Keihin Corporation

Annual Report 2019

(Fiscal year ended March 31, 2019)

Profile

**Keihin Corporation is guided by two fundamental beliefs—
"Respect for the individual" and "The five joys."**

**We believe that "Respect for the individual"
encourages self-reliance—to be free to express ideas and opinions and to follow personal beliefs.**

The concept also emphasizes respect for different perspectives and customs, and encourages associates to treat each other with fairness and sincerity to promote mutual trust.

**"The five joys"—bringing joy to society,
customers, suppliers, shareholders and ourselves—
represent a shared commitment to meeting multiple expectations.**

Keihin aims to achieve the realization of its corporate principle, which states that "Keihin will continue to contribute to the future of mankind by the continuous creation of new value," through activities grounded in this principle.

CONTENTS

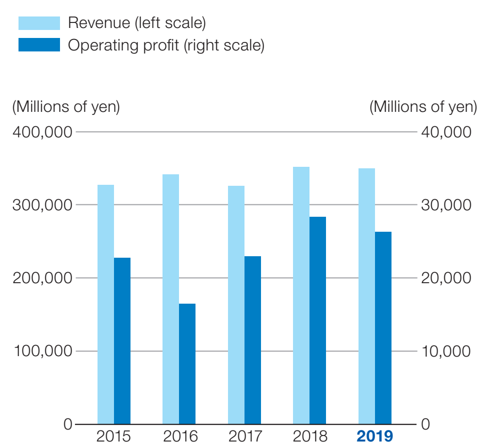
Forward-Looking Statements
This annual report contains predictions and forecasts concerning Keihin's future plans, strategies and results. These predictions and forecasts are not historical facts but represent judgments formed by management based on the information available at the time they were formed. As such, actual results may differ significantly due to factors including, but not limited to, economic trends, changes in the automotive and automotive component industries, market demand, foreign exchange rates and tax systems.

Financial Results for FY2019 (April 1, 2018 to March 31, 2019)

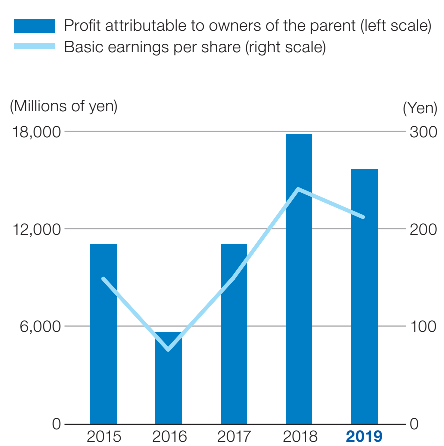
Revenue	Operating profit	Profit attributable to owners of the parent	Cash dividends per share
¥349,220 million	¥26,259 million	¥15,706 million	¥45.0
(down 0.6% compared with FY2018)	(down 7.3% compared with FY2018)	(down 11.9% compared with FY2018)	(Interim dividend: ¥22)

	2018	2019 (Millions of yen (unless otherwise stated))	2019 (Thousands of U.S. dollars (unless otherwise stated))
For the year:			
Revenue	¥351,494	**¥349,220**	**$3,146,406**
Operating profit	28,313	**26,259**	**236,589**
Profit attributable to owners of the parent	17,824	**15,706**	**141,510**
At year-end:			
Total equity	¥208,203	**¥223,187**	**$2,010,873**
Total assets	283,711	**315,189**	**2,839,792**
Cash dividends per share (yen)	¥ 43.00	**¥ 45.00**	**$ 0.41**
Rate of exchange (1 U.S. dollar)	106.24	**110.99**	**—**
Unit sales (motorcycles and automotives) (million units)	48.72	**50.43**	**—**

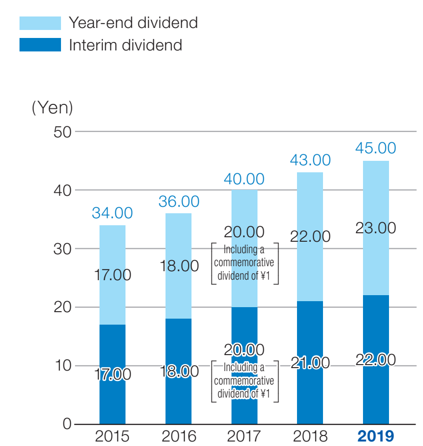
Revenue / Operating profit



Profit attributable to owners of the parent / Basic earnings per share



Cash dividends per share



Note: U.S. dollar amounts in this annual report are translated from Japanese yen, for convenience only, at the rate of ¥110.99 = US$1.

President's Message

Vision for 2030

Evolve into a global green vehicle solutions brand

My name is Keiichi Aida, and I was appointed President and CEO at the General Meeting of Shareholders in June and the subsequent Board of Directors Meeting.

On this occasion of reporting our business status for fiscal 2019, please let me say a few words.

Fiscal 2019 was the second year of the Thirteenth Medium-Term Business Plan (April 1, 2017 to March 31, 2020), during which time we strived to realize our Medium-Term Global Policy—"Build a strong company with healthy growth and a good company we can be proud of."

As part of our efforts to build a "strong company with healthy growth," in the motorcycle and power products business, we promoted preparations to begin production of motorcycle fuel injection systems (FI systems) in India. These systems substantially reduce the levels of hazardous substances in exhaust emissions and will help to improve the environment in India, which has the world's most severe air pollution. In the automotive products business, we installed a production line in Japan for next-generation power control units, which are the heart of hybrid and electric vehicles, and promoted preparations to begin production in order to contribute to substantial improvements in fuel efficiency and a reduction of CO_2 emissions. In addition, we opened a new sales office in China, which has a growing market for hybrid and electric vehicles, and pushed forward with initiatives for further growth, including accelerating our initiative to expand sales of products for hybrid and electric vehicles.

As an initiative to build a "good company we can be proud of," we actively engaged in activities to contribute to communities and conserve the global environment, including efforts in Japan as well as Thailand and Mexico, and reinforced initiatives to enable our evolution into a company that is regarded highly by local communities.

We also enhanced our initiatives aimed at health promotion, in order to enable all of our employees to work dynamically with healthy minds and bodies. As a result, in Japan, we were recognized as one of the Health and Productivity Management Outstanding Organizations (White 500) for the second year in a row.

As for performance in fiscal 2019, revenue fell year on year, despite an increase in sales of motorcycle and power products, due to factors such as a decrease in sales of automotive products in North America, and the effects of exchange rates. Profits fell despite streamlining effects, due to factors such as increased R&D expenses.

As for dividends, a proposal for a year-end dividend of ¥23 per share was approved at the 78th Ordinary General Meeting of Shareholders. Adding this to an interim dividend of ¥22 per share, we distributed a total dividend of ¥45 per share for fiscal 2019.

Based on the Thirteenth Medium-Term Global Policy—"Build a strong company with healthy growth and a good company we can be proud of"—we will continue to aim to be a company that always creates new value and contributes to the future of mankind, as stated in our corporate principle, guided by our fundamental beliefs of "Respect for the individual" and "The five joys."

I would like to ask for your continued support, as we endeavor to improve our corporate value.

Keiichi Aida
President & CEO

Financial Results for FY2019 (April 1, 2018 to March 31, 2019)

Revenue	Operating profit	Profit attributable to owners of the parent
¥349,220 million (down 0.6% compared with FY2018)	¥26,259 million (down 7.3% compared with FY2018)	¥15,706 million (down 11.9% compared with FY2018)

◆ Economic environment

The economic environment surrounding the Group in fiscal 2019 recovered gradually in Japan, due to factors including an improvement in corporate revenue and an increase in capital investment. The economy in the United States continued a steady trend toward recovery, including a strong employment environment. In Asia, the economy saw a gradual recovery centered on strong internal demand, while the economy in China slowed modestly amid weak consumer spending and exports.

Under these circumstances, the Group expanded business with the aim of achieving its Global Policy—"Build a strong company with healthy growth and a good company we can be proud of"—in the final year of the Thirteenth Medium-Term Business Plan.

◆ Business performance of motorcycle and power products

In motorcycle and power products, we installed an FI system, along with a transfer mold electronic control unit that achieves world-class compactness and lightness, in the Honda *CB150R*, which was launched in Indonesia. In addition, our FI system was also installed in the Haojue *Xin Yue Xing HJ125T-23*, a new model by Jiangmen Dachangjiang Group Co., Ltd., which is China's biggest motorcycle manufacturer. Furthermore, in terms of products for large motorcycles, our FI system, along with an electronic control unit that utilizes a newly-developed platform for large motorcycles, was installed in the Honda *CBR500/400R*, which was launched in Thailand and Japan.

◆ Business performance of automotive products

In automotive products, our products for hybrid and electric vehicles were installed in more cars, including the power control unit for hybrid and electric vehicles, which was installed in the Honda *CR-V* hybrid and Honda *CLARITY PHEV* plug-in hybrid models launched in Japan. In addition, a large number of our products were installed in the new Honda *Passport* model launched in North America, including an electronic control unit for V6 engines and fuel supply products. Furthermore, in terms of new customers, our condenser for automotive heat exchangers was installed in the Ford *RANGER* launched in North America, while our transmission control valve was installed in the hybrid vehicle of the Subaru *FORESTER Advance* launched in Japan.

◆ Toward building a "strong company with healthy growth"

In India, which is the world's largest motorcycle market, we completed our fifth new plant dedicated to the production of an FI system that greatly reduces the emission of hazardous substances contained in exhaust gases, in order to contribute to the improvement of the country's serious air pollution. We promoted preparations for the final mass production of four FI system products, on a scale of roughly 10 million units at five plants in India. Preparations included the expansion of buildings and installation of new production equipment at our four existing plants.

In the automotive products business, we installed a production line in Japan for next-generation power control units, and prepared to begin production to meet the growing demand for electric and hybrid vehicles. These units will significantly improve fuel efficiency and reduce CO_2 emissions. We also opened a new sales office in Shanghai, in anticipation of rapid growth in the market for hybrid and electric vehicles in China, and strengthened our sales and proposal activities targeting customers in the country. In addition, we developed a product for gasoline engine to meet customer needs, and actively promoted proposal activities, in order to contribute to the wider adoption of hybrid and electric vehicles, which are friendly to the global environment. As a result, we received inquiries from a large number of customers around the world, including Japan, Europe and China.

Looking Back on Fiscal 2019

4 April

- Opened the Daiba R&D Office to enhance Keihin's capacity in the field of powertrain electronic control systems

- Received the Daily Business Performance Award from the Vietnamese subsidiary of Sanyang Motor Co., Ltd.

- Held Parent-Child Traffic Safety Workshop in Tochigi, Miyagi, and Sayama

6 June

- Renovated cafeterias at Keihin's Miyagi and Tochigi locations to build a "good company"

April | May | June | July

7 July

- Keihin's products were installed in the Honda *CLARITY PHEV* plug-in hybrid launched in Japan

- Keihin's products were installed in the Honda *CB150R* launched in Indonesia

- Participated in Beach Cleaning Activities held in Shichigahama, Miyagi

In addition, in order to further strengthen our business base through the acquisition of more new customers, we created a new system in which a responsible person is appointed for each product business, and also established a system that improves development efficiency and meets customer needs, thereby streamlining the flow of product-development and speeding up decision making.

◆ Toward building a "good company we can be proud of"

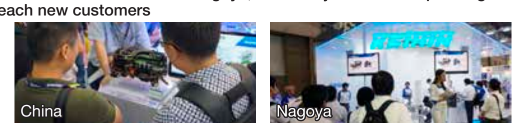
We promoted contributions to society and activities to conserve the global environment, in order to be able to share joy with local communities, as well as our customers, suppliers and shareholders. In Thailand, we donated learning materials to an elementary school in the northern region of the country, and conducted learning support activities. In Mexico, we promoted initiatives to evolve into a company that makes local communities happy, including aided recovery efforts in areas affected by the 2017 earthquake, performing clean-ups and tree planting in local parks. In addition, we worked to reduce the environmental impact and CO_2 emissions of our business operations by reducing standby power consumption during production line downtime and switching to LED lighting at our global plants. As part of these efforts, our newly established plant in India is able to recycle in-house all wastewater from production

August | September | October | November | December | January | February | March

8 August

- Opened a new sales office in Shanghai, China to expand sales of products for hybrid and electric vehicles

- Exhibited for the first time at AUTOMOTIVE WORLD CHINA 2018 and 1st AUTOMOTIVE WORLD Nagoya, with an eye towards expanding to reach new customers


China Nagoya

- Keihin's products were installed in the Haojue *Xin Yue Xing HJ125T-23* of Jiangmen Dachangjiang Group Co., Ltd., which was launched in China

9 September

- Keihin's products were installed in the hybrid vehicle of the Subaru *FORESTER Advance*, which was launched in Japan

- Sponsored Student Formula Japan and held fuel adjustment courses to nurture future engineers

10 October

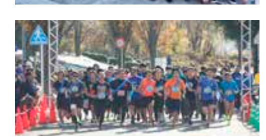
- Carried out CSR activities in Mexico

11 November

- Keihin's products were installed in the Honda *CR-V* hybrid model launched in Japan

- Exhibited at Kids Engineer in Tohoku 2018, a hands-on event to get children interested in manufacturing (*monozukuri*)

- Held the 2nd Ekiden Event, a sports event organized in collaboration with the local community



12 December

- Carried out the Hidamari Satogo Project, by collaborating with local communities to create forest spaces (*satoyama*) where children can play safely

- Received the Best Delivery Supplier 2018 Award from the Indonesian subsidiary of Honda Motor Co., Ltd.

- Began local production of carburetors for Honda *CD70* through a licensing agreement with Pakistan's Atlas Group

1 January

- Carried out CSR activities in Thailand

- Keihin's products were installed in the Ford *RANGER*, which was launched in North America

2 February

- Keihin's products were installed in the Honda *Passport*, which was launched in North America

- Recognized as one of the Health and Productivity Management Outstanding Organizations (White 500), implemented jointly by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi, for the second year in a row

2019 健康経営優良法人 Health and productivity ホワイト500

3 March

- Completed a new plant for motorcycle FI systems in India

- Received the Grand QCDDM Award from the Indian subsidiary of Honda Motor Co., Ltd.

- Keihin's products were installed in the Honda *CBR500/400R* launched in Thailand and Japan

activities.

We also made improvements to our working environment to enhance employee motivation and create a dynamic company that is comfortable to work at. Such improvements included large-scale renovations of our cafeterias. Furthermore, we strengthened our health-management initiatives by expanding measures to get employees walking, and by holding health seminars on the prevention of lifestyle diseases. These initiatives reflect our belief that our employees' "healthy minds and bodies" lead to corporate growth.

As a result, we were recognized as one of the Health and Productivity Management Outstanding Organizations (White 500), which is jointly implemented by the Japanese Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi, for the second year in a row, validating our efforts.

◆ FY2019 performance

Revenue for fiscal 2019 has decreased by ¥2,275 million year on year to ¥349,220 million. In the motorcycle and power product business, revenue has increased by ¥4,230 million year on year to ¥100,334 million, and in the automotive product business, revenue has decreased by ¥6,505 million year on year to ¥248,885 million. In profits, despite the rationalization effect, operating profit has decreased by ¥2,054 million to ¥26,259 million due to increases in R&D expenses, etc. Profit attributable to owners of the parent has decreased by ¥2,117 million to ¥15,706 million.

◆ Dividend increased by ¥2 to ¥45; dividend payout ratio, 21.2%

We regard the return of profits to our shareholders as one of the most important management issues. With regard to dividends, our policy is to pay dividends from a long-term perspective, taking into account consolidated business results, taking into consideration the future business development and other factors. The interim dividend for fiscal 2019 was ¥22 per share, an increase of ¥1 per share, and the year-end dividend will be ¥23 per share, an increase of ¥1 per share. Annual dividend is projected to be ¥45 including the interim dividend, an increase of ¥2 per share from the previous year.

With regard to the annual dividend for fiscal 2020, the interim dividend will be ¥23 per share, an increase of ¥1 per share, and the year-end dividend will be ¥23 per share. Annual dividend is projected to be ¥46 including the interim dividend, an increase of ¥1 per share from fiscal 2019.

We would like to introduce our initiatives aimed at realizing the Global Policy of our Thirteenth Medium-Term Business Plan — "Build a strong company with healthy growth and a good company we can be proud of."

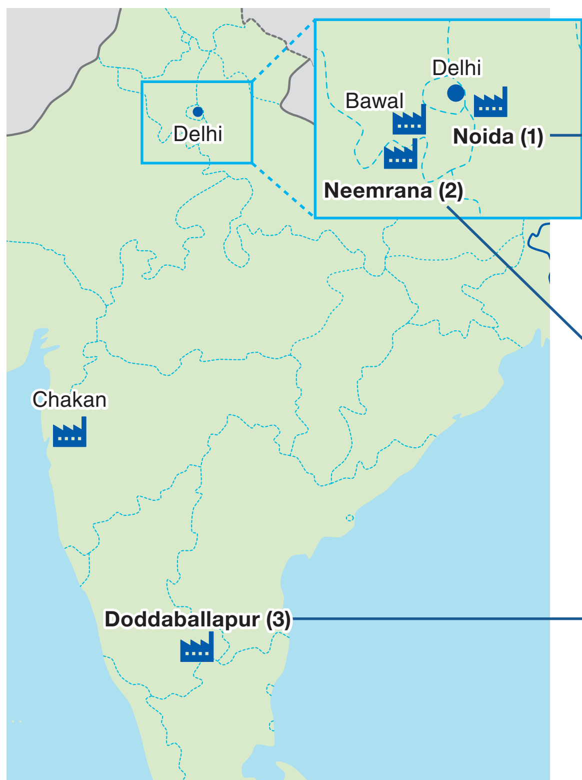
Initiatives for Preparation for the FI System in India

◆ Building a supply structure for FI systems

In India, we completed our fifth new plant dedicated to the production of an FI system that significantly reduces emissions of the hazardous substances contained in exhaust gas, in order to contribute to the improvement of the country's serious air pollution problem.

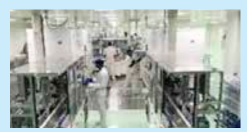
We promoted preparations for the final mass production of four FI system products, on a scale of roughly 10 million units at our five plants in India. Preparations included the expansion of buildings and installation of new production facilities at our four existing plants.

In addition, in order to facilitate the rollout of our Company's first large-scale production in India, local production staff studied Japanese manufacturing (monozukuri) at our Miyagi Plant, which is our mother plant.



(1) KPL Plant 1 (Noida) Expansion of building

For electronic control unit (ECU) production, the construction of a clean room has been completed, and a production facility has been installed

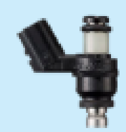


Production item / capacity
ECU
9 million units/year

(2) KPL Plant 2 (Neemrana) New plant

Built a new plant for the production of injectors and fuel pump parts

Production item / capacity
Injector
11 million units/year



Keihin India Manufacturing Pvt. Ltd. Plant 2

Location	Neemrana, Rajasthan
Site area	60,000m²
Production items	Injector for motorcycles, fuel feed pump for motorcycles
Employees	1,200 (planned for March 31, 2020)
Start of production	Summer 2019

(3) KFI Plant 3 (Doddaballapur) Expansion of building

Expanded building, and installation of throttle body and fuel pump production facilities has been started

Production item / capacity
Throttle body
11 million units/year
Fuel pump module
9 million units/year

KPL : Keihin India Manufacturing Pvt. Ltd.
KFI : Keihin FIE Pvt. Ltd.

◆ Transferring skills to local members

Training at the Miyagi Plant

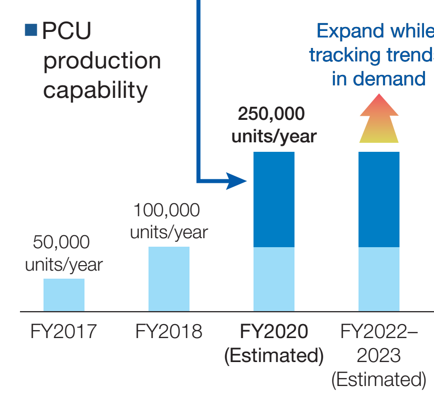
Initiatives Aimed at the Increased Electrification of Automobiles

We prepared to expand our production capacity of power control units (PCUs) for hybrid and electric vehicles in Japan from 100,000 to 250,000 units, in order to contribute to reduced CO_2 emissions and greatly improved fuel efficiency. In addition, in order to meet growing global demand, we acquired land in China for a new plant to start local production, while in Japan we acquired land and buildings for new plant facilities in the town of Murata, in Miyagi Prefecture.

◆ Expansion of our PCU production capability

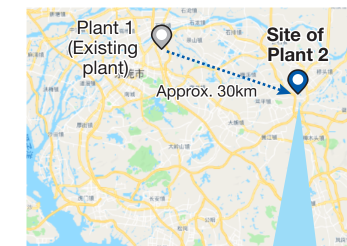
Expansion of production capability in Japan

Preparing production towards the start of mass production within fiscal 2020



Acquisition of land for a new plant in China

Location	Eastern Industrial Park, Dongguan, Guangdong
Site area	81,600m²
Start of production	FY2022–2023



Acquired land and buildings for new plant equipment

Location	Murata Town, Shibata District, Miyagi Prefecture
Site area	69,462m²

Held down investment by acquiring the land and buildings of the former plant of a semiconductor manufacturer; began expanding our supply structure for hybrid and electric vehicle products

Through collaboration with the IPM Plant, we will realize enhanced competitiveness by strengthening functions as a mother plant that supports the start of local production overseas and by expanding our supply structure.

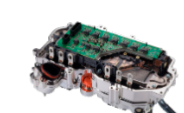
Efforts to Expand New Customers

We are advancing initiatives to expand new customers, in order to achieve our 2030 vision. We have developed and proposed products for next-generation hybrid and electric vehicles, as well as competitive gasoline engine products that meet customer needs. As a result, we have received 35 inquiries from 18 global customers in Japan, Europe, North America, China, etc., among which one order has been confirmed for Toyota gasoline engine products in Thailand, while four have progressed to a situation very close to receiving orders.

■ Proposed products

Technologically competitive products for hybrid and electric vehicles

Under development of next-gen products

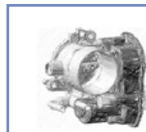


PCU with industry-leading power density

Under development of next-gen products

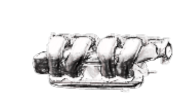
Top performance BMS

Gasoline engine products matched to customer needs



Lowest price throttle body

Lowest price injector



Lightest intake manifold

Actively participating at exhibitions in Japan and overseas

35 inquiries from 18 global customers in Japan, Europe, North America, China, etc.

State of Progress: Confirmed an order for Toyota gasoline engine products in Thailand, while four have progressed to a situation very close to receiving orders

Results by Product (Motorcycle and Power Products)

KEIHIN

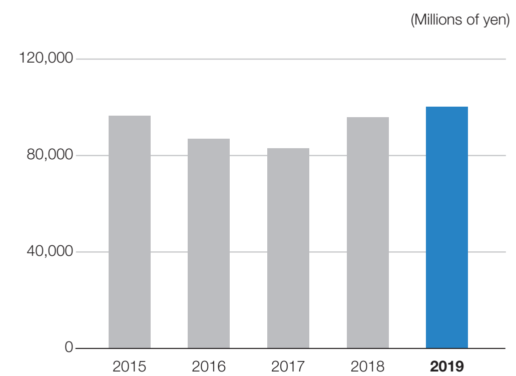
Major Products and Sales

Motorcycle and Power Products

Revenue: ¥100,334 million
(up 4.4%)

Revenue from motorcycle and power products increased by 4.4% year on year to ¥100,334 million, due to an increase in sales and despite revenues taking a hit from foreign currency translations, mainly in Asia and China.

