

# ANNUAL REPORT 2013

FROM APRIL 1<sup>ST</sup>, 2012 TO MARCH 31<sup>ST</sup>, 2013



**NIPPON SEIKI**

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**Review of Operations****● Instruments sales**

Sales of instruments for automobiles increased, but motorcycles, agricultural and construction machines and boats decreased. Overall, instruments sales for the year increased by 8.9% to ¥140,014 million, from the previous fiscal year.

**● Consumer-use products sales**

Sales increased by 4.8% to ¥14,516 million from the previous fiscal year, mainly due to an increase in orders for PCB assemblies for amusement products and so on.

**● Display products sales**

Display products sales decreased by 6.7% to ¥3,870 million from the previous fiscal year mainly due to a decrease in orders for liquid crystal displays.

**● Automobile sales**

Sales of cars at our dealerships increased by 10.0% to ¥20,784 million from the previous fiscal year mainly due to an increase in orders for new cars.

**● Other businesses**

Sales of other products and services totaled ¥11,835 million, 12.7% increase from the previous fiscal year, mainly due to an increase in the sale of compound resins, software and office equipment.

**As a result**, the company's consolidated business operations for the fiscal year 2013, ending March 31, 2013, resulted in sales of ¥191,021 million, increased by 8.5% from the previous fiscal year. At the same time, ordinary income for the year increased by 5.0%, to ¥15,611 million, and net income increased by 11.1%, to ¥8,231 million, respectively.

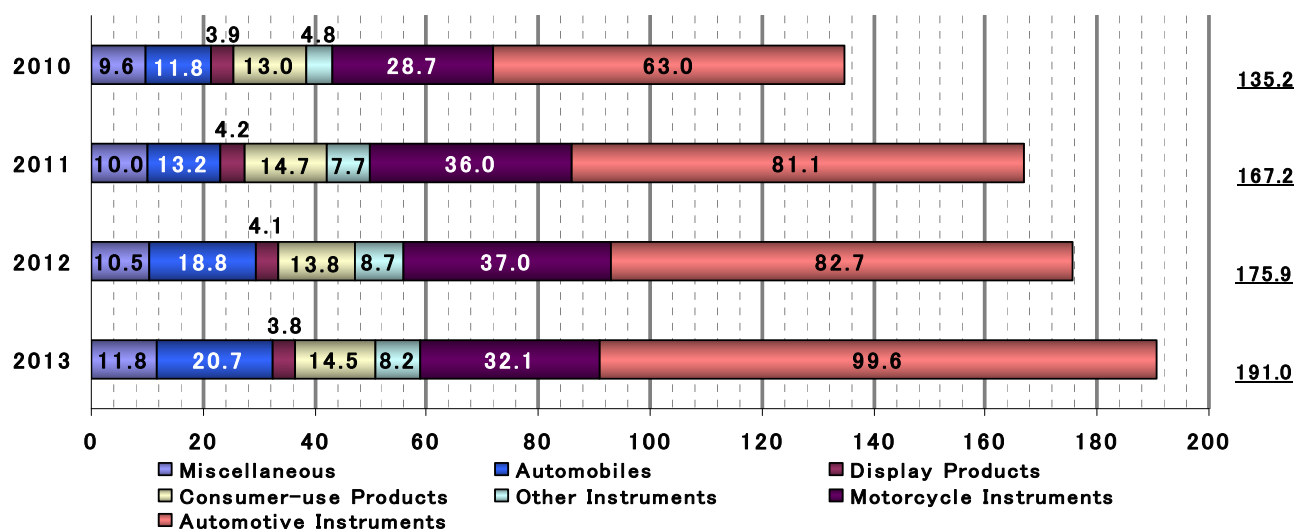
**● Consolidated sales by business segment**

	2012 (Yen in millions)	2013 (Yen in millions)	Increase (Decrease)
Instruments for automobiles, motorcycles, agricultural / construction machines and boats	128,588	140,014	8.9%
Consumer-use products	13,849	14,516	4.8%
Display products	4,149	3,870	(6.7%)
Automobiles	18,893	20,784	10.0%
Other businesses	10,500	11,835	12.7%
Total	175,981	191,021	8.5%

**1. Consolidated Financial Highlights**

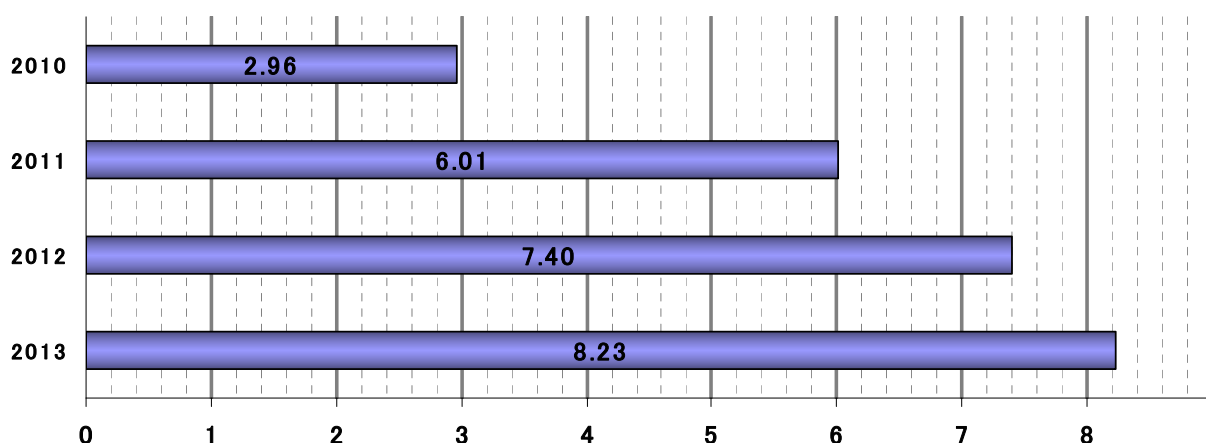
1-1. Consolidated Sales

Yen in billions



1-2. Consolidated Net Income

Yen in billions



Consolidated sales for the fiscal year ending March 31, 2013, increased by 8.5% to ¥191,021 million, ordinary income increased by 5.0% to ¥15,611 million, and net income increased by 11.1% to ¥8,231 million.

1-3. Consolidated Financial Highlights

	2010	2011	2012	2013
Sales (Yen in millions)	135,225	167,276	175,981	191,021
Ordinary income (Yen in millions)	7,185	10,490	14,866	15,611
Net income (Yen in millions)	2,963	6,010	7,409	8,231
Net income per share (Yen) ※	51.84	104.91	129.33	143.69
Total assets (Yen in millions)	161,633	191,561	207,632	231,990
Net assets (Yen in millions)	88,782	92,187	96,243	115,873
Net assets per share (Yen)	1,464.39	1,517.74	1,588.78	1,905.58

**Note:**

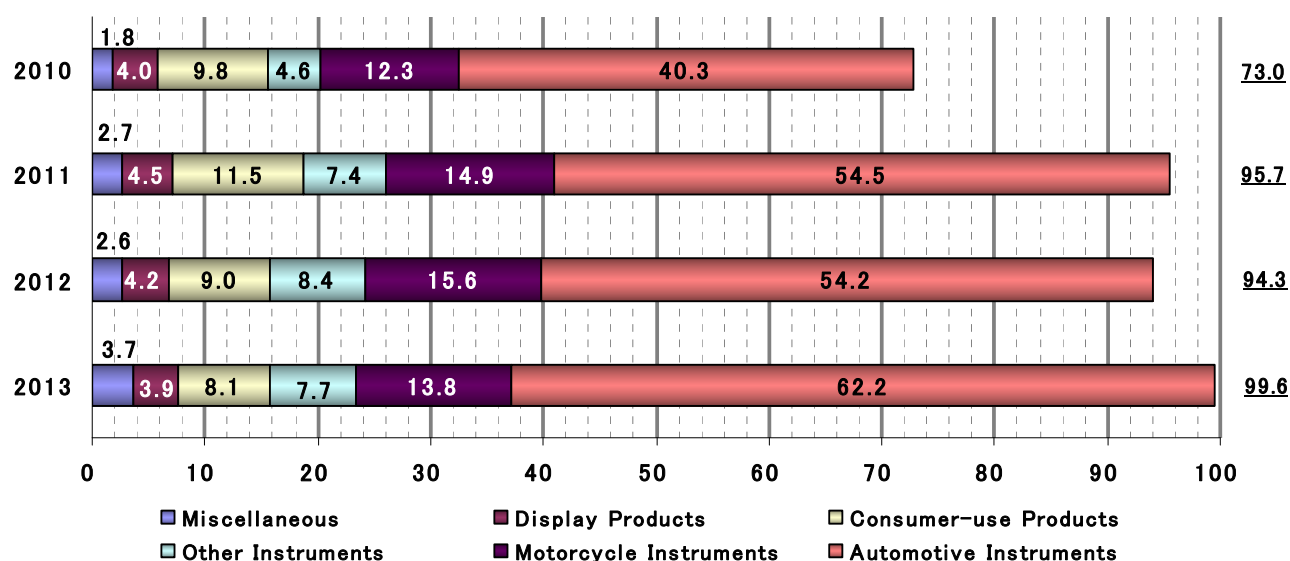
※ Net income per share is calculated by the weighted average number of shares of common stock outstanding during the year.

