

**Consolidated Financial Statements**

**NHK Spring Co., Ltd.  
and Consolidated Subsidiaries**

*For the years ended March 31, 2019 and 2018  
with Independent Auditor's Report*



Ernst & Young ShinNihon LLC  
Hibiya Mitsui Tower, Tokyo Midtown Hibiya  
1-1-2 Yurakucho, Chiyoda-ku  
Tokyo 100-0006, Japan

Tel: +81 3 3503 1720  
Fax: +81 3 3503 1828  
ey.com

## Independent Auditor's Report

The Board of Directors  
NHK Spring Co., Ltd.

We have audited the accompanying consolidated financial statements of NHK Spring Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2019, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

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

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

### *Auditor's Responsibility*

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

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

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

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of NHK Spring Co., Ltd. and its consolidated subsidiaries as at March 31, 2019, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

### *Convenience Translation*

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 4.

*Ernst & Young ShinNihon LLC*

June 26, 2019  
Tokyo, Japan

## NHK Spring Co., Ltd. and Consolidated Subsidiaries

## Consolidated Balance Sheets

|                                                                                      | At March 31,             |                 |                                                 |
|--------------------------------------------------------------------------------------|--------------------------|-----------------|-------------------------------------------------|
|                                                                                      | 2019                     | 2018            | 2019                                            |
|                                                                                      | <i>(Millions of yen)</i> |                 | <i>(Thousands of U.S. dollars)<br/>(Note 4)</i> |
| <b>Assets</b>                                                                        |                          |                 |                                                 |
| Current assets:                                                                      |                          |                 |                                                 |
| Cash and bank deposits <i>(Notes 5 and 20)</i>                                       | ¥ 98,574                 | ¥ 95,252        | \$ 888,851                                      |
| Notes and accounts receivable, trade <i>(Note 20)</i>                                | 139,689                  | 146,781         | 1,259,594                                       |
| Allowance for doubtful notes and accounts                                            | (118)                    | (88)            | (1,064)                                         |
| Inventories <i>(Note 6)</i>                                                          | 54,692                   | 48,590          | 493,165                                         |
| Other current assets                                                                 | 25,417                   | 24,427          | 229,197                                         |
| Total current assets                                                                 | <u>318,254</u>           | <u>314,962</u>  | <u>2,869,743</u>                                |
| Investments and long-term receivables:                                               |                          |                 |                                                 |
| Investment securities <i>(Notes 10 and 20)</i>                                       | 45,057                   | 54,990          | 406,283                                         |
| Investments in unconsolidated subsidiaries and affiliated companies <i>(Note 20)</i> | 15,412                   | 17,089          | 138,968                                         |
| Long-term loans receivable <i>(Note 20)</i>                                          | 3,995                    | 8,720           | 36,028                                          |
| Deferred tax assets <i>(Note 15)</i>                                                 | 8,161                    | 7,740           | 73,590                                          |
| Net defined benefit asset <i>(Note 11)</i>                                           | 4,670                    | 4,620           | 42,107                                          |
| Other investments                                                                    | 2,683                    | 2,535           | 24,189                                          |
| Allowance for doubtful receivables                                                   | (776)                    | (874)           | (6,993)                                         |
| Total investments and long-term receivables                                          | <u>79,202</u>            | <u>94,820</u>   | <u>714,172</u>                                  |
| Property, plant and equipment:                                                       |                          |                 |                                                 |
| Buildings and structures                                                             | 148,400                  | 143,499         | 1,338,142                                       |
| Machinery and transport equipment                                                    | 249,525                  | 241,938         | 2,250,004                                       |
| Jigs, tools and equipment                                                            | 73,320                   | 68,431          | 661,132                                         |
| Land                                                                                 | 31,007                   | 30,516          | 279,592                                         |
| Construction in progress                                                             | 25,088                   | 12,071          | 226,229                                         |
|                                                                                      | <u>527,340</u>           | <u>496,455</u>  | <u>4,755,099</u>                                |
| Less – Accumulated depreciation                                                      | (355,159)                | (341,564)       | (3,202,521)                                     |
| Net property, plant and equipment                                                    | <u>172,181</u>           | <u>154,891</u>  | <u>1,552,578</u>                                |
| Intangible and other assets                                                          | 3,562                    | 3,707           | 32,114                                          |
| Total assets <i>(Note 22)</i>                                                        | <u>¥573,199</u>          | <u>¥568,380</u> | <u>\$ 5,168,607</u>                             |

|                                                                                                            | <b>At March 31,</b>      |                 |                                                       |
|------------------------------------------------------------------------------------------------------------|--------------------------|-----------------|-------------------------------------------------------|
|                                                                                                            | <b>2019</b>              | <b>2018</b>     | <b>2019</b>                                           |
|                                                                                                            | <i>(Millions of yen)</i> |                 | <i>(Thousands of U.S. dollars)</i><br><i>(Note 4)</i> |
| <b>Liabilities and net assets</b>                                                                          |                          |                 |                                                       |
| Current liabilities:                                                                                       |                          |                 |                                                       |
| Short-term borrowings <i>(Notes 12 and 20)</i>                                                             | ¥ 3,315                  | ¥ 4,773         | \$ 29,895                                             |
| Current portion of long-term debt <i>(Notes 12, 13 and 20)</i>                                             | 21,103                   | 12,547          | 190,293                                               |
| Current portion of convertible bond-type bonds with subscription rights to shares <i>(Notes 12 and 20)</i> | 11,099                   | –               | 100,081                                               |
| Notes and accounts payable, trade <i>(Note 20)</i>                                                         | 127,306                  | 131,145         | 1,147,932                                             |
| Accrued expenses                                                                                           | 21,635                   | 20,961          | 195,083                                               |
| Accrued income taxes <i>(Note 20)</i>                                                                      | 2,933                    | 6,074           | 26,448                                                |
| Allowance for directors bonuses                                                                            | 270                      | 268             | 2,429                                                 |
| Other current liabilities <i>(Note 20)</i>                                                                 | 23,574                   | 16,270          | 212,568                                               |
| Total current liabilities                                                                                  | <u>211,235</u>           | <u>192,038</u>  | <u>1,904,729</u>                                      |
| Long-term liabilities:                                                                                     |                          |                 |                                                       |
| Long-term debt <i>(Notes 12 and 20)</i>                                                                    | 32,697                   | 25,339          | 294,835                                               |
| Convertible bond-type bonds with subscription rights to shares <i>(Notes 12 and 20)</i>                    | –                        | 10,624          | –                                                     |
| Net defined benefit liability <i>(Note 11)</i>                                                             | 19,395                   | 15,859          | 174,887                                               |
| Accrued retirement benefits for directors and corporate auditors                                           | 586                      | 507             | 5,288                                                 |
| Accrued retirement benefits to corporate officers                                                          | 779                      | 811             | 7,028                                                 |
| Deferred tax liabilities <i>(Note 15)</i>                                                                  | 7,357                    | 9,415           | 66,336                                                |
| Other long-term liabilities <i>(Note 20)</i>                                                               | 5,089                    | 6,138           | 45,879                                                |
| Total long-term liabilities                                                                                | <u>65,903</u>            | <u>68,693</u>   | <u>594,253</u>                                        |
| Guarantees and contingent liabilities <i>(Note 17)</i>                                                     |                          |                 |                                                       |
| Net assets:                                                                                                |                          |                 |                                                       |
| Shareholders' equity                                                                                       |                          |                 |                                                       |
| Common stock:                                                                                              |                          |                 |                                                       |
| Authorized: 600,000,000 shares                                                                             |                          |                 |                                                       |
| Issued: 244,066,144 shares at March 31, 2019;                                                              |                          |                 |                                                       |
| 244,066,144 shares at March 31, 2018                                                                       | 17,010                   | 17,010          | 153,378                                               |
| Capital surplus                                                                                            | 19,579                   | 19,579          | 176,548                                               |
| Retained earnings <i>(Notes 16 and 24)</i>                                                                 | 228,016                  | 229,163         | 2,056,054                                             |
| Treasury stock                                                                                             | (7,518)                  | (7,517)         | (67,790)                                              |
| Total shareholders' equity                                                                                 | <u>257,087</u>           | <u>258,235</u>  | <u>2,318,190</u>                                      |
| Accumulated other comprehensive income:                                                                    |                          |                 |                                                       |
| Unrealized holding gain on securities                                                                      | 21,350                   | 27,935          | 192,514                                               |
| Translation adjustments                                                                                    | 5,625                    | 7,355           | 50,722                                                |
| Retirement benefit liability adjustments <i>(Note 11)</i>                                                  | (2,928)                  | (688)           | (26,400)                                              |
| Total accumulated other comprehensive income                                                               | <u>24,047</u>            | <u>34,602</u>   | <u>216,836</u>                                        |
| Non-controlling interests                                                                                  | 14,927                   | 14,812          | 134,599                                               |
| Total net assets                                                                                           | <u>296,061</u>           | <u>307,649</u>  | <u>2,669,625</u>                                      |
| Total liabilities and net assets                                                                           | <u>¥573,199</u>          | <u>¥568,380</u> | <u>\$5,168,607</u>                                    |

*The accompanying notes are an integral part of the financial statements.*

## NHK Spring Co., Ltd. and Consolidated Subsidiaries

## Consolidated Statements of Income

|                                                                                       | Years ended March 31,    |           |                                                       |
|---------------------------------------------------------------------------------------|--------------------------|-----------|-------------------------------------------------------|
|                                                                                       | 2019                     | 2018      | 2019                                                  |
|                                                                                       | <i>(Millions of yen)</i> |           | <i>(Thousands of U.S. dollars)</i><br><i>(Note 4)</i> |
| Net sales <i>(Note 22)</i>                                                            | ¥ 681,006                | ¥ 659,731 | \$ 6,140,725                                          |
| Cost of sales <i>(Note 14)</i>                                                        | 608,053                  | 578,785   | 5,482,898                                             |
| Gross profit                                                                          | 72,953                   | 80,946    | 657,827                                               |
| Selling, general and administrative expenses <i>(Note 14)</i>                         | 46,303                   | 45,405    | 417,516                                               |
| Operating profit <i>(Note 22)</i>                                                     | 26,650                   | 35,541    | 240,311                                               |
| Other income (expenses):                                                              |                          |           |                                                       |
| Interest income                                                                       | 1,011                    | 941       | 9,119                                                 |
| Dividend income                                                                       | 1,553                    | 1,578     | 14,008                                                |
| Gain on sales of fixed assets <i>(Note 7)</i>                                         | 1,456                    | 74        | 13,130                                                |
| Loss on disposal of fixed assets                                                      | (272)                    | (456)     | (2,449)                                               |
| Real estate rent                                                                      | 627                      | 633       | 5,650                                                 |
| Interest expenses                                                                     | (297)                    | (335)     | (2,675)                                               |
| Equity in earnings of unconsolidated subsidiaries and affiliated companies            | 1,103                    | 883       | 9,947                                                 |
| Exchange gain (loss), net                                                             | 962                      | (1,945)   | 8,670                                                 |
| Gain on sales of investment securities                                                | –                        | 2,386     | –                                                     |
| Loss on impairment of long-lived assets <i>(Note 8)</i>                               | (11,525)                 | (3,929)   | (103,925)                                             |
| Loss on valuation of investment securities                                            | (449)                    | –         | (4,050)                                               |
| Loss on valuation of shares of subsidiaries and affiliated companies <i>(Note 10)</i> | (612)                    | (831)     | (5,514)                                               |
| Loss on valuation of investments in capital of subsidiaries and affiliated companies  | –                        | (10)      | –                                                     |
| Loss on violation of antimonopoly laws <i>(Note 9)</i>                                | (155)                    | (1,392)   | (1,398)                                               |
| Other, net                                                                            | 64                       | (493)     | 570                                                   |
|                                                                                       | (6,534)                  | (2,896)   | (58,917)                                              |
| Profit before income taxes                                                            | 20,116                   | 32,645    | 181,394                                               |
| Income taxes <i>(Note 15)</i> :                                                       |                          |           |                                                       |
| Current                                                                               | 10,287                   | 10,231    | 92,762                                                |
| Deferred                                                                              | 1,033                    | (199)     | 9,315                                                 |
|                                                                                       | 11,320                   | 10,032    | 102,077                                               |
| Profit                                                                                | 8,796                    | 22,613    | 79,317                                                |
| Profit attributable to non-controlling interests                                      | 1,691                    | 2,117     | 15,252                                                |
| Profit attributable to owners of parent                                               | ¥ 7,105                  | ¥ 20,496  | \$ 64,065                                             |
|                                                                                       | <i>(Yen)</i>             |           | <i>(U.S. dollars)</i>                                 |
| Earnings per share <i>(Notes 1 (19) and 16)</i>                                       |                          |           |                                                       |
| – Basic                                                                               | ¥ 29.97                  | ¥ 86.45   | \$ 0.2702                                             |
| – Diluted                                                                             | 28.85                    | 83.23     | 0.2601                                                |
| Cash dividends per share                                                              | 24.00                    | 23.00     | 0.2164                                                |

*The accompanying notes are an integral part of the financial statements.*

## NHK Spring Co., Ltd. and Consolidated Subsidiaries

## Consolidated Statements of Comprehensive Income

|                                                                                              | <b>Years ended March 31,</b> |             |                                                       |
|----------------------------------------------------------------------------------------------|------------------------------|-------------|-------------------------------------------------------|
|                                                                                              | <b>2019</b>                  | <b>2018</b> | <b>2019</b>                                           |
|                                                                                              | <i>(Millions of yen)</i>     |             | <i>(Thousands of U.S. dollars)</i><br><i>(Note 4)</i> |
| Profit                                                                                       | ¥ 8,796                      | ¥ 22,613    | \$ 79,317                                             |
| Other comprehensive income <i>(Note 21)</i> :                                                |                              |             |                                                       |
| Unrealized holding loss on securities                                                        | (6,610)                      | (2,231)     | (59,604)                                              |
| Translation adjustments                                                                      | (2,072)                      | 1,359       | (18,686)                                              |
| Retirement benefit liability adjustments                                                     | (2,212)                      | 1,693       | (19,950)                                              |
| Share of other comprehensive loss of affiliated companies accounted for by the equity method | (175)                        | (231)       | (1,574)                                               |
| Total other comprehensive (loss) income                                                      | (11,069)                     | 590         | (99,814)                                              |
| Comprehensive (loss) income                                                                  | ¥ (2,273)                    | ¥ 23,203    | \$ (20,497)                                           |
| Comprehensive (loss) income attributable to:                                                 |                              |             |                                                       |
| Owners of parent                                                                             | ¥ (3,604)                    | ¥ 20,675    | \$ (32,500)                                           |
| Non-controlling interests                                                                    | 1,331                        | 2,528       | 12,003                                                |