Revenue



Engine Management Systems

This system is an electronic FI system that meets tighter emission regulations in response to heightened environmental awareness. We lead the world in terms of system products that support a wide range of engine sizes, from small to large.

Small Motorcycle


Transfer Mold ECU


ECU with ACG Starter Control System


ECU


Injector


Fuel Pump Module


Throttle Body

Large Motorcycle

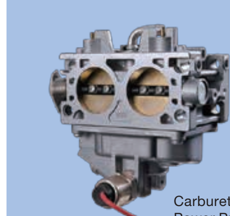

ECU


Electronic Control Throttle Body

Carburetors

Since our founding, we have had a long history of developing and manufacturing carburetors. We are also developing products to satisfy current emission regulations and are supplying them globally.


Carburetor for Small Motorcycles


Carburetor for Power Products

Technology Development Topics

Motorcycle Products **Realizing Small, Lightweight Systems: Palm-Sized Compactness, 51g in Weight**

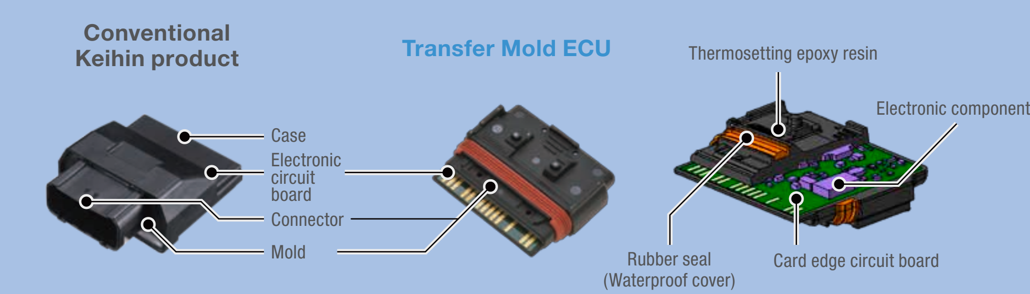
Transfer mold ECUs keep the engine in an optimum operating condition, by detecting environmental conditions and issuing commands to various devices, including the air and fuel injection volumes, as well as the ignition timing.

Keihin has achieved palm-sized miniaturization by using a card edge circuit board with connector joint functionality, using a new packaging technology that eliminates the need for a case and potting resin by means of transfer molding.


Transfer Mold ECU

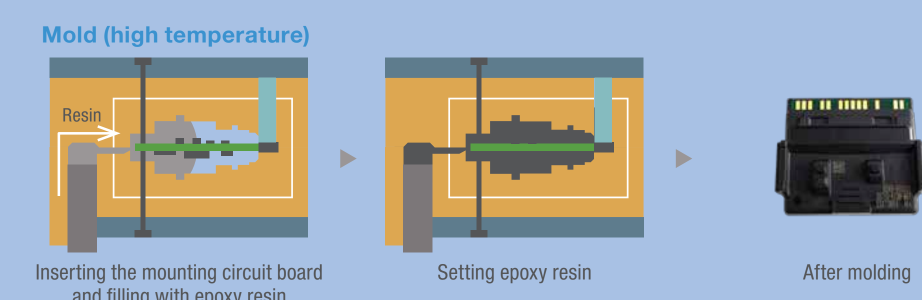
Use of a card edge circuit board and transfer molding

In contrast with conventional ECUs, where the connectors are soldered to the circuit board, the transfer mold ECU uses a card edge circuit board that integrates the connectors and circuit board into a single unit. The card edge circuit board is sealed with a direct thermosetting epoxy resin, eliminating the need for a conventional case or potting resin, and making the unit smaller and more lightweight.



Establishing a new manufacturing method using original development and production techniques

Achieving transfer molding requires optimum design, circuit board manufacturing and resin molding technology. Consequently, the development and production engineering departments worked as a team to establish this new manufacturing method. We achieve transfer molding with optimized molding resin and specialized molds that do not adversely impact the circuit board or the electronic components.

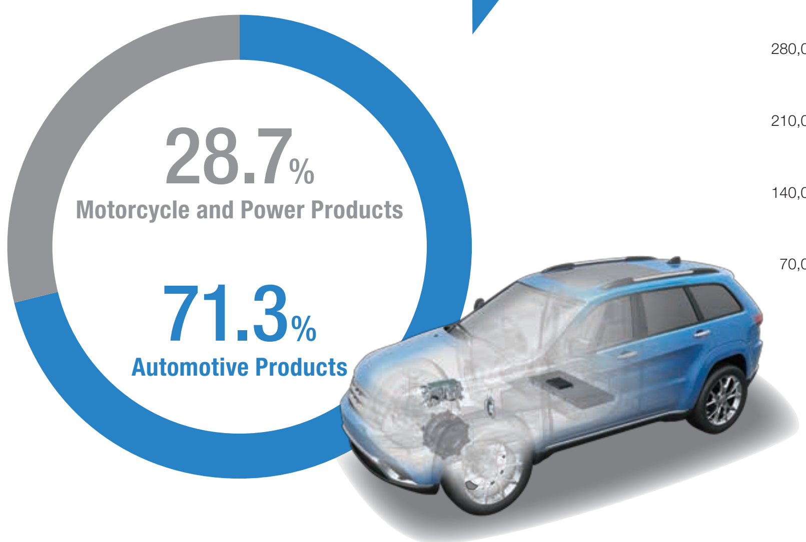


KEIHIN

Major Products and Sales

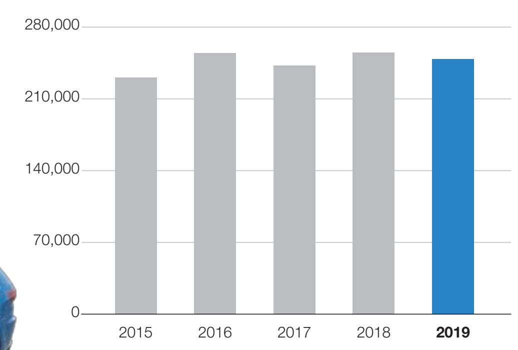
Automotive Products

Revenue: ¥248,885 million
(down 2.5%)



Revenue from automotive products decreased by 2.5% year on year to ¥248,885 million, due to the impact of foreign currency translation, in addition to lower sales as a result of a deterioration of the model mix, mainly in the Americas.

Revenue



Electrification System for Hybrid and Electric Vehicles

We are blazing a trail for the future of mobility by meeting the increased global need for car electrification, with a product lineup that includes PCUs boasting world-class output density and battery management systems.


PCU
Battery Management System
Management ECU

Engine Management Systems for Gasoline Vehicles

In response to globally heightened environmental awareness, we are offering products to suit the new environmental era and satisfy dual demands for high fuel efficiency and low environmental impact.


Injector for Direct-Injection
Electronic Control Throttle Body
ECU
Intake Manifold
Injector for Port Injection
EGR Valve

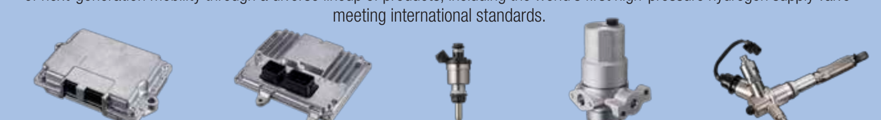
Engine Management Systems for Natural Gas Vehicles

Keihin CNG products, including 2nd ECU and injectors, can be installed in a wide range of models and engines, in both small and large automobiles.


Injector
Oil Trap Filter
Pressure Regulator
2nd ECU

Products for Fuel Cell Vehicles

We are applying technologies cultivated through a development of various products for energy control, to contribute to the development of next-generation mobility through a diverse lineup of products, including the world's first high-pressure hydrogen supply valve meeting international standards.


ECU for Stack Impedance Measurement
ECU for Fuel Cell Power Generation Control
Injector
High-Pressure Hydrogen Regulator
High-Pressure Hydrogen Supply Valve

Air-Conditioning System

We contribute to a comfortable vehicle interior and improved car fuel efficiency, through products such as compact, high-performance automotive air conditioning units and condensers with high heat exchange efficiency.


HVAC Unit
Cold Storage Evaporator
Condenser

Technology Development Topics

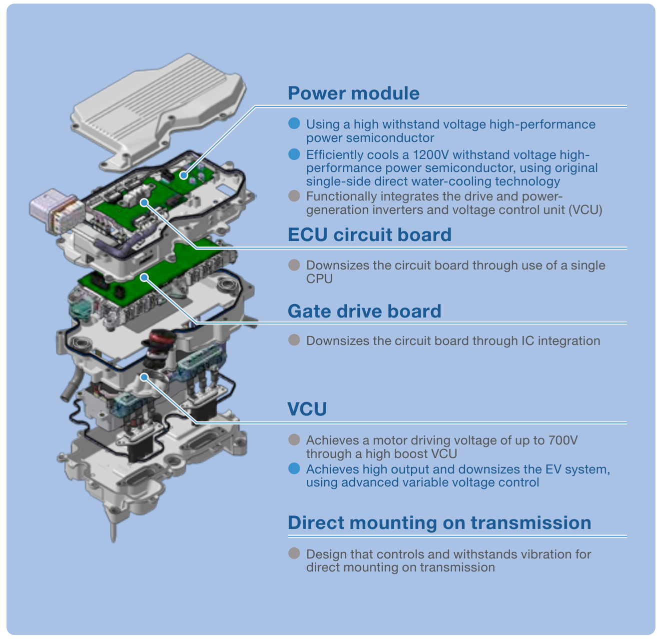
Automotive Products **Saving Space in Hybrid and Electric Vehicles: Power Control Unit**

The PCU controls a motor for power generation and drive at start up, acceleration and deceleration of hybrid and electric vehicles. It has functions such as motor drive control, regenerative control and power generation control.

Keihin's PCUs achieve a world-class output density of 43.6kVA/L, contributing to space saving for hybrid and electric vehicles.

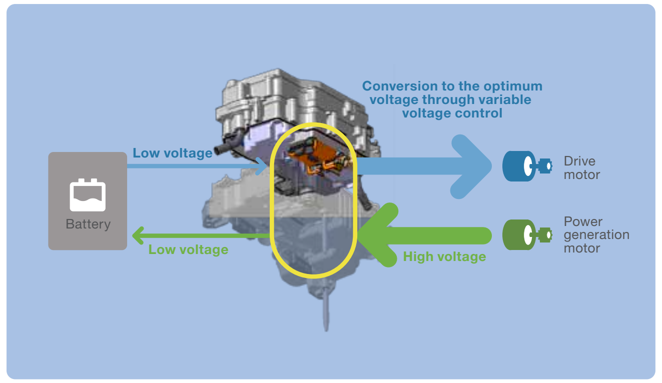

PCU

Achieving a world-class output density of 43.6kVA/L



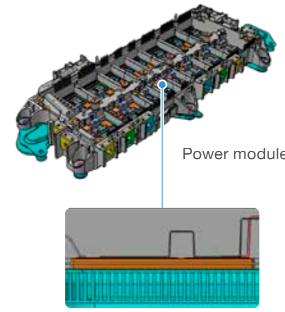
Achieves high output and downsizes the EV system, using advanced variable voltage control by means of a VCU

The advanced variable voltage control of the VCU, which outputs voltage variably from the battery, achieves high EV system efficiency in all motor ranges, from low to high output, thus making it possible to downsize the battery and motor, while maintaining high output.

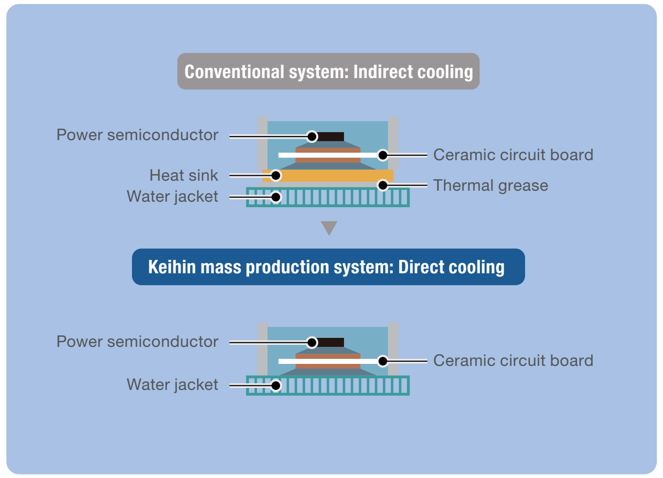


Efficiently cools a 1200V withstand voltage high-performance power semiconductor, using original single-side direct water-cooling technology

We directly joined the high withstand voltage high-performance power semiconductor and ceramic circuit boards that are mounted on the power module with a water jacket that circulates cooling water. Conventionally, indirect cooling technology was used, in which a heat sink was placed between the power semiconductor and heat-dissipating water jacket, with contact via thermal grease. However, through the evolution of our design and production engineering, we have achieved a direct cooling system that does not employ a heat sink or thermal grease. This reduces the number of components, thus realizing a reduction in system size.



A cross section of power semiconductor package



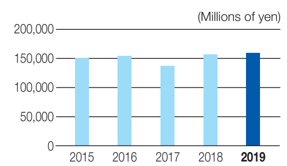
14 countries | **31** Group companies

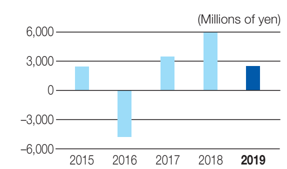
22,624 associates

Japan

Revenue
¥159,179 million

Operating profit
¥2,506 million





<Revenue>

Revenue increased due to an increase in sales of motorcycle and power products for India and Thailand, although there were decreased sales of automotive products for Americas and China, and air conditioning products in Europe, as well as a decline in revenue caused by the unfavorable foreign exchange rate.

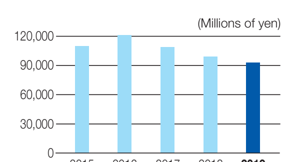
<Operating Profit>

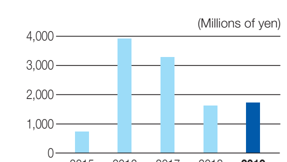
Operating profit decreased due to increased R&D expenses, etc.

Americas

Revenue
¥92,570 million

Operating profit
¥1,721 million





<Revenue>

Revenue declined due to the unfavorable foreign exchange rate and to decreased sales of automotive products in North America, despite increased sales of motorcycle and power products in South America.

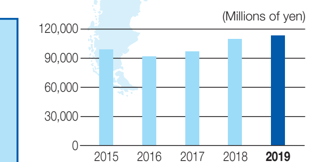
<Operating Profit>

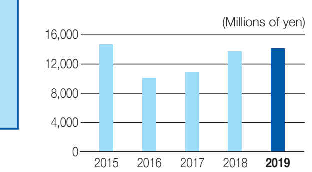
Operating profit increased due to the reversal of impairment costs incurred in the previous term and productivity improvement in Central America, despite the impact of decreased revenue.

Asia

Revenue
¥113,203 million

Operating profit
¥14,165 million





<Revenue>

Revenue increased due to increased sales of motorcycle, power product and automotive products, despite the impact of decreased revenue due to the unfavorable foreign exchange rate.

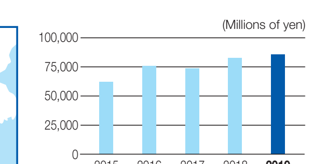
<Operating Profit>

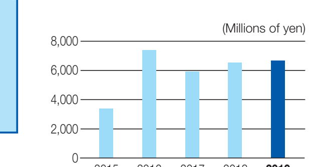
Operating profit increased due to increased revenue and streamlining effects, although there was an impact from foreign exchange due to the weak currencies of emerging countries and increased costs in association with the launch of the motorcycle FI system in India.

China

Revenue
¥85,622 million

Operating profit
¥6,652 million





<Revenue>

Revenue increased due to increased sales of motorcycle, power product and automotive products, despite the impact of decreased revenue due to the unfavorable foreign exchange rate.

<Operating Profit>

Operating profit increased due to increased revenue effect, although there was an impact due to the weak currencies of emerging countries.

*Revenue includes amounts for internal revenue between segments.
*Starting from fiscal 2017, two of the five subsidiaries of the Keihin Thermal Technology group that had heretofore been included in the “Japan” segment, specifically the subsidiaries in North America and Thailand, are included in the “Americas” and “Asia” segments, respectively.

◆ R&D Expenses

The Group's basic policy on R&D is to pursue the development of integrated systems and products backed by sophisticated technology. Toward this end, the Group assumes a front-loading approach to R&D that anticipates customer trends.

R&D activities hinge on the Company's development departments. These departments focus on leading-edge environmental technologies that draw on the synergy between the motorcycle and power product business and the automotive product business and also focus on technology that underpins the development of reasonably priced products. In addition, the development departments strive to expand the menu of marketable integrated systems and products.

Furthermore, the Group is strengthening its global development system and focusing on local procurement activities in response to the increasingly diverse needs of customers overseas.

In conjunction with the application of the International Financial Reporting Standards (IFRS), the Group has capitalized certain expenses associated with R&D activities and recorded these expenses under intangible assets. Total R&D expenses, including development expenses (¥2,830 million) recorded under intangible assets, amounted to ¥24,658 million.

◆ Capital Expenditures

In fiscal 2019, capital expenditures (for property, plant and equipment and intangible assets, excluding development expenses recorded in intangible assets) came to ¥29,746 million, which consists of ¥23,572 million for investments in production facilities, ¥1,208 million for R&D expenses and ¥4,967 million for other investments. A look at investments in production facilities by geographical region shows that ¥7,958 million was allocated to operations in Japan, ¥1,817 million to the Americas, ¥12,857 million to Asia and ¥940 million to China.

There is no sale, removal or loss of property, plant and equipment that significantly affects production capacity.

◆ Cash Flows

Consolidated cash and cash equivalents (hereinafter referred to as "Net cash") on March 31, 2019, increased by ¥10,133 million from March 31, 2018, to ¥61,047 million.

The reasons for the increases or decreases for each cash flow activity, when compared with the previous fiscal year, are as follows:

(Cash flows from operating activities)

Net cash provided by operating activities in fiscal 2019 were ¥31,480 million (down ¥5,572 million compared to the previous year) due to profit before tax, depreciation and amortization expenses, etc. despite increases in income taxes paid and inventories.

(Cash flows from investing activities)

Net cash used in investing activities in fiscal 2019 were ¥32,375 million (up ¥13,416 million compared to the previous year) due to the purchase of property, plant and equipment and intangible assets.

(Cash flows from financing activities)

Net cash provided by financing activities in fiscal 2019 were ¥9,521 million (up ¥16,577 million compared to the previous year) due to proceeds from loans, etc. despite payments of cash dividends, etc.

◆ Financial Position

Total assets on March 31, 2019, were ¥315,189 million, an increase of ¥31,477 million from March 31, 2018.

The main factors for each item are as follows:

(Current assets)

Current assets were ¥174,687 million, an increase of ¥12,890 million. This is mainly due to the increase in cash and cash equivalents and inventories.

(Non-current assets)

Non-current assets were ¥140,502 million, an increase of ¥18,588 million. This is mainly due to the increase in property, plant and equipment.

(Current liabilities)

Current liabilities were ¥67,580 million, an increase of ¥1,391 million. This is mainly due to an increase in trade and other current payables, despite a decrease in provisions and other current financial liabilities.

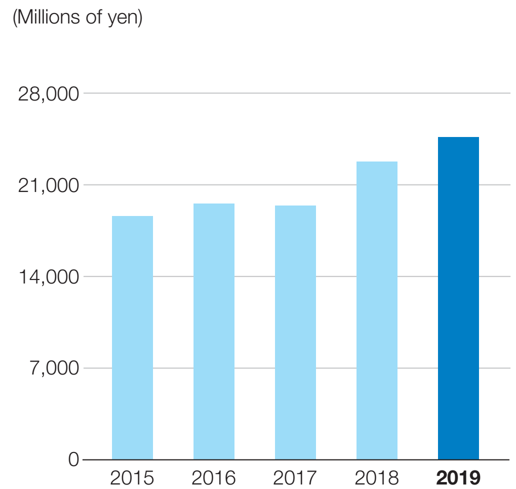
(Non-current liabilities)

Non-current liabilities were ¥24,421 million, an increase of ¥15,102 million. This is mainly due to an increase in long-term loans.

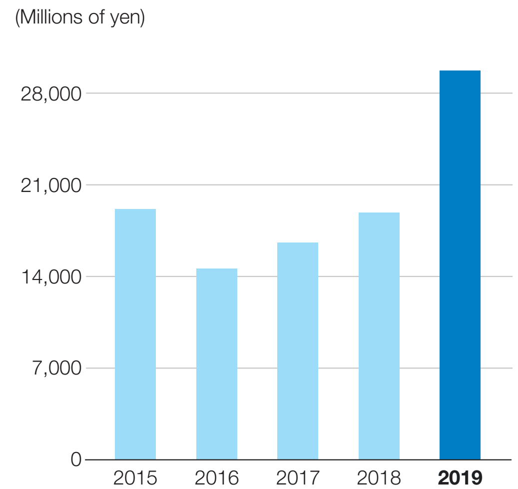
(Equity)

Equity was ¥223,187 million, an increase of ¥14,984 million. This is mainly due to an increase in retained earnings.

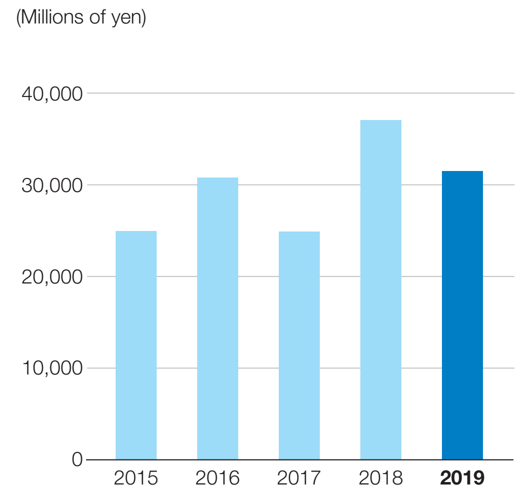
R&D expenses



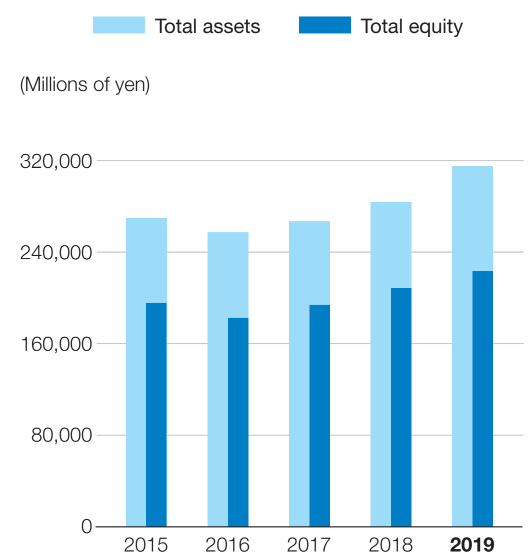
Capital expenditures



Cash provided by operating activities



Total assets and total equity



We consider "the environment, security and the personnel who support these CSR fields" to be material (critical themes) in our corporate development and societal contributions, and we engage in activities that resonate with and earn the trust of society.

Environment

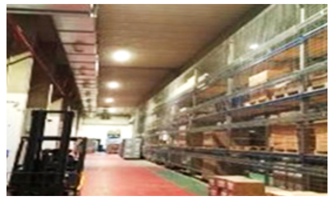
◆ Initiatives toward reducing our environmental impact

We are taking global initiatives to reduce our environmental impact in various business activities.


