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# **Consolidated Financial Statements**

**NSK Ltd. and Consolidated Subsidiaries**

*Year ended March 31, 2024*

*With Independent Auditor's Report*

## [Financial Information]

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

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

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

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

### 2. Audit certification

The Company has been audited by Ernst & Young ShinNihon LLC with respect to its consolidated financial statements for the fiscal year (from April 1, 2023 to March 31, 2024) and its non-consolidated financial statements for the fiscal year (from April 1, 2023 to March 31, 2024), pursuant to the provision of Article 193-2 (1) of the Financial Instruments and Exchange Act.

### 3. Special efforts to ensure appropriateness of consolidated financial statements, etc. and development of system to enable appropriate preparation of consolidated financial statements, etc. in accordance with IFRS

The Company has made special efforts to ensure the appropriateness of its consolidated financial statements, etc. and developed a system that enables the appropriate preparation of consolidated financial statements, etc. in accordance with IFRS, the specifics of which are as follows.

(1) In order to develop a system that enables the proper understanding of the content of accounting standards, etc. and appropriate response to changes, etc. in accounting standards, etc. the Company also endeavours to collect information such as becoming a member of the Financial Accounting Standards Foundation and participating in seminars, etc.

(2) For the purpose of preparing appropriate consolidated financial statements in accordance with IFRS, the Company has prepared IFRS-compliant Group accounting policies, based on which Group-wide standardised accounting procedures are executed. The content of the NSK Group accounting policies is updated properly in a timely manner by obtaining press releases and Standards published by the International Accounting Standards Board (IASB) as necessary and obtaining an understanding of the information on the latest standards, as well as examining their impact on the Company.

# 1 [Consolidated financial statements, etc.]

## (1) [Consolidated financial statements]

### ① [Consolidated statements of financial position]

(Millions of yen)

	Note	As of March 31, 2023	As of March 31, 2024
<b>Assets</b>			
Current assets			
Cash and cash equivalents	5	160,109	150,583
Trade receivables and other receivables	6	207,812	220,248
Inventories	7	197,754	185,886
Other financial assets	11	1,590	45,076
Income tax receivables	16	1,633	4,988
Other current assets		18,756	18,196
Subtotal		587,656	624,979
Assets related to disposal groups classified as held for sale	8	—	11,643
Total current assets		587,656	636,623
Non-current assets			
Property, plant and equipment	9,14	385,613	364,947
Goodwill and intangible assets	10,14	49,227	56,548
Investments accounted for using equity method	18	30,699	49,605
Other financial assets	11	56,425	51,932
Deferred tax assets	16	15,288	10,309
Net defined benefit assets	17	101,165	121,589
Other non-current assets		7,179	6,521
Total non-current assets		645,600	661,454
Total assets		1,233,256	1,298,077
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Current liabilities			
Trade payables and other payables	12	112,535	140,451
Other financial liabilities	13	129,801	128,433
Provisions	15	536	469
Income tax payables	16	7,797	25,835
Other current liabilities		56,678	52,583
Subtotal		307,348	347,774
Liabilities related to disposal groups classified as held for sale	8	—	11,370
Total current liabilities		307,348	359,145
Non-current liabilities			
Financial liabilities	13	231,309	214,864
Provisions	15	1,867	1,065
Deferred tax liabilities	16	32,661	21,890
Net defined benefit liabilities	17	16,027	13,582
Other non-current liabilities		9,318	9,574
Total non-current liabilities		291,183	260,977
Total liabilities		598,532	620,123

(Millions of yen)

	Note	As of March 31, 2023	As of March 31, 2024
Equity			
Issued capital	19	67,176	67,176
Capital surplus	19	80,476	77,897
Retained earnings	19	415,736	375,402
Treasury shares	19	-36,781	-10,422
Other components of equity		89,604	150,270
Other components of equity related to disposal groups classified as held for sale		—	-345
Total equity attributable to owners of the parent		616,213	659,979
Non-controlling interests		18,511	17,975
Total equity		634,724	677,954
Total liabilities and equity		1,233,256	1,298,077

## ② [Consolidated statements of income]

(Millions of yen)

	Note	Year ended March 31, 2023	Year ended March 31, 2024
Continuing operations			
Sales	21	776,762	788,867
Cost of sales		601,047	623,618
Gross profit		175,715	165,249
Selling, general and administrative expenses	22	134,631	140,921
Share of profits of investments accounted for using the equity method	18	3,196	4,377
Other operating expenses	23	442	1,313
Operating income		43,836	27,391
Financial income	24	2,301	3,632
Financial expenses	24	2,855	4,813
Income before income taxes		43,282	26,210
Income tax expense	16	15,265	11,955
Net income from continuing operations		28,017	14,254
Discontinued operations			
Income (loss) from discontinued operations	8	-9,355	-4,689
Net income		18,661	9,564
Net income attributable to:			
Owners of the parent		18,412	8,502
Non-controlling interests		249	1,062
(Earnings per share attributable to owners of the parent)			
Basic earnings (loss) per share (yen)	26	35.89	17.27
Continuing operations		52.26	27.47
Discontinued operations		-16.37	-10.20
Diluted earnings (loss) per share (yen)	26	35.77	17.20
Continuing operations		52.08	27.37
Discontinued operations		-16.32	-10.16

## ③ [Consolidated statements of comprehensive income]

(Millions of yen)

	Note	Year ended March 31, 2023				
		Incurred in the period	Reclassification adjustment	Before tax effect	Tax effect	Amount (net)
Net income						18,661
Other comprehensive income						
Items that will not be reclassified to profit or loss						
Remeasurements of net defined benefit liability (asset)		-24,255	—	-24,255	9,768	-14,486
Net changes in financial assets measured at fair value through other comprehensive income		-5,550	—	-5,550	1,711	-3,839
Share of other comprehensive income of investments accounted for using equity method		-329	—	-329	96	-232
Total items that will not be reclassified to profit or loss		-30,135	—	-30,135	11,576	-18,558
Items that may be reclassified to profit or loss						
Exchange differences on translating foreign operations		13,774	—	13,774	—	13,774
Cash flow hedges		—	—	—	—	—
Share of other comprehensive income of investments accounted for using equity method		169	—	169	—	169
Total items that may be reclassified to profit or loss		13,943	—	13,943	—	13,943
Total other comprehensive income		-16,192	—	-16,192	11,576	-4,615
Total comprehensive income for the period						14,046
Total comprehensive income for the period attributable to:						
Owners of the parent						13,449
Non-controlling interests						597

(Millions of yen)

	Note	Year ended March 31, 2024				
		Incurred in the period	Reclassification adjustment	Before tax effect	Tax effect	Amount (net)
Net income						9,564
Other comprehensive income						
Items that will not be reclassified to profit or loss						
Remeasurements of net defined benefit liability (asset)		48,854	—	48,854	-18,371	30,482
Net changes in financial assets measured at fair value through other comprehensive income		14,224	—	14,224	-4,338	9,886
Share of other comprehensive income of investments accounted for using equity method		1,093	—	1,093	-141	952
Total items that will not be reclassified to profit or loss		64,172	—	64,172	-22,851	41,321
Items that may be reclassified to profit or loss						
Exchange differences on translating foreign operations	8	33,892	-6,273	27,618	1,479	29,097
Cash flow hedges		-215	—	-215	53	-161
Share of other comprehensive income of investments accounted for using equity method		1,406	—	1,406	—	1,406
Total items that may be reclassified to profit or loss		35,082	-6,273	28,809	1,532	30,342
Total other comprehensive income		99,255	-6,273	92,982	-21,318	71,663
Total comprehensive income for the period						81,228
Total comprehensive income for the period attributable to:						
Owners of the parent						80,147
Non-controlling interests						1,081

④ [Consolidated statements of changes in equity]

From April 1, 2022 to March 31, 2023

(Millions of yen)

	Note	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	19	—	—	—	-8
Disposal of treasury shares	19	—	28	—	252
Share-based payment transactions	20	—	74	—	—
Cash dividends	27	—	—	-15,403	—
Other		—	—	1,855	—
Total transactions with owners, etc.		—	102	-13,548	243
Closing balance		67,176	80,476	415,736	-36,781

	Note	Equity attributable to owners of the parent							Non-controlling interests	Total equity
		Other components of equity					Total	Total		
		Exchange differences on translating foreign operations	Cash flow hedges	Net changes in financial assets measured at fair value through other comprehensive income	Remeasurements of net defined benefit liability (asset)	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	19	—	—	—	—	—	—	-8	—	-8
Disposal of treasury shares	19	—	—	—	—	—	—	280	—	280
Share-based payment transactions	20	—	—	—	—	—	—	74	—	74
Cash dividends	27	—	—	—	—	—	—	-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



From April 1, 2023 to March 31, 2024

(Millions of yen)

	Note	Equity attributable to owners of the parent			
		Issued capital	Capital surplus	Retained earnings	Treasury shares
Opening balance		67,176	80,476	415,736	-36,781
Net income		—	—	8,502	—
Other comprehensive income		—	—	—	—
Total comprehensive income for the period		—	—	8,502	—
Purchase of treasury shares	19	—	—	—	-21,727
Disposal of treasury shares	19	—	-70	—	545
Retirement of treasury shares	19	—	-47,540	—	47,540
Share-based payment transactions	20	—	-128	—	—
Cash dividends	27	—	—	-15,040	—
Transfer from retained earnings to capital surplus		—	45,160	-45,160	—
Changes due to loss of control of subsidiaries		—	—	—	—
Transfer from other components of equity to retained earnings		—	—	11,324	—
Transfer to other components of equity related to disposal groups classified as held for sale		—	—	—	—
Other		—	—	40	—
Total transactions with owners, etc.		—	-2,579	-48,836	26,358
Closing balance		67,176	77,897	375,402	-10,422

	Note	Equity attributable to owners of the parent							Non-controlling interests	Total equity	
		Other components of equity					Total	Other components of equity related to disposal groups classified as held for sale			Total
		Exchange differences on translating foreign operations	Cash flow hedges	Net changes in financial assets measured at fair value through other comprehensive income	Remeasurements of net defined benefit liability (asset)						
Opening balance		38,922	—	21,816	28,865	89,604	—	616,213	18,511	634,724	
Net income		—	—	—	—	—	—	8,502	1,062	9,564	
Other comprehensive income		30,486	-161	9,935	31,384	71,644	—	71,644	19	71,663	
Total comprehensive income for the period		30,486	-161	9,935	31,384	71,644	—	80,147	1,081	81,228	
Purchase of treasury shares	19	—	—	—	—	—	—	-21,727	—	-21,727	
Disposal of treasury shares	19	—	—	—	—	—	—	475	—	475	
Retirement of treasury shares	19	—	—	—	—	—	—	—	—	—	
Share-based payment transactions	20	—	—	—	—	—	—	-128	—	-128	
Cash dividends	27	—	—	—	—	—	—	-15,040	-1,372	-16,413	
Transfer from retained earnings to capital surplus		—	—	—	—	—	—	—	—	—	
Changes due to loss of control of subsidiaries		—	—	—	—	—	—	—	-244	-244	
Transfer from other components of equity to retained earnings		—	—	-11,004	-320	-11,324	—	—	—	—	
Transfer to other components of equity related to disposal groups classified as held for sale		345	—	—	—	345	-345	—	—	—	
Other		—	—	—	—	—	—	40	—	40	
Total transactions with owners, etc.		345	—	-11,004	-320	-10,978	-345	-36,381	-1,616	-37,998	
Closing balance		69,754	-161	20,747	59,929	150,270	-345	659,979	17,975	677,954	

## ⑤ [Consolidated statements of cash flows]

(Millions of yen)

	Note	Year ended March 31, 2023	Year ended March 31, 2024
Operating activities			
Income before income taxes		43,282	26,210
Income (loss) before income taxes from discontinued operations	8	-11,356	-2,986
Depreciation and amortisation		58,376	54,121
Increase (decrease) in net defined benefit liability and net defined benefit asset	17	-3,056	27,955
Interest and dividend income		-1,987	-3,140
Interest expenses		3,726	5,794
Share of losses (profits) of investments accounted for using the equity method		-3,196	-4,377
Decrease (increase) in trade receivables		5,100	4,816
Decrease (increase) in inventories		6,330	4,016
Increase (decrease) in trade payables		-10,130	12,235
Other		-3,926	4,610
Subtotal		83,161	129,255
Interest and dividend received		5,122	5,520
Interest expenses paid		-3,670	-5,818
Income tax paid		-20,449	-29,139
Net cash provided by operating activities		64,163	99,818
Investing activities			
Purchases of property, plant and equipment		-44,292	-49,933
Proceeds from sale of property, plant and equipment		302	309
Purchases of intangible assets		-7,457	-8,764
Purchases of other financial assets		-118	-100,096
Proceeds from sale of other financial assets		3,348	17,971
Proceeds from redemption of other financial assets		—	59,999
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	8	—	-10,917
Other		-561	616
Net cash used in investing activities		-48,778	-90,814
Financing activities			
Increase (decrease) in short-term loans	25	-8,065	-22,196
Proceeds from long-term loans	25	16,409	70,677
Repayments of long-term loans	25	-14,436	-30,052
Proceeds from issuance of corporate bonds	25	43,000	15,000
Payments for redemption of corporate bonds	25	-10,000	-15,000
Repayments of lease liabilities	25	-5,636	-5,556
Acquisition of treasury shares	19	-1	-21,717
Dividends paid	27	-15,386	-15,037
Dividends paid to non-controlling interests		-1,744	-1,372
Other		280	475
Net cash provided by (used in) financing activities		4,417	-24,780
Effect of exchange rate changes on cash and cash equivalents		2,801	6,257
Net increase (decrease) in cash and cash equivalents		22,604	-9,519
Cash and cash equivalents at the beginning of the period	5	137,504	160,109
Cash and cash equivalents included in assets related to disposal groups classified as held for sale	8	—	-6
Cash and cash equivalents at the end of the period	5	160,109	150,583

[Notes to consolidated financial statements]

## 1. Reporting entity

NSK Ltd. (hereinafter referred to as “the Company”) is a company located in Japan and its shares are listed on the Tokyo Stock Exchange.

The consolidated statements for the fiscal year ended March 31, 2024 consisted of the Company and its subsidiaries (hereinafter referred to as “NSK Group”) as well as its interests in associated and joint ventures. The NSK Group as well as associates and joint ventures are engaged in the Industrial Machinery Business and the Automotive Business. The Industrial Machinery Business engaged in the production and sales of industrial machinery bearings, precision machinery & parts, condition monitoring systems, etc. targeted at general industry. The Automotive Business is in charge of production and sales of bearings for car manufacturers and automotive component manufacturers, automatic transmission components, etc.

