

ANNUAL REPORT 2014

FROM APRIL 1ST, 2013 TO MARCH 31ST, 2014



NIPPON SEIKI

CONTENTS

I. SUMMARY OF OPERATING RESULTS BY BUSINESS	
<u>Review of Operations</u>	1
II. FINANCIAL HIGHLIGHTS	
<u>1. Consolidated Financial Highlights</u>	2
<u>2. Non-Consolidated Financial Highlights</u>	3
III. CONSOLIDATED FINANCIAL STATEMENTS	
<u>Consolidated Balance Sheets</u>	4
<u>Consolidated Statements of Income</u>	6
<u>Consolidated Statements of Comprehensive Income</u>	7
<u>Consolidated Statements of Changes in Net Assets</u>	8
<u>Consolidated Statements of Cash Flows</u>	10
<u>Notes to Consolidated Financial Statements</u>	11
<u>Independent Auditor's Report</u>	27
IV. OTHER INFORMATION (Non-Consolidated Financial Statements)	
<u>Balance Sheets</u>	28
<u>Statements of Income</u>	30
<u>Statements of Changes in Net Assets</u>	31
V. OUTLINE OF THE COMPANY	35
VI. PROFILE OF THE GROUP COMPANIES	38
VII. OWNERSHIP OF THE COMPANY'S SHARES	40
VIII. BOARD OF DIRECTORS AND AUDIT AND SUPERVISORY BOARD MEMBERS	41

Review of Operations**● Instruments sales**

Sales of instruments for automobiles, motorcycles, agricultural and construction machines and boats increased. Instruments sales for the year increased by 19.9% to ¥167,820 million, from the previous fiscal year.

● Consumer-use products sales

Sales decreased by 9.4% to ¥13,150 million from the previous fiscal year, mainly due to a decrease in orders for PCB assemblies for amusement products and so on.

● Automobile sales

Sales of cars at our dealerships increased by 14.3% to ¥23,766 million from the previous fiscal year mainly due to last-minute demand before increasing consumption tax rate and demand creation by announcement of new models by auto makers.

● Other businesses

Sales of other products and services totaled ¥15,407 million, 1.9% decrease from the previous fiscal year, mainly due to a decrease in the sale of display products, software and office equipment.

As a result, the company's consolidated business operations for this fiscal year, ending March 31, 2014, resulted in sales of ¥220,144 million, increased by 15.2% from the previous fiscal year. At the same time, ordinary income for the year increased by 47.5%, to ¥23,029 million, and net income increased by 69.0%, to ¥13,908 million, respectively.

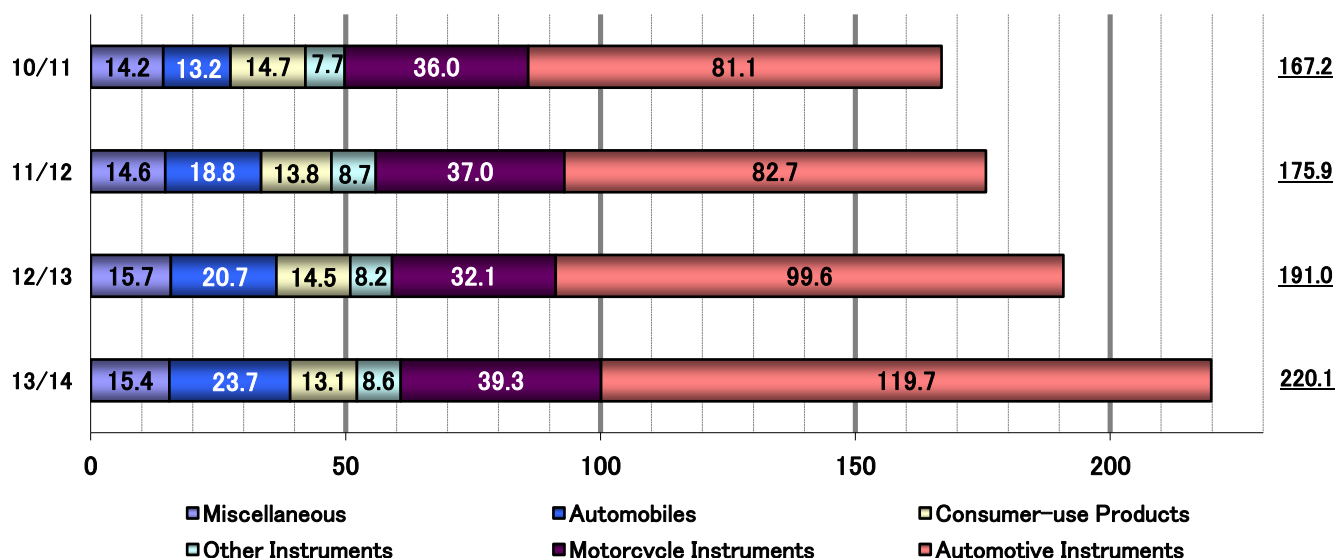
● Consolidated sales by business segment

	2011 (Yen in millions)	2012 (Yen in millions)	2013 (Yen in millions)	2014 (Yen in millions)	Increase (Decrease)
Instruments for automobiles, motorcycles, agricultural / construction machines and boats	124,979	128,588	140,014	167,820	19.9%
Consumer-use products	14,762	13,849	14,516	13,150	(9.4)%
Automobiles	13,238	18,893	20,784	23,766	14.3%
Other businesses	14,296	14,649	15,705	15,407	(1.9)%
Total	167,276	175,981	191,021	220,144	15.2%

