(Commencement date of electronic provision measures: June 2, 2023)

OTHER MATTERS SUBJECT TO ELECTRONIC PROVISION MEASURES FOR THE FISCAL 2022 (162nd) ORDINARY GENERAL MEETING OF SHAREHOLDERS (MATTERS OMITTED FROM THE PAPER COPY OF MEETING MATERIALS)

(From April 1, 2022 to March 31, 2023)

NSK Ltd.

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	80,374	410,872	(37,025)
Net income	–	–	18,412	–
Other comprehensive income	–	–	–	–
Total comprehensive income for the period	–	–	18,412	–
Purchase of treasury shares	–	–	–	(8)
Disposal of treasury shares	–	28	–	252
Share-based payment transactions	–	74	–	–
Cash dividends	–	–	(15,403)	–
Other	–	–	1,855	–
Total transactions with owners, etc.	–	102	(13,548)	243
Closing balance	67,176	80,476	415,736	(36,781)

	Equity attributable to owners of the parent					Non-controlling interests	Total equity
	Other components of equity						
	Exchange differences on translating foreign operations	Net changes in financial assets measured at fair value through other comprehensive income	Remeasure-ments of net defined benefit liability (asset)	Total	Total		
Opening balance	25,316	27,460	43,625	96,402	617,800	19,659	637,460
Net income	–	–	–	–	18,412	249	18,661
Other comprehensive income	13,606	(3,809)	(14,759)	(4,962)	(4,962)	347	(4,615)
Total comprehensive income for the period	13,606	(3,809)	(14,759)	(4,962)	13,449	597	14,046
Purchase of treasury shares	–	–	–	–	(8)	–	(8)
Disposal of treasury shares	–	–	–	–	280	–	280
Share-based payment transactions	–	–	–	–	74	–	74
Cash dividends	–	–	–	–	(15,403)	(1,744)	(17,148)
Other	–	(1,835)	–	(1,835)	20	–	20
Total transactions with owners, etc.	–	(1,835)	–	(1,835)	(15,037)	(1,744)	(16,782)
Closing balance	38,922	21,816	28,865	89,604	616,213	18,511	634,724

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

Notes to the Consolidated Financial Statements

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 92 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

Consolidated subsidiaries

Increase due to incorporation-type company split: 1 company

NSK China Automotive Components Co., Ltd.

Increase due to new establishment: 1 company

NSK Dongguan Automotive Technology Co., Ltd.

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 raw 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 raw 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 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, condition monitoring systems, etc., bearings for car manufacturers and automotive component manufacturers, steering systems, automatic transmission components, etc. For sales of products such as bearings, 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. For transactions in which control of products and services, etc. is transferred over time, such as the provision of condition monitoring systems and services, considering the nature of such products and services provided to customers, revenue is recognized by measuring progress toward complete satisfaction of performance obligations based on the output method and the input method. 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 COVID-19 and the situation in Ukraine has been reflected in estimates and judgments to the extent deemed reasonable based on information currently available.

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	¥15,288 million
Deferred tax liabilities	¥32,661 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	¥101,165 million
Net defined benefit liabilities	¥16,027 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. 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 ¥5,229 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.

Notes to the Consolidated Statement of Financial Position

1. Accumulated depreciation of tangible noncurrent assets ¥928,254 million

2. Provisions

Summary of the Company's Provisions

Reserves for environmental measures	¥1,314 million
Other	¥1,089 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

At the end of the current consolidated fiscal year, the Company has posted reasonably estimated losses in "provisions (non-current)" in connection with possible claims for damages related to alleged violations of competition laws in past sales of its and certain subsidiaries' products. In addition to these claims for damages in relation to which such losses were posted, the Company, its subsidiaries or its affiliated companies may receive claims for damages related to the above-mentioned alleged violations of competition laws in the future. The NSK Group will manage these claims appropriately.

