

Consolidated Financial Statements

NSK Ltd. and Consolidated Subsidiaries

*Year ended March 31, 2016*  
*With Independent Auditor's Report*



## Independent Auditor's Report

The Board of Directors  
NSK Ltd.

We have audited the accompanying consolidated financial statements of NSK Ltd. and its consolidated subsidiaries, which comprise the consolidated statements of financial position as of March 31, 2016, and the consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of NSK Ltd. and its consolidated subsidiaries as of March 31, 2016, and their consolidated financial performance and cash flows for the year then ended in conformity with International Financial Reporting Standards.

*Ernst & Young ShinNihon LLC*

June 24, 2016  
Tokyo, Japan

## [Financial Information]

### **1. Method of preparation of consolidated financial statements and non-consolidated financial statements**

(1) The Company's consolidated financial statements have been prepared in compliance with International Financial Reporting Standards (hereinafter referred to as "IFRS") pursuant to the provision of Article 93 of the *Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements* (Ordinance of the Ministry of Finance No.28 of 1976; hereinafter referred to as "the Consolidation Ordinance").

(2) The Company's non-consolidated financial statements have been prepared in accordance with the *Ordinance on the Terminology, Forms, and Preparation Methods of Financial Statements, etc.* (Ordinance of the Ministry of Finance No.59 of 1963; hereinafter referred to as "the Ordinance").

Of note, the Company corresponds to a specified company submitting non-consolidated financial statements and has prepared its non-consolidated financial statements pursuant to the provision of Article 127 of the Ordinance.

### **2. Audit certification**

The Company has been audited by Ernst & Young ShinNihon LLC with respect to its consolidated financial statements for the consolidated fiscal year (from April 1, 2015 to March 31, 2016) and its non-consolidated financial statements for the business year (from April 1, 2015 to March 31, 2016), pursuant to the provision of Article 193-2(1) of the Financial Instruments and Exchange Act.

### **3. Special efforts to ensure appropriateness of consolidated financial statements and development of system to enable appropriate preparation of consolidated financial statements, etc. in accordance with IFRS**

The Company has made special efforts to ensure the appropriateness of its consolidated financial statements, etc. and developed a system that enables the appropriate preparation of consolidated financial statements, etc. in accordance with IFRS, the specifics of which are as follows.

(1) In order to develop a system that enables the proper understanding of the content of accounting standards, etc. and appropriate response to changes, etc. in accounting standards, etc. the Company also endeavors to collect information such as becoming a member of the Financial Accounting Standards Foundation and participating in seminars, etc.

(2) For the purpose of preparing appropriate consolidated financial statements in accordance with IFRS, the Company has prepared IFRS-compliant Group accounting policies, based on which Group-wide standardised accounting procedures are executed. The content of the Group accounting policies is updated properly in a timely manner by obtaining press releases and Standards published by the International Accounting Standards Board (IASB) as necessary and getting a grasp of the information on the latest standards, as well as examining their impact on the Company.

# 1 [Consolidated financial statements, etc.]

## (1) [Consolidated financial statements]

① [Consolidated statements of financial position]

(Millions of yen)

	Note	As of Apr.1,2014	As of Mar.31, 2015	As of Mar.31, 2016
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	5	168,940	184,374	175,515
Trade receivables and other receivables	6	173,771	200,251	182,332
Inventories	7	131,735	142,171	130,564
Other financial assets	10	2,883	2,860	4,052
Income tax receivables	15	1,475	5,009	2,174
Other current assets		18,770	18,943	16,613
<b>Total current assets</b>		<b>497,576</b>	<b>553,610</b>	<b>511,253</b>
<b>Non-current assets</b>				
Property, plant and equipment	8	302,133	331,286	323,116
Intangible assets	9	14,428	14,051	15,785
Investments accounted for using equity method	17	22,825	21,171	22,179
Other financial assets	10	89,058	106,932	86,163
Deferred tax assets	15	17,549	17,623	20,455
Net defined benefit assets	16	40,715	77,361	49,898
Other non-current assets		3,231	3,471	3,522
<b>Total non-current assets</b>		<b>489,943</b>	<b>571,899</b>	<b>521,121</b>
<b>Total assets</b>		<b>987,519</b>	<b>1,125,509</b>	<b>1,032,374</b>
<b>Liabilities and Equity</b>				
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade payables and other payables	11	149,987	147,901	140,713
Other financial liabilities	12	111,161	119,795	99,674
Provisions	14	180	238	150
Income tax payables	15	11,610	5,421	4,536
Other current liabilities		47,740	54,122	48,172
<b>Total current liabilities</b>		<b>320,679</b>	<b>327,479</b>	<b>293,247</b>
<b>Non-current liabilities</b>				
Financial liabilities	12	205,665	210,175	179,654
Provisions	14	235	292	1,855
Deferred tax liabilities	15	35,935	51,294	35,540
Net defined benefit liabilities	16	40,494	44,057	38,125
Other non-current liabilities		5,823	5,408	5,080
<b>Total non-current liabilities</b>		<b>288,153</b>	<b>311,227</b>	<b>260,255</b>
<b>Total liabilities</b>		<b>608,833</b>	<b>638,707</b>	<b>553,503</b>
<b>Equity</b>				
Issued capital	18	67,176	67,176	67,176
Capital surplus	18	78,888	79,191	79,603
Retained earnings	18	181,913	230,214	278,524
Treasury shares	18	-4,369	-4,083	-3,949
Other components of equity		32,742	89,038	33,306
<b>Total equity attributable to owners of parent</b>		<b>356,351</b>	<b>461,536</b>	<b>454,661</b>
Non-controlling interests		22,335	25,265	24,210
<b>Total equity</b>		<b>378,686</b>	<b>486,801</b>	<b>478,871</b>
<b>Total liabilities and equity</b>		<b>987,519</b>	<b>1,125,509</b>	<b>1,032,374</b>

## ② [Consolidated statements of income]

(Millions of yen)

	Note	Year ended March 31, 2015	Year ended March 31, 2016
Sales	20	974,885	975,319
Cost of sales		750,725	755,663
Gross profit		224,160	219,655
Selling, general and administrative expenses	21	131,857	130,130
Share of profits of investments accounted for using the equity method	17	2,670	4,740
Other operating expenses	22	8,014	4,731
Operating income		86,958	89,534
Financial income	23	2,777	2,388
Financial expenses	23	5,108	4,714
Income before income taxes		84,626	87,208
Income tax expense	15	21,916	17,904
Net income		62,710	69,303
Net income attributable to:			
Owners of the parent		59,383	65,719
Non-controlling interests		3,326	3,584
(Earnings per share attributable to owners of the parent)			
Basic earnings per share (yen)	25	109.79	121.38
Diluted earnings per share (yen)	25	109.66	121.30

## ③ [Consolidated statements of comprehensive income]

(Millions of yen)

	Note	Year ended Mar.31, 2015			Year ended Mar.31, 2016		
		Before tax effect	Tax effect	Amount (net)	Before tax effect	Tax effect	Amount (net)
Net income				62,710			69,303
Other comprehensive income							
Items that will not be reclassified to profit or loss							
Remeasurements of net defined benefit liability (asset)		29,973	-10,739	19,233	-28,337	10,309	-18,028
Net changes in financial assets measured at fair value through other comprehensive income		17,524	-3,716	13,807	-17,263	6,384	-10,879
Total items that will not be reclassified to profit or loss		47,497	-14,456	32,040	-45,601	16,693	-28,907
Items that may be reclassified to profit or loss							
Exchange differences on translating foreign operations		25,256	—	25,256	-28,276	—	-28,276
Total items that may be reclassified to profit or loss		25,256	—	25,256	-28,276	—	-28,276
Total other comprehensive income		72,753	-14,456	58,297	-73,878	16,693	-57,184
Total comprehensive income for the period				121,008			12,119
Total comprehensive income for the period attributable to:							
Owners of the parent				115,834			10,198
Non-controlling interests				5,173			1,920

④ [Consolidated statements of changes in equity]

From April 1, 2014 to March 31, 2015

(Millions of yen)

	Note	Equity attributable to owners of parent			
		Issued capital	Capital surplus	Retained earnings	Treasury shares
Opening balance		67,176	78,888	181,913	-4,369
Net income		—	—	59,383	—
Other comprehensive income		—	—	—	—
Total comprehensive income for the period		—	—	59,383	—
Purchase of treasury shares	18	—	—	—	-49
Disposal of treasury shares	18	—	378	—	335
Share-based payment transactions	19	—	-75	—	—
Cash dividends	26	—	—	-11,362	—
Other		—	—	280	—
Total transactions with owners, etc.		—	303	-11,082	285
Closing balance		67,176	79,191	230,214	-4,083

	Note	Equity attributable to owners of 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)	Total				
Opening balance		—	32,742	—	32,742	356,351	22,335	378,686	
Net income		—	—	—	—	59,383	3,326	62,710	
Other comprehensive income		23,451	13,769	19,230	56,451	56,451	1,846	58,297	
Total comprehensive income for the period		23,451	13,769	19,230	56,451	115,834	5,173	121,008	
Purchase of treasury shares	18	—	—	—	—	-49	—	-49	
Disposal of treasury shares	18	—	—	—	—	714	—	714	
Share-based payment transactions	19	—	—	—	—	-75	—	-75	
Cash dividends	26	—	—	—	—	-11,362	-2,244	-13,606	
Other		—	-155	—	-155	124	—	124	
Total transactions with owners, etc.		—	-155	—	-155	-10,649	-2,244	-12,893	
Closing balance		23,451	46,356	19,230	89,038	461,536	25,265	486,801	

From April 1, 2015 to March 31, 2016

(Millions of yen)

	Note	Equity attributable to owners of parent			
		Issued capital	Capital surplus	Retained earnings	Treasury shares
Opening balance		67,176	79,191	230,214	-4,083
Net income		—	—	65,719	—
Other comprehensive income		—	—	—	—
Total comprehensive income for the period		—	—	65,719	—
Purchase of treasury shares	18	—	—	—	-12
Disposal of treasury shares	18	—	188	—	146
Share-based payment transactions	19	—	223	—	—
Cash dividends	26	—	—	-17,877	—
Other		—	—	468	—
Total transactions with owners, etc.		—	412	-17,409	134
Closing balance		67,176	79,603	278,524	-3,949

	Note	Equity attributable to owners of 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)	Total				
Opening balance		23,451	46,356	19,230	89,038	461,536	25,265	486,801	
Net income		—	—	—	—	65,719	3,584	69,303	
Other comprehensive income		-26,643	-10,851	-18,025	-55,520	-55,520	-1,664	-57,184	
Total comprehensive income for the period		-26,643	-10,851	-18,025	-55,520	10,198	1,920	12,119	
Purchase of treasury shares	18	—	—	—	—	-12	—	-12	
Disposal of treasury shares	18	—	—	—	—	335	—	335	
Share-based payment transactions	19	—	—	—	—	223	—	223	
Cash dividends	26	—	—	—	—	-17,877	-2,974	-20,852	
Other		—	-211	—	-211	257	—	257	
Total transactions with owners, etc.		—	-211	—	-211	-17,074	-2,974	-20,049	
Closing balance		-3,191	35,292	1,204	33,306	454,661	24,210	478,871	



## ⑤ [Consolidated statements of cash flows]

(Millions of yen)

	Note	Year ended March 31, 2015	Year ended March 31, 2016
<b>Operating activities</b>			
Income before income taxes		84,626	87,208
Depreciation and amortisation		39,875	43,048
Increase (decrease) in net defined benefit liability and net defined benefit asset		-2,483	-5,374
Interest and dividend income		-2,748	-2,378
Interest expenses		5,059	4,728
Share of profits of investments accounted for using the equity method		-2,670	-4,740
Decrease (increase) in trade receivables		-18,696	2,407
Decrease (increase) in inventories		-4,470	519
Increase (decrease) in trade payables		3,184	-5,902
Other		10,620	6,594
<b>Subtotal</b>		<b>112,300</b>	<b>126,110</b>
Interest and dividend received		7,917	5,126
Interest paid		-5,121	-4,783
Antimonopoly Act related loss paid		-18,878	—
Income tax paid		-30,687	-17,831
<b>Net cash provided by operating activities</b>		<b>65,529</b>	<b>108,622</b>
<b>Investing activities</b>			
Purchases of property, plant and equipment		-43,891	-45,869
Proceeds from sale of property, plant and equipment		1,008	272
Purchases of other financial assets		-246	-49
Proceeds from sale of other financial assets		768	3,994
Other		-4,353	-3,560
<b>Net cash used in investing activities</b>		<b>-46,715</b>	<b>-45,212</b>
<b>Financial activities</b>			
Proceeds from long-term loans		9,647	9,735
Repayments of long-term loans		-25,123	-47,793
Proceeds from issuance of corporate bonds		40,000	—
Payments for redemption of corporate bonds		-15,000	—
Purchase of treasury shares		-44	-5
Dividends paid		-11,353	-17,861
Dividends paid to non-controlling interests		-2,244	-2,974
Other		-1,627	-9,174
<b>Net cash used in financial activities</b>		<b>-5,744</b>	<b>-68,073</b>
Effect of exchange rate changes on cash and cash equivalents		2,364	-4,195
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>15,434</b>	<b>-8,858</b>
Cash and cash equivalents at beginning of the period	5	168,940	184,374
Cash and cash equivalents at end of the period	5	184,374	175,515

## [Notes to consolidated financial statements]

### 1. Reporting entity

NSK Ltd. (hereinafter referred to as “the Company”) is a company located in Japan and its shares are listed on the Tokyo Stock Exchange.

Consolidated statements of fiscal year ended March 31, 2016 consisted of the Company and its subsidiaries (hereinafter referred to as “NSK Group”) as well as its interests in associated and joint ventures. The Company and NSK Group as well as associates and joint ventures are engaged in the Industrial Machinery Business and the Automotive Business. The Industrial Machinery Business engaged in the production and sales of industrial machinery bearings, ball screws, linear guides, etc. targeted at general industry. The Automotive Business is in charge of production and sales of bearings for car manufacturers and automotive component manufacturers, steering columns, automatic transmission components, etc.

NSK Group’s consolidated financial statements for the consolidated fiscal year ended March 31, 2016 were approved by President & CEO Toshihiro Uchiyama on June 24, 2016.

### 2. Basis of preparation

#### (1) Compliance with IFRS and matters concerning first-time adoption of IFRS

As NSK Group’s is a Specified Company applying Designated International Financial Reporting Standards as set forth in Article 1-2 of the Consolidation Ordinance, these consolidated financial Statements have been prepared in compliance with IFRS pursuant to the provision of Article 93.

