Consolidated Financial Summary Cumulative Third Quarter of FY2020

(April 1, 2019 – December 31, 2019)

TS TECH Co.,Ltd.

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In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Consolidated Financial Summary for the Cumulative Third Quarter of FY2020 (under IFRS)

January 30, 2020

Company name: TS TECH CO., LTD. Stock exchange listing: Tokyo Stock Exchange
Stock code: 7313 URL: https://www.tstech.co.jp
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Scheduled date for filing of quarterly securities report: February 12, 2020
Scheduled date of commencement of dividend payment: ―
Preparation of supplementary explanatory material: None
Quarterly results briefing: None

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

1. Consolidated Financial Results for the Cumulative Third Quarter of FY2020 (April 1, 2019 – December 31, 2019)

(1) Consolidated Financial Results (Cumulative Total)

(%: year-on-year change)

	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	%
Third quarter of FY2020	283,351	-8.1	25,756	-12.8	27,647	-12.4	20,661	-14.6	15,680	-21.9	18,889	-14.4
Third quarter of FY2019	308,254	-12.3	29,532	-12.8	31,571	-11.4	24,201	-8.1	20,069	-0.8	22,075	-31.0

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Third quarter of FY2020	230.61	―
Third quarter of FY2019	295.15	―

(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	Million yen	%	Yen
Third quarter of FY2020	363,067	284,680	264,314	72.8	3,887.11
FY2019	358,265	277,424	255,617	71.3	3,759.21

2. Cash Dividends

	Annual cash dividends per share				
	End of 1Q	End of 2Q	End of 3Q	End of year	Annual
	Yen	Yen	Yen	Yen	Yen
FY2019	―	42.00	―	42.00	84.00
FY2020	―	43.00	―		
FY2020 (forecast)				43.00	86.00

(Note) Revision from the most recent announcement of cash dividends forecasts: None

3. Consolidated Forecasts for FY2020 (April 1, 2019 – March 31, 2020)

(%: year-on-year change)

	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
FY2020	380,000	-7.8	33,000	-14.9	35,200	-15.0	26,800	-13.7	21,400	-16.9	314.72

(Note) Revision from the most recent announcement of consolidated financial forecasts: None

*Notes

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

(2) Changes in accounting policies and accounting estimates
1) Changes in accounting policies required by IFRS : Yes
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	3Q of FY2020	68,000,000 shares	FY2019	68,000,000 shares
2) Number of treasury stock at the end of the term	3Q of FY2020	2,378 shares	FY2019	2,275 shares
3) Average number of shares during the term (cumulative)	3Q of FY2020	67,997,670 shares	3Q of FY2019	67,997,819 shares

*This quarterly financial statement is exempt from quarterly reviews

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

The consolidated forecasts presented on the previous page are projections made by management at 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 "(3) Qualitative Information Concerning Consolidated Forecasts" on page 4 for assumptions and other information that form the premise for the operating results forecast on the previous page.

○Table of Contents

1. Qualitative Information Concerning Quarterly Results 2

(1) Qualitative Information Concerning Consolidated Financial Results 2
(2) Qualitative Information Concerning Consolidated Financial Positions 4
(3) Qualitative Information Concerning Consolidated Forecasts 4

2. Condensed Quarterly Consolidated Financial Statements and Significant Notes Thereto 5

(1) Condensed Quarterly Consolidated Statement of Financial Position 5
(2) Condensed Quarterly Consolidated Statements of Income and Comprehensive Income 7
(3) Condensed Quarterly Consolidated Statement of Changes in Equity 9
(4) Condensed Quarterly Consolidated Statement of Cash Flows 11
(5) Notes Concerning Condensed Quarterly Consolidated Financial Statements 13

1. Qualitative Information Concerning Quarterly Results

(1) Qualitative Information Concerning Consolidated Financial Results

Revenue for the cumulative third quarter of FY2020 (April 1, 2019 – December 31, 2019) reached 283,351 million yen on a consolidated basis, a decrease of 24,903 million yen (8.1%) from the same period in FY2019, on decreased production, lower component and press tool sales, and the impact of exchange rates. These factors offset increased production in China and an improved model mix in other segments.