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 expenses

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

	(Millions of yen)
Foreign exchange loss	2,080
Competition law expenses	(782)
Business restructuring related expenses	940
Other	(233)
Total	2,005

(Notes)

1. *The Company reassessed the estimated losses recorded in "provisions (non-current)" in connection with possible settlements of the claims for damages related to alleged violations of competition laws in past sales of the Group's products. As a result, a gain on reversal was recorded, and this amount is included in "Competition law expenses" for the fiscal year ended March 31, 2023.*
2. *"Business restructuring related expenses" includes outside experts' expenses associated with structural reform of the steering business. The details are provided under "Notes on Significant Subsequent Events, 2. Signing of joint venture agreement for steering 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, 2022 Board of Directors	Common stock	7,775	15.00	March 31, 2022	June 9, 2022
October 31, 2022 Board of Directors	Common stock	7,819	15.00	September 30, 2022	December 2, 2022
Total		15,594			

Note: The total amount of dividends includes dividend of ¥190 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 May 23, 2023.

I. Total amount of dividend	¥7,819 million
II. Financial source of dividend	Retained earnings
III. Dividend per share (yen)	¥15.00
IV. Record date	March 31, 2023
V. Effective date	June 7, 2023

Note: The total amount of dividend based on the resolution to be proposed at the meeting of the Board of Directors to be held on May 23, 2023 includes dividend of ¥115 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	548,000 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 ¥70,000 million line of commitment with financial institutions and has secured a ¥50,000 million 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	102,800	102,337
Corporate bonds	153,000	152,225

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	42,578	−	5,229	47,807
Financial assets at fair value through profit or loss				
Derivative financial assets	−	3	−	3
Financial liabilities				
Financial liabilities measured at amortized cost				
Long-term debt	−	102,337	−	102,337
Corporate bonds	−	152,225	−	152,225
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	−	294	−	294

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	¥1,200.92
Basic net income per share	¥35.89

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	95,972	195,416	291,388	19,356	310,745
Americas	63,010	104,588	167,599	414	168,014
Europe	62,773	60,201	122,975	7,101	130,076
China	101,365	79,908	181,273	3,184	184,458
Other Asia	61,981	80,596	142,578	2,225	144,803
Total	385,103	520,711	905,815	32,283	938,098

(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, and machinery and equipment manufacturing business.*

The Industrial Machinery segment manufactures and sells bearings, precision equipment-related products, and condition monitoring systems to general industries, etc. while the Automotive segment manufactures and sells bearings, steering and automatic transmission parts to automobile and automotive parts manufacturers. For sales of products such as bearings, 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. For transactions in which control of products and services, etc. is transferred over time, such as the provision of condition monitoring systems and services, considering the nature of such products and services provided to customers, revenue is recognized by measuring progress toward complete satisfaction of performance obligations based on the output method and the input method. 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 Significant Subsequent Events

1. Partial refunding of retirement benefit trust

The Company has established a stock-based retirement benefit trust for the purpose of providing for future retirement benefits. In recent years, however, pension assets including the retirement benefit trust have been significantly overfunded relative to retirement benefit obligations, and this situation is expected to continue in the future. Therefore, the Company has received a partial refund of the retirement benefit trust. Please note that some of the shares in the trust have been sold during the fiscal year (fiscal year ended March 31, 2023).

(1) Date of event

April 20, 2023

(2) Date of refund

April 28, 2023

(3) Amount refunded

¥35,000 million

(4) Impact of event

There is no impact on the consolidated statement of income for the fiscal year ending March 31, 2024. For the consolidated statement of financial position, an increase of ¥35,000 million in cash and cash equivalents and a decrease of ¥35,000 million in net defined benefit asset is expected.

