

Consolidated Financial Statements

Consolidated Statement of Financial Position

(Unit: Millions of yen)

	March 31,2021	March 31,2022
Assets		
Current assets		
Cash and cash equivalents	24,796	30,043
Trade and other current receivables	40,502	54,553
Other current financial assets	78,001	55,114
Inventories	69,577	92,475
Other current assets	8,991	12,811
Total current assets	221,870	244,999
Non-current assets		
Property, plant and equipment	67,125	68,829
Goodwill and intangible assets	8,097	8,667
Trade and other non-current receivables	455	430
Other non-current financial assets	27,931	28,408
Deferred tax assets	3,193	4,371
Other non-current assets	879	248
Total non-current assets	107,683	110,955
Total assets	329,553	355,954
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other current payables	40,432	42,850
Short-term loans	56,047	64,668
Other current financial liabilities	1,897	1,923
Income tax payables	1,315	1,808
Short-term employee benefits	4,817	5,142
Provisions	778	686
Other current liabilities	1,329	1,411
Total current liabilities	106,618	118,491
Non-current liabilities		
Long-term loans	13,084	14,468
Other non-current financial liabilities	3,064	3,223
Long-term employee benefits	4,091	3,875
Provisions	184	285
Deferred tax liabilities	7,331	8,385
Other non-current liabilities	304	775
Total non-current liabilities	28,061	31,014
Total liabilities	134,679	149,505
Equity		
Common stock	14,494	14,494
Capital surplus	4,438	4,435
Retained earnings	149,946	149,307
Treasury stock	(1,014)	(972)
Other components of equity	18,392	32,351
Equity attributable to owners of the parent	186,257	199,616
Non-controlling interests	8,616	6,832
Total equity	194,874	206,449
Total liabilities and equity	329,553	355,954

Consolidated Statement of Income

(Unit: Millions of yen)

	Year ended March 31,2022	Year ended March 31,2023
Revenue	223,621	275,776
Cost of revenue	(187,514)	(237,151)
Gross profit	36,107	38,625
Selling, general and administrative expenses	(38,362)	(36,173)
Other income	1,329	1,163
Other expenses	(3,350)	(774)
Operating profit (loss)	(4,276)	2,840
Finance income	3,053	3,913
Finance costs	(176)	(263)
Profit (loss) before tax	(1,399)	6,490
Income tax expense	(3,143)	(4,400)
Profit (loss) for the year	(4,543)	2,089
Profit attributable to:		
Owners of the parent	(5,180)	1,380
Non-controlling interests	637	709
Profit (loss) for the year	(4,543)	2,089
Earnings per share attributable to owners of the parent:		
Basic earnings (losses) per share (Yen)	(85.88)	22.87
Diluted earnings (losses) per share (Yen)	(85.88)	22.85
Profit (loss) for the year	(4,543)	2,089
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	(8)	1,170
Remeasurements of net defined benefit liabilities (assets)	140	111
Total comprehensive income (loss) that will not be reclassified to profit or loss, net of tax	131	1,282
Items that may be reclassified to profit or loss, net of tax:		
Foreign currency translation adjustments	15,480	13,108
Total comprehensive income (loss) that may be reclassified to profit or loss, net of tax	15,480	13,108
Other comprehensive income (loss) for the year	15,612	14,391
Total comprehensive income for the year	11,069	16,481
Comprehensive income attributable to:		
Owners of the parent	9,467	15,501
Non-controlling interests	1,601	979
Comprehensive income for the year	11,069	16,481

Consolidated Financial Statements

Consolidated Statement of Changes in Equity

For the year ended March 31, 2022

(Unit: Millions of yen)

	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, 2021						
Comprehensive income	14,494	4,455	157,449	(1,045)	7,542	—
Profit for the year						
Other comprehensive income (loss)	—	—	(5,180)	—	—	—
Total comprehensive income (loss)	—	—	—	—	(8)	124
Transactions with owners	—	—	(5,180)	—	(8)	124
Dividends paid						
Share-based payment transactions	—	—	(2,412)	—	—	—
Purchase of treasury stock	—	14	—	—	—	—
Disposal of treasury stock	—	—	—	(0)	—	—
Acquisition of non-controlling interest	—	(30)	—	31	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	—	—
Other	—	—	124	—	(0)	(124)
Total transactions with owners	—	—	(34)	—	—	—
As of March 31, 2022	—	(16)	(2,322)	31	(0)	(124)
	14,494	4,438	149,946	(1,014)	7,533	—