Looking at profits, operating income stood at 25,756 million yen, a decrease of 3,775 million yen (12.8%) year-on-year due to the impact of lower revenue, offsetting aggressive cost-cutting measures and efforts to keep expenses down. Income attributable to owners of parent amounted to 15,680 million yen, a decrease of 4,389 million yen (21.9%) year-on-year.

*USD/JPY average cumulative 3Q exchange rate… FY2019: ¥111.2 FY2020: ¥108.7

*CNY/JPY average cumulative 3Q exchange rate… FY2019: ¥16.6 FY2020: ¥15.6

Operating performance by segment is as follows.

(Japan)

(Unit: million yen)

	Cumulative third quarter of FY2019	Cumulative third quarter of FY2020	Difference	Change
Revenue	68,348	55,862	-12,485	-18.3%
Operating income	8,693	5,144	-3,549	-40.8%

Main factors for year-on-year change

Revenue	Revenue decreased primarily due to lower production stemming from production stoppage of certain models and delayed new model launches, as well as lower research revenue and sales of components supplied to other segments.
Operating income	Operating income decreased mainly due to the effects of lower revenue and exchange rates, offsetting various cost containment and cost-cutting measures.

(Americas)

(Unit: million yen)

	Cumulative third quarter of FY2019	Cumulative third quarter of FY2020	Difference	Change
Revenue	144,290	135,366	-8,923	-6.2%
Operating income	7,089	7,642	553	7.8%

Main factors for year-on-year change

Revenue	Revenue decreased primarily due to lower production, a drop in press tool sales, and the impact of foreign currency translation, offsetting an improved model mix.
Operating income	Operating income increased due to various cost containment and cost-cutting measures, offsetting the impact of lower revenue.

(China)

(Unit: million yen)

	Cumulative third quarter of FY2019	Cumulative third quarter of FY2020	Difference	Change
Revenue	69,563	72,019	2,455	3.5%
Operating income	13,275	14,928	1,652	12.4%

Main factors for year-on-year change

Revenue	Despite higher production, revenue increased only slightly on changes to the model mix and the impact of foreign currency translation.
Operating income	Operating income increased due to the impact of higher revenue, as well as various cost containment and cost-cutting measures.

(Asia and Europe)

(Unit: million yen)

	Cumulative third quarter of FY2019	Cumulative third quarter of FY2020	Difference	Change
Revenue	50,926	40,103	-10,823	-21.3%
Operating income	4,335	2,658	-1,676	-38.7%

Main factors for year-on-year change

Revenue	Revenue decreased primarily due to the impact of lower production and a drop in component sales, offsetting an improved model mix.
Operating income	Operating income decreased primarily due to the impact of lower revenue, offsetting various cost containment and cost-cutting measures.

Sales by business segment are as follows:

(Unit: million yen)

	Cumulative third quarter of FY2019		Cumulative third quarter of FY2020		Difference	Change
		Sales ratio		Sales ratio		
Motorcycles	4,084	1.3%	3,607	1.3%	-476	-11.7%
Automobiles	300,028	97.3%	275,534	97.2%	-24,494	-8.2%
(Seats)	264,181	85.7%	243,462	85.9%	-20,719	-7.8%
(Interior products)	35,846	11.6%	32,071	11.3%	-3,775	-10.5%
Other businesses	4,141	1.3%	4,209	1.5%	68	1.6%
Total	308,254	100.0%	283,351	100.0%	-24,903	-8.1%

(2) Qualitative Information Concerning Consolidated Financial Positions

(Assets)

Assets at the end of the third quarter of FY2020 stood at 363,067 million yen, an increase of 4,801 million yen from the end of FY2019. This change is mainly due to an increase in cash and cash equivalents stemming from the allocation of net income. This offset a decrease in trade and other receivables stemming primarily from the impact of lower order volume from major customers and the impact of foreign currency translation, as well as a decrease in other financial assets (current) driven by a reduction in time deposits.

