

# NSK Ltd.

For Immediate Release

June 2, 2020

## CONSOLIDATED RESULTS FOR THE YEAR ENDED MARCH 31, 2020 (Unaudited) [IFRS]

Company name	NSK Ltd.
Stock exchange on which the shares are listed	Tokyo Stock Exchange in Japan
Code number	6471
URL	<a href="https://www.nsk.com/">https://www.nsk.com/</a>
Representative	Toshihiro Uchiyama, President and CEO
Contact person	Keita Suzuki, Senior Vice President
Date of the ordinary general shareholders' meeting	June 30, 2020
Payment date of cash dividends	June 30, 2020
Filing date of securities report	June 30, 2020

(Figures are rounded down to the nearest million yen)

### 1. Consolidated financial highlights for the year ended March 31, 2020

#### (1) Consolidated financial results

(% indicates changes from the previous year)

	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	%
Year ended Mar. 31, 2020	831,034	-16.2	23,604	-70.2	24,065	-69.6	18,108	-69.2	17,412	-68.8	-11,134	—
Year ended Mar. 31, 2019	991,365	-2.8	79,279	-19.0	79,229	-18.5	58,738	-19.7	55,809	-19.5	43,794	-54.7

	Basic earnings per share	Diluted earnings per share	Return on equity (ROE)	Income before income taxes / Total assets	Operating income margin
	Yen	Yen	%	%	%
Year ended Mar. 31, 2020	34.00	33.91	3.3	2.3	2.8
Year ended Mar. 31, 2019	107.46	107.24	10.4	7.3	8.0

(Note) Share of profits of investments accounted for using the equity method Year ended Mar. 31, 2020 2,282 million yen Year ended Mar. 31, 2019 5,493 million yen

(Note) Basic earnings per share and diluted earnings per share are calculated based on the net income attributable to owners of the parent.

#### (2) Consolidated financial position

	Total assets	Total equity	Total equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent to total assets	Equity per share attributable to owners of the parent
	Millions of Yen	Millions of Yen	Millions of Yen	%	Yen
As of Mar. 31, 2020	1,029,884	526,518	505,505	49.1	987.01
As of Mar. 31, 2019	1,086,456	560,400	536,676	49.4	1,048.18

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

	Net cash provided by operating activities	Net cash used in investing activities	Net cash used in financing activities	Cash and cash equivalents at the end of the period
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
Year ended Mar. 31, 2020	72,387	-39,784	-21,333	137,298
Year ended Mar. 31, 2019	92,617	-72,673	-20,477	129,965

### 2. Cash dividends

	Cash dividends per share					Total dividend	Dividend payout ratio	Dividend on equity (DOE)
	End of the 1st quarter	End of the 2nd quarter	End of the 3rd quarter	Year-end	Full-year total	(Full-year)	(Consolidated)	(Consolidated)
		Yen		Yen	Yen	Millions of Yen	%	%
Year ended Mar. 31, 2019	—	20.00	—	20.00	40.00	20,737	37.2	3.9
Year ended Mar. 31, 2020	—	20.00	—	10.00	30.00	15,550	88.2	2.9
Year ending Mar. 31, 2021 (Forecast)	—	—	—	—	—	—	—	—

(Note) The dividends forecast for the fiscal year ending March 31, 2021 is yet to be determined as it is difficult to predict the consolidated results as of now.

### 3. Forecast of consolidated results for the year ending March 31, 2021

The consolidated results forecast for the year ending March 31, 2021 is yet to be established as it is very difficult to predict when the novel coronavirus (COVID-19) outbreak will come to an end and the timing of recovery of global economic activities afterwards. The results forecast will be announced promptly when it becomes possible to reasonably assess it.

#### 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: Yes
  - (ii) Changes excluding the above: None
  - (iii) Changes in accounting estimates: None
- (Note) For further details, please refer to "Consolidated financial statements and notes (5) Notes to consolidated financial statements (Changes in accounting policies)" on page 12 of this summary of financial results.
- (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, 2020	551,268,104 shares	As of Mar. 31, 2019	551,268,104 shares
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  - (ii) Number of treasury stock at the end of each period:
 

	As of Mar. 31, 2020	39,111,034 shares	As of Mar. 31, 2019	39,262,010 shares
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  - (iii) Average number of shares issued and outstanding in each period:
 

	Year ended Mar. 31, 2020	512,142,780 shares	Year ended Mar. 31, 2019	519,350,336 shares
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#### (Reference)

#### Non-consolidated financial highlights for the year ended March 31, 2020

(1) Non-consolidated financial results (% indicates changes from the previous year)

	Sales		Operating income		Ordinary income		Net income	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Year ended Mar. 31, 2020	427,006	-13.5	-6,372	—	19,706	-31.4	21,267	-24.8
Year ended Mar. 31, 2019	493,524	-1.4	3,899	-57.6	28,726	-23.0	28,284	-25.1

	Net income per share - Basic	Net income per share - Diluted
	Yen	Yen
Year ended Mar. 31, 2020	41.49	—
Year ended Mar. 31, 2019	54.41	—

#### (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, 2020	666,368	252,086	37.8	490.93
As of Mar. 31, 2019	691,132	262,221	37.8	510.36

(Reference) Equity capital As of Mar. 31, 2020 251,664 million yen As of Mar. 31, 2019 261,540 million yen

(Note) Figures for non-consolidated financial highlights were formulated based on Japanese GAAP.

