INTERNET DISCLOSURE INFORMATION IN CONNECTION WITH THE NOTICE OF THE FISCAL 2020(160th) ORDINARY GENERAL MEETING OF SHAREHOLDERS

(From April 1, 2020 to March 31, 2021)

NSK Ltd.

Of the documents which should be provided along with this Notice of Convocation, among the Consolidated Financial Statements the Consolidated Statements of Changes in Equity and the Notes to the Consolidated Financial Statements, and among the Non-Consolidated Financial Statements the Non-Consolidated Statements of Changes in Net Assets and the Notes to the Non-Consolidated Financial Statements are published on the Company’s website at the following address pursuant to laws and regulations as well as Article 15 of the Articles of Incorporation of the Company. Therefore, these documents are not included in the attached 160th Report.

Consolidated Financial Statements: Consolidated Statement of Changes in Equity

(Millions of yen)

	Equity attributable to owners of the parent			
	Issued capital	Capital surplus	Retained earnings	Treasury shares
Opening balance	67,176	80,456	405,842	(37,662)
Net income	—	—	355	—
Other comprehensive income	—	—	—	—
Total comprehensive income for the period	—	—	355	—
Purchase of treasury shares	—	—	—	(8)
Disposal of treasury shares	—	30	—	367
Share-based payment transactions	—	(147)	—	—
Cash dividends	—	—	(10,256)	—
Other	—	—	1,896	—
Total transactions with owners, etc.	—	(117)	(8,360)	359
Closing balance	67,176	80,338	397,837	(37,303)

	Equity attributable to owners of the parent						Non-controlling interests	Total equity
	Other components of equity					Total		
	Exchange differences on translating foreign operations	Cash flow hedge	Net changes in financial assets measured at fair value through other comprehensive income	Remeasurements of net defined benefit liability (asset)	Total			
Opening balance	(34,462)	—	17,166	6,988	(10,308)	505,505	21,013	526,518
Net income	—	—	—	—	—	355	(1,103)	(748)
Other comprehensive income	23,705	281	19,509	15,298	58,794	58,794	662	59,456
Total comprehensive income for the period	23,705	281	19,509	15,298	58,794	59,149	(441)	58,708
Purchase of treasury shares	—	—	—	—	—	(8)	—	(8)
Disposal of treasury shares	—	—	—	—	—	398	—	398
Share-based payment transactions	—	—	—	—	—	(147)	—	(147)
Cash dividends	—	—	—	—	—	(10,256)	(1,519)	(11,775)
Other	—	(281)	(1,879)	—	(2,160)	(264)	—	(264)
Total transactions with owners, etc.	—	(281)	(1,879)	—	(2,160)	(10,279)	(1,519)	(11,798)
Closing balance	(10,757)	—	34,797	22,286	46,325	554,375	19,052	573,428

Note: Figures listed above are rounded down to the nearest one million yen.

Notes to the Consolidated Financial Statement

Other important information on the basis for preparing the consolidated financial statements

1. Standards for Preparation of Consolidated Financial Statements

Consolidated Financial Statements of the NSK Group are prepared in accordance with International Financial Reporting Standards (hereinafter "IFRS") pursuant to Article 120, Paragraph 1 of the Rules of Corporate Accounting. However, there are some omissions of disclosure items designated by IFRS pursuant to the latter part of Article 120, Paragraph 1 of the Rules of Corporate Accounting.

2. Scope of Consolidation

(1) Consolidated subsidiaries

The Company has 92 consolidated subsidiaries.

Major consolidated subsidiaries:

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

(2) Equity-method affiliated companies

The Company has 16 equity-method affiliates.

Major equity-method affiliates: NSK-Warner K. K.

(3) Changes in consolidation and affiliation

Subsidiaries

Increase due to new acquisitions: 3 companies BKV America, BKV Germany, BKV Denmark

3. Matters relating to accounting principles and standards

(1) Valuation rules and methods for significant assets

I. Trade receivables and other receivables

Trade receivables and other receivables are initially recognized on the day on which they arise, and are measured at fair value at initial recognition. They are measured thereafter at amortized cost using the effective interest method less allowance for doubtful accounts with respect to impairment.

Changes in the allowance for doubtful accounts are recognized in profit or loss.

II. Other financial assets

Financial assets are recognized on the day on which the NSK Group becomes the party to the contract (trade date). They are classified either as financial assets measured at amortized cost or as financial assets measured at fair value through profit or loss or other comprehensive income. The classification is determined at initial recognition. All financial instruments other than those classified as "financial assets measured at amortized cost" are classified as "financial assets measured at fair value." Financial assets measured at fair value except held-for-trading equity financial assets and derivative assets are designated either as measured at fair value through other comprehensive income or as measured at fair value through profit or loss and this designation is applied consistently.

At the end of the reporting period, classified and measured change in the fair value of financial assets that have been designated as measured at fair value through other comprehensive income is recognized in fair value as other comprehensive income, and financial assets that have been designated as measured at fair value through profit or loss are recognized as profit or loss. Dividends from financial assets are recognized as finance income.

