

Consolidated Financial Statements

NSK Ltd. and Consolidated Subsidiaries

Year ended March 31, 2018
With Independent Auditor's Report

Independent Auditor's Report

The Board of Directors
NSK Ltd.

We have audited the accompanying consolidated financial statements of NSK Ltd. and its consolidated subsidiaries, which comprise the consolidated statements of financial position as of March 31, 2018, and the consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of NSK Ltd. and its consolidated subsidiaries as of March 31, 2018, and their consolidated financial performance and cash flows for the year then ended in conformity with International Financial Reporting Standards.

Ernst & Young ShinNihon LLC

June 22, 2018
Tokyo, Japan

[Financial Information]

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

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

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

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

2. Audit certification

The Company has been audited by Ernst & Young ShinNihon LLC with respect to its consolidated financial statements for the consolidated fiscal year (from April 1, 2017 to March 31, 2018) and its non-consolidated financial statements for the business year (from April 1, 2017 to March 31, 2018), 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, 2017	As of March 31, 2018
Assets			
Current assets			
Cash and cash equivalents	5	139,573	131,283
Trade receivables and other receivables	6	200,954	217,200
Inventories	7	131,810	143,052
Other financial assets	10	12,284	1,953
Income tax receivables	15	3,024	1,006
Other current assets		18,637	16,848
Total current assets		506,284	511,346
Non-current assets			
Property, plant and equipment	8	329,183	351,875
Intangible assets	9	17,174	18,191
Investments accounted for using equity method	17	23,186	27,168
Other financial assets	10	88,904	96,543
Deferred tax assets	15	21,052	18,931
Net defined benefit assets	16	54,969	64,171
Other non-current assets		3,198	4,082
Total non-current assets		537,670	580,964
Total assets		1,043,955	1,092,310
Liabilities and Equity			
Liabilities			
Current liabilities			
Trade payables and other payables	11	150,212	141,797
Other financial liabilities	12	111,240	109,168
Provisions	14	60	66
Income tax payables	15	4,540	6,123
Other current liabilities		52,548	50,804
Total current liabilities		318,603	307,960
Non-current liabilities			
Financial liabilities	12	157,240	143,009
Provisions	14	15,327	12,116
Deferred tax liabilities	15	37,089	42,913
Net defined benefit liabilities	16	24,771	18,954
Other non-current liabilities		5,911	6,341
Total non-current liabilities		240,340	223,335
Total liabilities		558,943	531,296
Equity			
Issued capital	18	67,176	67,176
Capital surplus	18	79,676	80,264
Retained earnings	18	308,395	362,859
Treasury shares	18	-17,937	-17,815
Other components of equity		24,039	44,689
Total equity attributable to owners of the parent		461,350	537,175
Non-controlling interests		23,661	23,839
Total equity		485,011	561,014
Total liabilities and equity		1,043,955	1,092,310

② [Consolidated statements of income]

(Millions of yen)

	Note	Year ended March 31, 2017	Year ended March 31, 2018
Sales	20	949,170	1,020,338
Cost of sales		738,434	788,052
Gross profit		210,736	232,286
Selling, general and administrative expenses	21	132,021	138,459
Share of profits of investments accounted for using the equity method	17	5,086	6,448
Other operating expenses	22	18,458	2,398
Operating income		65,341	97,875
Financial income	23	2,576	2,476
Financial expenses	23	4,301	3,103
Income before income taxes		63,617	97,248
Income tax expense	15	14,619	24,087
Net income		48,997	73,160
Net income attributable to:			
Owners of the parent		45,560	69,312
Non-controlling interests		3,437	3,848
(Earnings per share attributable to owners of the parent)			
Basic earnings per share (yen)	25	86.08	131.16
Diluted earnings per share (yen)	25	86.03	130.96

③ [Consolidated statements of comprehensive income]

(Millions of yen)

	Note	Year ended March 31, 2017			Year ended March 31, 2018		
		Before tax effect	Tax effect	Amount (net)	Before tax effect	Tax effect	Amount (net)
Net income				48,997			73,160
Other comprehensive income							
Items that will not be reclassified to profit or loss							
Remeasurements of net defined benefit liability (asset)		-2,445	-1,162	-3,608	13,877	-2,815	11,061
Net changes in financial assets measured at fair value through other comprehensive income		9,923	-1,216	8,707	10,852	-2,572	8,279
Share of other comprehensive income of investments accounted for using equity method		213	-81	131	212	-57	155
Total items that will not be reclassified to profit or loss		7,691	-2,460	5,231	24,941	-5,445	19,496
Items that may be reclassified to profit or loss							
Exchange differences on translating foreign operations		-8,419	—	-8,419	3,917	—	3,917
Share of other comprehensive income of investments accounted for using equity method		-138	—	-138	93	—	93
Total items that may be reclassified to profit or loss		-8,558	—	-8,558	4,010	—	4,010
Total other comprehensive income		-866	-2,460	-3,327	28,952	-5,445	23,506
Total comprehensive income for the period				45,670			96,667
Total comprehensive income for the period attributable to:							
Owners of the parent				42,430			92,551
Non-controlling interests				3,240			4,116

④ [Consolidated statements of changes in equity]

From April 1, 2016 to March 31, 2017

(Millions of yen)

	Note	Equity attributable to owners of the parent			
		Issued capital	Capital surplus	Retained earnings	Treasury shares
Opening balance		67,176	79,603	278,524	-3,949
Net income		—	—	45,560	—
Other comprehensive income		—	—	—	—
Total comprehensive income for the period		—	—	45,560	—
Purchase of treasury shares	18	—	—	—	-15,008
Disposal of treasury shares	18	—	27	—	1,021
Share-based payment transactions	19	—	383	—	—
Cash dividends	26	—	—	-21,905	—
Changes in the ownership interest in subsidiaries		—	-339	—	—
Other		—	—	6,216	—
Total transactions with owners, etc.		—	72	-15,689	-13,987
Closing balance		67,176	79,676	308,395	-17,937

	Note	Equity attributable to owners of the parent					Total	Non-controlling interests	Total equity
		Other components of equity				Total			
		Exchange differences on translating foreign operations	Net changes in financial assets measured at fair value through other comprehensive income	Remeasurements of net defined benefit liability (asset)	Total				
Opening balance		-3,191	35,292	1,204	33,306	454,661	24,210	478,871	
Net income		—	—	—	—	45,560	3,437	48,997	
Other comprehensive income		-8,340	8,705	-3,495	-3,130	-3,130	-196	-3,327	
Total comprehensive income for the period		-8,340	8,705	-3,495	-3,130	42,430	3,240	45,670	
Purchase of treasury shares	18	—	—	—	—	-15,008	—	-15,008	
Disposal of treasury shares	18	—	—	—	—	1,048	—	1,048	
Share-based payment transactions	19	—	—	—	—	383	—	383	
Cash dividends	26	—	—	—	—	-21,905	-2,482	-24,388	
Changes in the ownership interest in subsidiaries		—	—	—	—	-339	-1,305	-1,645	
Other		—	-6,136	—	-6,136	80	—	80	
Total transactions with owners, etc.		—	-6,136	—	-6,136	-35,741	-3,788	-39,530	
Closing balance		-11,531	37,862	-2,290	24,039	461,350	23,661	485,011	

From April 1, 2017 to March 31, 2018

(Millions of yen)