The NSK Group’s consolidated financial statements for the consolidated fiscal year ended March 31, 2024 were approved by President and CEO Akitoshi Ichii on June 27, 2024.

## 2. Basis of preparation

### (1) Compliance with IFRS

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

### (2) Basis of measurement

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

### (3) Functional currency and presentation currency

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

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

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

Major new or revised standards and interpretations that have been issued on or before the date of approval of the consolidated financial statements and have not been early adopted by the NSK Group are IFRS 18 “Presentation and Disclosure in Financial Statements”. The impact of the adoption of this standard on the NSK Group’s consolidated financial statements is still under consideration. (Mandatory adoption date: January 1, 2027; our planned adoption date: fiscal year ending March 31, 2028).

### (5) Change in the presentation method

(“Changes due to categorisation of the steering business as disposal groups classified as held for sale”)

The assets, liabilities and other components of equity of the steering business have been categorised as disposal groups classified as held for sale and the steering business has been classified as a discontinued operation effective from the first quarter of the current consolidated fiscal year. The results of the fiscal year ended March 31, 2023 have been accordingly adjusted for the consolidated statements of income, consolidated statements of cash flows, and related notes to consolidated financial statements. For details, refer to “Note 8. Disposal groups classified as held for sale and discontinued operations”.

## (6) Use of estimates and judgements

In preparing IFRS-compliant consolidated financial statements, the NSK Group developed and used judgement, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may be different from such estimates and such estimates and assumptions are revised continuously. The effect of changes in accounting estimates is recognised in the period of the change and in future periods.

The estimates and judgements that may have material impacts on the carrying amounts recognised in the consolidated financial statements are as follows:

### ① Recoverability of deferred tax assets (Note 3. Material accounting policies (11) Income taxes and Note 16. Income taxes)

#### (a) Amount recorded as of March 31, 2024

Deferred tax assets	¥27,091 million
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#### (b) Other information contributing to the understanding of the content of the estimate

##### 1) Method of calculation

For deductible temporary differences, the recoverability of deferred tax assets is determined based on taxable profit based on future profitability and tax planning. Estimates of taxable profit take into account projected revenue and revenue growth rate.

##### 2) Key assumptions

The key assumptions used in future business planning as the basis for estimating taxable profit are projected revenue and revenue growth rate. The projected revenue takes into account the expected orders received from major customers and market trends in each business segment. The revenue 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 consolidated fiscal year

Although the projected revenue and revenue growth rate are calculated based on management's best estimates, 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 recognised in the consolidated financial statements for the next consolidated fiscal year.

### ② Measurement of defined benefit obligation (Note 3. Material accounting policies (12) Retirement benefits and Note 17. Post-employment benefit)

#### (a) Amount recorded as of March 31, 2024

Present value of defined benefit obligations	¥173,854 million
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#### (b) Other information contributing to the understanding of the content of the estimate

The Company and some of its domestic consolidated subsidiaries have defined benefit plans and retirement lump sum payment system to finance retirement benefits for employees. The UK subsidiary of the Company, NSK Europe Limited and some of its consolidated subsidiaries in UK partially sponsor defined benefit plans.

The present value of defined benefit obligations and the service cost are calculated based on the actuarial assumption. The actuarial assumptions consist of various estimations such as discount rate, retirement rate, mortality rate and rate of increase in salary. The NSK Group receives advice from an outside pension actuary on appropriateness of actuarial assumptions including those variables. Although this estimate is the management's best estimate conducted, results of fluctuations in uncertain future economic conditions, etc. and the amendment or the publication of related laws may bring a different actual result. When it requires major revisions, amounts to

be recognised in the consolidated financial statements after the next consolidated fiscal year may have significant impacts.

- ③ Fair value measurement of financial instruments (Note 3. Material accounting policies (6) Other financial assets and Note 25. Financial instruments)
- |                                      |                |
|--------------------------------------|----------------|
| Amount recorded as of March 31, 2024 | ¥6,293 million |
|--------------------------------------|----------------|

When determining the fair value of certain financial instruments, the NSK Group uses a valuation methodology that is based on unobservable input. Any unobservable input may have impacts on fluctuations on uncertain future economic conditions, etc. When it requires major revisions, it may have significant impacts on the consolidated financial statements.

### 3. Material accounting policies

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

#### (1) Basis of consolidation

##### ① Subsidiaries

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

##### ② Associates

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

##### ③ Joint ventures

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

#### (2) Business combinations

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

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

#### (3) Translation of foreign currency

##### ① Foreign currency transactions

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

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

##### ② Financial statements of foreign operation

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

Foreign exchange translation differences arising from the translation of financial statements of foreign operation are recognised in other comprehensive income. In cases where a foreign operation is disposed of, the cumulative

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

#### (4) Cash and cash equivalents

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

#### (5) Inventories

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

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

#### (6) Other financial assets

##### ① Initial recognition and measurement classification

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

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

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

##### ② Subsequent measurement

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

##### ③ Impairment of financial assets

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

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



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

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

#### ④ Derecognition

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

#### (7) Property, plant and equipment

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

Depreciation costs of assets other than land and construction in progress are recorded by using the straight-line method over their estimated useful lives prescribed below.

• Buildings and structures	2 – 60 years
• Machinery and equipment	5 – 12 years
• Vehicle and delivery equipment	4 – 7 years
• Tools, equipment and fixtures	2 – 20 years

The estimated useful life, residual value and depreciation method are reviewed at the end of each consolidated fiscal year in consideration of changes in the estimates reflected in the future.

#### (8) Goodwill and intangible assets

##### ① Goodwill

The measurement at initial recognition is referred to “Note 3. Material accounting policies (2) Business combinations”. Goodwill is presented at the carrying amount calculated by deducting accumulated impairment loss from the acquisition cost.

##### ② Intangible assets

The NSK Group adopts the *cost model* for measurement of intangible assets. Intangible assets are presented at the carrying amount calculated by deducting accumulated depreciation and accumulated impairment loss from the acquisition cost. Intangible assets acquired individually are measured at acquisition cost and intangible assets acquired in a business combination are measured at fair value as of the acquisition date. Intangible assets with finite useful lives are amortised by using the straight-line method over their estimated useful lives prescribed below.

• Software	5 – 10 years
• Customer relationship assets	21 years
• Technology	10 years

The amortisation method and the estimated useful life are reviewed at the end of each consolidated fiscal year.

## (9) Leases

At inception of a contract, the assessment of whether the contract is, or contains, a lease will be made when the NSK Group is the lessee. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. When a contract is, or contains, a lease, at the commencement date, a right-of-use asset and a lease liability are recognised.

### ① Lease liability

At the commencement date, lease liability will be measured at the present value of the lease payments that are not paid at that date. The present value will be measured by using the interest rate implicit in the lease or the lessee's incremental borrowing rate. After the commencement date, lease liability will be measured by increasing or reducing the carrying amount to reflect interest on the lease liability and the lease payments made. Interest on the lease liability is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability, and it is recognised as a finance expense.

### ② Right-of-use asset

At the commencement date, the right-of-use asset will be measured at cost. The cost of the right-of-use asset comprises the amount of the initial measurement of the lease liability adjusting, any lease payments made at or before the commencement date, less any lease incentives received, and any initial direct costs incurred. After the commencement date, right-of-use asset is measured at cost less any accumulated depreciation and accumulated impairment losses applying the *cost model*. A right-of-use asset is depreciated mainly over the lease term using the straight-line method.

The lease payments associated with short-term leases and leases for which the underlying asset is of low value are recognised as an expense on a straight-line basis over the lease term.

Right-of-use asset is presented as property, plant and equipment or intangible assets and lease liability as financial liability (current or non-current) in the consolidated statements of financial position.

## (10) Impairment of non-financial assets

Impairment tests are performed if there is any indication that an asset may be impaired with respect to property, plant and equipment and intangible assets as of the end of each reporting period. Intangible assets with an indefinite useful life and goodwill are not amortised and are tested for impairment annually and whenever there is an indication of an impairment.

Impairment tests are performed by cash-generating unit, which is the smallest identifiable unit in which an asset generates cash inflows that are largely independent of the cash inflows from other assets or asset groups. The internal transfer price is adjusted as necessary, when determining whether an asset, cash-generating unit or asset group must be impaired. If the carrying amount of the asset or the cash-generating unit exceeds the recoverable amount, which is calculated as the higher of the asset's fair value less costs to sell and value in use for each asset or cash-generating unit, the carrying amount is written down to the recoverable amount.

For assets (other than goodwill) for which impairment was recognised, the assets are assessed as to whether there is any indication that the impairment loss recognised in prior years may no longer exist or may have decreased, and if any such indication exists, the asset is revalued as of the end of the reporting period, and reversal of the impairment loss that was initially recognised is recognised in profit or loss.

## (11) Income taxes

Income taxes consist of current tax and deferred tax. Tax expenses are recognised in profit or loss, excluding items that are related to business combinations or that are recognised in equity or other comprehensive income.

Current tax is calculated based on taxable profit for the reporting period and recognised at the amount expected to be paid to (or refunded by) tax authorities.

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

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

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

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

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax liabilities against current tax assets and the taxes are levied by the same taxation authority on the same taxable entity. In addition, deferred tax assets and liabilities are offset where current tax liabilities and assets are intended to be settled in net amounts or assets realisation and liabilities settlement are intended to be carried out concurrently although taxes are imposed on separate taxable entities.

In accordance with the temporary relief in the amendments to IAS 12, the NSK Group has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to income taxes arising from tax laws that have been enacted or substantially enacted to implement the Pillar Two model rules published by the Organization for Economic Co-operation and Development.

## (12) Retirement benefits

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

### ① Defined benefit plans

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

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

Actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling excluding the portion included in net interest are recognised as “Remeasurements of net defined benefit liability (asset)” as other comprehensive income in the period in which they arose.

### ② Defined contribution plans

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

## (13) Revenue recognition

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

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: Recognise revenue when the entity satisfies a performance obligation

The NSK Group engages in the production and sales of industrial machinery bearings, precision machinery & parts, condition monitoring systems, bearings for car manufacturers and automotive component manufacturers, automatic transmission components, etc. For revenue by 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 recognised upon delivery of the products. For transactions whereby control over goods and services, etc. is transferred over time such as providing condition monitoring system services, the Company measures its progress towards complete satisfaction of that performance obligation on the basis of output or input methods in consideration of the nature of the goods and services for the purpose of recognising revenue. Revenue is measured at the consideration promised in a contract with a customer, less discounts, rebates returned products and other items.

If the NSK Group is acting as an agent in the sale of the products, net revenue is recognised.

#### 4. Segment information

##### (1) Overview of reportable segments

The reportable segments of the NSK Group are components of the NSK Group for which discrete financial statements are available and which are subject to regular review by the Board of Directors for the purpose of making decisions about business resource allocation and assessing performance.

The NSK Group has established business divisions by customer industry at its headquarters, each of which plans comprehensive strategies not only for Japan but globally with respect to the products it handles and conducts business activities accordingly. Therefore, its two components, namely, “Industrial Machinery Business” and “Automotive Business”, are considered to be as reportable segments.

“Industrial Machinery Business” engages in the production and sales of industrial machinery bearings, precision machinery & parts, condition monitoring systems, etc.

“Automotive Business” engages in the production and sales of bearings for car manufacturers and automotive component manufacturers, automatic transmission components, etc.

Effective from the first quarter of the current consolidated fiscal year, the Company has classified its steering business, which was previously included in the “Automotive Business”, as a discontinued operation. Segment information now shows only the results of continuing operations excluding the steering business, and the segment information for the previous consolidated fiscal year has also been restated to reflect this change. Furthermore, on August 1, 2023, the Company lost control over NS&C, and NS&C and its subsidiaries became equity method affiliates of the Company effective from the second quarter of the current consolidated fiscal year. The equity method profits and losses are included in continuing operations of the “Automotive Business”.

(2) Segment revenue and performance

The accounting policies and procedures used by the reportable segments are the same as those described in "Material accounting policies". Intersegment sales are recorded based on prevailing market prices.

From April 1, 2022 to March 31, 2023

(Millions of yen)

	Reportable segments			Others (Note 1)	Total	Adjustments (Note 2)	Consolidated
	Industrial Machinery Business	Automotive Business	Subtotal				
Sales							
Sales to third parties	385,103	359,374	744,478	32,283	776,762	—	776,762
Intersegment sales	—	—	—	26,715	26,715	-26,715	—
<b>Total</b>	<b>385,103</b>	<b>359,374</b>	<b>744,478</b>	<b>58,999</b>	<b>803,478</b>	<b>-26,715</b>	<b>776,762</b>
Segment income (loss) (Operating income)	35,541	6,326	41,868	2,159	44,028	-191	43,836
Total financial income (expenses)							-554
Income before income taxes							43,282
Other items							
Capital expenditure	28,972	21,470	50,442	3,649	54,092	—	54,092
Depreciation and amortisation	23,562	22,165	45,728	4,636	50,364	-251	50,112
Share of profits of investments accounted for using the equity method	773	2,373	3,147	49	3,196	—	3,196

(Note 1) "Others" refers to operating segments excluded from reportable segments and includes businesses such as the production and sales of steel balls and the production of machineries.

(Note 2) The -¥191 million adjustment made for segment income includes intersegment elimination of ¥251 million and -¥442 million in other operating expenses not allocated to the reportable segments.

From April 1, 2023 to March 31, 2024

(Millions of yen)

	Reportable segments			Others (Note 1)	Total	Adjustments (Note 2)	Consolidated
	Industrial Machinery Business	Automotive Business	Subtotal				
<b>Sales</b>							
Sales to third parties	344,846	408,821	753,667	35,199	788,867	—	788,867
Intersegment sales	—	—	—	32,455	32,455	-32,455	—
<b>Total</b>	<b>344,846</b>	<b>408,821</b>	<b>753,667</b>	<b>67,655</b>	<b>821,323</b>	<b>-32,455</b>	<b>788,867</b>
Segment income (loss) (Operating income)	8,007	18,576	26,583	2,350	28,934	-1,543	27,391
Total financial income (expenses)							-1,180
Income before income taxes							26,210
<b>Other items</b>							
Capital expenditure	30,869	24,972	55,842	3,106	58,948	-469	58,478
Depreciation and amortisation	25,265	23,246	48,511	4,633	53,144	-236	52,907
Share of profits of investments accounted for using the equity method	538	3,776	4,315	62	4,377	—	4,377

(Note 1) "Others" refers to operating segments excluded from reportable segments and includes businesses such as the production and sales of steel balls and the production of machineries.

(Note 2) The -¥1,543 million adjustment made for segment income includes intersegment elimination of -¥229 million and -¥1,313 million in other operating expenses not allocated to the reportable segments.

(3) Information by product and service

This information is omitted as similar information has been disclosed in "(2) Segment revenue and performance".

