23,054	929	23,983	
Purchase of treasury shares	—	—	—	—	-3	—	-3	
Disposal of treasury shares	—	—	—	—	133	—	133	
Share-based payment transactions	—	—	—	—	11	—	11	
Cash dividends	—	—	—	—	-8,665	-2,571	-11,237	
Other	—	—	—	—	—	—	—	
Total transactions with owners, etc.	—	—	—	—	-8,523	-2,571	-11,095	
Closing balance	28,822	48,385	17,663	94,871	476,067	23,623	499,690	

From April 1, 2016 to June 30, 2016

(Millions of yen)

	Equity attributable to owners of the Parent			
	Issued capital	Capital surplus	Retained earnings	Treasury shares
Opening balance	67,176	79,603	278,524	-3,949
Net income	—	—	11,634	—
Other comprehensive income	—	—	—	—
Total comprehensive income for the period	—	—	11,634	—
Purchase of treasury shares	—	—	—	-15,001
Disposal of treasury shares	—	19	—	13
Share-based payment transactions	—	84	—	—
Cash dividends	—	—	-9,213	—
Other	—	—	5	—
Total transactions with owners, etc.	—	104	-9,207	-14,988
Closing balance	67,176	79,708	280,951	-18,938

	Equity attributable to owners of the Parent					Non-controlling interests	Total equity
	Other components of equity				Total		
	Exchange differences on translating foreign operations	Net changes in financial assets measured at fair value through other comprehensive income	Remeasurements of net defined benefit liability (asset)	Total			
Opening balance	-3,191	35,292	1,204	33,306	454,661	24,210	478,871
Net income	—	—	—	—	11,634	910	12,545
Other comprehensive income	-27,930	-4,358	-7,091	-39,380	-39,380	-1,293	-40,674
Total comprehensive income for the period	-27,930	-4,358	-7,091	-39,380	-27,745	-383	-28,128
Purchase of treasury shares	—	—	—	—	-15,001	—	-15,001
Disposal of treasury shares	—	—	—	—	32	—	32
Share-based payment transactions	—	—	—	—	84	—	84
Cash dividends	—	—	—	—	-9,213	-2,200	-11,413
Other	—	-5	—	-5	—	-197	-197
Total transactions with owners, etc.	—	-5	—	-5	-24,097	-2,397	-26,495
Closing balance	-31,121	30,928	-5,886	-6,080	402,817	21,429	424,247

(4) Quarterly Consolidated statements of cash flows

(Millions of yen)

	Three months ended Jun. 30, 2015	Three months ended Jun. 30, 2016
Operating activities		
Income before income taxes	26,486	14,668
Depreciation and amortisation	10,602	10,576
Increase (decrease) in net defined benefit liability and net defined benefit asset	-785	-815
Interest and dividend income	-1,137	-1,118
Interest expenses	1,221	1,014
Share of profits of investments accounted for using the equity method	-974	-686
Decrease (increase) in trade receivables	-3,497	-3,004
Decrease (increase) in inventories	-3,378	-4,366
Increase (decrease) in trade payables	4,274	3,347
Other	6,438	17,773
Subtotal	39,249	37,387
Interest and dividend received	1,696	1,432
Interest expenses paid	-1,102	-925
Income tax paid	-5,554	-4,929
Net cash provided by operating activities	34,290	32,963
Investing activities		
Purchases of property, plant and equipment	-10,727	-10,649
Proceeds from sale of property, plant and equipment	246	451
Purchases of other financial assets	-10	-9
Proceeds from sale of other financial assets	3,062	35
Other	2,548	743
Net cash used in investing activities	-4,881	-9,428
Financial activities		
Repayments of long-term loans	-342	-3,853
Acquisition of treasury shares	-1	-15,000
Dividends paid	-8,526	-9,021
Dividends paid to non-controlling interests	-2,571	-2,200
Other	-394	892
Net cash provided by (used in) financial activities	-11,837	-29,183
Effect of exchange rate changes on cash and cash equivalents	1,014	-5,479
Net increase (decrease) in cash and cash equivalents	18,586	-11,126
Cash and cash equivalents at beginning of the period	184,374	175,515
Cash and cash equivalents at end of the period	202,960	164,388

(5) Going Concern Assumption

None.

(6) Notes to Quarterly Consolidated Balance Sheet

Segment information

1) Overview of reportable segments

No changes have been made to the definition of reportable segments, substance of business in each reportable segment, nor the method used to calculate income (loss) in each segment during the first quarter of the fiscal year under review.

2) Segment revenue and performance

From April 1, 2015 to June 30, 2015

(Millions of yen)

	Reportable segments			Others (Note 1)	Total	Adjustments (Note 2)	Consolidated
	Industrial Machinery Business	Automotive Business	Subtotal				
Sales							
Sales to third parties	70,285	173,542	243,827	7,395	251,222	—	251,222
Intersegment sales	—	—	—	6,464	6,464	-6,464	—
Total	70,285	173,542	243,827	13,859	257,687	-6,464	251,222
Segment income (loss) (Operating income)	8,692	16,766	25,458	1,740	27,198	-631	26,566
Total financial income (expenses)							-80
Income before income taxes							26,486

(Note 1) "Others" refers to operating segments excluded from reportable segments and include such businesses as the production and sales of steel balls and production of machineries.

(Note 2) The adjustment made for segment income (loss) in the amount of -¥631 million includes intersegment elimination in the amount of ¥81 million and other operating expenses not allocated to the reportable segments in the amount of -¥713 million.

From April 1, 2016 to June 30, 2016

(Millions of yen)

	Reportable segments			Others (Note 1)	Total	Adjustments (Note 2)	Consolidated
	Industrial Machinery Business	Automotive Business	Subtotal				
Sales							
Sales to third parties	57,712	167,700	225,413	6,404	231,818	—	231,818
Intersegment sales	—	—	—	5,082	5,082	-5,082	—
Total	57,712	167,700	225,413	11,487	236,900	-5,082	231,818
Segment income (loss) (Operating income)	4,154	15,437	19,591	744	20,336	-5,698	14,637
Total financial income (expenses)							30
Income before income taxes							14,668

(Note 1) "Others" refers to operating segments excluded from reportable segments and include such businesses as the production and sales of steel balls and production of machineries.

(Note 2) The adjustment made for segment income (loss) in the amount of -¥5,698 million includes intersegment elimination in the amount of ¥87 million and other operating expenses not allocated to the reportable segments in the amount of -¥5,785 million.

Contingencies

1) Litigation and Other Legal Matters

(The year ending Mar. 31, 2017)

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 Japan, 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 Japan, the United States and Europe. All of these lawsuits are pending in the Eastern District of Michigan. NSK and some of its subsidiaries in Japan and the United States have agreed to settle with some indirect purchasers (automobile dealers and end purchasers of automobiles) that are part of the tentative classes with a settlement amount of US\$ 34.5 million on the 22nd of July 2016 (JST) (21st of July 2016 (EST)). However, the settlement will require the approval of 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. The class certification stage has begun for some of these class actions.

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.

During the first quarter consolidated accounting period, NSK has posted losses in "other operating expenses" in connection with settlements with part of the tentative classes of the class actions and some of 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.