INTERNET DISCLOSURE INFORMATION IN CONNECTION WITH THE NOTICE OF THE FISCAL 2021 (161st) ORDINARY GENERAL MEETING OF SHAREHOLDERS

(From April 1, 2021 to March 31, 2022)

NSK Ltd.

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

Consolidated Financial Statements: Consolidated Statement of Changes in Equity

(Millions of yen)

	Equity attributable to owners of the parent			
	Issued capital	Capital surplus	Retained earnings	Treasury shares
Opening balance	67,176	80,338	397,837	(37,303)
Net income	—	—	16,587	—
Other comprehensive income	—	—	—	—
Total comprehensive income for the period	—	—	16,587	—
Purchase of treasury shares	—	—	—	(8)
Disposal of treasury shares	—	(14)	—	286
Share-based payment transactions	—	42	—	—
Cash dividends	—	—	(10,263)	—
Changes in Owner's Equity Interests in Subsidiaries		7		
Other	—	—	6,711	—
Total transactions with owners, etc.	—	(35)	(3,551)	278
Closing balance	67,176	80,374	410,872	(37,025)

	Equity attributable to owners of the parent					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	(10, 616)	34, 797	22, 286	46, 467	554, 516	19, 052	573, 569
Net income	—	—	—	—	16, 587	1, 077	17, 664
Other comprehensive income	35, 933	(1, 638)	21, 338	55, 633	55, 633	708	56, 341
Total comprehensive income for the period	35, 933	(1, 638)	21, 338	55, 633	72, 220	1, 785	74, 006
Purchase of treasury shares	—	—	—	—	(8)	—	(8)
Disposal of treasury shares	—	—	—	—	271	—	271
Share-based payment transactions	—	—	—	—	42	—	42
Cash dividends	—	—	—	—	(10, 263)	(1, 164)	(11, 428)
Changes in Owner's Equity Interests in Subsidiaries	—	—	—	—	7	(14)	(7)
Other	—	(5, 697)	—	(5, 697)	1, 013	—	1, 013
Total transactions with owners, etc.	—	(5, 697)	—	(5, 697)	(8, 936)	(1, 179)	(10, 115)
Closing balance	25, 316	27, 460	43, 625	96, 402	617, 800	19, 659	637, 460

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

Notes to the Consolidated Financial Statement

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

1. Standards for Preparation of Consolidated Financial Statements

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

2. Scope of Consolidation

(1) Consolidated subsidiaries

The Company has 90 consolidated subsidiaries.

Major consolidated subsidiaries:

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

(2) Equity-method affiliated companies

The Company has 16 equity-method affiliates.

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

(3) Changes in consolidation and affiliation

Subsidiaries

Decrease due to merger: 2 companies

NSK International (Singapore) Co, Ltd., NSK Singapore Co., Ltd.

(Note: NSK ASEAN & Oceania Ltd. merged with the above two companies and changed its name to NSK International (Singapore) Ltd. on April 1, 2021.

3. Matters relating to accounting principles and standards

(1) Valuation rules and methods for significant assets

I. Trade receivables and other receivables

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

Changes in the allowance for doubtful accounts are recognized in net income.

II. Other financial assets

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

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

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

III. Inventories

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

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

(2) Accounting principles for depreciation of material depreciable assets

Property, plant and equipment

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

(3) Accounting principles for material allowances

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

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

(4) Accounting principles for retirement benefit obligations

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

I. Defined benefit plans

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

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

II. Defined contribution plans

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

(5) Revenue recognition

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

Step 1: Identify the contract with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when the entity satisfies a performance obligation

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

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

I. Foreign currency transactions

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

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

II. Financial statements of foreign operation

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

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

Notes on Accounting Estimates

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

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

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

1. Recoverability of deferred tax assets

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

Account title	Amount
Deferred tax assets	¥15,128 million
Deferred tax liabilities	¥56,084 million

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

(1) Method of calculation

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

(2) Key assumptions

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

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

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

2. Measurement of defined benefit plan obligations

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

Account title	Amount
Net defined benefit assets	¥123,989 million
Net defined benefit liabilities	¥17,714 million

