Consolidated Financial Summary FY2016

(April 1, 2015 – March 31, 2016)

TS TECH Co.,Ltd.

This document is an English translation of the Japanese language version of the consolidated financial summary that TS TECH Co., Ltd. has produced for reference purposes.
In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Consolidated Financial Summary for FY2016 (under IFRS)

April 28, 2016

Company name: TS TECH CO., LTD. Stock exchange listing: Tokyo Stock Exchange
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Scheduled date of general meeting of shareholders: June 24, 2016
Scheduled date of commencement of dividend payment: June 27, 2016
Scheduled date for filing of securities report: June 27, 2016
Preparation of supplementary explanatory material: Yes Results briefing: Yes

(Amounts of less than one million yen are rounded down to the nearest million yen)

1. Consolidated Financial Results for FY2016 (April 1, 2015 - March 31, 2016)

(1) Consolidated Financial Results (% of change from previous year)

	Revenue		Operating income		Income before tax		Net income		Income attributable to owners of parent		Total comprehensive income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2016	458,732	8.6	39,279	9.0	40,766	1.2	29,413	6.2	23,528	4.2	12,339	-72.6
FY2015	422,317	—	36,047	—	40,268	—	27,697	—	22,585	—	45,028	—

	Basic earnings per share	Diluted earnings per share	Return on equity attributable to owners of parent	Ratio of income before tax to total assets	Ratio of operating income to revenue
	Yen	Yen	%	%	%
FY2016	346.01	—	12.1	13.6	8.6
FY2015	332.15	—	12.8	14.3	8.5

(Reference) Share of profit (loss) of investments accounted for using the equity method FY2016 482 million yen FY2015 674 million yen

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets	Equity attributable to owners of parent per share
	Million yen	Million yen		%	Yen
FY2016	303,948	219,092	197,060	64.8	2,898.04
FY2015	296,858	216,502	192,116	64.7	2,825.32

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of term
	Million yen	Million yen	Million yen	Million yen
FY2016	47,531	-25,299	-12,319	90,437
FY2015	35,056	-22,771	-11,231	87,889

2. Cash Dividends

	Annual cash dividends per share					Total cash dividends (annual)	Dividends payout ratio (consolidated)	Equity attributable to owners of parent to dividend ratio (consolidated)
	End of 1Q	End of 2Q	End of 3Q	End of year	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY2015	—	30.00	—	30.00	60.00	4,079	18.1	2.3
FY2016	—	33.00	—	33.00	66.00	4,487	19.1	2.3
FY2017 (Forecasts)	—	35.00	—	35.00	70.00		22.1	

3. Consolidated Forecasts for FY2017 (April 1, 2016 - March 31, 2017)

(% of change from the same period of previous year)

	Revenue		Operating income		Income before tax		Net income		Income attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half of FY2017	211,000	—	17,900	—	18,300	—	13,300	—	10,900	—	160.30
FY2017	430,000	-6.3	36,500	-7.1	37,500	-8.0	26,400	-10.2	21,500	-8.6	316.19

Notes

(1) Changes in important subsidiaries during the term : None
(Changes in significant subsidiaries affecting the scope of consolidation during this period)
New subsidiaries — companies ( ) Excluded subsidiaries — companies ( )

(2) Changes in accounting principles and estimates
1) Changes in accounting policies required by IFRS : None
2) Changes other than 1) : None
3) Changes in accounting estimates : None

(3) Number of shares issued (common stock)

1) Number of shares issued at the end of the term including treasury stock	FY2016	68,000,000 shares	FY2015	68,000,000 shares
2) Number of treasury stock at the end of the term	FY2016	1,974 shares	FY2015	1,808 shares
3) Average number of shares during the term (cumulative)	FY2016	67,998,076 shares	FY2015	67,998,238 shares

(Note) For the number of shares that is the basis for the calculation of basic earnings per share, please see page 40, "Per Share Information."

(Reference) Non-Consolidated Financial Results

1. Non-Consolidated Financial Results for FY2016 (April 1, 2015 - March 31, 2016)

(1) Non-Consolidated Financial Results (% of change from previous year)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2016	87,684	6.9	3,728	82.2	13,762	17.2	11,409	16.5
FY2015	82,032	-15.9	2,045	-13.5	11,743	9.1	9,796	11.6

	Net income per share	Diluted net income per share
	Yen	Yen
FY2016	167.79	—
FY2015	144.07	—

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2016	111,161	91,077	81.9	1,339.42
FY2015	106,537	86,210	80.9	1,267.83

(Reference) Shareholders' equity: FY2016 91,077 million yen FY2015 86,210 million yen

(Note) Financial figures in the non-consolidated financial results are based on Japanese accounting standards.

*Representation regarding implementation status of auditing procedures

Auditing procedures based on the Financial Instruments and Exchange Act are not undertaken for financial statements at the time this financial summary is disclosed.

* Explanation regarding the appropriate use of forecasts of financial results and other notes

・The consolidated forecasts presented above are projections made by managers of TS TECH Co., Ltd. (hereinafter the "Company") on the basis of information available at the time of preparation. For that reason, they involve risks and uncertainties. Accordingly, we request that readers of this document avoid making investment decisions based exclusively on these forecasts. Please bear in mind the possibility that actual results may differ materially from these forecasts due to various important factors. Readers are asked to proceed to "1. Operating Performance (1) Analysis of Financial Results" on page 2 for assumptions and other information that form the premise for the operating results forecast above.

・Presentation materials used at the briefing held on April 28, 2016 can be obtained via the following URL:
(IR Library): http://www.tstech.co.jp/english/ir/

The Group has adopted IFRS effective the accounting period under review, and consolidated results for both the period under review and previous accounting period are compiled using IFRS.

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1. Operating Performance

The Group has switched from Japanese accounting standards (Japanese GAAP) to International Financial Reporting Standards (IFRS) effective the accounting period under review. All financial information in the text is in accordance with IFRS, except where it is specified that information is based on Japanese GAAP.

(1) Analysis of Financial Results

[1] Financial Results in FY2016

Despite sluggish economies in emerging countries and instability resulting from low crude oil prices, the global economy during the fiscal year under review showed steady progress due to moderate growth primarily driven by the U.S. economy. The TS TECH Group faced a challenging business environment overall, despite steady order volume in countries such as the United States and India, chiefly reflecting a decline in order volume in emerging countries including Brazil and Indonesia.

Against this backdrop, the Group pursued various measures to improve revenue in the second year of the its 12th Medium-Term Management Plan. In the Americas segment, a subsidiary in Mexico that manufactures seats and interior products began full scale operations in conjunction with the start of production of the new Honda Civic global model, and the Group worked towards even greater self-sufficiency and streamlining by implementing new facilities at each North American location as well as further consolidating the production of seat components. Additionally, in Asia, a new company for the cutting and sewing of trim cover in Bangladesh was established as part of a steady implementation of various measures to improve component competitiveness.

In the fiscal year under review, the Group recorded a year-on-year increase in revenue and operating income due to the gradual effects of active measures to improve revenue undertaken at each location as well as the impact of exchange rates driven by the weaker yen, which offset a decline in demand for automobiles primarily in emerging countries.

Revenue for the fiscal year under review amounted to 458,732 million yen on a consolidated basis, up 36,414 million yen (8.6%) from the preceding fiscal year. The impact of exchange rates driven by the weaker yen offset a decrease in order volume from major customers. Looking at profits, operating income stood at 39,279 million yen, an increase of 3,232 million yen (9.0%) year on year, primarily reflecting the effects of exchange rates and a change in the makeup of models, which offset temporary extra expenses such as model changeover costs in the Americas. Income attributable to owners of parent totaled 23,528 million yen, a decrease of 942 million yen (4.2%) year-on-year.

Operating performance by geographic segment is as follows:

(Japan)

In the fiscal year under review, the Group commenced the production of seats and interior products for Honda’s STEP WGN as well as seats for Honda’s Shuttle.

Organizational reforms (consolidation of production at a new plant, etc.) previously undertaken in the Saitama District were largely completed, and the Group promoted efficiency improvement in accordance with plans. Organizational reforms in line with a decline in production and a shift in production to minicars and other small models were also initiated at other domestic locations such as the Hamamatsu District and Suzuka District .

The operating performance of the Japanese segment is as follows:

(Unit: Million yen)

	FY2015	FY2016	Year-on-year	Changes
Revenue	85,899	92,071	6,172	7.2%
Operating income	7,404	9,152	1,748	23.6%

Main factors for year-on-year changes

Revenue	Revenue increased primarily due to the effects of new model releases throughout the year, offsetting a decline in order volume from major customers.
Operating income	Operating income increased mainly due to an improved makeup of models and efficiency improvement such as production consolidation.

(Americas)

In the fiscal year under review, the Group commenced the production of seats and interior products for Honda's Civic in North America.

To increase competitiveness in markets in the Americas, where there is fierce competition, the Group commenced full-scale operations at a subsidiary in Mexico that manufactures components. The Group also aimed for additional streamlining through measures such as the consolidation of production hubs at TS TECH CANADA INC. Additionally, the Group actively sought to optimize production allocation throughout the Americas region, including measures such as a building expansion project designed to accommodate production of new models at TS TECH ALABAMA, LLC.

The operating performance of the Americas segment is as follows:

(Unit: Million yen)

	FY2015	FY2016	Year-on-year	Changes
Revenue	219,534	247,087	27,552	12.6%
Operating income	16,198	14,327	-1,870	-11.5%

Main factors for year-on-year changes

Revenue	Revenue increased due to the positive impact of exchange rates and an increase in order volume from major customers.
Operating income	Additional expenses stemming from a model change resulted in a decline in operating income, offsetting the effects of increased revenue and streamlining that included the optimization of production allocation.

(China)

In the fiscal year under review, the production of seats for models such as Honda's City and Greiz commenced.

The relocation of GUANGZHOU TS AUTOMOTIVE INTERIOR SYSTEMS CO., LTD. in association with an urban development project in the Zengcheng District of Guangzhou has largely proceeded according to plans, which aim to improve efficiency through the optimization of production and logistics, and will continue in anticipation of the start of production in summer 2016. A building expansion project is underway at WUHAN TS-GSK AUTO PARTS CO., LTD. with the goal of increasing competitiveness through measures such as the installation of new injection facilities and in-house seat frame welding.

The operating performance of the Chinese segment is as follows:

(Unit: Million yen)

	FY2015	FY2016	Year-on-year	Changes
Revenue	91,057	96,513	5,455	6.0%
Operating income	14,243	16,171	1,927	13.5%

Main factors for year-on-year changes

Revenue	Revenue increased due to factors such as the positive impact of exchange rates and a rise in order volume from major customers.
Operating income	Operating income increased mainly due to the effects of the increase in revenue and greater in-house production, offsetting increased labor costs and other expenses.

(Asia and Europe)

In the fiscal year under review, the Group commenced the production of seats for Honda's BR-V in Thailand and Indonesia.

The Group established and brought on-line a new company, TS TECH BUSINESS SERVICES PHILIPPINES, INC., with the goal of transferring non-core development-related tasks to a location with advantageous development costs. Active deployment of measures to increase competitiveness include a new company for the cutting and sewing of trim cover in suburban Dhaka in Bangladesh established with the goal of increasing the cost competitiveness of automobile seat components.

The operating performance of the Asia and Europe segment is as follows:

(Unit: Million yen)

	FY2015	FY2016	Year-on-year	Changes
Revenue	58,727	59,257	530	0.9%
Operating income	3,034	4,671	1,636	53.9%

Main factors for year-on-year changes

Revenue	Although order volume from major customers decreased, revenue remained unchanged from the previous year due to the makeup of models.
Operating income	Operating income increased due to factors such as the effects of increased revenue and a reduction in start-up fees for a new plant that were incurred in the previous year.

Revenue by business segment is as follows:

(Unit: Million yen)

	FY2015		FY2016		Year-on-year	Changes
		Ratio		Ratio		
Motorcycles	6,242	1.5%	6,302	1.4%	60	1.0%
Automobiles	410,566	97.2%	445,885	97.2%	35,318	8.6%
(Seats)	365,223	86.5%	398,230	86.8%	33,007	9.0%
(Interior products)	45,343	10.7%	47,655	10.4%	2,311	5.1%
Other businesses	5,508	1.3%	6,543	1.4%	1,035	18.8%
Total	422,317	100.0%	458,732	100.0%	36,414	8.6%

[2] Forecasts for FY2017

The Group's consolidated forecasts for FY2017 are as follows:

Revenue	430.0 billion yen	(Down 6.3% year-on-year)
Operating income	36.5 billion yen	(Down 7.1% year-on-year)
Income before tax	37.5 billion yen	(Down 8.0% year-on-year)
Net income	26.4 billion yen	(Down 10.2% year-on-year)
Income attributable to owners of parent	21.5 billion yen	(Down 8.6 year-on-year)

The Group's forecasts by segment are as follows:

(Japan)

(Unit: Million yen)

	FY2016	FY2017 Forecasts	Year-on-year	Changes
Revenue	92,071	91,790	-281	-0.3%
Operating income	9,152	8,170	-982	-10.7%

Main factors for year-on-year changes

Revenue: Revenue is expected to decline due to a change in the makeup of models, offsetting an increase in order volume from major customers.

Operating income: Operating income is expected to decrease due to factors such as the impact of exchange rates driven by a stronger yen.

(Americas)

(Unit: Million yen)

	FY2016	FY2017 Forecasts	Year-on-year	Changes
Revenue	247,087	220,850	-26,237	-10.6%
Operating income	14,327	15,030	702	4.9%

Main factors for year-on-year changes

Revenue: Revenue is expected to decrease due to factors such as the impact of exchange rates driven by a stronger yen.

Operating income: Despite lower revenue, operating income is expected to increase year-on-year due to a reduction in temporary expenses that occurred during the previous year as a result of a model change.

(China)

（Unit: Million yen）

	FY2016	FY2017 Forecasts	Year-on-year	Changes
Revenue	96,513	88,050	-8,463	-8.8%
Operating income	16,171	13,200	-2,971	-18.4%

Main factors for year-on-year changes

Revenue: Revenue is expected to decrease due to the impact of exchange rates, offsetting an increase in order volume from major customers.