	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, 2021					
Comprehensive income	(3,672)	3,869	179,222	7,307	186,530
Profit for the year					
Other comprehensive income (loss)	—	—	(5,180)	637	(4,543)
Total comprehensive income (loss)	14,531	14,647	14,647	964	15,612
Transactions with owners	14,531	14,647	9,467	1,601	11,069
Dividends paid					
Share-based payment transactions	—	—	(2,412)	(283)	(2,695)
Purchase of treasury stock	—	—	14	—	14
Disposal of treasury stock	—	—	(0)	—	(0)
Acquisition of non-controlling interest	—	—	0	—	0
Transfer from other components of equity to retained earnings	—	—	—	—	—
Other	—	(124)	—	—	—
Total transactions with owners	—	—	(34)	(8)	(43)
As of March 31, 2022	—	(124)	(2,433)	(291)	(2,725)
	10,858	18,392	186,257	8,616	194,874

For the year ended March 31, 2023

(Unit: Millions of yen)

	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, 2022	14,494	4,438	149,946	(1,014)	7,533	—
Impact of changes in accounting policies	—	—	258	—	—	—
Beginning balance after restatement	14,494	4,438	150,205	(1,014)	7,533	—
Comprehensive income						
Profit for the year	—	—	1,380	—	—	—
Other comprehensive income (loss)	—	—	—	—	1,170	95
Total comprehensive income (loss)	—	—	1,380	—	1,170	95
Transactions with owners						
Dividends paid	—	—	(2,413)	—	—	—
Share-based payment transactions	—	14	—	—	—	—
Purchase of treasury stock	—	—	—	(0)	—	—
Disposal of treasury stock	—	(42)	—	42	—	—
Acquisition of non-controlling interest	—	25	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	162	—	(66)	(95)
Other	—	—	(26)	—	—	—
Total transactions with owners	—	(2)	(2,277)	42	(66)	(95)
As of March 31, 2023	14,494	4,435	149,307	(972)	8,637	—

	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, 2022	10,858	18,392	186,257	8,616	194,874
Impact of changes in accounting policies	—	—	258	77	335
Beginning balance after restatement	10,858	18,392	186,515	8,694	195,210
Comprehensive income					
Loss for the year	—	—	1,380	709	2,089
Other comprehensive income (loss)	12,854	14,120	14,120	270	14,391
Total comprehensive income (loss)	12,854	14,120	15,501	979	16,481
Transactions with owners					
Dividends paid	—	—	(2,413)	(277)	(2,691)
Share-based payment transactions	—	—	14	—	14
Purchase of treasury stock	—	—	(0)	—	(0)
Disposal of treasury stock	—	—	0	—	0
Acquisition of non-controlling interest	—	—	25	(2,557)	(2,531)
Transfer from other components of equity to retained earnings	—	—	(162)	—	—
Other	—	—	(26)	(6)	(33)
Total transactions with owners	—	—	(162)	(2,400)	(5,241)
As of March 31, 2023	23,713	32,351	199,616	6,832	206,449

Consolidated Statement of Cash Flows

(単位:百万円)