Reuse of industrial wastewater (New Neemrana Plant, India)


Improvement of compressor room air intake (Thailand)


Improvement of controls over the number of compressors


Shift to LED lighting (Czech Republic)

Recognition for our environmental activities

22nd Environmental Management Survey conducted by Nikkei Inc.

Manufacturing industry	Automobiles and automotive parts
20th (out of 360 companies)	4th (out of 32 companies)

Environmental awards

Our "Environmental Report 2018" received the Excellence Award for Environmental Reporting at the **22nd Environmental Communication Awards**, sponsored by the Ministry of the Environment, and others

◆ Social contribution activities

Our affiliates, both in Japan and overseas are also proactively engaged in environmental protection activities, with the aim of living in harmony with the local region of each base.

Safety

We are continuously making efforts in product design to ensure safe performance and quality assurance, in order to realize a safe mobility society. In addition, we hold Parent-Child Traffic Safety Workshops each year in Japan, as an initiative to protect children from accidents.


Classroom lectures for children


Experiencing blind spots


Demonstration of being trapped by a turning vehicle

Comments from the participants

- My children and I are grateful that we were able to learn a lot together.
- Being able to learn through sight and sound, rather than schools and books was a valuable experience. Although we already had knowledge of these issues, experiencing them visually had a much greater impact.
- I hope this workshop is held every year. I hope it continues, because it is a good program.
- The workshop gave me the opportunity to talk about traffic safety with my child at home.

Humanity

Keihin will continue to develop personnel, in order to share joy with our stakeholders. Starting with Japan, we are promoting initiatives for health and productivity management, to create a vibrant and comfortable work environment for our employees.


Renovated cafeteria


Held a health seminar on lifestyle disease prevention

Results of initiatives

■ Percentage of women returning to work after taking maternity and childcare leave

95%

■ Achievement rate of initiatives to stop forfeiture of paid leave

100%

Achieved continuously since 2005

Third-party recognition

くるみん

Obtained Kurumin Certification as a childcare support company recognized by the Minister of Health, Labor and Welfare in March 2018

2019 健康経営優良法人 Health and productivity ホワイト500

Recognized as a 2019 Health and Productivity Management Outstanding Organization (White 500) for the 2nd consecutive year

Issues to Be Addressed

In the business environment surrounding the Group, a tightening of environmental regulations is expected globally, for both motorcycles and automobiles. With regard to motorcycles in particular, we expect the conversion to fuel injection (FI) to expand in India starting in 2020, and initiatives toward electrification to grow in the future, especially in Japan and Asia. With regard to automobiles, we expect initiatives toward electrification to accelerate further, especially in developed economies, and sales of hybrid and electric vehicles to expand rapidly, particularly in China.

Under these circumstances, the Group tackled the following challenges with the aim of achieving its Global Policy—"Build a strong company with healthy growth and a good company we can be proud of"—in the final year of the Thirteenth Medium-Term Business Plan.

1. Respond to the motorcycle environment

India is beginning to adopt FI technology, following Thailand, Indonesia and China. The employees of our five plants in India, including our newly completed plant, together with our suppliers will work to domestically produce roughly 10 million units apiece of our four FI system products. We will carry out this initiative successfully, in order to lay the foundation for our motorcycle and power products business.

2. Respond to the electrification of automobiles

We will begin production of next-generation PCUs in Japan, in order to respond to rapid growth in the sales of electric and hybrid vehicles. We will also advance preparations to begin local production in China, which will be one of the first countries to experience a growth in automobile electrification. Moving forward, we will advance preparations for the global growth of electric and hybrid automobiles, by focusing our management resources on both development and production.

3. Strengthen our business foundation

We will make our products more cost competitive by streamlining processes and automating equipment at our production sites, both in Japan and internationally. We will also strengthen our research and development, in order to create products for next-generation hybrid and electric vehicles, and realize competitive products for gasoline engines that meet customer needs. Furthermore, with the aim of reaching an increasing number of new customers, we will aim for continuous growth, through proposal and support activities carried out via the united efforts of our globally deployed sales and development teams.

4. Initiatives to reduce environmental impact

We will work to evolve into a company that gains the empathy and trust of our stakeholders, by promoting the development of products that improve personal mobility in an environmentally friendly way, and by strengthening initiatives to reduce the environmental impact of our business operations, including production, procurement and logistics.

Through these initiatives, we will work to increase our value as a company by realizing our corporate principle, which states that "Keihin will contribute to the future of mankind by the continuous creation of new value."

13th Medium-Term Global Policy

Build a strong company with healthy growth and a good company we can be proud of

- Provide eco-friendly solutions for the green technology era
- Greatly expand our customer base
- Enhance the attraction toward the Keihin brand

Risk Factors

1. Changes in the market environment

The Keihin Group conducts business on a global scale. Economic downturns in the markets where the Group maintains a presence could dampen demand for motorcycle and power products as well as automotive products, which could in turn limit sales and erode the Group's business results.

2. Exchange rate fluctuations

The Keihin Group pursues business activities on a global scale. Consequently, exchange rate fluctuations could influence the financial standing of the Group, its business results and its competitive edge.

3. Quality

The Keihin Group endeavors to maintain a worldwide product assurance system and will meticulously strive to sustain and further improve the quality of its products. However, the appearance of unforeseen malfunctions could reflect badly on the Company and thus impair business results.

4. Motorcycle and automotive industry environment and other rules

The motorcycle and automotive industries are governed by an extensive assortment of rules pertaining to fuel, noise, safety, exhaust emissions and toxic substances, as well as levels of pollution from manufacturing plants. Existing rules may be amended and, more often than not, the amended rules are more stringent. The costs to comply with those regulations could have a restrictive impact, limiting the scope of the Group's business activities.

5. Protecting intellectual property

Over many years, Keihin has accumulated patents and trademarks for the products manufactured by Group companies or has acquired associated rights. These patents and trademarks have played a vital part in the growth of the Company and the Group to date, and the importance of these assets will not change. However, infringement—that is, illegal use—of the Company's intellectual assets could have a negative effect on the Group's business activities.

6. High reliance on the Honda Group

In fiscal 2019, ended March 31, 2019, transactions with the Honda Group represented roughly 85% of Keihin's consolidated revenue. In the future, if the business strategies of the Honda Group change, or if for some reason the business status that the Keihin Group currently enjoys with the Honda Group changes, the business activities, business results and financial standing of the Keihin Group might be considerably affected.

7. Impact of changing raw material prices

Most of the costs incurred in manufacturing the products of the Keihin Group are raw material costs. Changes in the prices of the raw materials that the Group uses could have a detrimental impact on the Group's business results.

8. Procurement of raw materials and components

Members of the Keihin Group purchase raw materials and components from many reliable external providers selected on the basis of such factors as cost, quality and technology. The Group relies more heavily on some of these providers than on others. If it becomes impossible to secure a continuously stable supply of essential raw materials and components due to an unforeseen accident or some other event, the business results of the Group could be adversely affected.

9. Disruptive events, including disasters, disease, war, terror attacks, strikes and major accidents

The Keihin Group conducts business on a global scale. Unforeseen events, such as natural disasters, the outbreak of disease, the eruption of war, acts of terrorism, labor strikes and major accidents, such as fires, explosions and nuclear crises, could cause physical damage and human casualties and leave infrastructures temporarily or permanently unusable, which could then delay or completely prevent procurement of raw materials and components, impede production, the sale of products and logistics, and interrupt services. The Group has developed and operates a business continuity plan (BCP) to deal with these risks, however, such delays to, or suspension of, operations, especially if they prove to be lengthy, could adversely affect the Group's business activities, financial standing and business results.

10. Lawsuits and legal proceedings

The Keihin Group conducts business on a global scale and could be subject to lawsuits, investigations under the relevant laws and regulations enforced by the jurisdictions in which the Group operates, as well as other legal proceedings. In such cases, an unfavorable judgment could adversely affect the Group's business activities, financial standing and business results.

11. Information leaks

The Keihin Group conducts business on a global scale and possesses confidential information with regard to sales and technology, including information from customers as well as the Group's own proprietary know-how. The Group treats such information with the utmost care and attention to prevent accidental or malicious leakage through illegal access, manipulation, destruction, or other means, by establishing a control system and regulations. If an unexpected event occurs, however, resulting in a leak, etc., the Group may be exposed to such liability as compensation for damages and/or losses, which could adversely affect the Group's business activities, financial standing and business results.

12. Global business activities

In its production and sales activities, the Group conducts business in a wide range of markets overseas. Engaging in business activities overseas entails the risks stated below. The occurrence of any of these events could adversely affect the Group's business activities, financial standing and business results:

- Unforeseen changes in laws or regulations or disadvantageous changes in tax systems
- Occurrence of detrimental political or economic factors
- Labor shortages or deterioration of retention rate
- Negative impact on business activities caused by condition of infrastructure development

◆ **Basic concept on corporate governance**

Based on the fundamental beliefs of the Keihin Philosophy, Keihin aims to realize its corporate principle, "Keihin will contribute to the future of mankind by the continuous creation of new value," through the sharing of joy with society, customers, suppliers, shareholders and ourselves.

For us to continue being a company that can earn the understanding and trust of our stakeholders, as well as to achieve sustainable growth and raise corporate value over the medium to long term, we believe that making efforts to enhance corporate governance is one of our top management priorities.

<Basic policy>

The Company's initiative, based on our basic approach, is as follows.

The Board of Directors consists of internal directors with abundant experience in the automotive and motorcycle industry, as well as independent directors with a wealth of experience and high-level insight, who provide a neutral and objective perspective. The Board of Directors makes important decisions regarding management policies and other management matters, maintains and enhances our internal control systems, and supervises the executive team and directors.

The Company also has an Audit & Supervisory Board, which includes independent audit & supervisory board members. Audit & supervisory board members possess a wealth of experience and high-level insight, and their broad and professional perspectives are useful in supervising and auditing the execution of business activities and directors' responsibilities in an independent and impartial way.

In addition, a separation of supervisory and execution roles has been enabled through the introduction of a corporate officer structure. Through this system, we build and work on a sound, transparent and effective corporate governance structure, to serve our shareholders by achieving sustainable growth and improving our corporate value from a medium- to long-term perspective, including swift and efficient decision-making.

In addition, in order to ensure an appropriate understanding of the Company, we endeavor to disclose a wide range of information including management information, as well as non-financial information such as CSR to our shareholders, investors and other stakeholders in a swift, accurate and fair manner. We also endeavor to build a structure for constructive dialog with shareholders and investors, and an appropriate environment for the equality of shareholders and the exercise of rights.

Based on this policy, we have established our Declaration of Conduct, which specifies our code of conduct for matters such as compliance, environmental conservation and communication with society. This declaration is shared by everyone within the Group and in our offices around the world, and we continuously strive to elicit a deeper sense of trust from our shareholders and other stakeholders.

Please view our Declaration of Conduct on the Company's website.

https://www.keihin-corp.co.jp/english/company/declaration.html

◆ **Corporate governance structure**

1. Overview of the corporate governance structure

<Board of Directors>

The Board of Directors, comprising 11 directors including two independent directors, is tasked with decision-making on legal requirements and important business matters, and supervising the execution of business. In addition, introducing a corporate officer structure enables a separation of supervisory and execution roles, thereby giving a greater degree of flexibility to the Board of Directors.

<Audit & Supervisory Board>

The Audit & Supervisory Board comprises three audit & supervisory board members including two independent audit & supervisory board members. Each audit & supervisory board member is assigned to examine the performance of directors in executing business operations by attending Board of Directors' meetings and providing comments, investigating the status of operations and assets in accordance with corporate audit policies and methods, and allocating duties specified by the Audit & Supervisory Board.

<Appointment of candidate for director and audit & supervisory board member>

A candidate for director is decided by a resolution of the Board of Directors, while taking into account the opinions of independent directors. A candidate for audit & supervisory board member is elected by consent from among the Audit & Supervisory Board, followed by a resolution of the Board of Directors.

<Business execution structure>

Keihin established a corporate officer structure as a means to reinforce its director system, in order to expand business globally and address changes in the operating environment, thereby allowing the Board of Directors to concentrate on decision-making and supervising operations, and giving it a greater degree of flexibility. Underpinned by the Keihin Philosophy, the Company's organization is structured with a headquarters established for each region, business and function, and subsidiaries placed under the umbrella of their respective headquarters. Under this framework, directors and operating officers (collectively, "assigned directors") are appointed to key posts in key businesses and operational headquarters and divisions. The Company also maintains highly effective and efficient corporate structures, where business activities are capably and appropriately executed, including the implementation of the Medium-Term Business Plan and the Annual Business Plan. Among these structures is the Management Council, a body that discusses important management topics within the scope of authority delegated by the Board of Directors, as well as providing opportunities for issues to be explored in a discussion setting, attended by assigned directors.

2. Status of development and operation of internal control systems

(1) Status of development of internal control systems

Having established the basic policy for the following items, the Company is working on developing internal control systems.

(a). Structure to ensure that directors and associates perform their functions and duties in compliance with laws and regulations and the Company's Articles of Incorporation
Having established Compliance Rules, the Company appoints a director or operating officer (hereinafter referred to as a "director") to the post of compliance officer, who plays a leading role in promoting the Group's compliance activities. With respect to corporate ethics, the Company established the Corporate Ethics Improvement and Comments Desk, which functions as an access point for suggestions and notifications on issues from in-house sources and suppliers. The Company also reinforced its compliance structure, including the management of risks attributable to compliance issues, by taking measures such as integrating legal and control functions, and strengthening the business base through the Global Liaison Committee on Legal Affairs.

(b). Structure concerning storage and management of information on the execution of directors' duties
The Company stores and manages documents that contain information concerning the execution of directors' duties, such as meeting minutes of the Board of Directors, materials and meeting minutes of the Management Council and approval documents, in accordance with the Document Management Rules.

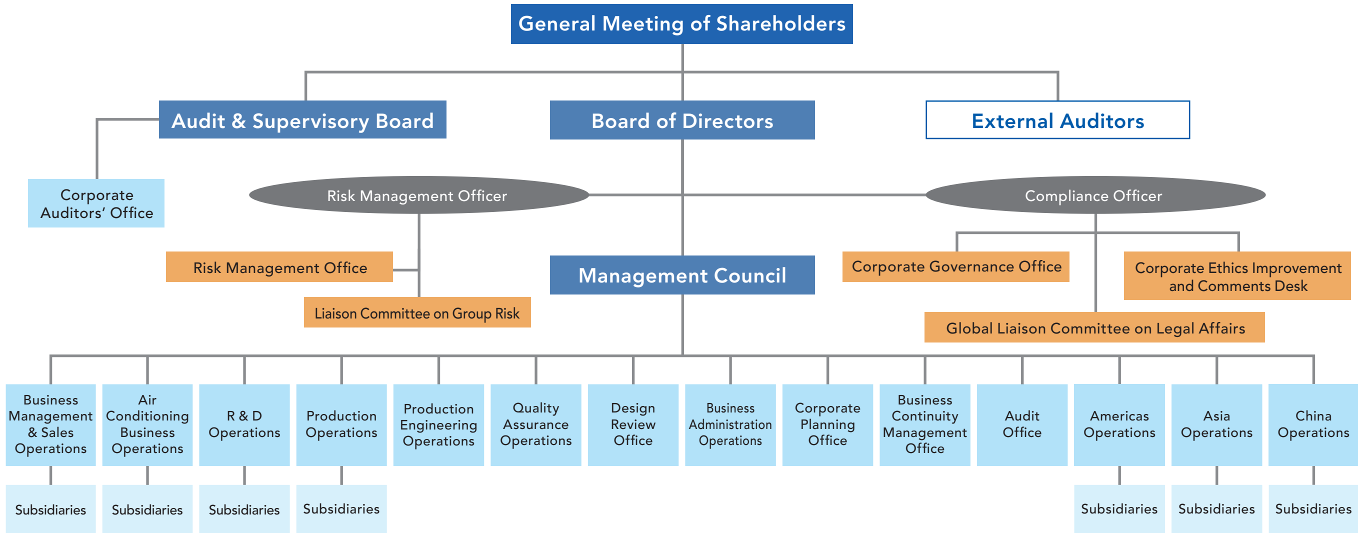
(c). Rules concerning risk management for losses and other structures
Having established Risk Management Rules, the Company appoints a director to the post of risk management officer, who plays a leading role in promoting the Group's risk management initiatives. The Company establishes preventive measures for every risk-associated item through the installation of a unit dedicated to supervising risk control for the entire Group and the Liaison Committee on Group Risk, while strengthening the risk control structure, including measures to improve crisis management, to respond promptly to major disasters.

(d). Structure to ensure efficient execution of directors' functions and duties
Keihin established a corporate officer structure as a means to reinforce its director system, in order to expand business globally and address changes in the operating environment, thereby allowing the Board of Directors to concentrate on decision-making and supervising operations, and giving it a greater degree of flexibility. Underpinned by the Keihin Philosophy, the Company's organization is structured with a headquarters established for each region, business and function, and subsidiaries placed under the umbrella of their respective headquarters. Under this framework, directors and operating officers (collectively,"assigned directors") are appointed to key posts in key businesses and operational headquarters and divisions. The Company also maintains highly effective and efficient corporate structures, where business activities are capably and appropriately executed, including the implementation of the Medium-Term Business Plan and the Annual Business Plan. Among these structures is the Management Council, a body that discusses important management topics within the scope of authority delegated by the Board of Directors, as well as providing opportunities for issues to be explored in a discussion setting, attended by assigned directors.

(e). Structure to ensure appropriate operations at corporate groups comprising the Company and its subsidiaries (including a framework for subsidiaries' reporting to the Company on the performance of duties by directors at subsidiaries)
Having established the Declaration of Conduct as the Group's universal Standards of Conduct, the Group is stepping up initiatives and activities for compliance and risk management by verifying their status based on checklists developed for each organization and subsidiary, and reporting the results to the Company's Board of Directors. In addition, the Company's Audit Office, an independent audit body, verifies the execution of operations through an internal audit. In principle, the Company appoints directors and associates to posts at its subsidiaries as directors, while requiring subsidiaries to obtain the Company's prior approval or deliver a subsequent report to the Company with regard to important matters.

(f). Matters concerning associates in the case where audit & supervisory board members request staff to assist them in their duties and matters to ensure the independence of such associates from directors and the effectiveness of directions given to such associates
The Company has established a Corporate Auditors' Office to assist audit & supervisory board members in their duties and assigns full-time associates therein. Such associates work under the direction of audit & supervisory board members, with the transfer, evaluation, disciplining, etc., of

Organizational Structure



associates being carried out once audit & supervisory board members' approval has been obtained.

(g). Structure for directors and associates, etc., to report to audit & supervisory board members, structure concerning other reporting to audit & supervisory board members and structure to ensure that the person who has made a report to audit & supervisory board members does not receive disadvantageous treatment due to such reporting
The Company has formulated Standards for Reporting to Audit & Supervisory Board Members, based on which directors and associates (including those who received reports from them) of the Group report to the audit & supervisory board members of the Company on matters that may have a material impact on the Group and on the development and the status of operation of internal control systems such as compliance and risk management. In addition, the Company prohibits disadvantageous treatment of those who have reported to audit & supervisory board members due to such reporting.

(h). Structure to ensure the execution of effective audits by audit & supervisory board members
The Company ensures a corporate environment that enables audit & supervisory board members to execute their functions and duties effectively, such as working jointly with the Internal Audit Office, exchanging opinions with the representative director, attending major meetings and examining meeting minutes.

(i). Matters concerning policies on procedures for the prepayment or reimbursement of expenses incurred in the execution of duties by audit & supervisory board members and other handling of expenses or liabilities incurred in the execution of duties by audit & supervisory board members
When the audit & supervisory board member requests the Company to prepay, etc., expenses concerning the execution of his/her duties, such expenses or liabilities are handled promptly unless such expenses or liabilities in respect of said request have been proven to be unnecessary in the execution of duties by the audit & supervisory board members.

(2) Status of operation of internal control systems

The status of our operations, based on the development of internal control systems for the current fiscal year, is as follows.

Based on our Declaration of Conduct, which is shared by the Group in order to ensure the appropriateness of business operations, the Company worked on developing a variety of regulations regarding decision-making and business execution, and engaged in proper operations.

With regard to compliance and risk management, the Company appointed directors in charge of promoting initiatives. In addition to the development of various measures, including holding the Global Liaison Committee on Legal Affairs and the Liaison Committee on Group Risk, the Company conducted periodic self-verification based on checklists, and worked on both prevention and strengthening based on the results.

With regard to the Group's business execution, under a highly effective and efficient corporate structure with a headquarters established for each region, business and function, the Company deliberated and reported on matters at the Board of Directors and the Management Council, according to degree of importance, along with monitoring through audits performed by the audit & supervisory board members and the Internal Audit Office.

With regard to the structure for audits by audit & supervisory board members, the Company established a Corporate Auditors' Office, which is independent from the business execution structure, and improved the environment for providing information.

Through these efforts, the Company has developed and operated structures to ensure the appropriate execution of the duties of the Group.

◆ Independent directors and independent audit & supervisory board members

Keihin has two independent directors and two independent audit & supervisory board members, and there are no conflicts of interest between the Company and these individuals. The independent directors are Kohtaro Yamamoto and Chiaki Tsuji, and the independent audit & supervisory board members are Takayoshi Uchida and Yuichiro Mori.

The Company's independent directors have the functions and duties of executing management decisions and supervision from neutral and objective viewpoints based on a wealth of experience and high-level insights, while the independent audit & supervisory board members, who are positioned independently, are assigned the functions and responsibilities of performing audits based on their extensive experience and excellent judgment from both broad-ranging and specialized viewpoints in a neutral and objective manner.

The Company requires its independent directors and independent audit & supervisory board members to meet the independence standards set forth by the Tokyo Stock Exchange and notifies the Tokyo Stock Exchange pursuant to said standards.

<Independent Directors>

- Kohtaro Yamamoto has experience and specialized knowledge in corporate legal affairs, through his career as a lawyer both in Japan and overseas, and has served as an outside officer of another company. The Company has judged him to be capable of appropriately performing the duties of an independent director of the Company, by executing management decisions and supervision from a neutral and objective viewpoint, based on his wealth of experience and insight. Accordingly, he was appointed as an independent director of the Company.
- Chiaki Tsuji has specialized knowledge as a lawyer both in Japan and overseas, and has served as an outside officer of another company. The Company has judged her to be capable of appropriately performing the duties of an independent director of the Company, by executing management decisions and supervision from a neutral and objective viewpoint, based on her wealth of experience and insight. Accordingly, she was appointed as an independent director of the Company.

<Independent Audit & Supervisory Board Members>

- Takayoshi Uchida has had a career in the automotive industry both inside and outside Japan with extensive experience in and knowledge of accounting and related functions, and experience as a director of another company. The Company believed that Mr. Uchida is capable of appropriately performing the functions and duties of an independent audit & supervisory board member of the Company from neutral and objective viewpoints based on his wealth of experience and judgment. Accordingly, he was appointed as an independent audit & supervisory board member of the Company. Mr. Uchida formerly worked at Honda Motor Co., Ltd. before he assumed his post as an independent audit & supervisory board member of the Company in 2017. Honda Motor is a major shareholder of the Company, and the Company's business transactions with Honda Motor and its related companies (hereinafter referred to as "the Honda Group") amounted to roughly 85% of revenue on a consolidated basis in fiscal 2019. Thus, the Company has maintained a long-standing and close relationship with the Honda Group.
- Yuichiro Mori possesses considerable insights in specialized fields as a lawyer in both Japan and overseas and from a career as an outside officer at other companies. The Company has assessed that Mr. Mori is capable of appropriately performing the functions and duties of an independent audit & supervisory board member of the Company from neutral and objective viewpoints based on his wealth of experience and judgment. Accordingly, he was appointed as an independent audit & supervisory board member of the Company.

