

# ANNUAL REPORT 2017

FROM APRIL 1<sup>ST</sup>, 2016 TO MARCH 31<sup>ST</sup>, 2017



**NIPPON SEIKI**

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

Sales of instruments for automobiles in the Americas, Asia markets increased while in Europe the market decreased. Instruments sales for the year increased by 0.3% to ¥190,316 million, from the previous fiscal year.

● **Consumer-use products sales**

Sales decreased by 18.0% to ¥11,472 million from the previous fiscal year, mainly due to a decrease in orders for control panels for office equipment and PCB assemblies for amusement products and so on.

● **Automobile sales**

Sales of cars at our dealerships decreased by 5.1% to ¥21,686 million from the previous fiscal year mainly due to a decrease in orders for new cars.

● **Other businesses**

Sales of other products and services totaled ¥17,044 million, 0.4% increase from the previous fiscal year, mainly due to an increase in the sale of compound resins and so on.

**As a result**, the company's consolidated business operations for this fiscal year, ending March 31, 2017, resulted in sales of ¥240,520 million, a decrease of 1.3% from the previous fiscal year. At the same time, ordinary income for the year increased by 8.5%, to ¥17,764 million, and profit attributable to owners of parent increased by 2.9%, to ¥9,412 million, respectively.

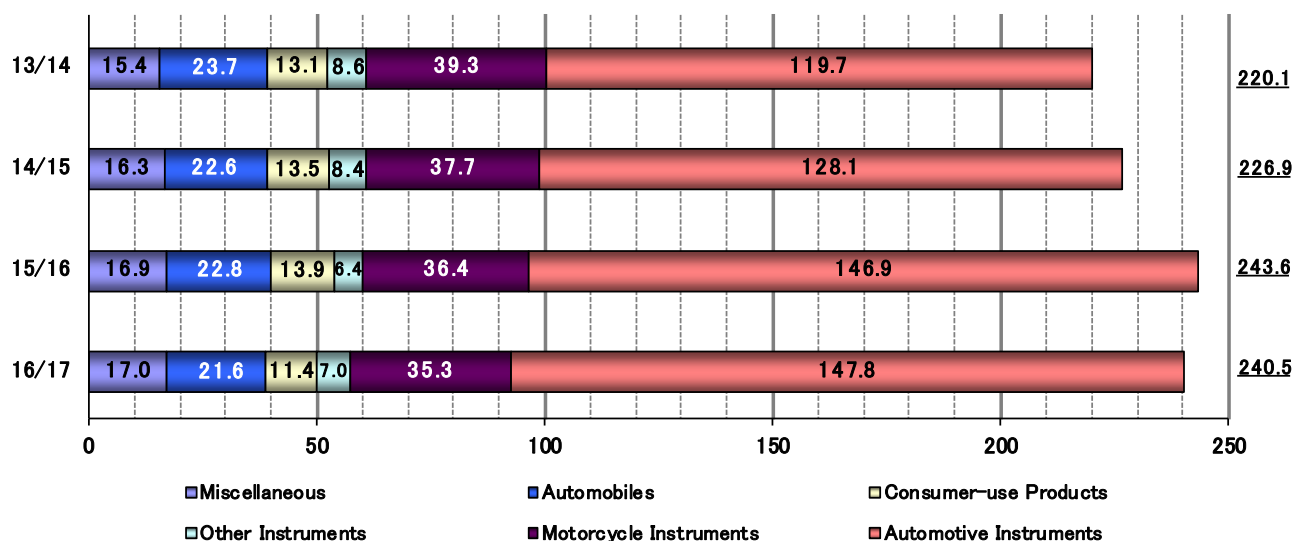
● **Consolidated sales by business segment**

	2014 (Yen in millions)	2015 (Yen in millions)	2016 (Yen in millions)	2017 (Yen in millions)	Increase (Decrease)
Instruments for automobiles, motorcycles, agricultural / construction machines and boats	167,820	174,436	189,784	190,316	0.3%
Consumer-use products	13,150	13,556	13,993	11,472	(18.0%)
Automobiles	23,766	22,617	22,845	21,686	(5.1%)
Other businesses	15,407	16,345	16,982	17,044	0.4%
<b>Total</b>	<b>220,144</b>	<b>226,956</b>	<b>243,606</b>	<b>240,520</b>	<b>(1.3%)</b>

1. Consolidated Financial Highlights

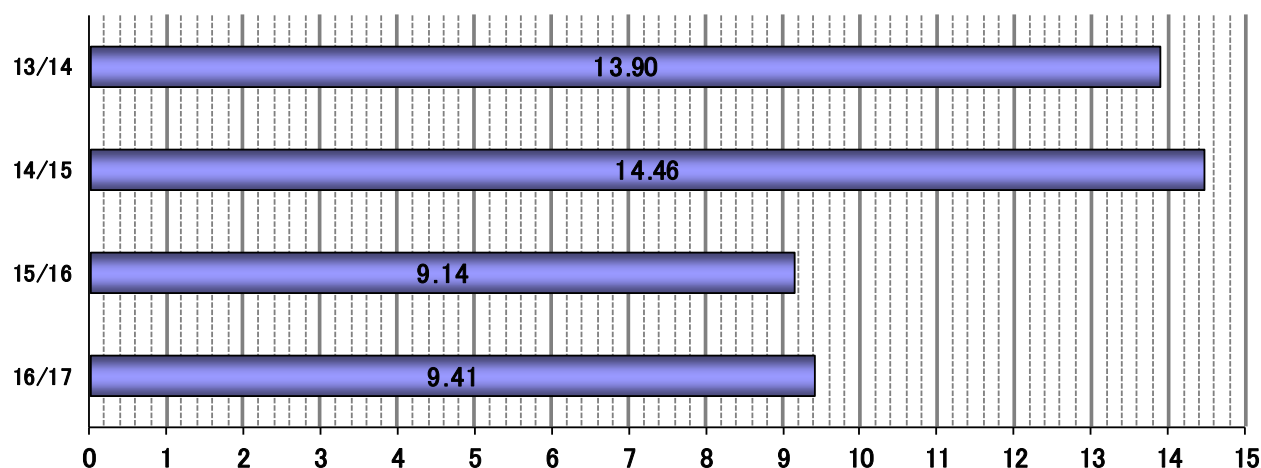
1 – 1. Consolidated Sales

Yen in billions



1 – 2. Consolidated Profit for the year

Yen in billions



Consolidated sales for the fiscal year ending March 31, 2017, decreased by 1.3% to ¥240,520 million, ordinary income increased by 8.5% to ¥17,764 million, and profit for the year increased by 2.9% to ¥9,412 million.