*The accompanying notes are an integral part of the financial statements.*

## NHK Spring Co., Ltd. and Consolidated Subsidiaries

## Consolidated Statements of Changes in Net Assets

|                                                                                                    | Shareholders' equity                   |                         |                                          |                                              | Total shareholders' equity |                  |
|----------------------------------------------------------------------------------------------------|----------------------------------------|-------------------------|------------------------------------------|----------------------------------------------|----------------------------|------------------|
|                                                                                                    | Common stock                           | Capital surplus         | Retained earnings                        | Treasury stock                               |                            |                  |
|                                                                                                    | <i>(Millions of yen)</i>               |                         |                                          |                                              |                            |                  |
| Balances as of April 1, 2018                                                                       | ¥17,010                                | ¥19,579                 | ¥229,163                                 | ¥(7,517)                                     | ¥258,235                   |                  |
| Changes during the fiscal year:                                                                    |                                        |                         |                                          |                                              |                            |                  |
| Dividends paid                                                                                     |                                        |                         | (5,690)                                  |                                              | (5,690)                    |                  |
| Profit attributable to owners of parent                                                            |                                        |                         | 7,105                                    |                                              | 7,105                      |                  |
| Change in scope of consolidation                                                                   |                                        |                         | (2,562)                                  |                                              | (2,562)                    |                  |
| Purchase of treasury stock                                                                         |                                        |                         |                                          | (1)                                          | (1)                        |                  |
| Change in ownership interest of parent arising from transactions with non-controlling shareholders |                                        | 0                       |                                          |                                              | 0                          |                  |
| Net changes of items other than shareholders' equity                                               |                                        |                         |                                          |                                              |                            |                  |
| Total changes during the fiscal year                                                               | -                                      | 0                       | (1,147)                                  | (1)                                          | (1,148)                    |                  |
| Balances as of March 31, 2019                                                                      | ¥17,010                                | ¥19,579                 | ¥228,016                                 | ¥(7,518)                                     | ¥257,087                   |                  |
|                                                                                                    | Accumulated other comprehensive income |                         |                                          |                                              |                            |                  |
|                                                                                                    | Unrealized holding gain on securities  | Translation adjustments | Retirement benefit liability adjustments | Total accumulated other comprehensive income | Non-controlling interests  | Total net assets |
|                                                                                                    | <i>(Millions of yen)</i>               |                         |                                          |                                              |                            |                  |
| Balances as of April 1, 2018                                                                       | ¥27,935                                | ¥7,355                  | ¥(688)                                   | ¥34,602                                      | ¥14,812                    | ¥307,649         |
| Changes during the fiscal year:                                                                    |                                        |                         |                                          |                                              |                            |                  |
| Dividends paid                                                                                     |                                        |                         |                                          |                                              |                            | (5,690)          |
| Profit attributable to owners of parent                                                            |                                        |                         |                                          |                                              |                            | 7,105            |
| Change in scope of consolidation                                                                   |                                        |                         |                                          |                                              |                            | (2,562)          |
| Purchase of treasury stock                                                                         |                                        |                         |                                          |                                              |                            | (1)              |
| Change in ownership interest of parent arising from transactions with non-controlling shareholders |                                        |                         |                                          |                                              |                            | 0                |
| Net changes of items other than shareholders' equity                                               | (6,585)                                | (1,730)                 | (2,240)                                  | (10,555)                                     | 115                        | (10,440)         |
| Total changes during the fiscal year                                                               | (6,585)                                | (1,730)                 | (2,240)                                  | (10,555)                                     | 115                        | (11,588)         |
| Balances as of March 31, 2019                                                                      | ¥21,350                                | ¥5,625                  | ¥(2,928)                                 | ¥24,047                                      | ¥14,927                    | ¥296,061         |

## NHK Spring Co., Ltd. and Consolidated Subsidiaries

## Consolidated Statements of Changes in Net Assets (continued)

|                                                                                                    | Shareholders' equity                   |                         |                                          |                                              | Total shareholders' equity |                  |
|----------------------------------------------------------------------------------------------------|----------------------------------------|-------------------------|------------------------------------------|----------------------------------------------|----------------------------|------------------|
|                                                                                                    | Common stock                           | Capital surplus         | Retained earnings                        | Treasury stock                               |                            |                  |
|                                                                                                    | <i>(Millions of yen)</i>               |                         |                                          |                                              |                            |                  |
| Balances as of April 1, 2017                                                                       | ¥17,010                                | ¥19,579                 | ¥216,233                                 | ¥(7,516)                                     | ¥245,306                   |                  |
| Changes during the fiscal year:                                                                    |                                        |                         |                                          |                                              |                            |                  |
| Dividends paid                                                                                     |                                        |                         | (5,454)                                  |                                              | (5,454)                    |                  |
| Profit attributable to owners of parent                                                            |                                        |                         | 20,496                                   |                                              | 20,496                     |                  |
| Change in scope of consolidation                                                                   |                                        |                         | (2,112)                                  |                                              | (2,112)                    |                  |
| Purchase of treasury stock                                                                         |                                        |                         |                                          | (1)                                          | (1)                        |                  |
| Disposal of treasury stock                                                                         |                                        | 0                       |                                          | 0                                            | 0                          |                  |
| Change in ownership interest of parent arising from transactions with non-controlling shareholders |                                        | (0)                     |                                          |                                              | (0)                        |                  |
| Net changes of items other than shareholders' equity                                               |                                        |                         |                                          |                                              |                            |                  |
| Total changes during the fiscal year                                                               | –                                      | (0)                     | 12,930                                   | (1)                                          | 12,929                     |                  |
| Balances as of March 31, 2018                                                                      | ¥17,010                                | ¥19,579                 | ¥229,163                                 | ¥(7,517)                                     | ¥258,235                   |                  |
|                                                                                                    | Accumulated other comprehensive income |                         |                                          |                                              |                            |                  |
|                                                                                                    | Unrealized holding gain on securities  | Translation adjustments | Retirement benefit liability adjustments | Total accumulated other comprehensive income | Non-controlling interests  | Total net assets |
|                                                                                                    | <i>(Millions of yen)</i>               |                         |                                          |                                              |                            |                  |
| Balances as of April 1, 2017                                                                       | ¥30,177                                | ¥6,570                  | ¥(2,353)                                 | ¥34,394                                      | ¥13,077                    | ¥292,777         |
| Changes during the fiscal year:                                                                    |                                        |                         |                                          |                                              |                            |                  |
| Dividends paid                                                                                     |                                        |                         |                                          |                                              |                            | (5,454)          |
| Profit attributable to owners of parent                                                            |                                        |                         |                                          |                                              |                            | 20,496           |
| Change in scope of consolidation                                                                   |                                        |                         |                                          |                                              |                            | (2,112)          |
| Purchase of treasury stock                                                                         |                                        |                         |                                          |                                              |                            | (1)              |
| Disposal of treasury stock                                                                         |                                        |                         |                                          |                                              |                            | 0                |
| Change in ownership interest of parent arising from transactions with non-controlling shareholders |                                        |                         |                                          |                                              |                            | (0)              |
| Net changes of items other than shareholders' equity                                               | (2,242)                                | 785                     | 1,665                                    | 208                                          | 1,735                      | 1,943            |
| Total changes during the fiscal year                                                               | (2,242)                                | 785                     | 1,665                                    | 208                                          | 1,735                      | 14,872           |
| Balances as of March 31, 2018                                                                      | ¥27,935                                | ¥7,355                  | ¥(688)                                   | ¥34,602                                      | ¥14,812                    | ¥307,649         |



## NHK Spring Co., Ltd. and Consolidated Subsidiaries

## Consolidated Statements of Changes in Net Assets (continued)

|                                                                                                    | Shareholders' equity                        |                         |                                          |                                              | Total shareholders' equity |                  |
|----------------------------------------------------------------------------------------------------|---------------------------------------------|-------------------------|------------------------------------------|----------------------------------------------|----------------------------|------------------|
|                                                                                                    | Common stock                                | Capital surplus         | Retained earnings                        | Treasury stock                               |                            |                  |
|                                                                                                    | <i>(Thousands of U.S. dollars) (Note 4)</i> |                         |                                          |                                              |                            |                  |
| Balances as of April 1, 2018                                                                       | \$153,378                                   | \$176,547               | \$2,066,397                              | \$(67,782)                                   | \$2,328,540                |                  |
| Changes during the fiscal year:                                                                    |                                             |                         |                                          |                                              |                            |                  |
| Dividends paid                                                                                     |                                             |                         | (51,309)                                 |                                              | (51,309)                   |                  |
| Profit attributable to owners of parent                                                            |                                             |                         | 64,065                                   |                                              | 64,065                     |                  |
| Change in scope of consolidation                                                                   |                                             |                         | (23,099)                                 |                                              | (23,099)                   |                  |
| Purchase of treasury stock                                                                         |                                             |                         |                                          | (8)                                          | (8)                        |                  |
| Change in ownership interest of parent arising from transactions with non-controlling shareholders |                                             | 1                       |                                          |                                              | 1                          |                  |
| Net changes of items other than shareholders' equity                                               |                                             |                         |                                          |                                              |                            |                  |
| Total changes during the fiscal year                                                               | —                                           | 1                       | (10,343)                                 | (8)                                          | (10,350)                   |                  |
| Balances as of March 31, 2019                                                                      | \$153,378                                   | \$176,548               | \$2,056,054                              | \$(67,790)                                   | \$2,318,190                |                  |
|                                                                                                    | Accumulated other comprehensive income      |                         |                                          |                                              |                            |                  |
|                                                                                                    | Unrealized holding gain on securities       | Translation adjustments | Retirement benefit liability adjustments | Total accumulated other comprehensive income | Non-controlling interests  | Total net assets |
|                                                                                                    | <i>(Thousands of U.S. dollars) (Note 4)</i> |                         |                                          |                                              |                            |                  |
| Balances as of April 1, 2018                                                                       | \$251,897                                   | \$66,322                | \$(6,209)                                | \$312,010                                    | \$133,561                  | \$2,774,111      |
| Changes during the fiscal year:                                                                    |                                             |                         |                                          |                                              |                            |                  |
| Dividends paid                                                                                     |                                             |                         |                                          |                                              |                            | (51,309)         |
| Profit attributable to owners of parent                                                            |                                             |                         |                                          |                                              |                            | 64,065           |
| Change in scope of consolidation                                                                   |                                             |                         |                                          |                                              |                            | (23,099)         |
| Purchase of treasury stock                                                                         |                                             |                         |                                          |                                              |                            | (8)              |
| Change in ownership interest of parent arising from transactions with non-controlling shareholders |                                             |                         |                                          |                                              |                            | 1                |
| Net changes of items other than shareholders' equity                                               | (59,383)                                    | (15,600)                | (20,191)                                 | (95,174)                                     | 1,038                      | (94,136)         |
| Total changes during the fiscal year                                                               | (59,383)                                    | (15,600)                | (20,191)                                 | (95,174)                                     | 1,038                      | (104,486)        |
| Balances as of March 31, 2019                                                                      | \$192,514                                   | \$50,722                | \$(26,400)                               | \$216,836                                    | \$134,599                  | \$2,669,625      |

*The accompanying notes are an integral part of the financial statements.*

## NHK Spring Co., Ltd. and Consolidated Subsidiaries

## Consolidated Statements of Cash Flows

|                                                                                                   | Years ended March 31,    |          |                                                 |
|---------------------------------------------------------------------------------------------------|--------------------------|----------|-------------------------------------------------|
|                                                                                                   | 2019                     | 2018     | 2019                                            |
|                                                                                                   | <i>(Millions of yen)</i> |          | <i>(Thousands of U.S. dollars)<br/>(Note 4)</i> |
| <b>Cash flows from operating activities:</b>                                                      |                          |          |                                                 |
| Profit before income taxes                                                                        | ¥ 20,116                 | ¥ 32,645 | \$ 181,394                                      |
| Adjustments to reconcile profit before income taxes to net cash provided by operating activities: |                          |          |                                                 |
| Depreciation and amortization                                                                     | 25,001                   | 24,141   | 225,440                                         |
| Decrease in net defined benefit liability                                                         | (569)                    | (828)    | (5,130)                                         |
| Exchange (gain) loss                                                                              | (990)                    | 1,314    | (8,931)                                         |
| Equity in earnings of unconsolidated subsidiaries and affiliated companies                        | (1,103)                  | (883)    | (9,947)                                         |
| (Gain) loss on disposal of property, plant and equipment                                          | (1,169)                  | 384      | (10,542)                                        |
| Loss on impairment of long-lived assets                                                           | 11,525                   | 3,929    | 103,925                                         |
| Gain on sales of investment securities                                                            | –                        | (2,386)  | –                                               |
| Changes in operating assets and liabilities:                                                      |                          |          |                                                 |
| Decrease (increase) in notes and accounts receivable, trade                                       | 6,676                    | (4,927)  | 60,195                                          |
| Increase in inventories                                                                           | (5,417)                  | (4,243)  | (48,844)                                        |
| (Decrease) increase in notes and accounts payable, trade                                          | (3,713)                  | 14,065   | (33,486)                                        |
| Other, net                                                                                        | (13,562)                 | (13,399) | (122,291)                                       |
| Net cash provided by operating activities                                                         | 36,795                   | 49,812   | 331,783                                         |
| <b>Cash flows from investing activities:</b>                                                      |                          |          |                                                 |
| Proceeds from sales of property, plant and equipment                                              | 1,646                    | 1,562    | 14,839                                          |
| Purchase of property, plant and equipment                                                         | (36,996)                 | (31,529) | (333,595)                                       |
| Purchase of intangible assets                                                                     | (584)                    | (556)    | (5,270)                                         |
| Purchase of investment securities                                                                 | (4,849)                  | (3,099)  | (43,726)                                        |
| Proceeds from sales of investment securities                                                      | 0                        | 2,465    | 0                                               |
| Decrease (increase) in time deposits                                                              | 72                       | (153)    | 646                                             |
| Disbursements for loans receivable                                                                | (2,087)                  | (5,547)  | (18,816)                                        |
| Collection of loans receivable                                                                    | 620                      | 4,080    | 5,591                                           |
| Other, net                                                                                        | (121)                    | (178)    | (1,087)                                         |
| Net cash used in investing activities                                                             | (42,299)                 | (32,955) | (381,418)                                       |
| <b>Cash flows from financing activities:</b>                                                      |                          |          |                                                 |
| Proceeds from issuance of long-term debt                                                          | 25,000                   | 15,025   | 225,428                                         |
| Repayment of long-term debt                                                                       | (10,972)                 | (13,112) | (98,938)                                        |
| (Decrease) increase in short-term borrowings                                                      | (1,514)                  | 2,657    | (13,648)                                        |
| Proceeds from commercial paper                                                                    | 20,000                   | 20,000   | 180,342                                         |
| Repayment of commercial paper                                                                     | (18,000)                 | (24,000) | (162,308)                                       |
| Payment for purchase of treasury stock                                                            | (1)                      | (1)      | (6)                                             |
| Proceeds from sales of treasury stock                                                             | –                        | 0        | –                                               |
| Cash dividends paid                                                                               | (5,690)                  | (5,454)  | (51,309)                                        |
| Cash dividends paid to non-controlling shareholders                                               | (1,215)                  | (794)    | (10,954)                                        |
| Other, net                                                                                        | (280)                    | (281)    | (2,531)                                         |
| Net cash provided by (used in) financing activities                                               | 7,328                    | (5,960)  | 66,076                                          |
| Effect of exchange rate changes on cash and cash equivalents                                      | 932                      | 216      | 8,407                                           |
| Net increase in cash and cash equivalents                                                         | 2,756                    | 11,113   | 24,848                                          |
| Cash and cash equivalents at beginning of year                                                    | 95,007                   | 82,494   | 856,694                                         |
| Increase in cash and cash equivalents resulting from subsidiaries newly included in consolidation | 640                      | 1,400    | 5,774                                           |
| Cash and cash equivalents at end of year <i>(Note 5)</i>                                          | ¥ 98,403                 | ¥ 95,007 | \$ 887,316                                      |
| <b>Supplemental disclosures of cash flow information:</b>                                         |                          |          |                                                 |
| Cash paid during the year for:                                                                    |                          |          |                                                 |
| Interest                                                                                          | ¥ (286)                  | ¥ (349)  | \$ (2,581)                                      |
| Income taxes                                                                                      | (13,721)                 | (11,372) | (123,720)                                       |

*The accompanying notes are an integral part of the financial statements.*

## NHK Spring Co., Ltd. and Consolidated Subsidiaries

### Notes to the Consolidated Financial Statements

#### **1. Summary of Significant Accounting Policies**

##### **(1) Basis of presentation of consolidated financial statements**

The accompanying consolidated financial statements of NHK Spring Co., Ltd. (the “Company”) and consolidated subsidiaries (collectively, the “Group”) have been prepared by the Company in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. The accounts of the Company and its consolidated subsidiaries in Japan are maintained in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and in conformity with generally accepted accounting principles and practices prevailing in Japan.

