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INTERNET DISCLOSURE INFORMATION IN CONNECTION WITH THE NOTICE OF FISCAL 2019 (159th) ORDINARY GENERAL MEETING OF SHAREHOLDERS

Pg. 1	Consolidated Financial Statements: Consolidated Statement of Changes in Equity
Pg. 2-10	Notes to the Consolidated Financial Statements
Pg. 11-12	Financial Statements: Statement of Changes in Net Assets
Pg. 13-18	Notes to the Non-Consolidated Financial Statements

(From April 1, 2019 to March 31, 2020)

NSK Ltd.

Of the documents which should be provided along with this Notice of Convocation, among the Consolidated Financial Statements the Consolidated Statement of Changes in Equity and the Notes to the Consolidated Financial Statements, and among the Non-Consolidated Financial Statements the Statement of Changes in Net Assets and the Notes to the Non-Consolidated Financial Statements are published on the Company's website 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 159th 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	80,426	400,720	Δ37,779
Net income	—	—	17,412	—
Other comprehensive income	—	—	—	—
Total comprehensive income for the period	—	—	17,412	—
Purchase of treasury shares	—	--	—	Δ11
Disposal of treasury shares	—	41	—	128
Share-based payment transactions	—	Δ11	—	—
Cash dividends	—	—	Δ20,501	—
Other	—	—	8,211	—
Total transactions with owners, etc.	—	29	Δ12,290	117
Closing balance	67,176	80,456	405,842	Δ37,662

	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	Remeasurements of net defined benefit liability (asset)	Total	Total		
Opening balance	Δ12,598	33,494	5,234	26,131	536,676	23,724	560,400
Net income	—	—	—	—	17,412	696	18,108
Other comprehensive income	Δ21,864	Δ8,376	1,753	Δ28,487	Δ28,487	Δ755	Δ29,242
Total comprehensive income for the period	Δ21,864	Δ8,376	1,753	Δ28,487	Δ11,075	Δ58	Δ11,134
Purchase of treasury shares	—	—	—	—	Δ11	—	Δ11
Disposal of treasury shares	—	—	—	—	169	—	169
Share-based payment transactions	—	—	—	—	Δ11	—	Δ11
Cash dividends	—	—	—	—	Δ20,501	Δ2,652	Δ23,154
Other	—	Δ7,951	—	Δ7,951	259	—	259
Total transactions with owners, etc.	—	Δ7,951	—	Δ7,951	Δ20,095	Δ2,652	Δ22,748
Closing balance	Δ34,462	17,166	6,988	Δ10,308	505,505	21,013	526,518

Note: Figures listed above are rounded down to the nearest one 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 89 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 companies:

Increase due to new establishment: NSK Steering Systems Morocco 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 profit or loss.

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 profit or loss 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 profit or loss are recognized as profit or loss. 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 the appropriate allocation of raw material costs, direct labor costs, and other direct costs and 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 significant 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 affect ceiling excluding the portion included in net interest 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

Except for revenue including interest and dividends income, etc. under IFRS 9 “Financial Instruments,” revenue from contracts with NSK Group 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 the functional currency at the spot exchange rate as at the end of the period, and the resulting difference is recognized as profit or loss.

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 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 is disposed of, the cumulative amount of foreign exchange translation differences relating to such foreign operation is reclassified to profit or loss at the time of disposal.

Changes to Accounting Principles and Standards

Standards and interpretations adopted by the NSK Group from this consolidated fiscal year are outlined below.

Standard	Name of standard	Outline of new standard/revision(s)
IFRS 16	Leases	Revisions to lease accounting

The NSK Group has adopted IFRS 16 “Leases” (issued January 2016; hereinafter “IFRS 16”) from the year ended March 31, 2020.

As a lessee, the NSK Group determines at inception of a contract whether the contract is a lease or includes a lease. A contract is determined to be or include a lease if the contract transfers the right to control the use of the identified asset in exchange for consideration over a period of time. For leases or contracts that include leases, the right-of-use asset and lease liability are recognized at the inception of the lease.

(1) Lease liabilities

Lease liabilities are measured at the lease commencement date, which is the present value of the lease payments not paid on that date. The calculated interest rate of the lease or the lessee's incremental borrowing rate is used to measure the present value. After the start date, the carrying amount of the lease liability is increased or decreased to reflect the interest rate on the lease liability and the lease payments paid. The interest rate on a lease liability is the amount that gives rise to a fixed rate of interest on the balance of the lease liability each year and is recognized as a financial expense.