(4) Information by region

① Revenue from third parties

This information is omitted as similar information has been disclosed in "Note 21. Sales".

② Non-current assets

Assets related to disposal groups classified as held for sale are excluded from the current consolidated fiscal year balances.

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Japan	233,153	225,391
The Americas	32,660	33,685
Europe	60,789	60,610
China	64,937	61,554
Other Asia	43,300	40,254
Total	434,841	421,496

(Note 1) Non-current assets represent the amount of property, plant and equipment and intangible assets.

(Note 2) The categories of the countries or the regions are based on their relative proximity.

(Note 3) Main countries and regions belonging to other regions apart from Japan and China are as follows;

The Americas: the United States, Canada, Mexico, Brazil, etc.

Europe: the United Kingdom, Germany, Poland, and other European countries, etc.

Other Asia: East and South East Asian countries (apart from Japan and China), India, Australia, etc.

(5) Information on major customers

In terms of sales to third parties, none of the counterparties accounted for 10% or more of sales in the consolidated statements of income in the previous consolidated fiscal year or the current consolidated fiscal year, therefore, no information on major customers is stated.



#### 5. Cash and cash equivalents

Cash and cash equivalents consisted of the following.

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Cash and deposits	138,679	83,971
Short-term investments	21,429	66,611
Total	160,109	150,583

#### 6. Trade receivables and other receivables

Trade receivables and other receivables consisted of the following.

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Trade receivables	202,529	196,794
Allowance for doubtful accounts	-786	-1,322
Other	6,069	24,777
Total	207,812	220,248

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

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Opening balance	-1,071	-786
Increase during the period	-98	-730
Decrease due to utilisation	61	13
Reversal during the period	384	246
Other	-62	-65
Closing balance	-786	-1,322

#### 7. Inventories

Inventories consisted of the following.

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Finished goods	94,829	97,174
Work in process	62,824	55,163
Raw materials and supplies	40,100	33,548
Total	197,754	185,886

Inventories recognised as expenses during the period amounted to ¥599,955 million including write-downs of ¥8,049 million in the previous consolidated fiscal year, and ¥622,276 million including write-downs of ¥5,824 million in the current consolidated fiscal year.

## 8. Disposal groups classified as held for sale and discontinued operations

On May 12, 2023, the Company entered into an agreement with JIS, to jointly operate NS&C, a consolidated subsidiary that controls the Company's global steering business. Accordingly, the Company classified the steering business as a disposal group classified as held for sale and classified it as a discontinued operation effective from the first quarter of the current consolidated fiscal year. On August 1, 2023, the Company lost control over NS&C, and NS&C and its subsidiaries became equity method affiliates of the Company effective from the second quarter of the current consolidated fiscal year. The profits and losses related to the loss of control are included in discontinued operations, and the equity method profits and losses are included in continuing operations. In addition, during the third quarter of the current consolidated fiscal year, the Company's European subsidiaries entered into and executed an agreement with NS&C's European subsidiaries effective December 1, 2023, which includes the transfer of business related to sales and technology of steering products. Some subsidiaries are scheduled to be transferred separately for a later date.

### ① Assets and liabilities related to disposal groups classified as held for sale

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Assets related to disposal groups classified as held for sale		
Cash and cash equivalents	—	6
Trade receivables and other receivables	—	4,065
Inventories	—	2,048
Other current assets	—	128
Property, plant and equipment	—	4,002
Goodwill and intangible assets	—	33
Other financial assets (non-current)	—	222
Deferred tax assets	—	1,114
Other non-current assets	—	22
<b>Total assets</b>	—	<b>11,643</b>
Liabilities related to disposal groups classified as held for sale		
Trade payables and other payables	—	3,908
Other financial liabilities (current)	—	5,961
Other non-current liabilities	—	1,427
Financial liabilities (non-current)	—	73
<b>Total liabilities</b>	—	<b>11,370</b>

### ② Discontinued operations

For the current consolidated fiscal year, NS&C and its subsidiaries prior to loss of the Company's control on August 1, 2023 and the subsidiaries scheduled to be transferred separately at a later date are included in discontinued operations. For the previous consolidated fiscal year, the entire steering business has been reclassified as discontinued operations.

#### 1) Income (loss) from discontinued operations

(Millions of yen)

	Year ended March 31, 2023	Year ended March 31, 2024
Sales	161,336	86,579
Cost of sales	172,693	89,566
Income (loss) before income taxes	-11,356	-2,986
Income tax expense	-2,001	1,702
Net income (loss)	-9,355	-4,689

2) Cash flows from discontinued operations

(Millions of yen)

	Year ended March 31, 2023	Year ended March 31, 2024
Cash flow from operating activities	-5,307	3,243
Cash flow from investing activities	-7,586	-13,677
Cash flow from financing activities	-738	65,147
Total	-13,632	54,713

③ Transfer of NS&C shares

1) Outline of transaction

On May 12, 2023, the Company entered into an agreement with JIS, to jointly operate NS&C, a consolidated subsidiary that controls the Company's global steering business. With respect to this agreement, after discussion and agreement with JIS, on August 1, 2023, 10,041 class shares equivalent to 50.1% of the voting rights of NS&C were transferred to JIS for ¥19,991 million after allotment of 10,041 class shares to the Company from NS&C. As a result, the Company lost control over NS&C, and NS&C and its subsidiaries became equity method affiliates of the Company effective from the second quarter of the current consolidated fiscal year.

2) Assets and liabilities related to loss of control of subsidiaries

(Millions of yen)

	Amount
Current assets	118,327
Non-current assets	33,612
Total assets	151,940
Current liabilities	42,375
Non-current liabilities	68,563
Total liabilities	110,939

3) Cash flows from loss of control of subsidiaries

(Millions of yen)

	Amount
Consideration received from transfer of class shares	19,991
Cash and cash equivalents of subsidiary due to loss of control	-30,909
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	-10,917

Payments for sale of investments in subsidiaries resulting in change in scope of consolidation is included in cash flow from investing activities of the consolidated statements of cash flows.

4) Income (loss) related to loss of control of subsidiaries

The income on transfer due to the loss of control over NS&C and its affiliates for the year ended March 31, 2024 was a loss of ¥114 million, which is included in "Income from discontinued operations" of the consolidated statements of income. The net loss includes a gain of ¥337 million resulting from the measurement of the remaining investments at the fair value at the date of loss of control.

The fair value of the remaining investment was determined by subtracting the fair value of the class shares from the total fair value of NS&C. The fair value of the class shares and NS&C have been measured using the following

respective valuation models. The total fair value of NS&C was determined using the income approach, and the future cash flows used in that measurement were calculated using key assumptions made by management, including sales and operating expenses. The fair value of the class shares reflecting the rights of the class shares was calculated using pricing models such as the binomial models. The fair value hierarchies of these fair value measurements are Level 3.

④ Transfer of steering business of European subsidiary

1) Outline of transaction

During the third quarter of the current consolidated fiscal year, the Company's European subsidiaries entered into an agreement with NS&C's European subsidiaries effective December 1, 2023, which includes the transfer of business related to sales and technology of steering products.

2) Assets and liabilities related to transfer of business

(Millions of yen)

	Amount
Current assets	7,953
Non-current assets	1,098
Total assets	9,052
Current liabilities	6,727
Non-current liabilities	73
Total liabilities	6,800

3) Cash flow from transfer of business

No cash and cash equivalents are included in assets accompanying the loss of control, and as the consideration for the transfer of business has not been received as of the end of the current consolidated fiscal year, no proceeds from the sale of the business are recorded during the year ended March 31, 2024.

4) Income (loss) related to transfer of business

The Company recognised a gain of ¥1,016 million related to the business transfer from the loss of control of the Company's European subsidiary business related to sales and technology of steering products for the year ended March 31, 2024, which is included in "Income from discontinued operations" in the consolidated statements of income.

9. Property, plant and equipment

(1) Breakdown of property, plant and equipment

“Property, plant and equipment” in consolidated statements of financial position consisted of the following.

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Property, plant and equipment	362,587	343,631
Right-of-use assets	23,026	21,316
Total	385,613	364,947

(2) Change in property, plant and equipment

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

Cost

(Millions of yen)

	Buildings and structures	Machinery, vehicles and equipment	Tools, equipment and fixtures	Land	Construction in progress	Total
Balance as of April 1, 2022	288,276	791,416	110,025	39,537	26,947	1,256,203
Acquisitions	515	1,459	441	—	45,323	47,738
Disposals	-1,196	-14,933	-3,084	—	-340	-19,555
Transfers from construction in progress	8,051	26,634	6,904	935	-42,526	—
Foreign exchange translation differences	4,761	19,661	3,429	314	574	28,741
Other	-149	-956	-101	—	442	-765
Balance as of March 31, 2023	300,260	823,280	117,613	40,787	30,420	1,312,363
Acquisitions	472	521	426	0	43,769	45,190
Disposals	-1,410	-19,875	-2,714	—	-229	-24,229
Transfers from construction in progress	5,358	30,815	5,055	111	-41,341	—
Foreign exchange translation differences	10,993	44,332	7,255	583	1,435	64,600
Other	-222	-1,558	5	-7	-262	-2,045
Movements due to changes in the scope of consolidation	-34,083	-111,903	-16,105	-4,002	-2,441	-168,536
Transfer to assets held for sale	-883	-9,193	-1,392	-586	-146	-12,202
Balance as of March 31, 2024	280,485	756,418	110,145	36,887	31,203	1,215,140

Accumulated depreciation and accumulated impairment loss

(Millions of yen)

	Buildings and structures	Machinery, vehicles and equipment	Tools, equipment and fixtures	Land	Construction in progress	Total
Balance as of April 1, 2022	-188,425	-619,230	-92,639	—	-398	-900,694
Depreciation costs	-8,114	-32,706	-6,376	—	—	-47,197
Impairment loss	—	-74	-17	—	40	-50
Disposals	954	14,496	3,000	—	—	18,451
Foreign exchange translation differences	-3,210	-15,958	-2,752	—	-7	-21,928
Other	730	621	79	—	212	1,644
Balance as of March 31, 2023	-198,065	-652,851	-98,704	—	-153	-949,775
Depreciation costs	-7,499	-29,732	-5,920	—	—	-43,152
Impairment loss	-289	-1,700	-257	—	-123	-2,370
Disposals	1,200	18,646	2,834	—	74	22,756
Foreign exchange translation differences	-7,071	-35,442	-5,855	—	-12	-48,382
Other	106	1,382	68	—	-1	1,555
Movements due to changes in the scope of consolidation	25,252	100,272	13,968	—	63	139,556
Transfer to assets held for sale	432	6,712	1,158	—	—	8,303
Balance as of March 31, 2024	-185,932	-592,713	-92,708	—	-153	-871,509

(Note) Depreciation costs are recorded in cost of sales or selling, general and administrative expenses in the consolidated statements of income.

Carrying amount

(Millions of yen)

	Buildings and structures	Machinery, vehicles and equipment	Tools, equipment and fixtures	Land	Construction in progress	Total
Balance as of April 1, 2022	99,850	172,186	17,386	39,537	26,548	355,509
Balance as of March 31, 2023	102,195	170,429	18,908	40,787	30,266	362,587
Balance as of March 31, 2024	94,553	163,704	17,437	36,887	31,049	343,631

10. Goodwill and intangible assets

(1) Breakdown of goodwill and intangible assets

“Goodwill and intangible assets” in consolidated statements of financial position consisted of the following.

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Goodwill and intangible assets	47,571	54,568
Right-of-use assets	1,656	1,980
Total	49,227	56,548

(2) Change in goodwill and intangible assets

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

Cost

(Millions of yen)

	Goodwill	Software	Patent	Customer relationship assets	Technology	Trademarks	Other	Total
Balance as of April 1, 2022	14,655	30,698	6,082	6,522	1,185	3,651	2,055	64,852
Acquisitions	—	6,658	498	—	—	—	508	7,666
Disposals	—	-2,799	-491	—	—	—	-14	-3,305
Foreign exchange translation differences	894	638	4	426	77	238	55	2,335
Other	—	-60	—	—	—	—	-3	-64
Balance as of March 31, 2023	15,549	35,137	6,093	6,949	1,263	3,890	2,601	71,485
Acquisitions	—	9,821	487	—	—	—	67	10,376
Disposals	—	-5,436	-360	—	—	—	-84	-5,882
Foreign exchange translation differences	1,851	1,420	9	837	152	468	114	4,853
Other	—	217	4	—	—	—	-1	220
Movements due to changes in the scope of consolidation	—	-1,413	-2,161	—	—	—	-283	-3,858
Transfer to assets held for sale	—	—	—	—	—	—	-303	-303
Balance as of March 31, 2024	17,400	39,746	4,072	7,786	1,415	4,359	2,111	76,892

Accumulated amortisation and accumulated impairment loss

(Millions of yen)

	Goodwill	Software	Patent	Customer relationship assets	Technology	Trademarks	Other	Total
Balance as of April 1, 2022	—	-16,843	-2,845	-336	-128	—	-709	-20,864
Amortisation costs	—	-4,505	-696	-320	-122	—	-108	-5,752
Disposals	—	2,768	491	—	—	—	12	3,272
Foreign exchange translation differences	—	-485	-3	-32	-12	—	-35	-570
Other	—	0	—	—	—	—	0	0
Balance as of March 31, 2023	—	-19,065	-3,054	-689	-263	—	-841	-23,913
Amortisation costs	—	-4,452	-505	-356	-135	—	-1	-5,451
Disposals	—	-30	-39	—	—	—	-8	-78
Impairment losses	—	5,333	360	—	—	—	84	5,778
Foreign exchange translation differences	—	-1,089	-7	-97	-37	—	-85	-1,318
Other	—	-121	—	—	—	—	1	-119
Movements due to changes in the scope of consolidation	—	1,151	1,078	—	—	—	277	2,507
Transfer to assets held for sale	—	—	—	—	—	—	270	270
Balance as of March 31, 2024	—	-18,275	-2,166	-1,143	-436	—	-303	-22,324

(Note) Amortisation costs are recorded in cost of sales or selling, general and administrative expenses in the consolidated statements of income.

Carrying amount

(Millions of yen)

	Goodwill	Software	Patent	Customer relationship assets	Technology	Trademarks	Other	Total
Balance as of April 1, 2022	14,655	13,854	3,236	6,185	1,057	3,651	1,345	43,987
Balance as of March 31, 2023	15,549	16,071	3,039	6,259	1,000	3,890	1,760	47,571
Balance as of March 31, 2024	17,400	21,471	1,906	6,643	979	4,359	1,808	54,568

(Note 1) Customer relationship assets, technology and trademarks were recognised due to the acquisition of the condition monitoring system business on March 1, 2021. The remaining useful life of customer relationship assets and technology are 18 years and 7 years, respectively. Trademarks basically exists as long as the business continues so it is recognised as intangible assets with no determined useful life.

