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Consolidated Financial Results for the Fiscal Year Ended March 31, 2020 (IFRS Basis)

Jun 4, 2020

Listed company name : Keihin Corporation
 Securities code : 7251 URL: <https://www.keihin-corp.co.jp>
 Representative : Aida Keiichi, President & CEO
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 Scheduled date of annual shareholder's meeting : July 20, 2020
 Scheduled date of filing securities report : July 20, 2020
 Scheduled date of dividend payment : —
 Supplementary materials prepared for financial results : Yes
 Financial results briefing session : None

(Amounts are rounded to the nearest million yen)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2020 (April 1, 2019 to March 31, 2020)

(1) Consolidated Operating Results (% represents change from the previous year)

	Revenue		Operating Profit		Profit before tax		Profit for the year		Profit attributable to owners of the parent		Total comprehensive income for the year	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2020	295,312	(9.2)	5,640	(77.9)	1,530	(93.6)	(5,167)	—	(6,458)	—	(28,537)	—
Fiscal year ended March 31, 2019	325,371	—	25,542	—	24,065	—	17,730	—	15,918	—	19,711	—

	Basic earnings per share	Diluted earnings per share	Ratio of equity attributable to owners of parent to profit	Ratio of profit before tax to total assets	Ratio of operating profit to revenue
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2020	(87.31)	—	(3.5)	0.5	1.9
Fiscal year ended March 31, 2019	215.23	—	8.3	8.0	7.9

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent	Equity attributable to owners of parent per share
	Million yen	Million yen	Million yen	%	Yen
As of March 31, 2020	296,770	189,701	166,422	56.1	2,250.25
As of March 31, 2019	315,189	223,187	198,353	62.9	2,681.96

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended March 31, 2020	15,305	(31,726)	5,479	43,126
Fiscal year ended March 31, 2019	31,480	(32,375)	9,521	61,047

2. Dividends

	Annual dividends per share					Total amount of cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to equity attributable to owners of parent (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal Year-end	Total			
Fiscal year ended March 31, 2019	Yen —	Yen 22.00	Yen —	Yen 23.00	Yen 45.00	Million yen 3,328	% 21.2	% 1.7
Fiscal year ended March 31, 2020	—	23.00	—	—	23.00	1,701	—	0.9
Fiscal year ended March 31, 2021 (Forecast)	—	—	—	—	—		—	

It was announced in the press release “Announcement Regarding Revision to the Dividend Forecast for the FY Ending in March 2020” dated October 30, 2019 that we decided not to pay dividends at the end of the fiscal year ending March 2020.

In addition, as noticed in “Notice of Position Statement regarding the Scheduled Commencement of the Tender Offer by Honda Motor Co., Ltd.,” and “Notice regarding the Management integration”, after the tender offer (hereinafter referred to as the “tender offer”) for the Company's common stock (hereinafter referred to as "our company stock") by Honda Motor Co., Ltd.(hereinafter referred to as the “tender offeror”) and the subsequent series of transactions, our company became a wholly owned subsidiary of the tender offeror and the shares of the Company will be delisted. Therefore, the dividend forecast for the fiscal year ending March 31, 2021 is not stated.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2021 (April 1, 2020 to March 31, 2021)

(% represents change from the previous year)

As noticed in “Notice of Position Statement regarding the Scheduled Commencement of the Tender Offer by Honda Motor Co., Ltd.,” and “Notice regarding the Management integration”, after the tender offer for the Company's common stock by Honda Motor Co., Ltd. and the subsequent series of transactions, our company became a wholly owned subsidiary of the tender offeror and the shares of the Company will be delisted. Therefore, the earnings forecast for the fiscal year ending March 31, 2021 is not stated.

* Notes

(1) Changes in significant subsidiaries during the period

(Changes in specified subsidiaries accompanying changes in the scope of consolidation): None

(2) Changes in accounting policies and changes in accounting estimates

(i) Changes in accounting policies required by IFRS: Yes

(ii) Changes in accounting policies other than (i) above: None

(iii) Changes in accounting estimates: None

(Note) For details, please refer to “2. Condensed Quarterly Consolidated Financial Statements and Notes (7) Condensed Quarterly Consolidated Financial Statements 3. Important Accounting Policies” on page 13 of the attached materials.