1 – 3. Consolidated Financial Highlights

	2014	2015	2016	2017
Sales (Yen in millions)	220,144	226,956	243,606	240,520
Ordinary income (Yen in millions)	23,029	23,619	16,378	17,764
Profit attributable to owners of parent (Yen in millions)	13,908	14,467	9,143	9,412
Earnings per share attributable to owners of parent (Yen) ※	242.79	252.60	159.67	164.37
Total assets (Yen in millions)	263,132	299,132	292,130	290,934
Net assets (Yen in millions)	139,256	170,663	164,847	163,985
Net assets per share (Yen)	2,278.25	2,794.24	2,697.71	2,764.28

Note:

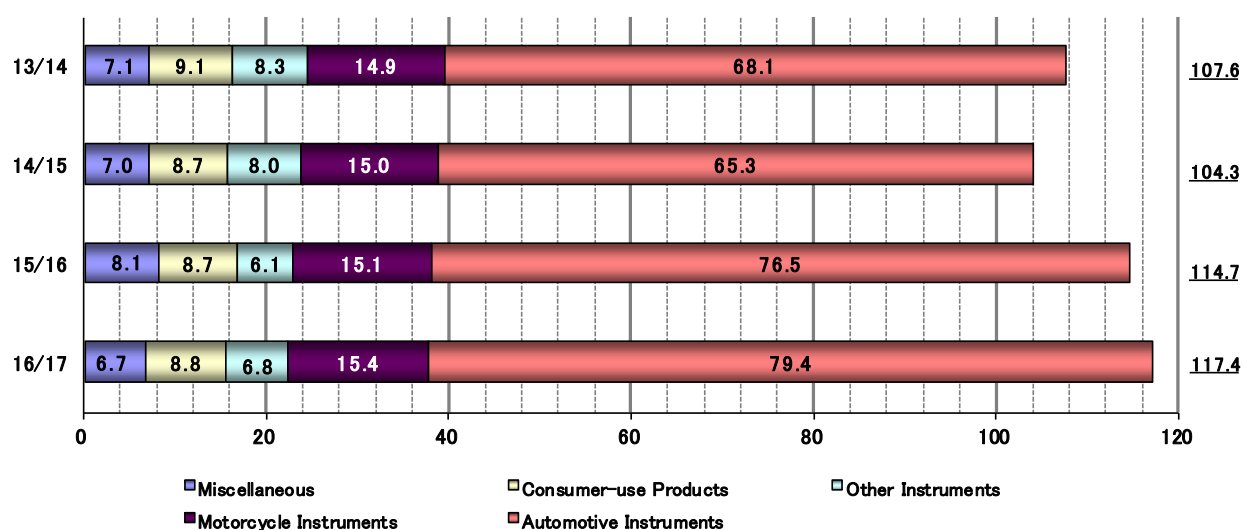
※ Earnings per share attributable to owners of parent is calculated by the weighted average number of shares of common stock outstanding during the year.

## 2. Non-Consolidated Financial Highlights

As of March 31, 2017

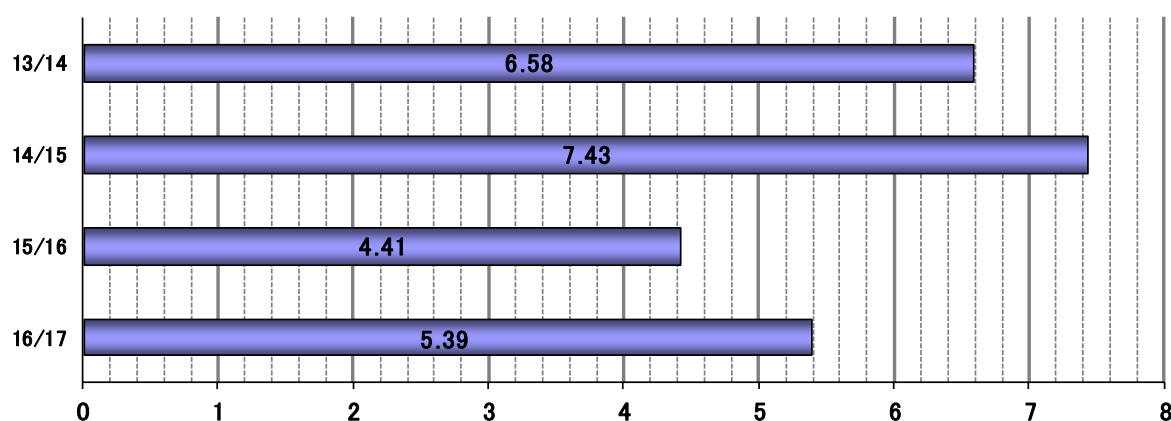
### 2-1. Non-Consolidated Sales

Yen in billions



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

Yen in billions



Non-Consolidated sales for the fiscal year ending March 31, 2017, increased by 2.4% to ¥117,415 million, ordinary income increased by 87.2% to ¥10,266 million, and profit for the year increased by 22.2% to ¥5,392 million.

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

	2014	2015	2016	2017
Sales (Yen in millions)	107,699	104,376	114,703	117,415
Ordinary income (Yen in millions)	11,049	11,107	5,485	10,266
Profit for the year (Yen in millions)	6,585	7,437	4,414	5,392
Earnings per share (Yen) ※	114.97	129.86	77.09	94.18
Dividend per share (Yen)	27.00	33.00	35.00	35.00
Total assets (Yen in millions)	183,316	194,437	197,879	205,595
Net assets (Yen in millions)	78,531	85,896	85,788	90,439
Common stock (Yen in millions)	14,494	14,494	14,494	14,494
Equity ratio (%)	42.8	44.1	43.3	43.9

**Note:**

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

### Consolidated Balance Sheets

	March 31, 2017	March 31, 2016
<b>Assets</b>	(Yen in millions)	(Yen in millions)
Current assets		
Cash and deposits (Note 8,10)	¥101,886	¥58,861
Notes and accounts receivable - trade (Note 8)	48,478	47,261
Merchandise and finished goods	16,315	13,091
Work in process	4,040	3,600
Raw materials and supplies	23,047	18,917
Deferred tax assets (Note 5)	3,826	2,768
Other	10,249	9,481
Allowance for doubtful accounts (Note 8)	(349)	(189)
Total current assets	207,494	153,792
Non-current assets		
Property, plant and equipment		
Buildings and structures (Note 2)	16,133	15,290
Machinery, equipment and vehicles	15,881	14,712
Tools, fixture and fixtures	5,190	4,991
Land (Note 2)	16,466	16,148
Leased assets	250	254
Construction in progress	2,862	2,155
Total property, plant and equipment	56,785	53,552
Intangible assets		
Goodwill	—	6
Other	3,745	3,662
Total intangible assets	3,745	3,669
Investments and other assets		
Investment securities (Note 8,9)	18,717	19,302
Deferred tax assets (Note 5)	2,094	1,712
Other	2,107	60,112
Allowance for doubtful accounts	(10)	(10)
Total investments and other assets	22,908	81,115
Total non-current assets	83,439	138,338
Total assets	¥290,934	¥292,130

	March 31, 2017	March 31, 2016
<b>Liabilities</b>	(Yen in millions)	(Yen in millions)
Current liabilities		
Notes and accounts payable - trade (Note 8)	¥34,805	¥32,760
Short-term loans payable (Note 2,8)	54,449	61,693
Lease obligations (Note 2)	92	111
Income taxes payable (Note 5)	1,565	1,327
Provision for bonuses	2,180	2,132
Provision for directors' bonuses	59	70
Provision for compensation for products	3,273	580
Provision for loss on order received	—	19
Provision for loss on litigation	867	870
Provision for loss on liquidation of subsidiaries and associates	48	—
Other	14,987	12,638
<b>Total current liabilities</b>	<b>112,329</b>	<b>112,205</b>
Non-current liabilities		
Long-term loans payable (Note 2,8)	7,410	8,460
Lease obligations (Note 2)	201	169
Deferred tax liabilities (Note 5)	3,277	2,957
Provision for directors' retirement benefits	231	223
Net defined benefit liability (Note 3)	3,180	2,985
Asset retirement obligations	69	68
Other	248	214
<b>Total non-current liabilities</b>	<b>14,619</b>	<b>15,078</b>
<b>Total liabilities</b>	<b>126,948</b>	<b>127,283</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock (Note 4)	14,494	14,494
Capital surplus	5,855	6,473
Retained earnings	126,203	120,432
Treasury shares (Note 4)	(6,336)	(6,314)
<b>Total shareholders' equity</b>	<b>140,216</b>	<b>135,085</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,311	4,032
Foreign currency translation adjustment	12,852	15,487
Remeasurements of defined benefit plans	(107)	(116)
<b>Total accumulated other comprehensive income</b>	<b>18,056</b>	<b>19,403</b>
Subscription rights to shares (Note 12)	100	80
Non-controlling interests	5,611	10,277
<b>Total net assets</b>	<b>163,985</b>	<b>164,847</b>
<b>Total liabilities and net assets</b>	<b>¥290,934</b>	<b>¥292,130</b>

See notes to consolidated financial statements.

