

# ANNUAL REPORT 2019

FROM APRIL 1<sup>ST</sup>, 2018 TO MARCH 31<sup>ST</sup>, 2019



**NIPPON SEIKI**



**Review of Operations****● Instruments revenue**

Revenue of instruments for automobiles in Europe, Japan markets decreased while in Asia market increased. Instruments revenue for the year decreased by 0.1% to ¥206,237 million, from the previous fiscal year.

**● Components revenue**

Revenue decreased by 12.0% to ¥15,454 million from the previous fiscal year, mainly due to a increase in orders for control panels for PCB assemblies for amusement products and so on.

**● Automobile revenue**

Revenue of cars at our dealerships increased by 7.6% to ¥24,563 million from the previous fiscal year mainly due to a increase in orders for new cars.

**● Other businesses**

Revenue of other products and services totaled ¥16,983 million, 3.9% increase from the previous fiscal year, mainly due to an increase in orders of compound resins and so on.

**As a result**, the company's consolidated business operations for this fiscal year, ending March 31, 2019, resulted in revenue of ¥263,239 million, a increase of 0.0% from the previous fiscal year. At the same time, operating profit for the year increased by 0.7%, to ¥14,215 million, and profit attributable to owners of the parent increased by 4.2%, to ¥11,569 million, respectively.

**● Consolidated revenue by business segment**

|  | 2017<br>(Yen in millions) | 2018<br>(Yen in millions) | 2019<br>(Yen in millions) | Increase<br>(Decrease) |
|--|---------------------------|---------------------------|---------------------------|------------------------|
| Instruments for automobiles, motorcycles, agricultural / construction machines and boats | 195,990                   | 206,422                   | 206,237                   | (0.1%)                 |
| Components<br>( Consumer-use products)   | 11,398                    | 17,564                    | 15,454                    | (12.0%)                |
| Automobiles  | 21,435                    | 22,826                    | 24,563                    | 7.6%                   |
| Other businesses   | 17,142                    | 16,351                    | 16,983                    | 3.9%                   |
| Total  | 245,967                   | 263,163                   | 263,239                   | 0.0%                   |

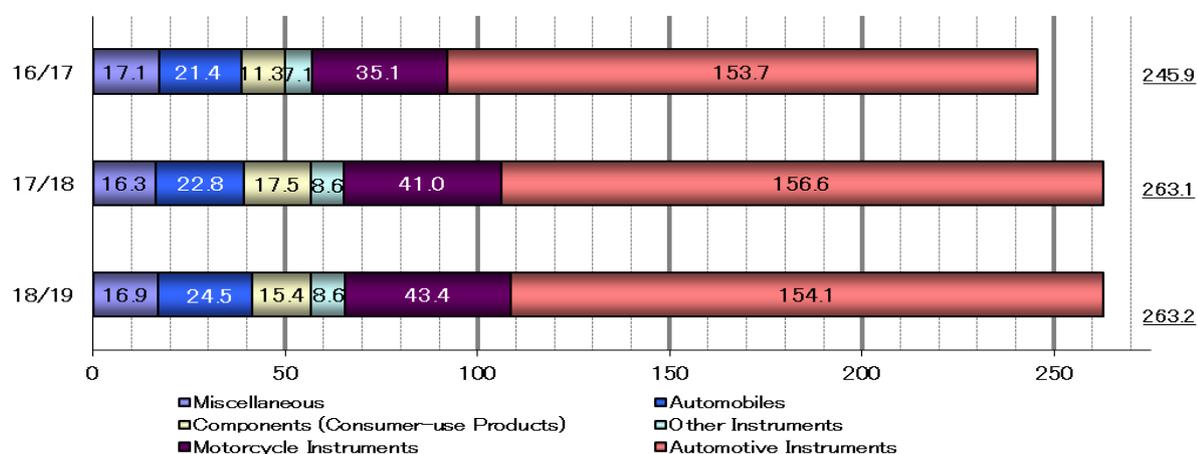
**Note:**

※ NIPPON SEIKI CO., LTD. changed business segment from “Consumer-use products” to “Components” from fiscal year ending March 31, 2019. However, in the above table, Components has been used since 2018 for the purpose of reference.

1. Consolidated Financial Highlights

1-1. Revenue

Yen in billions

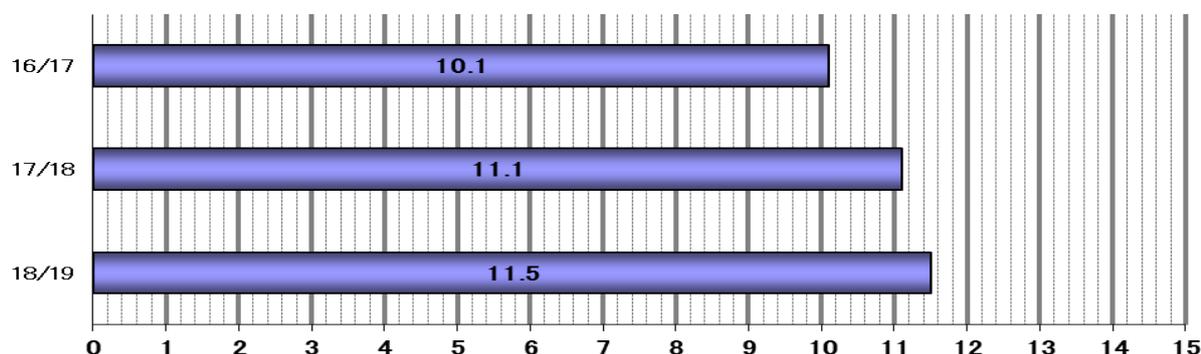


Note:

※ NIPPON SEIKI CO., LTD. changed business segment from “Consumer-use products” to “Components” from fiscal year ending March 31, 2019. However, in the above table, Components has been used since 2018 for the purpose of reference.

1-2. Consolidated Profit attributable to owners of the parent

Yen in billions



Consolidated revenue for the fiscal year ending March 31, 2019, increased by 0.0% to ¥263,239 million, operating profit increased by 0.7% to ¥14,215 million, and profit attributable to owners of the parent for the year increased by 4.2% to ¥11,569 million.

1-3. Consolidated Financial Highlights

|   | 2017     | 2018     | 2019     |
|---|----------|----------|----------|
| Revenue (Yen in millions)                                   | 245,967  | 263,163  | 263,239  |
| Operating profit (Yen in millions)                          | 15,172   | 14,109   | 14,215   |
| Profit attributable to owners of parent (Yen in millions)   | 10,164   | 11,105   | 11,569   |
| Basic profit per share ※                                    | 177.51   | 193.94   | 202.03   |
| Total assets (Yen in millions)                              | 293,279  | 298,132  | 307,665  |
| Total equity (Yen in millions)                              | 169,969  | 176,281  | 186,447  |
| Equity per share attributable to owners of the parent (Yen) | 2,873.05 | 2,975.34 | 3,142.61 |

Note:

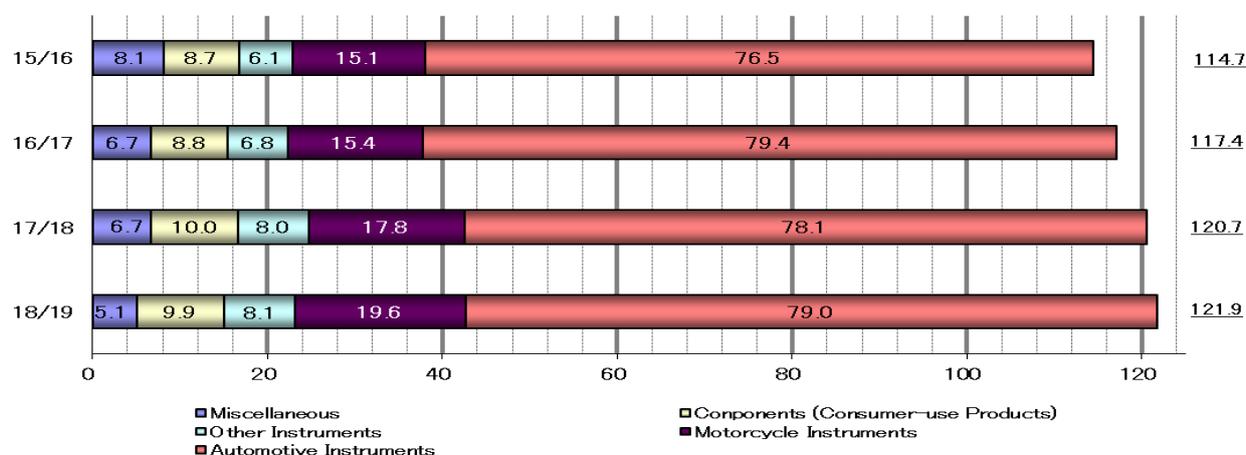
※ Basic profit per share is calculated by the weighted average number of shares of common stock outstanding during the year.

## 2. Non-Consolidated Financial Highlights

As of March 31, 2019

### 2-1. Non-Consolidated Sales

Yen in billions

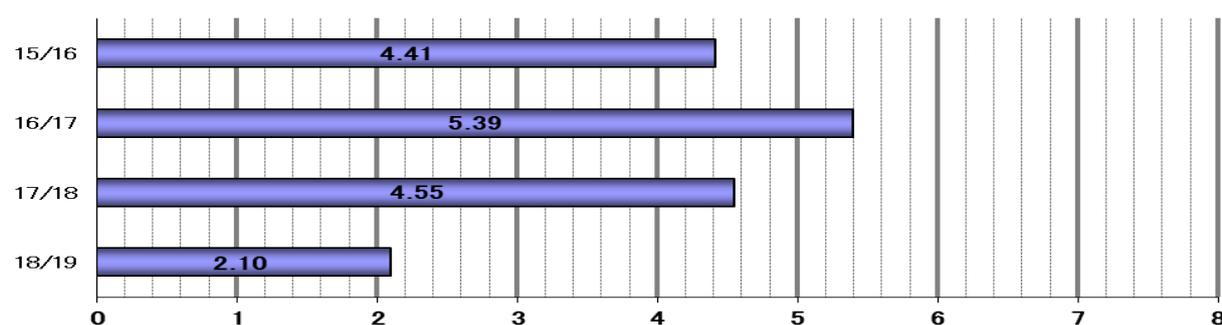


#### Note:

※ NIPPON SEIKI CO., LTD. changed business segment from “Consumer-use products” to “Components” from fiscal year ending March 31, 2019. However, in the above table, Components has been used since 2018 for the purpose of reference.

### 2-2. Non-Consolidated Profit for the year

Yen in billions



Non-Consolidated sales for the fiscal year ending March 31, 2019, increased by 1.0% to ¥121,937 million, ordinary income decreased by 7.9% to ¥6,014 million, and profit for the year decreased by 53.9% to ¥2,101 million.

### 2-3. Non-Consolidated Financial Highlights

|                                       | 2016    | 2017    | 2018    | 2019    |
|---------------------------------------|---------|---------|---------|---------|
| Sales (Yen in millions)               | 114,703 | 117,415 | 120,752 | 121,937 |
| Ordinary income (Yen in millions)     | 5,485   | 10,266  | 6,530   | 6,014   |
| Profit for the year (Yen in millions) | 4,414   | 5,392   | 4,558   | 2,101   |
| Earnings per share (Yen) ※            | 77.09   | 94.18   | 79.60   | 36.69   |
| Dividend per share (Yen)              | 35.00   | 35.00   | 42.00   | 45.00   |
| Total assets (Yen in millions)        | 197,879 | 205,595 | 202,863 | 203,580 |
| Net assets (Yen in millions)          | 85,788  | 90,439  | 94,055  | 91,284  |
| Common stock (Yen in millions)        | 14,494  | 14,494  | 14,494  | 14,494  |
| Equity ratio (%)                      | 43.3    | 43.9    | 46.3    | 44.7    |

#### Note:

※ Earnings per share is calculated by the weighted average number of shares of common stock outstanding during the year.

### III. FINANCIAL SECTION — Unaudited English translation from original Japanese-language statements

#### Financial Summary

| Accounting standards  | IFRS (International Financial Reporting Standards) |                |                |                |
|---|--|----------------|----------------|----------------|
|   | April 1, 2016<br>(Transition date)                 | March 31, 2017 | March 31, 2018 | March 31, 2019 |
| Fiscal year end   |  |                |                |                |
| Revenue<br>(Millions of yen)  | —  | 245,967        | 263,163        | 263,239        |
| Profit before tax<br>(Millions of yen)                                      | —  | 15,356         | 15,854         | 16,291         |
| Profit attributable to owners of the parent<br>(Millions of yen)            | —  | 10,164         | 11,105         | 11,569         |
| Comprehensive income attributable to owners of the parent (Millions of yen) | —  | 10,341         | 7,938          | 12,144         |
| Equity attributable to owners of the parent<br>(Millions of yen)            | 156,649  | 164,500        | 170,381        | 179,969        |
| Total assets<br>(Millions of yen)   | 296,127  | 293,279        | 298,132        | 307,665        |
| Equity per share attributable to owners of the parent (Yen)                 | 2,735.44   | 2,873.05       | 2,975.34       | 3,142.61       |
| Basic profit per share<br>(Yen)   | —  | 177.51         | 193.94         | 202.03         |
| Diluted profit per share<br>(Yen)   | —  | 177.27         | 193.67         | 201.74         |
| Equity attributable to owners of the parent ratio<br>(%)                    | 52.90  | 56.09          | 57.15          | 58.50          |
| Return on equity attributable to owners of the parent<br>(%)                | —  | 6.33           | 6.63           | 6.60           |
| Price-to-earnings ratio<br>(Times)  | —  | 13.49          | 9.96           | 8.86           |
| Net cash provided by operating activities<br>(Millions of yen)              | —  | 16,504         | 22,522         | 16,815         |
| Net cash used in investing activities<br>(Millions of yen)                  | —  | (2,476)        | (13,263)       | (16,085)       |
| Net cash used in financing activities<br>(Millions of yen)                  | —  | (16,388)       | (4,461)        | (1,314)        |
| Cash and cash equivalents at end of year<br>(Millions of yen)               | 41,548   | 38,212         | 42,637         | 42,128         |
| Number of employees   | 13,284   | 13,912         | 13,927         | 14,663         |

(Note)

1. NIPPON SEIKI CO., LTD. and its subsidiaries in Japan and overseas have adopted International Financial Reporting Standards ("IFRS") and prepared the consolidated financial statements from the fiscal year ending March 31, 2018.
2. Consumption tax and other taxes are not included in revenue.

## 1 【Consolidated Financial Statements】

### (1) 【Consolidated Statement of Financial Position】

|   | Notes | March 31,2018 | March 31,2019 |
|---|-------|---------------|---------------|
| Assets                                  |       |               |               |
| Current assets                          |       |               |               |
| Cash and cash equivalents               | 7,27  | 42,637        | 42,128        |
| Trade and other current receivables     | 8,27  | 50,542        | 48,038        |
| Other current financial assets          | 9,27  | 62,212        | 68,113        |
| Inventories                             | 10    | 40,674        | 46,475        |
| Other current assets                    |       | 5,957         | 6,575         |
| Total current assets                    |       | 202,024       | 211,331       |
| Non-current assets                      |       |               |               |
| Property, plant and equipment           | 11,13 | 61,459        | 63,228        |
| Goodwill and intangible assets          | 12,13 | 5,229         | 7,010         |
| Trade and other non-current receivables | 8,27  | 16            | 170           |
| Other non-current financial assets      | 9,27  | 25,294        | 21,965        |
| Deferred tax assets                     | 14    | 3,078         | 2,922         |
| Other non-current assets                |       | 1,028         | 1,036         |
| Total non-current assets                |       | 96,108        | 96,334        |
| Total assets                            |       | 298,132       | 307,665       |

|  | Notes   | March 31,2018  | March 31,2019  |
|--|---------|----------------|----------------|
| <b>Liabilities and equity</b>                      |         |                |                |
| <b>Liabilities</b>                                 |         |                |                |
| <b>Current liabilities</b>                         |         |                |                |
| Trade and other current payables                   | 15,27   | 44,583         | 42,837         |
| Short-term loans                                   | 16,27   | 46,815         | 48,261         |
| Other current financial liabilities                | 9,27,28 | 123            | 197            |
| Income tax payables                                |         | 1,904          | 1,966          |
| Short-term employee benefits                       | 18      | 4,356          | 4,706          |
| Provisions   | 17      | 3,036          | 2,874          |
| Other current liabilities                          |         | 1,128          | 1,226          |
| <b>Total current liabilities</b>                   |         | <b>101,948</b> | <b>102,070</b> |
| <b>Non-current liabilities</b>                     |         |                |                |
| Long-term loans                                    | 16,27   | 13,116         | 13,111         |
| Other non-current financial liabilities            | 9,27,28 | 319            | 578            |
| Long-term employee benefits                        | 18      | 3,388          | 3,402          |
| Provisions   | 17      | 68             | 70             |
| Deferred tax liabilities                           | 14      | 2,595          | 1,563          |
| Other non-current liabilities                      |         | 415            | 421            |
| <b>Total non-current liabilities</b>               |         | <b>19,903</b>  | <b>19,147</b>  |
| <b>Total liabilities</b>                           |         | <b>121,851</b> | <b>121,217</b> |
| <b>Equity</b>                                      |         |                |                |
| Common stock                                       |         | 14,494         | 14,494         |
| Capital surplus                                    |         | 6,054          | 6,068          |
| Retained earnings                                  |         | 153,117        | 162,106        |
| Treasury stock                                     |         | (6,325)        | (6,320)        |
| Other components of equity                         |         | 3,040          | 3,620          |
| <b>Equity attributable to owners of the parent</b> |         | <b>170,381</b> | <b>179,969</b> |
| Non-controlling interests                          |         | 5,899          | 6,478          |
| <b>Total equity</b>                                |         | <b>176,281</b> | <b>186,447</b> |
| <b>Total liabilities and equity</b>                |         | <b>298,132</b> | <b>307,665</b> |