(3) Number of shares issued (Common stock)

(i) Number of shares issued (including treasury stock)

As of March 31, 2020	73,985,246 Shares
As of March 31, 2019	73,985,246 Shares

(ii) Number of treasury stock

As of March 31, 2020	28,220 Shares
As of March 31, 2019	27,205 Shares

(iii) Weighted average number of shares outstanding during the year

Fiscal year ended March 31, 2020	73,957,534 Shares
Fiscal year ended March 31, 2019	73,958,218 Shares

Reference: Summary of Individual (Keihin Corporation) Financial Results (J-GAAP)

Financial results for the Fiscal Year ended March 31, 2020 (From April 1, 2019 to March 31, 2020)

(1) Individual Results of Operations (% represents change from the previous year)

	Revenue		Operating Profit		Ordinary Profit		Profit for the year	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2020	139,413	(0.2)	(7,509)	—	(1,787)	—	(5,711)	—
Fiscal year ended March 31, 2019	139,685	2.3	827	(80.5)	7,778	(38.2)	6,280	(41.3)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal year ended March 31, 2020	(77.21)	—
Fiscal year ended March 31, 2019	84.92	—

(2) Individual Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Fiscal year ended March 31, 2020	147,040	97,317	66.2	1,315.85
Fiscal year ended March 31, 2019	153,087	107,068	69.9	1,447.68

Reference : Equity as of March 31, 2020 : ¥97,317 million March 31, 2019 : ¥107,068 million

Note : Financial figures for individual business results are based on J-GAAP.

* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

* Explanation of the appropriate use of forecasts of the financial results and other important information.

As noticed in “Notice of Position Statement regarding the Scheduled Commencement of the Tender Offer by Honda Motor Co., Ltd.” and “Notice regarding the Management integration”, after the tender offer for the Company's common stock by Honda Motor Co., Ltd. and the subsequent series of transactions, our company became a wholly owned subsidiary of the tender offeror and the shares of the Company will be delisted. Therefore, the earnings forecast for the fiscal year ending March 31, 2021 is not stated.

Attached Material

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1. Overview of business results

(1) Overview of business results for the current fiscal year

Revenue for the current fiscal year has decreased by ¥30,059 million year on year to ¥295,312 million. In motorcycle and power product business, revenue has increased by ¥673 million year on year to ¥101,007 million, and in automobile product business, revenue has decreased by ¥30,732 million year on year to ¥194,305 million. In profits, despite the rationalization effect, operating income has decreased by ¥ 19,902 million to ¥ 5,640 million due to accounting for compensation costs for air conditioning products (provision for product warranty provisions), and due to the decrease in profit due to the decrease in sales. Profit attributable to owners of the parent has decreased by ¥ 22,376 million to ¥ 6,458 million.

Our company has resolved to transfer of part of the air conditioning business to a third party at the board of directors meeting held on October 30, 2019.

Therefore, from the current consolidated fiscal year, a part of the air conditioning business to be transferred is classified as a discontinued operations. Information for the previous consolidated fiscal year and the current consolidated fiscal year displayed only the continuing business excluding a part of the air conditioning business.

Business results for each region (including internal sales between regions) are as follows:

Japan

In motorcycle and power products, sales of products have increased mainly for the sales to India and Indonesia. In automobile products, sales to Japan and North America decreased. Overall sales decreased.

As a result of these factors and the negative impact of foreign currency translation, revenue has decreased by ¥1,397 million year on year to ¥134,340 million, due to sales decreased impact on currency conversion.

Americas

In motorcycle and power products, sales of products mainly to South America increased. In Automobile products, sales of products mainly to North America decreased. Overall sales decreased.

As a result of these factors and the negative impact of foreign currency translation, revenue has decreased by ¥7,949 million year on year to ¥81,366 million.

Asia

In motorcycle and power products, sales of products mainly to Indonesia and India increased. In automobile products, sales of products mainly in Thailand, Malaysia and India decreased. Overall sales decreased.

As a result of these factors and the negative impact of foreign currency translation, revenue has increased by ¥3,235 million year on year to ¥98,573 million.

China

Sales of motorcycle and power products increased. But the sales of automobile products decreased. Overall sales decreased.

As a result of these factors and the negative impact of foreign currency translation, revenue has decreased by ¥13,977 million year on year to ¥71,645 million.

(2) Business risk

The impact of the spread of infectious the new coronavirus disease (COVID-19) has a serious impact on domestic and overseas economic and social activities. In addition, our business activities (decrease in revenue, etc.) are also affected by various aspects.

The Company Group takes various countermeasures based on the policies, action plans and requests of the government, giving top priority to the prevention of infections and the spread of infections both inside and outside the company and ensuring the safety of employees. Specifically, working from home, strengthening travel regulations, keep returnees from overseas at home, prevention of infection at business sites, grasping and managing the health status of employees, and disseminate information on measures to be taken in the event of an infection.

(3) Consolidated Financial Position for the current fiscal year

Total assets were ¥296,770 million, a decrease of ¥18,418 million. The main factors for each item are as follows.