◆ Compensation, etc., for directors and audit & supervisory board members

1. Total amount of compensation, etc., by category, total amount by compensation type, and the number of eligible directors and audit & supervisory board members

Category	Number of eligible directors/audit & supervisory board members	Total amount of compensation, etc. (Millions of yen)
Directors (excluding independent directors)	11	288
Audit & supervisory board members (excluding independent audit & supervisory board members)	1	23
Independent directors and independent audit & supervisory board members	6	43
Total	18	354

Notes:
1. Amounts are rounded to the nearest million yen.
2. The total amount of compensation, etc., does not include associate salaries paid to directors who concurrently serve as associates.
3. The amount of compensation for directors is within the limit of ¥450 million per year (excluding associate salaries) and that for audit & supervisory board members is within the limit of ¥70 million per year, pursuant to the resolution at the general meeting of shareholders (resolution at the 72nd Ordinary General Meeting of Shareholders).
4. The number of eligible directors and audit & supervisory board members eligible for some of the total amount of compensation, etc., includes three directors and one audit & supervisory board member who retired as of the close of the 77th Ordinary General Meeting of Shareholders.
5. The total amount of compensation, etc., includes base compensation of ¥285 million (¥220 million for directors ¥23 million for audit & supervisory board members, and ¥43 million for independent directors and audit & supervisory board members) paid during the fiscal year under review.
6. The total amount of compensation, etc., includes accrued bonuses for directors of ¥68 million for the fiscal year under review.

2. Details on the policy for determining the amount of compensation, etc., for directors and audit & supervisory board members and the calculation method thereof, and the policy for determining the amount and calculation method

The Company has a policy to set compensation, etc., for directors and audit & supervisory board members at an appropriate level, taking into account the management environment, business performance, assigned roles, achievements, etc.

- The amount of base compensation for directors (excluding independent directors) is determined by the approval of the Board of Directors, taking into account the management environment, business performance, each director's role and achievements, etc.
- The amount of base compensation for independent directors is determined by the approval of the Board of Directors, taking into account the management environment, each independent director's role, etc.
- The amount of base compensation for audit & supervisory board members is determined upon consultation among audit & supervisory board members, taking into account the management environment, each audit & supervisory board member's role, etc.
- The amount of bonuses for directors (excluding independent directors) is determined by the approval of the Board of Directors, taking into account the management environment, business performance in the relevant fiscal year, each director's role and achievements, etc.
- All directors (excluding independent directors) and full-time audit & supervisory board members contribute a certain amount of compensation to the Director and Corporate Auditor Stock Ownership Association and acquire the Company's shares, which they hold during their term of office.

Overview of results of the analysis and assessment of the effectiveness of the Board of Directors as a whole

The Company conducts a regular annual analysis and assessment of the effectiveness of the Board of Directors, as a whole. In the current year as well, we conducted a questionnaire of all members of the Board of Directors and Audit & Supervisory Board, and analyzed and assessed the results based on the views of a third-party consultant.

The results confirmed that the Company's Board of Directors is being operated appropriately and its effectiveness is generally ensured.

While views were expressed indicating that the Board's effectiveness had improved compared with the previous fiscal year, valuable views regarding matters such as the strengthening of governance were exchanged and a discussion was held regarding matters such as a recognition of issues requiring ongoing study.

The Company will continue its efforts toward improvement, with the aim of achieving sustainable growth as well as a further improvement of its corporate value, from a medium- to long-term perspective.

Executive Structure

Directors


President & CEO, and Representative Director
Keiichi Aida


Senior Managing Officer and Representative Director
Genichiro Konno


Senior Managing Officer and Representative Director
Tomoya Abe


Managing Officer and Director
Hirohisa Amano


Managing Officer and Director
Yusuke Takayama


Managing Officer and Director
Tohru Mitsubori


Managing Officer and Director
Yasutoshi Ito


Senior Operating Officer and Director
Hiroshi Nakatsubo


Senior Operating Officer and Director
Shinji Suzuki


Director (Independent)
Kohtaro Yamamoto


Director (Independent)
Chiaki Tsuji

Audit & Supervisory Board Members


Full-time Audit & Supervisory Board Member (Independent)
Takayoshi Uchida


Full-time Audit & Supervisory Board Member
Toshihiro Kuroki


Audit & Supervisory Board Member (Independent)
Yuichiro Mori

Operating Officers

Senior Operating Officer
Isamu Takahashi

Senior Operating Officer
Yasunori Shimada

Seiichi Shindo

Masaaki Takahashi

Kazumi Araki

Kazuyuki Meguro

Raymond Watson

Takahiro Nagaoka

Fukutsugi Terashima

Hideki Suzuki

(As of June 30, 2019)

Financial Section

Five-Year Summary of Selected Financial Data

For the years ended March 31, 2015, 2016, 2017, 2018 and 2019

	Millions of yen (except per share amounts)					Thousands of U.S. dollars (except per share amounts)
	2015	2016	2017	2018	**2019**	**2019**
For the year:						
Revenue	¥ 327,075	¥ 341,576	¥ 325,550	¥ 351,494	¥ 349,220	$ 3,146,406
Results by geographical region						
Japan	151,172	154,213	136,940	157,160	159,179	1,434,171
Americas	109,680	121,153	108,834	99,143	92,570	834,041
Asia	99,026	91,571	96,882	109,409	113,203	1,019,936
China	61,983	75,862	73,930	82,717	85,622	771,437
Consolidated adjustments	(94,786)	(101,223)	(91,036)	(96,936)	(101,354)	(913,179)
Results by products						
Motorcycle and power products	96,466	86,994	82,869	96,104	100,334	903,993
Automotive products	230,608	254,582	242,681	255,390	248,885	2,242,413
Operating profit	22,747	16,440	22,954	28,313	26,259	236,589
Profit before tax	21,320	15,549	20,729	27,145	24,759	223,073
Profit attributable to owners of the parent	11,051	5,677	11,084	17,824	15,706	141,510
Comprehensive income for the year	29,719	(7,778)	16,238	19,270	19,711	177,589
Research and development expenses	18,606	19,559	19,404	22,771	24,658	222,160
Capital expenditures	18,915	14,593	16,575	18,873	29,746	268,006
At year-end:						
Total equity	¥ 195,611	¥ 182,521	¥ 193,883	¥ 208,203	¥ 223,187	$ 2,010,873
Total assets	274,269	257,065	266,851	283,711	315,189	2,839,792
Basic earnings per share (yen and U.S. dollars)	149.42	76.75	149.86	241.00	212.37	1.91
Cash dividends per share (yen and U.S. dollars)	34.00	36.00	40.00	43.00	45.00	0.41
Equity per share (yen and U.S. dollars)	2,290.18	2,153.82	2,304.26	2,494.80	2,681.96	24.16
Cash flows:						
Cash flows from operating activities	¥ 24,966	¥ 30,791	¥ 24,962	¥ 37,052	¥ 31,480	$ 283,630
Cash flows from investing activities	(22,577)	(9,903)	(18,358)	(18,959)	(32,375)	(291,692)
Cash flows from financing activities	(5,619)	(9,662)	(7,189)	(7,056)	9,521	85,786
Cash and cash equivalents at end of year	29,295	39,515	39,549	50,914	61,047	550,022

Note: U.S. dollar amounts in this annual report are translated from Japanese yen, for convenience only, at the rate of ¥110.99 = US$1.

1 【Consolidated Financial Statements】

(1) 【Consolidated Statements of Financial Position】

Keihin Corporation and Consolidated Subsidiaries

As of March 31, 2018 and 2019

	Notes	Millions of yen 2018	Millions of yen **2019**	Thousands of U.S. dollars **2019**
Assets				
Current assets				
Cash and cash equivalents	8, 29	50,914	**61,047**	**550,022**
Trade and other current receivables	9, 29	58,647	**56,548**	**509,483**
Other current financial assets	10, 29	1,613	**1,675**	**15,093**
Inventories	11	48,703	**53,558**	**482,552**
Other current assets		1,920	**1,858**	**16,744**
Total current assets		161,797	**174,687**	**1,573,894**
Non-current assets				
Property, plant and equipment	12,14	97,998	**113,288**	**1,020,701**
Intangible assets	13	6,096	**7,560**	**68,118**
Trade and other non-current receivables	9, 29	235	**245**	**2,209**
Other non-current financial assets	10, 29	5,764	**5,056**	**45,557**
Retirement benefit assets	20	2,784	**2,768**	**24,937**
Deferred tax assets	15	4,465	**4,607**	**41,507**
Other non-current assets		4,572	**6,978**	**62,867**
Total non-current assets		121,914	**140,502**	**1,265,898**
Total assets		283,711	**315,189**	**2,839,792**

	Notes	Millions of yen 2018	Millions of yen 2019	Thousands of U.S. dollars 2019
Liabilities and equity				
Liabilities				
Current liabilities				
Trade and other current payables	16, 29	55,077	**57,741**	**520,239**
Short-term loans	17, 29, 31	6,786	**6,883**	**62,011**
Other current financial liabilities	18, 29	372	**114**	**1,023**
Income tax payables	15	1,557	**1,361**	**12,266**
Provisions	19	1,422	**766**	**6,899**
Other current liabilities		974	**716**	**6,447**
Total current liabilities		66,189	**67,580**	**608,886**
Non-current liabilities				
Long-term loans	17, 29, 31	—	**14,787**	**133,229**
Other non-current financial liabilities	18, 29	1,419	**1,555**	**14,010**
Retirement benefit liabilities	20	2,081	**2,720**	**24,510**
Provisions	19	203	**218**	**1,960**
Deferred tax liabilities	15	4,562	**4,275**	**38,513**
Other non-current liabilities		1,054	**867**	**7,811**
Total non-current liabilities		9,320	**24,421**	**220,033**
Total liabilities		75,509	**92,002**	**828,919**
Equity				
Common stock	21	6,932	**6,932**	**62,459**
Capital surplus	21	9,258	**9,258**	**83,417**
Retained earnings	21	159,623	**172,185**	**1,551,356**
Treasury stock	21	(40)	**(40)**	**(363)**
Other components of equity	21	8,738	**10,017**	**90,253**
Equity attributable to owners of the parent		184,512	**198,353**	**1,787,121**
Non-controlling interests		23,691	**24,834**	**223,752**
Total equity		208,203	**223,187**	**2,010,873**
Total liabilities and equity		283,711	**315,189**	**2,839,792**

(2) 【Consolidated Statements of Income】

Keihin Corporation and Consolidated Subsidiaries

For the fiscal years ended March 31, 2018 and 2019

	Notes	Millions of yen 2018	Millions of yen 2019	Thousands of U.S. dollars 2019
Revenue	6, 7	351,494	**349,220**	**3,146,406**
Cost of sales	26	(291,345)	**(292,339)**	**(2,633,924)**
Gross profit		60,149	**56,880**	**512,482**
Selling, general and administrative expenses	22, 26	(31,514)	**(30,997)**	**(279,280)**
Other income	23	883	**734**	**6,610**
Other expenses	14, 23	(1,205)	**(358)**	**(3,223)**
Operating profit	6	28,313	**26,259**	**236,589**
Finance income	24	697	**924**	**8,328**
Finance costs	24	(1,865)	**(2,425)**	**(21,844)**
Profit before tax		27,145	**24,759**	**223,073**
Income tax expense	15	(6,796)	**(6,901)**	**(62,172)**
Profit for the year		20,348	**17,858**	**160,900**
Profit attributable to:				
Owners of the parent		17,824	**15,706**	**141,510**
Non-controlling interests		2,525	**2,152**	**19,390**
Profit for the year		20,348	**17,858**	**160,900**
		Yen		U.S. dollars
Earnings per share attributable to owners of the parent:				
Basic earnings per share	25	241.00	**212.37**	**1.91**

(3) 【Consolidated Statements of Comprehensive Income】

Keihin Corporation and Consolidated Subsidiaries

For the fiscal years ended March 31, 2018 and 2019

	Notes	Millions of yen 2018	Millions of yen **2019**	Thousands of U.S. dollars **2019**
Profit for the year		20,348	**17,858**	**160,900**
Other comprehensive income				
Items that will not be reclassified to profit or loss, net of tax:				
Gains (losses) on financial assets measured at fair value through other comprehensive income (loss)	27	291	**(568)**	**(5,116)**
Remeasurement of net defined benefit liabilities (assets)	27	137	**108**	**975**
Total comprehensive income (loss) that will not be reclassified to profit or loss, net of tax		427	**(460)**	**(4,141)**
Items that may be reclassified to profit or loss, net of tax:				
Foreign currency translation adjustments	27	(1,505)	**2,312**	**20,831**
Total comprehensive income (loss) that may be reclassified to profit or loss, net of tax		(1,505)	**2,312**	**20,831**
Other comprehensive income (loss) for the year		(1,078)	**1,852**	**16,689**
Total comprehensive income for the year		19,270	**19,711**	**177,589**
Comprehensive income attributable to:				
Owners of the parent		17,125	**17,096**	**154,031**
Non-controlling interests		2,146	**2,615**	**23,558**
Comprehensive income for the year		19,270	**19,711**	**177,589**

(4) 【Consolidated Statements of Changes in Equity】

Keihin Corporation and Consolidated Subsidiaries

For the fiscal year ended March 31, 2018

		Millions of yen					
		Equity attributable to owners of the parent					
						Other components of equity	
	Notes	Common stock	Capital surplus	Retained earnings	Treasury stock	Gains (losses) on financial assets measured at fair value through other comprehensive income	Remeasurement of net defined benefit liabilities (assets)
As of April 1, 2017		**6,932**	**9,258**	**144,708**	**(39)**	**3,124**	**—**
Comprehensive income							
Profit for the year		—	—	17,824	—	—	—
Other comprehensive income (loss)	27	—	—	—	—	291	121
Total comprehensive income (loss)		—	—	17,824	—	291	121
Transactions with owners							
Dividends paid	28	—	—	(3,032)	—	—	—
Purchase of treasury stock		—	—	—	(1)	—	—
Transfer from other components of equity to retained earnings		—	—	124	—	(3)	(121)
Total transactions with owners		—	—	(2,909)	(1)	(3)	(121)
As of March 31, 2018		**6,932**	**9,258**	**159,623**	**(40)**	**3,412**	**—**

		Millions of yen				
		Equity attributable to owners of the parent				
		Other components of equity				
	Notes	Foreign currency translation adjustments	Total	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
As of April 1, 2017		**6,436**	**9,560**	**170,420**	**23,462**	**193,883**
Comprehensive income						
Profit for the year		—	—	17,824	2,525	20,348
Other comprehensive income (loss)	27	(1,111)	(699)	(699)	(379)	(1,078)
Total comprehensive income (loss)		(1,111)	(699)	17,125	2,146	19,270
Transactions with owners						
Dividends paid	28	—	—	(3,032)	(1,917)	(4,949)
Purchase of treasury stock		—	—	(1)	—	(1)
Transfer from other components of equity to retained earnings		—	(124)	—	—	—
Total transactions with owners		—	(124)	(3,033)	(1,917)	(4,950)
As of March 31, 2018		**5,326**	**8,738**	**184,512**	**23,691**	**208,203**

		Millions of yen					
		Equity attributable to owners of the parent					
						Other components of equity	
	Notes	Common stock	Capital surplus	Retained earnings	Treasury stock	Gains (losses) on financial assets measured at fair value through other comprehensive income	Remeasurement of net defined benefit liabilities (assets)
As of April 1, 2018		**6,932**	**9,258**	**159,623**	**(40)**	**3,412**	**—**
Comprehensive income							
Profit for the year		—	—	**15,706**	—	—	—
Other comprehensive income (loss)	27	—	—	—	—	**(568)**	**109**
Total comprehensive income (loss)		—	—	**15,706**	—	**(568)**	**109**
Transactions with owners							
Dividends paid	28	—	—	**(3,254)**	—	—	—
Purchase of treasury stock		—	—	—	**(1)**	—	—
Transfer from other components of equity to retained earnings		—	—	**110**	—	**(2)**	**(109)**
Total transactions with owners		—	—	**(3,144)**	**(1)**	**(2)**	**(109)**
As of March 31, 2019		**6,932**	**9,258**	**172,185**	**(40)**	**2,843**	**—**

		Millions of yen				
		Equity attributable to owners of the parent				
		Other components of equity				
	Notes	Foreign currency translation adjustments	Total	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
As of April 1, 2018		**5,326**	**8,738**	**184,512**	**23,691**	**208,203**
Comprehensive income						
Profit for the year		—	—	**15,706**	**2,152**	**17,858**
Other comprehensive income (loss)	27	**1,849**	**1,390**	**1,390**	**463**	**1,852**
Total comprehensive income (loss)		**1,849**	**1,390**	**17,096**	**2,615**	**19,711**
Transactions with owners						
Dividends paid	28	—	—	**(3,254)**	**(1,472)**	**(4,726)**
Purchase of treasury stock		—	—	**(1)**	—	**(1)**
Transfer from other components of equity to retained earnings		—	**(110)**	—	—	—
Total transactions with owners		—	**(110)**	**(3,255)**	**(1,472)**	**(4,726)**
As of March 31, 2019		**7,175**	**10,017**	**198,353**	**24,834**	**223,187**

		Thousands of U.S. dollars					
		Equity attributable to owners of the parent					
						Other components of equity	
	Notes	Common Stock	Capital surplus	Retained earnings	Treasury Stock	Gains (losses) on financial assets measured at fair value through other comprehensive income	Remeasurement of net defined benefit liabilities (assets)
As of April 1, 2018		**62,459**	**83,417**	**1,438,173**	**(356)**	**30,741**	**—**
Comprehensive income							
Profit for the year		—	—	**141,510**	—	—	—
Other comprehensive income (loss)	27	—	—	–	—	**(5,116)**	**978**
Total comprehensive income (loss)		—	—	**141,510**	—	**(5,116)**	**978**
Transactions with owners							
Dividends paid	28	—	—	**(29,319)**	—	—	—
Purchase of treasury stock		—	—	—	**(7)**	—	—
Transfer from other components of equity to retained earnings		—	—	**992**	—	**(14)**	**(978)**
Total transactions with owners		—	—	**(28,328)**	**(7)**	**(14)**	**(978)**
As of March 31, 2019		**62,459**	**83,417**	**1,551,356**	**(363)**	**25,611**	**—**

		Thousands of U.S. dollars				
		Equity attributable to owners of the parent				
		Other components of equity				
	Notes	Foreign currency translation adjustments	Total	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
As of April 1, 2018		**47,982**	**78,724**	**1,662,416**	**213,452**	**1,875,868**
Comprehensive income						
Profit for the year		—	—	**141,510**	**19,390**	**160,900**
Other comprehensive income (loss)	27	**16,660**	**12,521**	**12,521**	**4,168**	**16,689**
Total comprehensive income (loss)		**16,660**	**12,521**	**154,031**	**23,558**	**177,589**
Transactions with owners						
Dividends paid	28	—	—	**(29,319)**	**(13,258)**	**(42,577)**
Purchase of treasury stock		—	—	**(7)**	—	**(7)**
Transfer from other components of equity to retained earnings		—	**(992)**	—	—	—
Total transactions with owners		—	**(992)**	**(29,326)**	**(13,258)**	**(42,584)**
As of March 31, 2019		**64,642**	**90,253**	**1,787,121**	**223,752**	**2,010,873**

(5) 【Consolidated Statements of Cash Flows】

Keihin Corporation and Consolidated Subsidiaries

For the fiscal years ended March 31, 2018 and 2019

	Notes	Millions of yen 2018	Millions of yen 2019	Thousands of U.S. dollars 2019
Cash flows from operating activities:				
Profit before tax		27,145	**24,759**	**223,073**
Depreciation and amortization		17,801	**17,139**	**154,420**
Impairment loss		677	**90**	**811**
Interest and dividends income		(697)	**(924)**	**(8,328)**
Interest expense		1,667	**717**	**6,458**
(Gain) loss on sale of property, plant and equipment		(10)	**(32)**	**(287)**
Decrease (increase) in trade and other receivables		(2,108)	**1,751**	**15,773**
(Increase) decrease in inventories		(3,525)	**(4,579)**	**(41,260)**
(Decrease) increase in trade and current payables		2,341	**(841)**	**(7,576)**
(Decrease) increase in provisions		1,016	**(666)**	**(5,996)**
Increase (decrease) in retirement and severance benefits		397	**806**	**7,261**
Other, net		(124)	**35**	**317**
Subtotal		44,580	**38,254**	**344,665**
Interest received		551	**714**	**6,431**
Dividends received		149	**169**	**1,520**
Interest paid		(1,661)	**(679)**	**(6,120)**
Income taxes paid		(6,566)	**(6,977)**	**(62,865)**
Net cash provided by operating activities		37,052	**31,480**	**283,630**
Cash flows from investing activities:				
(Increase) decrease in time deposits, net		1,130	**(90)**	**(813)**
Purchase of property, plant and equipment and intangible assets		(20,042)	**(29,261)**	**(263,636)**
Proceeds from sale of property, plant and equipment and intangible assets		101	**178**	**1,607**
Proceeds from sale of investment securities		18	**1**	**11**
Increase in loan receivable		(327)	**(334)**	**(3,011)**
Collection of loans		321	**330**	**2,973**
Other, net		(159)	**(3,199)**	**(28,823)**
Net cash used in investing activities		(18,959)	**(32,375)**	**(291,692)**
Cash flows from financing activities:				
(Decrease) increase in short-term loans, net	31	(889)	**(177)**	**(1,592)**
Proceeds from long-term loans	31	—	**14,787**	**133,229**
Repayment of long-term loans	31	(554)	—	—
Dividends paid to owners of the parent	28	(3,032)	**(3,254)**	**(29,319)**
Dividends paid to non-controlling interests		(1,917)	**(1,472)**	**(13,258)**
Purchase of treasury stock		(1)	**(1)**	**(7)**
Other, net		(663)	**(363)**	**(3,267)**
Net cash provided by (used in) financing activities		(7,056)	**9,521**	**85,786**
Foreign currency translation adjustments on cash and cash equivalents		327	**1,506**	**13,572**
Net increase (decrease) in cash and cash equivalents		11,365	**10,133**	**91,296**
Cash and cash equivalents at beginning of year	8	39,549	**50,914**	**458,726**
Cash and cash equivalents at end of year	8	50,914	**61,047**	**550,022**

[Notes to Consolidated Financial Statements]

1. Reporting Entity

Keihin Corporation (hereinafter the “Company”) is a company incorporated in Japan. The consolidated financial statements for the fiscal year ended March 31, 2019 consist of the financial statements of the Company and its consolidated subsidiaries (hereinafter the “Group”). The Group is primarily engaged in the manufacturing and sales of motorcycle and power products and automobile products.

2. Basis of Preparation

(1) Compliance with IFRS

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

The consolidated financial statements were approved by the Company’s Board of Directors on June 21, 2019.

(2) Basis of measurement

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

(3) Functional and presentation currency

The consolidated financial statements of the Group are presented in Japanese yen, which is the Company’s functional currency, with amounts, except per share data, rounded to the nearest million yen.

(4) U.S. dollar amounts

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥110.99 to US$1, the approximate rate of exchange at March 31, 2019. Such translations should not be construed as representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other amount.

(5) Changes in accounting policies

The Group has applied the following accounting standards from the fiscal year ended March 31, 2019. In applying these standards, the Group has elected to use the transitional approach whereby cumulative effects of the application are recognized on the date of application. However, such application did not have a significant impact on the consolidated financial statements of the Group.

IFRS	Title	Outline of new / amended standards
IFRS 15	Revenue from Contracts with Customers	Clarification of framework for revenue recognition
IFRS 9	Financial Instruments (Amended in July 2014)	Amendments of impairment accounting, classification and measurement

3. **Significant Accounting Policies**

Accounting policies applied to the consolidated financial statements are as follows.