	Note	Equity attributable to owners of the parent			
		Issued capital	Capital surplus	Retained earnings	Treasury shares
Opening balance		67,176	79,676	308,395	-17,937
Net income		—	—	69,312	—
Other comprehensive income		—	—	—	—
Total comprehensive income for the period		—	—	69,312	—
Purchase of treasury shares	18	—	—	—	-11
Disposal of treasury shares	18	—	119	—	134
Share-based payment transactions	19	—	591	—	—
Cash dividends	26	—	—	-17,452	—
Changes in the ownership interest in subsidiaries		—	-122	—	—
Other		—	—	2,604	—
Total transactions with owners, etc.		—	588	-14,848	122
Closing balance		67,176	80,264	362,859	-17,815

	Note	Equity attributable to owners of the parent					Total	Non-controlling interests	Total equity
		Other components of equity				Total			
		Exchange differences on translating foreign operations	Net changes in financial assets measured at fair value through other comprehensive income	Remeasurements of net defined benefit liability (asset)	Total				
Opening balance		-11,531	37,862	-2,290	24,039	461,350	23,661	485,011	
Net income		—	—	—	—	69,312	3,848	73,160	
Other comprehensive income		3,757	8,311	11,170	23,239	23,239	267	23,506	
Total comprehensive income for the period		3,757	8,311	11,170	23,239	92,551	4,116	96,667	
Purchase of treasury shares	18	—	—	—	—	-11	—	-11	
Disposal of treasury shares	18	—	—	—	—	253	—	253	
Share-based payment transactions	19	—	—	—	—	591	—	591	
Cash dividends	26	—	—	—	—	-17,452	-3,231	-20,684	
Changes in the ownership interest in subsidiaries		—	—	—	—	-122	-706	-828	
Other		—	-2,589	—	-2,589	15	—	15	
Total transactions with owners, etc.		—	-2,589	—	-2,589	-16,726	-3,938	-20,664	
Closing balance		-7,774	43,584	8,880	44,689	537,175	23,839	561,014	

⑤ [Consolidated statements of cash flows]

(Millions of yen)

	Note	Year ended March 31, 2017	Year ended March 31, 2018
Operating activities			
Income before income taxes		63,617	97,248
Depreciation and amortisation		43,354	46,785
Increase (decrease) in net defined benefit liability and net defined benefit asset		-20,133	-985
Interest and dividend income		-2,414	-2,329
Interest expenses		3,701	2,978
Share of profits of investments accounted for using the equity method		-5,086	-6,448
Decrease (increase) in trade receivables		-22,007	-12,464
Decrease (increase) in inventories		-3,756	-10,382
Increase (decrease) in trade payables		14,439	-11,116
Other		13,446	-2,957
Subtotal		85,161	100,328
Interest and dividend received		6,440	5,174
Interest expenses paid		-3,746	-2,921
Income tax paid		-19,919	-18,835
Net cash provided by operating activities		67,936	83,746
Investing activities			
Purchases of property, plant and equipment		-53,297	-61,397
Proceeds from sale of property, plant and equipment		2,932	386
Purchases of other financial assets		-11,166	-162
Proceeds from sale and redemption of other financial assets		10,785	16,941
Other		-3,498	-8,769
Net cash used in investing activities		-54,243	-53,001
Financial activities			
Proceeds from long-term loans		6,914	12,000
Repayments of long-term loans		-17,963	-48,687
Proceeds from issuance of corporate bonds		20,000	20,000
Payments for redemption of corporate bonds		-20,000	—
Acquisition of treasury shares		-15,001	-4
Dividends paid		-21,882	-17,438
Dividends paid to non-controlling interests		-2,482	-3,233
Other		2,003	-2,440
Net cash used in financial activities		-48,413	-39,804
Effect of exchange rate changes on cash and cash equivalents		-1,221	770
Net increase (decrease) in cash and cash equivalents		-35,942	-8,289
Cash and cash equivalents at beginning of the period	5	175,515	139,573
Cash and cash equivalents at end of the period	5	139,573	131,283

[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, 2018 consisted of the Company and its subsidiaries (hereinafter referred to as “NSK Group”) as well as its interests in associated and joint ventures. The Company and NSK Group as well as associates and joint ventures are engaged in the Industrial Machinery Business and the Automotive Business. The Industrial Machinery Business engaged in the production and sales of industrial machinery bearings, 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.

NSK Group’s consolidated financial statements for the consolidated fiscal year ended March 31, 2018 were approved by President & CEO Toshihiro Uchiyama on June 22, 2018.

2. Basis of preparation

(1) Compliance with IFRS

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

(2) Basis of measurement

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

(3) Functional currency and presentation currency

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

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

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

New and revised Standards and Interpretations that have been issued by the date of approval of the consolidated financial statements but have not been applied early by the NSK Group are as follows. The impact of the application of IFRS 15 on the NSK Group is insignificant. Any impact of the application of IFRS 16 on the NSK Group is currently being examined and cannot be estimated at this point in time.

Standard	Title of Standard	Timing of mandatory application	Fiscal year in which it is expected to be applied by the Company	Outline of new/revised Standard
IFRS 15	Revenue From Contracts With Customers	January 1, 2018	Fiscal year ending March 31, 2019	Revision of accounting and disclosure requirements concerning revenue recognition
IFRS16	Leases	January 1, 2019	Fiscal year ending March 31, 2020	Revision of accounting concerning leases

(5) Use of estimates and judgments

In preparing IFRS-compliant consolidated financial statements, the NSK Group developed and used judgment, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets,

liabilities, revenue and expenses. Actual results may be different from such estimates and such estimates and assumptions are revised continuously. The effect of changes in accounting estimates is recognised in the period of the change and in future periods.

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

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

3. Summary of significant accounting policies

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

(1) Basis of consolidation

① Subsidiaries

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

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

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

② Associates

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

③ Joint ventures

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

(2) Business combinations

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

Goodwill is measured as the sum of the amount of the fair value of the consideration transferred (including contingent consideration) in a business combination and non-controlling interests of the acquiree in excess of the amount of the identifiable acquiree's assets that have been acquired, net of liabilities assumed. Conversely, if the total transferred is less than is acquired, the NSK Group recognises such a shortfall in profit or loss at the date of the acquisition.

(3) Translation of foreign currency

① Foreign currency transactions

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

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

② Financial statements of foreign operation

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

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

(4) Cash and cash equivalents

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

(5) Trade receivables and other receivables

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

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

(6) Inventories

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

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

(7) Other financial assets

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

① Initial recognition and measurement classification

Financial assets are recognised on the day on which the NSK Group becomes the party to the contract (trade date). They are classified either as financial assets measured at amortised cost or as financial assets measured at fair value through profit or loss or other comprehensive income. This classification is determined at initial recognition. A financial asset is classified as a financial asset measured at amortised cost if it satisfies both of the following requirements:

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

All financial instruments other than those classified as “financial assets measured at amortised cost” are

classified as “financial assets measured at fair value.” Financial assets measured at fair value except for held-for-trading equity financial assets and derivative assets are designated either as measured at fair value through other comprehensive income or as measured at fair value through profit or loss and this designation is applied consistently.

② Subsequent measurement

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

③ Impairment of financial assets

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

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

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

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

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

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

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

④ Derecognition

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

(8) Property, plant and equipment

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

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

- Buildings and structures: 2 – 60 years
- Machinery and equipment: 7 – 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

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

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

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

(11) Impairment of non-financial assets

If there is any indication that an asset may be impaired with respect to property, plant and equipment and intangible assets as of the end of each reporting period, and if the carrying amount of the asset 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 income for the reporting period and recognised at the amount expected to be paid to (or refunded by) tax authorities.