Current assets

Current assets were ¥157,301 million, a decrease of ¥17,385 million. This is mainly due to the decrease in cash and cash equivalents, and trade and other current receivables.

Non-current assets

Non-current assets were ¥139,469 million, a decrease of ¥1,033 million. This is mainly due to the decrease in Property, plant and equipment.

Current liabilities

Current liabilities were ¥74,802 million, an increase of ¥7,222 million. This is mainly due to an increase in liabilities related to disposal group classified as held for sale, despite a decrease in trade and other current payables.

Non-current liabilities

Non-current liabilities were ¥32,267 million, an increase of ¥7,846 million. This is mainly due to an increase in Long-term loans and other non-current financial liabilities.

Equity

Equity was ¥189,701 million, a decrease of ¥33,486 million. This is mainly due to a decrease in retained earnings and other components of equity.

(4) Overview of Cash Flows for the Fiscal Year ended March 31, 2020

Consolidated cash and cash equivalents (hereinafter referred to as "Net cash") on March 31, 2020 decreased by ¥17,921 million from March 31, 2019 to ¥43,126 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 the current consolidated fiscal year were ¥ 15,305 million (down ¥ 16,175 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 the current consolidated fiscal year were ¥ 31,726 million (up ¥ 648 million compared to the previous year) due to the acquisition of tangible fixed assets and intangible assets.

Cash flows from financing activities

Net cash provided by financing activities in the current consolidated fiscal year were ¥5,479 million (down ¥ 4,042 million compared to the previous year) due to proceeds from borrowing, etc. despite payments of cash dividends, etc.

(Indicators)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Ratio of equity attributable to owners of parent to total assets (%)	62.9	56.1
Market value ratio of equity attributable to owners of parent to total assets (%)	42.5	62.9
Interest-bearing debt to cash flows ratio (%)	69.2	241.5
Interest coverage ratio (Times)	46.3	8.9

- Ratio of equity attributable to owners of parent to total assets: Equity attributable to owners of parent/Total assets
- Market value ratio of equity attributable to owners of parent to total assets: Total market capitalization/Total assets
- Interest-bearing debt to cash flows ratio: Interest-bearing debt/Cash flow
- Interest coverage ratio: Cash flow/Interest payment

- Notes:
1. Each index was calculated by financial index of consolidated basis.
 2. Cash flows from operating activities are used as "Cash flow" for calculation purposes.
 3. Interest-bearing debts include all of those debts reported on the consolidated statements of financial position on which interest is paid.

(5) Basic Strategy for Profit Sharing and Dividend for the Current Fiscal Year and Following Fiscal Year

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 the fiscal year ending March 31, 2020 was ¥ 23 per share, an increase of ¥ 1 per share, and as announced in the press release "Announcement Regarding Revision to the Dividend Forecast for the FY Ending in March 2020" dated October 30, 2019, we have decided not to pay dividends at the end of the fiscal year ending March 2020. The annual dividend, including the interim dividend, will be ¥23 per share.

Regarding the annual dividend for the fiscal year ending March 2021, there is no forecast for dividends because the Company's stock is scheduled to be delisted.

2. Basic Rationale for Selecting the Accounting Standards

The Keihin Group has applied the International Financial Reporting Standards (IFRS). The Keihin Group aims to enhance the convenience of domestic and foreign investors by improving the international comparability of financial information while developing its business on a global basis. In addition, by unifying standards, we will work to improve management efficiency.

3. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated Statement of Financial Position

Keihin Corporation and Consolidated Subsidiaries

As of March 31, 2019, and as of March 31, 2020

	Notes	Millions of yen	
		As of March 31, 2019	As of March 31, 2020
Assets			
Current assets			
Cash and cash equivalents		61,047	43,126
Trade and other current receivables		56,548	41,061
Other current financial assets		1,675	71
Inventories		53,558	52,950
Other current assets		1,858	2,526
Subtotal		174,687	139,734
Assets of disposal groups classified as held for sale		—	17,567
Total current assets		174,687	157,301
Non-current assets			
Property, plant and equipment		113,288	110,445
Intangible assets		7,560	8,256
Trade and other non-current receivables		245	221
Other non-current financial assets		5,056	6,360
Retirement benefit assets		2,768	2,438
Deferred tax assets		4,607	3,903
Other non-current assets		6,978	7,845
Total non-current assets		140,502	139,469
Total assets		315,189	296,770