(Note) This summary of financial results is not subject to audit procedures by a certified public accountant or accounting auditor.

#### Cautionary statement with respect to forward-looking statements

The forecasts in this document are based on currently available information and certain assumptions that the Company regards as reasonable, and actual results may materially differ from any future results expressed herein due to various factors.

The consolidated results forecast for the year ending March 31, 2021 is yet to be established as it is very difficult to predict when the COVID-19 outbreak will come to an end and the timing of recovery of global economic activities afterwards. The results forecast will be announced promptly when it becomes possible to reasonably assess it.

## 1. Business overview

### (1) Qualitative information regarding consolidated business results

The NSK Group would like to pray for all the people who have lost their lives in the COVID-19 outbreak and extend our deepest sympathies to those affected by the disease. Also, we are sincerely grateful to all the healthcare workers and people committed to supporting service infrastructures.

The NSK Group initiated its 6<sup>th</sup> Mid-Term Management Plan, spanning the three years beginning April 2019 with a target of “build business base and strengthen resources in preparation for next growth phase.” Setting safety, quality, compliance and environment as NSK core values, we continue to implement two key policies of “operational excellence” and “challenging innovation” established in the 5<sup>th</sup> Mid-Term Management Plan (From April 2016 to March 2019) and we address three main management themes: new initiatives targeting growth, enhance managerial resources, and contribute to the environment and society.

The global economy during the year ended March 31, 2020 remained sluggish, given the uncertainty surrounding concerns over US-China trade friction and the UK's withdrawal from the European Union, as well as rising tensions in the Middle East. In Japan, export mainly to China remained stagnant. In the US, economic slowdown in the manufacturing industry became more pronounced in the second half of the fiscal year. The European economy slowed down due to stagnation in the manufacturing industry, primarily the automotive industry. In China, both overseas and domestic demand decelerated against the backdrop of trade friction with the US and the slump in automotive market continued. In addition, at the end of the fiscal year, COVID-19 spread globally, primarily in China, and largely affected each nation's economic activities. Accordingly, uncertainty over the economic outlook increased. In this economic environment, consolidated sales for the year ended March 31, 2020 totaled ¥831,034 million, a year-on-year decrease of 16.2%, and operating income totaled ¥23,604million, a year-on-year decrease of 70.2%. Income before income taxes was ¥24,065 million, a year-on-year decrease of 69.6%. Net income attributable to owners of the parent was ¥17,412 million, a year-on-year decrease of 68.8%.

### Business segment information

#### 1) Industrial Machinery Business segment

Overall sales in the industrial machinery business decreased year-on-year due to a sustained cautious stance toward capital expenditure against the backdrop of trade friction between the US and China, a continued sluggish demand in the smartphone and automotive markets as well as stagnant economic activities in each region due to the global spread of COVID-19.

Looking at the Company's results by geographic breakdown, sales in Japan continued to decrease year-on-year, primarily in the machine tools sector. In the Americas, overall sales declined due to decreased demand in the electrical sector, while sales in the aftermarket sector increased. In Europe, sales declined due to sales decrease in the electrical sector and products for general industrial machinery. Sales in China decreased due to sluggish demand in the electrical and machine tools sectors, while sales in the wind power and railcar sectors rose. In other Asian countries, sales declined in Korea and Taiwan, primarily in the aftermarket and machine tools sectors.

As a result, sales in the industrial machinery business totaled ¥232,470 million, a year-on-year decrease of 13.9%, and operating income was ¥14,102 million, a year-on-year decrease of 57.1%.

#### 2) Automotive Business segment

The automotive business environment is in a very serious situation as a whole. This is mainly because the global automotive markets, primarily in China and Europe, slowed down and global automotive production volume decreased due to COVID-19. Moreover sales of electric power steering (EPS) systems decreased due to vehicle model changes. As a result, overall sales in the automotive business decreased year on year.

Looking at the Company's results by geographic breakdown, sales in Japan decreased due to a decline in EPS business and lower demand of products for automatic transmission (AT) systems against the backdrop of a slowdown, primarily in the Chinese market. In the US, overall sales declined due to lower EPS sales year-on-year, while sales of products for AT systems increased, owing to sales expansion activities. In Europe and China, stagnant vehicle sales worsened further due to the effects of COVID-19. Particularly in China, the business environment in the automotive market is in a tough spot. In addition to the sluggish monthly vehicle sales, which continued to decrease year-on-year, the economy became stagnation at the end of the fiscal year. Sales in other Asian countries such as India also declined resulting from stagnant markets.

As a result, sales in the automotive business totaled ¥573,814 million, a year-on-year decrease of 16.8%. Meanwhile, operating income totaled ¥9,804 million, a year-on-year decrease of 78.2%.

## **(2) Qualitative information regarding consolidated financial position**

### **Assets and liabilities**

Total assets were ¥1,029,884 million, a decrease of ¥56,572 million compared to total assets as of March 31, 2019 mainly because of the decreases in trade receivables and other receivables and other financial assets (non-current). Trade receivables and other receivables declined primarily due to a drop in sales. The decrease in other financial assets (non-current) resulted from the partial sales of listed shares owned by the Company and drop in market value due to decline in share price.

Total liabilities were ¥503,365 million, a decrease of ¥22,690 million compared to total liabilities as of March 31, 2019 mainly due to the decrease in trade payables and other payables.