A financial asset is derecognized when the contractual rights to receive cash flows from the financial asset are expired or when the rights to receive cash flows from the financial asset are transferred and substantially all risks and rewards of ownership of the financial asset are transferred.

III. Inventories

Inventories are measured at the lower of cost or net realizable value. Cost consists of the appropriate allocation of raw material costs, direct labor costs, and other direct costs and indirect costs of manufacturing. Net realizable value is the estimated selling price, less estimated selling expenses.

The cost of merchandise, finished goods, work in progress, and low materials are calculated using the weighted average method, and the cost of supplies is calculated using the first-in first-out method.

(2) Accounting principles for depreciation of material depreciable assets

Property, plant and equipment

The straight-line method is used to calculate depreciation of depreciable assets.

(3) Accounting principles for material allowances

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the present value of the consideration required to settle the present obligation at the end of the reporting period. The present value is recognized at a discounted rate that takes into account the time value of money and the specific risks and uncertainties surrounding the obligation.

(4) Accounting principles for retirement benefit obligations

The Company and the NSK Group maintains defined benefit plans and defined contribution plans.

I. Defined benefit plans

Defined benefit plans are calculated by estimating the future benefit amount earned by employees in exchange for the service they have provided in prior years and the current year. Net defined benefit assets or liabilities are recognized as the present value of the defined benefit obligation less the fair value of plan assets. The present value of the defined contribution obligations and retirement benefit obligations are calculated using the projected unit credit method, and the discount rate is determined by reference to market yields at the end of the consolidated fiscal year of high-quality corporate bonds.

Current and past service cost and net interest on the net defined benefit liability (assets) are recognized in profit and loss. Actuarial gains and losses, return on plan assets e and any change in the effect of the affect ceiling excluding the portion included in net interest are recognized as remeasurements concerning defined benefit plans as other comprehensive income in the period in which they arose.

II. Defined contribution plans

Cost for defined contribution plans is recognized as expenses in the period during which services were rendered by employees.

(5) Revenue recognition

The NSK Group has adopted IFRS 15 "Revenue from Contracts with Customers" and except for revenue including interest and dividends income, etc. under IFRS 9 “Financial Instruments,” revenue from contracts with customers is recognized by applying the following five-step approach:

Step 1: Identify the contract with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when the entity satisfies a performance obligation

The NSK Group engages in the production and sale of industrial machinery bearings, precision machinery and parts, bearings for car manufacturers and automotive component manufacturers, steering systems, automatic transmission components, etc. For revenue by sales of such products, because the customer obtains control over the products upon delivery, the performance obligation is judged to have been satisfied and revenue is therefore recognized upon delivery of the products. Revenue is measured by the amount after excluding discounts, rebates, and returned products from the value set forth in contracts with customers.

(6) Conversion of credit and liabilities in foreign currencies to Japanese currency

I. Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the spot exchange rate at the date of transaction or a rate that approximates such rate.

All foreign currency monetary assets and liabilities denominated at the end of the period are re-translated into to the functional currency at the spot exchange rate as at the end of the period, and the resulting difference is recognized as profit or loss.

II. Financial statements of foreign operation

Assets and liabilities of foreign operations are translated into Japanese Yen using the exchange rate at the end of the period, and income and expenses are translated into Japanese Yen using the exchange rate during the period.

Foreign exchange translation differences arising from the translation of financial statements of foreign operation are recognized in other comprehensive income. In cases where a foreign operation in disposed of, the cumulative amount of foreign exchange translation differences relating to such foreign operation is reclassified to profit or loss at the time of disposal.

Notes on Accounting Estimates

In preparing the financial statements in accordance with IFRS, the Company applies accounting policies and makes judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and revenues and expenses. Actual results may differ materially from these estimates. These estimates and assumptions are reviewed on an ongoing basis. The effects of changes in accounting estimates will be recognized in the accounting period in which the estimates are changed and in future accounting periods.

The impact of the COVID-19 pandemic has been reflected in estimates and judgments to the extent deemed reasonable based on information currently available. Because of the uncertainties involved in estimating spread of COVID-19 and when the situation will be brought under control, actual results may differ from these estimates.

Estimates and judgments that have a material impact on the amounts recognized in the consolidated financial statements are as follows.

1. Recoverability of deferred tax assets

(1) Account title and amount recorded for the current accounting period

Account title	Amount
Deferred tax assets	¥10,962million
Deferred tax liabilities	¥42,225million

(2) Other information contributing to the understanding of the content of the estimate

(1) Method of calculation

For future deductible temporary differences, the recoverability of deferred tax assets is determined based on taxable income based on future profitability and tax planning. Estimates of taxable income take into account expected sales and sales growth rates.

(2) Key assumptions

The key assumptions used in future business planning as the basis for estimating taxable income are expected sales and sales growth rates. The forecasted net sales take into account the expected orders received from major customers and market trends in each business segment. The sales growth rate is estimated by taking into account market conditions with reference to available external data.

(3) Impact on the consolidated financial statements for the next fiscal year

Although the forecasted net sales and sales growth rates are calculated based on the best estimates of management, the actual results may differ due to the results of uncertain future changes in economic conditions, etc. If a significant revision is required, it may have a significant impact on the amounts recognized in the consolidated financial statements for the following fiscal year.