(2) Right-of-use assets

Right-of-use assets are measured at cost at the start of the lease. Acquisition cost consists of the initial measurement of the lease liability, the lease payments paid before the commencement date less the lease incentives received, and the initial direct costs incurred. After the start date, the “cost model” is adopted and the right-of-use assets are measured at the acquisition cost less accumulated depreciation and accumulated impairment loss. Right-of-use assets are depreciated mainly by the straight-line method over the lease term.

For short-term leases and leases with small underlying assets, lease payments are expensed using the straight-line method over the lease term.

The NSK Group presents right-of-use assets as property, plant and equipment and lease liabilities as current or non-current financial liabilities in the consolidated statement of financial position.

The NSK Group recognizes the cumulative impacts incurred by the application of IFRS 16 on the application start date (April 1, 2019), in accordance with provisional measures. The practical expedient on whether the contract is a lease or includes a lease as of the date of application is applied and will not be revised.

Due to the transition to IFRS 16, we have additionally recognized right-of-use assets of 19,409 million yen and lease liabilities of 19,403 million yen. The weighted average borrower's incremental borrowing rate applied to the lease liability recognized on the date of initial application is 1.4%.

An operating lease contract disclosed by applying IAS 17 “Leases” (hereinafter referred to as “IAS 17”) as of the end of the previous consolidated fiscal year, discounted by the additional borrowing rate as of the date of initial application. The reconciliation between the amount of lease liability recognized in the

consolidated statement of financial position as of the date of initial application and the amount of lease liability is as follows.

(Millions of yen)	
As for the operating lease contract disclosed by applying IAS 17 as of the end of the previous consolidated fiscal year (March 31, 2019), the amount is discounted by the additional borrowing rate as of the date of initial application	12,426
(a) Finance lease obligations recognized as of the end of the previous consolidated fiscal year (March 31, 2019)	1,754
(b) Impact of revising the lease period due to the adoption of IFRS 16	6,976
Amount of lease liability recognized in the consolidated statement of financial position as of the date of initial application (April 1, 2019)	21,157

The following practical expedients are applied when applying IFRS 16 to leases that were previously classified as operating leases by applying IAS 17.

Right-of-use assets and lease liabilities for leases that expire within 12 months of the date of initial application are not recognized.

Application of exemption rules

Initial direct costs from measurement of right-of-use assets on the date of initial application are excluded

Notes to the Consolidated Statement of Financial Position

1. Accumulated depreciation of tangible noncurrent assets 773,452 Millions of yen

2. Provisions

Summary of the Company's Provisions

Reserves for environmental measures	1,093 Millions of yen
Other	7,225 Millions of yen

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

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

In the United States, with respect to bearings or other products, tentative classes representing (i) direct purchasers of bearings, such as automotive manufacturers and industrial equipment manufacturers, (ii) dealers of commercial vehicles, medium and heavy duty trucks, buses, heavy machinery and other similar vehicles, and (iii) end purchasers of automobiles respectively have each filed a class action against NSK and some of its subsidiaries in Japan, the United States, and Europe. All of these lawsuits are pending in the Eastern District of Michigan. Discovery (the formal process in which both parties in a lawsuit request disclosure from the other of evidence, including documents, that may be relevant to the lawsuit) has begun for several of these lawsuits. A motion for class certification has been filed for part of the lawsuits, however the court decided to dismiss the motion on January 7, 2019 (local time). The plaintiff appealed this decision, however the United States Court of Appeals for the Sixth Circuit dismissed the appeal on April 1, 2019 (local time). All of these lawsuits are still pending in the Eastern District of Michigan, and a motion for class certification was filed on August 1, 2019

(local time).

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

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

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
Meeting of Board of Directors held on May 21, 2019	Common stock	10,290	20.00	March 31, 2019	June 6, 2019
Meeting of Board of Directors held on October 30, 2019	Common stock	10,367	20.00	September 30, 2019	December 2, 2019
Total		20,657			

Notes: 1. The total amount of dividends includes a dividend of ¥156 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 June 2, 2020.

I. Total amount of dividend	5,183 Millions of yen
II. Financial source of dividend	Retained earnings
III. Dividend per share (yen)	¥10.00
IV. Record date	March 31, 2020
V. Effective date	June 30, 2020

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 June 2, 2020 includes dividend of ¥57 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	747,000 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 contracts 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 status 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.