### **Total equity**

Total equity totaled ¥526,518 million, a decrease of ¥33,882 million compared to total equity as of March 31, 2019 mainly due to the decrease in other components of equity, despite the increase in net income attributable to owners of the parent.

## **(3) Qualitative information regarding cash flow**

Total cash and cash equivalents at the end of the period under review were ¥137,298 million, an increase of ¥7,333 million compared to total cash and cash equivalents as of March 31, 2019.

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

Net cash flow provided by operating activities totaled ¥72,387 million, a decrease of ¥20,230 million, compared to the previous year after adding and subtracting the depreciation and amortisation, working capital, and so forth from the income before income taxes of ¥24,065 million.

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

Net cash flow used in investing activities totaled ¥39,784 million, a decrease of ¥32,888 million compared to the previous year. This includes ¥47,876 million in purchases of property, plant and equipment.

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

Net cash flow used in financing activities totaled ¥21,333 million, an increase of ¥856 million compared to the previous year. This main cash inflows were ¥17,688 million in proceeds from long-term loans, and ¥30,000 million in proceeds from issuance of corporate bonds. Meanwhile, the main outflows were ¥21,788 million in repayments of long-term loans, ¥20,000 million in payments for redemption of corporate bonds, and ¥20,483 million in dividends paid.

#### **(4) Business forecast**

The consolidated results forecast for the year ending March 31, 2021 is yet to be established as it is very difficult to predict when the COVID-19 outbreak will come to an end and the timing of recovery of global economic activities afterwards. The results forecast will be announced promptly when it becomes possible to reasonably assess it.

#### **(5) Basic policy on appropriation of retained earnings and dividends**

NSK places great importance on shareholder returns. As part of the 6<sup>th</sup> Mid-Term Management Plan, spanning the three years beginning April 2019, we have aimed to provide stable dividends to our shareholders on an ongoing basis, and set the target of dividend payout ratio ranging from 30% to 50% as well as a per-share annual dividend of 40 yen or more on a consolidated basis. Also we regard treasury shares as an option to execute agile capital policy, and set a target of a total return ratio of 50% during the three-year period. We take into account the financial situation and so forth to make proper decisions for the execution.

Based on the policy stated above, we comprehensively took into account our business performance in this fiscal year and future business environment. As a result, unfortunately the year-end dividends for the fiscal year ended March 31, 2020 will be changed to ¥10.00 per share from ¥20.00 per share, which we released as a forecast in the beginning of this fiscal year and on January 30, 2020. The dividends for the first half of the year, paid on December 2, 2020, was ¥20.00 per share. Accordingly, the full year dividends for the fiscal year ended March 31, 2020 will be ¥30.00 per share, a ¥10 decrease from the fiscal year ended March 31, 2019.

The dividends forecast for the fiscal year ending March 31, 2021 is yet to be determined as it is difficult to predict the consolidated results as of now. The forecast will be announced at the same time when we will be able to release the results forecast.

#### **2. Basic stance on selection of accounting standards**

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

### 3. Consolidated financial statements and notes

#### (1) Consolidated statements of financial position

(Millions of yen)

	As of Mar.31, 2019	As of Mar.31, 2020
<b>Assets</b>		
Current assets		
Cash and cash equivalents	129,965	137,298
Trade receivables and other receivables	195,288	154,226
Inventories	159,517	152,971
Other financial assets	1,696	3,138
Income tax receivables	3,502	3,513
Other current assets	17,648	15,304
Total current assets	507,618	466,452
Non-current assets		
Property, plant and equipment	378,333	383,978
Intangible assets	19,550	19,768
Investments accounted for using equity method	27,613	26,785
Other financial assets	79,934	55,498
Deferred tax assets	9,633	9,698
Net defined benefit assets	59,406	61,508
Other non-current assets	4,364	6,193
Total non-current assets	578,837	563,431
<b>Total assets</b>	<b>1,086,456</b>	<b>1,029,884</b>
<b>Liabilities and Equity</b>		
Liabilities		
Current liabilities		
Trade payables and other payables	130,333	97,193
Other financial liabilities	101,145	71,806
Provisions	85	159
Income tax payables	4,004	3,474
Other current liabilities	49,841	45,305
Total current liabilities	285,411	217,939
Non-current liabilities		
Financial liabilities	175,467	228,707
Provisions	8,677	8,160
Deferred tax liabilities	31,128	24,764
Net defined benefit liabilities	19,530	18,345
Other non-current liabilities	5,839	5,447
Total non-current liabilities	240,643	285,426
Total liabilities	526,055	503,365
Equity		
Issued capital	67,176	67,176
Capital surplus	80,426	80,456
Retained earnings	400,720	405,842
Treasury shares	-37,779	-37,662
Other components of equity	26,131	-10,308
Total equity attributable to owners of the parent	536,676	505,505
Non-controlling interests	23,724	21,013
<b>Total equity</b>	<b>560,400</b>	<b>526,518</b>
<b>Total liabilities and equity</b>	<b>1,086,456</b>	<b>1,029,884</b>

**(2) Consolidated statements of income and consolidated statements of comprehensive income****Consolidated statements of income**

(Millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Sales	991,365	831,034
Cost of sales	771,783	677,511
Gross profit	219,581	153,522
Selling, general and administrative expenses	141,808	130,238
Share of profits of investments accounted for using the equity method	5,493	2,282
Other operating expenses	3,987	1,961
Operating income	79,279	23,604
Financial income	2,661	3,409
Financial expenses	2,710	2,948
Income before income taxes	79,229	24,065
Income tax expense	20,491	5,956
Net income	58,738	18,108
Net income attributable to:		
Owners of the parent	55,809	17,412
Non-controlling interests	2,928	696
(Earnings per share attributable to owners of the parent)		
Basic earnings per share (yen)	107.46	34.00
Diluted earnings per share (yen)	107.24	33.91