## (2) 【Consolidated Statement of Income】

(Unit: Millions of yen)

|  | Notes | Year ended March 31,2018 | Year ended March 31,2019 |
|--|-------|--------------------------|--------------------------|
| Revenue  | 21    | 263,163                  | 263,239                  |
| Cost of revenue  |       | (217,924)                | (217,644)                |
| Gross profit   |       | 45,239                   | 45,594                   |
| Selling, general and administrative expenses             | 22    | (30,380)                 | (31,832)                 |
| Other income   | 23    | 818                      | 1,099                    |
| Other expenses   | 23    | (1,567)                  | (646)                    |
| Operating profit   |       | 14,109                   | 14,215                   |
| Finance income   | 24    | 2,392                    | 2,654                    |
| Finance costs  | 24    | (648)                    | (579)                    |
| Profit before tax  |       | 15,854                   | 16,291                   |
| Income tax expense                                       | 14    | (3,801)                  | (3,869)                  |
| Profit for the year                                      |       | 12,052                   | 12,421                   |
| Profit attributable to:                                  |       |                          |                          |
| Owners of the parent                                     |       | 11,105                   | 11,569                   |
| Non-controlling interests                                |       | 947                      | 852                      |
| Profit for the year                                      |       | 12,052                   | 12,421                   |
| Earnings per share attributable to owners of the parent: |       |                          |                          |
| Basic earnings per share(Yen)                            | 25    | 193.94                   | 202.03                   |
| Diluted earnings per share(Yen)                          | 25    | 193.67                   | 201.74                   |

**(3) [Consolidated Statement of Comprehensive Income]**

(Unit: Millions of yen)

|   | Notes | Year ended March 31,2018 | Year ended March 31,2019 |
|---|-------|--------------------------|--------------------------|
| Profit for the year   |       | 12,052                   | 12,421                   |
| Other comprehensive income  |       |                          |                          |
| Items that will not be reclassified to profit or loss, net of tax:                            |       |                          |                          |
| Gains(losses) on financial assets measured at fair value through other comprehensive income   |       | —                        | (2,330)                  |
| Remeasurements of net defined benefit liabilities/assets                                      | 26    | (34)                     | 30                       |
| Total comprehensive income (loss) that will not be reclassified to profit or loss, net of tax |       | (34)                     | (2,300)                  |
| Items that may be reclassified to profit or loss, net of tax:                                 |       |                          |                          |
| Changes in fair value measurements of available-for-sale financial assets                     | 26    | 1,290                    | —                        |
| Foreign currency translation adjustments  | 26    | (4,598)                  | 2,874                    |
| Total comprehensive income (loss) that may be reclassified to profit or loss, net of tax      |       | (3,307)                  | 2,874                    |
| Other comprehensive income (loss) for the year  | 26    | (3,341)                  | 574                      |
| Total comprehensive income for the year   |       | 8,710                    | 12,996                   |
| Comprehensive income attributable to:   |       |                          |                          |
| Owners of the parent  |       | 7,938                    | 12,144                   |
| Non-controlling interests   |       | 771                      | 851                      |
| Comprehensive income for the year   |       | 8,710                    | 12,996                   |

#### (4) [Consolidated Statement of Changes in Equity]

For the year ended March 31, 2018

(Unit: Millions of yen)

|   | Notes | Equity attributable to owners of the parent |                 |                   |                |  |  |
|---|-------|---|-----------------|-------------------|----------------|--|--|
|   |       | Common stock                                | Capital surplus | Retained earnings | Treasury stock | Other components of equity   |  |
|   |       |   |                 |                   |                | Gains (losses) on financial assets measured at fair value through other comprehensive income | Remeasurements of net defined benefit liabilities (assets) |
| As of April 1, 2017   |       | 14,494                                      | 6,110           | 144,068           | (6,336)        | 7,396  | —  |
| Comprehensive income  |       |   |                 |                   |                |  |  |
| Profit for the year   |       | —   | —               | 11,105            | —              | —  | —  |
| Other comprehensive income (loss)                             |       | —   | —               | —                 | —              | 1,290  | (42)   |
| Total comprehensive income (loss)                             |       | —   | —               | 11,105            | —              | 1,290  | (42)   |
| Transactions with owners                                      |       |   |                 |                   |                |  |  |
| Dividends paid  | 20    | —   | —               | (2,004)           | —              | —  | —  |
| Share-based payment transactions                              | 31    | —   | 18              | —                 | —              | —  | —  |
| Purchase of treasury stock                                    |       | —   | —               | —                 | (9)            | —  | —  |
| Disposal of treasury stock                                    |       | —   | (20)            | —                 | 21             | —  | —  |
| Acquisitions of non-controlling interests                     |       | —   | (54)            | —                 | —              | —  | —  |
| Transfer from other components of equity to retained earnings |       | —   | —               | (42)              | —              | —  | 42   |
| Other   |       | —   | —               | (9)               | —              | —  | —  |
| Total transactions with owners                                |       | —   | (55)            | (2,056)           | 11             | —  | 42   |
| As of March 31, 2018  |       | 14,494                                      | 6,054           | 153,117           | (6,325)        | 8,687  | —  |

|   | Notes | Equity attributable to owners of the parent |         |   | Non-controlling interests | Total equity |
|---|-------|---|---------|---|---------------------------|--------------|
|   |       | Other components of equity                  |         | Total equity attributable to owners of the parent |                           |              |
|   |       | Foreign currency translation adjustments    | Total   |   |                           |              |
| As of April 1, 2017   |       | (1,231)                                     | 6,164   | 164,500   | 5,468                     | 169,969      |
| Comprehensive income  |       |   |         |   |                           |              |
| Profit for the year   |       | —   | —       | 11,105  | 947                       | 12,052       |
| Other comprehensive income (loss)                             |       | (4,415)                                     | (3,166) | (3,166)   | (175)                     | (3,341)      |
| Total comprehensive income (loss)                             |       | (4,415)                                     | (3,166) | 7,938   | 772                       | 8,710        |
| Transactions with owners                                      |       |   |         |   |                           |              |
| Dividends paid  | 20    | —   | —       | (2,004)   | (233)                     | (2,237)      |
| Share-based payment transactions                              | 31    | —   | —       | 18  | —                         | 18           |
| Purchase of treasury stock                                    |       | —   | —       | (9)   | —                         | (9)          |
| Disposal of treasury stock                                    |       | —   | —       | 1   | —                         | 1            |
| Acquisitions of non-controlling interests                     |       | —   | —       | (54)  | (106)                     | (160)        |
| Transfer from other components of equity to retained earnings |       | —   | 42      | —   | —                         | —            |
| Other   |       | —   | —       | (9)   | —                         | (9)          |
| Total transactions with owners                                |       | —   | 42      | (2,057)   | (340)                     | (2,398)      |
| As of March 31, 2018  |       | (5,646)                                     | 3,040   | 170,381   | 5,899                     | 176,281      |

For the year ended March 31, 2019

(Unit: Millions of yen)

|   | Notes | Equity attributable to owners of the parent |                 |                   |                |  |  |
|---|-------|---|-----------------|-------------------|----------------|--|--|
|   |       | Common stock                                | Capital surplus | Retained earnings | Treasury stock | Other components of equity   |  |
|   |       |   |                 |                   |                | Gains (losses) on financial assets measured at fair value through other comprehensive income | Remeasurements of net defined benefit liabilities (assets) |
| As of April 1, 2018   |       | 14,494                                      | 6,054           | 153,117           | (6,325)        | 8,687  | —  |
| Comprehensive income  |       |   |                 |                   |                |  |  |
| Profit for the year   |       | —   | —               | 11,569            | —              | —  | —  |
| Other comprehensive income (loss)                             |       | —   | —               | —                 | —              | (2,330)  | 2  |
| Total comprehensive income (loss)                             |       | —   | —               | 11,569            | —              | (2,330)  | 2  |
| Transactions with owners                                      |       |   |                 |                   |                |  |  |
| Dividends paid  | 20    | —   | —               | (2,576)           | —              | —  | —  |
| Share-based payment transactions                              | 31    | —   | 18              | —                 | —              | —  | —  |
| Purchase of treasury stock                                    |       | —   | —               | —                 | (0)            | —  | —  |
| Disposal of treasury stock                                    |       | —   | (5)             | —                 | 5              | —  | —  |
| Acquisitions of non-controlling interests                     |       | —   | —               | —                 | —              | —  | —  |
| Transfer from other components of equity to retained earnings |       | —   | —               | (5)               | —              | 8  | (2)  |
| Other   |       | —   | —               | 1                 | —              | —  | —  |
| Total transactions with owners                                |       | —   | 13              | (2,580)           | 4              | 8  | (2)  |
| As of March 31, 2019  |       | 14,494                                      | 6,068           | 162,106           | (6,320)        | 6,364  | —  |

|   | Notes | Equity attributable to owners of the parent |       |   | Non-controlling interests | Total equity |
|---|-------|---|-------|---|---------------------------|--------------|
|   |       | Other components of equity                  |       | Total equity attributable to owners of the parent |                           |              |
|   |       | Foreign currency translation adjustments    | Total |   |                           |              |
| As of April 1, 2018   |       | (5,646)                                     | 3,040 | 170,381   | 5,899                     | 176,281      |
| Comprehensive income  |       |   |       |   |                           |              |
| Profit for the year   |       | —   | —     | 11,569  | 852                       | 12,421       |
| Other comprehensive income (loss)                             |       | 2,902                                       | 574   | 574   | (0)                       | 574          |
| Total comprehensive income (loss)                             |       | 2,902                                       | 574   | 12,144  | 851                       | 12,996       |
| Transactions with owners                                      |       |   |       |   |                           |              |
| Dividends paid  | 20    | —   | —     | (2,576)   | (274)                     | (2,851)      |
| Share-based payment transactions                              | 31    | —   | —     | 18  | —                         | 18           |
| Purchase of treasury stock                                    |       | —   | —     | (0)   | —                         | (0)          |
| Disposal of treasury stock                                    |       | —   | —     | 0   | —                         | 0            |
| Acquisitions of non-controlling interests                     |       | —   | —     | —   | —                         | —            |
| Transfer from other components of equity to retained earnings |       | —   | 5     | —   | —                         | —            |
| Other   |       | —   | —     | 1   | 1                         | 3            |
| Total transactions with owners                                |       | —   | 5     | (2,556)   | (272)                     | (2,829)      |
| As of March 31, 2019  |       | (2,744)                                     | 3,620 | 179,969   | 6,478                     | 186,447      |

**(5) [Consolidated Statement of Cash Flows]**

(Unit: Millions of yen)

|   | Notes | Year ended March 31,2018 | Year ended March 31,2019 |
|---|-------|--------------------------|--------------------------|
| Cash flows from operating activities:   |       |                          |                          |
| Profit before tax   |       | 15,854                   | 16,291                   |
| Depreciation and amortization   |       | 9,142                    | 9,101                    |
| Impairment loss   |       | 53                       | 327                      |
| Interest and dividends income   |       | (2,392)                  | (2,654)                  |
| Interest expense  |       | 186                      | 224                      |
| (Gain) loss on sale of property,<br>plant and equipment   |       | 113                      | 29                       |
| (Increase) decrease in trade and other<br>Receivables   |       | (895)                    | 1,934                    |
| (Increase) decrease in inventories  |       | 3,564                    | (5,684)                  |
| Increase(decrease) in trade and other<br>Payables   |       | (257)                    | (1,060)                  |
| Increase (decrease) in provisions   |       | (1,146)                  | (162)                    |
| Increase (decrease) in retirement<br>benefit liabilities  |       | 250                      | 0                        |
| Foreign exchange losses(gains)  |       | (374)                    | 431                      |
| Other, net  |       | 880                      | (217)                    |
| Subtotal  |       | <u>24,979</u>            | <u>18,559</u>            |
| Interest and dividends received   |       | 2,234                    | 2,672                    |
| Interest paid   |       | (244)                    | (226)                    |
| Income taxes paid   |       | (4,002)                  | (3,303)                  |
| Other, net  |       | (444)                    | (885)                    |
| Net cash provided by operating activities   |       | <u>22,522</u>            | <u>16,815</u>            |
| Cash flows from investing activities:   |       |                          |                          |
| (Increase)decrease in time deposits, net  |       | (812)                    | (3,397)                  |
| Purchase of property, plant and<br>equipment and intangible assets  |       | (13,017)                 | (13,121)                 |
| Proceeds from sale of property, plant<br>and equipment and intangible assets  |       | 359                      | 431                      |
| Purchase of investment securities   |       | (66)                     | (79)                     |
| Proceeds from sale of investment<br>Securities  |       | 0                        | 7                        |
| Increase in loans receivable  |       | (5)                      | (11)                     |
| Collection of loans   |       | 281                      | 8                        |
| Other, net  |       | (2)                      | 78                       |
| Net cash used in investing activities   |       | <u>(13,263)</u>          | <u>(16,085)</u>          |
| Cash flows from financing activities:   |       |                          |                          |
| (Decrease) increase in short-term loans,<br>Net   |       | (7,535)                  | 1,948                    |
| Proceeds from long-term loans   |       | 10,000                   | 4,000                    |
| Repayments of long-term loans   |       | (4,400)                  | (4,450)                  |
| Repayments of lease obligations   |       | (118)                    | (123)                    |
| Dividends paid to non-controlling interests   |       | (244)                    | (112)                    |
| Net decrease (increase) in treasury stock   |       | (45)                     | 0                        |
| Dividends paid to owners of the parent  | 20    | (2,004)                  | (2,575)                  |
| Payments from changes in ownership<br>interests in subsidiaries that do not result<br>in change in scope of consolidation |       | (113)                    | —                        |
| Net cash used in financing activities   |       | <u>(4,461)</u>           | <u>(1,314)</u>           |
| Foreign currency translation adjustments<br>on cash and cash equivalents  |       | (373)                    | 76                       |
| Net increase (decrease) in cash and<br>cash equivalents   |       | <u>4,424</u>             | <u>(508)</u>             |
| Cash and cash equivalents at<br>beginning of year   | 7     | <u>38,212</u>            | <u>42,637</u>            |
| Cash and cash equivalents at end of year  | 7     | <u>42,637</u>            | <u>42,128</u>            |

## [Notes to Consolidated Financial Statements]

### 1. Reporting Entity

Nippon Seiki Co., Ltd. (hereinafter the “Company”) is a company incorporated in Japan. The consolidated financial statements for the fiscal year ended March 31, 2019 consist of the financial statements of the Company and its consolidated subsidiaries (hereinafter the “Group”).

The Group’s primary businesses are business of instruments for automobiles, motorcycles, agricultural / construction machines, boats, business of component and business of automobile sales.

### 2. Basis of Preparation

#### (1) Compliance with IFRS

The consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards (hereinafter “IFRS”) promulgated by the International Accounting Standards Board. Since the Company meets all requirements of a “specified company applying designated International Financial Reporting Standards” stipulated in Article 1-2 of the “Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Ordinance of the Ministry of Finance No. 28 of 1976), the Company prepares the consolidated financial statements in accordance with IFRS under the provisions of Article 93 of said Ordinance.

The issue of consolidated financial statements were approved by Morito Sato, President of the Company on June 25, 2019.

#### (2) Basis of measurement

As stated in Note “3. Significant Accounting Policies,” the consolidated financial statements of the Group have been prepared on a historical cost basis except for certain assets and liabilities, such as financial instruments measured at fair value.

#### (3) Functional and presentation currency

The consolidated financial statements of the Group are presented in Japanese yen which is the Company’s functional currency. The units are in millions of yen and figures less than one million yen are rounded down to the nearest million yen.

#### (4) Changes in accounting policies

The Group has mainly adopted the following standards in the fiscal year ended March, 2019.

| Standard | Title                                 | Outline of new and amended standards  |
|----------|---------------------------------------|---|
| IFRS 9   | Financial Instruments                 | Change in classification, measurement, and recognition of financial instruments, etc. |
| IFRS 15  | Revenue from Contracts with Customers | Comprehensive framework for revenue recognition                                       |

The changes and effects on the consolidated financial statements are as follows:

#### (IFRS 9 “Financial Instruments”)

The Group has implemented IFRS 9 “Financial Instruments” revised in July, 2014(hereinafter the “IFRS 9”) in the fiscal year ended March, 2019. The new standard replaces IAS 39 “Financial Instruments: Recognition and Measurement”.

This standard includes changes in clarification of financial instruments, changes in recognition method of gains and losses related to subsequent measurement of financial instruments, application of an expected loss model in which a loss allowance is measured by considering probability of credit losses (impairment losses) using multiple scenarios based on future expectations in measurement of receivables, simplification of requirements for assessing hedge effectiveness in general hedge accounting and changes in recognition method of cost of hedging.

Equity instruments, which were previously classified as available-for-sale under IAS 39, are classified as financial assets measured at fair value through other comprehensive income.

Debt instruments are classified as financial assets measured at amortized cost if both of the following conditions are met:

- (a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that are not measured at amortized cost are classified as financial assets measured at fair value. The group

applies transition provisions that permit not to restate prior consolidated statements in changes of the clarification and the measurement.

Changes in the fair value of equity instruments measured at fair value through other comprehensive income are recognized in other comprehensive income and the cumulative amount of other comprehensive income is transferred to retained earnings when the instruments are derecognized.

On April 1, 2018, the Group changed the methodology of assessing impairment of its financial assets from the incurred loss model stipulated in IAS 39 to the expected credit loss model stipulated in IFRS 9.

A loss allowance for lifetime expected credit losses is recognized for trade receivables that do not contain a significant financing component, even the credit risk has not increased significantly since initial recognition.

In accordance with the transitional provisions of IFRS 9, the Group has not restated prior consolidated financial statements but it has reassessed a loss allowance based on the expected credit loss model.

In accordance with the application of this standard, prior consolidated financial statements have not been restated because the Group adopted the transitional provisions which permit recognition of the cumulative effects at transition date. There is no material effect on the Group's consolidated financial statements by the application of this standard.

(IFRS 15 "Revenue from Contracts with Customers")

The Group has implemented IFRS 15 "Revenue from Contracts with Customers" issued in May, 2014 and "Clarifications to IFRS 15" issued in April, 2016 (hereinafter the "IFRS 15" collectively) in the fiscal year ended March, 2019. The new standard replaces IAS 18 "Revenue", IAS 11 "Construction Contracts" and relevant application guidance.

In accordance with application of IFRS15, the Group recognizes revenue based on the following five-step approach except for interest and dividends within the scope of IFRS 9 "Financial Instruments" and lease income within the scope of IAS 17 "Leases", etc.;

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 performance obligations in the contract

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

The Group's primary operations are manufacture and sale of products in business of instruments for automobiles, motorcycles, agricultural / construction machines, boats, business of component and sale of automobiles in business of automobile sales.

For sale of products, revenue is recognized when products are transferred to customers because control is passed to customers at a point in time of transfer and a performance obligation is satisfied. For sale of automobiles, revenue is recognized when automobiles are transferred to customers. Revenue is measured at the amount of consideration contracted with customers excluding discounts, rebates, and refunds, etc.

In accordance with the application of this standard, prior consolidated financial statements have not been restated because the Group adopted the transitional provisions that permit recognition of the cumulative effects at transition date. There is no material effect on the Group's consolidated financial statements by the application of this standard.