(Note 2) There were no material internally generated intangible assets as at each year end.

(3) Impairment test for goodwill and intangible assets with indefinite useful lives

Goodwill and the intangible assets with indefinite useful lives that are allocated into each cash-generating unit are as follows.

(Millions of yen)

Cash-generating unit	Segment	Account	Year ended March 31, 2023	Year ended March 31, 2024
Industrial Machinery Bearings Business	Industrial Machinery Business	Goodwill	14,951	16,753
		Trademarks	3,890	4,359

The NSK Group recognises the impairment loss of goodwill when the recoverable amount of a cash-generating unit is less than its carrying amount.

There is no impairment loss recorded in the previous consolidated fiscal year. The recoverable amount of the relevant cash-generating unit is measured based on the value in use in the Industrial Machinery Bearings Business. The value in use is calculated using the following information, order backlog, sales forecasts based on probability of successful sales order, future cash flow based on the next four-year business plan that reflects sales trends for each product sector and individual products, and terminal value after the 5th year. Regarding terminal value, the growth rate of 0% is used. The discounted present value of future cash flow is calculated by using a discount rate before tax of 8.9%.

The recoverable amount exceeds the carrying amount of the cash-generating unit sufficiently and impairment loss would not occur even if the assumptions used varied within a reasonable range.

There is no impairment loss recorded in the current consolidated fiscal year. The recoverable amount of the relevant cash-generating unit is measured based on the value in use in the Industrial Machinery Bearings Business. The value in use is calculated using the following information, order backlog, sales forecasts based on probability of successful sales order, future cash flow based on the next three-year business plan that reflects sales trends for each product sector and individual products, and terminal value after the 4th year. Regarding terminal value, the growth rate of 0% is used. The discounted present value of future cash flow is calculated by using a discount rate before tax of 7.2%.

The recoverable amount exceeds the carrying amount of the cash-generating unit sufficiently and impairment loss would not occur even if the assumptions used varied within a reasonable range.



### 11. Other financial assets

Other financial assets consisted of the following.

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Time deposits over 3 months	1,345	1,405
Securities	—	39,999
Other	244	3,672
Total other current financial assets	1,590	45,076

Investment securities	47,807	44,146
Other	8,618	7,786
Total other non-current financial assets	56,425	51,932

### 12. Trade payables and other payables

Trade payables and other payables consisted of the following.

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Trade payables	94,603	108,128
Other	17,931	32,322
Total	112,535	140,451

### 13. Other financial liabilities

Other financial liabilities consisted of the following.

(Millions of yen)

Classification	As of March 31, 2023	As of March 31, 2024	Average interest rate (%)	Due date for repayment
Short-term debt	79,937	86,389	3.8	—
Current portions of long-term debt	29,626	16,422	1.4	—
Current portions of bonds	15,000	20,000	(Note 2)	
Other	5,237	5,621	—	—
Total other current financial liabilities	129,801	128,433	—	—

Long-term debt	73,173	63,133	0.8	2025 to 2035
Corporate bonds	138,000	133,000	(Note 2)	
Other	20,135	18,731	—	—
Total other non-current financial liabilities	231,309	214,864	—	—

(Note 1) Average interest rate is calculated based on the weighted average interest rate of the closing balance at year end.

(Note 2) The terms of issuance of corporate bonds are summarised below.

(Millions of yen)

Company name	Issue	Issuance date	Balance as of March 31, 2023	Balance as of March 31, 2024	Interest rate (%)	Collateral	Redemption date
NSK Ltd. (i.e., the Company)	43rd Series Unsecured Straight Bonds	September 10, 2014	20,000	20,000	0.769	None	September 10, 2024
NSK Ltd. (i.e., the Company)	45th Series Unsecured Straight Bonds	March 14, 2017	10,000	10,000	0.400	None	March 12, 2027
NSK Ltd. (i.e., the Company)	47th Series Unsecured Straight Bonds	December 7, 2017	10,000	10,000	0.380	None	December 7, 2027
NSK Ltd. (i.e., the Company)	48th Series Unsecured Straight Bonds	November 29, 2018	15,000	—	0.160	None	November 29, 2023
NSK Ltd. (i.e., the Company)	49th Series Unsecured Straight Bonds	November 29, 2018	15,000	15,000	0.290	None	November 28, 2025
NSK Ltd. (i.e., the Company)	50th Series Unsecured Straight Bonds	November 29, 2018	10,000	10,000	0.390	None	November 29, 2028
NSK Ltd. (i.e., the Company)	51st Series Unsecured Straight Bonds	September 2, 2019	10,000	10,000	0.190	None	September 2, 2026
NSK Ltd. (i.e., the Company)	52nd Series Unsecured Straight Bonds	September 2, 2019	20,000	20,000	0.280	None	August 31, 2029
NSK Ltd. (i.e., the Company)	53rd Series Unsecured Straight Bonds	September 5, 2022	14,000	14,000	0.445	None	September 3, 2027
NSK Ltd. (i.e., the Company)	54th Series Unsecured Straight Bonds	September 5, 2022	11,000	11,000	0.709	None	September 3, 2032
NSK Ltd. (i.e., the Company)	55th Series Unsecured Straight Bonds	March 7, 2023	10,000	10,000	0.300	None	March 6, 2026
NSK Ltd. (i.e., the Company)	56th Series Unsecured Straight Bonds	March 7, 2023	8,000	8,000	1.150	None	March 7, 2033
NSK Ltd. (i.e., the Company)	57th Series Unsecured Straight Bonds	September 11, 2023	—	15,000	0.539	None	September 11, 2028

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

#### 14. Lease transactions

The NSK Group leases mainly warehouses and land for plants as a lessee. Some lease contracts include extension (early termination) options. There are no material lease contracts that include escalation clauses and restrictions imposed by lease agreements.

The carrying amount and depreciation cost for right-of-use assets are as follows.

(Millions of yen)

	Buildings and structures	Machinery, vehicles and equipment	Tools, equipment and fixtures	Land	Intangible assets	Total
Carrying amount as of March 31, 2023	15,273	2,398	1,265	4,088	1,656	24,682
Depreciation cost for right-of-use asset year ended March 31, 2023	3,381	925	647	162	308	5,425
Carrying amount as of March 31, 2024	13,882	2,341	1,409	3,682	1,980	23,296
Depreciation cost for right-of-use asset year ended March 31, 2024	3,595	809	640	159	343	5,548

Total cash outflow on lease transaction is as follows.

(Millions of yen)

	Year ended March 31, 2023	Year ended March 31, 2024
Total cash outflow on lease transactions	10,370	10,107

Expenses and income relating to lease transactions consisted of the followings.

(Millions of yen)

	Year ended March 31, 2023	Year ended March 31, 2024
Interest expense for lease liability	297	300
Short-term lease payments	2,908	2,703
Low-value asset lease payments	1,486	1,509
Variable lease payments	41	37
Sublease revenue	321	389

Increase in right-of-use asset is as follows.

(Millions of yen)

	Year ended March 31, 2023	Year ended March 31, 2024
Increase in right-of-use asset	6,680	4,983

Changes and the balance by maturity dates of lease liabilities are stated in "Note 25. Financial instruments".

## 15. Provisions

Provisions consisted of the following.

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Reserves for environmental measures	0	42
Other	536	427
Total current liabilities	536	469
Reserves for environmental measures	1,314	839
Other	552	226
Total non-current liabilities	1,867	1,065

The change in provisions consisted of the following.

(Millions of yen)

	Reserves for environmental measures	Other	Total
Balance as of March 31, 2023	1,314	1,089	2,403
Amount recognised during the period	182	849	1,032
Amount of decrease during the period (intended use)	-674	-1,337	-2,011
Amount of decrease during the period (reversal)	—	-0	-0
Other	59	53	112
Balance as of March 31, 2024	881	654	1,535

### Reserves for environmental measures

To prepare for expenditure related to the removal and disposal of asbestos and polychlorinated biphenyl (PCB), etc., that are used in buildings, equipment, etc., expenses expected to arise in the future are recorded.

The timing of the outflow of economic benefits is expected to be primarily after one year has passed since the end of each consolidated fiscal year.

### Other

Provision for costs related to business restructuring activities is included in "Other".

16. Income taxes

(1) Deferred tax

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

From April 1, 2022 to March 31, 2023

Deferred tax assets

(Millions of yen)

	Opening balance (April 1, 2022)	Amount recognised in profit or loss	Amount recognised in other comprehensive income	Movements due to changes in the scope of consolidation	Transfer to assets held for sale	Closing balance (March 31, 2023)
Defined benefit liability	2,425	1,932	-2,754	—	—	1,603
Non-current assets-internal profit between consolidated companies	282	-81	—	—	—	200
Carryforward of unused tax losses	6,310	218	—	—	—	6,528
Accrued bonuses	4,180	158	—	—	—	4,338
Inventories	3,925	57	—	—	—	3,982
Other	14,165	-80	-1	—	—	14,083
<b>Total</b>	<b>31,288</b>	<b>2,204</b>	<b>-2,755</b>	<b>—</b>	<b>—</b>	<b>30,737</b>

Deferred tax liabilities

Defined benefit asset	-17,644	—	12,509	—	—	-5,134
Depreciation costs	-2,020	457	—	—	—	-1,562
Reserve for advanced depreciation on fixed assets	-1,844	88	—	—	—	-1,755
Financial assets measured at fair value through other comprehensive income	-13,020	—	2,507	—	—	-10,513
Gain on contribution of securities to employees' retirement benefit trust	-9,800	4,900	—	—	—	-4,900
Business combination identified assets	-3,487	173	-222	—	—	-3,536
Other	-24,425	3,718	—	—	—	-20,707
<b>Total</b>	<b>-72,243</b>	<b>9,338</b>	<b>14,794</b>	<b>—</b>	<b>—</b>	<b>-48,110</b>
<b>Net deferred tax assets (liabilities)</b>	<b>-40,955</b>	<b>11,543</b>	<b>12,039</b>	<b>—</b>	<b>—</b>	<b>-17,373</b>

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

From April 1, 2023 to March 31, 2024

Deferred tax assets

(Millions of yen)

	Opening balance (April 1, 2023)	Amount recognised in profit or loss	Amount recognised in other comprehensive income	Movements due to changes in the scope of consolidation	Transfer to assets held for sale	Closing balance (March 31, 2024)
Defined benefit liability	1,603	26,680	-23,449	-95	—	4,740
Non-current assets-internal profit between consolidated companies	200	54	—	—	—	254
Carryforward of unused tax losses	6,528	-3,032	—	215	-1,114	2,596
Accrued bonuses	4,338	-330	—	-44	—	3,963
Inventories	3,982	-348	—	-183	—	3,450
Other	14,083	-524	55	-1,528	—	12,085
<b>Total</b>	<b>30,737</b>	<b>22,499</b>	<b>-23,393</b>	<b>-1,636</b>	<b>-1,114</b>	<b>27,091</b>

Deferred tax liabilities

Defined benefit asset	-5,134	—	5,134	—	—	—
Depreciation costs	-1,562	-2,535	—	526	—	-3,571
Reserve for advanced Depreciation on fixed assets	-1,755	69	—	—	—	-1,686
Financial assets measured at fair value through other comprehensive income	-10,513	—	488	—	—	-10,024
Gain on contribution of securities to employees' retirement benefit trust	-4,900	4,900	—	—	—	—
Business combination identified assets	-3,536	—	-263	—	—	-3,800
Other	-20,707	914	-0	202	—	-19,590
<b>Total</b>	<b>-48,110</b>	<b>3,348</b>	<b>5,359</b>	<b>729</b>	<b>—</b>	<b>-38,673</b>
<b>Net deferred tax assets (liabilities)</b>	<b>-17,373</b>	<b>25,848</b>	<b>-18,033</b>	<b>-907</b>	<b>-1,114</b>	<b>-11,581</b>

(Note 1) The difference between the total amount recognised in profit or loss and the amount of deferred tax expense is attributable to changes in exchange rates.

(Note 2) Deferred tax assets for carryforward of unused tax losses held by the Company's UK subsidiary are ¥2,232 million. These deferred tax assets are included in the ¥3,856 million of deferred tax assets attributable to taxable entities which record losses in the previous or current consolidated fiscal year, and the recoverability of the deferred tax assets is dependent on whether these entities can generate sufficient future taxable profits. The key assumptions used in future business planning as the basis for estimating taxable profit are projected revenue and revenue growth rate, as stated in "Note 2. Basis of preparation (6) Use of estimates and judgements" and take into consideration the recovery of profitability through the European business restructuring activities.

### Unrecognised deferred tax assets

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

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Carryforward of unused tax losses	8,843	17,064
Deductible temporary differences	14,977	18,148
Carryforward of tax credits	2,210	—
Total	26,031	35,212

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

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Year 1	—	—
Year 2	—	—
Year 3	—	—
Year 4	—	—
After Year 5 or no expiry date	8,843	17,064
Total	8,843	17,064

The amounts of carryforward of unused tax losses for which deferred tax assets have not been recognised with no expiry date in the previous consolidated fiscal year and the current consolidated fiscal year are ¥7,341 million and ¥15,883 million, respectively, and are attributable to the Company's UK subsidiary.

The amounts and expiry dates of the carryforward of tax credits for which deferred tax assets have not been recognised are as follows.

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Year 1	2,210	—
Year 2	—	—
Year 3	—	—
Year 4	—	—
After Year 5 or no expiry date	—	—
Total	2,210	—

Among the deferred tax assets recognised in the previous and current consolidated fiscal year, those recognised by taxable entities which record losses in the previous or current consolidated fiscal year and the recoverability of the deferred tax assets is dependent on whether these entities can generate sufficient future taxable profits are ¥6,152 million and ¥3,856 million, respectively. The NSK Group considers the recoverability of deferred tax assets by analysing future taxable profits based on future profit-generating capabilities and tax planning strategies.

## Unrecognised deferred tax liabilities

Taxable temporary differences relating to the undistributed profits of subsidiaries for which deferred tax liabilities have not been recognised were ¥41,325 million and ¥49,236 million in the previous consolidated fiscal year and the current consolidated fiscal year, respectively. The deferred tax liabilities have not been recognised for taxable temporary differences pertaining to subsidiary investments, because the Company and the NSK Group companies are able to control the timing at which temporary differences will be reversed, and it is probable that such differences will not be reversed within a period in the foreseeable future.