**Consolidated statements of comprehensive income**

(Millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Net income	58,738	18,108
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of net defined benefit liability (asset)	-3,807	1,744
Net changes in financial assets measured at fair value through other comprehensive income	-6,460	-8,333
Share of other comprehensive income of investments accounted for using equity method	75	-44
Total items that will not be reclassified to profit or loss	-10,192	-6,633
Items that may be reclassified to profit or loss		
Exchange differences on translating foreign operations	-4,731	-22,150
Share of other comprehensive income of investments accounted for using equity method	-20	-459
Total items that may be reclassified to profit or loss	-4,751	-22,609
Total other comprehensive income, net of tax	-14,944	-29,242
Total comprehensive income for the period	43,794	-11,134
Total comprehensive income for the period attributable to:		
Owners of the parent	40,803	-11,075
Non-controlling interests	2,991	-58



### (3) Consolidated statements of changes in equity

From April 1, 2018 to March 31, 2019

(Millions of yen)

	Equity attributable to owners of the parent			
	Issued capital	Capital surplus	Retained earnings	Treasury shares
Opening balance	67,176	80,264	362,859	-17,815
Net income	—	—	55,809	—
Other comprehensive income	—	—	—	—
Total comprehensive income for the period	—	—	55,809	—
Purchase of treasury shares	—	—	—	-20,053
Disposal of treasury shares	—	21	—	89
Share-based payment transactions	—	375	—	—
Cash dividends	—	—	-21,514	—
Changes in the ownership interest in subsidiaries	—	-235	—	—
Other	—	—	3,565	—
Total transactions with owners, etc.	—	161	-17,948	-19,963
Closing balance	67,176	80,426	400,720	-37,779

	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	-7,774	43,584	8,880	44,689	537,175	23,839	561,014	
Net income	—	—	—	—	55,809	2,928	58,738	
Other comprehensive income	-4,823	-6,537	-3,645	-15,006	-15,006	62	-14,944	
Total comprehensive income for the period	-4,823	-6,537	-3,645	-15,006	40,803	2,991	43,794	
Purchase of treasury shares	—	—	—	—	-20,053	—	-20,053	
Disposal of treasury shares	—	—	—	—	111	—	111	
Share-based payment transactions	—	—	—	—	375	—	375	
Cash dividends	—	—	—	—	-21,514	-2,816	-24,330	
Changes in the ownership interest in subsidiaries	—	—	—	—	-235	-290	-525	
Other	—	-3,551	—	-3,551	14	—	14	
Total transactions with owners, etc.	—	-3,551	—	-3,551	-41,302	-3,106	-44,408	
Closing balance	-12,598	33,494	5,234	26,131	536,676	23,724	560,400	

From April 1, 2019 to March 31, 2020

(Millions of yen)

	Equity attributable to owners of the parent			
	Issued capital	Capital surplus	Retained earnings	Treasury shares
Opening balance	67,176	80,426	400,720	-37,779
Net income	—	—	17,412	—
Other comprehensive income	—	—	—	—
Total comprehensive income for the period	—	—	17,412	—
Purchase of treasury shares	—	—	—	-11
Disposal of treasury shares	—	41	—	128
Share-based payment transactions	—	-11	—	—
Cash dividends	—	—	-20,501	—
Other	—	—	8,211	—
Total transactions with owners, etc.	—	29	-12,290	117
Closing balance	67,176	80,456	405,842	-37,662

	Equity attributable to owners of the parent				Total	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)				
Opening balance	-12,598	33,494	5,234	26,131	536,676	23,724	560,400
Net income	—	—	—	—	17,412	696	18,108
Other comprehensive income	-21,864	-8,376	1,753	-28,487	-28,487	-755	-29,242
Total comprehensive income for the period	-21,864	-8,376	1,753	-28,487	-11,075	-58	-11,134
Purchase of treasury shares	—	—	—	—	-11	—	-11
Disposal of treasury shares	—	—	—	—	169	—	169
Share-based payment transactions	—	—	—	—	-11	—	-11
Cash dividends	—	—	—	—	-20,501	-2,652	-23,154
Other	—	-7,951	—	-7,951	259	—	259
Total transactions with owners, etc.	—	-7,951	—	-7,951	-20,095	-2,652	-22,748
Closing balance	-34,462	17,166	6,988	-10,308	505,505	21,013	526,518