Operating income: Despite the anticipated effects of streamlining resulting from the plant relocation, operating income will likely decline due to a decrease in revenue.

(Asia and Europe)

（Unit: Million yen）

	FY2016	FY2017 Forecasts	Year-on-year	Changes
Revenue	59,257	63,800	4,542	7.7%
Operating income	4,671	4,710	38	0.8%

Main factors for year-on-year changes

Revenue: Revenue will likely rise due to factors such as an increase in order volume from major customers, offsetting the impact of exchange rates.

Operating income: Operating income is expected to remain unchanged from the previous year mainly due to a change in the makeup of models, offsetting the effects of increased revenue.

The Group also plans a capital investment of 11.5 billion yen, down 32.6% year-on-year.

Regarding full-year average exchange rates, the Group has assumed 1 USD = 110.0 yen and 1 CNY = 17.0 yen.

(2) Analysis of Financial Position

[1] Assets, liabilities, and equity

(Assets)

Assets at the end of FY2016 stood at 303,948 million yen, increasing 7,089 million yen from the end of FY2015. The main factors for the rise were an increase cash and cash equivalents resulting from higher income and an increase in trade and other receivables stemming from an increase in order volume from major customers. These factors offset a decrease stemming from the impact of exchange rates.

(Liabilities)

Total liabilities at the end of FY2016 amounted to 84,855 million yen, up 4,498 million yen from the end of FY2015. The increase resulted primarily from an increase in trade and other payables chiefly due to an increase in order volume from major customers, offsetting decreases stemming from the impact of exchange rates.

(Equity)

Equity at the end of FY2016 totaled 219,092 million yen, rising 2,590 million yen from the end of FY2015. The increase was chiefly due to an increase in retained earnings resulting from the recorded profit for the period, offsetting a decline in other components of equity due to the effects of exchange rates.

[2] Cash flows

Cash and cash equivalents (hereinafter "cash") at the end of FY2016 amounted to 90,437 million yen, up 2,547 million yen from the end of the previous fiscal year.

(Cash flows from operating activities)

Cash flows from operating activities amounted to 47,531 million yen, showing a year-on-year increase of 12,475 million yen. The result reflects a change in trade and other payables from a decrease of 13,456 million yen in the previous fiscal year to an increase of 11,731 million yen in FY2016 as well as a decrease of 2,165 million yen in income tax, offsetting a change in trade and other receivables from an increase of 15,476 million yen in the previous fiscal year to a decrease of 5,236 million yen in FY2016.

(Cash flows from investing activities)

Cash flows from investing activities came to 25,299 million yen, an increase of 2,528 million yen year-on-year, primarily reflecting a change in time deposits, after addition and withdrawal, from a net increase of 19 million yen in the previous fiscal year to a net increase of 4,919 million yen in the fiscal year under review, offsetting a 2,697 million yen decrease in purchase of intangible assets.

(Cash flows from financial activities)

Cash flows from financial activities totaled 12,319 million yen, an increase of 1,088 million yen year-on-year. This reflects an increase of 763 million yen in cash dividends paid (including cash dividends paid to non-controlling interests).

(Reference) Changes in Cash Flow-related Indexes

	FY2015	FY2016
Ratio of equity attributable to owners of parent to total assets (%)	64.7	64.8
Ratio of equity attributable to owners of parent to total assets on actual cash value basis (%)	74.3	58.9
Ratio of cash flow to interest-bearing liabilities (%)	16.1	9.1
Interest coverage ratio	171.3	260.1

Ratio of equity attributable to owners of parent to total assets: equity attributable to owners of parent/total assets
Ratio of equity attributable to owners of parent to total assets on an actual cash value basis: amount of market capitalization/total assets
Ratio of cash flow to interest-bearing liabilities: interest-bearing liabilities/cash flow
Interest coverage ratio: cash flow/interest paid
(Note 1) All indexes are calculated based on financial figures on a consolidated basis.
(Note 2) The amount of market capitalization is calculated based on the number of outstanding shares, excluding treasury stock.
(Note 3) Net cash provided by (used in) operating activities is used as cash flow.
(Note 4) Interest-bearing liabilities covers all interest-bearing liabilities listed in the consolidated statements of financial position.

(3) Basic Policy Concerning the Distribution of Profits and Dividends for FY2016 and FY2017

We have positioned the return of profits to shareholders as a top priority for management, while striving to improve corporate value through the development of businesses based on long-term, global perspectives. Our basic policy is to continue to deliver stable dividends in general consideration of consolidated results and payout ratios.

We plan to pay a year-end dividend of 33 yen per share for FY2016 (the year ended on March 31, 2016). Combined with the interim dividend of 33 yen, the dividend for FY2016 will be 66 yen per share.

We will use retained earnings for development of new technologies, investments in future business expansion, and other purposes to further improve operating performance and strengthen our financial position.

With respect to dividends for FY2017, we plan to pay 70 yen per share (an interim dividend of 35 yen and a year-end dividend of 35 yen) in consideration of trends in consolidated operating performance and the need for retained earnings to strengthen the consolidated corporate structure.

(4) Business and Other Risks

[1] Changes in the market environment

The TS TECH Group operates in regions around the world, including Japan, North America, South America, China and other countries in Asia, and Europe. The decline in the economies of these regions and reduced consumer spending resulting from trends in the costs of goods that has led to reduced sales of motorcycles and automobiles may have an adverse effect on the Group's operating performance.

[2] Level of dependence on sales to Honda Motor Co., Ltd., and Honda Group

Honda Motor Co., Ltd. and its affiliates (the "Honda Group") accounted for 92.3% of the consolidated net sales of the TS TECH Group (96.1% if indirect sales to the Honda Group via other Honda Group partners are included).

The TS TECH Group has regular opportunities to communicate with the Honda Group, through which it reaffirms the business direction being pursued by both groups. However, it is not guaranteed that the TS TECH Group will continue to receive orders for each model. If the TS TECH Group unexpectedly failed to win an order with the Honda Group, the TS TECH Group's operating performance may be affected. In addition, the business performance of the TS TECH Group may also by influenced by such factors as (1) changes in the Honda Group's business strategies or purchasing policies; (2) adjustments in the Honda Group's production, (3) transfer of the production bases of special models produced by the Honda Group; (4) reorganization of the Honda Group's production bases; (5) change in the timing of sales commencement of Honda Group models that incorporate the TS TECH Group's products and trends in their sales; and (6) the effects of recalls or other material problems at the Honda Group or its business affiliates on sale trends.

[3] Competition

The appearance of new competitors or cooperation among existing competitors may result in such companies, or alliances, rapidly gaining market share.

The TS TECH Group aims continually for technical innovation to reinforce its position as a manufacturer specializing in automobile seats and interiors as a means of enhancing its competitiveness. However, there is no guarantee that the Group will be able to maintain or expand its market share in the future.

[4] Latent risks inherent in international operations and overseas expansion

Reinforcing local production capabilities is a core strategy for the TS TECH Group. In North America, South America, China, other countries in Asia, and Europe, the Group has established local manufacturing subsidiaries and is pursuing an aggressive strategy of overseas business development.

Through this overseas business development, the business results of the Group may possibly be affected by

factors such as the unexpected establishment or amendment of overseas laws and regulations, the opinions and views of tax authorities regarding transfer pricing taxation, difficulties acquiring human resources and insufficient infrastructure, etc.

[5] Exposure to the credit risk of business partners

As a manufacturer of automotive parts, the TS TECH Group has many business partners. While we regularly verify the management status of our business partners, in the event of an unexpected deterioration in the credit or failure of a partner, the Group's operating performance may be adversely affected.

[6] Impact of fluctuations in raw material markets

The TS TECH Group's main product, automobile seats, is made of steel, resin, polyurethane, and covering materials. The Group takes steps to ensure the stable procurement of these materials by concluding basic purchase contracts with our suppliers of raw materials and parts.

However, in the event of an insufficient supply of raw materials that cannot be addressed or absorbed by the Group, or sharp price increases induced by changes in the regulations surrounding raw materials, reduced production by raw materials manufacturers, and changes in raw materials markets, the Group's operating performance may be negatively affected.

[7] Impact of foreign exchange fluctuations

The TS TECH Group operates globally and is susceptible to foreign exchange fluctuations in its foreign currency-denominated transactions. While the Group conducts exchange hedging transactions for major currencies to minimize the risk of foreign exchange fluctuations, as it is impossible to hedge against all exchange risk, the Group's operating performance may be affected by changes in the foreign exchange market.

The Group's operating performance may also be affected by changes in management results following the conversion to yen based on the conversion rate used in the consolidated financial statements.

[8] Impact of disasters, accidents, war, strikes and other incidents on the Group's production lines

To minimize the latent risk of disruptions to its production lines that can be caused by disasters, accidents, and other incidents, the TS TECH Group carries out regular accident prevention and safety inspections as well as equipment maintenance inspections on all equipment at its plants.

However, there is no guarantee that the Group will be able to completely prevent or mitigate the effect of disruptions to its production lines.

If any events that disrupt operations were to occur, such as property damage, human damage, and disruptions to infrastructure that may be caused by large-scale natural disasters, including earthquakes, and serious incidents, including contagious disease, war, terrorism, and strikes, it is possible that production capacity would be severely constrained. These events may have an adverse effect on the Group's operating performance.

[9] Protection of intellectual property rights

Although the TS TECH Group has accumulated technologies and know-how related to the manufacture of its products, in the future it is possible that these intellectual property rights will not be comprehensively protected. Moreover, the Group's operations could be adversely affected if its intellectual property rights were illegally infringed on a large scale.

In addition to the foregoing, although the Group develops products and technologies while paying sufficient attention to ensure that it does not infringe on the intellectual property rights of other companies, the business results of the Group may be affected if it is considered that products and technologies developed by the Group infringe on the intellectual property rights of third parties.

[10] Response to legal procedures

There is a possibility of a lawsuit against the TS TECH Group or an investigation based on the applicable laws. If a decision against the TS TECH Group was made in legal proceedings pending in court, the business results of the Group may be affected.

[11] Response in case of a product defect

The TS TECH Group has made efforts to prevent the occurrence of product defects by establishing a quality assurance system for the manufacturing process and operating quality management systems based on international standards such as ISO 9001.

Moreover, with respect to product defects that require compensation for losses due to product liability, the Group hedges risks by taking out insurance and establishing a system of traceability (tracing of manufacturing history), etc. However, the business results of the Group may be adversely affected by a significant cost caused by a product recall or deterioration of trust, etc.

[12] Risk of information leaks

The TS TECH Group obtains confidential information, including technical and other important information, from customers. To prevent any leakage of this information, the Group strives to ensure thorough information management by establishing internal regulations, providing education for its employees, and strengthening its security system. However, if confidential information is lost, is falsified, or leaks outside the Group due to unexpected circumstances, the Group's results could be adversely affected through the impairment of its enterprise value, loss of confidence in society, and liability for damages.

[13] Response to laws and regulations

In its business activities, which extend across many countries, the TS TECH Group is subject to a wide range of legal restrictions, such as safety and environmental regulations and laws. The Group operates in compliance with the relevant laws and regulations. In particular, in response to legal requirements in Europe and the United States relating to automobile safety, the Group has prepared a research and development system that enables it to adequately respond to future changes in the regulatory framework in this area.

However, in response to the reinforcement of various regulations or the establishment of new regulations in the future, if the Group is unable to fully comply with new legal requirements, its business activities may be restricted. Moreover, such reinforcement of regulations or the establishment of new regulations may cause the costs of the Group to increase, and the business results of the Group may be adversely affected.

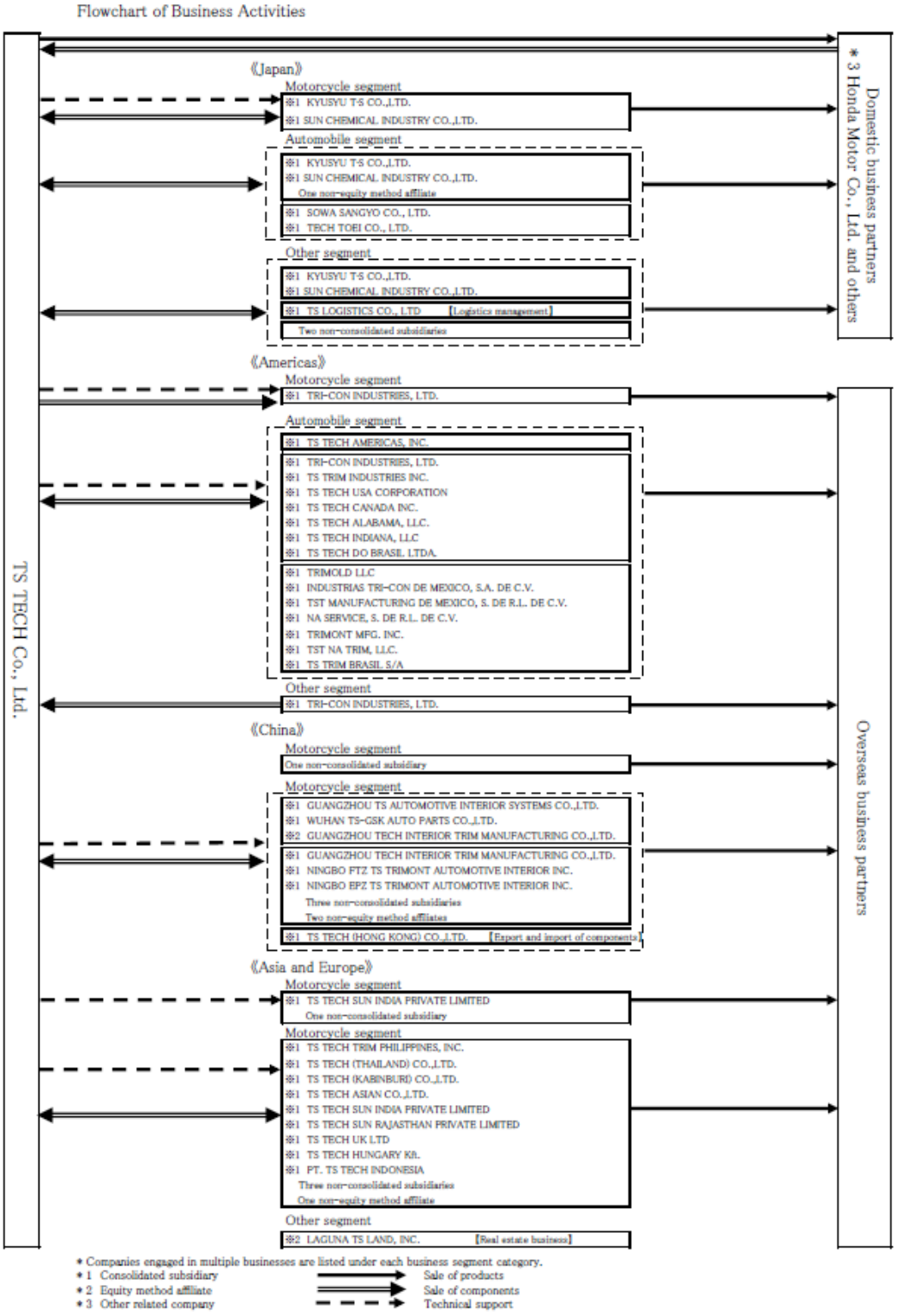
[14] Retirement benefit liabilities

The retirement benefit costs and liabilities of the TS TECH Group are calculated based on assumptions such as the discount rate. As a result, should actual results differ from these assumptions or should these assumptions change, the Group's operating performance and financial condition may be affected.