## Consolidated Statements of Income

	Year ended March 31, 2017	Year ended March 31, 2016
	(Yen in millions)	(Yen in millions)
Net Sales	¥240,520	¥243,606
Cost of sales	193,537	191,858
Gross profit	46,982	51,748
Selling, general and administrative expenses		
Packing and transportation expenses	5,848	5,294
Employees' salaries	9,930	12,072
Provision of allowance for doubtful accounts	150	—
Provision for bonuses	670	622
Provision for compensation for products	258	305
Retirement benefit expenses	493	638
Provision for directors' retirement benefits	41	40
Depreciation	1,349	1,571
Provision for directors' bonuses	59	70
Other	10,883	13,048
Total selling, general and administrative expenses	29,686	33,664
Operating income	17,296	18,083
Non-operating income		
Interest income	1,683	1,780
Dividend income	480	421
Other	849	1,151
Total non-operating income	3,013	3,352
Non-operating expenses		
Interest expenses	219	308
Foreign exchange losses	2,264	4,617
Other	62	132
Total non-operating expenses	2,545	5,057
Ordinary income	17,764	16,378
Extraordinary income		
Gain on sales of non-current assets	95	108
Gain on sales of investment securities	18	16
Total extraordinary income	113	124
Extraordinary losses		
Provision for compensation for products	2,236	—
Loss on sales of non-current assets	26	14
Loss on retirement of non-current assets	69	74
Impairment loss	628	—
Provision for loss on liquidation of subsidiaries and associates	45	—
Other	501	—
Total extraordinary losses	3,507	88
Profit before income taxes	14,370	16,414
Income taxes (Note 5)	3,974	6,293
Profit for the year	10,396	10,121
Profit attributable to non-controlling interests	983	977
Profit attributable to owners of parent (Note 7)	¥9,412	¥9,143

See notes to consolidated financial statements.



## Consolidated Statements of Comprehensive Income

	Year ended March 31, 2017	Year ended March 31, 2016
	(Yen in millions)	(Yen in millions)
Profit for the year	¥10,396	¥10,121
Other comprehensive income		
Valuation difference on available-for-sale securities	1,279	(2,508)
Foreign currency translation adjustment	(3,323)	(11,059)
Remeasurements of defined benefit plans	5	3
Total other comprehensive income	(2,038)	(13,564)
Comprehensive income	8,357	(3,442)
Comprehensive income attributable to owners of parent	8,065	(3,590)
Comprehensive income attributable to non-controlling interests	292	147

See notes to consolidated financial statements.

## Consolidated Statements of Changes in Equity

Year ended March 31, 2017

(Yen in millions)

	Shareholders' equity				
	Capital Stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of March 31, 2016	¥14,494	¥6,473	¥120,432	¥(6,314)	¥135,085
Changes of items during period					
Dividends of surplus			(2,004)		(2,004)
Profit attributable to owners of parent			9,412		9,412
Change of scope of consolidation			(1,615)		(1,615)
Employee welfare fund			(20)		(20)
Purchase of treasury shares				(21)	(21)
Change in ownership interest of parent due to transactions with non-controlling interests		(618)			(618)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(618)	5,771	(21)	5,131
Balance as of March 31, 2017	¥14,494	¥5,855	¥126,203	¥(6,336)	¥140,216

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance as of March 31, 2016	¥4,032	¥15,487	¥(116)	¥19,403	¥80	¥10,277	¥164,847
Changes of items during period							
Dividends of surplus							(2,004)
Profit attributable to owners of parent							9,412
Change of scope of consolidation							(1,615)
Employee welfare fund							(20)
Purchase of treasury shares							(21)
Change in ownership interest of parent due to transactions with non-controlling interests							(618)
Net changes of items other than shareholders' equity	1,279	(2,634)	8	(1,346)	20	(4,666)	(5,992)
Total changes of items during period	1,279	(2,634)	8	(1,346)	20	(4,666)	(861)
Balance as of March 31, 2017	¥5,311	¥12,852	¥(107)	¥18,056	¥100	¥5,611	¥163,985

See notes to consolidated financial statements.

Year ended March 31, 2016

(Yen in millions)

	Shareholders' equity				
	Capital Stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of March 31, 2015	¥14,494	¥6,476	¥113,218	¥(6,302)	¥127,887
Changes of items during period					
Dividends of surplus			(2,004)		(2,004)
Profit attributable to owners of parent			9,143		9,143
Change of scope of consolidation			109		109
Employee welfare fund			(36)		(36)
Purchase of treasury shares				(22)	(22)
Disposal of treasury shares		(3)		10	7
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(3)	7,213	(12)	7,197
Balance as of March 31, 2016	¥14,494	¥6,473	¥120,432	¥(6,314)	¥135,085

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance as of March 31, 2015	¥6,540	¥25,710	¥(112)	¥32,138	¥66	¥10,570	¥170,663
Changes of items during period							
Dividends of surplus							(2,004)
Profit attributable to owners of parent							9,143
Change of scope of consolidation							109
Employee welfare fund							(36)
Purchase of treasury shares							(22)
Disposal of treasury shares							7
Net changes of items other than shareholders' equity	(2,508)	(10,222)	(4)	(12,734)	14	(293)	(13,013)
Total changes of items during period	(2,508)	(10,222)	(4)	(12,734)	14	(293)	(5,816)
Balance as of March 31, 2016	¥4,032	¥15,487	¥(116)	¥19,403	¥80	¥10,277	¥164,847

See notes to consolidated financial statements.

## Consolidated Statements of Cash Flows

	Year ended March 31, 2017	Year ended March 31, 2016
<b>Cash flows from operating activities:</b>	(Yen in millions)	(Yen in millions)
Profit before income taxes	¥14,370	¥16,414
Depreciation and amortization	8,430	9,113
Impairment loss	628	—
Amortization of goodwill	5	80
Loss (gain) on sales of investment securities	(18)	—
Share-based compensation expenses	20	19
Increase (decrease) in		
Provision for bonuses	49	218
Provision for directors' bonuses	(11)	(38)
Provision for directors' retirement benefits	8	17
Allowance for doubtful accounts	176	(26)
Provision for compensation for products	2,690	237
Provision for loss on litigation	(3)	(57)
Provision for loss on order received	(19)	15
Provision for loss on liquidation of subsidiaries and associates	46	(161)
Net defined benefit liability	224	288
Interest and dividend income	(2,164)	(2,201)
Interest expenses	219	308
Foreign exchange losses (gains)	1,889	2,246
Gain on sales of property, plant and equipment	(95)	(108)
Loss on disposal of property, plant and equipment	96	88
Decrease(increase) in		
Notes and accounts receivable - trade	(2,762)	(10,037)
Inventories	(9,158)	451
Other assets	852	(2,668)
Notes and accounts payable - trade	2,441	6,109
Other liabilities	1,245	1,889
Other, net	127	(16)
Sub total	19,287	22,184
Interest and dividend income received	2,120	2,187
Interest expenses paid	(220)	(300)
Compensation for damage paid	(12)	—
Income taxes paid	(5,494)	(7,181)
Net cash provided by (used in) operating activities	15,681	16,890
<b>Cash flows from investing activities:</b>		
Net decrease (increase) in time deposits	8,751	2,879
Proceeds from sales of securities	—	300
Purchase of property, plant and equipment	(11,027)	(10,855)
Proceeds from sale of property, plant and equipment	275	429
Payments for retirement of property, plant and equipment	(14)	(3)
Decrease(increase) in intangible assets and investments and other assets	(1,491)	(1,991)
Payment of loans receivable	(5)	(113)
Collection of loans receivable	9	1
Purchase of investment securities	(59)	(53)
Other, net	23	20
Net cash provided by (used in) investing activities	(3,536)	(9,386)