These consolidated financial statements are the first consolidated financial statements prepared by the NSK Group in accordance with IFRS; the date of transition to IFRS was April 1, 2014. The NSK Group has applied IFRS1 *First-time Adoption of International Financial Reporting Standards* (hereinafter referred to as “IFRS1”). The impact of the transition to IFRS on NSK Group’s financial position, operating results and cash flow status is described in the note “30. Transition to IFRS”.

#### (2) Basis of measurement

In the consolidated financial statements, assets and liabilities are based on historical cost, except for financial instruments that are measured at fair value, etc.

#### (3) Functional currency and presentation currency

Items included in the respective financial statements prepared by the entities belonging to the NSK Group are measured in the *functional currency*, which is the currency of the primary economic environment in which each entity conducts business activities. The consolidated financial statements in this Report are presented in Japanese Yen, which is the Company’s functional currency.

Amounts presented in Japanese Yen are rounded down to the nearest million yen.

#### (4) Issued Standards and Interpretations that are yet to be applied

New and revised Standards and Interpretations that have been issued by the date of approval of the consolidated financial statements but have not been applied early by the NSK Group are as follows. Any impact of their application on the NSK Group is currently being examined and cannot be estimated at this point in time.

Standard	Title of Standard	Timing of mandatory application	Fiscal year in which it is expected to be applied by the Company	Outline of new/revised Standard
IFRS 15	Revenue From Contracts With Customers	January 1, 2018	TBD	Revision of accounting and disclosure requirements concerning revenue recognition
IFRS16	Leases	January 1, 2019	TBD	Revision of accounting concerning leases

## **(5) Use of estimates and judgments**

In preparing IFRS-compliant consolidated financial statements, the NSK Group developed and used judgment, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may be different from such estimates and such estimates and assumptions are revised continuously. The effect of changes in accounting estimates is recognised in the period of the change and in future periods.

The estimates and judgements that significantly affect the amounts recognised in the consolidated financial statements are as follows:

- Recoverability of deferred tax assets (Note 15: Income taxes)
- Measurement of defined benefit obligation (Note 16: Post-employment benefit)
- Fair value measurement of financial instruments (Note 24: Financial instruments)

## **3. Summary of significant accounting policies**

The principal accounting policies that have been adopted upon preparing the consolidated financial statements are as follows. These policies have been applied throughout the entire reporting period consistently, unless specified otherwise.

### **(1) Basis of consolidation**

#### **① Subsidiaries**

Subsidiaries are entities controlled by the NSK Group. Control exists in cases where the NSK Group has power over the investee, is exposed to variable returns from the investment with the investee and has the ability to affect returns through its power over the investee. The NSK Group consolidates a subsidiary from the day on which it gains control over the subsidiary, and ceases consolidation from the day on which it loses control over the subsidiary.

Intra-group balances (receivables and payables) and transactions as well as unrealised gains or losses arising from intercompany transactions are eliminated upon preparing the consolidated financial statements.

Major consolidated subsidiaries are stated in "Appendix: NSK Group Companies".

#### **② Associates**

Associates are entities over which the NSK Group has significant influence with respect to its financial and management policies but does not have control nor joint control. In cases where the Company has 20% or more but no more than 50% of voting rights of another entity, the Company is presumed to have significant influence over such entity. Investments in associates are accounted for using the equity method and are recognised at cost at the time of acquisition.

#### **③ Joint ventures**

Joint ventures are joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of another entity, etc. Investments in a joint venture are accounted for using the equity method.

### **(2) Business combinations**

Business combinations are accounted for using the acquisition method at the time of gaining control. Identifiable assets acquired and liabilities assumed in a business combinations, non-controlling interests of the acquiree, and goodwill are recognised on the acquisition date (the day on which the NSK Group gains control of the acquiree). In principle, the identifiable assets acquired and liabilities assumed in a business combination are recognised at their fair values. The non-controlling interests of the acquiree are measured as the identifiable net assets of the acquiree multiplied by the ownership interest ratio held by the non-controlling interests.

Goodwill is measured as the sum of the amount of the fair value of the consideration transferred (including contingent consideration) in a business combination and non-controlling interests of the acquiree in excess of the

amount of the identifiable acquiree's assets that have been acquired, net of liabilities assumed. Conversely, if the total transferred is less than is acquired, the NSK Group recognises such a shortfall in profit or loss at the date of the acquisition.

### **(3) Translation of foreign currency**

#### **① Foreign currency transactions**

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

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

#### **② Financial statements of foreign operation**

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

Foreign exchange translation differences arising from the translation of financial statements of foreign operation are recognised in other comprehensive income. In cases where a foreign operation is 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.

### **(4) Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, demand deposits and other highly liquid short-term investments which have short maturities of three months or less from the date of acquisition.

### **(5) Trade receivables and other receivables**

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

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

### **(6) Inventories**

Inventories are measured at the lower of acquisition cost or net realisable value. Costs consist of the appropriate allocation of purchase cost, direct labour cost, other direct cost and related indirect production cost. Net realisable value is the estimated selling price, less the estimated selling expenses.

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

### **(7) Other financial assets**

The NSK Group has early adopted IFRS 9 Financial Instruments (issued in November 2009 and revised in July 2014) to the accounting of financial instruments.

#### **① Initial recognition and measurement classification**

Financial assets are recognised 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 amortised cost or as financial assets measured at fair value through profit or loss or other comprehensive income. This classification is determined at initial recognition. A financial asset is classified as a financial asset measured at amortised cost if it satisfies both of the following requirements:

- The asset is held based on a business model the objective of which is to hold assets to collect contractual cash flows.
- Based on the contractual terms, cash flows that are solely payment of principal and interest on the principal amount outstanding are generated on specified dates.

All financial instruments other than those classified as “financial assets measured at amortised cost” are classified as “financial assets measured at fair value.” Financial assets measured at fair value except for 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.

#### ② Subsequent measurement

“Financial assets measured at amortised cost” are measured at amortised cost using the effective interest method. Changes in fair value of “financial assets measured at fair value” that are designated as measured at fair value through other comprehensive income are recognised in other comprehensive income, while changes in fair value of those that are designated as measured at fair value through profit or loss are recognised in profit or loss. Any dividends on such assets are recognised as financial income.

#### ③ Impairment of financial assets

For impairment of financial assets measured at amortised cost, the NSK Group recognises a loss allowance for expected credit losses on a financial asset.

At each reporting date, the NSK Group evaluates whether the credit risk on a financial instrument has increased significantly since initial recognition. If the credit risk has not increased significantly since initial recognition, the NSK Group measures the loss allowance for losses on a financial asset at an amount equal to 12-month expected credit losses. If the credit risk on that financial instrument has increased significantly since initial recognition, the NSK Group measures the loss allowance for losses on a financial asset at an amount equal to the lifetime expected credit losses.

However, in the case of trade receivables and lease receivables, the NSK Group always measures the loss allowance for a financial asset at an amount equal to lifetime expected credit losses.

The NSK Group measures the expected credit losses of a financial instrument in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes
- The time value of money
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions

The amounts measured in this manner are recognised in profit or loss.

If an event occurs after the recognition of an impairment loss that reduces the amount of previously recognised impairment loss, the previously recognised impairment loss is reversed through net profit or loss.

#### ④ Derecognition

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

### (8) Property, plant and equipment

The NSK Group adopts the *cost model* for the measurement of property, plant and equipment. Property, plant and equipment items are presented at the carrying amount calculated by deducting accumulated depreciation and accumulated impairment loss from the cost.

Depreciation costs of assets other than land and construction in progress are recorded by using the straight-line method over their estimated useful lives prescribed below. The estimated useful life, residual value and depreciation method are reviewed at the end of each consolidated fiscal year in consideration of changes in the estimates reflected in the future.

- Buildings and structures: 2 – 60 years
- Machinery and equipment: 4 – 20 years
- Vehicle and delivery equipment 4 – 7 years
- Tools, equipment and fixtures: 2 – 20 years

#### **(9) Intangible assets**

The NSK Group adopts the cost model for the measurement of intangible assets. Intangible assets are presented at the carrying amount calculated by deducting accumulated amortisation and accumulated impairment loss from cost. Intangible assets that have been acquired separately are measured at cost at initial recognition, while those acquired through a business combination are measured at fair value as of the acquisition date.

Intangible assets with finite useful lives are amortised over their estimated useful lives using the straight-line method. Intangible assets held by the NSK Group are mainly software for internal use and their estimated economic lives range from 5 years to 10 years.

The amortisation method and estimated useful lives are reviewed at the end of each consolidated fiscal year.

#### **(10) Leases**

Leases that transfer substantially all the risks and rewards incidental to the ownership of an asset belong to the NSK Group are classified as finance leases. Leases other than finance leases are classified as operating leases.

Finance lease assets and liabilities are capitalised as of the commencement of the lease term at the lower of the fair value of the lease property or the present value of minimum lease payments. Property, plant and equipment acquired by finance leases are depreciated over the shorter of useful life and lease term. Lease liabilities are recognised in liabilities as current financial liabilities or non-current financial liabilities in the consolidated statements of financial position. Financial expenses are allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Payments due to operating leases are recognised as expenses using the straight-line method over the lease term.

#### **(11) Impairment of non-financial assets**

If there is any indication that an asset may be impaired with respect to property, plant and equipment and intangible assets as of the end of each reporting period, and if the carrying amount of the asset exceeds the recoverable amount, which is calculated as the higher of the asset's fair value less costs to sell and value in use for each cash-generating unit, the carrying amount is written down to the recoverable amount.

Intangible assets with an indefinite useful life and goodwill are not amortised and is tested for impairment annually.

For assets (other than goodwill) for which impairment was recognised, the asset are assessed as to whether there is any indication that the impairment loss recognised in prior years may no longer exist or may have decreased, and if any such indication exists, the asset is revalued as of the end of the reporting period, and reversal of the impairment loss that was initially recognised is recognised in profit or loss.

#### **(12) Trade payables and other payables**

Trade payables and other payables are recognised on the day on which they are accrued and measured at fair value at initial recognition.

They are subsequently measured at amortised cost using the effective interest method.

### **(13) Other financial liabilities**

The NSK Group has other financial liabilities in the form of corporate bonds, borrowings, and other financial obligations, which are stated at fair value at initial recognition and measured at amortised cost except for derivative liabilities by using the effective interest rate thereafter. Other financial liabilities are recognised when the NSK Group becomes the party to a contract (trade date).

Other financial liabilities are derecognised where the underlying obligation specified in the contract is discharged or cancelled or expires.

### **(14) Provisions**

A provision is recognised where: a present legal obligation or a constructive obligation exist as a result of a past event; it is probable that the settlement of that obligation will be required; and a reliable estimate of the amount of such obligation can be made.

For the obligations outstanding at the end of the reporting period, the provision is measured at the present value of the estimated amount of expenditure required to settle the obligations. The present value is calculated using a discount rate that reflects the time value of money and the risks specific to the liability.

### **(15) Income taxes**

Income taxes consist of current tax and deferred tax. Tax expenses are recognised in profit or loss, excluding items that are related to business combinations or that are recognised in equity or other comprehensive income.

Current tax is calculated based on taxable income for the reporting period and recognised at the amount expected to be paid to (or refunded by) tax authorities.

Deferred tax is recognised with respect to temporary differences between the carrying amount of assets and liabilities and the tax base of assets and liabilities based on the asset and liability approach. No deferred tax is recognised with respect to the following temporary differences.

- Temporary difference arising from the initial recognition of goodwill
- Temporary difference arising from the initial recognition of assets and liabilities arising from transactions affects neither accounting profit nor taxable profit other than business combination transactions
- Taxable temporary differences associated with investments in subsidiaries and associates for which the timing of reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which carryforward of unused tax losses, carry-back/reversal of tax losses and deductible temporary differences can be utilised. In principle, deferred tax liabilities are recognised with respect to all taxable temporary differences. The carrying amount of deferred tax assets is reviewed in each period, and is written down with respect to the portion for which it is probable that sufficient taxable profit to use all or part of such deferred tax assets will not be earned. Unrecognised deferred tax assets are revalued in each period, and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured by using the tax rate that is expected to be applied to the period in which the assets are realised or the liabilities are settled based on the statutory tax rate that has been substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax liabilities against current tax assets and the taxes are levied by the same taxation authority on the same taxable entity.

## **(16) Retirement benefits**

The Company and NSK Group companies have defined benefit plans and defined contribution plans.

### **① 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 recognised as the present value of the defined benefit obligation less than the fair value of plan assets. The present value of the defined benefit obligations and defined benefit cost are calculated by the projected unit credit method and the discount rate is determined by reference to market yields at the end of consolidated fiscal year on high quality corporate bonds.

Current and past service cost and net interest on the net defined benefit liability (asset) are recognised in profit or loss.

Actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling excluding the portion included in net interest are recognised as *remeasurements concerning defined benefit plans* as other comprehensive income in the period in which they arose.

### **② Defined contribution plans**

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

## **(17) Owners' equity**

Equity capital paid by shareholders is recognised as issued capital or capital surplus.

When the company acquires treasury shares, such shares are recognised at the amount of consideration paid including direct transaction cost and are presented as a deduction from equity.

## **(18) Revenue recognition**

Revenue is recognised where: the significant risks and rewards incidental to the ownership of the goods has been transferred to the buyer; there is no continuing managerial involvement or effective control over the goods; it is probable that there will be an inflow of economic benefits related to the transaction; and the costs incurred or to be incurred in relation to the transaction and the amount of revenue can be measured reliably. Therefore, generally, revenue is recognised on a delivery basis when the goods are delivered to and received by the customer.

Revenue is measured at the fair value of the consideration received or receivable.

## **(19) Financial income and expenses**

Financial income and expenses are mainly interest received, dividends received, interest expenses, etc.

Interest received are recognised as income using the effective interest method at the time of accrual. Dividends received are recognised as revenue when the right to receive dividends becomes vested. Interest expenses are recognised as expenses using the effective interest method.

## **(20) Earnings per share**

Basic net income per share is computed by dividing profit or loss attributable to shareholders of the Parent by the weighted average number of common shares outstanding during the consolidated fiscal year. Diluted net income per share is calculated by adjusting the effects of all dilutive potential shares.



#### 4. Segment information

##### (1) Overview of reportable segments

The reportable segments of the NSK Group are components of the NSK Group for which discrete financial statements are available and which are subject to regular review by the Board of Directors—i.e., the chief operating decision maker—for the purpose of making decisions about business resource allocation and assessing performance.

The NSK Group has established business divisions by customer industry at its headquarters, each of which plans comprehensive strategies not only for Japan but globally with respect to the products it handles and conducts business activities accordingly. Therefore, its two components, namely, Industrial Machinery Business and Automotive Business, are considered to be as reportable segments.

The Industrial Machinery Business engages in the production and sales of industrial machinery bearings, ball screws, linear guides, etc.

The Automotive Business engages in the production and sales of bearings for car manufacturers and automotive component manufacturers, steering columns, automatic transmission components, etc.