	Notes	Millions of yen	
		As of March 31, 2019	As of March 31, 2020
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other current payables		57,741	44,688
Short-term loans		6,883	10,524
Other current financial liabilities		114	1,693
Income tax payables		1,361	807
Provisions		766	6,094
Other current liabilities		716	385
Subtotal		67,580	64,191
Liabilities of disposal groups classified as held for sale		—	10,612
Total current liabilities		67,580	74,802
Non-current liabilities			
Long-term loans		14,787	19,136
Other non-current financial liabilities		1,555	4,708
Retirement benefit liabilities		2,720	3,353
Provisions		218	202
Deferred tax liabilities		4,275	4,113
Other non-current liabilities		867	754
Total non-current liabilities		24,421	32,267
Total liabilities		92,002	107,070
Equity			
Common stock		6,932	6,932
Capital surplus		9,258	9,258
Retained earnings		172,185	148,577
Treasury stock		(40)	(43)
Other components of equity		10,017	1,521
Other components of equity related to disposal groups classified as held for sale		—	176
Equity attributable to owners of the parent		198,353	166,422
Non-controlling interests		24,834	23,279
Total equity		223,187	189,701
Total liabilities and equity		315,189	296,770

(3) Consolidated Statement of Comprehensive Income

Keihin Corporation and Consolidated Subsidiaries

For the fiscal year ended March 31, 2019 and 2020

	Notes	Millions of yen	
		Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Profit (loss) for the year		17,858	(18,671)
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		(568)	(600)
Remeasurement of net defined benefit liability (asset)		108	(451)
Total of items that will not be reclassified to profit or loss, net of tax		(460)	(1,051)
Items that may be reclassified to profit or loss, net of tax:			
Foreign currency translation adjustments		2,312	(8,815)
Total of items that may be reclassified to profit or loss, net of tax		2,312	(8,815)
Other comprehensive income for the year		1,852	(9,866)
Total comprehensive income for the year		19,711	(28,537)
Comprehensive income attributable to:			
Owners of the parent		17,096	(28,340)
Non-controlling interests		2,615	(197)
Comprehensive income for the year		19,711	(28,537)

(4) Consolidated Statement of Changes in Equity

Keihin Corporation and Consolidated Subsidiaries

For the fiscal year ended March 31, 2019

	Millions of yen						
	Notes	Equity attributable to owners of the parent				Other components of equity	
		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 liability (asset)
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		—	—	—	—	(568)	109
Total comprehensive income		—	—	15,706	—	(568)	109
Transactions with owners							
Dividends paid		—	—	(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					
	Notes	Equity attributable to owners of the parent			Non-controlling interests	Total equity
		Other components of equity		Total equity attributable to owners of the parent		
	Foreign currency translation adjustments	Total				
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		1,849	1,390	1,390	463	1,852
Total comprehensive income		1,849	1,390	17,096	2,615	19,711
Transactions with owners						
Dividends paid		—	—	(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

Keihin Corporation and Consolidated Subsidiaries
For the fiscal year ended March 31, 2020

	Millions of yen							
	Notes	Equity attributable to owners of the parent					Other components of equity	
		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 liability (asset)	
As of April 1, 2019		6,932	9,258	172,185	(40)	2,843	—	
Adjustments resulting from change of accounting policy		—	—	(187)	—	—	—	
As of April 1, 2019 (After adjustments)		6,932	9,258	171,998	(40)	2,843	—	
Comprehensive income								
Profit (loss) for the year		—	—	(19,625)	—	—	—	
Other comprehensive income		—	—	—	—	(600)	(394)	
Total comprehensive income		—	—	(19,625)	—	(600)	(394)	
Transactions with owners								
Dividends paid		—	—	(3,402)	—	—	—	
Purchase of treasury stock		—	—	—	(2)	—	—	
Transfer from other components of equity to retained earnings		—	—	(394)	—	—	394	
Transfer of other capital components of disposal groups classified as held for sale		—	—	—	—	—	—	
Total transactions with owners		—	—	(3,796)	(2)	—	394	
As of March 31, 2020		6,932	9,258	148,577	(43)	2,242	—	

	Millions of yen						
	Notes	Equity attributable to owners of the parent			Total equity attributable to owners of the parent	Non-controlling interests	Total equity
		Other components of equity		Other components of equity related to disposal groups classified as held for sale			
		Foreign currency translation adjustments	Total				
As of April 1, 2019		7,175	10,017	—	198,353	24,834	223,187
Adjustments resulting from change of accounting policy		—	—	—	(187)	—	(187)
As of April 1, 2019 (After adjustments)		7,175	10,017	—	198,166	24,834	223,000
Comprehensive income							
Profit (loss) for the year		—	—	—	(19,625)	955	(18,671)
Other comprehensive income		(7,720)	(8,715)	—	(8,715)	(1,152)	(9,866)
Total comprehensive income		(7,720)	(8,715)	—	(28,340)	(197)	(28,537)
Transactions with owners							
Dividends paid		—	—	—	(3,402)	(1,358)	(4,760)
Purchase of treasury stock		—	—	—	(2)	—	(2)
Transfer from other components of equity to retained earnings		—	394	—	—	—	—
Transfer of other capital components of disposal groups classified as held for sale		(176)	(176)	176	—	—	—
Total transactions with owners		(176)	219	176	(3,404)	(1,358)	(4,763)
As of March 31, 2020		(721)	1,521	176	166,422	23,279	189,701