Foreign consolidated subsidiaries of the Company maintain their accounts and records in conformity with the requirements of their respective countries of domicile.

Certain items presented in the consolidated financial statements filed with the Director of the Kanto Local Finance Bureau in Japan have been reclassified for the convenience of readers outside Japan.

##### **(2) Scope of consolidation and application of equity method**

The Company had 70 subsidiaries at March 31, 2019 (72 at March 31, 2018). The accompanying consolidated financial statements for the year ended March 31, 2019 include the accounts of the Company and its 38 significant subsidiaries (37 in 2018).

The accounts of the remaining 32 unconsolidated subsidiaries for the year ended March 31, 2019 (35 in 2018) were excluded from consolidation since the aggregate amounts of these subsidiaries’ combined assets, net sales, profit and retained earnings were immaterial in relation to those of the consolidated financial statements of the Group.

## **1. Summary of Significant Accounting Policies (continued)**

### **(2) Scope of consolidation and application of equity method (continued)**

The Company had 11 (11 in 2018) affiliated companies at March 31, 2019. For the year ended March 31, 2019, the equity method has been applied to the investments in 4 of the major unconsolidated subsidiaries (4 in 2018) and 5 of the major affiliated companies (5 in 2018). The investments in the remaining unconsolidated subsidiaries and affiliated companies were stated at cost or less because they did not have a material effect on the consolidated financial statements.

For the purposes of preparing the consolidated financial statements, all significant inter-company transactions, account balances and unrealized profits among the Group have been eliminated.

The difference between the cost of an investment in a consolidated subsidiary and the amount of the underlying equity in the net assets of the subsidiary is allocated to identifiable assets acquired and liabilities assumed based on their fair value at the date of acquisition.

Goodwill is amortized on a straight-line basis over a period within five years.

### **(3) Foreign currency translation**

All asset and liability accounts of foreign subsidiaries and affiliated companies are translated into Japanese yen at the exchange rates prevailing at the year end. The components of net assets excluding non-controlling interests of foreign subsidiaries and affiliated companies are translated at historical rates. All income and expense accounts are translated at rates prevailing at the time of the transactions. The resulting translation differences are debited or credited to translation adjustments, or non-controlling interests in the consolidated balance sheets. Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the year end and the resulting gains and losses are included in profit or loss for the year.

### **(4) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in value.

### **(5) Inventories**

Inventories are mainly stated at the lower of cost, determined by average cost, or market.

## **1. Summary of Significant Accounting Policies (continued)**

### **(6) Investment securities**

Available-for-sale securities categorized as “other securities” under applicable Japanese accounting standards for which market values are readily available are stated at fair market value at the balance sheet date, with unrealized gains or losses reported as a separate component of net assets, net of applicable income taxes. Available-for-sale securities for which market values are not readily available are stated at weighted average cost.

### **(7) Derivative financial instruments and hedge accounting**

In accordance with applicable Japanese accounting standards, gains or losses arising from changes in the fair value of derivative financial instruments designated as “hedging instruments” are deferred as an asset or a liability until the gains or losses on the underlying hedged items or transactions are recognized.

In accordance with the exceptional treatment permitted under the Japanese accounting standard for foreign currency translation, the Company does not record certain forward foreign exchange contracts, currency swap contracts, foreign currency option contracts and certain foreign currency interest arrangements at market value but translates the underlying foreign currency denominated assets and liabilities hedged by derivative transactions into yen using the contractual rates under these arrangements, provided that such arrangements meet the hedging criteria specified under applicable Japanese accounting standards.

In addition, in accordance with the special treatment permitted under applicable Japanese accounting standards, the Company does not record certain interest-rate swap arrangements at market value but charges or credits net cash flows arising from the interest-rate swap arrangements, which satisfy the hedging criteria specified under the standard, to interest expenses arising from the hedged interest-bearing debt.

### **(8) Property, plant and equipment (excluding leased assets)**

Depreciation is principally computed by the declining-balance method at rates based on the estimated useful lives of the respective assets as prescribed by the Corporation Tax Act of Japan.

Buildings and structures at the Company’s headquarters are depreciated by the straight-line method.

The Company and its domestic consolidated subsidiaries compute depreciation for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016 by the straight-line method.

The cost of property, plant and equipment retired or otherwise disposed of and accumulated depreciation in respect thereof are eliminated from the related accounts, and the resulting gains or losses are reflected in income as incurred.

## **1. Summary of Significant Accounting Policies (continued)**

### **(8) Property, plant and equipment (excluding leased assets) (continued)**

Normal repairs and maintenance, including minor renewals and improvements, are charged to expenses as incurred.

### **(9) Intangible assets (excluding leased assets)**

Intangible assets are amortized on a straight-line basis.

Expenditure related to computer software development for internal use is capitalized as an intangible asset and amortized on a straight-line basis over the estimated useful life (five years) of the software.

### **(10) Leases**

Leased assets under finance lease contracts that transfer ownership to the lessee are depreciated by the same depreciation methods as applied to equivalent assets owned by the Group using the economic useful lives of the leased assets.

Leased assets under finance lease contracts that do not transfer ownership to the lessee are depreciated with the residual value of zero by the straight-line method using the terms of the contracts as the useful lives.

### **(11) Allowance for doubtful accounts**

The Group provides an allowance for doubtful accounts at an amount calculated using a bad debt loss ratio primarily based on historical experience, plus the estimated uncollectible amount of individual receivables.

### **(12) Allowance for directors bonuses**

Bonuses to directors are recorded on an accrual basis with a related charge to income.

### **(13) Retirement benefits for employees**

The retirement benefit obligations for employees are attributed to each period by the benefit formula method over the estimated years of service of the eligible employees.

Prior service costs are amortized as incurred by the straight-line method over a certain period (mainly 15 to 16 years), which is within the average remaining years of service of the eligible employees.

Actuarial gains and losses are amortized in the year following the year in which the gains or losses are recognized by the straight-line method over a certain period (10 to 16 years), which is within the average remaining years of service of the eligible employees.

Certain consolidated subsidiaries apply the simplified method where the amount required for voluntary early retirement at the fiscal year end is treated as retirement benefit obligations for calculating net defined benefit liability and retirement benefit expenses.

## **1. Summary of Significant Accounting Policies (continued)**

### **(14) Accrued retirement benefits for directors and corporate auditors**

As is customary practice in Japan, the Company and its domestic consolidated subsidiaries pay lump-sum retirement benefits to retiring directors or corporate auditors, the amounts of which are determined by internal rules. Although the payment of such retirement benefits is subject to approval by shareholders at the time of retirement/resignation, the Company and its domestic consolidated subsidiaries recognize 100% of the liabilities they would be required to pay upon retirement of all directors and corporate auditors at the year-end date.

### **(15) Accrued retirement benefits for corporate officers**

The Company and its domestic consolidated subsidiaries recognize 100% of the liabilities they would be required to pay upon retirement of all corporate officers at the fiscal year end.

### **(16) Income taxes**

The asset and liability method 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.

### **(17) Consumption taxes**

In Japan, consumption taxes are imposed at a flat rate of 8% on all domestic consumption of goods and services (with certain exceptions). Consumption taxes imposed on the Group's domestic sales to customers are withheld by the Group at the time of sale and are paid to the national government subsequently. Consumption taxes withheld upon sale and consumption taxes paid by the Group on purchases of goods and services are not included in the related amounts in the accompanying consolidated statements of income.

### **(18) Reclassifications**

Certain reclassifications have been made to the prior year's consolidated financial statements in order to make them consistent with the current year's presentation.

### **(19) Earnings per share**

Basic earnings per share is computed based on the weighted average number of shares of common stock outstanding during each year. Diluted earnings per share reflects the potential dilution that could occur if securities were exercised or converted into common stock, assuming the full exercise of the outstanding subscription rights to shares.

## **2. Accounting Standards Issued but Not Yet Effective**

“Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 29, issued on March 30, 2018)

“Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, issued on March 30, 2018)

### (1) Overview

ASBJ developed a comprehensive accounting standard for revenue recognition. Revenue is recognized by applying the following five steps:

Step 1: Identify the contract with the 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

Step 5: Recognize revenue when (or as) each performance obligation is satisfied

### (2) Expected date of adoption

The Company expects to adopt these standard and guidance from the beginning of the year ending March 31, 2022.

### (3) Effects of adopting the standard and the guidance

The Company is currently evaluating the effects of adopting these standard and guidance on the consolidated financial statements.



### **3. Changes in Presentation**

#### Consolidated Balance Sheets

#### Changes due to adoption of “Partial Amendments to Accounting Standard for Tax Effect Accounting”

The Company has adopted the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, revised on February 16, 2018) (“Partial Amendments to Tax Effect Accounting”) from the beginning of the year ended March 31, 2019. As a result, deferred tax assets and deferred tax liabilities are presented in investments and long-term receivables and long-term liabilities, respectively, on the accompanying consolidated balance sheets.

As a result of this change, deferred tax assets in current assets decreased by ¥5,667 million, deferred tax assets in investments and long-term receivables increased by ¥1,468 million, deferred tax liabilities in current liabilities decreased by ¥751 million and deferred tax liabilities in long-term liabilities decreased by ¥3,448 million on the accompanying consolidated balance sheet as of March 31, 2018. Further, total assets decreased by ¥4,199 million due to offsetting deferred tax assets and deferred tax liabilities within the same tax paying entity.

Certain additional information is included in Note 15 “Income Taxes” as described in note 8 (excluding total amount of valuation allowance) and note 9 of explanatory notes to the “Accounting Standard for Tax Effect Accounting” as prescribed in Paragraphs 3 through 5 of the Partial Amendments to Tax Effect Accounting. However, information for the year ended March 31, 2018 is not presented in accordance with the transitional treatment prescribed in Paragraph 7 of the Partial Amendments to Tax Effect Accounting.

### **4. United States Dollar Amounts**

The accompanying consolidated financial statements are prepared in Japanese yen. The U.S. dollar amounts included in the consolidated financial statements and the notes thereto represent the arithmetical results of translating Japanese yen to U.S. dollars on the basis of ¥110.9 = U.S.\$1, the approximate rate of exchange prevailing at March 31, 2019. The inclusion of such U.S. dollar amounts is solely for convenience and is not intended to imply that yen amounts have been or could be converted, realized or settled in U.S. dollars at that or any other rate.

## 5. Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash on hand, bank deposits that are able to be withdrawn on demand and short-term investments with an original maturity of three months or less that are exposed to minor risk of fluctuation in value.

A reconciliation of cash and bank deposits in the consolidated balance sheets to cash and cash equivalents in the consolidated statements of cash flows at March 31, 2019 and 2018 is as follows:

|                                                                                     | <b>At March 31,</b>      |                 |                                    |
|-------------------------------------------------------------------------------------|--------------------------|-----------------|------------------------------------|
|                                                                                     | <b>2019</b>              | <b>2018</b>     | <b>2019</b>                        |
|                                                                                     | <i>(Millions of yen)</i> |                 | <i>(Thousands of U.S. dollars)</i> |
| Cash and bank deposits                                                              | ¥ 98,574                 | ¥ 95,252        | \$ 888,851                         |
| Bank deposits with maturity of over three months included in cash and bank deposits | (171)                    | (245)           | (1,535)                            |
| Cash and cash equivalents                                                           | <u>¥ 98,403</u>          | <u>¥ 95,007</u> | <u>\$ 887,316</u>                  |

## 6. Inventories

Inventories at March 31, 2019 and 2018 are as follows:

|                                   | <b>At March 31,</b>      |                 |                                    |
|-----------------------------------|--------------------------|-----------------|------------------------------------|
|                                   | <b>2019</b>              | <b>2018</b>     | <b>2019</b>                        |
|                                   | <i>(Millions of yen)</i> |                 | <i>(Thousands of U.S. dollars)</i> |
| Merchandise and finished products | ¥ 19,960                 | ¥ 17,127        | \$ 179,981                         |
| Work in process                   | 9,888                    | 8,686           | 89,162                             |
| Raw materials and supplies        | 18,786                   | 16,729          | 169,395                            |
| Other                             | 6,058                    | 6,048           | 54,627                             |
| Total                             | <u>¥ 54,692</u>          | <u>¥ 48,590</u> | <u>\$ 493,165</u>                  |

## 7. Gain on Sales of Fixed Assets

Gain on sales of fixed assets is mainly comprised of gain on sales of land of ¥1,400 million (\$12,626 thousand) for the year ended March 31, 2019.

**8. Loss on Impairment of Long-Lived Assets**

Year ended March 31, 2019

The Group has recorded impairment losses for the following assets.

|                       |                                   | <b>2019</b>                       |                          |                                    |
|-----------------------|-----------------------------------|-----------------------------------|--------------------------|------------------------------------|
| <b>Applications</b>   | <b>Location</b>                   | <b>Type</b>                       | <i>(Millions of yen)</i> | <i>(Thousands of U.S. dollars)</i> |
| Production facilities | Kitakami, Iwate Prefecture        | Buildings and structures          | ¥ 25                     | \$ 224                             |
|                       |                                   | Machinery and transport equipment | 226                      | 2,040                              |
|                       |                                   | Land                              | 1                        | 12                                 |
|                       |                                   | Construction in progress          | 161                      | 1,455                              |
|                       |                                   | Other                             | 84                       | 755                                |
|                       | Oshu, Iwate Prefecture            | Buildings and structures          | 36                       | 327                                |
|                       |                                   | Machinery and transport equipment | 207                      | 1,865                              |
|                       |                                   | Land                              | 39                       | 348                                |
|                       |                                   | Construction in progress          | 4                        | 37                                 |
|                       |                                   | Other                             | 29                       | 262                                |
|                       | Hungary                           | Buildings and structures          | 817                      | 7,367                              |
|                       |                                   | Machinery and transport equipment | 5,672                    | 51,144                             |
|                       |                                   | Land                              | 22                       | 200                                |
|                       |                                   | Other                             | 141                      | 1,271                              |
|                       |                                   | Intangible assets                 | 150                      | 1,352                              |
|                       | United States of America          | Buildings and structures          | 811                      | 7,315                              |
|                       |                                   | Machinery and transport equipment | 1,824                    | 16,451                             |
|                       |                                   | Land                              | 20                       | 179                                |
|                       |                                   | Other                             | 159                      | 1,433                              |
|                       |                                   | Buildings and structures          | 537                      | 4,838                              |
| Mexico                | Machinery and transport equipment | 173                               | 1,559                    |                                    |
|                       | Construction in progress          | 246                               | 2,216                    |                                    |
|                       | Other                             | 28                                | 257                      |                                    |
|                       | Intangible assets                 | 7                                 | 62                       |                                    |
|                       | Buildings                         | 76                                | 685                      |                                    |
| Idle real estate      | Yokohama, Kanagawa Prefecture     |                                   | 76                       | 685                                |
|                       | Kitakami, Iwate Prefecture        | Land                              | 30                       | 271                                |

**8. Loss on Impairment of Long-Lived Assets (continued)**

[Background of recognition of impairment losses]

The book value of the above production facilities was written down to the recoverable value and the difference was recorded as an impairment loss since recoverability of amounts invested is not expected due to declining profitability.