## (2) Income tax expense

The Company and its domestic consolidated subsidiaries are imposed of mainly corporation tax (national tax), inhabitants' tax and enterprise tax (local taxes). The statutory effective tax rate calculated based on these taxes in the previous consolidated fiscal year and the current consolidated fiscal year were 30.5%. The amount of tax in other tax jurisdictions was calculated based on the respective general tax rates in those jurisdictions. The Company and some of its subsidiaries adopt the consolidated taxation system. The following is presented excluding discontinued operations and the same reclassification has been made for the previous consolidated fiscal year.

Income tax expense consisted of the following.

(Millions of yen)

	Year ended March 31, 2023	Year ended March 31, 2024
Current tax expenses	27,838	38,872
Deferred tax expenses	-12,573	-26,916
Income tax expense	15,265	11,955

Income taxes recognised on sales of financial assets measured at fair value through other comprehensive income in the previous consolidated fiscal year and the current consolidated fiscal year are ¥794 million and ¥4,827 million, respectively.

The major causes of the difference between the statutory effective tax rate in Japan and the effective tax rate after the application of tax effect accounting are as follows.

	Year ended March 31, 2023	Year ended March 31, 2024
Statutory effective tax rate	30.5 %	30.5 %
Items that are never deductible for income tax purposes such as entertainment expenses	3.0	2.4
Different tax rates applied to income of foreign subsidiaries	-5.0	-6.3
Tax effect of unused tax losses of subsidiaries not recognised in accounting	2.3	8.0
Tax credits	-6.7	-15.5
Changes in unrecognised deferred tax assets	3.6	22.5
Organisational restructuring	4.7	—
Other	3.0	4.1
Effective tax rate after application of tax effect accounting	35.3 %	45.6 %



### (3) Potential impact of the “Pillar Two” model rules on corporate income taxes

In Japan, the Tax Reform Act of 2023 (the "Act for Partial Amendment to the Income Tax Act, etc. (Act No. 3 of 2023)") was enacted on March 28, 2023, which includes provisions related to the establishment of a corporate tax system corresponding to the global minimum taxation. Among the global minimum taxation rules, the Income Inclusion Rule (IIR) has been introduced, and as a result, the parent and other entities located in Japan will be additionally taxed until the effective tax rate in jurisdictions in which their subsidiaries, etc., are located reaches the minimum tax rate of 15%. The new rules will be applied to the Company from the business year starting on April 1, 2025. In some jurisdictions outside Japan, these rules will be applied in advance from the business year starting on January 1, 2024, however impact of these taxes on the NSK Group's consolidated financial statements are expected to be immaterial.

## 17. Post-employment benefit

### (1) Defined benefit plans

#### ① Japan

The Company and some of its domestic consolidated subsidiaries have defined benefit plans and defined contribution plans to finance retirement benefits for employees. The Company has also established a share-based compensation plan for directors, executive employees, etc., as well as a retirement benefit trust. Extra payments may be added upon the retirement of employees of the Company and its domestic consolidated subsidiaries, which are not included in the defined benefit obligation based on the retirement benefit accounting.

Furthermore, the Company has established a stock-based retirement benefit trust to provide for future retirement benefit payments. In recent years, the pension plan assets, including the defined retirement benefit trust, had significantly exceeded the retirement benefit obligations. As this situation is expected to continue, a portion of the defined retirement benefit trust was returned to the Company in the current consolidated fiscal year.

#### ② U.K.

The UK subsidiary of the Company, NSK Europe Limited and some of its consolidated subsidiaries in UK sponsor a funded defined benefit and defined contribution schemes, providing retirement benefits to UK qualifying employees. Employees who joined these companies in or after 2003 have participated in the defined contribution scheme and the defined benefit scheme has been closed to new employees since 2003. Moreover, the defined benefit scheme has been frozen since the end of December 2016 to prevent the occurrence of any new benefit payment obligations that require further funding in the future and these companies offered a scheme to allow participants in the defined benefit scheme to transition to the defined contribution scheme.

Furthermore, in March 2024, the Company implemented a defined retirement benefit plan buy-in, where the pension plan assets were contributed to an insurance company and an insurance contract was concluded with the insurance company guaranteeing the receipt of an amount equivalent to the pension scheme benefits to the pension scheme members. As a result of the defined retirement benefit plan buy-in, the pension plan assets as at the end of the current consolidated fiscal year is ¥52,607 million.

#### ③ Other

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

Amounts recognised in the consolidated financial statements are as follows.

As of March 31, 2023

(Millions of yen)

	Japan	U.K.	Other	Total
Present value of defined benefit obligations	123,748	47,685	10,635	182,069
Fair value of plan assets	-208,314	-53,265	-5,627	-267,207
Total	-84,566	-5,580	5,007	-85,138
Net assets for retirement benefits in the consolidated statement of financial position	-84,566	-5,580	5,007	-85,138

As of March 31, 2024

(Millions of yen)

	Japan	U.K.	Other	Total
Present value of defined benefit obligations	109,317	53,783	10,753	173,854
Fair value of plan assets	-221,892	-53,460	-6,508	-281,861
Total	-112,575	322	4,244	-108,007
Net assets for retirement benefits in the consolidated statement of financial position	-112,575	322	4,244	-108,007

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

(Millions of yen)

	Japan	U.K.	Other	Total
As of April 1, 2022				
Present value of defined benefit obligations	126,830	62,903	10,449	200,183
Current service cost	4,717	—	680	5,397
Interest cost	1,023	1,737	436	3,197
Remeasurements of net defined benefit liability (asset)				
Actuarial gains or losses arising from changes in demographic assumptions	—	40	-60	-19
Actuarial gains or losses arising from changes in financial assumptions	-1,818	-15,724	-720	-18,263
Retirement benefit paid	-6,888	-2,804	-555	-10,248
Past service cost	43	212	-69	186
Foreign exchange translation differences, etc.	-160	1,320	475	1,635
As of March 31, 2023				
Present value of defined benefit obligations	123,748	47,685	10,635	182,069
Current service cost	4,441	—	667	5,109
Interest cost	1,548	2,446	539	4,534
Remeasurements of net defined benefit liability (asset)				
Actuarial gains or losses arising from changes in demographic assumptions	—	-331	-801	-1,133
Actuarial gains or losses arising from changes in financial assumptions	-3,852	-561	-125	-4,539
Retirement benefit paid	-7,107	-2,653	-949	-10,710
Past service cost	—	—	-86	-86
Movements due to changes in the scope of consolidation	-9,624	—	-216	-9,841
Foreign exchange translation differences, etc.	164	7,198	1,089	8,452
As of March 31, 2024				
Present value of defined benefit obligations	109,317	53,783	10,753	173,854

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

	Japan	U.K.	Other
Weighted average duration	12 years	13 years	8 to 9 years

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

(Millions of yen)

	Japan	U.K.	Other	Total
As of April 1, 2022 Fair value of plan asset	229,191	72,265	5,001	306,459
Interest income	1,925	2,036	211	4,172
Return on plan assets	-20,218	-22,153	-81	-42,453
Contributions by employer	1,807	2,574	756	5,138
Retirement benefit paid	-4,117	-2,804	-339	-7,261
Foreign exchange translation differences, etc.	-274	1,347	79	1,152
As of March 31, 2023 Fair value of plan assets	208,314	53,265	5,627	267,207
Interest income	2,677	2,789	263	5,730
Return on plan assets	55,225	-11,658	-39	43,526
Contributions by employer	2,670	4,221	870	7,761
Retirement benefit paid	-4,034	-2,653	-743	-7,432
Movements due to changes in the scope of consolidation	-7,950	—	—	-7,950
Refund to employer	-35,000	—	—	-35,000
Foreign exchange translation differences, etc.	-9	7,496	530	8,017
As of March 31, 2024 Fair value of plan assets	221,892	53,460	6,508	281,861

The NSK Group plans to make contributions of ¥3,128 million in the fiscal year ending March 31, 2025.

Plan assets are managed for the purpose of securing necessary revenue in the long term subject to tolerable risks, in order to make sure that pension benefits, etc. will be paid into the future. For the management of plan assets, the basic policy for asset composition is formulated in consideration of the risks and returns of the assets subject to investment and investments are made in accordance with such policy; plan assets are managed properly by periodically monitoring their management status. The basic policy for asset composition is reviewed periodically in order to adapt to changes in the market environment and changes in the funding status.

Items that constitute plan assets are as follows.

As of March 31, 2023

(Millions of yen)

	Japan		U.K.		Other	
	Those with quoted prices in active markets	Those without quoted prices in active markets	Those with quoted prices in active markets	Those without quoted prices in active markets	Those with quoted prices in active markets	Those without quoted prices in active markets
Shares	74,285	—	—	—	258	—
Bonds	32,917	—	52,950	—	3,723	—
Other	72,437	28,673	315	—	1,645	—
Total	179,640	28,673	53,265	—	5,627	—

As of March 31, 2024

(Millions of yen)

	Japan		U.K.		Other	
	Those with quoted prices in active markets	Those without quoted prices in active markets	Those with quoted prices in active markets	Those without quoted prices in active markets	Those with quoted prices in active markets	Those without quoted prices in active markets
Shares	27,837	—	—	—	361	—
Bonds	33,919	—	475	—	4,226	—
Other	131,590	28,544	377	52,607	1,919	—
Total	193,347	28,544	853	52,607	6,508	—

Significant actuarial assumptions are as follows.

As of March 31, 2023

	Japan	U.K.	Other
Discount rate	Mainly 1.4%	4.8%	Mainly 4.6-4.9%

As of March 31, 2024

	Japan	U.K.	Other
Discount rate	Mainly 1.7%	4.8%	Mainly 5.2%

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

As of March 31, 2023

(Millions of yen)

		Japan	U.K.	Other
Discount rate	0.5% increase	-7,215	-3,060	-276
	0.5% decrease	7,828	3,559	304

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

As of March 31, 2024

(Millions of yen)

		Japan	U.K.	Other
Discount rate	0.5% increase	-5,982	-3,215	-306
	0.5% decrease	6,512	3,717	354

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

## (2) Defined contribution plans

The respective amounts recognised as expenses in the previous consolidated fiscal year and the current consolidated fiscal year in relation to defined contribution plans are as follows.

(Millions of yen)

Year ended March 31, 2023	Year ended March 31, 2024
2,587	2,416

## (3) Employee benefit costs

The total amounts of employee benefit costs for the previous consolidated fiscal year and the current consolidated fiscal year were ¥181,557 million and ¥186,273 million, respectively. They are presented in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statements of income excluding discontinued operations.

#### 18. Investments in equity method affiliates

The Company's interest in joint ventures that are significant are the investment in the ordinary shares of NSK-Warner K.K. (proportion of ownership interest: 50%) and the investment in the ordinary shares of NSK Steering & Control, Inc. (proportion of ownership interest: 49.9%). Condensed financial information of these entities are as follows.

##### (1) NSK-Warner K.K.

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Current assets	29,626	30,554
Non-current assets	17,609	20,421
Total assets	47,235	50,975
Current liabilities	10,580	8,908
Non-current liabilities	3,901	6,573
Total liabilities	14,481	15,481
Total equity	32,753	35,493
Ownership ratio (%)	50.0%	50.0%
Equity attributable to owners of the parent	16,376	17,746
Consolidated elimination	2,946	4,115
Carrying amount	19,323	21,862

(Millions of yen)

	Year ended March 31, 2023	Year ended March 31, 2024
Sales	47,101	53,040
Income before income taxes	5,902	7,318
Net income	4,700	6,130
Other comprehensive income (loss)	-491	551
Total comprehensive income	4,209	6,682

Dividends received by the Company from NSK-Warner K.K. amounted to ¥2,689 million and ¥1,971 million in the previous consolidated fiscal year and the current consolidated fiscal year, respectively.

(2) NSK Steering & Control, Inc.

(Millions of yen)

	As of March 31, 2024
Current assets	91,727
Non-current assets	37,835
Total assets	129,563
Current liabilities	71,870
Non-current liabilities	16,693
Total liabilities	88,564
Total equity	40,999
Ownership ratio (%)	49.9%
Equity attributable to owners of the parent	20,458
Consolidated elimination	-4,385
Carrying amount	16,073

(Millions of yen)

	Year ended March 31, 2024
Sales	103,279
Income before income taxes	374
Net income (loss)	-396
Other comprehensive income	3,320
Total comprehensive income	2,924

(Note 1) NSK Steering & Control, Inc. ("NS&C") and its subsidiaries became equity method affiliates of the Company effective August 1, 2023. Therefore, the statement of income and statement of comprehensive income from August 1, 2023 onwards are presented above. For details, refer to "Note 8. Disposal groups classified as held for sale and discontinued operations".

(Note 2) No dividends have been received by the Company from NS&C after becoming an equity-method affiliated company as of August 1, 2023.



## 19. Equity and other equity items

### (1) Issued shares and treasury shares

As of March 31, 2023

	Opening balance (April 1, 2022)	Increase	Decrease	Closing balance (March 31, 2023)
Number of shares authorised (common shares without par value)	1,700,000,000	—	—	1,700,000,000
Number of shares issued (common shares without par value)	551,268,104	—	—	551,268,104
Number of treasury shares	38,413,984	12,683	274,495	38,152,172

(Note 1) The number of treasury shares includes 7,669,880 shares of the Company held in the trust account of the Board Benefit Trust at the end of the current consolidated fiscal year.

(Note 2) The shares issued have been fully paid.

(Brief description of reasons for changes in treasury shares)

The number of increase in treasury shares consisted of the following.

Increase due to purchase of shares constituting less than one unit: 1,750 shares

Treasury shares (the Company's shares) acquired by equity method affiliates attributable to the Company: 10,933 shares

The number of decrease in treasury shares consisted of the following.

Decrease due to request for purchase of shares constituting less than one unit : 95 shares

Shares provided from the Board Benefit Trust, etc.: 274,400 shares

As of March 31, 2024

	Opening balance (April 1, 2023)	Increase	Decrease	Closing balance (March 31, 2024)
Number of shares authorised (common shares without par value)	1,700,000,000	—	—	1,700,000,000
Number of shares issued (common shares without par value)	551,268,104	—	51,268,104	500,000,000
Number of treasury shares	38,152,172	25,012,060	51,847,906	11,316,326

(Note 1) The number of treasury shares includes 7,090,080 shares of the Company held in the trust account of the Board Benefit Trust at the end of the current consolidated fiscal year.

(Note 2) The shares issued have been fully paid.

(Note 3) Regarding the retirement of treasury shares pursuant to the provisions of Article 178 of the Companies Act, the Company retired 51,268,104 shares of treasury shares as of August 25, 2023, based on the decision of the Company's President and CEO delegated by the Board of Directors.

(Brief description of reasons for changes in treasury shares)

The number of increase in treasury shares consisted of the following.