##### (2) Segment revenue and performance

The accounting policies and procedures used by the reportable segments are the same as those described in "Summary of significant accounting policies". Intersegment sales are recorded based on prevailing market prices.

From April 1, 2014 to March 31, 2015

	Reportable segments			Others (Note 1)	Total	Adjustments (Note 2)	Consolidated
	Industrial Machinery Business	Automotive Business	Subtotal				
(Millions of yen)							
Sales							
Sales to third parties	276,361	656,998	933,359	41,525	974,885	—	974,885
Intersegment sales	—	—	—	31,391	31,391	-31,391	—
Total	276,361	656,998	933,359	72,917	1,006,277	-31,391	974,885
Segment income (loss) (Operating income)	31,119	60,461	91,581	5,500	97,081	-10,122	86,958
Total financial income (expenses)							-2,331
Income before income taxes							84,626
Other items							
Capital expenditure	11,812	34,646	46,458	3,715	50,173	-477	49,696
Depreciation and amortisation	12,730	23,944	36,675	3,699	40,375	-499	39,875
Equity gain from investment in associates	704	4,059	4,764	41	4,805	-2,135	2,670

(Note 1) "Others" refers to operating segments excluded from reportable segments and include such businesses as the production and sales of steel balls, production of machineries, and production and sales of systemized products (e.g., photo fabrication exposure equipment).

(Note 2) The adjustment to segment income (loss) of ¥(10,122) million includes intersegment elimination of ¥31 million and other operating expenses, etc. not allocated to the reportable segments of ¥(10,153) million.

From April 1, 2015 to March 31, 2016

	Reportable segments			Others (Note 1)	Total	(Millions of yen)	
	Industrial Machinery Business	Automotive Business	Subtotal			Adjustme nts (Note 2)	Consolida ted
<b>Sales</b>							
Sales to third parties	259,784	689,122	948,907	26,411	975,319	—	975,319
Intersegment sales	—	—	—	25,592	25,592	-25,592	—
Total	259,784	689,122	948,907	52,004	1,000,911	-25,592	975,319
Segment income (loss) (Operating income)	23,090	67,909	91,000	3,059	94,059	-4,525	89,534
Total financial income (expenses)							-2,325
Income before income taxes							87,208
<b>Other items</b>							
Capital expenditure	17,300	34,194	51,495	3,721	55,217	-220	54,996
Depreciation and amortisation	13,220	26,967	40,187	3,280	43,467	-419	43,048
Equity gain from investment in associates	551	4,127	4,679	57	4,736	3	4,740

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

(Note 2) The adjustment to segment income (loss) of ¥(4,525) million includes intersegment elimination of ¥205 million and operating expenses not allocated to the reportable segments of ¥(4,731) million.

### (3) Information by product and service

This information is omitted as similar information has been disclosed in "(2) Segment revenue and performance".

### (4) Information by region

#### ① Revenue from third parties

	(Millions of yen)	
	Year ended March 31, 2015	Year ended March 31, 2016
Japan	328,837	318,434
The Americas	164,821	183,652
Europe	133,752	131,830
China	210,236	204,361
Other Asia	137,238	137,042
Total	974,885	975,319

(Note 1) Sales are based on the customers' location and categorised 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 Apr.1,2014	As of Mar.31, 2015	As of Mar.31, 2016
Japan	148,138	147,376	155,874
The Americas	26,378	32,333	29,818
Europe	31,857	31,033	30,725
China	71,869	89,042	79,185
Other Asia	38,318	45,552	43,298
Total	316,562	345,338	338,901

(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 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.

### (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 consolidated fiscal year, therefore, no information on major customers is stated.

## 5. Cash and cash equivalents

Cash and cash equivalents consisted of the following.

(Millions of yen)

	As of Apr.1,2014	As of Mar.31, 2015	As of Mar.31, 2016
Cash and deposits	60,318	65,626	70,671
Short-term investments	108,621	118,748	104,844
Total	168,940	184,374	175,515

## 6. Trade receivables and other receivables

Trade receivables and other receivables consisted of the following.

(Millions of yen)

	As of Apr.1,2014	As of Mar.31, 2015	As of Mar.31, 2016
Trade receivables	165,915	192,319	176,635
Allowance for doubtful accounts	-1,502	-2,674	-2,237
Other	9,358	10,607	7,935
Total	173,771	200,251	182,332

In the NSK Group, factoring arrangements are entered into with respect to some trade receivables by discounting notes and other such methods. However, some of these factored receivables give rise to an obligation for the NSK Group to make payments retrospectively if the obligor fails to settle; such factored receivables are not derecognised as they do not meet the criteria for the derecognition of financial assets. All liabilities pertaining to the transferred assets have recourse only to the transferred assets.

*Trade receivables and other receivables*, which have been transferred but which do not meet the derecognition criteria, and *Other financial liabilities*, the respective associated liabilities, are as follows.

(Millions of yen)

	As of Mar.31, 2015	As of Mar.31, 2016
Carrying amount of transferred assets	8,587	3,809
Carrying amount of associated liabilities	6,892	2,780

The fair value of these financial assets and financial liabilities are close to their carrying amount.

The change in the allowance for doubtful accounts during the period is as follows.

(Millions of yen)

	As of Mar.31, 2015	As of Mar.31, 2016
Opening balance	-1,502	-2,674
Increase during the period	-1,528	-105
Decrease due to utilisation	96	92
Reversal during the period	394	162
Others	-135	287
Closing balance	-2,674	-2,237

In the previous consolidated fiscal year, an allowance for doubtful accounts of ¥1,153 million was recorded in respect of specific receivables as it was judged that certain loan to equity method affiliate were not recoverable.

## 7. Inventories

Inventories consisted of the following.

(Millions of yen)

	As of Apr.1,2014	As of Mar.31, 2015	As of Mar.31, 2016
Finished goods	71,431	74,060	68,991
Work in process	40,683	45,363	39,965
Raw materials and supplies	19,620	22,746	21,607
Total	131,735	142,171	130,564

Inventories recognised as expenses during the period amounted to ¥750,725 million including write-downs of ¥3,666 million in the previous consolidated fiscal year, and ¥755,663 million including write-downs of ¥4,014 in the consolidated fiscal year.

## 8. Property, plant and equipment

The changes in cost, accumulated depreciation and accumulated impairment loss of property, plant and equipment is as follows.

### Cost

(Millions of yen)

	Buildings and structures	Machinery, vehicles and equipment	Tools, equipment and fixtures	Land	Construction in progress	Total
Balance as of April 1, 2014	218,511	608,464	69,577	39,152	23,603	959,309
Acquisitions	462	1,410	985	35	44,035	46,929
Disposals	-3,269	-10,389	-762	-6	-128	-14,555
Transfers from construction in progress	7,156	31,045	5,828	—	-44,030	—
Foreign exchange translation differences	6,691	27,960	3,077	246	1,724	39,701
Others	-770	-1,671	-289	87	530	-2,113
Balance as of March 31, 2015	228,782	656,818	78,417	39,516	25,734	1,029,270
Acquisitions	533	3,102	919	0	45,403	49,957
Disposals	-2,630	-15,708	-2,009	-1	-142	-20,491
Transfers from construction in progress	6,278	36,390	6,628	181	-49,479	—
Foreign exchange translation differences	-6,411	-26,788	-3,177	-289	-981	-37,649
Others	-364	-372	-110	-1	223	-625
Balance as of March 31, 2016	226,187	653,442	80,667	39,406	20,758	1,020,462

### Accumulated depreciation and accumulated impairment loss

(Millions of yen)

	Buildings and structures	Machinery, vehicles and equipment	Tools, equipment and fixtures	Land	Construction in progress	Total
Balances of April 1, 2014	-138,988	-459,608	-58,578	—	—	-657,175
Depreciation costs	-6,483	-25,017	-4,758	—	—	-36,259
Impairment loss	-1	-110	—	—	—	-111
Disposals	2,676	8,735	648	—	—	12,061
Foreign exchange translation differences	-2,251	-14,859	-1,955	—	—	-19,067
Others	543	1,822	202	—	—	2,568
Balance as of March 31, 2015	-144,505	-489,037	-64,442	—	—	-697,984
Depreciation costs	-6,572	-27,474	-5,546	—	—	-39,594
Impairment loss	—	-23	-33	—	-12	-70
Disposals	2,331	14,812	1,953	—	—	19,097
Foreign exchange translation differences	2,681	15,768	2,201	—	—	20,651
Others	135	408	10	—	—	553
Balance as of March 31, 2016	-145,929	-485,546	-65,857	—	-12	-697,346

Depreciation costs are recorded in *Cost of sales* or *Selling, general and administrative expenses* in the consolidated statements of income.

### Carrying amount

(Millions of yen)

	Buildings and structures	Machinery, vehicles and equipment	Tools, equipment and fixtures	Land	Construction in progress	Total
Balance as of April 1, 2014	79,522	148,855	10,999	39,152	23,603	302,133
Balance as of March 31, 2015	84,276	167,781	13,975	39,516	25,734	331,286
Balance as of March 31, 2016	80,258	167,896	14,809	39,406	20,745	323,116

The carrying amount of leased assets under finance leases included in property, plant and equipment is as follows.

### Assets under finance leases

(Millions of yen)

	Buildings and structures	Machinery, vehicles and equipment	Tools, equipment and fixtures	Land	Construction in progress	Total
Balance as of April 1, 2014	67	600	524	—	—	1,191
Balance as of March 31, 2015	41	544	414	—	—	1,001
Balance as of March 31, 2016	23	493	520	—	—	1,037

Assets are assessed as to whether or not there is any indication that they may be impaired as of the end of each reporting period. As a result of reducing the carrying amount of idle assets that are not expected to be used in the future to their recoverable amounts, an impairment loss was recorded for *Machinery, vehicles and equipment, etc.* of ¥ 111 million and ¥70 million in the previous consolidated fiscal year and the consolidated fiscal year, respectively, in *Cost of sales* in the consolidated statements of income.

## 9. Intangible assets

The change in cost, accumulated amortisation and accumulated impairment loss of intangible assets is as follows.

### Cost

(Millions of yen)

	Software	Patents	Others	Total
Balance as of April 1, 2014	17,710	4,423	2,239	24,373
Acquisitions	2,143	501	121	2,766
Disposals	-1,834	—	-9	-1,844
Foreign exchange translation differences	-71	-3	97	22
Others	552	0	57	610
Balance as of March 31, 2015	18,501	4,920	2,506	25,928
Acquisitions	4,310	660	67	5,038
Disposals	-1,423	-900	-37	-2,361
Foreign exchange translation differences	-345	-0	-81	-427
Other	695	-185	-399	110
Balance as of March 31, 2016	21,738	4,494	2,054	28,288

Accumulated amortisation and accumulated impairment loss

(Millions of yen)

	Software	Patents	Others	Total
Balance as of April 1, 2014	-7,115	-2,156	-673	-9,945
Amortisation costs	-2,943	-545	-126	-3,616
Disposals	1,804	—	8	1,812
Foreign exchange translation differences	33	3	-49	-12
Others	-69	-46	—	-115
Balance as of March 31, 2015	-8,289	-2,745	-841	-11,876
Amortisation costs	-2,845	-531	-77	-3,454
Disposals	1,422	900	34	2,357
Foreign exchange translation differences	206	0	53	261
Others	-214	185	238	209
Balance as of March 31, 2016	-9,720	-2,189	-592	-12,502

Amortisation costs are recorded in *Cost of sales* or *Selling, general and administrative expenses* in the consolidated statements of income.

**Carrying amount**

(Millions of yen)

	Software	Patents	Others	Total
Balance as of April 1, 2014	10,595	2,267	1,565	14,428
Balance as of March 31, 2015	10,211	2,175	1,664	14,051
Balance as of March 31, 2016	12,018	2,305	1,461	15,785

There were no material internally generated intangible assets as at each year end.

**10. Other financial assets**

Other current financial assets consisted of the following.

(Millions of yen)

	As of Apr.1,2014	As of Mar.31, 2015	As of Mar.31, 2016
Time deposits over 3 months	2,450	2,797	3,805
Others	432	63	246
Total other current financial assets	2,883	2,860	4,052

Investment securities	82,742	100,123	79,405
Others	6,316	6,808	6,757
Total other non-current financial assets	89,058	106,932	86,163

## 11. Trade payables and other payables

Trade payables and other payables consisted of the following.

(Millions of yen)

	As of Apr.1,2014	As of Mar.31, 2015	As of Mar.31, 2016
Trade payables	122,333	131,208	122,132
Others	27,653	16,692	18,581
Total	149,987	147,901	140,713

## 12. Other financial liabilities

Other current financial liabilities consisted of the following.

(Millions of yen)

Classification	As of Apr.1,2014	As of Mar.31, 2015	As of Mar.31, 2016	Average interest rate (%)	Due date for repayment
Short-term debt	71,469	71,899	61,080	1.3	—
Current portions of long-term debt	24,197	47,569	18,168	2.0	—
Current portions of corporate bonds	15,000	—	20,000		(Note 2)
Others	494	326	425		
Total other current financial liabilities	111,161	119,795	99,674		

Long-term debts	184,866	149,491	138,903	1.4	2017 to 2026
Corporate bonds	20,000	60,000	40,000		(Note 2)
Other	799	684	750		
Total other non-current financial liabilities	205,665	210,175	179,654		

(Note 1) Average interest rate is calculated based on the weighted average interest rate of the closing balance at year end.

(Note 2)The terms of issuance of corporate bonds are summarised below.

(Millions of yen)

Company name	Issue	Issuance date	Balance as of Mar.31, 2015	Balance as of Mar.31, 2016	Interest rate (%)	Collateral	Redemption date
NSK Ltd. (i.e., the Company)	39th Series Unsecured Straight Bonds	February 23, 2007	20,000	20,000	2.13	None	February 23, 2017
NSK Ltd. (i.e., the Company)	42nd Series Unsecured Straight Bonds	September 10, 2014	20,000	20,000	0.288	None	September 10, 2019
NSK Ltd. (i.e., the Company)	43rd Series Unsecured Straight Bonds	September 10, 2014	20,000	20,000	0.769	None	September 10, 2024



Assets pledged as collateral related to financial assets and liabilities and secured liabilities consisted of the following.

(Millions of yen)

	As of Apr.1,2014	As of Mar.31, 2015	As of Mar.31, 2016
Assets pledged as collateral :			
Investment securities	6	—	—
Factory foundation	67	—	—
Secured liabilities:			
Notes payable trade and Accounts payable trade	31	—	—
Current portions of long-term debts	7	—	—

Factory foundation includes buildings and structures, machinery, vehicles and equipment, etc.

### 13. Lease transactions

#### (1) Finance leases

Finance lease obligations consisted of the following.