## 2. Non-Consolidated Financial Highlights

As of March 31, 2013

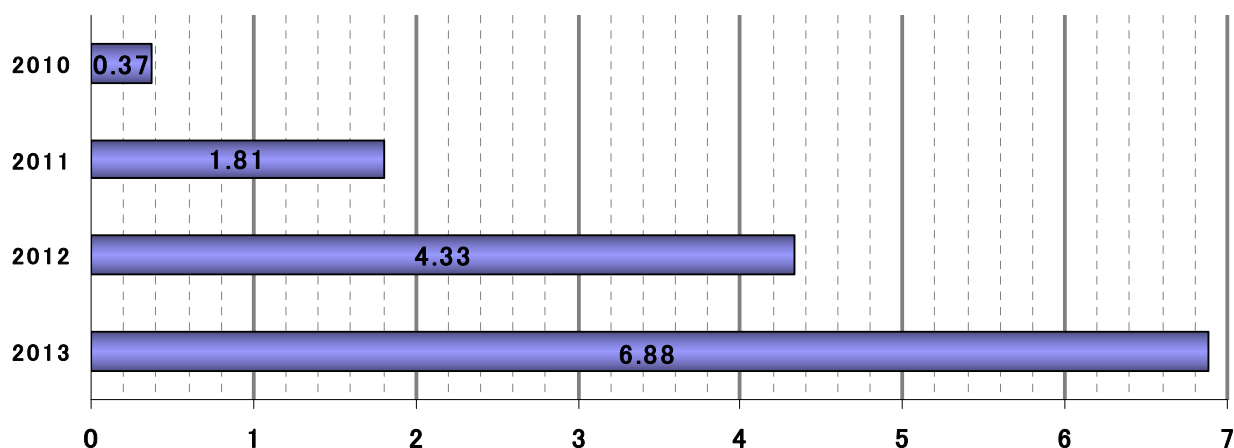
### 2-1. Non-Consolidated Sales

Yen in billions



### 2-2. Non-Consolidated Net Income

Yen in billions



Non-Consolidated sales for the fiscal year ending March 31, 2013, increased by 5.6% to ¥99,613 million, ordinary income increased by 39.7% to ¥11,735 million, and net income increased by 58.9% to ¥6,880 million.

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

	2010	2011	2012	2013
Sales (Yen in millions)	73,059	95,794	94,316	99,613
Ordinary income (Yen in millions)	2,320	2,802	8,399	11,735
Net income (Yen in millions)	378	1,810	4,330	6,880
Net income per share (Yen) ※	6.63	31.60	75.58	120.11
Dividend per share (Yen)	12.00	14.00	18.00	20.00
Total assets (Yen in millions)	123,554	149,657	162,736	172,836
Net assets (Yen in millions)	61,389	62,182	65,896	72,866
Common stock (Yen in millions)	14,494	14,494	14,494	14,494
Equity ratio (%)	49.7	41.5	40.5	42.1

**Note:**

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

**Consolidated Balance Sheets**

	March 31, 2013	March 31, 2012
<b>Assets</b>	(Yen in millions)	(Yen in millions)
Current assets		
Cash and bank deposits (Note 8,10)	¥86,419	¥76,344
Notes and accounts receivable-trade (Note 8)	36,986	34,730
Marketable securities (Note 8,9)	—	300
Merchandise and finished goods	9,907	9,486
Work in process	4,049	3,848
Raw materials and supplies	13,503	12,151
Deferred tax assets (Note 5)	3,820	2,719
Other current assets	9,088	6,715
Allowance for doubtful accounts (Note 8)	( 114 )	( 120 )
Total current assets	163,661	146,175
Noncurrent assets		
Property, plant and equipment		
Buildings and structures (Note 2)	10,764	10,993
Machinery, equipment and vehicles	9,256	7,604
Tools, jigs and fixtures	3,004	2,581
Land	14,665	14,202
Leased assets (Note 6)	563	658
Construction in progress	2,633	1,166
Total property, plant and equipment	40,888	37,205
Intangible assets		
Goodwill	385	511
Other intangible assets	2,616	1,593
Total intangible assets	3,001	2,104
Investment and other assets		
Investment securities (Note 8,9)	22,882	21,017
Deferred tax assets (Note 5)	757	412
Other investment and assets	809	726
Allowance for doubtful accounts	( 10 )	( 11 )
Total investment and other assets	24,438	22,146
Total noncurrent assets	68,328	61,456
Total assets	¥231,990	¥207,632

	March 31, 2013	March 31, 2012
<b>Liabilities</b>	(Yen in millions)	(Yen in millions)
Current liabilities		
Notes and accounts payable-trade (Note 8)	¥30,970	¥30,182
Short-term loans payable (Note 2,8)	50,882	57,524
Lease obligations (Note 2,8)	198	181
Income tax payable (Note 5)	4,075	3,100
Deferred tax liabilities (Note 5)	0	0
Accrued bonuses	1,947	1,915
Provision for compensation for products	1,030	982
Provision for loss on litigation	1,235	—
Other current liabilities	11,562	12,589
Total current liabilities	101,903	106,476
Noncurrent liabilities		
Long-term loans payable (Note 2,8)	8,603	2
Lease obligations (Note 2,8)	309	331
Deferred tax liabilities (Note 5)	2,359	1,670
Provision for employees' retirement benefits (Note 3)	2,375	2,436
Provision for directors' retirement benefits	183	175
Asset retirement obligations	49	49
Other noncurrent liabilities	332	245
Total noncurrent liabilities	14,213	4,912
Total liabilities	116,116	111,388
<b>Net assets</b>		
Shareholders' equity		
Common stock (Note 4)	14,494	14,494
Capital surplus	6,491	6,492
Retained earnings	89,058	81,886
Treasury stock (Note 4)	( 6,275 )	( 6,272 )
Total shareholders' equity	103,769	96,601
Accumulated other comprehensive income (loss)		
Unrealized gain on investment securities	4,396	3,291
Adjustments from foreign currency translation	989	( 8,877 )
Total accumulated other comprehensive income (loss)	5,386	( 5,586 )
Subscription rights to shares (Note 12)	38	17
Minority interests	6,679	5,211
Total net assets	115,873	96,243
Total liabilities and net assets	¥231,990	¥207,632

See notes to consolidated financial statements.

## Consolidated Statements of Income

	Year ended March 31, 2013	Year ended March 31, 2012
	(Yen in millions)	(Yen in millions)
Sales	¥191,021	¥175,981
Cost of sales	158,120	140,508
Gross profit	32,901	35,473
Selling, general and administrative expenses		
Packing and transportation	4,551	4,386
Salaries	7,744	7,228
Provision for doubtful accounts	1	2
Provision for bonuses	534	457
Provision for compensation for products	670	—
Provision for retirement benefits	106	104
Provision for directors' retirement benefits	38	60
Depreciation	946	966
Other expenses	8,539	8,756
Total selling, general and administrative expenses	23,133	21,963
Operating income	9,767	13,509
Non-operating income		
Interest income	889	863
Dividend income	319	291
Foreign exchange gains	4,456	2
Other non-operating income	532	548
Total non-operating income	6,197	1,706
Non-operating expenses		
Interest expense	294	300
Other non-operating expenses	59	48
Total non-operating expenses	353	349
Ordinary income	15,611	14,866
Extraordinary income		
Gain on sales of fixed assets	28	46
Gain on negative goodwill	—	42
Other extraordinary income	—	9
Total extraordinary income	28	98
Extraordinary loss		
Loss on sales of fixed assets	10	12
Loss on disposal of fixed assets	74	97
Impairment loss	272	1,077
Loss on valuation of investment securities	—	277
Loss from antitrust law suit	80	—
Provision for loss on litigation	1,235	—
Total extraordinary loss	1,673	1,463
Income before income taxes and minority interests	13,966	13,501
Income taxes (Note 5)	5,120	5,269
Income before minority interests	8,846	8,231
Minority interests in income	614	822
Net income (Note 7)	¥8,231	¥7,409

See notes to consolidated financial statements.