(5) Consolidated Statement of Cash Flows

Keihin Corporation and Consolidated Subsidiaries
For the fiscal year ended March 31, 2018 and 2019

	Notes	Millions of yen	
		Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Cash flows from operating activities:			
Profit before tax		24,065	1,530
(Loss) profit before tax from discontinued operations		694	(12,379)
Depreciation and amortization		17,139	18,806
Impairment loss		90	9,305
Interest and dividends income		(924)	(742)
Interest expense		717	1,734
(Gain) loss on sale of property, plant and equipment		(32)	(120)
Decrease in trade and other receivables		1,751	10,648
(Increase) decrease in inventories		(4,579)	(9,022)
(Decrease) increase in trade and payables		(841)	(2,917)
Increase (decrease) in provisions		(666)	5,484
Increase (decrease) in retirement and severance benefits		806	726
Other, net		35	(685)
Subtotal		38,254	22,367
Interest received		714	596
Dividends received		169	173
Interest paid		(679)	(1,726)
Income taxes paid		(6,977)	(6,105)
Net cash provided by operating activities		31,480	15,305
Cash flows from investing activities:			
Increase (decrease) in time-deposits, net		(90)	1,602
Purchase of property, plant and equipment and intangible assets		(29,261)	(31,361)
Proceeds from sale of property, plant and equipment and intangible assets		178	268
Proceeds from sale of investment securities		1	—
Payment for acquisition of investment securities		—	(4)
Increase in loan receivable		(334)	(276)
Collection of loans		330	316
Other, net		(3,199)	(2,270)
Net cash used in investing activities		(32,375)	(31,726)
Cash flows from financing activities:			
Increase (Decrease) in short-term loans, net		(177)	6,051
Proceeds from long-term loans		14,787	5,806
Dividends paid to owners of the parent		(3,254)	(3,402)
Dividends paid to non-controlling interests		(1,472)	(1,358)
Purchase of treasury stock		(1)	(2)
Other, net		(363)	(1,615)
Net cash provided by/used in financing activities		9,521	5,479
Foreign currency translation adjustments on cash and cash equivalents		1,506	494
Net (decrease) increase in cash and cash equivalents		10,133	(10,448)
Cash and cash equivalents at beginning of year		50,914	61,047
Cash and cash equivalents included in assets of disposal group classified as held for sale		—	(7,473)
Cash and cash equivalents at end of year		61,047	43,126

(6) Notes on premise of going concern

Not applicable.

(7) 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, 2020 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.

(2) Basis of measurement

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 currency and presentation currency

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

3. Significant Accounting Policies

The significant accounting policies applied in the consolidated financial statements are the same as the accounting policies applied in the consolidated financial statements for the previous fiscal year except for the following.

Our Group has adopted IFRS 16 “Leases” (hereinafter “IFRS 16”) with the application date of April 1, 2019. By IFRS 16, If Our Group is a lessee of a lease, it recognizes the right-of-use asset and the lease liability at the lease inception date. Right-of-use assets are initially measured at acquisition cost, with initial direct costs, etc. adjusted to the amount of lease liabilities initially measured. After the start date, the right-of-use asset is measured using the cost model and depreciated using the straight-line method from the start date to the end of the useful life of the right-of-use asset or the end of the lease term, whichever comes first. The useful life of the right-of-use asset is determined in the same manner as the property, plant and equipment owned by the owner. The lease period is the sum of the period covered by the option to extend the lease that is reasonably certain to be exercised during the non-cancellable period of the lease and the period covered by the option to terminate the lease that is reasonably certain not to be exercised. When the lease term changes, the lease liability is remeasured. If we remeasure the lease liability in this way, we recognize the corresponding adjustment by adjusting the carrying amount of the right-of-use asset or recognizing it as profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. Right-of-use assets are also reduced by impairment losses, if applicable. Lease liabilities are initially measured at the present value of lease payments that have not been paid as of the inception date and discounted using the interest rate calculated on the lease. When the calculated interest rate of a lease can’t be easily calculated, our group’s additional borrowing rate is used, and in general, our group uses the additional borrowing rate as a discount rate. After the commencement date, the lease liability has been increased to reflect the interest rate on the lease liability and reduced to reflect the lease payments paid. Our group has elected not to recognize right-of-use assets and lease liabilities for short-term leases with a lease term of less than 12 months and for leases with low value assets. Our group recognizes lease payments related to these leases as expenses using the straight-line method over the lease term. When our group classifies an intermediate lessor sublease, the sublease is classified as an operating lease if the head lease is a short-term lease, otherwise, our company classify subleases by reference to the right-of-use asset arising from the head lease rather than the underlying asset.