The book value of the above idle real estate was written down to the recoverable value and the difference was recorded as an impairment loss since the land is not expected to be used in the future and there is no specific future usage plan.

[Method of grouping assets]

Individual asset items have been grouped by considering management accounting category. Idle assets are grouped by individual property.

[Method of calculating recoverable value]

The recoverable value of the production facilities in Kitakami, Iwate Prefecture, Oshu, Iwate Prefecture, Hungary, the United States of America and Mexico and idle real estate in Yokohama, Kanagawa Prefecture and Kitakami, Iwate Prefecture was determined as the net realizable value based on reasonable estimates using the real estate appraisal value and others.

Year ended March 31, 2018

The Group has recorded impairment losses for the following assets.

| <b>2018</b>           |                                   |                                   |                          |
|-----------------------|-----------------------------------|-----------------------------------|--------------------------|
| <b>Applications</b>   | <b>Location</b>                   | <b>Type</b>                       | <i>(Millions of yen)</i> |
| Production facilities | Kyoto, Fukuoka Prefecture         | Machinery and transport equipment | ¥ 722                    |
|                       |                                   | Machinery and transport equipment | 1,139                    |
|                       | Mexico                            | Construction in progress          | 985                      |
|                       |                                   | Other                             | 95                       |
|                       |                                   | Intangible assets                 | 87                       |
|                       | United States of America          | Buildings and structures          | 269                      |
|                       |                                   | Machinery and transport equipment | 565                      |
| India                 | Machinery and transport equipment | 34                                |                          |
| Idle real estate      | Omaezaki, Shizuoka Prefecture     | Land                              | 33                       |

## **8. Loss on Impairment of Long-Lived Assets (continued)**

[Background of recognition of impairment losses]

The book value of the above production facilities was written down to the recoverable value and the difference was recorded as an impairment loss since recoverability of amounts invested is not expected due to declining profitability.

The book value of the above idle real estate was written down to the recoverable value and the difference was recorded as an impairment loss since the land is not expected to be used in the future and there is no specific future usage plan.

[Method of grouping assets]

Individual asset items have been grouped by considering management accounting category. Idle assets are grouped by individual property.

[Method of calculating recoverable value]

The recoverable value of the production facilities in Kyoto, Fukuoka Prefecture, Mexico (automotive suspension springs) and the United States of America and idle real estate in Omaezaki, Shizuoka Prefecture was determined as the net realizable value based on reasonable estimates using the real estate appraisal value and others.

The recoverable value of the production facilities in Mexico (precision springs and components) was determined as the value in use, which is calculated by discounting future cash flows at 12.0%.

The recoverable value of the production facilities in India was determined as the value in use, which is calculated by discounting future cash flows at 8.5%.

## 9. Loss on Violation of Antimonopoly Laws

The components of loss on violation of antimonopoly laws are as follows:

|                          | <u>2019</u>              | <u>2018</u> | <u>2019</u>                        |
|--------------------------|--------------------------|-------------|------------------------------------|
|                          | <i>(Millions of yen)</i> |             | <i>(Thousands of U.S. dollars)</i> |
| Surcharge                | ¥ –                      | ¥ 1,076     | \$ –                               |
| Lawyers' fees and others | 155                      | 316         | 1,398                              |

On July 26, 2016, the Company and NHK International Corporation, a consolidated subsidiary in the United States, underwent an on-site inspection by the Japan Fair Trade Commission and the United States Department of Justice on suspicion of violating the Antimonopoly Act of Japan and the Antitrust Law of the United States concerning trading of hard disk drive devices.

On February 9, 2018, the Company and NAT Peripheral (H.K.) Co., Ltd., a consolidated subsidiary in China, received a cease and desist order and a surcharge payment order from the Japan Fair Trade Commission for violation of the Antimonopoly Act of Japan in relation to hard disk drive suspension transactions. The payment of the surcharge was made accordingly.

The surcharge and other expenses including lawyers' fees to deal with investigations by the Japan Fair Trade Commission and the United States Department of Justice were recorded as other income (expenses) for the years ended March 31, 2019 and 2018.

**10. Investment Securities**

The aggregate cost, fair value and net unrealized gains or losses of investment securities at March 31, 2019 and 2018 for which market value was readily available are summarized as follows:

***Other securities with market value***

|                                                         | <b>At March 31, 2019</b> |                                             |                                      |
|---------------------------------------------------------|--------------------------|---------------------------------------------|--------------------------------------|
|                                                         | <b>Cost</b>              | <b>Fair value<br/>(carrying<br/>amount)</b> | <b>Unrealized<br/>gains (losses)</b> |
|                                                         | <i>(Millions of yen)</i> |                                             |                                      |
| Securities whose fair value exceeds their cost:         |                          |                                             |                                      |
| Equity securities                                       | ¥11,549                  | ¥42,908                                     | ¥31,359                              |
| Securities whose fair value does not exceed their cost: |                          |                                             |                                      |
| Equity securities                                       | 1,430                    | 1,199                                       | (231)                                |
| <b>Total</b>                                            | <b>¥12,979</b>           | <b>¥44,107</b>                              | <b>¥31,128</b>                       |
|                                                         |                          |                                             |                                      |
|                                                         | <b>At March 31, 2018</b> |                                             |                                      |
|                                                         | <b>Cost</b>              | <b>Fair value<br/>(carrying<br/>amount)</b> | <b>Unrealized<br/>gains (losses)</b> |
|                                                         | <i>(Millions of yen)</i> |                                             |                                      |
| Securities whose fair value exceeds their cost:         |                          |                                             |                                      |
| Equity securities                                       | ¥12,552                  | ¥53,416                                     | ¥40,864                              |
| Securities whose fair value does not exceed their cost: |                          |                                             |                                      |
| Equity securities                                       | 856                      | 618                                         | (238)                                |
| <b>Total</b>                                            | <b>¥13,408</b>           | <b>¥54,034</b>                              | <b>¥40,626</b>                       |

**10. Investment Securities (continued)**

|                                                            | <b>At March 31, 2019</b>           |                                             |                                      |
|------------------------------------------------------------|------------------------------------|---------------------------------------------|--------------------------------------|
|                                                            | <b>Cost</b>                        | <b>Fair value<br/>(carrying<br/>amount)</b> | <b>Unrealized<br/>gains (losses)</b> |
|                                                            | <i>(Thousands of U.S. dollars)</i> |                                             |                                      |
| Securities whose fair value exceeds<br>their cost:         |                                    |                                             |                                      |
| Equity securities                                          | \$104,142                          | \$386,906                                   | \$282,764                            |
| Securities whose fair value does not<br>exceed their cost: |                                    |                                             |                                      |
| Equity securities                                          | 12,895                             | 10,808                                      | (2,087)                              |
| <b>Total</b>                                               | <b>\$117,037</b>                   | <b>\$397,714</b>                            | <b>\$280,677</b>                     |

(Note) Impairment is recognized in case the fair market value decreases by 50% or more compared with the acquisition cost, except if a recovery is expected. If the fair value decreases by 30% or more but less than 50%, the possibility of recovery is assessed. If the Company determines that there is no possibility of recovery, an impairment loss is recognized.

There were no other securities sold in the year ended March 31, 2019.

Other securities which were sold in the year ended March 31, 2018 were as follows:

|                   | <b>2018</b>              |                     |                     |
|-------------------|--------------------------|---------------------|---------------------|
|                   | <b>Amount of sale</b>    | <b>Gain on sale</b> | <b>Loss on sale</b> |
|                   | <i>(Millions of yen)</i> |                     |                     |
| Equity securities | ¥ 2,465                  | ¥ 2,392             | ¥ 0                 |

Impairment losses of ¥612 million (\$5,514 thousand) for shares of subsidiaries and affiliated companies and ¥449 million (\$4,050 thousand) for other securities were recognized during the year ended March 31, 2019. Impairment loss of ¥831 million for shares of subsidiaries and affiliated companies was recognized during the year ended March 31, 2018.

The aggregate carrying amount of the securities for which market value was not readily available at March 31, 2019 and 2018 is summarized as follows:

|                                              | <b>At March 31,</b>      |             |                                        |
|----------------------------------------------|--------------------------|-------------|----------------------------------------|
|                                              | <b>2019</b>              | <b>2018</b> | <b>2019</b>                            |
|                                              | <i>(Millions of yen)</i> |             | <i>(Thousands of<br/>U.S. dollars)</i> |
| Equity securities of non-listed<br>companies | ¥ 950                    | ¥ 956       | \$ 8,569                               |
|                                              | ¥ 950                    | ¥ 956       | \$ 8,569                               |



## **11. Retirement Benefits for Employees**

The Group has defined benefit plans and defined contribution plans such as corporate pension plans and lump-sum payment plans. The Group has primarily established cash balance plans, in which a hypothetical individual account is established for each participant. In addition to monthly contribution credits, interest credits based on market interest rates are also accumulated in the hypothetical individual accounts. Retirement benefit trusts are established for certain corporate pension plans and lump-sum payment plans.

Certain domestic consolidated subsidiaries apply the simplified method in computing net defined benefit liability and retirement benefit expenses.

In addition to the above, certain domestic consolidated subsidiaries participate in multi-employer pension plans. These plans are accounted for in the same manner as a defined contribution plan when reasonable estimates for pension assets of the participating companies cannot be obtained.

Japan Spring Manufactures Pension Fund, in which the Company's certain consolidated subsidiaries participated, dissolved on September 25, 2017 with approvals from the Minister of Health, Labour and Welfare. The Company does not expect additional contributions due to this dissolution.

**11. Retirement Benefits for Employees (continued)****Defined Benefit Plans**

(1) The reconciliation between retirement benefit obligations at the beginning of the year and the end of the year (excluding plans applying the simplified method) is as follows:

|                                                     | <u>2019</u>              | <u>2018</u>    | <u>2019</u>                        |
|-----------------------------------------------------|--------------------------|----------------|------------------------------------|
|                                                     | <i>(Millions of yen)</i> |                | <i>(Thousands of U.S. dollars)</i> |
| Retirement benefit obligations at beginning of year | ¥54,651                  | ¥51,647        | \$492,799                          |
| Service costs                                       | 2,655                    | 2,579          | 23,941                             |
| Interest costs                                      | 347                      | 341            | 3,125                              |
| Actuarial gains or losses                           | 604                      | 386            | 5,449                              |
| Retirement benefits paid                            | (1,961)                  | (1,661)        | (17,685)                           |
| Prior service costs                                 | 59                       | 810            | 535                                |
| Other                                               | (85)                     | 549            | (772)                              |
| Retirement benefit obligations at end of year       | <u>¥56,270</u>           | <u>¥54,651</u> | <u>\$507,392</u>                   |

(2) The reconciliation between plan assets at the beginning of the year and the end of the year (excluding plans applying simplified method) is as follows:

|                                  | <u>2019</u>              | <u>2018</u>    | <u>2019</u>                        |
|----------------------------------|--------------------------|----------------|------------------------------------|
|                                  | <i>(Millions of yen)</i> |                | <i>(Thousands of U.S. dollars)</i> |
| Plan assets at beginning of year | ¥46,941                  | ¥43,947        | \$423,270                          |
| Expected return on plan assets   | 1,178                    | 1,086          | 10,623                             |
| Actuarial gains or losses        | (2,843)                  | 1,982          | (25,633)                           |
| Contributions from employer      | 953                      | 935            | 8,594                              |
| Retirement benefits paid         | (1,019)                  | (1,008)        | (9,187)                            |
| Other                            | (1)                      | (1)            | (14)                               |
| Plan assets at end of year       | <u>¥45,209</u>           | <u>¥46,941</u> | <u>\$407,653</u>                   |

(3) The reconciliation between defined benefit liability of plans applying the simplified method at the beginning of the year and the end of the year is as follows:

|                                                | <u>2019</u>              | <u>2018</u>    | <u>2019</u>                        |
|------------------------------------------------|--------------------------|----------------|------------------------------------|
|                                                | <i>(Millions of yen)</i> |                | <i>(Thousands of U.S. dollars)</i> |
| Defined benefit liability at beginning of year | ¥ 3,529                  | ¥ 3,401        | \$ 31,822                          |
| Retirement benefit expenses                    | 471                      | 434            | 4,251                              |
| Retirement benefits paid                       | (212)                    | (189)          | (1,916)                            |
| Contribution to the plans                      | (124)                    | (117)          | (1,116)                            |
| Defined benefit liability at end of year       | <u>¥ 3,664</u>           | <u>¥ 3,529</u> | <u>\$ 33,041</u>                   |

**11. Retirement Benefits for Employees (continued)**

(4) The reconciliation between retirement benefit obligations and plan assets at the end of the year and defined benefit liability and defined benefit asset on the consolidated balance sheet is as follows:

|                                                                                  | <b>2019</b>              | <b>2018</b>     | <b>2019</b>                        |
|----------------------------------------------------------------------------------|--------------------------|-----------------|------------------------------------|
|                                                                                  | <i>(Millions of yen)</i> |                 | <i>(Thousands of U.S. dollars)</i> |
| Funded retirement benefit obligations                                            | ¥ 42,815                 | ¥ 41,719        | \$ 386,066                         |
| Plan assets                                                                      | (45,209)                 | (46,941)        | (407,653)                          |
|                                                                                  | (2,394)                  | (5,222)         | (21,587)                           |
| Unfunded retirement benefit obligations                                          | 17,119                   | 16,461          | 154,367                            |
| Net defined benefit liability (asset) recorded on the consolidated balance sheet | <u>¥ 14,725</u>          | <u>¥ 11,239</u> | <u>\$ 132,780</u>                  |
| Net defined benefit liability                                                    | ¥ 19,395                 | ¥ 15,859        | \$ 174,887                         |
| Net defined benefit asset                                                        | (4,670)                  | (4,620)         | (42,107)                           |
| Net defined benefit liability (asset) recorded on the consolidated balance sheet | <u>¥ 14,725</u>          | <u>¥ 11,239</u> | <u>\$ 132,780</u>                  |

(Note) The amounts in above table include plans applying the simplified method.