(Millions of yen)

Due	Total of future minimum lease payments			Present value of minimum lease payments		
	As of Apr.1,2014	As of Mar.31, 2015	As of Mar.31, 2016	As of Apr.1,2014	As of Mar.31, 2015	As of Mar.31, 2016
Not later than one year	365	326	347	357	316	338
Later than one year and not later than five years	612	524	605	597	507	591
Later than five years	230	195	164	201	176	155
Financial cost	-51	-45	-32	—	—	—
Present value	1,157	1,000	1,085	1,157	1,000	1,085

Some of the finance lease agreements include a renewal or purchase option, but none of them include an escalation clause. There are no restrictions imposed by lease agreements (restrictions relating to dividends, additional debt, further leasing, etc.).

#### (2) Operating leases

Future minimum lease payments under non-cancellable operating lease agreements are as follows.

(Millions of yen)

	As of Apr.1,2014	As of Mar.31, 2015	As of Mar.31, 2016
Not later than one year	1,141	1,090	1,292
Later than one year and not later than five years	1,647	1,539	2,214
Later than five years	31	143	91
Total	2,820	2,773	3,598

The NSK Group leases some of its buildings for rent under operating lease agreements.

The total amount of lease expenses recognised as expenses was ¥3,686 million and ¥ 4,141 million in the previous consolidated fiscal year and the consolidated fiscal year, respectively.

Some of the operating lease agreements include a renewal or purchase option and escalation clauses but there are no restrictions imposed by lease agreements (restrictions relating to dividends, additional debt, further leasing, etc.)

#### 14. Provisions

Provisions consisted of the following.

(Millions of yen)

	As of Apr.1,2014	As of Mar.31, 2015	As of Mar.31, 2016
Reserves for environmental measures	7	—	—
Others	172	238	150
Total current liabilities	180	238	150
Reserves for environmental measures	178	179	1,751
Others	56	112	103
Total non-current liabilities	235	292	1,855

The change in provisions consisted of the following.

(Millions of yen)

	Reserves for environmental measures	Others	Total
Balance as of March 31, 2015	179	351	530
Amount recognised during the period	1,571	191	1,762
Amount of decrease during the period (intended use)	-0	-273	-274
Amount of decrease during the period (reversal)	—	—	—
Others	2	-15	-13
Balance as of March 31, 2016	1,751	253	2,005

#### Reserves for environmental measures

To prepare for expenditure related to the removal and disposal of asbestos and polychlorinated biphenyl (PCB) that are used in buildings, equipment, etc., expenses expected to arise in the future are recorded.

The timing of the outflow of economic benefits is expected to be primarily after one year has passed since the end of each consolidated fiscal year.

## 15. Income taxes

### (1) Deferred tax

The change in deferred tax assets and liabilities consisted of the following.

**From April 1, 2014 to March 31, 2015**

#### Deferred tax assets

(Millions of yen)

	Opening balance (April 1, 2014)	Amount recognised in profit or loss	Amount recognised in other comprehensive income	Closing balance (March 31, 2015)
Net defined benefit liability	12,518	4,182	-10,815	5,885
Non-current assets – internal profit between consolidated companies	1,016	-279		736
Carryforward of unused tax losses	1,027	-638		389
Accrued bonuses	4,418	-148		4,270
Inventories	3,071	613		3,684
Others	8,658	445		9,104
<b>Total</b>	<b>30,710</b>	<b>4,175</b>	<b>-10,815</b>	<b>24,070</b>

#### Deferred tax liabilities

Depreciation costs	-2,162	-1,003		-3,165
Reserve for advanced depreciation of fixed assets	-2,386	356		-2,029
Financial assets measured at fair value through other comprehensive income	-18,759		-3,720	-22,480
Gain on contribution of securities to employees' retirement benefit trust	-11,381	1,063		-10,317
Others	-14,406	-5,340		-19,746
<b>Total</b>	<b>-49,096</b>	<b>-4,924</b>	<b>-3,720</b>	<b>-57,741</b>
<b>Net deferred tax assets (liabilities)</b>	<b>-18,385</b>	<b>-749</b>	<b>-14,535</b>	<b>-33,670</b>

(Note) The difference between the total amount recognised in profit or loss and the amount of deferred tax expense is attributable to changes in exchange rates.

**From April 1, 2015 to March 31, 2016**

**Deferred tax assets**

(Millions of yen)

	Opening balance (April 1, 2015)	Amount recognised in profit or loss	Amount recognised in other comprehensive income	Closing balance (March 31, 2016)
Net defined benefit liability	5,885	-242	10,240	15,883
Non-current assets-internal profit between consolidated companies	736	-64		672
Carryforward of unused tax losses	389	2,765		3,154
Accrued bonuses	4,270	-324		3,946
Inventories	3,684	-550		3,133
Others	9,104	-1,591		7,512
<b>Total</b>	<b>24,070</b>	<b>-8</b>	<b>10,240</b>	<b>34,302</b>

**Deferred tax liabilities**

Depreciation costs	-3,165	589		-2,576
Reserve for advanced depreciation of fixed assets	-2,029	108		-1,921
Financial assets measured at fair value through other comprehensive income	-22,480		6,364	-16,116
Gain on contribution of securities to employees' retirement benefit trust	-10,317	517		-9,800
Others	-19,746	773		-18,973
<b>Total</b>	<b>-57,741</b>	<b>1,989</b>	<b>6,364</b>	<b>-49,387</b>
<b>Net deferred tax assets (liabilities)</b>	<b>-33,670</b>	<b>1,980</b>	<b>16,605</b>	<b>-15,085</b>

(Note) The difference between the total amount recognised in profit or loss and the amount deferred tax expense is attributable to changes in exchange rates.

**Unrecognised deferred tax assets**

The carryforward of unused tax losses and deductible temporary differences for which deferred tax assets have not been recognised are as follows.

(Millions of yen)

	As of Apr.1,2014	As of Mar.31, 2015	As of Mar.31, 2016
Carryforward of unused tax losses	8,337	6,020	1,857
Deductible temporary differences	19,508	11,521	8,945
<b>Total</b>	<b>27,846</b>	<b>17,542</b>	<b>10,803</b>

The amount and expiry of the carryforward of unused tax losses for which deferred tax assets have not been recognised are as follows.

(Millions of yen)

	As of Apr.1,2014	As of Mar.31, 2015	As of Mar.31, 2016
Year 1	—	—	—
Year 2	—	—	—
Year 3	—	—	—
Year 4	—	—	—
After Year 5	8,337	6,020	1,857
Total	8,337	6,020	1,857

### Unrecognised deferred tax liabilities

Taxable temporary differences relating to the undistributed profits of subsidiaries for which deferred tax liabilities have not been recognised were ¥109,531 million and ¥90,897 million in the previous consolidated fiscal year and the consolidated fiscal year, respectively. The deferred tax liabilities have not been recognised for taxable temporary differences pertaining to subsidiary investments, because the Company and NSK Group companies are able to control the timing at which temporary differences will be reversed, and it is probable that such differences will not be reversed within a period in the foreseeable future.

### (2) Income tax expense

The Company and its domestic consolidated subsidiaries are imposed of mainly corporation tax (national tax), inhabitants' tax and enterprise tax (local taxes). The statutory effective tax rate calculated based on these taxes in the previous consolidated fiscal year and the consolidated fiscal year were 35.4% and 32.9%, respectively. The amount of tax in other tax jurisdictions was calculated based on the respective general tax rates in those jurisdictions.

The Company and some of its subsidiaries adopt the consolidated taxation system.

Following the passing into law at the Diet of the "Act for Partial Revision of the Income Tax Act, etc." and the "Act for Partial Revision, etc. of the Local Tax Act, etc." on March 29, 2016, the income tax rate, etc. are to be lowered from the consolidated fiscal year starting on or after April 1, 2016. Accordingly, the statutory effective tax rate used for calculating deferred tax assets and deferred tax liabilities has been changed from 32.1% to 30.7% for those expected to reverse for the consolidated fiscal year starting on or after April 1, 2016 and on or after April 1 2017 and to 30.5% for those expected to reverse for the consolidated fiscal year starting on or after April 1, 2018.

As a result, the amount of deferred tax assets (net of the amount of deferred tax liabilities) decreased by ¥654 million, while the amounts of deferred tax expenses and other components of equity increased by ¥173 million and ¥828 million, respectively.

Income tax expense consisted of the following.

(Millions of yen)

	Year ended Mar.31, 2015	Year ended Mar.31, 2016
Current tax expenses	20,340	20,221
Deferred tax expenses	1,575	-2,317
Income tax expense	21,916	17,904

Deferred tax expenses include the amount of the benefit arising from previously unrecognised tax losses, tax credits or temporary differences of a prior period. As a result, deferred tax expenses decreased by ¥3,952 million in the consolidated fiscal year.

The causes of the difference between the statutory effective tax rate in Japan and the effective tax rate after the application of tax effect accounting by major item consisted of the following.

	Year ended Mar.31, 2015	Year ended Mar.31, 2016
Statutory effective tax rate	35.4 %	32.9 %
Items that are never deductible for income tax purposes such as entertainment expenses	2.3	2.0
Different tax rates applied to income of foreign subsidiaries	(4.9)	(6.2)
Tax effect of unused tax losses of subsidiaries not recognised in accounting	(4.8)	(4.5)
Tax credits	(4.5)	(3.1)
Antimonopoly Act related loss	1.2	—
Other	1.2	(0.6)
Effective tax rate after application of tax effect accounting	25.9 %	20.5 %

## 16. Post-employment benefit

### (1) Defined benefit plans

#### ① Japan

The Company and some of its domestic consolidated subsidiaries have defined benefit plans and defined contribution plans to finance retirement benefits for employees. The Company has also established a plan for retirement benefits for directors, as well as a retirement benefit trust. Extra payments may be added upon the retirement of employees of the Company and its domestic consolidated subsidiaries, which are not included in the defined benefit obligation based on the retirement benefit accounting.

#### ② U.K.

The UK subsidiary of the Company, NSK Europe Limited and some of its domestic consolidated subsidiaries sponsor a funded defined benefit scheme for UK qualifying employees, providing benefits on a career average revalued earnings basis. The last funding valuation of the UK defined benefit scheme showed a considerable lack of reserve. Consequently the participating employers are paying additional contributions in line with independent actuarial advice to reduce the amount. The scheme has been closed to new employees since 2003, being replaced with defined contribution arrangements.

#### ③ Others

Some consolidated subsidiaries including mainly those in the United States have adopted defined benefit plans and post-employment medical benefit plans to finance retirement benefits for employees. As post-employment medical benefit plans in the United States are similar to retirement benefit plans in terms of characteristics, they are presented as a component of the net defined benefit liability.

Amounts recognised in the consolidated financial statements are as follows.

**As of Apr.1.2014**

(Millions of yen)

	Japan	U.K.	Others	Total
Present value of defined benefit obligations	117,136	73,556	16,559	207,251
Fair value of plan assets	-140,317	-57,015	-10,139	-207,472
Total	-23,181	16,540	6,419	-221
Net defined benefit liability	17,533	16,540	6,419	40,494
Net defined benefit asset	-40,715	—	—	-40,715
Net assets for retirement benefits in the consolidated statement of financial position	-23,181	16,540	6,419	-221

**As of Mar. 31, 2015**

(Millions of yen)

	Japan	U.K.	Others	Total
Present value of defined benefit obligations	116,774	92,384	21,597	230,756
Fair value of plan assets	-178,067	-73,509	-12,483	-264,060
Total	-61,293	18,874	9,114	-33,304
Net defined benefit liability	16,068	18,874	9,114	44,057
Net defined benefit asset	-77,361	—	—	-77,361
Net assets for retirement benefits in the consolidated statement of financial position	-61,293	18,874	9,114	-33,304

**As of Mar. 31, 2016**

(Millions of yen)

	Japan	U.K.	Others	Total
Present value of defined benefit obligations	118,092	79,263	19,958	217,314
Fair value of plan assets	-151,161	-66,596	-11,329	-229,087
Total	-33,069	12,666	8,629	-11,773
Net defined benefit liability	16,829	12,666	8,629	38,125
Net defined benefit asset	-49,898	—	—	-49,898
Net assets for retirement benefits in the consolidated statement of financial position	-33,069	12,666	8,629	-11,773

Changes in the present value of defined benefit plan obligations are as follows.

(Millions of yen)

	Japan	U.K.	Others	Total
As of April 1, 2014				
Present value of defined benefit obligations	117,136	73,556	16,559	207,251
Current service cost	3,603	599	789	4,992
Interest cost	1,127	3,300	715	5,143
Remeasurements of net defined benefit liability (asset)				
Actuarial gains or losses arising from changes in demographic assumptions	—	-3,134	406	-2,728
Actuarial gains or losses arising from changes in financial assumptions	183	13,974	3,145	17,303
Other	—	—	—	—
Retirement benefit paid	-5,299	-2,260	-1,120	-8,680
Past service cost	—	—	—	—
Foreign exchange translation differences, etc.	23	6,348	1,101	7,473
As of March 31, 2015				
Present value of defined benefit obligations	116,774	92,384	21,597	230,756
Current service cost	3,585	662	698	4,947
Interest	1,142	3,124	728	4,995
Remeasurements of net defined benefit liability (asset)				
Actuarial gains or losses arising from changes in demographic assumptions	—	-1,481	-197	-1,678
Actuarial gains or losses arising from changes in financial assumptions	2,311	-4,310	-331	-2,330
Other	—	—	—	—
Retirement benefit paid	-6,270	-2,351	-1,268	-9,890
Past service cost	—	—	-133	-133
Foreign exchange translation differences, etc.	548	-8,765	-1,135	-9,352
As of March 31, 2016				
Present value of defined benefit obligations	118,092	79,263	19,958	217,314

The weighted average duration of defined benefit obligations at the end of consolidated fiscal year is as follows.

	Japan	U.K.	Others
Weighted average duration	14 years	21 years	11 years



Changes in the fair value of plan assets are as follows.

(Millions of yen)

	Japan	U.K.	Others	Total
As of April 1, 2014 Fair value of plan assets	140,317	57,015	10,139	207,472
Interest income	1,493	3,129	709	5,332
Return on plan assets	35,656	8,779	-70	44,365
Contributions by employer	3,713	2,989	1,099	7,802
Retirement benefit paid	-3,195	-2,449	-1,050	-6,695
Foreign exchange translation differences, etc.	82	4,044	1,656	5,782
As of March 31, 2015 Fair value of plan assets	178,067	73,509	12,483	264,060
Interest income	1,765	2,532	772	5,071
Return on plan assets	-28,596	-2,498	-884	-31,979
Contributions by the Company	3,745	3,127	669	7,543
Retirement benefit paid	-3,670	-2,542	-1,240	-7,453
Foreign exchange translation differences, etc.	-150	-7,533	-470	-8,154
As of March 31, 2016 Fair value of plan assets	151,161	66,596	11,329	229,087

The NSK Group plans to make contributions of ¥6,961 million in the fiscal year ending March 31, 2017.