## Consolidated Statements of Comprehensive Income

	Year ended March 31, 2013	Year ended March 31, 2012
	(Yen in millions)	(Yen in millions)
Income before minority interests	¥8,846	¥8,231
Other comprehensive income		
Unrealized gain on investment securities	1,105	175
Foreign currency translation adjustment	10,509	( 3,156 )
Total other comprehensive income	11,614	( 2,980 )
Comprehensive income	20,460	5,250
Comprehensive income attributable to owners of the parent	19,203	4,847
Comprehensive income attributable to minority interests	1,257	403

See notes to consolidated financial statements.

## Consolidated Statements of Changes in Net Assets

(From April 1, 2012 to March 31, 2013)

(Yen in millions)

	Shareholders' equity				
	Common stock	Capital surplus	Retained Earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2012	¥14,494	¥6,492	¥81,886	¥( 6,272 )	¥96,601
Changes in the year					
Dividends from surplus			( 1,031 )		( 1,031 )
Net income			8,231		8,231
Change in the scope of consolidation			( 6 )		( 6 )
Employee welfare fund			( 20 )		( 20 )
Acquisition of treasury stock				( 5 )	( 5 )
Disposal of treasury stock		( 0 )		1	1
Net changes in items other than those in shareholders' equity					
Total changes in the year	—	( 0 )	7,172	( 3 )	7,168
Balance as of March 31, 2013	¥14,494	¥6,491	¥89,058	¥( 6,275 )	¥103,769

	Accumulated other comprehensive income (loss)			Subscription rights to shares	Minority interests	Total net assets
	Unrealized gain on investment securities	Foreign currency translation adjustment	Total accumulated other comprehensive income (loss)			
Balance as of March 31, 2012	¥3,291	¥( 8,877 )	¥( 5,586 )	¥17	¥5,211	¥96,243
Changes in the year						
Dividends from surplus						( 1,031 )
Net income						8,231
Change in the scope of consolidation						( 6 )
Employee welfare fund						( 20 )
Acquisition of treasury stock						( 5 )
Disposal of treasury stock						1
Net changes in items other than those in shareholders' equity	1,105	9,867	10,972	21	1,467	12,461
Total changes in the year	1,105	9,867	10,972	21	1,467	19,629
Balance as of March 31, 2013	¥4,396	¥989	¥5,386	¥38	¥6,679	¥115,873

(From April 1, 2011 to March 31, 2012)

(Yen in millions)

	Shareholders' equity				
	Common Stock	Capital surplus	Retained earnings	Treasury Stock	Total shareholders' equity
Balance as of March 31, 2011	¥14,494	¥6,492	¥75,258	¥( 6,267)	¥89,977
Changes in the year					
Dividends from surplus			( 802)		( 802)
Net income			7,409		7,409
Change in the scope of consolidation			39		39
Employee welfare fund			( 19)		( 19)
Acquisition of treasury stock				( 4)	( 4)
Net changes in items other than those in shareholders' equity					
Total changes in the year	—	—	6,627	( 4)	6,623
Balance as of March 31, 2012	¥14,494	¥6,492	¥81,886	¥( 6,272)	¥96,601

	Accumulated other comprehensive income (loss)			Subscription rights to shares	Minority interests	Total net assets
	Unrealized gain on investment securities	Foreign currency translation adjustment	Total accumulated other comprehensive income (loss)			
Balance as of March 31, 2011	¥3,116	¥( 6,140)	¥( 3,024)	¥—	¥5,234	¥92,187
Changes in the year						
Dividends from surplus						( 802)
Net income						7,409
Change in the scope of consolidation						39
Employee welfare fund						( 19)
Acquisition of treasury stock						( 4)
Net changes in items other than those in shareholders' equity	175	( 2,737)	( 2,561)	17	( 22)	( 2,566)
Total changes in the year	175	( 2,737)	( 2,561)	17	( 22)	4,056
Balance as of March 31, 2012	¥3,291	¥( 8,877)	¥( 5,586)	¥17	¥5,211	¥96,243

See notes to consolidated financial statements.

## Consolidated Statements of Cash Flows

	Year ended March 31, 2013	Year ended March 31, 2012
<b>Cash flows from operating activities:</b>	(Yen in millions)	(Yen in millions)
Income before income taxes and minority interests	¥13,966	¥13,501
Depreciation and amortization	5,766	5,776
Impairment loss	272	1,077
Amortization of goodwill	138	130
Gain on negative goodwill	—	( 42 )
Share-based compensation expenses	22	17
Interest and dividend income	( 1,209 )	( 1,154 )
Interest expense	294	300
Loss (gain) on foreign exchange	( 1,290 )	( 221 )
Loss (gain) on sales of investment securities	—	( 9 )
Loss (gain) on sales or disposal of property, net	45	62
Loss on disposal of intangible assets	10	—
Loss (gain) on valuation of securities	—	5
Loss (gain) on valuation of investment securities	—	277
(Increase) decrease in		
Accounts and notes receivable-trade	551	( 6,059 )
Inventories	( 260 )	( 3,558 )
Increase (decrease) in		
Accrued bonuses to employees	25	( 74 )
Employees' retirement benefits	( 104 )	106
Directors' retirement benefits	8	( 41 )
Allowance for doubtful accounts	( 34 )	( 12 )
Provision for compensation for products	29	( 180 )
Provision for loss on litigation	1,235	—
Provision for loss on order received	—	( 139 )
Accounts and notes payable-trade	( 2,463 )	7,107
Other, net	( 1,998 )	1,967
Sub total	15,005	18,838
Interest and dividend received	1,208	1,157
Interest paid	( 294 )	( 299 )
Income taxes paid	( 5,542 )	( 3,938 )
Net cash provided by (used in) operating activities	10,376	15,758
<b>Cash flows from investing activities:</b>		
Net decrease (increase) in time deposits	( 49,966 )	( 1 )
Proceeds from sales of marketable securities	300	—
Purchase of property	( 8,123 )	( 5,972 )
Proceeds from sale of property	231	397
Purchase of investment securities	( 1,049 )	( 1,770 )
Proceeds from sales of investment securities	—	90
Other, net	( 2,160 )	( 1,421 )
Net cash provided by (used in) investing activities	( 60,768 )	( 8,677 )
<b>Cash flows from financing activities:</b>		
Increase (decrease) in short-term loans	( 8,144 )	1,799
Proceeds from long-term loans payable	10,000	4
Repayments of long-term loans	( 93 )	( 111 )
Proceeds from stock issuance to minority shareholders	70	—
Repayment of lease obligations	( 190 )	( 161 )
Net decrease (increase) in treasury stock	( 6 )	( 4 )
Dividend paid	( 1,032 )	( 801 )
Dividend paid to minority shareholders	( 201 )	( 219 )
Net cash provided by (used in) financing activities	401	506
<b>Effect of exchange rate changes on cash and cash equivalents</b>	2,350	( 1,739 )
<b>Net increase (decrease) in cash and cash equivalents</b>	( 47,639 )	5,847
<b>Cash and cash equivalents at beginning of year</b>	76,275	70,381
<b>Increase in cash and cash equivalents from newly consolidated subsidiary</b>	1,042	46
<b>Cash and cash equivalents at end of year (Note 10)</b>	¥29,679	¥76,275

See notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

Nippon Seiki Co., Ltd. and Consolidated Subsidiaries

March 31, 2013

## **1. Summary of significant accounting policies**

### (a) Basis of presentation

Nippon Seiki Co., Ltd. (the Company) and its domestic subsidiaries maintain their accounting records and prepare their financial statements in accordance with accounting principles and practices generally accepted in Japan, and foreign subsidiaries maintain their books of account in conformity with those of their countries of domicile. The accompanying consolidated financial statements are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan. For the purposes of this document, certain reclassifications have been made to present the accompanying consolidated financial statements in a format that is familiar to readers outside Japan.

### (b) Basis of consolidation and accounting for investments in affiliates

The consolidated financial statements include the accounts of the Company and its 28 significant subsidiaries (the Companies) at March 31, 2013, except for six subsidiaries whose gross assets, net sales, and net income were not significant in the aggregate in relation to the comparable figure in the consolidated financial statements. All significant inter-company balances and transactions have been eliminated in consolidation.

Investments in six non-consolidated subsidiaries and one affiliate were stated at cost because the effect of application of the equity method would be immaterial.

Fifteen foreign subsidiaries are consolidated on the basis of fiscal period ending December 31. Significant transactions, which occurred during the period between these fiscal year-ends and March 31, are adjusted in the accompanying consolidated financial statements.

All assets and liabilities of the subsidiaries are revaluated at fair values on acquisition and the excess of cost over underlying net assets at the date of acquisition is amortized over a period of five years on a straight-line basis.

### (c) Foreign currency translation

Monetary assets and liabilities of the Company and its domestic subsidiaries denominated in foreign currencies are translated at the current exchange rates in effect at each balance-sheet date. Resulting gains and losses are included in net profit or loss for the period.

