Keihin Corporation
Annual Report 2015

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 employees 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.

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 automobile and automobile component industries, market demand, foreign exchange rates and tax systems.

CONTENTS

KEIHIN

Financial Results for FY2015

Revenue ¥327.0 billion (rose 2.6% compared with FY2014)

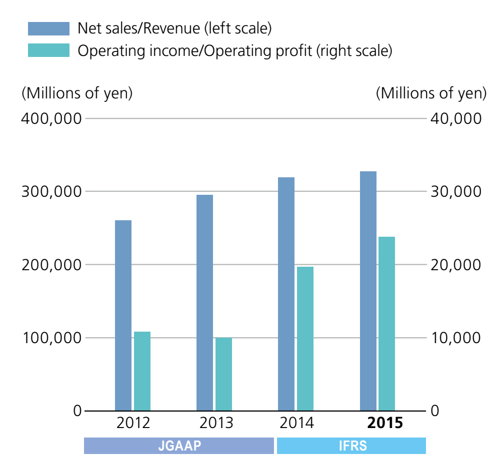
Operating profit ¥22.7 billion (rose 16.6% compared with FY2014)

Profit attributable to owners of the parent ¥11.0 billion (rose 5.9% compared with FY2014)

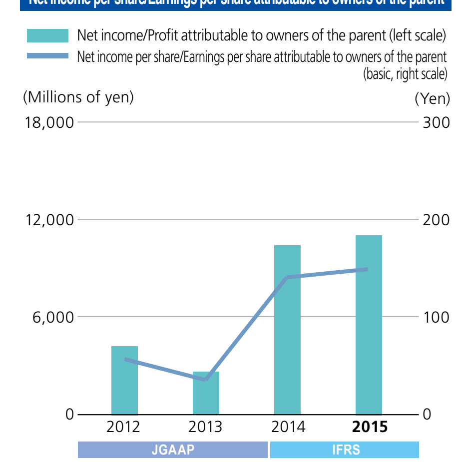
	JGAAP		IFRS		
				Millions of yen (except per share amounts)	Thousands of U.S. dollars (except per share amounts)
	2012	2013	2014	**2015**	**2015**
For the year:					
Net sales/Revenue	¥259,994	¥294,944	¥318,689	**¥327,075**	**$2,721,765**
Operating income/Operating profit	10,818	10,015	19,517	**22,747**	**189,293**
Income before income taxes and minority interests/Profit before tax	10,174	12,304	19,300	**21,320**	**177,416**
Net income/Profit attributable to owners of the parent	4,239	2,656	10,430	**11,051**	**91,960**
At year-end:					
Total net assets/Total equity	¥143,909	¥155,934	¥170,479	**¥195,611**	**$1,627,786**
Total assets	202,724	224,957	245,740	**274,269**	**2,282,343**
Net income per share/Earnings per share attributable to owners of the parent (yen and U.S. dollars): Net income: Basic/Basic earnings per share	¥ 57.32	¥ 35.91	¥ 141.02	**¥ 149.42**	**$ 1.24**
Cash dividends	26.00	28.00	31.00	**34.00**	**0.28**

Notes: 1. The Group has adopted International Financial Reporting Standards (IFRS) from FY2015 in place of accounting principles generally accepted in Japan (JGAAP) for its consolidated financial statements, and the date of transition to IFRS is April 1, 2013. Therefore, the above amounts for FY2015 and FY2014 were prepared under IFRS and the amounts for FY2013 and FY2012 are under JGAAP.
2. U.S. dollar amounts in this annual report are translated from Japanese yen, for convenience only, at the rate of ¥120.17 = US$1. (See Note 2 to the Consolidated Financial Statements.)

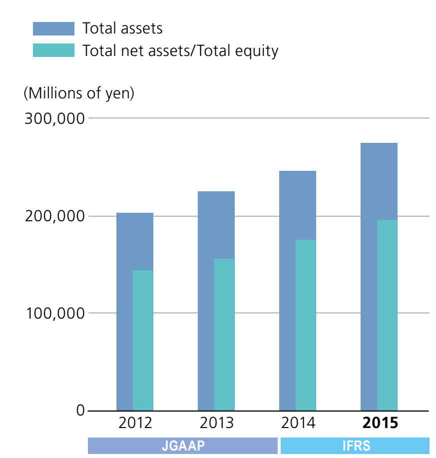
Net sales/Revenue and Operating income/Operating profit



Net income/Profit attributable to owners of the parent and Net income per share/Earnings per share attributable to owners of the parent



Total assets and Total net assets/Total equity



Twelfth Medium-Term Global Policy

Create New Value by Utilizing Keihin's Collective Global Power

- Innovation of "Products" and "Manufacturing Technology" with a View to the Future
- Creation of a Strong and Flexible Business Constitution for Survival in the Global Competition
- Establishment of a Corporate Culture in Which "Autonomy and Independence" are Deeply Rooted

Twelfth Medium-Term Target

Net sales/Revenue

Up 10%

(in FY2017 compared with FY2014)

Operating profit margin

Over 8%

I would like to express my sincere gratitude to all of our shareholders for their continued support.

On this occasion of reporting our business status for the 74th term (April 1, 2014 to March 31, 2015), please let me say a few words.

This term was the first year of the Twelfth Medium-Term Business Plan (April 1, 2014 to March 31, 2017), during which we implemented the Twelfth Medium-Term Global Policy—"Create New Value by Utilizing Keihin's Collective Global Power."

Regarding the progress of our business development, we expanded sales in motorcycle and automobile products on a global scale, in regions including Asia, China, and the United States. In addition, we successfully developed our new proprietary fuel supply system for natural gas vehicles (NGVs). We also achieved business expansion with the start of our operation supplying new customers with products for gas-fueled cars and heat exchangers for automobile air-conditioning systems.

Amid the acceleration of global business development, we commenced mass production of automobile products using a production line for motorcycle products in Indonesia. In China, we established a local company that manufactures air-conditioning products for automobiles. In addition, we commenced mass production of motorcycle products at a new plant in India, expanding our supply structure. In Japan, we strived to hone a sharper global competitive edge while developing world-class system products and improving production efficiency globally through manufacturing innovations.

Regarding our business results for fiscal 2015, the year ended March 31, 2015, we posted year-on-year growth in revenue, underpinned by increases in sales of motorcycles and power products in Asia and automobile products in North America and China. Profits also rose, owing mainly to the effects of streamlining and favorable exchange rates, despite increases in R&D expenses and depreciation.

As for dividends, we paid ¥17 per share as a year-end dividend. Adding this to an interim dividend of the same amount per share, we distributed a total dividend of ¥34 for fiscal 2015.

We will continue to aim to be a company that always creates new value and contributes to the future of mankind under our Twelfth Medium-Term Global Policy—"Create New Value by Utilizing Keihin's Collective Global Power"—based on our fundamental beliefs of "Respect for the individual" and "The five joys" (society, customers, suppliers, shareholders and ourselves).

I ask for the continued support of all stakeholders as we strive to achieve this mission together.

June 30, 2015

President & CEO

Financial Results for FY2015

Revenue grew, underpinned by the growth in sales of automobile products in North America and China, as well as increased sales of motorcycle and power products in Indonesia and India, while profits rose due to the effects of streamlining and favorable exchange rates.

Revenue	Operating profit	Profit attributable to owners of the parent
¥327.0 billion	¥22.7 billion	¥11.0 billion
(rose 2.6% compared with FY2014)	(rose 16.6% compared with FY2014)	(rose 5.9% compared with FY2014)

• Economic environment

In Japan, fiscal 2015 saw corporate profits continuing to improve, owing to the impact of yen depreciation. This led to a moderate recovery in business conditions in the second half, in spite of the adverse effects of the consumption tax hike.

Overseas, the business climate has steadily improved in the United States, owing to the effects of monetary policy and favorable growth in consumer spending. In Asia, the economies of Thailand and India are picking up due to a recovery in personal consumption, while Indonesia is seeing a slowdown in the rate of economic expansion. In China, consumer spending remained stable while its rate of growth has slowed.

In this environment, the Group expanded its business in its aim to achieve the global policy—“Create New Value by Utilizing Keihin’s Collective Global Power”—under the Twelfth Medium-Term Business Plan (April 2014 to March 2017).

• Business performance of motorcycle and power products

In motorcycle and power products, electronic fuel injection systems (FI systems) for small motorcycles were installed in the Honda *PCX*, launched in Japan, the Honda *Vario 125* in Indonesia, and the Honda *Vision* in Vietnam. These FI systems include the world’s smallest injectors, which are in response to rising environmental awareness and satisfy exhaust emission regulations in many countries.