(1) Basis of consolidation

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

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

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

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

(2) Business combinations

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

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

(3) Foreign currency translation

1) Foreign currency transactions

Each company of the Group defines its own functional currency as the currency of the primary economic environment in which it operates, and measures transactions using its functional currency.

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

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

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

2) Financial statements of foreign operations

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

There is no Group company that adopts a currency under a hyperinflationary economy as its functional currency.

(4) Financial instruments

I. Accounting policies applied from the fiscal year ended March 31, 2019

1) Financial assets

(i) Initial recognition and measurement

The Group classifies financial assets into (a) financial assets measured at amortized cost, (b) debt financial assets measured at fair value through other comprehensive income (hereinafter "FVTOCI debt financial assets"), (c) equity financial assets measured at fair value through other comprehensive income (hereinafter "FVTOCI equity financial assets"), and (d) financial assets measured at fair value through profit or loss (hereinafter "FVTPL financial assets"). The Group determines this classification at initial recognition.

All financial assets, excluding those classified as FVTPL financial assets, are initially measured at their fair value plus transaction costs.

(a) Financial assets measured at amortized cost

Financial assets that meet both of the following conditions are classified as financial assets measured at amortized cost.

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

(b) FVTOCI debt financial assets

Financial assets that meet both of the following conditions are classified as FVTOCI debt financial assets.

- Assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- Contractual terms of financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

(c) FVTOCI equity financial assets

For certain equity financial assets, the Group has made an irrevocable election to present subsequent changes in fair value in other comprehensive income, whereby such assets are classified as FVTOCI equity financial assets.

(d) FVTPL financial assets

All financial assets other than the aforementioned (a) financial assets measured at amortized cost, (b) FVTOCI debt financial assets and (c) FVTOCI equity financial assets, are classified into financial assets measured at fair value through profit or loss.

(ii) Subsequent measurement

After initial recognition, financial assets are measured based on the classifications as described below.

(a) Financial assets measured at amortized cost

These are measured at amortized cost using the effective interest method less impairment losses. Meanwhile, interest income, gains or losses on derecognition and impairment losses are recognized as financial gains or losses.

(b) FVTOCI debt financial assets

These are measured at fair value and subsequent changes (excluding impairment losses) are recognized in other comprehensive income while the cumulative amount of such changes is transferred to profit or loss as reclassification adjustments at the time of derecognition. Meanwhile, interest income, gains or losses on derecognition and impairment losses are recognized as financial gains or losses.

(c) FVTOCI equity financial assets

These are measured at fair value and subsequent changes are recognized in other comprehensive income, while the cumulative amount of such changes is transferred directly to retained earnings in the event of derecognition.

Dividends from this category of financial assets are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment.

(d) FVTPL financial assets

These are measured at fair value and subsequent changes are recognized in profit or loss.

(iii) Impairment of financial assets

As for the impairment of the financial assets measured at amortized cost, the Group recognizes a loss allowance for expected credit losses of such assets.

Expected credit loss is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

At the end of each fiscal year, the Group assesses whether credit risk on a financial asset has increased significantly since initial recognition. If the credit risk on the financial asset has not increased significantly since initial recognition, the Group measures the loss allowance for that financial asset at an amount equal to 12-month expected credit losses. If the risk on the financial risk has significantly increased since initial recognition, the Group measures the loss allowance for that financial asset at an amount equal to the lifetime expected credit losses.

As for trade receivables, etc., however, a loss allowance is always measured at an amount equal to the lifetime expected credit losses.

The provision for loss allowance for financial assets is recognized in profit or loss.

If there arises an event that reduces provision for loss allowance, the amount of such reversal is recognized in profit or loss.

The Group measures expected credit losses of financial assets in a way that reflects the following:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the end of the fiscal year about past events, current conditions and forecasts of future economic conditions.

(iv) Derecognition of financial assets

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

2) Financial liabilities

(i) Initial recognition and measurement

The Group classifies financial liabilities as either financial liabilities measured at fair value through profit or loss (hereinafter “FVTPL financial liabilities”) or financial liabilities measured at amortized cost.

This classification is decided at initial recognition.

All financial liabilities are initially measured at fair value, except for financial liabilities measured at amortized cost, which are measured at the amount directly attributable to transaction cost.

(ii) Subsequent measurement

After initial recognition, financial liabilities are measured based on the classifications as described below.

FVTPL financial liabilities are measured at fair value after the initial recognition and subsequent changes are recognized in profit or loss.

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

Amortization under the effective interest method and a gain or loss on derecognition are recognized in profit or loss.

(iii) Derecognition of financial liabilities

The Group derecognizes financial liabilities when they are extinguished, that is, when obligations specified in the contract are discharged, cancelled or expired, or when the Group fulfills the obligations under the contract.

II. Policies adopted in the fiscal year ended March 31, 2018 or earlier

1) Financial assets

(i) Initial recognition and measurement

The Group classifies financial assets into financial assets measured at fair value through profit or loss (hereinafter “FVTPL financial assets”), financial assets measured at fair value through other comprehensive income (hereinafter “FVTOCI financial assets”), and financial assets measured at amortized cost. The Group determines this classification at initial recognition.

All financial assets, excluding those classified as FVTPL financial assets, are initially measured at their fair value plus transaction costs.

Financial assets that meet both of the following requirements are classified as financial assets measured at amortized cost.

- Assets are held pursuant to the business model that aims to hold assets to collect contractual cash flows.
- Contractual terms of financial assets give rise to cash flows on a specific date that are solely payments of principal and interest of the principal outstanding.

Of the financial assets that have not been classified as financial assets measured at amortized cost, equity instruments not held for the purpose of trading, for which it is determined at initial recognition that subsequent changes to the fair value are presented in other comprehensive income, are classified as FVTOCI financial assets, and financial assets other than said financial assets are classified as FVTPL financial assets.

(ii) Subsequent measurement

After the initial recognition, financial assets are measured based on the classifications as described below.

Financial assets measured at amortized cost are measured at amortized cost using the effective interest method.

FVTPL financial assets and FVTOCI financial assets are measured at fair value after the initial recognition, and subsequent changes are recognized in profit or loss and other comprehensive income, respectively. The amount recorded in other comprehensive income for FVTOCI financial assets will not be reclassified to profit or loss. However, dividends from FVTOCI financial assets are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment.

Changes in the fair value of FVTOCI financial assets that have been recorded in other comprehensive income in the consolidated statements of comprehensive income are recorded in “other components of equity” in the consolidated statements of financial position. If such FVTOCI financial assets are derecognized, the changes are directly transferred to retained earnings.

(iii) Impairment of financial assets

The Group assesses whether there is any objective evidence that a financial asset is impaired every fiscal year.

Impairment loss on financial assets is recognized when there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of assets (hereinafter the “Loss Event”), and when it is reasonably expected that the Loss Event has a negative impact on the estimated future cash flows of the financial assets.

Objective evidence that indicates the impairment of financial assets includes significant financial difficulty of the borrower, a default or delinquency in interest or principal payments, or bankruptcy of the obligor, etc.

In evaluating the impairment of financial assets measured at amortized cost, individually significant financial asset is individually evaluated for impairment. Financial assets that are not individually significant are collectively evaluated for impairment in a group of financial assets with similar risk characteristics.

In evaluating impairment collectively, the Group takes into account the historical trends of the probability of default, timing of recoveries, and the amount of loss incurred, and assesses the possibilities that actual losses could be greater or less than historical trends depending on current economic and credit conditions.

Impairment loss on financial assets measured at amortized cost is measured as the difference between the assets’ carrying amount and the present value of the estimated future cash flows discounted at the assets’ initial effective interest rate, and recognized in profit or loss. If there are events that decrease the amount of an impairment loss after the recognition of the impairment loss, the impairment loss is reversed in profit or loss.

(iv) Derecognition of financial assets

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

2) Financial liabilities

(i) Initial recognition and measurement

The Group classifies financial liabilities as either financial liabilities measured at fair value through profit or loss (hereinafter "FVTPL financial liabilities") or financial liabilities measured at amortized cost. The Group determines this classification at initial recognition.

All financial liabilities are initially measured at fair value except for financial liabilities measured at amortized cost, which are measured at the amount less directly attributable transaction costs.

(ii) Subsequent measurement

After initial recognition, financial liabilities are measured based on the classifications as described below.

FVTPL financial liabilities are measured at fair value after the initial recognition, and subsequent changes are recognized in profit or loss.

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

Amortization under the effective interest method and a gain or loss on derecognition is recognized in profit or loss.

(iii) Derecognition of financial liabilities

The Group derecognizes financial liabilities when they are extinguished, i.e. when obligations specified in the contract are discharged, cancelled, or expired, or when the Group fulfills the obligations under the contract.

(5) Hedge accounting

The Group uses forward exchange contracts etc. for some transactions denominated in foreign currencies to hedge exchange fluctuation risk. However, the Group does not apply hedge accounting to such transactions as the criteria for hedge accounting are not satisfied.

(6) Cash and cash equivalents

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

(7) Inventories

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

(8) Property, plant and equipment

Property, plant and equipment are measured at cost less any accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes costs directly attributable to the acquisition, and restoration costs, etc.

Depreciation of each item of property, plant and equipment, other than land and construction in progress, is recorded using the straight-line method over the estimated useful life of each item. The main estimated useful lives are as follows:

- Buildings and structures 2 to 50 years
- Machinery, equipment and vehicles 2 to 17 years

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

(9) Intangible assets

1) Software

Software for internal use is measured at cost at initial recognition. Internal and external expenses incurred at the preparation stage are recorded as expenses when they are incurred, and internal and external expenses incurred at the development stage are recorded in intangible assets. Expenses incurred after the introduction of the software, such as maintenance expenditure, are recorded as expenses when they are incurred.

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

2) Development expenses

Expenditures arising from research activities to obtain new scientific or technical knowledge are recorded as expenses when incurred. Expenditures arising from development activities are recorded as intangible assets, only when they can be measured reliably, developments are technically and commercially feasible, it is probable to generate future economic benefits, and the Group has the intention and adequate resources to complete the development activities and use or sell them.

Amortization is recorded using the straight-line method over the estimated useful life. The Group adopts the period of the estimated life-cycle (mainly 2 to 5 years) as the estimated useful life, during which specific motorcycles and power products and automobile products that carry the Group's products are manufactured and sold. The estimated useful lives and amortization method are reviewed every fiscal year and revised if necessary.

(10) Leases

Leases are classified as finance leases (lessee) when all the risks and rewards of ownership of an asset in an arrangement are substantially transferred to the Group, and all leases other than finance leases are classified as operating leases (lessee).

Leased assets under finance lease transactions (lessee) are initially recognized at the lower of the fair value of leased properties or the present value of minimum lease payments, which were determined at the inception of the lease. After the initial recognition, the leased assets are depreciated over the estimated useful life of the assets or the term of the lease, whichever is shorter.

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

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

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

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

(11) Impairment of non-financial assets

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

Corporate assets of the Group do not generate independent cash inflows. Therefore, if there is an indication that corporate assets may be impaired, the recoverable amount is determined for the cash-generating units to which the corporate assets belong.

If the carrying amount of an asset or a cash-generating unit exceeds the estimated recoverable amount, an impairment loss is recognized in profit or loss. An impairment loss recognized related to a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit, and then to reduce the carrying amount of other assets of the cash-generating unit on a pro-rata basis.

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

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

(12) Employee benefits

1) Post-employment benefits

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

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

As for the discount rate used to calculate the present value of defined benefit obligations, the discount period is determined based on the period until the expected date of benefit payments in each fiscal year, and the discount rate is determined by reference to market yields on high-quality corporate bonds at the end of the fiscal year corresponding to the discount period.

Liabilities or assets for defined benefit plans are calculated by deducting the fair value of plan assets from the present value of defined benefit obligations. Service cost and net interest on defined benefit liabilities (assets) are recognized in profit or loss in the accounting period in which they are incurred. Net interest on defined benefit liabilities (assets) consists of interest income on plan assets and interest expense on defined benefit obligations. Net interest is calculated by using the same discount rate as used for the measurement of the present value of defined benefit obligations.

The Group recognizes past service cost in profit or loss in the accounting period to which the earlier of the following dates belongs:

- When the plan amendment or curtailment occurs; or
- When the Group recognizes related restructuring costs or termination benefits.

Actuarial gains or losses based on changes in actuarial assumptions and differences between estimates and actual results, and the return on plan assets (excluding the amount included in net interest on defined benefit liabilities (assets), net) are recognized in other comprehensive income in the accounting period in which they are incurred and transferred to retained earnings when they are incurred. The cost for retirement benefits for defined contribution plans is recognized in profit or loss when the related service is rendered.

As for the multi-employer plan in which the Group participates, the Group accounts for its proportionate share of defined benefit obligations, plan assets, and cost associated with the plan in the same way as other defined benefit plans.

2) Short-term employee benefits

Short-term employee benefits are recorded in profit or loss when the related service is rendered.

Accrued bonuses are recognized as liabilities in the amount estimated to be paid based on plans when the Group has present legal and constructive obligations to make payments and when reliable estimates of obligations can be made.

(13) Provisions

Provisions are recognized when the Group has present legal and constructive obligations as a result of past events; it is probable that outflows of economic resources will be required to settle the obligations, and reliable estimates of the amount of such obligations can be made. Provisions are calculated by discounting estimated future cash flows to the present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the liabilities. The reversal of the discounted amount due to the passage of time is recognized in profit or loss.

Warranty provisions are the major provisions for the Group. To prepare for expenditures on the cost of free repairs of products, the sum of the following amount calculated by estimating the cost of free repairs under warranty contracts with purchasers of the products is recorded.

- Estimated costs during the free-repair period taking into account the historical experience with repairs and the expected amount of future costs.
- Estimated amount of special costs for free repairs calculated on an individual basis

(14) Treasury stock

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

(15) Revenue

I. Accounting policies applied from the fiscal year ended March 31, 2019

With the adoption of IFRS 15, from the current fiscal year, revenue is recognized by applying the following five steps, excluding revenue based on IFRS 9 (interest income etc.).

Step 1 Identify the contract with the customer
Step 2 Identify the performance obligations in the contract
Step 3 Determine the transaction price
Step 4 Allocate the transaction price to the performance obligations in the contract
Step 5 Recognize revenue when or as the entity satisfies a performance obligation

The Group is engaged in the sales of motorcycle and power products and automobile products.

With regard to sales of such products, revenue is recognized at the time of delivery, since it is considered that the customer gains control and the performance obligations are satisfied at the time.

In addition, revenue is measured at the amount of promised consideration in contracts with customers less discounts, rebates and returns.

Since the payments are received within one year after delivery to customers, the promised amount of consideration does not contain a significant financing component.

Since the Group does not provide a service-based product warranty outside the repair service provided as remedy of any product defects that exist at the time of sales, in either motorcycle and power products business or automobile products business, a product warranty is not classified as an independent performance obligation, and no portion of the transaction price is allocated to product warranty operations.

II. Policies adopted in the fiscal year ended March 31, 2018 or earlier

Revenue is measured at the fair value of the consideration received for goods sold and services rendered less discounts, rebates, and sales-related taxes.

1) Sales of goods

Revenue from sales of goods is recognized when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and economic value incidental to ownership of goods;
- The Group does not retain continuing managerial involvement and substantial control over the goods;
- The amount of revenue can be measured reliably;
- It is probable that future economic benefits will flow to the Group; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Although the timing of revenue recognition differs depending on the conditions of each sales contract, revenue is generally recognized when goods are delivered to customers.

2) Interest income

Interest income is recognized using the effective interest method.

3) Dividends

Dividend revenue is recognized when the right to receive dividends is established.

(16) Borrowing costs

Borrowing costs directly attributable to acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset.

Other borrowing costs are recognized as an expense in the period in which they arise.

(17) Income taxes

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

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

Deferred taxes are recognized on temporary differences between the carrying amount of assets and liabilities for accounting purposes at the closing date and such amount on a tax law basis, and unused tax losses and unused tax credits.

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

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

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

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

4. Significant Accounting Estimates and Judgments

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

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

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

(1) Impairment of property, plant and equipment and intangible assets

The Group conducts an impairment test if there is an indication that any property, plant and equipment or intangible asset may be impaired.

The impairment test is conducted by comparing the carrying amount and recoverable amount of an asset. If the recoverable amount declines below the carrying amount, an impairment loss is recognized.

In calculating the recoverable amount, the Group estimates the discounted present value of future cash flows generated from the use of the asset and the discounted present value of future cash flows generated from the final disposal of the asset. These estimates are based on the best estimates made by management. However, these estimates may differ from the actual results due to the results of changes in uncertain future economic conditions.

(2) Post-employment benefits

The Group has defined benefit plans and defined contribution plans as post-employment benefit plans for employees and retirees. The present value, service cost, etc., of defined benefit obligations are calculated based on various actuarial assumptions. Actuarial assumptions include the estimates of various factors, such as discount rates, future salary payments, future withdrawals of participants from the plan, and average life expectancy of participants. These estimates are based on the best estimates made by management. However, these estimates may differ from the actual results due to the results of changes in uncertain future economic conditions as well as amendments and publications of related laws and regulations.

(3) Warranty provisions

The Group provides quality assurance on products manufactured and sold. The Group estimates the costs expected to be incurred in the future related to the products sold and records the amounts as a provision. These estimates are based on the best estimates made by management on the basis of the latest information given by purchasers of the products and past performance. However, these estimates may differ from the actual results.

(4) Income taxes

Deferred tax assets are recognized to the extent that it is probable that taxable income, for which deductible temporary differences, etc., can be utilized, will be available. When judging the possibility of generating taxable income, the Group estimates the timing and amount of the taxable income based on the business plan. These estimates are based on the best estimates made by management. However, these estimates may differ from the actual results due to the results of changes in uncertain future economic conditions, etc.

5. Accounting Standards Issued but Not Yet Adopted

The new or amended standards and interpretations that have been issued up to the date of approval of the consolidated financial statements, which are not early adopted by the Group, are mainly as follows.

IFRS	Title	Mandatory effective date (Fiscal year beginning on or after)	Year of adoption by the Group	Outline of new/ amended standards
IFRS 16	Leases	January 1, 2019	Fiscal year ending March 31, 2020	Amendment of accounting for lease contract

IFRS 16 requires a lessee to introduce a single accounting model instead of classifying leases into finance leases or operating leases, and to recognize for all leases, in principle, right-of-use assets that represent the right to use the underlying assets and lease liabilities that represent the obligations to make lease payments.
However, for short-term leases and leases of low-value, lessees may elect not to apply the requirements of the standard.
Following the recognition of right-of-use assets and lease liabilities, the depreciation for right-of-use assets and interest expenses on lease liabilities are recorded.
Meanwhile, a lessee may elect either to retrospectively apply IFRS 16 to the comparative fiscal years, or to recognize the cumulative effect of the application at the date of initial application.

With respect to short-term leases and leases of low-value, the Group is scheduled not to apply the requirements under IFRS 16.
Also, in applying IFRS 16, the Group is scheduled to employ the method of recognizing the cumulative effect of the application at the date of initial application.

The application of IFRS 16 is expected to result in an increase of around ¥3 billion ($29,000 thousand) in assets, as well as an increase in liabilities of approximately the same amount. However, such application is not expected to have a significant impact on the financial results of the Group.

6. Segment Information

(1) Overview of reporting segments

The Company defines its reporting segments as units of the Company for which independent financial information is accessible and which are subject to periodic review by the Board of Directors to determine the allocation of management resources and to evaluate performance.
The Company is primarily engaged in the manufacture and sale of motorcycle and power products and automobile products and divides its activities into four region-specific reporting segments—Japan, Americas, Asia, and China—each with management systems and production and sales systems tailored to local characteristics.
The business in Europe is under control of the Japan headquarters without a regional headquarters. It is included in the Japan segment.

(2) Revenue, operating profit and other items by reporting segments

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

For the fiscal year ended March 31, 2018

Millions of yen

	Reporting Segments					Eliminations	Total
	Japan	Americas	Asia	China	Total		
Revenue:							
Outside customers	88,138	91,757	97,787	73,812	351,494	—	351,494
Intersegment	69,022	7,387	11,622	8,905	96,936	(96,936)	—
Total	157,160	99,143	109,409	82,717	448,430	(96,936)	351,494
Depreciation and amortization	(7,695)	(5,096)	(3,746)	(1,790)	(18,327)	526	(17,801)
Impairment loss	(66)	(564)	(6)	(41)	(677)	—	(677)
Operating profit	5,940	1,616	13,735	6,531	27,822	491	28,313
Finance income	—	—	—	—	—	—	697
Finance costs	—	—	—	—	—	—	(1,865)
Profit before tax	—	—	—	—	—	—	27,145

For the fiscal year ended March 31, 2019

Millions of yen

	Reporting Segments					Eliminations	Total
	Japan	Americas	Asia	China	Total		
Revenue:							
Outside customers	**87,482**	**85,464**	**100,406**	**75,867**	**349,220**	—	**349,220**
Intersegment	**71,696**	**7,106**	**12,797**	**9,755**	**101,354**	**(101,354)**	—
Total	**159,179**	**92,570**	**113,203**	**85,622**	**450,573**	**(101,354)**	**349,220**
Depreciation and amortization	**(7,669)**	**(4,867)**	**(3,474)**	**(1,746)**	**(17,755)**	**616**	**(17,139)**
Impairment loss	**(43)**	—	**(47)**	—	**(90)**	—	**(90)**
Operating profit	**2,506**	**1,721**	**14,165**	**6,652**	**25,043**	**1,216**	**26,259**
Finance income	—	—	—	—	—	—	**924**
Finance costs	—	—	—	—	—	—	**(2,425)**
Profit before tax	—	—	—	—	—	—	**24,759**

	Thousands of U.S. dollars						
	Reporting Segments					Eliminations	Total
	Japan	Americas	Asia	China	Total		
Revenue:							
Outside customers	**788,201**	**770,019**	**904,639**	**683,546**	**3,146,406**	**—**	**3,146,406**
Intersegment	**645,969**	**64,022**	**115,297**	**87,891**	**913,179**	**(913,179)**	**—**
Total	**1,434,171**	**834,041**	**1,019,936**	**771,437**	**4,059,585**	**(913,179)**	**3,146,406**
Depreciation and amortization	**(69,095)**	**(43,848)**	**(31,297)**	**(15,731)**	**(159,970)**	**5,550**	**(154,420)**
Impairment loss	**(390)**	**—**	**(420)**	**—**	**(811)**	**—**	**(811)**
Operating profit	**22,574**	**15,509**	**127,620**	**59,932**	**225,635**	**10,954**	**236,589**
Finance income	**—**	**—**	**—**	**—**	**—**	**—**	**8,328**
Finance costs	**—**	**—**	**—**	**—**	**—**	**—**	**(21,844)**
Profit before tax	**—**	**—**	**—**	**—**	**—**	**—**	**223,073**

(Note)
1. Intersegment revenue is based on arm's length pricing.
2. Revenue in the "Eliminations" column is intersegment revenue. Operating profit in the "Eliminations" column is associated with inventories and property, plant and equipment.
3. Depreciation and amortization in the "Eliminations" column are the result of intersegment consolidation adjustments.