2. Measurement of defined benefit plan obligations

(1) Account title and amount recorded for the current fiscal year

Account title	Amount
Net defined benefit assets	¥88,809million
Net defined benefit liabilities	¥17,349million

(2) Other information contributing to the understanding of the content of the estimate

The Company and some of its domestic subsidiaries have defined benefit pension plans and lump-sum payment plans to provide post-retirement benefits to their employees. The Company and certain domestic subsidiaries have defined benefit pension plans and lump-sum payment plans to provide for the post-retirement benefits of their employees. Certain overseas subsidiaries, such as those in the United Kingdom, also maintain defined benefit plans.

The present value of the defined benefit plan obligations and related service cost, etc. are calculated based on actuarial assumptions. The actuarial assumptions include various estimates such as discount rate, retirement rate, mortality rate, and salary increase rate. The Group obtains advice from external actuaries on the appropriateness of actuarial assumptions, including these variables. Such estimates are based on management's best estimates. However, actual results may differ due to the results of uncertain future changes in economic conditions and other factors, as well as revisions and promulgation of related laws and regulations. If a significant revision becomes necessary, it may have a significant impact on the amounts recognized in the consolidated financial statements for the next and subsequent fiscal years.

3. Fair value measurement of financial instruments

Amount recorded in the current fiscal year	¥5,638million

In assessing the fair value of certain financial instruments, the Group uses valuation techniques that utilize inputs that are not based on observable market data. Inputs that are not based on observable market data may be affected by the outcome of uncertain future changes in economic conditions and other factors, and if a significant revision is required, it may have a material impact on the consolidated financial statements.

4. Impairment loss on fixed assets in the automotive components business

(1) Amount recorded in the consolidated financial statements for the current fiscal year

Impairment loss	-million

(During the current fiscal year, there were indications that assets may have been impaired in the automotive components business. Although no impairment loss was recorded in the current fiscal year, it has been identified as a disclosure item in view of the risk of a material impact on the consolidated financial statements for the following fiscal year).

(2) Other information contributing to the understanding of the content of the estimate

I. Method of calculation

The recoverable amount of a cash-generating unit is compared with its carrying amount, and if the carrying amount exceeds its recoverable amount, the excess is recognized as an impairment loss.

If the carrying amount exceeds the recoverable amount, the excess is recognized as an impairment loss. The recoverable amount is the higher of fair value less costs of disposal and value in use. In calculating the value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects the inherent risks of the asset.

The estimated future cash flows in the value in use calculation are estimated based on the business plan for the period corresponding to the estimated remaining useful life of the fixed asset.

II. Key assumptions

The determination of recoverable amount is judgmental in nature and often involves the use of significant estimates and assumptions. These estimates and assumptions may have a significant impact on the determination of whether an impairment loss is recognized and the amount of impairment loss recognized.

Key estimates and assumptions include business plans and discount rates that form the basis for estimated future cash flows. The business plan is prepared based on information on orders received and expected production volume for each customer, taking into account development information for each project.The business plan is based on information on orders received and expected production volume for each customer, and takes into account market and industry data and current and expected future economic conditions. The discount rate is calculated based on the weighted average cost of capital.

III. Impact on the consolidated financial statements for the next fiscal year

In our impairment assessment for the current fiscal year, no impairment loss was recognized because the value in use of the cash-generating unit exceeded its carrying amount. However, changes in estimates due to unpredictable future changes in business assumptions that could cause a decline in future cash flows or fair value could adversely affect these assessments and result in the recognition of an impairment loss in the future.

Notes to the Consolidated Statement of Financial Position

1. Accumulated depreciation of tangible noncurrent assets	¥824,222million

2. Provisions

Summary of the Company's Provisions

Reserves for environmental measures	¥1,082million
Other	¥2,155million

Reserves for environmental measures

Estimated costs involved with disposing of asbestos and polychlorinated biphenyl (PCB) and other materials have been recorded.

Expected outflow of economic benefits in the future is within one year from the end date of each reporting period.

Other

Other includes provisions for costs related to competition laws.

3. Litigation and other legal matters

Regarding sales of products in the past, 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, had files class actions against certain parties, including NSK and some of its subsidiaries in Japan, the United States, Canada, and Europe. However, during the current fiscal year, the Company reached a settlement with representatives of the plaintiffs in the class action lawsuits filed in the U.S. and the Canadian provinces of Ontario, Quebec and British Columbia. The settlement is subject to further approval by the U.S. District Court for the Eastern District of Michigan and the courts of the provinces of Canada. The settlement effectively ends the class action lawsuits throughout the United States and Canada.

At the end of the current consolidated fiscal year, NSK has posted reasonably estimated losses in “other operating expenses” in connection with potential settlements related to alleged violations of competition laws in past 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.