1. Consolidated Financial Highlights

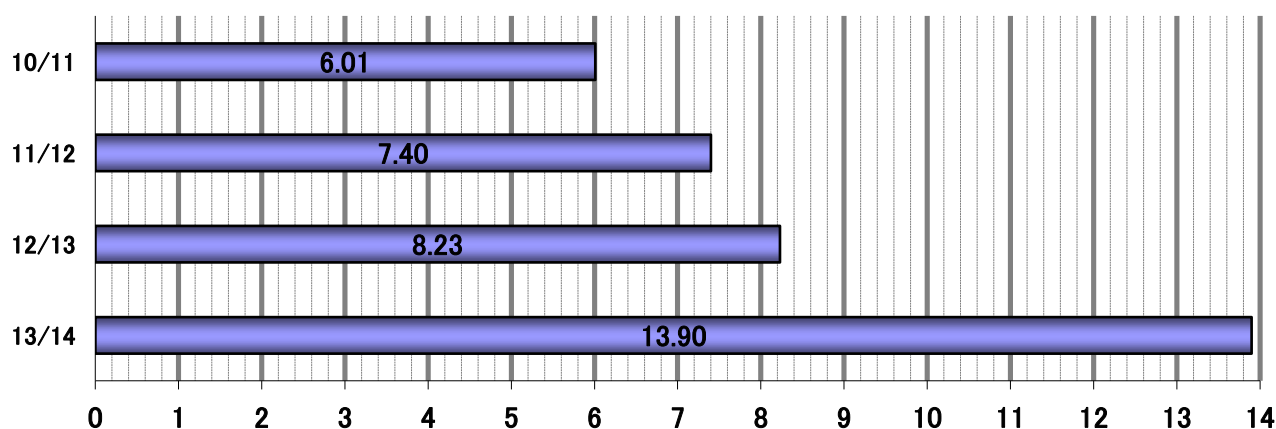
1 – 1. Consolidated Sales

Yen in billions



1 – 2. Consolidated Net Income

Yen in billions



Consolidated sales for the fiscal year ending March 31, 2014, increased by 15.2% to ¥220,144 million, ordinary income increased by 47.5% to ¥23,029 million, and net income increased by 69.0% to ¥13,908 million.

1 – 3. Consolidated Financial Highlights

	2011	2012	2013	2014
Sales (Yen in millions)	167,276	175,981	191,021	220,144
Ordinary income (Yen in millions)	10,490	14,866	15,611	23,029
Net income (Yen in millions)	6,010	7,409	8,231	13,908
Net income per share (Yen) ※	104.91	129.33	143.69	242.79
Total assets (Yen in millions)	191,561	207,632	231,990	263,132
Net assets (Yen in millions)	92,187	96,243	115,873	139,256
Net assets per share (Yen)	1,517.74	1,588.78	1,905.58	2,278.25

Note:

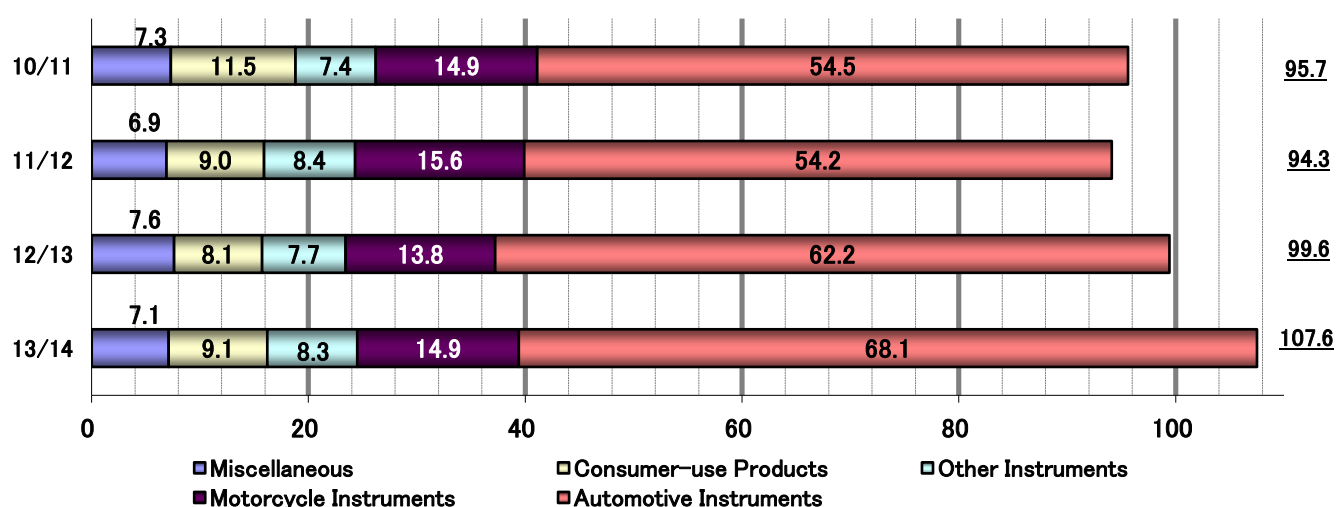
※ Net income per share is calculated by the weighted average number of shares of common stock outstanding during the year.

2. Non-Consolidated Financial Highlights

As of March 31, 2014

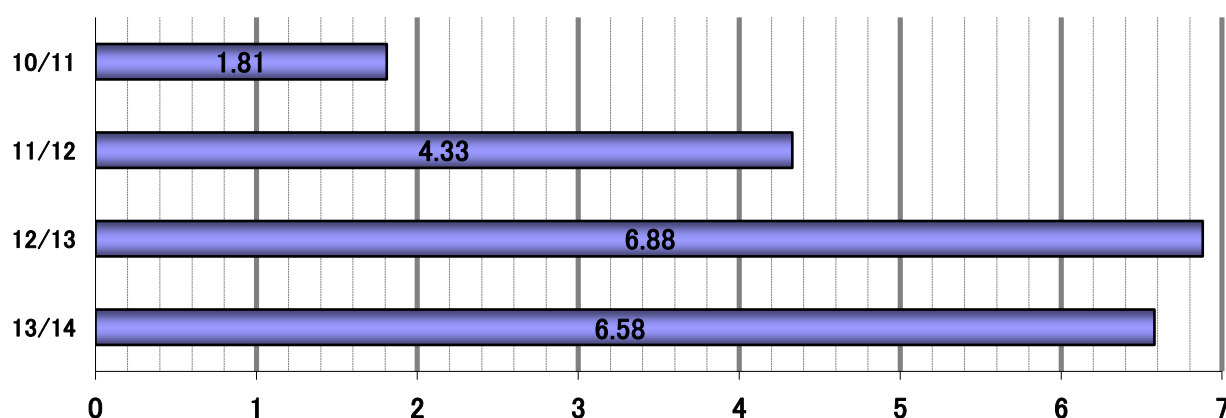
2-1. Non-Consolidated Sales

Yen in billions



2-2. Non-Consolidated Net Income

Yen in billions



Non-Consolidated sales for the fiscal year ending March 31, 2014, increased by 8.1% to ¥107,699 million, ordinary income decreased by 5.8% to ¥11,049 million, and net income decreased by 4.3% to ¥6,585 million.