Sales expansion was seen on a global scale, reflected by the installation of FI systems for small motorcycles in the Yamaha *Jupiter Z1*, on sale in Indonesia. Also, among large motorcycle products, FI systems were installed in the Honda *CBR650F* and the Triumph *Tiger 800 XCx*. Among power products, the FI systems were mounted on the Honda *EU55is* electric generator, in Japan.

• Business performance of automobile products

In automobile products, with competitiveness improved through global procurements for the Honda *Fit* and *VEZEL* during the previous fiscal year, fuel supply, electronic control, and air-conditioning products were installed in vehicles marketed in the United States, Asia, and China, resulting in the wide distribution of products around the world. Also, our fuel supply, electronic control, and air-conditioning products were installed in the Honda *CR-V*, launched in the United States, while the Honda *Legend*, launched in Japan, featured our electronic control and fuel supply products for hybrid vehicles. In addition, our fuel supply and electronic control products were mounted on the Honda *S660*, released in Japan.

Among gas-fueled products, our new proprietary fuel supply system for NGVs was installed in the Honda *City CNG*, released in Thailand, and was also delivered to many customers worldwide. We also started supplying Ford Motor Company in the United States with condensers as heat exchangers. The products were installed in automobiles marketed globally, including the *Lincoln MKC* and the Ford *Mustang*. Furthermore, we accelerated marketing and sales expansion activities to automakers in Europe with our first exhibition at the International Suppliers Fair (IZB), held in Germany.

As a result, we were able to successfully expand the distribution of cost-efficient, environment-friendly products with a competitive advantage in our efforts to meet customers’ wide-ranging needs.

• Business development in response to growing demand

Concerning business development, as a measure to meet globally increasing demand for motorcycles and automobiles, we commenced the mass production of carburetors for motorcycles at our third plant built in India. We also added manufacturing capacity at our other two plants there, thus establishing a robust supply system in response to growing markets across India. In China, in addition to the existing Dongguan production base for air-conditioning products, we established a new operating base in Wuhan to build an optimum supply structure that can respond to growing automobile markets in China. Also, as an initiative to respond to rising environmental awareness, we completed installation of injectors for gasoline direct injection engines in the United States and Mexico, and are currently preparing for the launch of mass production.

• Strengthening global competitiveness

As a global initiative for improving production efficiency, we commenced the production of electronic control products for automobiles using part of the production line for motorcycle electronic control products. Operations in the United States achieved improvements in production efficiency by integrating production lines of automobile air-conditioning products and heat exchangers.

In efforts to improve cost competitiveness, our business divisions in Japan worked jointly with technical centers in Thailand and China and our research and development operations in the United States, focusing on developing products that utilize our local procurement system which sources high-quality parts in a cost-effective manner.

Looking Back on Fiscal 2015

April

■ **Established new entities including the Advanced Technology Research Department and launched the Twelfth Medium-Term Business Plan**

■ **Began voluntary adoption of International Financial Reporting Standards (IFRS)**

At present, 38 companies have voluntarily adopted IFRS.* Keihin was the first company in the automobile/automobile components industry to adopt IFRS.

*As of March 31, 2015

■ **Global expansion of motorcycle series equipped with electronic fuel injection systems (FI systems) for small motorcycles**

Keihin’s products installed in the Honda *PCX* (on the left), sold in Japan, the Honda *Vario 125*, sold in Indonesia, and the Honda *Vision*, *Vario 125*, marketed in Vietnam

May

■ **Keihin’s products installed in the Honda *CBR650F*, launched in Japan**

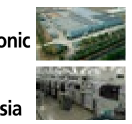
■ **Global expansion of products for the Honda *Fit***

Keihin’s products installed in the Honda *Fit* (on the left) in the United States, the Honda *Fit* in China, and the Honda *Jazz* in Asia

■ **Condensers installed in the Ford *Lincoln MKC* in the United States**

June

■ **Commenced mass production of electronic control products for automobiles at our subsidiary in Indonesia**



■ **Participated in tree planting activities — *Keihin Kizuna-no Mori***

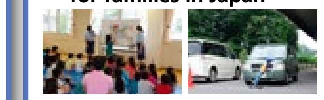
■ **Our subsidiary in Thailand was recognized as a “Green Company” and received the Excellent Company Award from Thailand’s Ministry of Industry.**

July

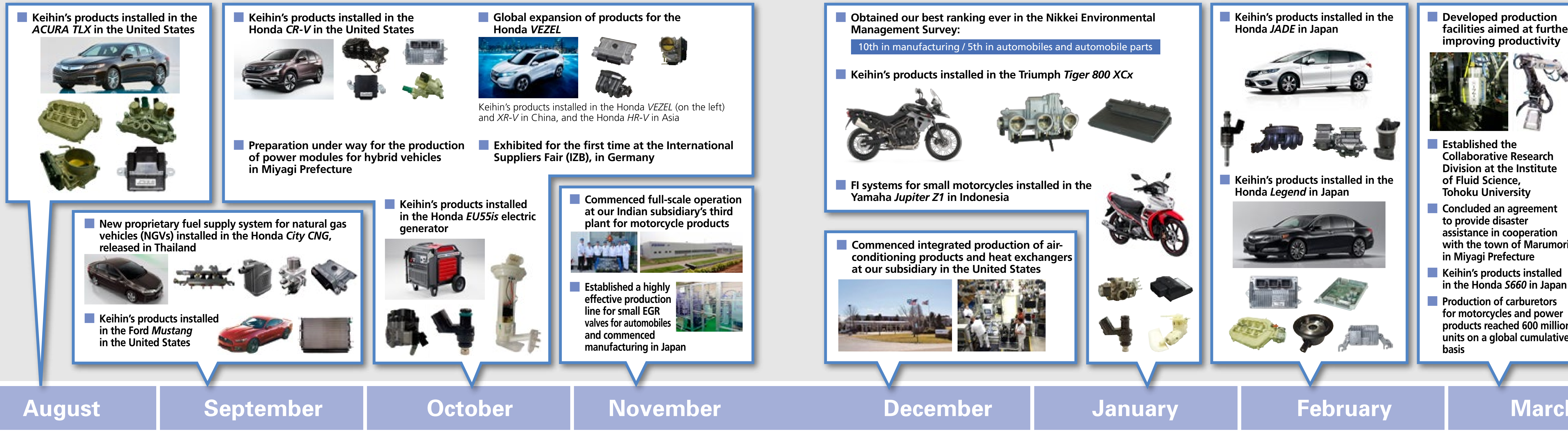
■ **Established a local company in China to manufacture air-conditioning products for automobiles**

Company name: Keihin (Wuhan) Automotive Components Co., Ltd.
Major products: air-conditioning products for automobiles
Annual production capacity: 400,000 units
Number of employees: 60 (FY2016 forecast)

■ **Held traffic safety education seminar for families in Japan**



■ **Undertook beach clean-up activities in Ishinomaki, Miyagi Prefecture**



• Innovative activities in Japan

In Japan, as a leader in manufacturing (*monozukuri*), we transferred parts of production lines for small EGR valves for automobiles from centralized production in China, and developed a manufacturing line with the application of Japanese technology. As a result of these efforts, production efficiency improved significantly. We also began focusing on production efficiency in Japan for other products. In addition, we developed manufacturing facilities furnished with proprietary robots and cut processing machines, bringing about significant improvements in productivity, as well as a new casting technology capable of further upgrading product quality. Among cutting-edge, environment-friendly products, we set up facilities to start the mass production of power modules, which are core components of hybrid vehicles that are expected to see growth in the years to come, while also realizing in-house production of equipment and increasing in-house procurement.

• Achieving steady growth in both revenue and profits in line with medium-term targets

As a result of the aforementioned operations, consolidated revenue in fiscal 2015 increased ¥8,385 million year-on-year, to ¥327,075 million. In motorcycle and power products, revenue increased ¥6,382 million, to ¥96,466 million, while revenue of automobile products rose ¥2,003 million, to ¥230,608 million. Regarding profits, operating profit increased ¥3,230 million year-on-year, to ¥22,747 million, mainly due to the effects of streamlining and favorable exchange rates, in spite of increased operating costs such as R&D expenses and depreciation. Profit attributable to owners of the parent rose ¥621 million year-on-year, to ¥11,051 million.

• Annual dividend of ¥34 and dividend payout ratio of 22.8%

At Keihin, we consider returning profits to shareholders as one of our most important management objectives.

Our policy is to pay a dividend based on a comprehensive view of such factors as future business development, while giving due consideration to consolidated business results over the long term.

Looking at all factors including consolidated performance, the management decided on a year-end dividend of ¥17 per share for fiscal 2015, which when added to the interim dividend of the same amount, brought the annual dividend to ¥34 per share.