Assets and liabilities of the foreign consolidated subsidiaries are translated at the current exchange rates in effect at each balance-sheet date and revenue and expense accounts are translated at the average rate of exchange in effect during the year. The Company has presented translation adjustments as a component of net assets in consolidated financial statements.

### (d) Cash and cash equivalents

Cash and cash equivalents include all highly liquid investments with original maturities of three months or less, which are readily convertible to known amounts of cash and are so near maturity that they present insignificant risk of changes in value because of changes in interest rates.

(e) Securities

Equity securities classified as trading securities are stated at fair value and the cost is determined by the moving average method. Equity securities not classified as trading securities are stated at fair value and the changes in fair value, net of applicable income taxes, have been directly included in net assets as unrealized gain on investment securities.

Other securities, for which fair values are unavailable, are stated at cost as determined by the moving average method.

(f) Inventories

Inventories held for ordinary selling purpose are stated at cost by the method of write-down of book values due to the decline in profitability.

Finished goods and work in process:

Instruments	Weighted average method
Others	Specific identification method
Materials	Weighted average method
Supplies	Most recent purchase method

(g) Depreciation and amortization

Depreciation of property, plant and equipment is mainly calculated on the declining-balance method. Useful lives of the respective assets are based on the Corporation Tax Law.

Depreciation of intangible assets is mainly calculated on the straight-line method. Useful lives of the respective assets are based on the Corporation Tax Law.

Depreciation of leased assets under finance lease transactions that do not transfer ownership is calculated by the straight-line method, using the useful lives of the respective assets as the term of the lease and depreciating the residual value to zero. The finance lease transactions that do not transfer ownership, which were acquired prior to April 1, 2008, continue to be accounted for by the method similar to the accounting for ordinary rental transactions.

(h) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at an amount sufficient to cover possible losses on the collection of receivables. For the Company and its consolidated subsidiaries, the amount of the allowance is determined based on (1) past write-off experience and (2) an estimated amount for probable doubtful accounts based on a review of the collectability of individual receivables.

(i) Accrued bonuses to employees

Accrued bonuses are recognized based on expected total expenditure.

(j) Provision for compensation for products

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

(k) Provision for loss on litigation

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

(l) Pension and retirement benefits

Employees' retirement benefits

The provision for employees' retirement benefits is provided based on the projected retirement benefit obligation and pension plan assets.

Prior service costs are amortized by the straight-line method over 10 years which is shorter than the average remaining years of service of the employees.

Actuarial gain and loss are amortized in the year following the year in which they are recognized by the straight-line method over 10 years which is shorter than the average remaining years of service of the employees.

Directors' retirement benefits

In some subsidiary companies, the provision for directors' retirement benefits is fully recorded under the internal rules.

(m) Recognition criteria for revenues and costs of completed construction work

With respect to construction contracts of made-to-order software development that started during the fiscal year ended March 31, 2013, the percentage-of-completion method (cost comparison method for estimating the percentage of completion of construction activity) is applied to a construction work if its outcome is deemed certain for the progress made by the end of the fiscal year ended March 31, 2013, otherwise the completed-contract method is applied.

(n) Income taxes

The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities.

Deferred tax assets and liabilities are computed using the enacted tax rates which will be in effect when the differences are expected to reverse.

## 2. Loans payable

The weighted average interest rate of short-term loans payable to banks was 0.4% at March 31, 2013.

Long-term loans as of March 31, 2013 consist of the following:

	Yen in millions
Loans from banks, due through 2019 with average interest rates of 0.5%	¥10,004
Less: Current portion due within one year	1,401
	<u>¥8,603</u>

Aggregate annual maturities of long-term loans subsequent to March 31, 2013 are as follows:

<u>Year ending March 31,</u>	<u>Yen in millions</u>
2014	¥1,401
2015	1,801
2016	1,801
2017	1,800
2018	1,800
Thereafter	1,400
	<u>¥10,004</u>

Long-term lease obligations as of March 31, 2013 consist of the following:

	<u>Yen in millions</u>
Finance lease obligations	¥507
Less: Current portion due within one year	198
	<u>¥309</u>

Maturities of long-term lease obligations at March 31, 2013 are as follows:

<u>Year ending March 31,</u>	<u>Yen in millions</u>
2014	¥198
2015	155
2016	81
2017	54
2018	13
Thereafter	4
	<u>¥507</u>

The assets mortgaged for short-term and long-term loans payable as of March 31, 2013 were as follows:

	<u>Yen in millions</u>
Building, net of accumulated depreciation	¥324
	<u>¥324</u>

### 3. Retirement benefits

The Company and its consolidated subsidiaries mainly have defined contribution plans.

The Company and certain consolidated subsidiaries also have defined benefit pension plans, pension fund plans and lump-sum payment plans. The amount of benefits under the plans is determined based on the lengths of service.

The following table sets forth the funded status for the plans, and the amounts recognized in the consolidated balance sheet as of March 31, 2013 for defined benefit plans:

	<u>Yen in millions</u>
Projected benefit obligation	¥2,783
Pension plan assets	( 101 )
Unrecognized prior service cost	25
Unrecognized actuarial (gain) loss	( 331 )
Provision for employees' retirement benefits	<u>¥2,375</u>

The components of retirement benefit expenses for the year ended March 31, 2013 are outlined as follows:

	<u>Yen in millions</u>
Service cost	¥194
Interest cost	47
Expected return on plan assets	( 1 )
Amortization of past service cost	( 4 )
Amortization of actuarial (gain) loss	16
Net retirement benefit expenses	<u>¥251</u>

The amount of cost recognized for the contribution to the plans for the year ended March 31, 2013 was ¥ 883 millions.

The assumptions used in accounting for the above plans are as follows:

Discount rate mainly used	1.37%
Expected rate of return on pension plan assets	2.00%
Amortization period of prior service cost	10 years (straight-line method)
Amortization period of actuarial gain or loss	10 years (straight-line method)



#### 4. Supplementary changes in net assets information

##### Issued shares

Type of shares	Number of shares as of March 31, 2012	Increase	Decrease	Number of shares as of March 31, 2013
Common stock (Thousands of share)	60,907	—	—	60,907

##### Treasury stock

Type of shares	Number of shares as of March 31, 2012	Increase	Decrease	Number of shares as of March 31, 2013
Common stock	3,621,394	5,096	1,100	3,625,390

The details of increase and decrease are as follows:

Increase by purchase of odd-lot stock	5,096
Decrease by exercise of subscription rights to shares	1,100

##### Dividends paid

Resolution	Type of shares	Total dividend amount (Yen in millions)	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting held on May 15, 2012	Common stock	630	11.0	March 31, 2012	June 28, 2012
Board of Directors meeting held on October 30, 2012	Common stock	400	7.0	September 30, 2012	December 12, 2012

Of the dividends for which the record date belongs to the fiscal year ended March 31, 2013, those for which the effective date of the dividends will be in the fiscal year ending March 31, 2014.

Resolution	Type of shares	Source of funds for dividends	Total dividend amount (Yen in millions)	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting held on May 14, 2013	Common stock	Retained earnings	744	13.0	March 31, 2013	June 26, 2013

## 5. Income taxes

The Company and its domestic subsidiaries are subject to a number of different income taxes which, in aggregate, indicate a statutory rate of approximately 38% for the year ended March 31, 2013. Income taxes of the foreign subsidiaries are based generally on the tax rates applicable in their countries of incorporation.

The major components of deferred tax assets and liabilities as of March 31, 2013 were as follows:

	<u>Yen in millions</u>
Deferred tax assets	
Loss on valuation of inventories	¥663
Accrued bonuses	745
Retirement benefits	909
Depreciation	390
Impairment loss	977
Unrealized gains on inventories, property and equipment	920
Others	3,211
Gross deferred tax assets	7,818
Less: Valuation allowance for deferred tax assets	( 1,207 )
Total deferred tax assets, net of valuation allowance	6,610
Deferred tax liabilities	
Reserve for special depreciation	( 36 )
Unrealized gains on investment securities	( 2,812 )
Undistributed earnings of foreign subsidiaries	( 1,447 )
Others	( 95 )
Total deferred tax liabilities	( 4,392 )
Net deferred tax assets	<u>¥2,218</u>

## 6. Lease transactions

2013 (From April 1, 2012 to March 31, 2013)

Finance leases that do not transfer ownership, which were acquired prior to April 1, 2008, continue to be accounted for by the method similar to the accounting for ordinary rental transactions.