2-3. Non-Consolidated Financial Highlights

	2011	2012	2013	2014
Sales (Yen in millions)	95,794	94,316	99,613	107,699
Ordinary income (Yen in millions)	2,802	8,399	11,735	11,049
Net income (Yen in millions)	1,810	4,330	6,880	6,585
Net income per share (Yen) ※	31.60	75.58	120.11	114.97
Dividend per share (Yen)	14.00	18.00	20.00	27.00
Total assets (Yen in millions)	149,657	162,736	172,836	183,316
Net assets (Yen in millions)	62,182	65,896	72,866	78,531
Common stock (Yen in millions)	14,494	14,494	14,494	14,494
Equity ratio (%)	41.5	40.5	42.1	42.8

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, 2014	March 31, 2013
Assets	(Yen in millions)	(Yen in millions)
Current assets		
Cash and bank deposits (Note 8,10)	¥99,319	¥86,419
Notes and accounts receivable-trade (Note 8)	40,809	36,986
Merchandise and finished goods	11,826	9,907
Work in process	4,355	4,049
Raw materials and supplies	17,236	13,503
Deferred tax assets (Note 5)	3,535	3,820
Other current assets	6,933	9,088
Allowance for doubtful accounts (Note 8)	(243)	(114)
Total current assets	183,772	163,661
Noncurrent assets		
Property, plant and equipment		
Buildings and structures (Note 2)	13,745	10,764
Machinery, equipment and vehicles	13,625	9,256
Tools, jigs and fixtures	4,330	3,004
Land	15,473	14,665
Leased assets (Note 6)	480	563
Construction in progress	2,976	2,633
Total property, plant and equipment	50,632	40,888
Intangible assets		
Goodwill	241	385
Other intangible assets	3,439	2,616
Total intangible assets	3,680	3,001
Investment and other assets		
Investment securities (Note 8,9)	21,143	22,882
Deferred tax assets (Note 5)	853	757
Other investment and assets	3,061	809
Allowance for doubtful accounts	(10)	(10)
Total investment and other assets	25,048	24,438
Total noncurrent assets	79,360	68,328
Total assets	¥263,132	¥231,990

	March 31, 2014	March 31, 2013
Liabilities	(Yen in millions)	(Yen in millions)
Current liabilities		
Notes and accounts payable-trade (Note 8)	¥30,412	¥30,970
Short-term loans payable (Note 2,8)	54,611	50,882
Lease obligations (Note 2)	197	198
Income tax payable (Note 5)	2,197	4,075
Deferred tax liabilities (Note 5)	0	0
Accrued bonuses	1,902	1,947
Provision for compensation for products	549	1,030
Provision for loss on order received	0	—
Provision for loss on litigation	1,350	1,235
Other current liabilities	12,989	11,562
Total current liabilities	104,212	101,903
Noncurrent liabilities		
Long-term loans payable (Note 2,8)	13,097	8,603
Lease obligations (Note 2)	270	309
Deferred tax liabilities (Note 5)	3,100	2,359
Provision for employees' retirement benefits (Note 3)	—	2,375
Provision for directors' retirement benefits	186	183
Net defined benefit liability (Note 3)	2,710	—
Asset retirement obligations	59	49
Other noncurrent liabilities	239	332
Total noncurrent liabilities	19,663	14,213
Total liabilities	123,875	116,116
Net assets		
Shareholders' equity		
Common stock (Note 4)	14,494	14,494
Capital surplus	6,479	6,491
Retained earnings	100,573	89,058
Treasury stock (Note 4)	(6,283)	(6,275)
Total shareholders' equity	115,263	103,769
Accumulated other comprehensive income (loss)		
Unrealized gain on investment securities	4,811	4,396
Foreign currency translation adjustment	10,518	989
Remeasurements of defined benefit plans	(100)	—
Total accumulated other comprehensive income (loss)	15,229	5,386
Subscription rights to shares (Note 12)	47	38
Minority interests	8,716	6,679
Total net assets	139,256	115,873
Total liabilities and net assets	¥263,132	¥231,990

See notes to consolidated financial statements.

Consolidated Statements of Income

	Year ended March 31, 2014	Year ended March 31, 2013
	(Yen in millions)	(Yen in millions)
Sales	¥220,144	¥191,021
Cost of sales	175,146	158,120
Gross profit	44,998	32,901
Selling, general and administrative expenses		
Packing and transportation	5,036	4,551
Salaries	9,481	7,744
Provision for doubtful accounts	—	1
Provision for bonuses	524	534
Provision for compensation for products	—	670
Provision for retirement benefits	—	106
Retirement benefit expenses	404	—
Provision for directors' retirement benefits	39	38
Depreciation	1,130	946
Other expenses	10,166	8,539
Total selling, general and administrative expenses	26,782	23,133
Operating income	18,215	9,767
Non-operating income		
Interest income	1,044	889
Dividend income	394	319
Foreign exchange gains	2,743	4,456
Other non-operating income	1,019	532
Total non-operating income	5,201	6,197
Non-operating expenses		
Interest expense	315	294
Other non-operating expenses	72	59
Total non-operating expenses	387	353
Ordinary income	23,029	15,611
Extraordinary income		
Gain on sales of fixed assets	38	28
Total extraordinary income	38	28
Extraordinary loss		
Loss on sales of fixed assets	11	10
Loss on disposal of fixed assets	94	74
Impairment loss	—	272
Loss from antitrust law suit	—	80
Provision for loss on litigation	685	1,235
Other	41	—
Total extraordinary loss	831	1,673
Income before income taxes and minority interests	22,236	13,966
Income taxes (Note 5)	6,969	5,120
Income before minority interests	15,266	8,846
Minority interests in income	1,358	614
Net income (Note 7)	¥13,908	¥8,231

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

	Year ended March 31, 2014	Year ended March 31, 2013
	(Yen in millions)	(Yen in millions)
Income before minority interests	¥15,266	¥8,846
Other comprehensive income		
Unrealized gain on investment securities	414	1,105
Foreign currency translation adjustment	10,294	10,509
Total other comprehensive income	10,709	11,614
Comprehensive income	25,975	20,460
Comprehensive income attributable to owners of the parent	23,852	19,203
Comprehensive income attributable to minority interests	2,123	1,257

See notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets
(From April 1, 2013 to March 31, 2014)

(Yen in millions)

	Shareholders' equity				
	Common Stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2013	¥14,494	¥6,491	¥89,058	¥(6,275)	¥103,769
Changes in the year					
Dividends from surplus			(1,317)		(1,317)
Net income			13,908		13,908
Change in the scope of consolidation			(1,046)		(1,046)
Employee welfare fund			(29)		(29)
Acquisition of treasury stock				(32)	(32)
Disposal of treasury stock		(12)		23	11
Net changes in items other than those in shareholders' equity					
Total changes in the year	—	(12)	11,514	(8)	11,494
Balance as of March 31, 2014	¥14,494	¥6,479	¥100,573	¥(6,283)	¥115,263

	Accumulated other comprehensive income (loss)				Subscription rights to shares	Minority interests	Total net assets
	Unrealized gain on investment securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income (loss)			
Balance as of March 31, 2013	¥4,396	¥ 989	¥ —	¥ 5,386	¥38	¥6,679	¥115,873
Changes in the year							
Dividends from surplus							(1,317)
Net income							13,908
Change in the scope of consolidation							(1,046)
Employee welfare fund							(29)
Acquisition of treasury stock							(32)
Disposal of treasury stock							11
Net changes in items other than those in shareholders' equity	414	9,529	(100)	9,843	9	2,037	11,889
Total changes in the year	414	9,529	(100)	9,843	9	2,037	23,383
Balance as of March 31, 2014	¥4,811	¥10,518	¥(100)	¥15,229	¥47	¥8,716	¥139,256

See notes to consolidated financial statements.