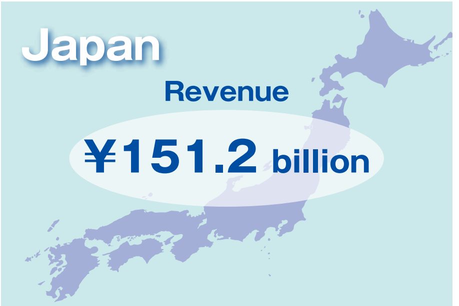
• To be successful in a challenging business environment

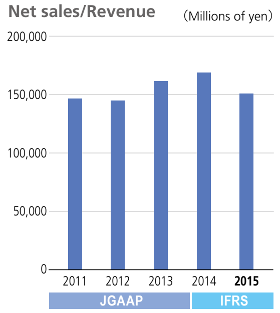
In the current business environment, the markets for motorcycles are expected to grow, underpinned by acceleration in the transition to fuel injection systems owing to globalization and the tightening of exhaust emission regulations. In the automobile business, we see increasing need for cutting-edge, environment-friendly products in developed countries, while demand for cost-efficient products is becoming stronger due to market growth, mainly in emerging countries. As a result, global competition involving mega suppliers over motorcycle and automobile products is increasingly intensifying.

Under such circumstances, we will focus on accelerating the development of world-leading products, as well as conducting cooperative research and development with industry and academia on next-generation technologies through the Office of Cooperative Research and Development. Our aim is to expand system development capabilities and establish R&D units to raise our level of product development. With operational management integrating procurement and manufacturing, we will ensure consistent management of in-house and external production and raise the level of productivity while increasing our cost-competitiveness. In addition, we will promote manufacturing innovations and improve production efficiency through the formation of highly efficient production lines applying Japanese manufacturing technologies and business practices on a global scale.

We will also strengthen corporate governance to further enhance the effectiveness and transparency of management through such measures as the appointment of independent directors. It is our goal to become a company that can share benefits among "The five joys" (society, customers, suppliers, shareholders and ourselves), and gain the further understanding and trust of these partners. To achieve that end, we will step up our efforts involving our corporate social responsibility (CSR) activities, including global compliance and risk management activities.

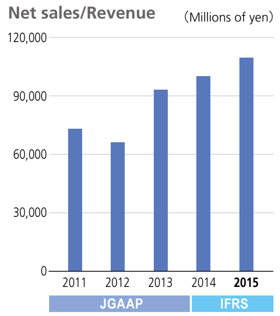
Based on these initiatives, we will accelerate the execution of the following key strategies under the Twelfth Medium-Term Business Plan: 1) innovate products and manufacturing for the future; 2) establish a robust business structure that can withstand the challenges in the industry; and 3) promote a proactive and independent corporate culture with an aim to "Create New Value by Utilizing Keihin's Collective Global Power," and improve corporate value.



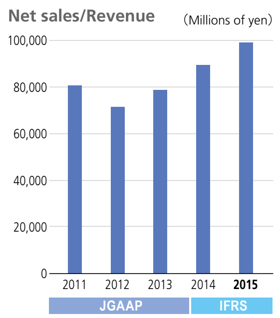


Note: Net sales/revenue for Europe is included in the geographical segment of Japan from FY2015.

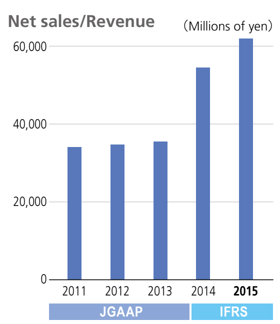
In the motorcycle and power products business, sales of products for overseas markets declined, as overseas subsidiaries made progress in their efforts to establish local production and procurement operations. Sales of automobile products fell, mainly resulting from enhanced local production capabilities, as well as a sluggish market for heat exchangers for automobile air-conditioning systems, caused by political uncertainty in Thailand. Owing to these negative factors, revenue declined ¥17,822 million year-on-year, to ¥151,172 million, despite the impact of favorable exchange rates.



Revenue of motorcycle products increased ¥9,604 million year-on-year, to ¥109,680 million, mainly attributable to the sales growth of automobile products in North America and the impact of favorable exchange rates, in spite of a sales decline in South America.



Sales of motorcycle products rose, mainly in Indonesia and India. Sales of automobile products also increased, primarily in Indonesia, despite the business in Thailand adversely affected by the sluggish market as a result of the country's uncertain political situation. These factors, coupled with the impact of favorable exchange rates, contributed to generating revenue of ¥99,026 million, up ¥9,504 million year-on-year.



Revenue increased ¥3,695 million year-on-year, to ¥61,983 million, mainly reflecting the launch of new automobile products and the impact of favorable exchange rates.

14 Countries | **33** Group Companies | **22,060** Employees (As of March 31, 2015)

Japan

Plants and Offices
- Head Office
- Miyagi Office
  Kakuda Research & Development Center R&D
- Miyagi No.1 Plant
- Miyagi No.2 Plant
- Tochigi Office
  Tochigi Research & Development Center R&D
- Sayama Factory
- Asaka Office
- Hamamatsu Office
- Suzuka Factory and Office
- Kumamoto Office

Subsidiaries
- Keihin Sakura Corporation
- Keihin Nasu Corporation
- Keihin Watari Co., Ltd.
- Keihin Electronics Technology, Inc. R&D
- Keihin Valve Corp.
- Keihin Thermal Technology Corporation*

Americas

U.S.A.
- Keihin North America, Inc.
  American Headquarters R&D
- Keihin Carolina System Technology, LLC.
- Keihin Aircon North America, Inc.
- Keihin IPT Manufacturing, LLC.
- Keihin Michigan Manufacturing, LLC.
- Keihin Thermal Technology of America, Inc.*

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

Brazil
- Keihin Tecnologia do Brasil Ltda.

Asia

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

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

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. R&D
- Keihin R&D China Co., Ltd. R&D
- Keihin-Grand Ocean Thermal Technology (Dalian) Co., Ltd.*
- Keihin (Wuhan) Automotive Components Co., Ltd.

Europe

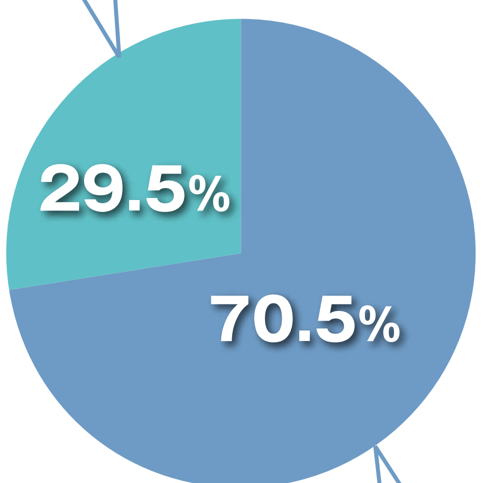
United Kingdom
- Keihin Europe Ltd.

Germany
- Keihin Sales and Development Europe GmbH R&D

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

Motorcycle and Power Products
Products for Automobiles
R&D Research & Development

* Operating results of the Keihin Thermal Technology Group are included in the geographical segment of Japan.



Motorcycle and Power Products

Revenue:
¥96.5 billion
(up 7.1%)

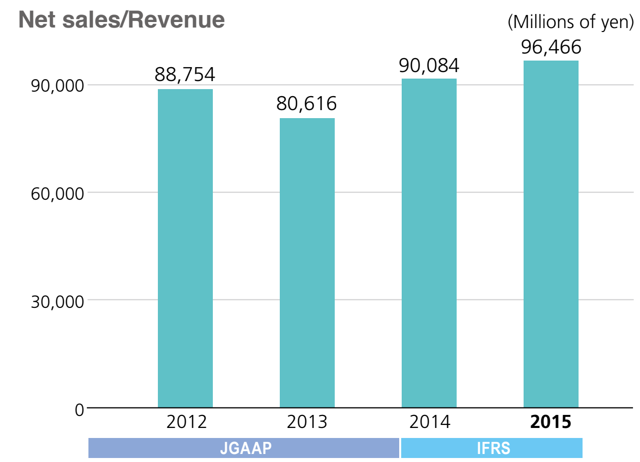
Automobile Products

Revenue:
¥230.6 billion
(up 0.9%)

In fiscal 2015, the motorcycle market saw an increase in sales, primarily in India and Indonesia. Indonesia also experienced an accelerated transition from carburetors to electronic fuel injection systems (FI systems) for small motorcycles, in response to stricter exhaust emissions regulations.

Total sales of carburetors and FI systems amounted to 28,290,000 units, up 1.8% year-on-year. Sales of carburetors declined 5.5% year-on-year, to 18,120,000 units, while sales of FI systems reached 10,170,000 units, up 18.0% year-on-year.

As a result, revenue of motorcycle and power products rose ¥6,382 million year-on-year, to ¥96,466 million.