(Liabilities)

Liabilities at the end of the third quarter of FY2020 amounted to 78,386 million yen, down 2,454 million yen from the end of FY2019. This change resulted mainly from a decrease in trade and other payables on the impact of currency translation, offsetting an increase in other financial liabilities in conjunction with the adoption of IFRS 16 “Leases.”

(Equity)

Equity at the end of the third quarter of FY2020 was 284,680 million yen, up 7,255 million yen from the end of FY2019. This change is primarily the result of an increase in retained earnings stemming from the allocation of net income, offsetting a decrease in non-controlling interests due to payment of dividends to non-controlling interests.

(3) Qualitative Information Concerning Consolidated Forecasts

Taking into account consolidated operating results for the cumulative third quarter of FY2020 as well as the current trend in orders from major customers and foreign exchange rates, the Company is keeping the consolidated forecasts announced on October 31, 2019 unchanged.

2. Condensed Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Condensed Quarterly Consolidated Statement of Financial Position

(Unit: million yen)

	FY2019 (As of March 31, 2019)	Third quarter of FY2020 (As of December 31, 2019)
Assets		
Current assets		
Cash and cash equivalents	128,647	138,125
Trade and other receivables	67,774	65,039
Other financial assets	18,596	16,114
Inventories	25,948	27,582
Income tax receivables	1,117	1,058
Other current assets	5,713	4,585
Total assets	247,797	252,506
Non-current assets		
Property, plant and equipment	71,515	71,142
Intangible assets	10,080	9,302
Investments accounted for using the equity method	1,484	1,431
Other financial assets	22,466	24,290
Net defined benefit asset	2,535	2,354
Deferred tax assets	1,778	1,490
Other non-current assets	607	548
Total non-current assets	110,467	110,560
Total assets	358,265	363,067

(Unit: million yen)

	FY2019 (As of March 31, 2019)	Third quarter of FY2020 (As of December 30, 2019)
Liabilities and equity		
Current liabilities		
Trade and other payables	64,747	60,383
Current borrowings	157	157
Other financial liabilities	773	1,237
Income taxes payable	1,772	2,350
Provisions	271	17
Other current liabilities	3,673	4,867
Total current liabilities	71,395	69,014
Non-current liabilities		
Non-current borrowings	75	―
Other financial liabilities	745	3,215
Net defined benefit liability	1,365	1,447
Provisions	99	89
Deferred tax liabilities	5,326	3,421
Other non-current liabilities	1,832	1,198
Total non-current liabilities	9,445	9,372
Total liabilities	80,840	78,386
Equity		
Capital stock	4,700	4,700
Capital surplus	5,171	5,171
Treasury stock	-5	-5
Retained earnings	240,038	249,984
Other components of equity	5,712	4,464
Total equity attributable to owners of parent	255,617	264,314
Non-controlling interests	21,807	20,366
Total equity	277,424	284,680
Total liabilities and equity	358,265	363,067

(2) Condensed Quarterly Consolidated Statements of Income and Comprehensive Income

Condensed Quarterly Consolidated Statement of Income

Consolidated Cumulative Third Quarter

(Unit: million yen)

	Consolidated cumulative third quarter of FY2019 (April 1, 2018 – December 31, 2018)	Consolidated cumulative third quarter of FY2020 (April 1, 2019 – December 31, 2019)
Revenue	308,254	283,351
Cost of sales	-252,079	-232,367
Gross profit	56,174	50,983
Selling, general and administrative expenses	-27,433	-25,450
Other income	1,029	1,173
Other expenses	-239	-948
Operating income	29,532	25,756
Finance income	1,854	1,697
Finance costs	-95	-174
Share of profit (loss) of investments accounted for using the equity method	279	368
Income before tax	31,571	27,647
Income tax expense	-7,370	-6,985
Net income	24,201	20,661
Income attributable to		
Owners of parent	20,069	15,680
Non-controlling interests	4,131	4,981
Net income	24,201	20,661
Earnings per share		
Basic earnings per share (yen)	295.15	230.61
Diluted earnings per share (yen)	—	—

Condensed Quarterly Consolidated Statement of Comprehensive Income

Consolidated Cumulative Third Quarter

(Unit: million yen)