2. Signing of joint venture agreement for steering business

On May 12, 2023, the Company entered into an agreement (the "Agreement") with Japan Industrial Solutions III Investment Limited Partnership ("JIS"), under which NSK Steering & Control, Inc. ("NS&C"), a consolidated subsidiary which houses the Company's global steering business, will issue class shares equivalent to 50.1% of voting rights of NS&C through third-party allotment (the "Third-Party Allotment") to JIS, the Company and JIS will jointly operate NS&C, and NS&C will pay special dividend to the Company prior to the Third-Party Allotment (the series of transactions including the Third-Party Allotment and the payment of special dividend are hereinafter referred to as the "Transaction"). As a result of the Transaction, NS&C and other consolidated subsidiaries in the steering business will no longer be consolidated by the Company, and will become equity-method affiliates.

(1) Background and purpose

In recent years, the automotive industry has been facing a major transformation that is said to occur once every 100 years. In addition, the COVID-19 outbreak, supply chain issues for semiconductors and other materials, geopolitical risks including the Ukraine situation, and global inflation have added to the extremely challenging business environment. In this environment, as announced in the Mid-Term Management Plan 2026 ("MTP2026") dated May 13, 2022, the Company has been pushing ahead with business structural reforms aimed at recovering performance in the steering business, and at the same time, has been pursuing alliance discussion with external partners. As a result, the Company decided to enter into the Agreement with JIS regarding NS&C.

JIS has a track record and experience in management improvement in numerous Japanese manufacturing industries, including automobile component, and possesses knowledge and network of information based on them. The Company came to the conclusion that it would be best to partner with JIS at this time amid an increasingly uncertain business environment, in order to further progress with measures to improve the steering business as quickly as possible. Specifically, the Company will work with JIS to consider a variety of measures, including the following.

- Carry out further structural reforms to improve profitability

- Promote independent operation (review governance structure and processes)
- Explore opportunities for alliances with strategic partners
- Strengthen monitoring system

(2) Outline of the Agreement

NS&C will issue 10,041 class shares (the “Class Shares”) (Note) through third-party allotment, all of which will be subscribed by JIS for ¥20,000 million. Prior to the Third-Party Allotment, NS&C plans to pay special dividend to the Company. As a result of the Transaction, the shareholder composition and ownership ratio of NS&C will be as follows. If certain conditions are met, the Company may acquire the Class Shares subscribed by JIS through the Transaction. In addition, although the Company currently plans to implement the Third-Party Allotment in the Transaction as described above, if the implementation of the Third-Party Allotment becomes likely to have a significant impact on the Company’s financial results due to large changes in the market environment and other factors, in lieu of the Third-Party Allotment, the Company may first subscribe to all of the 10,041 Class Shares issued by NS&C and then transfer them to JIS, subject to the consent of JIS (even in such case, the shareholder composition and ownership ratio will be the same).

NSK: 49.9%

JIS: 50.1%

(Note) At both the General Meetings of Shareholders and the general meetings of exclusively shareholders of the Class Shares, each shareholder of the Class Shares will have one voting right per share.

As a result of the Transaction, NS&C and other consolidated subsidiaries in the steering business will become equity-method affiliates of the Company. The Company will continue to support NS&C’s sustainable growth and enhancement of corporate value as a shareholder.

(3) Schedule for execution of the Transaction

July 3, 2023 (planned)

(4) Outlook and impact on business performance

The impact of the Transaction on the Company’s consolidated financial results is currently under assessment. Also, the special dividend to be paid as part of the Transaction will be a capital transaction where the dividend will be paid from NS&C’s capital surplus, and therefore the impact on the income of the Company is insignificant.

<Reference>

Operating performance of the steering business for the fiscal year ended March 31, 2023

Sales: ¥161,300 million

3. Decisions on matters related to repurchasing of treasury stock

At a meeting of the Board of Directors held on May 12, 2023, the Company passed a resolution on matters pertaining to the acquisition of treasury stock in accordance with Article 156 of the Companies Act applied by replacing the terms pursuant to Article 165, Paragraph 3 of the Companies Act.

(1) Reasons for repurchasing shares

To enhance shareholder returns and improve capital efficiency.