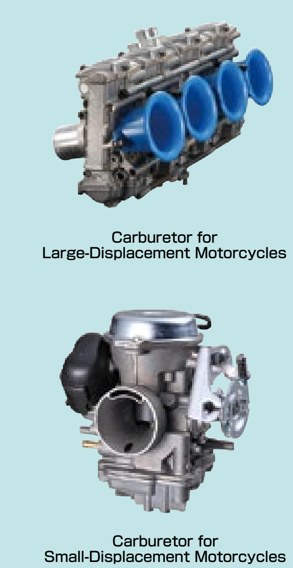
Main Motorcycle and Power Products

Fuel Injection System

Realizing highly environment-adaptive technology under a concept that spotlights compact size, high performance and low price

Carburetors

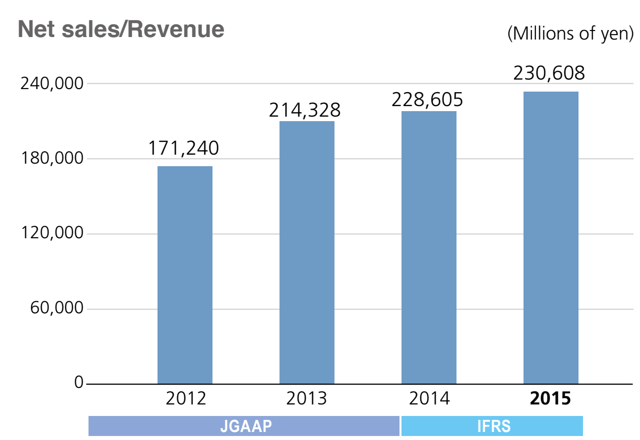
Approximately 18 million units sold annually, giving Keihin a top worldwide share



Overseas, the automobile product market in fiscal 2015 saw sales growth in North America and Indonesia, with favorable results in China as well, owing to the launch of a new model there. Meanwhile, in Japan the automobile products business posted an increase in the sale of products for the growing hybrid automobile market.

We accelerated sales and marketing expansion activities, including the launch of our business with the Ford Motor Company in the United States, supplying condensers as heat exchangers.

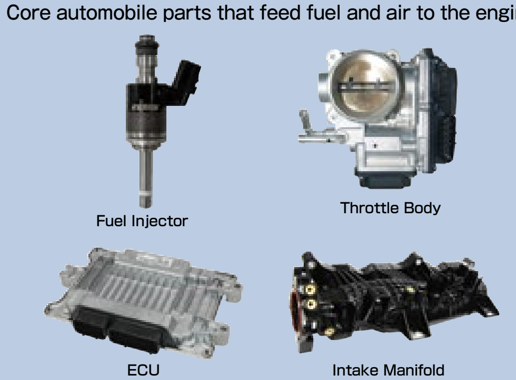
As a result, revenue of automobile products increased ¥2,003 million year-on-year, to ¥230,608 million.



Main Automobile Products

Fuel Supply System

Core automobile parts that feed fuel and air to the engine

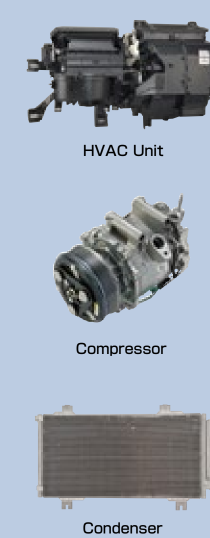


CNG Products

Achieving top-class safety and environmental performance through leading-edge technology

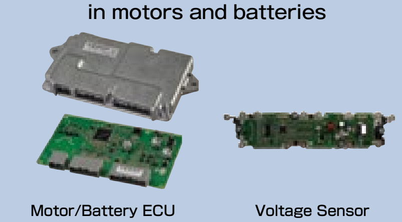
Air-Conditioning System

Realizing lightweight, energy-saving, comfort-creating systems



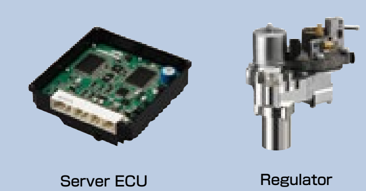
Hybrid Vehicle Products

Ensuring optimum control and safety in motors and batteries



Electronic Fuel Cell Vehicle Products

Meeting next-generation energy specifications



Risks with the potential to significantly influence the decisions of investors are presented below. Forward-looking statements are based on assumptions made by management of the Keihin Group as of March 31, 2015.

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 automobile 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 automobile industry environment and other rules
The motorcycle and automobile industries are governed by an extensive assortment of rules pertaining to fuel, noise, safety, exhaust emissions, 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 2015, ended March 31, 2015, 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 and major accidents, such as nuclear crises, could cause physical damage, 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. 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.

Basic Concept
The following is an overview of Keihin's corporate governance practices.

Keihin believes that enhancing corporate governance is one of its top management priorities. Good governance allows us to raise our corporate value through global business development, and in doing so, strengthens the trust and confidence that shareholders, customers, and society as a whole have in us. With this in mind, we aim to raise our level of compliance and strengthen our risk management structure, as well as improve our corporate ethics, in the performance of our operations. The Company has established a framework for appointing directors and executive officers (hereinafter referred to as "directors"), who play a leading role in achieving those objectives, and has put in place specific entities that specialize in their respective fields.

These structures underpin our efforts to enhance verification and improve operations, in order to strengthen corporate governance.

Structure
Board of Directors
The Board of Directors, comprising 11 directors including two external directors, is tasked with decision making on legal requirements and important business matters, and a corporate 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.

Board of Corporate Auditors
The Board of Corporate Auditors comprises three corporate auditors including two external corporate auditors; each corporate auditor 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 Board of Corporate Auditors.

Appointment of Candidate for the Post of Director
A candidate for the post of director is decided by a resolution of the Board of Directors. A candidate for the post of corporate auditor is elected by consent from among the Board of Corporate Auditors, 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 Philosophies, 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 corporate 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 efficiently 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 provides opportunities for issues to be explored in a discussion setting, attended by assigned directors.

External Directors and External Corporate Auditors
Keihin has two external directors and two external corporate auditors, and there are no conflicts of interest between the Company and these individuals. The external directors are Taro Mizuno and Shigeo Wakabayashi, and the external corporate auditors are Katsuyuki Matsui and Yasuhiko Narita.

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 considerable insights, while the external corporate auditors, 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.

1. Independent Directors

- Taro Mizuno possesses considerable insights gained through experience working in automobile-related business divisions and a career in corporate management. The Company assessed that Mr. Mizuno is capable of appropriately performing the functions and duties of an external director of the Company by executing management decisions and supervision from neutral and objective viewpoints based on his wealth of experience and judgment. Accordingly, he was appointed as an external director of the Company. Mr. Mizuno formerly worked at Fujitsu Limited until 2010. Although the Company has some transactions related to internal systems with Fujitsu, they are considered to be immaterial in light of their size and features, and are unlikely to cause conflicts of interest between the two companies.
- Shigeo Wakabayashi has experience and specialized knowledge from working in the field of corporate legal affairs through a career as a lawyer in both Japan and overseas. The Company assessed that Mr. Wakabayashi is capable of appropriately performing the functions and duties of an external director of the Company by executing management decisions and supervision from neutral and objective viewpoints based on his wealth of experience and judgment. Accordingly, he was appointed as an external director of the Company.

2. Independent Corporate Auditors

- Katsuyuki Matsui has had a career in the automobile industry both inside and outside Japan with extensive experience in and knowledge of accounting and related functions. The Company assessed that Mr. Matsui is capable of appropriately performing the functions and duties of an external corporate auditor of the Company from neutral and objective viewpoints based on his wealth of experience and judgment. Accordingly, he was appointed as an independent corporate auditor of the Company. Mr. Matsui formerly worked at Honda Motor Co., Ltd. until 2010. 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 85% of revenue on a consolidated basis in fiscal 2015. Thus, the Company has maintained a longstanding and close relationship with the Honda Group.
- Yasuhiko Narita possesses considerable insights in specialized fields as a lawyer and from a career as an external corporate auditor at other companies. The Company has assessed that Mr. Narita is capable of appropriately performing the functions and duties of an external corporate auditor of the Company from neutral and objective viewpoints based on his wealth of experience and judgment. Accordingly, he was appointed as an independent corporate auditor of the Company.

Internal Control Systems

1. Structure to ensure that directors and employees 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 executive 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.

2. 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.

3. 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 Philosophies, 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 executive 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 efficiently 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 provides opportunities for issues to be explored in a discussion setting, attended by assigned directors.

