

# **Consolidated Financial Statements**

**NSK Ltd. and Consolidated Subsidiaries**

*Year ended March 31, 2021*  
*With Independent Auditor's Report*

## **Independent Auditor's Report**

The Board of Directors  
NSK Ltd.

### **Opinion**

We have audited the accompanying consolidated financial statements of NSK Ltd. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at March 31, 2021, and the consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Estimation of value in use to assess impairment of the automotive components business

Description of Key Audit Matter	Auditor's Response
<p>As described in Note 3 - Summary of significant accounting policies to the consolidated financial statements, Paragraph (11), "Impairment of non-financial assets", NSK Ltd. ("the Company") assesses whether there is any indication that an asset or a cash-generating unit may be impaired as at the end of each reporting period. As at the year ended March 31, 2021 ("current year"), the Company recorded property, plant and equipment of ¥378,677 million and intangible assets of ¥39,435 million in the consolidated statement of financial position. The Company has identified indications of impairment over property, plant and equipment and intangible assets of the cash-generating unit pertaining to the automotive components business included in the Automotive Business segment. The Company has therefore compared the value in use of the cash-generating unit with the carrying amount of related property, plant and equipment and intangible assets, and as a result of the comparison, the value in use exceeded the carrying amount, so the Company did not recognize any impairment loss.</p> <p>The value in use is calculated using the discount rate and the estimated future cash flows based on the business plan for the period corresponding to the estimated remaining useful lives of the assets in the cash-generating unit. The key assumptions used in estimating the value in use are, as described in Note 2 - Basis of preparation, Paragraph (6) "Use of estimates and judgments", the information on orders received from each customer and the information on expected production volume of the automotive industry which were used when establishing the business plan, operating expenses including research and development expenses to earn revenue, estimated disposal value of assets in cash-generating unit as at the</p>	<p>We conducted mainly the following audit procedures to evaluate the management's estimation of value in use calculated to assess impairment of cash-generating unit of the automotive components business:</p> <ul style="list-style-type: none"> <li>• In order to evaluate the effectiveness of the management's estimation process, we obtained a business plan that serves as the basis of estimation and compared the business plan made in the previous year with the results for the current year and also the business plan for the following years that was revised at the end of the current year and understood the reason for change.</li> <li>• In order to evaluate management's estimate of revenue in the business plan, we obtained detailed sales order information and accordingly evaluated the consistency with revenue forecasts included in the business plan.</li> <li>• We obtained information on the expected production volume of the automobile industry and evaluated its consistency with the business plan.</li> <li>• We compared estimated operating expenses with past performance, including Development information by project and evaluated management's estimates of future operating expenses.</li> <li>• With regard to the valuation method and the discount rate used to calculate value in use, we involved valuation specialists from our network firm to evaluate the consistency between the valuation method adopted and the applicable accounting standards; and to also evaluate the consistency between the inputs used to calculate the discount rate and industry information.</li> </ul>

<p>end of the estimated remaining useful lives and the discount rate calculated based on weighted average cost of capital.</p> <p>Since the key assumptions used in estimating the value in use described above are highly uncertain and require management judgement, we have determined this to be a key audit matter.</p>	<ul style="list-style-type: none"> <li>• We have also involved the valuation specialists from our network firm in verifying the real estate appraisal that forms the basis for the estimated amount to be received for disposals of the assets of the cash-generating unit at the end of the estimated remaining useful lives.</li> <li>• Based on the business plan, we conducted sensitivity analysis for revenue, gross margin, and operating expenses and evaluated management's evaluation of uncertainties.</li> </ul>
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Recoverability of deferred tax assets	
Description of Key Audit Matter	Auditor's Response
<p>As described in Note 16 - Income taxes, Paragraph (1) "Deferred tax", the Company has recognized deferred tax assets ("DTA") of ¥28,268 million in the consolidated statement of financial position. Also, the Company recognized DTA of ¥16,940 million for the taxable entities which have suffered losses in either in the years ended March 31, 2020 and 2021 with the recoverability of the DTA being dependent on future taxable profits.</p> <p>Among them, DTA for deductible temporary differences and tax loss carryforwards related to income taxes of the Japanese consolidated tax group as well as inhabitant and enterprise taxes of the Company at the end of a year are recognized taking into account the future taxable profits based on estimated future profitability, the creation or increase in taxable income through tax planning, and the period for which reversal of taxable temporary differences is expected. The amount of those DTA represents a substantial portion of the DTA recognized in the consolidated statement of financial position.</p>	<p>In examining the valuation of DTA related to the Japanese consolidated tax group's income taxes, the Company's inhabitant and enterprise taxes, we have mainly conducted the following audit procedures:</p> <ul style="list-style-type: none"> <li>• We involved tax specialists from our network firm to evaluate the accuracy of temporary differences and tax loss carryforwards that are reflective of the reported amounts of DTA.</li> <li>• In order to evaluate uncertainty of the projected revenue and accuracy of the business plan, we obtained the business plans that serves as the basis of estimation and compared the business plan made in the previous year with the results for the current year and also the business plan for the following years that was revised at the end of the current fiscal year and understood the reasons for changes. Also, we obtained related evidences and carried out inquiries to management as to business plans, to evaluate the segment-wise business plans, and accordingly evaluated consistency.</li> </ul>

<p>As described Note 2 - Basis of preparation, Paragraph (6) "Use of estimates and judgments" to the consolidated financial statements, estimates of taxable profit based on estimated future profitability are on the basis of future business plans and key assumptions used therein are the projected revenue and revenue growth rate.</p> <p>Since these key assumptions used in estimating taxable profit based on estimated future profitability are highly uncertain and require management judgment, we have determined this to be a key audit matter.</p>	<ul style="list-style-type: none"> <li>• We evaluated the consistency between estimated revenue growth rates used by the Company and available related economic and industrial information.</li> <li>• We conducted a sensitivity analysis to evaluate how much figures in the business plan would change in response to changes in revenue growth rates, which would affect the reported amount of DTA.</li> </ul>
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### **Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements**

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by IFRSs, matters related to going concern.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with IFRSs.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Ernst & Young ShinNihon LLC  
Tokyo, Japan

June 25, 2021

伊藤 功樹

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/s/ Koki Ito  
Designated Engagement Partner  
Certified Public Accountant

松村 信

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/s/ Makoto Matsumura  
Designated Engagement Partner  
Certified Public Accountant

大久保 豊

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/s/ Yutaka Okubo  
Designated Engagement Partner  
Certified Public Accountant

## [Financial Information]

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

(1) The consolidated financial statements of NSK Ltd. (hereinafter referred to as “the Company”) 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, 2020 to March 31, 2021) and its non-consolidated financial statements for the business year (from April 1, 2020 to March 31, 2021), 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, etc. 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 endeavours 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 March 31, 2020	As of March 31, 2021
<b>Assets</b>			
Current assets			
Cash and cash equivalents	6	137,298	176,638
Trade receivables and other receivables	7	154,226	185,228
Inventories	8	152,971	150,046
Other financial assets	11	3,138	1,569
Income tax receivables	16	3,513	4,670
Other current assets		15,304	15,850
Total current assets		466,452	534,004
Non-current assets			
Property, plant and equipment	9,14	383,978	378,677
Intangible assets	10	19,768	39,435
Investments accounted for using equity method	18	26,785	29,773
Other financial assets	11	55,498	79,203
Deferred tax assets	16	9,698	10,962
Net defined benefit assets	17	61,508	88,809
Other non-current assets		6,193	6,632
Total non-current assets		563,431	633,493
<b>Total assets</b>		<b>1,029,884</b>	<b>1,167,498</b>
<b>Liabilities and equity</b>			
Liabilities			
Current liabilities			
Trade payables and other payables	12	97,193	111,609
Other financial liabilities	13	71,806	130,205
Provisions	15	159	318
Income tax payables	16	3,474	3,203
Other current liabilities		45,305	54,888
Total current liabilities		217,939	300,224
Non-current liabilities			
Financial liabilities	13	228,707	223,211
Provisions	15	8,160	2,919
Deferred tax liabilities	16	24,764	42,225
Net defined benefit liabilities	17	18,345	17,349
Other non-current liabilities		5,447	8,139
Total non-current liabilities		285,426	293,845
Total liabilities		503,365	594,070
Equity			
Issued capital	19	67,176	67,176
Capital surplus	19	80,456	80,338
Retained earnings	19	405,842	397,837
Treasury shares	19	-37,662	-37,303
Other components of equity		-10,308	46,325
Total equity attributable to owners of the parent		505,505	554,375
Non-controlling interests		21,013	19,052
<b>Total equity</b>		<b>526,518</b>	<b>573,428</b>
<b>Total liabilities and equity</b>		<b>1,029,884</b>	<b>1,167,498</b>

## ② [Consolidated statements of income]

(Millions of yen)

	Note	Year ended March 31, 2020	Year ended March 31, 2021
Sales	21	831,034	747,559
Cost of sales		677,511	621,318
Gross profit		153,522	126,240
Selling, general and administrative expenses	22	130,238	125,425
Share of profits of investments accounted for using the equity method	18	2,282	4,076
Other operating expenses	23	1,961	-1,472
Operating income		23,604	6,364
Financial income	24	3,409	2,137
Financial expenses	24	2,948	2,612
Income before income taxes		24,065	5,889
Income tax expense	16	5,956	6,637
Net income (loss)		18,108	-748
Net income attributable to:			
Owners of the parent		17,412	355
Non-controlling interests		696	-1,103
(Earnings per share attributable to owners of the parent)			
Basic earnings per share (yen)	26	34.00	0.69
Diluted earnings per share (yen)	26	33.91	0.69

③ [Consolidated statements of comprehensive income]

(Millions of yen)

	Note	Year ended March 31, 2020			Year ended March 31, 2021		
		Before tax effect	Tax effect	Amount (net)	Before tax effect	Tax effect	Amount (net)
Net income (loss)				18,108			-748
Other comprehensive income							
Items that will not be reclassified to profit or loss							
Remeasurements of net defined benefit liability (asset)		2,939	-1,194	1,744	25,333	-10,127	15,205
Net changes in financial assets measured at fair value through other comprehensive income		-11,941	3,607	-8,333	28,028	-8,561	19,467
Share of other comprehensive income of investments accounted for using equity method		-63	18	-44	206	-61	144
Total items that will not be reclassified to profit or loss		-9,064	2,430	-6,633	53,568	-18,751	34,817
Items that may be reclassified to profit or loss							
Exchange differences on translating foreign operations		-22,150	—	-22,150	23,642	—	23,642
Cash flow hedges		—	—	—	404	-123	281
Share of other comprehensive income of investments accounted for using equity method		-459	—	-459	715	—	715
Total items that may be reclassified to profit or loss		-22,609	—	-22,609	24,762	-123	24,639
Total other comprehensive income		-31,673	2,430	-29,242	78,330	-18,874	59,456
Total comprehensive income for the period				-11,134			58,708
Total comprehensive income for the period attributable to:							
Owners of the parent				-11,075			59,149
Non-controlling interests				-58			-441