2. Group Status

Flowchart of Business Activities

The TS TECH Group consists of TS TECH Co., Ltd. and its 50 domestic and overseas subsidiaries. Its regional segments consist of four regions including Japan, the Americas, China and Asia and Europe. In addition, the Group maintains a close and ongoing relationship with Honda Motor Co., Ltd., one of its major business partners. The following chart shows business organization of the TS TECH Group:



Status of affiliated companies

Name	Location	Capital stock or investments in capital	Content of principal businesses	Ownership of voting rights or percentage of holding		Nature of relationship			
				Percentage of ownership (%)	Percentage of holding (%)	Sharing of directors	Fund assistance	Operational transactions	Lease of facilities
(Consolidated subsidiaries)									
KYUSYU T•S CO., LTD.	Kikuchi, Kumamoto	110 million yen	Motorcycle business Automobile business Other business	100.0	—	Concurrent appointment: 1 External transfer: 1	Loans	From TS TECH CO., LTD.: technical support, component supply, lease of properties; From KYUSYU T・S CO., LTD.: sale of products	Yes
SUN CHEMICAL INDUSTRY CO., LTD.	Hamamatsu, Shizuoka	99 million yen	Motorcycle business Automobile business Other business	58.8	—	External transfer: 3	—	From TS TECH CO., LTD.: lease of properties; From SUN CHEMICAL INDUSTRY CO., LTD.: sale of products	Yes
SOWA SANGYO CO., LTD.	Kazo, Saitama	99 million yen	Automobile business	100.0	—	Concurrent appointment: 1 External transfer: 1	—	From TS TECH CO., LTD.: lease of properties From SOWA SANGYO CO., LTD.: sale of products	Yes
TS LOGISTICS CO., LTD.	Kawagoe, Saitama	99 million yen	Other business	100.0	—	External transfer: 5	—	From TS TECH CO., LTD.: lease of properties; From TS LOGISTICS CO., LTD.: lease of property, sale of equipment, logistics support, packing and transportation of TS TECH products and components	—
TECH TOEI CO., LTD.	Suzuka, Mie	91 million yen	Automobile business	100.0	—	External transfer: 3	—	From TS TECH CO., LTD.: lease of properties From TECH TOEI CO., LTD.: sale of products	Yes
TRI-CON INDUSTRIES, LTD.	Nebraska, the United States	5.1 million US dollars	Motorcycle business Automobile business Other business	100.0 (100.0)	—	External transfer: 3	—	From TS TECH CO., LTD.: technical support, component supply, sale of equipment	—
TS TRIM INDUSTRIES INC.	Ohio, the United States	23 million US dollars	Automobile business	100.0 (100.0)	—	External transfer: 2	—	From TS TECH CO., LTD.: technical support, component supply, sale of equipment; From TS TRIM INDUSTRIES INC.: sale of products	—
TS TECH USA CORPORATION	Ohio, the United States	15 million US dollars	Automobile business	100.0 (100.0)	—	External transfer: 3	—	From TS TECH CO., LTD.: technical support, component supply From TS TECH USA CORPORATION: sale of products	—
TS TECH AMERICAS, INC.	Ohio, the United States	46 million US dollars	Automobile business	100.0	—	Concurrent appointment: 2 External transfer:5	—	From TS TECH CO., LTD.: technical support, component supply From TS TECH AMERICAS, INC.: sale of products development business	—
TS TECH ALABAMA, LLC.	Alabama, the United States	10 million US dollars	Automobile business	100.0 (100.0)	—	External transfer: 2	—	From TS TECH CO., LTD.: technical support, component supply sale of equipment; From TS TECH ALABAMA, LLC.: sale of products	—
TriMold LLC	Ohio, the United States	3 million US dollars	Automobile business	100.0 (100.0)	—	External transfer: 1	—	From TS TECH CO., LTD.: technical support	—
TS TECH INDIANA, LLC	Indiana, the United States	10 million US dollars	Automobile business	100.0 (100.0)	—	External transfer: 2	—	From TS TECH CO., LTD.: technical support, component supply From TS TECH INDIANA, LLC: sale of products	—
TST NA TRIM, LLC.	Texas, the United States	2 million US dollars	Automobile business	100.0 (100.0)	—	External transfer: 3	—	From TS TECH CO., LTD.: technical support, component supply	—
TS TECH CANADA INC.	Ontario, Canada	6 million Canadian dollars	Automobile business	100.0 (100.0)	—	External transfer: 2	—	From TS TECH CO., LTD.: technical support, component supply, sale of equipment From TS TECH CANADA INC.: sale of products	—
TRIMONT MFG. INC.	Ontario, Canada	2 million Canadian dollars	Automobile business	100.0 (100.0)	—	External transfer: 2	—	From TS TECH CO., LTD.: technical support, component supply, sale of equipment	—
INDUSTRIAS TRI-CON DE MEXICO, S.A. DE C.V.	Tamaulipas, Mexico	1 thousand US dollars	Automobile business	100.0 (100.0)	—	External transfer: 1	—	—	—
TST MANUFACTURING DE MEXICO, S. DE R.L. DE C.V.	Guanajuato, Mexico	34,819 thousand US dollars	Automobile business	100.0 (100.0)	—	External transfer: 3	—	From TS TECH CO., LTD.: technical support, component supply, sale of equipment	—
NA SERVICE, S. DE R.L. DE C.V.	Guanajuato, Mexico	179 thousand US dollars	Other business	100.0 (100.0)	—	External transfer: 2	—	—	—
TS TECH DO BRASIL LTDA.	São Paulo, Brazil	8.57 million Brazilian reais	Automobile business	100.0 (28.6)	—	External transfer: 2	—	From TS TECH CO., LTD.: technical support	—
TS TRIM BRASIL S/A	Minas Gerais, Brazil	26 million Brazilian reais	Automobile business	100.0 (100.0)	—	External transfer: 2	—	—	—
GUANGZHOU TS AUTOMOTIVE INTERIOR SYSTEMS CO., LTD.	Guangdong, China	3.86 million US dollars	Automobile business	52.0	—	External transfer: 3	—	From TS TECH CO., LTD.: technical support, sale of equipment	—
GUANGZHOU TECH INTERIOR TRIM MANUFACTURING CO., LTD.	Guangdong, China	3.3 million US dollars	Automobile business	52.0	—	External transfer: 3	—	—	—

Name	Location	Capital stock or investments in capital	Content of principal businesses	Ownership of voting rights or percentage of holding		Nature of relationship			
				Percentage of ownership (%)	Percentage of holding (%)	Sharing of directors	Fund assistance	Operational transactions	Lease of facilities
NINGBO FTZ TS TRIMONT AUTOMOTIVE INTERIOR INC.	Zhejiang, China	5 million US dollars	Automobile business	100.0 (40.0)	—	Concurrent appointment: 2 External transfer: 4	—	From TS TECH CO., LTD.:, component supply	—
NINGBO EPZ TS TRIMONT AUTOMOTIVE INTERIOR INC.	Zhejiang, China	5 million US dollars	Automobile business	100.0 (40.0)	—	Concurrent appointment: 2 External transfer: 4	—	From TS TECH CO., LTD.: technical support, component supply. From NINGBO EPZ TS TRIMONT AUTOMOTIVE INTERIOR INC.: sale of products	—
WUHAN TS-GSK AUTO PARTS CO., LTD.	Hubei, China	9 million US dollars	Automobile business	60.0	—	External transfer: 3	—	From TS TECH CO., LTD.: technical support, sale of equipment	—
TS TECH (HONG KONG) CO., LTD.	Hong Kong, China	600 thousand Hong Kong dollars	Automobile business	100.0 (1.0)	—	External transfer: 3	—	From TS TECH CO., LTD.: product supply From TS TECH (HONG KONG) CO., LTD.: sale of products, development business	—
TS TECH TRIM PHILIPPINES, INC.	Laguna, the Philippines	125 million Philippine pesos	Automobile business	100.0	—	Concurrent appointment: 1 External transfer: 3	—	From TS TECH CO., LTD.: technical support, component supply From TS TECH TRIM PHILIPPINES, INC.: sale of products	—
PT. TS TECH INDONESIA	West Java Province, Indonesia	7 million US dollars	Automobile business	90.0	—	External transfer: 4	—	From TS TECH CO., LTD.: technical support, component supply	—
TS TECH (THAILAND) CO., LTD.	Saraburi, Thailand	150 million Thai baht	Automobile business	64.5 (64.5)	—	External transfer: 4	—	From TS TECH CO., LTD.: technical support, component supply, sale of equipment From TS TECH (THAILAND) CO., LTD.: sale of products	Yes
TS TECH ASIAN CO., LTD.	Bangkok, Thailand	150 million Thai baht	Automobile business	100.0	—	Concurrent appointment: 1 External transfer: 3	—	From TS TECH CO., LTD.: technical support From TS TECH ASIAN CO., LTD.: development business	—
TS TECH (KABINBURI) CO., LTD.	Prachinburi, Thailand	800 million Thai baht	Automobile business	100.0 (100.0)	—	Concurrent appointment: 1 External transfer: 3	—	From TS TECH CO., LTD.: sale of equipment	—
TS TECH SUN INDIA PRIVATE LIMITED	Uttar Pradesh, India	154.8 million Indian rupee	Motorcycle business Automobile business	74.0	—	Concurrent appointment: 1 External transfer: 2	—	From TS TECH CO., LTD.: technical support From TS TECH SUN INDIA PRIVATE LIMITED: sale of products	—
TS TECH SUN RAJASTHAN PVT. LTD	Rajasthan, India	1,300 million Indian rupee	Automobile business	98.8 (1.9)	—	Concurrent appointment: 1 External transfer: 2	—	From TS TECH CO., LTD.: technical support From TS TECH SUN RAJASTHAN PVT. LTD: sale of products	—
TS TECH UK LTD.	Wilshire, the United Kingdom	12 million British pounds	Automobile business	100.0	—	Concurrent appointment: 1 External transfer: 1	—	From TS TECH CO., LTD.: technical support, component supply, sale of equipment From TS TECH UK LTD.: sale of products	—
TS TECH HUNGARY Kft.	Pest County, Hungary	510 thousand euros	Automobile business	100.0	—	External transfer: 1	Loans	From TS TECH CO., LTD.: technical support	—
(Equity method affiliates) GUANGZHOU TSK AUTO PARTS CO., LTD.	Guangdong, China	5 million US dollars	Automobile business	36.0	—	External transfer: 2	—	From TS TECH CO., LTD.: technical support, sale of equipment	—
LAGUNA TS LAND, INC.	Laguna, the Philippines	2.7 million Philippine pesos	Other business	40.0 (40.0)	—	External transfer: 2	—	—	—
(Other affiliates) Honda Motor Co., Ltd.	Minato-ku, Tokyo	86,067 million yen	Manufacturing and sale of automobiles	0.2	22.7 (0.1)	—	—	From TS TECH CO., LTD.: technical support, component supply From Honda Motor Co., Ltd.: sale of components	—

(Note 1) In the "Content of principal businesses" column, names of businesses categories are listed.

(Note 2) The subcategories of “Ownership of voting rights or percentage of holding” indicate the percentage of indirect ownership.

(Note 3) Specified subsidiaries include TS TECH AMERICAS, INC., TST MANUFACTURING DE MEXICO, S. DE R.L. DE C.V., TS TECH DO BRASIL LTDA, TS TRIM BRASIL S/A, GUANGZHOU TS AUTOMOTIVE INTERIOR SYSTEMS CO., LTD., NINGBO FTZ TS TRIMONT AUTOMOTIVE INTERIOR INC., NINGBO EPZ TS TRIMONT AUTOMOTIVE INTERIOR INC., WUHAN TS-GSK AUTO PARTS CO., LTD., PT. TS TECH INDONESIA, TS TECH (THAILAND) CO.,LTD., TS TECH (KABINBURI) CO., LTD., TS TECH SUN INDIA PRIVATE LIMITED, TS TECH SUN RAJASTHAN PRIVATE LIMTED, TS TECH (MANDAL) PRIVATE LIMITED, TS TECH UK LTD.,

(Note 4) Honda Motor Co., Ltd. submits securities reports to the Japanese government.

(Note 5) The percentage of revenue (excluding internally generated revenue among consolidated companies) generated by the TS TECH AMERICAS, INC. and WUHAN TS-GSK AUTO PARTS CO., LTD. exceeded 10% of net consolidated sales.

TS TECH AMERICAS, INC.			WUHAN TS-GSK AUTO PARTS CO., LTD.		
Revenue	240,791	million yen	Revenue	51,746	nillion yen
Income before tax	14,281		Income before tax	7,623	
Net income	10,517		Net income	5,626	
Total assets	91,962		Total assets	31,631	
Total equity	57,151		Total equity	14,129	

3. Management Policies

(1) Basic Policies for Company Management

The TS TECH Group maintains a management philosophy that places priority on “due regard for human resources” and on being “a company welcomed with joy” that brings pleasure to all its stakeholders.

