

Management's Discussion and Analysis of Financial

1. Business Overview and the Results for the Year Ended March 31, 2021

Looking at the global economy during the year ended March 31, 2021, the economic situation in each country deteriorated rapidly due to the global spread of COVID-19 in the first quarter. From the second quarter onward, the resumption of economic activities has progressed in stages. Although economic activities appeared to be at a standstill in some regions due to even stricter restriction of activities because of the new surge of COVID-19 cases, the economy continued moving toward a recovery.

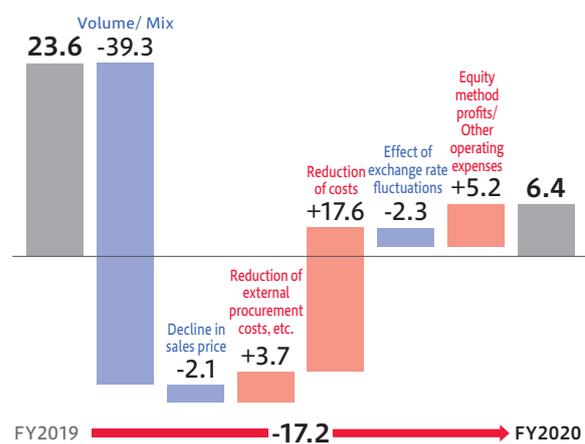
In Japan, although exports increased against the backdrop of a global recovery in vehicle production, consumer spending weakened slightly due to the second declaration of a state of emergency in response to COVID-19, and the economy remained in a severe condition. In the United States, the economy continued to pick up as additional economic measures began to take effect and economic activities resumed further with the rollout of COVID-19 vaccines. In Europe, although there were some signs of bottoming in capital expenditures and picking up in manufacturing activities after the easing of restrictions, the pace of

recovery slowed due to the resurgence of cases. In China, manufacturing activities quickly resumed, and the economy continued to show signs of picking up. This included a recovery in new vehicle sales thanks to the government's vehicle subsidies.

In this economic environment, consolidated sales for the year ended March 31, 2021, came to ¥747,559 million, a year-on-year decrease of 10.0%, and operating income totaled ¥6,364 million, a year-on-year decrease of 73.0%. Income before income taxes was ¥5,889 million, a year-on-year decrease of 75.5%. Net income attributable to owners of the parent was ¥355 million, a year-on-year decrease of 98.0%.

▶ PP. 32–34 Business Overview and Business Environment by Segment

■ Operating Income: Factors Behind Change (FY2019 ⇒ FY2020) (¥ Billions)



(¥ Billions)	FY2019 (Actual)	FY2020 (Actual)	Increase/ Decrease YOY
Sales	831.0	747.6	-83.5
Operating income (Operating income margin)	23.6 (2.8%)	6.4 (0.9%)	-17.2
Income before income taxes	24.1	5.9	-18.2
Net income attributable to owners of the parent	17.4	0.4	-17.1

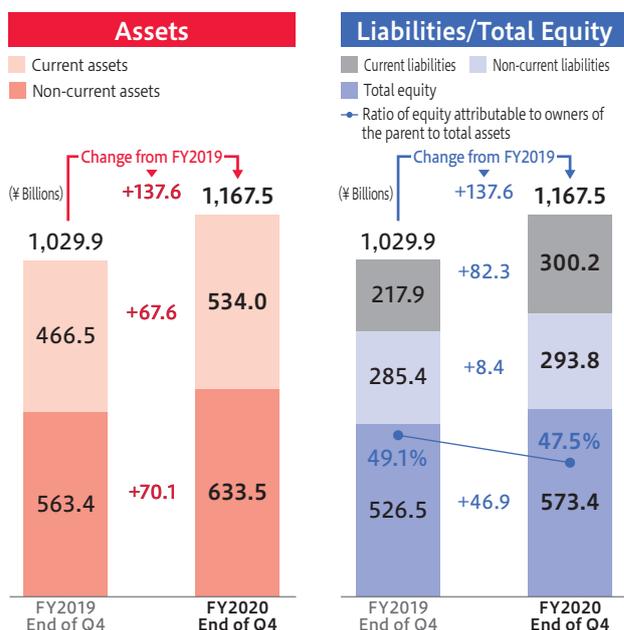
2. Analysis of Financial Position

In the fiscal year ended March 31, 2021, other financial liabilities (current) increased by ¥58,398 million compared with other financial liabilities (current) as of March 31, 2020, due to the borrowing in preparation for liquidity risk posed by contingencies including the global spread of COVID-19. Meanwhile, outflow associated with the acquisition of the condition monitoring system (CMS) business was ¥20,118 million. Accordingly, cash and cash equivalents increased by ¥39,340 million.

Trade receivables and other receivables increased by ¥31,002 million and trade payables and other payables increased by ¥14,416 million as the business environment has recovered with the resumption of economic activities. Moreover, other financial assets (non-current) increased by ¥23,704 million due to the rise in stock prices.

As a result, total assets as of March 31, 2021, stood at ¥1,167,498 million, an increase of ¥137,614 million compared with total assets as of March 31, 2020. Total liabilities were ¥594,070 million, an increase of ¥90,704 million compared with total liabilities as of March 31, 2020.