	Year ended March 31,2022	Year ended March 31,2023
Cash flows from operating activities:		
Profit (loss) before tax	(1,399)	6,490
Depreciation and amortization	11,916	12,068
Impairment loss	3,090	291
Interest and dividends income	(1,481)	(2,669)
Interest expense	169	263
Gains and losses related to step acquisition(Gain)	—	132
(Gain) loss on sale of property, plant and equipment	81	(323)
(Increase) decrease in trade and other receivables	4,063	(10,311)
(Increase) decrease in inventories	(19,577)	(19,263)
Increase(decrease) in trade and other payables	773	(310)
Increase (decrease) in provisions	(765)	(91)
Increase (decrease) in retirement benefit liabilities	179	39
Foreign exchange losses(gains)	407	(29)
Other, net	(906)	(1,498)
Subtotal	(3,447)	(15,211)
Interest and dividends received	1,524	2,428
Interest paid	(170)	(286)
Income taxes paid	(3,284)	(4,989)
Other, net	(60)	—
Net cash provided by operating activities	(5,437)	(18,057)
Cash flows from investing activities:		
(Increase)decrease in time deposits, net	(369)	30,108
Purchase of property, plant and equipment and intangible assets	(7,473)	(9,548)
Proceeds from sale of property, plant and equipment and intangible assets	572	597
Purchase of investment securities	(69)	(81)
Proceeds from sale of investment securities	1,175	80
Increase in loans receivable	(7)	(12)
Collection of loans	110	122
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(120)	(1,518)
Payments for investments in associates	(1,334)	—
Other, net	(2)	(33)
Net cash used in investing activities	(7,518)	19,713
Cash flows from financing activities:		
(Decrease) increase in short-term loans, net	3,000	4,100
Proceeds from long-term loans	7,040	13,000
Repayments of long-term loans	(10,755)	(7,837)
Repayments of lease obligations	(2,075)	(1,856)
Dividends paid to non-controlling interests	(296)	(402)
Net decrease (increase) in treasury stock	0	0
Dividends paid to owners of the parent	(2,411)	(2,413)
Expenditures due to acquisition of subsidiary shares without change in scope of consolidation	—	(2,531)
Expenses due to redemption of corporate bonds	—	(30)
Net cash used in financing activities	(5,498)	2,028
Foreign currency translation adjustments on cash and cash equivalents	1,601	1,562
Net increase (decrease) in cash and cash equivalents	(16,853)	5,246
Cash and cash equivalents at beginning of year	41,650	24,796
Cash and cash equivalents at end of year	24,796	30,043

Directors



6 Kazuhiko Murayama 4 Yuji Osaki 2 Keiichi Nagano 3 Masatoshi Azuma 5 Masahiro Yoshihara 7 Tatsuya Nagai
11 Toshihiko Enomoto 8 Etsuo Saiki 1 Koichi Sato 9 Eiko Tomiyama 10 Kiyoshi Suzuki

1 Koichi Sato

Representative Director,
President Chief Executive Officer

Apr. 1985 Joined Nippon Seiki Co., Ltd.
Apr. 2006 Vice President NS International, Ltd.
Jun. 2011 Director
Jun. 2013 Managing Director
Apr. 2017 Senior Representative Director
Jun. 2019 Representative Director
Jun. 2020 Representative Director, President CEO (Present)

2 Keiichi Nagano

Director/Senior Managing Officer

Apr. 1989 Joined Nippon Seiki Co., Ltd.
Nov. 2016 Director, Nippon Seiki (Europe) B.V.
Apr. 2020 Operating Officer Instrument Design Headquarter
Jun. 2020 Senior Operating Officer
Jun. 2021 Director, Senior Operating Officer
Jun. 2022 Director/Managing Officer
Apr. 2023 Chief of Automotive System Design Headquarter
In Charge of Engineering Headquarter
Region in Charge: Europe (Present)
Jun. 2023 Director/Senior Managing Officer (Present)

3 Masatoshi Azuma

Director/Managing Officer

Apr. 1984 Joined Nippon Seiki Co., Ltd.
Jun. 2014 Operating Officer,
Engineering Headquarter Automotive Instrument
Design Supervision dept. Deputy Senior Manager
and HUD Engineering dept. Senior Manager
Jun. 2018 Senior Operating Officer
Jun. 2020 Managing Director (Present)
Apr. 2021 Chief of Corporate Management Headquarter
Region in Charge: ASEAN/Taiwan (Present)
Apr. 2023 In Charge of Corporate Management Headquarter
Region in Charge: ASEAN/Taiwan/India (Present)

4 Yuji Osaki

Director/Managing Officer

Mar. 1982 Joined Nippon Seiki Co., Ltd.
Jun. 2014 Operating Officer
Oct. 2016 Senior Manager of Business Supervision dept. 1,
Business Headquarter
Apr. 2018 Chief of Sourcing Headquarter
Jun. 2019 Senior Operating Officer
Jun. 2020 Director/Managing Officer (Present)
Jun. 2022 Chief of Sourcing Headquarter,
Apr. 2023 In charge of Sourcing, Sensor+EMS+
Parts Business, Consumer Business Headquarter
Region in Charge Japan (Present)

