

Consolidated Financial Statements

NTN Corporation

*Year ended March 31, 2022
with Independent Auditor's Report*

NTN Corporation and Consolidated Subsidiaries

Consolidated Financial Statements

Year ended March 31, 2022

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Consolidated Financial Statements

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Independent Auditor's Report

The Board of Directors
NTN Corporation

Opinion

We have audited the accompanying consolidated financial statements of NTN Corporation and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2022, and the consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

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, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

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 our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Determination of Impairment Loss Recognition	
Description of Key Audit Matter	Auditor's Response
As described in the Notes to the Consolidated Financial Statements (Significant Accounting Estimates), the Company determined that an indication of impairment existed for certain asset groups. However, the Company did not recognize an impairment loss as the total of undiscounted estimated future cash flows	<p>We performed the following audit procedures, among others, to assess the total of undiscounted estimated future cash flows used to determine whether an impairment loss should be recognized:</p> <ul style="list-style-type: none"> We compared the cash flow projection period with the remaining economic lives

generated from the asset groups exceeded the carrying amount.

The estimated future cash flows from the asset group are determined based on the business plan and the ultimate disposal value of the assets. One significant assumption in estimating future cash flows is increases in sales volumes, which serve as the basis of the business plan, and the estimated realizable value from the ultimate disposal by sale of the asset.

Given that the significant assumptions used to estimate the future cash flows are subject to uncertainty, management judgement and expertise, we determined the determination of impairment loss to be a key audit matter.

of the major assets.

- We evaluated the consistency between the Company's budget next year and the business plan. Then, we compared the Company's business plan for prior years with actual results to evaluate the effectiveness of management's estimation.
- We assessed one of the significant assumptions, increases in sales volumes, which serve as the basis of the business plan, by holding discussions with the management, comparing with market forecasts and available external data, and performing trend analysis using actual historical results.
- With the involvement of the valuation specialists of our network firm, we evaluated the reasonableness of the estimated realizable value from the ultimate disposal by sale of the asset.

Other Information

The other information comprises the information included in a disclosure document that contains audited financial statements but does not include the financial statements and our auditor's report thereon.

We have concluded that the other information did not exist. Accordingly, we have not performed any work related to the other information.

Responsibilities of Management, the Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, 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 accounting principles generally accepted in Japan, matters related to going concern.

The Audit and Supervisory 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 judgment 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 accounting principles generally accepted in Japan.
- 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 and Supervisory 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 and Supervisory 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 and Supervisory 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 described 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.

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

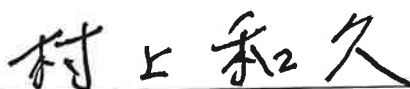
Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2022 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Osaka, Japan

July 8, 2022



Kazuhisa Murakami
Designated Engagement Partner
Certified Public Accountant



Daiki Takai
Designated Engagement Partner
Certified Public Accountant

NTN Corporation and Consolidated Subsidiaries

Consolidated Balance Sheet

March 31, 2022

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	<u>2022</u>	<u>2021</u>	<u>2022</u>
Assets			
Current assets:			
Cash and cash equivalents (Note 14)	¥ 121,461	¥ 147,249	\$ 996,521
Short-term investments (Note 14)	7,183	7,720	58,933
Trade receivables (Note 14):			
Notes	5,526	3,871	45,338
Accounts	119,982	112,734	984,387
Electronically recorded monetary claims	6,491	4,996	53,255
Allowance for doubtful accounts	(1,045)	(1,011)	(8,574)
	<u>130,954</u>	<u>120,590</u>	<u>1,074,406</u>
Inventories (Note 6)	214,843	176,847	1,762,670
Other current assets (Note 14)	37,591	33,350	308,414
Total current assets	<u>512,032</u>	<u>485,756</u>	<u>4,200,944</u>
Property, plant and equipment, at cost (Note 7):			
Land (Note 2(g))	33,564	32,443	275,374
Buildings and structures (Note 2(g))	237,100	225,560	1,945,276
Machinery, equipment and vehicles (Note 2(g))	819,096	772,727	6,720,236
Construction in progress	15,557	22,231	127,637
	<u>1,105,317</u>	<u>1,052,961</u>	<u>9,068,523</u>
Less accumulated depreciation	(839,520)	(792,517)	(6,887,804)
Property, plant and equipment, net (Note 3 and 22)	<u>265,797</u>	<u>260,444</u>	<u>2,180,719</u>
Investments and other assets:			
Investment securities (Notes 8 and 14)	6,047	22,965	49,612
Investments in unconsolidated subsidiaries and affiliates (Note 14)	18,633	20,872	152,874
Goodwill (Note 25)	1,983	–	16,269
Asset for retirement benefits (Note 10)	1,556	–	12,766
Deferred income taxes (Note 22)	3,496	2,438	28,683
Other assets	45,940	44,089	376,913
Total investments and other assets	<u>77,655</u>	<u>90,364</u>	<u>637,117</u>
Total assets (Note 25)	<u>¥ 855,484</u>	<u>¥ 836,564</u>	<u>\$ 7,018,780</u>

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	<u>2022</u>	<u>2021</u>	<u>2022</u>
Liabilities and net assets			
Current liabilities:			
Short-term bank loans (<i>Notes 9 and 14</i>)	¥ 82,524	¥ 67,348	\$ 677,064
Current portion of long-term debt and lease obligations (<i>Notes 9 and 14</i>)	53,793	56,183	441,342
Trade payables (<i>Note 14</i>):			
Notes	672	721	5,513
Accounts	60,362	54,747	495,237
Electronically recorded obligations	60,882	62,815	499,504
	<u>121,916</u>	<u>118,283</u>	<u>1,000,254</u>
Accrued income taxes (<i>Notes 14 and 22</i>)	4,544	2,126	37,281
Other current liabilities	58,429	48,406	479,377
Total current liabilities (<i>Note 25</i>)	<u>321,206</u>	<u>292,346</u>	<u>2,635,318</u>
Long-term liabilities:			
Long-term debt and lease obligations (<i>Notes 9 and 14</i>)	267,231	307,357	2,192,485
Liability for retirement benefits (<i>Note 10</i>)	36,852	39,921	302,351
Provision for product defect compensation	409	1,082	3,356
Deferred income taxes (<i>Note 22</i>)	7,990	5,856	65,554
Other long-term liabilities	5,371	6,251	44,066
Total long-term liabilities (<i>Note 25</i>)	<u>317,853</u>	<u>360,467</u>	<u>2,607,812</u>
Contingent liabilities (<i>Note 12</i>)			
Net assets:			
Shareholders' equity (<i>Note 11</i>):			
Common stock:			
Authorized – 1,800,000,000 shares			
Issued – 532,463,527 shares in 2022 and 2021	54,347	54,347	445,888
Capital surplus	67,970	67,970	557,657
Retained earnings	60,127	52,786	493,309
Treasury stock, at cost: 1,599,787 shares in 2022 and 1,299,641 shares in 2021 (<i>Note 5</i>)	(867)	(784)	(7,114)
Total shareholders' equity	<u>181,577</u>	<u>174,319</u>	<u>1,489,740</u>
Accumulated other comprehensive income (loss):			
Net unrealized holding gain on securities (<i>Note 8</i>)	1,045	8,647	8,574
Translation adjustments	16,027	(6,863)	131,493
Retirement benefit liability adjustments (<i>Note 10</i>)	(798)	(5,576)	(6,547)
Total accumulated other comprehensive income (loss), net	<u>16,274</u>	<u>(3,792)</u>	<u>133,520</u>
Non-controlling interests	18,574	13,224	152,390
Total net assets	<u>216,425</u>	<u>183,751</u>	<u>1,775,650</u>
Total liabilities and net assets	<u>¥ 855,484</u>	<u>¥ 836,564</u>	<u>\$ 7,018,780</u>

See accompanying notes to the consolidated financial statements.

NTN Corporation and Consolidated Subsidiaries

Consolidated Statement of Operations

Year ended March 31, 2022

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	2022	2021	2022
Net sales (Note 25)	¥ 642,024	¥ 562,847	\$ 5,267,457
Cost of sales (Note 16)	536,071	477,667	4,398,170
Gross profit	105,953	85,180	869,287
Selling, general and administrative expenses (Note 16)	99,073	88,319	812,840
Operating income (loss) (Note 25)	6,880	(3,139)	56,447
Other income (expenses):			
Interest and dividend income	1,473	1,422	12,085
Interest expense	(4,278)	(3,506)	(35,099)
Equity in earnings of affiliates	1,100	344	9,025
Foreign exchange gain, net	2,591	2,733	21,258
Gain on reversal of provision for product defect compensation	1,213	–	9,952
Loss on valuation of derivatives	(813)	(2,919)	(6,670)
Gain on sales of investment securities (Note 8)	10,484	5,700	86,016
Gain on sales of fixed assets (Note 20)	3,850	–	31,587
Subsidy income (Note 18)	–	5,769	–
Loss on surcharge payments under the Anti-Monopoly Act (Note 17)	(2,929)	(1,176)	(24,031)
Loss on impairment of fixed assets (Notes 7 and 25)	(601)	(2,462)	(4,931)
Loss resulting from low operating capacity (Note 19)	–	(3,344)	–
Other, net	(1,350)	(679)	(11,076)
Profit (loss) before income taxes	10,740	1,882	88,116
	17,620	(1,257)	144,563
Income taxes (Note 22):			
Current	5,072	3,221	41,613
Deferred	3,451	6,113	28,314
	8,523	9,334	69,927
Profit (loss)	9,097	(10,591)	74,636
Profit (loss) attributable to:			
Non-controlling interests	(1,756)	(1,051)	(14,407)
Owners of parent	¥ 7,341	¥ (11,642)	\$ 60,229

See accompanying notes to the consolidated financial statements.

NTN Corporation and Consolidated Subsidiaries
Consolidated Statement of Comprehensive Income

Year ended March 31, 2022

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	2022	2021	2022
Profit (loss)	¥ 9,097	¥ (10,591)	\$ 74,636
Other comprehensive income (loss)			
<i>(Note 21):</i>			
Net unrealized holding (loss) gain on securities	(7,615)	3,553	(62,477)
Translation adjustments	22,946	15,057	188,259
Retirement benefit liability adjustments	4,796	7,024	39,349
Share of other comprehensive income (loss) of affiliates accounted for by the equity method	1,759	(514)	14,432
Other comprehensive income, net	21,886	25,120	179,563
Comprehensive income	¥ 30,983	¥ 14,529	\$ 254,199
Total comprehensive income attributable to:			
Owners of parent	¥ 27,407	¥ 12,268	\$ 224,860
Non-controlling interests	¥ 3,576	¥ 2,261	\$ 29,339

See accompanying notes to the consolidated financial statements.