Increase due to purchase of shares constituting less than one unit: 1,749 shares

Treasury shares (the Company's shares) acquired by equity method affiliates attributable to the Company: 10,311 shares

Increase due to acquisition of treasury shares based on resolution of the Board of Directors: 25,000,000 shares

The number of decrease in treasury shares consisted of the following.

Decrease due to request for purchase of shares constituting less than one unit : 2 shares

Shares provided from the Board Benefit Trust, etc.: 579,800 shares

Decrease due to retirement of treasury shares 51,268,104 shares

## (2) Capital surplus

In capital surplus, surplus arising from the issuance of shares, sale of treasury shares and other such equity transactions are recorded. Changes in capital surplus also include the effect of changes in its ownership interest in a subsidiary that do not result in a loss of control.

## (3) Retained earnings

Retained earnings represents the surplus of the profit earned by the entity that has not been distributed to owners of the entity but has been retained within the entity.

## 20. Share-based payments

### (1) Share option scheme

Until the consolidated fiscal year ended March 2016, the NSK Group had granted to its directors, executive officers and some employees the rights to purchase the Company's shares as share options. The exercise period is the period prescribed in the allotment agreement; if share options are not exercised within the period, such share options are forfeited.

Share options granted to eligible persons are accounted for as equity-settled share-based payments.

Details of the NSK Group's share option scheme in place in the previous consolidated fiscal year and the current consolidated fiscal year are as follows.

	Grant date	Expiry date	Exercise price (yen)	Fair value at grant date (yen)
Granted in 2015	August 21, 2015	July 29, 2025	1,806	565

	Number of options granted	Unexercised options outstanding at the end of the period	
		As of March 31, 2023	As of March 31, 2024
Granted in 2015	820,000	548,000	477,000

The number of exercisable share options outstanding and the average exercise prices in the previous consolidated fiscal year and the current consolidated fiscal year are presented in the table below. The weighted average remaining contractual life of unexercised share options was 2.3 years and 1.3 years, respectively, for these periods.

	Year ended March 31, 2023		Year ended March 31, 2024	
	Number of options	Weighted average exercise price (yen)	Number of options	Weighted average exercise price (yen)
Unexercised options outstanding at the beginning of the period	585,000	1,806	548,000	1,806
Options exercised during the period	—	—	—	—
Options expired during the period	-37,000	1,806	-71,000	1,806
Unexercised options outstanding at the end of the period	548,000	1,806	477,000	1,806
Exercisable options outstanding at the end of the period	548,000	1,806	477,000	1,806

There were no share options exercised in the previous consolidated fiscal year and the current consolidated fiscal year.

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

Through the resolution passed at Compensation Committee held on May 16, 2016, the Company has established a Board Benefit Trust, which is a share-based payment scheme using a trust structure, for its directors and executive officers. In this scheme, the Board Benefit Trust acquires the Company's shares and provides the Company's shares corresponding to the total points granted by the Company (share benefit portion) and money corresponding to the value of shares (cash benefit portion) to eligible directors and executive officers when they retire. The share benefit portion of this payment scheme is accounted for as equity-settled share-based payment and its cash benefit portion is accounted for as cash-settled share-based payment. These shares of the Company held in the Trust continue to be accounted for as treasury shares.

Compensation Committee held on March 27, 2019 resolved to revise a Board Benefit Trust, which is performance-based programme, for its executive officers beginning April 1, 2019. However, the stock compensation programme for directors who do not serve as executive officers will be operated as previously as a stock compensation programme with no added incentive for business performance.

Share-based payment expenses for the current consolidated fiscal year were recognised based on the number of points and others granted as consideration for the fiscal year ended March 31, 2024. Expenses for equity-settled share-based payment transactions in the consolidated statements of income for the previous and the current consolidated fiscal year are ¥229 million and ¥249 million, respectively. Expenses for cash-settled share-based payment transactions recognised in the consolidated statements of income for the previous and the current consolidated fiscal year are ¥117 million and ¥155 million, respectively. The number of the Company's shares held in the trust account of the Board Benefit Trust at the end of the current consolidated fiscal year is 5,972,675 shares.

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

(a) The major assumptions of weighted-average fair value measurement of the Company's shares granted as stock-based compensation for its directors are calculated as follows.

	Year ended March 31, 2023	Year ended March 31, 2024
Grant date	June 28, 2022	June 23, 2023
Number of share points	57,391	42,187
Share price at the grant date	¥763	¥878
Estimated remaining life (Note 1)	7 years	7 years
Dividend payout ratio (Note 2)	3.3%	2.9%
Discount rate (Note 3)	0.18%	0.16%
Weighted-average fair value per point	¥607	¥719

(Note 1) Number of years from the grant date through the day on which shares are delivered.

(Note 2) Calculated based on the past payout ratios of the Company.

(Note 3) Based on the yield of Japanese government bonds corresponding to the estimated remaining life.

- (b) The weighted-average fair value of the Company's shares granted as stock-based compensation for its executive officers is calculated with relative TSR that compares total shareholder return at the end of performance evaluation period and growth rate of TOPIX.

The major assumptions of weighted-average fair value are as follows.

	Year ended March 31, 2023	Year ended March 31, 2024
Grant date	April 1, 2022	April 1, 2023
Number of share points (Note 1)	516,119	547,525
Share price at the grant date	¥733	¥756
Estimated remaining life (Note 2)	7 years	7 years
Dividend payout ratio (Note 3)	4.1%	4.0%
TOPIX dividend rate (Note 4)	2.1%	2.7%
Discount rate (Note 5)	0.10%	0.21%
Weighted-average fair value per point	¥569	¥596

(Note 1) Number of points before performance evaluation.

(Note 2) Number of years from the grant date through the day on which shares are delivered.

(Note 3) Based on expected dividend at the grant date.

(Note 4) Calculated based on the previous year of the grant date TOPIX and estimated TOPIX Dividend Index.

(Note 5) Based on the yield of Japanese government bonds corresponding to the calculation period.

(3) Board Benefit Trust (for certain officers and employees of the Company and some of its subsidiaries)

The Company has established a Board Benefit Trust, which is a share-based payment scheme using a trust structure, for certain officers and employees of the Company and some of its subsidiaries (hereinafter "executive employees, etc."). In this scheme, the Board Benefit Trust acquires the Company's shares and provides the Company's shares corresponding to the total points granted by the Company (share benefit portion) and money corresponding to the value of shares (cash benefit portion) to eligible executive employees, etc. when they retire.

The Company determined to apply performance-based programme for certain corporate officers among executive employees, etc. and revised this programme as of April 1, 2022.

These shares of the Company held in the Trust continue to be accounted for as treasury shares. The share benefit portion of this payment scheme is accounted for as equity-settled share-based payment and its cash benefit portion is accounted for as cash-settled share-based payment.

Share-based payment expenses for the current consolidated fiscal year were recognised based on the number of points granted as consideration for the fiscal year ended March 31, 2024. Expenses for equity-settled share-based payment transactions recognised in the consolidated statements of income for the previous and the current consolidated fiscal years are ¥141 million, ¥133 million, respectively. Expenses for cash-settled share-based payment transactions recognised in the consolidated statements of income for the previous and the current consolidated fiscal year are ¥64 million, ¥66 million, respectively. The number of the Company's shares held in the trust account of the Board Benefit Trust at the end of the current consolidated fiscal year is 1,117,405 shares.

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

(a) The major assumptions of weighted-average fair value measurement of the Company's shares granted as stock-based compensation for its executive employees, etc. excluding certain corporate officers are calculated as follows.

	Year ended March 31, 2023	Year ended March 31, 2024
Grant date	August 1, 2022	August 1, 2023
Number of share points	92,431	146,994
Share price at the grant date	¥756	¥877
Estimated remaining life (Note 1)	5 years	5 years
Dividend payout ratio (Note 2)	3.3%	2.9%
Discount rate (Note 3)	-0.03%	0.17%
Weighted-average fair value per point	¥641	¥760

(Note 1) Number of years from the grant date through the day on which shares are delivered.

(Note 2) Calculated based on the past payout ratios of the Company.

(Note 3) Based on the yield of Japanese government bonds corresponding to the estimated remaining life.

(b) The major assumptions of weighted-average fair value measurement of the Company's shares granted as stock-based compensation for certain corporate officers are calculated as follows.

	Year ended March 31, 2023	Year ended March 31, 2024
Grant date	August 1, 2022	August 1, 2023
Number of share points (Note1)	198,655	97,260
Share price at the grant date	¥756	¥877
Estimated remaining life (Note 2)	4 years	4 years
Dividend payout ratio (Note 3)	4.0%	3.4%
TOPIX dividend rate (Note 4)	2.1%	2.7%
Discount rate (Note 5)	-0.08%	0.07%
Weighted-average fair value per point	¥652	¥808

(Note 1) Number of points before performance evaluation.

(Note 2) Number of years from the grant date through the day on which shares are delivered.

(Note 3) Based on expected dividend at the grant date.

(Note 4) Calculated based on the previous year of the grant date TOPIX and estimated TOPIX Dividend Index.

(Note 5) Based on the yield of Japanese government bonds corresponding to the calculation period.

## 21. Sales

### (1) Disaggregation of revenue

Net sales have been disaggregated into these reportable segments by geographical area, as presented below.

Effective from the first quarter of the current consolidated fiscal year, the Company has classified its steering business, which was previously included in the automotive business, as a discontinued operation. Segment information now shows only the results of continuing operations excluding the steering business, and the segment information for the previous consolidated fiscal year has also been restated to reflect this change.

From April 1, 2022 to March 31, 2023

(Millions of yen)

	Reportable segments			Other	Total
	Industrial Machinery Business	Automotive Business	Subtotal		
Japan	95,972	152,893	248,866	19,356	268,222
The Americas	63,010	67,385	130,396	414	130,811
Europe	62,773	33,775	96,548	7,101	103,650
China	101,365	58,606	159,971	3,184	163,155
Other Asia	61,981	46,714	108,696	2,225	110,922
Total	385,103	359,374	744,478	32,283	776,762

(Note 1) Sales are based on the customers' location and categorised by either countries or regions.

(Note 2) The categories of the countries or the regions are based on their relative proximity.

(Note 3) Main countries and regions belonging to other regions apart from Japan and China are as follows;

The Americas: the United States, Canada, Mexico, Brazil, etc.

Europe: the United Kingdom, Germany, Poland, and other European countries, etc.

Other Asia: East and South East Asian countries (apart from Japan and China), India, Australia, etc.

(Note 4) "Other" refers to operating segments excluded from reportable segments and includes businesses such as the production and sales of steel balls and the production of machineries.

From April 1, 2023 to March 31, 2024

(Millions of yen)

	Reportable segments			Other	Total
	Industrial Machinery Business	Automotive Business	Subtotal		
Japan	79,151	170,457	249,608	21,487	271,096
The Americas	60,675	83,188	143,864	540	144,405
Europe	62,956	38,195	101,152	6,899	108,051
China	84,338	65,597	149,936	4,300	154,236
Other Asia	57,724	51,382	109,106	1,971	111,077
Total	344,846	408,821	753,667	35,199	788,867

(Note 1) Sales are based on the customers' location and categorised by either countries or regions.

(Note 2) The categories of the countries or the regions are based on their relative proximity.

(Note 3) Main countries and regions belonging to other regions apart from Japan and China are as follows;

The Americas: the United States, Canada, Mexico, Brazil, etc.

Europe: the United Kingdom, Germany, Poland, and other European countries, etc.

Other Asia: East and South East Asian countries (apart from Japan and China), India, Australia, etc.

(Note 4) "Other" refers to operating segments excluded from reportable segments and includes businesses such as the production and sales of steel balls and the production of machineries.

The Industrial Machinery Business engages in the production and sales of industrial machinery bearings, precision machinery and parts, condition monitoring systems, etc. The Automotive Business engages in the production and sales of bearings, automatic transmission components, etc. for car manufacturers and automotive component manufacturers. With regard to the sales of products such as bearings, revenue is recognised when the NSK Group transfers control of goods to the customer, in other words, when it transports and delivers the goods to a location designated by the customer. For a performance obligation satisfied over time such as providing condition monitoring system services, the Company measures its progress towards complete satisfaction of that performance obligation on the basis of output or input methods in consideration of the nature of the goods and services for the purpose of recognising revenue. Promised considerations include no significant financing component as the NSK Group mostly receives considerations within three months after the delivery of goods to the customers.

Although the NSK Group determines the transaction price of goods with each customer at the commencement of transactions, it offers rebates on certain goods according to the transaction volume over a given period, and accordingly, with regard to the amount of such variable consideration, the NSK Group adjusts the transaction price based on the terms and conditions of the contract and other factors.

(2) Contract balances

Contract balances of the NSK Group which are stated in “Note 6. Trade receivables and other receivables” mainly comprise of receivables arising from contracts with customers.

(3) Transaction price allocated to remaining performance obligations

As the NSK Group does not recognise significant transactions with initial expected terms exceeding one year, it has applied a practical expedient and does not disclose information on remaining performance obligations.

Additionally, among the consideration arising from contracts with customers, there are no significant amounts not included in the transaction price.

22. Selling, general and administrative expenses

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

The following is presented excluding discontinued operations and the same reclassification has been made for the previous consolidated fiscal year.

(Millions of yen)

	Year ended March 31, 2023	Year ended March 31, 2024
Labour costs	61,556	64,136
Logistics expenses	24,238	20,124
Research and development costs	10,834	11,794
Rent expenses	1,728	1,946
Product compensation	803	1,480
Depreciation and amortisation	9,474	10,024
Transportation expenses	2,252	2,731
Commission	3,584	3,894
Sales-related expenses	3,266	3,226
Other	16,890	21,561
Total	134,631	140,921

### 23. Other operating expenses

Components of “Other operating expenses” in the previous consolidated fiscal year and the current consolidated fiscal year are as follows.

The following is presented excluding discontinued operations and the same reclassification has been made for the previous consolidated fiscal year.

	(Millions of yen)	
	Year ended March 31, 2023	Year ended March 31, 2024
Foreign exchange losses	2,047	1,658
Loss related to Antimonopoly Act	-1,371	-345
Other	-233	0
Total	442	1,313

The Company had posted 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. However, at the end of the current consolidated fiscal year, the Company reversed the amount corresponding to those losses in “Provisions (non-current)” as the Company now believes that the probability of incurring such losses is low. The gains on reversal are included in the “Loss related to Antimonopoly Act” for the current consolidated fiscal year.

### 24. Financial income and expenses

Financial income and expenses in the previous consolidated fiscal year and the current consolidated fiscal year are as follows.

The following is presented excluding discontinued operations and the same reclassification has been made for the previous consolidated fiscal year.