④ [Consolidated statements of changes in equity]

From April 1, 2019 to March 31, 2020

(Millions of yen)

	Note	Equity attributable to owners of the parent			
		Issued capital	Capital surplus	Retained earnings	Treasury shares
Opening balance		67,176	80,426	400,720	-37,779
Net income		—	—	17,412	—
Other comprehensive income		—	—	—	—
Total comprehensive income for the period		—	—	17,412	—
Purchase of treasury shares	19	—	—	—	-11
Disposal of treasury shares	19	—	41	—	128
Share-based payment transactions	20	—	-11	—	—
Cash dividends	27	—	—	-20,501	—
Other		—	—	8,211	—
Total transactions with owners, etc.		—	29	-12,290	117
Closing balance		67,176	80,456	405,842	-37,662

	Note	Equity attributable to owners of the parent					Total	Non-controlling interests	Total equity
		Other components of equity							
		Exchange differences on translating foreign operations	Cash flow hedges	Net changes in financial assets measured at fair value through other comprehensive income	Remeasurements of net defined benefit liability (asset)	Total			
Opening balance		-12,598	—	33,494	5,234	26,131	536,676	23,724	560,400
Net income		—	—	—	—	—	17,412	696	18,108
Other comprehensive income		-21,864	—	-8,376	1,753	-28,487	-28,487	-755	-29,242
Total comprehensive income for the period		-21,864	—	-8,376	1,753	-28,487	-11,075	-58	-11,134
Purchase of treasury shares	19	—	—	—	—	—	-11	—	-11
Disposal of treasury shares	19	—	—	—	—	—	169	—	169
Share-based payment transactions	20	—	—	—	—	—	-11	—	-11
Cash dividends	27	—	—	—	—	—	-20,501	-2,652	-23,154
Other		—	—	-7,951	—	-7,951	259	—	259
Total transactions with owners, etc.		—	—	-7,951	—	-7,951	-20,095	-2,652	-22,748
Closing balance		-34,462	—	17,166	6,988	-10,308	505,505	21,013	526,518

From April 1, 2020 to March 31, 2021

(Millions of yen)

	Note	Equity attributable to owners of the parent			
		Issued capital	Capital surplus	Retained earnings	Treasury shares
Opening balance		67,176	80,456	405,842	-37,662
Net income (loss)		—	—	355	—
Other comprehensive income		—	—	—	—
Total comprehensive income for the period		—	—	355	—
Purchase of treasury shares	19	—	—	—	-8
Disposal of treasury shares	19	—	30	—	367
Share-based payment transactions	20	—	-147	—	—
Cash dividends	27	—	—	-10,256	—
Other		—	—	1,896	—
Total transactions with owners, etc.		—	-117	-8,360	359
Closing balance		67,176	80,338	397,837	-37,303

	Note	Equity attributable to owners of the parent					Total	Non-controlling interests	Total equity
		Other components of equity							
		Exchange differences on translating foreign operations	Cash flow hedges	Net changes in financial assets measured at fair value through other comprehensive income	Remeasurements of net defined benefit liability (asset)	Total			
Opening balance		-34,462	—	17,166	6,988	-10,308	505,505	21,013	526,518
Net income (loss)		—	—	—	—	—	355	-1,103	-748
Other comprehensive income		23,705	281	19,509	15,298	58,794	58,794	662	59,456
Total comprehensive income for the period		23,705	281	19,509	15,298	58,794	59,149	-441	58,708
Purchase of treasury shares	19	—	—	—	—	—	-8	—	-8
Disposal of treasury shares	19	—	—	—	—	—	398	—	398
Share-based payment transactions	20	—	—	—	—	—	-147	—	-147
Cash dividends	27	—	—	—	—	—	-10,256	-1,519	-11,775
Other		—	-281	-1,879	—	-2,160	-264	—	-264
Total transactions with owners, etc.		—	-281	-1,879	—	-2,160	-10,279	-1,519	-11,798
Closing balance		-10,757	—	34,797	22,286	46,325	554,375	19,052	573,428

## ⑤ [Consolidated statements of cash flows]

(Millions of yen)

	Note	Year ended March 31, 2020	Year ended March 31, 2021
Operating activities			
Income before income taxes		24,065	5,889
Depreciation and amortisation		53,926	54,527
Increase (decrease) in net defined benefit liability and net defined benefit asset		-80	-2,658
Interest and dividend income		-2,145	-1,763
Interest expenses		2,523	2,739
Share of profits of investments accounted for using the equity method		-2,282	-4,076
Decrease (increase) in trade receivables		34,335	-20,822
Decrease (increase) in inventories		579	9,155
Increase (decrease) in trade payables		-26,888	13,800
Other		-1,127	5,432
Subtotal		82,905	62,225
Interest and dividend received		4,693	3,895
Interest expenses paid		-2,581	-2,398
Income tax paid		-12,629	-9,880
Net cash provided by operating activities		72,387	53,842
Investing activities			
Purchases of property, plant and equipment		-47,876	-33,797
Proceeds from sale of property, plant and equipment		1,638	878
Purchases of other financial assets		-22	-130
Proceeds from sale of other financial assets		13,606	3,804
Acquisition of shares of subsidiaries	5	—	-20,118
Other		-7,131	-1,732
Net cash used in investing activities		-39,784	-51,096
Financial activities			
Increase (decrease) in short-term loans	25	-62	39,194
Proceeds from long-term loans	25	17,688	16,727
Repayments of long-term loans	25	-21,788	-10,142
Proceeds from issuance of corporate bonds	25	30,000	—
Payments for redemption of corporate bonds	25	-20,000	—
Repayments of lease liabilities	25	-4,157	-4,409
Acquisition of treasury shares		-2	-2
Dividends paid	27	-20,483	-10,253
Dividends paid to non-controlling interests		-2,652	-1,519
Other		124	398
Net cash used in (provided by) financial activities		-21,333	29,992
Effect of exchange rate changes on cash and cash equivalents		-3,934	6,602
Net increase in cash and cash equivalents		7,333	39,340
Cash and cash equivalents at the beginning of the period	6	129,965	137,298
Cash and cash equivalents at the end of the period	6	137,298	176,638

## **[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, 2021 consisted of the Company and its subsidiaries (hereinafter referred to as “NSK Group”) as well as its interests in associated and joint ventures. The 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, precision machinery & parts, 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.

The NSK Group’s consolidated financial statements for the consolidated fiscal year ended March 31, 2021 were approved by President and CEO Akitoshi Ichii on June 25, 2021.

### **2. Basis of preparation**

#### **(1) Compliance with IFRS**

As the NSK Group 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.

#### **(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**

There were no new and revised Standards and Interpretations that have been issued by the date of approval of the consolidated financial statements significant impact on the consolidated financial statements of the NSK Group.

#### **(5) Change in the presentation method**

(Relating to “Consolidated statements of cash flows”)

“Increase (decrease) in short-term loans” which was included in “Other” under “Financial activities” in the previous consolidated fiscal year, has been presented as a separate account in the current consolidated fiscal year due to its increased financial materiality.

As a result, the amount of ¥61 million presented in “Other” under “Financial activities” in the consolidated statements of cash flows for the previous consolidated fiscal year has been reclassified into ¥(62) million in “Increase (decrease) in short-term loans” and ¥124 million in “Other.”

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

The estimates and judgements that may have material impacts on the carrying amounts recognised in the consolidated financial statements are as follows:

① Recoverability of deferred tax assets (Note 3. Summary of significant accounting policies (15) Income taxes and Note 16. Income taxes)

(a) Amount recorded as of March 31, 2021

Deferred tax assets    ¥28,268    million

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

1) Method of calculation

For deductible temporary differences, the recoverability of deferred tax assets is determined based on taxable profit based on future profitability and tax planning. Estimates of taxable profit take into account projected revenue and revenue growth rate.

2) Key assumptions

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

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

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

② Measurement of defined benefit obligation (Note 3. Summary of significant accounting policies (16) Retirement benefits and Note 17. Post-employment benefit)

(a) Amount recorded as of March 31, 2021

Present value of defined benefit obligations    ¥198,747    million

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

The Company and some of its domestic consolidated subsidiaries have defined benefit plans and retirement lump sum payment system to finance retirement benefits for employees. The UK subsidiary of the Company, NSK Europe Limited and some of its consolidated subsidiaries in UK partially sponsor defined benefit plans.

The present value of defined benefit obligations and the service cost are calculated based on the actuarial assumption. The actuarial assumptions consist from various estimations such as discount rate, retirement rate, mortality rate and rate of increase in salary. The NSK Group receives advice from an outside pension actuary on appropriateness of actuarial assumptions including those variables. Although this estimate is the

management's best estimate conducted, results of fluctuations in uncertain future economic conditions, etc. and the amendment or the publication of related laws may bring a different actual result. When it requires major revisions, amounts to be recognised in the consolidated financial statements after the next consolidated fiscal year may have significant impacts.

③ Fair value measurement of financial instruments (Note 3. Summary of significant accounting policies (7) Other financial assets and Note 25. Financial instruments)

Amount recorded as of March 31, 2021 ¥5,638 million

When determining the fair value of certain financial instruments, the NSK Group uses a valuation methodology that is based on unobservable input. Any unobservable input may have impacts on fluctuations on uncertain future economic conditions, etc. When it requires major revisions, it may have significant impacts on the consolidated financial statements.

④ Impairment loss on fixed assets in the automotive components business (Note 9. Property, plant and equipment and Note 10. Intangible assets)

(a) Amount recorded for the current consolidated fiscal year

Impairment loss - million

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

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

1) Method of calculation

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

The recoverable amount is the higher of fair value less costs of disposal or value in use. In calculating the value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects the inherent risks of the asset.

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

2) Key assumptions

The major assumptions used in estimating value in use are as follows: the information on orders received from each customer and the information on expected production volume of the automotive industry which were used when establishing the business plan, operating expenses including research and development expenses to earn revenue, estimated disposal value of assets in cash-generating unit as at the end of the estimated remaining useful lives and the discount rate calculated based on weighted average cost of capital.