Plan assets are managed for the purpose of securing necessary revenue in the long term subject to tolerable risks, in order to make sure that pension benefits, etc. will be paid into the future. For the management of plan assets, the basic policy for asset composition is formulated in consideration of the risks and returns of the assets subject to investment and investments are made in accordance with such policy; plan assets are managed properly by periodically monitoring their management status. The basic policy for asset composition is reviewed periodically in order to adapt to changes in the market environment and changes in the funding status.

Items that constitute plan assets are as follows.

**As of Apr.1.2014**

(Millions of yen)

	Japan		U.K.		Others	
	Those with quoted prices in active markets	Those without quoted prices in active markets	Those with quoted prices in active markets	Those without quoted prices in active markets	Those with quoted prices in active markets	Those without quoted prices in active markets
Shares	83,460	—	15,288	—	4,104	—
Bonds	35,386	—	39,850	—	5,892	—
Other	2,845	18,625	—	1,876	102	39
Total	121,692	18,625	55,138	1,876	10,099	39

**As of Mar. 31, 2015**

(Millions of yen)

	Japan		U.K.		Others	
	Those with quoted prices in active markets	Those without quoted prices in active markets	Those with quoted prices in active markets	Those without quoted prices in active markets	Those with quoted prices in active markets	Those without quoted prices in active markets
Shares	109,331	—	19,178	—	4,664	—
Bonds	32,234	—	51,430	—	7,597	—
Other	2,586	33,915	—	2,901	176	44
Total	144,152	33,915	70,608	2,901	12,438	44

**As of Mar. 31, 2016**

(Millions of yen)

	Japan		U.K.		Others	
	Those with quoted prices in active markets	Those without quoted prices in active markets	Those with quoted prices in active markets	Those without quoted prices in active markets	Those with quoted prices in active markets	Those without quoted prices in active markets
Shares	81,415	—	16,985	—	4,034	—
Bonds	32,702	—	45,790	—	6,603	—
Other	11,276	25,766	—	3,820	222	468
Total	125,395	25,766	62,776	3,820	10,860	468

Significant actuarial assumptions are as follows.

**As of Apr.1.2014**

	Japan	U.K.	Others
Discount rate	Mainly 1.0%	Mainly 4.3%	Mainly 4.6%

**As of Mar. 31, 2015**

	Japan	U.K.	Others
Discount rate	Mainly 1.0%	Mainly 3.4%	Mainly 3.9%

**As of Mar. 31, 2016**

	Japan	U.K.	Others
Discount rate	Mainly 1.0%	Mainly 3.5%	Mainly 4.0%

The amount of change in defined benefit obligations in cases where there were changes in the significant actuarial assumptions in the following ratios as at the end of the reporting period is as shown below.

**As of Mar. 31, 2015**

(Millions of yen)

		Japan	U.K.	Others
Discount rate	0.5% increase	-6,940	-9,793	-763
	0.5% decrease	7,566	11,494	851

(Note) This analysis assumes that all other variables are constant.

**As of Mar. 31, 2016**

(Millions of yen)

		Japan	U.K.	Others
Discount rate	0.5% increase	-7,347	-7,758	-658
	0.5% decrease	8,023	8,599	683

(Note) This analysis assumes that all other variables are constant.

**(2) Defined contribution plans**

The respective amounts recognised as expenses in the previous consolidated fiscal year and the consolidated fiscal year in relation to defined contribution plans are as follows.

(Millions of yen)

Year ended Mar.31, 2015	Year ended Mar.31, 2016
847	812

**(3) Employee benefit costs**

The total amounts of employee benefit costs for the previous consolidated fiscal year and the consolidated fiscal year were ¥178,808 million and ¥201,991 million, respectively. They are presented in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statements of income.

## 17. Investments in equity method affiliates

Information on major subsidiaries and associates and joint ventures has been omitted as similar information is presented in "Appendix: NSK Group Companies".

The Company's interest in joint ventures that are significant is the investment in the ordinary shares of NSK-Warner K.K. (proportion of ownership interest: 50%). Condensed financial information of NSK-Warner K.K. is as follows.

	As of Mar.31, 2015	As of Mar.31, 2016
Current assets	26,240	25,933
Non-current assets	15,928	18,733
Total assets	42,169	44,667
Current liabilities	13,133	12,254
Non-current liabilities	4,399	5,814
Total liabilities	17,533	18,068
Total equity	24,635	26,599
Ownership ratio (%)	50.0%	50.0%
Equity attributable to owners of the parent	12,317	13,299
Consolidated elimination	-349	-109
Carrying amount	11,968	13,190

	Year ended Mar.31, 2015	Year ended Mar.31, 2016
Sales	49,656	54,042
Income before income taxes	10,675	9,704
Net income	8,084	7,433
Other comprehensive income	-191	-793
Total comprehensive income	7,892	6,639

Dividends received by the Company from NSK-Warner K.K. amounted to ¥4,828 million and ¥2,235 million in the previous period and the period, respectively.

## 18. Equity and other equity items

### (1) Issued shares and treasury shares

As of Mar. 31, 2015

	Opening balance (Apr. 1, 2014)	Increase	Decrease	Closing balance (Mar. 31, 2015)
Number of shares authorised (common shares without par value)	1,700,000,000	—	—	1,700,000,000
Number of shares issued (common shares without par value)	551,268,104	—	—	551,268,104
Number of treasury shares	10,901,237	35,361	851,000	10,085,598

(Brief description of reasons for changes in treasury shares)

The number of increase in treasury shares consisted of the following.

Increase due to purchase of shares constituting less than one unit: 31,147 shares

Treasury shares (the Company's shares) acquired by equity method  
affiliates attributable to the Company: 4,214 shares

The number of decrease in treasury shares consisted of the following.

Decrease due to exercise of share options: 851,000 shares

As of Mar. 31, 2016

	Opening balance (Apr. 1, 2015)	Increase	Decrease	Closing balance (Mar. 31, 2016)
Number of shares authorised (common shares without par value)	1,700,000,000	—	—	1,700,000,000
Number of shares issued (common shares without par value)	551,268,104	—	—	551,268,104
Number of treasury shares	10,085,598	8,251	370,087	9,723,762

(Brief description of reasons for changes in treasury shares)

The number of increase in treasury shares consisted of the following.

Increase due to purchase of shares constituting less than one unit: 3,455 shares

Treasury shares (the Company's shares) acquired by equity method  
affiliates attributable to the Company: 4,796 shares

The number of decrease in treasury shares consisted of the following.

Decrease due to request for purchase of shares constituting less than one unit: 87 shares

Decrease due to exercise of share options: 370,000 shares

### (2) Capital surplus

In capital surplus, surplus arising from the issuance of shares, sale of treasury shares and other such equity transactions are recorded.

### (3) Retained earnings

Retained earnings represents the surplus of the profit earned by the entity that has not been distributed to owners of the entity but has been retained within the entity.

## 19. Share-based payments

### (1) Description of share-based payments scheme

The NSK Group has adopted a share options scheme in which its directors, officers and some employees are granted the rights to purchase the Company's shares. The exercise period is the period prescribed in the allotment agreement; if share options are not exercised within the period, such share options are forfeited.

Share options granted to eligible persons are accounted for as equity-settled share-based payments. Expenses for equity-settled share-based payment transactions recorded in the consolidated statements of income amounted to ¥111 million and ¥307 million in the previous consolidated fiscal year and the consolidated fiscal year, respectively.

There are no vesting conditions attached to this share-based payment scheme.

Details of NSK Group's share options scheme in place in the previous consolidated fiscal year and the consolidated fiscal year are as follows.

	Grant date	Expiry date	Exercise price (yen)	Fair value at grant date (yen)
Granted in 2009	August 25, 2009	August 24, 2014	603	207
Granted in 2010	August 26, 2010	August 25, 2015	641	149
Granted in 2011	August 30, 2011	August 29, 2016	831	162
Granted in 2014	August 22, 2014	August 21, 2019	1,431	382
Granted in 2015	August 21, 2015	July 29, 2025	1,806	565

	Number of options granted	Unexercised options outstanding at the end of the period	
		Year ended March 31, 2015	Year ended March 31, 2016
Granted in 2009	828,000	-	-
Granted in 2010	823,000	337,000	-
Granted in 2011	779,000	566,000	354,000
Granted in 2014	778,000	778,000	778,000
Granted in 2015	820,000	-	820,000
Total	4,028,000	1,681,000	1,952,000

## (2) Pricing of share options

The fair value of share options granted in the previous consolidated fiscal year and the consolidated fiscal year are based on the Binomial Model, and the assumptions are as follows.

Expected volatility is calculated based on the historical stock price during the period corresponding to the expected life of the share options.

For the risk-free rate, the respective yields of government bonds according to cash flow periods are used instead of using a single rate.

		Granted in 2014	Granted in 2015
Weighted average fair value (yen)		382	565
Share price on granted date (yen)		1,383	1,602
Exercise price (yen)		1,431	1,806
Expected volatility		39%	45%
Expected life		4.3 years	7.7 years
Dividend yield		1.71%	1.83%
Risk-free rate	1 year	0.05%	0.00%
	2 years	0.07%	0.00%
	3 years	0.09%	0.00%
	4 years	0.11%	0.03%
	5 years	0.15%	0.08%

## (3) Total number of exercisable share options and average exercise price

In the previous consolidated fiscal year, the weighted average remaining contractual life of unexercised share options was 2.6 years. In the consolidated fiscal year, the weighted average remaining contractual life of unexercised share options was 5.4 years.

	Year ended Mar.31, 2015		Year ended Mar.31, 2016	
	Number of options	Weighted average exercise price (yen)	Number of options	Weighted average exercise price (yen)
Unexercised options outstanding at the beginning of the period	1,945,000	704	1,681,000	1,071
Options granted during the period	778,000	1,431	820,000	1,806
Options exercised during the period	-851,000	667	-370,000	750
Options expired during the period	-191,000	603	-179,000	641
Unexercised options outstanding at the end of the period	1,681,000	1,071	1,952,000	1,480
Exercisable options outstanding at the end of the period	952,000	795	1,170,000	1,262

Share options exercised are as follows.

	Year ended Mar.31, 2015		Year ended Mar.31, 2016	
	Number of options exercised	Average share price at time of exercise (yen)	Number of options exercised	Average share price at time of exercise (yen)
Granted in 2009	302,000	1,297	-	-
Granted in 2010	374,000	1,382	158,000	1,735
Granted in 2011	175,000	1,424	212,000	1,552
Total	851,000	-	370,000	-

## 20. Sales

Sales revenue is mainly derived from the sales of finished goods.

## 21. Selling, general and administrative expenses

Main components of selling, general and administrative expenses in the previous consolidated fiscal year and the consolidated fiscal year are as follows.

(Millions of yen)

	Year ended Mar.31, 2015	Year ended Mar.31, 2016
Labour costs	59,279	60,953
Logistics expenses	20,558	20,823
Research and development costs	9,071	9,490
Rent expenses	5,704	5,846
Product compensation	5,507	2,234
Depreciation and amortisation	5,220	5,422
Transportation expenses	4,807	4,698
Fees	3,035	2,782
Sales-related expenses	3,052	2,965
Other	15,619	14,914
Total	131,857	130,130

## 22. Other operating income and expenses

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

(Millions of yen)

	Year ended Mar.31, 2015	Year ended Mar.31, 2016
Foreign exchange losses	2,699	673
Costs related to Antimonopoly Act	4,161	4,058
Other	1,153	-
Total	8,014	4,731

In "Other" in the previous consolidated fiscal year, an allowance for doubtful accounts with respect to loans to equity method affiliates is recorded.



### 23. Financial income and expenses

Financial income and expenses in the previous consolidated fiscal year and the consolidated fiscal year are as follows.

(Millions of yen)

	Year ended Mar.31, 2015	Year ended Mar.31, 2016
Interests received Financial assets measured at amortised cost	834	642
Dividends received Financial assets measured at fair value through other comprehensive income	1,913	1,735
Other financial income Financial assets measured at amortised cost	28	9
Total financial income	2,777	2,388
Interest expenses Financial liabilities measured at amortised cost	5,059	4,728
Other financial expenses Financial liabilities measured at amortised cost	49	-14
Total financial expenses	5,108	4,714

### 24. Financial instruments

#### (1) Equity management

The NSK Group manages equity in order to continue growing in a sustained manner and maximise its corporate value.

As management indicators, the NSK Group places importance on operating income margin—which represents stable profitability—and seeks to improve Return On Equity (ROE; ratio of share of consolidated net income attributable to owners of the parent) and net debt-equity ratio (ratio of net interest-bearing debt to capital attributable to owners of parent).

#### (2) 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

##### (a) 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 U.S. dollar and the Euro. Foreign exchange risks arise from recognised assets and liabilities denominated in foreign currencies.

Also, 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 foreign exchange forward contracts as necessary in accordance with internal rules.

##### Foreign exchange sensitivity analysis

In a scenario where the U.S. dollar and the Euro rise by 1% with respect to unhedged exposures in the balance of assets and liabilities denominated in foreign currencies as at the consolidated fiscal year-end, the amount of its impact on income before tax in the consolidated fiscal year is as follows. Note: This analysis assumes that other variables (balance, interest, etc.) are constant.

(Millions of yen)

	currency	Year ended Mar.31, 2015	Year ended Mar.31, 2016
Income before tax	US\$	-157	2
	Euro	17	10

Details of the main foreign exchange forward contracts that existed in the previous period and the period are as follows.

(Millions of yen)

Type	As of Apr.1,2014			As of Mar.31, 2015			As of Mar.31, 2016		
	Notional amount	Notional amount due after one year	Fair value	Notional amount	Notional amount due after one year	Fair value	Notional amount	Notional amount due after one year	Fair value
Foreign exchange forward transactions									
Sell									
U.S. dollar	28,655	—	-59	28,177	—	-254	22,081	—	400
Euro	8,419	—	-56	5,670	—	186	6,150	—	-23
Buy									
U.S. dollar	7,676	—	296	869	—	9	661	—	-37
Euro	8,825	—	6	—	—	—	—	—	—

**(b) Interest risks**

Some of NSK Group's borrowings are borrowings with floating rates and are exposed to the risk of interest rate fluctuations. The NSK Group endeavors to decrease interest-bearing liabilities for the purpose of risk reduction. Interest risks are also hedged by using derivatives transactions (interest swap transactions) as necessary in accordance with internal rules.

