

ANNUAL REPORT 2020

FROM APRIL 1ST, 2019 TO MARCH 31ST, 2020



NIPPON SEIKI

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Review of Operations**● Instruments revenue**

Revenue for instruments decreased by 6.5% to ¥192,798 million from the previous fiscal year, mainly due to a decrease in orders for instruments for automobiles in America, Europe and Asia.

● Components revenue

Revenue for components decreased by 1.8% to ¥15,172 million from the previous fiscal year, mainly due to a decrease in orders for liquid crystal display products while orders for Control panels for office equipment increased.

● Automobile revenue

Revenue for cars at our dealerships decreased by 9.5% to ¥22,226 million from the previous fiscal year, mainly due to a decrease in orders for new cars.

● Other businesses

Revenue for other products and services decreased by 5.0% to ¥16,142 million from the previous fiscal year, mainly due to a decrease in orders for compound resins.

As a result, the company's consolidated business operations for this fiscal year, ending March 31, 2020, resulted in revenue of ¥246,340 million, a decrease of 6.4% from the previous fiscal year. Operating profit for the year decreased by 46.0% to ¥7,669 million, and loss attributable to owners of the parent for the year was ¥350 million, mainly due to reversing ¥2,834 million of deferred tax assets and recording it as corporate income tax expense while profit attributable to owners of the parent for the previous year was ¥11,569 million.

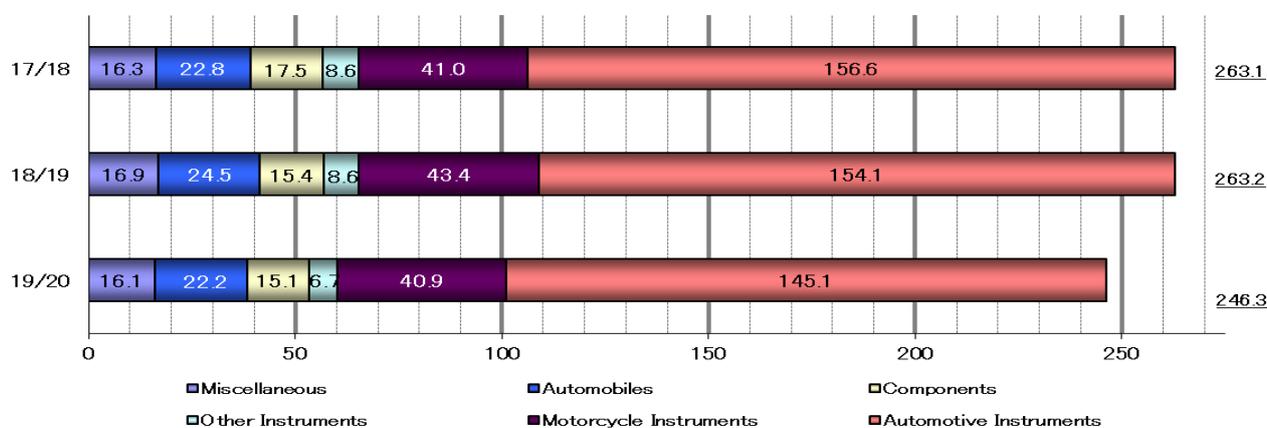
● Consolidated revenue by business segment

	2018 (Yen in millions)	2019 (Yen in millions)	2020 (Yen in millions)	Increase (Decrease)
Instruments for automobiles, motorcycles, agricultural / construction machines and boats	206,422	206,237	192,798	(6.5%)
Components	17,564	15,454	15,172	(1.8%)
Automobiles	22,826	24,563	22,226	(9.5%)
Other businesses	16,351	16,983	16,142	(5.0%)
Total	263,163	263,239	246,340	(6.4%)

1. Consolidated Financial Highlights

1-1. Revenue

Yen in billions

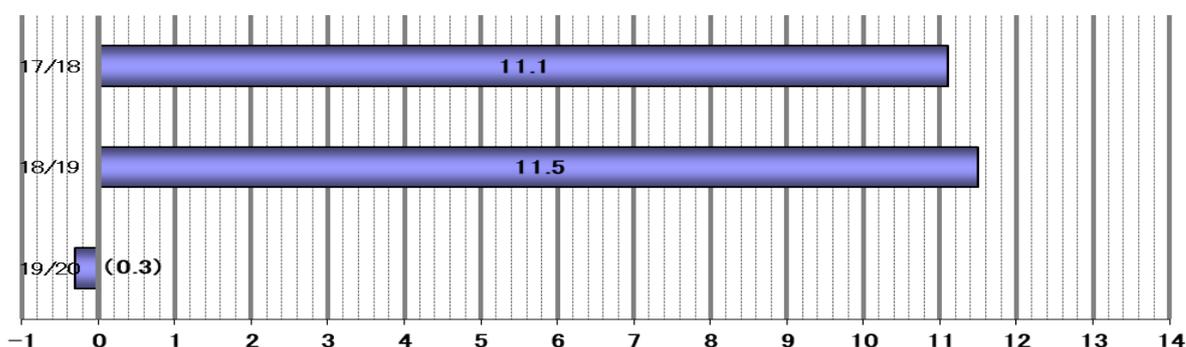


Note:

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

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

Yen in billions



Consolidated revenue for the fiscal year ending March 31, 2020 decreased by 6.4% to ¥246,340 million. Operating profit decreased by 46.0% to ¥7,669 million and loss attributable to owners of the parent for the year was ¥350 million while profit attributable to owners of the parents for the previous year was ¥11,569 million.

1-3. Consolidated Financial Highlights

	2018	2019	2020
Revenue (Yen in millions)	263,163	263,239	246,340
Operating profit (Yen in millions)	14,109	14,215	7,669
Profit attributable to owners of parent (Yen in millions)	11,105	11,569	(350)
Basic earnings per share ※	193.94	202.03	(6.13)
Total assets (Yen in millions)	298,132	307,665	296,987
Total equity (Yen in millions)	176,281	186,447	174,828
Equity per share attributable to owners of the parent (Yen)	2,975.34	3,142.61	2,943.20

Note:

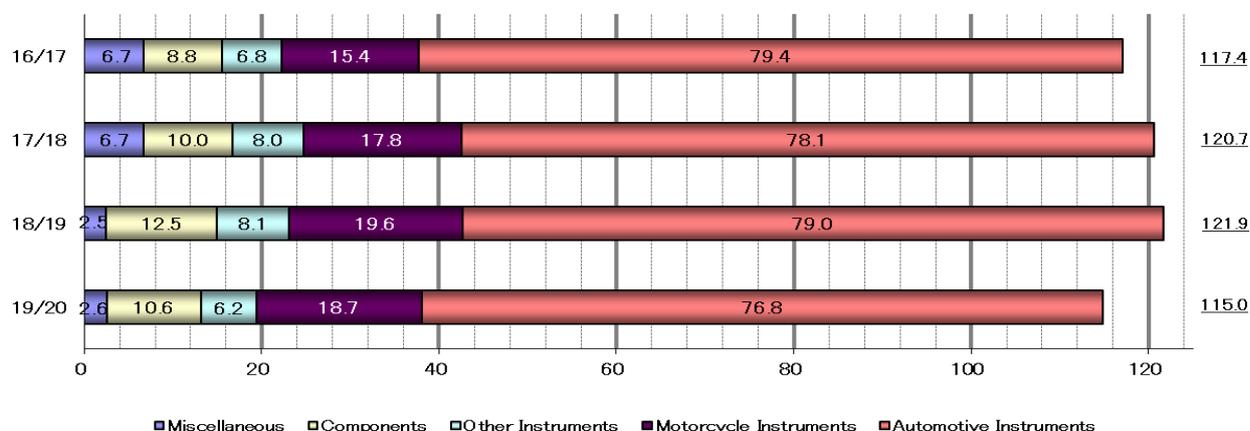
※ Basic earnings per share is calculated by the weighted average number of shares of common stock outstanding during the year.

2. Non-Consolidated Financial Highlights

As of March 31, 2020

2-1. Non-Consolidated Sales

Yen in billions

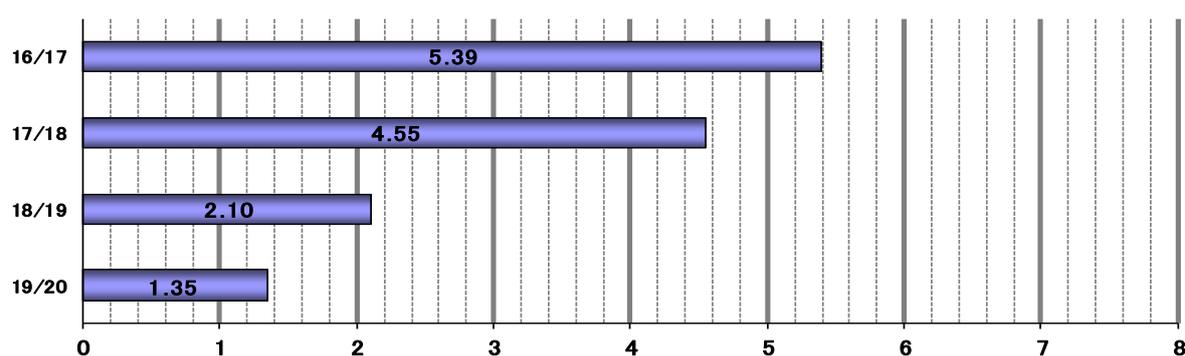


Note:

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

2-2. Non-Consolidated Profit for the year

Yen in billions



Non-Consolidated sales for the fiscal year ending March 31, 2020 decreased by 5.6% to ¥115,086 million. Ordinary income decreased by 83.3% to ¥1,004 million and profit for the year decreased by 35.4% to ¥1,356 million.