Determination of recoverable amounts by nature entails judgment, and in many cases, uses material estimates and assumptions. Such estimates and assumptions may have a significant impact on determination of whether or not an impairment loss is to be recognised and the amount of the impairment loss to be recognised.

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

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

### 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: the 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 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**

#### **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: 5 – 12 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**

At inception of a contract, the assessment of whether the contract is, or contains, a lease will be made when the NSK Group is the lessee. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. When a contract is, or contains, a lease, at the commencement date, a right-of-use asset and a lease liability are recognised.

### **(1) Lease liability**

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

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

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

The lease payments associated with short-term leases and leases for which the underlying asset is of low value are recognised as an expense on a straight-line basis over the lease term.

Right-of-use asset is presented as “property, plant and equipment” and lease liability as “financial liability (current or non-current)” in the consolidated statements of financial position.

#### **(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 or the cash-generating unit 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 asset or 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 are tested for impairment annually and whenever there is an indication that they may be impaired.

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 profit 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. In addition, deferred tax assets and liabilities are offset where current tax liabilities and assets are intended to be settled in net amounts or assets realisation and liabilities settlement are intended to be carried out concurrently although taxes are imposed on separate taxable entities.

## **(16) Retirement benefits**

The Company and the 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**

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

Step 1: Identify the contract with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

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

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

The NSK Group engages in the production and sales of industrial machinery bearings, precision machinery & parts, bearings for car manufacturers and automotive component manufacturers, steering systems, automatic transmission components, etc.

For revenue by sales of such products, because the customer obtains control over the products upon delivery, the performance obligation is judged to have been satisfied and revenue is therefore recognised upon delivery of the products. Revenue is measured at the consideration promised in a contract with a customer, less discounts, rebates returned products and other items.

## **(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 earnings 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 earnings per share is calculated by adjusting the effects of all dilutive potential shares.

## **(21) Government grants**

Government grants are measured and recognised at fair value if the Company or the NSK Group companies meet the conditions for granting and there is reasonable assurance that the grants will be received. Grants related to expenses incurred are recognised in profit or loss in the same consolidated fiscal year as the year of accrual of the expenses. Grants related to assets are recognised as deferred income, and are recognised in profit or loss on a systematic basis over the useful lives of the related assets.

## **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 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, precision machinery & parts, 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.

In order to strengthen its response to IoT, 5G progress and electrification needs for vehicle and industrial machinery, the NSK Group reviewed its organization, transferring part of its automotive business operations to the industrial machinery business as of October 1st, 2020. Accordingly, the NSK Group altered the categories of its reportable segments from the fiscal year ended March 31, 2021. Segment information for the previous consolidated fiscal year have been reclassified to match current segments.

## (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, 2019 to March 31, 2020

(Millions of yen)

	Reportable segments			Others (Note 1)	Total	Adjustments (Note 2)	Consolidated
	Industrial Machinery Business	Automotive Business	Subtotal				
<b>Sales</b>							
Sales to third parties	284,426	521,857	806,284	24,750	831,034	—	831,034
Intersegment sales	—	—	—	23,937	23,937	-23,937	—
<b>Total</b>	<b>284,426</b>	<b>521,857</b>	<b>806,284</b>	<b>48,687</b>	<b>854,971</b>	<b>-23,937</b>	<b>831,034</b>
Segment income (Operating income)	14,732	9,174	23,907	1,365	25,273	-1,668	23,604
Total financial income (expenses)							460
Income before income taxes							24,065
<b>Other items</b>							
Capital expenditure	23,365	28,390	51,755	3,182	54,937	-9	54,927
Depreciation and amortisation	18,122	31,761	49,883	4,345	54,229	-303	53,926
Equity gain from investment in associates	410	1,854	2,265	17	2,282	—	2,282

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

(Note 2) The adjustment to segment income of ¥(1,668) million includes intersegment elimination of ¥293 million and other operating expenses not allocated to the reportable segments of ¥(1,961) million.

From April 1, 2020 to March 31, 2021

(Millions of yen)

	Reportable segments			Others (Note 1)	Total	Adjustments (Note 2)	Consolidated
	Industrial Machinery Business	Automotive Business	Subtotal				
<b>Sales</b>							
Sales to third parties	275,226	449,722	724,948	22,611	747,559	—	747,559
Intersegment sales	—	—	—	20,307	20,307	-20,307	—
<b>Total</b>	<b>275,226</b>	<b>449,722</b>	<b>724,948</b>	<b>42,918</b>	<b>767,866</b>	<b>-20,307</b>	<b>747,559</b>
Segment income (loss) (Operating income)	7,697	-4,018	3,678	979	4,658	1,705	6,364
Total financial income (expenses)							-475
Income before income taxes							5,889
<b>Other items</b>							
Capital expenditure	15,189	20,643	35,833	1,527	37,361	-57	37,303
Depreciation and amortisation	19,059	31,540	50,599	4,219	54,818	-290	54,527
Equity gain from investment in associates	562	3,357	3,920	156	4,076	—	4,076

(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 ¥1,705 million includes intersegment elimination of ¥233 million and other operating expenses not allocated to the reportable segments of ¥1,472 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, 2020	Year ended March 31, 2021
Japan	314,281	275,777
The Americas	139,249	107,829
Europe	110,075	94,800
China	148,525	166,660
Other Asia	118,902	102,492
<b>Total</b>	<b>831,034</b>	<b>747,559</b>

(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 March 31, 2020	As of March 31, 2021
Japan	225,530	221,115
The Americas	32,434	31,889
Europe	34,715	54,995
China	66,510	65,922
Other Asia	44,555	44,189
Total	403,747	418,112

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

## 5. Business Combinations

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

(Acquisition of Condition Monitoring System Business)

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

### (1) Outline of the business combination

#### ①BKV Germany

(i) Name of the acquired company and its business

Name of the acquired company: Brüel & Kjær Vibro GmbH

Business activities: Equipment maintenance and condition monitoring solutions

(ii) Percentage of voting equity interest acquired

100%

#### ②BKV Denmark

(i) Name of the acquired company and its business

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

Business activities: Equipment maintenance and condition monitoring solutions

(ii) Percentage of voting equity interest acquired

100%

#### ③BKV America

(i) Name of the acquired company and its business

Name of the acquired company: BK Vibro America Inc

Business activities: Equipment maintenance and condition monitoring solutions

(ii) Percentage of voting equity interest acquired

100%

**(2) Date of Acquisition**

March 1, 2021

**(3) Method of acquisition of the acquired company**

Acquisition of shares with cash as consideration

**(4) Main reason for the business combination**

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

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

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

(Millions of yen)

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

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

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

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

#### (6) Cash flow information

(Millions of yen)

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

#### (7) Acquisition-related expenses

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

#### (8) Effect on the consolidated statement of income

① Net sales and net income (loss) of the acquired company after the acquisition date recognised in the consolidated statement of income for the current fiscal year.

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

② The effect on net sales and net income (loss) of the acquired company in the current consolidated fiscal year on the assumption that the acquisition had taken place at the beginning of the fiscal year. This information has been omitted due to its immateriality in terms of amount. The pro forma information has not been audited.

#### 6. Cash and cash equivalents

Cash and cash equivalents consisted of the following.

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Cash and deposits	129,953	121,994
Short-term investments	7,344	54,644
Total	137,298	176,638

#### 7. Trade receivables and other receivables

Trade receivables and other receivables consisted of the following.

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Trade receivables	149,109	180,147
Allowance for doubtful accounts	-1,692	-534
Other	6,809	5,616
Total	154,226	185,228

The NSK Group securitizes a part of its trade receivables. However, there are some securitized receivables for which the NSK Group will be held liable for payment retroactively if the debtor does not make payment. Such securitized receivables are not derecognised as they do not qualify the requirements for derecognition of financial assets, and each creditor of the related liabilities corresponding to transferred assets has the right of redemption only for their relevant transferred assets.

The carrying amounts of “Trade receivables and other receivables” which are transferred assets that do not qualify the requirements for derecognition in its entirety and related liabilities recognized in “Other financial liabilities” are as follows.

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Carrying amount of transferred assets	—	2,209
Carrying amount of related liabilities	—	2,209

The difference between carrying amount and fair value of the financial assets and liabilities is minimal.

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

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Opening balance	-1,712	-1,692
Increase during the period	-219	-128
Decrease due to utilisation	14	113
Reversal during the period	87	1,223
Other	136	-50
Closing balance	-1,692	-534

## 8. Inventories

Inventories consisted of the following.

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Finished goods	81,664	77,348
Work in process	43,839	44,024
Raw materials and supplies	27,466	28,673
Total	152,971	150,046

Inventories recognised as expenses during the period amounted to ¥677,511 million including write-downs of ¥6,047 million in the previous consolidated fiscal year, and ¥621,318 million including write-downs of ¥5,881 million in the current consolidated fiscal year.

## 9. Property, plant and equipment

### (1) Breakdown of property, plant and equipment

Property, plant and equipment in consolidated statements of financial position consisted of the following.

(Millions of yen)		
	As of March 31, 2020	As of March 31, 2021
Property, plant and equipment	362,661	358,646
Right-of-use assets	21,316	20,031
Total	383,978	378,677

### (2) Change in property, plant and equipment

The change 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 March 31, 2019	259,188	706,340	96,994	39,615	39,939	1,142,078
IFRS 16 reclassification(*)	-316	-1,681	-2,483	—	—	-4,480
Balance as of April 1, 2019	258,872	704,659	94,510	39,615	39,939	1,137,597
Acquisitions	440	969	478	21	43,090	45,000
Disposals	-1,111	-12,600	-2,244	-607	-29	-16,593
Transfers from construction in progress	10,557	34,490	6,901	57	-52,006	—
Foreign exchange translation differences	-4,658	-19,238	-2,407	-203	-1,228	-27,736
Other	-78	177	-423	0	-490	-814
Balance as of March 31, 2020	264,021	708,457	96,814	38,885	29,274	1,137,454
Acquisitions	222	649	387	—	29,044	30,303
Acquisitions through business combinations	79	6	194	—	—	280
Disposals	-1,916	-12,158	-2,659	-15	-168	-16,919
Transfers from construction in progress	6,055	26,002	4,572	1	-36,632	—
Foreign exchange translation differences	5,468	22,590	3,068	193	1,013	32,334
Other	-29	14	46	—	188	220
Balance as of March 31, 2021	273,902	745,562	102,424	39,063	22,720	1,183,674

(\*)The NSK Group has adopted IFRS 16 since April 1, 2019. Accordingly, the balance of "Cost" related to lease assets was reclassified to the balance related to right-of-use assets.