	Year ended March 31, 2017	Year ended March 31, 2016
<b>Cash flows from financing activities:</b>		
Net increase (decrease) in short-term loans payable	(7,085)	3,600
Proceeds from long-term loans payable	5,000	—
Repayments of long-term loans payable	(6,300)	(4,809)
Repayments of lease obligations	(145)	(146)
Net decrease (increase) in treasury shares	(10)	(30)
Cash dividends paid	(2,004)	(2,003)
Dividends paid to non-controlling interests	(2,102)	(432)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(3,095)	—
Net cash provided by (used in) financing activities	(15,744)	(3,823)
<b>Effect of exchange rate change on cash and cash equivalents</b>	(1,709)	(2,095)
<b>Net increase (decrease) in cash and cash equivalents</b>	(5,309)	1,585
<b>Cash and cash equivalents at beginning of year</b>	41,015	39,429
<b>Increase in cash and cash equivalents from newly consolidated subsidiary</b>	195	—
<b>Cash and cash equivalents at end of year (Note 10)</b>	¥35,901	¥41,015

See notes to consolidated financial statements.

## Notes to Consolidated Financial Statements

### 1. Summary of significant accounting policies

#### (a) Basis of presentation

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

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

The consolidated financial statements include the accounts of the Company and its 34 significant subsidiaries (the Companies) at March 31, 2017 except for 1 subsidiary whose gross assets, net sales, and net income were not significant in the aggregate in relation to the comparable figure in the consolidated financial statements. All significant inter-company balances and transactions have been eliminated in consolidation.

Investments in 1 non-consolidated subsidiary and 1 affiliate were stated at cost because the effect of application of the equity method would be immaterial.

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

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

#### (c) Foreign currency translation

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

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

#### (d) Cash and cash equivalents

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

(e) Securities

Equity securities classified as trading securities are stated at fair value and the cost is determined by the moving average method. Equity securities not classified as trading securities are stated at fair value and the changes in fair value, net of applicable income taxes, have been directly included in net assets as valuation difference on available-for-sale securities.

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

(f) Inventories

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

Finished goods and work in process-Instruments	Weighted average method
Finished goods and work in process-Others	Specific identification method
Raw materials	Weighted average method
Supplies	Most recent purchase method

(g) Depreciation and amortization

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

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

(h) Allowance for doubtful accounts

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

(i) Provision for bonuses

Provision for bonuses is recognized based on expected total expenditure.

(j) Provision for directors' bonuses

Provision for directors' bonuses is recognized based on expected total expenditure.

(k) Provision for compensation for products

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

(l) Provision for loss on order received

Provision for loss on order received is recorded to cover probable losses on order received.

(m) 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.

(n) Provision for loss on liquidation of subsidiaries and associates

Provision for loss on liquidation of subsidiaries and associates is recorded to cover probable losses on liquidation of subsidiaries and associates.

(o) Pension and retirement benefits

Employees' retirement benefits

Net defined benefit liability is recorded on the benefit formula basis as the attribution method for projected retirement benefits.

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

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

Directors' retirement benefits

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

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

With respect to contracts of made-to-order software development that started during the fiscal year ended March 31, 2016, the percentage-of-completion method (cost comparison method for estimating the percentage of completion) is applied if its outcome is deemed certain for the progress made by the end of the year; otherwise the completed-contract method is applied.

(q) Income taxes

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

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

## 2. Loans payable

The weighted average interest rate of short-term loans payable to banks was 0.3% at March 31, 2017.

Long-term loans as of March 31, 2017 consist of the following:

	Yen in millions
Loans from banks, due through 2022 with average interest rates of 0.3%	¥11,710
Less: Current portion due within one year	4,300
	<u>¥7,410</u>

Aggregate annual maturities of long-term loans subsequent to March 31, 2017 are as follows:

Year ending March 31,	Yen in millions
2018	¥4,300
2019	3,810
2020	2,350
2021	1,000
2022	250
	<u>¥11,710</u>



Long-term lease obligations as of March 31, 2017 consist of the following:

	Yen in millions
Finance lease obligations	¥294
Less: Current portion due within one year	92
	¥201

Maturities of long-term lease obligations at March 31, 2017 are as follows:

Year ending March 31,	Yen in millions
2018	¥92
2019	72
2020	56
2021	45
2022	20
Thereafter	7
	¥294

The assets mortgaged for transaction as of March 31, 2017 were as follows:

	Yen in millions
Building, net of accumulated depreciation	¥353
Land	153
	¥506

### 3. Retirement benefits

The Company has both unfunded defined benefit and defined contribution plans. Its consolidated subsidiaries have funded defined benefit, unfunded defined benefit and defined contribution plans. Defined benefit plans provide pensions to the employees based on their salary and length of service. The payments of retirement allowance are also determined based on salary and the length of service. Certain consolidated subsidiaries use a simplified method for calculating retirement benefits.

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

##### (1) Movement in retirement benefit obligations

	Yen in millions
Balance at April 1, 2016	¥2,377
Service cost	207
Interest cost	39
Actuarial loss (gain)	38
Benefit paid	(122)
Past service costs	17
Newly consolidated subsidiary	3
Other	(19)
Balance at March 31, 2017	¥2,541

##### (2) Movement in plan assets

	Yen in millions
Balance at April 1, 2016	¥186
Expected return on plan assets	0
Actuarial loss (gain)	0
Contributions paid by the employer	28
Benefit paid	(23)
Other	(3)
Balance at March 31, 2017	¥189

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

	Yen in millions
Funded retirement benefit obligations	¥315
Plan assets	(189)
	126
Unfunded retirement benefit obligations	2,225
Total net liability for retirement benefits at March 31, 2017	2,352
Liability for retirement benefits	2,352
Total net liability for retirement benefits at March 31, 2017	¥2,352

(4) Retirement benefit costs

	Yen in millions
Service cost	¥207
Interest cost	39
Expected return on plan assets	(0)
Net actuarial loss (gain) amortization	47
Past service costs amortization	17
Other	(17)
Balance at March 31, 2017	¥293

(5) Adjustments for retirement benefit

	Yen in millions
Net actuarial loss (gain)	¥9
Total balance at March 31, 2017	¥9

(6) Accumulated adjustments for retirement benefit

	Yen in millions
Past service costs that are yet to be recognized	¥159
Total balance at March 31, 2017	¥159

(7) Plan assets

① Plan assets at March 31, 2017 comprise:

Cash and deposits	33%
Bonds	15%
Stocks	45%
Other	7%
Total	100%

② Long-term expected rate of return

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

(8) Actuarial assumptions

The principal actuarial assumption at March 31, 2017 (expressed as weighted averages) are as follows:

Discount rate	1.7%
Long-term expected rate of return	1.1%
Expected increase in salary	2.9%

## Defined benefit plans applying a simplified method

### (1) Movement in retirement benefit obligations

	Yen in millions
Balance at April 1, 2016	¥793
Service cost	66
Benefit paid	(31)
Balance at March 31, 2017	¥827

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

	Yen in millions
Unfunded retirement benefit obligations	¥827
Liability for retirement benefits	827
Total net liability for retirement benefits at March 31, 2017	¥827

### (3) Retirement benefit costs

	Yen in millions
Retirement benefit costs calculated based on a simplified method	¥66

## Defined contribution plans

Contributions to defined contribution plans are ¥1,063 million for the year ended March 31, 2017.