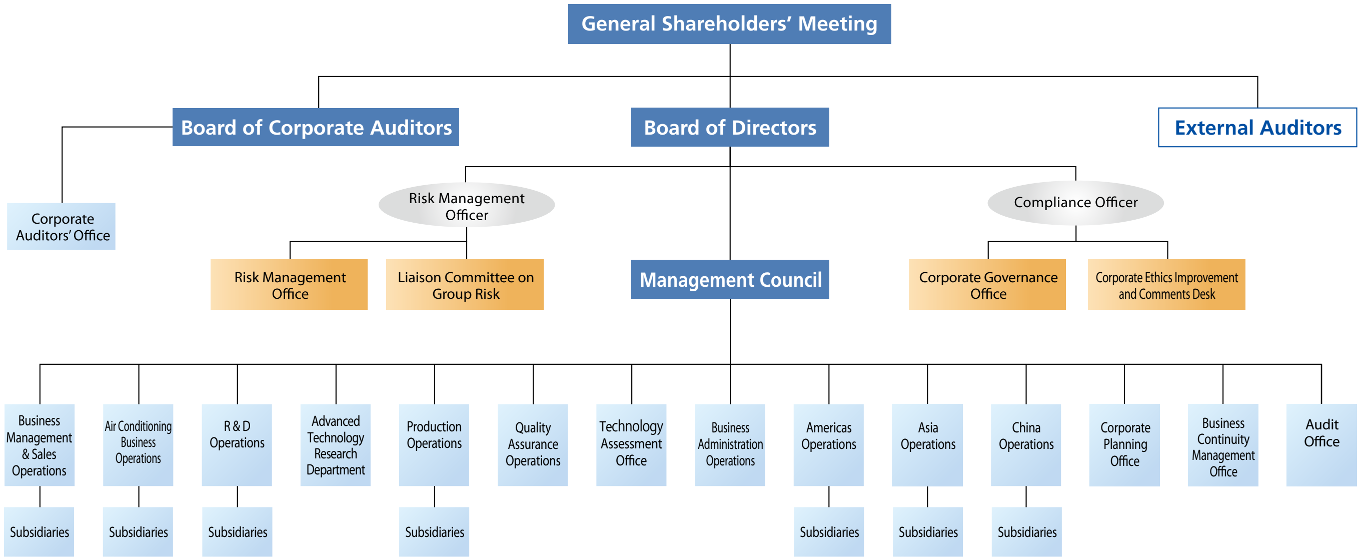
4. Structure to ensure appropriate operations at corporate groups comprising the Company and its subsidiaries (including a framework for subsidiaries' reporting to the Company on the performance of duties by directors at subsidiaries)

Having established the Declaration of Conduct as the Group's universal guideline for 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 assigns directors and employees 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.

5. Structure to ensure the execution of effective audits by corporate auditors

The Company ensures a corporate environment that enables corporate auditors 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.

Organizational Structure



Representative Directors


President & CEO and Representative Director
Tsuneo Tanai


Senior Managing Director and Representative Director
Hiroshi Irino


Managing Director and Representative Director
Hiroshi Seikai


Managing Director and Representative Director
Genichiro Konno

Directors


Executive Officer and Director
Hirohisa Amano


Executive Officer and Director
Yusuke Takayama


Senior Executive Officer and Director
Mikihito Kawakatsu


Senior Executive Officer and Director
Masayasu Shigemoto


Senior Executive Officer and Director
Tadayoshi Ito

Independent Directors


Director (Independent)
Taro Mizuno


Director (Independent)
Shigeo Wakabayashi

Corporate Auditors


Full-Time Corporate Auditor (Independent)
Katsuyuki Matsui


Full-Time Corporate Auditor
Koki Onuma


Corporate Auditor (Independent)
Yasuhiko Narita

Senior Executive Officers

Takeshi Iwata Takashi Namari Nobuaki Suzuki Toru Mitsubori
Toshihiro Kuroki Shinichi Omachi Kenichi Nishizawa

Corporate Officers

Masahiro Inoue Seiichi Shindo Masaaki Takahashi Tatsuhiko Arai
Kazumi Araki Hiroshi Nakatsubo Kazuyuki Meguro Tomoya Abe

(As of June 30, 2015)

Carrying out activities on a global scale, rooted in our philosophy

Japan

Beach clean-up activities supporting recovery efforts

China

Plant clean-up activities

Indonesia

Activities that contribute to the local community

United States

Street cleaning program

Japan

On-site environmental class and student tour

India

World Environment Day: Tree planting

Thailand

Volunteering in the community

Brazil

Environmental learning

For the years ended March 31,
2011, 2012, 2013, 2014 and 2015

	JGAAP			IFRS		
				Millions of yen (except per share amounts)		Thousands of U.S. dollars (except per share amounts)
	2011	2012	2013	2014	2015	2015
For the year:						
Net sales/Revenue	¥ 278,491	¥ 259,994	¥ 294,944	¥ 318,689	¥ 327,075	$ 2,721,765
Results by geographical region						
Japan	146,459	144,982	161,836	168,994	151,172	1,257,981
Americas	73,072	66,096	93,143	100,076	109,680	912,711
Asia	80,656	71,370	78,645	89,522	99,026	824,047
China	34,147	34,721	35,552	58,287	61,983	515,790
Europe	5,793	4,444	6,487	-	-	-
Consolidated adjustments	(61,636)	(61,619)	(80,719)	(98,191)	(94,786)	(788,764)
Results by products						
Motorcycle and power products	85,329	88,754	80,616	90,084	96,466	802,749
Mechanical products for automobiles	193,162	171,240	214,328	228,605	230,608	1,919,016
Operating income/Operating profit	21,598	10,818	10,015	19,517	22,747	189,293
Income before income taxes and minority interests/ Profit before tax	19,574	10,174	12,304	13,083	13,652	113,603
Net income/Profit attributable to owners of the parent	12,324	4,239	2,656	10,430	11,051	91,960
Comprehensive income / Comprehensive income for the year	8,802	1,078	15,253	27,384	29,719	247,308
Research and development expenses	15,086	16,547	18,676	17,804	18,606	154,834
Capital expenditures	12,518	13,013	24,365	21,180	18,915	157,399
At year-end:						
Total net assets/Total equity	¥ 140,927	¥ 143,909	¥ 155,934	¥ 170,479	¥ 195,611	$ 1,627,786
Total assets	193,557	202,724	224,957	245,740	274,269	2,282,343
Net income per share/Earnings per share attributable to owners of the parent (yen and U.S. dollars): Net income: Basic/Basic earnings per share	166.63	57.32	35.91	141.02	149.42	1.24
Cash dividends	25.00	26.00	28.00	31.00	34.00	0.28
Net assets/Equity	1,658.08	1,652.61	1,765.80	1,998.02	2,290.18	19.06
Cash flows:						
Cash flows from operating activities	¥ 27,355	¥ 5,463	¥ 14,432	¥ 29,232	¥ 24,966	$ 207,753
Cash flows from investing activities	(10,855)	(16,444)	(29,081)	(21,251)	(22,577)	(187,873)
Cash flows from financing activities	(6,423)	(4,620)	9,056	(9,400)	(5,619)	(46,761)
Cash and cash equivalents at end of year	42,638	25,865	23,132	30,318	29,295	243,776

Notes:
1. The Group has adopted International Financial Reporting Standards (IFRS) from FY2015 in place of accounting principles generally accepted in Japan (JGAAP) for its consolidated financial statements, and the date of transition to IFRS is April 1, 2013. Therefore, the above amounts for FY2015 and FY2014 were prepared under IFRS and the amounts for FY2013 and FY2012 are under JGAAP.
2. U.S. dollar amounts in this annual report are translated from Japanese yen, for convenience only, at the rate of ¥120.17 = US$1. (See Note 2 to the Consolidated Financial Statements on page 30.)
3. From the fiscal year ended March 31, 2011, the Company applies "Accounting Standard for Disclosures about Segments of an Enterprise and Related information" (ASBJ Statement No. 17, issued March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related information" (ASBJ Guidance No. 20, issued March 21, 2008). Consequently, the breakdown of net sales/revenue by geographical segment increased to five from four.
4. From FY2012, the Company applies the "Accounting Standard for Comprehensive Income" (ASBJ Statement No. 25, issued June 30, 2010).
5. Net sales/revenue for Europe is included in the geographical segment of Japan from FY2015.
6. The Company has adopted IFRS for FY2015, the year ended March 31, 2015. As such, the consolidated financial statements for FY2015 are the first to be prepared in accordance with IFRS. Financial figures for FY2014 have been restated to conform to IFRS.

KEIHIN

Results of Operations

The depreciation of the yen in the second half of the fiscal year led to an increase in corporate profits in Japan, the economic environment in which the Keihin Group operates. This positive development ensured business conditions remain on a moderate recovery trend, despite the adverse effects of the consumption tax hike.

Looking overseas, the business climate has steadily improved in the United States, owing to the effects of monetary policy and favorable growth in consumer spending. In Asia, the economies of Thailand and India are picking up thanks to a recovery in personal consumption levels, although the rate of economic expansion in Indonesia is slowing down. In China, consumer spending remained stable, while the momentum of economic growth seen in the past has weakened.