2-3. Non-Consolidated Financial Highlights

	2017	2018	2019	2020
Sales (Yen in millions)	117,415	120,752	121,937	115,086
Ordinary income (Yen in millions)	10,266	6,530	6,014	1,004
Profit for the year (Yen in millions)	5,392	4,558	2,101	1,356
Earnings per share (Yen) ※	94.18	79.60	36.69	23.68
Dividend per share (Yen)	35.00	42.00	45.00	40.00
Total assets (Yen in millions)	205,595	202,863	203,580	199,230
Net assets (Yen in millions)	90,439	94,055	91,284	88,027
Common stock (Yen in millions)	14,494	14,494	14,494	14,494
Equity ratio (%)	43.9	46.3	44.7	44.1

Note:

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

III. FINANCIAL SECTION

Financial Summary

Accounting standards	IFRS (International Financial Reporting Standards)				
	April 1, 2016 (Transition date)	March 31, 2017	March 31, 2018	March 31, 2019	March 31, 2020
Fiscal year end					
Revenue (Millions of yen)	—	245,967	263,163	263,239	246,340
Profit before tax (Millions of yen)	—	15,356	15,854	16,291	7,566
Profit (loss) attributable to owners of the parent (Millions of yen)	—	10,164	11,105	11,569	(350)
Comprehensive income attributable to owners of the parent (Millions of yen)	—	10,341	7,938	12,144	(9,058)
Equity attributable to owners of the parent (Millions of yen)	156,649	164,500	170,381	179,969	168,601
Total assets (Millions of yen)	296,127	293,279	298,132	307,665	296,987
Equity per share attributable to owners of the parent (Yen)	2,735.44	2,873.05	2,975.34	3,142.61	2,943.20
Basic earnings (losses) per share (Yen)	—	177.51	193.94	202.03	(6.13)
Diluted earnings (losses) per share (Yen)	—	177.27	193.67	201.74	(6.13)
Equity attributable to owners of the parent ratio (%)	52.90	56.09	57.15	58.50	56.77
Return on equity attributable to owners of the parent (%)	—	6.33	6.63	6.60	(0.20)
Price-to-earnings ratio (Times)	—	13.49	9.96	8.86	—
Net cash provided by operating activities (Millions of yen)	—	16,504	22,522	16,815	16,845
Net cash used in investing activities (Millions of yen)	—	(2,476)	(13,263)	(16,085)	(18,321)
Net cash used in financing activities (Millions of yen)	—	(16,388)	(4,461)	(1,314)	(2,212)
Cash and cash equivalents at end of year (Millions of yen)	41,548	38,212	42,637	42,128	36,657
Number of employees	13,284	13,912	13,927	14,663	14,530

(Note)

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

1 【Consolidated Financial Statements】

(1) 【Consolidated Statement of Financial Position】

	Notes	March 31,2019	March 31,2020
Assets			
Current assets			
Cash and cash equivalents	7,27	42,128	36,657
Trade and other current receivables	8,27	48,038	38,117
Other current financial assets	9,27	68,113	69,668
Inventories	10	46,475	43,934
Other current assets		6,575	7,150
Total current assets		<u>211,331</u>	<u>195,528</u>
Non-current assets			
Property, plant and equipment	11,13,28	63,228	71,034
Goodwill and intangible assets	12,13	7,010	7,923
Trade and other non-current receivables	8,27	170	451
Other non-current financial assets	9,27	21,965	18,959
Deferred tax assets	14	2,922	2,211
Other non-current assets		1,036	877
Total non-current assets		<u>96,334</u>	<u>101,458</u>
Total assets		<u><u>307,665</u></u>	<u><u>296,987</u></u>

	Notes	March 31,2019	March 31,2020
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other current payables	15,27	42,837	34,519
Short-term loans	16,27	48,261	50,382
Other current financial liabilities	9,27,28	197	1,976
Income tax payables		1,966	2,234
Short-term employee benefits	18	4,706	4,555
Provisions	17	2,874	2,188
Other current liabilities		1,226	1,156
Total current liabilities		102,070	97,013
Non-current liabilities			
Long-term loans	16,27	13,111	13,562
Other non-current financial liabilities	9,27,28	578	4,266
Long-term employee benefits	18	3,402	3,526
Provisions	17	70	72
Deferred tax liabilities	14	1,563	3,316
Other non-current liabilities		421	401
Total non-current liabilities		19,147	25,145
Total liabilities		121,217	122,158
Equity			
Common stock		14,494	14,494
Capital surplus		6,068	6,056
Retained earnings		162,106	159,508
Treasury stock		(6,320)	(6,289)
Other components of equity		3,620	(5,167)
Equity attributable to owners of the parent		179,969	168,601
Non-controlling interests		6,478	6,227
Total equity		186,447	174,828
Total liabilities and equity		307,665	296,987

(2) 【Consolidated Statement of Income】

(Unit: Millions of yen)

	Notes	Year ended March 31,2019	Year ended March 31,2020
Revenue	21	263,239	246,340
Cost of revenue		(217,644)	(206,792)
Gross profit		45,594	39,547
Selling, general and administrative expenses	22	(31,832)	(31,979)
Other income	23	1,099	1,170
Other expenses	23	(646)	(1,069)
Operating profit		14,215	7,669
Finance income	24	2,654	3,047
Finance costs	24	(579)	(3,151)
Profit before tax		16,291	7,566
Income tax expense	14	(3,869)	(7,194)
Profit for the year		12,421	371
Profit attributable to:			
Owners of the parent		11,569	(350)
Non-controlling interests		852	722
Profit for the year		12,421	371
Earnings per share attributable to owners of the parent:			
Basic earnings (losses) per share(Yen)	25	202.03	(6.13)
Diluted earnings (losses) per share(Yen)	25	201.74	(6.13)

(3) 【Consolidated Statement of Comprehensive Income】

(Unit: Millions of yen)

	Notes	Year ended March 31,2019	Year ended March 31,2020
Profit for the year		12,421	371
Other comprehensive income			
Items that will not be reclassified to profit or loss, net of tax:			
Gains(losses) on financial assets measured at fair value through other comprehensive income		(2,330)	(2,019)
Remeasurements of net defined benefit liabilities/assets	26	30	(27)
Total comprehensive income (loss) that will not be reclassified to profit or loss, net of tax		(2,300)	(2,047)
Items that may be reclassified to profit or loss, net of tax:			
Foreign currency translation adjustments	26	2,874	(7,235)
Total comprehensive income (loss) that may be reclassified to profit or loss, net of tax		2,874	(7,235)
Other comprehensive income (loss) for the year	26	574	(9,282)
Total comprehensive income for the year		12,996	(8,910)
Comprehensive income attributable to:			
Owners of the parent		12,144	(9,058)
Non-controlling interests		851	147
Comprehensive income for the year		12,996	(8,910)

(4) 【Consolidated Statement of Changes in Equity】

For the year ended March 31, 2019

(Unit: Millions of yen)

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

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

For the year ended March 31, 2020

(Unit: Millions of yen)

	Notes	Equity attributable to owners of the parent					
		Common stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity	
						Gains (losses) on financial assets measured at fair value through other comprehensive income	Remeasurements of net defined benefit liabilities (assets)
As of April 1, 2019		14,494	6,068	162,106	(6,320)	6,364	—
Comprehensive income							
Profit for the year		—	—	(350)	—	—	—
Other comprehensive income (loss)		—	—	—	—	(2,019)	(13)
Total comprehensive income (loss)		—	—	(350)	—	(2,019)	(13)
Transactions with owners							
Dividends paid	20	—	—	(2,577)	—	—	—
Share-based payment transactions	31	—	18	—	—	—	—
Purchase of treasury stock		—	—	—	(0)	—	—
Disposal of treasury stock		—	(30)	—	30	—	—
Transfer from other components of equity to retained earnings		—	—	80	—	(94)	13
Other		—	—	249	—	—	—
Total transactions with owners		—	(12)	(2,246)	30	(94)	13
As of March 31, 2020		14,494	6,056	159,508	(6,289)	4,250	—

	Notes	Equity attributable to owners of the parent			Non-controlling interests	Total equity
		Other components of equity		Total equity attributable to owners of the parent		
		Foreign currency translation adjustments	Total			
As of April 1, 2019		(2,744)	3,620	179,969	6,478	186,447
Comprehensive income						
Profit for the year		—	—	(350)	722	371
Other comprehensive income (loss)		(6,674)	(8,707)	(8,707)	(575)	(9,282)
Total comprehensive income (loss)		(6,674)	(8,707)	(9,058)	147	(8,910)
Transactions with owners						
Dividends paid	20	—	—	(2,577)	(389)	(2,967)
Share-based payment transactions	31	—	—	18	—	18
Purchase of treasury stock		—	—	(0)	—	(0)
Disposal of treasury stock		—	—	0	—	0
Transfer from other components of equity to retained earnings		—	(80)	—	—	—
Other		—	—	249	(9)	240
Total transactions with Owners		—	(80)	(2,309)	(399)	(2,708)
As of March 31, 2020		(9,418)	(5,167)	168,601	6,227	174,828

(5) 【Consolidated Statement of Cash Flows】

(Unit: Millions of yen)