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

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

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

3. Fair value measurement of financial instruments

Amount recorded in the current fiscal year	¥4,885 million

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

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

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

Impairment loss 9,044 million

(Included in "Other operating expenses" in the consolidated financial statements)

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

I. Method of calculation

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

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

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

II. Key assumptions

The key assumptions used in estimating value are: projected unit sales by customer based on the automotive industry's forecasted production volume information in the business planning process; operating expenses, including research and development costs to generate sales; the expected disposal value of the cash-generating unit's fixed assets at the end of their estimated remaining useful lives; and a discount rate calculated based on the weighted average cost of capital.

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

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

Although the calculations are based on management's best estimates of key assumptions, they may be affected by the results of future changes amid unpredictable economic conditions, such as socioeconomic disruptions caused by COVID-19 or shortages in the supply of semiconductors, a major component of automobiles, and the calculation of recoverable amounts may differ if the assumed conditions change.

5. Estimated fair value of the intangible assets identified in the acquisition of the Condition Monitoring Systems business at the acquisition date

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

Intangible assets 10,995 million

(2) Other information that contributes to an understanding of the contents of the estimate

On March 1, 2021, the Company acquired the condition monitoring systems business and brand known as the Brüel & Kjær Vibro ("B&K Vibro") for a consideration of 21,114 million yen. Although the consolidated financial statements were reported with provisional amounts at the end of the previous fiscal year, the initial accounting for the business combination was completed in the current fiscal year, and the consolidated statement of financial position for the previous fiscal year was retrospectively adjusted. As a result, intangible assets of 10,998 million yen (mainly customer-related assets of 6,145 million yen and trademark rights of 3,440 million yen) were recorded at the acquisition date.

The intangible assets are measured by discounting the future cash flows from the assets (income approach). The measurement is based on key assumptions such as customer sales and sales growth rate, operating margin, and discount rate included in the future plans of BKV's business. In addition, key assumptions are the rate of diminution of existing customers for the measurement of customer-related assets and the royalty rate for the measurement of trademark rights.

Although these key assumptions are based on management's best estimates, changes in the underlying assumptions could have a significant impact on the recorded amount of intangible assets.

Notes to the Consolidated Statement of Financial Position

1. Accumulated depreciation of tangible noncurrent assets ¥889,183 million

2. Provisions

Summary of the Company's Provisions

Reserves for environmental measures	¥1,252 million
Other	¥2,314 million

Reserves for environmental measures

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

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

Other

Other includes provisions for costs related to competition laws.

3. Litigation and other legal matters

Regarding sales of their products in the past, the Company and certain subsidiaries were under investigation by relevant authorities outside Japan on suspicion of violating competition laws. These respective investigations have effectively been completed.

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

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

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

Notes to Consolidated Statement of Income

1. Other operating income

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

	(Millions of yen)
Gain on sale of tangible asset	9,802
Gain from currency exchange	113
Other	309
Total	10,225

"Gain on sale of tangible asset" in the current fiscal year includes a gain on the transfer of NSK's Saginuma Sports Ground in Kawasaki City, Kanagawa Prefecture, which was transferred to improve asset efficiency through the effective use of management resources.

2. Other operating expenses

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

	(Millions of yen)
Competition law expenses	133
Impairment loss	9,044
Other	404
Total	9,582

"Impairment loss" for the fiscal year ended March 31, 2022, is described in "Notes to Financial Statements, 4. Impairment of Fixed Assets in the Automotive Components Business."

Notes to the Consolidated Statement of Changes in Equity

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

2. Dividends

(1) Dividends paid

Resolution	Type of shares	Total amount of dividends (Millions of yen)	Dividend per share (yen)	Record date	Effective date
May 20, 2021 Board of Directors	Common stock	5,183	10.00	March 31, 2021	June 11, 2021
November 1, 2021 Board of Directors	Common stock	5,183	10.00	September 30, 2021	December 3, 2021
Total		10,367			

Note 1: The total amount of dividends includes dividend of ¥103 million paid to the Company's shares held in the trust account of the Board Benefit Trust.