NTN Corporation and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets

Year ended March 31, 2022

	<i>Millions of yen</i>				
	Number of shares in issue	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost
Balance at April 1, 2020	532,463,527	¥ 54,347	¥ 67,970	¥ 62,139	¥ (788)
Cash dividends paid	-	-	-	-	-
Loss attributable to owners of parent	-	-	-	(11,642)	-
Effect of change of scope of equity method	-	-	-	2,289	-
Purchases of treasury stock	-	-	-	-	(1)
Sales of treasury stock	-	-	-	-	5
Other changes	-	-	-	-	-
Balance at April 1, 2021	532,463,527	54,347	67,970	52,786	(784)
Cash dividends paid	-	-	-	-	-
Profit attributable to owners of parent	-	-	-	7,341	-
Purchases of treasury stock	-	-	-	-	(92)
Sales of treasury stock	-	-	-	-	9
Other changes	-	-	-	-	-
Balance at March 31, 2022	532,463,527	¥ 54,347	¥ 67,970	¥ 60,127	¥ (867)

NTN Corporation and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets (continued)

Year ended March 31, 2022

	<i>Millions of yen</i>				
	Net unrealized holding gain on securities	Translation adjustments	Retirement benefit liability adjustments	Non-controlling interests	Total net assets
Balance at April 1, 2020	¥ 5,094	¥ (19,998)	¥ (12,607)	¥ 12,221	¥ 168,378
Cash dividends paid	-	-	-	-	-
Loss attributable to owners of parent	-	-	-	-	(11,642)
Effect of change of scope of equity method	-	-	-	-	2,289
Purchases of treasury stock	-	-	-	-	(1)
Sales of treasury stock	-	-	-	-	5
Other changes	3,553	13,135	7,031	1,003	24,722
Balance at April 1, 2021	8,647	(6,863)	(5,576)	13,224	183,751
Cash dividends paid	-	-	-	-	-
Profit attributable to owners of parent	-	-	-	-	7,341
Purchases of treasury stock	-	-	-	-	(92)
Sales of treasury stock	-	-	-	-	9
Other changes	(7,602)	22,890	4,778	5,350	25,416
Balance at March 31, 2022	¥ 1,045	¥ 16,027	¥ (798)	¥ 18,574	¥ 216,425

NTN Corporation and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets (continued)

Year ended March 31, 2022

Thousands of U.S. dollars (Note 1)

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on securities
Balance at April 1, 2021	\$ 445,888	\$ 557,657	\$ 433,080	\$ (6,432)	\$ 70,944
Cash dividends paid	—	—	—	—	—
Profit attributable to owners of parent	—	—	60,229	—	—
Purchases of treasury stock	—	—	—	(755)	—
Sales of treasury stock	—	—	—	73	—
Other changes	—	—	—	—	(62,370)
Balance at March 31, 2022	\$ 445,888	\$ 557,657	\$ 493,309	\$ (7,114)	\$ 8,574

Thousands of U.S. dollars (Note 1)

	Translation adjustments	Retirement benefit liability adjustments	Non- controlling interests	Total net assets
Balance at April 1, 2021	\$ (56,307)	\$ (45,748)	\$ 108,496	\$ 1,507,578
Cash dividends paid	—	—	—	—
Profit attributable to owners of parent	—	—	—	60,229
Purchases of treasury stock	—	—	—	(755)
Sales of treasury stock	—	—	—	73
Other changes	187,800	39,201	43,894	208,525
Balance at March 31, 2022	\$ 131,493	\$ (6,547)	\$ 152,390	\$ 1,775,650

NTN Corporation and Consolidated Subsidiaries

Consolidated Statement of Cash Flows

Year ended March 31, 2022

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	<u>2022</u>	<u>2021</u>	<u>2022</u>
Cash flows from operating activities:			
Gain (loss) before income taxes	¥ 17,620	¥ (1,257)	\$ 144,563
Adjustments for:			
Depreciation and amortization	37,899	35,479	310,941
Loss on impairment of fixed assets	601	2,462	4,931
Amortization of goodwill	161	–	1,321
Subsidy income	–	(5,769)	–
Loss resulting from low operating capacity	–	3,344	–
Loss on surcharge payments under the Anti-Monopoly Act	2,929	1,176	24,031
Decrease in allowance for doubtful accounts	(54)	(148)	(443)
Decrease in provision for directors' and audit & supervisory board members' bonuses	(7)	(7)	(57)
Decrease in provision for product defect compensation	(684)	(50)	(5,612)
Increase (decrease) in liability for retirement benefits	1,605	(188)	13,168
Increase in asset for retirement benefits	(1,556)	–	(12,766)
Interest and dividend income	(1,473)	(1,422)	(12,085)
Interest expense	4,278	3,506	35,099
Translation adjustments and foreign exchange gain, net	(1,068)	(2,943)	(8,762)
Loss on valuation of derivatives, net	813	2,919	6,670
Equity in earnings of affiliates	(1,100)	(344)	(9,025)
Gain on sales of fixed assets	(3,850)	–	(31,587)
Gain on sales of investment securities	(10,484)	(5,700)	(86,016)
Increase in trade receivable	(2,165)	(7,903)	(17,763)
(Increase) decrease in inventories	(25,300)	13,492	(207,573)
Increase (decrease) in trade payables	692	(1,193)	5,677
Other	(2,447)	2,259	(20,077)
Subtotal	<u>16,410</u>	<u>37,713</u>	<u>134,635</u>
Interest and dividend income received	1,718	1,866	14,095
Interest paid	(4,342)	(3,488)	(35,624)
Subsidy received	899	4,896	7,376
Payments for loss resulting from low operating capacity	–	(2,250)	–
Surcharge payments under the Anti-Monopoly Act	(3,126)	(991)	(25,647)
Income taxes paid	(2,602)	(1,273)	(21,348)
Net cash provided by operating activities	<u>¥ 8,957</u>	<u>¥ 36,473</u>	<u>\$ 73,487</u>

NTN Corporation and Consolidated Subsidiaries
Consolidated Statement of Cash Flows (continued)

Year ended March 31, 2022

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	<u>2022</u>	<u>2021</u>	<u>2022</u>
Cash flows from investing activities:			
Decrease (increase) in short-term investments, net	¥ 1,441	¥ (618)	\$ 11,823
Purchases of property, plant and equipment	(16,337)	(21,900)	(134,036)
Proceeds from sales of property, plant and equipment	4,741	–	38,897
Purchases of other assets	(5,535)	(7,724)	(45,412)
Proceeds from sales of investment securities	17,053	9,465	139,911
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	1,201	–	9,854
Purchase of investments in affiliated company	–	(31)	–
Other	(51)	2,869	(419)
Net cash provided by (used in) investing activities	<u>2,513</u>	<u>(17,939)</u>	<u>20,618</u>
Cash flows from financing activities:			
Increase (decrease) in short-term bank loans, net	2,589	(14,729)	21,241
Proceeds from long-term debt	12,178	58,833	99,914
Repayment of long-term debt, including current portion	(52,330)	(38,774)	(429,339)
Proceeds from issuance of bonds	–	50,000	–
Repayment of lease obligations	(2,122)	(1,677)	(17,410)
Proceeds from sale and leaseback transactions	–	2,270	–
Other	(1,615)	(1,251)	(13,250)
Net cash provided by (used in) financing activities	<u>(41,300)</u>	<u>54,672</u>	<u>(338,844)</u>
Effect of exchange rate changes on cash and cash equivalents	4,042	2,878	33,162
Net (decrease) increase in cash and cash equivalents	<u>(25,788)</u>	<u>76,084</u>	<u>(211,577)</u>
Cash and cash equivalents at beginning of the year	147,249	71,165	1,208,098
Cash and cash equivalents at end of the year (Note 14)	<u>¥ 121,461</u>	<u>¥ 147,249</u>	<u>\$ 996,521</u>

See accompanying notes to the consolidated financial statements.

NTN Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

March 31, 2022

1. Basis of Preparation

The accompanying consolidated financial statements of NTN Corporation (the “Company”) and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan. In addition, certain notes included herein are not required under accounting principles generally accepted in Japan but are presented as additional information.

Certain amounts in the prior year’s financial statements have been reclassified to conform to the current year’s presentation. Such reclassification had no effect on consolidated profit or net assets.

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at ¥121.885 = U.S. \$1.00, the exchange rate prevailing on March 31, 2022. This translation should not be construed as a representation that yen can be converted into U.S. dollars at the above or any other rate.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and the significant companies which it controls directly or indirectly. Companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the accompanying consolidated financial statements on an equity basis.

The financial statements of certain consolidated subsidiaries whose fiscal year end is December 31 have been included in consolidation on the basis of a full fiscal year closing on March 31 for consolidation purposes.

NTN Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(b) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date. Revenues and expenses are translated at the rates of exchange prevailing when the transactions were made.

Assets and liabilities of overseas consolidated subsidiaries are translated into yen at the exchange rates in effect at the respective balance sheet dates, except for the components of net assets excluding non-controlling interests which are translated at the respective historical rates. Revenue and expenses are translated at the average rates of exchange for the respective years. Differences arising from translation are reflected in “Translation adjustments” and “Non-controlling interests” in the accompanying consolidated balance sheet and statement of changes in net assets.

(c) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits with banks withdrawable on demand, and short-term investments which are readily convertible to cash subject to an insignificant risk of any change in their value and which were purchased with an original maturity of three months or less.

(d) Allowance for doubtful accounts

The allowance for doubtful accounts is computed based on the actual historical percentage of bad debts and an estimate of uncollectible amounts determined after an analysis of specific individual receivables.

(e) Short-term investments and investment securities

The accounting standard for financial instruments requires that securities be classified into three categories: trading, held-to-maturity or other securities. Trading securities are carried at fair value and held-to-maturity debt securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Cost of securities sold is determined by the moving average method. Non-marketable securities classified as other securities are carried at cost based on the moving average method.

(f) Inventories

Inventories are principally stated at lower of cost, determined by the average method, or net selling value.

NTN Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(g) Property, plant and equipment (other than leased assets)

Property, plant and equipment are stated at cost. The Company and its domestic consolidated subsidiaries calculate depreciation by the straight-line method over the estimated useful lives of the respective assets. The foreign consolidated subsidiaries principally calculated depreciation by the straight-line method over the estimated useful lives of the respective assets.

The principal estimated useful lives are as follows:

Buildings and structures	10 to 50 years
Machinery, equipment and vehicles	5 to 12 years

Contributions granted by national and municipal governments are deducted directly from the acquisition costs of the related fixed assets as stipulated in the Corporation Tax Law of Japan. The property, plant and equipment accounts on the consolidated balance sheet at March 31, 2022 and 2021 were reduced by the following amounts:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<u>2022</u>	2021	<u>2022</u>
Land	¥ 773	¥ 773	\$ 6,342
Buildings and structures	340	367	2,790
Machinery, equipment and vehicles	68	58	557
Other	0	0	0
	<u>¥ 1,181</u>	<u>¥ 1,198</u>	<u>\$ 9,689</u>

(h) Goodwill

Goodwill is amortized by the straight-line method over 10 years.

(i) Liability for retirement benefits

Liability for retirement benefits has been provided principally at an amount calculated based on the retirement benefit obligation after the fair value of the pension plan assets are deducted. The estimated benefit is attributed to each period by the benefit formula method over the estimated years of service of the eligible employees.

Past service cost is amortized as incurred primarily by the straight-line method over a period of principally 15 years, which is within the estimated average remaining years of service of the eligible employees.

NTN Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(i) Liability for retirement benefits (continued)

Net unrecognized actuarial gain or loss is amortized commencing in the year following the year in which the gain or loss was recognized primarily by the straight-line method over a period of principally 15 years, which is within the estimated average remaining years of service of the eligible employees.

(j) Provision for product defect compensation

Provision for product defect compensation is provided at an estimated amount in order to cover the anticipated compensation.

(k) Leases

For lease transactions involving the transfer of ownership, the leased assets are depreciated by the same methods used for owned fixed assets.

For lease transactions not involving the transfer of ownership, leased assets are depreciated over the lease period using the straight-line method with a nil residual value.