In such a business environment, consolidated revenue in fiscal 2015 rose ¥8,385 million, or 2.6%, from the previous fiscal year, to ¥327,075 million. Revenue by geographical region (including intersegment sales) is as follows.

For fiscal 2015, the Company adopted International Financial Reporting Standards (IFRS) in place of Japanese Generally Accepted Accounting Principles (JGAAP). Except where JGAAP is stated, all of the financial information in this annual report is stated in accordance with IFRS.

For Japan, revenue declined 10.6% year-on-year, to ¥151,172 million, despite the impact of favorable exchange rates. In the motorcycle and power products business, sales of products for overseas markets declined, as overseas subsidiaries made progress in their efforts to establish local production and procurement operations. Sales of automobile products fell, mainly resulting from enhanced local production capabilities while political uncertainty in Thailand created a sluggish market for heat exchangers for automobile air-conditioning systems.

In the Americas, revenue increased 9.6% year-on-year, to ¥109,680 million, mainly attributable to the sales growth of automobile products in North America and the impact of favorable exchange rates, although sales of motorcycle products declined in South America.

In Asia, revenue increased 10.6% year-on-year, to ¥99,026 million, mainly due to the impact of favorable exchange rates. Sales of motorcycle products rose, mainly in Indonesia and India, and sales of automobile products increased, primarily in Indonesia. However, sluggish market conditions in Thailand stemming from the country's ongoing uncertain political situation are impacting unfavorably on sales of heat exchangers for automobile products.

In China, revenue rose 6.3% year-on-year, to ¥61,983 million, thanks to a rise in sales of automobile products following the launch of new models as well as the impact of favorable exchange rates.

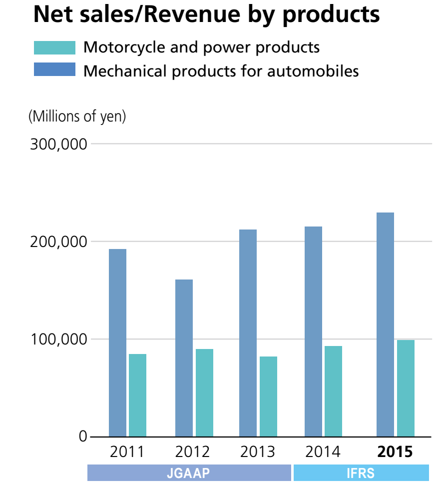
Income and Expenses

Consolidated operating profit rose ¥3,230 million, marking a 16.6% increase from the previous fiscal year, to ¥22,747 million, mainly due to streamlining and favorable exchange rates, in spite of increases in costs such as labor and depreciation.

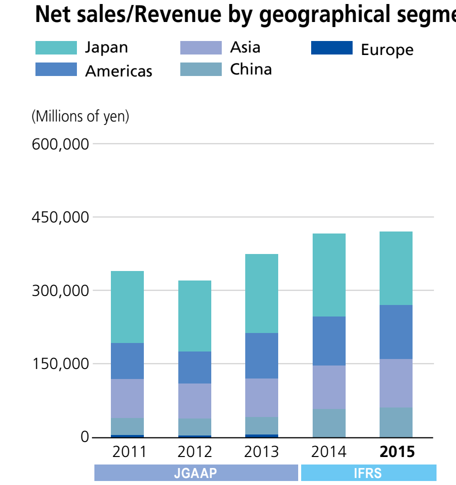
By geographical region, operating profit was ¥2,445 million in Japan, posting a sharp decline of 70.7% from the previous fiscal year; ¥721 million in the Americas, a 10.7% decline year-on-year; ¥14,725 million in Asia, a 41.7% increase year-on-year; and ¥3,391 million in China, a 3.4% decline year-on-year.

Profit attributable to owners of the parent increased ¥621 million, posting a 6.0% increase from the previous fiscal year, to ¥11,051 million.

Net sales/Revenue by products



Net sales/Revenue by geographical segment



Note: Net sales/revenue for Europe is included in the geographical segment of Japan from FY2015.

Annual Report 2015

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 automobile 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.

The needs of customers overseas are becoming more diverse. In response, Keihin is directing concerted effort toward enhancing its development structure on a global basis and reinforcing local procurement activities.

In fiscal 2015, R&D expenses came to ¥18,606 million (US$155 million).

Capital Expenditures

In fiscal 2015, capital expenditures declined 10.7% year-on-year, to ¥18,915 million, which consists of ¥14,130 million (US$118 million) for investments in production facilities, up 2.7% year-on-year; ¥916 million (US$8 million) for R&D expenses, up 153.0% year-on-year; and ¥3,869 million (US$32 million) for other investments including intangible assets, down 45.2% year-on-year.

Looking at investments in production facilities by geographical region, ¥4,320 million (US$35 million) was allocated to operations in Japan, ¥6,807 million (US$57 million) to the Americas, ¥2,031 million (US$17 million) to Asia, and ¥972 million (US$8 million) to China.

Cash Flows

The balance of cash and cash equivalents as of March 31, 2015, was ¥29,295 million (US$244 million), down 3.4% from the previous fiscal year-end.

Net cash provided by operating activities totaled ¥24,966 million (US$208 million), down 14.6% year-on-year. This was mainly due to profit before tax as well as depreciation and amortization, which offset the increase in inventories and the payment of income taxes.

Net cash used in investing activities amounted to ¥22,577 million (US$188 million), up 6.2% year-on-year. This was mainly due to the purchase of property, plant and equipment and intangible assets.

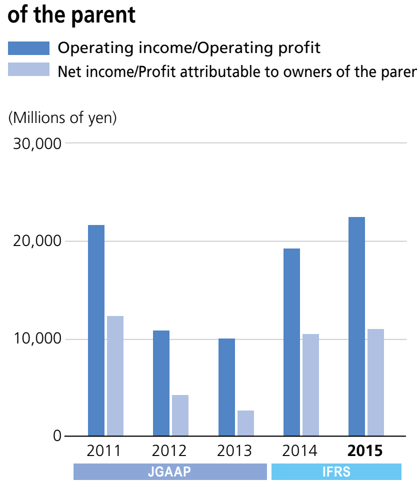
Net cash used in financing activities stood at ¥5,619 million (US$47 million), down 40.2% year-on-year, mainly due to the payment of dividends.

Financial Position

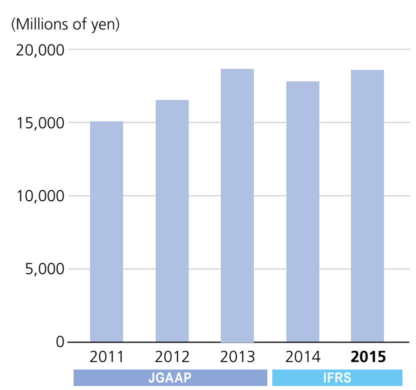
Total assets stood at ¥274,269 million (US$2,282 million) on March 31, 2015, up 11.6% from the previous fiscal year-end. Net assets totaled ¥195,611 million (US$1,628 million), up 14.7% from the previous fiscal year-end.

Net assets per share amounted to ¥2,290.18 (US$19.06), an increase of ¥292.16 from the previous fiscal year-end. The equity ratio was 61.8%, up 1.7 percentage points from the previous fiscal year-end.

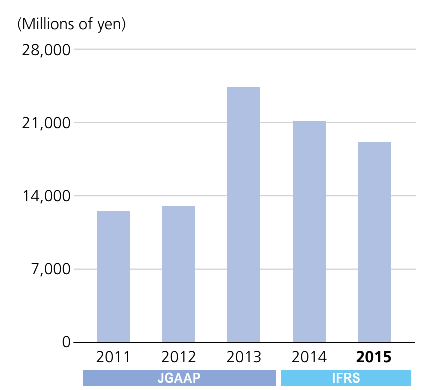
Operating income/Operating profit and Net income/Profit attributable to owners of the parent