(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	Remeasurements of defined benefit plans	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

Consolidated Statements of Cash Flows

	Year ended March 31, 2014	Year ended March 31, 2013
	(Yen in millions)	(Yen in millions)
Cash flows from operating activities:		
Income before income taxes and minority interests	¥22,236	¥13,966
Depreciation and amortization	6,991	5,766
Impairment loss	—	272
Amortization of goodwill	167	138
Share-based compensation expenses	20	22
Interest and dividend income	(1,439)	(1,209)
Interest expense	315	294
Loss (gain) on foreign exchange	(427)	(1,290)
Loss (gain) on sales or disposal of property, net	66	45
Loss on disposal of intangible assets	—	10
(Increase) decrease in		
Accounts and notes receivable-trade	3,277	551
Inventories	(138)	(260)
Increase (decrease) in		
Accrued bonuses to employees	(45)	25
Employees' retirement benefits	—	(104)
Directors' retirement benefits	2	8
Allowance for doubtful accounts	80	(34)
Provision for compensation for products	(489)	29
Provision for loss on litigation	685	1,235
Net defined benefit liability	125	—
Accounts and notes payable-trade	(10,212)	(2,463)
Other, net	(981)	(1,998)
Sub total	20,232	15,005
Interest and dividend received	1,438	1,208
Interest paid	(314)	(294)
Compensation for damage paid	(619)	—
Income taxes paid	(8,158)	(5,542)
Net cash provided by (used in) operating activities	12,579	10,376
Cash flows from investing activities:		
Net decrease (increase) in time deposits	57,831	(49,966)
Proceeds from sales of marketable securities	—	300
Purchase of property	(9,116)	(8,123)
Proceeds from sale of property	391	231
Purchase of investment securities	(1,669)	(1,049)
Other, net	(1,675)	(2,160)
Net cash provided by (used in) investing activities	45,760	(60,768)
Cash flows from financing activities:		
Increase (decrease) in short-term loans	1,254	(8,144)
Proceeds from long-term loans payable	8,299	10,000
Repayments of long-term loans	(1,650)	(93)
Proceeds from stock issuance to minority shareholders	—	70
Repayments of lease obligations	(197)	(190)
Net decrease (increase) in treasury stock	(38)	(6)
Dividend paid	(1,317)	(1,032)
Dividend paid to minority shareholders	(198)	(201)
Net cash provided by (used in) financing activities	6,153	401
Effect of exchange rate changes on cash and cash equivalents	3,712	2,350
Net increase (decrease) in cash and cash equivalents	68,206	(47,639)
Cash and cash equivalents at beginning of year	29,679	76,275
Increase in cash and cash equivalents from newly consolidated subsidiary	927	1,042
Cash and cash equivalents at end of year (Note 10)	¥98,813	¥29,679

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Nippon Seiki Co., Ltd. and Consolidated Subsidiaries
March 31, 2014

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 32 significant subsidiaries (the Companies) at March 31, 2014, except for 4 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 4 non-consolidated subsidiaries and one affiliate were stated at cost because the effect of application of the equity method would be immaterial.

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

All assets and liabilities of the subsidiaries are revaluated at fair values on the date of 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
Finished goods and work in process-Others	Specific identification method
Raw 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.

Leased assets under finance lease transactions that do not transfer ownership are depreciated over their estimated useful lives using the straight-line method to their estimated residual value of 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 of 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 recognized and amortized by the straight-line method over the subsequent 10 years which is shorter than the average remaining years of service of the employees.

Directors' retirement benefits

Some subsidiary companies record the provision for directors' retirement benefits based on the internal rules.

(m) Recognition criteria for revenues and costs of software development

With respect to contracts of made-to-order software development that started during the fiscal year ended March 31, 2014, the percentage-of-completion method (cost comparison method for estimating the percentage of completion) is applied if its outcome is deemed certain for the progress made by the end of the year, 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 be reversed.

2. Loans payable

The weighted average interest rate of short-term loans payable to banks was 0.4% at March 31, 2014.

Long-term loans as of March 31, 2014 consist of the following:

	Yen in millions
Loans from banks, due through 2019 with average interest rates of 0.5%	¥16,652
Less: Current portion due within one year	3,555
	<u>¥13,097</u>

Aggregate annual maturities of long-term loans subsequent to March 31, 2014 are as follows:

Year ending March 31,	Yen in millions
2015	¥3,555
2016	3,847
2017	3,550
2018	3,300
2019	1,800
Thereafter	600
	<u>¥16,652</u>

Long-term lease obligations as of March 31, 2014 consist of the following:

	Yen in millions
Finance lease obligations	¥467
Less: Current portion due within one year	197
	¥270

Maturities of long-term lease obligations at March 31, 2014 are as follows:

Year ending March 31,	Yen in millions
2015	¥197
2016	108
2017	83
2018	41
2019	20
Thereafter	16
	¥467

The assets mortgaged for short-term and long-term loans payable as of March 31, 2014 were as follows:

	Yen in millions
Building, net of accumulated depreciation	¥432
	¥432

3. Retirement 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. 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. Certain consolidated subsidiaries use a simplified method for calculating retirement benefits.

Defined benefit plans, exclusive of a plan applying a simplified method

(1) Movement in retirement benefit obligations

	Yen in millions
Balance at April 1, 2013	¥2,248
Service cost	162
Interest cost	57
Actuarial loss (gain)	(139)
Benefit paid	(147)
Newly consolidated subsidiary	39
Other	66
Balance at March 31, 2014	¥2,286

(2) Movement in plan assets

	Yen in millions
Balance at April 1, 2013	¥101
Expected return on plan assets	1
Actual loss (gain)	(0)
Contributions paid by the employer	26
Other	20
Balance at March 31, 2014	¥149

(3) Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits

	Yen in millions
Funded retirement benefit obligations	¥357
Plan assets	(149)
	207
Unfunded retirement benefit obligations	1,929
Total net liability for retirement benefits at March 31, 2014	2,136
Liability for retirement benefits	2,136
Total net liability for retirement benefits at March 31, 2014	¥2,136

(4) Retirement benefit costs

	Yen in millions
Service cost	¥162
Interest cost	57
Expected return on plan assets	(1)
Net actuarial loss (gain) amortization	26
Past service costs amortization	(12)
Other	41
Balance at March 31, 2014	¥273

(5) Accumulated adjustments for retirement benefit

	Yen in millions
Actuarial gains and losses that are yet to be recognized	¥(12)
Past service costs that are yet to be recognized	178
Total balance at March 31, 2014	¥165

(6) Plan assets

① Plan assets at March 31, 2014 comprise:

Cash and bank deposits 100%

② Long-term expected rate of return

Terms of payment, portfolio of plan assets, historical returns, operating policy, market trends and other factors have been considered in determining the long-term expected rate of return.