## 4. Supplementary information of changes in equity

### Issued shares

Type of shares	Number of shares as of March 31, 2016	Increase	Decrease	Number of shares as of March 31, 2017
Common stock	60,907,599	—	—	60,907,599

### Treasury shares

Type of shares	Number of shares as of March 31, 2016	Increase	Decrease	Number of shares as of March 31, 2017
Common stock	3,640,769	10,205	—	3,650,974

The details of increase and decrease are as follows:

Increase by purchase of odd-lot shares	10,205
--	--------

### Dividends paid

Resolution	Type of shares	Total dividend amount (Yen in millions)	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting held on May 13, 2016	Common stock	1,030	18.0	March 31, 2016	June 29, 2016
Board of Directors meeting held on October 28, 2016	Common stock	973	17.0	September 30, 2016	December 9, 2016

Dividends with the record date in the fiscal year ended March 31, 2017, but are effective in the subsequent period

Resolution	Type of shares	Source of funds for dividends	Total dividend amount (Yen in millions)	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting held on May 15, 2017	Common stock	Retained earnings	1,030	18.0	March 31, 2017	June 29, 2017

## 5. Income taxes

The Company and its domestic subsidiaries are subject to a number of different income taxes which, in aggregate, indicate a statutory rate of approximately 31% for the year ended March 31, 2017. Income taxes of the foreign subsidiaries are based generally on the tax rates applicable in their countries of incorporation.

The major components of deferred tax assets and liabilities as of March 31, 2017 were as follows:

	Yen in millions
Deferred tax assets	
Loss on valuation of inventories	¥904
Provision for bonuses	633
Net defined benefit liability	987
Depreciation	402
Impairment loss	472
Unrealized gains on inventories, property and equipment	990
Software development expenses	2,013
Provision for compensation for products	895
Other	1,398
Gross deferred tax assets	8,698
Less: Valuation allowance for deferred tax assets	(657)
Total deferred tax assets, net of valuation allowance	8,041
Deferred tax liabilities	
Reserve for special depreciation	(25)
Valuation difference on available-for-sale securities	(2,282)
Undistributed earnings of foreign subsidiaries	(2,193)
Other	(895)
Total deferred tax liabilities	(5,397)
Net deferred tax assets	¥2,644

## 6. Lease transactions

Year ended March 31, 2017

The obligations under non-cancelable operating leases at March 31, 2017 were as follows:

	Yen in millions
Due within one year	¥357
Due after one year	355
Total	¥713

Year ended March 31, 2016

The obligations under non-cancelable operating leases at March 31, 2016 were as follows:

	Yen in millions
Due within one year	¥221
Due after one year	113
Total	¥334

## 7. Per share amounts

Earnings per share attributable to owners of parent are calculated by the weighted average number of shares of common stock outstanding during the year.

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

Earnings per share attributable to owners of parent for the year ended and net assets per share as of March 31, 2017 were as follows:

Earnings per share attributable to owners of parent	¥164.37
Net assets per share	¥2,764.28

## 8. Financial instruments

Year ended March 31, 2017

### 1) Overview

#### (1) Policy for financial instruments

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

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

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

Marketable securities and investment securities are exposed to market risk. Those securities are mainly the shares of common stock of other companies with which the companies have business relationships.

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

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

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

## 2) Fair value of financial instruments

Carrying value of financial instruments on the consolidated balance sheet as of March 31, 2017 and unrealized gains (losses) are shown in the following table. It does not include financial instruments for which it is extremely difficult to determine the fair value (Please refer to Note 2 below).

	Carrying Amount	Estimated fair value	(Yen in millions) Unrealized gain (loss)
(1) Cash and deposits	¥101,886	¥101,886	¥—
(2) Notes and accounts receivable-trade	48,478		
Allowance for doubtful accounts	(349)		
	<u>48,129</u>	<u>48,127</u>	<u>(1)</u>
(3) Securities and investment securities			
Other securities	16,683	16,683	—
Total assets	<u>166,699</u>	<u>166,697</u>	<u>(1)</u>
(4) Notes and accounts payable-trade	34,805	34,805	—
(5) Short-term loans payable	50,149	50,149	—
(6) Long-term loans payable*	11,710	11,693	(16)
Total liabilities	<u>¥96,664</u>	<u>¥96,647</u>	<u>(¥16)</u>

\*Include amount due within one year

### Notes:

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

##### (1) Cash and deposits

These assets are carried at amounts that approximate fair values.

##### (2) Notes and accounts receivable - trade

The fair value of notes and accounts receivable - trade is stated at their present value which is calculated for each receivables group categorized by the remaining period to maturity discounted by the interest rate applicable to the period and the credit risk.

##### (3) Securities and investment securities

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

##### (4) Long-term time deposits

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

##### (5) Notes and accounts payable-trade and (6) short-term loans payable

These liabilities are carried at amounts that approximate fair values.

##### (7) Long-term loans payable

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

##### (8) Derivative transactions

Please refer to Note 11 Derivatives.

2. Unlisted stocks of ¥2,034 million on the consolidated balance sheet are not included in (3) Securities and investment securities because no quoted market price is available and it is extremely difficult to determine the fair value.

3. Redemption of receivables and marketable securities as of March 31, 2017 is as follows:

	(Yen in millions)	
	Due within one year	Due after one year
Cash and deposits	¥101,886	¥—
Notes and accounts receivable-trade	48,145	332
Total	¥150,032	¥332

4. Redemption of short-term and long-term loans payable as of March 31, 2017 is as follows:

	(Yen in millions)					
	2018	2019	2020	2021	2022	Thereafter
Short-term loans payable	¥50,149	¥—	¥—	¥—	¥—	¥—
Long-term loans payable	4,300	3,810	2,350	1,000	250	—
Total	¥54,449	¥3,810	¥2,350	¥1,000	¥250	¥—

## 9. Marketable securities

Other securities

The following is a summary of the carrying amounts, acquisition cost and unrealized gains and losses by each holding category at March 31, 2017.

	Yen in millions		
	Carrying amounts	Acquisition cost	Unrealized gain (loss)
Securities with carrying amount exceeding acquisition cost			
Equity securities	¥15,175	¥7,482	¥7,692
Securities with carrying amount not exceeding acquisition cost			
Equity securities	369	471	(101)
Other	1,138	1,143	(4)
Sub total	1,508	1,614	(106)
Total	¥16,683	¥9,097	¥7,586

The following is a summary of the carrying amounts, acquisition cost and unrealized gains and losses by each holding category at March 31, 2016.

	Yen in millions		
	Carrying amounts	Acquisition cost	Unrealized gain (loss)
Securities with carrying amount exceeding acquisition cost			
Equity securities	¥13,355	¥7,431	¥5,923
Securities with carrying amount not exceeding acquisition cost			
Equity securities	343	473	(130)
Other	1,137	1,213	(76)
Sub total	1,480	1,687	(206)
Total	¥14,836	¥9,119	¥5,717

## 10. Supplementary cash flow information

The following table represents a reconciliation of cash and cash equivalents as of March 31, 2017 and 2016.