(2) Details of matters related to repurchasing

Type of shares to be acquired:	Common shares of the Company
Number of shares to be repurchased:	25 million (maximum) (Percentage of total shares issued (excluding treasury stock): 4.8%)
Total value of shares to be repurchased:	¥22,000 million (maximum)
Period of acquisition:	from May 15, 2023 to June 30, 2023
Method of acquisition:	Purchase in the market through the Tokyo Stock Exchange (including acquisition of treasury stock through ToSTNeT-3 system of the Tokyo Stock Exchange)

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, 2022	67,176	77,923	1,039	78,962
Change of items during the period				
Cash dividends	–	–	–	–
Accumulation of reserves	–	–	–	–
Reversal of reserves	–	–	–	–
Net income	–	–	–	–
Purchase of treasury shares	–	–	–	–
Disposal of treasury shares	–	–	(670)	(670)
Net change during the period, except for items under shareholders' equity	–	–	–	–
Total changes of items during the period	–	–	(670)	(670)
As of March 31, 2023	67,176	77,923	368	78,292

	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, 2022	10,292	4,110	99,766	40,329	154,498
Change of items during the period					
Cash dividends	–	–	–	(15,594)	(15,594)
Accumulation of reserves	–	–	20,000	(20,000)	–
Reversal of reserves	–	(196)	–	196	–
Net income	–	–	–	49,876	49,876
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	–	(196)	20,000	14,478	34,281
As of March 31, 2023	10,292	3,913	119,766	54,807	188,779

	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, 2022	(36,700)	263,936	27,217	27,217	330	291,484
Change of items during the period						
Cash dividends	–	(15,594)	–	–	–	(15,594)
Accumulation of reserves	–	–	–	–	–	–
Reversal of reserves	–	–	–	–	–	–
Net income	–	49,876	–	–	–	49,876
Purchase of treasury shares	(1)	(1)	–	–	–	(1)
Disposal of treasury shares	950	280	–	–	–	280
Net change during the period, except for items under shareholders' equity	–	–	(5,666)	(5,666)	(20)	(5,686)
Total changes of items during the period	949	34,560	(5,666)	(5,666)	(20)	28,873
As of March 31, 2023	(35,751)	298,497	21,550	21,550	310	320,357

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

Notes to the Non-Consolidated Financial Statements

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 compensation in the form of the Company's stock, etc. to certain officers and employees of the Company or certain subsidiaries, the amount of stock benefit obligations recorded by the Company is based on projected stock benefit obligations 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) Provision for loss on business of subsidiaries and affiliates

To prepare for losses related to the businesses of subsidiaries and affiliates, the estimated amount of losses is recorded taking into account the financial conditions of such companies.

6. Recognition criteria for revenue and expenses

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

Not applicable.

Changes to Presentation Methods

“Foreign exchange loss,” which was included in “miscellaneous losses” in non-operating expenses in the previous fiscal year, is separately presented from the current fiscal year due to its increased financial importance. “Foreign exchange loss” was ¥7 million in the previous fiscal year.

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 COVID-19 and the situation in Ukraine has been reflected in estimates and judgments to the extent deemed reasonable based on information currently available.

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

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

Account title	Amount
Deferred tax assets (before deduction of valuation allowance)	¥44,086 million
Valuation allowance	(¥30,617) 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	¥59,338 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	¥146,291 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.