In addition, Intercontinental Terminals Company LLC ("ITC"), a U.S. ("ITC"), a U.S. company, has filed several lawsuits in the District Court of Texas, U.S.A. since January 13, 2021 (local time) against ITC, the owner of the tank terminal, and other related parties, alleging that a fire occurred on March 17, 2019 (local time) at a tank terminal owned by ITC in Houston, Texas, and that the residents in the vicinity of the terminal suffered damages such as health problems due to the fire. On and after January 13, 2021 (local time), several lawsuits were filed against ITC, the owner of the tank terminal, and other related parties in district courts in the State of Texas. Subsequently, the residents of the surrounding area, etc. filed multiple lawsuits against the Company and some of its subsidiaries, along with other related parties, alleging that the Company's products were used for some of the equipment in the tank terminal. We will continue to fight against these claims, asserting that our products had nothing to do with the fire.

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.

Notes to Consolidated Statement of Income

1. Other operating income and expenses

Main components of other operating expenses in the consolidated fiscal year are as follows.

	(Millions of yen)
Foreign exchange losses	55.0
Costs related to competition law	(2,975)
Acquisition-related costs related to business combinations	824
Other	128
Total	(1,472)

As a result of reviewing the estimates of losses related to potential future settlements of lawsuits regarding the Group's products, etc., which have been recorded in "Provisions (non-current)," a reversal of the estimate has been recorded, and the "Costs related to competition law" for the current fiscal year includes this amount.

The "Acquisition related expenses for business mergers" includes the acquisition related expenses for the Condition Monitoring System business.

Notes to the Consolidated Statement of Changes in Equity

1. Type of shares and total number of issued shares as of the end of the consolidated fiscal year.	Common stock	551,268,104	shares

2. Dividends

(1) Dividends paid

Resolution	Type of shares	Total amount of dividends (Millions of yen)	Dividend per share (yen)	Record date	Effective date
June 2, 2020 Board of Directors	Common stock	5,183	10.00	March 31, 2020	June 30, 2020
November 2, 2020 Board of Directors	Common stock	5,183	10.00	September 30, 2020	December 8, 2020
Total		10,367			

Note 1: The total amount of dividends includes dividend of ¥110 million paid to the Company's shares held in the trust account of the Board Benefit Trust.

(2) Regarding dividends with a record date within the consolidated fiscal year but with an effective date in the following consolidated fiscal year, the following distribution of capital surplus is to be proposed and deliberated at the Board of Directors meeting to be held on Thursday, May 20, 2021.

I. Total amount of dividend	5,183	Millions of yen
II. Financial source of dividend		Retained earnings
III. Dividend per share (yen)		¥10.00
IV. Record date		March 31, 2021
V. Effective date		June 11, 2021

Note: The total amount of dividend based on the resolution to be proposed at the meeting of the Board of *Directors to be held Thursday, May 20, 2021 includes dividend of ¥53 million paid to the Company's shares held in the trust account of the Board Benefit Trust.*

3. Number and type of shares to be issued upon exercise of share acquisition rights (excludes share acquisition rights of which the commencement date of exercise period has not yet arrived) as of the end of the consolidated fiscal year.

Category	Share acquisition rights	Type of shares that are the object of share acquisition rights	Number of shares that are the object of share acquisition rights
NSK Ltd.	Share acquisition rights granted in 2015	Common stock	717,000 shares

Notes to the Statement of Financial Instruments

1. Financial Instruments

Management of financial risks

The NSK Group is exposed to financial risks (i.e. market risks, credit risks, and liquidity risks) in the course of conducting its business activities. The NSK Group executes risk management based on certain policies to deal with such risks.

(1) Market risks

I. Foreign exchange risks

The NSK Group, which is engaged in business activities on an international scale, is exposed to the risk of fluctuations in the exchange rates of various currencies, mainly in relation to the US Dollar and the Euro. Foreign exchange risks arise from recognized assets and liabilities denominated in foreign currencies.

In order to tackle exchange rate fluctuation risks, NSK Group companies seek to strike a balance between foreign currency receivables and payables and hedge risks through forward exchange forward contracts as necessary in accordance with internal rules.

II. Interest rate risk

Some of NSK Group’s borrowings are borrowings with floating rates and are exposed to the risk of interest rate fluctuations. Interest risks are also hedged by using derivatives transactions (interest swap transactions) as necessary in accordance with internal rules.

III. Price risks

The NSK Group holds equity instruments (shares) of entities primarily with which it has a business relationship, and is exposed to share price fluctuation risks. The market value, the issuer’s financial position, etc. are identified periodically with respect to equity instruments (shares), and the holding statues is reviewed on an ongoing basis in consideration of its customers and financial institutions with which it has dealings.

(2) Credit risks

Trade receivables are exposed to customer credit risks. The NSK Group seeks to quickly identify and mitigate the risk of default in relation to customers’ contractual obligation by such means as periodically monitoring the status of major customers.

At the end of the current consolidated fiscal year, the maximum amount of credit risk is the balance sheet amount of financial assets that are exposed to credit risks.

Also, the NSK Group manages past-due trade receivables by treating them as high-risk and monitors the status of customers.

There are no significant assets that are held as collateral or as part of other credit enhancements with respect to financial assets.