	Notes	Year ended March 31,2019	Year ended March 31,2020
Cash flows from operating activities:			
Profit before tax		16,291	7,566
Depreciation and amortization		9,101	11,146
Impairment loss		327	344
Interest and dividends income		(2,654)	(3,047)
Interest expense		224	219
(Gain) loss on sale of property, plant and equipment		29	165
(Increase) decrease in trade and other Receivables		1,934	6,903
(Increase) decrease in inventories		(5,684)	(224)
Increase(decrease) in trade and other Payables		(1,060)	(4,025)
Increase (decrease) in provisions		(162)	(685)
Increase (decrease) in retirement benefit liabilities		0	213
Foreign exchange losses(gains)		431	1,112
Other, net		(217)	(1,893)
Subtotal		18,559	17,796
Interest and dividends received		2,672	3,213
Interest paid		(226)	(221)
Income taxes paid		(3,303)	(3,942)
Other, net		(885)	—
Net cash provided by operating activities		16,815	16,845
Cash flows from investing activities:			
(Increase)decrease in time deposits, net		(3,397)	(3,435)
Purchase of property, plant and equipment and intangible assets		(13,121)	(15,452)
Proceeds from sale of property, plant and equipment and intangible assets		431	218
Purchase of investment securities		(79)	(81)
Proceeds from sale of investment Securities		7	181
Increase in loans receivable		(11)	(12)
Collection of loans		8	10
Other, net		78	249
Net cash used in investing activities		(16,085)	(18,321)
Cash flows from financing activities:			
(Decrease) increase in short-term loans, Net		1,948	2,632
Proceeds from long-term loans		4,000	4,000
Repayments of long-term loans		(4,450)	(4,000)
Repayments of lease obligations	28	(123)	(1,861)
Dividends paid to non-controlling interests		(112)	(407)
Net decrease (increase) in treasury stock		0	1
Dividends paid to owners of the parent	20	(2,575)	(2,577)
Net cash used in financing activities		(1,314)	(2,212)
Foreign currency translation adjustments on cash and cash equivalents		76	(1,782)
Net increase (decrease) in cash and cash equivalents		(508)	(5,471)
Cash and cash equivalents at beginning of year	7	42,637	42,128
Cash and cash equivalents at end of year	7	42,128	36,657

[Notes to Consolidated Financial Statements]

1. Reporting Entity

Nippon Seiki Co., Ltd. (hereinafter the “Company”) is a company incorporated in Japan. The consolidated financial statements for the fiscal year ended March 31, 2020 consist of the financial statements of the Company and its consolidated subsidiaries (hereinafter the “Group”).

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

2. Basis of Preparation

(1) Compliance with IFRS

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

The issue of consolidated financial statements was approved by Koichi Sato, President of the Company on June 26, 2020.

(2) Basis of measurement

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

(3) Functional and presentation currency

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

(4) Changes in accounting policies

The Group mainly adopted the following standards in the fiscal year ended March, 2020.

Standard	Title	Outline of new and amended standards
IFRS 16	Leases	Amendment of accounting for lease

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

(IFRS 16, “Leases”)

The Group adopted IFRS 16 “Leases” issued in January, 2016 (hereinafter the “IFRS 16”) in the fiscal year ended March, 2020. As a transitional measure to IFRS 16, the Group applies this standard using retrospective approach and recognizes the cumulative effect at the date of initial application as adjustments to retained earnings at the beginning.

In applying this standard, the Group elected to apply the practical expedient detailed in IFRS16 paragraph C3 and grandfathered the assessment of whether a contract contains a lease at the date of initial application based on IAS 17 “Leases” (hereinafter the “IAS 17”) and IFRIC 4 “Determining whether an Arrangement contains a Lease”. After the commencement date, the Group assesses whether the contract contains a lease under the provisions of IFRS16.

For leases as a lessee that the Group previously classified as operating leases under IAS 17, the Group recognizes right-of-use assets and lease liabilities at the date of initial application except for short-term leases and leases of low-value assets. Lease payments for short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

Lease liabilities are measured at the present value of the remaining lease payments discounted using the lessee’s incremental borrowing rate at the date of initial application. The weighted average of lessee’s incremental borrowing rate is 0.03%.

An amount of right-of –use assets recognized at the date of initial application is equal to an amount of lease liabilities adjusted for prepaid or accrued lease payments. As a result, there is no cumulative effect to retained earnings at the beginning.

For leases as a lessee that the Group previously classified as finance leases under IAS 17, the carrying amounts of right-of –use assets and lease liabilities at the date of initial application are the carrying amounts of lease assets and lease liabilities as at

March 31, 2019 under IAS 17.

The following is a reconciliation of non-cancellable operating lease contracts as at March 31, 2019 under IAS 17 and lease liabilities recognized in the consolidated statement of financial position at the date of initial application.

(Unit: Millions of yen)	
	Amount
Non-cancellable operating lease contracts as of March 31, 2019	629
Finance lease liabilities as of March 31, 2019	750
Effect by assessing the lease term, etc.	5,513
Lease liabilities as of April 1, 2019	6,893

Right-of-use assets recognized in the consolidated statement of financial position at the date of initial application are 7,477 million yen.

The following practical expedients are used in the application of IFRS 16.

- (a) A single discount rate is applied to portfolios of leases with reasonably similar characteristics.
- (b) The group accounts for leases for which the lease term ends within 12 months of the date of initial application in the same way as short-term leases.
- (c) Initial direct costs are excluded from the measurement of right-of-use assets at the date of initial application.

Under IAS 17, cash flows relating to leases categorized as operating leases were included in cash flows from operating activities of consolidated statement of cash flows and payment of lease liabilities categorized as finance leases was included in repayment of lease obligation of cash flows from financing activities. According to the application of IFRS 16, all cash flows relating to leases other than short-term leases and leases of low-value assets for which recognition exemption is applied, are included in repayment of lease obligation of cash flows from financing activities.

3. Significant Accounting Policies

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

(1) Basis of consolidation

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

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

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

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

(2) Business combinations

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

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

(3) Foreign currency translation

1) Foreign currency transactions

Each company of the Group defines its own functional currency as the currency of the primary economic environment in

which it operates, and measures transactions using its functional currency.

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

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

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

2) Financial statements of foreign operations

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

(4) Financial instruments

1) Financial assets

(i) Initial recognition and measurement

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

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

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

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

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

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

(ii) Subsequent measurement

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

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

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

(iii) Impairment of financial assets

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

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

recognition.

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

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

(iv) Derecognition

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

2) Financial liabilities

(i) Initial recognition and measurement

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

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

(ii) Subsequent measurement

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

(a) Financial liabilities at fair value through profit or loss are measured at fair value after initial recognition, and any gain or loss arising from remeasurement is recognized in profit or loss.

(b) Financial liabilities at amortized cost are measured at amortized cost mainly using the effective interest method after initial recognition.

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

(iii) Derecognition

The Group derecognizes financial liabilities only when they are extinguished, i.e. when obligations specified in the contract are discharged, cancelled, or expired. When a financial liability is derecognized, the difference between the carrying amount of the financial liability and the consideration paid or to be paid is recognized in profit or loss.

3) Offsetting financial assets and financial liabilities

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

4) Derivative financial instruments

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

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

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

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

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

(5) Cash and cash equivalents

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

(6) Inventories

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

(7) Property, plant and equipment

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

The main estimated useful lives are as follows:

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

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

(8) Intangible assets

1) Software

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

Expenses incurred after the introduction of the software, such as maintenance expenditure, are recorded as expenses when they are incurred. Amortization is recorded using the straight-line method over the estimated useful life (mainly 5 years). The estimated useful lives and amortization method are reviewed every fiscal year and revised if necessary.

2) Development cost

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

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

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

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

3) Patent right

Patent right is measured at cost at initial recognition.

Amortization is recorded using the straight-line method over the estimated useful life (11 years). The estimated useful lives and amortization method are reviewed every fiscal year and revised if necessary.

(9) Leases

For the year ended March 31, 2019

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

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

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

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

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

For the year ended March 31, 2020

As a lessee

The Group measures lease liabilities at the present value of the lease payments that are not paid at the commencement date, discounted using its incremental borrowing rate generally.

The right-of-use assets are initially measured at the initial amount of the lease liability adjusted for any initial direct costs.

The right-of-use assets are depreciated using the straight-line method to the earlier of the end of the lease term or the end of the useful life of the right-of-use assets.

Lease payments are apportioned between interest expenses and the remaining balance of lease liabilities to be repaid to produce a constant periodic rate of interests on the remaining balance of the lease liability.

Interest expenses are presented separately from the depreciation charge for the right-of-use-assets in the consolidated statement of income.

The Group assesses whether the contract is, or contains, a lease by the substance of the contract, regardless of whether it is legally presented in the form of a lease or not.

For leases for which the lease term ends within 12 months and values are low, lease payments are recognized as an expense on a straight-line basis over the lease term.

As a lessor

The Group has no significant lease transaction as a lessor.

(10) Impairment of non-financial assets

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

If, and only if, the recoverable amount of an asset or a cash-generating unit is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is recognized as an impairment loss in profit or loss. An impairment loss recognized related to a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit, and then to reduce the carrying amount of other assets of the cash-generating unit on a pro-rata basis.

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

An impairment loss is reversed if there is an indication of reversal of impairment and there has been a change in the estimates used to determine the asset's recoverable amount. An impairment loss is reversed up to the amount not exceeding the carrying amount, net of depreciation or amortization, that would have been determined if no impairment had been recognized.

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

(11) Employee benefits

1) Post-employment benefits

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

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

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

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

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

2) Short-term employee benefits

When an employee has rendered service to the Group during an accounting period, the Group recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service in profit or loss.

The Group recognizes the expected cost of profit-sharing and bonus payments as a liability when it has a present legal or constructive obligation to make such payments as a result of past events, and a reliable estimate of the obligation can be made.