(5) The breakdown of retirement benefit expenses for the years ended March 31, 2019 and 2018 is as follows:

|                                                                    | <b>2019</b>              | <b>2018</b>    | <b>2019</b>                        |
|--------------------------------------------------------------------|--------------------------|----------------|------------------------------------|
|                                                                    | <i>(Millions of yen)</i> |                | <i>(Thousands of U.S. dollars)</i> |
| Service costs                                                      | ¥ 2,655                  | ¥ 2,579        | \$ 23,941                          |
| Interest costs                                                     | 347                      | 341            | 3,125                              |
| Expected return on plan assets                                     | (1,178)                  | (1,086)        | (10,623)                           |
| Amortization of actuarial gains or losses                          | 63                       | 741            | 568                                |
| Amortization of prior service costs                                | 188                      | 907            | 1,699                              |
| Retirement benefit expenses calculated using the simplified method | 471                      | 434            | 4,251                              |
| Retirement benefit expenses on defined benefit plans               | <u>¥ 2,546</u>           | <u>¥ 3,916</u> | <u>\$ 22,961</u>                   |

(6) The components of retirement benefit liability adjustments for the years ended March 31, 2019 and 2018 in other comprehensive income (before income tax effect) are as follows:

|                           | <b>2019</b>              | <b>2018</b>      | <b>2019</b>                        |
|---------------------------|--------------------------|------------------|------------------------------------|
|                           | <i>(Millions of yen)</i> |                  | <i>(Thousands of U.S. dollars)</i> |
| Prior service costs       | ¥ (129)                  | ¥ (129)          | \$ (1,163)                         |
| Actuarial gains or losses | 3,388                    | (2,239)          | 30,550                             |
| Total                     | <u>¥ 3,259</u>           | <u>¥ (2,368)</u> | <u>\$ 29,387</u>                   |

**11. Retirement Benefits for Employees (continued)**

(7) The components of retirement benefit liability adjustments as of March 31, 2019 and 2018 in accumulated other comprehensive income (before income tax effect) are as follows:

|                                        | <u>2019</u>              | <u>2018</u>    | <u>2019</u>                        |
|----------------------------------------|--------------------------|----------------|------------------------------------|
|                                        | <i>(Millions of yen)</i> |                | <i>(Thousands of U.S. dollars)</i> |
| Unrecognized prior service costs       | ¥ (444)                  | ¥ (315)        | \$ (4,002)                         |
| Unrecognized actuarial gains or losses | 4,807                    | 1,419          | 43,338                             |
| Total                                  | <u>¥ 4,363</u>           | <u>¥ 1,104</u> | <u>\$ 39,336</u>                   |

(8) Plan assets

(i) Breakdown of plan assets

The percentages of various assets to total plan assets by major category as of March 31, 2019 and 2018 are as follows:

|                   | <u>2019</u> | <u>2018</u> |
|-------------------|-------------|-------------|
| Equity securities | 51%         | 54%         |
| Debt securities   | 24          | 23          |
| General accounts  | 15          | 14          |
| Other             | 10          | 9           |
| Total             | <u>100%</u> | <u>100%</u> |

(Note) 39% and 41% of the total plan assets are held by retirement benefit trusts, which are established for corporate pension plans, as of March 31, 2019 and 2018, respectively.

(ii) Determination of long-term expected rate of return

The long-term expected rate of return on plan assets is determined based on the current and the expected allocation of plan assets and the current and the long-term expected rates of return from various assets constituting the plan assets.

(9) Actuarial assumptions

The major actuarial assumptions for the years ended March 31, 2019 and 2018 are as follows:

|                                                   | <u>2019</u> | <u>2018</u> |
|---------------------------------------------------|-------------|-------------|
| Discount rates                                    |             |             |
| Domestic plans                                    | 0.0 – 0.3%  | 0.0 – 0.5%  |
| Foreign plans                                     | 3.4 – 7.7%  | 3.0 – 7.7%  |
| Long-term expected rates of return on plan assets |             |             |
| Domestic plans                                    | 2.0 – 3.0%  | 1.9 – 3.0%  |
| Foreign plans                                     | –           | –           |

(Note) The benefit formula method is primarily applied (this does not reflect estimated future increases in points due to salary increases).

## **11. Retirement Benefits for Employees (continued)**

### **Defined Contribution Plans**

The required contributions to defined contribution plans of the Group, including multi-employer pension plans which are accounted for in the same manner as a defined contribution plan, were ¥1,510 million (\$13,615 thousand) and ¥1,393 million for the years ended March 31, 2019 and 2018, respectively.

## 12. Short-Term Borrowings and Long-Term Debt

The components of short-term borrowings, long-term debt, other interest-bearing debt and lease obligations due within one year as of March 31, 2019 and 2018 are as follows:

|                                                                                                                                                      | <b>At March 31,</b>      |                 |                                    |
|------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|-----------------|------------------------------------|
|                                                                                                                                                      | <b>2019</b>              | <b>2018</b>     | <b>2019</b>                        |
|                                                                                                                                                      | <i>(Millions of yen)</i> |                 | <i>(Thousands of U.S. dollars)</i> |
| Short-term borrowings:                                                                                                                               |                          |                 |                                    |
| Loans from banks and other financial institutions with weighted average interest rates of 1.814% and 2.681% at March 31, 2019 and 2018, respectively | ¥ 3,315                  | ¥ 4,773         | \$ 29,895                          |
| Current portion of long-term loans from banks and other financial institutions                                                                       | 15,103                   | 8,547           | 136,190                            |
| Other interest-bearing debt (commercial paper)                                                                                                       | 6,000                    | 4,000           | 54,103                             |
| Current portion of lease obligations                                                                                                                 | 293                      | 277             | 2,638                              |
|                                                                                                                                                      | <u>¥ 24,711</u>          | <u>¥ 17,597</u> | <u>\$ 222,826</u>                  |

### *Long-term debt and lease obligations*

Long-term debt and lease obligations at March 31, 2019 and 2018 are comprised of the following:

|                                                                                                                                                      | <b>At March 31,</b>      |                 |                                    |
|------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|-----------------|------------------------------------|
|                                                                                                                                                      | <b>2019</b>              | <b>2018</b>     | <b>2019</b>                        |
|                                                                                                                                                      | <i>(Millions of yen)</i> |                 | <i>(Thousands of U.S. dollars)</i> |
| Bonds:                                                                                                                                               |                          |                 |                                    |
| U.S. dollar denominated convertible bond-type bonds with subscription rights to shares due 2019                                                      | ¥ 11,099                 | ¥ 10,624        | \$ 100,081                         |
| Loans from banks and other financial institutions with weighted average interest rates of 0.281% and 0.260% at March 31, 2019 and 2018, respectively | 47,800                   | 33,886          | 431,025                            |
| Lease obligations (excluding current portion)                                                                                                        | 538                      | 564             | 4,850                              |
|                                                                                                                                                      | <u>59,437</u>            | <u>45,074</u>   | <u>535,956</u>                     |
| Less: current portion                                                                                                                                | (26,202)                 | (8,547)         | (236,271)                          |
|                                                                                                                                                      | <u>¥ 33,235</u>          | <u>¥ 36,527</u> | <u>\$ 299,685</u>                  |

**12. Short-Term Borrowings and Long-Term Debt (continued)**

Details of the convertible bond-type bonds with subscription rights to shares are as follows:

|                                                                                       |                                                                                                                                                                                  |
|---------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Description                                                                           | U.S. dollar denominated convertible bond-type bonds with subscription rights to shares due 2019                                                                                  |
| Shares to be issued                                                                   | Common stock                                                                                                                                                                     |
| Issue price of subscription rights to shares                                          | No consideration                                                                                                                                                                 |
| Issue price of shares                                                                 | \$10.90                                                                                                                                                                          |
| Total issue amount                                                                    | \$100,000 thousand                                                                                                                                                               |
| Total issue amount of shares as a result of exercise of subscription rights to shares | —                                                                                                                                                                                |
| Percentage of vested subscription rights to shares                                    | 100%                                                                                                                                                                             |
| Exercise period of subscription rights to shares                                      | From October 6, 2014 to September 6, 2019                                                                                                                                        |
| Matters related to substitute payments                                                | Upon exercise of each subscription right to shares, the corresponding bond shall be redeemed as a capital contribution in kind at the price equal to the face value of the bond. |

The aggregate annual maturities of long-term debt at March 31, 2019 are summarized as follows:

| Year ending March 31, | <i>(Millions of yen)</i> | <i>(Thousands of U.S. dollars)</i> |
|-----------------------|--------------------------|------------------------------------|
| 2021                  | ¥ 13,619                 | \$ 122,803                         |
| 2022                  | 10,097                   | 91,048                             |
| 2023                  | 5,681                    | 51,227                             |
| 2024 and thereafter   | 3,300                    | 29,757                             |
|                       | ¥ 32,697                 | \$ 294,835                         |

The year-by-year breakdown of lease obligations due as of March 31, 2019 is as follows:

| Year ending March 31, | <i>(Millions of yen)</i> | <i>(Thousands of U.S. dollars)</i> |
|-----------------------|--------------------------|------------------------------------|
| 2021                  | ¥ 240                    | \$ 2,164                           |
| 2022                  | 168                      | 1,518                              |
| 2023                  | 98                       | 879                                |
| 2024 and thereafter   | 32                       | 289                                |
|                       | ¥ 538                    | \$ 4,850                           |

### 13. Asset Retirement Obligations

#### (1) Summary of relevant asset retirement obligations

Asset retirement obligations include obligations associated with the removal of asbestos used in certain property, plant and equipment required under the “Ordinance on Prevention of Health Impairment due to Asbestos of Japan” at the time of their retirement.

#### (2) Calculation of the amount of relevant asset retirement obligations

Asset retirement obligations are calculated with the remaining useful lives of the relevant assets as the basis for the estimated period until expenditure and a discount rate of 2.1%.

#### (3) The changes in asset retirement obligations at March 31, 2019 and 2018 are as follows:

|                                                            | <b>At March 31,</b>      |              |                                    |
|------------------------------------------------------------|--------------------------|--------------|------------------------------------|
|                                                            | <b>2019</b>              | <b>2018</b>  | <b>2019</b>                        |
|                                                            | <i>(Millions of yen)</i> |              | <i>(Thousands of U.S. dollars)</i> |
| Balance at beginning of year                               | ¥ 599                    | ¥ 337        | \$ 5,405                           |
| Increase due to change in estimates                        | 1                        | 262          | 4                                  |
| Accretion expense                                          | 0                        | 0            | 2                                  |
| Decrease due to settlement of asset retirement obligations | (30)                     | –            | (272)                              |
| Decrease due to change in estimates                        | (1)                      | –            | (6)                                |
| Balance at end of year                                     | <u>¥ 569</u>             | <u>¥ 599</u> | <u>\$ 5,133</u>                    |

#### (4) Change in estimated amount of asset retirement obligations

During the years ended March 31, 2019 and 2018, the Company reviewed the expenditure amount expected to arise at the time of retirement of buildings and structures of consolidated subsidiaries. The Company obtained quotations and other new sources of information and consequently changed the estimated amount of the asset retirement obligations.

The effect of this change in estimates on profit or loss was immaterial.

### 14. Research and Development Expenses

Research and development expenses included in “Cost of sales” and “Selling, general and administrative expenses” amounted to ¥16,822 million (\$151,688 thousand) and ¥16,119 million for the years ended March 31, 2019 and 2018, respectively.



## 15. Income Taxes

The statutory tax rates in Japan for the years ended March 31, 2019 and 2018 were 30.4% and 30.6%, respectively.

At March 31, 2019 and 2018, significant components of deferred tax assets and liabilities are summarized as follows:

|                                                                | <b>At March 31,</b>      |                  |                                    |
|----------------------------------------------------------------|--------------------------|------------------|------------------------------------|
|                                                                | <b>2019</b>              | <b>2018</b>      | <b>2019</b>                        |
|                                                                | <i>(Millions of yen)</i> |                  | <i>(Thousands of U.S. dollars)</i> |
| <b>Deferred tax assets:</b>                                    |                          |                  |                                    |
| Net defined benefit liability                                  | ¥ 5,463                  | ¥ 6,123          | \$ 49,262                          |
| Tax loss carryforwards (Note)                                  | 4,526                    | 4,157            | 40,811                             |
| Accrued expenses                                               | 3,312                    | 1,694            | 29,861                             |
| Accrued employees' bonuses                                     | 3,078                    | 3,015            | 27,759                             |
| Accumulated impairment losses                                  | 2,416                    | 1,682            | 21,783                             |
| Depreciation                                                   | 1,603                    | 1,683            | 14,450                             |
| Loss from securities revaluation                               | 909                      | 912              | 8,200                              |
| Loss on valuation of inventories                               | 747                      | 743              | 6,735                              |
| Other                                                          | 2,243                    | 3,649            | 20,229                             |
| Total gross deferred tax assets                                | <u>24,297</u>            | <u>23,658</u>    | <u>219,090</u>                     |
| Less: Valuation allowance for tax loss carryforwards (Note)    | (4,513)                  | –                | (40,692)                           |
| Less: Valuation allowance for deductible temporary differences | (4,203)                  | –                | (37,897)                           |
| Total valuation allowance                                      | <u>(8,716)</u>           | <u>(7,832)</u>   | <u>(78,589)</u>                    |
| Total gross deferred tax assets                                | 15,581                   | 15,826           | 140,501                            |
| Offset against deferred tax liabilities                        | (7,420)                  | (8,086)          | (66,911)                           |
| Net deferred tax assets                                        | <u>¥ 8,161</u>           | <u>¥ 7,740</u>   | <u>\$ 73,590</u>                   |
| <b>Deferred tax liabilities:</b>                               |                          |                  |                                    |
| Special tax purpose reserve                                    | ¥ (2,823)                | ¥ (2,688)        | \$ (25,451)                        |
| Unrealized holding gain on securities                          | (10,282)                 | (13,177)         | (92,718)                           |
| Other                                                          | (1,672)                  | (1,636)          | (15,078)                           |
| Total deferred tax liabilities                                 | <u>¥(14,777)</u>         | <u>¥(17,501)</u> | <u>\$(133,247)</u>                 |
| Offset against deferred tax liabilities                        | 7,420                    | 8,086            | 66,911                             |
| Net deferred tax liabilities                                   | <u>¥ (7,357)</u>         | <u>¥ (9,415)</u> | <u>\$ (66,336)</u>                 |

**15. Income Taxes (continued)**

(Note) The expiration of tax loss carryforwards and the resulting net deferred tax assets as of March 31, 2019 were as follows:

*(Millions of yen)*

|                                                            | Within<br>one year | One to<br>two years | Two to<br>three<br>years | Three to<br>four years | Four to<br>five years | Over<br>five years | Total   |
|------------------------------------------------------------|--------------------|---------------------|--------------------------|------------------------|-----------------------|--------------------|---------|
| Tax loss carryforwards (*1)                                | ¥ 13               | ¥ 331               | ¥ 278                    | ¥ 0                    | ¥ 10                  | ¥ 3,894            | ¥ 4,526 |
| Valuation allowance for tax loss carryforwards             | (13)               | (331)               | (278)                    | (0)                    | (10)                  | (3,881)            | (4,513) |
| Net deferred tax assets relating to tax loss carryforwards | ¥ —                | ¥ —                 | ¥ —                      | ¥ —                    | ¥ —                   | ¥ 13               | ¥ 13    |

*(Thousands of U.S. dollars)*

|                                                            | Within<br>one year | One to<br>two years | Two to<br>three<br>years | Three to<br>four years | Four to<br>five years | Over<br>five years | Total    |
|------------------------------------------------------------|--------------------|---------------------|--------------------------|------------------------|-----------------------|--------------------|----------|
| Tax loss carryforwards (*1)                                | \$ 113             | \$ 2,987            | \$ 2,507                 | \$ 0                   | \$ 94                 | \$35,110           | \$40,811 |
| Valuation allowance for tax loss carryforwards             | (113)              | (2,987)             | (2,507)                  | (0)                    | (94)                  | (34,991)           | (40,692) |
| Net deferred tax assets relating to tax loss carryforwards | \$ —               | \$ —                | \$ —                     | \$ —                   | \$ —                  | \$ 119             | \$ 119   |

(\*1) Tax loss carryforwards were calculated by applying the statutory tax rate.