## 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
Balance as of March 31, 2019	-161,735	-524,766	-77,242	—	—	-763,744
IFRS 16 reclassification(*)	312	640	1,830	—	—	2,784
Balance as of April 1, 2019	-161,422	-524,125	-75,411	—	—	-760,960
Depreciation costs	-7,771	-30,357	-6,600	—	—	-44,729
Impairment loss	-17	-261	-5	—	-35	-319
Disposals	982	11,440	2,019	—	—	14,442
Foreign exchange translation differences	2,241	12,757	1,797	—	-3	16,791
Other	0	-73	54	—	-0	-17
Balance as of March 31, 2020	-165,987	-530,620	-78,145	—	-39	-774,792
Depreciation costs	-7,781	-30,484	-6,445	—	—	-44,712
Impairment loss	—	-125	-7	—	—	-132
Disposals	1,813	11,268	2,582	—	—	15,664
Foreign exchange translation differences	-2,894	-15,678	-2,412	—	-7	-20,993
Other	-14	-6	19	—	-60	-61
Balance as of March 31, 2021	-174,864	-565,646	-84,408	—	-107	-825,028

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

(\*)The NSK Group has adopted IFRS 16 since April 1, 2019. The amounts related to lease that were recognised as accumulate depreciation of property, plant and equipment and accumulated impairment losses were transferred to the balance related to right-of-use asset.

## 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, 2019	97,452	181,573	19,752	39,615	39,939	378,333
Balance as of March 31, 2020	98,034	177,837	18,669	38,885	29,235	362,661
Balance as of March 31, 2021	99,037	179,916	18,016	39,063	22,612	358,646

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 ¥319 million and ¥132 million in the previous consolidated fiscal year and the current consolidated fiscal year, respectively, in *Cost of sales* and *Selling, general and administrative expenses* in the consolidated statements of income.

Recoverable amounts are measured at fair value less costs of disposal.

## 10. Intangible assets

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

### Cost

(Millions of yen)

	Goodwill	Software	Patents	Other	Total
Balance as of April 1, 2019	226	25,672	5,606	1,836	33,341
Acquisitions	—	4,051	1,226	6	5,284
Disposals	—	-1,622	-736	-14	-2,373
Foreign exchange translation differences	—	-412	-1	-40	-454
Other	—	77	0	—	78
Balance as of March 31, 2020	226	27,766	6,096	1,788	35,876
Acquisitions	—	3,235	580	11	3,827
Acquisitions through business combinations	20,230	89	—	627	20,947
Disposals	—	-1,602	-609	-3	-2,214
Foreign exchange translation differences	—	481	4	62	548
Other	—	86	7	0	94
Balance as of March 31, 2021	20,456	30,056	6,079	2,486	59,079

### Accumulated amortisation and accumulated impairment loss

(Millions of yen)

	Goodwill	Software	Patents	Other	Total
Balance as of April 1, 2019	—	-10,710	-2,490	-589	-13,790
Amortisation costs	—	-4,223	-682	-18	-4,924
Disposals	—	1,527	736	14	2,279
Foreign exchange translation differences	—	285	1	35	322
Other	—	5	0	-0	5
Balance as of March 31, 2020	—	-13,115	-2,435	-556	-16,108
Amortisation costs	—	-4,607	-709	-9	-5,327
Disposals	—	1,565	609	3	2,177
Foreign exchange translation differences	—	-341	-3	-33	-378
Other	—	-7	-0	-0	-7
Balance as of March 31, 2021	—	-16,505	-2,539	-598	-19,644

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)

	Goodwill	Software	Patents	Other	Total
Balance as of April 1, 2019	226	14,961	3,115	1,247	19,550
Balance as of March 31, 2020	226	14,650	3,660	1,231	19,768
Balance as of March 31, 2021	20,456	13,550	3,539	1,888	39,435

“Goodwill” which was included in “Other” in the previous consolidated fiscal year is separately presented in the current consolidated fiscal year due to its increased financial materiality. In order to reflect the change in the presentation method, the item for the previous consolidated fiscal year has been reclassified.

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

Goodwill of ¥20,230 million which were recognised as a result of the acquisition of the condition monitoring system business in the current consolidated fiscal year is a provisional amount as the assessment and verification process has not yet been completed as of the date these consolidated financial statements are issued, and thus the allocation to the relevant cash-generating unit has not been completed.

**11. Other financial assets**

Other financial assets consisted of the following.

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Time deposits over 3 months	2,658	1,375
Other	480	194
Total other current financial assets	3,138	1,569

Investment securities	45,874	70,224
Other	9,624	8,978
Total other non-current financial assets	55,498	79,203

**12. Trade payables and other payables**

Trade payables and other payables consisted of the following.

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Trade payables	83,294	98,461
Other	13,898	13,148
Total	97,193	111,609

### 13. Other financial liabilities

Other financial liabilities consisted of the following.

(Millions of yen)

Classification	As of March 31, 2020	As of March 31, 2021	Average interest rate (%)	Due date for repayment
Short-term debt	57,450	103,474	0.9	—
Current portions of long-term debt	10,233	12,072	1.6	—
Current portions of bonds	—	10,000	(Note 2)	
Other	4,122	4,658	—	—
Total other current financial liabilities	71,806	130,205	—	—

Long-term debts	81,486	86,893	0.7	2022 to 2035
Corporate bonds	130,000	120,000	(Note 2)	
Other	17,220	16,318	—	—
Total other non-current financial liabilities	228,707	223,211	—	—

(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 March 31, 2020	Balance as of March 31, 2021	Interest rate (%)	Collateral	Redemption date
NSK Ltd. (i.e., the Company)	43rd Series Unsecured Straight Bonds	September 10, 2014	20,000	20,000	0.769	None	September 10, 2024
NSK Ltd. (i.e., the Company)	44th Series Unsecured Straight Bonds	March 14, 2017	10,000	10,000	0.120	None	March 14, 2022
NSK Ltd. (i.e., the Company)	45th Series Unsecured Straight Bonds	March 14, 2017	10,000	10,000	0.400	None	March 12, 2027
NSK Ltd. (i.e., the Company)	46th Series Unsecured Straight Bonds	December 7, 2017	10,000	10,000	0.140	None	December 7, 2022
NSK Ltd. (i.e., the Company)	47th Series Unsecured Straight Bonds	December 7, 2017	10,000	10,000	0.380	None	December 7, 2027
NSK Ltd. (i.e., the Company)	48th Series Unsecured Straight Bonds	November 29, 2018	15,000	15,000	0.160	None	November 29, 2023
NSK Ltd. (i.e., the Company)	49th Series Unsecured Straight Bonds	November 29, 2018	15,000	15,000	0.290	None	November 28, 2025
NSK Ltd. (i.e., the Company)	50th Series Unsecured Straight Bonds	November 29, 2018	10,000	10,000	0.390	None	November 29, 2028
NSK Ltd. (i.e., the Company)	51st Series Unsecured Straight Bonds	September 2, 2019	10,000	10,000	0.190	None	September 2, 2026
NSK Ltd. (i.e., the Company)	52nd Series Unsecured Straight Bonds	September 2, 2019	20,000	20,000	0.280	None	August 31, 2029

There are no assets pledged as collateral for the above financial liabilities, etc.

#### 14. Lease transactions

The NSK Group leases mainly warehouses and land for plants as a lessee. Some lease contracts include extension (early termination) options. There are no material lease contracts that include escalation clauses and restrictions imposed by lease agreements.

The carrying amount and depreciation cost for right-of-use assets are as follows.

(Millions of yen)

	Buildings and structures	Machinery, vehicles and equipment	Tools, equipment and fixtures	Land	Total
Carrying amount as of March 31, 2020	13,501	1,988	1,369	4,456	21,316
Depreciation cost for right-of-use asset year ended March 31, 2020	2,860	677	569	163	4,272
Carrying amount as of March 31, 2021	12,050	1,924	1,704	4,350	20,031
Depreciation cost for right-of-use asset year ended March 31, 2021	2,979	716	616	174	4,487

Total cash outflow on lease transaction is as follows.

(Millions of yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Total cash outflow on lease transactions	8,908	8,962

Expenses and income relating to lease transactions consisted of the followings.

(Millions of yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Interest expense for lease liability	277	270
Short-term lease payments	2,878	2,685
Low-value asset lease payments	1,551	1,555
Variable lease payments	43	40
Sublease revenue	314	318

Increase in right-of-use asset is as follows.

(Millions of yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Increase in right-of-use asset	4,663	3,172

Changes and the balance by maturity dates of lease liabilities are stated in Note 25. Financial instruments.

## 15. Provisions

Provisions consisted of the following.

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Reserves for environmental measures	—	4
Other	159	313
Total current liabilities	159	318
Reserves for environmental measures	1,093	1,077
Other	7,066	1,841
Total non-current liabilities	8,160	2,919

The change in provisions consisted of the following.

(Millions of yen)

	Reserves for environmental measures	Other	Total
Balance as of March 31, 2020	1,093	7,225	8,319
Amount recognised during the period	100	2,021	2,121
Amount of decrease during the period (intended use)	-111	-2,233	-2,344
Amount of decrease during the period (reversal)	—	-4,828	-4,828
Other	0	-29	-29
Balance as of March 31, 2021	1,082	2,155	3,237

### Reserves for environmental measures

To prepare for expenditure related to the removal and disposal of asbestos and polychlorinated biphenyl (PCB), etc., 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.

### Other

Provision for Costs related to Antimonopoly Act is included in “Other”. The details of the related litigation and other legal matters are stated in “Note 29. Contingencies (Litigation and other legal matters)”.