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

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

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

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

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

(16) Retirement benefits

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

① Defined benefit plans

Defined benefit plans are calculated by estimating the future benefit amount earned by employees in exchange for the service they have provided in prior years and the current year. Net defined benefit assets or liabilities are recognised as the present value of the defined benefit obligation less than the fair value of plan assets. The

present value of the defined benefit obligations and defined benefit cost are calculated by the projected unit credit method and the discount rate is determined by reference to market yields at the end of consolidated fiscal year on high quality corporate bonds.

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

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

② Defined contribution plans

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

(17) Owners' equity

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

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

(18) Revenue recognition

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

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

(19) Financial income and expenses

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

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

(20) Earnings per share

Basic 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.

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 rapidly developing needs for vehicle electrification, the NSK Group reviewed its organisation, transferring part of its industrial machinery business operations to the automotive business. Accordingly, the Group altered the categories of its reportable segments in the year ended March 31, 2018. Figures for the previous year have been reclassified to match the 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, 2016 to March 31, 2017

	Reportable segments			Others (Note 1)	Total	Adjustments (Note 2)	Consolidated
	Industrial Machinery Business	Automotive Business	Subtotal				
(Millions of yen)							
Sales							
Sales to third parties	226,924	696,271	923,195	25,974	949,170	—	949,170
Intersegment sales	—	—	—	26,883	26,883	-26,883	—
Total	226,924	696,271	923,195	52,858	976,053	-26,883	949,170
Segment income (loss) (Operating income)	14,660	64,577	79,238	4,415	83,654	-18,312	65,341
Total financial income (expenses)							-1,724
Income before income taxes							63,617
Other items							
Capital expenditure	15,844	39,677	55,521	3,304	58,826	-223	58,602
Depreciation and amortisation	9,312	31,169	40,482	3,213	43,696	-341	43,354
Equity gain from investment in associates	766	4,270	5,037	45	5,082	3	5,086

(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 (loss) of ¥(18,312) million includes intersegment elimination of ¥146 million and other operating expenses not allocated to the reportable segments of ¥(18,458) million.

From April 1, 2017 to March 31, 2018

(Millions of yen)

	Reportable segments			Others (Note 1)	Total	Adjustments (Note 2)	Consolidated
	Industrial Machinery Business	Automotive Business	Subtotal				
Sales							
Sales to third parties	266,249	723,564	989,814	30,524	1,020,338	—	1,020,338
Intersegment sales	—	—	—	27,388	27,388	-27,388	—
Total	266,249	723,564	989,814	57,913	1,047,727	-27,388	1,020,338
Segment income (loss) (Operating income)	28,333	65,963	94,297	5,672	99,969	-2,093	97,875
Total financial income (expenses)							-627
Income before income taxes							97,248
Other items							
Capital expenditure	15,634	49,646	65,280	3,507	68,788	—	68,788
Depreciation and amortisation	9,689	34,072	43,762	3,328	47,090	-305	45,785
Equity gain from investment in associates	1,121	5,282	6,404	44	6,448	—	6,448

(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 ¥(2,093) million includes intersegment elimination of ¥305 million and other operating expenses not allocated to the reportable segments of ¥(2,398) 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, 2017	Year ended March 31, 2018
Japan	330,512	372,134
The Americas	165,177	155,498
Europe	121,920	137,856
China	201,185	212,097
Other Asia	130,373	142,752
Total	949,170	1,020,338

(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, 2017	As of March 31, 2018
Japan	167,335	184,407
The Americas	31,504	30,872
Europe	30,366	35,302
China	70,402	72,601
Other Asia	46,749	46,882
Total	346,358	370,066

(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. Cash and cash equivalents

Cash and cash equivalents consisted of the following.

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Cash and deposits	75,977	86,649
Short-term investments	63,595	44,634
Total	139,573	131,283

6. Trade receivables and other receivables

Trade receivables and other receivables consisted of the following.

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Trade receivables	194,941	210,244
Allowance for doubtful accounts	-1,978	-1,842
Other	7,991	8,799
Total	200,954	217,200

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

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

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Carrying amount of transferred assets	2,028	—
Carrying amount of associated liabilities	1,480	—

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

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

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Opening balance	-2,237	-1,978
Increase during the period	-229	-86
Decrease due to utilisation	304	91
Reversal during the period	88	185
Others	96	-54
Closing balance	-1,978	-1,842

7. Inventories

Inventories consisted of the following.

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Finished goods	69,485	74,658
Work in process	40,736	42,852
Raw materials and supplies	21,588	25,542
Total	131,810	143,052

Inventories recognised as expenses during the period amounted to ¥738,434 million including write-downs of ¥3,471 million in the previous consolidated fiscal year, and ¥788,052 million including write-downs of ¥5,205 million in the current consolidated fiscal year.

8. Property, plant and equipment

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

Cost

(Millions of yen)

	Buildings and structures	Machinery, vehicles and equipment	Tools, equipment and fixtures	Land	Construction in progress	Total
Balance as of April 1, 2016	226,187	653,442	80,667	39,406	20,758	1,020,462
Acquisitions	430	1,614	781	25	50,238	53,090
Disposals	-185	-13,374	-2,043	-251	-126	-15,981
Transfers from construction in progress	5,810	28,714	7,888	0	-42,413	—
Foreign exchange translation differences	-2,317	-9,565	-677	-40	-82	-12,684
Others	-291	-217	-94	252	300	-50
Balance As of March 31, 2017	229,632	660,614	86,522	39,391	28,675	1,044,836
Acquisitions	534	2,013	810	77	59,653	63,089
Disposals	-2,107	-12,521	-2,021	-66	-112	-16,828
Transfers from construction in progress	15,255	33,153	7,125	25	-55,560	—
Foreign exchange translation differences	848	2,991	171	-6	202	4,207
Others	177	10	-329	431	194	484
Balance As of March 31, 2018	244,341	686,261	92,279	39,854	33,053	1,095,789

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 April 1, 2016	-145,929	-485,546	-65,857	—	-12	-697,346
Depreciation costs	-6,494	-27,163	-5,770	—	—	-39,429
Impairment loss	—	-7	-2	—	9	-0
Disposals	157	12,341	1,883	—	—	14,381
Foreign exchange translation differences	880	5,144	484	—	—	6,509
Others	-27	147	111	—	—	231
Balance As of March 31, 2017	-151,413	-495,084	-69,151	—	-2	-715,653
Depreciation costs	-6,673	-28,923	-6,562	—	—	-42,159
Impairment loss	—	-319	—	—	—	-319
Disposals	2,047	11,772	1,998	—	—	15,818
Foreign exchange translation differences	-255	-1,307	-61	—	-0	-1,625
Others	-10	-55	91	—	—	24
Balance As of March 31, 2018	-156,305	-513,918	-73,686	—	-2	-743,914

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

Carrying amount

(Millions of yen)

	Buildings and structures	Machinery, vehicles and equipment	Tools, equipment and fixtures	Land	Construction in progress	Total
Balance as of April 1, 2016	80,258	167,896	14,809	39,406	20,745	323,116
Balance As of March 31, 2017	78,218	165,529	17,370	39,391	28,672	329,183
Balance As of March 31, 2018	88,035	172,342	18,592	39,854	33,050	351,875

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

Assets under finance leases

(Millions of yen)

	Buildings and structures	Machinery, vehicles and equipment	Tools, equipment and fixtures	Land	Construction in progress	Total
Balance as of April 1, 2016	23	493	520	—	—	1,037
Balance As of March 31, 2017	16	487	485	—	—	988
Balance As of March 31, 2018	9	482	688	—	—	1,181

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 ¥0 million and ¥319 million in the previous consolidated fiscal year and the current consolidated fiscal year, respectively, in *Cost of sales* in the consolidated statements of income.