**(4) Consolidated statements of cash flows**

(Millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Operating activities		
Income before income taxes	79,229	24,065
Depreciation and amortisation	48,801	53,926
Increase (decrease) in net defined benefit liability and net defined benefit asset	621	-80
Interest and dividend income	-2,368	-2,145
Interest expenses	2,600	2,523
Share of profits of investments accounted for using the equity method	-5,493	-2,282
Decrease (increase) in trade receivables	18,602	34,335
Decrease (increase) in inventories	-17,859	579
Increase (decrease) in trade payables	-10,856	-26,888
Other	-1,354	-1,127
Subtotal	111,924	82,905
Interest and dividend received	7,484	4,693
Interest expenses paid	-2,642	-2,581
Income tax paid	-24,149	-12,629
Net cash provided by operating activities	92,617	72,387
Investing activities		
Purchases of property, plant and equipment	-73,379	-47,876
Proceeds from sale of property, plant and equipment	1,090	1,638
Purchases of other financial assets	-38	-22
Proceeds from sale of other financial assets	6,829	13,606
Other	-7,176	-7,131
Net cash used in investing activities	-72,673	-39,784
Financial activities		
Proceeds from long-term loans	34,333	17,688
Repayments of long-term loans	-46,809	-21,788
Proceeds from issuance of corporate bonds	40,000	30,000
Payments for redemption of corporate bonds	—	-20,000
Repayments of lease liabilities	—	-4,157
Acquisition of treasury shares	-20,044	-2
Dividends paid	-21,495	-20,483
Dividends paid to non-controlling interests	-2,892	-2,652
Other	-3,569	61
Net cash used in financial activities	-20,477	-21,333
Effect of exchange rate changes on cash and cash equivalents	-784	-3,934
Net increase (decrease) in cash and cash equivalents	-1,318	7,333
Cash and cash equivalents at the beginning of the period	131,283	129,965
Cash and cash equivalents at the end of the period	129,965	137,298

## (5) Notes to consolidated financial statements

### Going concern assumption

None.

### Changes in accounting policies

The significant accounting policies adopted for the condensed interim consolidated financial statements are the same as those for the consolidated financial statements for the fiscal year ended March 31, 2019 except the following items.

IFRS		Description of new standards and revisions
IFRS 16	Leases	Revision of accounting treatment for leases

The NSK Group has adopted IFRS 16 "Leases" (issued in January 2016, hereafter, "IFRS 16") from the year ended March 31, 2020. At inception of a contract, the assessment of whether the contract is, or contains, a lease will be made when the Company is the lessee. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. When a contract is, or contains, a lease, at the commencement date, a right-of-use asset and a lease liability are recognised.

#### (1) Lease liability

At the commencement date, lease liability will be measured at the present value of the lease payments that are not paid at that date. The present value will be measured by using the interest rate implicit in the lease or the lessee's incremental borrowing rate. After the commencement date, lease liability will be measured by increasing or reducing the carrying amount to reflect interest on the lease liability and the lease payments made. Interest on the lease liability is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability, and it is recognised as a finance expense.

#### (2) Right-of-use asset

At the commencement date, the right-of-use asset will be measured at cost. The cost of the right-of-use asset comprises the amount of the initial measurement of the lease liability adjusting, any lease payments made at or before the commencement date, less any lease incentives received, and any initial direct costs incurred. After the commencement date, right-of-use asset is measured at cost less any accumulated depreciation and accumulated impairment losses applying the cost model. A right-of-use asset is depreciated mainly over the lease term using the straight line method.

The lease payments associated with short-term leases and leases for which the underlying asset is of low value are recognised as an expense on a straight-line basis over the lease term. Right-of-use asset is presented as "property, plant and equipment" and lease liability as "financial liability (current or non-current)" in the consolidated statements of financial position.

In adopting IFRS 16, the NSK Group has applied the provisional method allowed in IFRS16 and recognised the cumulative effect of initially applying IFRS16 at the date of initial application. We apply the practical expedient that allows us to continue using the same method as before with regard to whether contracts are leases or not.

At the date of initial application of IFRS 16, we additionally recognised right-of-use assets of ¥19,409 million and lease liabilities of ¥19,403 million. The weighted average of the lessee's incremental borrowing rates applied for the calculation of lease liability recognised at the date of initial application is 1.4%.

The following are the adjustments between the amount of non-cancellable operating leases which was disclosed applying IAS 17 "Leases" (hereafter, "IAS 17") discounted by using the incremental borrowing rate at the date of initial application and the amount of lease liabilities presented in the consolidated statements of financial position at the date of initial application.

(Millions of yen)

The amount of non-cancellable operating leases as of March 31 2019 which was disclosed adopting IAS 17 discounted by using the incremental borrowing rate at the date of initial application	12,426
(a) Finance lease obligations which was recognised as of March 31 2019,	1,754
(b) Amount resulting from review of lease term based on the adoption of IFRS 16	6,976
Amount of lease liabilities presented in the consolidated statements of financial position	21,157

When applying IFRS 16 to the leases previously classified as operating leases applying IAS 17, the following practical expedients are applied.

- Leases for which the lease term ends within 12 months of the date of initial application, we apply exemptions, which do not recognise right-of-use asset and lease liability.
- Initial direct costs are excluded from the measurement of right-of-use assets at the date of initial application.

## Segment information

### 1) Overview of reportable segments

NSK's two business division headquarters, based at the Group's headquarters in Tokyo and, classified by the industry of their customers, develop and implement comprehensive global strategies for the respective products they handle. Given this background, the NSK Group classifies its reportable segments into the Industrial Machinery Business and the Automotive Business.