**Interest sensitivity analysis**

In a scenario where the interest rate rises by 1% across the board at the consolidated fiscal year-end with respect to NSK Group's borrowings with floating rates, the impact on income before tax in the consolidated fiscal year would be as follows. In this analysis, calculation is performed without taking into consideration any future change in the outstanding amount of NSK Group's net borrowings with floating rates as at the fiscal year-end, the impact of exchange rate fluctuations, the timing of refinancing, the timing at which interest rates are revised and other such factors and by assuming that all other variables are constant,.

(Millions of yen)

	Year ended Mar.31, 2015	Year ended Mar.31, 2016
Income before tax	-835	-716

### (c) 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 status is reviewed on an ongoing basis in consideration of its customers and financial institutions with which it has dealings.

#### Price sensitivity analysis

In a scenario where the share price of equity instruments (shares) held by the NSK Group for which an active market exists falls by 1% across the board at the consolidated fiscal year-end, the amount of its impact on other comprehensive income would be as follows.

(Millions of yen)

	Year ended Mar.31, 2015	Year ended Mar.31, 2016
Other comprehensive income	-630	-527

### ② Credit risks

The NSK Group seeks to quickly identify and mitigate the risk of default in relation to customers' contractual obligations by such means as periodically monitoring the status of major customers. The maximum amount of credit risks as of March 31, 2015 and March 31, 2016 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 the 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 a certain level. Such risks are deemed to be limited in the NSK Group, given that it has established a ¥15 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.

The contractual due dates of financial liabilities are as follows.

(Millions of yen)

As of Mar. 31, 2015	Carrying amount	Contractual amount	Not later than one year	Later than one year and not later than two years	Later than two years and not later than three years	Later than three years and not later than four years	Later than four years and not later than five years	Later than five years
Non-derivative financial liabilities								
Trade payables and other payables	147,901	147,901	147,901	—	—	—	—	—
Short-term debts	71,899	72,759	72,759	—	—	—	—	—
Long-term debts	197,060	206,098	50,468	20,222	51,228	48,745	15,684	19,748
Corporate bonds	60,000	62,572	637	20,637	211	211	20,182	20,692
Lease liabilities	1,000	1,046	326	231	154	96	42	195
Derivative financial assets								
Foreign exchange forward contracts	3	3	3	—	—	—	—	—
Derivative financial liabilities								
Foreign exchange forward contracts	10	10	10	—	—	—	—	—

(Millions of yen)

As of Mar. 31, 2016	Carrying amount	Contractual amount	Not later than one year	Later than one year and not later than two years	Later than two years and not later than three years	Later than three years and not later than four years	Later than four years and not later than five years	Later than five years
Non-derivative financial liabilities								
Trade payables and other payables	140,713	140,713	140,713	—	—	—	—	—
Short-term debts	61,080	61,869	61,869	—	—	—	—	—
Long-term debts	157,072	163,223	20,423	50,921	47,932	15,899	7,561	20,485
Corporate bonds	60,000	61,934	20,637	211	211	20,182	153	20,538
Lease liabilities	1,085	1,118	347	271	210	74	49	164
Derivative financial assets								
Foreign exchange forward contracts	246	246	246	—	—	—	—	—
Derivative financial liabilities								
Foreign exchange forward contracts	90	90	90	—	—	—	—	—

### (3) Estimates of fair value

#### ① Carrying amount and fair values

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

(Millions of yen)

	As of Apr.1, 2014		As of Mar.31, 2015		As of Mar.31, 2016	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets						
Trade receivables and other receivables	173,771	173,771	200,251	200,251	182,332	182,332
Investment securities	83,212	83,205	100,293	100,292	79,405	79,405
Derivative financial assets	322	322	3	3	246	246
Financial liabilities						
Trade payables and other payables	149,987	149,987	147,901	147,901	140,713	140,713
Short-term debts	71,469	71,469	71,899	71,899	61,080	61,080
Long-term debts	209,063	214,426	197,060	202,357	157,072	161,416
Corporate bonds	35,000	36,259	60,000	60,930	60,000	61,084
Lease liabilities	1,157	1,157	1,000	1,000	1,085	1,085
Derivative financial liabilities	136	136	10	10	90	90

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, etc. 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 the date of transition, March 31, 2015, and March 31, 2016.

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. However, the fair value of long-term debt with a floating rate is stated at its carrying amount, given that the periodic revision of the interest rate is a condition and the fair value is more or less the same as the carrying amount.

The fair value of corporate bonds issued by the Company is calculated and 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 corporate bonds.

The fair value of financial instruments other than those mentioned above is deemed to be equal to the carrying amount as they are mainly instruments that are settled within a short-term period.

## ② Fair value hierarchy

Fair value measurements of financial instruments are grouped into the following fair value hierarchy of Level 1 through Level 3.

Level 1: Fair value measured based on market prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Fair value measured based on inputs other than market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Fair value measured based on inputs for the asset or liability that are not based on observable market data

NSK Group's financial assets and liabilities measured or disclosed at fair value and their breakdown by hierarchy are as follows:

As of Apr.1.2014

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at amortised cost				
Bonds	—	343	—	343
Financial assets measured at fair value through other comprehensive income				
Shares, etc.	76,439	—	6,422	82,862
Financial assets measured at fair value through profit or loss				
Derivative financial assets	—	322	—	322
Financial liabilities				
Financial liabilities measured at amortised cost				
Long-term debts	—	214,426	—	214,426
Corporate bonds	—	36,259	—	36,259
Lease liabilities	—	1,157	—	1,157
Financial liabilities measured at fair value through profit or loss				
Derivative financial liabilities	—	136	—	136

As of Mar. 31, 2015

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at amortised cost				
Bonds	—	148	—	148
Financial assets measured at fair value through other comprehensive income				
Shares, etc.	92,955	—	7,187	100,143
Financial assets measured at fair value through profit or loss				
Derivative financial assets	—	3	—	3
Financial liabilities				
Financial liabilities measured at amortised cost				
Long-term debts	—	202,357	—	202,357
Corporate bonds	—	60,930	—	60,930
Lease liabilities	—	1,000	—	1,000
Financial liabilities measured at fair value through profit or loss				
Derivative financial liabilities	—	10	—	10

As of Mar. 31, 2016

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through other comprehensive income				
Shares, etc.	75,952	—	3,453	79,405
Financial assets measured at fair value through profit or loss				
Derivative financial assets	—	246	—	246
Financial liabilities				
Financial liabilities measured at amortised cost				
Long-term debts	—	161,416	—	161,416
Corporate bonds	—	61,084	—	61,084
Lease liabilities	—	1,085	—	1,085
Financial liabilities measured at fair value through profit or loss				
Derivative financial liabilities	—	90	—	90

Financial assets classified in Level 1 are listed shares.

Financial assets classified in Level 2 are bonds and foreign exchange forward contracts. Financial liabilities classified in Level 2 are borrowings, corporate bonds, lease liabilities and foreign exchange forward contracts.

Financial assets classified in Level 3 are unlisted shares, etc.

The company and NSK Group recognise transfers between Levels of these assets and liabilities at the end of each quarter.

The table below shows changes in Level 3 financial instruments in the previous consolidated fiscal year and the consolidated fiscal year.

(Millions of yen)

	Year ended Mar.31, 2015	Year ended Mar.31, 2016
Opening balance	6,422	7,187
Transfers from Level 3	—	-5
Gain (loss) recognised in other comprehensive income	764	-726
Purchase	—	0
Sale and redemption	—	-3,001
Closing balance	7,187	3,453

As equity instruments such as shares are held for the purpose of strengthening and maintaining relationships related to various transactions, they are classified as financial assets measured at fair value through other comprehensive income.

Major issues of equity instruments and their fair values are as follows:

(Millions of yen)

Listed Issue	As of Apr.1,2014	As of Mar.31, 2015	As of Mar.31, 2016
Toyota Motor Corporation	7,268	10,458	7,425
Hulic Co., Ltd.	9,898	9,457	6,940
NIDEC Corporation	5,141	6,540	6,305
Sanyo Special Steel Co., Ltd.	3,300	3,844	3,923
Mizuho Financial Group, Inc.	4,109	4,252	3,371

Part of valuation difference on financial assets measured at fair value through other comprehensive income pertaining to financial assets that were derecognised during a consolidated fiscal year is transferred to retained earnings. The transferred amounts for the previous consolidated fiscal year and the consolidated fiscal year were ¥155 million and ¥211 million, respectively.

Financial assets measured at fair value through other comprehensive income that were disposed of as a result of changes in commercial relationship, etc. are as follows:

(Millions of yen)

	Year ended Mar.31, 2015	Year ended Mar.31, 2016
Fair value at the date of derecognition	267	3,844
Cumulative gain or loss at the date of derecognition	240	701
Dividends income on investments that have been derecognised	4	78



## 25. Earnings per share

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

	Year ended Mar.31, 2015	Year ended Mar.31, 2016
Basic earnings per share	¥109.79	¥121.38
Diluted earnings per share	¥109.66	¥121.30

### (2) Basis of calculation of basic net income per share and diluted net income per share

	Year ended Mar.31, 2015	Year ended Mar.31, 2016
Net income attributable to owners of the parent (millions of yen)	59,383	65,719
Weighted average number of issued common shares (thousand shares)	540,865	541,423
Impact of dilution: share options (thousand shares)	683	386
Weighted average number of issued common shares after dilution (thousand shares)	541,548	541,809

## 26. Dividends

### ① Dividends paid

#### Year ended Mar. 31, 2015

Resolution	Type of shares	Total amount of dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
Meeting of Board of Directors held on May 23, 2014	Common shares	4,867	9.00	March 31, 2014	June 4, 2014
Meeting of Board of Directors held on October 29, 2014	Common shares	6,495	12.00	September 30, 2014	December 2, 2014

#### Year ended Mar. 31, 2016

Resolution	Type of shares	Total amount of dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
Meeting of Board of Directors held on May 22, 2015	Common shares	8,665	16.00	March 31, 2015	June 3, 2015
Meeting of Board of Directors held on October 27, 2015	Common shares	9,212	17.00	September 30, 2015	December 1, 2015

### ② Dividends with a record date within the consolidated fiscal year but with an effective date in the following consolidated fiscal year

#### Year ended Mar. 31, 2015

Resolution	Type of shares	Financial source of dividends	Total amount of dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
Meeting of Board of Directors held on May 22, 2015	Common shares	Retained earnings	8,665	16.00	March 31, 2015	June 3, 2015

#### Year ended Mar. 31, 2016

Resolution	Type of shares	Financial source of dividends	Total amount of dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
Meeting of Board of Directors held on May 24, 2016	Common shares	Retained earnings	9,213	17.00	March 31, 2016	June 3, 2016

## 27. Related parties

### (1) Related party transactions

Significant transactions with a related party are the purchase of automotive-related finished goods from NSK-Warner K.K. which is a joint venture. The purchase of finished goods is decided after engaging in price negotiations in consideration of the total costs of NSK-Warner K.K.

Transactions in the previous consolidated fiscal year and the consolidated fiscal year are as follows.

(Millions of yen)

	As of Mar.31, 2015	As of Mar.31, 2016
Purchase of finished goods	45,184	48,670
Balance of Accounts payable trade	9,557	9,583

The transaction amounts above do not include consumption tax, whereas the closing balance includes consumption tax.

### (2) Remuneration of management personnel

Remuneration of key management personnel in the NSK Group is as follows.

(Millions of yen)

	As of Mar.31, 2015	As of Mar.31, 2016
Fixed remuneration/performance-linked remuneration	1,734	1,599
Share options	79	217
Retirement benefits	285	360
Total	2,099	2,176

## 28. Contingencies

### (1) Debt guarantee

The NSK Group provides the following guarantees with respect to transactions of associates and employees of the NSK Group with financial institutions. The amounts shown are the maximum amounts payable for the future before discount for the guarantees.

(Millions of yen)

	As of Apr.1,2014	As of Mar.31, 2015	As of Mar.31, 2016
Debt guarantee for property accumulation loans of the Company's employees	8	4	2
Debt guarantee for borrowings, etc. from financial institutions and companies other than consolidated companies	179	61	—
Total	187	65	2

### (2) Litigation and other legal matters

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

In addition, in the United States and Canada, plaintiffs, including representatives of purchasers of bearings or other products, have filed class actions and a parens patriae suit against certain parties, including NSK and some of its subsidiaries in the United States, Canada and Europe. The plaintiffs allege, among other things, that the

defendants conspired with each other to restrict competition in sales of bearings and other products in these countries, and seek damages, injunctive relief, and other relief against the defendants.

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

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

In Canada, tentative classes of direct (such as automotive manufacturers) and indirect purchasers (such as automobile dealers and end purchasers of automobiles) have filed class actions against NSK and some of its US, Canadian and European subsidiaries in Ontario, Quebec, British Columbia, and Saskatchewan, with respect to bearings or other products. Some of these class actions have proceeded to the class certification stage.

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

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

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

The NSK Group will manage these actions appropriately. Furthermore, as the cases proceed, the NSK Group will consider whether it may be able to reach settlements with such plaintiffs and others.

As a result of the above investigations, actions and other consequences, financial losses, such as surcharge payments or damages, may occur in the future; however, it is not possible to provide a reasonable estimate of the amount of such losses at this stage. Their impact on NSK's operational results and other consequences to its business is uncertain.

## **29. Events after the reporting period**

(Acquisition of treasury stock)

The Company resolved on the following matters concerning the acquisition of treasury stock at the Board of Directors meeting held on May 11, 2016, pursuant to Article 156 of the Companies Act of Japan ("the Companies Act") as applied with the rewording pursuant to Article 165, Paragraph 3 of the Companies Act.

(1) Reason for acquisition of treasury stock

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

(2) Details of acquisition

Class of shares to be acquired	Common shares of the Company
Total number of shares that can be acquired	16,000,000 shares (maximum) (Ratio to issued shares (excluding treasury stock) 3.0%)
Total acquisition cost	JPY 15 billion (maximum)
Period of acquisition:	From May 17, 2016 to September 30, 2016

The acquisition of treasury stock pursuant to the abovementioned resolution was completed on May 19, 2016 as follows:

(1) Class of shares acquired	Common shares of the Company
(2) Total number of shares acquired	14,450,800 shares
(3) Total acquisition cost	JPY 14,999,930,400
(4) Acquisition date	May 19, 2016
(5) Method of acquisition	Purchase through off-auction own share repurchase trading (ToSTNeT-3) of the Tokyo Stock Exchange

### 30. Transition to IFRS

The NSK Group began to disclose IFRS-compliant consolidated financial statements from the consolidated fiscal year. The accounting policies adopted by the NSK Group in preparing these consolidated financial statements are stated in "Note 3. Summary of significant accounting policies". The date of transition to IFRS was April 1, 2014 and the adjustments required to be disclosed at the first-time adoption of IFRS are as follows:

#### (1) IFRS1 exemption clauses

IFRS1 requires that first-time adopters of IFRS apply IFRS retrospectively as a general rule, but allows them not to apply IFRS retrospectively for certain items in prior years.