	Consolidated cumulative third quarter of FY2019 (April 1, 2018 – December 31, 2018)	Consolidated cumulative third quarter of FY2020 (April 1, 2019 – December 31, 2019)
Net income	24,201	20,661
Other comprehensive income		
Components that will not be reclassified subsequently to net profit or loss		
Remeasurements of defined benefits plans	117	64
Financial assets measured at fair value through other comprehensive income	-1,603	202
Total components that will not be reclassified subsequently to net profit or loss	-1,485	266
Components that may be reclassified subsequently to net profit or loss		
Differences on translation from foreign operations	-575	-1,953
Share of other comprehensive income of associates accounted for using the equity method	-64	-85
Total components that may be reclassified subsequently to net profit or loss	-640	-2,038
Other comprehensive income, net or tax	-2,126	-1,772
Comprehensive income for the period	22,075	18,889
Comprehensive income for the period attributable to:		
Owners of parent	18,566	14,432
Non-controlling interests	3,508	4,456
Comprehensive income for the period	22,075	18,889

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

Consolidated Cumulative Third Quarter of FY2019 (April 1, 2018 – December 31, 2018)

(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	5,171	-4	219,999	5,723
Cumulative effect of accounting policy change					
Balance as at the end of the previous fiscal year reflective of accounting policy change	4,700	5,171	-4	219,999	5,723
Comprehensive income					
Net income				20,069	
Other comprehensive income					-1,503
Total comprehensive income	—	—	—	20,069	-1,503
Transactions with owners, etc.					
Dividends				-5,711	
Acquisition of treasury stock			-0		
Total transactions with owners, etc.	—	—	-0	-5,711	—
Balance as at the end of the fiscal year	4,700	5,171	-5	234,357	4,219

	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance as at the end of the previous fiscal year	235,589	24,335	259,924
Cumulative effect of accounting policy change			
Balance as at the end of the previous fiscal year reflective of accounting policy change	235,589	24,335	259,924
Comprehensive income			
Net income	20,069	4,131	24,201
Other comprehensive income	-1,503	-622	-2,126
Total comprehensive income	18,566	3,508	22,075
Transactions with owners, etc.			
Dividends	-5,711	-7,636	-13,348
Acquisition of treasury stock	-0		-0
Total transactions with owners, etc.	-5,712	-7,636	-13,349
Balance as at the end of the fiscal year	248,443	20,207	268,650

Consolidated Cumulative Third Quarter of FY2020 (April 1, 2019 – December 31, 2019)

(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	5,171	-5	240,038	5,712
Cumulative effect of accounting policy change				44	
Balance as at the end of the previous fiscal year reflective of accounting policy change	4,700	5,171	-5	240,083	5,712
Comprehensive income					
Net income				15,680	
Other comprehensive income					-1,248
Total comprehensive income	—	—	—	15,680	-1,248
Transactions with owners, etc.					
Dividends				-5,779	
Acquisition of treasury stock			-0		
Total transactions with owners, etc.	—	—	-0	-5,779	—
Balance as at the end of the fiscal year	4,700	5,171	-5	249,984	4,464

	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance as at the end of the previous fiscal year	255,617	21,807	277,424
Cumulative effect of accounting policy change	44		44
Balance as at the end of the previous fiscal year reflective of accounting policy change	255,662	21,807	277,469
Comprehensive income			
Net income	15,680	4,981	20,661
Other comprehensive income	-1,248	-524	-1,772
Total comprehensive income	14,432	4,456	18,889
Transactions with owners, etc.			
Dividends	-5,779	-5,898	-11,677
Acquisition of treasury stock	-0		-0
Total transactions with owners, etc.	-5,780	-5,898	-11,678
Balance as at the end of the fiscal year	264,314	20,366	284,680

(4) Condensed Quarterly Consolidated Statement of Cash Flows

(Unit: million yen)