(3) Liquidity risks

The NSK Group is exposed to liquidity risk, which is risk of not earning enough cash and thus having difficulties in performing the obligation to pay financial liabilities. The NSK Group manages liquidity risks by such means as preparing and updating a financial plan in a timely manner based on reports from each department and major consolidated subsidiaries and maintaining liquidity in hand at an adequate level. Such risks are deemed to be limited in the NSK Group, given that it has established a ¥80 billion line of commitment with financial institutions and has secured a ¥50 billion facility for issuing commercial papers, in addition to its ability to generate cash flows through operating activities.

2. Carrying amount and fair value

The carrying amount and fair value of financial assets and liabilities are as follows.

The fair value of financial assets/liabilities measured at amortized cost other than corporate bonds and long-term debt is not included because they are close to their book values.

In addition, financial instruments that are measured at fair value on a recurring basis are not included because their fair value and book value are the same.

(Millions of yen)

	Carrying amount	Fair value
Financial liabilities		
Long-term debts	98,965	100,125
Corporate bonds	130,000	129,894

The fair value of trade receivables and other receivables, trade payables and other payables and short-term debts is deemed to be equal to their carrying amount as they are mainly instruments that are settled within a short-term period.

Among investment securities, the fair value of listed shares for which an active market exists is calculated based on the price at exchanges. The fair value of unlisted shares for which no active market exists is mainly calculated by using a price multiple valuation model based on price book-value ratio. Also, an illiquidity discount of 30%, which is an unobservable input, is used for measuring the fair value of unlisted shares as of March 31, 2017 and March 31, 2018.

Among financial liabilities (derivatives) measured at fair value through profit or loss, foreign exchange forward contracts are based on the valuation presented by financial institutions with which the contracts were concluded.

The fair value of long-term debt is calculated based on the present value calculated by discounting the sum of the principal and interest by the interest rate that takes into account the remaining period and credit risk of such long-term debt.

The fair value of the bonds issued by the Company was estimated based on market prices.

Per Share Information

Equity per share attributable to owners of the Parent	¥1,081.60
Basic net income per share	¥0.69

Notes on Significant Subsequent Events

Transfer of Fixed Assets

The Company decided to transfer its fixed assets on April 28, 2021, and concluded a transfer agreement on the same day.

1. Reason for the transfer

The Company has decided to transfer the asset in question in order to improve asset efficiency through the effective use of management resources.

2. Summary of Property for Sale

Location: 4-4-1, Saginuma, Miyamae Ward, Kawasaki City, Kanagawa Prefecture

Name and description of asset: NSK Saginuma Sports Ground Land: 36,861 m^2, Building: 371 m^2

Current status: Sports ground

Note: The transfer price and book value will not be disclosed in detail due to an agreement with the transferee. The transfer price is appropriate and reflects the market price.

3. Outline of the Transferee

The company to be transferred is a school corporation, but we will refrain from disclosing details due to an agreement with the company to be transferred.

In addition to continuing to contribute to the local community by opening up its facilities, etc., the transferee will take into account the requests of Kawasaki City, such as environmental considerations for the surrounding urban area and contribute to solving various local issues.

4. Schedule of the Transfer

1) Date of decision by Representative Executive Vice President: April 28, 2021
2) Date of contract execution April 28, 2021
3) Date of hand over (planned): October 29, 2021

5. Future Forecast

As a result of the transfer of these fixed assets, approximately 9.7 billion yen is expected to be recorded as other operating income in the consolidated financial results for the fiscal year ending March 31, 2022.

Business Mergers

(Acquisition of Condition Monitoring System Business)

On December 10, 2020, the Company's Board of Directors resolved to acquire the Condition Monitoring System ("CMS") business (the "BKV Business") known under the Brüel & Kjær Vibro ("BKV") brand. On the same day, the Company signed a transfer agreement with Spectris Plc. of the United Kingdom, the owner of the business, and completed the acquisition procedures on March 1, 2021.

(1) Outline of the business merger

I. BKV Germany

(i) Name of the acquired company and its business

Name of the acquired company: Brüel & Kjær Vibro GmbH

Business activities: Equipment maintenance and condition monitoring solutions

(ii) Percentage of voting equity interest acquired

100%

II. BKV Denmark

(i) Name of the acquired company and its business

Name of the acquired company: Brüel & Kjær Vibro A/S

Business activities: Equipment maintenance and condition monitoring solutions

(ii) Percentage of voting equity interest acquired

100%

III. BKV America

(i) Name of the acquired company and its business

Name of the acquired company: BK Vibro America Inc

Business activities: Equipment maintenance and condition monitoring solutions

(ii) Percentage of voting equity interest acquired

100%

(2) Date of Acquisition

March 1, 2021

(3) Method of acquisition of the acquired company

Acquisition of shares with cash as consideration

(4) Main reason for the business merger

In recent years, predictive maintenance has been attracting attention as a maintenance method for equipment and manufacturing lines. Predictive maintenance refers to the analysis and diagnosis of information obtained through condition monitoring of equipment and production lines. Our main products, including bearings, are important components that support the functions and performance of equipment, and the wealth of data, technology, and knowledge we have accumulated to date can be the key to putting predictive maintenance to practical use. Against this backdrop, in our 6th Mid-Term Management Plan (FY2019-2021), we set the goal of building a condition monitoring business as a new mechanism for growth. Specifically, starting from the technical services of failure diagnosis and remaining life diagnosis, we are expanding into the business of selling products that provide solutions to the problems and issues faced by equipment, and are promoting research and development and business development with the aim of further contributing to the development of a wide range of industries.