9. Intangible assets

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

Cost

(Millions of yen)

	Software	Patents	Others	Total
Balance as of April 1, 2016	21,738	4,494	2,054	28,288
Acquisitions	5,493	—	18	5,512
Disposals	-1,693	-444	-120	-2,258
Foreign exchange translation differences	-157	-3	-3	-163
Others	-742	705	19	-17
Balance As of March 31, 2017	24,640	4,752	1,968	31,360
Acquisitions	4,776	894	27	5,698
Disposals	-4,391	-461	-45	-4,899
Foreign exchange translation differences	173	2	10	185
Other	-52	23	-31	-60
Balance As of March 31, 2018	25,145	5,210	1,929	32,285

Accumulated amortisation and accumulated impairment loss

(Millions of yen)

	Software	Patents	Others	Total
Balance as of April 1, 2016	-9,720	-2,189	-592	-12,502
Amortisation costs	-3,308	-531	-85	-3,925
Disposals	1,585	444	120	2,150
Foreign exchange translation differences	59	2	-0	62
Others	24	0	4	29
Balance As of March 31, 2017	-11,359	-2,273	-553	-14,186
Amortisation costs	-3,988	-582	-55	-4,626
Disposals	4,301	461	3	4,766
Foreign exchange translation differences	-68	-1	-9	-79
Others	24	-22	30	31
Balance As of March 31, 2018	-11,090	-2,419	-583	-14,094

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

Carrying amount

(Millions of yen)

	Software	Patents	Others	Total
Balance as of April 1, 2016	12,018	2,305	1,461	15,785
Balance As of March 31, 2017	13,280	2,478	1,415	17,174
Balance As of March 31, 2018	14,055	2,790	1,345	18,191

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

10. Other financial assets

Other financial assets consisted of the following.

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Time deposits over 3 months	980	1,521
Others	11,303	432
Total other current financial assets	12,284	1,953

(Note) The balance in "Others" at the end of the previous consolidated fiscal year includes certificates of deposit.

Investment securities	81,452	87,645
Others	7,452	8,897
Total other non-current financial assets	88,904	96,543

11. Trade payables and other payables

Trade payables and other payables consisted of the following.

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Trade payables	135,170	124,024
Others	15,042	17,773
Total	150,212	141,797

12. Other financial liabilities

Other financial liabilities consisted of the following.

(Millions of yen)

Classification	As of March 31, 2017	As of March 31, 2018	Average interest rate (%)	Due date for repayment
Short-term debt	62,206	62,039	1.0	—
Current portions of long-term debt	48,655	46,688	1.3	—
Others	379	440	—	—
Total other current financial liabilities	111,240	109,168	—	—

Long-term debts	96,538	62,180	1.0	2019 to 2027
Corporate bonds	60,000	80,000	(Note 2)	
Other	701	829	—	—
Total other non-current financial liabilities	157,240	143,009	—	—

(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, 2017	Balance As of March 31, 2018	Interest rate (%)	Collateral	Redemption date
NSK Ltd. (i.e., the Company)	42nd Series Unsecured Straight Bonds	September 10, 2014	20,000	20,000	0.288	None	September 10, 2019
NSK Ltd. (i.e., the Company)	43rd Series Unsecured Straight Bonds	September 10, 2014	20,000	20,000	0.769	None	September 10, 2024
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	0.140	None	December 7, 2022
NSK Ltd. (i.e., the Company)	47th Series Unsecured Straight Bonds	December 7, 2017	—	10,000	0.380	None	December 7, 2027

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

13. Lease transactions

(1) Finance leases

Finance lease obligations consisted of the following.

(Millions of yen)

Due	Total of future minimum lease payments		Present value of minimum lease payments	
	As of March 31, 2017	As of March 31, 2018	As of March 31, 2017	As of March 31, 2018
Not later than one year	349	450	338	420
Later than one year and not later than five years	590	765	572	713
Later than five years	137	121	128	115
Financial cost	-38	-88	—	—
Present value	1,039	1,249	1,039	1,249

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

(2) Operating leases

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

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Not later than one year	1,171	1,221
Later than one year and not later than five years	2,070	2,380
Later than five years	567	568
Total	3,810	4,170

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

The total amount of lease expenses recognised as expenses was ¥3,971 million and ¥4,669 million in the previous consolidated fiscal year and the current consolidated fiscal year, respectively.

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

14. Provisions

Provisions consisted of the following.

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Reserves for environmental measures	0	6
Others	60	59
Total current liabilities	60	66
Reserves for environmental measures	2,558	1,989
Others	12,768	10,127
Total non-current liabilities	15,327	12,116

The change in provisions consisted of the following.

(Millions of yen)

	Reserves for environmental measures	Others	Total
Balance As of March 31, 2017	2,558	12,828	15,387
Amount recognised during the period	363	262	625
Amount of decrease during the period (intended use)	-921	-2,946	-3,867
Amount of decrease during the period (reversal)	-7	-178	-186
Others	2	221	224
Balance As of March 31, 2018	1,995	10,187	12,182

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.

Others

Provision for Costs related to Antimonopoly Act is included in "Others". The details of the related litigation and other legal matters are disclosed in "28. Contingencies (2) Litigation and other legal matters."

15. Income taxes

(1) Deferred tax

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

From April 1, 2016 to March 31, 2017

Deferred tax assets

(Millions of yen)

	Opening balance (April 1, 2016)	Amount recognised in profit or loss	Amount recognised in other comprehensive income	Closing balance (March 31, 2017)
Net defined benefit liability	15,883	-1,430	-1,154	13,299
Non-current assets – internal profit between consolidated companies	672	-70	—	601
Carryforward of unused tax losses	3,154	-164	—	2,990
Accrued bonuses	3,946	108	—	4,054
Inventories	3,133	293	—	3,427
Others	7,512	3,972	—	11,484
Total	34,302	2,708	-1,154	35,857

Deferred tax liabilities

Depreciation costs	-2,576	-594	—	-3,171
Reserve for advanced depreciation of fixed assets	-1,921	63	—	-1,858
Financial assets measured at fair value through other comprehensive income	-16,116	—	-1,117	-17,233
Gain on contribution of securities to employees' retirement benefit trust	-9,800	—	—	-9,800
Others	-18,973	-857	—	-19,830
Total	-49,387	-1,388	-1,117	-51,893
Net deferred tax assets (liabilities)	-15,085	1,320	-2,271	-16,036

(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, 2017 to March 31, 2018

Deferred tax assets

(Millions of yen)

	Opening balance (April 1, 2017)	Amount recognised in profit or loss	Amount recognised in other comprehensive income	Closing balance (March 31, 2018)
Net defined benefit liability	13,299	-3,383	-2,818	7,097
Non-current assets-internal profit between consolidated companies	601	-116	—	484
Carryforward of unused tax losses	2,990	-318	—	2,671
Accrued bonuses	4,054	363	—	4,418
Inventories	3,427	-317	—	3,109
Others	11,484	1,068	—	12,552
Total	35,857	-2,703	-2,818	30,335

Deferred tax liabilities

Depreciation costs	-3,171	1,126	—	-2,044
Reserve for advanced depreciation of fixed assets	-1,858	61	—	-1,796
Financial assets measured at fair value through other comprehensive income	-17,233	—	-2,562	-19,795
Gain on contribution of securities to employees' retirement benefit trust	-9,800	—	—	-9,800
Others	-19,830	-1,049	—	-20,879
Total	-51,893	138	-2,562	-54,317
Net deferred tax assets (liabilities)	-16,036	-2,565	-5,380	-23,982

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

Unrecognised deferred tax assets

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

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Carryforward of unused tax losses	1,806	1,111
Deductible temporary differences	8,113	8,340
Total	9,920	9,451

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

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Year 1	—	—
Year 2	—	—
Year 3	—	—
Year 4	—	—
After Year 5	1,806	1,111
Total	1,806	1,111

Unrecognised deferred tax liabilities

Taxable temporary differences relating to the undistributed profits of subsidiaries for which deferred tax liabilities have not been recognised were ¥73,048 million and ¥64,476 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 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 30.7%. 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.