“Due regard for human resources” is a philosophy in which we see people as the key to our growth and strive to provide a working environment in which the Group’s employees can pursue their dreams with passion. Being “a company welcomed with joy” is a philosophy whereby we offer to the world products that bring comfort and emotional joy in striving to become an independent and international supplier of automotive interior systems, and to conduct business in harmony with society so that we can bring pleasure to all stakeholders who have high expectations from our existence.

Based on this management philosophy, we will continue to practice our company principle, namely “We will always provide comfortable, high-quality products at a competitive price for customers all over the world, pursuing our dreams through creating products and challenging infinite possibilities,” to further enhance our corporate value.

(2) Medium- to Long-Term Management Strategy for the TS TECH Group and Issues Requiring a Response from the TS TECH Group

The TS TECH Group has positioned the ten years leading up to 2020 as a decade for laying the groundwork to become a top-ranking interior system supplier with the aim of expanding its corporate scale and enhancing its corporate value. Its vision for 2020 is to be an “Innovative Quality Company," and the group aims to be a "world leader in component competitiveness."

The competitive environment of the Group is changing from the existing framework to a stage of fierce competition with its competitors around the world. To expand its corporate scale and enhance its corporate value in a changing environment, the Group must continue to deal with its existing main customers, as well as address the challenge of steadily developing new customers and acquiring new trade rights.

In response to this environment, the 12th Medium-Term Management Plan, which commenced in April 2014 (from April 1, 2014 to March 31, 2017), constitutes the most important three years of the decade for the achievement of the 2020 vision. The qualitative goal of the plan is "Evolution as a global company," and the Group will pursue four key policies: [1] Strengthening QCDDM*1 competitiveness, [2] Expansion of sales beyond existing customers*2, [3] Building an infrastructure of people who are able to strive globally, and [4] Implementation of social contribution activity.

*1 QCDDM stands for quality, cost, development, delivery, and management.

*2 Sales beyond existing customers: sales to manufacturers of entire cars other than major customers

[Four key management policies]

[1] Strengthening QCDDM competitiveness

To prevail in a fiercely competitive environment, the TS TECH Group will enhance competitiveness in all aspects of corporate activities (QCDDM). To this end, the Group will build a foundation for achieving the 2020 vision.

With regard to the results for the current period, several measures related to their respective parts of QCDDM largely proceeded according to plan. Among them, there were some challenges faced with the measures related to Q (quality), but we are seeing results, which include a top score in the luxury car segment of an initial quality survey conducted by a U.S. survey company. However, we will not be complacent, and we will continue to strive for a high, stable level of quality, the eternal theme in manufacturing.

[2] Expansion of sales beyond existing customers

"Expansion of sales beyond existing customers," for which special efforts were made under the 11th

Medium-Term Management Plan, is included in the key policies. The TS TECH Group will further strengthen its efforts to expand business to customers other than its main customers as one of the growth strategies for achieving the 2020 vision.

As expected, development of new customers on a global level is risky, but thanks to efforts to strengthen our framework for sales to new customers and actively expand it, we are gradually seeing results that include new orders from a European automaker and an American motorcycle manufacturer. We will continue to strive to obtain new orders for commercial rights by aiming for an even greater range of customers, increasing our technical presence through efforts such as more collaboration between our Japan and U.S. research departments, and quickly establishing trust with new customers.

[3] Build an infrastructure of people who are able to strive globally

Under our management philosophy, which includes "due regard for human resources," the TS TECH Group, as a truly global company, will lay the foundation for cultivating human resources who will be able to work in the international arena.

In addition to efforts such as reforms to our domestic personnel systems, we are focusing on human resource development on a global level by designating promoters in each region in which we operate to share the TS Philosophy (our company motto, principles, etc.) so that a diverse array of human resources can grow and thrive. We will also promote human resource development in each country and region so that each local subsidiary can work toward even more independent operations.

[4] Implementation of social contribution activities

The TS TECH Group will implement social contribution activities through the provision of safe and comfortable products and the fulfillment of social responsibility in our business activities, including consideration for the environment, in pursuit of becoming "a company welcomed with joy" in accordance with its management philosophy.

We are constantly striving to evolve our technology, namely 1) safety technology that includes a "drowsiness reduction" feature, which helps to prevent automobile accidents, as well as technology to protect passengers in the event of an accident, and 2) environmental technologies to improve automobile mileage by making products lighter as well as reduce CO_2 emissions.

Under the concept of "returning the equivalent of land used for business activities to the earth in the form of greenery," we are conducting Green Ecosystem Conservation Activities at each domestic location. Additionally, we regularly participate in volunteer activities in each country around the world in which we operate, such as local clean-up projects and traffic safety seminars.

(3) Target Management Indexes

Under the 12th Medium-Term Management Plan, which commenced in April 2014 (from April 1, 2014 to March 31, 2017), the Company will perform corporate activities to achieve consolidated net sales of 500 billion yen or more and operating income of 45 billion yen or more.

However, global demand for automobiles has slowed and order volume due has declined due to changes, such as sluggish economic growth in developing countries including China, Brazil and Indonesia, that occurred following the establishment of our goals for our Medium-Term Management Plan.

Amid this backdrop, in addition to each major policy, we have actively implemented various measures to improve revenue that address changes in the operating environment, such as the consolidation of plants; revisions to production allocation; greater in-house production; progression of self-sufficiency and streamlining. However, with external factors such as unpredictable currency fluctuation in mind, we will proceed with operating activities under the forecast of 430 billion yen in revenue*3 and 36.5 billion yen in operating income.

*3 Revenue: A change in classification resulting from a switch to IFRS effective the year-end financial results for the fiscal year ended March 2016.

(4) Other Important Matters Concerning the Group's Management

Not applicable

4. Basic Policy on the Selection of Accounting Standards

The Group has adopted IFRS (International Financial Reporting Standards) to increase the international comparability of its financial statements in the capital market.

5. Consolidated Financial Statements

(1) Consolidated Statement of Financial Position

(Unit: Million yen)

	Transition date (April 1, 2014)	FY2015 (As of March 31, 2015)	FY2016 (As of March 31, 2016)
Assets			
Current assets			
Cash and cash equivalents	78,634	87,889	90,437
Trade and other receivables	63,997	55,356	56,948
Other financial assets	5,040	5,249	8,948
Inventories	23,183	28,340	27,763
Income tax receivables	458	627	1,201
Other current assets	2,660	3,754	4,918
Subtotal	173,975	181,217	190,118
Non-current assets held for sale	505	—	—
Total assets	174,480	181,217	190,118
Non-current assets			
Property, plant and equipment	57,857	74,349	76,338
Intangible assets	7,195	11,160	11,467
Investments accounted for using the equity method	1,207	1,349	1,016
Other financial assets	22,792	25,190	21,580
Assets concerning retirement benefits	1,038	482	598
Deferred tax assets	1,752	2,001	1,897
Other non-current assets	1,311	1,108	931
Total non-current assets	93,156	115,641	113,829
Total assets	267,637	296,858	303,948

(Unit: Million yen)

	Transition date (April 1, 2014)	FY2015 (As of March 31, 2015)	FY2016 (As of March 31, 2016)
Liabilities and equity			
Current liabilities			
Trade and other payables	65,102	60,191	66,224
Current borrowings	2,018	1,551	1,086
Other financial liabilities	1,840	1,709	1,452
Income tax receivables	3,738	1,975	2,406
Provisions	99	122	107
Other current liabilities	4,044	3,349	4,107
Total current liabilities	76,843	68,899	75,384
Non-current liabilities			
Non-current borrowings	69	9	21
Other financial liabilities	1,003	2,381	1,775
Liabilities related to retirement benefits	2,789	842	945
Provisions	145	141	78
Deferred tax liabilities	4,728	5,967	4,847
Other non-current liabilities	1,457	2,115	1,802
Total non-current liabilities	10,193	11,457	9,470
Total liabilities	87,037	80,356	84,855
Equity			
Capital stock	4,700	4,700	4,700
Capital surplus	4,949	4,949	4,949
Treasury stock	-3	-3	-4
Retained earnings	142,396	160,899	179,851
Other components of equity	7,620	21,571	7,563
Total equity attributable to owners of parent	159,663	192,116	197,060
Non-controlling interests	20,937	24,385	22,031
Total equity	180,600	216,502	219,092
Total liabilities and equity	267,637	296,858	303,948

(2) Consolidated Statement of Income and Comprehensive Income

Consolidated Statement of Income (Unit: Million yen)

	FY2015 (As of March 31, 2015)	FY2016 (As of March 31, 2016)
Revenue	422,317	458,732
Cost of sales	-352,716	-381,258
Gross profit	69,600	77,473
Selling, general and administrative expenses	-33,768	-39,414
Other income	1,017	1,693
Other expenses	-802	-472
Operating income	36,047	39,279
Finance income	3,753	1,593
Finance costs	-206	-589
Share of profit (loss) of investments accounted for using the equity method	674	482
Income before tax	40,268	40,766
Income tax expense	-12,570	-11,352
Net income	27,697	29,413
Income attributable to		
Income attributable to owners of parent	22,585	23,528
Income attributable to non-controlling interests	5,112	5,885
Net income	27,697	29,413
Earnings per share		
Basic earnings per share (yen)	332.15	346.01
Diluted earnings per share (yen)	―	-

Consolidated Comprehensive Income

(Unit: Million yen)

	FY2015 (As of March 31, 2015)	FY2016 (As of March 31, 2016)
Net income	27,697	29,413
Other comprehensive income		
Components that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	342	-196
Total components that will not be reclassified to profit or loss	342	-196
Components that will be reclassified to profit or loss		
Change in fair value of financial assets available-for-sale	1,406	-2,314
Differences on translation from foreign operations	15,472	-14,498
Share for equity method affiliates	108	-65
Total components that will be reclassified to profit or loss	16,988	-16,878
Other comprehensive income, net of tax	17,330	-17,074
Comprehensive income for the period	45,028	12,339
Comprehensive income for the period attributable to		
Comprehensive income for the period attributable to the owners of parent	36,536	9,520
Comprehensive income for the period attributable to non-controlling interests	8,492	2,818
Comprehensive income for the period	45,028	12,339

(3) Consolidated Statement of Changes in Equity

FY2015 (April 1, 2014 - March 31, 2015)

(Unit: million yen)

	Equity attributable to owners of parent				
	Capital stock	Capital surplus	Treasury stock	Retained earnings	Other components of equity
Balance as at the end of the previous fiscal year	4,700	4,949	-3	142,396	7,620
Comprehensive income					
Profit				22,585	
Other comprehensive income					13,950
Total comprehensive income	—	—	—	22,585	13,950
Transactions with owners, etc.					
Dividends				-4,079	
Acquisition of treasury stock			-0		
Other				-2	
Total transactions with owners, etc.	—	—	-0	-4,082	—
Closing balance as at the end of the fiscal year	4,700	4,949	-3	160,899	21,571

	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance as at the end of the previous fiscal year	159,663	20,937	180,600
Comprehensive income			
Profit	22,585	5,112	27,697
Other comprehensive income	13,950	3,380	17,330
Total comprehensive income	36,536	8,492	45,028
Transactions with owners, etc.			
Dividends	-4,079	-5,043	-9,123
Acquisition of treasury stock	-0		-0
Other	-2	-1	-3
Total transactions with owners, etc.	-4,082	-5,044	-9,126
Closing balance as at the end of the fiscal year	192,116	24,385	216,502

FY2016 (April 1, 2015 - March 31, 2016)

(Unit: million yen)

	Equity attributable to owners of parent				
	Capital stock	Capital surplus	Treasury stock	Retained earnings	Other components of equity
Balance as at the end of the previous fiscal year	4,700	4,949	-3	160,899	21,571
Comprehensive income					
Profit				23,528	
Other comprehensive income					-14,007
Total comprehensive income	—	—	—	23,528	-14,007
Transactions with owners, etc.					
Dividends				-4,283	
Acquisition of treasury stock			-0		
Other				-291	
Total transactions with owners, etc.	—	—	-0	-4,575	—
Closing balance as at the end of the fiscal year	4,700	4,949	-4	179,851	7,563

	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance as at the end of the previous fiscal year	192,116	24,385	216,502
Comprehensive income			
Profit	23,528	5,885	29,413
Other comprehensive income	-14,007	-3,066	-17,074
Total comprehensive income	9,520	2,818	12,339
Transactions with owners, etc.			
Dividends	-4,283	-5,170	-9,454
Acquisition of treasury stock	-0		-0
Other	-291	-1	-293
Total transactions with owners, etc.	-4,576	-5,172	-9,748
Closing balance as at the end of the fiscal year	197,060	22,031	219,092

(4) Consolidated Statement of Cash Flows

(Unit: million yen)

	FY2015 (As of March 31, 2015)	FY2016 (As of March 31, 2016)
Cash flows from operating activities		
Income before tax	40,268	40,766
Depreciation and amortization	8,994	10,819
Impairment loss	133	14
Loss (gain) on disposal of non-current assets	404	-652
Finance income and finance costs	-1,903	-1,452
Equity in (earnings) losses of affiliates	-674	-482
Decrease (increase) in operating and other receivables	15,476	-5,236
Net decrease (increase) in lease receivables and investment assets	2,235	3,072
Decrease (increase) in inventories	-2,914	-1,244
Increase (decrease) in operating and other debts	-13,456	11,731
Increase in net defined benefit asset or liability	-1,417	48
Increase (decrease) in provision	25	-78
Other	-1,256	-554
Subtotal	45,915	56,752
Interest income received	1,430	1,115
Dividend income received	1,381	1,147
Interest expenses paid	-204	-182
Income taxes paid	-13,466	-11,300
Cash flows from operating activities	35,056	47,531
Cash flows from investing activities		
Payments into time deposits	-980	-8,305
Proceeds from withdrawal of time deposits	961	3,385
Purchase of property, plant and equipment	-17,746	-17,673
Purchase of investment securities	753	872
Purchase of intangible assets	-5,331	-2,633
Purchase of equity instruments	-55	-59
Proceeds from sales of equity instruments	—	102
Payments of loans receivable	-145	-270
Collection of loans receivable	182	287
Other	-409	-1,006
Cash flows from investing activities	-22,771	-25,299

(Unit: million yen)

	FY2015 (As of March 31, 2015)	FY2016 (As of March 31, 2016)
Cash flows from financial activities		
Net increase (decrease) in short-term loans payable	-433	-777
Proceeds from long-term loans payable	—	27
Repayment of long-term loans payable	-167	-59
Repayments of finance lease obligations	-1,958	-2,073
Purchase of treasury stock	-0	-0
Cash dividends paid	-4,079	-4,283
Cash-dividends paid to non-controlling interests	-4,591	-5,151
Net cash provided by (used in) financing activities	-11,231	-12,319
Effect of exchange rate change on cash and cash equivalents	8,202	-7,465
Net increase (decrease) in cash and cash equivalents	9,255	2,446
Cash and cash equivalents at beginning of period	78,634	87,889
Increase in cash and cash equivalents from newly consolidated subsidiaries	—	101
Cash and cash equivalents at end of period	87,889	90,437

(5) Notes Concerning Consolidated Financial Statements

(Notes Concerning Going Concern Assumption)

Not applicable.