(l) Revenue Recognition

The Group recognizes revenue by applying the following five steps:

Step 1: Identify the contract(s) 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 separate performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Group's main business lines consist of the manufacture and sales of bearings, CVJs and precision equipments for the aftermarket, general industrial machinery market, and automotive market. Revenue from contracts with customers are recognized when (or as) the Group satisfies a performance obligation. Revenue is measured at the amount of consideration promised in a contract with customers excluding sales discount, rebate and return of goods etc.

NTN Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(m) Research and development costs and computer software

Research and development costs are charged to income as incurred.

Expenditures relating to computer software developed for internal use are charged to income when incurred, except if the software is expected to contribute to the generation of income or to future cost savings. Such expenditures are capitalized as assets and are amortized by the straight-line method over their respective estimated useful lives, generally a 5 to 10-years period.

(n) Deferred income taxes

Deferred income taxes are provided for temporary differences between the balances of assets and liabilities reported for financial reporting purposes and the corresponding balances for tax reporting purposes.

(o) Derivative financial instruments and hedging activities

All derivatives are stated at fair value with any changes in fair value included in profit for the period in which they arise, except for derivatives which meet the criteria for deferral hedge accounting under which unrealized gain or loss, net of the applicable income taxes, is deferred as a component of net assets. Receivables and payables hedged by forward foreign exchange contracts which meet certain conditions are translated at the corresponding foreign exchange contract rates. Interest-rate swaps which meet certain conditions are accounted for as if the interest rates applied to the interest-rate swaps had originally applied to the underlying debt.

Interest-rate and cross currency swaps which meet certain conditions are accounted for as if the interest rates and currencies applied to the interest-rate and cross currency swaps had originally applied to the underlying debt.

(p) Distribution of retained earnings

Under the Corporation Law of Japan and the Company's Articles of Incorporation, the distribution of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting held subsequent to the close of the financial period. The distribution of retained earnings with respect to the interim financial period is made by resolution of the Board of Directors. The accounts for the period do not reflect such distributions.

NTN Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(q) Consolidated taxation system

The Company and certain domestic consolidated subsidiaries adopted the consolidated taxation system, which allows companies to file tax returns based on the combined profits or losses of the parent company and its wholly owned domestic subsidiaries.

(r) Adoption of tax effect accounting for transition from consolidated taxation system to group tax sharing system

The Company and certain domestic subsidiaries plan to shift from the Consolidated Taxation System to the Group Tax Sharing System from the fiscal year ending March 31, 2023. However, the amounts of deferred tax assets and deferred tax liabilities based on the Japanese Income Tax Act prior to amendment are calculated in accordance with the treatment under Paragraph 3 “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (Accounting Standards Board of Japan (hereinafter referred to as the “ASBJ”) Practical Issues Task Force No.39 March 31, 2020) instead of adopting the provision of Paragraph 44 of “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018), regarding the transition to the group tax sharing system established in the “Act for Partial Amendment of the Income Tax Act, etc.” (Act No.8 of 2020), related to items for which the non-consolidated taxation system has been reviewed in accordance with the transition to the group tax sharing system.

From the beginning of the following fiscal year, the Company plans to apply the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (Practical Issues Task Force No. 42, August 12, 2021), which provides for accounting treatment and disclosure of corporate tax and local corporate taxes and tax effect accounting in the case where a group applies the group tax sharing system.

NTN Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

3. Significant Accounting Estimates and Judgments

Impairment of Fixed Assets

The Company and its subsidiaries (collectively, the “Group”) recorded impairment loss for the years ended March 2022 and 2021 consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<u>2022</u>	<u>2021</u>	<u>2022</u>
Loss on impairment of fixed assets	¥ 601	¥ 2,462	\$ 4,931
Property, plant and equipment	265,797	260,444	2,180,719
Intangible assets	44,029	40,364	361,234

The Group confirm whether indication that an asset or each asset group may be impaired based on information inside the company which are profit and loss statement or business plan.

The Group also identifies indications of impairment based on information from outside the Company, including the business environment or fair value of assets.

The Group determines recognition of impairment loss, such as whether there is concern about recovery of the book value due to changes in the corporate environment or the economy. If it is determined that an impairment loss should be recognized, the book value is reduced to the recoverable amount.

When the amount of the undiscounted future cash flow exceeds book value of an asset or each asset group impairment loss recognition is unnecessary although there are indications of impairment, the main assumption used to calculate undiscounted future cash flow is the expansion of sales volume in the business plan and the expected proceeds from sales of property less costs of disposal.

If these assumptions are changed due to changes in the information mainly from outside the Group including market environment or management environment, there is a possibility that impairment losses may be recognized in the fiscal year ending March 31, 2023.

NTN Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Accounting Changes

Application of Accounting Standard for Revenue Recognition

Effective April 1, 2021, the Company adopted “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (“ASBJ”) Statement No.29 issued on March 31, 2020). As a result the Company recognizes revenue when a performance obligation is satisfied by transferring a promised good or service to a customer for an amount the Company expects to receive as a result of the transfer.

The Company follows the transition requirements set forth in paragraph 84 of ASBJ Statement No.29. However, there is no impact on the beginning balance of retained earnings as a result of the adoption. In addition, “Net sales” and “Cost of sales” decreased by ¥5,006 million (\$41,072 thousand) for the fiscal year ended March 31, 2022 as a result of the adoption. However, there is no impact on “Operating income” and “Profit before income taxes.”

In accordance with the transition requirements set forth in paragraph 89-3 of ASBJ Statement No.29, disclosures regarding revenue recognition for the previous fiscal year are omitted.

Application of Accounting Standard for Fair Value Measurement

Effective April 1, 2021, the Company adopted “Accounting Standard for Fair Value Measurement” (ASBJ Statement No.30 issued on July 4, 2019).

In addition, the Company follows the transition requirements set forth in paragraph 19 of ASBJ Statement No.30 and paragraph 44-2 of “Accounting Standard for Financial Instruments” (ASBJ Statement No.10 issued on July 4, 2019) to prospectively adopt new accounting policies in accordance with ASBJ Statement No.30

There is no impact on the consolidated financial statements as a result of the adoption.

The Company disclosed information on items such as the breakdown of the fair value of financial instruments by level of fair value in the notes 14 “**Financial Instruments.**” However, in accordance with the transitional provisions stipulated in paragraph 7-4 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, July 4, 2019), the notes related to such item for the previous fiscal year was omitted.

NTN Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

5. Additional Information

Performance-linked stock compensation scheme

The Company introduced a performance-linked stock compensation scheme (hereinafter referred to as the “Scheme”) for its executive officers (excluding executive officers who do not reside in Japan; the same applies hereinafter), which serves as an officer remuneration system that is closely linked to corporate performance targets in the mid-term management plan and which is highly transparent and objective in nature.

(i) Overview of transactions

The Scheme adopts a mechanism known as an officer remuneration BIP (Board Incentive Plan) trust (hereinafter referred to as the “BIP Trust”). The BIP Trust is an incentive plan for officers based on the performance share scheme and the restricted stock scheme in the U.S., and has a system in which the Company’s shares acquired by the BIP Trust and funds equivalent to the proceeds received when converting into cash or disposing of such shares are distributed and paid according to the officers’ positions and the degree of achievement of performance targets disclosed in the mid-term management plan, and other factors.

(ii) The Company’s shares remaining in the trust

The Company’s shares remaining in the trust are recorded as treasury stock in the net asset section, based on their book value (excluding the amount of incidental expenses) recorded in the accounts of the trust. The book value and number of shares of such treasury stock at March 31, 2022 totaled ¥228 million (\$1,871 thousand) and 754,440 shares, and at March 31, 2021 totaled ¥145 million and 456,169 shares, respectively.

Impact of Spread of Novel Coronavirus on Accounting Estimates

With regard to the spread of the novel coronavirus, there is a high degree of uncertainty regarding the future spread and the timing of its containment. However, while there is a possibility that it will continue to be a significant risk in the future, the Company and its consolidated subsidiaries have made accounting estimates based on the assumption that the situation will improve from the fiscal year ending March 31, 2023.

NTN Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

6. Inventories

Inventories at March 31, 2022 and 2021 consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<u>2022</u>	<u>2021</u>	<u>2022</u>
Finished goods	¥ 105,515	¥ 91,849	\$ 865,693
Work in process	55,939	48,601	458,949
Raw materials and supplies	53,389	36,397	438,028
	<u>¥ 214,843</u>	<u>¥ 176,847</u>	<u>\$ 1,762,670</u>

7. Impairment of Fixed Assets

The Company and its consolidated subsidiaries group fixed assets used for manufacturing by management segment into minimum units which generate identifiable cash flows (e.g., a factory). They also group fixed assets used at the head office or used for sales activities as shared assets, and group fixed assets on an individual basis when they do not expect any future use.

The Company and its consolidated subsidiaries wrote down the following assets to their respective net recoverable values because the Company and its consolidated subsidiaries do not expect them to be recoverable. Consequently, the Company and its consolidated subsidiaries recorded related losses on impairment of fixed assets of ¥601 million (\$4,931 thousand) and ¥2,462 million in the accompanying consolidated statement of operations for the years ended March 31, 2022 and 2021, respectively:

Location	Usage	Classification	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
			<u>2022</u>	<u>2021</u>	<u>2022</u>
Japan	Production equipment and other	Buildings and structures	¥ 13	¥ –	\$ 107
		Machinery and equipment	339	–	2,781
		Construction in progress	228	–	1,871
		Other	21	–	172
<hr style="border-top: 1px dotted black;"/>					
Americas	Production equipment and other	Buildings and structures	–	471	–
		Machinery and equipment	–	1,787	–
		Land	–	174	–
		Other	–	30	–
<hr style="border-top: 1px dotted black;"/>					
			<u>¥ 601</u>	<u>¥ 2,462</u>	<u>\$ 4,931</u>

NTN Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

7. Impairment of Fixed Assets (continued)

The recoverable value of the fixed assets presented in the above table has been measured at fair value for the consolidated subsidiaries in the U.S. and at net realizable value or value in use for other consolidated subsidiaries. If a fixed asset is unlikely to be sold or diverted to other usage, such asset is valued at nil. Fair value under U.S. GAAP is mainly measured using the income approach, and calculated as the sum of anticipated future cash flows discounted at a certain rate. Value in use is measured as the sum of anticipated future cash flows by each business units mainly discounted at rate of 6%.

8. Securities

(a) Information regarding marketable securities classified as other securities at March 31, 2022 and 2021 is summarized as follows:

	<i>Millions of yen</i>					
	2022			2021		
	Carrying value	Acquisition costs	Unrealized gain (loss)	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:						
Equity securities	¥ 3,394	¥ 1,882	¥ 1,512	¥ 21,340	¥ 9,069	¥ 12,271
Securities whose carrying value does not exceed their acquisition costs:						
Equity securities	1,442	1,627	(185)	449	487	(38)
Total	<u>¥ 4,836</u>	<u>¥ 3,509</u>	<u>¥ 1,327</u>	<u>¥ 21,789</u>	<u>¥ 9,556</u>	<u>¥ 12,233</u>

	<i>Thousands of U.S. dollars</i>		
	2022		
	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	\$ 27,846	\$ 15,441	\$ 12,405
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	11,831	13,349	(1,518)
Total	<u>\$ 39,677</u>	<u>\$ 28,790</u>	<u>\$ 10,887</u>

(b) Sales and aggregate gain on investment securities are summarized as follows:

The Company sold certain available-for-sale securities with a fair value of ¥17,165 million (\$140,829 thousand), and recognized gain of ¥10,484 million (\$86,016 thousand) for the fiscal year ended March 31, 2022.