## 16. Income taxes

### (1) Deferred tax

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

From April 1, 2019 to March 31, 2020

#### Deferred tax assets

(Millions of yen)

	Opening balance (April 1, 2019)	Amount recognised in profit or loss	Amount recognised in other comprehensive income	Closing balance (March 31, 2020)
Net defined benefit liability	8,021	-155	-1,221	6,644
Non-current assets – internal profit between consolidated companies	518	-67	—	450
Carryforward of unused tax losses	2,260	2,444	—	4,705
Accrued bonuses	4,450	-881	—	3,569
Inventories	3,001	-314	—	2,687
Other	11,955	182	—	12,137
Total	30,207	1,208	-1,221	30,194

#### Deferred tax liabilities

Depreciation costs	-2,595	-446	—	-3,041
Reserve for advanced depreciation of fixed assets	-1,731	-46	—	-1,778
Financial assets measured at fair value through other comprehensive income	-15,532	—	7,093	-8,438
Gain on contribution of securities to employees' retirement benefit trust	-9,800	—	—	-9,800
Other	-22,042	-159	—	-22,201
Total	-51,702	-652	7,093	-45,261
Net deferred tax assets (liabilities)	-21,494	555	5,872	-15,066

(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, 2020 to March 31, 2021**

**Deferred tax assets**

(Millions of yen)

	Opening balance (April 1, 2020)	Amount recognised in profit or loss	Amount recognised in other comprehensive income	Closing balance (March 31, 2021)
Defined benefit liability	6,644	-5	-3,297	3,342
Non-current assets-internal profit between consolidated companies	450	-78	—	372
Carryforward of unused tax losses	4,705	623	—	5,328
Accrued bonuses	3,569	81	—	3,650
Inventories	2,687	588	—	3,275
Other	12,137	160	—	12,298
<b>Total</b>	<b>30,194</b>	<b>1,370</b>	<b>-3,297</b>	<b>28,268</b>

**Deferred tax liabilities**

Defined benefit asset	—	—	-6,833	-6,833
Depreciation costs	-3,041	310	—	-2,731
Reserve for advanced depreciation of fixed assets	-1,778	64	—	-1,714
Financial assets measured at fair value through other comprehensive income	-8,438	—	-7,796	-16,235
Gain on contribution of securities to employees' retirement benefit trust	-9,800	—	—	-9,800
Other	-22,201	-14	—	-22,215
<b>Total</b>	<b>-45,261</b>	<b>360</b>	<b>-14,629</b>	<b>-59,530</b>
<b>Net deferred tax assets (liabilities)</b>	<b>-15,066</b>	<b>1,730</b>	<b>-17,926</b>	<b>-31,262</b>

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

**Unrecognised deferred tax assets**

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

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Carryforward of unused tax losses	2,442	4,181
Deductible temporary differences	8,196	9,639
Carryforward of tax credits	605	2,586
<b>Total</b>	<b>11,244</b>	<b>16,407</b>

“Carryforward of tax credits” which was included in “Deductible temporary differences” in the previous consolidated fiscal year is separately presented in the current consolidated fiscal year due to its increased financial materiality. In order to reflect the change in the presentation method, the item for the previous consolidated fiscal year has been reclassified.

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

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Year 1	—	—
Year 2	—	—
Year 3	—	—
Year 4	—	—
After Year 5 or no expiry date	2,442	4,181
Total	2,442	4,181

The amounts of no expiry date of carryforward of unused tax losses for which deferred tax assets have not been recognised in the previous consolidated fiscal year and the current consolidated fiscal year are ¥1,508 million and ¥3,061 million, respectively.

The amounts and expiry dates of the carryforward of tax credits for which deferred tax assets have not been recognised are as follows.

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Year 1	—	—
Year 2	—	655
Year 3	605	1,931
Year 4	—	—
After Year 5 or no expiry date	—	—
Total	605	2,586

Among the deferred tax assets recognised in the previous and current consolidated fiscal year, those recognised by taxable entities which have suffered losses in the previous or current consolidated fiscal year and the recoverability of the deferred tax assets is dependent on whether these entities can generate sufficient future taxable profits are ¥3,855 million and ¥16,940 million, respectively. The NSK Group considers the recoverability of deferred tax assets by analysing future taxable profits based on future profit-generating capabilities and tax planning strategies.

#### **Unrecognised deferred tax liabilities**

Taxable temporary differences relating to the undistributed profits of subsidiaries for which deferred tax liabilities have not been recognised were ¥4,710 million and ¥16,118 million in the previous consolidated fiscal year and the current consolidated fiscal year, respectively. The deferred tax liabilities have not been recognised for taxable temporary differences pertaining to subsidiary investments, because the Company and the 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 current consolidated fiscal year were 30.5%. 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.

Income tax expense consisted of the following.

	Year ended March 31, 2020	Year ended March 31, 2021
Current tax expenses	7,130	8,333
Deferred tax expenses	-1,174	-1,696
Income tax expense	5,956	6,637

The NSK Group records estimated amounts of income taxes to be additionally paid based on requests for advance pricing arrangement related to transfer pricing taxation, and "Income tax expense" for the current consolidated fiscal year includes said amount.

The major causes of the difference between the statutory effective tax rate in Japan and the effective tax rate after the application of tax effect accounting are as follows.

	Year ended March 31, 2020	Year ended March 31, 2021
Statutory effective tax rate	30.5 %	30.5 %
Items that are never deductible for income tax purposes such as entertainment expenses	3.9	13.5
Different tax rates applied to income of foreign subsidiaries	-8.2	-9.5
Tax effect of unused tax losses of subsidiaries not recognised in accounting	6.5	28.3
Tax credits	-3.1	-10.1
Changes in unrecognised deferred tax assets	-0.8	36.6
Items relating to transfer pricing taxation	—	24.7
Other	-4.1	-1.3
Effective tax rate after application of tax effect accounting	24.8 %	112.7 %

"Changes in unrecognised deferred tax assets" which was included in "Other" in the previous consolidated fiscal year is separately presented in the current consolidated fiscal year due to its increased financial materiality. In order to reflect the change in the presentation method, the item for the previous consolidated fiscal year has been reclassified.

## 17. 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 share-based compensation plan for directors, key employees, etc., 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 consolidated subsidiaries in UK sponsor a funded defined benefit and defined contribution schemes, providing retirement benefits to UK qualifying employees. Employees who joined these companies in or after 2003 have participated in the defined contribution scheme and the defined benefit scheme has been closed to new employees since 2003. Moreover, the defined benefit scheme has been frozen since the end of December 2016 to prevent the occurrence of any new benefit payment obligations that require further funding in the future and these companies offered a scheme to allow participants in the defined benefit scheme to transition to the defined contribution scheme.

#### ③ Other

Some consolidated subsidiaries including mainly those in the United States and East Asia 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.

The US subsidiaries of the Company, NSK Americas and some of its consolidated subsidiaries in US conducted defined benefit plan buy-out in March 2020 intended to transfer future risk. Consequently, the insurance company underwrote the plan assets and liabilities for the amount of the vested benefit obligation including fees, and provides benefits to the scheme participants.

Amounts recognised in the consolidated financial statements are as follows.

**As of March 31, 2020**

(Millions of yen)

	Japan	U.K.	Other	Total
Present value of defined benefit obligations	119,771	52,858	11,047	183,676
Fair value of plan assets	-164,843	-58,469	-3,526	-226,839
Total	-45,072	-5,610	7,520	-43,162
Net assets for retirement benefits in the consolidated statement of financial position	-45,072	-5,610	7,520	-43,162

**As of March 31, 2021**

(Millions of yen)

	Japan	U.K.	Other	Total
Present value of defined benefit obligations	124,861	64,114	9,770	198,747
Fair value of plan assets	-198,436	-67,622	-4,147	-270,206
Total	-73,574	-3,508	5,623	-71,459
Net assets for retirement benefits in the consolidated statement of financial position	-73,574	-3,508	5,623	-71,459

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

(Millions of yen)

	Japan	U.K.	Other	Total
As of April 1, 2019 Present value of defined benefit obligations	119,058	61,971	19,498	200,527
Current service cost	4,201	—	755	4,956
Interest cost	1,123	1,442	1,064	3,630
Remeasurements of net defined benefit liability (asset)				
Actuarial gains or losses arising from changes in demographic assumptions	—	-1,190	796	-394
Actuarial gains or losses arising from changes in financial assumptions	278	-2,495	253	-1,963
Retirement benefit paid	-4,728	-2,645	-1,887	-9,261
Past service cost	—	—	2	2
Decrease due to settlement	—	—	-8,418	-8,418
Foreign exchange translation differences, etc.	-160	-4,224	-1,017	-5,402
As of March 31, 2020 Present value of defined benefit obligations	119,771	52,858	11,047	183,676
Current service cost	4,120	—	747	4,867
Interest cost	1,129	1,273	407	2,810
Remeasurements of net defined benefit liability (asset)				
Actuarial gains or losses arising from changes in demographic assumptions	—	-533	163	-369
Actuarial gains or losses arising from changes in financial assumptions	4,719	5,647	-24	10,342
Retirement benefit paid	-5,223	-2,444	-690	-8,359
Past service cost	—	122	3	126
Decrease due to settlement	—	—	—	—
Foreign exchange translation differences, etc.	344	7,190	-1,882	5,652
As of March 31, 2021 Present value of defined benefit obligations	124,861	64,114	9,770	198,747

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

	Japan	U.K.	Other
Weighted average duration	13 years	17 years	6 to 9 years

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

(Millions of yen)

	Japan	U.K.	Other	Total
As of April 1, 2019 Fair value of plan assets	167,250	61,036	12,117	240,404
Interest income	1,669	1,446	376	3,492
Return on plan assets	-1,123	837	825	540
Contributions by employer	108	2,187	704	3,000
Retirement benefit paid	-3,062	-2,645	-1,203	-6,911
Decrease due to settlement	—	—	-8,739	-8,739
Foreign exchange translation differences, etc.	—	-4,394	-553	-4,947
As of March 31, 2020 Fair value of plan assets	164,843	58,469	3,526	226,839
Interest income	1,674	1,437	100	3,212
Return on plan assets	34,973	388	-14	35,347
Contributions by employer	147	2,210	431	2,788
Retirement benefit paid	-3,232	-2,444	-217	-5,894
Decrease due to settlement	—	—	—	—
Foreign exchange translation differences, etc.	30	7,562	320	7,913
As of March 31, 2021 Fair value of plan assets	198,436	67,622	4,147	270,206

The NSK Group plans to make contributions of ¥2,986 million in the fiscal year ending March 31, 2022.

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 March 31, 2020**

(Millions of yen)

	Japan		U.K.		Other	
	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	89,101	—	—	—	326	—
Bonds	31,516	—	55,154	—	2,416	—
Other	15,988	28,236	3,314	—	784	—
Total	136,606	28,236	58,469	—	3,526	—

**As of March 31, 2021**

(Millions of yen)

	Japan		U.K.		Other	
	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	120,818	—	—	—	364	—
Bonds	32,445	—	63,856	—	2,919	—
Other	15,516	29,656	3,766	—	863	—
Total	168,780	29,656	67,622	—	4,147	—

Significant actuarial assumptions are as follows.