(Basic Important Matters for Preparation of Consolidated Financial Statements)

[1] Compliance with IFRS

The Company meets the requirements of a "specified company with respect to the specified International Accounting Standards" set forth in Article 1-2 of the Ordinance on Consolidated Financial Statements. Accordingly, the consolidated financial statements are prepared according to IFRS pursuant to the provisions of Article 93 of said Ordinance.

The consolidated financial statements were approved by the Board of Directors on April 28, 2016.

[2] Matters regarding the initial application

The Group adopted IFRS from the consolidated fiscal year ended March 31, 2016. The date of the transition to IFRS is April 1, 2014, and the table of the adjustment between the former accounting standards (Japanese GAAP) and IFRS is shown in "(5) Notes Concerning Consolidated Financial Statements (Initial Application)."

Except for the provisions of IFRS that were not applied early and the provisions exempt during the initial application, compliance with the effective IFRS is verified as of March 31, 2016.

[3] Basis for measurement

The consolidated financial statements are prepared based on the purchase price, except for financial instruments, etc. that are measured by fair value as specified in "(5) Notes Concerning Consolidated Financial Statements (Important Accounting Policies)."

[4] Functional currency and presentation currency

The presentation currency used in the consolidated financial statements is Japanese yen, which is the Company's functional currency. Any fractions below one (1) million yen are discarded.

[5] Important accounting judgments, estimates and assumptions

In the preparation of the consolidated financial statements, managers make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. The actual results may differ from those estimates because of their nature.

Such estimates and their underlying assumptions are continuously reviewed, and the effects identified upon such review will be recognized for the fiscal period for which the said estimates are reviewed and for the future fiscal periods.

Among the items estimated and judged, the following substantially affect the value stated in the consolidated financial statements for the fiscal period under review and the following fiscal periods.

- Scope of consolidation - Important Accounting Policies [1] Basis for consolidation
- Estimated life of intangible assets - Important Accounting Policies [8] Intangible assets
- Scope of leases and other contracts - Important Accounting Policies [9] Leases
- Impairment of non-financial assets - Important Accounting Policies [10] Impairment of non-financial assets

- Measurement of defined benefit obligations - Important Accounting Policies [12] Employee benefits
- Recognition and measurement of provisions - Important Accounting Policies [13] Provisions
- Recognition of income - Important Accounting Policies [16] Income
- Collectability of deferred tax assets - Important Accounting Policies [18] Corporate income tax

(Important Accounting Policies)

[1] Basis for consolidation

a. Subsidiaries

Subsidiaries mean companies controlled by the Group. The financial statements of the subsidiaries are included in the consolidated financial statements of the Company for the period from the date when the Group acquires control to the date of termination of said control.

When the accounting policies applied by a subsidiary are different from those applied by the Group, the financial statements of said subsidiary are revised as necessary.

The balance of accounts receivable and payable and transactions within the Group and the unrealized gain and loss on transactions within the Group are deducted under the consolidated financial statements.

Any change in the Company's interest in subsidiaries not involving the loss of control is processed as a capital transaction.

The book value of the interest in the Group and the non-controlling interest is adjusted according to any change in the interest, and the difference between the adjusted non-controlling interest and the fair value of consideration paid or received is directly recognized under capital and distributed to the owners of the parent.

b. Affiliates

Affiliates mean companies on which the Group has a substantial influence with respect to the financial and business policies without control thereof. The equity method is applied for the period from the date when the Group obtains a substantial influence on an affiliate to the date of the loss of said control.

Under the equity method, investments are initially measured at cost and are subsequently changed according to changes after the Group's acquisition of interest in the capital of an affiliate. At that time, the value corresponding to the Group's portion of the net profit/loss of the said affiliate is recognized as net income/loss. In addition, the value corresponding to the Group's portion of the other comprehensive income of the affiliate is recognized as other comprehensive income.

Profits on important internal transactions are set off and deducted according to the ratio of interest in an affiliate.

[2] Business combinations

Business combinations are processed according to the acquisition method.

The acquisition price is measured as the sum of the fair value of assets transferred, liabilities assumed and equity instruments issued by the Group.

The acquisition-related costs are recognized as net profit/loss when they are incurred.

The identifiable assets and liabilities obtained from the merged company are measured at a fair value

unless IFRS requires otherwise.

When the acquisition price exceeds the fair value of the identifiable assets and liabilities obtained from the merged company, it is treated as goodwill and assets are recognized. When such price falls below such value, net profit/loss is recognized.

[3] Foreign currency translation

The financial statements of each of the Group companies are prepared using the currency that it uses in the major economic environment for its business activities (hereinafter the "Functional Currency").

In addition, the financial statements for foreign operations are prepared on a consolidated basis by conversion to Japanese yen, which is the Company's Functional Currency.

a. Foreign currency-denominated transactions

The conversion of transactions in any currency other than the Functional Currency uses the exchange rate on the date of the transaction or any rate close to the exchange rate on the date of the transaction.

The foreign-denominated monetary assets and liabilities as at the end of the fiscal period are converted at the exchange rate on the closing date.

The conversion difference on the conversion or settlement of foreign-denominated monetary assets and liabilities is recognized as net profit/loss.

b. Foreign operations

The assets and liabilities of foreign operations are converted to Japanese yen using the exchange rate on the closing date, and the income and expenses are converted to Japanese yen using the average rate during the period unless they fluctuate substantially.

Any change in translation gains and losses on the conversion of the financial statements for foreign operations is recognized as valuation and translation adjustments, and the total change in translation gains and losses is recognized as other components of equity.

[4] Financial instruments

a. Classification of financial instruments

Financial assets and liabilities are classified as “financial assets and liabilities measured at a fair value through net profit/loss,” “held to maturity investments,” “loans and receivables” or “available for sale financial assets.” This classification is determined according to the nature and purpose of financial instruments when they are initially recognized.

b. Initial recognition and measurement

Financial assets and liabilities are recognized when the Group becomes a party to the agreement and are measured at a fair value.

Other than the financial assets measured at a fair value through net profit/loss, the transaction costs directly attributable to the acquisition of financial assets are added to the fair value of said financial assets.

Other than the financial liabilities measured at a fair value through net profit/loss, the transaction costs directly attributable to the issue of financial liabilities are deducted from the fair value of said financial liabilities.

c. Financial assets and liabilities measured at a fair value through net profit/loss

Derivative transactions and other holdings with the purpose of trading and items that the Group designates as measurement at a fair value through net profit/loss upon initial recognition are classified as "financial assets and liabilities measured at a fair value through net profit/loss."

Measurement after initial recognition is conducted at a fair value, and any change in the fair value is recognized as net profit/loss.

d. Held to maturity investments

Other than derivatives, the financial assets to be held under specific intention and that may be able to be held for which the payment amount is fixed or may be decided and the date of maturity is fixed are classified as "held to maturity investments."

Measurement after initial recognition is conducted at an amount obtained by deducting the impairment loss from the amortized cost according to the effective interest method, and interest income according to the effective interest method is recognized as net profit/loss.

e. Loans and receivables

Other than derivatives, the financial assets for which the payment amount is fixed or may be decided and for which the published price is not available in an active market are classified as "loans and receivables."

Measurement after initial recognition is conducted at an amount obtained by deducting the impairment loss from the amortized cost according to the effective interest method, and interest income according to the effective interest method is recognized as net profit/loss.

f. Available for sale financial assets

Items that the Group designates as "available for sale financial assets" and items not classified as "financial assets and liabilities measured at a fair value through net profit/loss," "held to maturity investments" and "loans and receivables" are classified as "available for sale financial assets."

Measurement after initial recognition is conducted at a fair value, and any change in the fair value is recognized as other comprehensive income.

g. Impairment of financial assets

When objective evidence of the impairment of "held to maturity investments" or "loans and receivables" is available, the difference between the book value of the relevant assets and the present value obtained upon discounting the estimated future cash flow at the initial effective interest rate is recognized as impairment loss.

Impairment loss against "held to maturity investments" or "loans and receivables" is recognized as allowance for doubtful accounts and net profit/loss.

When objective evidence of the impairment of "available for sale financial assets" is available, the total loss recognized as other comprehensive income is transferred to net profit/loss.

h. Measurement of financial liabilities after initial recognition

Other than "financial liabilities measured at a fair value through net profit/loss," etc., financial liabilities are measured at amortized cost, and interest income according to the effective interest method is recognized as net profit/loss.

i. Cessation of recognition

The recognition of financial assets is ceased upon the termination of contractual rights to cash flows arising from the financial assets or upon the transfer of all substantial risks and economic value involved with the holding of financial assets upon the transfer of the said financial assets.

Recognition of financial liabilities is ceased upon the discharge of obligations under a contract or upon the release, cancellation or invalidation of liabilities.

j. Setoff of financial assets and liabilities

Financial assets and liabilities are set off against each other and indicated at a net amount under the consolidated financial statements only when the Group currently has a legally enforceable right to set off the balance and intends to settle at a net amount or concurrently realize assets and pay liabilities.

[5] Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits withdrawable as necessary and short-term investments due to mature within three (3) months from the date of acquisition that may be easily cashed with only an insignificant risk relating to a change in value.

[6] Inventories

Inventories are measured at either the purchase price or the net realizable value.

The purchase price includes the purchase cost, processing costs and any other costs incurred until the inventories being at the current locations and in the current conditions.

Costs are calculated mainly according to the first-in, first-out method.

Net realizable value is calculated by deducting the estimated costs for completion and sale from the estimated selling price in the ordinary course of business.

[7] Property, plant and equipment

Property, plant and equipment are measured using the cost model by deducting the total depreciation and the total impairment loss from the purchase price.

The purchase price includes the costs that are directly related to the acquisition of assets and for restoration to the original state, among other costs.

Assets other than land and construction in progress are depreciated using the straight-line method on the estimated life of each asset. The main estimated useful lives for such buildings, machinery, and equipment are as follows:

Buildings and structures:	2 to 50 years
Machinery, equipment and vehicles:	2 to 20 years
Tools, furniture and fixtures:	2 to 20 years

In addition, the estimated useful lives, residual value and depreciation method are reviewed for each fiscal year and revised as necessary.

[8] Intangible assets

Intangible assets are measured using the cost model by deducting the total amortization and the total impairment loss from the purchase price.

Intangible assets mainly include development expenses. Expenses incurred in development activities are recognized as assets when they meet all of the following conditions:

- Technical feasibility of completion of intangible assets in such a manner that they can be used or sold;
- Intention to complete and use or sell intangible assets;
- Ability to use or sell intangible assets;
- Likelihood of creation of future economic benefits;
- Availability of appropriate technical, financial and other resources necessary for the completion and use or sale of intangible assets; and
- Ability to reliably measure expenditures arising from intangible assets under development.

Development expenses recognized as assets are amortized using the straight-line method over the estimated life (mainly 5 years) from the start of the mass production of the subject products.

In addition, the estimated life and amortization method are reviewed for each fiscal year and revised as necessary.

[9] Lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Leases other than finance leases are classified as operating leases.

Whether a contract is a lease or whether a contract contains a lease is determined based on the substance of the contract. If fulfilment of a contract depends on the use of an identified asset or asset group and the contract conveys the right to use the asset, the asset is under a lease.

(i) Lease as lessee

Lease assets and lease liabilities under finance leases are recognized in the consolidated statement of financial position as the lower of the present value of minimum total lease payments or the fair value of the lease property at the inception of the lease. Lease assets are amortized on a straight-line basis according to the accounting policies applied to the assets.

Payments under operating leases recognized over the term of the underlying leases.

(ii) Lease as lessor

Amounts due from lessees under finance leases are recognized in the consolidated statement of financial position at the amount of net investment in the leases.

The difference between the amount of net investment in the leases and the cost of lease investment is recognized as net income at the inception of the lease.

[10] Impairment of non-financial assets

The Group assesses each fiscal year whether there is any indication that an asset or cash-generating unit may be impaired, and if any such indication exists, the recoverable amount is estimated.

The recoverable amount is determined at the higher of an asset or cash-generating unit’s fair value less costs to sell it or its value in use.

In determining value in use, estimated future cash flows are discounted to the present value, using pretax discount rates that reflect current market assessments of the time value of money, etc.

If the recoverable amount of the asset or cash-generating unit is less than its carrying amount, the difference between the carrying amount and the recoverable amount is recognized as an impairment loss in

net income.

The Group assesses whether there is any indication that an impairment loss recognized in prior years may have decreased due to a change in assumptions used at the time of determining the recoverable amount. If any such indication exists, the recoverable amount of the asset or cash-generating unit is re-estimated. In cases where the recoverable amount exceeds the carrying amount of the asset or cash-generating unit, the impairment loss is reversed up to the lower of the recoverable amount determined or the carrying amount (net of depreciation) that would have been determined if no impairment loss had been recognized in prior years.

[11] Noncurrent assets held for sale

Assets or asset groups that are expected to be recovered through sale rather than through continuing use are classified as non-current assets held for sale if their sale within a year is highly probable, they are available for immediate sale in their present condition, and management is committed to the sale.

Noncurrent assets held for sale are not depreciated or amortized and are measured at the lower of their carrying amount and fair value less costs to sell.