Acquisition cost, accumulated depreciation and net book value at March 31, 2013 were as follows:

	<u>Yen in millions</u>
Acquisition cost	¥244
Less: Accumulated depreciation	( 237 )
Net book value	<u>¥7</u>

The obligations under finance leases at March 31, 2013 were as follows:

	<u>Yen in millions</u>
Due within one year	¥7
Due after one year	—
Total	<u>¥7</u>

The lease payments and depreciation under finance leases for the years ended March 31, 2013 were as follows:

	<u>Yen in millions</u>
Lease payments	¥11
Depreciation	11

The obligations under non-cancelable operating leases at March 31, 2013 were as follows:

	<u>Yen in millions</u>
Due within one year	¥289
Due after one year	327
Total	<u>¥616</u>

2012 (From April 1, 2011 to March 31, 2012)

Finance leases that do not transfer ownership, which were acquired prior to April 1, 2008, continue to be accounted for by the method similar to the accounting for ordinary rental transactions.

Acquisition cost, accumulated depreciation and net book value at March 31, 2012 were as follows:

	<u>Yen in millions</u>
Acquisition cost	¥1,156
Less: Accumulated depreciation	(1,123)
Net book value	<u>¥32</u>

The obligations under finance leases at March 31, 2012 were as follows:

	<u>Yen in millions</u>
Due within one year	¥25
Due after one year	7
Total	<u>¥32</u>

The lease payments and depreciation under finance leases for the years ended March 31, 2012 were as follows:

	<u>Yen in millions</u>
Lease payments	¥73
Depreciation	73

The obligations under non-cancelable operating leases at March 31, 2012 were as follows:

	<u>Yen in millions</u>
Due within one year	¥186
Due after one year	358
Total	<u>¥545</u>

## 7. Per share amounts

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

Net assets per share is based on the number of shares of common stock outstanding at balance sheet date.

Net income per share for the year ended and net assets per share as of March 31, 2013 were as follows:

Net income per share	¥143.69
Net assets per share	¥1,905.58

## 8. Financial instruments

2013 (From April 1, 2012 to March 31, 2013)

### 1) Overview

#### (1) Policy for financial instruments

The Companies manage cash surpluses through low-risk financial assets, such as bank deposit and raise funds through bank borrowings. For the purpose of reducing the foreign currency exchange risk arising from receivables and payables denominated in foreign currency, the Companies use derivatives and do not enter into derivatives for speculative or trading purposes.

#### (2) Types of financial instruments, related risk and risk management for of financial instruments

Notes receivable-trade and accounts receivable are exposed to customer credit risk. The Companies manage 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.

Marketable securities and investment securities are exposed to market risk. Those securities are mainly the shares of common stock of other companies with which the companies have business relationships. The Companies also have short-term and long-term loans receivables mainly from other companies with which the Companies have business relationships.

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

Short-term loans payable are used mainly in connection with business activities, and long-term loans payable and lease obligations are taken out principally for the purpose of capital investments.

Trading liabilities and borrowings are exposed to liquidity risk. The Companies prepare and update cash flow plans monthly to manage liquidity risk.

#### (3) Supplementary explanation of the fair value of financial instruments.

The notional amounts of derivatives in Note 11 Derivative are not necessarily indicative of the actual market risk involved in derivative transactions.

### 2) Fair value of financial instruments

Carrying value of financial instruments on the consolidated balance sheet as of March 31, 2013 and unrealized gains (losses) are shown in the following table. It does not include financial instruments for which it is extremely difficult to determine the fair value (Please refer to Note 2 below).

	Carrying Amount	Estimated fair value	(Yen in millions) Unrealized gain (Loss)
(1) Cash and bank deposits	¥86,419	¥86,419	¥—
(2) Notes receivable-trade and accounts receivable	36,986		
Allowance for doubtful accounts	( 114 )		
	<u>36,872</u>	<u>36,862</u>	<u>( 9 )</u>
(3) Marketable securities and investment securities			
Held-to-maturity securities	300	300	—
Other securities	15,189	15,189	—
Total assets	<u>138,781</u>	<u>138,771</u>	<u>( 9 )</u>
(4) Notes payable-trade and accounts payable	30,970	30,970	—
(5) Short-term loans payable	49,481	49,481	—
(6) Long-term loans payable*	10,004	9,959	( 44 )
(7) Lease obligations*	507	491	( 15 )
Total liabilities	<u>90,964</u>	<u>90,903</u>	<u>( 59 )</u>
(8) Derivative transactions	¥35	¥35	¥—

\*Include amount due within one year

Notes:

1. Method to determine the fair value of financial instruments, and other matters related to securities and derivative transactions

(1) Cash and bank deposits

These assets are carried at amounts that approximate fair values.

(2) Notes receivable-trade and accounts receivable

The fair value of notes receivable-trade and accounts receivable is calculated by discounting expected cash flows to present value using the rates including credit risk.

(3) Marketable securities and investment securities

The fair value of stocks is based on quoted market prices. The fair value of debt securities and money management fund are based on the prices provided by the financial institutions. For information on securities classified by holding purpose, please refer to Note 9 Marketable securities.

(4) Notes payable-trade and accounts payable (5) Short-term loans payable

These liabilities are carried at amounts that approximate fair values.

(6) Long-term loans payable

The fair value is calculated based on the present value of the total of principal and interest, discounted by the interest rate to be applied if similar new borrowings were entered into.

(7) Lease obligations

The fair value is calculated based on the present value of the total of principal and interest, discounted by the interest rate to be applied if similar new lease agreements were entered into.

(8) Derivative transactions

Please refer to Note 11 Derivatives.

2. Unlisted stocks of ¥7,393 millions on the consolidated balance sheet are not included in (3) Marketable securities and investment securities because no quoted market price is available and it is extremely difficult to determine the fair value.

3. Redemption of receivables and marketable securities as of March 31, 2013 is as follows:

	(Yen in millions)	
	Due within one year	Due after one year
Cash and bank deposits	¥86,419	¥—
Notes receivable-trade and accounts receivable	36,293	693
Marketable securities and investment securities		
Held-to-maturity securities		
Others	—	300
Total	¥122,712	¥993

4. Redemption of long-term loans payable and lease obligations as of March 31, 2013 is as follows:

	(Yen in millions)					
	2014	2015	2016	2017	2018	Thereafter
Short-term loans payable	¥49,481	¥—	¥—	¥—	¥—	¥—
Long-term loans payable	1,401	1,801	1,801	1,800	1,800	1,400
Lease obligations	198	155	81	54	13	4
Total	¥51,080	¥1,957	¥1,882	¥1,855	¥1,813	¥1,404

## 9. Marketable securities

Securities classified as trading securities

No loss was recognized for the year ended March 31, 2013.

Loss on valuation included in the consolidated statement of income was ¥ (5) millions for the year ended March 31, 2012.

Securities classified as held-to-maturity securities

The following is a summary of the carrying amounts, acquisition cost and unrealized gains and losses at March 31, 2013.

	Yen in millions		
	Carrying amounts	Acquisition Cost	Unrealized gain (Loss)
Securities with carrying amount not exceeding acquisition cost			
Others	¥300	¥300	¥—
Sub total	300	300	—
Total	¥300	¥300	¥—

There were no held-to-maturity securities for the year ended March 31, 2012.

Other securities

The following is a summary of the carrying amounts, acquisition cost and unrealized gains and losses by each holding category at March 31, 2013.

	Yen in millions		
	Carrying amounts	Acquisition Cost	Unrealized gain (Loss)
Securities with carrying amount exceeding acquisition cost			
Equity securities	¥13,939	¥7,132	¥6,806
Securities with carrying amount not exceeding acquisition cost			
Equity securities	306	345	( 39 )
Money management fund	943	943	—
Sub total	1,250	1,289	( 39 )
Total	¥15,189	¥8,422	¥6,767

The following is a summary of the carrying amounts, acquisition cost and unrealized gains and losses by each holding category at March 31, 2012.

	Yen in millions		
	Carrying amounts	Acquisition cost	Unrealized gain (Loss)
Securities with carrying amount exceeding acquisition cost			
Equity securities	¥12,221	¥7,072	¥5,148
Securities with carrying amount not exceeding acquisition cost			
Equity securities	303	360	( 57 )
Money management fund	822	822	—
Sub total	1,125	1,183	( 57 )
Total	¥13,347	¥8,256	¥5,091

## 10. Supplementary cash flow information

The following table represents a reconciliation of cash and cash equivalents as of March 31, 2013 and 2012.

	Yen in millions	
	2013	2012
Cash and bank deposits	¥86,419	¥76,344
Time deposits with a maturity of more than three months	( 56,739 )	( 69 )
Cash and cash equivalents	¥29,679	¥76,275

## 11. Derivatives

2013 (From April 1, 2012 to March 31, 2013)

The following is a summary of the notional amounts and the fair value of the derivative instruments outstanding at March 31, 2013, for which hedge accounting is not applied.