### 2) Segment revenue and performance

From April 1, 2018 to March 31, 2019

	Reportable segments			Others (Note 1)	Total	Adjustments (Note 2)	Consolidated
	Industrial Machinery Business	Automotive Business	Subtotal				
(Millions of yen)							
Sales							
Sales to third parties	269,974	689,658	959,632	31,732	991,365	—	991,365
Intersegment sales	—	—	—	31,186	31,186	-31,186	—
<b>Total</b>	<b>269,974</b>	<b>689,658</b>	<b>959,632</b>	<b>62,919</b>	<b>1,022,552</b>	<b>-31,186</b>	<b>991,365</b>
Segment income (loss) (Operating income)	32,887	44,949	77,837	5,607	83,444	-4,165	79,279
Total financial income (expenses)							-49
Income before income taxes							79,229
Other items							
Capital expenditure	21,827	55,185	77,012	4,544	81,556	-453	81,102
Depreciation and amortisation	10,371	35,295	45,666	3,410	49,077	-275	48,801
Equity gain from investment in associates	774	4,636	5,411	82	5,493	—	5,493

(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 -¥4,165 million adjustment made for segment income (loss) includes intersegment elimination of -¥177 million and -¥3,987 million in other operating expenses not allocated to the reportable segments.

From April 1, 2019 to March 31, 2020

(Millions of yen)

	Reportable segments			Others (Note 1)	Total	Adjustments (Note 2)	Consolidated
	Industrial Machinery Business	Automotive Business	Subtotal				
<b>Sales</b>							
Sales to third parties	232,470	573,814	806,284	24,750	831,034	—	831,034
Intersegment sales	—	—	—	23,937	23,937	-23,937	—
<b>Total</b>	<b>232,470</b>	<b>573,814</b>	<b>806,284</b>	<b>48,687</b>	<b>854,971</b>	<b>-23,937</b>	<b>831,034</b>
Segment income (loss) (Operating income)	14,102	9,804	23,907	1,365	25,273	-1,668	23,604
Total financial income (expenses)							460
Income before income taxes							24,065
<b>Other items</b>							
Capital expenditure	18,557	33,197	51,755	3,182	54,937	-9	54,927
Depreciation and amortisation	11,833	38,050	49,883	4,345	54,229	-303	53,926
Equity gain from investment in associates	410	1,854	2,265	17	2,282	—	2,282

(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 -¥1,668 million adjustment made for segment income (loss) includes intersegment elimination of ¥293 million and -¥1,961 million in other operating expenses not allocated to the reportable segments.

### 3) Information by product and service

This information is omitted as similar information has been disclosed in "Segment revenue and performance".

#### 4) Information by region

##### ① Sales to third parties

(Millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Japan	367,537	314,281
The Americas	157,581	139,249
Europe	130,127	110,075
China	194,994	148,525
Other Asia	141,124	118,902
Total	991,365	831,034

(Note 1) Sales are based on the customers' location and categorized by either countries or regions.

(Note 2) The categories of the countries or the regions are based on their relative proximity.

(Note 3) Main countries and regions belonging to other regions apart from Japan and China are follows;

The Americas: the United States, Canada, Mexico, Brazil, etc.

Europe: the United Kingdom, Germany, Poland, and other European countries, etc.

Other Asia: East and South East Asian countries (apart from Japan and China), India, Australia, etc.

##### ② Non-current assets

(Millions of yen)

	As of Mar.31, 2019	As of Mar.31, 2020
Japan	204,960	225,530
The Americas	33,083	32,434
Europe	36,001	34,715
China	73,952	66,510
Other Asia	49,886	44,555
Total	397,884	403,747

(Note 1) Non-current assets represent the amount of property, plant and equipment and intangible assets.

(Note 2) The categories of the countries or the regions are based on the proximity.

(Note 3) Main countries and regions belonging to other regions apart from Japan and China are follows;

The Americas: the United States, Canada, Mexico, Brazil, etc.

Europe: the United Kingdom, Germany, Poland, and other European countries, etc.

Other Asia: East and South East Asian countries (apart from Japan and China), India, Australia, etc.

#### 5) Information on major customers

In terms of sales to third parties, none of the counterparties accounted for 10% or more of sales in the consolidated statements of income in the previous consolidated fiscal year or the current consolidated fiscal year, therefore, no information on major customers is stated.



## Per share information

### 1) Basic earnings per share and diluted earnings per share

	Year ended Mar.31, 2019	Year ended Mar.31, 2020
Basic earnings per share	¥107.46	¥34.00
Diluted earnings per share	¥107.24	¥33.91

### 2) Basis of calculation of basic earnings per share and diluted earnings per share

	Year ended Mar.31, 2019	Year ended Mar.31, 2020
Net income attributable to owners of the parent (millions of yen)	55,809	17,412
Weighted average number of issued common shares (thousand shares)	519,350	512,142
Impact of dilution: board benefit trust, etc. (thousand shares)	1,071	1,386
Weighted average number of issued common shares after dilution (thousand shares)	520,421	513,529

## Events after the reporting period

Large amount of borrowings and conclusion of commitment line agreement

1. In order to prepare for liquidity risk due to the effects of COVID-19, the Company and subsidiaries conducted borrowings as follows.

- (1) Use of funds: Working capital
- (2) Lender: Mizuho Bank, Ltd., MUFG Bank, Ltd. and others
- (3) Amount and terms of borrowings: The Group borrowed 51,647 million yen. The interest rate for borrowing is determined in consideration of market interest rates.
- (4) Borrowing date: April 8, 2020 and others
- (5) Final repayment date: April 8, 2021 and others
- (6) Pledged assets: None

2. In order to prepare for liquidity risk due to unexpected situations including COVID-19, the Company concluded the agreement of commitment line as follows. There is no borrowing balance of this contract as of now.