	(Millions of yen)	
	Year ended March 31, 2023	Year ended March 31, 2024
Interests received Financial assets measured at amortised cost	692	1,869
Dividends received Financial assets measured at fair value through other comprehensive income	1,227	1,211
Other financial income Financial assets measured at amortised cost	381	551
Total financial income	2,301	3,632
Interest expenses Financial liabilities measured at amortised cost	3,232	5,239
Other financial expenses	-377	-425
Total financial expenses	2,855	4,813



## 25. Financial instruments

### (1) Equity management

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

As management indicators, the NSK Group places importance on operating income margin—which represents stable profitability—and seeks to improve Return On Equity (ROE; ratio of share of consolidated net income attributable to owners of the parent), Return On Investment Capital (ROIC; ratio of consolidated operating income to invested capital) and appropriate control of net debt-equity ratio (ratio of net interest-bearing debt to capital attributable to owners of the parent).

### (2) Management of financial risks

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

#### ① Market risks

##### (a) Foreign exchange risks

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

Also, in order to tackle exchange rate fluctuation risks, the NSK Group seeks to strike a balance between foreign currency receivables and payables and hedge risks through foreign exchange forward contracts as necessary in accordance with internal rules.

#### Foreign exchange sensitivity analysis

In a scenario where the U.S. dollar and the Euro rise by 1% with respect to unhedged exposures in the balance of assets and liabilities denominated in foreign currencies as at the consolidated fiscal year-end, the amount of its impact on income before income taxes in the consolidated fiscal year is as follows. Note: This analysis assumes that other variables (balance, interest, etc.) are constant.

(Millions of yen)

	Currency	Year ended March 31, 2023	Year ended March 31, 2024
Income before income taxes	U.S. dollar	98	52
	Euro	40	-2

Details of the main foreign exchange forward contracts that existed at the end of the previous consolidated fiscal year and the current consolidated fiscal year are as follows.

(Millions of yen)

Type	As of March 31, 2023			As of March 31, 2024		
	Notional amount	Notional amount due after one year	Fair value	Notional amount	Notional amount due after one year	Fair value
Foreign exchange forward transactions						
Sell						
U.S. dollar	19,274	—	-89	19,618	—	-318
Euro	5,490	—	-118	5,646	—	-94
Buy						
U.S. dollar	1,439	—	-3	888	—	2
Euro	—	—	—	—	—	—

(b) Interest risks

Some of the 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.

Interest sensitivity analysis

In a scenario where the interest rate rises by 1% across the board at the consolidated fiscal year-end with respect to the NSK Group's borrowings with floating rates, the impact on income before income taxes in the consolidated fiscal year would be as follows. In this analysis, calculation is performed without taking into consideration any future change in the outstanding amount of the NSK Group's net borrowings with floating rates as at the fiscal year-end, the impact of exchange rate fluctuations, the timing of refinancing, the timing at which interest rates are revised and other such factors and by assuming that all other variables are constant.

(Millions of yen)

	Year ended March 31, 2023	Year ended March 31, 2024
Income before income taxes	-799	-892

(c) Price risks

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

Price sensitivity analysis

In a scenario where the share price of equity instruments (shares) held by the NSK Group for which an active market exists falls by 1% across the board at the consolidated fiscal year-end, the amount of its impact on other comprehensive income would be as follows.

(Millions of yen)

	Year ended March 31, 2023	Year ended March 31, 2024
Other comprehensive income	-295	-263

② Credit risks

The NSK Group seeks to quickly identify and mitigate the risk of default in relation to customers' contractual obligations by such means as periodically monitoring the status of major customers.

The maximum amount of credit risks as of March 31, 2023 and March 31, 2024 is the balance sheet amount of financial assets that are exposed to credit risks.

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

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

③ Liquidity risks

The NSK Group is exposed to liquidity risk, which is the risk of not earning enough cash and thus having difficulties in performing the obligation to pay financial liabilities. The NSK Group manages liquidity risks by such means as preparing and updating a financial plan in a timely manner based on reports from each department and major consolidated subsidiaries and maintaining liquidity in hand at an adequate level. Such risks are deemed to be limited in the NSK Group, given that it has established a ¥40 billion line of commitment with financial institutions and has secured a ¥50 billion facility for issuing commercial papers, in addition to its ability to generate cash flows through operating activities.

The balance of financial liabilities by maturity dates are as follows.

(Millions of yen)

As of March 31, 2023	Carrying amount	Contractual amount	Not later than one year	Later than one year and not later than two years	Later than two years and not later than three years	Later than three years and not later than four years	Later than four years and not later than five years	Later than five years
Non-derivative financial liabilities								
Trade payables and other payables	112,535	112,535	112,535	—	—	—	—	—
Short-term debt	79,937	82,342	82,342	—	—	—	—	—
Long-term debt	102,800	105,837	30,418	16,100	18,355	2,287	10,283	28,391
Corporate bonds	153,000	156,429	15,675	20,574	25,497	20,414	24,333	49,933
Lease liabilities	25,078	27,124	5,217	4,236	3,224	2,711	1,929	9,805
Derivative financial assets								
Foreign exchange forward contracts	3	3	3	—	—	—	—	—
Derivative financial liabilities								
Foreign exchange forward contracts	294	294	294	—	—	—	—	—

(Millions of yen)

As of March 31, 2024	Carrying amount	Contractual amount	Not later than one year	Later than one year and not later than two years	Later than two years and not later than three years	Later than three years and not later than four years	Later than four years and not later than five years	Later than five years
Non-derivative financial liabilities								
Trade payables and other payables	140,451	140,451	140,451	—	—	—	—	—
Short-term debt	86,389	89,663	89,663	—	—	—	—	—
Long-term debt	79,556	82,555	17,004	18,903	2,822	12,808	8,696	22,319
Corporate bonds	153,000	156,117	20,655	25,578	20,495	24,414	25,305	39,668
Lease liabilities	23,669	26,319	5,462	4,450	3,505	2,415	1,408	9,076
Derivative financial assets								
Foreign exchange forward contracts	9	9	9	—	—	—	—	—
Derivative financial liabilities								
Foreign exchange forward contracts	462	462	462	—	—	—	—	—
Interest rate swap	221	281	5	57	51	44	37	85

## (3) Estimates of fair value

## ① Carrying amount and fair values

The carrying amount and fair value of financial assets and liabilities are as follows. Fair value of financial assets and liabilities measured at amortised cost excluding corporate bonds and long-term debt are not included because the difference between carrying amount and fair value is minimal. Financial instruments measured at fair value are also not included because the carrying amount matches the fair value.

(Millions of yen)

	As of March 31, 2023		As of March 31, 2024	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Long-term debt	102,800	102,337	79,556	78,846
Corporate bonds	153,000	152,225	153,000	151,479

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, etc. for which no active market exists is mainly calculated by using a price multiple valuation model based on price book-value ratio. Also, an illiquidity discount of 30%, which is an unobservable input, is used for measuring the fair value of unlisted shares as of March 31, 2023 and 2024.

Among derivative financial assets and liabilities, foreign exchange forward contracts and interest rate swaps are recorded 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. Regarding long-term loans payable with variable interest rates, the interest rate is subject to renewal at regular intervals, and the fair value is approximately equal to the carrying amount, therefore, the carrying amount is used as the fair value.

The fair value of corporate bonds issued by the Company is calculated and based on market prices.

② Fair value hierarchy

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

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

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

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

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

As of March 31, 2023

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through other comprehensive income				
Shares, etc.	42,578	—	5,229	47,807
Financial assets measured at fair value through profit or loss				
Derivative financial assets	—	3	—	3
Financial liabilities				
Financial liabilities measured at amortised cost				
Long-term debt	—	102,337	—	102,337
Corporate bonds	—	152,225	—	152,225
Financial liabilities measured at fair value through profit or loss				
Derivative financial liabilities	—	294	—	294

As of March 31, 2024

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through other comprehensive income				
Shares, etc.	37,852	—	6,218	44,071
Financial assets measured at fair value through profit or loss				
Derivative financial assets	—	9	—	9
Other financial assets	—	—	75	75
Financial liabilities				
Financial liabilities measured at amortised cost				
Long-term debt	—	78,846	—	78,846
Corporate bonds	—	151,479	—	151,479
Financial liabilities measured at fair value through profit or loss				
Derivative financial liabilities	—	462	—	462
Derivatives to which hedge accounting is applied				
Derivative financial liabilities	—	221	—	221

Financial assets classified in Level 1 are listed shares.

Financial assets classified in Level 2 are foreign exchange forward contracts. Financial liabilities classified in Level 2 are borrowings, corporate bonds, foreign exchange forward contracts, interest rate swaps.

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

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

The Company has classified the steering business as a disposal group classified as held for sale, and the assets and liabilities of the steering business are excluded from the financial assets and financial liabilities as at the end of the current consolidated fiscal year.

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

(Millions of yen)

	Year ended March 31, 2023	Year ended March 31, 2024
Opening balance	4,885	5,229
Transfer to Level 1 due to listing	-0	—
Gain (loss) recognised in other comprehensive income	258	1,003
Purchase	97	75
Sale and redemption	—	-1
Other	-12	-12
Closing balance	5,229	6,293

Gains (losses) recognised in other comprehensive income are those related to equity instruments measured at fair value through other comprehensive income and are included in “Net changes in financial assets measured at fair value through other comprehensive income” in the consolidated statements of comprehensive income.

The fair value of the major equity instruments with an active market are as follows:

(Millions of yen)

Listed Issue	As of March 31, 2023	As of March 31, 2024
NIDEC Corporation	11,209	10,038
Mizuho Financial Group	2,771	4,495
Suzuki Motor Corporation	2,492	3,608

The fair value of financial instruments without active markets for the previous consolidated fiscal year and the current consolidated fiscal year were ¥5,229 million and ¥6,293 million, respectively.

Part of valuation difference on financial assets measured at fair value through other comprehensive income pertaining to financial assets that were derecognised during a consolidated fiscal year is transferred to retained earnings. The transferred amounts for the previous consolidated fiscal year and the current consolidated fiscal year were ¥1,835 million and ¥11,004 million, respectively.

Financial assets measured at fair value through other comprehensive income that were disposed of as a result of changes in commercial relationship, etc. are as follows:

(Millions of yen)

	Year ended March 31, 2023	Year ended March 31, 2024
Fair value at the date of derecognition	3,348	17,969
Cumulative gain or loss at the date of derecognition	2,629	15,832
Dividends income on investments that have been derecognised	73	331

#### (4) Offset of financial assets and financial liabilities

Financial assets and financial liabilities are offset and presented in the net amount on the consolidated statement of financial position when the NSK Group has a legally enforceable right to set off the recognised amounts and also intends to settle them on the net basis or to realise the assets and settle the liabilities simultaneously.

(5) Changes in liabilities arising from financing activities

Changes in liabilities classified as cash flows from financing activities are as follows:

From April 1, 2022 to March 31, 2023

(Millions of yen)

	Opening balance as of April 1, 2022	Cash flow	Changes arising from non-cash transactions				Closing balance as of March 31, 2023
			Increase due to conclusion or amendment of contract	Movements due to changes in the scope of consolidation	Transfer to liabilities held for sale	Foreign exchange translation, etc.	
Corporate bonds	120,000	33,000	—	—	—	—	153,000
Short-term loans payable	83,744	-8,065	—	—	—	4,258	79,937
Long-term loans payable	99,712	1,972	—	—	—	1,115	102,800
Lease liabilities	23,750	-5,636	6,897	—	—	67	25,078
Total	327,207	21,269	6,897	—	—	5,441	360,817

From April 1, 2023 to March 31, 2024

(Millions of yen)

	Opening balance as of April 1, 2023	Cash flow	Changes arising from non-cash transactions				Closing balance as of March 31, 2024
			Increase due to conclusion or amendment of contract	Movements due to changes in the scope of consolidation	Transfer to liabilities held for sale	Foreign exchange translation, etc.	
Corporate bonds	153,000	—	—	—	—	—	153,000
Short-term loans payable	79,937	-22,196	—	28,023	-5,915	6,539	86,389
Long-term loans payable	102,800	40,625	—	-65,000	—	1,130	79,556
Lease liabilities	25,078	-5,556	4,628	-140	-119	-221	23,669
Total	360,817	12,871	4,628	-37,116	-6,034	7,447	342,614



## 26. Earnings per share

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

	Year ended March 31, 2023	Year ended March 31, 2024
Basic earnings (loss) per share	¥35.89	¥17.27
Continuing operations	¥52.26	¥27.47
Discontinued operations	-¥16.37	-¥10.20
Diluted earnings (loss) per share	¥35.77	¥17.20
Continuing operations	¥52.08	¥27.37
Discontinued operations	-¥16.32	-¥10.16

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

	Year ended March 31, 2023	Year ended March 31, 2024
Net income (loss) attributable to owners of the parent (millions of yen)	18,412	8,502
Continuing operations	26,810	13,526
Discontinued operations	-8,398	-5,023
Weighted average number of issued common shares (thousand shares)	513,029	492,463
Impact of dilution: Board Benefit Trust, etc. (thousand shares)	1,750	1,806
Weighted average number of issued common shares after dilution (thousand shares)	514,779	494,269

## 27. Dividends

### (1) Dividends paid

Year ended March 31, 2023

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 20, 2022	Common shares	7,775	15.00	March 31, 2022	June 9, 2022
Meeting of Board of Directors held on October 31, 2022	Common shares	7,819	15.00	September 30, 2022	December 2, 2022

(Note 1) The total amount of dividends based on the resolution passed at the meeting of the Board of Directors held on May 20, 2022 includes dividend of ¥75 million paid to the Company's shares held in the trust account of the Board Benefit Trust.

(Note 2) The total amount of dividends based on the resolution passed at the meeting of the Board of Directors held on October 31, 2022 includes dividend of ¥115 million paid to the Company's shares held in the trust account of the Board Benefit Trust.

Year ended March 31, 2024

Resolution	Type of shares	Total amount of dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
Meeting of Board of Directors held on May 23, 2023	Common shares	7,819	15.00	March 31, 2023	June 7, 2023
Meeting of Board of Directors held on October 31, 2023	Common shares	7,444	15.00	September 30, 2023	December 4, 2023

(Note 1) The total amount of dividends based on the resolution passed at the meeting of the Board of Directors 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.

(Note 2) The total amount of dividends based on the resolution passed at the meeting of the Board of Directors held on October 31, 2023 includes dividend of ¥107 million paid to the Company's shares held in the trust account of the Board Benefit Trust.

(2) Dividends with a record date within the consolidated fiscal year but with an effective date in the following consolidated fiscal year

Year ended March 31, 2023

Resolution	Type of shares	Financial source of dividends	Total amount of dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
Meeting of Board of Directors held on May 23, 2023	Common shares	Retained earnings	7,819	15.00	March 31, 2023	June 7, 2023

(Note) The total amount of dividends based on the resolution passed at the meeting of the Board of Directors 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.