5 Masahiro Yoshihara

Director/Managing Officer

Sep. 1985 Joined Nippon Seiki Co., Ltd.
Oct. 2016 Shanghai Nissei Display System Co., Ltd.
Apr. 2021 Operating Officer
May. 2021 Chief of Production Engineering Headquarter
Jun. 2022 Director/Senior Operating Officer,
Chief of Production Engineering Headquarter
Apr. 2023 In Charge of Production, Production Engineering,
Quality Assurance Headquarter,
Region in Charge: Americas (Present)
Jun. 2023 Managing Officer (Present)

6 Kazuhiko Murayama

Director/Senior Operating Officer

Apr. 1985 Joined Nippon Seiki Co., Ltd.
May. 2015 Managing Officer, Nissei Display Sales and
Development Co., Ltd.
Apr. 2019 Operating Officer Business Headquarter International
Business Supervision dept.
Apr. 2021 Chief of Automotive Business Headquarter
Jun. 2021 Senior Operating Officer
Jun. 2022 Director/Senior Operating Officer (Present),
Chief of Automotive Business Headquarter
Apr. 2023 In Charge of Automotive Business, HUD Business,
Instrument Business Headquarter
Region in Charge: Americas (China)

7 Tatsuya Nagai

Director (Auditor)

Mar. 1982 Joined Nippon Seiki Co., Ltd.
Mar. 2003 Senior Manager Corporate Planning dept.
No. 2006 Senior Manager Business Promotion dept.
Apr. 2014 Senior Manager Internal Audit Office
Jun. 2018 Auditor
Jun. 2019 Director (Auditor) (Present)

8 Etsuo Saiki

Outside Director (Auditor)

Apr. 1979 Registered as an Attorney
Apr. 1979 Joined Kiichi Sakai Attorney Office
Apr. 1983 Opened Sakai-Saiki Attorney Office
Apr. 2002 Niigata University Faculty of Law Affiliate Professor
Apr. 2003 Niigata Regional Court Civil Mediator
Apr. 2004 Niigata University Practical Law Associate Professor
May. 2009 Chairperson Asahi Niigata Legal Office (Present)
May. 2015 Auditor
Jun. 2019 Director (Auditor) (Present)

9 Eiko Tomiyama

Outside Director (Auditor)

Apr. 1986 Joined Itoman
Aug. 1989 Niigata Television Translator, International
Communication
Apr. 1994 Niigata Regional Court Legal Interpreter
Mar. 2002 Ph.D (Economics) Niigata University Modern Society
Culture Research
Apr. 2006 Associate Professor Graduate Institute for
Entrepreneurial Studies
Apr. 2010 Professor Graduate Institute for Entrepreneurial
Studies (Present)
Apr. 2014 Vice President Graduate Institute for Entrepreneurial
Studies (Present)
Jun. 2018 Auditor
Jun. 2019 Director (Auditor) (Present)

10 Kiyoshi Suzuki

Outside Director (Auditor)

Apr. 1975 Joined Sanden Holdings
Sep. 2000 Quality Manager Sanden Holdings
Jun. 2003 Technical Officer Sanden Holdings
Jun. 2005 Technical Director Sanden Holdings
Jun. 2007 Director Engineering, IT, Corporate
Management Sanden Holdings
Jan. 2014 Senior Operating Officer Paramount Bed Co., Ltd.
Jun. 2019 Director (Auditor) (Present)

11 Toshihiko Enomoto

Outside Director (Auditor)

Apr. 1985 Joined NSK Ltd.
Aug. 2008 Accounting Senior Manager NSK Ltd.
Jun. 2013 Operating Officer, Deputy Chief of
Financial Headquarter NSK Ltd.
Jun. 2015 Director, Audit Manager NSK Ltd.
Jun. 2016 Director, Audit Committee Member
Jun. 2021 Director NSK Ltd.
Jun. 2023 Director (Auditor) (Present)



Nomura Institute of Capital Markets Research
Head of Nomura Sustainability Research Center

Akane Enatsu

This is the third year that Nippon Seiki has published the integrated report. It aims to strengthen its earnings structure through medium-term management reforms and to take an "outside-in business approach" to develop its business by focusing on solving social issues. The company's ongoing initiatives, namely its commitment to management that integrates financial and non-financial aspects, are more clearly demonstrated in the report compared to the previous ones.