(2) Regarding dividends with a record date within the consolidated fiscal year but with an effective date in the following consolidated fiscal year, the following distribution of capital surplus is to be proposed and deliberated at the Board of Directors meeting to be held on Thursday, May 20, 2022.

I. Total amount of dividend	7,775 Millions of yen
II. Financial source of dividend	Retained earnings
III. Dividend per share (yen)	¥15.00
IV. Record date	March 31, 2022
V. Effective date	June 9, 2022

Note: The total amount of dividend based on the resolution to be proposed at the meeting of the Board of *Directors to be held Friday, May 20, 2022 includes dividend of ¥75 million paid to the Company's shares held in the trust account of the Board Benefit Trust.*

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

Category	Share acquisition rights	Type of shares that are the object of share acquisition rights	Number of shares that are the object of share acquisition rights
NSK Ltd.	Share acquisition rights granted in 2015	Common stock	585,000 shares

Notes to the Statement of Financial Instruments

1. Financial Instruments

Management of financial risks

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

(1) Market risks

I. Foreign exchange risks

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

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

II. Interest rate risk

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

III. Price risks

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

(2) Credit risks

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

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

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

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

(3) Liquidity risks

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

2. Carrying amount and fair value

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

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

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

(Millions of yen)

	Carrying amount	Fair value
Financial liabilities		
Long-term debts	99,712	100,364
Corporate bonds	120,000	119,828

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

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

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

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

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

3. Matters relating to the fair value of financial instruments by level of fair value, etc.

The fair value hierarchy of financial instruments is classified from Level 1 to Level 3 as follows.

Level 1: Fair value measured at quoted market prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: Fair value of the asset or liability measured using directly observable inputs or indirectly observable inputs other than quoted market prices included in Level 1.

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

The hierarchical classification of the Group's financial assets and liabilities measured at fair value or for which fair value is disclosed is as follows.

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through other comprehensive income				
Shares and other securities	51,714	—	4,885	56,600
Financial assets at fair value through profit or loss				
Derivative financial assets	—	8	—	8
Financial liabilities				
Financial liabilities measured at amortized cost				
Long-term debt	—	100,364	—	100,364
Corporate bonds	—	119,828	—	119,828
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	—	1,358	—	1,358

Financial assets classified as Level 1 are listed stocks and other securities.

Financial assets classified as Level 2 are forward exchange contracts, and financial liabilities are borrowings, bonds, and forward exchange contracts.

Financial assets classified as Level 3 include unlisted equity securities.

The Group recognizes transfers between levels of these assets and liabilities at the end of each reporting period.

Per Share Information

Equity per share attributable to owners of the Parent	¥1,204.63
Basic net income per share	¥32.35

Notes on Revenue Recognition

(1) Breakdown of Earnings

The Group's operations consist of the Industrial Machinery and Automotive businesses, which are subject to periodic review by the Company's Board of Directors to determine the allocation of management resources and evaluate their performance.

Revenues are broken down by region for these reportable segments as follows.

(Millions of yen)

	Segment reported			Other	Total
	Industrial Machinery	Automotive	Total		
Japan	94,824	203,173	297,997	19,614	317,612
Americas	46,606	76,816	123,422	1,671	125,094
Europe	54,603	48,841	103,445	8,445	111,890
China	96,107	81,525	177,632	4,404	182,036
Other Asia	53,645	72,190	125,835	2,696	128,532
Total	345,785	482,547	828,333	36,833	865,166

(Notes)

1. Sales are based on the location of customers and are classified by country or region.

2. Countries and regions are classified by geographic proximity.

3 Major countries or regions other than Japan and China:

Americas: U.S.A., Canada, Mexico, Brazil, etc.

Europe: U.K., Germany, Poland, and other European countries, etc.

Other Asia: East Asia excluding Japan and China, Southeast Asian countries, India, Australia, etc.

4. "Other" is a business segment not included in the reportable segments and includes manufacturing and sales of steel balls, condition monitoring system business, and machinery and equipment manufacturing business.