NTN Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

9. Short-Term Bank Loans, Long-Term Debt and Lease Obligations

Short-term bank loans principally represent short-term notes with average annual interest rates of 0.99% and 0.81% at March 31, 2022 and 2021, respectively.

Long-term debt and lease obligations at March 31, 2022 and 2021 consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2022	2021	2022
Loans from banks and other financial institutions, due through 2029, at an average annual interest rate of 0.74%	¥ 231,508	¥ 275,456	\$ 1,899,396
0.405% bonds due 2025	10,000	10,000	82,045
0.490% bonds due 2027	10,000	10,000	82,045
0.430% bonds due 2028	10,000	10,000	82,045
2.5% bonds due 2051	50,000	50,000	410,223
Lease obligations due through 2053	9,516	8,084	78,073
Total	321,024	363,540	2,633,827
Less current portion	(53,793)	(56,183)	(441,342)
Total	¥ 267,231	¥ 307,357	\$ 2,192,485

* 2.5% rate is fixed interest rate from March 19, 2021 to March 18, 2026. After March 19, 2026, the interest rate will be variable interest rate.

The aggregate annual maturities of long-term debt and lease obligations subsequent to March 31, 2022 are summarized as follows:

<u>Year ending March 31,</u>	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
2023	¥ 53,793	\$ 441,342
2024	75,788	621,799
2025	57,846	474,595
2026	40,810	334,824
2027	22,848	187,456
2028 and thereafter	69,939	573,811
Total	¥ 321,024	\$ 2,633,827

NTN Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

10. Retirement Benefits

1. Outline of retirement benefits for employees

The Company and certain domestic consolidated subsidiaries have defined benefit pension plans (i.e., corporate pension fund plans and lump-sum payment plans), covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rates of pay, length of service, and the conditions under which termination occurs. They also have defined contribution pension plans and advance payment plans. Certain overseas consolidated subsidiaries have defined benefit pension plans and/or defined contribution pension plans. The Company has also established an employees' retirement benefit trust.

2. Defined benefit pension plans

(1) The changes in the retirement benefit obligation for the years ended March 31, 2022 and 2021 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2022	2021	2022
Retirement benefit obligation at the beginning of the year	¥ 103,099	¥ 101,349	\$ 845,871
Service cost	2,899	3,724	23,785
Interest cost	1,861	1,660	15,268
Actuarial gain or loss	(2,251)	1,218	(18,468)
Benefits paid	(8,106)	(6,436)	(66,505)
Other	2,680	1,584	21,988
Retirement benefit obligation at the end of the year	¥ 100,182	¥ 103,099	\$ 821,939

* Certain domestic consolidated subsidiaries calculate the liability for retirement benefits based on the simplified method.

NTN Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

10. Retirement Benefits (continued)

2. Defined benefit pension plans (continued)

(2) The changes in plan assets for the years ended March 31, 2022 and 2021 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2022	2021	2022
Plan assets at fair value at the beginning of the year	¥ 63,178	¥ 54,622	\$ 518,341
Expected return on plan assets	1,580	1,315	12,963
Actuarial gain	469	8,834	3,848
Contributions by the employers	3,187	3,345	26,148
Benefits paid	(5,520)	(5,629)	(45,289)
Other	1,992	691	16,343
Plan assets at fair value at the end of the year	¥ 64,886	¥ 63,178	\$ 532,354

(3) The balance of retirement benefit obligation and plan assets at fair value, liabilities and assets recognized in consolidated balance sheets as of March 31, 2022 and 2021 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2022	2021	2022
Funded retirement benefit obligation	¥ 93,286	¥ 96,288	\$ 765,361
Plan assets at fair value	(64,886)	(63,178)	(532,354)
	28,400	33,110	233,007
Unfunded retirement benefit obligation	6,896	6,811	56,578
Net amount of liabilities and assets recognized in the consolidated balance sheet	35,296	39,921	289,585
Liability for retirement benefits	36,852	39,921	302,351
Asset for retirement benefits	(1,556)	–	(12,766)
Net amount of liabilities and assets recognized in the consolidated balance sheet	¥ 35,296	¥ 39,921	\$ 289,585

NTN Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

10. Retirement Benefits (continued)

2. Defined benefit pension plans (continued)

- (4) The components of retirement benefit expenses for the years ended March 31, 2022 and 2021 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2022	2021	2022
Service cost	¥ 2,900	¥ 3,724	\$ 23,792
Interest cost	1,862	1,659	15,277
Expected return on plan assets	(1,580)	(1,315)	(12,963)
Amortization:			
Actuarial loss	1,177	1,046	9,657
Past service cost	0	134	0
Retirement benefit expenses	¥ 4,359	¥ 5,248	\$ 35,763

- (5) The components of retirement benefit liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2022 and 2021 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2022	2021	2022
Actuarial loss	¥ 3,898	¥ 8,662	\$ 31,981
Past service cost	–	209	–
Total	¥ 3,898	¥ 8,871	\$ 31,981

- (6) The components of retirement benefit liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2022 and 2021 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2022	2021	2022
Unrecognized actuarial gain or loss	¥ 60	¥ (3,838)	\$ 492
Unrecognized past service cost	–	–	–
Total	¥ 60	¥ (3,838)	\$ 492

NTN Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

10. Retirement Benefits (continued)

2. Defined benefit pension plans (continued)

(7) The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Equities	39.4%	40.0%
Bonds	39.7	33.1
General accounts at life insurance companies	9.1	13.6
Other	11.8	13.3
Total	100.0%	100.0%

The expected long-term rate of return on plan assets is determined as a result of consideration of both the portfolio allocation at present and anticipated in the future, and long-term expected rate of return from multiple plan assets.

(8) The assumptions used in accounting for the defined benefit plans are as follows:

	<u>2022</u>	<u>2021</u>
Discount rate	Principally 1.2%	Principally 1.2%
Expected long-term rate of return on plan assets	Principally 1.5%	Principally 1.5%

3. Defined contribution pension plans

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<u>2022</u>	<u>2021</u>	<u>2022</u>
Contributions to defined contribution pension plans	¥ 1,696	¥ 1,304	\$ 13,915

NTN Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Shareholders' Equity

- (a) The Corporation Law of Japan (the “Law”) provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met.

Retained earnings include the legal reserve provided in accordance with the provisions of the Law. The legal reserve of the Company included in retained earnings amounted to ¥8,639 million (\$70,878 thousand) at March 31, 2022 and 2021.

- (b) Movements in shares issued and treasury stock during the years ended March 31, 2022 and 2021 are summarized as follows:

		Number of shares		
		2022		
	April 1, 2021	Increase	Decrease	March 31, 2022
Shares issued:				
Common stock	532,463,527	–	–	532,463,527
Treasury stock:				
Common stock	1,299,641	326,875	26,729	1,599,787
		2021		
	April 1, 2020	Increase	Decrease	March 31, 2021
Shares issued:				
Common stock	532,463,527	–	–	532,463,527
Treasury stock:				
Common stock	1,314,696	1,241	16,546	1,299,641

The increase in treasury stock of 326,875 shares was due to purchases of shares of less than one voting unit and the decrease in treasury stock of 26,729 shares was mainly due to disposal of shares by the “Officer Remuneration BIP Trust” for the year ended March 31, 2022 (Please refer to Note 5). Additionally, the Company included 754,440 shares held by the “Officer Remuneration BIP Trust” in the number of treasury stock at March 31, 2022.

NTN Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Shareholders' Equity (continued)

The increase in treasury stock of 1,241 shares was due to purchases of shares of less than one voting unit and the decrease in treasury stock of 16,546 shares was mainly due to disposal of shares by the "Officer Remuneration BIP Trust" for the year ended March 31, 2021 (Please refer to Note 5). Additionally, the Company included 456,169 shares held by the "Officer Remuneration BIP Trust" in the number of treasury stock at March 31, 2021.

12. Contingent Liabilities

Lawsuits, etc.

- (1) In Europe, a lawsuit has been filed against the Company and its two consolidated subsidiaries in the France Tribunal de Commerce de Lyon. The suit seeks the payment of damages of €66.7 million (provisional amount) to Renault S.A. and its total 15 group companies (hereinafter referred to as "Renault"). In December 2020, Renault changed the amount claimed for damages to €32.5 million (provisional amount), and in April 2022, Renault also changed the amount claimed for damages to €8.3 million (provisional amount).

This suit has been filed because Renault claimed damages incurred in connection with the alleged violation of the European Competition Law, which is the subject of a decision made by the European Commission on March 19, 2014.

- (2) The Company and its related companies may be subject to claims for compensation for damages in connection with the past violation of the Anti-Monopoly Act of Japan or the European Competition Law, etc. and continue to address these claims. Depending on the results of the claims, the results of operations of the Company and its consolidated subsidiaries could be affected. However, it is currently difficult to make reasonable estimates of the future possible effects on the results of operations and financial position of the Company and its consolidated subsidiaries.

NTN Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

13. Operating Leases

Future minimum lease payments subsequent to March 31, 2022 for non-cancelable operating leases were as follows:

Years ending March 31,	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
2023	¥ 1,393	\$ 11,429
2024 and thereafter	3,162	25,942
Total	¥ 4,555	\$ 37,371

14. Financial Instruments

Overview

(a) Policy for financial instruments

The Company and its subsidiaries (collectively, the “Group”) raise necessary funds in accordance with management plans mainly by bank borrowings and issuance of corporate bonds in support of operations related to the manufacture and sales of bearings, constant-velocity joints (CVJs) and precision equipments. The Group utilizes bank borrowings for short-term operating funds, and bank borrowings and issuance of corporate bonds for long-term capital investments and finances. Temporary surplus funds are managed by low-risk financial assets. The Group utilizes derivatives to avoid or mitigate risks as described in the later part of this note and does not hold them for speculative purposes.

(b) Types of financial instruments and related risks

Trade receivables, notes, accounts receivable and electronically recorded monetary claims, are exposed to credit risk of customers. In addition, as a result of the business of the Group, which operates globally, foreign currency trade receivables are exposed to currency rate fluctuation risk, which is mitigated by utilizing forward foreign currency exchange contracts. Securities are mainly composed of stocks of the companies with which the Group has business relationships and they are exposed to fluctuation risk of market prices.

Trade payables, notes, accounts payable and electronically recorded obligations, are due within one year. Certain trade payables resulting from the import of raw materials are denominated in foreign currencies. These are exposed to fluctuation risk of foreign currencies. However, the risk is mitigated because the trade payables, notes and accounts payable denominated in foreign currencies are within persistently the range of accounts receivable denominated in the same currencies.

NTN Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Financial Instruments (continued)

Overview (continued)

(b) Types of financial instruments and related risks (continued)

Loans are mainly utilized for business operations of the Group. Short-term loans are mainly utilized for financing of operating activities. Long-term loans are mainly utilized for capital investments and financing. These have maturity dates of 10 years or less, at the longest, subsequent to March 31, 2022. Certain loans are exposed to fluctuation risk of interest rates and fluctuation risk of exchange rates and this risk is hedged by derivative transactions of interest rate swap agreements and interest-rate and cross currency swap agreements.