### **3. Significant Accounting Policies**

The following accounting policies are applied to all fiscal periods stated in the consolidated financial statements.

#### **(1) Basis of consolidation**

Subsidiaries are entities that are controlled by the Group. Control means that the Company has exposure or rights to variable returns from its involvement with any investee and has the ability to affect those returns through its power over the investee.

The financial statements of subsidiaries are included in the scope of consolidation from the date when control is obtained by the Group until the date when it is lost.

When the accounting policies adopted by subsidiaries differ from those adopted by the Company, the financial statements of the relevant subsidiaries are adjusted, when necessary. Intra-group balances of receivables and payables, intra-group transactions, and unrealized gains and losses arising from intra-group transactions are eliminated in preparing consolidated financial statements.

Non-controlling interests in subsidiaries are recognized separately from the Group's interests. Comprehensive income for subsidiaries is allocated to the equity attributable to owners of the parent company and non-controlling interests even if the non-controlling interests result in a deficit balance.

## (2) Business combinations

Business combinations are accounted for using the acquisition method. Consideration of acquisition in a business combination is measured as the sum of the fair value on the acquisition date of the assets transferred, the liabilities assumed, and equity instruments issued by the Company in exchange for control over an acquiree. If the consideration of acquisition exceeds the fair value of identifiable assets and liabilities, the excess is recorded as goodwill. However, if the consideration of acquisition is lower than the fair value of the identifiable assets and liabilities, the difference is recognized in profit or loss.

Changes in the ownership interests in subsidiaries without a loss of control are accounted for as equity transactions.

## (3) Foreign currency translation

### 1) Foreign currency transactions

Each company of the Group defines its own functional currency as the currency of the primary economic environment in which it operates, and measures transactions using its functional currency.

When each company prepares its standalone financial statements, transactions in currencies other than the functional currency are translated using the exchange rate prevailing at the date of the transactions or an exchange rate that approximates thereto.

Monetary assets and liabilities denominated in foreign currencies at the fiscal year-end are translated at the exchange rate prevailing at the fiscal year-end.

Exchange differences arising from settlement or translation of accounts are basically recognized in profit or loss.

### 2) Financial statements of foreign operations

Assets and liabilities of foreign operations are translated into Japanese yen using the exchange rate at the fiscal year-end, and income and expenses are translated at the average exchange rate for the fiscal year. However, if such an average exchange rate is not considered as a reasonable approximation of the cumulative effect of the exchange rates at the transaction dates, the exchange rates at the transaction dates are used. Translation differences arising from the translation of financial statements of foreign operations are recognized in other comprehensive income. If control of foreign operations is lost, cumulative translation differences of foreign operations are recognized in profit or loss in the period of disposal.

## (4) Financial instruments

### 1) Financial assets

#### (i) Initial recognition and measurement

The Group divides all financial assets into three classifications - those measured at fair value through profit or loss, those measured at fair value through other comprehensive income and those measured at amortized cost. This classification is designated at initial recognition.

At initial recognition, all financial assets are measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

A financial asset are measured at amortized cost if both of the following conditions are met:

- (a) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at fair value unless it is measured at amortized cost.

An equity instrument that is not held for trading elected to present subsequent changes in the fair value in other comprehensive income at initial recognition is classified as a financial asset measured at fair value through other comprehensive income and other financial assets measured at fair value are measured at fair value through profit or loss.

(ii) Subsequent measurement

After initial recognition, a financial asset is measured by classification as follows:

- (a) A financial asset at amortized cost is measured at amortized cost using the effective interest method.
- (b) A financial asset at fair value through profit or loss and at fair value through other comprehensive income are measured at fair value after initial recognition and value changes are recognized in profit or loss and other comprehensive income respectively. For financial assets measured at fair value through other comprehensive income, amounts recognized in other comprehensive income are not subsequently transferred to profit or loss. However, dividends from a financial asset at fair value through other comprehensive income are recognized in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

Value changes of the fair value in a financial asset measured at fair value through other comprehensive income that are recognized in other comprehensive income are presented in other components of equity in consolidated statement of financial position. Upon derecognition, amounts in other comprehensive income are reclassified to retained earnings.

(iii) Impairment of financial assets

Expected credit losses are recognized through a loss allowance in financial assets measured at amortized cost. At every reporting date, the group assesses whether the credit risk on that financial instrument has increased significantly since initial recognition or not.

A loss allowance at an amount equal to the 12-month expected credit losses is recognized if the credit risk of that financial instrument has not increased significantly since initial recognition. A loss allowance at an amount equal to full lifetime expected credit losses is recognized if the credit risk of that financial instrument has increased significantly since initial recognition.

A loss allowance at an amount equal to full lifetime expected credit losses is recognized to trade and other receivables that are not contained a significant financing component.

If the amount of an impairment loss decreased by an event occurred after recognition of the impairment, the impairment loss recognized in the past is reversed and recognized in profit and loss.

(iv) Derecognition

The Group derecognizes financial assets only when contractual rights to the cash flows from the financial assets are extinguished, or when the Group transfers substantially all of the risks and economic value incidental to ownership of the financial assets.

2) Financial liabilities

(i) Initial recognition and measurement

The Group divides financial liabilities into two classifications - those measured at fair value through profit or loss and those measured at amortized cost. This classification is designated at initial recognition.

All financial liabilities are measured at fair value at initial recognition and transaction costs directly attributable to the issuance of financial liabilities, other than financial liabilities measured at fair value through profit or loss, are deducted from the fair value of the financial liabilities.

(ii) Subsequent measurement

After initial recognition, a financial liability is measured by classification as follows:

- (a) Financial liabilities at fair value through profit or loss are measured at fair value after initial recognition, and any gain or loss arising from remeasurement is recognized in profit or loss.
- (b) Financial liabilities at amortized cost are measured at amortized cost mainly using the effective interest method after initial recognition.

A gain or loss from extinguishment of amortization by effective interest method and derecognition of financial liabilities is recognized in profit or loss.

(iii) Derecognition

The Group derecognizes financial liabilities only when they are extinguished, i.e. when obligations specified in the contract

are discharged, cancelled, or expired. When a financial liability is derecognized, the difference between the carrying amount of the financial liability and the consideration paid or to be paid is recognized in profit or loss.

### 3) Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position, if there is a currently enforceable legal right to offset the recognized amounts and if there is an intention of settlement on a net basis, or of simultaneous realization of the assets and settlement of the liabilities.

### 4) Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date when the derivative contract is entered into and are subsequently remeasured at fair value.

Any gains or losses arising from changes in the fair value of derivatives are recognized directly to profit or loss except for those that qualify for hedge accounting.

The Group uses derivative financial instruments, such as forward currency contracts, options and interest rate swaps, to hedge foreign currency risk and interest rate risk.

At the inception of the hedge, the Group formally designates and documents the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge.

The Group doesn't have any hedged item that meets requirements of hedge accounting.

### (5) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments that are readily convertible and subject to an insignificant risk of changes in value and are due within three months from the date of acquisition.

### (6) Inventories

Inventories are measured at the lower of cost or net realizable value. The costs of inventories are determined based on the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale.

### (7) Property, plant and equipment

Property, plant and equipment are measured at cost less any accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes costs directly attributable to the acquisition, and restoration costs, etc. Depreciation of each item of property, plant and equipment, other than land and construction in progress, is recorded using the straight-line method over the estimated useful life of each item.

The main estimated useful lives are as follows:

- Buildings and structures 2 to 60 years
- Machinery, equipment and vehicles 2 to 15 years
- Tools, fixture and fixtures 2 to 25 years

The estimated useful lives, residual value, and depreciation method are reviewed every fiscal year and revised if necessary.

### (8) Intangible assets

#### 1) Software

Software for internal use is measured at cost at initial recognition. Internal and external expenses incurred at the preparation stage are recorded as expenses when they are incurred, and internal and external expenses incurred at the development stage are recorded in intangible assets.

Expenses incurred after the introduction of the software, such as maintenance expenditure, are recorded as expenses when they are incurred. Amortization is recorded using the straight-line method over the estimated useful life (mainly 5 years).

The estimated useful lives and amortization method are reviewed every fiscal year and revised if necessary.

## 2) Development cost

Expenditures arising from research activities to obtain new scientific or technical knowledge are recorded as expenses when incurred.

Expenditures arising from development activities are recorded as intangible assets, only when all of the following conditions are met:

- (a) The Group has the technical feasibility of completing the intangible asset so that it will be available for use or sale.
- (b) The Group has its intention to use or sell the intangible asset.
- (c) The Group has its ability to use or sell the intangible asset.
- (d) Intangible asset will generate probable future economic benefits.
- (e) The Group has the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- (f) The Group has its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Amortization is recorded using the straight-line method over the estimated useful life (5 years). The estimated useful lives and amortization method are reviewed every fiscal year and revised if necessary.

## (9) Leases

Leases are classified as finance leases (lessee) when all the risks and rewards of ownership of an asset in an arrangement are substantially transferred to the Group, and all leases other than finance leases are classified as operating leases (lessee). Leased assets under finance lease transactions (lessee) are initially recognized at the lower of the fair value of leased properties or the present value of minimum lease payments, which were determined at the inception of the lease. After the initial recognition, the leased assets are depreciated over the estimated useful life of the assets or the term of the lease, whichever is shorter, based on the relevant accounting policies.

Lease payments are allocated to finance costs and payments of lease obligations in accordance with the interest method, and financial costs are recognized in the consolidated statement of income.

In operating lease transactions (lessee), lease payments are recognized as expenses in the consolidated statement of income using the straight-line method over the lease term. However, if the time pattern of benefits is more appropriately presented, the lease payments are recognized as expenses in the period in which they are incurred.

Leases are classified as finance leases (lessor) when all the risks and rewards of ownership of an asset in an arrangement is substantially transferred to the lessee.

Lease receivables under finance leases (lessor) are initially recognized at the net investment in the lease. After initial recognition, the lease receivables are recognized in profit or loss in the period in which they are attributable after reflecting a constant periodic rate of return on the net investment in the lease.

## (10) Impairment of non-financial assets

The carrying amount of non-financial assets of the Company, excluding inventories and deferred tax assets, is evaluated every fiscal year to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the non-financial assets is estimated. A recoverable amount of an asset or a cash-generating unit is the higher of its value in use and its fair value less cost to sell. In calculating value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the time value of money and risks specific to the assets. Assets that are not individually tested for impairment are included in the smallest cash-generating unit that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. If, and only if, the recoverable amount of an asset or a cash-generating unit is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is recognized as an impairment loss in profit or loss.

An impairment loss recognized related to a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit, and then to reduce the carrying amount of other assets of the cash-generating unit on a pro-rata basis.

An impairment loss recognized in prior years is evaluated every fiscal year to determine whether there is any indication that such impairment may have decreased or may no longer exist.

An impairment loss is reversed if there is an indication of reversal of impairment and there has been a change in the estimates used to determine the asset's recoverable amount. An impairment loss is reversed up to the amount not exceeding

the carrying amount, net of depreciation or amortization, that would have been determined if no impairment had been recognized.

These estimates are based on the best available estimates by management. However, they may differ from actual results due to changes in uncertain future economic conditions.

#### (11) Employee benefits

##### 1) Post-employment benefits

The Group has defined benefit plans and defined contribution plans as post-employment benefit plans for employees.

The Group calculates the present value of defined benefit obligations and related current service cost using the projected unit credit method.

The rate used to discount defined benefit obligations is basically determined by reference to market yields at the end of the reporting period on high quality corporate bonds.

Liabilities or assets for defined benefit plans are calculated by deducting the fair value of plan assets from the present value of defined benefit obligations. Service cost and net interest on defined benefit liabilities (assets) are recognized in profit or loss in the accounting period in which they are incurred. The Group recognizes the increase or decrease in obligations due to the remeasurement of benefit obligations and plan assets of defined benefit plans in other comprehensive income and then immediately reclassifies them from other comprehensive income to retained earnings.

These estimates are based on the best available estimates by management. However, they may differ from actual results due to changes in uncertain future economic conditions.

##### 2) Short-term employee benefits

When an employee has rendered service to the Group during an accounting period, the Group recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service in profit or loss. The Group recognizes the expected cost of profit-sharing and bonus payments as a liability when it has a present legal or constructive obligation to make such payments as a result of past events, and a reliable estimate of the obligation can be made.

These estimates are based on the best available estimates by management. However, they may differ from actual results due to changes in uncertain future economic conditions.

#### (12) Provisions

Provisions are recognized when the Group has present legal and constructive obligations as a result of past events, and when it is probable that outflows of economic resources embodying economic benefits will be required to settle the obligations, and reliable estimates of the amount of such obligations can be made. When the effect of the time value of money is material, provisions are calculated by discounting estimated future cash flows to the present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the liabilities.

These estimates are based on the latest information from customers, previous years' results and the best available estimates by management. However, they may differ from actual results due to changes in uncertain future economic conditions.

The main provisions are as follows:

##### 1) Provision for compensation for products

The provision for compensation for products is recorded in order to deal with market claim.

##### 2) Provision for loss on litigation

The provision for loss on litigation is recorded to cover probable losses on lawsuits based on the information currently available.

#### (13) Treasury stock

Treasury stock is measured at cost and recognized as a deduction from equity. When the Group sells the treasury stock, the difference between the carrying amount and the consideration received from the sale is recognized as capital surplus.

#### (14) Revenue

The Group recognizes revenue based on the following five-step approach except for interest and dividends within the scope of IFRS 9 "Financial Instruments" and lease income within the scope of IAS 17 "Leases", etc.:

- 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 performance obligations in the contract
- Step 5 : Recognize revenue when (or as) the entity satisfies a performance obligation.

The Group's primary operations are manufacture and sale of products in business of instruments for automobiles, motorcycles, agricultural / construction machines, boats, business of component and sale of automobiles in business of automobile sales.

For sale of products, revenue is recognized when products are transferred to customers because control is passed to customers at a point in time of transfer and a performance obligation is satisfied. For sale of automobiles, revenue is recognized when automobiles are transferred to customers. Revenue is measured at the amount of consideration contracted with customers excluding discounts, rebates, and refunds, etc.

#### (15) Income taxes

Income taxes comprise current taxes and deferred taxes. These are recognized in profit or loss, except for items that relate to business combinations and items recognized directly in equity or in other comprehensive income.

Current taxes are measured at the amount expected to be paid to or refunded from the taxation authorities. The tax amount is calculated in accordance with the tax laws and tax rates that have been enacted or substantially enacted by the end of the fiscal year in the country where the Group conducts business activities and earns taxable income.

Deferred taxes are recognized on temporary differences between the carrying amount of assets and liabilities on statement of financial position as at reporting date and such amount on a tax law basis, and unused tax losses and unused tax credits.

Deferred tax liabilities are, in principle, recognized for all taxable temporary differences, and deferred tax assets are recognized for deductible temporary differences, unused tax losses and unused tax credits, to the extent that it is probable that they can be utilized for future taxable income.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced for the amount that it is probable that sufficient taxable income will no longer be available to allow all or part of the deferred tax assets to be recovered. Unrecognized deferred tax assets are re-evaluated at the end of each reporting period and are recognized to the extent that it has become probable that future taxable income will be available to allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured in accordance with tax laws and tax rates that are expected to apply in the period in which the assets are realized or the liabilities are settled, based on the tax laws and tax rates that have been enacted or substantially enacted by the end of reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied on the same entity by the same tax authority.

These estimates are based on the best available estimates by management. However, they may differ from actual results due to changes in uncertain future economic conditions.

#### 4. Significant Accounting Estimates and Judgments

The preparation of the consolidated financial statements requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses. However, actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. The effects of changes in accounting estimates are recognized in the accounting period in which the estimates are changed and in future accounting periods affected by the changes.

The estimates and judgments made by management that may have significant effects on the amounts in the consolidated financial statements are as follows:

- (1) Impairment of non-financial assets: Note 3 (10) "Impairment of non-financial assets"
- (2) Measurement of defined benefit obligation: Note 3 (11) "Employee benefits"
- (3) Provision for compensation for products: Note 3 (12) "Provisions"
- (4) Recoverability of deferred tax assets: Note 3 (15) "Income taxes"

#### 5. Accounting Standards and Interpretations Issued but Not Yet Adopted

The new or amended standards and interpretations that have been issued up to the date of approval of the consolidated financial statements, which are not early adopted by the Group, are mainly as follows.

| IFRS    | Title  | Mandatory effective date<br>(Fiscal year beginning on<br>or after) | Year of adoption by the<br>Group     | Outline of new and amended<br>standards |
|---------|--------|--|--------------------------------------|---|
| IFRS 16 | Leases | January 1, 2019  | Fiscal year ending<br>March 31, 2020 | Amendment of accounting for<br>lease    |

Main changes by adoption of IFRS 16, "Leases", are as follows:

- (1) Current IAS 17, "Leases", requires an entity to provide the information of obligation of payment relating to operating lease transactions in the financial statements in the Notes section, while IFRS 16 requires to recognize right to use lease asset and obligation of lease payment as right-of-use asset and lease liability in the consolidated statement of financial position.
- (2) Depreciation and interest expenses instead of rent expenses are recognized in the consolidated statement of Income.

The Group plans to apply exemptions in IFRS16 for short-term and low-value leases and elect the method in which the amount of the cumulative effects at application date of this standard is recognized. The method is permitted by transitional provisions.

## 6. Segment Information

### (1) Overview of reportable segments

The reportable segments of the Group are those units for which separate financial information is available, and which are reviewed regularly by the Group's management in order to determine allocation of resources and to assess business performance. The segments are not aggregated for reporting purposes.

The Group has business units categorized by product and service, and each business unit plans comprehensive business strategies and operates business activities domestically and internationally.

Therefore, the Group has reportable segments, such as instruments, component, and automobile sales based on business units categorized by products and services.

In instruments business, the Group manufactures and sells instruments for automobiles, head-up displays, instruments for motorcycles / agricultural / construction machines and boats, and various sensors. In component business, the Group manufactures and sells operating panels for office automation (OA) and information equipment, controllers for air-conditioning and household equipment, assemblies for factory automation (FA), amusement units, high-density mounting boards, liquid crystal display panels and modules, electroluminescence panels and modules, as well as manufacture and sale of products for aftermarkets. In automobile sales business, the Group is engaged in the sale of new and used automobiles, as well as the provision of car inspection and maintenance services.

### (Changes in reportable segments)

According to changes in management by objectives and performance evaluation in the light of future business development, the Group has changed its reportable segments in the fiscal year ended March, 2019. Consumer-use products business is reclassified to component business and manufacture and sale of products for aftermarkets classified in instruments business as well as display business classified in others business are included in component business.