Main exemption clauses applied by the NSK Group are as follows.

##### ① Business combinations

The NSK Group has chosen not to apply IFRS3 retrospectively to business combinations executed before the IFRS transition date. As a result, business combinations that occurred before the IFRS transition date are not restated.

##### ② Exchange differences on translating foreign operations

Pursuant to IFRS1, the cumulative amount of exchange differences on translating foreign operations may be deemed to be zero. The NSK Group has chosen to treat the cumulative amount of exchange differences on translating foreign operations as zero as of the IFRS transition date.

##### ③ Designation of classification of previously recognised financial instruments

Pursuant to IFRS1, financial assets may be designated in accordance with IFRS9 *Financial Instruments* based on the facts and circumstances that existed as of the IFRS transition date. The NSK Group has designated financial instruments that it holds based on the fact and circumstances as of the IFRS transition date.

#### (2) Mandatory exemption from the retrospective application under IFRS 1

IFRS 1 prohibits the retrospective application of IFRS to "accounting estimates", "derecognition of financial assets and financial liabilities", "hedge accounting", "non-controlling interests", and "classification and measurement of financial assets". IFRS has been applied to these items prospectively from the date of transition.

#### (3) Reconciliations from Japan GAAP to IFRS

Upon preparing the consolidated financial statements in accordance with IFRS, the NSK Group reconciled the amounts in the consolidated financial statements that had been prepared in compliance with Japan GAAP.

The impact of the transition from Japan GAAP to IFRS is as follows.

In the table of reconciliations, "Reclassification of presentation" includes items that do not affect retained earnings or comprehensive income, whereas "Difference in recognition and measurement" includes items that affect retained earnings and comprehensive income.

① Reconciliation of equity as of Apr.1.2014

(Millions of yen)

Account presented under Japan GAAP	Japan GAAP	Reclassification of presentation	Difference in recognition and measurement	IFRS	Note	Account presented under IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	68,319	100,620	—	168,940	(1)	Cash and cash equivalents
Notes and accounts receivable, trade	165,808	7,855	106	173,771		Trade receivables and other receivables
Securities	100,181	-100,181	—	—		
	—	131,735	—	131,735	(2)	Inventories
	—	2,883	—	2,883		Other financial assets
Finished goods	71,431	-71,431	—	—		
Work in process	40,683	-40,683	—	—		
Raw materials and supplies	19,620	-19,620	—	—		
Deferred tax assets	13,034	-13,034	—	—	(5)	
	—	1,475	—	1,475		Income tax receivables
Other	43,036	-24,266	—	18,770		Other current assets
Allowance for doubtful receivables	-1,502	1,502	—	—		
Total current assets	520,614	-23,145	106	497,576		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	304,169	—	-2,035	302,133		Property, plant and equipment
Intangible assets	12,278	—	2,149	14,428		Intangible assets
Investment securities	103,932	-103,932	—	—		
	—	22,928	-102	22,825	(3)	Investments accounted for using equity method
Long-term loans	267	-267	—	—		
	—	86,960	2,098	89,058	(4)	Other financial assets
Deferred tax assets	3,008	13,034	1,506	17,549	(5)	Deferred tax assets
Net defined benefit asset	47,740	—	-7,024	40,715		Net defined benefit asset
Other	9,248	-6,196	—	3,231		
Allowance for doubtful receivables	-507	507	—	—		
Total non-current assets	480,317	13,034	-3,408	489,943		Total non-current assets
Total assets	1,000,932	-10,110	-3,301	987,519		Total assets

(Millions of yen)

Account presented under Japan GAAP	Japan GAAP	Reclassification of presentation	Difference in recognition and measurement	IFRS	Note	Account presented under IFRS
<b>Liabilities</b>						<b>Liabilities</b>
<b>Current liabilities</b>						<b>Current liabilities</b>
Notes and accounts and payable	130,745	24,109	-4,867	149,987	(11)	Trade payables and other payables
	—	111,064	96	111,161	(6)	Other financial liabilities
Short-term debt	71,469	-71,469	—	—		
Current portion of long-term debt	24,197	-24,197	—	—		
Current portions of bonds payable	15,000	-15,000	—	—		
	—	180	—	180		Provisions
Accrued income taxes	12,028	-418	—	11,610		Income tax payables
Other	78,005	-34,676	4,412	47,740	(9)	Other current liabilities
<b>Total current liabilities</b>	<b>331,445</b>	<b>-10,407</b>	<b>-358</b>	<b>320,679</b>		<b>Total current liabilities</b>
<b>Long-term liabilities</b>						<b>Non-current liabilities</b>
Corporate bonds	20,000	-20,000	—	—		
Long-term debt	184,866	-184,866	—	—		
	—	205,706	-41	205,665	(7)	Financial liabilities
	—	235	—	235		Provisions
Deferred tax liabilities	35,665	102	168	35,935	(5)	Deferred tax liabilities
Accrued directors' retirement benefits	1,567	-1,567	—	—		
Reserves for environmental measures	178	-178	—	—		
Net defined benefit liability	36,438	3,697	357	40,494		Net defined benefit liability
Other	8,615	-2,833	41	5,823		Other non-current liabilities
<b>Total long-term liabilities</b>	<b>287,330</b>	<b>297</b>	<b>525</b>	<b>288,153</b>		<b>Total non-current liabilities</b>
<b>Total liabilities</b>	<b>618,776</b>	<b>-10,110</b>	<b>167</b>	<b>608,833</b>		<b>Total liabilities</b>
<b>Net assets</b>						<b>Equity</b>
<b>Shareholders' equity</b>						<b>Equity</b>
Common stock	67,176	—	—	67,176		Issued capital
Additional paid-in capital	78,560	328	—	78,888		Capital surplus
Retained earnings	210,739	—	-28,826	181,913	(12)	Retained earnings
Treasury stock	-4,369	—	—	-4,369		
<b>Total accumulated other comprehensive income</b>	<b>7,094</b>	<b>—</b>	<b>25,647</b>	<b>32,742</b>		<b>Other components of equity</b>
Share subscription rights	328	-328	—	—		
				356,351		<b>Total equity attributable to owners of parent</b>
Minority interests	22,626	—	-290	22,335		Non-controlling interests
<b>Total net assets</b>	<b>382,155</b>	<b>—</b>	<b>-3,468</b>	<b>378,686</b>		<b>Total equity</b>
<b>Total liabilities and net assets</b>	<b>1,000,932</b>	<b>-10,110</b>	<b>-3,301</b>	<b>987,519</b>		<b>Total liabilities and equity</b>

② Reconciliation of equity as of March 31, 2015

(Millions of yen)

Account presented under Japan GAAP	Japan GAAP	Reclassification of presentation	Difference in recognition and measurement	IFRS	Note	Account presented under IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	76,089	108,284	—	184,374	(1)	Cash and cash equivalents
Notes and accounts receivable, trade	189,635	8,024	2,591	200,251		Trade receivables and other receivables
Securities	106,141	-106,141	—	—		
	—	142,171	—	142,171	(2)	Inventories
	—	2,860	—	2,860		Other financial assets
Finished goods	74,060	-74,060	—	—		
Work in process	45,363	-45,363	—	—		
Raw materials and supplies	22,746	-22,746	—	—		
Deferred tax assets	11,807	-11,807	—	—	(5)	
	—	5,009	—	5,009		Income tax receivables
Other	49,985	-31,042	—	18,943		Other current assets
Allowance for doubtful receivables	-2,674	2,674	—	—		
Total current assets	573,157	-22,137	2,591	553,610		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	334,896	—	-3,610	331,286		Property, plant and equipment
Intangible assets	11,791	—	2,260	14,051		Intangible assets
Investment securities	118,672	-118,672	—	—		
	—	21,264	-92	21,171	(3)	Investments accounted for using equity method
Long-term loans	283	-283	—	—		
	—	104,107	2,824	106,932	(4)	Other financial assets
Deferred tax assets	3,113	11,807	2,701	17,623	(5)	Deferred tax assets
Net defined benefit asset	77,361	—	—	77,361		Net defined benefit asset
Other	10,267	-6,795	—	3,471		Other non-current assets
Allowance for doubtful receivables	-380	380	—	—		
Total non-current assets	556,007	11,807	4,083	571,899		Total non-current assets
Total assets	1,129,164	-10,329	6,675	1,125,509		Total assets

(Millions of yen)

Account presented under Japan GAAP	Japan GAAP	Reclassification of presentation	Difference in recognition and measurement	IFRS	Note	Account presented under IFRS
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts and payable	137,900	18,667	-8,665	147,901	(11)	Trade payables and other payables
	—	117,265	2,529	119,795	(6)	Other current financial liabilities
Short-term debt	69,339	-69,339	—	—		
Current portion of long-term debt	47,569	-47,569	—	—		
	—	238	—	238		Provisions
Accrued income taxes	5,804	-382	—	5,421		Income tax payables
Other	78,823	-29,364	4,664	54,122	(9)	Other current liabilities
Total current liabilities	339,436	-10,484	-1,472	327,479		Total current liabilities
Long-term liabilities						Non-current liabilities
Corporate bonds	60,000	-60,000	—	—		
Long-term debt	149,491	-149,491	—	—		
	—	210,204	-28	210,175	(7)	Financial liabilities
	—	292	—	292		Provisions
Deferred tax liabilities	48,088	0	3,205	51,294	(5)	Deferred tax liabilities
Accrued directors' retirement benefits	1,674	-1,674	—	—		
Reserves for environmental measures	179	-179	—	—		
Net defined benefit liability	40,059	3,998	—	44,057		Net defined benefit liability
Other	8,375	-2,994	28	5,408		Other non-current liabilities
Total long-term liabilities	307,867	154	3,205	311,227		Total non-current liabilities
Total liabilities	647,304	-10,329	1,733	638,707		Total liabilities
Net assets						Equity
Shareholders' equity						
Common stock	67,176	—	—	67,176		Issued capital
Additional paid-in capital	78,938	252	—	79,191		Capital surplus
Retained earnings	252,667	—	-22,453	230,214	(12)	Retained earnings
Treasury stock	-4,083	—	—	-4,083		Treasury shares
Total accumulated other comprehensive income	61,347	—	27,690	89,038		Other components of equity
Share subscription rights	252	-252	—	—		
				461,536		Total equity attributable to owners of parent
Minority interests	25,560	—	-295	25,265		Non-controlling interests
Total net assets	481,859	—	4,941	486,801		Total equity
Total liabilities and net assets	1,129,164	-10,329	6,675	1,125,509		Total liabilities and equity



③ Reconciliation of net income and comprehensive income from April 1, 2014 to March 31, 2015

(Millions of yen)

Account presented under Japan GAAP	Japan GAAP	Reclassification of presentation	Difference in recognition and measurement	IFRS	Note	Account presented under IFRS
Net sales	974,885	—	—	974,885		Sales
Cost of sales	749,374	3	1,347	750,725	(9,10)	Cost of sales
Gross profit	225,511	-3	-1,347	224,160		Gross profit
Selling, general and administrative expenses	128,183	4,259	-586	131,857	(9,10)	Selling, general and administrative expenses
	—	2,659	10	2,670	(8)	Equity gain from investment in associates
	—	5,695	2,319	8,014		Other operating expenses
Operating income	97,327	-7,299	-3,069	86,958		Operating income
	—	3,057	-280	2,777	(8)	Financial income
	—	5,108	—	5,108	(8)	Financial expenses
Non-operating income						
Interest income	834	-834	—	—		
Dividend income	1,913	-1,913	—	—		
Equity in earnings of affiliated companies	2,659	-2,659	—	—		
Others	3,683	-3,683	—	—		
Total non-operating income	9,090	-9,090	—	—		
Non-operating expenses						
Interest expenses	5,059	-5,059	—	—		
Product compensation	5,507	-5,507	—	—		
Others	4,848	-4,848	—	—		
Total non-operating expense	15,415	-15,415	—	—		
Total extraordinary loss	3,025	-3,025	—	—		
Income before tax expenses and minority interests	87,976	—	-3,349	84,626		Income before income taxes
Total income taxes	22,721	—	-804	21,916		Income tax expense
Net income before minority interests	65,255	—	-2,544	62,710		Net income
Net income attributable to minority interests	3,293	-3,293	—	—		
Net income	61,962	-61,962	—	—		Net income attributable to:
	—	61,962	-2,578	59,383		Owners of the parent
	—	3,293	33	3,326		Non-controlling interests

(Millions of yen)

Account presented under Japan GAAP	Japan GAAP	Reclassification of presentation	Difference in recognition and measurement	IFRS	Note	Account presented under IFRS
Net income before minority interests	65,255	—	-2,544	62,710		Net income
Other comprehensive income						Other comprehensive income
Remeasurement of defined benefit plans	19,678	-132	-312	19,233	(10)	Items that will not be reclassified to profit or loss Remeasurements of net defined benefit liability (asset)
Valuation difference on available-for-sale securities	13,040	49	718	13,807		Net changes in financial assets measured at fair value through other comprehensive income
Translation adjustments	23,016	485	1,754	25,256		Items that may be reclassified to profit or loss Exchange differences on translating foreign operations
Share of other comprehensive income of associates accounted for using equity method	402	-402	—	—		
Total other comprehensive income	56,138	—	2,159	58,297		Total other comprehensive income
Comprehensive income	121,393	—	-385	121,008		Total comprehensive income for the period
(Details)						Total comprehensive income for the period attributable to:
Comprehensive income attributable to parent company	116,215	—	-380	115,834		Owners of the parent
Comprehensive income attributable to minority interests	5,178	—	-4	5,173		Non-controlling interests

#### ④ Notes on reconciliation of equity and reconciliation of comprehensive income

Reconciliation of differences is as follows.

##### (Notes on reclassification of presentation)

##### (1) Cash and cash equivalents

Time deposits with a deposit period exceeding three months that were included in and presented as “Cash and deposits” under Japan GAAP are included in and presented as “Other current financial assets” under IFRS, and “Securities” and other highly-liquid short-term investments with a maturity of no more than three months from the acquisition date that were included in “Other current assets” under Japan GAAP are included in and presented as “Cash and cash equivalents” under IFRS.

##### (2) Inventories

Under Japan GAAP “Finished products”, “Work in process”, and “Raw materials and supplies” were presented as separate line items, whereas under IFRS, they are included in and presented as “Inventories” on an aggregate basis.

##### (3) Investments accounted for using equity method

Under Japan GAAP, shares of associates were included in and presented as “Investment securities”, whereas under IFRS, they are included in and presented as “Investments accounted for using equity method”.

##### (4) Non-current financial assets

Under Japan GAAP, “Investment securities” was presented as a separate line item, whereas under IFRS, it is included and presented as “Non-current financial assets”.