Total equity totaled ¥573,428 million, an increase of ¥46,909 million compared with total equity as of March 31, 2020, mainly due to the increase in net income attributable to owners of the parent and other components of equity, which offset the decrease in cash dividends.



Position, Results of Operations and Cash Flows

3. Cash Flows

Total cash and cash equivalents as of the end of the period were ¥176,638 million, an increase of ¥39,340 million compared with total cash and cash equivalents as of March 31, 2020. Despite the decreases in profits and cash due to the outflow associated with the acquisition of the CMS business, free cash flow remained positive (¥2,745 million) owing to successful efforts to manage capital investment.

▶ Net cash flow provided by operating activities

Net cash flow provided by operating activities totaled ¥53,842 million, a decrease of ¥18,544 million compared with the previous year. This includes net income before income taxes of ¥5,889 million with subsequent adjustments including depreciation and amortisation and movements in working capital.

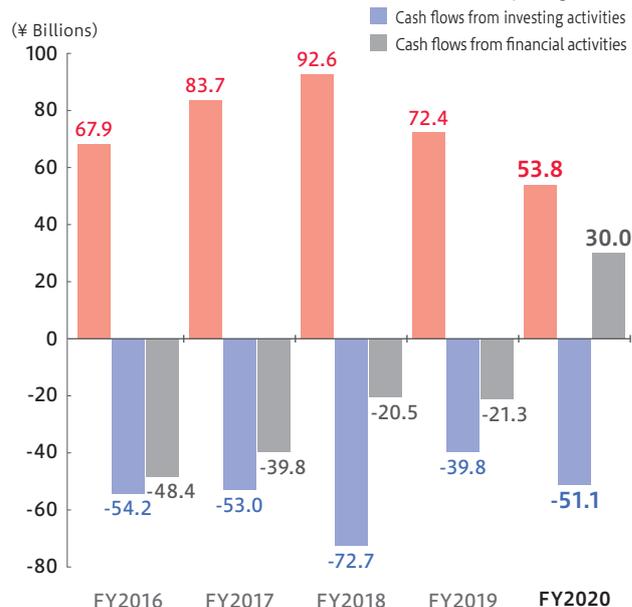
▶ Net cash flow used in investing activities

Net cash flow used in investing activities totaled ¥51,096 million, an increase of ¥11,312 million compared with the previous year. This includes purchases of property, plant and equipment of ¥33,797 million and acquisition of shares of subsidiaries of ¥20,118 million associated with the acquisition of the CMS business.

▶ Net cash flow provided by financing activities

Net cash flow provided by financing activities totaled ¥29,992 million, an increase of ¥51,326 million compared with the previous year. The main cash inflows were a ¥39,194 million increase in short-term loans in preparation for contingencies such as the spread of COVID-19 and ¥16,727 million in proceeds from long-term loans. Meanwhile, the main outflows were ¥10,142 million in repayments of long-term loans and ¥10,253 million in dividends paid.

■ Trends in Cash Flows



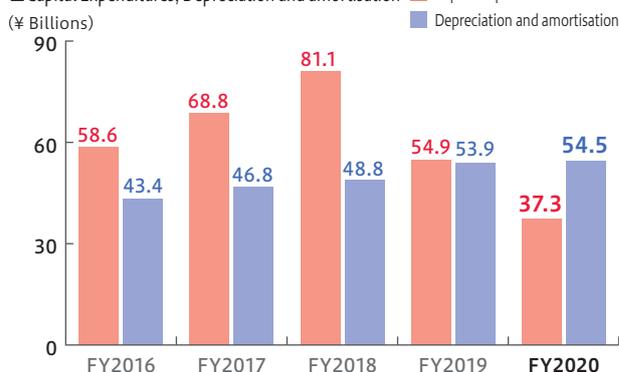
4. Summary of Capital Investment

NSK's basic policy is to sustain growth, enhance the competitiveness of its business, and strategically invest in the development of new technologies. In the year ended March 31, 2021, amid the continuing sluggish global economy caused by the COVID-19 pandemic, focusing on our core values of safety, quality, compliance, and the environment, NSK invested ¥37,303 million, a decrease of ¥17,623 million compared with the previous year, in needed productivity improvement and equipment upgrades.

In the Industrial Machinery Business, NSK invested ¥15,189 million, a decrease of ¥8,175 million compared with the previous year, for productivity improvements, equipment upgrades, production transfer, and so on. In the Automotive Business, the Company invested ¥20,643 million, a decrease of ¥7,746 million compared with the previous year, in new technology/product development in addition to productivity improvement and equipment renewal.

▶ P. 49 R&D Expenses

■ Capital Expenditures, Depreciation and amortisation



NSK Group Tax Policy

As the globalization of business advances, the NSK Group believes that the proper payment of taxes in the countries and regions where it operates is one of the most fundamental and important social responsibilities that it should undertake. With this understanding, the Group has established the NSK Group Tax Policy and is striving to ensure appropriate tax treatment. For more details, please visit the website noted below.

▶ Please see our website for more information: <https://www.nsk.com/investors/management/taxpolicy.html>