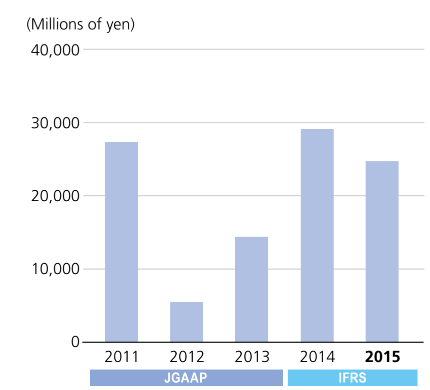
Research and development expenses



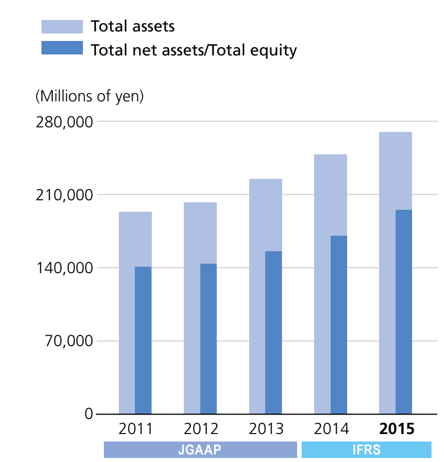
Capital expenditures



Cash provided by operating activities



Total assets and Total net assets/Total equity



1【Consolidated Financial Statements】

(1)【Consolidated Statement of Financial Position】

	Notes	Millions of yen April 1, 2013 (Transition date)	2014	2015	Thousands of U.S. dollars 2015
Assets					
Current assets					
Cash and cash equivalents	7, 28	29,985	30,318	**29,295**	**243,776**
Trade and other current receivables	8, 28	45,494	47,792	**56,274**	**468,290**
Other current financial assets	9, 28	3,195	1,225	**3,768**	**31,357**
Inventories	10	40,539	44,278	**52,521**	**437,055**
Other current assets		8,713	6,141	**2,839**	**23,621**
Total current assets		127,926	129,753	**144,696**	**1,204,098**
Non-current assets					
Property, plant and equipment	11,13	86,790	93,574	**102,672**	**854,390**
Intangible assets	12,13	3,334	4,999	**6,515**	**54,212**
Trade and other non-current receivables	8, 28	437	379	**327**	**2,720**
Other non-current financial assets	9, 28	5,756	12,453	**13,586**	**113,056**
Retirement benefit assets	19	—	—	**1,096**	**9,123**
Deferred tax assets	14	1,197	2,940	**3,830**	**31,872**
Other non-current assets		1,677	1,641	**1,547**	**12,873**
Total non-current assets		99,191	115,987	**129,573**	**1,078,245**
Total assets		227,117	245,740	**274,269**	**2,282,343**

	Notes	Millions of yen April 1, 2013 (Transition date)	2014	2015	Thousands of U.S. dollars 2015
Liabilities and equity					
Liabilities					
Current liabilities					
Trade and other current payables	15, 28	45,509	47,247	**49,546**	**412,300**
Short-term loans	16, 28	9,741	9,981	**12,347**	**102,747**
Other current financial liabilities	17, 28	139	111	**278**	**2,317**
Income tax payables	14	1,255	1,473	**1,754**	**14,592**
Provisions	18	300	1,014	**375**	**3,117**
Other current liabilities		1,498	844	**651**	**5,420**
Total current liabilities		58,442	60,672	**64,951**	**540,492**
Non-current liabilities					
Long-term loans	16, 28	6,377	5,739	**3,194**	**26,580**
Other non-current financial liabilities	17, 28	192	171	**158**	**1,311**
Retirement benefit liabilities	19	7,568	3,528	**2,614**	**21,753**
Provisions	18	164	175	**172**	**1,431**
Deferred tax liabilities	14	882	3,398	**5,977**	**49,739**
Other non-current liabilities		1,936	1,579	**1,592**	**13,250**
Total non-current liabilities		17,119	14,590	**13,707**	**114,065**
Total liabilities		75,562	75,261	**78,658**	**654,557**
Equity					
Common stock	20	6,932	6,932	**6,932**	**57,688**
Capital surplus	20	7,455	9,524	**9,524**	**79,257**
Retained earnings	20	106,963	118,884	**128,126**	**1,066,204**
Treasury stock	20	(35)	(36)	**(37)**	**(307)**
Other components of equity	20	3,104	12,469	**24,836**	**206,672**
Equity attributable to owners of the parent		124,419	147,774	**169,381**	**1,409,514**
Non-controlling interests		27,137	22,704	**26,230**	**218,272**
Total equity		151,555	170,479	**195,611**	**1,627,786**
Total liabilities and equity		227,117	245,740	**274,269**	**2,282,343**

(2)【Consolidated Statement of Income】

	Notes	Millions of yen 2014	Millions of yen 2015	Thousands of U.S. dollars 2015
Revenue	6	318,689	**327,075**	**2,721,765**
Cost of sales	25	(271,107)	**(278,089)**	**(2,314,132)**
Gross profit		47,582	**48,985**	**407,634**
Selling, general and administrative expenses	21, 25	(27,357)	**(26,685)**	**(222,064)**
Other income	22	589	**1,042**	**8,671**
Other expenses	22	(1,296)	**(595)**	**(4,947)**
Operating profit	6	19,517	**22,747**	**189,293**
Finance income	23	417	**513**	**4,271**
Finance costs	23	(635)	**(1,941)**	**(16,149)**
Profit before tax		19,300	**21,320**	**177,416**
Income tax expense	14	(6,216)	**(7,668)**	**(63,813)**
Profit for the year		13,083	**13,652**	**113,603**
Profit attributable to:				
Owners of the parent		10,430	**11,051**	**91,960**
Non-controlling interests		2,653	**2,601**	**21,643**
Profit for the year		13,083	**13,652**	**113,603**

	Notes	Yen 2014	Yen 2015	U.S. dollars 2015
Earnings per share attributable to owners of the parent:				
Basic earnings per share	24	141.02	**149.42**	**1.24**

(3)【Consolidated Statement of Comprehensive Income】

	Notes	Millions of yen 2014	Millions of yen 2015	Thousands of U.S. dollars 2015
Profit for the year		13,083	**13,652**	**113,603**
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	26	4,716	**217**	**1,803**
Remeasurements of net defined benefit liabilities (assets)	26	3,664	**578**	**4,812**
Total comprehensive income that will not be reclassified to profit or loss, net of tax		8,380	**795**	**6,616**
Items that may be reclassified to profit or loss, net of tax:				
Foreign currency translation adjustments	26	5,884	**15,272**	**127,089**
Total comprehensive income that may be reclassified to profit or loss, net of tax		5,884	**15,272**	**127,089**
Other comprehensive income for the year		14,264	**16,067**	**133,705**
Total comprehensive income for the year		27,348	**29,719**	**247,308**
Comprehensive income attributable to:				
Owners of the parent		23,431	**24,049**	**200,123**
Non-controlling interests		3,916	**5,670**	**47,186**
Comprehensive income for the year		27,348	**29,719**	**247,308**

(4)【Consolidated Statement of Changes in Equity】

For the fiscal year ended March 31, 2014

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	Remeasurements of net defined benefit liabilities (assets)
As of April 1, 2013		**6,932**	**7,455**	**106,963**	**(35)**	**3,104**	—
Comprehensive income							
Profit for the year		—	—	10,430	—	—	—
Other comprehensive income	26	—	—	—	—	4,716	3,636
Total comprehensive income		—	—	10,430	—	4,716	3,636
Transactions with owners							
Dividends paid	27	—	—	(2,145)	—	—	—
Purchase of treasury stock		—	—	—	(1)	—	—
Acquisitions of non-controlling interests	34	—	2,070	—	—	—	—
Transfer from other components of equity to retained earnings		—	—	3,636	—	—	(3,636)
Total transactions with owners		—	2,070	1,491	(1)	—	(3,636)
As of March 31, 2014		**6,932**	**9,524**	**118,884**	**(36)**	**7,820**	—

Millions of yen

	Notes	Equity attributable to owners of the parent			Non-controlling interests	Total equity
		Other components of equity				
		Foreign currency translation adjustments	Total	Total equity attributable to owners of the parent		
As of April 1, 2013		—	3,104	124,419	27,137	151,555
Comprehensive income						
Profit for the year		—	—	10,430	2,653	13,083
Other comprehensive income	26	4,649	13,001	13,001	1,263	14,264
Total comprehensive income		4,649	13,001	23,431	3,916	27,348
Transactions with owners						
Dividends paid	27	—	—	(2,145)	(2,580)	(4,724)
Purchase of treasury stock		—	—	(1)	—	(1)
Acquisitions of non-controlling interests	34	—	—	2,070	(5,769)	(3,699)
Transfer from other components of equity to retained earnings		—	(3,636)	—	—	—
Total transactions with owners		—	(3,636)	(76)	(8,348)	(8,424)
As of March 31, 2014		4,649	12,469	147,774	22,704	170,479

For the year ended March 31, 2015

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	Remeasurements of net defined benefit liabilities (assets)
As of April 1, 2014		6,932	9,524	118,884	(36)	7,820	—
Comprehensive income							
Profit for the year		—	—	11,051	—	—	—
Other comprehensive income	26	—	—	—	—	217	645
Total comprehensive income		—	—	11,051	—	217	645
Transactions with owners							
Dividends paid	27	—	—	(2,441)	—	—	—
Purchase of treasury stock		—	—	—	(1)	—	—
Transfer from other components of equity to retained earnings		—	—	631	—	14	(645)
Total transactions with owners		—	—	(1,810)	(1)	14	(645)
As of March 31, 2015		6,932	9,524	128,126	(37)	8,051	—