(3) Information by product and service

Revenue from outside customers of the Group by product and service is as follows:

Millions of yen		
2018		
Motorcycles and Power Products	Automobile Products	Total
96,104	255,390	351,494

Millions of yen		
2019		
Motorcycles and Power Products	Automobile Products	Total
100,334	**248,885**	**349,220**

Thousands of U.S. dollars		
2019		
Motorcycles and Power Products	Automobile Products	Total
903,993	**2,242,413**	**3,146,406**

(4) Information by region

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

i. Revenue from outside customers

Millions of yen						
2018						
Japan	USA	Thailand	India	China	Others	Total
68,751	84,536	34,220	24,526	81,198	58,263	351,494

Millions of yen						
2019						
Japan	USA	Thailand	India	China	Others	Total
71,306	**78,171**	**35,998**	**24,042**	**81,867**	**57,835**	**349,220**

Thousands of U.S. dollars						
2019						
Japan	USA	Thailand	India	China	Others	Total
642,454	**704,309**	**324,339**	**216,614**	**737,610**	**521,080**	**3,146,406**

ii. Non-current assets

Millions of yen						
2018						
Japan	USA	Thailand	India	China	Others	Total
38,562	17,586	13,531	7,562	11,044	20,357	108,642

Millions of yen						
2019						
Japan	USA	Thailand	India	China	Others	Total
44,448	**16,652**	**15,079**	**20,683**	**10,895**	**20,127**	**127,882**

Thousands of U.S. dollars						
2019						
Japan	USA	Thailand	India	China	Others	Total
400,468	**150,028**	**135,856**	**186,350**	**98,158**	**181,337**	**1,152,195**

Whereas "India" was previously included in "Others" in the fiscal year ended March 31, 2018, it has been presented separately from the fiscal year ended March 31, 2019 due to an increase in materiality. In order to reflect this change in presentation, information for the previous fiscal year has been reclassified.

(5) Information by major customer

The Group continuously sells products to Honda Motor Co., Ltd. and the Honda Motor Group. Revenue from the Honda Motor Group accounting for over 10% of consolidated revenue for the fiscal years ended March 31, 2018 and 2019 amounted to ¥298,500 million and ¥297,665 million ($2,681,911 thousand), respectively, and is included in revenue from outside customers in each of the Japan, Americas, Asia and China segments.

7. Revenue

(1) Disaggregation of revenue

The Group disaggregates revenue recognized from contracts with customers into revenue in the motorcycle and power products business and revenue in the automobile products business, on the basis of such contracts.

The relationship between revenue disaggregated by product and segment is shown in the following matrix.

For the fiscal year ended March 31, 2019

	Millions of yen				
	Reporting Segments				Total
	Japan	Americas	Asia	China	
Motorcycles and Power Products	**12,694**	**8,033**	**70,891**	**8,717**	**100,334**
Automobile Products	**74,789**	**77,432**	**29,515**	**67,150**	**248,885**
Total	**87,482**	**85,464**	**100,406**	**75,867**	**349,220**

	Thousands of U.S. dollars				
	Reporting Segments				Total
	Japan	Americas	Asia	China	
Motorcycles and Power Products	**114,367**	**72,374**	**638,711**	**78,541**	**903,993**
Automobile Products	**673,834**	**697,645**	**265,928**	**605,005**	**2,242,413**
Total	**788,201**	**770,019**	**904,639**	**683,546**	**3,146,406**

(Note) The amounts exclude intersegment revenue.

(2) Contract balances

The contract balances at the Group comprise solely receivables arising from contracts with customers (notes and trade receivables), which are disclosed in Note "9. Trade and Other Receivables."

Revenue recognized from performance obligations satisfied (wholly or partially) in previous periods was immaterial.

(3) Transaction price allocated to remaining performance obligations

The Group used the practical expedient to omit information on the remaining performance obligations as it is not engaged in any significant transactions with an individual estimated contractual period exceeding one year.

Furthermore, consideration arising from contracts with customers does not contain a significant amount that is not included in transaction price.

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

The Group used the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset to be recognized is one year or less.

The Group incurs neither incremental costs for obtaining contracts nor costs for fulfilling contracts, either of which must be recognized as an asset.

8. Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	**2019**	**2019**
Cash and deposits	45,019	**47,070**	**424,088**
Time deposits with maturities of less than three months	5,895	**13,977**	**125,934**
Total	50,914	**61,047**	**550,022**

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

9. Trade and Other Receivables

The breakdown of trade and other receivables is as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	**2019**	**2019**
Notes and trade receivables	50,691	**48,092**	**433,303**
Accrued receivables	7,541	**8,143**	**73,363**
Others	651	**558**	**5,026**
Total	58,882	**56,793**	**511,693**
Current	58,647	**56,548**	**509,483**
Non-current	235	**245**	**2,209**
Total	58,882	**56,793**	**511,693**

The Group classifies trade and other receivables into financial assets measured at amortized cost.

10. Other Financial Assets

The breakdown of other financial assets is as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	**2019**	**2019**
Time deposits with maturities of more than three months	1,553	**1,675**	**15,091**
Derivatives	60	**81**	**732**
Equity instruments	5,764	**4,975**	**44,827**
Total	7,377	**6,732**	**60,651**
Current	1,613	**1,675**	**15,093**
Non-current	5,764	**5,056**	**45,557**
Total	7,377	**6,732**	**60,651**

The Group classifies time deposits with maturities of more than three months into financial assets measured at amortized cost, derivatives into FVTPL financial assets, equity instruments into FVTOCI equity financial assets.

Equity instruments held by the Group are stocks of companies with which the Group has business relationships. The Group holds such stocks, etc., mainly to facilitate transactions, etc., and not for short-term trading purposes. Therefore, the equity instruments are measured at fair value through other comprehensive income. The breakdown of major investments and their fair values are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	**2019**	**2019**
Honda Motor Co., Ltd.	5,105	**4,177**	**37,638**
Mitsubishi UFJ Financial Group, Inc.	362	**286**	**2,577**
Others	297	**512**	**4,613**
Total	5,764	**4,975**	**44,827**

During the fiscal years ended March 31, 2018 and 2019, with the aim of increased efficiency and effective use of the assets held by the Group, FVTOCI financial assets were sold (derecognized).

During the fiscal years ended March 31, 2018 and 2019, their fair values at the time of derecognition were ¥18 million and ¥4 million ($34 thousand), respectively, and accumulated gains recognized as other comprehensive income (loss) in equity were ¥3 million and ¥2 million ($14 thousand), respectively.

Meanwhile, accumulated gains recognized as other comprehensive income (loss) in equity were transferred to retained earnings upon the sale of the assets.

11. Inventories

The breakdown of inventories is as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	**2019**	**2019**
Merchandise and finished products	14,469	**15,713**	**141,570**
Work in process	8,837	**9,382**	**84,530**
Raw materials and supplies	25,396	**28,464**	**256,452**
Total	48,703	**53,558**	**482,552**

The write-downs of inventories included in “cost of sales” during the fiscal years ended March 31, 2018 and 2019 were ¥5,819 million and ¥6,456 million ($58,171 thousand), respectively. There are no significant inventories pledged as security for liabilities.

12. Property, Plant and Equipment

(1) Schedule of property, plant and equipment

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

Acquisition costs

	Millions of yen				
	Land, buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Construction in progress	Total
As of April 1, 2017	71,383	177,770	47,344	7,753	304,250
Acquisition	1,954	11,500	3,697	18,157	35,308
Sales or disposal	(113)	(4,530)	(2,019)	—	(6,662)
Transfer	—	—	—	(16,639)	(16,639)
Foreign currency translation adjustments	(684)	(1,795)	(248)	(237)	(2,965)
Others	67	(1,112)	287	259	(499)
As of March 31, 2018	**72,607**	**181,833**	**49,061**	**9,292**	**312,792**
Acquisition (Note)	**2,382**	**6,850**	**2,983**	**29,222**	**41,437**
Sales or disposal	**(396)**	**(6,155)**	**(2,676)**	**—**	**(9,228)**
Transfer	**—**	**—**	**—**	**(12,152)**	**(12,152)**
Foreign currency translation adjustments	**496**	**1,469**	**290**	**194**	**2,448**
Others	**(13)**	**8**	**(800)**	**528**	**(277)**
As of March 31, 2019	**75,075**	**184,004**	**48,857**	**27,084**	**335,020**

	Thousands of U.S. dollars				
	Land, buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Construction in progress	Total
As of March 31, 2018	**654,172**	**1,638,285**	**442,030**	**83,716**	**2,818,203**
Acquisition (Note)	**21,465**	**61,713**	**26,876**	**263,281**	**373,336**
Sales or disposal	**(3,571)**	**(55,459)**	**(24,114)**	**—**	**(83,143)**
Transfer	**—**	**—**	**—**	**(109,484)**	**(109,484)**
Foreign currency translation adjustments	**4,467**	**13,235**	**2,609**	**1,749**	**22,060**
Others	**(119)**	**71**	**(7,209)**	**4,757**	**(2,500)**
As of March 31, 2019	**676,415**	**1,657,845**	**440,193**	**244,018**	**3,018,471**

(Note) The borrowing cost capitalized during the year is ¥368 million ($3,312 thousand).

Accumulated depreciation and accumulated impairment loss

	Millions of yen			
	Land, buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Total
As of April 1, 2017	(36,402)	(130,352)	(40,347)	(207,101)
Depreciation	(1,872)	(9,513)	(4,282)	(15,667)
Impairment loss	(50)	(491)	(136)	(677)
Sales or disposal	103	4,367	1,959	6,430
Foreign currency translation adjustments	220	954	248	1,422
Others	(97)	587	309	800
As of March 31, 2018	**(38,098)**	**(134,448)**	**(42,248)**	**(214,794)**
Depreciation	**(1,882)**	**(9,502)**	**(3,652)**	**(15,037)**
Impairment loss	**—**	**(79)**	**(11)**	**(90)**
Sales or disposal	**375**	**5,961**	**2,643**	**8,979**
Foreign currency translation adjustments	**(330)**	**(1,046)**	**(272)**	**(1,648)**
Others	**5**	**(83)**	**935**	**857**
As of March 31, 2019	**(39,931)**	**(139,197)**	**(42,605)**	**(221,732)**

	Thousands of U.S. dollars			
	Land, buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Total
As of March 31, 2018	**(343,260)**	**(1,211,348)**	**(380,646)**	**(1,935,254)**
Depreciation	**(16,959)**	**(85,610)**	**(32,908)**	**(135,477)**
Impairment loss	**—**	**(715)**	**(96)**	**(811)**
Sales or disposal	**3,377**	**53,704**	**23,816**	**80,897**
Foreign currency translation adjustments	**(2,971)**	**(9,422)**	**(2,454)**	**(14,847)**
Others	**41**	**(746)**	**8,426**	**7,721**
As of March 31, 2019	**(359,773)**	**(1,254,136)**	**(383,861)**	**(1,997,770)**

Depreciation of property, plant and equipment is included in “cost of sales” and “selling, general and administrative expenses” in the consolidated statements of income. The information of impairment loss is disclosed in Note “14. Impairment Loss.”

Carrying amount

		Land, buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Construction in progress	Total
As of April 1, 2017	(Millions of yen)	34,980	47,418	6,997	7,753	97,148
As of March 31, 2018	(Millions of yen)	34,508	47,386	6,813	9,292	97,998
As of March 31, 2019	(Millions of yen)	**35,144**	**44,808**	**6,252**	**27,084**	**113,288**
As of March 31, 2019	(Thousands of U.S. dollars)	**316,642**	**403,709**	**56,332**	**244,018**	**1,020,701**

(2) Collateral

No items of property, plant and equipment are pledged as security for liabilities.

13. Intangible Assets

Schedule of intangible assets

The breakdown and schedule of intangible assets are as follows:

Acquisition costs

	Millions of yen			
	Software	Development expenses	Others	Total
As of April 1, 2017	5,957	5,890	1,439	13,286
Acquisition	456	—	2	458
Increase arising from internal development	—	1,554	—	1,554
Sale or disposal	(361)	—	—	(361)
Foreign currency translation adjustments	25	—	(16)	9
Others	(20)	(304)	(69)	(394)
As of March 31, 2018	**6,056**	**7,140**	**1,356**	**14,552**
Acquisition	**623**	—	**0**	**623**
Increase arising from internal development	—	**2,830**	—	**2,830**
Sale or disposal	**(593)**	—	—	**(593)**
Foreign currency translation adjustments	**38**	—	**10**	**49**
Others	**9**	**(377)**	**(310)**	**(679)**
As of March 31, 2019	**6,133**	**9,593**	**1,056**	**16,782**

	Thousands of U.S. dollars			
	Software	Development expenses	Others	Total
As of March 31, 2018	**54,564**	**64,330**	**12,218**	**131,112**
Acquisition	**5,612**	—	**4**	**5,616**
Increase arising from internal development	—	**25,498**	—	**25,498**
Sale or disposal	**(5,345)**	—	—	**(5,345)**
Foreign currency translation adjustments	**347**	—	**92**	**439**
Others	**81**	**(3,400)**	**(2,796)**	**(6,115)**
As of March 31, 2019	**55,259**	**86,428**	**9,519**	**151,205**

Accumulated amortization and accumulated impairment loss

	Millions of yen			
	Software	Development expenses	Others	Total
As of April 1, 2017	(4,056)	(1,829)	(1,223)	(7,109)
Amortization	(838)	(1,145)	(150)	(2,134)
Sale or disposal	361	—	—	361
Foreign currency translation adjustments	(16)	—	9	(7)
Others	59	303	69	432
As of March 31, 2018	**(4,490)**	**(2,670)**	**(1,295)**	**(8,456)**
Amortization	**(684)**	**(1,352)**	**(68)**	**(2,104)**
Sale or disposal	**593**	—	—	**593**
Foreign currency translation adjustments	**(37)**	—	**(7)**	**(44)**
Others	**3**	**377**	**408**	**788**
As of March 31, 2019	**(4,615)**	**(3,645)**	**(962)**	**(9,222)**

	Thousands of U.S. dollars			
	Software	Development expenses	Others	Total
As of March 31, 2018	**(40,454)**	**(24,061)**	**(11,671)**	**(76,185)**
Amortization	**(6,162)**	**(12,178)**	**(616)**	**(18,956)**
Sale or disposal	**5,345**	—	—	**5,345**
Foreign currency translation adjustments	**(335)**	—	**(59)**	**(393)**
Others	**25**	**3,398**	**3,679**	**7,103**
As of March 31, 2019	**(41,581)**	**(32,840)**	**(8,666)**	**(83,087)**

(Note)

1. The amortization of intangible assets is included in “cost of sales” and “selling, general and administrative expenses” in the consolidated statements of income.
2. Capitalized development expenses recognized as intangible assets during the fiscal years ended March 31, 2018 and 2019 were ¥1,554 million and ¥2,830 million ($25,498 thousand), respectively. Total research and development expenses including those capitalized expenses during the fiscal years ended March 31, 2018 and 2019 were ¥22,771 million and ¥24,658 million ($222,160 thousand), respectively.

Carrying amount

		Software	Development expenses	Others	Total
As of April 1, 2017	(Millions of yen)	1,900	4,061	216	6,178
As of March 31, 2018	(Millions of yen)	1,566	4,469	61	6,096
As of March 31, 2019	**(Millions of yen)**	**1,518**	**5,948**	**95**	**7,560**
As of March 31, 2019	**(Thousands of U.S. dollars)**	**13,678**	**53,588**	**853**	**68,118**

14. Impairment Loss

For the fiscal year ended March 31, 2018

The Group recognizes the smallest unit with identifiable independent cash flows as a cash-generating unit.

Individual assets classified as idle assets are each subjected to impairment testing.

During the fiscal year ended March 31, 2018, progress in achieving cost improvement and productivity enhancement was behind schedule at some locations in the Americas’ segment engaged in the manufacture and sale of air-conditioning products, which led the Company to believe that recovery in business performance will take an extended period of time. In consideration of such a prospect, the carrying amount was reduced to the recoverable amount, whereby ¥564 million was included in “other expenses” in the consolidated statements of income. This amount comprises ¥50 million for land, ¥384 million for machinery, equipment and vehicles, and ¥129 million for tools, furniture and fixtures. Such recoverable amount represents fair value less disposal cost, as measured by the market-approach valuation method. The fair value used for calculating such recoverable amount is classified into Level 3 on the fair value hierarchy. In addition, a ¥113 million impairment loss on idle assets is included in “other expenses” in the consolidated statements of income. The carrying amount of such idle assets was reduced to the recoverable amount as they were not expected to be used for business purposes. The recoverable amount is the value in use, which was the memorandum amount assuming a value of zero.

The relevant reporting segments are “Japan”, “Americas”, “Asia”, and “China.” The amount recognized in each reporting segment is stated in Note “6. Segment Information.”

For the fiscal year ended March 31, 2019

The Group recognized an impairment loss of ¥90 million ($811 thousand) during the fiscal year ended March 31, 2019.

Impairment losses were mainly recognized on machinery, equipment and vehicles, etc. classified as idle assets, which are grouped as individual cash-generating units. The carrying amount of such idle assets was reduced to the recoverable amount as they were not expected to be used for business purposes. The recoverable amount is the value in use, which was the memorandum amount assuming a value of zero.

Impairment losses are included in “other expenses” in the consolidated statements of income. The relevant reporting segments are “Japan” and “Asia.” The amount recognized in each reporting segment is stated in Note “6. Segment Information.”

15. Income Taxes

(1) Deferred tax assets and deferred tax liabilities

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

For the fiscal year ended March 31, 2018

	Millions of yen			
	As of April 1, 2017	Recognized in profit or loss (Note)	Recognized in other comprehensive income	As of March 31, 2018
Deferred tax assets				
Inventories	1,553	(349)	—	1,204
Property, plant and equipment and intangible assets	3,106	(5)	—	3,101
Accrued expenses	1,131	17	—	1,148
Retirement benefits	459	(153)	9	315
Unused tax losses	161	(52)	—	110
Others	186	228	—	414
Total deferred tax assets	6,596	(313)	9	6,292
Deferred tax liabilities				
Property, plant and equipment and intangible assets	4,155	(848)	—	3,307
Financial assets measured at fair value through other comprehensive income	1,308	(3)	156	1,461
Undistributed retained earnings of foreign subsidiaries	820	(70)	—	750
Retirement benefits	1,068	(54)	(177)	836
Others	101	(66)	—	35
Total deferred tax liabilities	7,452	(1,042)	(21)	6,389

(Note) The difference between the total of recognized in profit or loss in the above table and deferred income tax expense is due to foreign exchange fluctuations.

For the fiscal year ended March 31, 2019

	Millions of yen			
	As of April 1, 2018	Recognized in profit or loss (Note)	Recognized in other comprehensive income	As of March 31, 2019
Deferred tax assets				
Inventories	**1,204**	**(1)**	**—**	**1,203**
Property, plant and equipment and intangible assets	**3,101**	**240**	**—**	**3,340**
Accrued expenses	**1,148**	**716**	**—**	**1,864**
Retirement benefits	**315**	**62**	**(14)**	**364**
Unused tax losses	**110**	**(51)**	**—**	**59**
Others	**414**	**(34)**	**—**	**380**
Total deferred tax assets	**6,292**	**933**	**(14)**	**7,211**
Deferred tax liabilities				
Property, plant and equipment and intangible assets	**3,307**	**477**	**—**	**3,784**
Financial assets measured at fair value through other comprehensive income	**1,461**	**0**	**(226)**	**1,235**
Undistributed retained earnings of foreign subsidiaries	**750**	**98**	**—**	**848**
Retirement benefits	**836**	**(55)**	**51**	**831**
Others	**35**	**145**	**—**	**180**
Total deferred tax liabilities	**6,389**	**665**	**(176)**	**6,878**

(Note) The difference between the total of recognized in profit or loss in the above table and deferred income tax expense is due to foreign exchange fluctuations.

	Thousands of U.S. dollars			
	As of April 1, 2018	Recognized in profit or loss (Note)	Recognized in other comprehensive income	As of March 31, 2019
Deferred tax assets				
Inventories	**10,848**	**(11)**	**—**	**10,837**
Property, plant and equipment and intangible assets	**27,936**	**2,161**	**—**	**30,097**
Accrued expenses	**10,344**	**6,454**	**—**	**16,798**
Retirement benefits	**2,841**	**562**	**(127)**	**3,277**
Unused tax losses	**988**	**(457)**	**—**	**531**
Others	**3,731**	**(304)**	**—**	**3,427**
Total deferred tax assets	**56,688**	**8,405**	**(127)**	**64,966**
Deferred tax liabilities				
Property, plant and equipment and intangible assets	**29,792**	**4,298**	**—**	**34,090**
Financial assets measured at fair value through other comprehensive income	**13,162**	**1**	**(2,039)**	**11,123**
Undistributed retained earnings of foreign subsidiaries	**6,759**	**886**	**—**	**7,645**
Retirement benefits	**7,534**	**(498)**	**455**	**7,491**
Others	**315**	**1,308**	**—**	**1,623**
Total deferred tax liabilities	**57,562**	**5,995**	**(1,584)**	**61,972**

(Note) The difference between the total of recognized in profit or loss in the above table and deferred income tax expense is due to foreign exchange fluctuations.

(2) Unrecognized deferred tax assets

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

	Millions of yen		Thousands of U.S. dollars
	2018	**2019**	**2019**
Deductible temporary differences	18,340	**16,392**	**147,689**
Unused tax losses	29,624	**29,817**	**268,644**
Unused tax credits	3,567	**4,373**	**39,401**

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

	Millions of yen		Thousands of U.S. dollars
	2018	**2019**	**2019**
1st year	253	**260**	**2,343**
2nd year	882	**3,667**	**33,042**
3rd year	4,145	**4,059**	**36,572**
4th year	3,652	**4,192**	**37,767**
5th year and thereafter	20,690	**17,638**	**158,920**
Total	29,624	**29,817**	**268,644**

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

	Millions of yen		Thousands of U.S. dollars
	2018	**2019**	**2019**
1st year	1,060	**1,322**	**11,915**
2nd year	1,319	**967**	**8,711**
3rd year	965	**1,540**	**13,874**
4th year	40	**44**	**395**
5th year and thereafter	184	**500**	**4,505**
Total	3,567	**4,373**	**39,401**

(3) Unrecognized deferred tax liabilities

The amount of taxable temporary differences associated with investments in subsidiaries, for which no deferred tax liabilities are recognized, is as follows. Deferred tax liabilities are not recognized for these investments as the Company is able to control the timing of the reversal of temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

	Millions of yen		Thousands of U.S. dollars
	2018	**2019**	**2019**
Temporary differences associated with investments in subsidiaries for which no deferred tax liabilities are recognized	96,862	**104,403**	**940,656**

(4) Income taxes

The breakdown of income tax expense is as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	**2019**	**2019**
Current income tax	(7,520)	**(7,200)**	**(64,867)**
Deferred income tax	724	**299**	**2,695**
Total	(6,796)	**(6,901)**	**(62,172)**

(5) Reconciliation between the applicable and effective tax rate

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

	2018	**2019**
Applicable tax rate	30.3%	**30.0%**
Different tax rates applied to foreign subsidiaries	(7.1%)	**(8.3%)**
Undistributed retained earnings of foreign subsidiaries	2.8%	**3.4%**
Foreign tax	5.2%	**6.0%**
Temporary differences on elimination in profit or loss resulting from intra-group transactions	0.3%	**(0.3%)**
Changes in unrecognized deferred tax assets	(3.0%)	**(4.4%)**
Impact of the change in the tax rate (Note)	(2.3%)	—
Others	(1.1%)	**1.4%**
Effective tax rate	25.0%	**27.9%**

(Note) Following the enactment of the Tax Cuts and Jobs Act in the United States on December 22, 2017, the federal corporate tax rate used for calculating deferred tax assets and deferred tax liabilities for the fiscal year ended March 31, 2018 of the Company's subsidiaries in the United States was changed from 35% to 21%.