Segment information for fiscal year ended March 31, 2018 has been restated.

(2) Revenue, segment profit or loss and other items by reportable segment

Revenue, profit or loss and other items of the Group's reportable segments are as follows:

For the year ended March 31, 2018

(Unit: Millions of yen)

|                                     | Reportable segments |           |                     |         | Others<br>(Note 1) | Total   | Adjustment<br>(Note 2) | Total on<br>consolidated<br>statement of<br>income |
|-------------------------------------|---------------------|-----------|---------------------|---------|--------------------|---------|------------------------|--|
|                                     | Instruments         | Component | Automobile<br>sales | Total   |                    |         |                        |  |
| Revenue                             |                     |           |                     |         |                    |         |                        |  |
| Customers                           | 206,422             | 17,564    | 22,826              | 246,812 | 16,351             | 263,163 | —                      | 263,163  |
| Intersegment                        | —                   | 784       | 64                  | 848     | 16,609             | 17,457  | (17,457)               | —  |
| Total revenue                       | 206,422             | 18,348    | 22,890              | 247,661 | 32,960             | 280,621 | (17,457)               | 263,163  |
| Segment profit<br>(loss)            | 11,300              | (491)     | 1,140               | 11,949  | 2,667              | 14,617  | (507)                  | 14,109   |
| Finance<br>income                   | —                   | —         | —                   | —       | —                  | —       | —                      | 2,392  |
| Finance costs                       | —                   | —         | —                   | —       | —                  | —       | —                      | (648)  |
| Profit before<br>tax                | —                   | —         | —                   | —       | —                  | —       | —                      | 15,854   |
| Segment<br>assets                   | 198,483             | 14,584    | 12,471              | 225,538 | 16,142             | 241,681 | 56,451                 | 298,132  |
| Other items                         |                     |           |                     |         |                    |         |                        |  |
| Depreciation<br>and<br>amortization | 7,545               | 393       | 511                 | 8,450   | 617                | 9,068   | 74                     | 9,142  |
| Impairment<br>loss                  | —                   | 53        | —                   | 53      | —                  | 53      | —                      | 53   |
| Capital<br>expenditure              | 9,711               | 542       | 843                 | 11,097  | 974                | 12,072  | 222                    | 12,295   |

(Note)

1. "Others" is the business segment that is not categorized as reportable segment and includes transportation of cargoes, development and sales of software, entrusted accounting business and the processing and sales of resin materials etc.
2. The breakdown of "Adjustment" is as follows:
  - (1) Segment profit (loss) totaling (507) million is elimination of inter-segment transactions, etc.
  - (2) Corporate assets totaling 56,405 million are included in adjustment of segment assets. Main corporate assets are the Company's cash, deposits and investment securities.
  - (3) Adjustment totaling 74 million in depreciation and amortization is for corporate assets.
  - (4) Capital expenditure totaling 222 million is investment to corporate assets.

For the year ended March 31, 2019

(Unit: Millions of yen)

|                                     | Reportable segments |           |                     |         | Others<br>(Note 1) | Total   | Adjustment<br>(Note 2) | Total on<br>consolidated<br>statement of<br>income |
|-------------------------------------|---------------------|-----------|---------------------|---------|--------------------|---------|------------------------|--|
|                                     | Instruments         | Component | Automobile<br>sales | Total   |                    |         |                        |  |
| Revenue                             |                     |           |                     |         |                    |         |                        |  |
| Customers                           | 206,237             | 15,454    | 24,563              | 246,255 | 16,983             | 263,239 | —                      | 263,239  |
| Intersegment                        | —                   | 201       | 61                  | 262     | 17,006             | 17,268  | (17,268)               | —  |
| Total revenue                       | 206,237             | 15,656    | 24,624              | 246,518 | 33,989             | 280,507 | (17,268)               | 263,239  |
| Segment profit<br>(loss)            | 11,509              | (956)     | 1,253               | 11,806  | 2,638              | 14,445  | (229)                  | 14,215   |
| Finance income                      | —                   | —         | —                   | —       | —                  | —       | —                      | 2,654  |
| Finance costs                       | —                   | —         | —                   | —       | —                  | —       | —                      | (579)  |
| Profit before tax                   | —                   | —         | —                   | —       | —                  | —       | —                      | 16,291   |
| Segment assets                      | 209,566             | 15,246    | 11,943              | 236,755 | 17,660             | 254,416 | 53,249                 | 307,665  |
| Other items                         |                     |           |                     |         |                    |         |                        |  |
| Depreciation<br>and<br>amortization | 7,687               | 298       | 450                 | 8,435   | 586                | 9,022   | 78                     | 9,101  |
| Impairment<br>loss                  | 262                 | 59        | —                   | 322     | 4                  | 327     | —                      | 327  |
| Capital<br>expenditure              | 10,569              | 531       | 649                 | 11,750  | 2,423              | 14,173  | 46                     | 14,220   |

(Note)

1. “Others” is the business segment that is not categorized as reportable segment and includes transportation of cargoes, development and sales of software, entrusted accounting business and the processing and sales of resin materials etc.
2. The breakdown of “Adjustment” is as follows:
  - (1) Segment profit (loss) totaling (229) million is elimination of inter-segment transactions, etc.
  - (2) Corporate assets totaling 53,794 million are included in adjustment of segment assets. Main corporate assets are the Company’s cash, deposits and investment securities.
  - (3) Adjustment totaling 78 million in depreciation and amortization is for corporate assets.
  - (4) Capital expenditure totaling 46 million is investment to corporate assets.

(3) Information by region

Revenue from customers and non-current assets (excluding financial assets, deferred tax assets, retirement benefit assets and rights arising under insurance contracts) of the Group by geographical region are as follows. Revenue from customers is classified by country and area based on geographic location.

1) Revenue from customers

(Unit: Millions of yen)

| Year ended March 31,2018 |          |        |        |         |
|--------------------------|----------|--------|--------|---------|
| Japan                    | Americas | Europe | Asia   | Total   |
| 90,085                   | 55,231   | 25,221 | 92,624 | 263,163 |

(Unit: Millions of yen)

| Year ended March 31,2019 |          |        |        |         |
|--------------------------|----------|--------|--------|---------|
| Japan                    | Americas | Europe | Asia   | Total   |
| 91,178                   | 55,364   | 26,293 | 90,402 | 263,239 |

2) Non-current assets

(Unit: Millions of yen)

| March 31,2018 |          |        |        |        |
|---------------|----------|--------|--------|--------|
| Japan         | Americas | Europe | Asia   | Total  |
| 43,817        | 8,212    | 2,012  | 13,676 | 67,718 |

(Unit: Millions of yen)

| March 31,2019 |          |        |        |        |
|---------------|----------|--------|--------|--------|
| Japan         | Americas | Europe | Asia   | Total  |
| 47,236        | 7,886    | 2,120  | 14,032 | 71,276 |

(4) Information about major customers

Revenue from an individual customer accounted for more than 10 % of consolidated revenue is as follows:

(Unit: Millions of yen)

| Name of customer                             | Segment     | Year ended March 31,2018 | Year ended March 31,2019 |
|--|-------------|--------------------------|--------------------------|
| Honda Motor Corporation and its subsidiaries | Instruments | 59,236                   | 61,864                   |
| General Motors Company and its subsidiaries  | Instruments | 29,189                   | 28,584                   |

## 7. Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

(Unit: Millions of yen)

|                   | March 31,2018 | March 31,2019 |
|-------------------|---------------|---------------|
| Cash and deposits | 42,637        | 42,128        |

The balance of “cash and cash equivalents” on the consolidated statement of financial position is consistent with “cash and cash equivalents” on the consolidated statement of cash flows.

## 8. Trade and Other Receivables

The breakdown of trade and other receivables is as follows:

(Unit: Millions of yen)

|  | March 31,2018 | March 31,2019 |
|--|---------------|---------------|
| Trade receivables                                | 37,927        | 35,630        |
| Note and electronically recorded monetary claims | 7,317         | 7,565         |
| Accounts receivable - other                      | 5,561         | 4,960         |
| Other  | 26            | 181           |
| Allowance for doubtful accounts                  | (274)         | (127)         |
| Total  | 50,559        | 48,209        |
| Current  | 50,542        | 48,038        |
| Non-current                                      | 16            | 170           |
| Total  | 50,559        | 48,209        |

## 9. Other Financial Assets and Other Financial Liabilities

(1) The breakdown of other financial assets

(Unit: Millions of yen)

|  | March 31,2018 | March 31,2019 |
|--|---------------|---------------|
| Other financial assets   |               |               |
| Financial assets measured at fair value through profit or loss             | 37            | —             |
| Available-for-sale financial assets  | 23,589        | —             |
| Loans and receivables  | 63,880        | —             |
| Financial assets measured at fair value through other comprehensive income | —             | 19,260        |
| Financial assets measured at amortized cost                                | —             | 70,819        |
| Total  | 87,507        | 90,079        |
| Current  | 62,212        | 68,113        |
| Non-current  | 25,294        | 21,965        |
| Total  | 87,507        | 90,079        |

(2) The breakdown of other financial liabilities

(Unit: Millions of yen)

|   | March 31,2018 | March 31,2019 |
|---|---------------|---------------|
| Other financial liabilities   |               |               |
| Financial liabilities measured at fair value through profit or loss | —             | 2             |
| Financial liabilities measured at amortized cost                    | 442           | 773           |
| Total   | 442           | 776           |
| Current   | 123           | 197           |
| Non-current   | 319           | 578           |
| Total   | 442           | 776           |

## 10. Inventories

The breakdown of inventories is as follows:

(Unit: Millions of yen)

|                                | March 31,2018 | March 31,2019 |
|--------------------------------|---------------|---------------|
| Merchandise and finished goods | 15,840        | 16,790        |
| Work in process                | 4,069         | 5,453         |
| Raw materials and supplies     | 20,763        | 24,231        |
| Total                          | 40,674        | 46,475        |

1. Inventories recognized as an expense account for a large part of cost of revenue.
2. The amounts of write-down of inventories to net realizable value recognized as cost of revenue are as follows:

(Unit: Millions of yen)

|                           | Year ended March 31,2018 | Year ended March 31,2019 |
|---------------------------|--------------------------|--------------------------|
| The amounts of write-down | 158                      | (218)                    |

## 11. Property, Plant and Equipment

- (1) Schedule of property, plant and equipment

The breakdown and schedule of property, plant and equipment are as follows:

- 1) Acquisition costs

(Unit: Millions of yen)

|  | Buildings | Structures | Machinery and equipment | Vehicles | Tools, furniture and fixtures | Land   | Construction in progress | Total   |
|--|-----------|------------|-------------------------|----------|-------------------------------|--------|--------------------------|---------|
| As of April 1, 2017                      | 42,955    | 3,474      | 60,487                  | 2,036    | 41,327                        | 17,542 | 3,077                    | 170,901 |
| Acquisition                              | 435       | 55         | 1,401                   | 698      | 1,572                         | 99     | 6,403                    | 10,668  |
| Sales or disposal                        | (632)     | (38)       | (1,676)                 | (92)     | (1,313)                       | (28)   | (1)                      | (3,782) |
| Transfer                                 | 1,453     | 139        | 3,183                   | 84       | 1,603                         | 47     | (6,516)                  | (4)     |
| Foreign currency translation adjustments | (132)     | (9)        | 153                     | (9)      | (191)                         | (18)   | 8                        | (200)   |
| Other                                    | (18)      | —          | (31)                    | (535)    | 39                            | (20)   | (300)                    | (867)   |
| As of March 31, 2018                     | 44,061    | 3,621      | 63,519                  | 2,182    | 43,037                        | 17,622 | 2,670                    | 176,715 |
| Acquisition                              | 207       | 39         | 1,378                   | 598      | 1,823                         | 25     | 7,228                    | 11,301  |
| Sales or disposal                        | (311)     | (56)       | (1,827)                 | (65)     | (1,813)                       | (58)   | —                        | (4,131) |
| Transfer                                 | 456       | 62         | 3,859                   | 47       | 1,267                         | —      | (5,741)                  | (49)    |
| Foreign currency translation adjustments | (33)      | 8          | (66)                    | 5        | 19                            | 21     | (17)                     | (61)    |
| Other                                    | 1         | —          | (47)                    | (494)    | (2)                           | —      | (158)                    | (701)   |
| As of March 31, 2019                     | 44,382    | 3,676      | 66,815                  | 2,275    | 44,332                        | 17,610 | 3,981                    | 183,073 |

2) Accumulated depreciation and accumulated impairment loss

(Unit: Millions of yen)

|  | Buildings | Structures | Machinery and equipment | Vehicles | Tools, furniture and fixtures | Land    | Total     |
|--|-----------|------------|-------------------------|----------|-------------------------------|---------|-----------|
| As of April 1, 2017                      | (27,041)  | (2,844)    | (45,190)                | (994)    | (33,570)                      | (1,061) | (110,702) |
| Depreciation                             | (1,230)   | (108)      | (3,435)                 | (318)    | (2,651)                       | —       | (7,743)   |
| Impairment loss                          | (0)       | —          | —                       | —        | (42)                          | —       | (43)      |
| Sales or disposal                        | 466       | 36         | 1,430                   | 86       | 1,261                         | —       | 3,281     |
| Foreign currency translation adjustments | (25)      | 8          | (256)                   | 6        | 178                           | —       | (87)      |
| Other                                    | (18)      | (0)        | (23)                    | 225      | (142)                         | —       | 40        |
| As of March 31, 2018                     | (27,850)  | (2,908)    | (47,475)                | (993)    | (34,967)                      | (1,061) | (115,255) |
| Depreciation                             | (1,166)   | (80)       | (3,313)                 | (372)    | (2,972)                       | —       | (7,905)   |
| Impairment loss                          | (156)     | —          | (3)                     | —        | (5)                           | (145)   | (310)     |
| Sales or disposal                        | 296       | 52         | 1,747                   | 63       | 1,517                         | 16      | 3,693     |
| Foreign currency translation adjustments | (8)       | (7)        | 4                       | (2)      | (46)                          | —       | (60)      |
| Other                                    | (20)      | (0)        | (82)                    | 177      | (81)                          | —       | (6)       |
| As of March 31, 2019                     | (28,905)  | (2,944)    | (49,122)                | (1,126)  | (36,555)                      | (1,189) | (119,844) |

Depreciation of property, plant and equipment is included in “cost of revenue” and “selling, general and administrative expenses” in the consolidated statement of income. The information of impairment loss is disclosed in Note “13 Impairment Loss.”

3) Carrying amount

(Unit: Millions of yen)

|                      | Buildings | Structures | Machinery and equipment | Vehicles | Tools, furniture and fixtures | Land   | Construction in progress | Total  |
|----------------------|-----------|------------|-------------------------|----------|-------------------------------|--------|--------------------------|--------|
| As of April 1, 2017  | 15,914    | 629        | 15,297                  | 1,042    | 7,756                         | 16,481 | 3,077                    | 60,199 |
| As of March 31, 2018 | 16,211    | 713        | 16,043                  | 1,189    | 8,070                         | 16,561 | 2,670                    | 61,459 |
| As of March 31, 2019 | 15,477    | 731        | 17,692                  | 1,148    | 7,776                         | 16,420 | 3,981                    | 63,228 |

Carrying amount of leased assets under finance leases including in each property, plant and equipment is as follow:

(Unit: Millions of yen)

|                             | March 31, 2018 | March 31, 2019 |
|-----------------------------|----------------|----------------|
| Machinery and equipment     | 71             | 85             |
| Tools, fixture and fixtures | 281            | 613            |
| Total                       | 353            | 698            |

(2) Carrying amount of assets pledged as collateral for funding and guarantee transaction as at March 31, 2018 and March 31, 2019 is as follows:

(Unit: Millions of yen)

|                               | March 31, 2018 | March 31, 2019 |
|-------------------------------|----------------|----------------|
| Property, plant and equipment | 475            | 159            |

## 12. Goodwill and Intangible Assets

The breakdown and schedule of intangible assets are as follows:

### (1) Acquisition costs

(Unit: Millions of yen)

|  | Software | Development cost | Software in progress | Other | Total  |
|--|----------|------------------|----------------------|-------|--------|
| As of April 1, 2017                        | 7,752    | 1,486            | 1,065                | 12    | 10,316 |
| Acquisition                                | 1,340    | —                | 1,314                | —     | 2,654  |
| Increase arising from internal development | —        | 0                | —                    | —     | 0      |
| Sales or disposal                          | (18)     | —                | —                    | —     | (18)   |
| Transfer                                   | 17       | —                | (13)                 | —     | 4      |
| Foreign currency translation adjustments   | (14)     | —                | (0)                  | —     | (15)   |
| Other                                      | 9        | (108)            | —                    | —     | (98)   |
| As of March 31, 2018                       | 9,086    | 1,378            | 2,365                | 12    | 12,843 |
| Acquisition                                | 1,060    | —                | 2,006                | —     | 3,066  |
| Increase arising from internal development | —        | 2                | —                    | —     | 2      |
| Sales or disposal                          | (106)    | —                | —                    | —     | (106)  |
| Transfer                                   | 70       | —                | (21)                 | —     | 49     |
| Foreign currency translation adjustments   | 55       | —                | (0)                  | —     | 54     |
| Other                                      | (20)     | —                | —                    | —     | (20)   |
| As of March 31, 2019                       | 10,146   | 1,380            | 4,349                | 12    | 15,889 |

### (2) Accumulated depreciation and accumulated impairment loss

(Unit: Millions of yen)

|  | Software | Development cost | Other | Total   |
|--|----------|------------------|-------|---------|
| As of April 1, 2017                      | (5,582)  | (671)            | (6)   | (6,260) |
| Amortization                             | (926)    | (345)            | (0)   | (1,272) |
| Impairment loss                          | (10)     | —                | —     | (10)    |
| Sales or disposal                        | 13       | —                | —     | 13      |
| Foreign currency translation adjustments | 15       | —                | —     | 15      |
| Other                                    | (206)    | 108              | —     | (98)    |
| As of March 31, 2018                     | (6,696)  | (909)            | (7)   | (7,613) |
| Amortization                             | (1,057)  | (197)            | (0)   | (1,255) |
| Impairment loss                          | (16)     | —                | —     | (16)    |
| Sales or disposal                        | 93       | —                | —     | 93      |
| Foreign currency translation adjustments | (38)     | —                | —     | (38)    |
| Other                                    | (49)     | —                | —     | (49)    |
| As of March 31, 2019                     | (7,763)  | (1,107)          | (7)   | (8,878) |

1. The amortization of intangible assets is included in “cost of revenue” and “selling, general and administrative expenses” in the consolidated statement of income.
2. The amount of development expenses recognized in profit or loss during the fiscal years ended March 31, 2018 and 2019 is ¥4,147 million and ¥3,712 million respectively and is included in “cost of revenue” and “selling, general and administrative expenses” in the consolidated statement of income.