In applying IFRS 16, our group retrospectively applied IFRS 16 in accordance with transitional measures and recognized the cumulative effect of the application as a revision of the opening balance of retained earnings for the first quarter consolidated accounting period.

To determine whether a contract includes a lease during the transition to IFRS 16, our company chooses the practical expedient in paragraph C3 of IFRS 16 and has taken over judgment of IAS 17 Leases (see "IAS" below). No. 17") and IFRIC 4 "Determining whether an Arrangement contains a Lease".

In applying IFRS 16, our group uses the following practical expedients.

- Relying on the assessment of whether leases are onerous applying IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" immediately before the date of initial application as an alternative to performing an impairment review.
- Use hindsight when calculating the lease term for contracts that include extension or cancellation options

As a result, with the adoption of IFRS 16, at the beginning of the first quarter of the consolidated fiscal year under review, the right-of-use asset of ¥3,324 million was recognized as tangible fixed assets, and the lease liability of ¥3,377 million was recognized in other current and non-current liabilities, and our company recognizes an increase in trade and other receivables of ¥129 million, other current assets of ¥679 million, and recognizes a decrease in other non-current assets of ¥943 million, retained earnings of 187 million. The weighted average of the lessee's additional interest rate, etc. applied to the lease liability recognized in the condensed quarterly consolidated statement of financial position as of the date of initial application is 1.2%. In addition, the main difference between the discounted present value of operating leases applying IAS 17 as of the end of the consolidated fiscal year immediately before the date of initial application and the lease liability recognized at the date of initial application is the adoption of IFRS 16 resulting in an increase in lease liabilities during the period when it is reasonably certain to exercise the extension option.

4. Significant accounting estimates and associated 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.

Regarding the determination of the recoverability of deferred tax assets and the determination of impairment of fixed assets, assuming that the effects of the spread of infectious diseases of the COVID-19 in Japan and overseas will continue until about the second quarter of 2020, and then gradually recover, it is reflected in the initial business plan value based on the recent results. Please note that future results may differ from these estimates and assumptions.

Estimates and judgments made by the management that have a significant effect on the amounts in the consolidated financial statements are the same as in the previous consolidated fiscal year, except for the effects of the spread of infectious diseases of the COVID-19.

5. 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.

From the current consolidated fiscal year, the Group has categorized some of the air-conditioning business to be transferred as discontinued operations. The segment information for the previous consolidated fiscal year and the current consolidated fiscal year displayed only continuing operations excluding some of the air-conditioning business.

(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, 2019

	Millions of yen						
	Reporting Segments				Total	Eliminations	Total
	Japan	Americas	Asia	China			
Revenue:							
Outside customers	74,243	82,949	92,313	75,867	325,371	—	325,371
Intersegment	61,493	6,366	9,496	9,755	87,109	(87,109)	—
Total	135,736	89,315	101,808	85,622	412,481	(87,109)	325,371
Depreciation and amortization	(6,791)	(4,566)	(3,057)	(1,746)	(16,161)	616	(15,545)
Impairment loss	(43)	—	(11)	—	(54)	—	(54)
Operating profit	1,954	2,405	12,367	6,652	23,379	2,163	25,542
Finance income	—	—	—	—	—	—	753
Finance costs	—	—	—	—	—	—	(2,231)
Profit before tax	—	—	—	—	—	—	24,065

- Notes:
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.

For the fiscal year ended March 31, 2020

Millions of yen

	Reporting Segments					Eliminations	Total
	Japan	Americas	Asia	China	Total		
Revenue:							
Outside customers	67,104	77,029	87,395	63,784	295,312	—	295,312
Intersegment	67,236	4,336	11,177	7,861	90,611	(90,611)	—
Total	134,340	81,366	98,573	71,645	385,923	(90,611)	295,312
Depreciation and amortization	(7,485)	(4,428)	(4,334)	(1,662)	(17,909)	833	(17,076)
Impairment loss	(66)	—	(346)	—	(411)	—	(411)
Operating profit (loss)	(6,306)	2,105	7,725	2,993	6,517	(877)	5,640
Finance income	—	—	—	—	—	—	1,722
Finance costs	—	—	—	—	—	—	(5,832)
Profit before tax	—	—	—	—	—	—	1,530

- Notes:
1. Intersegment revenue is based on arm's length pricing.
 2. Revenue in the "Eliminations" column is intersegment revenue. Operating profit (loss) 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.