The Group has a policy to utilize derivative transactions involving forward foreign currency exchange contracts, currency option agreements, currency swap agreements, interest rate option agreements and interest rate swap agreements for the purpose of avoiding future fluctuation risk of foreign currencies trade receivables and payables and mitigating future fluctuation risk of interest rate of loans and corporate bonds. The Group utilized forward foreign currency exchange contracts, interest rate swap agreements and interest-rate and cross currency swap agreements for the year ended March 31, 2022. Refer to “(o) Derivative financial instruments and hedging activities” in Note 2 “Summary of Significant Accounting Policies.”

(c) Risk management for financial instruments

(i) Monitoring of credit risk (the risk that customers or counterparties may default)

In accordance with internal rules and manual, the credit management section periodically monitors financial conditions of major customers, manages collection due dates and balances of each customer and tries to identify credit risk of customers with worsening financial conditions at the early stage and mitigate the risk. Credit risk of securities is quite low because the Group utilizes certificate of deposits with high credit ratings, up to a limited amount, which is approved by the Company. The Group believes credit risk of derivative transactions is almost nil because counterparties are financial institutions with high credit ratings.

NTN Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Financial Instruments (continued)

Overview (continued)

(c) Risk management for financial instruments (continued)

- (ii) Monitoring of market risks (the risks arising from fluctuations in foreign currency exchange rates, interest rates and others)

The Group mainly utilizes forward foreign currency exchange contracts for hedging of fluctuation risk which is identified by each currency. Depending on the market conditions of foreign currencies, the Group utilizes forward foreign currency exchange contracts for forecasted export transactions with a maximum period of 6 months.

The Group utilizes interest rate swap agreements and interest-rate and cross currency swap agreements to mitigate fluctuation risk of interest rates and fluctuation risk of loan principal due to floating exchange rates.

The Group continuously reviews securities holdings by monitoring periodically the market value and financial condition of securities' issuers (companies with business relationships with the Group) and by evaluating those relationships.

The Group has established policies which include maximum upper limits and reporting obligations for derivative transactions and complies fully with these guidelines. Derivative transactions are entered into by the Company's Accounting Department and certain consolidated subsidiaries. The Company carries out mutual supervision and monitoring of the derivative transactions in accordance with management policies and its consolidated subsidiaries apply the same approach. Each derivative transaction of the Company is reported to the responsible director when entered into. The consolidated subsidiaries are required to report the status of their derivatives transactions to the Company on a monthly basis and are also required to consult with the Company when they enter into derivative transactions other than forward foreign currency exchange contracts.

- (iii) Monitoring of liquidity risk (the risk that the Group may not be able to meet its obligations on scheduled due dates)

The Group manages liquidity risk with the responsible section preparing and updating cash flow plans and keeping necessary funds based on reports of each section.

NTN Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Financial Instruments (continued)

Overview (continued)

(d) Supplementary explanation of the fair value of financial instruments

Since various assumptions and factors are reflected in estimating the fair value of financial instruments, different assumptions and factors could result in different fair value. In addition, the notional amounts of derivatives in Note 15 “Derivative Financial Instruments and Hedging Activities” are not necessarily indicative of the actual market risk involved in the derivative transactions.

Fair Value of Financial Instruments

The carrying value of financial instruments on the consolidated balance sheets, fair value and the difference as of March 31, 2022 and 2021, are shown in the following table.

		<i>Millions of yen</i>					
		2022			2021		
		Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
(1) Investment securities (*2)		¥ 4,836	¥ 4,837	¥ 1	¥ 21,789	¥ 21,789	¥ -
	Total assets	¥ 4,836	¥ 4,837	¥ 1	¥ 21,789	¥ 21,789	¥ -
(1) Bonds		¥ 80,000	¥ 81,672	¥ 1,672	¥ 80,000	¥ 79,993	¥ (7)
(2) Long-term bank loans		179,802	178,833	(969)	220,967	221,989	1,022
	Total liabilities	¥ 259,802	¥ 260,505	¥ 703	¥ 300,967	¥ 301,982	¥ 1,015
Derivative transactions (*3)		¥ (2,417)	¥ (2,417)	¥ -	¥ (1,523)	¥ (1,523)	¥ -

		<i>Thousands of U.S. dollars</i>		
		2022		
		Carrying value	Fair value	Difference
(1) Investment securities (*2)		\$ 39,677	\$ 39,685	\$ 8
	Total assets	\$ 39,677	\$ 39,685	\$ 8
(1) Bonds		\$ 656,356	\$ 670,074	\$ 13,718
(2) Long-term bank loans		1,475,178	1,467,227	(7,951)
	Total liabilities	\$ 2,131,534	\$ 2,137,301	\$ 5,767
Derivative transactions (*3)		\$ (19,830)	\$ (19,830)	\$ -

NTN Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Financial Instruments (continued)

Fair Value of Financial Instruments (continued)

- *1: Information of Cash and cash equivalents, Notes and accounts trade receivables, Electronically recorded monetary claims, Short-term loans receivable included in other current assets, Notes and accounts trade payables, Short-term bank loans, Current portion of long-term debt, Electronically recorded obligations, Accrued income taxes is omitted since these items are cash or are settled in short time period and thus fair value is similar to their carrying amounts.
- *2: Stocks with no quoted market price are not included in (1) Investment securities. This financial instruments on the consolidate balance sheets as of March 31, 2022 and 2021, are shown in the following table.

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2022	2021	2022
Unlisted stocks	¥ 19,843	¥ 22,048	\$ 162,801
Total	¥ 19,843	¥ 22,048	\$ 162,801

- *3: Assets and liabilities arising from derivative transactions are shown at net value with the amount shown in parentheses representing net liability position.

NTN Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Financial Instruments (continued)

Fair Value of Financial Instruments (continued)

Note 1: Redemption schedules for cash and cash equivalents, receivables and marketable securities with maturities at March 31, 2022 and 2021 are as follows:

	<i>Millions of yen</i>			
	2022			
	Within one year	More than one year and within five years	More than five years and within ten years	More than ten years
Cash and cash equivalents	¥ 121,461	¥ –	¥ –	¥ –
Short-term investments	7,183	–	–	–
Trade receivables	125,507	–	–	–
Electronically recorded monetary claims	6,491	–	–	–
Short-term loans receivable included in other current assets	57	–	–	–
Total	<u>¥ 260,699</u>	<u>¥ –</u>	<u>¥ –</u>	<u>¥ –</u>
	<i>Millions of yen</i>			
	2021			
	Within one year	More than one year and within five years	More than five years and within ten years	More than ten years
Cash and cash equivalents	¥ 147,249	¥ –	¥ –	¥ –
Short-term investments	7,720	–	–	–
Trade receivables	116,605	–	–	–
Electronically recorded monetary claims	4,996	–	–	–
Short-term loans receivable included in other current assets	68	–	–	–
Total	<u>¥ 276,638</u>	<u>¥ –</u>	<u>¥ –</u>	<u>¥ –</u>

NTN Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Financial Instruments (continued)

Fair Value of Financial Instruments (continued)

	<i>Thousands of U.S. dollars</i>			
	2022			
	Within one year	More than one year and within five years	More than five years and within ten years	More than ten years
Cash and cash equivalents	\$ 996,521	\$ –	\$ –	\$ –
Short-term investments	58,933	–	–	–
Trade receivables	1,029,717	–	–	–
Electronically recorded monetary claims	53,255	–	–	–
Short-term loans receivable included in other current assets	468	–	–	–
Total	<u>\$ 2,138,894</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ –</u>

Note 2: The redemption schedule for long-term debt is disclosed in Note 9 “Short-Term Bank Loans, Long-Term Debt and Lease Obligations” section of these Notes to Consolidated Financial Statements.

Fair Value Hierarchy

Financial instruments measured at fair value are classified into three levels of a fair value hierarchy based on observability and materiality of inputs used for fair value measurement. The three levels of the hierarchy are as follows:

Level 1: Among the inputs measured at observable fair value, fair value measured using quoted prices for assets or liabilities in active markets.

Level 2: Among the inputs measured at observable fair value, fair value ensured using quoted prices other than the quoted prices included in Level 1.

Level 3: Fair value measured using unobservable inputs.

When multiple inputs that have a significant impact on the calculation of fair value are used, fair value is classified to the level with the lowest priority in the calculation of fair value among the levels to which each of those inputs belongs.

NTN Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Financial Instruments (continued)

Fair Value Hierarchy (continued)

(1) Financial instruments measured at fair value in consolidated balance sheet.

<i>Millions of yen</i>				
2022				
	Level 1	Level 2	Level 3	Total
Investment securities:				
Other current assets				
Stocks	¥ 4,835	¥ –	¥ –	¥ 4,835
Derivative transactions:				
Currency related	–	(2,417)	–	(2,417)
Total assets	¥ 4,835	¥ (2,417)	¥ –	¥ 2,418
Not applicable	¥ –	¥ –	¥ –	¥ –
Total liabilities	¥ –	¥ –	¥ –	¥ –

<i>Thousands of U.S. dollars</i>				
2022				
	Level 1	Level 2	Level 3	Total
Investment securities:				
Other current assets				
Stocks	\$ 39,669	\$ –	\$ –	\$ 39,669
Derivative transactions:				
Currency related	–	(19,830)	–	(19,830)
Total assets	\$ 39,669	\$ (19,830)	\$ –	\$ 19,839
Not applicable	\$ –	\$ –	\$ –	\$ –
Total liabilities	\$ –	\$ –	\$ –	\$ –

(2) Financial instruments other than financial instruments measured at fair value in consolidated balance sheet.

<i>Millions of yen</i>				
2022				
	Level 1	Level 2	Level 3	Total
Investment securities:				
Other current assets				
Stocks	¥ –	¥ 2	¥ –	¥ 2
Total assets	¥ –	¥ 2	¥ –	¥ 2
Bonds	¥ –	¥ 81,672	¥ –	¥ 81,672
Long-term bank loans	–	178,833	–	178,833
Total liabilities	¥ –	¥ 260,505	¥ –	¥ 260,505

NTN Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Financial Instruments (continued)

Fair Value Hierarchy (continued)

(2) Financial instruments other than financial instruments measured at fair value in consolidated balance sheet. (continued)

	<i>Thousands of U.S. dollars</i>			
	2022			
	Level 1	Level 2	Level 3	Total
Investment securities:				
Other current assets				
Stocks	\$ –	\$ 16	\$ –	\$ 16
Total assets	\$ –	\$ 16	\$ –	\$ 16
Bonds	\$ –	\$ 670,074	\$ –	\$ 670,074
Long-term bank loans	–	1,467,227	–	1,467,227
Total liabilities	\$ –	\$ 2,137,301	\$ –	\$ 2,137,301

Note : Explanation of evaluation method used to determine fair value and inputs measured at fair value.

Investment securities

Investment securities are measured using quoted market price. The fair value is classified into Level 1 since Listed stocks are traded in active market. Unlisted stocks held by the Group are classified into Level 2 as they are not quoted in active market due to the lack of sufficient frequency of transactions.

Derivative transactions

Fair value of interest-rate and cross currency swap agreement and forward foreign currency exchange contracts are measured based on price measured by financial institutions which the Group trade offered and therefore is classified into Level 2.

Bonds

Fair value of bonds payable that the Group issued is measured based on market price and therefore is classified into Level 2.

NTN Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Financial Instruments (continued)

Fair Value Hierarchy (continued)

- (2) Financial instruments other than financial instruments measured at fair value in consolidated balance sheet. (continued)

Long-term bank loans

The fair value of long-term loans is measured based on the present value of the total of principal and interest discounted by the interest rate to be applied assuming new loans under the similar conditions to existing loans are made. Certain long-term loans with floating interest rates have been hedged by interest rate swap agreements and interest-rate and cross currency swap agreements. The fair value is the total of the principal and interest discounted by the interest rate to be applied assuming new loans under the similar conditions to existing loans are made and therefore the value is classified into Level 2.