	Yen in millions	
	2017	2016
Cash and deposits	¥101,886	¥58,861
Time deposits with a maturity of more than three months	(65,984)	(17,845)
Cash and cash equivalents	¥35,901	¥41,015

## 11. Derivatives

Year ended March 31, 2017

Disclosure is omitted due to lack of materiality.

Year ended March 31, 2016

Disclosure is omitted due to lack of materiality.

## 12. Stock option

Stock option plan	2017 stock option
Number of individuals covered by the plan:	
Directors	6
Operating Officers	14
Total	20
Type and number of shares to be issued upon exercise of stock subscription rights	Common stock 13,800 shares
Grant date	July 20, 2016
Exercise period	July 21, 2016 to July 20, 2046

Non-vested stock options (Number of shares):

Outstanding at March 31, 2016	66,400 shares
Granted	13,800 shares
Forfeited	—
Vested	—
Outstanding at March 31, 2017	80,200 shares
Vested stock options (Number of shares)	
Outstanding at March 31, 2016	—
Vested	—
Exercised	—
Forfeited	—
Outstanding at March 31, 2017	—

	Vested	Outstanding
Exercise price (Yen)	—	1
Average stock price at the time of exercise(Yen)	—	—
Fair value per stock at grant date (Yen)	—	1,317.83



Stock option expenses included in selling, general and administrative expenses for the year ended March 31, 2017 amounted to ¥ 20 million. The fair value of options granted is estimated using the Black-Scholes option pricing model with the following assumptions.

	2017 stock option
Expected volatility	37.06%
Expected holding period	5.8 years
Expected dividend	¥35 per share
Risk-free interest rate	-0.33%

### 13. Segment information

#### (a) Overview of reportable segments

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

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

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

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

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

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

Segment information as of and for the year ended March 31, 2017 was as follows:

(Yen in millions)

Year ended or as of March 31, 2017	Reportable segments				Others	Total	Adjustment	Consolidated total
	Instruments	Consumer-use products	Automobile sales	Sub total				
Sales								
Unaffiliated customers	¥190,316	¥11,472	¥21,686	¥223,475	¥17,044	¥240,520	¥—	¥240,520
Intersegment	—	—	34	34	16,656	16,690	(16,690)	—
Total sales	¥190,316	¥11,472	¥21,720	¥223,510	¥33,700	¥257,210	¥(16,690)	¥240,520
Segment income (loss)	¥13,941	¥(47)	¥1,041	¥14,935	¥2,606	¥17,542	¥(246)	¥17,296
Segment assets	¥205,462	¥9,640	¥11,941	¥227,043	¥16,484	¥243,528	¥47,405	¥290,934
Others								
Depreciation and amortization	¥6,858	¥240	¥502	¥7,601	¥761	¥8,363	¥35	¥8,398
Increase in fixed assets	¥9,774	¥210	¥1,154	¥11,139	¥1,198	¥12,338	¥383	¥12,722

Segment information as of and for the year ended March 31, 2016 was as follows:

(Yen in millions)

Year ended or as of March 31, 2016	Reportable segments				Others	Total	Adjustment	Consolidated total
	Instruments	Consumer-use products	Automobile sales	Sub total				
Sales								
Unaffiliated customers	¥189,784	¥13,993	¥22,845	¥226,623	¥16,982	¥243,606	¥—	¥243,606
Intersegment	—	—	27	27	15,956	15,984	(15,984)	—
Total sales	¥189,784	¥13,993	¥22,873	¥226,651	¥32,939	¥259,591	¥(15,984)	¥243,606
Segment income (loss)	¥15,876	¥(338)	¥969	¥16,507	¥1,730	¥18,238	¥(154)	¥18,083
Segment assets	¥211,020	¥9,374	¥11,901	¥232,296	¥16,384	¥248,680	¥43,450	¥292,130
Others								
Depreciation and amortization	¥7,549	¥266	¥499	¥8,314	¥736	¥9,051	¥36	¥9,088
Increase in fixed assets	¥8,183	¥193	¥1,053	¥9,430	¥1,219	¥10,650	¥250	¥10,901

[Related information]

#### Geographic Information

(Yen in millions)

Year ended March 31, 2017	Japan	Americas	Europe	Asia	Total
Sales	¥85,984	¥57,430	¥22,130	¥74,975	¥240,520
Property, plant and equipment	¥31,197	¥9,043	¥1,774	¥14,769	¥56,785

(Yen in millions)

Year ended March 31, 2016	Japan	Americas	Europe	Asia	Total
Sales	¥87,863	¥56,439	¥27,562	¥71,742	¥243,606
Property, plant and equipment	¥29,282	¥9,005	¥1,582	¥13,682	¥53,552

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

(Yen in millions)

Year ended March 31, 2017	Instruments	Automobile sales	Sub total	Others	Total
Goodwill					
Amortization of goodwill	¥—	¥6	¥6	¥—	¥6
Balance at the end of current period	¥—	¥—	¥—	¥—	¥—
Negative goodwill					
Amortization of negative goodwill	¥—	¥—	¥—	¥—	¥—
Balance at the end of current period	¥—	¥—	¥—	¥—	¥—

(Yen in millions)

Year ended March 31, 2016	Instruments	Automobile sales	Sub total	Others	Total
Goodwill					
Amortization of goodwill	¥—	¥80	¥80	¥—	¥80
Balance at the end of current period	¥—	¥6	¥6	¥—	¥6
Negative goodwill					
Amortization of negative goodwill	¥—	¥—	¥—	¥—	¥—
Balance at the end of current period	¥—	¥—	¥—	¥—	¥—

[Information on impairment loss on non-current assets by reportable segments]

Year ended March 31, 2017

(Yen in millions)

	Reportable segments				Others	Elimination · unallocated amount	Total
	Instruments	Consumer-use products	Automobile sales	Sub total			
Impairment loss	¥—	¥—	¥—	¥—	¥628	¥—	¥628

Year ended March 31, 2016

There was no impairment loss on non-current assets recognized.

Non-consolidated Financial Statements of NIPPON SEIKI Co., Ltd. for the Fiscal Year 2017 and 2016

**Balance Sheets**

	March 31, 2017	March 31, 2016
	(Yen in millions)	(Yen in millions)
<b>Assets</b>		
Current assets		
Cash and deposits	¥18,249	¥17,789
Notes receivable - trade	235	330
Electronically recorded monetary claims - operating	5,473	4,789
Accounts receivable - trade	35,988	38,365
Finished goods	3,823	3,574
Raw materials	3,382	2,281
Work in process	1,893	1,572
Supplies	302	325
Prepaid expenses	38	33
Deferred tax assets	1,708	797
Short-term loans receivable	15,498	11,656
Accounts receivable - other	3,965	4,896
Other	163	10
Allowance for doubtful accounts	(74)	(98)
Total current assets	90,650	86,325
Non-current assets		
Property, plant and equipment		
Buildings	3,725	3,450
Structures	138	126
Machinery and equipment	1,624	1,680
Vehicles	29	21
Tools, fixture and fixtures	1,683	1,646
Land	7,103	7,278
Leased assets	5	11
Construction in progress	574	393
Total property, plant and equipment	14,885	14,609
Intangible assets		
Software	1,321	1,354
Software in progress	972	845
Other	0	0
Total intangible assets	2,294	2,200
Investments and other assets		
Investment securities	18,169	16,345
Shares of subsidiaries and associates	76,330	74,135
Long-term loans receivable	2,355	3,466
Long-term prepaid expenses	36	48
Deferred tax assets	822	636
Other	158	120
Allowance for doubtful accounts	(10)	(10)
Allowance for investment loss	(97)	—
Total investments and other assets	97,765	94,743
Total non-current assets	114,945	111,553
Total assets	¥205,595	¥197,879