As for finance, in the midst of a period of transformation for the automobile industry, the company has a system in place to continuously run the PDCA cycle by setting KPIs for each business field and monitoring progress, thereby achieving the company's goal of maximizing added value. This indicates steady progress towards minimizing fixed costs.

Among non-financial aspects (ESG), in relation to the environment (E), Nippon Seiki announced its support for the TCFD recommendations in September 2022 and joined the TCFD consortium. Then, information disclosure based on the four disclosure items i.e., governance, strategy, risk management, indicators, and targets by the TCFD Recommendations has been enhanced. As of the end of September 2023, approximately 5,000 financial institutions and companies around the world and 1,500 in Japan have endorsed the TCFD. It is expected for Nippon Seiki, which is expanding its business around the world, that this will contribute to the expansion and facilitation of future transactions.

In relation to society (S), the company established a human rights policy in February 2023 while expanding its efforts in human capital management through human resource development, enriching the workplace environment, health management, etc. The company is already promoting human rights due diligence, and it is believed that appropriate responses to human rights issues will help avoid damage to corporate value and maintain and improve it.

In terms of corporate governance (G), the company explained that efforts are being made to continue to improve the board of directors, expand risk management and compliance promotion systems, ensure the safety of intellectual property and useful rights, and strengthen the utilization of rights.

Biography

She received a Master of Business Administration (Oxford University) and PhD in Economics (Saitama University). She joined Nomura Capital Markets Research Institute in 2012 after working at Goldman Sachs Securities, Nikko Citigroup Securities, etc. and has been in her current position since December 2019. Her research interests include national and local finance, credit analysis and ratings, and sustainable finance. She has served as a committee member of the government, local governments, etc.

Literary works

Japanese Local Government Bonds (Single Author), The Era of Sustainable Finance - ESG/SDGs, Bonds market (Co-author) etc.

As written above, this integrated report clarifies that management that integrates financial and non-financial aspects is progressing smoothly. On the other hand, there are also some challenges. Since countries and regions around the world accelerate efforts for transition to a decarbonized society and realize a sustainable society, greater disclosure of non-financial information is increasingly demanded by stakeholders. Simultaneously, in addition to efforts by the International Sustainability Standards Board (ISSB) to develop global sustainability disclosure standards, some countries and regions are also beginning to make disclosure mandatory.

Needless to say, it is important for Nippon Seiki, which has a wide group network not only in Japan, but also in the US, Europe, and Asia, to be even more aware of these trends and to respond accordingly.

For example, focusing on the environment (E), Nippon Seiki currently sets CO₂ emissions reduction targets based on Scope 1 and Scope 2. But the number of companies which are aiming to reduce CO₂ emissions in the supply chain, i.e. Scope 3 is increasing globally. Furthermore, disclosure frameworks are being developed around the world, not only for climate-related topics, but also for topics such as biodiversity and natural capital. Therefore, preparations and responses concerning environmental issues are required.

Moreover, as ESG investment evolves in the global financial market, an increasing number of investors are trying to determine whether ESG-related initiatives by companies truly contribute to increasing value. In that sense, using data to clearly explain the logic of how ESG-related initiatives can lead to increased corporate value, along what path and over what time frame, will help to bring Nippon Seiki's appeal to the financial market. It is assumed that this will become increasingly important in communicating correctly.

This integrated report can be said to be a meter for measuring the progress and direction of the value creation process for Nippon Seiki. I hope that Nippon Seiki will continue to develop more and more, and its corporate value will further increase through information disclosure.

Message | Upon publication of the Integrated Report 2023



Director and Managing Executive Officer
In charge of business management headquarters

Masatoshi Azuma

Thank you for reading the Integrated Report 2023. We have tried to convey in an easy-to-understand manner of how our group's business activities utilize our "strengths" based upon our management philosophy and aim to balance business development with solving social issues, or value creation process.

continuing to transform into a more lean or muscular corporate structure, we are drawing up growth strategies through various challenges and moving forward toward the next medium-term management plan, which is currently being formulated. We hope that this information will help you understand the Group's medium- to long-term value creation.

We will continue to value opportunities for dialogue with everyone, strive to disclose information in a timely and appropriate manner, and endeavor to further improve corporate value.



NIPPON SEIKI