### (3) Carrying amount

(Unit: Millions of yen)

|                      | Software | Development cost | Software in progress | Other | Total |
|----------------------|----------|------------------|----------------------|-------|-------|
| As of April 1, 2017  | 2,170    | 814              | 1,065                | 5     | 4,055 |
| As of March 31, 2018 | 2,390    | 468              | 2,365                | 5     | 5,229 |
| As of March 31, 2019 | 2,383    | 272              | 4,349                | 5     | 7,010 |

### 13. Impairment Loss

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

The Group recognized an impairment loss for the following assets:

For the fiscal year ended March 31, 2018

(Unit: Millions of yen)

| Segment   | Purpose of use                             | Type of assets  | Amount |
|-----------|--|---|--------|
| Component | Equipment for design and development, etc. | Buildings and structures, tools, furniture and fixtures | 43     |

Assets are grouped by reporting segment. Due to environment changes to component business, the Group reduced the carrying amount of the assets to recoverable amount and the reduction was recognized as an impairment loss in profit or loss. Recoverable amount of the assets was measured by value in use. Recoverable amount based on value in use was appraised at 0 because future cash flows are negative.

For the fiscal year ended March 31, 2019

(Unit: Millions of yen)

| Segment     | Purpose of use             | Type of assets  | Amount |
|-------------|----------------------------|---|--------|
| Instruments | Assets held for sale, etc. | Buildings and structures, tools, furniture and fixtures, and land | 262    |

Assets are grouped by reporting segment. Due to changes of use of assets held in instruments business, the Group reduced the carrying amount of the assets to recoverable amount and the reduction was recognized as an impairment loss in profit or loss. Recoverable amount of the assets was measured by net sale prices or value in use. The Group determined net sale prices primarily by making reasonable adjustments to appraisal values in accordance with the "Real Estate Appraisal Standards". Recoverable amount based on value in use was appraised at 0 because future cash flows are negative.

(Unit: Millions of yen)

| Segment   | Purpose of use                             | Type of assets  | Amount |
|-----------|--|---|--------|
| Component | Equipment for design and development, etc. | Buildings and structures, tools, furniture and fixtures | 43     |

Assets are grouped by reporting segment. Due to environment changes to component business, etc., the Group reduced the carrying amount of the assets to recoverable amount and the reduction was recognized as an impairment loss in profit or loss. Recoverable amount of the assets was measured by value in use. Recoverable amount based on value in use was appraised at 0 because future cash flows are negative.

#### (2) Intangible assets

The Group recognized an impairment loss for the following assets:

For the fiscal year ended March 31, 2018

(Unit: Millions of yen)

| Segment   | Purpose of use                             | Type of assets | Amount |
|-----------|--|----------------|--------|
| Component | Equipment for design and development, etc. | Software       | 10     |

Assets are grouped by reporting segment. Due to environment changes to component business, the Group reduced the carrying amount of the assets to recoverable amount and the reduction was recognized as an impairment loss in profit or loss. Recoverable amount of the assets was measured by value in use. Recoverable amount based on value in use was appraised at 0 because future cash flows are negative.

For the fiscal year ended March 31, 2019

(Unit: Millions of yen)

| Segment   | Purpose of use                             | Type of assets | Amount |
|-----------|--|----------------|--------|
| Component | Equipment for design and development, etc. | Software       | 16     |

Assets are grouped by reporting segment. Due to environment changes to component business, the Group reduced the carrying amount of the assets to recoverable amount and the reduction was recognized as an impairment loss in profit or loss. Recoverable amount of the assets was measured by value in use. Recoverable amount based on value in use was appraised at 0 because future cash flows are negative.

#### 14. Income Taxes

##### (1) Deferred tax assets and deferred tax liabilities

The breakdown and schedule of deferred tax assets and deferred tax liabilities are as follows:

For the fiscal year ended March 31, 2018

(Unit: Millions of yen)

|   | As of April 1, 2017 | Recognized in profit or loss | Recognized in other comprehensive income | As of March 31, 2018 |
|---|---------------------|------------------------------|--|----------------------|
| Deferred tax assets                                     |                     |                              |  |                      |
| Inventories   | 1,582               | (315)                        | —  | 1,266                |
| Employees' salaries                                     | 2,015               | (130)                        | 16                                       | 1,901                |
| Property, plant and equipment and intangible assets     | 3,209               | 455                          | —  | 3,664                |
| Accrued expenses  | 302                 | 78                           | —  | 381                  |
| Provisions  | 1,195               | (315)                        | —  | 880                  |
| Other   | 520                 | (496)                        | —  | 23                   |
| Total   | 8,826               | (725)                        | 16                                       | 8,117                |
| Deferred tax liabilities                                |                     |                              |  |                      |
| Property, plant and equipment and intangible assets     | 1,524               | (560)                        | —  | 964                  |
| Available-for-sale financial assets                     | 3,167               | —                            | 588                                      | 3,755                |
| Undistributed retained earnings of foreign subsidiaries | 2,345               | (78)                         | —  | 2,266                |
| Other   | 770                 | (123)                        | —  | 647                  |
| Total   | 7,807               | (762)                        | 588                                      | 7,633                |

For the fiscal year ended March 31, 2019

(Unit: Millions of yen)

|  | As of April 1, 2018 | Recognized in profit or loss | Recognized in other comprehensive income | As of March 31, 2019 |
|--|---------------------|------------------------------|--|----------------------|
| Deferred tax assets  |                     |                              |  |                      |
| Inventories  | 1,266               | 2                            | —  | 1,268                |
| Employees' salaries  | 1,901               | 163                          | (10)                                     | 2,053                |
| Property, plant and equipment and intangible assets                        | 3,664               | 79                           | —  | 3,743                |
| Accrued expenses   | 381                 | (82)                         | —  | 298                  |
| Provisions   | 880                 | 12                           | —  | 892                  |
| Other  | 23                  | 132                          | —  | 155                  |
| Total  | 8,117               | 306                          | (10)                                     | 8,413                |
| Deferred tax liabilities   |                     |                              |  |                      |
| Property, plant and equipment and intangible assets                        | 964                 | 69                           | —  | 1,033                |
| Financial assets measured at fair value through other comprehensive income | 3,755               | —                            | (950)                                    | 2,804                |
| Undistributed retained earnings of foreign subsidiaries                    | 2,266               | 284                          | —  | 2,550                |
| Other  | 647                 | 17                           | —  | 665                  |
| Total  | 7,633               | 371                          | (950)                                    | 7,054                |

(2) Unrecognized deferred tax assets

The amount of deductible temporary differences and unused tax losses, for which no deferred tax assets were recognized, is as follows. The amount of deductible temporary differences and unused tax losses is described as income basis amount.

(Unit: Millions of yen)

|                                  | March 31, 2018 | March 31, 2019 |
|----------------------------------|----------------|----------------|
| Deductible temporary differences | 609            | 562            |
| Unused tax losses                | 540            | 519            |

Unused tax losses for which no deferred tax assets are recognized expire as follows:

(Unit: Millions of yen)

|                         | March 31, 2018 | March 31, 2019 |
|-------------------------|----------------|----------------|
| 1st year                | 32             | —              |
| 2nd year                | —              | 1              |
| 3rd year                | 1              | —              |
| 4th year                | —              | —              |
| 5th year and thereafter | 506            | 518            |
| Total                   | 540            | 519            |

(3) Income taxes

The breakdown of income tax expense is as follows:

(Unit: Millions of yen)

|                     | Year ended March 31, 2018 | Year ended March 31, 2019 |
|---------------------|---------------------------|---------------------------|
| Current income tax  | (3,728)                   | (3,947)                   |
| Deferred income tax | (73)                      | 77                        |
| Total               | (3,801)                   | (3,869)                   |

(4) Reconciliation between the applicable and effective tax rate

The reconciliation between the applicable tax rate and the effective tax rate is as follows:

(Unit: Millions of yen)

|  | Year ended March 31,2018 | Year ended March 31,2019 |
|--|--------------------------|--------------------------|
| Statutory income tax rate  | 30.6%                    | 30.4%                    |
| (Reconciliation)   |                          |                          |
| Items such as entertainment expenses that are not deductible permanently | 1.0%                     | 1.8%                     |
| Items such as dividends that are excluded from income permanently        | (2.2%)                   | (1.9%)                   |
| Special tax exemption  | (0.5%)                   | (1.6%)                   |
| Business tax on foreign income   | (1.5%)                   | (1.0%)                   |
| Difference on tax rates applied to foreign subsidiaries                  | (1.1%)                   | (0.5%)                   |
| Valuation allowance  | 0.4%                     | 0.4%                     |
| Undistributed retained earnings of foreign subsidiaries                  | (0.5%)                   | 1.7%                     |
| Foreign tax credit   | (0.6%)                   | (0.5%)                   |
| Other  | (1.6%)                   | (5.0%)                   |
| Effective tax rate   | 24.0%                    | 23.8%                    |

15. Trade and Other Current Payables

The breakdown of trade and other current payables is as follows:

(Unit: Millions of yen)

|   | March 31,2018 | March 31,2019 |
|---|---------------|---------------|
| Trade payables                                | 29,429        | 28,433        |
| Notes and electronically recorded obligations | 1,976         | 2,091         |
| Accounts payable - other                      | 10,710        | 10,371        |
| Notes payable - facilities                    | 571           | 541           |
| Other   | 1,896         | 1,399         |
| Total   | 44,583        | 42,837        |

16. Loans

(1)The breakdown of loans

(Unit: Millions of yen)

|  | March 31,2018 | March 31,2019 | Average interest rate | Repayment period                    |
|--|---------------|---------------|-----------------------|-------------------------------------|
| Current  |               |               |                       |                                     |
| Financial liabilities measured at amortized cost |               |               |                       |                                     |
| Short-term loans                                 | 42,614        | 44,510        | 0.32%                 | —                                   |
| Long-term loans to be repaid within one year     | 4,201         | 3,750         | 0.14%                 | —                                   |
| Total  | 46,815        | 48,261        |                       |                                     |
| Non-current                                      |               |               |                       |                                     |
| Financial liabilities measured at amortized cost |               |               |                       |                                     |
| Long-term loans                                  | 13,116        | 13,111        | 0.05%                 | From Jun. 30, 2020 to Dec. 29, 2023 |
| Total  | 13,116        | 13,111        |                       |                                     |

Average interest rate indicates the weighted-average interest rates applicable to borrowings at each fiscal year end.

(2) Changes in liabilities associated with cash flows from financing activities:

For the fiscal year ended March 31, 2018

(Unit: Millions of yen)

|   | Borrowings |
|---|------------|
| As of April 1, 2017                                   | 62,051     |
| Changes in cash flow by proceeds and repayments       |            |
| (Decrease) increase in short-term loans, net          | (7,535)    |
| Proceeds from long-term loans                         | 10,000     |
| Repayments of long-term loans                         | (4,400)    |
| Total changes in cash flows from financing activities | (1,935)    |
| Foreign currency translation adjustments              | (183)      |
| As of March 31, 2018                                  | 59,932     |

For the fiscal year ended March 31, 2019

(Unit: Millions of yen)

|   | Borrowings |
|---|------------|
| As of April 1, 2018                                   | 59,932     |
| Changes in cash flow by proceeds and repayments       |            |
| (Decrease) increase in short-term loans, net          | 1,948      |
| Proceeds from long-term loans                         | 4,000      |
| Repayments of long-term loans                         | (4,450)    |
| Total changes in cash flows from financing activities | 1,498      |
| Foreign currency translation adjustments              | (57)       |
| As of March 31, 2019                                  | 61,372     |

## 17. Provisions

The schedule of provisions is as follows:

For the fiscal year ended March 31, 2018

(Unit: Millions of yen)

|  | Provision for compensation for products | Provision for loss on litigation | Provision for loss on liquidation of subsidiaries and associates | Other | Total   |
|--|---|----------------------------------|--|-------|---------|
| As of April 1, 2017                      | 3,274                                   | 867                              | 46   | 67    | 4,256   |
| Provision made                           | 110                                     | —                                | —  | 2     | 113     |
| Provision used                           | (648)                                   | (537)                            | (3)  | —     | (1,189) |
| Provision reversed                       | (8)                                     | —                                | (43)   | —     | (51)    |
| Foreign currency translation adjustments | (1)                                     | (20)                             | —  | (1)   | (23)    |
| As of March 31, 2018                     | 2,727                                   | 309                              | —  | 68    | 3,104   |
| Current                                  | 2,727                                   | 309                              | —  | —     | 3,036   |
| Non-current                              | —                                       | —                                | —  | 68    | 68      |

For the fiscal year ended March 31, 2019

(Unit: Millions of yen)

|  | Provision for compensation for products | Provision for loss on litigation | Provision for loss on liquidation of subsidiaries and associates | Other | Total |
|--|---|----------------------------------|--|-------|-------|
| As of April, 2018                        | 2,727                                   | 309                              | —  | 68    | 3,104 |
| Provision made                           | 634                                     | 13                               | —  | 10    | 659   |
| Provision used                           | (795)                                   | —                                | —  | (1)   | (797) |
| Provision reversed                       | (22)                                    | —                                | —  | —     | (22)  |
| Foreign currency translation adjustments | (0)                                     | —                                | —  | 0     | 0     |
| As of March 31, 2019                     | 2,543                                   | 322                              | —  | 78    | 2,944 |
| Current                                  | 2,543                                   | 322                              | —  | 7     | 2,874 |
| Non-current                              | —                                       | —                                | —  | 70    | 70    |

## 18. Employee Benefits

The Company has both unfunded defined benefit and defined contribution plans. Its consolidated subsidiaries have funded defined benefit, unfunded defined benefit and defined contribution plans. Funded defined benefit plans provide pensions to the employees based on their salary and length of service. The payments of retirement allowance are also determined based on salary and the length of service.

### (1) Defined benefit plans

#### 1) The Breakdown of defined benefit obligation and plan assets

The breakdown of defined benefit obligation and plan assets are as follows:

(Unit: Millions of yen)

|   | March 31, 2018 | March 31, 2019 |
|---|----------------|----------------|
| Present value of funded defined benefit obligations   | 254            | 7              |
| Fair value of plan assets                             | (151)          | (1)            |
| Subtotal  | 102            | 5              |
| Present value of unfunded defined benefit obligations | 3,285          | 3,384          |
| Defined benefit obligation and assets (net)           | 3,388          | 3,390          |

#### 2) Changes in present value of retirement benefit obligations

Changes in present value of retirement benefit obligations are as follows:

(Unit: Millions of yen)

|  | Year ended March 31, 2018 | Year ended March 31, 2019 |
|--|---------------------------|---------------------------|
| Balance beginning of year  | 3,312                     | 3,540                     |
| Service cost   | 302                       | 254                       |
| Interest cost  | 53                        | 63                        |
| Changes by remeasurement   |                           |                           |
| Actuarial gain or loss arising from changes in demographic assumptions | (0)                       | 2                         |
| Actuarial gain or loss arising from changes in financial assumptions   | 70                        | (50)                      |
| Other  | (19)                      | 8                         |
| Benefits paid  | (191)                     | (488)                     |
| Past service cost  | (8)                       | 92                        |
| Other  | 20                        | (30)                      |
| Balance end of year  | 3,540                     | 3,392                     |

3) Significant actuarial assumptions and sensitivity analysis

The significant actuarial assumptions are as follows:

(Unit: Millions of yen)

|                         | March 31,2018 | March 31,2019 |
|-------------------------|---------------|---------------|
| Discount rate           | 1.50%         | 2.06%         |
| Salary raise percentage | 3.82%         | 4.33%         |

The effects on the present value of defined benefit obligations by assuming a 0.5% increase or decrease are as follows:

(Unit: Millions of yen)

| Changes in assumptions |                  | March 31,2018 | March 31,2019 |
|------------------------|------------------|---------------|---------------|
| Discount rate          | Increase of 0.5% | (128)         | (90)          |
|                        | Decrease of 0.5% | 139           | 98            |

The present values of the defined benefit obligations in cases of a 0.5% increase and decrease in the discount rate are calculated in the same manner as used in the calculation of present values of the defined benefit obligations recognized in the consolidated statement of financial position, and thereby, the differences from the actual present values of the defined benefit obligations are determined as the result of the sensitivity analysis. In such analysis, it is assumed that variables other than the discount rate remain fixed. However, in practice, changes in some of the assumptions may occur and affect the result.

4) Information on the maturity composition of defined benefit obligations

The weighted average duration is as follows:

|                           | March 31,2018 | March 31,2019 |
|---------------------------|---------------|---------------|
| Weighted average duration | 10.0 years    | 10.0 years    |

5) Schedule of fair value of plan assets

The changes in fair value of plan assets are as follows:

Unit: Millions of yen)

|                               | Year ended March 31,2018 | Year ended March 31,2019 |
|-------------------------------|--------------------------|--------------------------|
| Balance beginning of year     | 193                      | 151                      |
| Interest income (Note)        | 1                        | 2                        |
| Changes by remeasurement      |                          |                          |
| Return on plan assets         | —                        | 5                        |
| Contributions by the employer | 30                       | 125                      |
| Benefits paid                 | (72)                     | (283)                    |
| Other                         | (2)                      | 0                        |
| Balance end of year           | 151                      | 1                        |

(Note) Interest income is measured by multiplying the fair value of plan assets at the beginning of the fiscal year by the discount rate used for the calculation of the present value of defined benefit obligations.

6) The breakdown of fair value of plan assets by type

The breakdown of fair value of plan assets by type is as follows:

(Unit: Millions of yen)

|                   | March 31,2018  |   | March 31,2019  |   |
|-------------------|--|---|--|---|
|                   | Plan assets that have a quoted price in an active market | Plan assets that do not have a quoted price in an active market | Plan assets that have a quoted price in an active market | Plan assets that do not have a quoted price in an active market |
| Bonds             | 25   | —   | 0  | —   |
| Stocks            | 65   | —   | 0  | —   |
| Cash and deposits | 50   | —   | 0  | —   |
| Other             | —  | 10  | —  | 0   |
| Total             | 140  | 10  | 1  | 0   |

7) The breakdown of defined benefit cost

The breakdown of defined benefit cost is as follows:

(Unit: Millions of yen)

|                   | Year ended March 31,2018 | Year ended March 31,2019 |
|-------------------|--------------------------|--------------------------|
| Service cost      | 302                      | 254                      |
| Net interest      | 51                       | 61                       |
| Past service cost | (8)                      | 92                       |
| Other             | 0                        | —                        |
| Total             | 346                      | 408                      |

These costs are included in “cost of revenue” and “selling, general and administrative expenses” in the consolidated statement of income.