- (1) Use of funds: Working capital
- (2) Lender: Mizuho Bank, Ltd., MUFG Bank, Ltd. and others
- (3) Maximum amount: 55,000 million yen  
Total maximum amount is 80,000 million yen, including existing contracts
- (4) Effective date: May 1, 2020 and others
- (5) Expiration date: April 30, 2021 and others
- (6) Pledged assets: None

## 2020年3月期 決算短信 補足説明資料

### Supplementary material of consolidated results for the year ended March 31, 2020

#### 1. 決算概要 / Summary of financial results

(百万円 / ¥Million)	2019年3月期 / FY2018			2020年3月期 / FY2019					
	1H	2H	Full year	1H	対前年同期比 YoY	2H	対前年同期比 YoY	Full year	対前年比 YoY
売上高 Sales	509,576	481,788	991,365	434,820	85.3%	396,213	82.2%	831,034	83.8%
営業利益 Operating income	44,964	34,314	79,279	15,765	35.1%	7,838	22.8%	23,604	29.8%
税引前利益 Income before income taxes	45,104	34,125	79,229	15,552	34.5%	8,512	24.9%	24,065	30.4%
親会社の所有者に帰属する当期利益 Net income attributable to owners of the parent	30,941	24,868	55,809	11,816	38.2%	5,596	22.5%	17,412	31.2%
基本的1株当たり当期利益(円) Basic earnings per share (yen)	58.79	48.53	107.46	23.07	—	10.93	—	34.00	—

(百万円 / ¥Million)	2019年3月期 / FY2018				2020年3月期 / FY2019							
	1Q	2Q	3Q	4Q	1Q	対前年同期比 YoY	2Q	対前年同期比 YoY	3Q	対前年同期比 YoY	4Q	対前年同期比 YoY
売上高 Sales	260,694	248,882	248,076	233,712	222,942	85.5%	211,878	85.1%	206,799	83.4%	189,413	81.0%
営業利益 Operating income	24,776	20,188	21,300	13,013	10,263	41.4%	5,501	27.3%	7,014	32.9%	824	6.3%
税引前四半期利益 Income before income taxes	25,282	19,821	21,190	12,935	10,636	42.1%	4,916	24.8%	7,410	35.0%	1,101	8.5%
親会社の所有者に帰属する四半期利益 Net income attributable to owners of the parent	17,703	13,238	15,836	9,031	8,838	49.9%	2,977	22.5%	4,456	28.1%	1,139	12.6%
基本的1株当たり四半期利益(円) Basic earnings per share (yen)	33.49	25.26	30.88	17.64	17.26	—	5.81	—	8.70	—	2.22	—
連結子会社数(社) Consolidated subsidiaries	89	90	89	88	89	—	89	—	89	—	89	—
日本 Japan	19	19	19	18	18	—	18	—	18	—	18	—
海外 Non-Japan	70	71	70	70	71	—	71	—	71	—	71	—
期末従業員数(人) Number of employees	31,924	31,890	32,045	31,484	31,648	—	31,387	—	31,273	—	30,747	—
日本 Japan	11,818	11,814	11,802	11,755	12,035	—	11,953	—	11,908	—	11,803	—
海外 Non-Japan	20,106	20,076	20,243	19,729	19,613	—	19,434	—	19,365	—	18,944	—

#### 2. 売上高 / Sales

(百万円 / ¥Million)	2019年3月期 / FY2018			2020年3月期 / FY2019					
	1H	2H	Full year	1H	対前年同期比 YoY	2H	対前年同期比 YoY	Full year	対前年比 YoY
報告セグメント Business segment data									
産業機械事業 Industrial machinery business	135,872	134,101	269,974	119,677	88.1%	112,792	84.1%	232,470	86.1%
自動車事業 Automotive business	357,577	332,080	689,658	302,152	84.5%	271,661	81.8%	573,814	83.2%
その他 Others	30,349	32,570	62,919	25,476	83.9%	23,210	71.3%	48,687	77.4%
調整額 Adjustments	△ 14,223	△ 16,963	△ 31,186	△ 12,485	—	△ 11,451	—	△ 23,937	—
合計 Total	509,576	481,788	991,365	434,820	85.3%	396,213	82.2%	831,034	83.8%

(百万円 / ¥Million)	2019年3月期 / FY2018				2020年3月期 / FY2019							
	1Q	2Q	3Q	4Q	1Q	対前年同期比 YoY	2Q	対前年同期比 YoY	3Q	対前年同期比 YoY	4Q	対前年同期比 YoY
報告セグメント Business segment data												
産業機械事業 Industrial machinery business	69,251	66,621	68,156	65,944	60,825	87.8%	58,852	88.3%	56,266	82.6%	56,525	85.7%
自動車事業 Automotive business	183,260	174,316	171,625	160,455	155,173	84.7%	146,978	84.3%	144,742	84.3%	126,919	79.1%
その他 Others	14,845	15,504	17,736	14,833	13,566	91.4%	11,909	76.8%	11,273	63.6%	11,937	80.5%
調整額 Adjustments	△ 6,663	△ 7,559	△ 9,442	△ 7,521	△ 6,623	—	△ 5,861	—	△ 5,483	—	△ 5,968	—
合計 Total	260,694	248,882	248,076	233,712	222,942	85.5%	211,878	85.1%	206,799	83.4%	189,413	81.0%