(7) Actuarial assumptions

The principal actuarial assumption at March 31, 2014 (expressed as weighted averages) are as follows:

Discount rate	2.5%
Long-term expected rate of return	1.8%

Defined benefit plans applying a simplified method

(1) Movement in retirement benefit obligations

	Yen in millions
Balance at April 1, 2013	¥535
Service cost	63
Benefit paid	(25)
Balance at March 31, 2014	¥573

(2) Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits

	Yen in millions
Unfunded retirement benefit obligations	¥573
Liability for retirement benefits	573
Total net liability for retirement benefits at March 31, 2014	¥573

(3) Retirement benefit costs

	Yen in millions
Retirement benefit costs calculated based on a simplified method	¥63

Defined contribution plans

Contributions to defined contribution plans are ¥988 million for the ended March 31, 2014.

4. Supplementary information of changes in net assets

Issued shares

Type of shares	Number of shares as of March 31, 2013	Increase	Decrease	Number of shares as of March 31, 2014
Common stock	60,907,599	—	—	60,907,599

Treasury stock

Type of shares	Number of shares as of March 31, 2013	Increase	Decrease	Number of shares as of March 31, 2014
Common stock	3,625,390	18,296	13,800	3,629,886

The details of increase and decrease are as follows:

Increase by purchase of odd-lot shares	18,296
Decrease by exercise of subscription rights to shares	13,300
Decrease by purchase requests of odd-lot shares	500

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 14, 2013	Common stock	744	13.0	March 31, 2013	June 26, 2013
Board of Directors meeting held on October 31, 2013	Common stock	572	10.0	September 30, 2013	December 11, 2013

Dividends with the record date in the fiscal year ended March 31, 2014, but are effective in the subsequent period

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 15, 2014	Common stock	Retained earnings	973	17.0	March 31, 2014	June 27, 2014

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, 2014. 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, 2014 were as follows:

	Yen in millions
Deferred tax assets	
Loss on valuation of inventories	¥678
Accrued bonuses	675
Net defined benefit liability	942
Depreciation	388
Impairment loss	881
Unrealized gains on inventories, property and equipment	1,258
Others	3,195
Gross deferred tax assets	8,019
Less: Valuation allowance for deferred tax assets	(1,583)
Total deferred tax assets, net of valuation allowance	6,435
Deferred tax liabilities	
Reserve for special depreciation	(36)
Unrealized gains on investment securities	(3,048)
Undistributed earnings of foreign subsidiaries	(1,765)
Others	(297)
Total deferred tax liabilities	(5,148)
Net deferred tax assets	¥1,287

6. Lease transactions

2014 (From April 1, 2013 to March 31, 2014)

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, 2014 were as follows:

	Yen in millions
Acquisition cost	¥81
Less: Accumulated depreciation	81
Net book value	—

The lease payments and depreciation under finance leases for the years ended March 31, 2014 were as follows:

	Yen in millions
Lease payments	¥7
Depreciation	7

The obligations under non-cancelable operating leases at March 31, 2014 were as follows:

	Yen in millions
Due within one year	¥173
Due after one year	282
Total	¥456

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:

	Yen in millions
Acquisition cost	¥244
Less: Accumulated depreciation	237
Net book value	¥7

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

	Yen in millions
Due within one year	¥7
Due after one year	—
Total	¥7

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

	Yen in millions
Lease payments	¥11
Depreciation	11

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

	Yen in millions
Due within one year	¥289
Due after one year	327
Total	¥616

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 are 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, 2014 were as follows:

Net income per share	¥242.79
Net assets per share	¥2,278.25

8. Financial instruments

2014 (From April 1, 2013 to March 31, 2014)

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 of financial instruments

Notes and accounts receivable-trade 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.

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

Short-term loans payable are used mainly in connection with business activities, and long-term loans payable 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, 2014 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	¥99,319	¥99,319	¥—
(2) Notes and accounts receivable-trade	40,809		
Allowance for doubtful accounts	(243)		
	<u>40,565</u>	<u>40,557</u>	<u>(7)</u>
(3) Marketable securities and investment securities			
Held-to-maturity securities	300	300	—
Other securities	15,979	15,979	—
Total assets	<u>156,163</u>	<u>156,156</u>	<u>(7)</u>
(4) Notes and accounts payable-trade	30,412	30,412	—
(5) Short-term loans payable	51,055	51,055	—
(6) Long-term loans payable*	16,652	16,584	(67)
Total liabilities	<u>¥98,120</u>	<u>¥98,053</u>	<u>¥(67)</u>

*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 and accounts receivable-trade

The fair value of notes and accounts receivable-trade 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 and accounts payable-trade and short-term loans payable

These liabilities are carried at amounts that approximate fair values.

(5) 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.

(6) Derivative transactions

Please refer to Note 11 Derivatives.

2. Unlisted stocks of ¥4,864 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, 2014 is as follows:

	(Yen in millions)	
	Due within one year	Due after one year
Cash and bank deposits	¥99,319	¥—
Notes and accounts receivable-trade	40,102	707
Marketable securities and investment securities		
Held-to-maturity securities		
Others	—	300
Total	¥139,421	¥1,007

4. Redemption of short-term and long-term loans payable as of March 31, 2014 is as follows:

	(Yen in millions)					
	2015	2016	2017	2018	2019	Thereafter
Short-term loans payable	¥51,055	¥—	¥—	¥—	¥—	¥—
Long-term loans payable	3,555	3,847	3,550	3,300	1,800	600
Total	¥54,611	¥3,847	¥3,550	¥3,300	¥1,800	¥600

9. Marketable securities

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, 2014.

	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	¥-

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	¥-

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, 2014.

	Yen in millions		
	Carrying Amounts	Acquisition Cost	Unrealized gain (loss)
Securities with carrying amount exceeding acquisition cost			
Equity securities	¥14,669	¥7,182	¥7,487
Securities with carrying amount not exceeding acquisition cost			
Equity securities	274	343	(68)
MMF	1,034	1,034	-
Sub total	1,309	1,377	(68)
Total	¥15,979	¥8,560	¥7,418

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)
MMF	943	943	-
Sub total	1,250	1,289	(39)
Total	¥15,189	¥8,422	¥6,767

10. Supplementary cash flow information

The following table represents a reconciliation of cash and cash equivalents as of March 31, 2014 and 2013.