The NSK Group also manages past-due trade receivables by treating them as high-risk and monitoring customer status.

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

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
Long-term debts	91,719	92,739
Corporate bonds	130,000	129,735

The fair value of trade receivables and other receivables, trade payables and other payables, short-term debts, and lease liabilities 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 for the year ended March 31, 2020.

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

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

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

Per Share Information

Equity per share attributable to owners of the Parent	¥987.01
Basic net income per share	¥34.00

(Notes on Significant Subsequent Events)

(Loans of large amount of funds and conclusion of commitment line)

1. NSK and its subsidiaries made the following loans in preparation for liquidity risk due to the impact of the COVID-19.

(1) Use of funds: Working capital

(2) Lender: Mizuho Bank, Ltd., MUFG Bank etc.

(3) Borrowing amount and terms: Procured a total of 51,647 million yen. Interest rates are determined in consideration of the market interest rate.

(4) Borrowing date: April 8, 2020

(5) Final repayment date: April 8, 2021

(6) Collateral assets: None

2. In preparation for liquidity risk due to unforeseen circumstances such as COVID-19, we have entered into a commitment line agreement as follows. Please note that there is no outstanding loan balance at this time.

(1) Use of funds: Working capital

(2) Contracted party: Mizuho Bank, Ltd., MUFG Bank etc.

(3) Maximum amount: ¥55,000 million

Combined with existing contract, the maximum amount is 80,000 million yen.

(4) Effective date: May 1, 2020

(5) Contract expires: April 30, 2021

(6) Collateral assets: None

Financial Statements: Statement of Changes in Net Assets

(Millions of yen)

	Shareholders' Equity			
	Issued capital	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
As of April 1, 2019	67,176	77,923	1,140	79,064
Change of items during the period				
Cash dividends	—	—	—	—
Accumulation of reserves	—	—	—	—
Reversal of reserves	—	—	—	—
Net income	—	—	—	—
Purchase of treasury shares	—	—	—	—
Disposal of treasury shares	—	—	Δ107	Δ107
Net change during the period, except for items under shareholders' equity	—	—	—	—
Total changes of items during the period	—	—	Δ107	Δ107
As of March 31, 2020	67,176	77,923	1,032	78,956

	Shareholders' Equity				
	Retained earnings				
	Retained earnings	Other retained earnings			Total retained earnings
		Reserve for advanced depreciation of noncurrent assets	General reserve	Retained earnings brought forward	
As of April 1, 2019	10,292	3,834	79,766	30,246	124,139
Change of items during the period					
Cash dividends	—	—	—	Δ20,657	Δ20,657
Accumulation of reserves	—	266	8,000	Δ8,266	—
Reversal of reserves	—	Δ152	—	152	—
Net income	—	—	—	21,267	21,267
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	—	114	8,000	Δ7,504	609
As of March 31, 2020	10,292	3,949	87,766	22,741	124,749

	Shareholders' Equity		Valuation and translation adjustments		Stock acquisition rights	Total net assets
	Treasury shares	Total equity attributable to owners of the parent	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
As of April 1, 2019	Δ37,635	232,744	28,795	28,795	681	262,221
Change of items during the period						
Cash dividends	—	Δ20,657	—	—	—	Δ20,657
Accumulation of reserves	—	—	—	—	—	—
Reversal of reserves	—	—	—	—	—	—
Net income	—	21,267	—	—	—	21,267
Purchase of treasury shares	Δ2	Δ2	—	—	—	Δ2
Disposal of treasury shares	277	169	—	—	—	169
Net change during the period, except for items under shareholders' equity	—	—	Δ10,652	Δ10,652	Δ259	Δ10,912
Total changes of items during the period	275	777	Δ10,652	Δ10,652	Δ259	Δ10,134
As of March 31, 2020	Δ37,360	233,521	18,142	18,142	422	252,086

Note: Figures listed above are rounded down to the nearest one 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 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-average method.

2. Valuation of inventories

Finished products, raw materials and work in progress are valued at cost using the weighted average method (book values are based on net realizable value).

Supplies are valued at cost using the first-in first-out method (book values are recorded on the balance sheet based on net realizable value).

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. Consumption tax

The tax-exclusion method is used to account for consumption taxes.