With the aim of accelerating and expanding the implementation measures of its medium-term management plan, the Company will acquire BKV Business, a leading specialist in the CMS market and one that is expected to grow rapidly in the future, and use it as a platform (foundation) for building the Company's CMS business. The BKV business will be an autonomous organization under the direct control of the President and CEO, and will be able to develop its business more quickly and aggressively by utilizing our resources. We will position the BKV business as a growth driver for our CMS business, and by utilizing BKV's excellent customer base, technology, trusted brand, CMS human resources, and access to big data essential for business development, we will accelerate CMS business development and further strengthen our ability to respond to social needs such as automation, labor-saving, smart, and environmental measures.

(5) Fair value of assets acquired, liabilities assumed and consideration paid as of the acquisition date

(Millions of yen)

	Amount
Cash and cash equivalents	926
Other current assets	2,186
Property, plant and equipment	430
Intangible assets	716
Current liabilities	(3,251)
Non-current liabilities	(194)
Fair value of assets acquired and liabilities assumed	813
Basis adjustment	404
Goodwill payment	20,230
Fair value of consideration paid	21,449

As the fair value of the assets acquired and liabilities assumed have not been determined as of the end of the current fiscal year, the amount of goodwill is a provisionally calculated amount.

The components of goodwill mainly reflect the future excess earning capacity expected from future business development. There is no amount of goodwill that is expected to be deductible for tax purposes.

The Company has entered into forward exchange contracts to hedge the foreign exchange risk associated with this acquisition. The transaction qualifies for hedge accounting as a cash flow hedge. The basis adjustment is a cash flow hedge of 404 million yen, which was recognized in other comprehensive income at the acquisition date and adjusted to the initial recognition amount of goodwill.

(6) Cash flow information

(Millions of yen)

	Amount
Cash and cash equivalents used in the acquisition	(21,044)
Cash and cash equivalents held by the acquired company at the time of acquisition	926
Payments for acquisition of subsidiaries	(20,118)

(7) Acquisition-related expenses

Acquisition-related expenses of 824 million yen related to this business combination are included in "Other operating expenses" in the consolidated statements of income.

(8) Effect on the consolidated statement of income

I. Net sales and net income (loss) of the acquired company after the acquisition date recognized in the consolidated statement of income for the current fiscal year.

This information has been omitted due to its immateriality in terms of amount.

II. The effect on net sales and net income (loss) of the acquired company in the current fiscal year on the assumption that the acquisition had taken place at the beginning of the fiscal year

This information has been omitted due to its immateriality in terms of amount. The pro forma information has not been audited.

Financial Statements: Statement of Changes in Equity

(Millions of yen)

	Equity attributable to owners of the parent			
	Issued capital	Capital surplus		
		Legal capital surplus	Other Capital surplus	Capital surplus Total
As of April 1, 2020	67,176	77,923	1,032	78,956
Change of items during the period				
Cash dividends	―	―	―	―
Accumulation of reserves	―	―	―	―
Reversal of reserves	―	―	―	―
Net income	―	―	―	―
Purchase of treasury shares	―	―	―	―
Disposal of treasury shares	―	―	21	21
Net change during the period, except for items under shareholders' equity	―	―	―	―
Total changes of items during the period	―	―	21	21
As of March 31, 2021	67,176	77,923	1,054	78,977

	Equity attributable to owners of the parent				
	Retained earnings				
	Retained earnings	Other retained earnings			Retained earnings Total
		Reserve for advanced depreciation of noncurrent assets	General reserve	Retained earnings brought forward	
As of April 1, 2020	10,292	3,949	87,766	22,741	124,749
Change of items during the period					
Cash dividends	―	―	―	(10,367)	(10,367)
Accumulation of reserves	―	―	6,000	(6,000)	―
Reversal of reserves	―	(140)	―	140	―
Net income	―	―	―	16,178	16,178
Purchase of treasury shares	―	―	―	―	―
Disposal of treasury shares	―	―	―	―	―
Net change during the period, except for items under shareholders' equity	―	―	―	―	―
Total changes of items during the period	―	(140)	6,000	(48)	5,811
As of March 31, 2021	10,292	3,808	93,766	22,693	130,560

	Equity attributable to owners of the parent		Valuation and translation adjustments		Stock acquisition rights	Total net assets
	Treasury shares	Total equity attributable to owners of the parent	Other Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
As of April 1, 2020	(37,360)	233,521	18,142	18,142	422	252,086
Change of items during the period						
Cash dividends	—	(10,367)	—	—	—	(10,367)
Accumulation of reserves	—	—	—	—	—	—
Reversal of reserves	—	—	—	—	—	—
Net income	—	16,178	—	—	—	16,178
Purchase of treasury shares	(2)	(2)	—	—	—	(2)
Disposal of treasury shares	376	398	—	—	—	398
Net change during the period, except for items under shareholders' equity	—	—	15,682	15,682	(16)	15,665
Total changes of items during the period	374	6,207	15,682	15,682	(16)	21,872
As of March 31, 2020	(36,985)	239,729	33,825	33,825	405	273,959

Note: Figures listed above are rounded down to the nearest one million yen.