6. Impairment losses

For the fiscal year ended March 31, 2019

The Group recognized an impairment loss of ¥54 million during the fiscal year ended March 31, 2019.

Impairment losses were mainly recognized on machinery and equipment 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 statement of income. The relevant reporting segment is "Japan" and "Asia." The amount recognized in each reporting segment is stated in Note "5. Segment Information."

For the fiscal year ended March 31, 2020

The Group recognized an impairment loss of ¥411 million during the fiscal year ended March 31, 2020.

Impairment losses were mainly recognized on machinery and equipment 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 statement of income. The relevant reporting segment is "Japan" and "Asia." The amount recognized in each reporting segment is stated in Note "5. Segment Information."

7. Earnings per share

(1) Profit for the year attributable to owners of the parent company

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Profit (loss) from continuing operations	15,918	(6,458)
Loss from discontinued operations	(212)	(13,168)
Amount used to calculate net profit (loss) per share	15,706	(19,625)

(2) Average number of common shares during the period

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Average number of common shares during the period	73,958,218	73,957,534

(3) Earnings per share

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Continuing operations	215.23	(87.31)
Discontinued operations	(2.86)	(178.04)
Net profit (loss) per share	212.37	(265.36)

8. Subsequent Event

At the Board of Directors meeting held on October 30, 2019, our company resolved to transfer the air-conditioning business and was considering the transfer of part of the air-conditioning business to a third party. At the board of directors meeting held on June 4, it was decided to transfer all of the 55% equities of Keihin-Grand Ocean Thermal Technology (Dalian) Co., Ltd. (hereinafter TCH) in China held by Keihin Thermal Technology Co., Ltd., a wholly owned subsidiary of our company, to SONGZ AUTOMOBILE AIR CONDITIONING CO., LTD., and an equity transfer agreement was signed.

- Timing of Sale
Undecided
- Business of the subsidiary
Manufacture and sale of automotive air conditioning products
- Relationship between our company and TCH
 - Capital ties Our wholly owned subsidiary owns approximately 55% of TCH's equity.
 - Business relationship There is a business relationship such as products or services between the Group and TCH.
- Status of shareholding ratio, transfer price and ownership interest before and after transfer
 - Equity ratio before transfer About 55%
 - Shareholding ratio About 55%
 - Transfer price About 1,100 million yen ※
 - Shareholding ratio after the transition 0%

※ The transfer price will be adjusted based on the amount of TCH's assets, etc. at a certain point in time before the execution (closing) of the equity transfer.

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Consolidated Financial Results for the Year Ended March 31, 2020 (Reference Materials 1)

		Year ended March 31, 2019	Year ended March 31, 2020	Change	Percentage change
Revenue	(Unit: 100 million yen)	3,492.2	3,156.2	△ 336.0	△9.6%
Motorcycle and power products		1,003.3	1,010.1	6.7	0.7%
Automobile products		2,488.9	2,146.1	△ 342.8	△13.8%
Operating Profit	(Unit: 100 million yen)	262.6	△ 67.0	△ 329.6	—
<Ratio to Revenue>		7.5%	△2.1%		
Profit before tax	(Unit: 100 million yen)	247.6	△ 108.5	△ 356.1	—
<Ratio to Revenue>		7.1%	△3.4%		
Factors for Change in Operating Profit				△ 329.6	
	(Unit: 100 million yen)				
Revenue change, model mix, etc.,				△ 132.7	
Cost reduction				79.3	
Raw material cost				△ 1.1	
R&D expenses				△ 10.7	
Depreciation, amortization and labor cost				△ 37.4	
New model launching costs, expenses and others				△ 35.3	
Impairment Loss and Claim Expenses in AC Business				△ 164.6	
Foreign exchange				△ 27.1	
Factors for Change in Finance Income and Costs				△ 26.5	
	(Unit: 100 million yen)				
Foreign exchange				△ 26.6	
Others				0.1	
Exchange rate					
	(Unit: 1 yen)				
1 U.S. Dollar		111.01		108.96	
1 Thai Baht		3.43		3.51	
1 Chinese Yuan		16.49		15.60	
1 Indian Rupee		1.60		1.54	
1 Indonesian Rupiah		0.77		0.76	
1 Brazilian Real		29.17		26.05	
	* Indonesian Rupiah is (100-unit rate)				
Results by reporting segments					
Revenue	(Unit: 100 million yen)	3,492.2	3,156.2	△ 336.0	△9.6%
Japan		1,591.8	1,545.0	△ 46.8	△2.9%
Americas		925.7	835.6	△ 90.1	△9.7%
Asia		1,132.0	1,069.1	△ 62.9	△5.6%
China		856.2	716.4	△ 139.8	△16.3%
Eliminations		△ 1013.5	△ 1,010.0	3.5	—
Operating Profit	(Unit: 100 million yen)	262.6	△ 67.0	△ 329.6	—
Japan		25.1	△ 117.0	△ 142.1	—
Americas		17.2	△ 1.5	△ 18.7	—
Asia		141.6	69.4	△ 72.2	△51.0%
China		66.5	29.9	△ 36.6	△55.0%
Eliminations		12.2	△ 47.8	△ 59.9	—