(2) Defined contribution pension plans

The amount of cost recognized during the fiscal years ended March 31, 2018 and 2019 is as follows.

(Unit: Millions of yen)

|               | Year ended March 31,2018 | Year ended March 31,2019 |
|---------------|--------------------------|--------------------------|
| Contributions | 3,333                    | 3,389                    |

The cost is included in “cost of revenue” and “selling, general and administrative expenses” in the consolidated statement of income and includes pension contributions by the employer under “Employees' Pension Insurance Act” in Japan.

(3) Employee benefits expenses

Employee benefits expenses included in “cost of revenue” and “selling, general and administrative expenses” in the consolidated statement of income are as follows:

(Unit: Millions of yen)

|                                   | Year ended March 31,2018 | Year ended March 31,2019 |
|-----------------------------------|--------------------------|--------------------------|
| Wages, salaries and bonuses, etc. | 41,176                   | 42,510                   |
| Retirement benefit expenses       | 1,468                    | 1,505                    |
| Other                             | 5,468                    | 5,700                    |
| Total                             | 48,112                   | 49,716                   |

(4) Other employee benefits

(Unit: Millions of yen)

|  | March 31,2018 | March 31,2019 |
|--|---------------|---------------|
| Short-term employee benefits                 |               |               |
| Salaries payable, etc.                       | 1,062         | 1,105         |
| Accrued bonuses                              | 2,273         | 2,510         |
| Liabilities relating to compensated absences | 1,020         | 1,091         |
| Total  | 4,356         | 4,706         |
| Long-term employee benefits                  |               |               |
| Other  | —             | 11            |
| Total  | —             | 11            |

## 19. Equity and Other Equity Items

### (1) Management of equity

The Group makes capital, research and development investments to increase corporate value through growth on a global scale. To meet fund requirement for investments, the Group considers an appropriate balance between debts and equity and manages equity.

### (2) Number of shares authorized, issued and treasury stock

(Unit: Shares)

| Class of shares             | Year ended March 31,2018 | Year ended March 31,2019 |
|-----------------------------|--------------------------|--------------------------|
|                             | Ordinary shares          | Ordinary shares          |
| Number of shares authorized | 220,000,000              | 220,000,000              |
| Number of shares issued:    |                          |                          |
| Beginning of year           | 60,907,599               | 60,907,599               |
| Increase(decrease)          | —                        | —                        |
| End of year                 | 60,907,599               | 60,907,599               |
| Number of treasury stock:   |                          |                          |
| Ordinary shares             | 3,642,961                | 3,640,145                |

### (3) Information on surplus included in equity

#### 1) Capital surplus

The components of capital surplus are as follows:

##### (i) Legal capital surplus

Under the Companies Act of Japan (the "Companies Act"), at least 50% of the proceeds of certain issues of common shares shall be credited to "Capital stock." The remainder of the proceeds shall be credited to "Capital surplus." The Companies Act permits, upon approval at the general meeting of shareholders, the transfer of amounts from "Capital surplus" to "Capital stock."

##### (ii) Other capital surplus

Changes in the ownership interest in a subsidiary without a loss of control is treated as an equity transaction, and the amount equivalent to goodwill, negative goodwill, etc., incurred in connection with any such changes is recorded in other capital surplus.

##### (iii) Stock acquisition rights

Stock acquisition rights are those issued for stock option remuneration plan.

#### 2) Retained earnings

The components of retained earnings are as follows:

##### (i) Legal retained earnings

The Companies Act provides that a 10% dividend of retained earnings shall be appropriated as "Capital surplus" or as a legal reserve until the aggregate amount of the "Capital surplus" and the legal reserve equals to 25% of "Capital stock." The legal reserve may be used to eliminate or reduce a deficit or be transferred to "Retained earnings" upon approval at the general meeting of shareholders.

In some foreign subsidiaries local laws stipulate that dividend of retained earnings shall be appropriated as "Capital surplus" or as a legal reserve.

##### (ii) Other retained earnings

Other retained earnings represent the accumulated amount of profit earned by the Group.

(4) Information on other components of equity

1) Gains or losses on financial assets measured at fair value through other comprehensive income

This is the accumulated amount of changes in fair value of financial assets measured at fair value through other comprehensive income.

2) Remeasurements of net defined benefit liabilities (assets)

Remeasurements of net defined benefit liabilities (assets) comprise actuarial gain or loss and the return on plan assets (excluding the amount included in net interest on defined benefit liabilities (assets)). Remeasurements of defined benefit liabilities (assets), net, are recognized as other comprehensive income in the fiscal year in which they occurred and are immediately transferred to retained earnings.

3) Foreign currency translation adjustments

This is an accumulated amount of exchange differences occurring when standalone financial statements of foreign subsidiaries prepared in foreign currencies are translated into Japanese yen upon consolidation.

## 20. Dividends

For the fiscal year ended March 31, 2018

(1) Cash dividends paid

| Resolution   | Class of shares | Total dividends (Millions of yen) | Dividends per share (Yen) | Record date        | Effective date    |
|--|-----------------|-----------------------------------|---------------------------|--------------------|-------------------|
| Board of Directors' meeting held on May 15, 2017     | Ordinary shares | 1,030                             | 18.0                      | March 31, 2017     | Jun 29, 2017      |
| Board of Directors' meeting held on October 27, 2017 | Ordinary shares | 973                               | 17.0                      | September 30, 2017 | December 12, 2017 |

(2) Dividends with a record date in the fiscal year ended March 31, 2018 and an effective date in the following fiscal year

| Resolution                                       | Class of shares | Total dividends (Millions of yen) | Dividends per share (Yen) | Record date    | Effective date |
|--|-----------------|-----------------------------------|---------------------------|----------------|----------------|
| Board of Directors' meeting held on May 14, 2018 | Ordinary shares | 1,431                             | 25.0                      | March 31, 2018 | Jun 28, 2018   |

For the fiscal year ended March 31, 2019

(1) Cash dividends paid

| Resolution   | Class of shares | Total dividends (Millions of yen) | Dividends per share (Yen) | Record date        | Effective date    |
|--|-----------------|-----------------------------------|---------------------------|--------------------|-------------------|
| Board of Directors' meeting held on May 14, 2018     | Ordinary shares | 1,431                             | 25.0                      | March 31, 2018     | Jun 28, 2018      |
| Board of Directors' meeting held on October 29, 2018 | Ordinary shares | 1,145                             | 20.0                      | September 30, 2018 | December 12, 2018 |

(2) Dividends with a record date in the fiscal year ended March 31, 2019 and an effective date in the following fiscal year

| Resolution                                       | Class of shares | Total dividends (Millions of yen) | Dividends per share (Yen) | Record date    | Effective date |
|--|-----------------|-----------------------------------|---------------------------|----------------|----------------|
| Board of Directors' meeting held on May 14, 2019 | Ordinary shares | 1,431                             | 25.0                      | March 31, 2019 | Jun 27, 2019   |

## 21. Revenue

### (1) Disaggregation of revenue

#### 1) Sales of goods and rendering services

(Unit: Millions of yen)

|                    | Year ended March 31, 2018 |
|--------------------|---------------------------|
| Sales of goods     | 259,266                   |
| Rendering services | 3,897                     |
| Total              | 263,163                   |

#### 2) Revenue of reportable segments by location

The Group's primary operations are manufacture and sale of products in business of instruments for automobiles, motorcycles, agricultural / construction machines, boats, business of component and sale of automobiles in business of automobile sales.

For sale of products, revenue is recognized when products are transferred to customers because control is passed to customers at a point in time of transfer and a performance obligation is satisfied. The Group usually receives payment from customers within 3 months after transfer of good, i.e. the point in time at which it satisfies the performance obligation. For sale of automobiles, revenue is recognized when automobiles are transferred to customers. The Group usually receives payment from customers when the performance obligation is satisfied. Revenue is measured at the amount of consideration contracted with customers excluding discounts, rebates, and refunds, etc.

Revenue of reportable segments by location is as follows:

For the fiscal year ended March 31, 2019

(Unit: Millions of yen)

|          | Instruments | Component | Automobile sales | Others | Total   |
|----------|-------------|-----------|------------------|--------|---------|
| Japan    | 52,300      | 11,170    | 24,563           | 12,294 | 100,328 |
| Americas | 58,507      | —         | —                | —      | 58,507  |
| Europe   | 23,928      | 96        | —                | —      | 24,024  |
| Asia     | 71,501      | 4,188     | —                | 4,689  | 80,378  |
| Total    | 206,237     | 15,454    | 24,563           | 16,983 | 263,239 |

### (2) Contract balances

The Group's contract balances are only receivables from contract with customers and disclosed in Note 8 "Trade and Other Receivables".

### (3) Transaction price allocated to the remaining performance obligations

The Group has no significant transactions with individual expected contractual terms exceeding one year. In addition, there are no significant amounts in consideration from contracts with customers that are not included in transaction prices.

### (4) Assets recognized from the costs of obtaining or fulfilling contracts with customers

The Group has no costs of obtaining or fulfilling contracts to be recognized as assets.

## 22. Selling, General and Administrative Expenses

The breakdown of selling, general and administrative expenses is as follows:

(Unit: Millions of yen)

|  | Year ended March 31,2018 | Year ended March 31,2019 |
|--|--------------------------|--------------------------|
| Packing and transportation expenses          | (5,675)                  | (5,762)                  |
| Employees' salaries                          | (10,171)                 | (10,739)                 |
| Provision of allowance for doubtful accounts | (38)                     | (24)                     |
| Provision for compensation for products      | (80)                     | (362)                    |
| Retirement benefit expenses                  | (505)                    | (414)                    |
| Provision for directors' retirement benefits | (35)                     | (33)                     |
| Depreciation                                 | (1,557)                  | (1,608)                  |
| Other  | (12,316)                 | (12,886)                 |
| Total  | (30,380)                 | (31,832)                 |

## 23. Other Income and Other Expenses

(1) The breakdown of other income

(Unit: Millions of yen)

|                                     | Year ended March 31,2018 | Year ended March 31,2019 |
|-------------------------------------|--------------------------|--------------------------|
| Gain on sales of non-current assets | 89                       | 174                      |
| Other                               | 729                      | 924                      |
| Total                               | 818                      | 1,099                    |

(2) The breakdown of other expenses

(Unit: Millions of yen)

|  | Year ended March 31,2018 | Year ended March 31,2019 |
|--|--------------------------|--------------------------|
| Loss on sales of non-current assets      | (78)                     | (31)                     |
| Loss on retirement of non-current assets | (123)                    | (173)                    |
| Impairment loss                          | (53)                     | (327)                    |
| Settlement package                       | (1,162)                  | —                        |
| Other                                    | (149)                    | (114)                    |
| Total                                    | (1,567)                  | (646)                    |

## 24. Finance Income and Finance Costs

### (1) The breakdown of finance income

(Unit: Millions of yen)

|  | Year ended March 31,2018 | Year ended March 31,2019 |
|--|--------------------------|--------------------------|
| Interest income  |                          |                          |
| Cash and cash equivalents  | 100                      | —                        |
| Loans and receivables  | 1,765                    | —                        |
| Financial assets measured at amortized cost                                | —                        | 2,047                    |
| Dividend income  |                          |                          |
| Available-for-sale financial assets  | 526                      | —                        |
| Financial assets measured at fair value through other comprehensive income | —                        | 607                      |
| Gain on sales  |                          |                          |
| Available-for-sale financial assets  | 0                        | —                        |
| <b>Total</b>   | <b>2,392</b>             | <b>2,654</b>             |

### (2) The breakdown of finance costs

(Unit: Millions of yen)

|                         | Year ended March 31,2018 | Year ended March 31,2019 |
|-------------------------|--------------------------|--------------------------|
| Interest expenses       |                          |                          |
| Borrowings              | (186)                    | (224)                    |
| Other                   | (4)                      | (4)                      |
| Foreign exchange losses | (456)                    | (350)                    |
| Other                   | —                        | (0)                      |
| <b>Total</b>            | <b>(648)</b>             | <b>(579)</b>             |

## 25. Earnings per Share

### (1) Basis of calculating basic earnings per share

#### 1) Profit for the year attributable to owners of the parent company

(Unit: Millions of yen)

|  | Year ended March 31,2018 | Year ended March 31,2019 |
|--|--------------------------|--------------------------|
| Profit for the year attributable to owners of the parent company | 11,105                   | 11,569                   |

#### 2) Weighted average number of ordinary shares – basic

(Unit: Thousands of shares)

|  | Year ended March 31,2018 | Year ended March 31,2019 |
|--|--------------------------|--------------------------|
| Weighted average number of ordinary shares – basic | 57,262                   | 57,265                   |

### (2) Basis of calculating diluted earnings per share

#### 1) Profit for the year attributable to owners of the parent company – diluted

(Unit: Millions of yen)

|  | Year ended March 31,2018 | Year ended March 31,2019 |
|--|--------------------------|--------------------------|
| Profit for the year attributable to owners of the parent company – diluted | 10,105                   | 11,569                   |

#### 2) Weighted average number of ordinary shares –diluted

(Unit: Thousands of shares)

|  | Year ended March 31,2018 | Year ended March 31,2019 |
|--|--------------------------|--------------------------|
| Weighted average number of ordinary shares – basic   | 57,262                   | 57,265                   |
| Dilutive potential ordinary shares                   | 78                       | 82                       |
| Weighted average number of ordinary shares – diluted | 57,340                   | 57,348                   |

## 26. Other Comprehensive Income

The amount of changes and income tax effects relating to each component of other comprehensive income for each year, including non-controlling interests, are as follows:

(Unit: Millions of yen)

|   | Year ended March 31,2018 | Year ended March 31,2019 |
|---|--------------------------|--------------------------|
| Items that will not be reclassified to profit or loss                                       |                          |                          |
| Gains(losses) on financial assets measured at fair value through other comprehensive income |                          |                          |
| Amount arising during the year  | —                        | (3,281)                  |
| Tax effect  | —                        | 950                      |
| Subtotal  | —                        | (2,330)                  |
| Remeasurements of the net defined benefit liabilities (assets)                              |                          |                          |
| Amount arising during the year  | (50)                     | 40                       |
| Tax effect  | 16                       | (10)                     |
| Subtotal  | (34)                     | 30                       |
| Items that may be reclassified to profit or loss  |                          |                          |
| Changes in fair value measurements of available-for-sale financial assets                   |                          |                          |
| Amount arising during the year  | 1,862                    | —                        |
| Reclassification to profit or loss  | (0)                      | —                        |
| Tax effect  | (571)                    | —                        |
| Subtotal  | 1,290                    | —                        |
| Foreign currency translation adjustments  |                          |                          |
| Amount arising during the year  | (4,607)                  | 2,874                    |
| Reclassification to profit or loss  | 9                        | —                        |
| Subtotal  | (4,598)                  | 2,874                    |
| Total other comprehensive income (loss)   | (3,341)                  | 574                      |

## 27. Financial Instruments

### (1) Capital management

The Group's basic policy for capital management is to aim increase of corporate value while achieving a good balance between financial stability and capital efficiency. In financial stability, assessment by credit rating agencies is one of the standards and the Group endeavors to procure funds from external institutions with low cost by maintaining a high credit rating for long-term borrowings.

In capital efficiency, the Group gives priority to procuring funds by debt while maintaining a high credit rating and reduces total capital costs by restraint of capital size. The Group is not exposed to material capital restrictions by external parties.

### (2) The Breakdown of financial instruments

(Unit: Millions of yen)

|  | March 31,2018 | March 31,2019 |
|--|---------------|---------------|
| Financial assets   |               |               |
| Loans and receivables  |               |               |
| Trade and other receivables  | 50,559        | —             |
| Other financial assets   | 63,880        | —             |
| Available-for-sale financial assets  |               |               |
| Other financial assets   | 23,589        | —             |
| Cash and cash equivalents  | 42,637        | —             |
| Financial assets measured at amortized cost                                |               |               |
| Cash and cash equivalents  | —             | 42,128        |
| Trade and other receivables  | —             | 48,209        |
| Other financial assets   | —             | 70,819        |
| Financial assets measured at fair value through other comprehensive income |               |               |
| Other financial assets   | —             | 19,260        |
| Financial assets measured at fair value through profit or loss             |               |               |
| Other financial assets   | 37            | —             |
| Total  | 180,703       | 180,417       |
| Financial liabilities  |               |               |
| Financial liabilities measured at amortized cost                           |               |               |
| Trade and other liabilities  | 44,583        | 42,837        |
| Loans  | 59,932        | 61,372        |
| Other financial liabilities  | 442           | 773           |
| Financial liabilities measured at fair value through profit or loss        |               |               |
| Other financial liabilities  | —             | 2             |
| Total  | 104,958       | 104,986       |

### (3) Financial instruments risk

#### 1) Credit risk management

##### i) Credit risk management

Notes, electronically recorded monetary claims and accounts receivable - trade are exposed to customer credit risk. The Group manages credit risk arising from receivables in accordance with the internal policies, which include monitoring of due dates and outstanding balances by individual customer and the credit worthiness of main customers on an interim basis.

##### ii) Credit risk exposure

For the fiscal year ended March 31, 2018

When a financial asset is impaired, the carrying amount of the financial asset is not reduced by the impairment loss directly and the amount is reduced through the use of allowance for doubtful accounts.

The movement in allowance for doubtful accounts is as follows:

(Unit: Millions of yen)

|                      | March 31,2018 |
|----------------------|---------------|
| Beginning balance    | 332           |
| Increase             | 36            |
| Decrease by use      | —             |
| Decrease by reversal | (108)         |
| Other                | 13            |
| Ending balance       | 274           |

For the fiscal year ended March 31, 2019

The carrying amount of note, electronically recorded monetary claims and trade receivables and changes in allowance for doubtful accounts are as follows:

(Unit: Millions of yen)

| Note, electronically recorded monetary claims and trade receivables | Financial assets for which loss allowances are always measured at an amount equal to expected credit losses for the entire period | Credit-impaired financial assets | Total  |
|---|---|----------------------------------|--------|
| Beginning balance   | 45,244  | 0                                | 45,245 |
| Ending balance  | 43,195  | 0                                | 43,196 |

(Unit: Millions of yen)

| Allowance for doubtful accounts                 | Financial assets for which loss allowances are always measured at an amount equal to expected credit losses for the entire period | Credit-impaired financial assets | Total |
|---|---|----------------------------------|-------|
| Beginning balance based on IAS 39               | 263   | 0                                | 263   |
| Adjustment for adapting IFRS 9                  | —   | —                                | —     |
| Beginning balance based on IFRS 9               | 263   | 0                                | 263   |
| Increase during the year                        | 117   | 0                                | 117   |
| Decrease during the year                        | (259)   | —                                | (259) |
| Other(Foreign currency translation adjustments) | (3)   | —                                | (3)   |
| Ending balance                                  | 117   | 0                                | 117   |

## 2) Liquidity risk

Payment terms of payables, such as notes and accounts payable-trade, are mostly less than one year.