The Industrial Machinery segment manufactures and sells bearings and precision equipment-related products to general industries, while the Automotive segment manufactures and sells bearings, steering and automatic transmission parts to automobile and automotive parts manufacturers. For such sales, revenue is recognized when control of the goods is transferred to the customer, i.e., when the goods are delivered to the location designated by the customer. Payment is received primarily within three months after delivery to the customer, and the amount of consideration promised does not include a significant financial component.

The Group determines the transaction price of goods at the inception of each transaction with each customer. However, there are some rebates based on transaction volume and other factors over a certain period of time, and the transaction price is adjusted for these variable consideration amounts based on contractual terms and conditions.

(2) Outstanding contracts

The Group's contract balances are primarily receivables arising from contracts with customers.

(3) Transaction prices allocated to remaining performance obligations

Since the Group does not recognize any significant transactions with an initial expected contract period exceeding one year, the practical expedient method is applied and no information regarding residual performance obligations is disclosed. In addition, there are no material amounts of consideration arising from contracts with customers that are not included in the transaction price.

Notes on Business Mergers

(Acquisition of Condition Monitoring System Business)

On December 10, 2020, the Company's Board of Directors resolved to acquire the condition monitoring system business and brand Brüel & Kjær Vibro ("B&K Vibro"). On the same day, the Company signed a transfer agreement with Spectris Plc. of the United Kingdom, the owner of the business, and completed the acquisition procedures on March 1, 2021.

In the previous fiscal year, the fair values of the assets acquired and liabilities assumed were not finalized and therefore were provisionally calculated, but were finalized in the current fiscal year and the provisional amounts have been revised as shown in the table below.

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

(Millions of yen)

	Provisional	Change	Final
Cash and cash equivalents	926	—	926
Other current assets	2,186	—	2,186
Property, plant and equipment	430	—	430
Intangible assets	716	10,281	10,998
Current liabilities	(3,251)	(334)	(3,586)
Non-current liabilities	(194)	(3,272)	(3,467)
Fair value of assets acquired and liabilities assumed	813	6,674	7,488
Basis adjustment	404	—	404
Goodwill	20,230	(7,008)	13,221
Fair value of consideration paid	21,449	(334)	21,114

(Notes)

1. The components of goodwill mainly reflect the future excess earning power expected from future business development. No amount of goodwill is expected to be deductible for tax purposes.

2. The balance of intangible assets of 10,998 million yen mainly includes customer-related assets of 6,145 million yen, trademark rights of 3,440 million yen, and technology-related assets of 1,117 million yen.

The finalization of this provisional accounting treatment increased intangible assets and non-current liabilities by 10,332 million yen and 3,295 million yen, respectively, and decreased goodwill by 6,896 million yen in the previous fiscal year.

Financial Statements: Statement of Changes in Equity

(Millions of yen)

	Equity attributable to owners of the parent			
	Issued capital	Capital surplus		
		Legal capital surplus	Other Capital surplus	Capital surplus Total
As of April 1, 2021	67,176	77,923	1,054	78,977
Cumulative effect of change in accounting policy				
Balance at beginning of current period reflecting change in accounting policy	67,176	77,923	1,054	78,977
Change of items during the period				
Cash dividends				
Accumulation of reserves				
Reversal of reserves				
Net income				
Purchase of treasury shares				
Disposal of treasury shares			(15)	(15)
Net change during the period, except for items under shareholders’ equity				
Total changes of items during the period			(15)	(15)
As of March 31, 2022	67,176	77,923	1,039	78,962

	Equity attributable to owners of the parent				
	Retained earnings				
	Retained earnings	Other retained earnings			Retained earnings Total
		Reserve for advanced depreciation of noncurrent assets	General reserve	Retained earnings brought forward	
As of April 1, 2021	10,292	3,808	93,766	22,693	130,560
Cumulative effect of change in accounting policy				(75)	(75)
Balance at beginning of current period reflecting change in accounting policy	10,292	3,808	93,766	22,618	130,485
Change of items during the period					
Cash dividends				(10,367)	(10,367)
Accumulation of reserves		447	6,000	(6,447)	
Reversal of reserves		(145)		145	
Net income				34,379	34,379
Purchase of treasury shares					
Disposal of treasury shares					
Net change during the period, except for items under shareholders' equity					
Total changes of items during the period		301	6,000	17,710	24,012
As of March 31, 2022	10,292	4,110	99,766	40,329	154,498