Currency-related transactions

	Yen in millions		
	Notional Amount	Fair value	Unrealized gain (Loss)
Forward foreign exchange contracts			
Sell			
EUR	¥2,351	¥35	¥35
	¥2,351	¥35	¥35

2012 (From April 1, 2011 to March 31, 2012)

The following is a summary of the notional amounts and the fair value of the derivative instruments outstanding at March 31, 2012, for which hedge accounting is not applied.

Currency-related transactions

	Yen in millions		
	Notional Amount	Fair value	Unrealized gain (Loss)
Forward foreign exchange contracts			
Sell			
EUR	¥3,189	¥3,219	¥30
GBP	¥1,578	¥1,496	¥( 82 )
	¥4,767	¥4,715	¥( 52 )

## 12. Stock option

Stock option plan	2013 stock option
Number of individuals covered by the plan:	
Directors	14
Total	14
Type and number of shares to be issued upon exercise of stock subscription rights	Common stock 30,400 shares
Grant date	July 19, 2012
Exercise period	July 20, 2012~ July 19, 2042
Non-vested stock options (Number of shares):	
Outstanding at March 31, 2012	24,700 shares
Granted	30,400 shares
Forfeited	—
Vested	1,100 shares
Outstanding at March 31, 2013	54,000 shares
Vested stock options (Number of shares)	
Outstanding at March 31, 2012	—
Vested	1,100 shares
Exercised	1,100 shares
Forfeited	—
Outstanding at March 31, 2013	—

	Vested	Outstanding
Exercise price (Yen)	1	1
Weighted average exercise price (Yen)	843	—
Fair value per stock at the grant date (Yen)	921.83	814.15

Stock option expenses included in selling, general and administrative expenses for the year ended March 31, 2013 amounted to ¥ 22 million. The fair value of options granted is estimated using the Black-Scholes option pricing model with the following weighted average assumptions.

	2013 stock option
Expected volatility	50.23%
Expected holding period	5.2 years
Expected dividend	¥18 per share
Risk-free rate	0.197%



### 13. Segment information

#### (a) Overview of reportable segments

The reportable segments of the Companies are those units for which separate financial information is available, and which are reviewed regularly by the company's management in order to determine allocation of resources and to assess business performance.

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

Therefore, the Companies have reportable segments, such as instruments, consumer use products, display products and automobile sales based on business units categorized by products and services.

#### (b) Methods of calculating amounts of sales, income or loss, assets and other items by reportable segment

Accounting procedure for reportable segments is mostly the same as procedures indicated in 1. summary of significant accounting policies. Income for reportable segment is based on operating income. Intersegment transaction prices are based on the market prices.

#### (c) Information on sales, income or loss, assets and other items by reportable segment

Segment information as of and for the year ended March 31, 2013 was as follows:

Yen in millions									
Year ended or as of March 31, 2013	Reportable segments					Others	Total	Adjustment	Consolidated total
	Instruments	Consumer- use products	Display products	Automobile sales	Sub total				
Sales									
Unaffiliated customers	¥140,014	¥14,516	¥3,870	¥20,784	¥179,186	¥11,835	¥191,021	¥—	¥191,021
Intersegment	—	—	190	48	238	13,183	13,421	(13,421)	—
Total sales	140,014	14,516	4,060	20,832	179,424	25,018	204,443	(13,421)	191,021
Segment income (loss)	¥8,638	¥(493)	¥(637)	¥538	¥8,046	¥1,967	¥10,013	¥(246)	¥9,767
Segment assets	¥162,096	¥9,237	¥2,808	¥9,876	¥184,019	¥8,592	¥192,612	¥39,377	¥231,990
Others									
Depreciation and amortization	¥4,549	¥161	¥145	¥422	¥5,279	¥423	¥5,702	¥39	¥5,742
Increase in tangible and intangible fixed assets	¥8,127	¥162	¥251	¥971	¥9,513	¥378	¥9,891	¥—	¥9,891

Segment information as of and for the year ended March 31, 2012 was as follows:

Yen in millions									
Year ended or as of March 31, 2012	Reportable segments					Others	Total	Adjustment	Consolidated total
	Instruments	Consumer- use products	Display products	Automobile sales	Sub total				
Sales									
Unaffiliated customers	¥128,588	¥13,849	¥4,149	¥18,893	¥165,481	¥10,500	¥175,981	¥—	¥175,981
Intersegment	—	—	113	44	157	10,064	10,221	(10,221)	—
Total sales	128,588	13,849	4,262	18,937	165,639	20,564	186,203	(10,221)	175,981
Segment income (loss)	¥11,989	¥350	¥(376)	¥478	¥12,440	¥1,342	¥13,782	¥(273)	¥13,509
Segment assets	¥137,774	¥9,878	¥3,903	¥9,504	¥161,061	¥8,213	¥169,275	¥38,357	¥207,632
Others									
Depreciation and amortization	¥4,598	¥190	¥94	¥383	¥5,266	¥430	¥5,697	¥53	¥5,750
Increase in tangible and intangible fixed assets	¥5,466	¥178	¥135	¥551	¥6,331	¥337	¥6,669	¥9	¥6,679

[Related information]

## Geographic Information

Yen in millions					
Year ended March 31, 2013	Japan	Americas	Europe	Asia	Total
Sales	¥80,670	¥41,477	¥17,208	¥51,664	¥191,021
Property, plant and equipment	¥25,377	¥2,795	¥945	¥11,769	¥40,888

Yen in millions					
Year ended March 31, 2012	Japan	Americas	Europe	Asia	Total
Sales	¥81,849	¥32,134	¥14,745	¥47,251	¥175,981
Property, plant and equipment	¥25,479	¥2,293	¥653	¥8,778	¥37,205

[Information on amortization and balance of goodwill by reportable segment]

Yen in millions					
Year ended March 31, 2013	Instruments	Automobile sales	Sub total	Others	Total
Goodwill					
Amortization of goodwill	¥57	¥105	¥162	¥—	¥162
Balance at the end of current period	¥92	¥296	¥388	¥—	¥388
Negative goodwill					
Amortization of negative goodwill	¥15	¥—	¥15	¥8	¥24
Balance at the end of current period	¥3	¥—	¥3	¥—	¥3

Yen in millions					
Year ended March 31, 2012	Instruments	Automobile sales	Sub total	Others	Total
Goodwill					
Amortization of goodwill	¥58	¥107	¥165	¥—	¥165
Balance at the end of current period	¥137	¥401	¥539	¥—	¥539
Negative goodwill					
Amortization of negative goodwill	¥18	¥—	¥18	¥16	¥35
Balance at the end of current period	¥18	¥—	¥18	¥8	¥27

[Information on impairment loss on fixed assets by reportable segments]

Yen in millions									
Year ended March 31, 2013	Reportable segments					Sub total	Others	Elimination · Unallocated amount	Total
	Instruments	Consumer-use products	Display products	Automobile sales					
Impair loss on fixed assets	¥—	¥—	¥272	¥—	¥272	¥—	¥—	¥272	

Yen in millions									
Year ended March 31, 2012	Reportable segments					Sub total	Others	Elimination · Unallocated amount	Total
	Instruments	Consumer-use products	Display products	Automobile sales					
Impair loss on fixed assets	¥—	¥—	¥—	¥—	¥—	¥—	¥1,077	¥1,077	

# Independent Auditor's Report

The Board of Directors  
Nippon Seiki Co., Ltd.

We have audited the accompanying consolidated financial statements of Nippon Seiki Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2013 and 2012 and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

## *Management's Responsibility for the Consolidated Financial Statements*

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

## *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Nippon Seiki Co., Ltd. and its consolidated subsidiaries as at March 31, 2013 and 2012, and their consolidated financial performance and cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

*Ernst & Young ShinNihon LLC*

June 25, 2013  
Niigata, Japan

Non-consolidated Financial Statements of NIPPON SEIKI Co., Ltd. for the Fiscal Year 2012 and 2013

**Balance Sheets**

	March 31, 2013	March 31, 2012
	(Yen in millions)	(Yen in millions)
<b>Assets</b>		
Current assets		
Cash and bank deposits	¥15,054	¥11,908
Notes receivable-trade	401	385
Electronically recorded monetary claims-operating	825	—
Accounts receivable	31,497	30,441
Marketable securities	—	300
Merchandise and finished goods	3,172	3,612
Work in process	2,815	2,741
Raw materials and supplies	2,469	3,011
Prepaid expenses	60	71
Deferred tax assets	2,089	1,304
Short-term loans	7,721	4,903
Other receivables	2,216	2,502
Other current assets	26	42
Allowance for doubtful accounts	( 130 )	( 133 )
Total current assets	68,222	61,093
Noncurrent assets		
Property, plant and equipment		
Buildings	2,916	3,091
Structures	143	168
Machinery and equipment	935	1,257
Vehicles	20	15
Tools, jigs and fixtures	1,012	1,289
Land	7,289	7,294
Leased assets	18	15
Construction in progress	215	185
Total property, plant and equipment	12,552	13,318
Intangible assets		
Software	1,136	830
Software in progress	395	—
Other intangible assets	1	2
Total intangible assets	1,533	832
Investment and other assets		
Investment securities	17,346	15,210
Investment in subsidiary and affiliate companies	72,881	71,902
Long-term loans	12	24
Long-term loans receivable from subsidiaries and affiliates	110	80
Long-term prepaid expenses	91	137
Deferred tax assets	—	58
Other investments and assets	98	90
Allowance for doubtful accounts	( 10 )	( 10 )
Total investment and other assets	90,529	87,492
Total noncurrent assets	104,614	101,642
Total assets	¥172,836	¥162,736