**As of March 31, 2020**

	Japan	U.K.	Other
Discount rate	Mainly 1.0%	Mainly 2.4%	Mainly 2.8-3.2%

**As of March 31, 2021**

	Japan	U.K.	Other
Discount rate	Mainly 1.0%	Mainly 2.1%	Mainly 2.6-3.2%

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 March 31, 2020**

(Millions of yen)

		Japan	U.K.	Other
Discount rate	0.5% increase	-7,034	-4,668	-222
	0.5% decrease	7,721	5,302	263

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

**As of March 31, 2021**

(Millions of yen)

		Japan	U.K.	Other
Discount rate	0.5% increase	-7,394	-5,271	-340
	0.5% decrease	8,071	6,005	388

(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 current consolidated fiscal year in relation to defined contribution plans are as follows.

(Millions of yen)

Year ended March 31, 2020	Year ended March 31, 2021
2,247	2,134

**(3) Employee benefit costs**

The total amounts of employee benefit costs for the previous consolidated fiscal year and the current consolidated fiscal year were ¥182,944 million and ¥171,827 million, respectively. They are presented in *Cost of sales* and *Selling, general and administrative expenses* in the consolidated statements of income.

## 18. 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.

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Current assets	26,490	31,274
Non-current assets	22,710	21,598
Total assets	49,200	52,873
Current liabilities	9,678	10,680
Non-current liabilities	8,116	7,876
Total liabilities	17,794	18,556
Total equity	31,406	34,316
Ownership ratio (%)	50.0%	50.0%
Equity attributable to owners of the parent	15,703	17,158
Consolidated elimination	1,106	2,013
Carrying amount	16,809	19,171

(Millions of yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Sales	59,071	52,544
Income before income taxes	4,623	7,240
Net income	3,471	5,982
Other comprehensive income	-169	399
Total comprehensive income	3,302	6,381

Dividends received by the Company from NSK-Warner K.K. amounted to ¥2,094 million and ¥1,735 million in the previous period and the current period, respectively.

## 19. Equity and other equity items

### (1) Issued shares and treasury shares

#### As of March 31, 2020

	Opening balance (April 1, 2019)	Increase	Decrease	Closing balance (March 31, 2020)
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	39,262,010	11,683	162,659	39,111,034

(Note 1) The number of treasury shares includes 5,733,708 shares of the Company held in the trust account of the Board Benefit Trust at the end of the current consolidated fiscal year.

(Note 2) The shares issued have been fully paid.

(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: 2,437 shares

Treasury shares (the Company's shares) acquired by equity method affiliates attributable to the Company: 9,246 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: 59 shares

Shares provided from the Board Benefit Trust, etc.: 162,600 shares

#### As of March 31, 2021

	Opening balance (April 1, 2020)	Increase	Decrease	Closing balance (March 31, 2021)
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	39,111,034	10,185	403,498	38,717,721

(Note 1) The number of treasury shares includes 5,330,308 shares of the Company held in the trust account of the Board Benefit Trust at the end of the current consolidated fiscal year.

(Note 2) The shares issued have been fully paid.

(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: 2,350 shares

Treasury shares (the Company's shares) acquired by equity method affiliates attributable to the Company: 7,835 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: 98 shares

Shares provided from the Board Benefit Trust, etc.: 403,400 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. Changes in capital surplus also include the effect of changes in its ownership interest in a subsidiary that do not result in a loss of control.

### (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.

## 20. Share-based payments

### (1) Share option scheme

Until the consolidated fiscal year ended March 2016, the NSK Group had granted to its directors, executive officers and some employees the rights to purchase the Company's shares as share options. 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.

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

	Grant date	Expiry date	Exercise price (yen)	Fair value at grant date (yen)
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, 2020	Year ended March 31, 2021
Granted in 2015	820,000	747,000	717,000

The number of exercisable share options outstanding and the average exercise prices in the previous consolidated fiscal year and the current consolidated fiscal year are shown in the table below. The weighted average remaining contractual life of unexercised share options was 5.3 years and 4.3 years, respectively, for these periods.

	Year ended March 31, 2020		Year ended March 31, 2021	
	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	1,406,000	1,641	747,000	1,806
Options exercised during the period	—	—	—	—
Options expired during the period	-659,000	1,454	-30,000	1,806
Unexercised options outstanding at the end of the period	747,000	1,806	717,000	1,806
Exercisable options outstanding at the end of the period	747,000	1,806	717,000	1,806

There were no share options exercised in the previous consolidated fiscal year and the current consolidated fiscal year.

## (2) Board Benefit Trust (for directors and executive officers)

Through the resolution passed at Compensation Committee held on May 16, 2016, the Company has established a Board Benefit Trust, which is a share-based payment scheme using a trust structure, for its directors and executive officers. In this scheme, the Board Benefit Trust acquires the Company's shares and provides the Company's shares corresponding to the total points granted by the Company (share benefit portion) and money corresponding to the value of shares (cash benefit portion) to eligible directors and executive officers when they retire. The share benefit portion of this payment scheme is accounted for as equity-settled share-based payment and its cash benefit portion is accounted for as cash-settled share-based payment. These shares of the Company held in the Trust continue to be accounted for as treasury shares.

Compensation Committee held on March 27, 2019 resolved to revise a Board Benefit Trust, which is performance-based programme, for its executive officers beginning April 1, 2019. However, the stock compensation programme for directors who do not serve as executive officers will be operated as previously as a stock compensation programme with no added incentive for business performance.

Share-based payment expenses for the current consolidated fiscal year were recognised based on the number of points and others granted as consideration for the fiscal year ended March 31, 2021. Expenses for equity-settled share-based payment transactions in the consolidated statements of income for the previous and the current consolidated fiscal year are ¥369 million and ¥236 million, respectively. Expenses for cash-settled share-based payment transactions recognised in the consolidated statements of income for the previous and the current consolidated fiscal year are ¥(67) million and ¥419 million, respectively. The number of the Company's shares held in the trust account of the Board Benefit Trust at the end of the current consolidated fiscal year is 5,091,668 shares.

### Fair measurement method used to measure the unit value of the Company's shares granted under this payment scheme

- (a) The major assumptions of weighted-average fair value measurement of the Company's shares granted as stock-based compensation for its directors are calculated as follows.

	Year ended March 31, 2020	Year ended March 31, 2021
Grant date	June 27, 2019	June 30, 2020
Number of share points	22,873	27,174
Share price at the grant date	¥958	¥799
Estimated remaining life (Note 1)	7 years	7 years
Dividend payout ratio (Note 2)	4.1%	4.5%
Discount rate (Note 3)	-0.24%	-0.09%
Weighted-average fair value per point	¥720	¥583

(Note 1) Number of years from the grant date through the day on which shares are delivered.

(Note 2) Calculated based on the past payout ratios of the Company.

(Note 3) Based on the yield of Japanese government bonds corresponding to the estimated remaining life.

- (b) The weighted-average fair value of the Company's shares granted as stock-based compensation for its executive officers is calculated with relative TSR that compares total shareholder return at the end of performance evaluation period and growth rate of TOPIX.

The major assumptions of weighted-average fair value are as follows.

Grant date	Year ended March 31, 2020		Year ended March 31, 2021
	April 1, 2019	October 1, 2019	April 1, 2020
Number of share points (Note 1)	587,469	1,564	669,439
Share price at the grant date	¥1,067	¥949	¥641
Estimated remaining life (Note 2)	7 years	7 years	7 years
Dividend payout ratio (Note 3)	3.7%	4.2%	4.7%
TOPIX dividend rate (Note 4)	2.0%	2.6%	2.4%
Discount rate (Note 5)	-0.20%	-0.29%	-0.15%
Weighted-average fair value per point	¥859	¥769	¥504

(Note 1) Number of points before performance evaluation.

(Note 2) Number of years from the grant date through the day on which shares are delivered.

(Note 3) Based on expected dividend at the grant date.

(Note 4) Calculated based on TOPIX in the previous year that the grant date belongs and TOPIX Dividend Index

(Note 5) Based on the yield of Japanese government bonds corresponding to the calculation period

### (3) Board Benefit Trust (for certain officers and employees of the Company and some of its subsidiaries)

The Company has established a Board Benefit Trust, which is a share-based payment scheme using a trust structure, for certain officers and employees of the Company and some of its subsidiaries (hereinafter "key employees, etc.") In this scheme, the Board Benefit Trust acquires the Company's shares and provides the Company's shares corresponding to the total points granted by the Company (share benefit portion) and money corresponding to the value of shares (cash benefit portion) to eligible key employees, etc. when they retire.

These shares of the Company held in the Trust continue to be accounted for as treasury shares. The share benefit portion of this payment scheme is accounted for as equity-settled share-based payment and its cash benefit portion is accounted for as cash-settled share-based payment.

Share-based payment expenses for the current consolidated fiscal year were recognised based on the number of points granted as consideration for the fiscal year ended March 31, 2021. Expenses for equity-settled share-based payment transactions recognised in the consolidated statements of income for the previous and the current consolidated fiscal year are ¥44 million, ¥23 million, respectively. Expenses for cash-settled share-based payment transactions recognised in the consolidated statements of income for the previous and the current consolidated fiscal year are ¥18 million, ¥7 million, respectively. The number of the Company's shares held in the trust account of the Board Benefit Trust at the end of the current consolidated fiscal year is 238,640 shares.

## Fair measurement method used to measure the unit value of the Company's shares granted under this payment scheme

The major assumptions of weighted-average fair value of the Company's shares granted under this payment scheme are as follows.

	Year ended March 31, 2020	Year ended March 31, 2021
Grant date	August 1, 2019	August 1, 2020
Number of share points	40,673	47,833
Share price at the grant date	¥938	¥700
Estimated remaining life (Note 1)	5 years	5 years
Dividend payout ratio (Note 2)	4.2%	5.1%
Discount rate (Note 3)	-0.22%	-0.11%
Weighted-average fair value per point	¥762	¥541

(Note 1) Number of years from the grant date through the day on which shares are delivered.

(Note 2) Calculated based on the past payout ratios of the Company.

(Note 3) Based on the yield of Japanese government bonds corresponding to the estimated remaining life.

## 21. Sales

### (1) Disaggregation of revenue

The business of the NSK Group is comprised of the Industrial Machinery Business and the Automotive Business, whose operating results are regularly reviewed by the Board of Directors to make decisions about resources to be allocated and assess its performance.