(Millions of yen)

	Year ended March 31, 2017	Year ended March 31, 2018
Current tax expenses	15,949	21,270
Deferred tax expenses	-1,329	2,817
Income tax expense	14,619	24,087

Deferred tax expenses include the amount of the benefit arising from previously unrecognised tax losses, tax credits or temporary differences of a prior period. As a result, deferred tax expenses decreased by ¥251 million and ¥99 million in the previous consolidated fiscal year and the current consolidated fiscal year, respectively.

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

	Year ended March 31, 2017	Year ended March 31, 2018
Statutory effective tax rate	30.7 %	30.7 %
Items that are never deductible for income tax purposes such as entertainment expenses	2.4	1.3
Different tax rates applied to income of foreign subsidiaries	-6.5	-4.5
Tax effect of unused tax losses of subsidiaries not recognised in accounting	-2.3	-0.2
Tax credits	-3.1	-3.5
Other	1.8	0.9
Effective tax rate after application of tax effect accounting	23.0 %	24.8 %

16. Post-employment benefit

(1) Defined benefit plans

① Japan

The Company and some of its domestic consolidated subsidiaries have defined benefit plans and defined contribution plans to finance retirement benefits for employees. The Company has also established a 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. These companies also made a special contribution of £98 million in January 2017 to fund the shortage in the funding of the defined benefit scheme.

③ Others

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

Amounts recognised in the consolidated financial statements are as follows.

As of March 31, 2017

(Millions of yen)

	Japan	U.K.	Others	Total
Present value of defined benefit obligations	115,541	76,999	19,479	212,021
Fair value of plan assets	-155,961	-75,212	-11,045	-242,219
Total	-40,419	1,787	8,434	-30,197
Net defined benefit liability	14,549	1,787	8,434	24,771
Net defined benefit asset	-54,969	—	—	-54,969
Net assets for retirement benefits in the consolidated statement of financial position	-40,419	1,787	8,434	-30,197

As of March 31, 2018

(Millions of yen)

	Japan	U.K.	Others	Total
Present value of defined benefit obligations	117,006	60,934	18,723	196,663
Fair value of plan assets	-169,922	-60,191	-11,767	-241,881
Total	-52,915	742	6,955	-45,217
Net defined benefit liability	11,256	742	6,955	18,954
Net defined benefit asset	-64,171	—	—	-64,171
Net assets for retirement benefits in the consolidated statement of financial position	-52,915	742	6,955	-45,217

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

(Millions of yen)

	Japan	U.K.	Others	Total
As of April 1, 2016				
Present value of defined benefit obligations	118,092	79,263	19,958	217,314
Current service cost	2,182	361	797	3,341
Interest cost	1,108	2,378	790	4,277
Remeasurements of net defined benefit liability (asset)				
Actuarial gains or losses arising from changes in demographic assumptions	—	-18	-213	-231
Actuarial gains or losses arising from changes in financial assumptions	319	16,685	127	17,132
Other	—	—	—	—
Retirement benefit paid	-6,348	-2,045	-1,772	-10,166
Past service cost	—	-2,153	-148	-2,302
Decrease due to settlement	—	-6,774	—	-6,774
Foreign exchange translation differences, etc.	186	-10,696	-59	-10,569
As of March 31, 2017				
Present value of defined benefit obligations	115,541	76,999	19,479	212,021
Current service cost	4,451	—	798	5,249
Interest cost	1,089	1,822	780	3,692
Remeasurements of net defined benefit liability (asset)				
Actuarial gains or losses arising from changes in demographic assumptions	—	-1,353	-244	-1,598
Actuarial gains or losses arising from changes in financial assumptions	852	-2,481	337	-1,290
Other	—	—	—	—
Retirement benefit paid	-4,364	-1,931	-1,579	-7,876
Past service cost	-643	14	-155	-783
Decrease due to settlement	—	-16,143	—	-16,143
Foreign exchange translation differences, etc.	78	4,007	-693	3,392
As of March 31, 2018				
Present value of defined benefit obligations	117,006	60,934	18,723	196,663

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

	Japan	U.K.	Others
Weighted average duration	13 years	20 years	10 years

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

(Millions of yen)

	Japan	U.K.	Others	Total
As of April 1, 2016 Fair value of plan assets	151,161	66,596	11,329	229,087
Interest income	1,525	2,158	384	4,067
Return on plan assets	3,185	9,871	449	13,506
Contributions by employer	3,758	15,481	417	19,657
Retirement benefit paid	-3,745	-2,008	-1,460	-7,214
Decrease due to settlement	—	-7,866	—	-7,866
Foreign exchange translation differences, etc.	76	-9,020	-75	-9,019
As of March 31, 2017 Fair value of plan assets	155,961	75,212	11,045	242,219
Interest income	1,577	1,761	414	3,753
Return on plan assets	12,859	-2,092	460	11,227
Contributions by employer	2,551	1,470	1,270	5,291
Retirement benefit paid	-3,027	-1,931	-983	-5,942
Decrease due to settlement	—	-18,190	—	-18,190
Foreign exchange translation differences, etc.	-0	3,961	-439	3,521
As of March 31, 2018 Fair value of plan assets	169,922	60,191	11,767	241,881

The NSK Group plans to make contributions of ¥5,471 million in the fiscal year ending March 31, 2019.

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, 2017

(Millions of yen)

	Japan		U.K.		Others	
	Those with quoted prices in active markets	Those without quoted prices in active markets	Those with quoted prices in active markets	Those without quoted prices in active markets	Those with quoted prices in active markets	Those without quoted prices in active markets
Shares	86,054	—	3,449	—	3,982	64
Bonds	33,613	—	54,086	—	6,394	—
Other	14,294	21,998	17,358	318	161	443
Total	133,963	21,998	74,893	318	10,537	507

(Note) "Other" in the "Those with quoted prices in active markets" column of the U.K. includes cash equivalents as a result of special contribution.

As of March 31, 2018

(Millions of yen)

	Japan		U.K.		Others	
	Those with quoted prices in active markets	Those without quoted prices in active markets	Those with quoted prices in active markets	Those without quoted prices in active markets	Those with quoted prices in active markets	Those without quoted prices in active markets
Shares	95,048	—	2,319	—	1,339	76
Bonds	31,790	—	52,516	—	9,401	—
Other	14,671	28,411	5,355	—	392	557
Total	141,510	28,411	60,191	—	11,133	633

Significant actuarial assumptions are as follows.

As of March 31, 2017

	Japan	U.K.	Others
Discount rate	Mainly 1.0%	Mainly 2.6%	Mainly 4.1%

As of March 31, 2018

	Japan	U.K.	Others
Discount rate	Mainly 1.0%	Mainly 2.7%	Mainly 4.0%

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

As of March 31, 2017

(Millions of yen)

		Japan	U.K.	Others
Discount rate	0.5% increase	-7,232	-7,705	-763
	0.5% decrease	7,890	8,579	811

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

As of March 31, 2018

(Millions of yen)

		Japan	U.K.	Others
Discount rate	0.5% increase	-7,766	-6,062	-823
	0.5% decrease	7,039	5,338	735

(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, 2017	Year ended March 31, 2018
810	2,194

(3) Employee benefit costs

The total amounts of employee benefit costs for the previous consolidated fiscal year and the current consolidated fiscal year were ¥179,527 million and ¥192,382 million, respectively. They are presented in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statements of income.