	March 31, 2013	March 31, 2012
<b>Liabilities</b>	(Yen in millions)	(Yen in millions)
Current liabilities		
Notes payable-trade	¥404	¥323
Accounts payable	19,465	20,308
Short-term loans payable	55,067	61,464
Current portion of long-term loans payable	1,400	92
Lease obligations	6	5
Other payable	5,035	6,573
Accrued expenses	2,493	2,585
Income tax payable	2,810	2,007
Advances received	0	0
Deposits received	99	233
Accrued bonuses to employees	875	875
Provision for compensation for products	364	745
Provision for loss on litigation	1,235	—
Notes payable-trade capital investment	94	22
Total current liabilities	89,353	95,239
Long-term liabilities		
Long-term loans payable	8,600	—
Lease obligations	13	11
Deferred tax liabilities	422	—
Provision for employees' retirement benefits	1,360	1,364
Other long-term liabilities	220	224
Total long-term liabilities	10,617	1,600
Total liabilities	99,970	96,839
<b>Net assets</b>		
Shareholders' equity		
Common stock	14,494	14,494
Capital surplus		
Additional paid-in capital	6,214	6,214
Other capital surplus	276	277
Total capital surplus	6,491	6,492
Retained earnings		
Legal reserves	960	960
Other retained earnings		
Reserve for special depreciation	9	21
General reserve	44,180	40,680
Earned surplus carried forward	8,584	6,222
Total retained earnings	53,733	47,884
Treasury stock	( 6,275 )	( 6,272 )
Total shareholders' equity	68,444	62,598
Valuation and translation adjustments		
Unrealized gain on investment securities	4,383	3,281
Total valuation and translation adjustments	4,383	3,281
Subscription rights to shares	38	17
Total net assets	72,866	65,896
Total liabilities and net assets	¥172,836	¥162,736

## Statements of Income

	Year ended March 31, 2013	Year ended March 31, 2012
	(Yen in millions)	(Yen in millions)
Sales	¥99,613	¥94,316
Operating costs and Expenses		
Cost of sales	84,937	80,273
Selling, general and administrative expenses	9,140	9,026
Total operating costs and expenses	94,078	89,299
Operating income	5,534	5,016
Non operating income		
Interest and dividend income	1,866	2,193
Foreign exchange gains	4,281	1,083
Other non operating income	328	385
Total non operating income	6,476	3,661
Non operating expenses		
Interest expenses	272	268
Other non operating expenses	3	9
Total non operating expenses	275	278
Ordinary income	11,735	8,399
Extraordinary income		
Gain on sales of fixed assets	117	26
Total extraordinary income	117	26
Extraordinary loss		
Loss on sales and disposal of fixed assets	49	76
Impairment loss	272	1,077
Loss on valuation of investment securities	—	277
Loss from antitrust law suit	80	—
Provision for loss on litigation	1,235	—
Total extraordinary loss	1,637	1,430
Income before income taxes	10,215	6,995
Income taxes	3,335	2,664
Net income	¥6,880	¥4,330

**Statements of Changes in Net Assets**  
(From April 1, 2012 to March 31, 2013)

(Yen in millions)

	Shareholders' equity			
	Common stock	Capital surplus		
		Additional paid in capital	Other capital surplus	Total capital Surplus
Balance as of March 31, 2012	¥14,494	¥6,214	¥277	¥6,492
Changes in the year				
Dividends from surplus				
Reversal of reserve for special depreciation				
Provision of general reserve				
Net income				
Acquisition of treasury stock				
Disposal of treasury stock			( 0 )	( 0 )
Net changes in items other than those in shareholders' equity				
Total changes in the year	—	—	( 0 )	( 0 )
Balance as of March 31, 2013	¥14,494	¥6,214	¥276	¥6,491

	Shareholders' equity				
	Retained earnings				
	Legal reserve	Other retained earnings			Total retained earnings
		Reserve for special depreciation	General reserve	Earned surplus carried forward	
Balance as of March 31, 2012	¥960	¥21	¥40,680	¥6,222	¥47,884
Changes in the year					
Dividends from surplus				( 1,031 )	( 1,031 )
Reversal of reserve for special depreciation		( 11 )		11	—
Provision of general reserve			3,500	( 3,500 )	—
Net income				6,880	6,880
Acquisition of treasury stock					
Disposal of treasury stock					
Net changes in items other than those in shareholders' equity					
Total changes in the year	—	( 11 )	3,500	2,361	5,849
Balance as of March 31, 2013	¥960	¥9	¥44,180	¥8,584	¥53,733



(Yen in millions)

	Shareholders' equity		Valuation, translation adjustment	Subscription right to shares	Total net assets
	Treasury stock	Total shareholders' equity	Unrealized gain on investment securities		
<b>Balance as of March 31, 2012</b>	¥( 6,272)	¥62,598	¥3,281	¥17	¥65,896
<b>Changes in the year</b>					
Dividends from surplus		( 1,031)			( 1,031)
Reversal of reserve for special depreciation		—			—
Provision of general reserve		—			—
Net income		6,880			6,880
Acquisition of treasury stock	( 5)	( 5)			( 5)
Disposal of treasury stock	1	1			1
Net changes in items other than those in shareholders' equity			1,102	21	1,123
<b>Total changes in the year</b>	( 3)	5,845	1,102	21	6,969
<b>Balance as of March 31, 2013</b>	¥( 6,275)	¥68,444	¥4,383	¥38	¥72,866

**Statements of Changes in Net Assets**  
(From April 1, 2011 to March 31, 2012)

(Yen in millions)

	Shareholders' equity			
	Common stock	Capital surplus		
		Additional paid in capital	Other capital surplus	Total capital Surplus
Balance as of March 31, 2011	¥14,494	¥6,214	¥277	¥6,492
Changes in the year				
Dividends from surplus				
Reversal of reserve for special depreciation				
Provision of reserve for special depreciation by tax rate change				
Provision of general reserve				
Net income				
Acquisition of treasury stock				
Net changes in items other than those in shareholders' equity				
Total changes in the year	—	—	—	—
Balance as of March 31, 2012	¥14,494	¥6,214	¥277	¥6,492

	Shareholders' equity				
	Retained earnings				
	Legal reserve	Other retained earnings			Total retained earnings
		Reserve for special depreciation	General reserve	Earned surplus carried forward	
Balance as of March 31, 2011	¥960	¥34	¥39,680	¥3,681	¥44,356
Changes in the year					
Dividends from surplus				( 802)	( 802)
Reversal of reserve for special depreciation		( 14)		14	—
Provision of reserve for special depreciation by tax rate change		0		( 0)	—
Provision of general reserve			1,000	( 1,000)	—
Net income				4,330	4,330
Acquisition of treasury stock					
Net changes in items other than those in shareholders' equity					
Total changes in the year	—	( 13)	1,000	2,541	3,528
Balance as of March 31, 2012	¥960	¥21	¥40,680	¥6,222	¥47,884

(Yen in millions)

	Shareholders' equity		Valuation, translation adjustment	Subscription right to shares	Total net assets
	Treasury stock	Total shareholders' equity	Unrealized gain on investment securities		
<b>Balance as of March 31, 2011</b>	¥( 6,267 )	¥59,074	¥3,107	¥ —	¥62,182
<b>Changes in the year</b>					
Dividends from surplus		( 802 )			( 802 )
Reversal of reserve for special depreciation		—			—
Provision of reserve for special depreciation by tax rate change		—			—
Provision of general reserve		—			—
Net income		4,330			4,330
Acquisition of treasury stock	( 4 )	( 4 )			( 4 )
Net changes in items other than those in shareholders' equity			173	17	190
<b>Total changes in the year</b>	( 4 )	3,523	173	17	3,714
<b>Balance as of March 31, 2012</b>	¥( 6,272 )	¥62,598	¥3,281	¥17	¥65,896

- **Company name** : Nippon Seiki Co., Ltd.
- **Established** : December 24, 1946
- **Common stock** : 14,494,287,162 Yen
- **Number of employees** : 1,682

- **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
- Liquid crystal display panels and modules
- Organic light emitting diode display panels and modules
- Aftermarket car products
- Resin material processing and sales
- Freight transportation
- Software development
- Automobile sales 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** ※

27-3, Taito 2-chome, Taito-ku, Tokyo, 110-0016 JAPAN

- **Research & Development Center**

190-1, Fujihashi 1-chome, Nagaoka-shi, Niigata, 940-2141 JAPAN

- **Offices**

Utsunomiya, Tokyo, Hamamatsu, Nagoya, Suzuka, Osaka, Mizushima, Kumamoto, ShenZhen

- **Branch Office**

Hong Kong

**Note:**

- ※ NS Tokyo Technical Center was established on Oct 1, 2012.