At March 31, 2019 and 2018, reconciliations of the statutory tax rate and the effective tax rate were as follows:

|                                                         | <b>2019</b>  | <b>2018</b>  |
|---------------------------------------------------------|--------------|--------------|
| Statutory tax rate                                      | 30.4%        | 30.6%        |
| Different tax rates applied to subsidiaries             | 5.5          | (3.1)        |
| Permanent differences                                   | (10.2)       | (3.7)        |
| Foreign tax credit                                      | (0.6)        | (0.6)        |
| Investment tax credit                                   | (0.8)        | (1.6)        |
| Difference in valuation allowances                      | 19.3         | 3.5          |
| Dividend income from the consolidated subsidiaries      | 16.0         | 7.0          |
| Special deduction for research and development expenses | (2.9)        | (1.5)        |
| Other                                                   | (0.4)        | 0.1          |
| Effective income tax rate                               | <u>56.3%</u> | <u>30.7%</u> |

## 16. Distributions of Retained Earnings

Under the Companies Act of Japan, the distribution of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting held subsequent to the close of the financial period or by resolution of the Board of Directors if certain conditions are met. The accounts for that period do not, therefore, reflect such distributions.

## 17. Guarantees and Contingent Liabilities

As of March 31, 2019 and 2018, the Group had the following guarantees:

|                                                                                                                                       | <b>At March 31,</b>      |             |                                    |
|---------------------------------------------------------------------------------------------------------------------------------------|--------------------------|-------------|------------------------------------|
|                                                                                                                                       | <b>2019</b>              | <b>2018</b> | <b>2019</b>                        |
|                                                                                                                                       | <i>(Millions of yen)</i> |             | <i>(Thousands of U.S. dollars)</i> |
| Borrowings from financial institutions by unconsolidated subsidiaries and affiliated subsidiaries, affiliated companies and employees | ¥ 1,968                  | ¥ 2,349     | \$ 17,748                          |

On July 26, 2016, the Company and NHK International Corporation, a consolidated subsidiary in the United States, underwent an on-site inspection by the Japan Fair Trade Commission and the United States Department of Justice on suspicion of violating the Antimonopoly Act of Japan and the Antitrust Law of the United States concerning trading of hard disk drive devices. Since then, the Group has fully cooperated with their investigations.

The Company and NAT Peripheral (H.K.) Co., Ltd., a consolidated subsidiary in China, received a cease and desist order and a surcharge payment order from the Japan Fair Trade Commission for violation of the Antimonopoly Act of Japan. The payment of the surcharge was made accordingly.

The inspection by the United States Department of Justice is on-going. The result may affect the financial position and the result of operations but the outcome and its effect is currently unknown. The Company and NHK International Corporation will continue cooperating fully with the United States Department of Justice in the inspection.

## 18. Leases

Finance lease transactions are depreciated by the straight-line method using the lease term as the useful life and a residual value of zero.

Non-cancellable operating lease commitments are as follows:

|                     | <b>At March 31,</b>      |              |                                    |
|---------------------|--------------------------|--------------|------------------------------------|
|                     | <b>2019</b>              | <b>2018</b>  | <b>2019</b>                        |
|                     | <i>(Millions of yen)</i> |              | <i>(Thousands of U.S. dollars)</i> |
| Due within one year | ¥ 243                    | ¥ 213        | \$ 2,197                           |
| Due over one year   | 759                      | 300          | 6,841                              |
| <b>Total</b>        | <b>¥ 1,002</b>           | <b>¥ 513</b> | <b>\$ 9,038</b>                    |

## 19. Derivative Financial Instruments

In the normal course of business, the Group utilizes derivative financial instruments, including forward foreign exchange contracts, currency swap contracts, foreign currency options and foreign currency swap contracts, to manage its exposure to adverse fluctuations in foreign exchange rates relating to receivables, payables and short/long-term debt denominated in foreign currencies. In addition, the Group uses interest-rate swap contracts to limit its exposure to losses in relation to short-term investments and debt with floating interest rates, resulting from adverse fluctuations in interest rates. The Group does not use derivatives for speculative or trading purposes.

[Derivatives not meeting the criteria for hedge accounting]

The contract amount (notional principal amount), estimated fair value of, and unrealized gain on, the outstanding contracts at March 31, 2019 and 2018 are summarized as follows:

|                                                 | <b>At March 31, 2019</b>                                   |                          |                   |                            |
|-------------------------------------------------|------------------------------------------------------------|--------------------------|-------------------|----------------------------|
|                                                 | <b>Contract amount<br/>(notional principal<br/>amount)</b> |                          |                   | <b>Unrealized<br/>gain</b> |
|                                                 | <b>Total</b>                                               | <b>Over one<br/>year</b> | <b>Fair value</b> |                            |
|                                                 |                                                            | <i>(Millions of yen)</i> |                   |                            |
| Currency swap contracts:                        |                                                            |                          |                   |                            |
| To receive Mexican peso/ to pay<br>Japanese yen | ¥ 777                                                      | ¥ 777                    | ¥ 43              | ¥ 43                       |

**19. Derivative Financial Instruments (continued)**

| <b>At March 31, 2018</b>                                   |              |                          |                   |                            |
|------------------------------------------------------------|--------------|--------------------------|-------------------|----------------------------|
| <b>Contract amount<br/>(notional principal<br/>amount)</b> |              |                          |                   |                            |
|                                                            | <b>Total</b> | <b>Over one<br/>year</b> | <b>Fair value</b> | <b>Unrealized<br/>gain</b> |
| <i>(Millions of yen)</i>                                   |              |                          |                   |                            |
| Currency swap contracts:                                   |              |                          |                   |                            |
| To receive Mexican peso/ to pay<br>Japanese yen            | ¥ 777        | ¥ 777                    | ¥ 23              | ¥ 23                       |
| <b>At March 31, 2019</b>                                   |              |                          |                   |                            |
| <b>Contract amount<br/>(notional principal<br/>amount)</b> |              |                          |                   |                            |
|                                                            | <b>Total</b> | <b>Over one<br/>year</b> | <b>Fair value</b> | <b>Unrealized<br/>gain</b> |
| <i>(Thousands of U.S. dollars)</i>                         |              |                          |                   |                            |
| Currency swap contracts:                                   |              |                          |                   |                            |
| To receive Mexican peso/ to pay<br>Japanese yen            | \$ 7,005     | \$ 7,005                 | \$ 389            | \$ 389                     |

(Note 1) Fair value is measured based on quotes and others provided by financial institutions and others.

(Note 2) The above currency swap contracts are accounted for as derivatives meeting the criteria for hedge accounting with loans to consolidated subsidiaries as a hedged item on the non-consolidated financial statements of the Company. The above currency swap contracts became subject to the disclosure since loans to consolidated subsidiaries were eliminated on the consolidated financial statements and the hedge accounting is no longer to be applied.

[Derivatives meeting the criteria for hedge accounting]

The contract amount (notional principal amount) and estimated fair value of the outstanding contracts at March 31, 2019 and 2018 are summarized as follows:

| <b>At March 31, 2019</b>                                   |                         |              |                          |                   |
|------------------------------------------------------------|-------------------------|--------------|--------------------------|-------------------|
| <b>Contract amount<br/>(notional principal<br/>amount)</b> |                         |              |                          |                   |
|                                                            | <b>Hedged<br/>items</b> | <b>Total</b> | <b>Over one<br/>year</b> | <b>Fair value</b> |
| <i>(Millions of yen)</i>                                   |                         |              |                          |                   |
| Interest rate swap contracts:                              |                         |              |                          |                   |
| To receive floating/<br>to pay fixed                       | Long-term<br>debt       | ¥ 13,110     | ¥ 9,170                  | (Note 2)          |

**19. Derivative Financial Instruments (continued)**

|                                      |                   | <b>At March 31, 2018</b>                                   |                   |          |
|--------------------------------------|-------------------|------------------------------------------------------------|-------------------|----------|
|                                      |                   | <b>Contract amount<br/>(notional principal<br/>amount)</b> |                   |          |
| <b>Hedged<br/>items</b>              | <b>Total</b>      | <b>Over one<br/>year</b>                                   | <b>Fair value</b> |          |
|                                      |                   | <i>(Millions of yen)</i>                                   |                   |          |
| Interest rate swap contracts:        |                   |                                                            |                   |          |
| To receive floating/<br>to pay fixed | Long-term<br>debt | ¥ 4,300                                                    | ¥ 2,310           | (Note 2) |
|                                      |                   | <b>At March 31, 2019</b>                                   |                   |          |
|                                      |                   | <b>Contract amount<br/>(notional principal<br/>amount)</b> |                   |          |
| <b>Hedged<br/>items</b>              | <b>Total</b>      | <b>Over one<br/>year</b>                                   | <b>Fair value</b> |          |
|                                      |                   | <i>(Thousands of U.S. dollars)</i>                         |                   |          |
| Interest rate swap contracts:        |                   |                                                            |                   |          |
| To receive floating/<br>to pay fixed | Long-term<br>debt | \$118,215                                                  | \$ 82,687         | (Note 2) |

(Note 1) Fair value is measured based on quotes and others provided by financial institutions and others.

(Note 2) The fair values of interest rate swap contracts and interest rate and currency swap contracts meeting certain conditions for hedge accounting are included in that of the corresponding long-term debt because interest rate swap contracts and interest rate and currency swap contracts are treated together with the long-term debt as the hedged item.

## 20. Financial Instruments

### 1. Outline of financial instruments

#### (1) Policy for financial instruments

The Group invests only in short-term bank deposits and obtains financing through borrowings from banks or the issuance of bonds. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described herein.

#### (2) Type of financial instruments and related risk

Receivables such as notes and accounts receivable, trade are exposed to customer credit risk. Receivables denominated in foreign currencies arising from global business transactions are exposed to foreign currency exchange fluctuation risk; however, the risk associated with principal export transactions is constantly maintained within the limits established based on historical experience and the exposures are hedged by forward exchange rate contracts. Equity investments are exposed to the risk of market price fluctuations; nevertheless, they mainly consist of equity of companies with which the Company has business relationships, and their fair values are evaluated quarterly and reported to the Board of Managing Directors. Payment terms of payables, such as notes and accounts payable, trade are mostly less than one year. Although payables in foreign currencies are exposed to foreign currency exchange fluctuation risk, those risks are constantly netted against the balance of receivables denominated in the same foreign currency. Borrowings and commercial papers are used to raise necessary funds for working capital and capital expenditures. Although some borrowings with floating interest rates are exposed to interest rate fluctuation risk, such exposure is hedged by using derivatives (interest rate swaps).

#### (3) Risk management for financial instruments

##### 1) Monitoring of credit risk (the risk that customer or counterparties may default)

The Group monitors payment terms and the balances of receivables by individual customer in accordance with internal rules on management of accounts receivable and has a system to periodically assess the credit risk of the customers.

##### 2) Monitoring of market risks (the risk arising from fluctuations in foreign exchange rates, interest rates and others)

The Group mitigates foreign currency exchange fluctuation risks in connection with receivables and short/long-term debt denominated in foreign currencies by using exchange rate contracts for a certain proportion of such receivables and debt. In addition, the Company uses interest rate swap contracts for long-term debt to fix interest payments on borrowings with floating interest rates; therefore, there is no interest rate fluctuation risk exposure for interest payments on long-term debt.

## 20. Financial Instruments (continued)

### (3) Risk management for financial instruments (continued)

- 3) Monitoring of liquidity risk (the risk that the Group may not be able to meet its obligations on scheduled due dates)

The Group manages liquidity risk by timely making projection and revision of cash flow plans by the department in charge of finance based on reports from each relevant department.

### (4) Supplementary explanation of estimated fair value of financial instruments

Not applicable

## 2. Fair values of financial instruments

Carrying amount, fair value and unrealized gain/loss of the financial instruments as of March 31, 2019 and 2018 are as follows:



**20. Financial Instruments (continued)**

## 2. Fair values of financial instruments (continued)

| <b>At March 31, 2019</b>                                                                         |                            |                       |                                   |
|--------------------------------------------------------------------------------------------------|----------------------------|-----------------------|-----------------------------------|
|                                                                                                  | <b>Carrying<br/>amount</b> | <b>Fair<br/>value</b> | <b>Unrealized<br/>gain (loss)</b> |
| <i>(Millions of yen)</i>                                                                         |                            |                       |                                   |
| (1) Cash and bank deposits                                                                       | ¥ 98,574                   | ¥ 98,574              | ¥ –                               |
| (2) Notes and accounts receivable, trade                                                         | 139,689                    | 139,689               | –                                 |
| (3) Investment securities                                                                        |                            |                       |                                   |
| Other securities                                                                                 | 44,107                     | 44,107                | –                                 |
| (4) Long-term loans receivable                                                                   | 3,995                      | 4,105                 | 110                               |
| Total assets                                                                                     | <u>¥ 286,365</u>           | <u>¥ 286,475</u>      | <u>¥ 110</u>                      |
| (1) Notes and accounts payable, trade                                                            | ¥ 127,306                  | ¥ 127,306             | ¥ –                               |
| (2) Short-term borrowings                                                                        | 3,315                      | 3,315                 | –                                 |
| (3) Current portion of long-term debt                                                            | 21,103                     | 21,103                | –                                 |
| (4) Accrued income taxes                                                                         | 2,933                      | 2,933                 | –                                 |
| (5) Notes payable-facilities                                                                     | 7,309                      | 7,309                 | –                                 |
| (6) U.S. dollar denominated convertible<br>bond-type bonds with subscription rights to<br>shares | 11,099                     | 10,982                | (117)                             |
| (7) Long-term debt                                                                               | 32,697                     | 32,661                | (36)                              |
| (8) Long-term lease obligations                                                                  | 538                        | 537                   | (1)                               |
| Total liabilities                                                                                | <u>¥ 206,300</u>           | <u>¥ 206,146</u>      | <u>¥ (154)</u>                    |
| Derivative financial instruments (*1)                                                            | <u>¥ 43</u>                | <u>¥ 43</u>           | <u>¥ –</u>                        |