[12] Employee benefits

(i) Post-employment benefits

The Group has adopted defined benefit plans and defined contribution plans.

Obligations related to defined benefit plans are recognized in the amount of benefit obligations under such plans, net of the fair value of pension assets, in the consolidated statement of financial position. Benefit obligations are calculated at the discounted present value of the amount of estimated future benefits corresponding to the consideration for services already provided by employees with respect to each plan.

The Group calculates the present value of defined benefit obligations, and related current service cost and past service cost using the projected unit credit method. A discount rate is determined by reference to the market yields on high-quality corporate bonds with similar maturities to the obligations under the plans.

The Group recognizes the increases or decreases in obligations due to the remeasurement of benefit obligations and pension assets of defined benefit plans in other comprehensive income.

Past service cost arising as a result of plan amendment or curtailment is recognized as an expense in net income at the earlier of the date when a plan amendment occurs and the date when any termination benefits or related restructuring costs are recognized.

For defined contribution plans, obligations to make contributions under defined contribution plans are recognized in net income as expenses at the time the services were provided by employees.

(ii) Short-term employee benefits

Short-term employee benefits including wages are recognized in net income as expenses at the time the services were provided by employees.

Bonus payments are recognized as liabilities if there is a legal or constructive obligation to make such payments and a reliable estimate of the expected obligation can be made.

The expected cost of paid leave is recognized as a liability at the time the employees render service that

increases their entitlement.

(iii) Other long-term employee benefits

Other long-term employee benefits including a long-service award system are calculated at the discounted present value of the amount of estimated future benefits corresponding to the consideration for services already provided by employees and are recognized as liabilities.

[13] Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and settlement is expected to result in an outflow of resources, and a reliable estimate can be made of the amount of the obligation.

If the time value of money of provisions is material, estimated future cash flows are measured at discounted present value using a pre-tax discount rate that reflects the risks specific to the liability. Any increase in provision due to the passage of time is recognized in net income as expense.

[14] Government-imposed levies

Government-imposed levies are recognized as a liability at the amount expected to be paid at the time the obligation to pay the government arises.

[15] Equity

(i) Common shares

The issue price of equity instruments issued by the Company is recognized in capital stock and capital surplus, and the direct costs of issuing the instruments (after consideration of tax effects) are deducted from capital surplus.

(ii) Treasury stock

When the Company's own shares are repurchased, the amount of the consideration paid, including directly attributable costs (after consideration of tax effects), is recognized as a deduction in equity. When the Company's own shares are sold, the gain or loss on disposal is recognized as capital surplus.

[16] Revenues

Revenues are measured as the fair price received as a result of sale of goods, etc. less any trade discounts, volume rebates, consumption taxes and other taxes.

(i) Sale of goods

Revenues from the sale of goods are recognized when all the following conditions are satisfied:

・Significant risks and rewards of ownership of the goods have been transferred to the buyer;

・Neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold is retained;

・The amount of revenue can be measured reliably;

・It is probable that the economic benefits associated with the transaction will flow to the Group; and

・The costs incurred or to be incurred in respect of the transaction can be measured reliably.

(ii) Interest income

Interest income is recognized using the effective interest rate method.

(iii) Dividend income

Dividend income is recognized when the shareholder's right to receive payment is established.

[17] Government grants

Government grants are recognized at fair value if there is reasonable assurance that the conditions attached to the grants are satisfied and that the grants will be received.

Government grants relating to revenues are recognized in net income over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate.

Government grants relating to assets are recognized as deferred income and reclassified into net income on a systematic basis over the useful lives of the assets.

[18] Income taxes

Income tax expenses consist of current and deferred taxes. They are recognized in net income, excluding those related to business combinations and items recognized directly in equity or other comprehensive income.

Current taxes are the amount expected to be paid to the taxation authority or refunded from the taxation authority. The amount of tax is calculated using the tax rates and tax laws that have been enacted or substantively enacted by the end of the fiscal year.

Deferred taxes are recognized for temporary differences between the carrying amount of assets or liabilities for accounting purposes and the amount of assets or liabilities for tax purposes at the end of the fiscal year, unused tax losses and unused tax credits (hereinafter "temporary differences, etc.").

Deferred tax liabilities are recognized for all taxable temporary differences, in principle, and deferred tax assets are recognized for taxable temporary difference, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply when the temporary difference, etc. is eliminated, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to set off current tax assets against current tax liabilities and income taxes are levied by the same taxation authority on the same taxable entity.

[19] Basic earnings per share

Basic earnings per share is calculated by dividing profit or loss attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares outstanding during the period.

(Segment Information)

1. Overview of reporting segments

Reporting segments are component units of the Company able to provide financial information. These segments file monthly reports which the Board of Directors uses for deciding management resource allocation and evaluating results.

Positioning Japan as its global base, the Company has a control and management system for the three operating regions of "Americas," which includes the U.S.A, Canada, Mexico and Brazil, "China" including China and Hong Kong and "Asia and Europe" comprising Thailand, Philippines, India, Indonesia, the U.K. and Hungary. The Company appoints an officer responsible for control and management in each region. Policies, plans, controls and other matters concerning general operations are discussed at regional management meetings attended by directors and the like in these regions for executing business activities.

Accordingly, the Company positions "Japan," "Americas," "China" and "Asia and Europe" as its four reporting segments.

In the reporting segments of "Japan," "Americas," and "Asia and Europe" the Company manufactures and sells products under their coverage that mainly consist of automobile seats, automobile interiors, motorcycle seats and resin-based products for motorcycles. In the reporting segment of "China," the Company engages primarily in the manufacture and sale of automobile seats and automobile interiors.

2. Accounting methods of revenue, profits or losses, assets, liabilities and other items for reporting segments

Accounting methods for reporting business segments are the same as those presented in "(5) Notes Concerning Consolidated Financial Statements (Important Accounting Policies)."

The Company decides the price of transactions carried out among its segments by considering market prices and gross costs, and through price negotiations.

Profits for reporting segments are operating income figures based on the consolidated statements of income.

3. Information about revenue, profits or losses, assets, liabilities and other items for reporting segments

FY2015 (April 1, 2014 - March 31, 2015)

(Unit: Million yen)

	Reporting Segments					Adjustments (Note)	Amounts stated in consolidated F/S
	Japan	Americas	China	Asia and Europe.	Total		
Revenue							
External revenue	60,718	218,775	84,960	57,862	422,317	—	422,317
Interarea transfer	25,180	759	6,097	864	32,901	-32,901	—
Total	85,899	219,534	91,057	58,727	455,219	-32,901	422,317
Segment profits	7,404	16,198	14,243	3,034	40,881	-4,834	36,047
Finance income and finance costs	—	—	—	—	—	—	3,546
Return on investment using the equity method	—	—	—	—	—	—	674
Income before tax	—	—	—	—	—	—	40,268

(Note) Adjustments of -4,834 million yen for segment profits included a deduction of -91 million yen for transactions between segments, and operating expenses of -4,742 million yen associated with the administration division of the headquarters of the parent company, which could not be allocated.

Other important items

(Unit: Million yen)

	Reporting segments					Adjustments (Note)	Amounts stated in consolidated F/S
	Japan	Americas	China	Asia and Europe	Total		
Depreciation and amortization	2,480	3,729	1,004	1,813	9,028	-33	8,994
Impairment loss	100	21	11	—	133	—	133
Capital payments	2,891	9,402	4,076	3,383	19,754	—	19,754

(Note) An adjustment for depreciation is a deduction for transactions between segments.

FY2016 (April 1, 2015 - March 31, 2016)

(Unit: Million yen)

	Reporting Segments					Adjustments (Note)	Amounts stated in consolidated F/S
	Japan	Americas	China	Asia and Europe.	Total		
Revenue							
External revenue	64,936	246,194	88,975	58,624	458,732	—	458,732
Interarea transfer	27,135	892	7,537	632	36,197	-36,197	—
Total	92,071	247,087	96,513	59,257	494,929	-36,197	458,732
Segment profits	9,152	14,327	16,171	4,671	44,322	-5,043	39,279
Finance income and finance costs	—	—	—	—	—	—	1,004
Return on investment using the equity method	—	—	—	—	—	—	482
Income before tax	—	—	—	—	—	—	40,766

(Note) Adjustments of -5,043 million yen for segment profits included a deduction of 98 million yen for transactions between segments, and operating expenses of -5,141 million yen associated with the administration division of the headquarters of the parent company, which could not be allocated.

Other important items

(Unit: Million yen)

	Reporting segments					Adjustments (Note)	Amounts stated in consolidated F/S
	Japan	Americas	China	Asia and Europe	Total		
Depreciation and amortization	2,696	4,609	1,473	2,112	10,890	-71	10,819
Impairment loss	—	—	14	—	14	—	14
Capital payments	2,233	7,026	6,153	1,650	17,064	—	17,064

(Note) An adjustment for depreciation is a deduction for transactions between segments.

4. Information related to products and services

FY2015 (April 1, 2014 - March 31, 2015)

As revenue from external customers in a single product/service category account for the majority of revenues in consolidated statements of income, segment information by products and services is omitted.

FY2016 (April 1, 2015 - March 31, 2016)

As revenue from external customers in a single product/service category account for the majority of revenues in consolidated statements of income, segment information by products and services is omitted.

5. Information according to regions

Revenue

(Unit: Million yen)

	FY2015 (As of March 31, 2015)	FY2016 (As of March 31, 2016)
Japan	59,854	63,160
U.S.	152,449	176,996
Canada	53,201	60,388
China	85,175	89,219
Other	71,637	68,966
Total	422,317	458,732

(Note) Revenue is based on customers' locations and is categorized into countries or regions.

Non-current assets (excluding financial instruments, deferred tax assets, assets concerning retirement benefits, and rights arising from insurance contracts)

(Unit: Million yen)

	FY2015 (As of March 31, 2015)	FY2016 (As of March 31, 2016)
Japan	30,175	29,996
U.S.	17,484	18,833
China	8,595	12,182
Other	29,254	26,792
Total	85,509	87,805

Information according to major customers

(Unit: Million yen)

	FY2015 (As of March 31, 2015)	FY2016 (As of March 31, 2016)
Honda Motor Co., Ltd. Group	389,316	423,410

(Note) Revenue for the Japan, Americas, China, and Asia and Europe segments is recorded.

(Per share information)

Basic earnings per share and the basis for estimation is outlined below.
Latent common stock that has a dilution effect is not included.

	FY2015 (As of March 31, 2015)	FY2016 (As of March 31, 2016)
Income attributable to owners of parent	22,585	23,528
Average number of common shares for the period (1,000 shares)	67,998	67,998
Basic earnings per share (yen)	332.15	346.01

(Subsequent events)

Not applicable.

(Initial Application of International Financial Reporting Standards)

The Group adopted IFRS starting the consolidated fiscal year ended March 31, 2016. The date of transition to IFRS is April 1, 2014, and the tables below show reconciliations between the accounting standards used previously (Japanese GAAP) and IFRS.

The "Reclassification" column in the reconciliation tables shows items that do not affect retained earnings and comprehensive income, and the "Differences in recognition and measurement" column includes items that affect retained earnings and comprehensive income.

The figures under Japanese GAAP as of the transition date reflect the effect of revisions to the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012) and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, March 26, 2015).

(1) Reconciliation of equity as of the transition date (April 1, 2014)

(Unit: Million yen)

Japanese GAAP Classification	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	IFRS Classification
Assets						Assets
Current assets						Current assets
Cash and deposits	78,181	-1,721	2,174	78,634	A	Cash and cash equivalents
Notes and accounts receivable-trade	65,530	2,379	-3,912	63,997	A	Trade and other receivables
Allowance for doubtful accounts	-40	40				
		1,988	3,051	5,040	C	Other financial assets
Merchandise and finished goods	2,609	23,006	-2,432	23,183	A	Inventories
Work in progress	3,325	-3,325				
Raw materials and supplies	19,681	-19,681				
Income taxes receivable	65		393	458		Income tax receivables
Deferred tax assets	2,703	-2,703				
Other	5,338	-2,686	9	2,660		Other current assets
			505	505		Non-current assets held for sale
Total current assets	177,394	-2,703	-211	174,480		Total assets
Non-current assets						Non-current assets
Property, plant and equipment	62,253	-226	-4,168	57,857	C	Property, plant and equipment
Intangible assets	1,546	226	5,423	7,195	B,E	Intangible assets
Investments in capital of subsidiaries and affiliates	3,082	-1,874		1,207		Investments accounted for using the equity method
Investment securities	16,673	2,644	3,474	22,792	C	Other financial assets
Long-term loans receivable	399	-399				
Allowance for doubtful accounts	-6	6				
Net defined benefit asset	1,039		-0	1,038		Assets concerning retirement benefits
Deferred tax assets	1,569	2,703	-2,519	1,752		Deferred tax assets
Other	1,455	-376	232	1,311		Other non-current assets
Total non-current assets	88,012	2,703	2,440	93,156		Total non-current assets
Total assets	265,407	—	2,229	267,637		Total assets

(Unit: Million yen)

Japanese GAAP Classification	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	IFRS Classification
						Liabilities and equity
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable–trade	56,932	17,853	-9,683	65,102	A,D	Trade and other payables
Provision for bonuses	3,053	-3,053				
Provision for directors' bonuses	151	-151				
Short-term loans payable	1,869	167	-18	2,018		Current borrowings
Long-term loans scheduled for payment within one year	167	-167				
Lease obligations	416		1,423	1,840	C	Other financial liabilities
Income taxes payable	3,049	576	111	3,738		Income tax receivables
		99		99		Provisions
Deferred tax liabilities	36	-36				
Other	19,095	-14,772	-278	4,044		Other current liabilities
Total current liabilities	84,772	516	-8,445	76,843		Total current liabilities
Non-current liabilities						Non-current liabilities
Long-term loans payable	69			69		Non-current borrowings
Lease obligations	404		598	1,003	C	Other financial liabilities
Provision for retirement benefits	2,787	-0	2	2,789		Liabilities related to retirement benefits
		145		145		Provisions
Deferred tax liabilities	4,940	36	-247	4,728		Deferred tax liabilities
Provision for directors' retirement benefits	60	-60				
Other	1,235	-637	858	1,457	C,D	Other non-current liabilities
Total non-current liabilities	9,497	-516	1,212	10,193		Total non-current liabilities
Total liabilities	94,269	—	-7,232	87,037		Total liabilities
Net assets						Equity
Capital stock	4,700			4,700		Capital stock
Capital surplus	5,163		-213	4,949	G	Capital surplus
Treasury stock	-3			-3		Treasury stock
Retained earnings	134,281		8,114	142,396	G	Retained earnings
Valuation and translation adjustments	7,886		-265	7,620	A,F	Other components of equity
	152,027	—	7,635	159,663		Total equity attributable to owners of parents
Non-controlling interests	19,110	—	1,826	20,937		Non-controlling interests
Total net assets	171,137	—	9,462	180,600		Total equity
Total liabilities and net assets	265,407	—	2,229	267,637		Total liabilities and equity

Principal adjustments made for differences at the transition date are as follows:

(i) Reclassification of accounts

· Time deposits with a deposit term exceeding three months were included in “cash and deposits” under the Japanese GAAP but are included in “other financial assets” under IFRS.
· Accounts receivable (other) and advance payments (trade) were included in “other current assets” under the Japanese GAAP, and are included in “trade and other receivables” under IFRS.
· “Merchandise and finished goods,” “work in process,” and “raw materials and supplies” were presented separately under the Japanese GAAP but are combined as “inventories” under IFRS.
· All “deferred tax assets” are presented as noncurrent assets and “deferred tax liabilities” are presented as noncurrent liabilities under IFRS.
· “Provision for bonuses” and “provision for directors’ bonuses” were presented separately under the Japanese GAAP but are included in “trade and other payables” under IFRS.
· Accounts payable-other and accrued expenses were included in “other current liabilities” under the Japanese GAAP but are included in “trade and other payables” under IFRS.