Notes to Balance Sheet

1. Accumulated depreciation of tangible noncurrent assets ¥349,163 million

2. Loan guarantees

Loan guarantees	¥3,159 million
(Guarantees for bank loans of affiliates)	(¥2,849 million)
(Guarantees for bank guarantees of affiliates)	(¥309 million)

3. Receivables from affiliated companies and payables to affiliated companies

Short-term receivables	¥72,047 million
Long-term receivables	¥8,933 million
Short-term payables	¥77,706 million
Long-term payables	¥186 million

Notes to Statement of Income

1. Transactions with affiliated companies

Operating transactions	Sales	¥139,733 million
	Purchases	¥169,275 million
Other non-operating transaction		¥93,673 million

2. Business restructuring related expenses

Regarding outside experts' expenses for the structural reform of the Automotive Steering & Actuator Division HQ's business (the "Steering Business"), the Company recorded ¥867 million in business restructuring related expenses under extraordinary loss in the current fiscal year. The details are provided under "Notes on Significant Subsequent Events, 2. Absorption-type company split of the steering business" and "Notes on Significant Subsequent Events, 3. Signing of joint venture agreement for steering business."

3. Loss on valuation of stocks of subsidiaries and affiliates

In the current fiscal year, the Company recorded extraordinary losses of ¥294 million for Rane NSK Steering Systems Ltd. and ¥148 million for NSK-AKS Precision Ball S.A., for a total of ¥442 million in loss on valuation of stocks of affiliated companies.

4. Income taxes for prior periods

As it is certain that a refund of income taxes will be received as a result of an agreement reached through a mutual agreement procedure between Japan and the United States on a correction decision based on the transfer pricing tax system, the Company has recorded the estimated amount of such refund as income taxes for prior periods.

Notes to Statement of Changes in Shareholders' Equity

Type and number of treasury stock at end of period	Common stock	37,659,189 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	¥5,386 million
Accrued bonuses	¥3,191 million
Valuation loss on stock of subsidiaries and affiliates	¥26,741 million
Loss on devaluation of investment securities	¥382 million
Impairment loss	¥296 million
Carry-over foreign tax credit	¥2,210 million
Other	¥5,877 million
Subtotal of deferred tax assets	¥44,086 million
Valuation allowance	(¥30,617 million)
Total deferred tax assets	¥13,469 million
Deferred tax liabilities	
Reserve for advanced depreciation of noncurrent assets	(¥1,717 million)
Gain on establishment of a retirement benefit trust	(¥4,900 million)
Valuation difference on available-for-sale securities	(¥8,983 million)
Other	(¥320 million)
Total deferred tax liabilities	(¥15,921 million)
Net deferred tax assets (liabilities)	(¥2,451 million)

Practical solution on the accounting and disclosure under the group tax sharing system

The Company transitioned from the consolidated taxation system to the group tax sharing system from the current fiscal year. In line with this transition, the accounting and disclosure of income tax, local income tax, and tax effect accounting follows "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No. 42, August 12, 2021; hereinafter "PITF No. 42"). In addition, based on Paragraph 32(1) of PITF No. 42, the Company considers that there is no impact from the changes in the accounting policies as a result of the adoption of PITF No. 42.

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, 2023
Subsidiary	NSK Steering Systems Co., Ltd..	100.0%	Purchase of finished goods Executive posts concurrently held	Purchase of automotive- related finished goods[1]	47,535	Accounts payable	6,712
Subsidiary	Amatsuji Steel Ball Mfg. Co., Ltd.	100.0%	Purchase of finished goods Executive posts concurrently held	Borrowing of funds[2]	(866)	Short-term debts	29,403
Subsidiary	NSK Steering Systems America, Inc.	100.0%	Financial assistance Executive posts concurrently held	Lending of funds[2]	8,012	Short-term loans receivable	8,012
Affiliate	NSK-Warner K. K.	50.0%	Purchase of finished goods Executive posts concurrently held	Purchase of automotive- related finished goods[1]	40,633	Accounts payable	7,927

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 and lending 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, 2023 is inclusive of consumption tax.*

Per Share Information

Net assets per share	¥623.14
Net income per share	¥97.13

Notes on Significant Subsequent Events

1. Partial refunding of retirement benefit trust

The Company has established a stock-based retirement benefit trust for the purpose of providing for future retirement benefits. In recent years, however, pension assets including the retirement benefit trust have been significantly overfunded relative to retirement benefit obligations, and this situation is expected to continue in the future. Therefore, the Company has received a partial refund of the retirement benefit trust. Please note that some of the shares in the trust have been sold during the fiscal year (fiscal year ended March 31, 2023).