  

| <b>At March 31, 2018</b>                                                                         |                            |                       |                                   |
|--------------------------------------------------------------------------------------------------|----------------------------|-----------------------|-----------------------------------|
|                                                                                                  | <b>Carrying<br/>amount</b> | <b>Fair<br/>value</b> | <b>Unrealized<br/>gain (loss)</b> |
| <i>(Millions of yen)</i>                                                                         |                            |                       |                                   |
| (1) Cash and bank deposits                                                                       | ¥ 95,252                   | ¥ 95,252              | ¥ –                               |
| (2) Notes and accounts receivable, trade                                                         | 146,781                    | 146,781               | –                                 |
| (3) Investment securities                                                                        |                            |                       |                                   |
| Other securities                                                                                 | 54,034                     | 54,034                | –                                 |
| (4) Long-term loans receivable                                                                   | 8,720                      | 8,859                 | 139                               |
| Total assets                                                                                     | <u>¥ 304,787</u>           | <u>¥ 304,926</u>      | <u>¥ 139</u>                      |
| (1) Notes and accounts payable, trade                                                            | ¥ 131,145                  | ¥ 131,145             | ¥ –                               |
| (2) Short-term borrowings                                                                        | 4,773                      | 4,773                 | –                                 |
| (3) Current portion of long-term debt                                                            | 12,547                     | 12,547                | –                                 |
| (4) Accrued income taxes                                                                         | 6,074                      | 6,074                 | –                                 |
| (5) Notes payable-facilities                                                                     | 3,715                      | 3,715                 | –                                 |
| (6) U.S. dollar denominated convertible<br>bond-type bonds with subscription rights to<br>shares | 10,624                     | 11,364                | 740                               |
| (7) Long-term debt                                                                               | 25,339                     | 25,285                | (54)                              |
| (8) Long-term lease obligations                                                                  | 564                        | 562                   | (2)                               |
| Total liabilities                                                                                | <u>¥ 194,781</u>           | <u>¥ 195,465</u>      | <u>¥ 684</u>                      |
| Derivative financial instruments (*1)                                                            | <u>¥ –</u>                 | <u>¥ –</u>            | <u>¥ –</u>                        |

**20. Financial Instruments (continued)**

## 2. Fair values of financial instruments (continued)

|                                                                                                  | <b>At March 31, 2019</b>           |                       |                                   |
|--------------------------------------------------------------------------------------------------|------------------------------------|-----------------------|-----------------------------------|
|                                                                                                  | <b>Carrying<br/>amount</b>         | <b>Fair<br/>value</b> | <b>Unrealized<br/>gain (loss)</b> |
|                                                                                                  | <i>(Thousands of U.S. dollars)</i> |                       |                                   |
| (1) Cash and bank deposits                                                                       | \$ 888,851                         | \$ 888,851            | \$ –                              |
| (2) Notes and accounts receivable, trade                                                         | 1,259,594                          | 1,259,594             | –                                 |
| (3) Investment securities                                                                        |                                    |                       |                                   |
| Other securities                                                                                 | 397,714                            | 397,714               | –                                 |
| (4) Long-term loans receivable                                                                   | 36,028                             | 37,022                | 994                               |
| Total assets                                                                                     | <u>\$2,582,187</u>                 | <u>\$2,583,181</u>    | <u>\$ 994</u>                     |
| (1) Notes and accounts payable, trade                                                            | \$1,147,932                        | \$1,147,932           | \$ –                              |
| (2) Short-term borrowings                                                                        | 29,895                             | 29,895                | –                                 |
| (3) Current portion of long-term debt                                                            | 190,293                            | 190,293               | –                                 |
| (4) Accrued income taxes                                                                         | 26,448                             | 26,448                | –                                 |
| (5) Notes payable-facilities                                                                     | 65,904                             | 65,904                | –                                 |
| (6) U.S. dollar denominated convertible<br>bond-type bonds with subscription rights to<br>shares | 100,081                            | 99,030                | (1,051)                           |
| (7) Long-term debt                                                                               | 294,835                            | 294,512               | (323)                             |
| (8) Long-term lease obligations                                                                  | 4,850                              | 4,837                 | (13)                              |
| Total liabilities                                                                                | <u>\$1,860,238</u>                 | <u>\$1,858,851</u>    | <u>\$ (1,387)</u>                 |
| Derivative financial instruments (*1)                                                            | <u>\$ 389</u>                      | <u>\$ 389</u>         | <u>\$ –</u>                       |

(\*1) Receivables and payables under derivative transactions are presented on a net basis. Payables are presented in parentheses.

(Note 1) Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions

## Assets:

## (1) Cash and bank deposits and (2) Notes and accounts receivable, trade

These assets are recorded using book values because fair values approximate book values due to their short-term maturities.

## (3) Investment securities

The fair values of equity securities are determined using the quoted price at the stock exchange, and those of debt securities are determined using the quoted price obtained from the financial institutions.

Please see Note 10 “Investment Securities” for information on securities by holding purpose.

## (4) Long-term loans receivable

The fair values of long-term loans receivable are determined by the present value, calculated based on the estimated amount of principal and interest receivable, reflecting the collectability and discounted using the interest rate of Japanese government bonds with the corresponding maturities.

**20. Financial Instruments (continued)**

## 2. Fair values of financial instruments (continued)

## Liabilities

- (1) Notes and accounts payable, trade, (2) Short-term borrowings, (3) Current portion of long-term debt, (4) Accrued income taxes, and (5) Note payable-facilities

These payables are recorded using book values because fair values approximate book values due to their short-term maturities.

- (6) U.S. dollar denominated convertible bond-type bonds with subscription rights to shares

The fair value of U.S. dollar denominated convertible bond-type bonds with subscription rights to shares is determined using the quoted price obtained from the financial institutions.

- (7) Long-term debt and (8) Long-term lease obligations

The fair values of long-term debt and lease obligations are determined by discounting the aggregated values of the principal and interest using an assumed interest rate applied in case the same type of loans or leases should be newly made. Long-term debt with floating interest rates is hedged by interest rate swap contracts meeting certain conditions for hedge accounting, and the fair values are determined by discounting the aggregated values of the principal and interest accounted for together with the related interest rate swap contracts using the reasonably estimated interest rate to be applied when the same types of loans are newly made.

## Derivative financial instruments:

Please see the Note 19 “Derivative Financial Instruments.”

- (Note 2) Financial instruments for which it is extremely difficult to determine the fair value

|                                                                      | <b>2019</b>              | <b>2018</b> | <b>2019</b>                        |
|----------------------------------------------------------------------|--------------------------|-------------|------------------------------------|
|                                                                      | <i>(Millions of yen)</i> |             | <i>(Thousands of U.S. dollars)</i> |
| Equity investments of unlisted subsidiaries and affiliated companies | ¥10,158                  | ¥9,689      | \$91,592                           |
| Other unlisted equity securities                                     | 950                      | 956         | 8,569                              |

The items above are not included in “(3) Investment securities” because there is no market price and it is very difficult to determine their fair values.

**20. Financial Instruments (continued)**

## 2. Fair values of financial instruments (continued)

(Note 3) Redemption schedule of monetary assets and investment securities with contractual maturities as of March 31, 2019

|                                      | <i>(Millions of yen)</i> |                      |                      |                   |
|--------------------------------------|--------------------------|----------------------|----------------------|-------------------|
|                                      | Within<br>one year       | One to<br>five years | Five to<br>ten years | Over<br>ten years |
| Cash and bank deposits               | ¥ 98,574                 | ¥ –                  | ¥ –                  | ¥ –               |
| Notes and accounts receivable, trade | 139,689                  | –                    | –                    | –                 |
| Long-term loans receivable           | –                        | 3,901                | 67                   | 27                |
| Total                                | ¥ 238,263                | ¥ 3,901              | ¥ 67                 | ¥ 27              |

|                                      | <i>(Thousands of U.S. dollars)</i> |                      |                      |                   |
|--------------------------------------|------------------------------------|----------------------|----------------------|-------------------|
|                                      | Within<br>one year                 | One to<br>five years | Five to<br>ten years | Over<br>ten years |
| Cash and bank deposits               | \$ 888,851                         | \$ –                 | \$ –                 | \$ –              |
| Notes and accounts receivable, trade | 1,259,594                          | –                    | –                    | –                 |
| Long-term loans receivable           | –                                  | 35,179               | 607                  | 242               |
| Total                                | \$2,148,445                        | \$ 35,179            | \$ 607               | \$ 242            |

(Note 4) Redemption schedule of short-term borrowings, bonds, long-term debt and long-term lease obligations as of March 31, 2019

|                                                                                        | <i>(Millions of yen)</i> |                     |                       |                        |                       |                    |
|----------------------------------------------------------------------------------------|--------------------------|---------------------|-----------------------|------------------------|-----------------------|--------------------|
|                                                                                        | Within<br>one year       | One to<br>two years | Two to<br>three years | Three to<br>four years | Four to<br>five years | Over<br>five years |
| Short-term borrowings                                                                  | ¥ 3,315                  | ¥ –                 | ¥ –                   | ¥ –                    | ¥ –                   | ¥ –                |
| U.S. dollar denominated convertible bond-type bonds with subscription rights to shares | 11,099                   | –                   | –                     | –                      | –                     | –                  |
| Long-term debt                                                                         | 21,103                   | 13,619              | 10,097                | 5,681                  | 3,300                 | –                  |
| Long-term lease obligations                                                            | –                        | 240                 | 168                   | 98                     | 32                    | –                  |
| Total                                                                                  | ¥ 35,517                 | ¥ 13,859            | ¥ 10,265              | ¥ 5,779                | ¥ 3,332               | ¥ –                |

**20. Financial Instruments (continued)**

## 2. Fair values of financial instruments (continued)

|                                                                                        | <i>(Thousands of U.S. dollars)</i> |                             |                               |                                |                               |                            |
|----------------------------------------------------------------------------------------|------------------------------------|-----------------------------|-------------------------------|--------------------------------|-------------------------------|----------------------------|
|                                                                                        | <u>Within<br/>one year</u>         | <u>One to<br/>two years</u> | <u>Two to<br/>three years</u> | <u>Three to<br/>four years</u> | <u>Four to<br/>five years</u> | <u>Over<br/>five years</u> |
| Short-term borrowings                                                                  | \$ 29,895                          | \$ –                        | \$ –                          | \$ –                           | \$ –                          | \$ –                       |
| U.S. dollar denominated convertible bond-type bonds with subscription rights to shares | 100,081                            | –                           | –                             | –                              | –                             | –                          |
| Long-term debt                                                                         | 190,293                            | 122,803                     | 91,048                        | 51,227                         | 29,757                        | –                          |
| Long-term lease obligations                                                            | –                                  | 2,164                       | 1,518                         | 879                            | 289                           | –                          |
| Total                                                                                  | <u>\$320,269</u>                   | <u>\$124,967</u>            | <u>\$ 92,566</u>              | <u>\$ 52,106</u>               | <u>\$ 30,046</u>              | <u>\$ –</u>                |

## 21. Other Comprehensive Income

The components of other comprehensive (loss) income for the years ended March 31, 2019 and 2018 are as follows:

|                                                                                               | <u>2019</u>              | <u>2018</u>    | <u>2019</u>                        |
|-----------------------------------------------------------------------------------------------|--------------------------|----------------|------------------------------------|
|                                                                                               | <i>(Millions of yen)</i> |                | <i>(Thousands of U.S. dollars)</i> |
| Unrealized holding loss on securities:                                                        |                          |                |                                    |
| Amount arising during year                                                                    | ¥ (9,953)                | ¥ (744)        | \$ (89,744)                        |
| Reclassification adjustments                                                                  | 449                      | (2,392)        | 4,050                              |
| Amount before the adjustment of tax effect                                                    | (9,504)                  | (3,136)        | (85,694)                           |
| Tax effect                                                                                    | 2,894                    | 905            | 26,090                             |
| Unrealized holding loss on securities                                                         | <u>(6,610)</u>           | <u>(2,231)</u> | <u>(59,604)</u>                    |
| Translation adjustments:                                                                      |                          |                |                                    |
| Amount arising during year                                                                    | <u>(2,072)</u>           | <u>1,359</u>   | <u>(18,686)</u>                    |
| Retirement benefit liability adjustments:                                                     |                          |                |                                    |
| Amount arising during year                                                                    | (3,449)                  | 1,454          | (31,104)                           |
| Reclassification adjustments                                                                  | 190                      | 914            | 1,717                              |
| Amount before the adjustment of tax effect                                                    | (3,259)                  | 2,368          | (29,387)                           |
| Tax effect                                                                                    | 1,047                    | (675)          | 9,437                              |
| Retirement benefit liability adjustments                                                      | <u>(2,212)</u>           | <u>1,693</u>   | <u>(19,950)</u>                    |
| Share of other comprehensive loss of affiliated companies accounted for by the equity method: |                          |                |                                    |
| Amount arising during year                                                                    | <u>(175)</u>             | <u>(231)</u>   | <u>(1,574)</u>                     |
| Total other comprehensive (loss) income                                                       | <u>¥ (11,069)</u>        | <u>¥ 590</u>   | <u>\$ (99,814)</u>                 |

## 22. Segment Information

### (1) Outline of reportable segments

The reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about allocation of management resources and to assess performance.

The Company operates principally in four industrial segments: automotive suspension springs; automotive seating; precision springs and components; and industrial machinery and equipment, and others based on manufacturing divisions of the Company. The main products of each segment are as follows:

|                                                 |                                                                                                                                                                                                                                      |
|-------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Automotive suspension springs:                  | Coil springs, stabilizer bars, leaf springs, torsion bars, stabilizer links, bellows, stabilinker and others                                                                                                                         |
| Automotive seating:                             | Seats, mechanical seating components, trim parts and others                                                                                                                                                                          |
| Precision springs and components:               | HDD suspensions and mechanical components, wire springs, flat springs, motor cores, LCD/semiconductor testing probe units, fastener (screw), precision machine components and others                                                 |
| Industrial machinery and equipment, and others: | Semiconductor processing products, ceramic products, spring mechanisms, pipe support systems, automatic parking systems, polyurethane products, metal substrates, security products, lighting equipment, golf club shafts and others |

### (2) Calculation method of net sales, income, assets and other items by reportable segment

The accounting treatments for reportable segments are consistent with those described in Note 1. Summary of Significant Accounting Policies. Segment income is based on operating profit.