(ii) Differences in recognition and measurement

A. Change of accounting reporting period

The last days of the reporting period of the consolidated subsidiaries were uniformly set to March 31, which affected the account items in the consolidated statement of financial position.

Notable effects include an increase of 2,020 million yen in “cash and cash equivalents,” a decrease of 4,053 million yen in “trade and other receivables,” a decrease of 2,432 million yen in “inventories,” a decrease of 10,191 million yen in “trade and other payables,” and a decrease of 587 million yen in “other components of equity.”

B. Capitalization of development costs and amortization of development assets

While development costs were recorded as expenses when incurred under the Japanese GAAP, those meeting the requirements to be an intangible asset are recognized as assets under IFRS.

Development costs recognized as assets are amortized using the straight-line method over their estimated useful life (five years in many cases), which starts at the beginning of the mass production of the products concerned.

As a result, “intangible assets” increased by 5,590 million yen.

C. Conversion of tool transactions to leases

While the payments for tools received from clients were recorded as sales under the Japanese GAAP, they are treated as finance leases of the lessor based on the substantial judgment of the contracts under IFRS.

The prices of tools paid to clients (excluding the payments for tools owned by the Group) were recorded as accrued expenses under the Japanese GAAP but are treated as finance leases of the lessee under IFRS.

As a result, “other financial assets (current)” increased by 3,140 million yen, “property, plant and equipment” decreased by 3,270 million yen, “other financial assets (noncurrent)” increased by 4,009 million yen, “other financial liabilities” (current)” increased by 1,291 million yen, “other financial liabilities (noncurrent)” increased by 360 million yen, and “other noncurrent liabilities" increased by 102 million yen.

D. Recognition of liabilities associated with paid leave, etc.

While accounting treatment of employee benefit liabilities associated with the paid leave system and the long-service award system is not required by the Japanese GAAP, under IFRS, liabilities are recognized at the time when employees provide the relevant services.

As a result, “trade and other payables” increased by 437 million yen and “other noncurrent liabilities” increased by 710 million yen.

E. Adjustment of goodwill

Under IFRS 1, companies introducing IFRS may choose between the method of retroactively applying “IFRS 3: Business Combinations” (hereinafter, “IFRS 3”) to all business combinations prior to the date of transfer to IFRS, and the method of applying IFRS to specific business combinations on or prior to the date of transfer to IFRS.

The Group has selected the method of retroactively applying IFRS 3 to the business combinations implemented on and after April 1, 2013 and introduced IFRS 10 on said date.

Consequently, an additional purchase of shares of consolidated subsidiaries is treated as a capital transaction that reduces “capital surplus” under IFRS, while such additional shares were recognized as goodwill under the Japanese GAAP.

As a result, “intangible assets” decreased by 181 million yen.

F. Transfer of translation differences from foreign operations

Translation differences from all foreign operations as of the date of transfer have been transferred to “retained earnings” by introducing the exemption rules of IFRS 1.

As a result, “other components of equity” increased by 295 million yen.

G. Reconciliation of capital surplus and retained earnings

(Unit: Million yen)

	Note	Amount of reconciliation of difference	
		Capital surplus	Retained earnings
Change of accounting reporting period	A		3,648
Capitalization of development costs and amortization of development assets	B		5,590
Conversion of tool transactions to leases	C		2,124
Recognition of liabilities associated with paid leave, etc.	D		-1,118
Adjustment of goodwill	E	-213	32
Transfer of translation differences from foreign operations	F		-295
Tax effects on above reconciliations			-1,702
Proportionate allocation of above reconciliations to non-controlling interests			-621
Other reconciliations			457
Total		-213	8,114

(2) Reconciliation of equity at the end of the previous fiscal year (April 1, 2015)

(Unit: Million yen)

Japanese GAAP Classification	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	IFRS Classification
Assets						Assets
Current assets						Current assets
Cash and deposits	86,440	-1,887	3,336	87,889	A	Cash and cash equivalents
Notes and accounts receivable-trade	60,737	1,790	-7,172	55,356	A	Trade and other receivables
Allowance for doubtful accounts	-20	20				
		2,138	3,110	5,249	C	Other financial assets
Merchandise and finished goods	2,361	28,705	-2,727	28,340	A	Inventories
Work in progress	4,351	-4,351				
Raw materials and supplies	24,353	-24,353				
Income taxes receivable	533		94	627		Income tax receivables
Deferred tax assets	2,767	-2,767				
Other	6,310	-2,080	-476	3,754		Other current assets
Total current assets	187,836	-2,784	-3,834	181,217		Total assets
Non-current assets						Non-current assets
Property, plant and equipment	78,769	-247	-4,173	74,349	C	Property, plant and equipment
Intangible assets	3,183	247	7,729	11,160	B,F	Intangible assets
Investments in capital of subsidiaries and affiliates	3,221	-1,872	0	1,349		Investments accounted for using the equity method
Investment securities	18,351	2,705	4,133	25,190	C	Other financial assets
Long-term loans receivable	412	-412				
Allowance for doubtful accounts	-3	3				
Net defined benefit asset	472		9	482		Assets concerning retirement benefits
Deferred tax assets	1,744	2,767	-2,509	2,001		Deferred tax assets
Other	1,643	-406	-128	1,108		Other non-current assets
Total non-current assets	107,795	2,784	5,061	115,641		Total non-current assets
Total assets	295,632	—	1,226	296,858		Total assets

(Unit: Million yen)

Japanese GAAP Classification	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	IFRS Classification
						Liabilities and equity
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable-trade	45,880	23,308	-8,998	60,191	A,E	Trade and other payables
Electronically recorded obligations-operating	4,491	-4,491				
Provision for bonuses	3,634	-3,634				
Provision for directors' bonuses	151	-151				
Short-term loans payable	1,674	59	-182	1,551		Current borrowings
Long-term loans scheduled for payment within one year	59	-59				
Lease obligations	585	-71	1,195	1,709	C	Other financial liabilities
Income taxes payable	1,687	541	-253	1,975		Income tax receivables
		122		122		Provisions
Deferred tax liabilities	603	-603				
Other	19,601	-15,064	-1,187	3,349		Other current liabilities
Total current liabilities	78,369	-45	-9,425	68,899		Total current liabilities
Non-current liabilities						Non-current liabilities
Long-term loans payable	9			9		Non-current borrowings
Lease obligations	1,631	71	678	2,381	C	Other financial liabilities
Provision for retirement benefits	775	-33	100	842		Liabilities related to retirement benefits
		141		141		Provisions
Deferred tax liabilities	5,920	603	-556	5,967		Deferred tax liabilities
Other	2,054	-737	799	2,115	C,E	Other non-current liabilities
Total non-current liabilities	10,390	45	1,021	11,457		Total non-current liabilities
Total liabilities	88,760	—	-8,404	80,356		Total liabilities
Net assets						Equity
Capital stock	4,700			4,700		Capital
Capital surplus	5,163		-213	4,949	H	Capital surplus
Treasury stock	-3			-3		Treasury stock
Retained earnings	152,069		8,829	160,899	H	Retained earnings
Valuation and translation adjustments	23,004		-1,433	21,571	A,D G	Other components of equity
	184,933	—	7,182	192,116		Total equity attributable to owners of parents
Non-controlling interests	21,937	—	2,448	24,385		Non-controlling interests
Total net assets	206,871	—	9,630	216,502		Total equity
Total liabilities and net assets	295,632	—	1,226	296,858		Total liabilities and equity

Principal adjustments made for differences at the end of the preceding consolidated fiscal year are as follows:

(i) Reclassification of accounts

· Time deposits with a deposit term exceeding three months were included in “cash and deposits” under the Japanese GAAP but are included in “other financial assets” under IFRS.
· Accounts receivable (other) and advance payments (trade) were included in “other current assets” under the Japanese GAAP but are included in “trade and other receivables” under IFRS.
· “Merchandise and finished goods,” “work in process,” and “raw materials and supplies” were presented separately under the Japanese GAAP and are combined as “inventories” under IFRS.
· All “deferred tax assets” are presented as noncurrent assets and “deferred tax liabilities” are presented as noncurrent liabilities under IFRS.
· “Electronically recorded obligations-operating,” “provision for bonuses,” and “provision for directors’ bonuses” were presented separately under the Japanese GAAP but are included in “trade and other payables” under IFRS.
· Accounts payable-other and accrued expenses were included in “other current liabilities” under the Japanese GAAP but are included in “trade and other payables” under IFRS.

(ii) Differences in recognition and measurement

A. Change of accounting reporting period

The last days of the reporting period of the consolidated subsidiaries were uniformly set to March 31, which affected the account items in the consolidated statement of financial position.

Notable effects include an increase of 3,336 million yen in “cash and cash equivalents,” a decrease of 7,176 million yen in “trade and other receivables,” a decrease of 2,641 million yen in “inventories,” a decrease of 9,498 million yen in “trade and other payables,” and a decrease of 1,706 million yen in “other components of equity.”

B. Capitalization of development costs and amortization of development assets

While development costs have been charged to expenses as incurred under the Japanese GAAP, those meeting the requirements to be an intangible asset are recognized as assets under IFRS.

Development costs recognized as assets are amortized using the straight-line method over their estimated useful life (five years in many cases), which starts at the beginning of the mass production of the products concerned.

As a result, “intangible assets” increased by 7,901 million yen.

C. Conversion of tool transactions to leases

While development costs were recorded as expenses when incurred under the Japanese GAAP, they are treated as finance leases of the lessor based on the substantial judgment of the contracts under IFRS.

The prices of tools paid to clients (excluding the payments for tools owned by the Group) were recorded as accrued expenses under the Japanese GAAP but are treated as finance leases of the lessee under IFRS.

As a result, “other financial assets (current)” increased by 3,105 million yen, “property, plant and equipment” decreased by 3,726 million yen, “other financial assets (noncurrent)” increased by 4,049 million yen, “other financial liabilities” (current)” increased by 1,211 million yen, “other financial liabilities (noncurrent)” increased by 706 million yen, and “other noncurrent liabilities" increased by 91 million yen.

D. Adjustment of post-retirement benefits

Under the Japanese GAAP, actuarial differences and past service costs were recorded in the section of net assets through other comprehensive income as they were incurred and recognized in profit or loss over a certain number of years.

Under IFRS, actuarial differences are recorded in the section of equity through other comprehensive income as they are incurred, and past service costs are recognized in profit or loss in a lump sum as they are incurred.

As a result, “other components of equity” decreased by 1,115 million yen.

E. Recognition of liabilities associated with paid leave, etc.

While accounting treatment of employee benefit liabilities associated with the paid leave system and the long-service award system is not required by the Japanese GAAP, under IFRS, liabilities are recognized at the time when employees provide the relevant services.

As a result, “trade and other payables” increased by 434 million yen and “other noncurrent liabilities” increased by 678 million yen.

F. Adjustment of goodwill

Under IFRS 1, companies introducing IFRS may choose between the method of retroactively applying “IFRS 3: Business Combinations” (hereinafter, “IFRS 3”) to all business combinations prior to the date of transfer to

IFRS, and the method of applying IFRS to specific business combinations on or prior to the date of transfer to IFRS.

The Group has selected the method of retroactively applying IFRS 3 to the business combinations implemented on and after April 1, 2013, and introduced IFRS 10 on said date.

Consequently, an additional purchase of shares of consolidated subsidiaries is treated as a capital transaction that reduces "capital surplus" under IFRS, while such additional shares were recognized as goodwill under the Japanese GAAP.

As a result, "intangible assets" decreased by 138 million yen.

G. Transfer of translation differences from foreign operations

Translation differences from all foreign operations as of the date of transfer have been transferred to "retained earnings" by introducing the exemption rules of IFRS 1.

As a result, "other components of equity" increased by 295 million yen.