	Equity attributable to owners of the parent		Valuation and translation adjustments		Stock acquisition rights	Total net assets
	Treasury shares	Total equity attributable to owners of the parent	Other Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
As of April 1, 2021	(36,985)	239,729	33,825	33,825	405	273,959
Cumulative effect of change in accounting policy		(75)				(75)
Balance at beginning of current period reflecting change in accounting policy	(36,985)	239,654	33,825	33,825	405	273,884
Change of items during the period						
Cash dividends		(10,367)				(10,367)
Accumulation of reserves						
Reversal of reserves						
Net income		34,379				34,379
Purchase of treasury shares	(1)	(1)				(1)
Disposal of treasury shares	286	271				271
Net change during the period, except for items under shareholders' equity			(6,607)	(6,607)	(74)	(6,682)
Total changes of items during the period	284	24,282	(6,607)	(6,607)	(74)	17,600
As of March 31, 2022	(36,700)	263,936	27,217	27,217	330	291,484

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

Notes to the Non-Consolidated Financial Statement

Notes on Significant Accounting Policies

1. Valuation of securities

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

2. Valuation of inventories

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

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

3. Depreciation and amortization of noncurrent assets

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

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

4 Accounting for deferred assets

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

5. Allowances

(1) Allowance for doubtful accounts

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

(2) Provision for retirement benefits

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

(3) Provision for officer stock benefits

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

(4) Provision for employee stock benefits

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

(5) Reserves for environmental measures

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

6. Application of tax effect accounting for the transition from a consolidated tax payment system to a group totalization system

The Company has revised the non-consolidated tax payment system in accordance with the transition to the group totalization system established by the "Act for Partial Revision of the Income Tax Act, etc." (Act No. 8 of March 31, 2020) in accordance with the treatment in Paragraph 3 of "Treatment of Application of Tax Effect Accounting for Transition from Consolidated Taxation System to Group Totalization System" (PITF No. 39, March 31, 2020). The provisions of Paragraph 44 of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) are not applied, and the amounts of deferred tax assets and deferred tax liabilities are based on the provisions of the tax law before the revision.

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

The Company applies the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and others, and recognizes revenue by applying the following five steps to customer contracts.

Step 1: Identify the contract with a customer
Step 2: Identify the performance obligation in the contract
Step 3: Calculate the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: The entity recognizes revenue when the performance obligations are satisfied

The Company manufactures and sells bearings to general industry, precision equipment-related products, bearings to automotive and automotive parts manufacturers, and parts for steering and automatic transmissions. The Company recognizes revenue from the sale of such goods at the time of delivery of the goods because the performance obligation is deemed to be satisfied when the customer obtains control over the goods at the time of delivery. Revenue is measured at the amount of consideration promised in the contract with the customer, less discounts, rebates and returns.

Changes to Accounting Principles and Standards

(Application of "Accounting Standard for Revenue Recognition" and others)

The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as the "Accounting Standard for Revenue Recognition") has been adopted from the beginning of the current fiscal year, and revenue is recognized at the amount expected to be received in exchange for the promised goods or services when control of the promised goods or services has been transferred to the customer. As a result, the Company previously recognized revenue from export sales at the time of shipment, but now recognizes revenue when the customer is deemed to have acquired control over the product in question based on various terms and conditions of the trade.

The cumulative effect of retrospective application of the new accounting policy prior to the beginning of the current fiscal year is added to or deducted from retained earnings brought forward at the beginning of the current fiscal year, and the new accounting policy is applied from the balance at the beginning of the current fiscal year.