	March 31, 2017	March 31, 2016
<b>Liabilities</b>	(Yen in millions)	(Yen in millions)
Current liabilities		
Notes payable - trade	¥792	¥745
Accounts payable - trade	19,060	19,311
Short-term loans payable	66,632	65,446
Current portion of long-term loans payable	4,300	4,550
Lease obligations	4	6
Accounts payable - other	4,436	3,630
Income taxes payable	371	10
Accrued expenses	5,346	6,299
Advances received	116	0
Provision for bonuses	906	882
Provision for directors' bonuses	29	33
Provision for compensation for products	2,629	4
Provision for loss on litigation	867	870
Deposits received	175	171
Notes payable - facilities	564	171
Other	—	0
Total current liabilities	106,231	102,134
Non-current liabilities		
Long-term loans payable	7,400	8,450
Lease obligations	1	6
Provision for retirement benefits	1,347	1,331
Other	175	168
Total non-current liabilities	8,924	9,955
Total liabilities	115,155	112,090
<b>Net assets</b>		
Shareholders' equity		
Capital stock	14,494	14,494
Capital surplus		
Legal capital surplus	6,214	6,214
Other capital surplus	258	258
Total capital surplus	6,473	6,473
Retained earnings		
Legal retained earnings	960	960
Other retained earnings		
Reserve for special depreciation	—	0
General reserve	63,080	60,580
Retained earnings brought forward	6,419	5,530
Total retained earnings	70,460	67,071
Treasury shares	(6,336)	(6,314)
Total shareholders' equity	85,091	81,724
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	5,247	3,983
Total valuation and translation adjustments	5,247	3,983
Subscription rights to shares	100	80
Total net assets	90,439	85,788
Total liabilities and net assets	¥205,595	¥197,879

## Statements of Income

	Year ended March 31, 2017	Year ended March 31, 2016
	(Yen in millions)	(Yen in millions)
Net sales	¥117,415	¥114,703
Cost of sales	104,387	101,182
Gross profit	13,028	13,521
Selling, general and administrative expenses	10,352	9,927
Operating income	2,675	3,594
Non-operating income		
Interest and dividend income	7,034	3,489
Foreign exchange gains	177	—
Other	616	683
Total non-operating income	7,828	4,172
Non-operating expenses		
Interest expenses	227	272
Foreign exchange losses	—	1,992
Other	10	16
Total non-operating expenses	237	2,281
Ordinary income	10,266	5,485
Extraordinary income		
Gain on sales of non-current assets	0	2
Gain on sales of investment securities	18	16
Total extraordinary income	19	18
Extraordinary losses		
Provision for compensation for products	2,236	—
Loss on disposal of non-current assets	49	14
Impairment loss	628	—
Loss on valuation of shares of subsidiaries and associates	1,274	71
Other	598	—
Total extraordinary losses	4,786	85
Profit before income taxes	5,499	5,418
Income taxes	106	1,003
Profit for the year	¥5,392	¥4,414

## Statements of Changes in Equity

Year ended March 31, 2017

(Yen in millions)

	Shareholders' equity			
	Capital stock	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital Surplus
Balance as of March 31, 2016	¥14,494	¥6,214	¥258	¥6,473
Changes of items during period				
Dividends of surplus				
Reversal of reserve for special depreciation				
Provision of general reserve				
Profit for the year				
Purchase of treasury shares				
Net changes of items other than shareholders' equity				
Total changes of items during period	—	—	—	—
Balance as of March 31, 2017	¥14,494	¥6,214	¥258	¥6,473

	Shareholders' equity				
	Retained earnings				
	Legal retained earnings	Other retained earnings			Total retained earnings
Reserve for special depreciation		General reserve	Retained earnings brought forward		
Balance as of March 31, 2016	¥960	¥0	¥60,580	¥5,530	¥67,071
Changes of items during period					
Dividends of surplus				(2,004)	(2,004)
Reversal of reserve for special depreciation		(0)		0	—
Provision of general reserve			2,500	(2,500)	—
Profit for the year				5,392	5,392
Purchase of treasury shares					
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(0)	2,500	889	3,388
Balance as of March 31, 2017	¥960	—	¥63,080	¥6,419	¥70,460



(Yen in millions)

	Shareholders' equity		Valuation and translation adjustments	Subscription rights to shares	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities		
<b>Balance as of March 31, 2016</b>	¥(6,314)	¥81,724	¥3,983	¥80	¥85,788
<b>Changes of items during period</b>					
Dividends of surplus		(2,004)			(2,004)
Reversal of reserve for special depreciation		—			—
Provision of general reserve		—			—
Profit for the year		5,392			5,392
Purchase of treasury shares	(21)	(21)			(21)
Net changes of items other than shareholders' equity			1,264	20	1,284
<b>Total changes of items during period</b>	(21)	3,366	1,264	20	4,650
<b>Balance as of March 31, 2017</b>	¥(6,336)	¥85,091	¥5,247	¥100	¥90,439

Year ended March 31, 2016

(Yen in millions)

	Shareholders' equity			
	Capital stock	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital Surplus
Balance as of March 31, 2015	¥14,494	¥6,214	¥261	¥6,476
Changes of items during period				
Dividends of surplus				
Reversal of reserve for special depreciation				
Provision of general reserve				
Profit for the year				
Purchase of treasury shares				
Disposal of treasury shares			(3)	(3)
Net changes of items other than shareholders' equity				
Total changes of items during period	—	—	(3)	(3)
Balance as of March 31, 2016	¥14,494	¥6,214	¥258	¥6,473

	Shareholders' equity				
	Retained earnings				
	Legal retained earnings	Other retained earnings			Total retained earnings
		Reserve for special depreciation	General reserve	Retained earnings brought forward	
Balance as of March 31, 2015	¥960	¥2	¥54,980	¥8,718	¥64,661
Changes of items during period					
Dividends of surplus				(2,004)	(2,004)
Reversal of reserve for special depreciation		(1)		1	—
Provision of general reserve			5,600	(5,600)	—
Profit for the year				4,414	4,414
Purchase of treasury shares					
Disposal of treasury shares					
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(1)	5,600	(3,187)	2,410
Balance as of March 31, 2016	¥960	¥0	¥60,580	¥5,530	¥67,071

(Yen in millions)

	Shareholders' equity		Valuation and translation adjustments	Subscription rights to shares	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities		
<b>Balance as of March 31, 2015</b>	¥(6,302)	¥79,330	¥6,499	¥66	¥85,896
<b>Changes of items during period</b>					
Dividends of surplus		(2,004)			(2,004)
Reversal of reserve for special depreciation		—			—
Provision of general reserve		—			—
Profit for the year		4,414			4,414
Purchase of treasury shares	(22)	(22)			(22)
Disposal of treasury shares	10	7			7
Net changes of items other than shareholders' equity			(2,516)	14	(2,502)
<b>Total changes of items during period</b>	(12)	2,394	(2,516)	14	(107)
<b>Balance as of March 31, 2016</b>	¥(6,314)	¥81,724	¥3,983	¥80	¥85,788

- **Company name** : Nippon Seiki Co., Ltd.
- **Established** : December 24, 1946
- **Common stock** : 14,494,287,162 Yen
- **Number of employees** : 1,709

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

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

**Note:**

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

- **Offices and Factories**

- **Head office and Factory**

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

- **Takami Division**

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

- **NS Technical Center**

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

- **NS Tokyo Technical Center**

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

- **Research & Development Center**

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

- **Offices**

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

- **Branch Office**

Hong Kong

**Note:**

※1 NS Tokyo Technical Center was moved to Kita-ku, Tokyo Japan as of April 3, 2017.