(1) Date of event

April 20, 2023

(2) Date of refund

April 28, 2023

(3) Amount refunded

¥35,000 million

(4) Impact of event

In light of the partial refund of the retirement benefit trust, the amount corresponding to the refund amount in unrecognized actuarial differences at the time of the refund will be treated as a non-recurring gain or loss. As a result, the Company expects to post special profit of ¥9,652 million and income tax adjustment of ¥2,944 million (loss) in the next fiscal year. Furthermore, the balance sheet is expected to show an increase of ¥35,000 million in cash and deposit, an increase of ¥2,944 million in deferred tax liabilities, and a decrease of ¥25,347 million in prepaid pension cost.

2. Absorption-type company split of the steering business

On April 1, 2023, as part of a structural reorganization within the Group (the "Reorganization"), the Company conducted an absorption-type company split (the "Company Split") of the Automotive Steering & Actuator Division HQ's business (the "Steering Business") with ADTech Corporation ("ADTech"), a wholly owned subsidiary of the Company. ADTech's company name was changed to NSK Steering & Control, Inc.

(1) Details of the target business

The Company's Steering Business

<Reference> Sales for the fiscal year ended March 31, 2023: ¥58,073 million

(2) Effective date of the Company Split

April 1, 2023

(3) Method of the Company Split

An absorption-type company split (simplified absorption-type company split) in which the Company is the splitting company and ADTech is the successor company.

(4) Allotment under the Company Split

ADTech will issue 2,000 shares of common stock at the time of the Company Split, the entirety of which will be allocated and issued to the Company.

(5) Handling of stock acquisition rights and corporate bonds with stock acquisition rights of the splitting company under the Company Split

Not applicable.

(6) Change in capital

The Company Split will cause no change in the Company's capital.

(7) Rights and obligations to be succeeded by the successor company (ADTech)

ADTech will succeed from the Company assets and contracts related to the Steering Business, as well as the rights and obligations associated with these assets and contracts, as stipulated in the Company Split agreement. Rights and obligations for external transactions related to sales/procurement (excluding joint development contracts, development consignment contracts, and license contracts) and the employment contracts of employees related to the Steering Business are not subject to the Company Split.

(8) Outlook for performance of obligations

ADTech is not expected to encounter any difficulty in carrying out its due obligations after the effective date of the Company Split.

(9) Other matters related to the outline of the transaction

Through the Reorganization including the Company Split, the Company will establish an independently profitable steering business organization with ADTech as its global headquarters and strengthen business segment management by transferring major assets of the Steering Business, including the shares of the Steering Business subsidiaries, to ADTech.

I. Through the Company Split, the shares of all subsidiaries in the Steering Business, excluding an Indian subsidiary Rane NSK Steering Systems Pvt. Ltd., will be transferred to ADTech.

II. As a result of the Company Split, functions belonging to the Steering Business, including technology development and design, quality assurance, marketing, and administration will be transferred to ADTech.

III. After the Company Split takes effect, the Company will transfer its shares in Rane NSK Steering Systems Pvt. Ltd. to ADTech.

(10) Overview of accounting to be implemented

In accordance with "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019), the Company Split will be accounted for as a transaction under common control.

(11) Amount of assets and liabilities transferred

Assets: ¥73,311 million

Liabilities: ¥– million

3. Signing of joint venture agreement for steering business

On May 12, 2023, the Company entered into an agreement (the "Agreement") with Japan Industrial Solutions III Investment Limited Partnership ("JIS"), under which NSK Steering & Control, Inc. ("NS&C"), a consolidated subsidiary which houses the Company's global steering business, will issue class shares equivalent to 50.1% of voting rights of NS&C through third-party allotment (the "Third-Party Allotment") to JIS, the Company and JIS will jointly operate NS&C, and NS&C will pay special dividend to the Company prior to the Third-Party Allotment (the series of transactions including the Third-Party Allotment and the payment of special dividend are hereinafter referred to as the "Transaction").