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

NSK is non-consolidated in line with the transition to the group total system established under the Law Revising a Portion of the Income Tax Law, etc." (Law No. 8 of March 31, 2020). Regarding the items for which the tax payment system has been reviewed, according to Section 3 of "Handling application of tax effect accounting for transition from consolidated tax payment system to group total system" (Practical Response Report No. 39, March 31, 2020), the provisions of Paragraph 44 of "Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018)" are not applied and the amount of deferred tax assets and deferred tax liabilities is based on the provisions of the tax law before the revision.

Changes to Presentation Methods

None

Changes to Accounting Principles and Standards

None.

Notes to Balance Sheet

1. Accumulated depreciation of tangible noncurrent assets	¥339,043 million
2. Receivables from affiliated companies and payables to affiliated companies	
Short-term receivables	¥43,464 million
Long-term receivables	¥3,908 million
Short-term payables	¥81,273 million
Long-term payables	¥227 million

Notes to Statement of Income

1. Transactions with affiliated companies	
Operating transactions	
Sales	¥110,470 million
Purchases	¥171,611 million
Other non-operating transactions	¥67,792 million

2. Valuation loss on stock of subsidiaries and affiliates

In the current fiscal year, a total of 188 million yen was recorded in extraordinary losses, with 90 million yen at NSK Logistics Co., Ltd. recorded, and 98 million yen at Kuribayashi Co., Ltd. recorded.

3. Corporate tax, etc.

As the tax examination based on the transfer pricing tax system by the Tokyo National Taxation Bureau is highly likely to be revised at this point, the estimated amount is posted as corporate tax, etc. in previous years.

Notes to Statement of Changes in Net Assets

Type and number of treasury stock at end of period	Common stock	38,644,670 shares
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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	¥4,952million
Accrued bonuses	¥2,774million
Valuation loss on stock of subsidiaries and affiliates	¥24,342million
Loss on devaluation of investment securities	¥428million
Impairment loss	¥203million
Carry-over tax loss	¥322million
Carry-over foreign tax credit	¥1,103million
Other	¥5,558million
Subtotal of deferred tax assets	¥39,685million
Valuation allowance	Δ¥26,037million
Total deferred tax assets	¥13,647million
Deferred tax liabilities	
Reserve for advanced depreciation of noncurrent assets	Δ¥1,733million
Gain on establishment of a retirement benefit trust	Δ¥9,800million
Valuation difference on available-for-sale securities	Δ¥7,415million
Other	Δ¥320million
Total deferred tax liabilities	Δ¥19,269million
Net deferred tax assets (liabilities)	Δ¥5,622million

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, 2020
Subsidiary	NSK Steering Systems Co., Ltd.	100.0%	Purchase of finished goods Executive posts concurrently held	Purchase of automotive-related finished goods ¹	48,792	Accounts payable	5,728
				Lending of funds ²	△351	Short-term loans payable	7,447
Subsidiary	Amatsuji Steel Ball Mfg. Co., Ltd.	100.0%	Purchase of finished goods Executive posts concurrently held	Lending of funds ²	2,232	Short-term loans payable	28,552
Affiliate	NSK-Warner K. K.	50.0%	Purchase of finished goods Executive posts concurrently held	Purchase of automotive-related finished goods ¹	48,829	Accounts payable	9,205

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, 2020 is inclusive of consumption tax.

Per Share Information

Net assets per share	¥490.93
Net income per share	¥41.49

(Notes on Significant Subsequent Events)

(Loans of large amount of funds and conclusion of commitment line)

1. NSK and its subsidiaries made the following loans in preparation for liquidity risk due to the impact of the COVID-19.

- (1) Use of funds: Working capital
- (2) Lender: Mizuho Bank, Ltd., MUFG Bank etc.
- (3) Borrowing amount and terms: Procured a total of 24,525 million yen. Interest rates are determined in consideration of the market interest rate.
- (4) Borrowing date: April 8, 2020
- (5) Final repayment date: April 8, 2021
- (6) Collateral assets: None

2. In preparation for liquidity risk due to unforeseen circumstances such as COVID-19, we have entered into a commitment line agreement as follows. Please note that there is no outstanding loan balance at this time.

(1) Use of funds: Working capital

(2) Contracted party: Mizuho Bank, Ltd., MUFG Bank etc.

(3) Maximum amount: ¥55,000 million

Combined with existing contract, the maximum amount is 80,000 million yen.

(4) Effective date: May 1, 2020

(5) Contract expires: April 30, 2021

(6) Collateral assets: None

Application of Restrictions on Maximum Dividend Payments

The Company is subject to restrictions on maximum dividend payments.