Short-term loans are used mainly in connection with business activities. Long-term loans and leases are taken out principally for the purpose of capital investments.

Trading liabilities and borrowings are exposed to liquidity risk. The Group prepares and updates cash flow plans monthly to manage liquidity risk.

Financial liabilities by maturity are as follows:

For the fiscal year ended March 31, 2018

(Unit: Millions of yen)

|  | Carrying amount | Contractual cash flows | Within one year | More than one year within two years | More than two years within three years | More than three years within four years | More than four years within five years | More than five years |
|--|-----------------|------------------------|-----------------|-------------------------------------|--|---|--|----------------------|
| Financial liabilities measured at amortized cost |                 |                        |                 |                                     |  |   |  |                      |
| Trade and other liabilities                      | 44,583          | 44,583                 | 44,583          | —                                   | —                                      | —                                       | —                                      | —                    |
| Long-term loans due after more than one year     | 13,116          | 13,142                 | —               | 2,775                               | 1,405                                  | 5,654                                   | 303                                    | 3,002                |
| Long-term loans due within one year              | 4,201           | 4,216                  | 4,216           | —                                   | —                                      | —                                       | —                                      | —                    |
| Short-term loans                                 | 42,614          | 42,740                 | 42,740          | —                                   | —                                      | —                                       | —                                      | —                    |
| Long-term leases                                 | 319             | 325                    | —               | 107                                 | 96                                     | 71                                      | 46                                     | 4                    |
| Short-term leases                                | 123             | 127                    | 127             | —                                   | —                                      | —                                       | —                                      | —                    |
| Total  | 104,958         | 105,135                | 91,668          | 2,882                               | 1,502                                  | 5,725                                   | 349                                    | 3,007                |

A financial asset and a financial liability arising from derivative transactions are offset and the net amount is presented.

For the fiscal year ended March 31, 2019

(Unit: Millions of yen)

|  | Carrying amount | Contractual cash flows | Within one year | More than one year within two years | More than two years within three years | More than three years within four years | More than four years within five years | More than five years |
|--|-----------------|------------------------|-----------------|-------------------------------------|--|---|--|----------------------|
| Financial liabilities measured at amortized cost                     |                 |                        |                 |                                     |  |   |  |                      |
| Trade and other liabilities  | 42,837          | 42,837                 | 42,837          | —                                   | —                                      | —                                       | —                                      | —                    |
| Long-term loans due after more than one year                         | 13,111          | 13,129                 | —               | 2,418                               | 6,529                                  | 1,178                                   | 3,002                                  | —                    |
| Long-term loans due within one year                                  | 3,750           | 3,755                  | 3,755           | —                                   | —                                      | —                                       | —                                      | —                    |
| Short-term loans   | 44,510          | 44,654                 | 44,654          | —                                   | —                                      | —                                       | —                                      | —                    |
| Long-term leases   | 578             | 594                    | —               | 196                                 | 171                                    | 135                                     | 89                                     | 2                    |
| Short-term leases  | 195             | 204                    | 204             | —                                   | —                                      | —                                       | —                                      | —                    |
| Financial liabilities measured at fair value through profit and loss |                 |                        |                 |                                     |  |   |  |                      |
| Derivative liabilities   | 2               | 2                      | 2               | —                                   | —                                      | —                                       | —                                      | —                    |
| <b>Total</b>   | <b>104,986</b>  | <b>105,178</b>         | <b>91,454</b>   | <b>2,614</b>                        | <b>6,700</b>                           | <b>1,314</b>                            | <b>3,091</b>                           | <b>2</b>             |

A financial asset and a financial liability arising from derivative transactions are offset and the net amount is presented.

### 3) Market risk management

#### (i) Foreign exchange risk

The Group's main foreign exchange risk arises mainly from the Company's US dollar deposit aiming at settlement for transactions with overseas customers and suppliers. Therefore the Company mainly has the exchange risk. If the Japanese yen as a functional currency in the Company appreciates by 1% against the U.S. dollar at the fiscal year-end, effects on profit before tax by the translation of the Company's US dollar deposit are as follows.

It is assumed that currencies other than the exchange rate between the U.S. dollar and Japanese yen are fixed.

Foreign currency sensitivity analysis

(Unit: Millions of yen)

|                   | Year ended March 31, 2018 | Year ended March 31, 2019 |
|-------------------|---------------------------|---------------------------|
| Profit before tax | (134)                     | (129)                     |

The above amount in parentheses shows negative effects on profit before tax if the yen appreciated 1.0% against the dollar and the effects would be positive if the yen depreciated 1% against the dollar.

The effects on other comprehensive income by translation of foreign subsidiaries are not included.

#### (ii) Interest rate risk

The Group raises funds through bank borrowings and is exposed to interest rate risk. To hedge the risk, the Group endeavors to fix financial cost by long-term borrowings and performs good cash flow management to receivables and payables. As a result, the effects on interest expenses by interest rate change are insignificant.

(4) Equity instruments measured at fair value through other comprehensive income

The Group holds listed and unlisted shares with business relationship and these equity instruments are measured at fair value through other comprehensive income because the purpose of holding these equity instruments is to maintain and strengthen business relationship.

These investments were classified as available-for-sale financial assets in the fiscal year 2018.

1) Main shares and fair value

Main shares and fair value for the year ended March 31, 2019 are as follows:

(Unit: Millions of yen)

| Company name                          | March 31, 2019 |
|---------------------------------------|----------------|
| Honda Motor Co., Ltd.                 | 10,582         |
| NICHIA CORPORATION                    | 5,058          |
| Yamaha Motor Co., Ltd.                | 1,458          |
| SUZUKI MOTOR CORPORATION              | 484            |
| Mitsubishi UFJ Financial Group, Inc.  | 245            |
| U-Shin Ltd.                           | 181            |
| Daishi Hokuetsu Financial Group, Inc. | 167            |
| THE TAIKO BANK, LTD.                  | 130            |
| The First Bank of Toyama, Ltd.        | 128            |
| SUBARU CORPORATION                    | 127            |

2) Derecognized equity instruments measured at fair value through other comprehensive income

Fair value and cumulative profit and loss before tax of derecognized equity instruments measured at fair value through other comprehensive income for the year ended March 31, 2019 are as follows:

(Unit: Millions of yen)

|   | Year ended March 31,2019 |
|---|--------------------------|
| Fair value at the date of derecognition | 7                        |
| Cumulative profit or loss on disposal   | (8)                      |

(Note)

1. Due to change in business relationship, the Group derecognized some equity instruments measured at fair value through other comprehensive income by selling them in the fiscal year 2019.
2. When equity instruments measured at fair value through other comprehensive income are derecognized, cumulative profit or loss after tax on other comprehensive income are reclassified into retained earnings.

3) Dividend income

The breakdown of dividend income arising from equity instruments measured at fair value through other comprehensive income is as follows:

(Unit: Millions of yen)

|   | Year ended March 31,2019 |
|---|--------------------------|
| Derecognized equity instruments in the year | 0                        |
| Equity instruments held at year end         | 588                      |

#### 4) Market volatility sensitivity analysis

The Group holds equity instruments, such as shares of listed companies with which the Group has a business relationship, and these equity instruments are exposed to market volatility risk. The current fair value of the equity instruments and the financial status of issuers are assessed regularly and holding status is reviewed periodically.

Sensitivity analysis to market volatility of financial instruments is as follows:

It is based on the assumption that all parameters other than the share prices used for the calculation do not fluctuate and shows the impact on other comprehensive income (before tax effects), if the share prices of these instruments decline 10% at the fiscal year-end.

(Unit: Millions of yen)

|                            | Year ended March 31,2018 | Year ended March 31,2019 |
|----------------------------|--------------------------|--------------------------|
| Other comprehensive income | (1,711)                  | (1,376)                  |

#### (5) Fair value of financial instruments

##### 1) Measurement of fair value

##### (i) Financial assets measured at amortized cost

###### (a) Cash and cash equivalents

The carrying amount approximates the fair value due to the short maturities of the instruments.

###### (b) Trade and other receivables

The carrying amount approximates the fair value due to the short maturities of the instruments.

###### (c) Loans and receivables

Time deposits with duration exceeding three months are settled within short term and the carrying amount reasonably approximates to the respective fair value.

##### (ii) Financial assets measured at fair value through other comprehensive income

The fair value of listed shares is based on quoted market prices at reporting date and the fair value of unlisted shares is mainly based on net assets value.

##### (iii) Financial assets and financial liabilities measured at fair value through profit or loss

The fair value is based on the quoted price, etc. provided by the relevant financial institutions.

##### (iv) Financial liabilities measured at amortized cost

###### (a) Short-term loan

The carrying amount approximates the respective fair value since the instruments are settled within short term.

###### (b) Long-term loan including loan due within one year

The instruments are calculated based on the present value by discounting the sum of the principal and interest at the interest rate assumed for a new similar borrowing.

###### (c) Other liabilities

The carrying amount approximates the respective fair value since the instruments are settled within short term.

##### 2) Fair value hierarchy

The levels of the fair value hierarchy are as follows:

Level 1 – Fair value measured using quoted prices in active markets

Level 2 – Fair value measured using inputs other than quoted prices included in Level 1 that are observable, either directly or indirectly

Level 3 – Fair value measured using unobservable inputs

Any transfers of the financial instruments between levels are recognized at the date of events that causes the transfers.

When unobservable inputs were changed to alternative and reasonable assumptions in Level 3, significant changes of fair value are not considered.

3) Carrying amount and fair value of financial instruments

(Unit: Millions of yen)

|                 | March 31, 2018  |            | March 31, 2019  |            |
|-----------------|-----------------|------------|-----------------|------------|
|                 | Carrying amount | Fair value | Carrying amount | Fair value |
| Long-term loans | 17,317          | 17,305     | 16,862          | 16,855     |

4) Financial instruments measured at fair value

The clarification by level based on fair value hierarchy of financial instruments measured at fair value is as follows:

For the fiscal year ended March 31, 2018

(Unit: Millions of yen)

|  | Level 1 | Level 2 | Level 3 | Total  |
|--|---------|---------|---------|--------|
| Financial assets measured at fair value through profit or loss | —       | 37      | —       | 37     |
| Available-for-sale financial assets                            | 17,112  | —       | 5,374   | 22,487 |
| Total  | 17,112  | 37      | 5,374   | 22,525 |

(Note) There is no financial asset or financial liability transferred to other level.

For the fiscal year ended March 31, 2019

(Unit: Millions of yen)

|  | Level 1 | Level 2 | Level 3 | Total  |
|--|---------|---------|---------|--------|
| Financial assets measured at fair value through other comprehensive income | 13,786  | —       | 5,468   | 19,255 |
| Total  | 13,786  | —       | 5,468   | 19,255 |
| Financial liabilities measured at fair value through profit or loss        | —       | 2       | —       | 2      |
| Total  | —       | 2       | —       | 2      |

(Note) There is no financial asset or financial liability transferred to other level.

5) The movement in fair value of financial assets categorized in Level 3 is as follows:

(Unit: Millions of yen)

|                            | Year ended March 31, 2018 | Year ended March 31, 2019 |
|----------------------------|---------------------------|---------------------------|
| Beginning balance          | 5,022                     | 5,374                     |
| Total gain and loss:       |                           |                           |
| Other comprehensive income | 351                       | 103                       |
| Sales                      | —                         | (1)                       |
| Other                      | —                         | (8)                       |
| Ending balance             | 5,374                     | 5,468                     |

Gains(losses) on other comprehensive income are classified as changes in fair value measurements of available-for-sale financial assets in consolidated statement of comprehensive income for the fiscal year ended March 31, 2018 and gains(losses) on financial assets measured at fair value through other comprehensive income in consolidated statement of comprehensive income for the fiscal year ended March 31, 2019 respectively.

## 28. Leases

### (1) Finance lease as lessee

The breakdown of future minimum lease payments under finance lease as at March 31, 2018 and March 31, 2019 is as follows:

(Unit: Millions of yen)

|  | March 31,2018          |                                      | March 31,2019          |                                      |
|--|------------------------|--------------------------------------|------------------------|--------------------------------------|
|  | Minimum lease payments | Minimum lease payments at fair value | Minimum lease payments | Minimum lease payments at fair value |
| Within one year                            | 123                    | 122                                  | 195                    | 193                                  |
| More than one year to five years           | 312                    | 304                                  | 576                    | 554                                  |
| More than five years                       | 6                      | 6                                    | 2                      | 2                                    |
| Total                                      | 442                    | 432                                  | 773                    | 750                                  |
| Future financing cost                      | (9)                    | —                                    | (22)                   | —                                    |
| Total minimum lease payments at fair value | 432                    | 432                                  | 750                    | 750                                  |

### (2) Operating lease as lessee

#### 1) Future minimum lease payments

The breakdown of future minimum lease payments under non-cancellable operating lease as at March 31, 2018 and March 31, 2019 is as follows:

(Unit: Millions of yen)

|                                  | March 31,2018 | March 31,2019 |
|----------------------------------|---------------|---------------|
| Within one year                  | 46            | 201           |
| More than one year to five years | 85            | 413           |
| More than five years             | —             | 14            |
| Total                            | 131           | 629           |

The Group leases vehicles, etc. and some lease contracts cover the right for renewal.

#### 2) Operating lease payments recognized as an expense

Operating lease payments recognized as an expense are as follows:

(Unit: Millions of yen)

| Year ended March 31,2018 | Year ended March 31,2019 |
|--------------------------|--------------------------|
| 161                      | 1,560                    |

## 29. Subsidiaries

The consolidated subsidiaries of the Group as at March 31, 2019 are as follows:

| Company name                                   | Location                    | Voting rights (%) |
|--|-----------------------------|-------------------|
| NS Advantech Co., Ltd.                         | Niigata prefecture, Japan   | 100.0             |
| N.S.Electronics Co., Ltd.                      | Niigata prefecture, Japan   | 100.0             |
| NS West Inc.                                   | Hiroshima prefecture, Japan | 100.0             |
| NS·Computer Service Co., Ltd.                  | Niigata prefecture, Japan   | 100.0             |
| Nissei Service Co., Ltd.                       | Niigata prefecture, Japan   | 100.0             |
| Honda Car Sales Nagaoka Co., Ltd.              | Niigata prefecture, Japan   | 100.0             |
| Niigata Mazda Co., Ltd.                        | Niigata prefecture, Japan   | 100.0             |
| UK-NSI Co., Ltd.                               | United Kingdom              | 100.0             |
| Nippon Seiki (Europe)B.V.                      | Netherlands                 | 100.0             |
| New Sabina Industries, Inc.                    | U.S.A.                      | 100.0 (7.9)       |
| N.S.International, Ltd.                        | U.S.A.                      | 100.0             |
| Nippon Seiki De Mexico S.A. De C.V.            | Mexico                      | 100.0 (20.5)      |
| Nissei Advantech Mexico S.A. De C.V.           | Mexico                      | 100.0 (95.59)     |
| Nippon Seiki Do Brasil Ltda.                   | Brazil                      | 100.0             |
| Thai Nippon Seiki Co., Ltd.                    | Thailand                    | 100.0             |
| PT.Indonesia Nippon Seiki                      | Indonesia                   | 70.0              |
| Vietnam Nippon Seiki Co., Ltd.                 | Vietnam                     | 70.0              |
| NS Instruments India Private Ltd.              | India                       | 100.0 (1.0)       |
| Hong Kong Nippon Seiki Co., Ltd.               | Hong Kong                   | 100.0 (30.0)      |
| Dongguan Nissei Electronics Co., Ltd.          | China                       | 100.0 (30.0)      |
| Shanghai Nissei Display System Co., Ltd.       | China                       | 80.0 (80.0)       |
| Taiwan Nissei Display System Co., Ltd.         | Taiwan                      | 100.0             |
| Nantong NS Advantech Co., Ltd.                 | China                       | 100.0 (100.0)     |
| Wuhan Nissei Display System Co., Ltd.          | China                       | 75.0              |
| Nissei Display Sales and Development Co., Ltd. | China                       | 91.0 (31.0)       |
| Other 9 companies                              | —                           | —                 |

(Note) The percentages in parentheses in the column of "Voting rights (%)" indicate indirect ownership out of the total ownership.

## 30. Related parties

Management emoluments

Emoluments for the Company's directors and corporate auditors are as follows:

(Unit: Millions of yen)

|                           | Year ended March 31,2018 | Year ended March 31,2019 |
|---------------------------|--------------------------|--------------------------|
| Basic emolument and bonus | 340                      | 381                      |
| Share-based Payment       | 14                       | 14                       |
| Total                     | 354                      | 396                      |

### 31. Share-based Payment

#### (1) Stock option remuneration plans

The Company adopts the stock option remuneration plans as described below.

| Issuer  | The Company                            | The Company                            | The Company                            | The Company                            |
|---|--|--|--|--|
| Date of resolution at the Board of Directors' Meeting | June 28, 2011                          | June 27, 2012                          | June 25, 2013                          | June 26, 2014                          |
| Grantees  | Directors 15                           | Directors 14                           | Directors 13                           | Directors 15                           |
| Class and number of granted shares                    | Ordinary shares<br>24,700 shares       | Ordinary shares<br>30,400 shares       | Ordinary shares<br>13,900 shares       | Ordinary shares<br>12,200 shares       |
| Grant date  | July 19, 2011                          | July 19, 2012                          | July 18, 2013                          | July 17, 2014                          |
| Vesting Conditions                                    | No condition is set out.               |
| Service period  | No service period is stipulated.       |
| Exercisable period                                    | From July 20, 2011 to<br>July 19, 2041 | From July 20, 2012 to<br>July 19, 2042 | From July 19, 2013 to<br>July 18, 2043 | From July 18, 2014 to<br>July 17, 2044 |

| Issuer  | The Company                            | The Company                            | The Company                            | The Company                            |
|---|--|--|--|--|
| Date of resolution at the Board of Directors' Meeting | June 26, 2015                          | June 28, 2016                          | June 28, 2017                          | June 27, 2018                          |
| Grantees  | Directors 7<br>Operating Officers 12   | Directors 6<br>Operating Officers 14   | Directors 7<br>Operating Officers 4    | Directors 7<br>Operating Officers 4    |
| Class and number of granted shares                    | Ordinary shares<br>8,300 shares        | Ordinary shares<br>13,800 shares       | Ordinary shares<br>9,000 shares        | Ordinary shares<br>8,800 shares        |
| Grant date  | July 17, 2015                          | July 20, 2016                          | July 20, 2017                          | July 20, 2018                          |
| Vesting Conditions                                    | No condition is set out.               |
| Service period  | No service period is stipulated.       |
| Exercisable period                                    | From July 18, 2015 to<br>July 17, 2045 | From July 21, 2016 to<br>July 20, 2046 | From July 21, 2017 to<br>July 20, 2047 | From July 21, 2018 to<br>July 20, 2048 |

The stock options outstanding as of March 31, 2018 and 2019 are as follows:

For the fiscal year ended March 31, 2018

|  | Number of options (Share) | Weighted-average exercise price(Yen) |
|--|---------------------------|--------------------------------------|
| Beginning balance                      | 80,200                    | 1                                    |
| Granted                                | 9,000                     | 1                                    |
| Forfeited                              | —                         | —                                    |
| Exercised                              | (11,900)                  | 1                                    |
| Expired                                | —                         | —                                    |
| Ending balance                         | 77,300                    | 1                                    |
| Options exercisable at the end of year | —                         | —                                    |

(Note) The weighted-average stock price of options as of the date of exercising, which was exercised in the reporting period, is ¥2,315.