As a result, retained earnings brought forward decreased by 75 million yen at the beginning of the current fiscal year. Net sales decreased 168 million yen, cost of sales decreased 166 million yen, gross profit and operating income decreased 2 million yen, non-operating income decreased 40 million yen, and ordinary income and income before income taxes decreased 42 million yen in the current fiscal year.

In accordance with the transitional treatment stipulated in Paragraph 89-3 of the Accounting Standard for Revenue Recognition, the notes "concerning revenue recognition" for the previous fiscal year are not presented.

(Application of "Accounting Standard for Measurement of Fair Value" and others)
The new accounting policy stipulated by the "Accounting Standard for Fair Value Estimation" (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as the "Accounting Standard for Fair Value Estimation") is applied from the beginning of the current fiscal year and will be applied prospectively in accordance with the transitional treatment stipulated in paragraph 19 of the Accounting Standard for Fair Value Estimation and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). This change has no impact on the financial statements.

Changes to Presentation Methods

(Notes to Statements of Income)

Loss on valuation of stocks of subsidiaries and affiliates, which was included in miscellaneous loss in non-operating expenses in the previous fiscal year, is separately presented as loss on valuation of stocks of subsidiaries and affiliates in extraordinary loss due to its increased importance.

As a result, loss on valuation of stocks of subsidiaries and affiliates of 0 million yen, which was included in miscellaneous loss in non-operating expenses in the statement of income for the previous fiscal year, has been reclassified to loss on valuation of stocks of subsidiaries and affiliates in extraordinary loss.

The effect of the reclassification was to increase ordinary income for the previous fiscal year by 0 million yen.

Notes on Accounting Estimates

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

The impact of the spread of novel coronavirus infection and the situation in Ukraine is reflected in estimates and judgments to the extent deemed reasonable based on currently available information. Actual results may differ from these estimates due to the uncertainties involved in estimating the spread of COVID-19 and the timing of its containment, as well as the impact of the situation in Ukraine.

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

1. Recoverability of deferred tax assets

Account title and amount recorded for the current fiscal year

Account title	Amount
Deferred tax assets (before deduction of valuation allowance)	¥39,081 million
Valuation allowance	(¥29,231 million)

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

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

2. Measurement of defined benefit plan obligations

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

Account title	Amount
Prepaid pension cost	¥50,715 million

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

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

3. Valuation of shares of affiliated companies

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

Account title	Amount
Stocks of subsidiaries and affiliates	¥146,151 million
Investment in subsidiaries and affiliates	¥45,129 million

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

The Company recognizes a valuation loss on stocks of subsidiaries and affiliates when the market value of the stocks at the end of the fiscal year has declined significantly and there is no possibility of recovery.

The possibility of recovery is determined based on the business plans of the shares of the subsidiaries and affiliates. However, the possibility of recovery may be affected by the outcome of uncertain future economic conditions, and if a review is required, the amount recognized in the financial statements for the following fiscal year or later may be materially affected.

4. Impairment loss on fixed assets of auto parts business

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

Account title	Amount
Impairment loss	¥866 million

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

(i) Calculation method

The recoverable amount of an asset group is compared to its carrying amount, and if the carrying amount exceeds its recoverable amount, the excess is recognized as an impairment loss.

The recoverable amount was determined by comparing the net realizable value and the value in use, and the net realizable value was used because the net realizable value exceeded the value in use.

(ii) Key assumptions

The fair market value of the property, which is the basis for calculating the net realizable value, and the cost of remediation of the upper loam contamination, which is the main component of the estimated disposal cost, were calculated by an outside expert.

The calculation of such net realizable value requires professional skills due to the nature and complexity of the valuation method, and may have a significant impact on the impairment amount.

(iii) Impact on financial statements for the following fiscal year

The calculation of the net realizable value is based on the most orderly estimates by management for key assumptions. However, the results may be affected by the outcome of future changes in uncertain economic conditions and other factors, and if the assumed conditions change, the results of the calculation of the recoverable amount may differ.