	Yen in millions	
	2014	2013
Cash and bank deposits	¥99,319	¥86,419
Time deposits with a maturity of more than three months	(506)	(56,739)
Cash and cash equivalents	¥98,813	¥29,679

11. Derivatives

2014 (From April 1, 2013 to March 31, 2014)

Not applicable

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

12. Stock option

Stock option plan	2014 stock option
Number of individuals covered by the plan:	
Directors	13
Total	13
Type and number of shares to be issued upon exercise of stock subscription rights	Common stock 13,900 shares
Grant date	July 18, 2013
Exercise period	July 19, 2013~ July 18, 2043

Non-vested stock options (Number of shares):	
Outstanding at March 31, 2013	54,000 shares
Granted	13,900 shares
Forfeited	—
Vested	13,300 shares
Outstanding at March 31, 2014	54,600 shares
Vested stock options (Number of shares)	
Outstanding at March 31, 2013	—
Vested	13,300 shares
Exercised	13,300 shares
Forfeited	—
Outstanding at March 31, 2014	—

	Vested	Outstanding
Exercise price (Yen)	1	1
Weighted average exercise price (Yen)	1,290	—
Fair value per stock at the grant date (Yen)	815.41	959.79

Stock option expenses included in selling, general and administrative expenses for the year ended March 31, 2014 amounted to ¥ 20 million. The fair value of options granted is estimated using the Black-Scholes option pricing model with the following weighted average assumptions.

	2014 stock option
Expected volatility	47.57%
Expected holding period	6.5 years
Expected dividend	¥20 per share
Risk-free rate	0.45%

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, and automobile sales based on business units categorized by products and services.

(b) Methods of calculating 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, 2014 was as follows:

(Yen in millions)

Year ended or as of March 31, 2014	Reportable segments				Others	Total	Adjustment	Consolidated total
	Instruments	Consumer-use products	Automobile sales	Sub total				
Sales								
Unaffiliated customers	¥167,820	¥13,150	¥23,766	¥204,737	¥15,407	¥220,144	¥—	¥220,144
Intersegment	—	—	55	55	14,076	14,131	(14,131)	—
Total sales	167,820	13,150	23,821	204,792	29,484	234,276	(14,131)	220,144
Segment income (loss)	¥17,034	¥(1,048)	¥909	¥16,895	¥2,068	¥18,964	¥(748)	¥18,215
Segment assets	178,384	9,096	11,375	198,857	13,760	212,617	50,514	263,132
Others								
Depreciation and amortization	¥5,752	¥224	¥442	¥6,419	¥508	¥6,928	¥42	¥6,970
Increase in fixed assets	¥9,520	¥209	¥1,753	¥11,482	¥575	¥12,057	¥3	¥12,061

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	Automobile sales	Sub total				
Sales								
Unaffiliated customers	¥140,014	¥14,516	¥20,784	¥175,315	¥15,705	¥191,021	¥—	¥191,021
Intersegment	—	—	48	48	13,373	13,421	(13,421)	—
Total sales	140,014	14,516	20,832	175,364	29,079	204,443	(13,421)	191,021
Segment income (loss)	¥8,638	¥(493)	¥538	¥8,683	¥1,330	¥10,013	¥(246)	¥9,767
Segment assets	¥162,096	¥9,237	¥9,876	¥181,210	¥11,401	¥192,612	¥39,377	¥231,990
Others								
Depreciation and amortization	¥4,549	¥161	¥422	¥5,133	¥569	¥5,702	¥39	¥5,742
Increase in fixed assets	¥8,127	¥162	¥971	¥9,261	¥630	¥9,891	¥—	¥9,891

[Related information]

Geographic Information

(Yen in millions)

Year ended March 31, 2014	Japan	Americas	Europe	Asia	Total
Sales	¥86,269	¥46,541	¥22,020	¥65,313	¥220,144
Property, plant and equipment	¥27,443	¥8,159	¥1,486	¥13,541	¥50,632

(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

[Information on goodwill and its amortization]

(Yen in millions)

Year ended March 31, 2014	Instruments	Automobile sales	Sub total	Others	Total
Goodwill					
Amortization of goodwill	¥58	¥105	¥163	¥—	¥163
Balance at the end of current period	¥46	¥194	¥241	¥—	¥241
Negative goodwill					
Amortization of negative goodwill	¥3	¥—	¥3	¥—	¥3
Balance at the end of current period	¥—	¥—	¥—	¥—	¥—

(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

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

Year ended March 31, 2014

Not applicable

(Yen in millions)

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

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, 2014 and 2013 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, 2014 and 2013, 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 26, 2014
Niigata, Japan

Non-consolidated Financial Statements of NIPPON SEIKI Co., Ltd. for the Fiscal Year 2014 and 2013

Balance Sheets

	March 31, 2014	March 31, 2013
	(Yen in millions)	(Yen in millions)
Assets		
Current assets		
Cash and bank deposits	¥17,768	¥15,054
Notes receivable-trade	496	401
Electronically recorded monetary claims-operating	1,722	825
Accounts receivable	31,714	31,497
Merchandise and finished goods	3,570	3,172
Raw materials	2,094	2,266
Work in process	2,383	2,815
Supplies	256	203
Prepaid expenses	60	60
Deferred tax assets	1,398	2,089
Short-term loans	9,254	7,721
Other receivables	2,947	2,216
Other current assets	48	26
Allowance for doubtful accounts	(203)	(130)
Total current assets	73,514	68,222
Noncurrent assets		
Property, plant and equipment		
Buildings	2,967	2,916
Structures	121	143
Machinery and equipment	968	935
Vehicles	34	20
Tools, jigs and fixtures	1,347	1,012
Land	7,285	7,289
Leased assets	25	18
Construction in progress	955	215
Total property, plant and equipment	13,706	12,552
Intangible assets		
Software	1,936	1,136
Software in progress	8	395
Other intangible assets	0	1
Total intangible assets	1,946	1,533
Investment and other assets		
Investment securities	18,123	17,346
Investment in subsidiary and affiliate companies	74,372	72,881
Long-term loans receivable	1,574	122
Long-term prepaid expenses	55	91
Other investments and assets	103	98
Allowance for doubtful accounts	(80)	(10)
Total investment and other assets	94,148	90,529
Total noncurrent assets	109,801	104,614
Total assets	¥183,316	¥172,836