#### 3. 営業利益 / Operating income

(百万円 / ¥Million)	2019年3月期 / FY2018			2020年3月期 / FY2019					
	1H	2H	Full year	1H	対前年同期比 YoY	2H	対前年同期比 YoY	Full year	対前年比 YoY
報告セグメント Business segment data									
産業機械事業 Industrial machinery business	16,729	16,158	32,887	8,313	49.7%	5,788	35.8%	14,102	42.9%
自動車事業 Automotive business	26,703	18,245	44,949	7,061	26.4%	2,743	15.0%	9,804	21.8%
その他 Others	2,835	2,771	5,607	1,210	42.7%	155	5.6%	1,365	24.4%
調整額 Adjustments	△ 1,303	△ 2,861	△ 4,165	△ 819	—	△ 848	—	△ 1,668	—
合計 Total	44,964	34,314	79,279	15,765	35.1%	7,838	22.8%	23,604	29.8%

(百万円 / ¥Million)	2019年3月期 / FY2018				2020年3月期 / FY2019							
	1Q	2Q	3Q	4Q	1Q	対前年同期比 YoY	2Q	対前年同期比 YoY	3Q	対前年同期比 YoY	4Q	対前年同期比 YoY
報告セグメント Business segment data												
産業機械事業 Industrial machinery business	8,779	7,949	8,229	7,929	4,879	55.6%	3,433	43.2%	2,486	30.2%	3,302	41.6%
自動車事業 Automotive business	15,282	11,421	11,825	6,419	5,065	33.1%	1,995	17.5%	3,969	33.6%	△ 1,226	—
その他 Others	1,351	1,483	1,992	779	826	61.1%	384	25.9%	296	14.9%	△ 141	—
調整額 Adjustments	△ 636	△ 667	△ 746	△ 2,115	△ 507	—	△ 312	—	260	—	△ 1,109	—
合計 Total	24,776	20,188	21,300	13,013	10,263	41.4%	5,501	27.3%	7,014	32.9%	824	6.3%

**4. 設備投資額、減価償却費 / Capital expenditures, Depreciation and amortisation**

(百万円 / ¥Million)	2019年3月期 / FY2018			2020年3月期 / FY2019					
	1H	2H	Full year	1H	対前年同期比 YoY	2H	対前年同期比 YoY	Full year	対前年比 YoY
設備投資額 Capital expenditures	27,083	54,019	81,102	21,676	80.0%	33,251	61.6%	54,927	67.7%
減価償却費 Depreciation and amortisation	23,928	24,873	48,801	26,783	111.9%	27,142	109.1%	53,926	110.5%

(百万円 / ¥Million)	2019年3月期 / FY2018				2020年3月期 / FY2019							
	1Q	2Q	3Q	4Q	1Q	対前年同期比 YoY	2Q	対前年同期比 YoY	3Q	対前年同期比 YoY	4Q	対前年同期比 YoY
設備投資額 Capital expenditures	10,401	16,682	23,565	30,454	10,535	101.3%	11,140	66.8%	12,143	51.5%	21,108	69.3%
減価償却費 Depreciation and amortisation	11,915	12,012	12,300	12,572	13,369	112.2%	13,414	111.7%	13,594	110.5%	13,548	107.8%

**5. 研究開発費 / R&D expenses**

(百万円 / ¥Million)	2019年3月期 / FY2018			2020年3月期 / FY2019					
	1H	2H	Full year	1H	対前年同期比 YoY	2H	対前年同期比 YoY	Full year	対前年比 YoY
研究開発費 R&D expenses	9,436	9,587	19,023	9,160	97.1%	9,105	95.0%	18,265	96.0%

(百万円 / ¥Million)	2019年3月期 / FY2018				2020年3月期 / FY2019							
	1Q	2Q	3Q	4Q	1Q	対前年同期比 YoY	2Q	対前年同期比 YoY	3Q	対前年同期比 YoY	4Q	対前年同期比 YoY
研究開発費 R&D expenses	4,401	5,035	4,860	4,726	4,616	104.9%	4,543	90.2%	4,639	95.4%	4,466	94.5%

**6. 為替換算レート / Currency exchange rate**

期中平均レート Average exchange rate (円 / ¥)	2019年3月期 / FY2018			2020年3月期 / FY2019		
	1H	2H	Full year	1H	2H	Full year
USD	110.27	111.55	110.91	108.63	108.87	108.75
EUR	129.84	126.96	128.40	121.41	120.25	120.83
CNY	16.75	16.33	16.54	15.68	15.52	15.60

期中平均レート Average exchange rate (円 / ¥)	2019年3月期 / FY2018				2020年3月期 / FY2019			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
USD	109.07	111.47	112.91	110.19	109.90	107.36	108.75	108.99
EUR	130.06	129.62	128.79	125.13	123.49	119.33	120.33	120.17
CNY	17.13	16.37	16.33	16.33	16.07	15.29	15.44	15.60

期末レート Term end exchange rate (円 / ¥)	2019年3月期 / FY2018			2020年3月期 / FY2019	
	End of 1H	End of 2H	End of 1H	End of 2H	
USD	113.58	111.01	107.96	108.83	
EUR	132.15	124.56	118.04	119.65	
CNY	16.50	16.48	15.14	15.30	

期末レート Term end exchange rate (円 / ¥)	2019年3月期 / FY2018				2020年3月期 / FY2019			
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	End of 1Q	End of 2Q	End of 3Q	End of 4Q
USD	110.54	113.58	110.91	111.01	107.75	107.96	109.55	108.83
EUR	127.88	132.15	126.88	124.56	122.46	118.04	122.51	119.65
CNY	16.67	16.50	16.14	16.48	15.68	15.14	15.68	15.30