17. Investments in equity method affiliates

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

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

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Current assets	28,615	33,908
Non-current assets	20,110	23,062
Total assets	48,725	56,970
Current liabilities	15,146	18,541
Non-current liabilities	5,775	5,945
Total liabilities	20,922	24,487
Total equity	27,803	32,483
Ownership ratio (%)	50.0%	50.0%
Equity attributable to owners of the parent	13,901	16,241
Consolidated elimination	-196	406
Carrying amount	13,704	16,647

(Millions of yen)

	Year ended March 31, 2017	Year ended March 31, 2018
Sales	61,091	73,022
Income before income taxes	10,616	11,822
Net income	8,364	8,939
Other comprehensive income	421	234
Total comprehensive income	8,786	9,173

Dividends received by the Company from NSK-Warner K.K. amounted to ¥3,791 million and ¥2,246 million in the previous period and the current period, respectively.

18. Equity and other equity items

(1) Issued shares and treasury shares

As of March 31, 2017

	Opening balance (April 1, 2016)	Increase	Decrease	Closing balance (March 31, 2017)
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	9,723,762	14,459,636	1,312,672	22,870,726

(Note 1) The number of treasury shares includes 2,073,830 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: Treasury shares (the Company's shares) acquired by equity method affiliates attributable to the Company:	1,449 shares
Purchase of treasury shares based on the resolution of the Board of Directors passed on May 11, 2016:	7,387 shares
	14,450,800 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:	145 shares
Decrease due to exercise of share options:	72,000 shares
Allotment of treasury shares in the absorption-type merger of NSK NEEDLE BEARING LTD.:	1,240,527 shares

As of March 31, 2018

	Opening balance (April 1, 2017)	Increase	Decrease	Closing balance (March 31, 2018)
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	22,870,726	7,285	170,165	22,707,846

(Note 1) The number of treasury shares includes 2,183,178 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: Treasury shares (the Company's shares) acquired by equity method affiliates attributable to the Company:	2,541 shares
	4,744 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:	165 shares
Decrease due to exercise of share options:	126,000 shares
Shares provided from the Board Benefit Trust:	44,000 shares

(2) Capital surplus

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

19. 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. Expenses for equity-settled share-based payment transactions recorded in the consolidated statements of income amounted to ¥267 million and ¥73 million in the previous consolidated fiscal year and the current consolidated fiscal year, respectively.

Details of 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 2011	August 30, 2011	August 29, 2016	831	162
Granted in 2014	August 22, 2014	August 21, 2019	1,431	382
Granted in 2015	August 21, 2015	July 29, 2025	1,806	565

	Number of options granted	Unexercised options outstanding at the end of the period	
		Year ended March 31, 2017	Year ended March 31, 2018
Granted in 2014	778,000	778,000	621,000
Granted in 2015	820,000	820,000	811,000
Total	1,598,000	1,598,000	1,432,000

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 5.4 years and 4.8 years, respectively, for these periods.

	Year ended March 31, 2017		Year ended March 31, 2018	
	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	1,952,000	1,480	1,598,000	1,623
Options exercised during the period	-72,000	831	-126,000	1,431
Options expired during the period	-282,000	831	-40,000	1,515
Unexercised options outstanding at the end of the period	1,598,000	1,623	1,432,000	1,643
Exercisable options outstanding at the end of the period	816,000	1,448	1,432,000	1,643

Share options exercised are as follows.

	Year ended March 31, 2017		Year ended March 31, 2018	
	Number of options exercised	Average share price at time of exercise (yen)	Number of options exercised	Average share price at time of exercise (yen)
Granted in 2011	72,000	965	—	—
Granted in 2014	—	—	126,000	1,703
Total	72,000	—	126,000	—

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

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.

Pursuant to the resolution passed at the meeting of Compensation Committee held on May 16, 2016, the Company contributed treasury shares to the trust account of the Board Benefit Trust through third-party allotment in the same month. These shares of the Company held in the Trust continue to be accounted for as treasury shares after they were contributed to the Trust.

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, 2018. Expenses for equity-settled share-based payment transactions in the consolidated statements of income for the previous and the current consolidated fiscal year are ¥172 million and ¥568 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 ¥87 million and ¥258 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 2,029,830 shares.

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

The weighted-average fair value of the Company's shares granted under this payment scheme is calculated based on the following assumptions.

	Year ended March 31, 2017	Year ended March 31, 2018	
		April 1, 2017	June 28, 2017
Grant date	June 27, 2016	April 1, 2017	June 28, 2017
Share price at the grant date	¥719	¥1,572	¥1,366
Estimated remaining life (Note 1)	7 years	7 years	7 years
Dividend payout ratio (Note 2)	3.6%	2.1%	2.4%
Discount rate (Note 3)	-0.3%	-0.02%	-0.02%
Weighted-average fair value	¥558	¥1,357	¥1,153

(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.

(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.

The Company contributed treasury shares to the trust account of the Board Benefit Trust through third-party allotment on August 25, 2017. These shares of the Company held in the Trust continue to be accounted for as treasury shares after they were contributed to the Trust.

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, 2018. Expenses for equity-settled share-based payment transactions and those for cash-settled share-based payment transactions recognised in the consolidated statements of income for the current consolidated fiscal year are ¥38 million and ¥17 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 153,348 shares.

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

The weighted-average fair value of the Company's shares granted under this payment scheme is calculated based on the following assumptions.

	Year ended March 31, 2017	Year ended March 31, 2018
Grant date	—	August 1, 2017
Share price at the grant date	—	¥1,419
Estimated remaining life (Note 1)	—	5 years
Dividend payout ratio (Note 2)	—	2.3%
Discount rate (Note 3)	—	-0.06%
Weighted-average fair value	—	¥1,263

(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.

20. Sales

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

21. Selling, general and administrative expenses

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

(Millions of yen)

	Year ended March 31, 2017	Year ended March 31, 2018
Labour costs	57,214	63,537
Logistics expenses	22,267	23,661
Research and development costs	10,984	12,605
Rent expenses	3,942	4,023
Product compensation	5,672	1,533
Depreciation and amortisation	5,828	6,273
Transportation expenses	4,425	4,570
Fees	2,911	3,252
Sales-related expenses	2,911	3,172
Other	15,863	15,828
Total	132,021	138,459

22. Other operating income and expenses

Main 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, 2017	Year ended March 31, 2018
Foreign exchange losses	233	1,186
Costs related to Antimonopoly Act	18,225	1,211
Total	18,458	2,398

(Note) The details of the litigation and other legal matters related to "Costs related to Antimonopoly Act" are disclosed in "28. Contingencies (2) Litigation and other legal matters."

23. 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, 2017	Year ended March 31, 2018
Interests received Financial assets measured at amortised cost	595	562
Dividends received Financial assets measured at fair value through other comprehensive income	1,818	1,767
Other financial income Financial assets measured at amortised cost	162	146
Total financial income	2,576	2,476
Interest expenses Financial liabilities measured at amortised cost	3,701	2,978
Other financial expenses	600	125
Total financial expenses	4,301	3,103

24. Financial instruments

(1) Equity management

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

As management indicators, the NSK Group places importance on operating income margin—which represents stable profitability—and seeks to improve Return On Equity (ROE; ratio of share of consolidated net income attributable to owners of the parent) and net debt-equity ratio (ratio of net interest-bearing debt to capital attributable to owners of 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, NSK Group companies seek to strike a balance between foreign currency receivables and payables and hedge risks through foreign exchange forward contracts as necessary in accordance with internal rules.