**22. Segment Information (continued)****(3) Net sales, income or loss, assets and other items by reportable segment**

|                                                                           | <b>Year ended March 31, 2019</b> |                    |                                  |                                                |           |             |                    |
|---------------------------------------------------------------------------|----------------------------------|--------------------|----------------------------------|------------------------------------------------|-----------|-------------|--------------------|
|                                                                           | Automotive suspension springs    | Automotive seating | Precision springs and components | Industrial machinery and equipment, and others | Total     | Adjustments | Consolidated total |
|                                                                           | <i>(Millions of yen)</i>         |                    |                                  |                                                |           |             |                    |
| Sales:                                                                    |                                  |                    |                                  |                                                |           |             |                    |
| Sales to external customers                                               | ¥ 128,880                        | ¥ 303,243          | ¥ 152,958                        | ¥ 95,925                                       | ¥ 681,006 | ¥ –         | ¥ 681,006          |
| Inter-segment sales                                                       | 1,778                            | 122                | 1,863                            | 9,919                                          | 13,682    | (13,682)    | –                  |
| Net sales                                                                 | ¥ 130,658                        | ¥ 303,365          | ¥ 154,821                        | ¥ 105,844                                      | ¥ 694,688 | ¥ (13,682)  | ¥ 681,006          |
| Segment income                                                            | ¥ 6,193                          | ¥ 4,435            | ¥ 9,792                          | ¥ 6,230                                        | ¥ 26,650  | ¥ –         | ¥ 26,650           |
| Segment assets                                                            | ¥ 108,429                        | ¥ 125,427          | ¥ 121,173                        | ¥ 87,129                                       | ¥ 442,158 | ¥ 131,041   | ¥ 573,199          |
| Other items:                                                              |                                  |                    |                                  |                                                |           |             |                    |
| Depreciation and amortization                                             | ¥ 5,403                          | ¥ 6,044            | ¥ 9,302                          | ¥ 2,656                                        | ¥ 23,405  | ¥ 1,596     | ¥ 25,001           |
| Investments in affiliated companies accounted for by the equity-method    | 2,145                            | 2,273              | 2,764                            | 227                                            | 7,409     | –           | 7,409              |
| Increase in property, plant and equipment and intangible and other assets | 12,548                           | 6,544              | 14,842                           | 8,816                                          | 42,750    | 2,226       | 44,976             |
|                                                                           | <b>Year ended March 31, 2018</b> |                    |                                  |                                                |           |             |                    |
|                                                                           | Automotive suspension springs    | Automotive seating | Precision springs and components | Industrial machinery and equipment, and others | Total     | Adjustments | Consolidated total |
|                                                                           | <i>(Millions of yen)</i>         |                    |                                  |                                                |           |             |                    |
| Sales:                                                                    |                                  |                    |                                  |                                                |           |             |                    |
| Sales to external customers                                               | ¥ 124,268                        | ¥ 295,711          | ¥ 147,874                        | ¥ 91,878                                       | ¥ 659,731 | ¥ –         | ¥ 659,731          |
| Inter-segment sales                                                       | 1,783                            | 34                 | 1,848                            | 9,581                                          | 13,246    | (13,246)    | –                  |
| Net sales                                                                 | ¥ 126,051                        | ¥ 295,745          | ¥ 149,722                        | ¥ 101,459                                      | ¥ 672,977 | ¥ (13,246)  | ¥ 659,731          |
| Segment income                                                            | ¥ 9,627                          | ¥ 9,458            | ¥ 10,856                         | ¥ 5,600                                        | ¥ 35,541  | ¥ –         | ¥ 35,541           |
| Segment assets                                                            | ¥ 106,837                        | ¥ 139,857          | ¥ 121,484                        | ¥ 84,695                                       | ¥ 452,873 | ¥ 115,507   | ¥ 568,380          |
| Other items:                                                              |                                  |                    |                                  |                                                |           |             |                    |
| Depreciation and amortization                                             | ¥ 6,003                          | ¥ 5,359            | ¥ 8,977                          | ¥ 2,471                                        | ¥ 22,810  | ¥ 1,331     | ¥ 24,141           |
| Investments in affiliated companies accounted for by the equity-method    | 1,580                            | 1,936              | 2,975                            | 191                                            | 6,682     | –           | 6,682              |
| Increase in property, plant and equipment and intangible and other assets | 7,491                            | 7,082              | 12,801                           | 5,019                                          | 32,393    | 1,617       | 34,010             |



**22. Segment Information (continued)****(3) Net sales, income or loss, assets and other items by reportable segment (continued)**

|                                                                           | Year ended March 31, 2019          |                    |                                  |                                                |             |              |                    |
|---------------------------------------------------------------------------|------------------------------------|--------------------|----------------------------------|------------------------------------------------|-------------|--------------|--------------------|
|                                                                           | Automotive suspension springs      | Automotive seating | Precision springs and components | Industrial machinery and equipment, and others | Total       | Adjustments  | Consolidated total |
|                                                                           | <i>(Thousands of U.S. dollars)</i> |                    |                                  |                                                |             |              |                    |
| Sales:                                                                    |                                    |                    |                                  |                                                |             |              |                    |
| Sales to external customers                                               | \$1,162,130                        | \$2,734,381        | \$1,379,243                      | \$ 864,971                                     | \$6,140,725 | \$ –         | \$ 6,140,725       |
| Inter-segment sales                                                       | 16,036                             | 1,101              | 16,795                           | 89,442                                         | 123,374     | (123,374)    | –                  |
| Net sales                                                                 | \$1,178,166                        | \$2,735,482        | \$1,396,038                      | \$ 954,413                                     | \$6,264,099 | \$ (123,374) | \$6,140,725        |
| Segment income                                                            | \$ 55,847                          | \$ 39,995          | \$ 88,295                        | \$ 56,174                                      | \$ 240,311  | \$ –         | \$ 240,311         |
| Segment assets                                                            | \$ 977,714                         | \$1,130,994        | \$1,092,634                      | \$ 785,654                                     | \$3,986,996 | \$ 1,181,611 | \$5,168,607        |
| Other items:                                                              |                                    |                    |                                  |                                                |             |              |                    |
| Depreciation and amortization                                             | \$ 48,719                          | \$ 54,500          | \$ 83,879                        | \$ 23,947                                      | \$ 211,045  | \$ 14,395    | \$ 225,440         |
| Investments in affiliated companies accounted for by the equity-method    | 19,346                             | 20,496             | 24,921                           | 2,051                                          | 66,814      | –            | 66,814             |
| Increase in property, plant and equipment and intangible and other assets | 113,147                            | 59,008             | 133,831                          | 79,496                                         | 385,482     | 20,070       | 405,552            |

(Note 1) Adjustments for segment assets of ¥131,041 million (\$1,181,611 thousand) and ¥115,507 million at March 31, 2019 and 2018, respectively, include corporate assets not allocated to each reportable segment. Corporate assets consist mainly of cash and bank deposits that are not attributable to any reportable segment.

(Note 2) Adjustments for depreciation and amortization relate to the head office building.

(Note 3) Adjustments for increase in property, plant and equipment and intangible and other assets of ¥2,226 million (\$20,070 thousand) and ¥1,617 million at March 31, 2019 and 2018, respectively, relate to increased corporate assets that are not attributable to any reportable segment.

**22. Segment Information (continued)**

## (4) Information by geographic area

|                                                         |   | <b>As of/ Year ended March 31, 2019</b> |                                 |                 |              |              |
|---------------------------------------------------------|---|-----------------------------------------|---------------------------------|-----------------|--------------|--------------|
|                                                         |   | <b>Japan</b>                            | <b>United States of America</b> | <b>Thailand</b> | <b>Other</b> | <b>Total</b> |
|                                                         |   | <i>(Millions of yen)</i>                |                                 |                 |              |              |
| Sales                                                   | ¥ | 361,257                                 | ¥ 108,885                       | ¥ 108,265       | ¥ 102,599    | ¥ 681,006    |
| Property, plant and equipment (including leased assets) |   | 106,854                                 | 27,851                          | 17,541          | 20,594       | 172,840      |

  

|                                                         |   | <b>As of/ Year ended March 31, 2018</b> |                                 |                 |              |              |
|---------------------------------------------------------|---|-----------------------------------------|---------------------------------|-----------------|--------------|--------------|
|                                                         |   | <b>Japan</b>                            | <b>United States of America</b> | <b>Thailand</b> | <b>Other</b> | <b>Total</b> |
|                                                         |   | <i>(Millions of yen)</i>                |                                 |                 |              |              |
| Sales                                                   | ¥ | 363,348                                 | ¥ 104,585                       | ¥ 95,616        | ¥ 96,182     | ¥ 659,731    |
| Property, plant and equipment (including leased assets) |   | 96,384                                  | 25,876                          | 16,355          | 16,894       | 155,509      |

  

|                                                         |    | <b>As of/ Year ended March 31, 2019</b> |                                 |                 |              |              |
|---------------------------------------------------------|----|-----------------------------------------|---------------------------------|-----------------|--------------|--------------|
|                                                         |    | <b>Japan</b>                            | <b>United States of America</b> | <b>Thailand</b> | <b>Other</b> | <b>Total</b> |
|                                                         |    | <i>(Thousands of U.S. dollars)</i>      |                                 |                 |              |              |
| Sales                                                   | \$ | 3,257,502                               | \$ 981,834                      | \$ 976,240      | \$ 925,149   | \$ 6,140,725 |
| Property, plant and equipment (including leased assets) |    | 963,517                                 | 251,134                         | 158,170         | 185,699      | 1,558,520    |

(Note) Classification of geographical area has been changed from areas (Japan, North America, Asia and Other) to countries (Japan, United States of America, Thailand and Other) from the year ended March 31, 2019. Information for the year ended March 31, 2018 has been reclassified to conform to the current year presentation.

## (5) Information on major customers

For the years ended March 31, 2019 and 2018, information on major customers is omitted since there is no external customer with a sales amount of 10% or more of the Group's net sales.

**22. Segment Information (continued)****(6) Information on impairment loss of long-lived assets by reportable segment**

|                 | <b>Year ended March 31, 2019</b> |                    |                                  |                                                |          |                                  |                    |
|-----------------|----------------------------------|--------------------|----------------------------------|------------------------------------------------|----------|----------------------------------|--------------------|
|                 | Automotive suspension springs    | Automotive seating | Precision springs and components | Industrial machinery and equipment, and others | Total    | Eliminations or corporate assets | Consolidated total |
|                 | <i>(Millions of yen)</i>         |                    |                                  |                                                |          |                                  |                    |
| Impairment loss | ¥ 9,329                          | ¥ 842              | ¥ 1,278                          | ¥ –                                            | ¥ 11,449 | ¥ 76                             | ¥ 11,525           |

|                 | <b>Year ended March 31, 2018</b> |                    |                                  |                                                |         |                                  |                    |
|-----------------|----------------------------------|--------------------|----------------------------------|------------------------------------------------|---------|----------------------------------|--------------------|
|                 | Automotive suspension springs    | Automotive seating | Precision springs and components | Industrial machinery and equipment, and others | Total   | Eliminations or corporate assets | Consolidated total |
|                 | <i>(Millions of yen)</i>         |                    |                                  |                                                |         |                                  |                    |
| Impairment loss | ¥ 2,520                          | ¥ 868              | ¥ 541                            | ¥ –                                            | ¥ 3,929 | ¥ –                              | ¥ 3,929            |

|                 | <b>Year ended March 31, 2019</b>   |                    |                                  |                                                |            |                                  |                    |
|-----------------|------------------------------------|--------------------|----------------------------------|------------------------------------------------|------------|----------------------------------|--------------------|
|                 | Automotive suspension springs      | Automotive seating | Precision springs and components | Industrial machinery and equipment, and others | Total      | Eliminations or corporate assets | Consolidated total |
|                 | <i>(Thousands of U.S. dollars)</i> |                    |                                  |                                                |            |                                  |                    |
| Impairment loss | \$ 84,122                          | \$ 7,595           | \$ 11,523                        | \$ –                                           | \$ 103,240 | \$ 685                           | \$ 103,925         |

**22. Segment Information (continued)**

## (7) Information on amortization and unamortized balance of goodwill by reportable segment

| <b>As of/ Year ended March 31, 2019</b> |                                    |                    |                                  |                                                |       |                                  |                    |
|-----------------------------------------|------------------------------------|--------------------|----------------------------------|------------------------------------------------|-------|----------------------------------|--------------------|
|                                         | Automotive suspension springs      | Automotive seating | Precision springs and components | Industrial machinery and equipment, and others | Total | Eliminations or corporate assets | Consolidated total |
|                                         | <i>(Millions of yen)</i>           |                    |                                  |                                                |       |                                  |                    |
| Amortization                            | ¥ 1                                | ¥ –                | ¥ –                              | ¥ –                                            | ¥ 1   | ¥ –                              | ¥ 1                |
| Unamortized balance                     | 0                                  | –                  | –                                | –                                              | 0     | –                                | 0                  |
| <b>As of/ Year ended March 31, 2018</b> |                                    |                    |                                  |                                                |       |                                  |                    |
|                                         | Automotive suspension springs      | Automotive seating | Precision springs and components | Industrial machinery and equipment, and others | Total | Eliminations or corporate assets | Consolidated total |
|                                         | <i>(Millions of yen)</i>           |                    |                                  |                                                |       |                                  |                    |
| Amortization                            | ¥ 71                               | ¥ 1                | ¥ 0                              | ¥ –                                            | ¥ 72  | ¥ –                              | ¥ 72               |
| Unamortized balance                     | 0                                  | –                  | –                                | –                                              | 0     | –                                | 0                  |
| <b>As of/ Year ended March 31, 2019</b> |                                    |                    |                                  |                                                |       |                                  |                    |
|                                         | Automotive suspension springs      | Automotive seating | Precision springs and components | Industrial machinery and equipment, and others | Total | Eliminations or corporate assets | Consolidated total |
|                                         | <i>(Thousands of U.S. dollars)</i> |                    |                                  |                                                |       |                                  |                    |
| Amortization                            | \$ 5                               | \$ –               | \$ –                             | \$ –                                           | \$ 5  | \$ –                             | \$ 5               |
| Unamortized balance                     | 2                                  | –                  | –                                | –                                              | 2     | –                                | 2                  |

## 23. Related Party Transactions

Year ended March 31, 2019

There were no related party transactions to be disclosed.

Year ended March 31, 2018

Transactions between the Company and related parties:

|                                    |                                           |                                          |
|------------------------------------|-------------------------------------------|------------------------------------------|
| Type:                              | Affiliate                                 |                                          |
| Name:                              | Faurecia-NHK Co., Ltd.                    |                                          |
| Address:                           | Naka-ku, Yokohama                         |                                          |
| Capital:                           | ¥400 million                              |                                          |
| Business area:                     | Automotive Seating Division               |                                          |
| Proportion of voting rights owned: | 50.0%                                     |                                          |
| Related party transactions:        | Customer of the Company                   |                                          |
|                                    | One concurrent director                   |                                          |
| Details of transactions:           | Purchase of products from the Company     |                                          |
| Amount of transactions:            | ¥10,597 million                           |                                          |
| Accounts recorded:                 | Account receivable                        |                                          |
| Balance at end of year:            | ¥3,659 million                            |                                          |
| Type:                              | Subsidiary                                |                                          |
| Name:                              | NHK Spring Hungary KFT.                   |                                          |
| Address:                           | Tata, Komárom-Esztergom megye,<br>Hungary |                                          |
| Capital:                           | HUF 6,648 million                         |                                          |
| Business area:                     | Automotive suspension springs             |                                          |
| Proportion of voting rights owned: | 95.4% (Direct)<br>4.6% (Indirect)         |                                          |
| Related party transactions:        | Technical support                         |                                          |
| Details of transactions:           | Lending of funds                          |                                          |
| Amount of transactions:            | -                                         |                                          |
| Accounts recorded:                 | Long-term loans receivable                |                                          |
| Balance at end of year:            | ¥5,382 million                            |                                          |
| Type:                              | Subsidiary                                |                                          |
| Name:                              | NHK Seating Mizushima Co., Ltd.           |                                          |
| Address:                           | Kurashiki, Okayama Prefecture             |                                          |
| Capital:                           | ¥500 million                              |                                          |
| Business area:                     | Automotive Seating Division               |                                          |
| Proportion of voting rights owned: | 100.0%                                    |                                          |
| Related party transactions:        | Contract processing                       |                                          |
| Details of transactions:           | Sales of products to the<br>Company       | Purchase of products from the<br>Company |
| Amount of transactions:            | ¥5,112 million                            | ¥4,285 million                           |
| Accounts recorded:                 | Accounts payable                          | Other receivable                         |
| Balance at end of year:            | ¥4,215 million                            | ¥3,160 million                           |

**24. Subsequent Event**

[Distribution of retained earnings]

The following distribution of retained earnings, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2019, was approved by the shareholders of the Company at the Annual General Meeting of Shareholders held on June 26, 2019:

|                                            | <i>(Millions of<br/>yen)</i> | <i>(Thousands of<br/>U.S. dollars)</i> |
|--------------------------------------------|------------------------------|----------------------------------------|
| Cash dividends of ¥12.0 (\$0.11) per share | ¥ 2,845                      | \$ 25,655                              |