	Consolidated cumulative third quarter of FY2019 (April 1, 2018 – December 31, 2018)	Consolidated cumulative third quarter of FY2020 (April 1, 2019 – December 31, 2019)
Cash flows from operating activities		
Income before tax	31,571	27,647
Depreciation and amortization	8,973	9,255
Impairment loss	56	661
Loss (gain) on disposal of non-current assets	-193	-451
Finance income and finance costs	-1,438	-1,584
Share of loss (profit) of investments accounted for using the equity method	-279	-368
Decrease (increase) in trade and other receivables	2,112	1,763
Net decrease (increase) in leased receivables and investment assets	2,428	298
Decrease (increase) in inventories	-649	-1,879
Increase (decrease) in trade and other payables	-716	-2,987
Increase (decrease) in net defined benefit asset or liability	126	237
Increase (decrease) in provisions	-4,428	-257
Other	2,149	3,173
Subtotal	39,712	35,508
Interest income received	886	1,154
Dividend income received	798	828
Interest expenses paid	-91	-83
Income taxes paid	-9,089	-8,104
Cash flows from operating activities	32,216	29,304
Cash flows from investing activities		
Payments into time deposits	-7,471	-9,935
Proceeds from withdrawal of time deposits	1,541	12,959
Purchase of property, plant and equipment	-5,287	-5,850
Proceeds from sales of property, plant and equipment	133	155
Purchase of intangible assets	-1,358	-2,602
Purchase of equity instruments	-1,260	-427
Proceeds from sales of equity instruments	—	0
Payments of loans receivable	-137	-215
Collection of loans receivable	146	151
Other	-4	65
Cash flows from investing activities	-13,698	-5,698

(Unit: million yen)

	Consolidated cumulative third quarter of FY2019 (April 1, 2018 – December 31, 2018)	Consolidated cumulative third quarter of FY2020 (April 1, 2019 – December 31, 2019)
Cash flows from financial activities		
Net increase (decrease) in short-term loans payable	-861	-0
Repayment of long-term loans payable	-78	-75
Repayments of lease liabilities	-1,357	-1,188
Purchase of treasury stock	-0	-0
Cash dividends paid	-5,711	-5,779
Payment to acquire interests in subsidiaries from non-controlling interests	-7,564	-5,455
Net cash provided by (used in) financing activities	-15,574	-12,498
Effect of exchange rate change on cash and cash equivalents	-217	-1,628
Net increase (decrease) in cash and cash equivalents	2,725	9,478
Cash and cash equivalents at beginning of period	118,758	128,647
Cash and cash equivalents at end of period	121,484	138,125

(5) Notes Concerning Condensed Quarterly Consolidated Financial Statements

(Changes in Accounting Policies)

The Group has adopted the following accounting standard effective the first quarter of FY2020.

Standard	Standard Name	Standard Summary
IFRS 16	Leases	Revision of accounting procedures related to lease contracts

(Application of IFRS 16 “Leases”)

Whether a contract is or contains a lease will be determined by the content of said contract, even if it does not take the legal form of a lease.

Right-of-use assets and lease liabilities will not be recognized for leases that are considered short-term (having a term less than or equal to 12 months in length) or low value.

Excluding short-term or low-value leases, if a contract is or contains a lease, right-of-use assets and lease liabilities will be recognized on the date of application in the condensed quarterly consolidated statement of financial position. Lease payments related to a short-term or low-value lease will be accounted for as an expense on a straight-line basis over the lease term or another systematic basis.

Right-of-use assets will be measured using a cost model, and said assets will be measured at cost less accumulated depreciation and accumulated impairment losses.

Cost comprises initial direct costs and prepayments that are included in initial measurements of lease liabilities and restoration costs required by lease contracts. Right-of-use assets will be depreciated systematically over either the estimated useful life of an asset or its lease term, whichever is shorter. Lease liabilities will be measured at the present value of future lease payments. Using the effective interest rate method, lease payments will be classified as finance costs or repayments of lease liabilities. Finance costs will be recognized in the condensed quarterly consolidated statement of profit and loss.

As a translation provision, IFRS 16 provides for a method to recognize the cumulative effect of the application of the standard on the date of initial application. The weighted-average incremental borrowing rate used to measure lease liabilities at the date of initial application in the condensed quarterly consolidated statement of financial position is 1.2%.