Year ended March 31, 2024

Resolution	Type of shares	Financial source of dividends	Total amount of dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
Meeting of Board of Directors held on May 22, 2024	Common shares	Retained earnings	7,444	15.00	March 31, 2024	June 7, 2024

(Note) The total amount of dividends based on the resolution passed at the meeting of the Board of Directors held on May 22, 2024 includes dividend of ¥106 million paid to the Company's shares held in the trust account of the Board Benefit Trust.

## 28. Related parties

### (1) Related party transactions

The transaction amounts and outstanding payables balances between the NSK Group and related parties are as follows.

Year ended March 31, 2023

(Millions of yen)

Category	Name of the company or individual	Nature of relationship	Amount of transaction	Balance at period-end
Affiliate	NSK-Warner K.K	Purchase of automotive-related finished goods	41,624	8,049

(Note 1) The transaction amounts above do not include consumption tax, whereas the closing balance includes consumption tax.

(Note 2) The purchase of finished goods is decided after engaging in price negotiations in consideration of the total costs of the related party.

(Note 3) Transactions between consolidated subsidiaries are eliminated when presenting consolidated financial statements. Therefore, the disclosure of these transactions is omitted.

Year ended March 31, 2024

(Millions of yen)

Category	Name of the company or individual	Nature of relationship	Amount of transaction	Balance at period-end
Affiliate	NSK-Warner K.K	Purchase of automotive-related finished goods	48,041	10,242
Affiliate	NSK Steering & Control, Inc.	Purchase of automotive-related finished goods	—	13,444
Post-retirement benefit plan for employees	Defined Retirement Benefit Trust of NSK Ltd.	Partial refund of retirement benefit trust assets	35,000	—

(Note 1) The transaction amounts above do not include consumption tax, whereas the closing balance includes consumption tax.

(Note 2) The purchase of finished goods is decided after engaging in price negotiations in consideration of the total costs of the related party.

(Note 3) Transactions between consolidated subsidiaries are eliminated when presenting consolidated financial statements. Therefore, the disclosure of these transactions is omitted.

(Note 4) Effective from the second quarter of the current consolidated fiscal year, NSK Steering & Control, Inc. (“NS&C”) transitioned from being a consolidated subsidiary to an equity method affiliate of the Company.

The Company acts as an agent when conducting transactions, such as the purchase of automotive-related finished goods, with NS&C. Therefore, the transaction amounts are presented as a net amount.

(2) Remuneration of management personnel

Remuneration of key management personnel in the NSK Group is as follows.

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Fixed remuneration/performance-linked remuneration	804	786
Share-based payments	347	405
Total	1,151	1,192

## 29. Contingencies

(Litigation and other legal matters)

Until the end of the third quarter of the current consolidated fiscal year, the Company had 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. However, at the end of the current consolidated fiscal year, the Company reversed the amount corresponding to those losses in “Provisions (non-current)” as the Company now believes that the probability of incurring such losses is low, considering the current status of negotiations with the counterparties to the specific foreseeable claims for damages and related matters. If the Company, its subsidiaries, or its affiliated companies receive, in addition to these claims for damages, claims for damages related to the above-mentioned alleged violations of competition laws in the future, the NSK Group will manage those 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.

## 30. Events after the reporting period

Not applicable.

(2) 【Others】

① Quarterly information from April 1, 2023 to March 31, 2024

	First quarter (Period from April 1, 2023 to June 30, 2023)	Second quarter (Period from April 1, 2023 to September 30, 2023)	Third quarter (Period from April 1, 2023 to December 31, 2023)	162nd Consolidated fiscal year (Period from April 1, 2023 to March 31, 2024)
Sales (millions of yen)	188,247	386,691	588,059	788,867
Income before income taxes (millions of yen)	4,277	10,528	18,636	26,210
Net income attributable to owners of the parent (millions of yen)	-929	659	4,723	8,502
Basic earnings per share (yen)	-1.85	1.33	9.57	17.27

	First quarter (Period from April 1, 2023 to June 30, 2023)	Second quarter (Period from July 1, 2023 to September 30, 2023)	Third quarter (Period from October 1, 2023 to December 31, 2023)	Fourth quarter (Period from January 1, 2024 to March 31, 2024)
Quarterly basic earnings per share (yen)	-1.85	3.25	8.32	7.73

(Note) Effective from the first quarter of fiscal year ended March 31, 2024, the steering business has been classified as a discontinued operation. Sales and income before income taxes are presented excluding discontinued operations. The same reclassification has been made for the previous consolidated fiscal year. Net income attributable to owners of the parent, and quarterly basic earnings per share are presented as the sum of continuing and discontinued operations.

② Important litigation and other legal matters

The important litigation and other legal matters are stated in "Note 29. Contingencies (Litigation and other legal matters)".

Translation

## Independent Auditor's Audit Report and Internal Control Audit Report

June 27, 2024

The Board of Directors  
NSK Ltd.

Ernst & Young ShinNihon LLC

Tokyo, Japan

Designated Engagement Partner  
Certified Public Accountant

Hirokazu Tanaka

Designated Engagement Partner  
Certificated Public Accountant

Makoto Matsumura

Designated Engagement Partner  
Certificated Public Accountant

Yutaka Okubo

### <Financial statements audit>

#### Opinion

We have audited, pursuant to the provisions of Article 193-2, paragraph (1) of the Financial Instruments and Exchange Act of Japan, the consolidated financial statements included in "Financial Information", which consist of the consolidated statements of financial position, consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity, consolidated statements of cash flows, and material basis of the preparation of consolidated financial statements and other notes of NSK Ltd. (the "Company") and its subsidiaries (the "Group") for the fiscal year ended March 31, 2024 (April 1, 2023 through March 31, 2024).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) pursuant to the provisions of Article 93 of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial statements.

#### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

(1) Accounting treatment for loss of control of the steering business	
Description of Key Audit Matter	Auditor's Response
<p>As described in "8. Disposal groups classified as held for sale and discontinued operations" in the notes to the consolidated financial statements, in accordance with the agreement concluded on May 12, 2023 between NSK Ltd. (the "Company") and Japan Industrial Solutions III Investment Limited Partnership ("JIS") and after discussion and agreement between the Company and JIS, NSK Steering &amp; Control, Inc. ("NS&amp;C") temporarily issued 10,041 class shares equivalent to 50.1% of voting rights of NS&amp;C (the "Class Shares") to the Company, after which the Company transferred the Class Shares to JIS for ¥19,991 million on August 1, 2023. Accordingly, the Company lost control of NS&amp;C, and NS&amp;C became an affiliate of the Company accounted for by the equity method. As a result of this transfer, the Company recorded loss on the loss of control of ¥114 million as part of income from discontinued operations on the consolidated statements of income.</p> <p>In addition, the Company measured the remaining investment at fair value as of the date when control was lost and, as such, included ¥337 million (income) in income from discontinued operations.</p> <p>The fair value of this remaining investment is determined by subtracting the fair value of the Class Shares from the total fair value of NS&amp;C, both of which are determined using valuation models. The total fair value of NS&amp;C is determined using the income approach, and the future cash flows used in this measurement are determined based upon significant assumptions by management such as sales and operating expenses. These significant assumptions require management to exercise judgment, involve uncertainty, and affect the determination of loss on the loss of control. Additionally, the fair value, which reflects the rights to the Class Shares, is determined using a valuation model (e.g., a binomial model), and the selection of this model requires a high degree of expertise.</p> <p>Accordingly, we have determined that this is a key audit matter.</p>	<p>We mainly performed the following audit procedures in considering the appropriateness of the accounting treatment for loss of control of the steering business.</p> <ul style="list-style-type: none"> <li>• We obtained and inspected the contract to consider the existence of the sales transaction.</li> <li>• We obtained and reviewed supporting documentation provided by financial institutions regarding the receipt of the consideration for the transfer.</li> <li>• With regard to the measurement of the carrying amount of the consolidated net assets of NS&amp;C and the remaining investment that was performed in determining gain (loss) on sale:               <ol style="list-style-type: none"> <li>(1) We reconciled the carrying amount of the consolidated net assets of NS&amp;C to the accounting books.</li> <li>(2) We made inquiries of management regarding significant assumptions by management such as sales and operating expenses that form the basis for the future cash flows used in determining the total fair value of the consolidated net assets of NS&amp;C, and challenged these significant assumptions by considering the consistency with sales order information and expense information for each project.</li> <li>(3) We involved valuation specialists from our network firm to consider the valuation models used in determining the price of the Class Shares.</li> </ol> </li> </ul>

(2) Recoverability of deferred tax assets of UK subsidiary	
Description of Key Audit Matter	Auditor's Response
<p>As described in “(1) Deferred tax” under “16. Income taxes” in the notes to the consolidated financial statements, as at the end of the fiscal year ended March 31, 2024, the Company recorded deferred tax assets of ¥10,309 million, of which deferred tax assets on unused tax losses carried forward of UK subsidiary totaled ¥2,232 million. These deferred tax assets on unused tax losses carried forward of UK subsidiary are included in deferred tax assets of ¥3,856 million that are attributable to a taxable entity that incurred losses in the fiscal years ended March 31, 2023 or 2024, and the recoverability of the deferred tax assets depends on whether there is taxable profit in the future. On the other hand, of the tax losses carried forward for which deferred tax assets were not recognized in the fiscal year ended March 31, 2024, those that will not expire total ¥15,883 million, and these tax losses carried forward are attributable to UK subsidiary.</p> <p>In recording deferred tax assets for the UK subsidiary, although deferred tax assets on unused tax losses carried forward as of the end of the fiscal year ended March 31, 2024 are expected to be recoverable given the estimated amount of future taxable profit based on profitability, the creation of or increase in taxable profit as a result of tax planning, and the periods in which taxable temporary differences are expected to reverse, deferred tax assets on unused tax losses carried forward that will not expire require more careful consideration and are particularly significant.</p> <p>As described in “(6) Use of estimates and judgements” under “2. Basis of preparation” in the notes to the consolidated financial statements, estimated future taxable profit based on profitability is based on the Company's business plan. The significant assumptions underlying the business plan are projected revenue and the revenue growth rate, and the Company takes into account the recovery of profitability due to restructuring of the Europe business.</p> <p>Given that the significant assumptions for estimated future taxable profit are affected by the operating environment, such assumptions involve a high degree of uncertainty and require management to exercise judgment.</p> <p>Therefore, we have determined that this is a key audit matter.</p>	<p>We mainly performed the following audit procedures in considering the recoverability of deferred tax assets on unused tax losses carried forward of UK subsidiary.</p> <ul style="list-style-type: none"> <li>• In order to assess the uncertainty of projected revenue and the accuracy of the business plan, we obtained the business plan that serves as the basis for the estimate, compared the business plan formulated at the end of the previous fiscal year with the actual results for the current fiscal year and with the business plan for the following fiscal year and onwards that was revised at the end of the current fiscal year, and considered the causes of any differences identified.</li> <li>• We considered the consistency of the revenue growth rate estimated by the Company with available economic and market information.</li> <li>• We made inquiries of management regarding the period for which future taxable profit was estimated as the basis for recognizing deferred tax assets and considered the reasonableness of management's responses.</li> <li>• We made inquiries as necessary after receiving an update from management on the business environment in Europe.</li> <li>• We visited the UK subsidiary to discuss the details of the business plan with management of the subsidiary and make inquiries as necessary.</li> <li>• We instructed the auditors of the UK subsidiary to perform audit procedures and made inquiries as necessary after inspecting the results of the procedures reported to us by the auditors.</li> </ul>



## **Other Information**

Other information comprises information contained in the Annual Securities Report other than the consolidated financial statements, the non-consolidated financial statements, and the audit report of the consolidated financial statements and the non-consolidated financial statements. Management is responsible for the preparation and disclosure of the other information. The Audit Committee responsible for overseeing the Group's reporting process of the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## **Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements**

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by IFRS, matters related to going concern.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

## **Auditor's responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with IFRS.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **<Internal control audit>**

#### **Opinion**

We also have audited, pursuant to the provisions of Article 193-2, paragraph (2) of the Financial Instruments and Exchange Act of Japan, the internal control report as of March 31, 2024 of NSK Ltd.

In our opinion, the internal control report referred to above, which represents that the internal control over financial reporting of NSK Ltd. as of March 31, 2024 is effective, presents fairly, in all material respects, the result of management's assessment on internal control over financial reporting in conformity with standards for assessment of internal control over financial reporting generally accepted in Japan.

#### **Basis for Opinion**

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under auditing standards for internal control over financial reporting are described in the Auditor's Responsibilities for Audit of the Internal Control section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the ethical requirements that are relevant to our audit of the internal control report in Japan, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that we have obtained sufficient and appropriate audit evidence to support our audit opinion.

#### **Responsibilities of Management and Audit Committee for the Internal Control Report**

Management is responsible for designing and operating internal control over financial reporting, and for the preparation and fair presentation of the internal control report in accordance with standards for assessment of internal control over financial reporting generally accepted in Japan.

The Audit Committee is responsible for supervising and inspecting the provision and status of operation of internal control over financial reporting.

Internal control over financial reporting may not prevent or detect misstatements.

#### **Auditor's Responsibilities for Audit of the Internal Control**

Our responsibilities are to obtain reasonable assurance about whether the internal control report is free from material misstatement and to issue an auditor's report of internal control that expresses our opinion on the internal control report based on our audit from an independent point of view.

In accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. Our audit of the internal control involves the following:

- We perform auditing procedures to obtain audit evidence about the results of the assessment of internal control over financial reporting in the internal control report. The procedures selected depend on our judgment as the Independent Auditor, including the significance of effects on reliability of financial reporting.
- We evaluate the overall internal control report presentation, including the appropriateness of the scope, procedures and result of the assessment determined and presented by management.
- We obtain sufficient and appropriate audit evidence about the results of the assessment of internal control over financial reporting in the internal control report. We are responsible for the direction, supervision and performance of the audit of the internal control report. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding the planned scope and timing of the audit of the internal control and significant findings of the audit of the internal control, significant deficiencies in internal control that we identified requiring disclosure, results of the correction of such deficiencies and other matters required by auditing standards for internal control.

We also provide the Audit Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

#### **Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

#### **Notes to the Readers of Independent Auditor's Report**

This is an English translation of the Independent Auditor's Report as required by the Companies Act of Japan for the conveniences of the reader.

Although the Independent Auditor's Audit Report and Internal Control Audit Report includes opinions on "Internal control audit" and "Other information" included in the original Annual Securities Report, these information have not been translated into English and are not included in the English translation of the Consolidated Financial Statements.

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(Note) 1 The original version of the Independent Auditor's Audit Report presented above is kept separately by the Company (the filing company of the Annual Securities Report).

2 XBRL data is not included in the scope of audit.