16. Trade and Other Payables

The breakdown of trade and other payables is as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	**2019**	**2019**
Notes and trade payables	34,643	**33,646**	**303,144**
Accrued expenses	16,274	**17,440**	**157,129**
Accrued payments	4,160	**6,656**	**59,966**
Total	55,077	**57,741**	**520,239**

The Group classifies trade and other payables into financial liabilities measured at amortized cost.

17. Loans

The breakdown of loans is as follows. There were no loans in default at the end of the each reporting period.

	Millions of yen			Thousands of U.S. dollars
	2018	**2019**	Average Interest rate (Note)	**2019**
Short-term loans	6,786	**6,883**	**3.74%**	**62,011**
Long-term loans	—	**14,787**	**0.33%**	**133,229**
Total	6,786	**21,670**	—	**195,240**
Current	6,786	**6,883**		**62,011**
Non-current	—	**14,787**		**133,229**
Total	6,786	**21,670**		**195,240**

The Group classifies loans into financial liabilities measured at amortized cost.

(Note) The average interest rate is based on the weighted-average rate calculated based on the interest rates and the balances as of March 31, 2019.

18. Other Financial Liabilities

The breakdown of other financial liabilities is as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	**2019**	**2019**
Derivatives	1,362	**1,539**	**13,862**
Finance lease obligations	429	**130**	**1,171**
Total	1,791	**1,669**	**15,033**
Current	372	**114**	**1,023**
Non-current	1,419	**1,555**	**14,010**
Total	1,791	**1,669**	**15,033**

The Group classifies derivatives into FVTPL financial liabilities.

19. Provisions

The breakdown of provisions is as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	**2019**	**2019**
Warranty provisions	1,305	**736**	**6,635**
Others	320	**247**	**2,224**
Total	1,626	**983**	**8,859**
Current	1,422	**766**	**6,899**
Non-current	203	**218**	**1,960**
Total	1,626	**983**	**8,859**

Warranty provisions are expected to be paid within one year, however, the timing of payment is affected by the timing of claims from customers.

The schedule of provisions is as follows:

	Millions of yen		
	Warranty provisions	Others	Total
As of April 1, 2018	**1,305**	**320**	**1,626**
Increase during the fiscal year	**642**	**10**	**652**
Interest cost associated with passage of time	**—**	**4**	**4**
Decrease due to intended use	**(529)**	**(87)**	**(616)**
Reversal during the fiscal year	**(685)**	**0**	**(685)**
Foreign currency translation adjustments	**3**	**0**	**3**
As of March 31, 2019	**736**	**247**	**983**

	Thousands of U.S. dollars		
	Warranty provisions	Others	Total
As of April 1, 2018	**11,761**	**2,886**	**14,647**
Increase during the fiscal year	**5,782**	**93**	**5,875**
Interest cost associated with passage of time	**—**	**35**	**35**
Decrease due to intended use	**(4,762)**	**(787)**	**(5,550)**
Reversal during the fiscal year	**(6,172)**	**0**	**(6,171)**
Foreign currency translation adjustments	**26**	**1**	**27**
As of March 31, 2019	**6,635**	**2,224**	**8,859**

20. Employee Benefits

(1) Defined benefit pension plans

The Company and certain consolidated subsidiaries adopt defined benefit pension plans. The defined benefit pension plan is mainly the Company's, which accounts for approximately 90% of the total present value of defined benefit obligations. It is composed of the Company's single-employer plan and a multi-employer plan.

(The Company's single-employer plan)

The Company has a welfare pension fund plan as a defined benefit pension plan. This plan is operated by delegating the management and investment of plan assets to pension property management trust institutions pursuant to the rules on defined benefit corporate pension plans that are agreed between an employer and employees.

In this plan, employees are entitled to receive the amount determined based on the years of service and wage level, etc., as lump-sum payment at the time of their retirement. If an employee satisfies certain conditions such as years of service, such employee may receive benefits as a fixed-term annuity instead of the lump-sum payment.

The Defined-Benefit Corporate Pension Act provides that pension premiums shall be recalculated at least every five years so that the financial stability of the plan can be maintained through the future.

(Multi-employer plan)

The Company participates in the HONDA PENSION FUND, a multi-employer plan, in addition to the single-employer plan stated above. The administration of the plan is conducted by a fund legally independent of the Company. The fund establishes the board of representatives, which consists of, in equal numbers, representatives elected by mutual election by employers and participants. Directors and auditors are appointed as executive officers through mutual election by the representatives. Directors are responsible to faithfully execute their duties with respect to the management and investment of pension reserves for the fund complying with laws and regulations, any legal orders issued by the Minister of Health, Labour and Welfare and the Chief of the Regional Bureau of Health and Welfare, the corporate pension fund rules (hereinafter the "Rules"), and the resolutions of the board of representatives. In addition, directors are prohibited from being engaged in any actions that hinder proper management and investment of pension reserves for the purpose of gaining their own interests or interests of third parties other than the fund.

This plan is a plan similar to the cash balance plan, under which an employee may receive the amount calculated based on the years of service, wage level, annuity rate (index rate), etc., as a lump-sum payment at the time of their retirement. In addition, if an employee satisfies certain conditions such as years of service, such employee may receive benefits as a fixed-term annuity or life-term annuity instead of the lump-sum payment.

The Company assumes an obligation to contribute premiums to the fund. The Defined-Benefit Corporate Pension Act provides that pension premiums shall be recalculated at least every five years so that the financial stability can be maintained through the future. The premiums contributed may be used for benefit payments of other participating employers.

If the reserved amount falls below the minimum funding requirements at the time of dissolution of the plan, the employers are required to make a lump-sum contribution as a premium to meet the minimum funding requirement. In addition, since the Rules set forth that the entire amount of residual assets at the time of dissolution of the plan shall be distributed to employees, such amount shall not be returned to the Company and other participating employers.

If an employer withdraws from the plan, the employer is required to make a lump-sum payment for the deficit, etc., that is expected to be incurred from the withdrawal.

(a) Breakdown of net defined benefit liability (asset)

The breakdown of net defined benefit liability (asset) is as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	**2019**	**2019**
Present value of defined benefit obligations	44,768	**46,149**	**415,796**
Fair value of plan assets	45,470	**46,197**	**416,223**
Defined benefit liability (net)	2,081	**2,720**	**24,510**
Defined benefit asset (net)	2,784	**2,768**	**24,937**

(b) Changes in present value of retirement benefit obligations

The changes in present value of retirement benefit obligations are as follows:

	Millions of yen	Thousands of U.S. dollars
As of April 1, 2017	46,380	
Service cost	2,296	
Interest cost	345	
Actuarial gain or loss		
Changes in demographic assumptions	10	
Changes in financial assumptions	364	
Experience adjustments	(51)	
Past service cost and gain or losses of settlements	38	
Benefits paid	(4,545)	
Foreign currency translation adjustments	(70)	
As of March 31, 2018	44,768	**403,348**
Service cost	**2,313**	**20,839**
Interest cost	**232**	**2,087**
Actuarial gain or loss		
Changes in demographic assumptions	**0**	**(2)**
Changes in financial assumptions	**705**	**6,348**
Experience adjustments	**(212)**	**(1,908)**
Past service cost and gain or losses of settlements	**(2)**	**(17)**
Benefits paid	**(1,656)**	**(14,922)**
Foreign currency translation adjustments	**3**	**24**
As of March 31, 2019	**46,149**	**415,796**

(c) Significant actuarial assumptions and sensitivity analysis

The significant actuarial assumptions (weighted average) are as follows:

	2018	**2019**
Discount rate	0.5%	**0.4%**

The effects on the present value of defined benefit obligations due to a 0.5% increase or decrease in the significant actuarial assumptions are as follows:

Changes in assumptions		Millions of yen Effects on present value of defined benefit obligations		Thousands of U.S. dollars
		2018	**2019**	**2019**
Discount rate	Increase of 0.5%	(2,393)	**(2,319)**	**(20,896)**
	Decrease of 0.5%	2,634	**2,544**	**22,923**

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

(d) Information on the maturity composition of defined benefit obligations

The weighted average duration is as follows:

	2018	**2019**
Weighted average duration	12.2 years	**11.4 years**

(e) Schedule of plan assets

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

	Millions of yen	Thousands of U.S. dollars
As of April 1, 2017	47,464	
Contributions by the employer	1,939	
Benefits paid	(4,450)	
Interest income (Note)	301	
Return on plan assets (excluding interest income)	274	
Foreign currency translation adjustments	(58)	
As of March 31, 2018	45,470	**409,677**
Contributions by the employer	**1,511**	**13,613**
Benefits paid	**(1,625)**	**(14,640)**
Interest income (Note)	**190**	**1,716**
Return on plan assets (excluding interest income)	**665**	**5,994**
Foreign currency translation adjustments	**(15)**	**(138)**
As of March 31, 2019	**46,197**	**416,223**

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

(f) Breakdown of fair value of plan assets by type

The Group's investment policy is designed to optimize the total investment income over the mid- to long-term under acceptable risk levels in order to ensure pension benefits of employees. To reduce risks, the plan assets are diversified, mainly in domestic and overseas stocks and bonds based on asset allocation targets. Regarding asset allocation, the Group establishes allocation targets to be maintained over the mid- to long-term based on the correlation between the mid- to long-term forecast of risk and return and the actual investment performance of each asset. These asset allocation targets are reviewed in an appropriate manner when any material change arises in the investment environment, etc., of plan assets.

The Group plans to contribute ¥1,539 million ($13,867 thousand) to plan assets in the fiscal year ending March 31, 2020.

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

	Millions of yen				Thousands of U.S. dollars	
	2018		**2019**		**2019**	
	Quoted price in an active market is available	No quoted price in an active market is available	Quoted price in an active market is available	No quoted price in an active market is available	Quoted price in an active market is available	No quoted price in an active market is available
Stocks (Note)	6,764	6,449	7,116	9,486	**64,114**	**85,468**
Bonds (Note)	3,131	12,150	3,526	9,586	**31,767**	**86,364**
General accounts of life insurance companies	—	2,455	—	2,516	—	**22,667**
Hedge funds	—	3,907	—	3,415	—	**30,766**
Cash and cash equivalents	9,163	—	8,181	—	**73,710**	—
Others	191	1,260	229	2,143	**2,062**	**19,306**
Total	19,249	26,221	19,052	27,145	**171,652**	**244,571**

(Note) A portion of plan assets is invested in the joint trust of a trust bank and classified as an item for which a quoted price in an active market is not available.

(g) Defined benefit cost

The breakdown of defined benefit cost is as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	**2019**	**2019**
Service cost	(2,296)	**(2,313)**	**(20,839)**
Past service cost and gain or losses of settlements	(38)	**2**	**17**
Net interest	(44)	**(41)**	**(371)**
Total	(2,378)	**(2,352)**	**(21,193)**

These costs are included in "cost of sales", "selling, general and administrative expenses" and "other expenses" in the consolidated statements of income.

(2) Defined contribution pension plans

Some consolidated subsidiaries adopt defined contribution pension plans. The amount of cost recognized during the fiscal years ended March 31, 2018 and 2019 is as follows. The cost is included in "cost of sales" and "selling, general and administrative expenses" in the consolidated statements of income.

	Millions of yen		Thousands of U.S. dollars
	2018	**2019**	**2019**
Contributions	(817)	**(805)**	**(7,252)**

21. Equity and Other Equity Items

(1) Number of shares authorized

The number of shares authorized is as follows:

	2018	**2019**
Number of shares authorized (shares)	240,000,000	**240,000,000**

(2) Total number of shares issued

The total number of shares issued is as follows. There are no changes in the total number of shares issued during the fiscal year. In addition, all the shares issued by the Company are non-par value common stock with no limitation on rights, and the shares issued are fully paid.

	2018	**2019**
Total number of shares issued (shares)	73,985,246	**73,985,246**

(3) Treasury stock

Number of treasury stock is as follows:

	2018	**2019**
Number of treasury stock (shares)	26,851	**27,205**

(4) Information on surplus included in equity

(a) Capital surplus

The components of capital surplus are as follows:

(i) Legal capital surplus

The Japanese Companies Act provides that at least 50% of the proceeds upon an issuance of shares is required to be recorded as the common stock, and the remainder is required to be recorded as legal capital surplus.

(ii) Other capital surplus

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

(b) Retained earnings

The components of retained earnings are as follows:

(i) Legal retained earnings

The Japanese Companies Act provides that 10% of dividends of capital surplus (excluding legal capital surplus) and retained earnings (excluding legal retained earnings) shall be appropriated as legal capital surplus and legal retained earnings until the aggregate amount of legal capital surplus and legal retained earnings reaches 25% of the common stock. At certain foreign subsidiaries, similar reserves are also required pursuant to local laws.

(ii) Other retained earnings

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

(5) Information on other components of equity

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

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

(b) Remeasurement of net benefit defined benefit liabilities (assets)

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

(c) Foreign currency translation adjustments

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

22. Selling, General and Administrative Expenses

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

	Millions of yen		Thousands of U.S. dollars
	2018	**2019**	**2019**
Employee benefit expenses	(11,281)	**(12,131)**	**(109,302)**
Freight and packing expenses	(4,503)	**(4,708)**	**(42,418)**
Depreciation and amortization	(1,051)	**(940)**	**(8,471)**
Others	(14,679)	**(13,218)**	**(119,089)**
Total	(31,514)	**(30,997)**	**(279,280)**

23. Other Income and Other Expenses

(1) Other income

The Group recognized gains on sales of property, plant and equipment of ¥23 million and ¥48 million ($434 thousand) for the fiscal years ended March 31, 2018 and 2019, respectively.

There is no additional significant other income.

(2) Other expenses

The Group recognized impairment losses of ¥677 million and ¥90 million ($811 thousand) for the fiscal years ended March 31, 2018 and 2019, respectively. The breakdown of impairment loss is presented in Note "14. Impairment Loss."

There are no additional significant other expenses.

24. Finance Income and Finance Costs

(1) Finance income

The breakdown of finance income is as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	**2019**	**2019**
Interest income	548	**756**	**6,808**
Dividend income	149	**169**	**1,520**
Total	697	**924**	**8,328**

All dividend income arises from financial assets measured at fair value through other comprehensive income. Those are investments which the Group owns at the end of the each reporting period.

	Millions of yen		Thousands of U.S. dollars
	2018	**2019**	**2019**
Financial assets derecognized during the year	0	**0**	**1**
Financial assets held at year-end	148	**169**	**1,520**
Total	149	**169**	**1,520**

(2) Finance costs

The breakdown of finance costs is as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	**2019**	**2019**
Interest costs	(304)	**(717)**	**(6,458)**
Foreign exchange loss	(198)	**(1,613)**	**(14,532)**
Loss on valuation of derivatives	(1,363)	**(95)**	**(854)**
Total	(1,865)	**(2,425)**	**(21,844)**

25. Earnings per Share

Basic earnings per share and the basis on which the numerator is determined are as follows. There are no dilutive potential ordinary shares.

		2018	**2019**
Earnings per share attributable to owners of the parent	(Millions of yen)	17,824	**15,706**
Weighted average number of ordinary shares outstanding during the year	(shares)	73,958,671	**73,958,218**
Basic earnings per share	(yen)	241.00	**212.37**

		2019
Earnings per share attributable to owners of the parent	(Thousands of U.S. dollars)	**141,510**
Basic earnings per share	(U.S. dollars)	**1.91**

26. Classification of Items Based on Nature

The significant accounts of expenses, if the Group classifies these based on nature, are "employee benefit costs" and "depreciation and amortization". Both of these are disclosed as "cost of sales," and "selling, general and administrative expenses" in the consolidated statements of income. The total amounts are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	**2019**	**2019**
Employee benefit costs	(83,726)	**(85,776)**	**(772,828)**
Depreciation and amortization	(17,801)	**(17,139)**	**(154,420)**

27. Other Comprehensive Income

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

	Millions of yen		
	2018		
	Before tax effect	Tax effect	After tax effect
Items that will not be reclassified to profit or loss			
Gains (losses) on financial assets measured at fair value through other comprehensive income			
Amount arising during the year	447	(156)	291
Subtotal	447	(156)	291
Remeasurement of the net defined benefit liabilities (assets)			
Amount arising during the year	(50)	186	137
Subtotal	(50)	186	137
Items that may be reclassified to profit or loss			
Foreign currency translation adjustments			
Amount arising during the year	(1,505)	—	(1,505)
Subtotal	(1,505)	—	(1,505)
Total other comprehensive income (loss)	(1,108)	30	(1,078)

	Millions of yen		
	2019		
	Before tax effect	Tax effect	After tax effect
Items that will not be reclassified to profit or loss			
Gains (losses) on financial assets measured at fair value through other comprehensive income (loss)			
Amount arising during the year	**(794)**	**226**	**(568)**
Subtotal	**(794)**	**226**	**(568)**
Remeasurement of the net defined benefit liabilities (assets)			
Amount arising during the year	**173**	**(65)**	**108**
Subtotal	**173**	**(65)**	**108**
Items that may be reclassified to profit or loss			
Foreign currency translation adjustments			
Amount arising during the year	**2,312**	**—**	**2,312**
Subtotal	**2,312**	**—**	**2,312**
Total other comprehensive income (loss)	**1,691**	**162**	**1,852**

	2019		
	Before tax effect	Tax effect	After tax effect
Items that will not be reclassified to profit or loss			
Gains (losses) on financial assets measured at fair value through other comprehensive income (loss)			
Amount arising during the year	**(7,156)**	**2,039**	**(5,116)**
Subtotal	**(7,156)**	**2,039**	**(5,116)**
Remeasurement of the net defined benefit liabilities (assets)			
Amount arising during the year	**1,557**	**(582)**	**975**
Subtotal	**1,557**	**(582)**	**975**
Items that may be reclassified to profit or loss			
Foreign currency translation adjustments			
Amount arising during the year	**20,831**	**—**	**20,831**
Subtotal	**20,831**	**—**	**20,831**
Total other comprehensive income (loss)	**15,231**	**1,458**	**16,689**

There are no reclassification adjustments arising from the above each item for each year.

28. Dividends

For the fiscal year ended March 31, 2018

(1) Cash dividends paid

Resolution	Class of shares	Total dividends (Millions of yen)	Dividends per share (yen)	Record date	Effective date	Source of dividends
June 23, 2017 Annual Shareholders Meeting	Ordinary shares	1,479	20	March 31, 2017	June 26, 2017	Retained earnings
November 6, 2017 Board of Directors	Ordinary shares	1,553	21	September 30, 2017	November 27, 2017	Retained earnings
Total	—	3,032	—	—	—	—

(2) Dividends with a record date in the fiscal year ended March 31, 2018 and an effective date in the following fiscal year

Resolution	Class of shares	Total dividends (Millions of yen)	Dividends per share (yen)	Record date	Effective date	Source of dividends
June 22, 2018 Annual Shareholders Meeting	Ordinary shares	1,627	22	March 31, 2018	June 25, 2018	Retained earnings

For the fiscal year ended March 31, 2019

(1) Cash dividends paid

Resolution	Class of shares	Total dividends (Millions of yen)	Dividends per share (yen)	Record date	Effective date	Source of dividends
June 22, 2018 Annual Shareholders Meeting	Ordinary shares	1,627	22	March 31, 2018	June 25, 2018	Retained earnings
November 2, 2018 Board of Directors	Ordinary shares	1,627	22	September 30, 2018	November 30, 2018	Retained earnings
Total	—	3,254	—	—	—	—

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

Resolution	Class of shares	Total dividends (Millions of yen)	Dividends per share (yen)	Record date	Effective date	Source of dividends
June 21, 2019 Annual Shareholders Meeting	Ordinary shares	1,701	23	March 31, 2019	June 24, 2019	Retained earnings

For the fiscal year ended March 31, 2019

(1) Cash dividends paid

Resolution	Class of shares	Total dividends (Thousands of U.S. dollars)	Dividends per share (U.S. dollars)	Record date	Effective date	Source of dividends
June 22, 2018 Annual Shareholders Meeting	Ordinary shares	14,660	0.20	March 31, 2018	June 25, 2018	Retained earnings
November 2, 2018 Board of Directors	Ordinary shares	14,660	0.20	September 30, 2018	November 30, 2018	Retained earnings
Total	—	29,319	—	—	—	—

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

Resolution	Class of shares	Total dividends (Thousands of U.S. dollars)	Dividends per share (U.S. dollars)	Record date	Effective date	Source of dividends
June 21, 2019 Annual Shareholders Meeting	Ordinary shares	15,326	0.21	March 31, 2019	June 24, 2019	Retained earnings

29. Financial Instruments

Financial assets measured at fair value through profit or loss are referred to as “FVTPL financial assets,” debt financial assets measured at fair value through other comprehensive income are referred to as “FVTOCI debt financial assets,” equity financial assets measured at fair value through other comprehensive income are referred to as “FVTOCI equity financial assets,” and financial liabilities measured at fair value through profit or loss are referred to as “FVTPL financial liabilities.”

(1) Disclosure of fair value

(a) Fair value and carrying amount

The carrying amount and fair value of long-term loans payable (including the current portion) are as follows.

Since financial instruments measured at amortized cost are settled within the short term and the carrying amount reasonably approximates to the respective fair value, they are not included in the table below.

Financial instruments measured at fair value on a recurring basis are also not included in the table below, because the fair value equals the respective carrying amount.

	Millions of yen				Thousands of U.S. dollars	
	2018		**2019**		**2019**	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Long-term loans payable	—	—	**14,787**	**14,859**	**133,229**	**133,877**

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

The Group classifies long-term loans payable into Level 2 of the fair value hierarchy.

(b) Measurement of fair value

With respect to financial instruments measured at fair value, the fair value is classified into Level 1 to Level 3 based on the observability and significance of the inputs used for measurement.

Level 1: Quoted prices in active markets for identical assets or liabilities (no adjustment)
Level 2: Fair value calculated using an observable price other than quoted prices in Level 1, either directly or indirectly
Level 3: Fair value calculated using valuation techniques including unobservable inputs

“Derivatives (assets),” “equity instruments,” and “derivatives (liabilities)” referred to in the table below are included in “other financial assets (current),” “other financial assets (non-current),” “other financial liabilities (current)” and “other financial liabilities (non-current)” in the consolidated statements of financial position, respectively.

As of March 31, 2018

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Assets:				
FVTPL financial assets				
Derivatives	—	60	—	60
FVTOCI equity financial assets				
Equity instruments	5,538	—	226	5,764
Total	5,538	60	226	5,824
Liabilities:				
FVTPL financial liabilities				
Derivatives	—	1,362	—	1,362
Total	—	1,362	—	1,362

As of March 31, 2019

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Assets:				
FVTPL financial assets				
Derivatives	**—**	**81**	**—**	**81**
FVTOCI equity financial assets				
Equity instruments	**4,526**	**—**	**449**	**4,975**
Total	**4,526**	**81**	**449**	**5,057**
Liabilities:				
FVTPL financial liabilities				
Derivatives	**—**	**1,539**	**—**	**1,539**
Total	**—**	**1,539**	**—**	**1,539**

	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Assets:				
FVTPL financial assets				
Derivatives	**—**	**732**	**—**	**732**
FVTOCI equity financial assets				
Equity instruments	**40,782**	**—**	**4,046**	**44,827**
Total	**40,782**	**732**	**4,046**	**45,560**
Liabilities:				
FVTPL financial liabilities				
Derivatives	**—**	**13,862**	**—**	**13,862**
Total	**—**	**13,862**	**—**	**13,862**

There was no transfer of assets or liabilities between levels of the fair value hierarchy during each period presented.

Financial instruments classified as Level 2 are forward exchange contracts etc. The fair value of forward exchange contracts etc. is calculated using the quoted price presented by the relevant financial institutions, etc.