(1) Background and purpose

In recent years, the automotive industry has been facing a major transformation that is said to occur once every 100 years. In addition, the COVID-19 outbreak, supply chain issues for semiconductors and other materials, geopolitical risks including the Ukraine situation, and global inflation have added to the extremely challenging business environment. In this environment, as announced in the Mid-Term Management Plan 2026 ("MTP2026") dated May 13, 2022, the Company has been pushing ahead with business structural reforms aimed at recovering performance in the steering business, and at the same time, has been pursuing alliance discussion with external partners. As a result, the Company decided to enter into the Agreement with JIS regarding NS&C.

JIS has a track record and experience in management improvement in numerous Japanese manufacturing industries, including automobile component, and possesses knowledge and network of information based on them. The Company came to the conclusion that it would be best to partner with JIS at this time amid an increasingly uncertain business environment, in order to further progress with measures to improve the steering business as quickly as possible. Specifically, the Company will work with JIS to consider a variety of measures, including the following.

- Carry out further structural reforms to improve profitability
- Promote independent operation (review governance structure and processes)
- Explore opportunities for alliances with strategic partners
- Strengthen monitoring system

(2) Outline of the Agreement

NS&C will issue 10,041 class shares (the "Class Shares") (Note) through third-party allotment, all of which will be subscribed by JIS for ¥20,000 million. Prior to the Third-Party Allotment, NS&C plans to pay special dividend to the Company. As a result of the Transaction, the shareholder composition and ownership ratio of NS&C will be as follows. If certain conditions are met, the Company may acquire the Class Shares subscribed by JIS through the Transaction. In addition, although the Company currently plans to implement the Third-Party Allotment in the Transaction as described above, if the implementation of the Third-Party Allotment becomes likely to have a significant impact on the Company's financial results due to large changes in the market environment and other factors, in lieu of the Third-Party Allotment, the Company may first subscribe to all of the 10,041 Class Shares issued by NS&C and then transfer them to JIS, subject to the consent of JIS (even in such case, the shareholder composition and ownership ratio will be the same).

NSK: 49.9%

JIS: 50.1%

(Note) At both the General Meetings of Shareholders and the general meetings of exclusively shareholders of the Class Shares, each shareholder of the Class Shares will have one voting right per share.

(3) Schedule for execution of the Transaction

July 3, 2023 (planned)

(4) Outlook and impact on business performance

The impact of the Transaction on the Company's financial results is currently under assessment. Also, the special dividend to be paid as part of the Transaction will be a capital transaction where the dividend will be paid from NS&C's capital surplus, and therefore the impact on the income of the Company is insignificant.

4. Decisions on matters related to repurchasing of treasury stock

At a meeting of the Board of Directors held on May 12, 2023, the Company passed a resolution on matters pertaining to the acquisition of treasury stock in accordance with Article 156 of the Companies Act applied by replacing the terms pursuant to Article 165, Paragraph 3 of the Companies Act.

(1) Reasons for repurchasing shares

To enhance shareholder returns and improve capital efficiency.

(2) Details of matters related to repurchasing

Type of shares to be acquired:	Common shares of the Company
Number of shares to be repurchased:	25 million (maximum) (Percentage of total shares issued (excluding treasury stock): 4.8%)
Total value of shares to be repurchased:	¥22,000 million (maximum)
Period of acquisition:	from May 15, 2023 to June 30, 2023
Method of acquisition:	Purchase in the market through the Tokyo Stock Exchange (including acquisition of treasury stock through ToSTNeT-3 system of the Tokyo Stock Exchange)

Notes to the Company's consolidated dividend regulations

The Company is a company subject to consolidated dividend regulations.

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.