Foreign exchange sensitivity analysis

In a scenario where the U.S. dollar and the Euro rise by 1% with respect to unhedged exposures in the balance of assets and liabilities denominated in foreign currencies as at the consolidated fiscal year-end, the amount of its impact on income before 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, 2017	Year ended March 31, 2018
Income before income taxes	US\$	0	4
	Euro	3	7

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, 2017			As of March 31, 2018		
	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	20,583	—	183	18,255	—	178
Euro	5,512	—	55	5,902	—	99
Buy						
U.S. dollar	1,094	—	-7	953	—	1
Euro	0	—	-0	0	—	-0

(b) Interest risks

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

Interest sensitivity analysis

In a scenario where the interest rate rises by 1% across the board at the consolidated fiscal year-end with respect to NSK Group's borrowings with floating rates, the impact on income before 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 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, 2017	Year ended March 31, 2018
Income before income taxes	-713	-645

(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, 2017	Year ended March 31, 2018
Other comprehensive income	-537	-573

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, 2017 and March 31, 2018 is the balance sheet amount of financial assets that are exposed to credit risks.

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

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

③ Liquidity risks

The NSK Group is exposed to liquidity risk, which is the risk of not earning enough cash and thus having difficulties in performing the obligation to pay financial liabilities. The NSK Group manages liquidity risks by such means as preparing and updating a financial plan in a timely manner based on reports from each department and major consolidated subsidiaries and maintaining liquidity in hand at a certain level. Such risks are deemed to be limited in the NSK Group, given that it has established a ¥15 billion line of commitment with financial institutions and has secured a ¥50 billion facility for issuing commercial papers, in addition to its ability to generate cash flows through operating activities.

The contractual due dates of financial liabilities are as follows.

(Millions of yen)

As of March 31, 2017	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	150,212	150,212	150,212	—	—	—	—	—
Short-term debts	62,206	62,773	62,773	—	—	—	—	—
Long-term debts	145,193	149,418	50,432	47,896	22,334	7,937	9,606	11,211
Corporate bonds	60,000	61,757	263	263	20,234	205	10,205	30,584
Lease obligations	1,039	1,078	349	293	158	91	47	137
Derivative financial assets								
Foreign exchange forward contracts	251	251	251	—	—	—	—	—
Derivative financial liabilities								
Foreign exchange forward contracts	41	41	41	—	—	—	—	—

(Millions of yen)

As of March 31, 2018	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	141,797	141,797	141,797	—	—	—	—	—
Short-term debts	62,039	62,642	62,642	—	—	—	—	—
Long-term debts	108,868	111,817	47,789	22,932	7,959	9,658	8,214	15,262
Corporate bonds	80,000	81,943	315	20,286	257	10,257	10,245	40,580
Lease obligations	1,249	1,338	450	360	207	138	59	121
Derivative financial assets								
Foreign exchange forward contracts	335	335	335	—	—	—	—	—
Derivative financial liabilities								
Foreign exchange forward contracts	20	20	20	—	—	—	—	—

(3) Estimates of fair value

① Carrying amount and fair values

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

(Millions of yen)

	As of March 31, 2017		As of March 31, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Trade receivables and other receivables	200,954	200,954	217,200	217,200
Investment securities	81,452	81,452	87,645	87,645
Derivative financial assets	251	251	335	335
Financial liabilities				
Trade payables and other payables	150,212	150,212	141,797	141,797
Short-term debts	62,206	62,206	62,039	62,039
Long-term debts	145,193	148,450	108,868	111,054
Corporate bonds	60,000	60,590	80,000	80,666
Lease obligations	1,039	1,039	1,249	1,249
Derivative financial liabilities	41	41	20	20

The fair value of trade receivables and other receivables, trade payables and other payables, short-term debts, and lease obligations 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, 2017 and March 31, 2018.

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

The fair value of long-term debt is calculated based on the present value calculated by discounting the sum of the principal and interest by the interest rate that takes into account the remaining period and credit risk of such long-term debt. However, the fair value of long-term debt with a floating rate is stated at its carrying amount, given that the periodic revision of the interest rate is a condition and the fair value is more or less the same as the carrying amount.

The fair value of corporate bonds issued by the Company is calculated and based on the present value calculated by discounting the sum of the principal and interest by the interest rate that takes into account the remaining period and credit risk of such corporate bonds.

② Fair value hierarchy

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

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

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

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

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

As of March 31, 2017

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through other comprehensive income				
Shares, etc.	77,436	—	4,016	81,452
Financial assets measured at fair value through profit or loss				
Derivative financial assets	—	251	—	251
Financial liabilities				
Financial liabilities measured at amortised cost				
Long-term debts	—	148,450	—	148,450
Corporate bonds	—	60,590	—	60,590
Lease obligations	—	1,039	—	1,039
Financial liabilities measured at fair value through profit or loss				
Derivative financial liabilities	—	41	—	41

As of March 31, 2018

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through other comprehensive income				
Shares, etc.	82,590	—	5,054	87,645
Financial assets measured at fair value through profit or loss				
Derivative financial assets	—	335	—	335
Financial liabilities				
Financial liabilities measured at amortised cost				
Long-term debts	—	111,054	—	111,054
Corporate bonds	—	80,666	—	80,666
Lease obligations	—	1,249	—	1,249
Financial liabilities measured at fair value through profit or loss				
Derivative financial liabilities	—	20	—	20

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, lease obligations and foreign exchange forward contracts.

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

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

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

(Millions of yen)

	Year ended March 31, 2017	Year ended March 31, 2018
Opening balance	3,453	4,016
Gain (loss) recognised in other comprehensive income	445	935
Purchase	117	112
Sale and redemption	-0	-10
Closing balance	4,016	5,054

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

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

(Millions of yen)

Listed Issue	As of March 31, 2017	As of March 31, 2018
NIDEC Corporation	8,675	13,420
Toyota Motor Corporation	10,405	11,753
Makita Corporation	3,195	4,260
Azbil Corporation	3,141	4,162
Sanyo Special Steel Co., Ltd.	4,514	4,081

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 ¥6,136 million and ¥2,589 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, 2017	Year ended March 31, 2018
Fair value at the date of derecognition	10,785	5,941
Cumulative gain or loss at the date of derecognition	8,978	3,712
Dividends income on investments that have been derecognised	173	126

(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, 2017 to March 31, 2018

(Millions of yen)

	Opening balance As of April 1, 2017	Cash flow	Changes arising from non-cash transactions		Closing balance As of March 31, 2018
			Increase	Foreign exchange translation, etc.	
Corporate bonds	60,000	20,000	—	—	80,000
Short-term loans payable	62,206	-1,379	—	1,213	62,039
Long-term loans payable	145,193	-36,687	—	362	108,868
Lease obligations	1,039	-437	645	1	1,249
Total	268,439	-18,504	645	1,577	252,158

(Note) Cash flows pertaining to short-term loans payable and lease obligations are included in "Other" of "cash flows from financing activities."