Main financial instruments classified as Level 3 are shares of Japanese unlisted companies. The fair value of unlisted shares is calculated using the comparable listed company analysis method (a method to calculate multipliers of various financial indicators relative to the market share prices of comparable listed companies and add necessary adjustments to such multipliers) based on market approaches. An unobservable input for the measurement of fair value of financial assets classified in Level 3 is a price-earnings ratio, and in the calculation using the comparable listed company analysis method, the Company continuously makes comparisons with multiple comparable listed companies as well as takes into account illiquidity discounts.

(2) Disclosure of risks

(a) Market risk

(i) Foreign currency exchange rate risk

The Group engages in business operation on a global scale, and thus holds financial instruments denominated in foreign currencies other than functional currencies. Therefore, fluctuations in exchange rates have an impact on the performance of the Group, and such financial instruments are exposed to the foreign currency exchange rate risk, mainly the exchange rate between the U.S. dollar and Japanese yen.

For the purpose of reducing the foreign currency exchange rate risk associated with trade receivables and payables denominated in foreign currencies, the Group uses foreign currency forward exchange contracts and currency swap transactions as appropriate. The execution and management of foreign currency forward exchange contracts are conducted in accordance with the internal management rules that provide transaction authority, etc., and contents of such transactions are reported to a director in charge of risk management on a case-by-case basis.

If the Japanese yen appreciates by 10% against the U.S. dollar at the fiscal year-end, effects on profit before tax are as follows.
The amount corresponding to the portion hedged against the foreign currency exchange rate fluctuation risk by derivative transactions is excluded.
In such analysis, it is assumed that variables other than the exchange rate between the U.S. dollar and Japanese yen are fixed. However, in fact, they do not always change independently.

	Millions of yen		Thousands of U.S. dollars
	2018	**2019**	**2019**
Profit before tax	(224)	**(113)**	**(1,015)**

(ii) Price fluctuation risk of equity instruments

The Group has equity instruments, such as shares of listed companies with whom the Group maintains business relationships, and the prices thereof are exposed to market price fluctuation risk. Since these instruments are designated as FVTOCI equity financial assets in view of the holding purpose, the fluctuation of the prices thereof affects other comprehensive income, not profit or loss.
The current fair value of the equity instruments and the financial status of issuers are assessed regularly, and the changes in holding status and fair value are reported to a director in charge of risk management.

If the market value of these instruments declines 10% at the fiscal year-end, the impact on other comprehensive income (before the tax effects) is as follows. In such analysis, it is assumed that variables other than market prices remain fixed. However, in fact, they do not always change independently.

	Millions of yen		Thousands of U.S. dollars
	2018	**2019**	**2019**
Other comprehensive income (loss) (before tax effects)	(554)	**(453)**	**(4,078)**

(iii) Interest rate risk

The Group procures funds for working capital through interest-bearing debt. However, the payment of interest has a minimal impact on the performance of the Group.

(b) Credit risk

Most of the receivables arising from operating activities are with Honda Motor Co., Ltd. and its group companies, and are exposed to the credit risk of said group. However, the credit risk is limited as the level of creditworthiness is high.

At the Group, the division that manages operations administers the due date and balance of trade receivables of each counterparty and assesses the credit standing, etc., of major counterparties in accordance with the “Credit Management Rules” in order to reduce credit risk.

Derivatives are exposed to the credit risk of the counterparty financial institutions. The Group enters into derivative transactions only with financial institutions that have high credit ratings. Therefore, the credit risk on such transactions is limited.

The carrying amount of financial assets, net of impairment losses, recorded in the consolidated statements of financial position is the maximum exposure to credit risk.

The Group records a loss allowance for financial assets measured at amortized cost.

In recognizing and measuring the loss allowance, the financial assets are classified into one of the following stages depending on whether credit risk has increased significantly, or the financial asset is credit-impaired.

Stage 1: Credit risk has not increased significantly
Stage 2: Credit risk has increased significantly, but the financial asset is not credit-impaired
Stage 3: Credit risk has increased significantly, and the financial asset is credit-impaired

A significant increase in credit risk refers to significantly increased risk of default at the end of the fiscal year compared with that at the initial recognition.

Whether there has been a significant increase in credit risk is determined based on the change in the risk of default, in view of deteriorated financial performance of the counterparty or past due information.

The Group considers that default has occurred if the issuer or borrower is under significant financial difficulty, or has given rise to delinquency, etc., in payment of interest or principal.

Given any situation that is deemed to constitute default, the Group decides that there exists objective evidence that the financial asset is credit impaired, and classifies the corresponding financial asset as a credit-impaired financial asset.

Regardless of the aforementioned staged classification, if a financial asset is reasonably believed unrecoverable in its entirety or a portion thereof, due to circumstances such as legal extinguishment of receivables, the carrying amount of the corresponding financial asset shall be directly written off.

For the purpose of provision for doubtful accounts for trade receivables, lifetime expected credit losses are collectively measured based on a simplified approach, as such trade receivables do not contain a significant financing component.

(c) Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet maturity dates of its repayment obligations for financial liabilities that become due.

The Group manages liquidity risk through the cash management plan prepared and updated by the financial division of each group company on a timely basis and by maintaining the level of liquidity at hand.

The balances of financial liabilities (including guarantee obligations) by maturity date are as follows. The financial liabilities included in “trade and other payables” in the consolidated statements of financial position are not included in the table below, as they are all current liabilities and their contractual amount equals their carrying amount. Guarantee obligations are included in the earliest possible period in which the maximum amount of guarantee obligations may be demanded.

As of March 31, 2018

	Millions of yen							
	Carrying amount	Contractual amount	Within 1 year	1 year to 2 years	2 years to 3 years	3 years to 4 years	4 years to 5 years	Over 5 years
Loans	6,786	6,786	6,786	—	—	—	—	—
Other financial liabilities								
Derivatives	1,362	1,362	172	249	249	249	249	193
Lease obligations	429	434	367	33	25	8	—	—
Guarantee obligations	—	193	193	—	—	—	—	—
Total	8,577	8,775	7,518	282	274	257	249	193

As of March 31, 2019

	Millions of yen							
	Carrying amount	Contractual amount	Within 1 year	1 year to 2 years	2 years to 3 years	3 years to 4 years	4 years to 5 years	Over 5 years
Loans	**21,670**	**21,942**	**6,932**	**49**	**49**	**49**	**14,863**	—
Other financial liabilities								
Derivatives	**1,539**	**1,539**	**339**	**316**	**316**	**316**	**251**	—
Lease obligations	**130**	**132**	**93**	**31**	**8**	—	—	—
Guarantee obligations	—	**173**	**173**	—	—	—	—	—
Total	**23,339**	**23,786**	**7,537**	**396**	**373**	**365**	**15,114**	—

	Thousands of U.S. dollars							
	Carrying amount	Contractual amount	Within 1 year	1 year to 2 years	2 years to 3 years	3 years to 4 years	4 years to 5 years	Over 5 years
Loans	**195,240**	**197,697**	**62,456**	**444**	**444**	**444**	**133,909**	—
Other financial liabilities								
Derivatives	**13,862**	**13,862**	**3,051**	**2,851**	**2,851**	**2,851**	**2,257**	—
Lease obligations	**1,171**	**1,195**	**839**	**279**	**76**	—	—	—
Guarantee obligations	—	**1,561**	**1,561**	—	—	—	—	—
Total	**210,273**	**214,314**	**67,907**	**3,575**	**3,372**	**3,296**	**136,166**	—

30. Capital Management

The Group manages capital aiming to maximize corporate value through sustainable growth. To achieve this objective, the Group’s basic policy for capital management is to secure sufficient equity for the implementation of agile business investments and to maintain financially sound equity structures.

The important indicator for capital management is the equity ratio as stated below. The amount of capital represents “total equity interests attributable to owners of the parent,” and the equity ratio is calculated by dividing said amount by “total liabilities and equity.”

	Millions of yen		Thousands of U.S. dollars
	2018	**2019**	**2019**
Capital	184,512	**198,353**	**1,787,121**
Total liabilities and equity	283,711	**315,189**	**2,839,792**
Equity ratio	65.0%	**62.9%**	—

There is no significant externally imposed capital requirement.

31. Changes in liabilities arising from financing activities

For the fiscal year ended March 31, 2018

	Millions of yen			
	As of April 1, 2017	Cash flows	Non-cash changes (foreign exchange fluctuations)	As of March 31, 2018
Short-term loans	8,029	(889)	(354)	6,786
Long-term loans (Note)	561	(554)	(7)	—

For the fiscal year ended March 31, 2019

	Millions of yen			
	As of April 1, 2018	Cash flows	Non-cash changes (foreign exchange fluctuations)	As of March 31, 2019
Short-term loans	**6,786**	**(177)**	**273**	**6,883**
Long-term loans (Note)	—	**14,787**	—	**14,787**

	Thousands of U.S. dollars			
	As of April 1, 2018	Cash flows	Non-cash changes (foreign exchange fluctuations)	As of March 31, 2019
Short-term loans	**61,144**	**(1,592)**	**2,459**	**62,011**
Long-term loans (Note)	—	**133,229**	—	**133,229**

(Note) Long-term loans include long-term loans scheduled to be repaid within one year.

32. Related Parties

(1) Transactions with related parties

The major transactions between the Group and related parties are as follows:

For the fiscal year ended March 31, 2018

Type	Name of related parties	Content of transactions	Millions of yen Transaction amount	Millions of yen Outstanding balance
A company with significant influence on the Company	Honda Motor Co., Ltd.	Sales of products, such as fuel injection system, etc.	51,128	9,183
		Purchase of raw materials, etc.	742	138
Other related party	Honda of America Manufacturing, Inc.	Sales of products, such as fuel injection system, etc.	36,137	2,466
Other related party	Dongfeng Honda Engine Co., Ltd.	Sales of products, such as fuel injection system, etc.	35,415	4,899

For the fiscal year ended March 31, 2019

Type	Name of related parties	Content of transactions	Millions of yen Transaction amount	Millions of yen Outstanding balance
A company with significant influence on the Company	Honda Motor Co., Ltd.	Sales of products, such as fuel injection system, etc.	**53,743**	**8,157**
		Purchase of raw materials, etc.	**713**	**118**
Other related party	Honda of America Manufacturing, Inc.	Sales of products, such as fuel injection system, etc.	**32,261**	**3,666**
Other related party	Dongfeng Honda Engine Co., Ltd.	Sales of products, such as fuel injection system, etc.	**35,895**	**2,938**

Type	Name of related parties	Content of transactions	Thousands of U.S. dollars Transaction Amount	Thousands of U.S. dollars Outstanding balances
A company with significant influence on the Company	Honda Motor Co., Ltd.	Sales of products, such as fuel injection system, etc.	**484,216**	**73,492**
		Purchase of raw materials, etc.	**6,427**	**1,064**
Other related party	Honda of America Manufacturing, Inc.	Sales of products, such as fuel injection system, etc.	**290,664**	**33,029**
Other related party	Dongfeng Honda Engine Co., Ltd.	Sales of products, such as fuel injection system, etc.	**323,407**	**26,470**

(2) Management personnel compensation

The total amount of personnel compensation for directors and corporate auditors of the Company is as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	**2019**	**2019**
Base compensation and bonus	(355)	**(354)**	**(3,185)**

33. Contingent Liabilities

The Group guarantees bank loans held by employees who belong to the Honda Housing Mutual Aid Society to honor the right to demand compensation, based on guarantee and indemnification agreements entered into Honda Motor Co., Ltd. In addition, the Group guarantees bank loans held by employees of the Company and its consolidated subsidiaries under the earthquake housing loan program. Guarantee obligations are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	**2019**	**2019**
Honda Housing Mutual Aid Society	185	**167**	**1,508**
Earthquake housing loan program	7	**6**	**52**
Total	193	**173**	**1,561**

34. Subsequent Event

Not applicable.

35. Commitments

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

	Millions of yen		Thousands of U.S. dollars
	2018	**2019**	**2019**
Acquisition of property, plant and equipment and intangible assets	1,609	**4,182**	**37,679**

36. Composition of the Group

(1) Composition of the Group

The composition of the Group is as follows. The Group does not have any associates.

Reporting segment	Number of companies	
	2018	**2019**
Japan	11	**10**
Americas	7	**7**
Asia	10	**10**
China	4	**4**
Total	32	**31**

(2) Subsidiaries

The consolidated subsidiaries of the Group are as follows. The Group does not have any subsidiaries with significant non-controlling interests.

Company name	Location	Reporting segment	Ownership interests *1	
			2018	2019
Keihin Sakura Corporation *2	Miyagi Prefecture	Japan	100.00%	—
Keihin Nasu Corporation	Tochigi Prefecture	Japan	100.00%	100.00%
Keihin Watari Corporation *2	Miyagi Prefecture	Japan	100.00%	—
Keihin Manufacturing Corporation *2	Miyagi Prefecture	Japan	—	100.00%
Keihin Electronics Technology, Inc.	Miyagi Prefecture	Japan	100.00%	100.00%
Keihin Valve Corporation	Kanagawa Prefecture	Japan	51.00%	51.00%
Keihin Thermal Technology Corporation	Tochigi Prefecture	Japan	100.00%	100.00%
Keihin-Grand Ocean Thermal Technology (Dalian) Co., Ltd.	China	Japan	55.00%	55.00%
Keihin Thermal Technology Czech, s.r.o.	Czech Republic	Japan	100.00%	100.00%
Keihin Europe Ltd.	United Kingdom	Japan	100.00%	100.00%
Keihin Sales and Development Europe GmbH	Germany	Japan	100.00%	100.00%
Keihin North America, Inc.	U.S.A.	Americas	75.10%	75.10%
Keihin Carolina System Technology, LLC.	U.S.A.	Americas	75.10% (100.00%)	75.10% (100.00%)
Keihin IPT Mfg, LLC.	U.S.A.	Americas	75.10% (100.00%)	75.10% (100.00%)
Keihin Michigan Manufacturing, LLC.	U.S.A.	Americas	75.10% (100.00%)	75.10% (100.00%)
Keihin Thermal Technology of America, Inc.	U.S.A.	Americas	100.00%	100.00%
Keihin de Mexico S.A. de C.V.	Mexico	Americas	100.00%	100.00%
Keihin Tecnologia do Brasil Ltda.	Brazil	Americas	75.28%	75.28%
Keihin Asia Bangkok Co., Ltd.	Thailand	Asia	100.00%	100.00%
Keihin (Thailand) Co., Ltd.	Thailand	Asia	57.02%	57.02%
Keihin Auto Parts (Thailand) Co., Ltd.	Thailand	Asia	85.00%	85.00%
Keihin Thermal Technology (Thailand) Co., Ltd.	Thailand	Asia	97.50%	97.50%
PT Keihin Indonesia	Indonesia	Asia	100.00%	100.00%
Keihin India Manufacturing Pvt. Ltd.	India	Asia	100.00%	100.00%
Keihin FIE Pvt. Ltd.	India	Asia	74.00%	74.00%
Keihin Vietnam Co., Ltd.	Vietnam	Asia	100.00%	100.00%
Keihin Malaysia Manufacturing SDN. BHD.	Malaysia	Asia	100.00%	100.00%
Taiwan Keihin Carburetor Co., Ltd.	Taiwan	Asia	51.00%	51.00%
Nanjing Keihin Carburetor Co., Ltd.	China	China	100.00%	100.00%
Dongguan Keihin Engine Management System Co., Ltd.	China	China	100.00%	100.00%
Keihin R&D China Co., Ltd.	China	China	100.00%	100.00%
Keihin (Wuhan) Automotive Components Co., Ltd.	China	China	100.00%	100.00%

*1 If the ratio of ownership interests and the ratio of voting rights of the Group are different, the ratio of voting rights is stated in parentheses.
*2 Keihin Watari Corporation was merged with Keihin Sakura Corporation in October 2018. The surviving company is Keihin Watari Corporation. Keihin Watari Corporation changed its company name to Keihin Manufacturing Corporation.

(3) Changes in Ownership Interests

For the fiscal year ended March 31, 2018
Not applicable

For the fiscal year ended March 31, 2019
Not applicable

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Building a better working world

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Independent Auditor's Report

The Board of Directors
Keihin Corporation.

We have audited the accompanying consolidated financial statements of Keihin Corporation and its consolidated subsidiaries, which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended and the notes to consolidated financial statements, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Keihin Corporation and its consolidated subsidiaries as at March 31, 2019, and their consolidated financial performance and cash flows for the year then ended in conformity with International Financial Reporting Standards.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 2.

Ernst & Young ShinNihon LLC

June 21, 2019

Corporate Data

KEIHIN

Keihin Corporation

Corporate Data (As of March 31, 2019)

Established	December 19, 1956
Capital	6,932 million yen
Fiscal Year-End	March 31
Number of associates	22,624 (Consolidated), 3,733 (Non-Consolidated)
Independent Auditors	Ernst & Young ShinNihon LLC
Head Office	Shinjuku Nomura Bldg. 39F, 1-26-2, Nishi-Shinjuku, Shinjuku-ku, Tokyo 163-0539, Japan
Home Page	https://www.keihin-corp.co.jp/english

Stock Information (As of March 31, 2019)

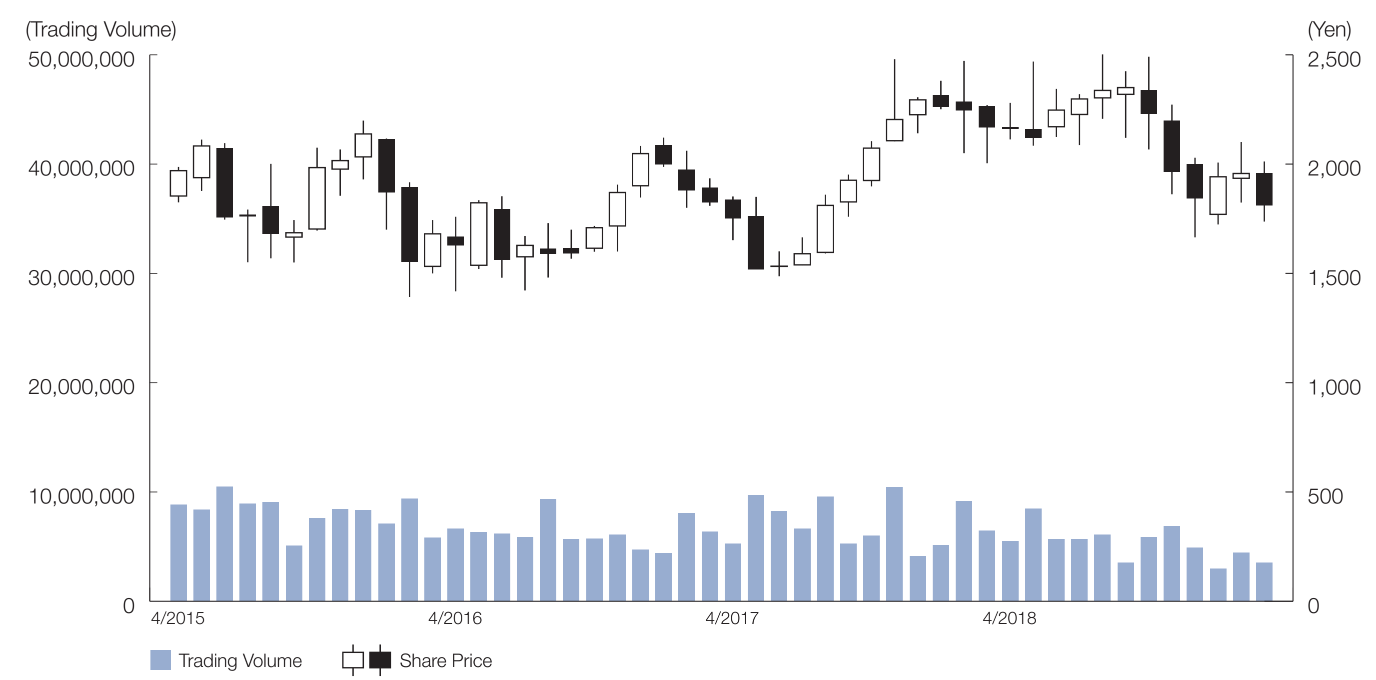
Number of Shares Authorized	240,000,000 shares
Total Number of Shares Issued	73,985,246 shares
Number of Shareholders	3,891
Stock Listing	Tokyo Stock Exchange
General Meeting of Shareholders	June
Share Registrar	Mitsubishi UFJ Trust and Banking Corporation

Principal Shareholders (As of March 31, 2019)

	Number of shares held	Percentage of total shares outstanding (%)
HONDA MOTOR CO., LTD.	30,581,115	41.35
JAPAN TRUSTEE SERVICES BANK, LTD. (TRUST ACCOUNT)	2,377,000	3.21
THE MASTER TRUST BANK OF JAPAN, LTD. (TRUST ACCOUNT)	2,214,800	2.99
MUFG BANK, LTD.	1,938,961	2.62
STATE STREET BANK AND TRUST COMPANY 505103	1,424,134	1.93
SSBTC CLIENT OMNIBUS ACCOUNT	1,292,388	1.75
JAPAN TRUSTEE SERVICES BANK, LTD. (TRUST ACCOUNT 9)	1,281,100	1.73
THE BANK OF NEW YORK MELLON 140044	1,197,779	1.62
DFA INTERNATIONAL SMALL CAP VALUE PORTFOLIO	1,108,800	1.50
BNYM AS AGT/CLTS NON TREATY JASDEC	1,039,494	1.41

Note: The percentage of total shares outstanding is calculated after deducting treasury shares (27,205).

Share Price and Trading Volume



Corporate Data

Japan

Plants and Offices

- Head Office
- Daiba R&D Office R&D
- Miyagi Office
  Kakuda Research & Development Center R&D
- Miyagi Plant
- Tochigi Office
  Tochigi Research & Development Center R&D
- Sayama Factory
- Asaka Office
- Hamamatsu Office
- Suzuka Factory and Office
- Kumamoto Office

Subsidiaries

- Keihin Manufacturing Corporation
- Keihin Nasu Corporation
- Keihin Electronics Technology, Inc. R&D
- Keihin Valve Corporation
- Keihin Thermal Technology Corporation

Americas

U.S.A.

- Keihin North America, Inc. R&D
- Keihin Carolina System Technology, LLC.
- Keihin IPT Manufacturing, LLC.
- Keihin Michigan Manufacturing, LLC.
- Keihin Thermal Technology of America, Inc.

Brazil

- Keihin Tecnologia do Brasil Ltda.

Mexico

- Keihin de Mexico S.A. de C.V.

Asia

Thailand

- Keihin Asia Bangkok Co., Ltd. R&D
- Keihin (Thailand) Co., Ltd.
- Keihin Auto Parts (Thailand) Co., Ltd.
- Keihin Thermal Technology (Thailand) Co., Ltd.

India

- Keihin India Manufacturing Pvt. Ltd. R&D
- Keihin FIE Pvt. Ltd.

Indonesia

- PT Keihin Indonesia

Taiwan

- Taiwan Keihin Carburetor Co., Ltd.

Malaysia

- Keihin Malaysia Manufacturing SDN. BHD.

Vietnam

- Keihin Vietnam Co., Ltd.

China

- Dongguan Keihin Engine Management System Co., Ltd. R&D
- Nanjing Keihin Carburetor Co., Ltd.
- Keihin R&D China Co., Ltd. R&D
- Keihin-Grand Ocean Thermal Technology (Dalian) Co., Ltd.
- Keihin (Wuhan) Automotive Components Co., Ltd.

Europe

United Kingdom

- Keihin Europe Ltd.

Germany

- Keihin Sales and Development Europe GmbH R&D

Czech Republic

- Keihin Thermal Technology Czech, s.r.o.

Motorcycle and Power Products | Automotive Products | R&D Research & Development

14 Countries

22,624 Associates (As of March 31, 2019)

31 Group Companies

KEIHIN

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