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

(12) Provisions

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

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

The main provisions are as follows:

1) Provision for compensation for products

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

2) Provision for loss on litigation

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

(13) Treasury stock

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

(14) Revenue

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

Step 1 : Identify the contract(s) with a customer

Step 2 : Identify the performance obligations in the contract

Step 3 : Determine the transaction price

Step 4 : Allocate the transaction price to the performance obligations in the contract

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

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

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

(15) Income taxes

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

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

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

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

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

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

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

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

4. Significant Accounting Estimates and Judgments

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

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

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

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

The impact of coronavirus pandemic on accounting estimates and judgments is stated in Note 33 "Additional information".

5. Accounting Standards and Interpretations Issued but Not Yet Adopted

The Group has not elected early adoption of new or amended standards and interpretations that had been issued up to the date of approval of the consolidated financial statements and the impact by the adoption of main standards and interpretations is immaterial.

6. Segment Information

(1) Overview of reportable segments

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

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

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

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

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

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

For the year ended March 31, 2019

(Unit: Millions of yen)

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

(Note)

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

For the year ended March 31, 2020

(Unit: Millions of yen)

	Reportable segments				Others (Note 1)	Total	Adjustment (Note 2)	Total on consolidated statement of income
	Instruments	Component	Automobile sales	Total				
Revenue								
Customers	192,798	15,172	22,226	230,198	16,142	246,340	—	246,340
Intersegment	—	—	26	26	15,293	15,319	(15,319)	—
Total revenue	192,798	15,172	22,253	230,224	31,435	261,660	(15,319)	246,340
Segment profit (loss)	7,111	(2,139)	913	5,885	1,958	7,843	(173)	7,669
Finance income	—	—	—	—	—	—	—	3,047
Finance costs	—	—	—	—	—	—	—	(3,151)
Profit before tax	—	—	—	—	—	—	—	7,566
Segment assets	202,451	14,502	12,959	229,913	20,638	250,552	46,434	296,987
Other items								
Depreciation and amortization	8,425	382	781	9,589	1,210	10,799	347	11,146
Impairment loss	9	334	—	344	—	344	—	344
Capital expenditure	11,363	582	892	12,839	2,259	15,098	47	15,145

(Note)

1. “Others” is the business segment that is not categorized as reportable segment and includes transportation of cargoes, development and sales of software, entrusted accounting business and the processing and sales of resin materials etc.
2. The breakdown of “Adjustment” is as follows:
 - (1) Segment profit (loss) totaling (173) million is elimination of inter-segment transactions, etc.
 - (2) Corporate assets totaling 46,679 million are included in adjustment of segment assets. Main corporate assets are the Company’s cash, deposits and investment securities.
 - (3) Adjustment totaling 347 million in depreciation and amortization is for corporate assets.
 - (4) Capital expenditure totaling 47 million is investment to corporate assets.

(3) Information by region

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

1) Revenue from customers

(Unit: Millions of yen)

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

(Unit: Millions of yen)

Year ended March 31,2020				
Japan	Americas	Europe	Asia	Total
89,244	55,073	21,539	80,483	246,340

2) Non-current assets

(Unit: Millions of yen)

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

(Unit: Millions of yen)

March 31,2020				
Japan	Americas	Europe	Asia	Total
55,423	6,967	3,823	13,620	79,835

(4) Information about major customers

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

(Unit: Millions of yen)

Name of customer	Segment	Year ended March 31,2019	Year ended March 31,2020
Honda Motor Corporation and its subsidiaries	Instruments	61,864	56,055

7. Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

(Unit: Millions of yen)

	March 31,2019	March 31,2020
Cash and deposits	42,128	36,657

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

8. Trade and Other Receivables

The breakdown of trade and other receivables is as follows:

(Unit: Millions of yen)

	March 31,2019	March 31,2020
Trade receivables	35,630	27,981
Note and electronically recorded monetary claims	7,565	6,099
Accounts receivable – other	4,960	4,176
Other	181	461
Allowance for doubtful accounts	(127)	(150)
Total	48,209	38,569
Current	48,038	38,117
Non-current	170	451
Total	48,209	38,569

9. Other Financial Assets and Other Financial Liabilities

(1) The breakdown of other financial assets

(Unit: Millions of yen)

	March 31,2019	March 31,2020
Other financial assets		
Financial assets measured at fair value through profit or loss		
Derivative assets	—	51
Financial assets measured at fair value through other comprehensive income		
Shares and Investments in capital	19,260	16,291
Financial assets measured at amortized cost		
Time deposits	68,839	70,293
Other	1,980	1,991
Total	90,079	88,628
Current	68,113	69,668
Non-current	21,965	18,959
Total	90,079	88,628

(2) The breakdown of other financial liabilities

(Unit: Millions of yen)

	March 31,2019	March 31,2020
Other financial liabilities		
Financial liabilities measured at fair value through profit or loss		
Derivative liabilities	2	—
Financial liabilities measured at amortized cost		
Lease liabilities	773	6,242
Total	776	6,242
Current	197	1,976
Non-current	578	4,266
Total	776	6,242

10. Inventories

The breakdown of inventories is as follows:

(Unit: Millions of yen)

	March 31,2019	March 31,2020
Merchandise and finished goods	16,790	15,200
Work in process	5,453	5,519
Raw materials and supplies	24,231	23,215
Total	46,475	43,934

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

(Unit: Millions of yen)

	Year ended March 31,2019	Year ended March 31,2020
The amounts of write-down	(218)	208

11. Property, Plant and Equipment

(1) Schedule of property, plant and equipment

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

1) Acquisition costs

(Unit: Millions of yen)

	Buildings	Structures	Machinery and equipment	Vehicles	Tools, furniture and fixtures	Land	Right-of-use Assets	Construction in progress	Total
As of April 1, 2018	44,061	3,621	63,519	2,182	43,037	17,622	—	2,670	176,715
Acquisition	207	39	1,378	598	1,823	25	—	7,228	11,301
Sales or Disposal	(311)	(56)	(1,827)	(65)	(1,813)	(58)	—	—	(4,131)
Transfer	456	62	3,859	47	1,267	—	—	(5,741)	(49)
Foreign currency translation adjustments	(33)	8	(66)	5	19	21	—	(17)	(61)
Other	1	—	(47)	(494)	(2)	—	—	(158)	(701)
As of March 31,2019	44,382	3,676	66,815	2,275	44,332	17,610	—	3,981	183,073
Changes in accounting policy	—	—	(139)	(99)	(1,261)	—	8,215	—	6,715
As of April 1, 2019	44,382	3,676	66,676	2,175	43,070	17,610	8,215	3,981	189,788
Acquisition	250	25	1,158	843	1,400	168	1,750	9,955	15,551
Sales or disposal	(424)	(64)	(2,368)	(75)	(3,187)	—	—	—	(6,120)
Transfer	2,141	60	3,787	40	1,878	—	—	(8,101)	(192)
Foreign currency translation adjustments	(1,221)	(4)	(3,353)	(41)	(1,020)	(140)	(167)	(195)	(6,145)
Other	(116)	(8)	(237)	(614)	45	(48)	(725)	(367)	(2,074)
As of March 31,2020	45,011	3,683	65,662	2,328	42,186	17,589	9,072	5,272	190,807

2) Accumulated depreciation and accumulated impairment loss

(Unit: Millions of yen)

	Buildings	Structures	Machinery and equipment	Vehicles	Tools, furniture and fixtures	Land	Right-of-use Assets	Construction in progress	Total
As of April 1, 2018	(27,850)	(2,908)	(47,475)	(993)	(34,967)	(1,061)	—	—	(115,255)
Depreciation	(1,166)	(80)	(3,313)	(372)	(2,972)	—	—	—	(7,905)
Impairment loss	(156)	—	(3)	—	(5)	(145)	—	—	(310)
Sales or Disposal	296	52	1,747	63	1,517	16	—	—	3,693
Foreign currency translation adjustments	(8)	(7)	4	(2)	(46)	—	—	—	(60)
Other	(20)	(0)	(82)	177	(81)	—	—	—	(6)
As of March 31, 2019	(28,905)	(2,944)	(49,122)	(1,126)	(36,555)	(1,189)	—	—	(119,844)
Changes in accounting policy	—	—	84	68	648	—	(801)	—	—
As of April 1, 2019	(28,905)	(2,944)	(49,038)	(1,058)	(35,907)	(1,189)	(801)	—	(119,844)
Depreciation	(1,239)	(79)	(3,387)	(330)	(2,579)	—	(1,670)	—	(9,287)
Impairment loss	(63)	(6)	(204)	—	(30)	(7)	—	(21)	(334)
Sales or disposal	397	53	2,311	85	3,045	—	—	—	5,893
Foreign currency translation adjustments	606	3	2,256	27	767	—	0	—	3,662
Other	(16)	(0)	(69)	232	(17)	—	6	—	136
As of March 31, 2020	(29,219)	(2,973)	(48,132)	(1,042)	(34,722)	(1,197)	(2,463)	(21)	(119,773)

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

3) Carrying amount

(Unit: Millions of yen)

	Buildings	Structures	Machinery and equipment	Vehicles	Tools, furniture and fixtures	Land	Right-of-use Assets	Construction in progress	Total
As of April 1, 2018	16,211	713	16,043	1,189	8,070	16,561	—	2,670	61,459
As of March 31, 2019	15,477	731	17,692	1,148	7,776	16,420	—	3,981	63,228
As of March 31, 2020	15,791	710	17,530	1,285	7,464	16,392	6,608	5,250	71,034

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

(Unit: Millions of yen)

	March 31, 2019
Machinery and equipment	85
Tools, fixture and fixtures	613
Total	698

Leased assets for financial year as at March 31, 2020 are disclosed in Note 28 “Leases”.