15. Derivative Financial Instruments and Hedging Activities

(a) Derivative transactions to which hedge accounting is not applied

The estimated fair value of the derivatives positions outstanding which do not qualify for deferral hedge accounting at March 31, 2022 and 2021 is summarized as follows:

Currency-related transactions

Classification	Transaction	<i>Millions of yen</i>			
		Notional amount	More than one year	Fair value	Valuation gain (loss)
		2022			
	Forward foreign currency exchange contracts				
	Selling:				
	Euro	¥ 4,329	¥ –	¥ (168)	¥ (168)
	U.S. dollars	14,782	–	(898)	(898)
	Other	2,012	–	(144)	(144)
Over-the-counter transactions	Interest-rate and cross currency swaps				
	Receive/fixed yen and pay/fixed Euro	14,150	9,137	(912)	(912)
	Receive/fixed yen and pay/fixed U.S. dollars	7,940	274	(295)	(295)
	Total	<u>¥ 43,213</u>	<u>¥ 9,411</u>	<u>¥ (2,417)</u>	<u>¥ (2,417)</u>

NTN Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

15. Derivative Financial Instruments and Hedging Activities (continued)

(a) Derivative transactions to which hedge accounting is not applied (continued)

Currency-related transactions (continued)

		<i>Millions of yen</i>			
		2021			
Classification	Transaction	Notional amount	More than one year	Fair value	Valuation gain (loss)
Over-the-counter transactions	Forward foreign currency exchange contracts				
	Selling:				
	Euro	¥ 5,562	¥ –	¥ (73)	¥ (73)
	U.S. dollars	16,978	–	(860)	(860)
	Other	2,620	–	(80)	(80)
	Interest-rate and cross currency swaps				
	Receive/fixed yen and pay/fixed Euro	12,292	6,187	(411)	(411)
	Receive/fixed yen and pay/fixed U.S. dollars	9,467	–	(99)	(99)
	Total	<u>¥ 46,919</u>	<u>¥ 6,187</u>	<u>¥ (1,523)</u>	<u>¥ (1,523)</u>
			<i>Thousands of U.S. dollars</i>		
		2022			
Classification	Transaction	Notional amount	More than one year	Fair value	Valuation gain (loss)
Over-the-counter transactions	Forward foreign currency exchange contracts				
	Selling:				
	Euro	\$ 35,517	\$ –	\$ (1,378)	\$ (1,378)
	U.S. dollars	121,278	–	(7,368)	(7,368)
	Other	16,508	–	(1,182)	(1,182)
	Interest-rate and cross currency swaps				
	Receive/fixed yen and pay/fixed Euro	116,093	74,964	(7,482)	(7,482)
	Receive/fixed yen and pay/fixed U.S. dollars	65,143	2,248	(2,420)	(2,420)
	Total	<u>\$ 354,539</u>	<u>\$ 77,212</u>	<u>\$ (19,830)</u>	<u>\$ (19,830)</u>

NTN Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

15. Derivative Financial Instruments and Hedging Activities (continued)

(b) Derivative transactions to which hedge accounting is applied

The estimated fair value of the derivatives positions outstanding which qualify for deferral hedge accounting at March 31, 2022 and 2021 is summarized as follows.

		<i>Millions of yen</i>		
		2022		
Method of hedge accounting	Transaction	Notional amount	More than one year	Fair value
Swap rates applied to underlying long-term debt	Interest rate swaps Receive / floating and pay / fixed	¥ 2,500	¥ 2,500	(*1)
Forward foreign currency exchange contracts applied to underlying accounts- trade receivable	Forward foreign currency exchange contract Selling: U.S. dollars	–	–	(*2)
		<i>Millions of yen</i>		
		2021		
Method of hedge accounting	Transaction	Notional amount	More than one year	Fair value
Swap rates applied to underlying long-term debt	Interest rate swaps Receive / floating and pay / fixed	¥ 2,500	¥ 2,500	(*1)
Forward foreign currency exchange contracts applied to underlying accounts- trade receivable	Forward foreign currency exchange contract Selling: U.S. dollars	–	–	(*2)
		<i>Thousands of U.S. dollars</i>		
		2022		
Method of hedge accounting	Transaction	Notional amount	More than one year	Fair value
Swap rates applied to underlying long-term debt	Interest rate swaps Receive / floating and pay / fixed	\$ 20,511	\$ 20,511	(*1)
Forward foreign currency exchange contracts applied to underlying accounts- trade receivable	Forward foreign currency exchange contract Selling: U.S. dollars	–	–	(*2)

NTN Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

15. Derivative Financial Instruments and Hedging Activities (continued)

(b) Derivative transactions to which hedge accounting is applied (continued)

- *1 Because interest rate swap agreements are accounted for applying swap rates to underlying long-term debt, their fair value is included in that of long-term debt disclosed in Note 14 “Financial Instruments.”
- *2 Because forward foreign currency exchange contracts are accounted for applying forward foreign exchange rate to underlying accounts-trade receivable, for the years ended March 31, 2022 and 2021, respectively, their fair value is included in that of accounts-trade receivable.

16. Research and Development Costs

Research and development costs included in cost of sales and selling, general and administrative expenses totaled ¥17,444 million (\$143,119 thousand) and ¥17,486 million for the years ended March 31, 2022 and 2021, respectively.

17. Loss on Surcharge Payments under the Anti-Monopoly Act

In the U.S., the Company and its consolidated subsidiaries reached a settlement with the direct purchasers regarding the class action suit that was filed in the U.S. District Court for the Eastern District of Michigan in November 2020. This settlement agreement ended the class action suit in the United States.

In addition, in March 2021, the Conselho Administrativo de Defesa Econômica decided to impose fines of 9,318,311.31 Brazilian reals on the consolidated subsidiary in Brazil for violating the Brazilian competition law in connection with sales of bearings in Brazil, and the subsidiary paid the fines in May 2021.

The Company has negotiated the compensation of damages with a part of customers in association with investigations by the authorities about the competition laws. Nevertheless, in overall consideration of the effects to operations of the Company and its consolidated subsidiaries due to extended negotiations, the Company reached the conclusion to pay the settlement amount because the Company considered that an amicable and early resolution would accord with the overall benefits for both parties for the year ended March 31, 2022.

As a result, the Company and its consolidated subsidiaries recorded loss on surcharge payments under the Anti-Monopoly Act in the amount of ¥2,929 million (\$24,031 thousand) and ¥1,176 million for the years ended March 31, 2022 and 2021, respectively.

NTN Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

18. Subsidy Income

The Company recorded subsidy income in the amount of ¥5,769 million for the year ended March 31, 2021. This represents the income such as subsidies for employment adjustment recorded during the period attributable to the Company and certain consolidated subsidiaries that had temporarily suspended operations due to the spread of the COVID-19 infection worldwide.

19. Loss Resulting from Low Operating Capacity

The Company recorded loss resulting from low operating capacity in the amount of ¥3,344 million for the year ended March 31, 2021. This represents fixed costs recorded during the period attributable to the Company and certain consolidated subsidiaries that had temporarily suspended operations due to the spread of the COVID-19 infection worldwide.

20. Gain on Sales of Fixed Assets

A breakdown of gain on sales of fixed assets recognized by the Company for the year ended March 31, 2022 is as follows:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	2022	2022
Gain on sales of land and building of headquarter	¥ 3,730	\$ 30,603
Others	120	984
Total	¥ 3,850	\$ 31,587

NTN Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

21. Other Comprehensive Income

The following table presents the analysis of other comprehensive income for the years ended March 31, 2022 and 2021.

	<i>Millions of yen</i>		<i>Thousands of</i>
	2022	2021	2022
Net unrealized holding (loss) gain on securities:			
Amount arising during the year	¥ (423)	¥ 10,765	\$ (3,470)
Reclassification adjustments for gains included in profit	(10,484)	(5,699)	(86,016)
Before tax effect	(10,907)	5,066	(89,486)
Tax effect	3,292	(1,513)	27,009
Total	(7,615)	3,553	(62,477)
Translation adjustments:			
Amount arising during the year	22,946	15,057	188,259
Reclassification adjustments for gains included in profit	–	–	–
Before tax effect	22,946	15,057	188,259
Tax effect	–	–	–
Total	22,946	15,057	188,259
Retirement benefit liability adjustments:			
Amount arising during the year	3,701	7,438	30,365
Reclassification adjustments for gains included in profit	1,268	1,365	10,403
Before tax effect	4,969	8,803	40,768
Tax effect	(173)	(1,779)	(1,419)
Total	4,796	7,024	39,349
Share of other comprehensive gain (loss) of affiliates accounted for by the equity method:			
Amount arising during the year	1,759	29	14,432
Reclassification adjustments for gains included in profit	–	(543)	–
Total	1,759	(514)	14,432
Other comprehensive income, net	¥ 21,886	¥ 25,120	\$ 179,563

NTN Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

22. Income Taxes

Income taxes applicable to the Company and its domestic subsidiaries comprise corporate taxes, inhabitants' taxes and enterprise taxes which, in the aggregate, resulted in statutory tax rates of 29.9% and 29.9% for the years ended March 31, 2022 and 2021, respectively. Overseas subsidiaries are subject to the income taxes of the respective countries in which they operate.

The effective tax rate for the year ended March 31, 2022 differ from the Company's statutory tax rate for the following reasons:

	<u>2022</u>
Statutory tax rate	29.9%
Permanent non-deductible expenses	1.3
Permanent non-taxable income	(6.6)
Elimination of dividend income	10.8
Equity in earnings of affiliates	(1.9)
Difference in overseas consolidated subsidiaries' applicable tax rate	(6.9)
Decrease in valuation allowance	(8.2)
Tax credit for research and development expenses	(3.3)
Unrealized inter-company profit	(4.7)
Undistributed earnings of subsidiaries and affiliates	39.1
Other	(1.1)
Effective tax rate	<u><u>48.4%</u></u>

The details of the differences between the statutory tax rate and effective tax rate for March 31, 2021 are omitted because the Company and its consolidated subsidiaries recorded a loss before income taxes.