	March 31, 2014	March 31, 2013
Liabilities	(Yen in millions)	(Yen in millions)
Current liabilities		
Notes payable-trade	¥349	¥404
Accounts payable	18,418	19,465
Short-term loans payable	57,589	55,067
Current portion of long-term loans payable	3,550	1,400
Lease obligations	8	6
Other payable	3,953	5,035
Income tax payable	399	2,810
Accrued expenses	2,624	2,493
Advances received	0	0
Accrued bonuses to employees	862	875
Provision for compensation for products	137	364
Provision for loss on litigation	1,350	1,235
Deposits received	291	99
Notes payable-trade capital investment	28	94
Total current liabilities	89,566	89,353
Long-term liabilities		
Long-term loans payable	12,800	8,600
Lease obligations	18	13
Deferred tax liabilities	830	422
Provision for employees' retirement benefits	1,404	1,360
Other long-term liabilities	164	220
Total long-term liabilities	15,217	10,617
Total liabilities	104,784	99,970
Net assets		
Shareholders' equity		
Common stock	14,494	14,494
Capital surplus		
Additional paid-in capital	6,214	6,214
Other capital surplus	264	276
Total capital surplus	6,479	6,491
Retained earnings		
Legal reserves	960	960
Other retained earnings		
Reserve for special depreciation	5	9
General reserve	49,980	44,180
Earned surplus carried forward	8,056	8,584
Total retained earnings	59,001	53,733
Treasury stock	(6,283)	(6,275)
Total shareholders' equity	73,692	68,444
Valuation and translation adjustments		
Unrealized gain on investment securities	4,791	4,383
Total valuation and translation adjustments	4,791	4,383
Subscription rights to shares	47	38
Total net assets	78,531	72,866
Total liabilities and net assets	¥183,316	¥172,836

Statements of Income

	Year ended March 31, 2014	Year ended March 31, 2013
	(Yen in millions)	(Yen in millions)
Sales	¥107,699	¥99,613
Operating costs and expenses		
Cost of sales	93,373	84,937
Selling, general and administrative expenses	9,266	9,140
Total operating costs and expenses	102,639	94,078
Operating income	5,060	5,534
Non-operating income		
Interest and dividend income	1,837	1,866
Foreign exchange gains	3,809	4,281
Other non-operating income	668	328
Total non-operating income	6,314	6,476
Non-operating expenses		
Interest expenses	282	272
Provision of allowance for doubtful accounts	38	—
Other non-operating expenses	4	3
Total non-operating expenses	325	275
Ordinary income	11,049	11,735
Extraordinary income		
Gain on sales of fixed assets	2	117
Total extraordinary income	2	117
Extraordinary loss		
Loss on sales and disposal of fixed assets	42	49
Impairment loss	—	272
Loss on valuation of investment securities	387	—
Loss from antitrust law suit	—	80
Provision for loss on litigation	685	1,235
Total extraordinary loss	1,114	1,637
Income before income taxes	9,937	10,215
Income taxes	3,351	3,335
Net income	¥6,585	¥6,880

Statements of Changes in Net Assets
(From April 1, 2013 to March 31, 2014)

(Yen in millions)

	Shareholders' equity			
	Common stock	Capital surplus		
		Additional paid in capital	Other capital surplus	Total capital Surplus
Balance as of March 31, 2013	¥14,494	¥6,214	¥276	¥6,491
Changes in the year				
Dividends from surplus				
Reversal of reserve for special depreciation				
Provision of general reserve				
Net income				
Purchase of treasury shares				
Disposal of treasury shares			(12)	(12)
Net changes in items other than those in shareholders' equity				
Total changes in the year	—	—	(12)	(12)
Balance as of March 31, 2014	¥14,494	¥6,214	¥264	¥6,479

	Shareholders' equity				
	Retained earnings				Total retained earnings
	Legal reserve	Other retained earnings			
Reserve for special depreciation		General reserve	Earned surplus carried forward		
Balance as of March 31, 2013	¥960	¥9	¥44,180	¥8,584	¥53,733
Changes in the year					
Dividends from surplus				(1,317)	(1,317)
Reversal of reserve for special depreciation		(3)		3	—
Provision of general reserve			5,800	(5,800)	—
Net income				6,585	6,585
Purchase of treasury shares					
Disposal of treasury shares					
Net changes in items other than those in shareholders' equity					
Total changes in the year	—	(3)	5,800	(527)	5,268
Balance as of March 31, 2014	¥960	¥5	¥49,980	¥8,056	¥59,001

(Yen in millions)

	Shareholders' equity		Valuation, translation adjustment	Subscription rights to shares	Total net assets
	Treasury stock	Total shareholders' equity	Unrealized gain on investment securities		
Balance as of March 31, 2013	¥(6,275)	¥68,444	¥4,383	¥38	¥72,866
Changes in the year					
Dividends from surplus		(1,317)			(1,317)
Reversal of reserve for special depreciation		—			—
Provision of general reserve		—			—
Net income		6,585			6,585
Purchase of treasury shares	(32)	(32)			(32)
Disposal of treasury shares	23	11			11
Net changes in items other than those in shareholders' equity			407	9	417
Total changes in the year	(8)	5,248	407	9	5,665
Balance as of March 31, 2014	¥(6,283)	¥73,692	¥4,791	¥47	¥78,531

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

- **Company name** : Nippon Seiki Co., Ltd.
- **Established** : December 24, 1946
- **Common stock** : 14,494,287,162 Yen
- **Number of employees** : 1,754

- **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**

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

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.
- Nissei Display Mexico S.A. De C.V. / Nuevo Leon, Mexico
- Nippon Seiki De Mexico S.A. De C.V. / Nuevo Leon, Mexico
- Nissei Advantech 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. / Amsterdam, Netherlands