(2) Carrying amount of assets pledged as collateral for funding and guarantee transaction as at March 31, 2019 and 2020 is as follows:

(Unit: Millions of yen)

	March 31, 2019	March 31, 2020
Property, plant and equipment	159	158

12. Goodwill and Intangible Assets

The breakdown and schedule of intangible assets are as follows:

(1) Acquisition costs

(Unit: Millions of yen)

	Software	Development cost	Software in progress	Right-of-use Assets	Other	Total
As of April 1, 2018	9,086	1,378	2,365	—	12	12,843
Acquisition	1,060	—	2,006	—	—	3,066
Increase arising from internal development	—	2	—	—	—	2
Sales or disposal	(106)	—	—	—	—	(106)
Transfer	70	—	(21)	—	—	49
Foreign currency translation adjustments	55	—	(0)	—	—	54
Other	(20)	—	—	—	—	(20)
As of March 31, 2019	10,146	1,380	4,349	—	12	15,889
Changes in accounting policy	(182)	—	—	182	—	—
As of April 1, 2019	9,963	1,380	4,349	182	12	15,889
Acquisition	618	—	1,003	—	398	2,020
Increase arising from internal development	—	2	—	—	—	2
Sales or disposal	(135)	—	—	—	—	(135)
Transfer	194	—	(26)	—	—	168
Foreign currency translation adjustments	(118)	—	(2)	—	—	(121)
Other	(710)	—	(23)	—	—	(733)
As of March 31, 2020	9,812	1,382	5,301	182	410	17,090

(2) Accumulated depreciation and accumulated impairment loss

(Unit: Millions of yen)

	Software	Development cost	Right-of-use Assets	Other	Total
As of April 1, 2018	(6,696)	(909)	—	(7)	(7,613)
Amortization	(1,057)	(197)	—	(0)	(1,255)
Impairment loss	(16)	—	—	—	(16)
Sales or disposal	93	—	—	—	93
Foreign currency translation adjustments	(38)	—	—	—	(38)
Other	(49)	—	—	—	(49)
As of March 31, 2019	(7,763)	(1,107)	—	(7)	(8,878)
Changes in accounting policy	119	—	(119)	—	—
As of April 1, 2019	(7,643)	(1,107)	(119)	(7)	(8,878)
Amortization	(1,024)	(173)	(11)	(27)	(1,236)
Impairment loss	(8)	—	—	—	(8)
Sales or disposal	124	—	—	—	124
Foreign currency translation adjustments	82	—	—	—	82
Other	757	—	(8)	—	748
As of March 31, 2020	(7,711)	(1,280)	(139)	(34)	(9,167)

1. The amortization of intangible assets is included in “cost of revenue” and “selling, general and administrative expenses” in the consolidated statement of income.
2. The amount of development expenses recognized in profit or loss during the fiscal years ended March 31, 2019 and 2020 is ¥3,712 million and ¥3,991 million respectively and is included in “cost of revenue” and “selling, general and administrative expenses” in the consolidated statement of income.

(3) Carrying amount

(Unit: Millions of yen)

	Software	Development cost	Software in progress	Right-of-use Assets	Other	Total
As of April 1, 2018	2,390	468	2,365	—	5	5,229
As of March 31, 2019	2,383	272	4,349	—	5	7,010
As of March 31, 2020	2,100	102	5,301	43	375	7,923

13. Impairment Loss

(1) Property, plant and equipment

The Group recognized an impairment loss for the following assets:

For the fiscal year ended March 31, 2019

(Unit: Millions of yen)

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

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

(Unit: Millions of yen)

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

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

For the fiscal year ended March 31, 2020

(Unit: Millions of yen)

Segment	Purpose of use	Type of assets	Amount
Component	Equipment for manufacture, etc.	Buildings and structures, tools, furniture and fixtures, and land	326

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

(2) Intangible assets

The Group recognized an impairment loss for the following assets:

For the fiscal year ended March 31, 2019

(Unit: Millions of yen)

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

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

For the fiscal year ended March 31, 2020

(Unit: Millions of yen)

Segment	Purpose of use	Type of assets	Amount
Component	Equipment for design and development, etc.	Software	8

Assets are grouped by reporting segment. Due to environment changes to component business, the Group reduced the

carrying amount of the assets to recoverable amount and the reduction was recognized as an impairment loss in profit or loss. Recoverable amount of the assets was measured by value in use. Recoverable amount based on value in use was appraised at 0 because future cash flows are negative.

14. Income Taxes

(1) Deferred tax assets and deferred tax liabilities

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

For the fiscal year ended March 31, 2019

(Unit: Millions of yen)

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

For the fiscal year ended March 31, 2020

(Unit: Millions of yen)

	As of April 1, 2019	Recognized in profit or loss	Recognized in other comprehensive income	As of March 31, 2020
Deferred tax assets				
Inventories	1,268	(394)	—	873
Employees' salaries	2,053	(245)	(8)	1,799
Property, plant and equipment and intangible assets	3,743	(1,771)	—	1,972
Accrued expenses	298	(96)	—	202
Provisions	892	(626)	—	265
Other	155	(207)	—	(51)
Total	8,413	(3,342)	(8)	5,062
Deferred tax liabilities				
Property, plant and equipment and intangible assets	1,033	(272)	—	760
Financial assets measured at fair value through other comprehensive income	2,804	—	(834)	1,969
Undistributed retained earnings of foreign subsidiaries	2,550	2	—	2,553
Other	665	218	—	883
Total	7,054	(52)	(834)	6,167

(2) Unrecognized deferred tax assets

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

(Unit: Millions of yen)

	March 31,2019	March 31,2020
Deductible temporary differences	562	6,078
Unused tax losses	519	276

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

(Unit: Millions of yen)

	March 31,2019	March 31,2020
1st year	—	—
2nd year	1	—
3rd year	—	0
4th year	—	—
5th year and thereafter	518	276
Total	519	276

(3) Income taxes

The breakdown of income tax expense is as follows:

(Unit: Millions of yen)

	Year ended March 31, 2019	Year ended March 31,2020
Current income tax	(3,947)	(4,174)
Deferred income tax	77	(3,019)
Total	(3,869)	(7,194)

(4) Reconciliation between the applicable and effective tax rate

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

(Unit: Millions of yen)

	Year ended March 31,2019	Year ended March 31,2020
Statutory income tax rate	30.4%	30.4%
(Reconciliation)		
Items such as entertainment expenses that are not deductible permanently	1.8%	3.1%
Items such as dividends that are excluded from income permanently	(1.9%)	(4.9%)
Special tax exemption	(1.6%)	(0.6%)
Business tax on foreign income	(1.0%)	1.2%
Difference on tax rates applied to foreign subsidiaries	(0.5%)	(2.5%)
Effect by assessment of recoverability of deferred tax assets	0.4%	72.9%
Undistributed retained earnings of foreign subsidiaries	1.7%	0.0%
Foreign tax credit	(0.5%)	(1.0%)
Other	(5.0%)	(3.5%)
Effective tax rate	23.8%	95.1%

15. Trade and Other Current Payables

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

(Unit: Millions of yen)		
	March 31,2019	March 31,2020
Trade payables	28,433	22,464
Notes and electronically recorded obligations	2,091	1,883
Accounts payable - other	10,371	8,554
Notes payable - facilities	541	254
Other	1,399	1,362
Total	42,837	34,519

16. Loans

(1)The breakdown of loans

(Unit: Millions of yen)				
	March 31,2019	March 31,2020	Average interest rate	Repayment period
Current				
Financial liabilities measured at amortized cost				
Short-term loans	44,510	46,842	0.31%	—
Long-term loans to be repaid within one year	3,750	3,540	0.04%	—
Total	48,261	50,382		
Non-current				
Financial liabilities measured at amortized cost				
Long-term loans	13,111	13,562	0.05%	From Jun. 30, 2021 to Dec. 29, 2023
Total	13,111	13,562		

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

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

For the fiscal year ended March 31, 2019

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

For the fiscal year ended March 31, 2019

(Unit: Millions of yen)	
	Borrowings
As of April 1, 2019	61,372
Changes in cash flow by proceeds and repayments	
(Decrease) increase in short-term loans, net	2,632
Proceeds from long-term loans	4,000
Repayments of long-term loans	(4,000)
Total changes in cash flows from financing activities	2,632
Foreign currency translation adjustments	(59)
As of March 31, 2020	63,945

17. Provisions

The schedule of provisions is as follows:

For the fiscal year ended March 31, 2019

(Unit: Millions of yen)

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

For the fiscal year ended March 31, 2020

(Unit: Millions of yen)

	Provision for compensation for products	Provision for loss on litigation	Other	Total
As of April 1, 2019	2,543	322	78	2,944
Provision made	175	—	8	183
Provision used	(702)	—	—	(702)
Provision reversed	(158)	(6)	—	(164)
Foreign currency translation adjustments	(0)	—	(0)	(0)
As of March 31, 2020	1,858	316	85	2,260
Current	1,858	316	13	2,188
Non-current	—	—	72	72

18. Employee Benefits

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

(1) Defined benefit plans

1) The Breakdown of defined benefit obligation and plan assets

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

(Unit: Millions of yen)

	March 31, 2019	March 31, 2020
Present value of funded defined benefit obligations	7	16
Fair value of plan assets	(1)	(15)
Subtotal	5	1
Present value of unfunded defined benefit Obligations	3,384	3,513
Defined benefit obligation and assets (net)	3,390	3,514

2) Changes in present value of retirement benefit obligations

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

(Unit: Millions of yen)