NTN Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

22. Income Taxes (continued)

The tax effects of temporary differences which gave rise to significant portions of the deferred tax assets and liabilities at March 31, 2022 and 2021 are presented below:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2022	2021	2022
Deferred tax assets:			
Tax loss carryforwards	¥ 30,022	¥ 25,653	\$ 246,314
Liability for retirement benefits	15,771	16,639	129,392
Impairment loss	8,982	9,601	73,692
Inventories	2,693	691	22,095
Accrued expenses	2,150	2,785	17,640
Valuation loss on investment securities	31	458	254
Other	1,778	2,432	14,588
Gross deferred tax assets	<u>61,427</u>	58,259	<u>503,975</u>
Valuation allowance for tax loss carryforwards	(27,449)	(23,531)	(225,204)
Valuation allowance for taxable temporary differences	(22,317)	(26,400)	(183,099)
Less: valuation allowance	<u>(49,766)</u>	(49,931)	<u>(408,303)</u>
Total deferred tax assets	<u>11,661</u>	8,328	<u>95,672</u>
Deferred tax liabilities:			
Undistributed earnings of subsidiaries and affiliates	(7,325)	–	(60,098)
Gain on contribution of securities to retirement benefit trust	(3,046)	(3,046)	(24,991)
Depreciation and amortization	(2,023)	(2,195)	(16,598)
Reserve for deferred gain on property included in retained earnings	(1,066)	(1,113)	(8,746)
Asset for retirement benefits	(465)	–	(3,815)
Unrealized holding gain on securities	(395)	(3,685)	(3,241)
Other	(1,835)	(1,707)	(15,054)
Total deferred tax liabilities	<u>(16,155)</u>	(11,746)	<u>(132,543)</u>
Net deferred tax assets (liabilities)	<u>¥ (4,494)</u>	<u>¥ (3,418)</u>	<u>\$ (36,871)</u>

NTN Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

22. Income Taxes (continued)

Note : Tax loss carryforwards and related deferred tax assets as of March 31, 2022 and 2021 expired or will expire as follows:

Year ending March 31,	<i>Millions of yen</i>		
	2022		
	Tax loss carryforwards (*1)	Valuation allowance for tax loss carryforwards	Deferred tax assets for tax loss carryforwards
2022	¥ 164	¥ (164)	¥ –
2023	–	–	–
2024	47	(47)	–
2025	236	(116)	120
2026	215	(193)	22
2027 and thereafter	29,360	(26,929)	2,431
Total	¥ 30,022	¥ (27,449)	(*2) ¥ 2,573

Year ending March 31,	<i>Millions of yen</i>		
	2021		
	Tax loss carryforwards (*1)	Valuation allowance for tax loss carryforwards	Deferred tax assets for tax loss carryforwards
2022	¥ 410	¥ (237)	¥ 173
2023	339	(72)	267
2024	324	(7)	317
2025	550	(146)	404
2026	1,017	(588)	429
2027 and thereafter	23,013	(22,481)	532
Total	¥ 25,653	¥ (23,531)	(*2) ¥ 2,122

NTN Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

22. Income Taxes (continued)

Note : Tax loss carryforwards and related deferred tax assets as of March 31, 2022 and 2021 expired or will expire as follows (continued):

Year ending March 31,	<i>Thousands of U.S. dollars</i>		
	2022		
	Tax loss carryforwards (*1)	Valuation allowance for tax loss carryforwards	Deferred tax assets for tax loss carryforwards
2022	\$ 1,346	\$ (1,346)	\$ –
2023	–	–	–
2024	386	(386)	–
2025	1,936	(951)	985
2026	1,763	(1,583)	180
2027 and thereafter	240,883	(220,938)	19,945
Total	<u>\$ 246,314</u>	<u>\$ (225,204)</u>	<u>(*2) \$ 21,110</u>

(*1) The tax loss carryforwards in the above table are measured using the statutory tax rates.

(*2) The balance of deferred tax assets of ¥2,573 million (\$21,110 thousand) and ¥2,122 million arising from tax loss carryforwards of ¥30,022 million (\$246,314 thousand) and ¥25,653 million calculated after multiplying the loss amount with the statutory tax rates as of March 31, 2022 and 2021, respectively. A certain portion of tax loss carryforwards was considered to be recoverable in future income taxes because it is probable that future taxable profit would be available.

NTN Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

23. Amounts per Share

Amounts per share at March 31, 2022 and 2021 and for the years then ended were as follows:

	<i>Yen</i>		<i>U.S. dollars</i>
	2022	2021	2022
Net assets	¥ 372.70	¥ 321.04	\$ 3.06
Profit (loss) attributable to owners of parent:			
Basic	13.83	(21.92)	0.11
Cash dividends	–	–	–

Amounts per share of net assets are computed based on the number of shares of common stock outstanding at the year end.

Basic profit or loss attributable to owners of parent per share is computed based on the profit or loss attributable to owners of parent of common stock and the weighted-average number of shares of common stock outstanding during the year. Diluted profit attributable to owners of parent per share has not been presented because there were no potentially dilutive shares of common stock for the year ended March 31, 2022. Diluted profit attributable to owners of parent per share had not been presented because there were no potentially dilutive shares of common stock and the Company and consolidated subsidiaries recorded net loss for the year ended March 31, 2021.

The Company recorded shares held by the “Officer Remuneration BIP Trust” (Please refer to Note 5) as treasury stock in the consolidated financial statements as of March 31, 2022 and 2021. Accordingly, to compute “net assets per share,” the Company’s shares held by the trust (754,440 shares and 456,169 shares at March 31, 2022 and 2021, respectively) are included in treasury stock that is excluded from the number of shares outstanding as of March 31, 2022 and 2021. In addition, to compute “Profit (loss) attributable to owners of parent per share,” the Company’s shares held by the trust (636,731 and 461,245 average number of shares for the years ended March 31, 2022 and 2021, respectively) are included in treasury stock that is excluded from the computation of the average number of shares for the years ended March 31, 2022 and 2021.

Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective years together with the interim cash dividends paid.

NTN Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

24. Revenue Recognition

1. Breakdown of Revenue from Contracts with Customers

The Group's main business involves the manufacture and sale of bearings, CVJs, and precision equipments and other products.

The breakdown of revenue arising from contracts with customers for the fiscal year ended March 31, 2022 is summarized as follows:

	<i>Millions of yen</i>				
	2022				
	Japan	Americas	Europe	Asia and other areas	Total
Aftermarket	¥ 26,437	¥ 26,907	¥ 35,294	¥ 23,559	¥ 112,197
Industrial machinery	47,146	28,174	29,074	21,711	126,105
Automotive	113,272	122,483	74,868	93,099	403,722
Total	¥ 186,855	¥ 177,564	¥ 139,236	¥ 138,369	¥ 642,024

	<i>Thousands of U.S. dollars</i>				
	2022				
	Japan	Americas	Europe	Asia and other areas	Total
Aftermarket	\$ 216,901	\$ 220,757	\$ 289,568	\$ 193,289	\$ 920,515
Industrial machinery	386,808	231,152	238,536	178,127	1,034,623
Automotive	929,335	1,004,907	614,251	763,826	3,312,319
Total	\$ 1,553,044	\$ 1,456,816	\$ 1,142,355	\$ 1,135,242	\$ 5,267,457

*1 The amount shown is sales to customers outside of the Group.

*2 "Americas" includes the U.S.A., Canada and Central and South America. "Europe" includes Germany, France, the U.K. and others. "Asia and other areas" include China, Thailand, India and others.

2. Basic Information for Understanding Revenue from Contracts with Customers

Basic information for Understanding Revenue Arising from Contracts with Customers is shown in "(l) Revenue Recognition" of Note 2 "Summary of Significant Accounting Policies".

NTN Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

25. Segment Information

1. Outline of reporting segments

The Company and its subsidiaries' (collectively, the "Group") reporting segments are divisions of the Group for which separate financial information is available, and whose operating results are reviewed regularly by the highest management decision-making body (the Board of Directors meeting of the Company) in order to allocate management resources and assess performance of operations.

The Group's main business lines consist of the manufacture and sales of bearings, CVJs and precision equipments for the aftermarket, general industrial machinery market, and automotive market. Business activities in Japan are controlled by the Company (the Head Office), and overseas business activities are controlled by the General Manager responsible in each region. Business entities in each region prepare their own plans and strategies to conduct business activities while analyzing profitability and the investment efficiency of operations.

Accordingly, the Group has four reporting segments based on geographic business segmentation controlled by the Head Office or the General Managers: Japan, the Americas, Europe, and Asia and other areas. Each reporting segment engages in the manufacture and sale of bearings, CVJs, and precision equipments and other products.

2. Calculation methods used for net sales, profit or loss, assets, liabilities and other items on each reporting segment

The accounting policies of the segments are substantially the same as those described in Note 2 "Summary of Significant Accounting Policies." Inter-segment sales and transfers are recorded at the same prices used in transactions with third parties.

NTN Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

25. Segment Information (continued)

3. Information as to net sales, profit or loss, assets, liabilities, and other items for each reporting segment for the years ended March 31, 2022 and 2021

Reportable segment information for the years ended March 31, 2022 and 2021 is summarized as follows:

	<i>Millions of yen</i>						
	2022						
	Reporting segments						
	Japan	Americas	Europe	Asia and other areas	Total	Adjustments	Consolidated
Sales, profit and assets or liabilities by reporting segments:							
Net sales:							
Sales to third parties	¥ 186,855	¥ 177,564	¥ 139,236	¥ 138,369	¥ 642,024	¥ –	¥ 642,024
Inter-segment sales and transfers	134,261	1,080	4,211	8,941	148,493	(148,493)	–
Total	321,116	178,644	143,447	147,310	790,517	(148,493)	642,024
Segment profit or loss	¥ 7,623	¥ (7,428)	¥ (4,266)	¥ 14,090	¥ 10,019	¥ (3,139)	¥ 6,880
Segment assets	¥ 659,756	¥ 196,793	¥ 133,622	¥ 206,809	¥ 1,196,980	¥ (341,496)	¥ 855,484
Segment liabilities	¥ 460,062	¥ 134,499	¥ 92,127	¥ 36,547	¥ 723,235	¥ (84,176)	¥ 639,059
Other items:							
Depreciation and amortization	¥ 14,699	¥ 8,959	¥ 7,379	¥ 6,862	¥ 37,899	¥ –	¥ 37,899
Capital expenditures	¥ 14,507	¥ 3,255	¥ 4,047	¥ 3,590	¥ 25,399	¥ –	¥ 25,399

NTN Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

25. Segment Information (continued)

3. Information as to net sales, profit or loss, assets, liabilities, and other items for each reporting segment for the years ended March 31, 2022 and 2021 (continued)

	<i>Millions of yen</i>						
	2021						
	Reporting segments						
	Japan	Americas	Europe	Asia and other areas	Total	Adjustments	Consolidated
Sales, profit and assets or liabilities by reporting segments:							
Net sales:							
Sales to third parties	¥ 168,281	¥ 142,228	¥ 126,777	¥ 125,561	¥ 562,847	¥ –	¥ 562,847
Inter-segment sales and transfers	98,690	706	2,421	7,859	109,676	(109,676)	–
Total	266,971	142,934	129,198	133,420	672,523	(109,676)	562,847
Segment profit	¥ (10,793)	¥ (2,803)	¥ (2,428)	¥ 12,306	¥ (3,718)	¥ 579	¥ (3,139)
Segment assets	¥ 644,492	¥ 161,917	¥ 129,992	¥ 187,411	¥ 1,123,812	¥ (287,248)	¥ 836,564
Segment liabilities	¥ 479,412	¥ 118,725	¥ 84,609	¥ 38,394	¥ 721,140	¥ (68,327)	¥ 652,813
Other items:							
Depreciation and amortization	¥ 12,876	¥ 8,931	¥ 7,232	¥ 6,440	¥ 35,479	¥ –	¥ 35,479
Capital expenditures	¥ 18,475	¥ 6,380	¥ 3,494	¥ 3,082	¥ 31,431	¥ (0)	¥ 31,431

NTN Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

25. Segment Information (continued)

3. Information as to net sales, profit or loss, assets, liabilities, and other items for each reporting segment for the years ended March 31, 2022 and 2021 (continued)

	<i>Thousands of U.S. dollars</i>						
	2022						
	Reporting segments						
	Japan	Americas	Europe	Asia and other areas	Total	Adjustments	Consolidated
Sales, profit and assets or liabilities by reporting segments:							
Net sales:							
Sales to third parties	\$ 1,533,044	\$ 1,456,816	\$ 1,142,355	\$ 1,135,242	\$ 5,267,457	\$ –	\$ 5,267,457
Inter-segment sales and transfers	1,101,538	8,861	34,549	73,356	1,218,304	(1,218,304)	–
Total	<u>2,634,582</u>	<u>1,465,677</u>	<u>1,176,904</u>	<u>1,208,598</u>	<u>6,485,761</u>	<u>(1,218,304)</u>	<u>5,267,457</u>
Segment profit or loss	\$ 62,543	\$ (60,943)	\$ (35,000)	\$ 115,600	\$ (82,200)	\$ (25,753)	\$ 56,447
Segment assets	\$ 5,412,938	\$ 1,614,579	\$ 1,096,297	\$ 1,696,755	\$ 9,820,569	\$ (2,801,789)	\$ 7,018,780
Segment liabilities	\$ 3,744,558	\$ 1,103,491	\$ 755,852	\$ 299,848	\$ 5,933,749	\$ (690,619)	\$ 5,243,130
Other items:							
Depreciation and amortization	\$ 120,597	\$ 73,504	\$ 60,541	\$ 56,299	\$ 310,941	\$ –	\$ 310,941
Capital expenditures	\$ 119,022	\$ 26,706	\$ 33,203	\$ 29,454	\$ 208,385	\$ –	\$ 208,385

The total amount of segment profit is adjusted to operating income of the consolidated statement of operations.