Net sales have been disaggregated into these reportable segments by geographical area, as shown below.

From April 1, 2019 to March 31, 2020

(Millions of yen)

	Reportable segments			Other	Total
	Industrial Machinery Business	Automotive Business	Subtotal		
Japan	81,192	217,279	298,471	15,809	314,281
The Americas	40,846	97,749	138,596	653	139,249
Europe	51,232	54,563	105,795	4,279	110,075
China	65,964	80,449	146,413	2,111	148,525
Other Asia	45,191	71,815	117,006	1,895	118,902
Total	284,426	521,857	806,284	24,750	831,034

(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.

(Note 4) "Other" 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 5) The NSK Group altered the categories of its reportable segments from the current consolidated fiscal year.

The details are stated in "Note 4: Segment information". The reportable segments information for the previous consolidated fiscal year have been reclassified based on the new reportable segments.

From April 1, 2020 to March 31, 2021

(Millions of yen)

	Reportable segments			Other	Total
	Industrial Machinery Business	Automotive Business	Subtotal		
Japan	71,793	189,747	261,541	14,236	275,777
The Americas	35,298	72,065	107,363	465	107,829
Europe	43,125	47,779	90,904	3,895	94,800
China	82,012	82,029	164,041	2,619	166,660
Other Asia	42,997	58,100	101,097	1,395	102,492
Total	275,226	449,722	724,948	22,611	747,559

(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.

(Note 4) "Other" 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 5) The NSK Group altered the categories of its reportable segments from the current consolidated fiscal year. The details are stated in "Note 4: Segment information".

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

With regard to these sales, revenue is recognised when the NSK Group transfers control of goods to the customer, in other words, when it transports and delivers the goods to a location designated by the customer. Promised considerations include no significant financing component as the NSK Group mostly receives considerations within three months after the delivery of goods to the customers.

Although the NSK Group determines the transaction price of goods with each customer at the commencement of transactions, it offers rebates on certain goods according to the transaction volume over a given period, and accordingly, with regard to the amount of such variable consideration, the NSK Group adjusts the transaction price based on the terms and conditions of the contract and other factors.

## (2) Contract balances

Contract balances of the NSK Group which are stated in "Note 7: Trade receivables and other receivables" mainly comprise of receivables arising from contracts with customers.

## (3) Transaction price allocated to remaining performance obligations

As the NSK Group does not recognise significant transactions with initial expected terms exceeding one year, it has applied a practical expedient and does not disclose information on remaining performance obligations.

Additionally, among the consideration arising from contracts with customers, there are no significant amounts not included in the transaction price.

## 22. Selling, general and administrative expenses

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

(Millions of yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Labour costs	58,687	55,416
Logistics expenses	22,067	20,734
Research and development costs	14,383	13,110
Rent expenses	1,733	1,434
Product compensation	2,715	4,793
Depreciation and amortisation	8,734	8,924
Transportation expenses	3,714	1,140
Fees	2,397	2,189
Sales-related expenses	2,773	2,343
Other	13,029	15,335
Total	130,238	125,425

## 23. Other operating expenses

Components of other operating expenses in the previous consolidated fiscal year and the current consolidated fiscal year are as follows.

(Millions of yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Foreign exchange losses	1,271	550
Loss related to Antimonopoly Act	461	-2,975
Acquisition-related costs incurred for business combinations	-	824
Other	229	128
Total	1,961	-1,472

The "Loss related to Antimonopoly Act" for the current consolidated fiscal year includes gain on reversal of loss on "Provisions (non-current)" as the result of the change in accounting estimate of losses related to potential future settlements of lawsuits regarding the NSK Group's products, etc.

The "Acquisition-related costs incurred for business combinations" includes the acquisition related expenses for the Condition Monitoring System business. The details of the business combination are stated in "Note 5. Business combinations".

## 24. Financial income and expenses

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

(Millions of yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Interests received Financial assets measured at amortised cost	546	524
Dividends received Financial assets measured at fair value through other comprehensive income	1,599	1,238
Other financial income Financial assets measured at amortised cost	1,263	373
Total financial income	3,409	2,137
Interest expenses Financial liabilities measured at amortised cost	2,523	2,739
Other financial expenses	425	-127
Total financial expenses	2,948	2,612

## 25. 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 appropriate control of net debt-equity ratio (ratio of net interest-bearing debt to capital attributable to owners of the 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, the NSK Group seeks 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 income taxes 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 March 31, 2020	Year ended March 31, 2021
Income before income taxes	U.S. dollar	24	14
	Euro	6	16

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

(Millions of yen)

Type	As of March 31, 2020			As of March 31, 2021		
	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	12,310	—	43	18,513	—	-620
Euro	4,657	—	26	5,603	—	-86
Buy						
U.S. dollar	491	—	8	563	—	5
Euro	—	—	—	—	—	—

**(b) Interest risks**

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

**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 the NSK Group's borrowings with floating rates, the impact on income before income taxes 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 the 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 March 31, 2020	Year ended March 31, 2021
Income before income taxes	-574	-1,034

**(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 March 31, 2020	Year ended March 31, 2021
Other comprehensive income	-293	-448

**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, 2020 and March 31, 2021 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 an adequate level. Such risks are deemed to be limited in the NSK Group, given that it has established a ¥80 billion line of commitment with financial institutions and has secured a ¥50 billion facility for issuing commercial papers, in addition to its ability to generate cash flows through operating activities.

The balance of financial liabilities by maturity dates are as follows.

(Millions of yen)

As of March 31, 2020	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	97,193	97,193	97,193	—	—	—	—	—
Short-term debts	57,450	57,819	57,819	—	—	—	—	—
Long-term debts	91,719	94,772	10,948	12,583	10,413	19,304	11,206	30,316
Corporate bonds	130,000	132,704	439	10,439	10,427	15,413	20,312	75,673
Lease liabilities	21,331	23,256	4,343	3,297	2,297	1,780	1,621	9,916
Derivative financial assets								
Foreign exchange forward contracts	279	279	279	—	—	—	—	—
Derivative financial liabilities								
Foreign exchange forward contracts	11	11	11	—	—	—	—	—

(Millions of yen)

As of March 31, 2021	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	111,609	111,609	111,609	—	—	—	—	—
Short-term debts	103,474	104,375	104,375	—	—	—	—	—
Long-term debts	98,965	101,725	12,844	14,451	25,847	11,235	18,205	19,140
Corporate bonds	130,000	132,265	10,439	10,427	15,413	20,312	15,235	60,437
Lease liabilities	20,179	22,010	4,086	3,091	2,195	1,830	1,615	9,190
Derivative financial assets								
Foreign exchange forward contracts	6	6	6	—	—	—	—	—
Derivative financial liabilities								
Foreign exchange forward contracts	797	797	797	—	—	—	—	—

### (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. Fair value of financial assets and liabilities measured at amortised cost excluding corporate bonds and long-term debts are not included because the difference between carrying amount and fair value is minimal. Financial instruments measured at fair value are also not included because the carrying amount matches the fair value.

(Millions of yen)

	As of March 31, 2020		As of March 31, 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Long-term debts	91,719	92,739	98,965	100,125
Corporate bonds	130,000	129,735	130,000	129,894

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

Among investment securities, the fair value of listed shares for which an active market exists is calculated based on the price at exchanges. The fair value of unlisted shares, 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 March 31, 2020 and March 31, 2021.

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

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

The fair value of corporate bonds issued by the Company is calculated and based on market prices.

## 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

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

As of March 31, 2020

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through other comprehensive income				
Shares, etc.	42,365	—	3,509	45,874
Financial assets measured at fair value through profit or loss				
Derivative financial assets	—	279	—	279
Financial liabilities				
Financial liabilities measured at amortised cost				
Long-term debts	—	92,739	—	92,739
Corporate bonds	—	129,735	—	129,735
Financial liabilities measured at fair value through profit or loss				
Derivative financial liabilities	—	11	—	11

As of March 31, 2021

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through other comprehensive income				
Shares, etc.	64,585	—	5,638	70,224
Financial assets measured at fair value through profit or loss				
Derivative financial assets	—	6	—	6
Financial liabilities				
Financial liabilities measured at amortised cost				
Long-term debts	—	100,125	—	100,125
Corporate bonds	—	129,894	—	129,894
Financial liabilities measured at fair value through profit or loss				
Derivative financial liabilities	—	797	—	797

Financial assets classified in Level 1 are listed shares.

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

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

The NSK Group recognises 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 current consolidated fiscal year.

(Millions of yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Opening balance	4,350	3,509
Gain (loss) recognised in other comprehensive income	-816	2,027
Purchase	—	108
Sale and redemption	-25	-6
Closing balance	3,509	5,638

Gains (losses) recognised in other comprehensive income are those related to equity instruments measured at fair value through other comprehensive income and are included in “Net changes in financial assets measured at fair value through other comprehensive income” in the consolidated statements of comprehensive income.

The fair value of the major equity instruments with an active market are as follows:

(Millions of yen)

Listed Issue	As of March 31, 2020	As of March 31, 2021
NIDEC Corporation	9,182	22,002
Toyota Motor Corporation	11,195	14,838
Makita Corporation	2,716	3,887
Suzuki Motor Corporation	1,341	2,607
Mizuho Financial Group	1,824	2,360

The fair value of financial instruments without active markets for the previous consolidated fiscal year and the current consolidated fiscal year were ¥3,509 million and ¥5,638 million, respectively.

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 current consolidated fiscal year were ¥7,951 million and ¥1,879 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 March 31, 2020	Year ended March 31, 2021
Fair value at the date of derecognition	13,605	3,809
Cumulative gain or loss at the date of derecognition	11,440	2,643
Dividends income on investments that have been derecognised	243	80

#### (4) Offset of financial assets and financial liabilities

Financial assets and financial liabilities are offset and presented in the net amount on the consolidated statement of financial position when the NSK Group has a legally enforceable right to set off the recognised amounts and also intends to settle them on the net basis or to realise the assets and settle the liabilities simultaneously.