	Year ended March 31,2019	Year ended March 31,2020
Balance beginning of year	3,540	3,392
Service cost	254	255
Interest cost	63	60
Changes by remeasurement		
Actuarial gain or loss arising from changes in demographic assumptions	2	4
Actuarial gain or loss arising from changes in financial assumptions	(50)	43
Other	8	(9)
Benefits paid	(488)	(143)
Past service cost	92	35
Other	(30)	(109)
Balance end of year	3,392	3,529

3) Significant actuarial assumptions and sensitivity analysis

The significant actuarial assumptions are as follows:

(Unit: Millions of yen)

	March 31,2019	March 31,2020
Discount rate	2.06%	1.74%
Salary raise percentage	4.33%	3.68%

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

(Unit: Millions of yen)

Changes in assumptions		March 31,2019	March 31,2020
Discount rate	Increase of 0.5%	(90)	(118)
	Decrease of 0.5%	98	122

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

4) Information on the maturity composition of defined benefit obligations

The weighted average duration is as follows:

	March 31,2019	March 31,2020
Weighted average duration	10.0 years	10.0 years

5) Schedule of fair value of plan assets

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

(Unit: Millions of yen)

	Year ended March 31,2019	Year ended March 31,2020
Balance beginning of year	151	1
Interest income (Note)	2	0
Changes by remeasurement		
Return on plan assets	5	7
Contributions by the employer	125	6
Benefits paid	(283)	—
Other	0	0
Balance end of year	1	15

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

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

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

(Unit: Millions of yen)

	March 31,2019		March 31,2020	
	Plan assets that have a quoted price in an active market	Plan assets that do not have a quoted price in an active market	Plan assets that have a quoted price in an active market	Plan assets that do not have a quoted price in an active market
Bonds	0	—	1	—
Stocks	0	—	6	—
Cash and deposits	0	—	5	—
Other	—	0	—	1
Total	1	0	13	1

7) The breakdown of defined benefit cost

The breakdown of defined benefit cost is as follows:

(Unit: Millions of yen)

	Year ended March 31,2019	Year ended March 31,2020
Service cost	254	255
Net interest	61	60
Past service cost	92	35
Other	—	(0)
Total	408	351

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

(2) Defined contribution pension plans

The amount of cost recognized during the fiscal years ended March 31, 2019 and 2020 is as follows.

(Unit: Millions of yen)

	Year ended March 31,2019	Year ended March 31,2020
Contributions	3,389	3,479

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

(3) Employee benefits expenses

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

(Unit: Millions of yen)

	Year ended March 31,2019	Year ended March 31,2020
Wages, salaries and bonuses, etc.	42,510	42,240
Retirement benefit expenses	1,505	1,503
Other	5,700	5,816
Total	49,716	49,560

(4) Other employee benefits

(Unit: Millions of yen)

	March 31,2019	March 31,2020
Short-term employee benefits		
Salaries payable, etc.	1,105	923
Accrued bonuses	2,510	2,481
Liabilities relating to compensated absences	1,091	1,149
Total	4,706	4,555
Long-term employee benefits		
Other	11	11
Total	11	11

19. Equity and Other Equity Items

(1) Management of equity

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

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

(Unit: Shares)

	Year ended March 31,2019	Year ended March 31,2020
Class of shares	Ordinary shares	Ordinary shares
Number of shares authorized	220,000,000	220,000,000
Number of shares issued:		
Beginning of year	60,907,599	60,907,599
Increase(decrease)	—	—
End of year	60,907,599	60,907,599
Number of treasury stock:		
Ordinary shares	3,640,145	3,622,630

(3) Information on surplus included in equity

1) Capital surplus

The components of capital surplus are as follows:

(i) Legal capital surplus

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

(ii) Other capital surplus

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

(iii) Stock acquisition rights

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

2) Retained earnings

The components of retained earnings are as follows:

(i) Legal retained earnings

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

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

(ii) Other retained earnings

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

(4) Information on other components of equity

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

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

2) Remeasurements of net defined benefit liabilities (assets)

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

3) Foreign currency translation adjustments

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

20. Dividends

For the fiscal year ended March 31, 2019

(1) Cash dividends paid

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

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

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

For the fiscal year ended March 31, 2020

(1) Cash dividends paid

Resolution	Class of Shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors' meeting held on May 14, 2019	Ordinary shares	1,431	25.0	March 31, 2019	Jun 27, 2019
Board of Directors' meeting held on October 31, 2019	Ordinary shares	1,145	20.0	September 30, 2019	December 11, 2019

(2) Dividends with a record date in the fiscal year ended March 31, 2020 and an effective date in the following fiscal year

Resolution	Class of Shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors' meeting held on May 28, 2020	Ordinary shares	1,145	20.0	March 31, 2020	Jun 29, 2019

21. Revenue

(1) Disaggregation of revenue

Revenue of reportable segments by location

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

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

Revenue of reportable segments by location is as follows:

For the fiscal year ended March 31, 2019

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

For the fiscal year ended March 31, 2020

(Unit: Millions of yen)					
	Instruments	Component	Automobile sales	Others	Total
Japan	52,011	10,893	22,226	12,286	97,417
Americas	56,095	—	—	—	56,095
Europe	20,373	—	—	—	20,373
Asia	64,318	4,278	—	3,856	72,453
Total	192,798	15,172	22,226	16,142	246,340

(2) Contract balances

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

(3) Transaction price allocated to the remaining performance obligations

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

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

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

22. Selling, General and Administrative Expenses

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

(Unit: Millions of yen)		
	Year ended March 31,2019	Year ended March 31,2020
Packing and transportation expenses	(5,762)	(5,234)
Employees' salaries	(10,739)	(10,913)
Provision of allowance for doubtful accounts	(24)	(29)
Provision for compensation for products	(362)	(15)
Retirement benefit expenses	(414)	(509)
Provision for directors' retirement benefits	(33)	(33)
Depreciation	(1,608)	(2,590)
Other	(12,886)	(12,652)
Total	(31,832)	(31,979)

23. Other Income and Other Expenses

(1) The breakdown of other income

(Unit: Millions of yen)

	Year ended March 31,2019	Year ended March 31,2020
Gain on sales of non-current assets	174	89
Other	924	1,081
Total	1,099	1,170

(2) The breakdown of other expenses

(Unit: Millions of yen)

	Year ended March 31,2019	Year ended March 31,2020
Loss on sales of non-current assets	(31)	(17)
Loss on retirement of non-current assets	(173)	(236)
Impairment loss	(327)	(344)
Other	(114)	(470)
Total	(646)	(1,069)

24. Finance Income and Finance Costs

(1) The breakdown of finance income

(Unit: Millions of yen)

	Year ended March 31,2019	Year ended March 31,2020
Interest income		
Financial assets measured at amortized cost	2,047	2,443
Dividend income		
Financial assets measured at fair value through other comprehensive income	607	604
Total	2,654	3,047

(2) The breakdown of finance costs

(Unit: Millions of yen)

	Year ended March 31,2019	Year ended March 31,2020
Interest expenses		
Borrowings	(224)	(219)
Other	(4)	(3)
Foreign exchange losses	(350)	(2,928)
Other	(0)	—
Total	(579)	(3,151)

25. Earnings per Share

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

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

(Unit: Millions of yen)

	Year ended March 31,2019	Year ended March 31,2020
Profit (loss) for the year attributable to owners of the parent company	11,569	(350)

2) Weighted average number of ordinary shares – basic

(Unit: Thousands of shares)

	Year ended March 31,2019	Year ended March 31,2020
Weighted average number of ordinary shares – basic	57,265	57,280

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

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

(Unit: Millions of yen)

	Year ended March 31,2019	Year ended March 31,2020
Profit (loss) for the year attributable to owners of the parent company – diluted	11,569	(350)

2) Weighted average number of ordinary shares –diluted

(Unit: Thousands of shares)

	Year ended March 31,2019	Year ended March 31,2020
Weighted average number of ordinary shares – basic	57,265	57,280
Dilutive potential ordinary shares	82	–
Weighted average number of ordinary shares – diluted	57,348	57,280

(Note) For year ended March 31, 2020, 77 thousand dilutive potential ordinary shares are not included in the calculation of diluted earnings per share because they are antidilutive.