The application of IFRS 16 offers a practical expedient to grandfather the assessment of contracts identified as containing leases in accordance with IAS 17 “Leases” (hereinafter “IAS 17”) or IFRIC 4 “Determining whether an Arrangement Contains a Lease.” All assessments made following the date of initial application shall be made in accordance with IFRS 16.

In addition, IFRS 16 includes the following practical expedients for leases classified as operating leases under IAS 17.

-- Leases with a lease term expiring within 12 months of the date of initial application will be subject to the same accounting procedures as short-term leases.

--Initial direct costs will be excluded from measurements of right-of-use assets at the date of initial application.

--Hindsight will be used to determine a lease term if a contract contains options to extend or terminate a lease.

An adjustment sheet for contracts classified as non-cancellable operating lease contracts at the end of the previous fiscal year under IAS 17 as well as lease liabilities at the date of initial application recognized in the condensed quarterly consolidated statement of financial position is as follows.

(Unit: million yen)

Non-cancellable operating lease contracts (March 31, 2019)	1,492
Finance lease obligations (March 31, 2019)	1,510
Cancelable operating lease contracts, etc.	570
Lease liabilities (April 1, 2019)	3,572

As a result, an additional 2,107 million yen in right-of-use assets and 2,062 million yen in lease liabilities have been recognized in conjunction with the application of IFRS 16. There is no major impact on operating income or net income.

Right-of-use assets are included in “Property, plant and equipment” and “Intangible assets,” and lease liabilities are included in “Other financial liabilities (current)” and “Other financial liabilities (non-current).”

In addition, “Repayments of finance lease obligations” in the consolidated statement of cash flows has been reclassified as “Repayments of lease liabilities” effective the first quarter of FY2020.

(Notes Concerning Going Concern Assumption)

Not applicable

(Segment Information, etc.)

Information about revenue, profits or losses for reportable segments

Consolidated cumulative third quarter of FY2019 (April 1, 2018 – December 31, 2018)

(Unit: million yen)

	Reporting segments					Adjustments	Amounts stated in consolidated F/S
	Japan	Americas	China	Asia and Europe	Total		
Revenue							
External revenue	50,654	143,222	65,329	49,047	308,254	—	308,254
Inter-segment transfer	17,693	1,067	4,234	1,879	24,874	-24,874	—
Total	68,348	144,290	69,563	50,926	333,128	-24,874	308,254
Segment profits	8,693	7,089	13,275	4,335	33,393	-3,861	29,532
Finance income and finance costs	—	—	—	—	—	—	1,759
Return on investment using the equity method	—	—	—	—	—	—	279
Income before tax	—	—	—	—	—	—	31,571

(Notes) 1. Adjustments of -3,861 million yen for segment profits include a deduction of -94 million yen for transactions among segments, and operating expenses of -3,767 million yen associated with the administration division of the headquarters of the parent company, which could not be allocated.

2. Segment profits are adjusted to operating income in the condensed quarterly consolidated statements of income.

Consolidated cumulative third quarter of FY2020 (April 1, 2019 – December 31, 2019)

(Unit: million yen)

	Reporting segments					Adjustments	Amounts stated in consolidated F/S
	Japan	Americas	China	Asia and Europe	Total		
Revenue							
External revenue	42,163	134,494	67,964	38,728	283,351	—	283,351
Inter-segment transfer	13,699	872	4,054	1,374	20,000	-20,000	—
Total	55,862	135,366	72,019	40,103	303,351	-20,000	283,351
Segment profits	5,144	7,642	14,928	2,658	30,374	-4,617	25,756
Finance income and finance costs	—	—	—	—	—	—	1,522
Return on investment using the equity method	—	—	—	—	—	—	368
Income before tax	—	—	—	—	—	—	27,647

(Notes) 1. Adjustments of -4,617 million yen for segment profits include a deduction of -1,020 million yen for transactions among segments, and operating expenses of -3,597 million yen associated with the administration division of the headquarters of the parent company, which could not be allocated.

2. Segment profits are adjusted to operating income in the condensed quarterly consolidated statements of income.