25. Earnings per share

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

	Year ended March 31, 2017	Year ended March 31, 2018
Basic earnings per share	¥86.08	¥131.16
Diluted earnings per share	¥86.03	¥130.96

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

	Year ended March 31, 2017	Year ended March 31, 2018
Net income attributable to owners of the parent (millions of yen)	45,560	69,312
Weighted average number of issued common shares (thousand shares)	529,279	528,456
Impact of dilution: share options (thousand shares)	28	46
Impact of dilution: Board Benefit Trust, etc. (thousand shares)	268	761
Weighted average number of issued common shares after dilution (thousand shares)	529,576	529,264

26. Dividends

① Dividends paid

Year ended March 31, 2017

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 24, 2016	Common shares	9,213	17.00	March 31, 2016	June 3, 2016
Meeting of Board of Directors held on November 1, 2016	Common shares	12,741	24.00	September 30, 2016	December 1, 2016

(Note 1) The total amount of dividends based on the resolution passed at the meeting of the Board of Directors held on November 1, 2016 includes dividend of ¥49 million paid to the Company's shares held in the trust account of the Board Benefit Trust.

(Note 2) Dividend per share of ¥24.00 of the dividends based on the resolution passed at the meeting of the Board of Directors held on November 1, 2016 includes commemorative dividend per share of ¥10.00.

Year ended March 31, 2018

Resolution	Type of shares	Total amount of dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
Meeting of Board of Directors held on May 23, 2017	Common shares	7,432	14.00	March 31, 2017	June 2, 2016
Meeting of Board of Directors held on November 1, 2017	Common shares	10,090	19.00	September 30, 2017	December 1, 2017

(Note 1) The total amount of dividends based on the resolution passed at the meeting of the Board of Directors held on May 23, 2017 includes dividend of ¥29 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 1, 2017 includes dividend of ¥41 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, 2017

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 23, 2017	Common shares	Retained earnings	7,432	14.00	March 31, 2017	June 2, 2017

(Note) The total amount of dividends based on the resolution passed at the meeting of the Board of Directors held on May 23, 2017 includes dividend of ¥29 million paid to the Company's shares held in the trust account of the Board Benefit Trust.

Year ended March 31, 2018

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 25, 2018	Common shares	Retained earnings	11,155	21.00	March 31, 2018	June 1, 2018

(Note) The total amount of dividends based on the resolution passed at the meeting of the Board of Directors held on May 25, 2018 includes dividend of ¥45 million paid to the Company's shares held in the trust account of the Board Benefit Trust.

27. Related parties

(1) Related party transactions

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

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

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Purchase of finished goods	55,094	62,339
Balance of Accounts payable trade	11,494	14,594

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, 2017	Year ended March 31, 2018
Fixed remuneration/performance-linked remuneration	1,595	1,783
Share-based payments	449	870
Retirement benefits	40	—
Total	2,085	2,653

28. Contingencies

(1) Debt guarantee

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

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Debt guarantee for property accumulation loans of the Company's employees	1	0

(2) Litigation and other legal matters

Regarding sales of their products in the past, NSK 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, have filed class actions against certain parties, including NSK and certain subsidiaries in Japan, the United States, Canada, and Europe. The plaintiffs allege, among other things, that the defendants conspired with each other to restrict competition in sales of bearings and other products in these countries, and seek damages, injunctive relief, and other relief against the defendants.

In the United States, with respect to bearings, tentative classes representing direct purchasers of bearings, such as automotive manufacturers and industrial equipment manufacturers have each filed a class action against NSK and certain subsidiaries in the United States and Europe. All of these lawsuits are pending in the Eastern District of Michigan. NSK and certain subsidiaries in Japan and the United States have settled with part of the tentative classes, including the state government, respectively, including a settlement with some indirect purchasers (dealers of commercial vehicles, medium and heavy duty trucks, buses, heavy machinery, and other similar vehicles) in the amount of US\$3.26 million on 26th of May 2017 (JST) (25th of May 2017 (EST)).

Discovery (the formal process in which both parties in a lawsuit request disclosure from the other of evidence, including documents that may be relevant to the lawsuit) has begun for several of these lawsuits, and for part of the lawsuits a motion for class certification has been filed. The future course of the litigation will depend on the court's ruling on the motion for class certification.

In Canada, tentative classes of direct (such as automotive manufacturers) and indirect purchasers (such as automobile dealers and end purchasers of automobiles) have filed class actions against NSK and certain Japanese, US, Canadian, and European subsidiaries in Ontario, Quebec, British Columbia, and Saskatchewan, with respect to bearings or other products. The class has been certified for part of these class actions.

On March 15, 2018 (Brussels time), NSK and one of its subsidiaries in Europe came to an agreement with Peugeot S.A. and 18 of its subsidiaries (collectively, the "Claimants"), to settle the claim filed in the United Kingdom Competition Appeal Tribunal against defendants, including NSK and the subsidiary in Europe, seeking 437.7 million euros (provisional amount) in damages on a joint and several basis with other defendants related to a violation of European competition law that the European Commission settled on March 19, 2014 (Brussels Time).

At the end of the consolidated fiscal year ended March 31, 2018, NSK has posted reasonably estimated losses in "provisions (non-current)" in connection with potential settlements related to alleged violations of competition laws in sales of its and certain subsidiaries' products. In addition to these actions for which the provisions were posted, NSK, its subsidiaries and its affiliated companies may face additional follow-on actions similar or identical in nature to these actions. The NSK Group will manage these actions appropriately. Furthermore, as the cases proceed, the NSK Group will consider whether it may be able to reach settlements with such plaintiffs and others.

29. Events after the reporting period

Not applicable.

(2) 【Others】

1 Quarterly information from April 1, 2017 to March 31, 2018

(Millions of yen)

	First quarter (Period from April 1, 2017 to June 30, 2017)	Second quarter (Period from April 1, 2017 to September 30, 2017)	Third quarter (Period from April 1, 2017 to December 31, 2017)	157 th Consolidated fiscal year (Period from April 1, 2017 to March 31, 2018)
Sales	243,834	493,325	757,669	1,020,338
Income before income taxes	23,567	42,439	70,441	97,248
Net income attributable to owners of the parent	16,546	28,383	48,084	69,312
Basic earnings per share (yen)	31.31	53.71	90.99	131.16

	First quarter (Period from April 1, 2017 to June 30, 2017)	Second quarter (Period from July 1, 2017 to September 30, 2017)	Third quarter (Period from October 1, 2017 to December 31, 2017)	Fourth quarter (Period from January 1, 2018 to March 31, 2018)
Quarterly basic earnings per share (yen)	31.31	22.40	37.28	40.16

2 Class actions filed against the Company

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

Appendix: NSK Group Companies

As of March 31, 2018

Region	Company Name	Voting rights ratio	Outline of Business
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Subsidiaries

Japan	NSK STEERING SYSTEMS CO., LTD.	100.0%	Manufacture of automotive components
	NSK MICRO PRECISION CO., LTD.	55.0%	Manufacture and sales of bearings
	NSK MICRO PRECISION CO., LTD. (NAGANO)	100.0%	Manufacture of bearings
	AMATSUJI STEEL BALL MFG. CO., LTD.	100.0%	Manufacture and sales of steel balls
	AKS EAST JAPAN CO., LTD.	100.0%	Manufacture of steel balls
	NSK KYUSHU CO., LTD.	100.0%	Manufacture of precision machinery & parts
	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
NSK OVERSEAS HOLDINGS CO.,LTD.	100.0%	Holding company of subsidiaries	

THE AMERICAS

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

EUROPE

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

ASIA

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

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 MANUFACTURING INDIA PRIVATE LIMITED	100.0%	Manufacture and sales of bearings
	NSK INDIA SALES CO. PVT. LTD.	100.0%	Sales of bearings and automotive components
	RANE NSK STEERING SYSTEMS LTD.	51.0%	Manufacture and sales of automotive components
South Korea	NSK KOREA CO., LTD.	100.0%	Manufacture of bearings and precision machinery & parts and sales of bearings, automotive components and precision machinery & parts

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; 13 companies