26. Other Comprehensive Income

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

(Unit: Millions of yen)

	Year ended March 31,2019	Year ended March 31,2020
Items that will not be reclassified to profit or loss		
Gains(losses) on financial assets measured at fair value through other comprehensive income		
Amount arising during the year	(3,281)	(2,854)
Tax effect	950	834
Subtotal	(2,330)	(2,019)
Remeasurements of the net defined benefit liabilities (assets)		
Amount arising during the year	40	(35)
Tax effect	(10)	8
Subtotal	30	(27)
Items that may be reclassified to profit or loss		
Foreign currency translation adjustments		
Amount arising during the year	2,874	(7,235)
Subtotal	2,874	(7,235)
Total other comprehensive income (loss)	574	(9,282)

27. Financial Instruments

(1) Capital management

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

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

(2) The Breakdown of financial instruments

(Unit: Millions of yen)

	March 31,2019	March 31,2020
Financial assets		
Financial assets measured at amortized cost		
Cash and cash equivalents	42,128	36,657
Trade and other receivables	48,209	38,569
Other financial assets	70,819	72,285
Financial assets measured at fair value through other comprehensive income		
Other financial assets	19,260	16,291
Financial assets measured at fair value through profit or loss		
Other financial assets	—	51
Total	180,417	163,855
Financial liabilities		
Financial liabilities measured at amortized cost		
Trade and other liabilities	42,837	34,519
Loans	61,372	63,945
Other financial liabilities	773	6,242
Financial liabilities measured at fair value through profit or loss		
Other financial liabilities	2	—
Total	104,986	104,707

(3) Financial instruments risk

1) Credit risk management

i) Credit risk management

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

ii) Credit risk exposure

For the fiscal year ended March 31, 2019

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

(Unit: Millions of yen)

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

(Unit: Millions of yen)

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

For the fiscal year ended March 31, 2020

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

(Unit: Millions of yen)

Note, electronically recorded monetary claims and trade receivables	Financial assets for which loss allowances are always measured at an amount equal to expected credit losses for the entire period	Credit-impaired financial assets	Total
Beginning balance	43,195	0	43,196
Ending balance	34,081	0	34,081

(Unit: Millions of yen)

Allowance for doubtful accounts	Financial assets for which loss allowances are always measured at an amount equal to expected credit losses for the entire period	Credit-impaired financial assets	Total
Beginning balance	117	0	117
Increase during the year	140	0	140
Decrease during the year	(110)	—	(110)
Other(Foreign currency translation adjustments)	(6)	—	(6)
Ending balance	140	0	140

2) Liquidity risk

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

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

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

Financial liabilities by maturity are as follows:

For the fiscal year ended March 31, 2019

(Unit: Millions of yen)

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

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

For the fiscal year ended March 31, 2020

(Unit: Millions of yen)

	Carrying amount	Contractual cash flows	Within one year	More than one year within two years	More than two years within three years	More than three years within four years	More than four years within five years	More than five years
Financial liabilities measured at amortized cost								
Trade and other liabilities	34,519	34,519	34,519	—	—	—	—	—
Long-term loans due after more than one year	13,562	13,575	—	7,768	2,054	3,752	—	—
Long-term loans due within one year	3,540	3,542	3,542	—	—	—	—	—
Short-term loans	46,842	46,989	46,989	—	—	—	—	—
Long-term leases	4,266	4,276	—	1,740	1,268	957	174	134
Short-term leases	1,976	1,984	1,984	—	—	—	—	—
Total	104,707	104,888	87,036	9,508	3,322	4,710	174	134

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

3) Market risk management

(i) Foreign exchange risk

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

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

Foreign currency sensitivity analysis

(Unit: Millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Profit before tax	(129)	(79)

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

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

(ii) Interest rate risk

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

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

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

1) Main shares and fair value

Main shares and fair value for the year ended March 31, 2019 and 2020 are as follows:

(Unit: Millions of yen)

Company name	March 31, 2019	March 31, 2020
Honda Motor Co., Ltd.	10,582	8,644
NICHIA CORPORATION	5,058	5,257
Yamaha Motor Co., Ltd.	1,458	878
SUZUKI MOTOR CORPORATION	484	255
Mitsubishi UFJ Financial Group, Inc.	245	179
Daishi Hokuetsu Financial Group, Inc.	167	126
THE TAIKO BANK, LTD.	130	115
SUBARU CORPORATION	127	104
The First Bank of Toyama, Ltd.	128	102
Mitsubishi Electric Corporation	71	66

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

Fair value and cumulative profit and loss before tax of derecognized equity instruments measured at fair value through other comprehensive income for the year ended March 31, 2019 and 2020 are as follows:

(Unit: Millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Fair value at the date of derecognition	7	181
Cumulative profit or loss on disposal	(8)	94

(Note)

1. Due to change in business relationship, the Group derecognized some equity instruments measured at fair value through other comprehensive income by selling them in the fiscal year 2019 and 2020.

2. When equity instruments measured at fair value through other comprehensive income are derecognized, cumulative profit or loss after tax on other comprehensive income are reclassified into retained earnings.

3) Dividend income

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

(Unit: Millions of yen)

	Year ended March 31,2019	Year ended March 31,2020
Derecognized equity instruments in the year	0	—
Equity instruments held at year end	588	587

4) Market volatility sensitivity analysis

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

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

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

(Unit: Millions of yen)

	Year ended March 31,2019	Year ended March 31,2020
Other comprehensive income	(1,376)	(1,064)

(5) Fair value of financial instruments

1) Measurement of fair value

(i) Financial assets measured at amortized cost

(a) Cash and cash equivalents

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

(b) Trade and other receivables

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

(c) Loans and receivables

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

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

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

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

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

(iv) Financial liabilities measured at amortized cost

(a) Short-term loan

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

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

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

(c) Other liabilities

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

2) Fair value hierarchy

The levels of the fair value hierarchy are as follows:

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

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

Level 3 – Fair value measured using unobservable inputs

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

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

3) Carrying amount and fair value of financial instruments

(Unit: Millions of yen)

	March 31,2019		March 31,2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term loans	16,862	16,855	17,103	17,096

4) Financial instruments measured at fair value

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

For the fiscal year ended March 31, 2019

(Unit: Millions of yen)

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

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

For the fiscal year ended March 31, 2020

(Unit: Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss	—	51	—	51
Financial assets measured at fair value through other comprehensive income	10,643	—	5,643	16,286
Total	10,643	51	5,643	16,338
Financial liabilities measured at fair value through profit or loss	—	—	—	—
Total	—	—	—	—

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

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

(Unit: Millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Beginning balance	5,374	5,468
Total gain and loss:		
Other comprehensive income	103	174
Sales	(1)	—
Other	(8)	—
Ending balance	5,468	5,643

Gains (losses) on other comprehensive income are classified as gains (losses) on financial assets measured at fair value through other comprehensive income in consolidated statement of comprehensive income

28. Leases

(1) Finance lease as lessee

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

(Unit: Millions of yen)

	March 31, 2019	
	Minimum lease payments	Minimum lease payments at fair value
Within one year	195	193
More than one year to five years	576	554
More than five years	2	2
Total	773	750
Future financing cost	(22)	
Total minimum lease payments at fair value	750	

(2) Operating lease as lessee

1) Future minimum lease payments

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

(Unit: Millions of yen)

	March 31, 2019
Within one year	201
More than one year to five years	413
More than five years	14
Total	629

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

2) Operating lease payments recognized as an expense

Operating lease payments recognized as an expense are as follows:

(Unit: Millions of yen)

Year ended March 31, 2019
1,560

(3) Amounts recognized in consolidated statement of income and cash flows relating to lease transaction

Amounts recognized in consolidated statement of income and cash flows relating to lease transaction are as follows:

(Unit: Millions of yen)

	Year ended March 31, 2020
Depreciation charge for right-of-use-assets	
Land, buildings and structures as underlying assets	1,332
Machinery and equipment, vehicles as underlying assets	306
Tools, furniture and fixtures as underlying assets	46
Intangible assets and other as underlying assets	11
Total	1,696
Lease expenses relating to short-term leases accounted for applying exemptions	407
Lease expenses relating to lease of low-value assets accounted for applying exemptions	223
Interest expenses on lease liabilities	11

Total cash flows for leases are as follows:

(Unit: Millions of yen)

	Year ended March 31, 2020
Total cash flows for leases	1,861

(4) Extension options and termination options (as a lessee)

In the Group, each group company has responsibility for its lease management and lease conditions are negotiated individually and different by contract.

Extension options and termination options are mainly included in contracts of leases relating to buildings and structures. Many of them are leases with extension options over same terms as contracts or leases with termination options in which the Group can cancel the contracts prior to the end of the original lease term when the Group notifies a lessor of the termination by the specified expiration date.

(5) Additions to right-of-use-assets

Additions to right-of-use-assets are as follows:

(Unit: Millions of yen)

	Year ended March 31, 2020
Additions to right-of-use-assets	1,750

(6) The carrying amount of right-of-use-assets

The carrying amount of right-of-use-assets is as follows:

(Unit: Millions of yen)

	April 1, 2019	March 31, 2020
Land, buildings and structures as underlying assets	6,023	5,124
Machinery and equipment, vehicles as underlying assets	763	812
Tools, furniture and fixtures as underlying assets	627	672
Intangible assets and other as underlying assets	63	43
Total	7,477	6,652

29. Subsidiaries

The consolidated subsidiaries of the Group as at March 31, 2020 are as follows:

Company name	Location	Voting rights (%)
NS Advantech Co., Ltd.	Niigata prefecture, Japan	100.0
N.S.Electronics Co., Ltd.	Niigata prefecture, Japan	100.0
NS West Inc.	Hiroshima prefecture, Japan	100.0
NS Computer Service Co., Ltd.	Niigata prefecture, Japan	100.0
Nissei Service Co., Ltd.	Niigata prefecture, Japan	100.0
Honda Car Sales Nagaoka Co., Ltd.	Niigata prefecture, Japan	100.0
Niigata Mazda Co., Ltd.	Niigata prefecture, Japan	100.0
UK-NSI Co., Ltd.	United Kingdom	100.0
Nippon Seiki (Europe)B.V.	Netherlands	100.0
New Sabina Industries, Inc.	U.S.A.	100.0 (7.9)
N.S.International, Ltd.	U.S.A.	100.0
Nippon Seiki De Mexico S.A. De C.V.	Mexico	100.0 (20.5)
Nissei Advantech Mexico S.A. De C.V.	Mexico	100.0 (95.59)
Nippon Seiki Do Brasil Ltda.	Brazil	100.0
Thai Nippon Seiki Co., Ltd.	Thailand	100.0
PT.Indonesia Nippon Seiki	Indonesia	70.0
Vietnam Nippon Seiki Co., Ltd.	Vietnam	70.0
NS Instruments India Private Ltd.	India	100.0 (1.0)
Hong Kong Nippon Seiki Co., Ltd.	Hong Kong	100.0 (30.0)
Dongguan Nissei Electronics Co., Ltd.	China	100.0 (30.0)
Shanghai Nissei Display System Co., Ltd.	China	80.0 (80.0)
Taiwan Nissei Display System Co., Ltd.	Taiwan	100.0
Nantong NS Advantech Co., Ltd.	China	100.0 (100.0)
Wuhan Nissei Display System Co., Ltd.	China	75.0
Nissei Display Sales and Development Co., Ltd.	China	91.0 (31.0)
Other 10 companies	—	—