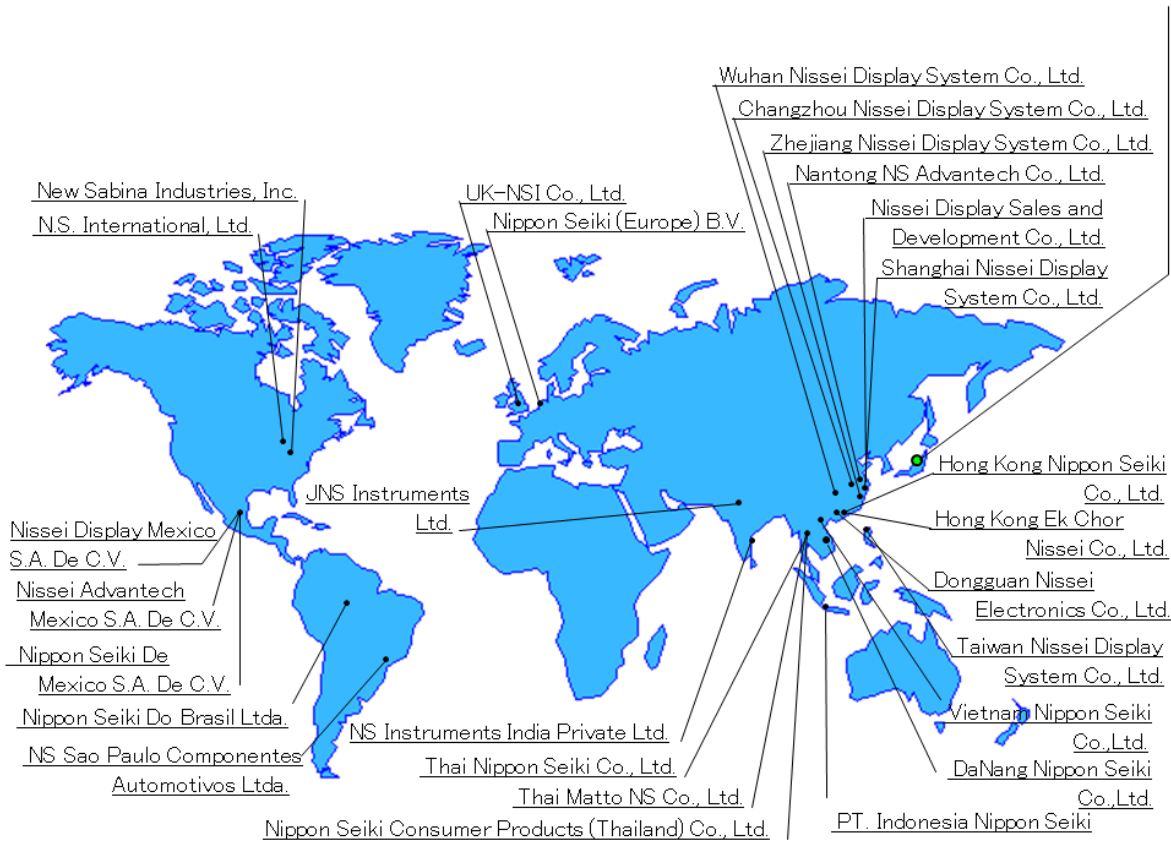
● Asia

- 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
- 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.
- Changzhou Nissei Display System Co., Ltd. / Changzhou, Jiangsu, China
- Nantong NS Advantech Co., Ltd. / Nantong, Jiangsu, China
- Zhejiang Nissei Display System Co., Ltd. / Cixi, Zhejiang, China
- Hong Kong Ek Chor Nissei Co., Ltd. / Hong Kong, China
- 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 Mobility Niigata Co., Ltd.
Car Station Niigata Co., Ltd.
Nissei Kyusvoku Co., Ltd.



Nippon Seiki Group is composed of 36 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, consumer-use products, sales of automobiles and other products including liquid crystal display panels and modules. 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 and instruments / 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 Mobility 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 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.	Selling products
Nissei Advantech Mexico S.A. De C.V.	100.0	Manufacture and sales of parts for automotive instruments	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
Nippon Seiki Consumer Products (Thailand) Co., Ltd.	80.0	Manufacture of control panels for office automation equipment and remote controllers for air conditioners and household equipment	Selling products
PT. Indonesia Nippon Seiki	70.0	Manufacture and sales of automotive and motorcycle instruments	Selling products

Name of Company	Voting rights equity ratio	Main activities	Main trade with subsidiaries
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
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
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
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	Compounding, and coloring of plastics, and trading	None
Zhejiang Nissei Display System Co., Ltd.	100.0	Manufacture and sales of 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

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.
- Nissei Display Mexico S.A. De C.V.
- DaNang Nippon Seiki Co., Ltd.
- NS Instruments India Private Ltd.

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

- JNS Instruments Ltd.

2,568 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

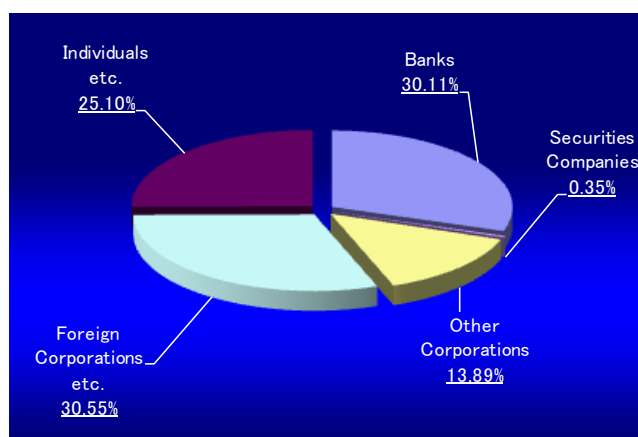
(1,000 shares)

Name	Shares owned (percentage of shareholdings)
Honda Motor Co., Ltd.	3,753 (6.55%)
BBH FOR FIDELITY LOW-PRICED STOCK FUND (PRINCIPAL ALL SECTOR SUBPORTFOLIO)	2,925 (5.11%)
The Master Trust Bank of Japan, Ltd.	2,478 (4.33%)
Japan Trustee Services Bank, Ltd.	1,869 (3.26%)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,779 (3.11%)
NORTHERN TRUST CO. (AVFC) RE 15PCT TREATY ACCOUNT	1,661 (2.90%)
The Daishi Bank, Ltd.	1,568 (2.74%)
Shareholding association of Nippon Seiki Employees	1,528 (2.67%)
JP MORGAN CHASE BANK 385632	1,229 (2.15%)
Yamaha Motor Co., Ltd.	1,217 (2.13%)

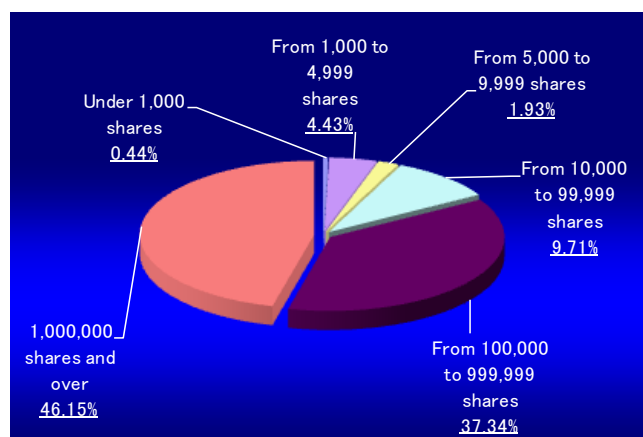
Notes:

- ※1 Percentage of shareholdings ratio is calculated by deducting 3,629,886 shares of treasury stocks from total shares issued.
- ※2 Nippon Seiki holds treasury stocks (3,629,886 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 26, 2014

Directors

⟨Name⟩

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

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