For the fiscal year ended March 31, 2019

|  | Number of options (Share) | Weighted-average exercise price(Yen) |
|--|---------------------------|--------------------------------------|
| Beginning balance                      | 77,300                    | 1                                    |
| Granted                                | 8,800                     | 1                                    |
| Forfeited                              | —                         | —                                    |
| Exercised                              | (3,000)                   | 1                                    |
| Expired                                | —                         | —                                    |
| Ending balance                         | 83,100                    | 1                                    |
| Options exercisable at the end of year | —                         | —                                    |

(Note) The weighted-average stock price of options as of the date of exercising, which was exercised in the reporting period, is ¥2,060.

(2) Measurement approach for fair value of stock options

The fair value of stock options is estimated using the Black-Scholes model. The fair value and assumptions used in the calculation are as follows.

|   | Year ended March 31,2018 | Year ended March 31,019 |
|---|--------------------------|-------------------------|
| Fair value per stock at measuring date (Yen)  | 1,403.89                 | 1,470.28                |
| Share price at grant date (Yen)               | —                        | —                       |
| Exercise price (Yen)                          | 1                        | 1                       |
| Expected volatility of the share price (%)    | 35.13                    | 32.31                   |
| Expected remaining life of the option (years) | 4.3                      | 3.5                     |
| Expected dividend (Yen)                       | 35                       | 42                      |
| Risk-free interest rate (%)                   | (0.06)                   | (0.11)                  |

(3) Share-based compensation recorded in consolidated statement of income

(Unit: Millions of yen)

|   | Year ended March 31,2018 | Year ended March 31,2019 |
|---|--------------------------|--------------------------|
| Share-based compensation recorded in Selling, general and administrative expenses | 18                       | 18                       |

### 32. Commitments

Contractual commitments for the acquisition of property, plant, equipment and intangible assets are as follows:

(Unit: Millions of yen)

|   | March 31,2018 | March 31,2019 |
|---|---------------|---------------|
| Contractual commitments for the acquisition of property, plant, equipment and intangible assets | 6,861         | 6,765         |

- **Company name** : Nippon Seiki Co., Ltd.
- **Established** : December 24, 1946
- **Common stock** : 14,494,287,162 Yen
- **Number of employees** : 1,803

- **Main products and activities ( Nippon Seiki Group )**

- Automotive instruments
- Head-up displays ※
- Motorcycle instruments
- Instruments for agricultural and construction machines and boats
- Sensors for automobiles
- Control panels for office equipment
- Remote controllers for air conditioners and housing and facility equipment
- PCB assemblies for amusements
- EMS of high-density mounting boards
- Automobile sales
- Aftermarket car products
- Liquid crystal display panels and modules
- Organic light emitting diode display panels and modules
- Resin material processing and sales
- Freight transportation
- Software development etc.

**Note:**

- ※ "Head-up displays (HUD)" use projection technology to display vehicle information on the windshield.

- **Offices and Factories**

- **Head office and Factory**  
2-34, Higashi-Zaoh 2-chome, Nagaoka-shi, Niigata, 940-8580 JAPAN
- **Takami Division**  
2-8, Higashi-Takami 2-chome, Nagaoka-shi, Niigata, 940-0006 JAPAN
- **NS Technical Center**  
2-8, Higashi-Takami 2-chome, Nagaoka-shi, Niigata, 940-0006 JAPAN
- **NS Tokyo Technical Center**  
Tabata Asuka Tower4F, 1-1, Tabata 6-chome, Kita-ku, Tokyo, 114-0014 JAPAN
- **Research & Development Center**  
190-1, Fujihashi 1-chome, Nagaoka-shi, Niigata, 940-2141 JAPAN
- **Iwate Software-design Satellite Office**  
Takizawa-Shi IPU Daiichi Innovation Center 201, 152-378 Sugo, Takizawa-Shi, Iwate, 020-0611 JAPAN
- **Offices**  
Utsunomiya, Tokyo, Hamamatsu, Nagoya, Suzuka, Osaka, Mizushima, Kumamoto
- **Branch Office**  
Hong Kong

## Worldwide Network

### ● Japan

- NS Advantech Co., Ltd. / Ojiya-shi, Niigata, Japan
- N.S. Electronics Co., Ltd. / Nagaoka-shi, Niigata, Japan
- NS WEST Inc. / Shobara-shi, Hiroshima, Japan
- N.S.Computer Service Co., Ltd. / Nagaoka-shi, Niigata, Japan
- Nissei Service Co., Ltd. / Nagaoka-shi, Niigata, Japan
- Honda Car Sales Nagaoka Co., Ltd. / Nagaoka-shi, Niigata, Japan
- Niigata Mazda Co., Ltd. / Niigata-shi, Niigata, Japan
- Mazda Mobility Niigata Co., Ltd. / Niigata-shi, Niigata, Japan
- Car Station Niigata Co., Ltd. / Nagaoka-shi, Niigata, Japan
- Nissei Kyusyoku Co., Ltd. / Nagaoka-shi, Niigata, Japan

### ● The Americas

- New Sabina Industries, Inc. / Sabina, Ohio, U.S.A.
- N.S. International, Ltd. / Troy, Michigan, U.S.A.
- Nippon Seiki De Mexico S.A. De C.V. / Nuevo Leon, Mexico
- Nissei Advantech Mexico S.A. De C.V. / Nuevo Leon, Mexico
- Nissei Display Mexico, S.A. de C.V. / Nuevo Leon, Mexico
- Nippon Seiki Do Brasil Ltda. / Manaus, Amazonas, Brazil
- NS Sao Paulo Componentes Automotivos Ltda. / Sao Paulo, Brazil

### ● Europe

- UK-NSI Co., Ltd. / Redditch, Worcs, U.K.
- Nippon Seiki (Europe) B.V. / North Holland, Netherlands

### ● Asia

- Thai Nippon Seiki Co., Ltd. / Chonburi, Thailand
- Thai Matto NS Co., Ltd. / Chonburi, Thailand
- Nippon Seiki Consumer Products (Thailand) Co., Ltd. / Chonburi, Thailand
- PT. Indonesia Nippon Seiki / Banten, Indonesia
- Vietnam Nippon Seiki Co., Ltd. / Hanoi, Vietnam
- DaNang Nippon Seiki Co., Ltd. / DaNang city, Vietnam
- NS Instruments India Private Ltd. / Andhara Pradesh, India
- Hong Kong Nippon Seiki Co., Ltd. / Hong Kong, China
- Dongguan Nissei Electronics Co., Ltd. / Dongguan, Guangdong, China
- Shanghai Nissei Display System Co., Ltd. / Shanghai, China
- Wuhan Nissei Display System Co., Ltd. / Hubei, China
- Nissei Display Sales and Development Co., Ltd. / Shanghai, China
- Taiwan Nissei Display System Co., Ltd. / Taipei, Taiwan R.O.C.
- Nantong NS Advantech Co., Ltd. / Nantong, Jiangsu, China
- Hong Kong Ek Chor Nissei Co., Ltd. / Hong Kong, China
- JNS Instruments Ltd. / Haryana, India

#### Notes:

※ Taiwan Nissei Display System Co., Ltd. relocated to Taipei, Taiwan R.O.C on April 1, 2019.

**Nippon Seiki Co., Ltd.**

NS Advantech Co., Ltd.

N.S. Electronics Co., Ltd.

NS WEST Inc.

N.S.Computer Service Co., Ltd.

Nissei Service Co., Ltd.

Honda Car Sales Nagasaki Co., Ltd.

Niigata Mazda Co., Ltd.

Mazda Mobility Niigata Co., Ltd.

Car Station Niigata Co., Ltd.

Nissei Kyusyoku Co., Ltd.



Nippon Seiki Group is composed of 34 subsidiaries and 1 affiliated company. The main business of the group is responsible for the manufacture and sale of instruments for automobiles, motorcycles, agricultural / construction machines and boats, and the manufacture and sale of liquid crystal display panels and modules, consumer-use products, automobiles and other products. NS Group also has businesses related to transport and research & development connected with the above products. NS Group is also involved in software development and other services.

Details of each company in the group and its main activities are as follows:

● Significant consolidated subsidiaries

| Name of Company                      | Voting rights equity ratio | Main activities  | Main trade with subsidiaries                  |
|--------------------------------------|----------------------------|--|---|
| NS Advantech Co., Ltd.               | 100.0                      | Manufacture of instruments for automotive, motorcycle, agricultural/construction machines and boats / Plastic injection molding / Compounding, coloring of plastics, and trading                   | Purchasing products and component parts       |
| N.S. Electronics Co., Ltd.           | 100.0                      | Manufacture of electronic sub-assemblies for instruments and remote controllers and motorcycle instruments   | Purchasing products and component parts       |
| NS WEST Inc.                         | 100.0                      | Manufacture and sales of automotive instruments and peripheral systems   | Selling and purchasing products               |
| N.S.Computer Service Co., Ltd.       | 100.0                      | Software development and sales/ Office automation equipment sales / Computer services  | Outsourcing software development              |
| Nissei Service Co., Ltd.             | 100.0                      | Transportation / Advertising agency  | Outsourcing packing and transporting products |
| Honda Car Sales Nagaoka Co., Ltd.    | 100.0                      | Honda car dealer   | Purchasing cars                               |
| Niigata Mazda Co., Ltd.              | 100.0                      | Mazda car dealer   | Purchasing cars                               |
| UK-NSI Co., Ltd.                     | 100.0                      | Manufacture of automotive and motorcycle instruments   | Selling products                              |
| Nippon Seiki (Europe) B.V.           | 100.0                      | Sales of products manufactured by Nippon Seiki Group in the European market  | Selling products                              |
| New Sabina Industries, Inc.          | 100.0                      | Manufacture of automotive instruments  | Selling products                              |
| N.S. International, Ltd.             | 100.0                      | Sales of products manufactured by Nippon Seiki Group in the North American market  | Selling products                              |
| Nippon Seiki De Mexico S.A. De C.V.  | 100.0                      | Manufacture of electronic sub-assemblies for automotive instruments and automotive instruments   | Selling products                              |
| Nissei Advantech Mexico S.A. De C.V. | 100.0                      | Manufacture and sales of parts for automotive instruments  | None  |
| Nippon Seiki Do Brasil Ltda.         | 100.0                      | Manufacture and sales of motorcycle instruments  | Selling products                              |
| Thai Nippon Seiki Co., Ltd.          | 100.0                      | Manufacture and sales of automotive and motorcycle instruments / Manufacture of control panels for office automation equipment and remote controllers for air conditioners and household equipment | Selling and purchasing products               |
| PT. Indonesia Nippon Seiki           | 70.0                       | Manufacture and sales of automotive and motorcycle instruments   | Selling products                              |
| Vietnam Nippon Seiki Co., Ltd.       | 70.0                       | Manufacture and sales of motorcycle instruments  | Selling products                              |
| NS Instruments India Private Ltd.    | 100.0                      | Manufacture and sales of automotive and motorcycle instruments   | Selling products                              |

| Name of Company                                | Voting rights equity ratio | Main activities   | Main trade with subsidiaries                    |
|--|----------------------------|---|---|
| Hong Kong Nippon Seiki Co., Ltd.               | 100.0                      | Sales of control panels for office automation equipment and remote controllers for air conditioners and household equipment       | Purchasing and selling products                 |
| Dongguan Nissei Electronics Co., Ltd.          | 100.0                      | Manufacture of control panels for office automation equipment and remote controllers for air conditioners and household equipment | Selling products                                |
| Shanghai Nissei Display System Co., Ltd.       | 80.0                       | Manufacture and sales of automotive and motorcycle instruments  | Selling products and purchasing component parts |
| Taiwan Nissei Display System Co., Ltd.         | 100.0                      | Manufacture and sales of automotive and motorcycle instruments  | Selling products                                |
| Nantong NS Advantech Co., Ltd.                 | 100.0                      | Compounding, and coloring of plastics, and trading  | Purchasing component parts                      |
| Wuhan Nissei Display system Co., Ltd.          | 75.0                       | Manufacture of automotive instruments   | Selling products                                |
| Nissei Display Sales and Development Co., Ltd. | 91.0                       | Sales of products manufactured by Nippon Seiki Group in the Chinese market  | Selling products                                |
| And 9 companies                                |                            |   |   |

● The affiliated company is as follow:

- Affiliated company (which does not influence the consolidated financial statements)
- JNS Instruments Ltd.

2,379 shareholders, in total, hold the company's common shares.

Details of the issued shares and shareholders are as follows:

- Total number of authorized shares: 220,000,000 shares
- Total number of issued shares: 60,907,599 shares

### ● Major shareholders

(1,000 shares)

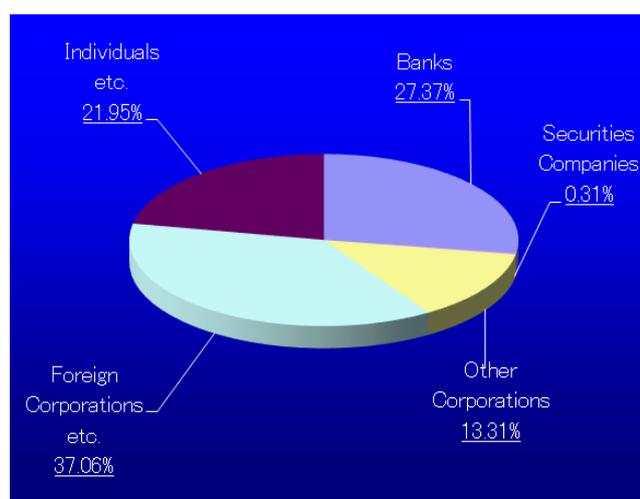
| Name  | Shares owned<br>(percentage of<br>shareholdings) |
|---|--|
| Honda Motor Co., Ltd.   | 3,753 (6.55%)                                    |
| JP MORGAN CHASE BANK 385632   | 2,631 (4.59%)                                    |
| BBH FOR FIDELITY LOW-PRICED STOCK FUND<br>(PRINCIPAL ALL SECTOR SUBPORTFOLIO) | 2,628 (4.58%)                                    |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd.  | 1,779 (3.10%)                                    |
| The Daishi Bank, Ltd.   | 1,568 (2.73%)                                    |
| The Master Trust Bank of Japan, Ltd.  | 1,516 (2.64%)                                    |
| Yamaha Motor Co., Ltd.  | 1,217 (2.12%)                                    |
| Japan Trustee Services Bank, Ltd.   | 1,215 (2.12%)                                    |
| Nichia Corporation  | 1,188 (2.07%)                                    |
| Shareholding association of Nippon Seiki Employees                            | 1,170 (2.04%)                                    |

#### Notes:

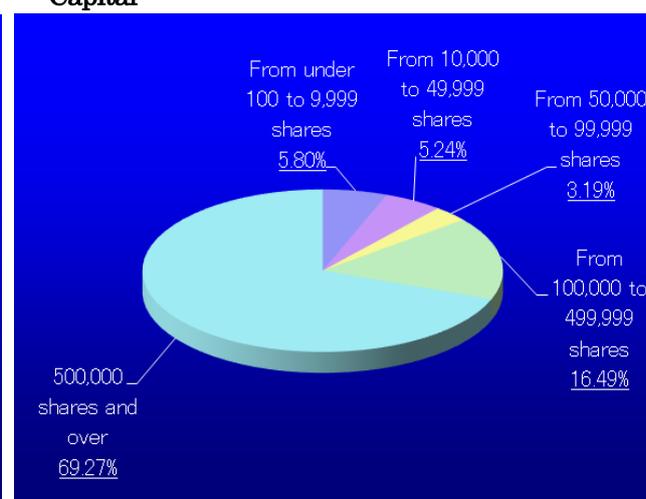
※1 Percentage of shareholdings ratio is calculated by deducting 3,640,415 shares of treasury stocks from total shares issued.

※2 Nippon Seiki holds treasury stocks (3,640,145 shares), but this has not been included in the above major shareholders' information.

### ● Distribution ratio by type of shareholder



### ● Distribution ratio by number of shares of total Capital



#### Note:

※ Nippon Seiki has issued share acquisition rights in the form of stock options for a stock-based compensation plan to the company's directors.

## VII. BOARD OF DIRECTORS AND AUDIT AND SUPERVISORY COMMITTEE MEMBERS

As of June 26, 2019

### Directors

⟨Name⟩

|   |                   |
|---|-------------------|
| Chairman and Representative Director                                    | Shoji Nagai       |
| President, Chief Executive Officer and Representative Director          | Morito Sato       |
| Senior Managing Officer and Representative Director                     | Koichi Sato       |
| Senior Managing Officer and Director                                    | Makoto Okawa      |
| Managing Officer and Director   | Junichi Suzuki    |
| Managing Officer and Director   | Yuji Hirata       |
| Director who is Audit & Supervisory Committee Member (Full-time)        | Haruhiko Otaki    |
| Director who is Audit & Supervisory Committee Member (Full-time)        | Tatsuya Nagai     |
| Director who is Audit & Supervisory Committee Member (Outside Director) | Etsuo Saiki       |
| Director who is Audit & Supervisory Committee Member (Outside Director) | Eiko Tomiyama     |
| Director who is Audit & Supervisory Committee Member (Outside Director) | Ryuichi Shimamune |
| Director who is Audit & Supervisory Committee Member (Outside Director) | Kiyoshi Suzuki    |