Other than those corresponding to segment assets, adjustments relate to the elimination of inter-segment transactions, etc. The adjustments for segment assets consist of inter-segment elimination, etc. of ¥347,522 million (\$2,851,229 thousand) and ¥313,207 million and the corporate assets of the Group of ¥6,025 million (\$49,432 thousand) and ¥25,959 million for the years ended March 31, 2022 and 2021, respectively. The corporate assets are mainly long-term investment funds (investment securities) for the years ended March 31, 2022 and 2021.

NTN Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

25. Segment Information (continued)

4. Related information

(1) Sales by products and service

Sales by products and service classified by the similarity of the market for the years ended March 31, 2022 and 2021 are summarized as follows:

	<i>Millions of yen</i>			
	2022			
	<u>Aftermarket</u>	<u>Industrial machinery</u>	<u>Automotive</u>	<u>Total</u>
Sales to third parties	¥ 112,197	¥ 126,105	¥ 403,722	¥ 642,024
	<i>Millions of yen</i>			
	2021			
	<u>Aftermarket</u>	<u>Industrial machinery</u>	<u>Automotive</u>	<u>Total</u>
Sales to third parties	¥ 91,493	¥ 101,853	¥ 369,501	¥ 562,847
	<i>Thousands of U.S. dollars</i>			
	2022			
	<u>Aftermarket</u>	<u>Industrial machinery</u>	<u>Automotive</u>	<u>Total</u>
Sales to third parties	\$ 920,515	\$ 1,034,623	\$ 3,312,319	\$ 5,267,457

NTN Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

25. Segment Information (continued)

4. Related information (continued)

(2) Regional information

(a) Sales

Sales categorized by country and region based on locations of customers within the Group for the years ended March 31, 2022 and 2021 are summarized as follows:

<i>Millions of yen</i>				
2022				
<u>Japan</u>	<u>Americas</u>	<u>Europe</u>	<u>Asia and other areas</u>	<u>Total</u>
¥ 180,756	¥ 181,215	¥ 127,056	¥ 152,997	¥ 642,024

<i>Millions of yen</i>				
2021				
<u>Japan</u>	<u>Americas</u>	<u>Europe</u>	<u>Asia and other areas</u>	<u>Total</u>
¥ 162,814	¥ 144,432	¥ 117,235	¥ 138,366	¥ 562,847

<i>Thousands of U.S. dollars</i>				
2022				
<u>Japan</u>	<u>Americas</u>	<u>Europe</u>	<u>Asia and other areas</u>	<u>Total</u>
\$ 1,483,004	\$ 1,486,770	\$ 1,042,425	\$ 1,255,258	\$ 5,267,457

“Americas” includes the U.S.A., Canada and Central and South America. “Europe” includes Germany, France, the U.K. and others. “Asia and other areas” include China, Thailand, India and others. The sales of the “Americas” segment above include the sales to customers in the U.S.A. of ¥151,318 million (\$1,241,482 thousand) and ¥123,096 million for the years ended March 31, 2022 and 2021, respectively. The sales of the “Asia and other areas” segment above include the sales to customers in China of ¥77,116 million (\$632,695 thousand) for the year ended March 31, 2022.

NTN Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

25. Segment Information (continued)

4. Related information (continued)

(2) Regional information (continued)

(b) Property, plant and equipment

Property, plant and equipment categorized by country and region within the Group at March 31, 2022 and 2021 are summarized as follows:

<i>Millions of yen</i>				
2022				
Japan	Americas	Europe	Asia and other areas	Total
¥ 104,086	¥ 78,182	¥ 43,696	¥ 39,833	¥ 265,797

<i>Millions of yen</i>				
2021				
Japan	Americas	Europe	Asia and other areas	Total
¥ 100,948	¥ 75,696	¥ 44,944	¥ 38,856	¥ 260,444

<i>Thousands of U.S. dollars</i>				
2022				
Japan	Americas	Europe	Asia and other areas	Total
¥ 853,969	¥ 641,441	¥ 358,502	¥ 326,808	¥ 2,180,720

1. Property, plant and equipment in “Americas” in the amount of ¥69,439 million (\$569,709 thousand) and ¥67,760 million is located in the U.S.A. at March 31, 2022 and 2021, respectively.
2. Property, plant and equipment in “Europe” in the amount of ¥27,323 million (\$224,170 thousand) and ¥28,429 million is located in France at March 31, 2022 and 2021, respectively.
3. Property, plant and equipment in “Asia and other areas” in the amount of ¥29,318 million (\$240,538 thousand) and ¥27,655 million is located in China at March 31, 2022 and 2021, respectively.

NTN Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

25. Segment Information (continued)

5. Loss on impairment of fixed assets

Loss on impairment of fixed assets by reporting segment for the years ended March 31, 2022 and 2021 is summarized as follows:

<i>Millions of yen</i>					
2022					
Japan	Americas	Europe	Asia and other areas	Adjustments	Total
¥ 601	¥ –	¥ –	¥ –	¥ –	¥ 601

<i>Millions of yen</i>					
2021					
Japan	Americas	Europe	Asia and other areas	Adjustments	Total
¥ –	¥ 2,462	¥ –	¥ –	¥ –	¥ 2,462

<i>Thousands of U.S. dollars</i>					
2022					
Japan	Americas	Europe	Asia and other areas	Adjustments	Total
\$ 4,931	\$ –	\$ –	\$ –	\$ –	\$ 4,931

NTN Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

25. Segment Information (continued)

6. Amortization of goodwill and unamortized balance

Amortization of goodwill and unamortized balance by reporting segment for the years ended March 31, 2022 and 2021 is summarized as follows:

<i>Millions of yen</i>						
2022						
	<u>Japan</u>	<u>Americas</u>	<u>Europe</u>	<u>Asia and other areas</u>	<u>Adjustments</u>	<u>Total</u>
Amortization of goodwill	¥ 161	¥ –	¥ –	¥ –	¥ –	¥ 161
Unamortized balance of goodwill as of March 31, 2022	¥ 1,983	¥ –	¥ –	¥ –	¥ –	¥ 1,983
<i>Millions of yen</i>						
2021						
	<u>Japan</u>	<u>Americas</u>	<u>Europe</u>	<u>Asia and other areas</u>	<u>Adjustments</u>	<u>Total</u>
Amortization of goodwill	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –
Unamortized balance of goodwill as of March 31, 2021	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –
<i>Thousands of U.S. dollars</i>						
2022						
	<u>Japan</u>	<u>Americas</u>	<u>Europe</u>	<u>Asia and other areas</u>	<u>Adjustments</u>	<u>Total</u>
Amortization of goodwill	\$ 1,321	\$ –	\$ –	\$ –	\$ –	\$ 1,321
Unamortized balance of goodwill as of March 31, 2022	\$ 16,269	\$ –	\$ –	\$ –	\$ –	\$ 16,269

NTN Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

26. Business Combination

Business combination due to acquisition

The Company included Taira Forging Co., Ltd. which was an equity method affiliated company in the scope of consolidated company acquiring the additional shares on June 28 2021.

1. Outline of business combination

(1) Company name and business description of acquired company

Acquired company: Taira Forging Co., Ltd.

Business description: Manufacture and sales of forged rings

(2) Main reason for business combination

The aim of the acquisition is to expand the business by strengthening integrated bearing production system and competitiveness of bearing for industrial machineries in the Noto region and continuing and enhancing business of the oil casing pipe connectors and construction machineries parts utilizing forging technology of Taira Forging Co., Ltd.

(3) Date of the business combination

June 28, 2021

(4) Legal form of the business combination

Acquisition of shares in exchange for Cash

(5) Name of company after the business combination

No change.

(6) Percentage of acquired voting rights

Voting rights before business combination	46.67%
Voting rights acquired on the date of business combination	10.00%
Voting rights after business combination	56.67%

(7) Main reason for determining acquiring company

As a result of the acquisition of more than one half of the voting rights of the acquired company by acquiring the shares in exchange for cash.

NTN Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

26. Business Combination (continued)

Business combination due to acquisition (continued)

2. Period during which the financial results of the acquired company are included in the consolidated financial statements

From July 1, 2021 to March 31, 2022

3. Cost of acquisition of the acquired company and breakdown of the type of consideration

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	2022	2022
Fair value of shares owned just before the business combination on the date of business combination	¥ 4,900	\$ 40,202
Consideration for the additional acquisition of shares on the date of business combination	2,000	16,409
Total	¥ 6,900	\$ 56,611

4. Details and amount of primary acquisition-related expenses

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	2022	2022
Compensation to outside consulting firm	¥ 5	\$ 41

5. Difference between acquisition cost and total cost of individual transaction required for the acquisition

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	2022	2022
Gain on step acquisitions	¥ 228	\$ 1,871

6. Amount of goodwill recognized, reason of its recognition, and method and period of amortization

(1) Amount of goodwill recognized: ¥2,144 million (\$17,590 thousand)

In the first quarter of the current fiscal year, the allocation of the acquisition cost was not completed therefore the amount of goodwill was calculated provisionally but it was completed at the second quarter of the current fiscal year.

NTN Corporation and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

26. Business Combination (continued)

Business combination due to acquisition (continued)

6. Amount of goodwill recognized, reason of its recognition, and method and period of amortization (continued)

(2) Reason of its recognition

The acquisition cost of the acquired company exceeded the fair value of net assets of the acquired company at the date of the business combination, therefore the excess amount is recorded as goodwill.

(3) Method and period of amortization

Straight-line method over 10 years

7. Amounts of assets acquired and liabilities assumed and breakdown

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	2022	2022
Current assets	¥ 4,799	\$ 39,373
Fixed assets	6,989	57,341
Total assets	¥11,788	\$ 96,714
Current liabilities	¥ 1,421	\$ 11,659
Long-term liabilities	2,306	18,919
Total liabilities	¥ 3,727	\$ 30,578

8. Amount, description and amortization period for intangible assets other than goodwill

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>	Amortization period
	2022	2022	
Technology-related assets	¥ 1,043	\$ 8,557	10 years
Contract-related assets	628	5,152	12 years
Total	¥ 1,671	\$ 13,709	

9. Estimation and method of calculation of effect on Consolidated Statement of Operations assuming the acquisition was completed at the beginning of the current fiscal year

The estimated effect is not material therefore it is omitted.
This note information has not been audited.