## 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 Rent Car 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 Do Brasil Ltda. / Manaus, Amazonas, Brazil
- NS Sao Paulo Componentes Automotivos Ltda. / Sao Paulo, Brazil
- Nippon Seiki De Mexico S.A. De C.V. / Nuevo Leon, Mexico
- Nissei Advantech Mexico S.A. De C.V. / Nuevo Leon, Mexico

### ● Europe

- UK-NSI Co., Ltd. / Redditch, Worcs, U.K.
- Nippon Seiki (Europe) B.V. / Amsterdam, 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
- 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
- Hong Kong Ek Chor Nissei Co., Ltd. / Hong Kong, China
- Taiwan Nissei Display System Co., Ltd. / Taipei, Taiwan R.O.C.
- Changzhou Nissei Display System Co., Ltd. / Changzhou, Jiangsu, China
- Nantong NS Advantech Co., Ltd. / Nantong, Jiangsu, China
- Wuhan Nissei Display System Co., Ltd. / Hubei, China
- Nissei Display Sales and Development Co., Ltd. / Shanghai, China
- Zhejiang Nissei Display System Co., Ltd. / Cixi, Zhejiang, China
- NS Instruments India Private Ltd. / Andhra Pradesh, India
- JNS Instruments Ltd. / Haryana, India

#### Note:

- ※ Mazda Rent Car Niigata Co., Ltd changed its name to Mazda Mobility Niigata Co., Ltd. on April 1, 2013.

**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 Nagaoka Co., Ltd.
- Niigata Mazda Co., Ltd.
- Mazda Rent Car 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:

● Consolidated subsidiaries

Name of Company	Voting rights equity ratio	Main activities	Main trade with subsidiaries
NS Advantech Co., Ltd.	100.0	Manufacture of automotive and motorcycle gauges / 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	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
Mazda Rent Car Niigata Co., Ltd. ※	100.0	Car rental and car sharing	None
Car Station Niigata Co., Ltd.	100.0	Second-hand car dealing and sales of cars	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 and sales of automotive and motorcycle 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 Do Brasil Ltda.	100.0	Manufacture and sales of motorcycle instruments	Selling products
NS Sao Paulo Componentes Automotivos Ltda.	100.0	Manufacture and sales of automotive instruments	Selling products
Thai Nippon Seiki Co., Ltd.	69.9	Manufacture and sales of automotive and motorcycle instruments	Selling and purchasing products
Thai Matto NS Co., Ltd.	83.5	Compounding, and coloring of plastics, and trading	None
PT. Indonesia Nippon Seiki	70.0	Manufacture and sales of motorcycle instruments	Selling products
Vietnam Nippon Seiki Co., Ltd.	70.0	Manufacture and sales of motorcycle instruments	Selling products
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

Name of Company	Voting rights equity ratio	Main activities	Main trade with subsidiaries
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
Hong Kong Ek Chor Nissei Co., Ltd.	100.0	Investment and holding company	Investment in China on behalf of the parent
Taiwan Nissei Display System Co., Ltd.	80.0	Manufacture and sales of automotive and motorcycle instruments	Selling products
Changzhou Nissei Display System Co., Ltd.	100.0	Manufacture and sales of automotive and motorcycle instruments	Selling products
Nantong NS Advantech Co., Ltd.	100.0	Coloration processing and sales of resin materials	None
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

**Note:**

※ Mazda Rent Car Niigata Co., Ltd changed its name to Mazda Mobility Niigata Co., Ltd. on April 1, 2013.

● **Non-consolidated subsidiaries and the affiliated company are as follows:**

• **Non-consolidated subsidiaries**

- Nissei Kyusyoku Co., Ltd.
- Nippon Seiki De Mexico S.A. De C.V.
- Nissei Advantech Mexico S.A. De C.V.
- Nippon Seiki Consumer Products (Thailand) Co., Ltd.
- NS Instruments India Private Ltd.
- Zhejiang Nissei Display System Co., Ltd.

• **Affiliated company (which does not influence the consolidated financial statements)**

- JNS Instruments Ltd.



2,949 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)

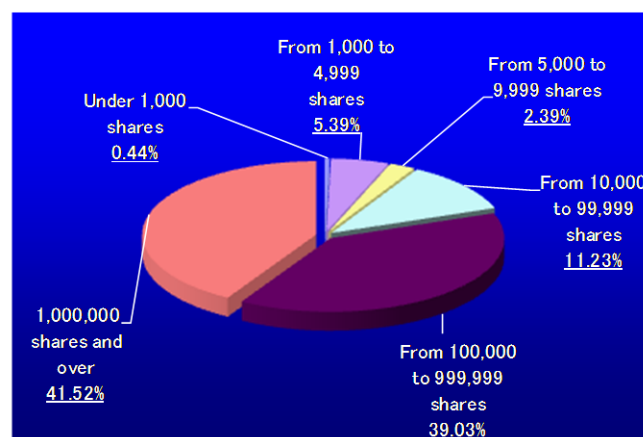
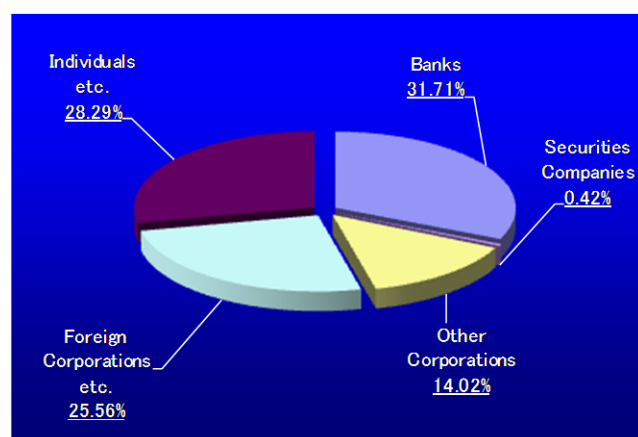
Name	Shares owned (percentage of shareholdings)
Honda Motor Co., Ltd.	3,753 (6.55%)
The Master Trust Bank of Japan, Ltd.	3,013 (5.26%)
BBH FOR FIDELITY LOW-PRICED STOCK FUND (PRINCIPAL ALL SECTOR SUBPORTFOLIO)	2,531 (4.42%)
Japan Trustee Services Bank, Ltd.	1,857 (3.24%)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,779 (3.11%)
The Daishi Bank, Ltd.	1,568 (2.74%)
Shareholding association of Nippon Seiki Employees	1,447 (2.53%)
Yamaha Motor Co., Ltd.	1,217 (2.13%)
THE CHASE MANHATTAN BANK, N. A. LONDON SECS LENDING OMNIBUS ACCOUNT	1,195 (2.09%)
Nichia Corporation	1,188 (2.07%)

Notes:

- ※1 Percentage of shareholdings ratio is calculated by deducting 3,625,390 shares of treasury stocks from total shares issued.
- ※2 Nippon Seiki holds treasury stocks (3,625,390 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.

## VIII. BOARD OF DIRECTORS AND AUDIT AND SUPERVISORY BOARD MEMBERS

As of June 25, 2013

### Directors

⟨Name⟩

Chairman and Representative Director	Shoji Nagai
President and Representative Director	Hirotooshi Takada
Managing Director	Takeyoshi Ikarashi
Managing Director	Makoto Okawa
Managing Director	Junichi Suzuki
Managing Director	Toshiaki Ichihashi
Managing Director	Akira Nakamura
Managing Director	Masaharu Takano
Managing Director	Koichi Sato
Director	Morito Sato
Director	Yoichi Ayata
Director	Masami Sakatsume
Director	Katsunori Masuma
Director	Yuji Hirata
Director	Junichi Endo
Director	Teruyuki Matsui

### Audit & Supervisory Board Members

⟨Name⟩

Audit & Supervisory Board Member (Full-time)	Takashi Komagata
Audit & Supervisory Board Member (Full-time)	Masao Asano
Audit & Supervisory Board Member	Yoichi Sakurai
Audit & Supervisory Board Member	Michiaki Miyajima