**(5) Deferred tax assets and liabilities**

Under Japan GAAP, “Deferred tax assets” and “Deferred tax liabilities” were presented by distinguishing between current and non-current, whereas under IFRS, the entire amount is presented as a non-current item.

**(6) Other current financial liabilities**

Under Japan GAAP, “Short-term debt”, “current portion of long-term debt”, and “current portion of corporate bonds” were presented as separate line items, whereas under IFRS, they are included in and presented as “Other current financial liabilities”.

**(7) Other non-current financial liabilities**

Under Japan GAAP, “Corporate bonds” and “Long-term debt” were presented as separate line items, whereas under IFRS, it is included and presented as “Other non-current financial liabilities”.

**(8) Non-operating income and expenses**

Under Japan GAAP, “Interest income”, “Dividend income”, and “Interest expense” were included and presented in non-operating income and expenses, whereas under IFRS, they are included and presented in “Financial income” and “Financial expenses.” Items that were presented as “Equity in earnings of affiliated companies” and “Product compensation” under Japan GAAP are included and presented in operating income and expenses.

**(Notes on difference in recognition and measurement)**

**(9) Obligations concerning unused annual leave, etc.**

Obligations concerning unused annual leave that were not recognised under Japan GAAP are recorded as “Other current liabilities” under IFRS.

**(10) Net defined benefit asset and liability**

Under Japan GAAP, the opening balance of all actuarial gains and losses and past service cost were recognised in accumulated other comprehensive income and amortised over certain years not exceeding the average remaining service period of employees. On the other hand, under IFRS actuarial gains and losses are recognised in other comprehensive income at the time of accrual and past service cost is recognised as an expense at the time of accrual.

All actuarial gains and losses that were recorded before transition to IFRS are reclassified into retained earnings at the transition date.

**(11) Dividends**

Under JGAAP, dividends from retained earnings were recognised as liabilities on their record date. On the other hand, under IFRS, dividends from retained earnings are recognised as liabilities in the period in which the board of directors’ meeting approve the distribution.

## (12) Retained earnings

The impact of the application of IFRS on retained earnings is as follows.

(Millions of yen)

	As of Apr.1,2014	As of Mar.31, 2015	Note#
Reconciliation related to obligations, etc. concerning unused annual leave	-2,860	-3,113	(9)
Reconciliation related to net defined benefit asset and liability	-14,587	-12,086	(10)
Reconciliation related to exchange differences on translating foreign operations	-14,067	-14,067	
Reconciliation related to dividends	4,867	8,665	(11)
Others	-2,178	-1,851	
Total reconciliation of retained earnings	-28,826	-22,453	

### ⑤ Significant reconciliation of consolidated statements of cash flows from April 1, 2014 to March 31, 2015

There is no material difference between the consolidated statements of cash flows disclosed in accordance with IFRS and the consolidated statements of cash flows disclosed in accordance with Japan GAAP.

### (2) 【Others】

1 Quarterly information from April 1, 2015 to March 31, 2016

(Millions of yen)

	First quarter (Period from April 1, 2015 to June 30, 2015)	Second quarter (Period from April 1, 2015 to September 30, 2015)	Third quarter (Period from April 1, 2015 to December 31, 2015)	155 <sup>th</sup> Consolidated fiscal year (Period from April 1, 2015 to March 31, 2016)
Sales	251,222	489,735	735,457	975,319
Income before tax	27,616	49,022	74,060	90,447
Net income attributable to owners of parent	17,837	33,457	50,275	67,169
Net income per share (yen)	32.95	61.80	92.86	124.06

	First quarter (Period from April 1, 2015 to June 30, 2015)	Second quarter (Period from July 1, 2015 to September 30, 2015)	Third quarter (Period from October 1, 2015 to December 31, 2015)	Fourth quarter (Period from January 1, 2016 to March 31, 2016)
Quarterly net income per share (yen)	32.95	28.85	31.06	31.20

(Note) 1 Quarterly information for the consolidated fiscal year is prepared based on Japan GAAP.

2 Audit under Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act has not been conducted on the information above for the consolidated fiscal year (from April 1, 2015 to March 31, 2016) and the fourth consolidated quarterly period (from January 1, 2016 to March 31, 2016).

### 2 Class actions filed against the Company

As noted in “1 [Consolidated financial statements, etc.], [Notes to consolidated financial statements], 28 Contingencies, (2) Litigation and other legal matters” NSK and some of its subsidiaries are under investigation by relevant authorities outside Japan and multiple class actions have been filed against the Company and some of its subsidiaries abroad.

As a result of the above actions and other consequences, financial losses, such as damages, may occur in the future; however, it is not possible to provide a reasonable estimate of the amount of such losses at this stage. Their impact on NSK's operational results and other consequences to its business is uncertain.

## Appendix: NSK Group Companies

As of March 31, 2016

Region	Company Name	Voting rights ratio	Outline of Business
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### Subsidiaries

Japan	NSK STEERING SYSTEMS CO., LTD.	100.0%	Manufacture of automotive components
	NSK MICRO PRECISION CO., LTD.	55.0%	Manufacture and sales of bearings
	NSK MICRO PRECISION CO., LTD. (NAGANO)	100.0%	Manufacture of bearings
	AMATSUJI STEEL BALL MFG. CO., LTD.	100.0%	Manufacture and sales of steel balls
	AKS EAST JAPAN CO., LTD.	100.0%	Manufacture of steel balls
	NSK KYUSHU CO., LTD.	100.0%	Manufacture of precision machinery & parts
	NSK NEEDLE BEARING LTD.	98.1%	Manufacture of bearings
	ASAHI SEIKI CO., LTD.	73.8%	Manufacture of bearing parts and automotive components
	SHINWA SEIKO CO., LTD.	82.4%	Manufacture of bearing parts
	NSK TOYAMA CO., LTD.	100.0%	Manufacture of bearing parts
	NSK MACHINERY CO., LTD.	100.0%	Manufacture of machine tools and precision machinery & parts
	KURIBAYASHI SEISAKUSHO CO., LTD.	73.5%	Manufacture of bearing parts
	NSK REAL ESTATE CO., LTD.	100.0%	Real estate management and rental
	NISSEI BLDG. MANAGEMENT LTD.	70.0%	Management of Nissei Building
	NSK HUMAN RESOURCE SERVICES LTD.	100.0%	Provision of personnel support services and consulting
	NSK LOGISTICS CO., LTD.	100.0%	Distribution service
	NSK NETWORK AND SYSTEMS CO., LTD.	100.0%	Provision of consulting, design, development, sales and maintenance services for computer systems and networks
	NSK-CHUGAI, LTD.	65.0%	Insurance agent and sales of machine components, etc.
	ADTECH CORPORATION	51.0%	Research and development of automotive components
NSK OVERSEAS HOLDINGS CO.,LTD.	100.0%	Holding company of subsidiaries	

### THE AMERICAS

U.S.A.	NSK AMERICAS, INC.	100.0%	Control of American subsidiaries and affiliates
	NSK CORPORATION	100.0%	Manufacture of bearings and sales of bearings, automotive components and precision machinery & parts
	NSK PRECISION AMERICA, INC.	100.0%	Manufacture and sales of precision machinery & parts
	NSK LATIN AMERICA, INC.	100.0%	Sales of bearings and precision machinery & parts
	NSK STEERING SYSTEMS AMERICA, INC.	100.0%	Manufacture and sales of automotive components
	NSK-AKS PRECISION BALL COMPANY	100.0%	Manufacture and sales of steel balls
Canada	NSK CANADA INC.	100.0%	Sales of bearings and precision machinery & parts
Mexico	NSK RODAMIENTOS MEXICANA, S.A. DE C.V.	100.0%	Sales of bearings and precision machinery & parts
	NSK BEARINGS MANUFACTURING, MEXICO, S.A. DE C.V.	100.0%	Manufacture of bearings
Brazil	NSK BRASIL LTDA.	100.0%	Manufacture of bearings and sales of bearings and precision machinery & parts
Argentina	NSK ARGENTINA S.R.L.	100.0%	Sales of bearings and precision machinery & parts
Peru	NSK PERU S.A.C.	100.0%	Sales of bearings and precision machinery & parts

## EUROPE

U.K.	NSK EUROPE LTD.	100.0%	Control of European subsidiaries and affiliates
	NSK BEARINGS EUROPE LTD.	100.0%	Manufacture of bearings
	NSK PRECISION UK LTD.	100.0%	Manufacture of precision machinery & parts
	NSK UK LTD.	100.0%	Sales of bearings, automotive components and precision machinery & parts
	NSK STEERING SYSTEMS EUROPE LTD.	100.0%	Manufacture of automotive components
	AKS PRECISION BALL EUROPE LTD.	100.0%	Manufacture and sales of steel balls
Germany	NSK EUROPA HOLDING GMBH	100.0%	Holding company of subsidiaries in Germany
	NSK DEUTSCHLAND GMBH	100.0%	Sales of bearings and automotive components
	NEUWEG FERTIGUNG GMBH	100.0%	Manufacture of bearings
France	NSK FRANCE S.A.S.	100.0%	Sales of bearings, automotive components and precision machinery & parts
Italy	NSK ITALIA S.P.A.	100.0%	Sales of bearings, automotive components and precision machinery & parts
Spain	NSK SPAIN S.A.	100.0%	Sales of bearings, automotive components and precision machinery & parts
Netherlands	NSK EUROPEAN DISTRIBUTION CENTRE B.V.	100.0%	Warehousing and distribution of bearings and automotive components
Poland	NSK BEARINGS POLSKA S.A.	95.5%	Manufacture of bearings
	NSK POLSKA SP. Z O.O.	100.0%	Sales of bearings
	NSK STEERING SYSTEMS EUROPE (POLSKA) SP. Z O.O.	100.0%	Manufacture of automotive components
	NSK NEEDLE BEARING POLAND SP. Z O.O.	100.0%	Manufacture of bearings
	AKS PRECISION BALL POLSKA SP. Z O.O.	100.0%	Manufacture and sales of steel balls
Turkey	NSK RULMANLARI ORTA DOGU TIC. LTD. STI (NSK BEARINGS MIDDLE EAST TRADING CO., LTD.)	100.0%	Sales of bearings and precision machinery & parts
South Africa	NSK SOUTH AFRICA (PTY) LTD.	100.0%	Sales of bearings and precision machinery & parts

## ASIA

China	NSK (CHINA) INVESTMENT CO., LTD.	100.0%	Holding company of Chinese subsidiaries and affiliates, sales of bearings, automotive components and precision machinery & parts
	KUNSHAN NSK CO., LTD.	85.0%	Manufacture of bearings
	NSK STEERING SYSTEMS DONGGUAN CO., LTD.	100.0%	Manufacture of automotive components
	ZHANGJIAGANG NSK PRECISION MACHINERY CO., LTD.	100.0%	Manufacture of bearing parts
	CHANGSHU NSK NEEDLE BEARING CO., LTD.	100.0%	Manufacture of bearings
	AKS PRECISION BALL (HANGZHOU) CO., LTD.	100.0%	Manufacture and sales of steel balls
	SUZHOU NSK BEARINGS CO., LTD.	100.0%	Manufacture of bearings
	NSK-YAGI PRECISION FORGING (ZHANGJIAGANG) CO., LTD.	82.0%	Manufacture of bearing parts
	NSK (CHINA) RESEARCH AND DEVELOPMENT CO., LTD.	100.0%	Technological support and development of bearings, automotive components and precision machinery & parts
	NSK-WANDA ELECTRIC POWER ASSISTED STEERING SYSTEMS CO., LTD.	90.0%	Manufacture of automotive components
	SHENYANG NSK PRECISION CO., LTD.	100.0%	Manufacture of precision machinery & parts
	SHENYANG NSK CO., LTD.	100.0%	Manufacture of bearings
	HEFEI NSK CO., LTD.	100.0%	Manufacture of bearings

Hong Kong	NSK HONG KONG LTD.	70.0%	Sales of bearings, automotive components and precision machinery & parts
Taiwan	TAIWAN NSK PRECISION CO., LTD.	70.0%	Sales of precision machinery & parts
Singapore	NSK INTERNATIONAL (SINGAPORE) PTE LTD.	100.0%	Sales of bearings
	NSK SINGAPORE (PRIVATE) LTD.	70.0%	Sales of bearings and precision machinery & parts
Indonesia	PT. NSK BEARINGS MANUFACTURING INDONESIA	100.0%	Manufacture of bearings
	PT. NSK INDONESIA	100.0%	Sales of bearings
	PT. AKS PRECISION BALL INDONESIA	100.0%	Manufacture and sales of steel balls
Thailand	NSK BEARINGS MANUFACTURING (THAILAND) CO., LTD.	74.9%	Manufacture and sales of bearings
	SIAM NSK STEERING SYSTEMS CO., LTD.	74.9%	Manufacture and sales of automotive components
	NSK ASIA PACIFIC TECHNOLOGY CENTRE (THAILAND) CO., LTD.	100.0%	Technological support and development of bearings
Malaysia	NSK BEARINGS (MALAYSIA) SDN. BHD.	51.0%	Sales of bearings, automotive components and precision machinery & parts
	NSK MICRO PRECISION (M) SDN. BHD.	100.0%	Manufacture of bearings
	ISC MICRO PRECISION SDN. BHD.	100.0%	Manufacture of bearings
Vietnam	NSK VIETNAM CO., LTD.	100.0%	Sales of bearings
Australia	NSK AUSTRALIA PTY. LTD.	100.0%	Sales of bearings, automotive components and precision machinery & parts
New Zealand	NSK NEW ZEALAND LTD.	100.0%	Sales of bearings, automotive components and precision machinery & parts
India	NSK-ABC BEARINGS LTD.	97.5%	Manufacture and sales of bearings
	NSK INDIA SALES CO. PVT. LTD.	100.0%	Sales of bearings and automotive components
	RANE NSK STEERING SYSTEMS LTD.	51.0%	Manufacture and sales of automotive components
South Korea	NSK KOREA CO., LTD.	100.0%	Manufacture of bearings and precision machinery & parts and sales of bearings, automotive components and precision machinery & parts
	NSK NEEDLE BEARING KOREA CO., LTD.	100.0%	Manufacture of bearings

Others; 4 companies

### Associates and Joint ventures

Japan	NSK-WARNER K.K.	50.0%	Manufacture of automotive components
	CHITOSE SANGYO CO., LTD.	50.0%	Manufacture of automotive components
	INOUE JIKUKE KOGYO CO., LTD.	40.0%	Manufacture and sales of bearings
China	NINGBO MOS GROUP CO., LTD.	41.7%	Manufacture and sales of bearings
Thailand	NSK BEARINGS (THAILAND) CO., LTD.	49.0%	Sales of bearings, automotive components and precision machinery & parts

Others; 11 companies