H. Adjustment of capital surplus and retained earnings

(Unit: Million yen)

	Note	Amount of reconciliation of difference	
		Capital surplus	Retained earnings
Change of accounting reporting period	A		2,406
Capitalization of development costs and amortization of development assets	B		7,894
Conversion of tool transactions to leases	C		1,126
Adjustment of post-retirement benefits	D		1,115
Recognition of liabilities associated with paid leave, etc.	E		-1,113
Adjustment of goodwill	F	-213	74
Transfer of translation differences from foreign operations	G		-295
Tax effects on above reconciliations			-2,350
Proportionate allocation of above reconciliations to non-controlling interests			-474
Other reconciliations			446
Total		-213	8,829

(3) Reconciliation of profit/loss and comprehensive income from the previous fiscal year (April 1, 2014-March 31, 2015)

(Unit: Million yen)

Japanese GAAP Classification	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	IFRS Classification
Net sales	434,279		-11,961	422,317	A,D	Revenue
Cost of sales	-364,530	101	11,712	-352,716	A,B C,D E	Cost of sales
Gross profit	69,748	101	-249	69,600		Gross profit
Selling, general and administrative expenses	-34,462		694	-33,768	B,E	Selling, general and administrative expenses
		860	156	1,017	D	Other income
		-494	-308	-802	D	Other expenses
Operating income	35,286	467	293	36,047		Operating income
Non-operating income	5,319	-5,319				
Non-operating expenses	-242	242				
Extraordinary income	127	-127				
Extraordinary loss	-428	428				
		3,810	-57	3,753	D	Finance income
		-176	-29	-206		Finance costs
		674	0	674		Share of profit (loss) of investments accounted for using the equity method
Income before tax	40,061	—	206	40,268		Income before tax
Total income taxes	-12,563	—	-7	-12,570	F	Income tax expenses
Income before non-controlling interests	27,498	—	199	27,697		Net income
Non-controlling interests in income	5,490	—	-377	5,112	F	Income attributable to non-controlling interests
Net income	22,008	—	577	22,585		Income attributable to owners of parent

(Unit: Million yen)

Japanese GAAP Classification	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Note	IFRS Classification
Income before non-controlling interests	27,498		199	27,697		Net income
Other comprehensive income						Other comprehensive income
Remeasurements of defined benefit plans	1,178		-835	342	E	Remeasurements of defined benefit plans
Valuation difference on available-for-sale securities	1,424		-17	1,406		Changes in fair value of available-for-sale financial assets
Foreign currency translation adjustment	14,895		577	15,472	F	Translation differences from foreign operations
Share of other comprehensive income of associates accounted for using the equity method	108			108		Share of other comprehensive income of associates accounted for using the equity method
Other comprehensive income	17,607	—	-276	17,330		Other comprehensive income, net of tax
Comprehensive income	45,105	—	-76	45,028		Comprehensive income
Comprehensive income attributable to owners of parent	37,127	—	-590	36,536		Comprehensive income attributable to owners of parent
Comprehensive income attributable to non-controlling interests	7,978	—	514	8,492		Comprehensive income attributable to non-controlling interests

Principal adjustments made for differences in the preceding consolidated fiscal year are as follows:

(i) Reclassification of accounts

Of the items presented under “non-operating income,” “non-operating expenses,” “extraordinary income,” and “extraordinary loss” under the Japanese GAAP, those related to financial affairs are placed under “finance income” and “finance costs,” and other items are placed under “other income,” “other expenses,” and “investment profit on equity method.”

(ii) Differences in recognition and measurement

A. Change of accounting reporting period

The last days of the reporting period of the consolidated subsidiaries were uniformly set to March 31, which affected the account items in the consolidated income statement and the consolidated statements of comprehensive income.

Notable effects include a decrease of 7,818 million yen in “revenue” and a decrease of 5,775 million yen in “cost of sales.”

B. Capitalization of development costs

While development costs have been charged to expenses as incurred under the Japanese GAAP, those meeting the requirements to be an intangible asset are recognized as assets under IFRS.

As a result, “cost of sales” decreased by 3,009 million yen and “selling, general and administrative expenses” decreased by 427 million yen.

C. Amortization of development assets

Development costs recognized as assets are amortized using the straight-line method over their estimated useful life (five years in many cases), which starts at the beginning of the mass production of the products concerned.

As a result, “cost of sales” increased by 1,134 million yen.

D. Conversion of tool transactions to leases

While the payments for tools received from clients were recorded as sales under the Japanese GAAP, they are treated as finance leases of the lessor based on the substantial judgment of the contracts under IFRS.

The prices of tools paid to clients (excluding the payments for tools owned by the Group) were recorded as accrued expenses under the Japanese GAAP but are treated as finance leases of the lessee under IFRS.

As a result, “revenue" decreased by 4,143 million yen, “cost of sales” decreased by 3,236 million yen, “other income” increased by 150 million yen, “other expenses” increased by 306 million yen, and “finance income” increased by 64 million yen.

E. Adjustment of post-retirement benefits

Under the Japanese GAAP, actuarial differences and past service costs were recorded in the section of net assets through other comprehensive income as they were incurred and recognized in profit or loss over a certain number of years.

Under IFRS, actuarial differences are recorded in the section of equity through other comprehensive income as they are incurred, and past service costs are recognized in profit or loss in a lump sum as they are incurred.

As a result, “cost of sales” decreased by 894 million yen, “selling, general and administrative expenses” decreased by 220 million yen, and “remeasurements of defined benefit plans” decreased by 1,115 million yen.

F. Tax effects, non-controlling interests, and foreign exchange differences relevant to the adjustments

In connection with the above adjustments, tax effect adjustment, distribution to non-controlling interests, and adjustment from foreign exchange differences have been performed.

As a result, “corporate income tax expenses” increased by 7 million yen, “net income attributable to non-controlling interests” decreased by 377 million yen, and “translation differences from foreign operations” increased by 577 million yen.

(4) Reconciliation of cash flows from the previous fiscal year (April 1, 2014-March 31, 2015)

(Unit: Million yen)

Japanese GAAP Classification	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Note
Cash flows from operating activities	29,959		5,096	35,056	Cash flows from operating activities
Cash flows from investing activities	-20,368		-2,403	-22,771	Cash flows from investing activities
Cash flows from financing activities	-9,871		-1,360	-11,231	Cash flows from financing activities
Cash and cash equivalents	8,218		-16	8,202	Cash and cash equivalents
Net increase (decrease) in cash and cash equivalents	7,939	―	1,315	9,255	Net increase (decrease) in cash and cash equivalents
Cash and cash equivalents at beginning of period	76,460	―	2,174	78,634	Cash and cash equivalents at beginning of period
Increase in cash and cash equivalents from newly consolidated subsidiaries	153	―	-153	―	Increase in cash and cash equivalents from newly consolidated subsidiaries
Cash and cash equivalents at end of period	84,552	―	3,336	87,889	Cash and cash equivalents at end of period

In addition to the effect of uniformly setting the last day of the reporting period of the consolidated subsidiaries to March 31, the transfer of expenditures for development costs meeting the requirements of capitalization from “cash flows from operating activities” to “net cash used in investing activities” resulted in the differences in the amounts under the Japanese GAAP and IFRS.

6. Non-Consolidated Financial Statements

(1) Non-Consolidated Balance Sheet

(Unit: Million yen)

	FY2015 (As of March 31, 2015)	FY2016 (As of March 31, 2016)
Assets		
Current assets		
Cash and deposits	17,403	22,624
Notes receivable-trade	57	47
Electronically recorded monetary claims - operating	360	646
Accounts receivable-trade	15,752	18,512
Merchandise and finished goods	209	264
Work in process	7,475	6,749
Raw materials and supplies	2,006	2,061
Advance payments-trade	726	746
Prepaid expenses	236	250
Deferred tax assets	1,185	1,109
Accounts receivable-other	3,386	3,184
Other	1,267	1,166
Allowance for doubtful accounts	-1	―
Total current assets	50,064	57,363
Non-current assets		
Property, plant and equipment		
Buildings	8,004	7,625
Structures	498	491
Machinery and equipment	2,369	2,019
Vehicles	149	149
Tools, furniture and fixtures	1,876	1,284
Land	6,293	6,248
Lease assets	53	2
Construction in progress	34	81
Total property, plant and equipment	19,281	17,904
Intangible assets		
Software	720	631
Other	220	81
Total intangible assets	940	712
Investments and other assets		
Investment securities	1,881	1,401
Stocks of subsidiaries and affiliates	29,717	27,612
Investments in capital of subsidiaries and affiliates	4,241	5,024
Long-term loans receivable from employees	199	197
Long-term loans receivable from subsidiaries and affiliates	―	631
Long-term prepaid expenses	84	15
Insurance funds	―	578
Prepaid pension cost	52	22
Other	76	75
Allowance for doubtful accounts	-3	-3
Total investments and other assets	36,250	35,180
Total non-current assets	56,472	53,797
Total assets	106,537	111,161

(Unit: Million yen)

	FY2015 (As of March 31, 2015)	FY2016 (As of March 31, 2016)
Liabilities		
Current liabilities		
Notes payable-trade	51	50
Electronically recorded obligations - operating	4,935	5,406
Accounts payable–trade	4,547	5,669
Lease obligations	53	1
Accounts payable-other	1,266	1,034
Accrued expenses	1,511	1,315
Income taxes payable	126	41
Advances received	924	784
Deposits received	94	94
Unearned revenue	2	3
Provision for bonuses	1,814	1,840
Provision for directors' bonuses	149	170
Notes payable-facilities	22	19
Electronically recorded obligations – non-operating	230	84
Other	127	376
Total current liabilities	15,858	16,892
Non-current liabilities		
Lease obligations	2	1
Deferred tax liabilities	3,996	3,022
Provision for retirement benefits	7	―
Accrued directors' retirement payments	380	113
Asset retirement obligations	81	53
Total non-current liabilities	4,468	3,191
Total liabilities	20,327	20,083
Net assets		
Shareholders' equity		
Capital stock	4,700	4,700
Capital surplus		
Legal capital surplus	5,121	5,121
Total capital surplus	5,121	5,121
Retained earnings		
Legal retained earnings	763	763
Other retained earnings		
General reserve	35,450	38,450
Retained earnings brought forward	30,291	34,416
Total retained earnings	66,504	73,630
Treasury stock	-3	-4
Total shareholders' equity	76,323	83.448
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	9,887	7,629
Total valuation and translation adjustments	9,887	7,629
Total net assets	86,210	91,077
Total liabilities and net assets	106,537	111,161

(2) Non-Consolidated Statement of Income

(Unit: Million yen)

	FY2015 (As of March 31, 2015)	FY2016 (As of March 31, 2016)
Net sales	82,032	87,684
Cost of sales	69,877	73,297
Gross profit	12,154	14,387
Selling, general and administrative expenses	10,108	10,658
Operating income	2,045	3,728
Non-operating income		
Interest and dividends income	8,272	9,861
Land and house rent received	182	210
Commission fee	13	10
Foreign exchange gains	1,181	―
Other	49	80
Total non-operating income	9,699	10,162
Non-operating expenses		
Foreign exchange losses	―	128
Provision of allowance for doubtful accounts	2	―
Other	0	―
Total non-operating expenses	2	128
Ordinary income	11,743	13,762
Extraordinary income		
Gain on sales of non-current assets	2	281
Insurance income	16	11
Other	―	3
Total extraordinary income	19	296
Extraordinary loss		
Loss on sales of non-current assets	35	25
Loss on retirement of non-current assets	102	174
Loss on disaster	―	7
Provision for allowance for loss on investment	―	375
Other	2	37
Total extraordinary loss	140	620
Income before income taxes	11,622	13,438
Income taxes-current	1,910	1,634
Income taxes-deferred	-84	394
Total income taxes	1,825	2,029
Net income	9,796	11,409

(3) Non-Consolidated Statement of Changes in Net Assets

FY2015 (April 1, 2014 - March 31, 2015)

(Unit: Million yen)

	Shareholder's equity					
	Capital stock	Capital surplus	Retained earnings			
		Legal capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
				General reserve	Retained earnings brought forward	
Balance as at the end of the previous fiscal year	4,700	5,121	763	32,950	26,651	60,365
Cumulative effects of changes in accounting policies					423	423
Balance as at the end of the previous fiscal year reflecting effects of changes in accounting policies	4,700	5,121	763	32,950	27,704	60,788
Changes of items						
Dividends from surplus					-4,079	-4,079
Net income					9,796	9,796
Provision of general reserve				2,500	-2,500	—
Acquisition of treasury stock						
Net changes of items other than shareholders' equity						
Total changes in items	—	—	—	2,500	3,216	5,716
Ending balance as at the end of the fiscal year	4,700	5,121	763	35,450	30,291	66,504

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance as at the end of the previous fiscal year	-3	70,183	8,491	8,491	78,674
Cumulative effects of changes in accounting policies		423			423
Balance as at the end of the previous fiscal year reflecting effects of changes in accounting policies	-3	70,606	8,491	8,491	79,097
Changes of items					
Dividends from surplus		-4,079			-4,079
Net income		9,796			9,796
Provision of general reserve		—			—
Acquisition of treasury stock	-0	-0			-0
Net changes of items other than shareholders' equity			1,395	1,395	1,395
Total changes in items	-0	5,716	1,395	1,395	7,112
Ending balance as at the end of the fiscal year	-3	76,323	9,887	9,887	86,210

FY2016 (April 1, 2015 - March 31, 2016)

(Unit: Million yen)

	Shareholders' equity					
	Capital stock	Capital surplus	Retained earnings			
		Legal capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
				General reserve	Retained earnings brought forward	
Balance as at the end of the previous fiscal year	4,700	5,121	763	35,450	30,291	66,504
Changes of items						
Dividends from surplus					-4,283	-4,283
Net income					11,409	11,409
Provision of general reserve				3,000	-3,000	―
Acquisition of treasury stock						
Net changes of items other than shareholders' equity						
Total changes in items	―	―	―	3,000	4,125	7,125
Ending balance as at the end of the fiscal year	4,700	5,121	763	38,450	34,416	73,630

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance as at the end of the previous fiscal year	-3	76,323	9,887	9,887	86,210
Changes of items					
Dividends from surplus		-4,283			-4,283
Net income		11,409			11,409
Provision of general reserve		―			―
Acquisition of treasury stock	-0	-0			-0
Net changes of items other than shareholders' equity			-2,257	-2,257	-2,257
Total changes in items	-0	7,125	-2,257	-2,257	4,867
Ending balance as at the end of the fiscal year	-4	83,448	7,629	7,629	91,077

7. Other

(1) Transfer of Directors

The transfer of officers is as listed in the “Notice of Transfer of Representative Directors,” “Notice of Transfer of Directors and Operating Officers,” “Notice Regarding an Organizational Change, Director Delegation and Personnel Transfer” and “Notice of Transfer of Auditors,” which were released on February 23, 2016.