※2 The decision to close Shenzhen Office was decided by the Board of Directors held on January 24.

## 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. / Amsterdam, Netherlands

### ● Asia

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

#### Notes:

※1 NS Instruments India Private Ltd. is included in consolidation from the current fiscal year because it becomes increasingly important.

※2 The decision to dissolve Changzhou Nissei Display System Co., Ltd. was decided by the Board of Directors held on February 20, 2017.

**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:

● 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
Mazda Mobility Niigata Co., Ltd.	100.0	Car rental and car sharing	None
Car Station Niigata Co., Ltd.	100.0	Second-hand car dealing and sales of cars	Purchasing cars
UK-NSI Co., Ltd.	100.0	Manufacture of automotive and motorcycle instruments	Selling products
Nippon Seiki (Europe) B.V.	100.0	Sales of products manufactured by Nippon Seiki Group in the European market	Selling products
New Sabina Industries, Inc.	100.0	Manufacture 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
Nissei Display Mexico S.A. De C.V.	100.0	Sales of automotive instruments	None
Nippon Seiki Do Brasil Ltda.	100.0	Manufacture and sales of motorcycle instruments	Selling products
NS Sao Paulo Componentes Automotivos Ltda.	100.0	Manufacture and sales of automotive instruments	Selling products
Thai Nippon Seiki Co., Ltd.	100.0	Manufacture and sales of automotive and motorcycle instruments	Selling and purchasing products
Thai Matto NS Co., Ltd.	83.5	Compounding, and coloring of plastics, and trading	None
Nippon Seiki Consumer Products (Thailand) Co., Ltd.	80.0	Manufacture and sales of control panels for office automation equipment and remote controllers for air conditioners and household equipment	Selling and purchasing products

Name of Company	Voting rights equity ratio	Main activities	Main trade with subsidiaries
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
DaNang Nippon Seiki Co., Ltd.	100.0	Software development	Outsourcing software development
NS Instruments India Private Ltd.	100.0	Manufacture and sales of automotive and motorcycle instruments	Selling products
Hong Kong Nippon Seiki Co., Ltd.	100.0	Sales of control panels for office automation equipment and remote controllers for air conditioners and household equipment	Purchasing and selling products
Dongguan Nissei Electronics Co., Ltd.	100.0	Manufacture of control panels for office automation equipment and remote controllers for air conditioners and household equipment	Selling products
Shanghai Nissei Display System Co., Ltd.	80.0	Manufacture and sales of automotive and motorcycle instruments	Selling products and 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
Taiwan Nissei Display System Co., Ltd.	80.0	Manufacture and sales of automotive and motorcycle instruments	Selling products
Changzhou Nissei Display System Co., Ltd.	100.0	Manufacture and sales of components for automotive and motorcycle instruments	Selling products
Nantong NS Advantech Co., Ltd.	100.0	Compounding, and coloring of plastics, and trading	Purchasing component parts
Hong Kong Ek Chor Nissei Co., Ltd.	100.0	Investment and holding company	Investment in China on behalf of the parent

**Notes:**

※1 NS Instruments India Private Ltd. is included in consolidation from the current fiscal year because it becomes increasingly important.

※2 The decision to dissolve Changzhou Nissei Display System Co., Ltd. was decided by the Board of Directors held on February 20, 2017.

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

- **Non-consolidated subsidiaries**
  - Nissei Kyusyoku Co., Ltd.
- **Affiliated company (which does not influence the consolidated financial statements)**
  - JNS Instruments Ltd.



2,168 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

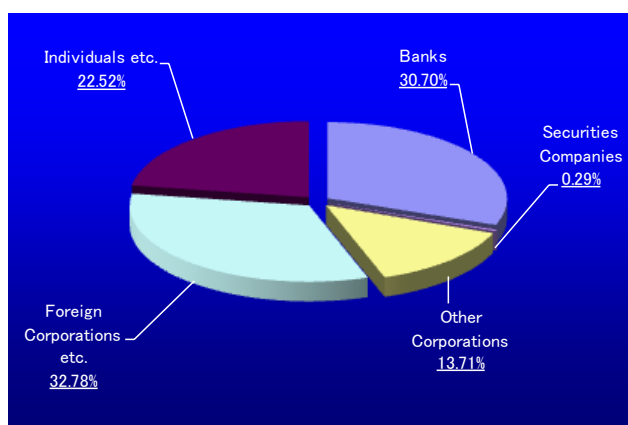
● Major shareholders (1,000 shares)

Name	Shares owned (percentage of shareholdings)
Honda Motor Co., Ltd.	3,753 (6.56%)
BBH FOR FIDELITY LOW-PRICED STOCK FUND (PRINCIPAL ALL SECTOR SUBPORTFOLIO)	2,834 (4.95%)
JP MORGAN CHASE BANK 385632	2,462 (4.30%)
Japan Trustee Services Bank, Ltd.	2,294 (4.01%)
The Master Trust Bank of Japan, Ltd.	1,958 (3.42%)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,779 (3.11%)
The Daishi Bank, Ltd.	1,568 (2.74%)
Shareholding association of Nippon Seiki Employees	1,257 (2.20%)
BBH FOR MATTHEWS JAPAN FUND	1,231 (2.15%)
Yamaha Motor Co., Ltd.	1,217 (2.13%)

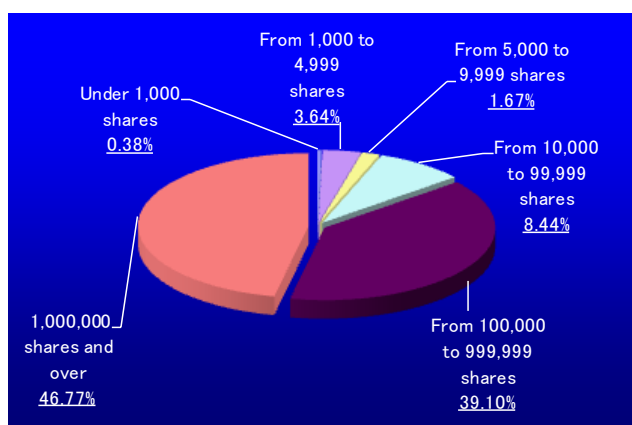
Notes:

- ※1 Percentage of shareholdings ratio is calculated by deducting 3,650,974 shares of treasury stocks from total shares issued.
- ※2 Nippon Seiki holds treasury stocks (3,650,974 shares), but this has not been included in the above major shareholders' information.

● Distribution ratio by type of shareholder



● Distribution ratio by number of shares of total Capital



Note:

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

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

As of June 28, 2017

### Directors

⟨Name⟩

Chairman and Representative Director	Shoji Nagai
Vice Chairman and Director	Hirotooshi Takada
President, Chief Executive Officer and Representative Director	Morito Sato
Senior Managing Officer and Director	Makoto Okawa
Senior Managing Officer and Director	Koichi Sato
Managing Officer and Director	Junichi Suzuki
Managing Officer and Director	Yuji Hirata
Outside Director	Sanji Arisawa
Outside Director	Takashi Sakikawa

### Audit & Supervisory Board Members

⟨Name⟩

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