## (5) Changes in liabilities arising from financing activities

Changes in liabilities classified as cash flows from financing activities are as follows:

From April 1, 2019 to March 31, 2020

(Millions of yen)

	Opening balance as of April 1, 2019	IFRS 16 adjustments	Cash flow	Changes arising from non-cash transactions		Closing balance as of March 31, 2020
				Increase by contract	Foreign exchange translation, etc.	
Corporate bonds	120,000	—	10,000	—	—	130,000
Short-term loans payable	58,637	—	-62	—	-1,123	57,450
Long-term loans payable	96,142	—	-4,099	—	-323	91,719
Lease liabilities	1,754	19,403	-4,157	4,691	-360	21,331
<b>Total</b>	<b>276,534</b>	<b>19,403</b>	<b>1,680</b>	<b>4,691</b>	<b>-1,807</b>	<b>300,502</b>

From April 1, 2020 to March 31, 2021

(Millions of yen)

	Opening balance as of April 1, 2020	Cash flow	Changes arising from non-cash transactions			Closing balance as of March 31, 2021
			Increase by business combinations	Increase by contract	Foreign exchange translation, etc.	
Corporate bonds	130,000	—	—	—	—	130,000
Short-term loans payable	57,450	39,194	1,871	—	4,957	103,474
Long-term loans payable	91,719	6,584	—	—	660	98,965
Lease liabilities	21,331	-4,409	143	3,161	-47	20,179
<b>Total</b>	<b>300,502</b>	<b>41,369</b>	<b>2,015</b>	<b>3,161</b>	<b>5,570</b>	<b>352,619</b>

## 26. Earnings per share

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

	Year ended March 31, 2020	Year ended March 31, 2021
Basic earnings per share	¥34.00	¥0.69
Diluted earnings per share	¥33.91	¥0.69

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

	Year ended March 31, 2020	Year ended March 31, 2021
Net income attributable to owners of the parent (millions of yen)	17,412	355
Weighted average number of issued common shares (thousand shares)	512,142	512,427
Impact of dilution: Board Benefit Trust, etc. (thousand shares)	1,386	1,627
Weighted average number of issued common shares after dilution (thousand shares)	513,529	514,054

## 27. Dividends

### ① Dividends paid

#### Year ended March 31, 2020

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 21, 2019	Common shares	10,290	20.00	March 31, 2019	June 6, 2019
Meeting of Board of Directors held on October 30, 2019	Common shares	10,367	20.00	September 30, 2019	December 2, 2019

(Note 1) The total amount of dividends based on the resolution passed at the meeting of the Board of Directors held on May 21, 2019 includes dividend of ¥41 million paid to the Company's shares held in the trust account of the Board Benefit Trust.

(Note 2) The total amount of dividends based on the resolution passed at the meeting of the Board of Directors held on October 30, 2019 includes dividend of ¥114 million paid to the Company's shares held in the trust account of the Board Benefit Trust.

#### Year ended March 31, 2021

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 June 2, 2020	Common shares	5,183	10.00	March 31, 2020	June 30, 2020
Meeting of Board of Directors held on November 2, 2020	Common shares	5,183	10.00	September 30, 2020	December 8, 2020

(Note 1) The total amount of dividends based on the resolution passed at the meeting of the Board of Directors held on June 2, 2020 includes dividend of ¥57 million paid to the Company's shares held in the trust account of the Board Benefit Trust.

(Note 2) The total amount of dividends based on the resolution passed at the meeting of the Board of Directors held on November 2, 2020 includes dividend of ¥53 million paid to the Company's shares held in the trust account of the Board Benefit Trust.

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

#### Year ended March 31, 2020

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 June 2, 2020	Common shares	Retained earnings	5,183	10.00	March 31, 2020	June 30, 2020

(Note) The total amount of dividends based on the resolution passed at the meeting of the Board of Directors held on June 2, 2020 includes dividend of ¥57 million paid to the Company's shares held in the trust account of the Board Benefit Trust.

#### Year ended March 31, 2021

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 20, 2021	Common shares	Retained earnings	5,183	10.00	March 31, 2021	June 11, 2021

(Note) The total amount of dividends based on the resolution passed at the meeting of the Board of Directors held on May 20, 2021 includes dividend of ¥53 million paid to the Company's shares held in the trust account of the Board Benefit Trust.

## 28. 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 current consolidated fiscal year are as follows.

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Purchase of finished goods	49,606	44,854
Balance of Accounts payable trade	9,268	10,811

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)

	Year ended March 31, 2020	Year ended March 31, 2021
Fixed remuneration/performance-linked remuneration	1,295	1,348
Share-based payments	302	655
Total	1,597	2,003

## 29. Contingencies

### (Litigation and other legal matters)

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

In addition, in the United States and Canada, plaintiffs, including representatives of purchasers of bearings or other products, had filed class actions against certain parties, including the Company and certain subsidiaries in Japan, the United States, Canada, and Europe. However, during the current consolidated fiscal year, the Company and these subsidiaries reached a settlement with representatives of the plaintiffs in the class actions filed in the U.S. and the Canadian provinces of Ontario, Quebec and British Columbia. The settlement effectively ends all of the class actions throughout the United States and Canada.

At the end of the current consolidated fiscal year, the Company has posted reasonably estimated losses in “provisions (non-current)” in connection with potential settlements related to alleged violations of competition laws in past sales of its and certain subsidiaries’ products. The Company, its subsidiaries and its affiliated companies may face additional follow-on actions similar or identical in nature to these actions. The NSK Group will manage these actions appropriately. Furthermore, as the cases proceed, the NSK Group will consider whether it may be able to reach settlements with such plaintiffs and others.

In addition, on and after January 13, 2021 (local time), the plaintiffs, consisting of residents in the vicinity of a tank terminal and others, filed several lawsuits with district courts in the State of Texas, U.S. against Intercontinental Terminals Company LLC (“ITC”), a U.S. company which is the owner of the tank terminal, and other related parties, alleging that a fire occurred on March 17, 2019 (local time) at the tank terminal owned by ITC in Houston, Texas, and that the plaintiffs suffered damage, such as, among other damage, health problems due to the fire. Subsequently, the plaintiffs filed multiple lawsuits against the Company and certain subsidiaries, along with other related parties, alleging that the NSK Group's products were used for some of the equipment in the tank terminal. The NSK Group will continue to fight against these claims, arguing that the NSK Group's products had nothing to do with the fire.

The Company, its subsidiaries and its affiliated companies may face additional follow-on actions similar or identical in nature to these actions. The NSK Group will manage these actions appropriately.

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

#### **(Transfer of Fixed Assets)**

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

#### **1. Reason for the Transfer**

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

#### **2. Outline of the asset to be transferred**

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

Name and description of asset: NSK Saginuma Sports Ground

Land: 36,861 m<sup>2</sup>, Building: 371 m<sup>2</sup>

Current status: Used as a sports ground

(Note) The transfer price and book value are not disclosed in detail according to our contractual agreement with the transferee.

The transfer price is appropriate and reflects the market price.

#### **3. Outline of the Transferee**

Although the transferee is an educational entity, detailed information of the transferee is not disclosed according to our contractual agreement.

In addition to continuing to contribute to the local community by allowing use of the facilities, etc., the transferee will take into account the requests of Kawasaki City, such as requests regarding operational considerations and to meet the needs of the surrounding urban area.

#### **4 Schedule of the Transfer**

1) Date of decision by Company Representative: April 28, 2021

2) Date of contract execution: April 28, 2021

3) Date of hand over (planned): October 29, 2021

#### **5. Effects on the NSK Group's business performance**

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

**(2) 【Others】****1 Quarterly information from April 1, 2020 to March 31, 2021**

(Millions of yen)

	First quarter (Period from April 1, 2020 to June 30, 2020)	Second quarter (Period from April 1, 2020 to September 30, 2020)	Third quarter (Period from April 1, 2020 to December 31, 2020)	160 <sup>th</sup> Consolidated fiscal year (Period from April 1, 2020 to March 31, 2021)
Sales	128,870	315,392	530,338	747,559
Income (loss) before income taxes	-12,527	-10,671	-4,895	5,889
Net income attributable to owners of the parent	-9,699	-12,287	-7,948	355
Basic earnings per share (yen)	-18.94	-23.98	-15.51	0.69

	First quarter (Period from April 1, 2020 to June 30, 2020)	Second quarter (Period from July 1, 2020 to September 30, 2020)	Third quarter (Period from October 1, 2020 to December 31, 2020)	Fourth quarter (Period from January 1, 2021 to March 31, 2021)
Quarterly basic earnings per share (yen)	-18.94	-5.05	8.47	16.20

**2 Past violations of competition law**

As noted in “1 [Consolidated financial statements, etc.], [Notes to consolidated financial statements], 29 Contingencies, (Litigation and other legal matters)”, the Company and some of its subsidiaries are under investigation by relevant authorities outside Japan.

## Appendix: NSK Group Companies

As of March 31, 2021

Region	Company Name	Voting rights ratio	Outline of Business
<b>Subsidiaries</b>			
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
	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	100.0%	Research and development of automotive components
<b>THE AMERICAS</b>			
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
	BK VIBRO AMERICA INC.	100.0%	Manufacture of condition monitoring equipment and sale and provision of condition monitoring services
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
	AKS PRECISION BALL MEXICO S.A. DE C.V.	100.0%	Manufacture and sales of steel balls
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

Region	Company Name	Voting rights ratio	Outline of Business
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## 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
	BRÜEL & KJÆR VIBRO GMBH	100.0%	Manufacture of condition monitoring equipment and sale and provision of condition monitoring services
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
Denmark	BRÜEL & KJÆR VIBRO A/S	100.0%	Development of condition monitoring equipment
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
Morocco	NSK STEERING SYSTEMS MOROCCO S.A.R.L	100.0%	Manufacture of automotive components

## 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 (CHINA) RESEARCH AND DEVELOPMENT CO., LTD.	100.0%	Technological support and development of bearings, automotive components and precision machinery & parts
	NSK HANGZHOU AUTOMOTIVE COMPONENTS CO., LTD	100.0%	Manufacture of automotive components
	NSK HANGZHOU AUTOMOTIVE ELECTRONIC TECHNOLOGY CO., LTD.	100.0%	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
Region	Company Name	Voting rights ratio	Outline of Business
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 ASEAN AND OCEANIA PTE LTD.	100.0%	Regional Headquarters of ASEAN/OCEANIA operations
	NSK INTERNATIONAL (SINGAPORE) PTE LTD.	100.0%	Sales of bearings
	NSK SINGAPORE (PRIVATE) LTD.	100.0%	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 BEARINGS INDIA PRIVATE LTD.	100.0%	Manufacture and Sale of bearings & precision equipment
	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

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 JIKUJKE KOGYO CO., LTD.	40.0%	Manufacture and sales of bearings
Thailand	NSK BEARINGS (THAILAND) CO., LTD.	49.0%	Sales of bearings, automotive components and precision machinery & parts

Others; 12 companies