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

30. Related parties

Management emoluments

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

(Unit: Millions of yen)

	Year ended March 31,2019	Year ended March 31,2020
Basic emolument and bonus	381	302
Share-based Payment	14	13
Total	396	315

31. Share-based Payment

(1) Stock option remuneration plans

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

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

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

Issuer	The Company
Date of resolution at the Board of Directors' Meeting	June 26, 2019
Grantees	Directors 6 Operating Officers 6
Class and number of granted shares	Ordinary shares 10,600 shares
Grant date	July 19, 2019
Vesting Conditions	No condition is set out.
Service period	No service period is stipulated.
Exercisable period	From July 20, 2019 to July 17, 2049

The stock options outstanding as of March 31, 2019 and 2020 are as follows:

For the fiscal year ended March 31, 2019

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

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

For the fiscal year ended March 31, 2020

	Number of options (Share)	Weighted-average exercise price(Yen)
Beginning balance	83,100	1
Granted	10,600	1
Forfeited	—	—
Exercised	(17,600)	1
Expired	—	—
Ending balance	76,100	1
Options exercisable at the end of year	—	—

(Note) The weighted-average stock price of options as of the date of exercising, which was exercised in the reporting period, is ¥1,958.

(2) Measurement approach for fair value of stock options

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

	Year ended March 31,2019	Year ended March 31,2020
Fair value per stock at measuring date (Yen)	1,470.28	1,501.50
Share price at grant date (Yen)	—	—
Exercise price (Yen)	1	1
Expected volatility of the share price (%)	32.31	33.29
Expected remaining life of the option (years)	3.5	4.5
Expected dividend (Yen)	42	45
Risk-free interest rate (%)	(0.11)	(0.21)

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

(Unit: Millions of yen)

	Year ended March 31,2019	Year ended March 31,2020
Share-based compensation recorded in Selling, general and administrative expenses	18	18

32. Commitments

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

(Unit: Millions of yen)

	March 31,2019	March 31,2020
Contractual commitments for the acquisition of property, plant, equipment and intangible assets	6,765	8,103

33. Additional information

According to the spread of coronavirus, the Group estimates impacts such as sales decrease by governments' lockdown and shutdown in customers' factories in consolidated results for the fiscal year ended March 31, 2021. In accounting estimates such as judgement of recoverability of deferred tax assets, the Group expects strong headwinds in first quarter and gradual recoveries from second quarter to fourth quarter based on the latest available information.

Due to high uncertainty of assumption under the coronavirus pandemic, changes on ending time of the coronavirus and the size of impact to economy may have an effect on consolidated financial position and income for the fiscal year ended March 31, 2021 even though the Group believes that the estimates are best estimates at this time.

- **Company name** : Nippon Seiki Co., Ltd.
- **Established** : December 24, 1946
- **Common stock** : 14,494,287,162 Yen
- **Number of employees** : 1,858

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

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

Note:

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

- **Offices and Factories**

- **Head office and Factory**

2-34, Higashi-Zaoh 2-chome, Nagaoka-shi, Niigata, 940-8580 JAPAN

- **Takami Division**

2-8, Higashi-Takami 2-chome, Nagaoka-shi, Niigata, 940-0006 JAPAN

- **NS Technical Center**

2-8, Higashi-Takami 2-chome, Nagaoka-shi, Niigata, 940-0006 JAPAN

- **NS Tokyo Technical Center**

Tabata Asuka Tower4F, 1-1, Tabata 6-chome, Kita-ku, Tokyo, 114-0014 JAPAN

- **Iwate Software design Satellite Office**

Takizawa-Shi IPU Daiichi Innovation Center 201, 152-378 Sugo, Takizawa-Shi, Iwate, 020-0611 JAPAN

- **Research & Development Center**

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

- **Tokyo Research & Development Center**

Tabata Asuka Tower17F, 1-1, Tabata 6-chome, Kita-ku, Tokyo, 114-0014 JAPAN

- **Offices**

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

- **Branch Office**

Hong Kong

Notes:

- ※ Tokyo Research & Development Center was established in October, 2019.

Worldwide Network

● Japan

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

● The Americas

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

● Europe

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

● Asia

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

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 Kyusyoku Co., Ltd.



Nippon Seiki Group is composed of 35 subsidiaries and 1 affiliated company. The main business of the group is responsible for the manufacture and sale of instruments for automobiles, motorcycles, agricultural / construction machines and boats, and the manufacture and sale of liquid crystal display panels and modules, consumer-use products, automobiles and other products. NS Group also has businesses related to transport and research & development connected with the above products. NS Group is also involved in software development and other services.

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

● **Significant consolidated subsidiaries**

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

Name of Company	Voting rights equity ratio	Main activities	Main trade with subsidiaries
Hong Kong Nippon Seiki Co., Ltd.	100.0	Sales of control panels for office automation equipment and remote controllers for air conditioners and household equipment	Purchasing and selling products
Dongguan Nissei Electronics Co., Ltd.	100.0	Manufacture of control panels for office automation equipment and remote controllers for air conditioners and household equipment	Selling products
Shanghai Nissei Display System Co., Ltd.	80.0	Manufacture and sales of automotive and motorcycle instruments	Selling products and purchasing component parts
Taiwan Nissei Display System Co., Ltd.	100.0	Manufacture and sales of automotive and motorcycle instruments	Selling products
Nantong NS Advantech Co., Ltd.	100.0	Compounding, and coloring of plastics, and trading	Purchasing component parts
Wuhan Nissei Display system Co., Ltd.	75.0	Manufacture of automotive instruments	Selling products
Nissei Display Sales and Development Co., Ltd.	91.0	Sales of products manufactured by Nippon Seiki Group in the Chinese market	Selling products
And 10 companies			

● **The affiliated company is as follow:**

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

2,497 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)

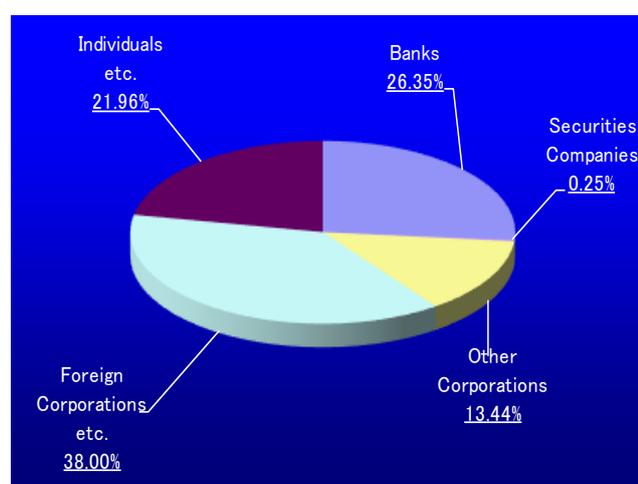
Name	Shares owned (percentage of shareholdings)
Honda Motor Co., Ltd.	3,753 (6.55%)
JP MORGAN CHASE BANK 385632	2,816 (4.91%)
BBH FOR FIDELITY LOW-PRICED STOCK FUND (PRINCIPAL ALL SECTOR SUBPORTFOLIO)	2,593 (4.52%)
MUFG Bank, Ltd.	1,779 (3.10%)
The Daishi Bank, Ltd.	1,568 (2.73%)
The Master Trust Bank of Japan, Ltd.	1,303 (2.27%)
Shareholding association of Nippon Seiki Employees	1,241 (2.16%)
Yamaha Motor Co., Ltd.	1,217 (2.12%)
Nichia Corporation	1,188 (2.07%)
Mitsui Sumitomo Insurance Co., Limited	1,082 (1.88%)

Notes:

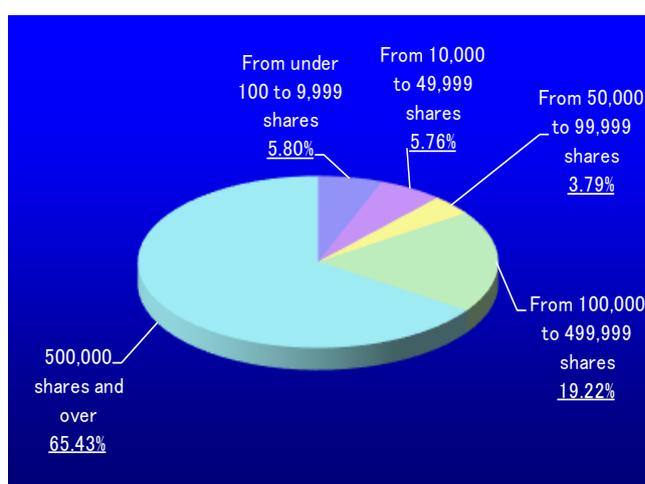
※1 Percentage of shareholdings ratio is calculated by deducting 3,622,630 shares of treasury stocks from total shares issued.

※2 Nippon Seiki holds treasury stocks (3,622,630 shares), but this has not been included in the above major shareholders' information.

● Distribution ratio by type of shareholder



● Distribution ratio by number of shares of total Capital



Note:

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

VII. BOARD OF DIRECTORS AND AUDIT AND SUPERVISORY COMMITTEE MEMBERS

As of June 26, 2020

Directors

⟨Name⟩

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