Notes to the Non-Consolidated Financial Statement

Notes on Significant Accounting Policies

1. Valuation of securities

Shares of subsidiaries and affiliates are stated at cost using the moving-average method. Securities with fair market value are stated using the mark-to-market method based on the market price at the balance sheet date. (Total net unrealized gains or losses after tax effect adjustment are directly recorded in shareholders' equity, and the cost of securities sold is computed based on the moving-average method.) Other securities that do not have fair market value are stated at cost using the moving-value average.

2. Valuation of inventories

Finished products, raw materials and work in progress are valued at cost using the weighted average method (book values are recorded on the balance sheet based on decreased profitability of assets).

Supplies are valued at cost using the first-in first-out method (book values are recorded on the balance sheet based on decreased profitability of assets).

3. Depreciation and amortization of noncurrent assets

Depreciation for tangible noncurrent assets (excluding lease assets) and intangible non-current assets (excluding lease assets) is calculated using the straight-line method.

Depreciation for lease assets arising from finance lease transactions not involving transfer of ownership is calculated using the straight-line method based on the assumption that the useful life equals the lease term and the residual value equals zero.

4 Accounting for deferred assets

Accounted for as the full amount at the time of expenditure.

5. Allowances

(1) Allowance for doubtful accounts

To prepare for possible losses from uncollectable receivables, for general receivables, an amount is provided according the historical percentage of uncollectables. For specific receivables for which there is concern regarding collectability, an estimate amount is recorded by studying the possibility of collection for each individual account.

(2) Provision for retirement benefits

In order to provide employee retirement benefits, the amount of retirement benefit obligations and pension assets recorded by the Company is based on projected retirement benefit obligations and pension assets at the end of the fiscal year.

(3) Provision for officer stock benefits

In order to provide compensation in the form of the Company's stock, etc. to directors and executive officers, the amount of stock benefits is recorded based on projected stock benefits at the end of the fiscal year.

(4) Provision for employee stock benefits

In order to provide employee retirement benefits, the amount of retirement benefit obligations and pension assets recorded by the Company is based on projected retirement benefit obligations and pension assets at the end of the fiscal year.

(5) Reserves for environmental measures

Estimated costs involved with disposing of asbestos and polychlorinated biphenyl (PCB) and other materials have been recorded.

6. Consumption tax

The tax-exclusion method is used to account for consumption taxes.

7. Application of tax effect accounting for transition from consolidated tax payment system to group total system

NSK is non-consolidated in line with the transition to the group total system established under the Law Revising a Portion of the Income Tax Law, etc." (Law No. 8 of March 31, 2020). Regarding the items for which the tax payment system has been reviewed, according to Section 3 of "Handling application of tax effect accounting for transition from consolidated tax payment system to group total system" (Practical Response Report No. 39, March 31, 2020), the provisions of Paragraph 44 of "Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018)" are not applied and the amount of deferred tax assets and deferred tax liabilities is based on the provisions of the tax law before the revision.

Changes to Accounting Principles and Standards

None.

Changes to Presentation Methods

1. Statement of Income

Extraordinary losses of valuation loss on stock of subsidiaries and affiliates, which were listed separately in the previous fiscal year, have been included in miscellaneous losses non-operating expenses from the current fiscal year as they became less significant.

As a result, loss on valuation of stocks of subsidiaries and affiliates of 188 million yen, which was recorded as extraordinary loss in the statement of income for the previous fiscal year, has been reclassified as miscellaneous loss under non-operating expenses.

Due to the reclassification, ordinary income for the previous fiscal year decreased by 188 million yen.

2. Changes due to the adoption of the "Accounting Standard for Disclosures about Accounting Estimates"

Effective from the current fiscal year, the "Accounting Standard for Disclosures about Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) has been applied, and (Notes on Accounting Estimates) is included in the notes to the non-consolidated financial statements.

Notes on Accounting Estimates

In preparing the financial statements, the Company applies accounting policies and makes judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and revenues and expenses. Actual results may differ materially from these estimates. These estimates and assumptions are reviewed on an ongoing basis. The effects of changes in accounting estimates will be recognized in the fiscal year in which the estimates are changed and in future fiscal years.

The impact of the COVID-19 pandemic has been reflected in estimates and judgments to the extent deemed reasonable based on information currently available. Because of the uncertainties involved in estimating spread of COVID-19 and when the situation will be brought under control, actual results may differ from these estimates.

Estimates and judgments that have a material impact on the amounts recognized in the financial statements are as follows.

1. Recoverability of deferred tax assets

Account title and amount recorded for the current fiscal year

Account title	Amount
Deferred tax assets (before deduction of valuation allowance)	¥41,295million
Valuation allowance	(¥28,250) million

(2) Other information contributing to the understanding of the content of the estimate

Since the same information is provided in the same section of the consolidated financial statements [Notes on Accounting Estimates], the description has been omitted.