Notes to Balance Sheet

1. Accumulated depreciation of tangible noncurrent assets ¥353,907 million

2. Loan guarantees

Loan guarantees	¥1,986 million
(Guarantees for bank loans of affiliates)	(¥1,681 million)
(Guarantees for bank guarantees of affiliates)	(¥305 million)

3. Receivables from affiliated companies and payables to affiliated companies

Short-term receivables	¥57,124 million
Long-term receivables	¥6,888 million
Short-term payables	¥88,569 million
Long-term payables	¥186 million

Notes to Statement of Income

1. Transactions with affiliated companies

Operating transactions	Sales	¥128,739 million
	Purchases	¥176,989 million
Other non-operating transactions		¥65,612 million

2. Impairment loss

(Millions of yen)

Use	Type	Location	Description	Amount
Business assets	Machinery and equipment, vehicles, tools, furniture and fixtures, software	Maebashi, Gunma	Automobile parts business-related facilities	866

The book value of business assets with declining profitability was reduced to the net selling price, which was calculated by deducting the estimated cost of disposal from the real estate appraisal value, etc., by grouping the assets by the main cash-generating unit, and the reduction was recognized as an impairment loss.

3. Loss on valuation of stocks of subsidiaries and affiliates

In the current fiscal year, the Company recorded extraordinary losses of ¥742 million for AKS Precision Ball Europe S.A. and ¥409 million for NSK-AKS Precision Ball S.A., for a total of ¥1,151 million in loss on valuation of stocks of affiliated companies.

Notes to Statement of Changes in Shareholders' Equity

Type and number of treasury stock at end of period Common stock 37,931,934 shares

Notes on Tax Effect Accounting

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

Deferred tax assets	
Accrued retirement benefits	¥2,430million
Accrued bonuses	¥3,029million
Valuation loss on stock of subsidiaries and affiliates	¥24,651million
Loss on devaluation of investment securities	¥370million
Impairment loss	¥425million
Carry-over tax loss	¥million
Carry-over foreign tax credit	¥3,045million
Other	¥5,127million
Subtotal of deferred tax assets	¥39,081million
Valuation allowance	(¥29,231million)
Total deferred tax assets	¥9,849million
Deferred tax liabilities	
Reserve for advanced depreciation of noncurrent assets	(¥1,803million)
Gain on establishment of a retirement benefit trust	(¥9,800million)
Valuation difference on available-for-sale securities	(¥11,470million)
Other	(320million)
Total deferred tax liabilities	(¥23,394million)
Net deferred tax assets (liabilities)	(¥13,545million)

Notes on Leased Noncurrent Assets

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

Notes on Related-Party Transactions

Subsidiaries and affiliates, etc.

(Millions of yen)

Type	Company Name	Possession of Voting Rights	Relationship with Related Party	Types of Transaction	Transaction Amount	Title of Account	Balance as of March 31, 2022
Subsidiary	NSK Steering Systems Co., Ltd..	100.0%	Purchase of finished goods Executive posts concurrently held	Purchase of automotive-related finished goods[1]	47,106	Accounts payable	6,916
Subsidiary	Amatsuji Steel Ball Mfg. Co., Ltd.	100.0%	Purchase of finished goods Executive posts concurrently held	Lending of funds[2]	2,257	Short-term debts	30,269
Affiliate	NSK-Warner K. K.	50.0%	Purchase of finished goods Executive posts concurrently held	Purchase of automotive-related finished goods[1]	47,797	Accounts payable	9,730

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

Notes:

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

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

3. Transaction amounts above exclude consumption tax, while the balance as of March 31, 2022 is inclusive of consumption tax.

Per Share Information

Net assets per share	¥567.18
Net income per share	¥66.99

Notes to the Company's consolidated dividend regulations

The Company is a company subject to consolidated dividend regulations.

Notes to Business Combinations

The Company has omitted notes here because the same information is presented in "Notes to Business Combinations" in the Notes to Consolidated Financial Statements.

Notes to Revenue Recognition

The information that forms the basis for understanding revenue from contracts with customers is identical to that in the “Notes to Revenue Recognition” in the Notes to Consolidated Financial Statements, and therefore, the notes have been omitted here.