(Amounts are rounded to the nearest million yen)

(Dis-continued business are included in above)

FY2020

Consolidated Financial Results for the Year Ended March 31, 2020 (Reference Materials 2)

Consolidated companies (30)

Japan (9)

	Ratio of share holding at end of March 31, 2019	Ratio of share holding at end of March 31, 2020
Keihin Nasu Corporation	100.00%	100.00%
Keihin Manufacturing Corporation	100.00%	100.00%
Keihin Electronics Technology, Inc.	100.00%	100.00%
Keihin Valve Corporation	51.00%	51.00%
Keihin Thermal Technology Corporation	100.00%	100.00%
Keihin-Grand Ocean Thermal Technology (Dalian) Co., Ltd.	55.00% ※1	55.00% ※1
Keihin Thermal Technology Czech s.r.o.	100.00% ※2	100.00% ※2
Keihin Europe Ltd.	100.00%	100.00%
Keihin Sales and Development Europe GmbH	100.00%	100.00%

Americas (7)

	Ratio of share holding at end of March 31, 2019	Ratio of share holding at end of March 31, 2020
Keihin North America, Inc.	75.10%	75.10%
Keihin Carolina System Technology, LLC.	75.10% ※3	75.10% ※3
Keihin IPT Mfg., LLC.	75.10% ※3	75.10% ※3
Keihin Michigan Manufacturing, LLC.	75.10% ※3	75.10% ※3
Keihin Thermal Technology of America, Inc.	100.00% ※2	100.00% ※2
Keihin de Mexico S.A. de C.V.	100.00%	100.00%
Keihin Tecnologia do Brasil Ltda.	75.28%	75.28%

Asia (10)

	Ratio of share holding at end of March 31, 2019	Ratio of share holding at end of March 31, 2020
Keihin Asia Bangkok Co., Ltd.	100.00%	100.00%
Keihin (Thailand) Co., Ltd.	57.02%	57.02%
Keihin Auto Parts (Thailand) Co., Ltd.	85.00% ※4	85.00% ※4
Keihin Thermal Technology (Thailand) Co., Ltd.	97.50% ※5	97.50% ※5
PT Keihin Indonesia	100.00%	100.00%
Keihin India Manufacturing Pvt. Ltd.	100.00% ※6	100.00% ※6
Keihin FIE Pvt. Ltd.	74.00%	74.00%
Keihin Vietnam Co., Ltd.	100.00% ※7	100.00% ※7
Taiwan Keihin Carburetor Co., Ltd.	51.00%	51.00%
Keihin Malaysia Manufacturing SDN. BHD	100.00% ※7	100.00% ※7

China (4)

	Ratio of share holding at end of March 31, 2019	Ratio of share holding at end of March 31, 2020
Nanjing Keihin Carburetor Co., Ltd.	100.00%	100.00%
Dongguan Keihin Engine Management System Co., Ltd.	100.00%	100.00%
Keihin (Wuhan) Automotive Components Co., Ltd.	100.00% ※8	100.00% ※8
Keihin R&D China Co., Ltd.	100.00%	100.00%

※1 Keihin Thermal Technology Corporation holds 55% share.

※2 Keihin Thermal Technology Corporation holds 100% share.

※3 Keihin North America, Inc. holds 100% share.

※4 Keihin corporation holds 25% share, Keihin Asia Bangkok Co., Ltd. holds 60% share.

※5 Keihin Thermal Technology Corporation holds 97.5% share.

※6 Keihin corporation holds 5.6% share, Keihin Asia Bangkok Co., Ltd. holds 94.4% share.

※7 Keihin Asia Bangkok Co., Ltd. holds 100% share.

※8 Dongguan Keihin Engine Management System Co., Ltd. holds 100% share.