2. Measurement of defined benefit plan obligations

(1) Account title and amount recorded for the current fiscal year

Account title	Amount
Prepaid pension cost	¥44,193 million

(2) Other information contributing to the understanding of the content of the estimate

Since the same information is provided in the same section of the consolidated financial statements [Notes on Accounting Estimates], the description has been omitted.

Notes to Balance Sheet

1. Accumulated depreciation of tangible noncurrent assets ¥347,615million

2. Loan guarantees

Loan guarantees	¥144million
(Guarantees for bank guarantees of affiliates)	(¥144million)

3. Receivables from affiliated companies and payables to affiliated companies

Short-term receivables	¥55,508million
Long-term receivables	¥5,044million
Short-term payables	¥85,603million
Long-term payables	¥227million

Notes to Statement of Income

Transactions with affiliated companies

Operating transactions	Sales	¥107,532million
	Purchases	¥150,908million
Other non-operating transactions		¥58,939million

Notes to Statement of Changes in Shareholders' Equity

Type and number of treasury stock at end of period	Common stock	38,243,522shares

Notes on Tax Effect Accounting

The main causes for the deferred tax assets and deferred tax liabilities are as follows.

Deferred tax assets	
Accrued retirement benefits	¥4,324million
Accrued bonuses	¥2,729million
Valuation loss on stock of subsidiaries and affiliates	¥24,300million
Loss on devaluation of investment securities	¥375million
Impairment loss	¥182million
Carry-over tax loss	¥484million
Carry-over foreign tax credit	¥3,313million
Other	¥5,585million
Subtotal of deferred tax assets	¥41,295million
Valuation allowance	(¥28,250million)
Total deferred tax assets	¥13,045million
Deferred tax liabilities	
Reserve for advanced depreciation of noncurrent assets	(¥1,671million)
Gain on establishment of a retirement benefit trust	(¥9,800million)
Valuation difference on available-for-sale securities	(¥14,374million)
Other	(320million)
Total deferred tax liabilities	(¥26,166million)
Net deferred tax assets (liabilities)	(¥13,120million)

Notes on Leased Noncurrent Assets

In addition to the noncurrent assets recorded on the balance sheet, the Company has other significant noncurrent assets which it uses under lease contracts, notably selected computer equipment and related devices.

Notes on Related-Party Transactions

Subsidiaries and affiliates, etc.

(Millions of yen)

Type	Company Name	Possession of Voting Rights	Relationship with Related Party	Types of Transaction	Transaction Amount	Title of Account	Balance as of March 31, 2021
Subsidiary	NSK Steering Systems Co., Ltd..	100.0%	Purchase of finished goods Executive posts concurrently held	Purchase of automotive-related finished goods[1]	42,031	Accounts payable	7,377
Subsidiary	Amatsuji Steel Ball Mfg. Co., Ltd.	100.0%	Purchase of finished goods Executive posts concurrently held	Lending of funds[2]	(539)	Short-term debts	28,012
Affiliate	NSK-Warner K. K.	50.0%	Purchase of finished goods Executive posts concurrently held	Purchase of automotive-related finished goods[1]	43,978	Accounts payable	10,758

Terms and conditions of transactions, and policies on such terms and transactions

Notes:

1. The purchase of finished goods is decided after engaging in price negotiations in consideration of the total costs of the counterparty.

2. Interest rates for borrowing are set in a rational manner taking into account market rates.

3. Transaction amounts above exclude consumption tax, while the balance as of March 31, 2018 is inclusive of consumption tax.

Per Share Information

Net assets per share	¥533.22
Net income per share	¥31.54

Notes on Significant Subsequent Events

Transfer of Fixed Assets

The Company decided to transfer its fixed assets on April 28, 2021, and concluded a transfer agreement on the same day.

1. Reason for the Transfer

The Company has decided to transfer the asset in question in order to improve asset efficiency through the effective use of management resources.

2. Summary of Property for Sale

Location: 4-4-1, Saginuma, Miyamae Ward, Kawasaki City, Kanagawa Prefecture
Name and description of asset: NSK Saginuma Sports Ground
Land: 36,861 m^2, Building: 371 m^2
Current status: Sports ground

Note: The transfer price and book value will not be disclosed in detail due to an agreement with the transferee. The transfer price is appropriate and reflects the market price.

3. Outline of the Transferee

The company to be transferred is a school corporation, but we will refrain from disclosing details due to an agreement with the company to be transferred.
In addition to continuing to contribute to the local community by opening up its facilities, etc., the transferee will take into account the requests of Kawasaki City, such as environmental considerations for the surrounding urban area and contribute to solving various local issues.

4 Schedule of the Transfer

1) Date of decision by Representative Executive Vice President: April 28, 2021
2) Date of contract execution April 28, 2021
3) Date of hand over (planned): October 29, 2021

5. Future Forecast

As a result of the transfer of the fixed assets, the Company expects to record approximately 9.5 billion yen in extraordinary income for the fiscal year ending March 31, 2022.

Application of Restrictions on Maximum Dividend Payments

The Company is subject to restrictions on maximum dividend payments.

Business Mergers

Since the same information is provided in the notes to the consolidated financial statements in Business Mergers, the notes have been omitted.