Millions of yen

	Notes	Equity attributable to owners of the parent			Non-controlling interests	Total equity
		Other components of equity				
		Foreign currency translation adjustments	Total	Total equity attributable to owners of the parent		
As of April 1, 2014		4,649	12,469	147,774	22,704	170,479
Comprehensive income						
Profit for the year		—	—	11,051	2,601	13,652
Other comprehensive income	26	12,136	12,998	12,998	3,069	16,067
Total comprehensive income		12,136	12,998	24,049	5,670	29,719
Transactions with owners						
Dividends paid	27	—	—	(2,441)	(2,145)	(4,586)
Purchase of treasury stock		—	—	(1)	—	(1)
Transfer from other components of equity to retained earnings		—	(631)	—	—	—
Total transactions with owners		—	(631)	(2,442)	(2,145)	(4,587)
As of March 31, 2015		16,785	24,836	169,381	26,230	195,611

	Notes	Common stock	Capital surplus	Retained earnings	Treasury stock	Gains (losses) on financial assets measured at fair value through other comprehensive income	Remeasurements of net defined benefit liabilities (assets)
		Thousands of U.S. dollars					
		Equity attributable to owners of the parent					
						Other components of equity	
As of April 1, 2014		**57,688**	**79,257**	**989,302**	**(299)**	**65,074**	—
Comprehensive income							
Profit for the year		—	—	**91,960**	—	—	—
Other comprehensive income	26	—	—	—	—	**1,803**	**5,368**
Total comprehensive income		—	—	**91,960**	—	**1,803**	**5,368**
Transactions with owners							
Dividends paid	27	—	—	**(20,310)**	—	—	—
Purchase of treasury stock		—	—	—	**(8)**	—	—
Transfer from other components of equity to retained earnings		—	—	**5,252**	—	**116**	**(5,368)**
Total transactions with owners		—	—	**(15,058)**	**(8)**	**116**	**(5,368)**
As of March 31, 2015		**57,688**	**79,257**	**1,066,204**	**(307)**	**66,993**	—

	Notes	Foreign currency translation adjustments	Total	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
		Thousands of U.S. dollars				
		Equity attributable to owners of the parent				
		Other components of equity				
As of April 1, 2014		**38,687**	**103,762**	**1,229,710**	**188,935**	**1,418,645**
Comprehensive income						
Profit for the year		—	—	**91,960**	**21,643**	**113,603**
Other comprehensive income	26	**100,991**	**108,163**	**108,163**	**25,542**	**133,705**
Total comprehensive income		**100,991**	**108,163**	**200,123**	**47,186**	**247,308**
Transactions with owners						
Dividends paid	27	—	—	**(20,310)**	**(17,849)**	**(38,159)**
Purchase of treasury stock		—	—	**(8)**	—	**(8)**
Transfer from other components of equity to retained earnings		—	**(5,252)**	—	—	—
Total transactions with owners		—	**(5,252)**	**(20,319)**	**(17,849)**	**(38,167)**
As of March 31, 2015		**139,679**	**206,672**	**1,409,514**	**218,272**	**1,627,786**

(5)【Consolidated Statement of Cash Flows】

	Notes	Millions of yen 2014	Millions of yen 2015	Thousands of U.S. dollars 2015
Cash flows from operating activities:				
Profit before tax		19,300	**21,320**	**177,416**
Depreciation and amortization		15,288	**16,873**	**140,413**
Impairment loss		326	**45**	**377**
Interest and dividends income		(417)	**(513)**	**(4,271)**
Interest expense		435	**490**	**4,082**
Gain on sale of property, plant and equipment		(38)	**(179)**	**(1,485)**
(Increase) decrease in trade and other receivables		1,030	**(2,649)**	**(22,040)**
(Increase) decrease in inventories		(1,910)	**(3,318)**	**(27,612)**
Increase (decrease) in trade and current payables		(960)	**(246)**	**(2,043)**
Increase (decrease) in provisions		711	**(723)**	**(6,013)**
Increase or decrease in retirement benefit liabilities (assets)		(215)	**(1,479)**	**(12,306)**
Other, net		2,313	**3,708**	**30,854**
Subtotal		35,863	**33,332**	**277,371**
Interest received		344	**414**	**3,445**
Dividends received		122	**181**	**1,508**
Interest paid		(420)	**(495)**	**(4,119)**
Income taxes paid		(6,678)	**(8,466)**	**(70,452)**
Net cash provided by operating activities		29,232	**24,966**	**207,753**
Cash flows from investing activities:				
(Increase) decrease in time-deposits, net		2,034	**(2,423)**	**(20,161)**
Purchase of property, plant and equipment and intangible assets		(22,392)	**(21,028)**	**(174,984)**
Proceeds from sale of property, plant and equipment and intangible assets		265	**557**	**4,638**
Purchase of investment securities		(1,000)	—	—
Payments for long-term loans		(468)	**(437)**	**(3,633)**
Collection of loans		546	**539**	**4,489**
Other, net		(237)	**214**	**1,778**
Net cash used in investing activities		(21,251)	**(22,577)**	**(187,873)**
Cash flows from financing activities:				
Increase (decrease) in short-term loans, net		(1,212)	**1,157**	**9,629**
Proceeds from long-term loans		1,441	—	—
Repayment of long-term loans		(1,200)	**(2,220)**	**(18,477)**
Dividends paid to owners of the parent	27	(2,145)	**(2,441)**	**(20,310)**
Dividends paid to non-controlling interests		(2,580)	**(2,145)**	**(17,849)**
Purchase of treasury stock		(1)	**(1)**	**(8)**
Acquisitions of non-controlling interests		(3,699)	—	—
Other, net		(4)	**30**	**254**
Net cash used in financing activities		(9,400)	**(5,619)**	**(46,761)**
Foreign currency translation adjustments on cash and cash equivalents		1,752	**2,207**	**18,368**
Net (increase) decrease in cash and cash equivalents		333	**(1,023)**	**(8,513)**
Cash and cash equivalents at beginning of year	7	29,985	**30,318**	**252,289**
Cash and cash equivalents at end of year	7	30,318	**29,295**	**243,776**

[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, 2015 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 and matters related to first-time adoption

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" 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 Group has adopted IFRS from the current fiscal year (from April 1, 2014 to March 31, 2015), and therefore, the consolidated financial statements for the current fiscal year are the first consolidated financial statements prepared in accordance with IFRS. The date of transition to IFRS is April 1, 2013. Information on the impact of the transition to IFRS on the financial position, results of operations and cash flows of the Group is stated in Note "35. First-time Adoption."

The consolidated financial statements were approved by the Company's Board of Directors on June 19, 2015.

(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 ¥120.17 to US$1, the approximate rate of exchange at March 31, 2015. 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.

3. Significant Accounting Policies

Accounting policies applied to the consolidated financial statements are as follows. The Group has early-applied IFRS 9 "Financial Instruments" (amended in November 2013).

(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

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 statement of comprehensive income are recorded in "other components of equity" in the consolidated statement 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, 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 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, 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 statement of income.

In operating lease transactions (lessee), lease payments are recognized as expenses in the consolidated statement 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 revenue 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

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 revenue

Interest revenue is recognized using the effective interest method.

3) Dividends

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

(16) 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. The Group is currently evaluating the potential impact of these standards and interpretations on its consolidated financial statements.

IFRS	Title	Mandatory effective date (Fiscal year beginning on or after)	Year of adoption by the Group	Outline of new / amended standards
IFRS 15	Revenue from Contracts with Customers	January 1, 2017	Fiscal year ending March 31, 2018	Clarification of framework for revenue recognition
IFRS 9	Financial Instruments (Amended in July 2014)	January 1, 2018	Fiscal year ending March 31, 2019	Amendments of impairment accounting, classification and measurement

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, the Americas, Asia, and China—each with management systems and production and sales systems tailored to local characteristics.

Five consolidated subsidiaries under the umbrella of Keihin Thermal Technology Corporation, which the Company acquired on January 1, 2012, are under control of the management as part of the automotive air-conditioner heat exchange business in the Japan segment. 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, 2014

	Millions of yen						
	Reporting Segments					Eliminations	Total
	Japan	Americas	Asia	China	Total		
Revenue:							
Outside customers	91,930	97,152	78,106	51,501	318,689	—	318,689
Intersegment	77,063	2,924	11,416	6,787	98,191	(98,191)	—
Total	168,994	100,076	89,522	58,287	416,880	(98,191)	318,689
Depreciation and amortization	(7,227)	(3,240)	(3,527)	(1,775)	(15,769)	481	(15,288)
Impairment loss	(261)	—	(65)	—	(326)	—	(326)
Operating profit	8,331	807	10,393	3,526	23,058	(3,541)	19,517
Finance income	—	—	—	—	—	—	417
Finance costs	—	—	—	—	—	—	(635)
Profit before tax	—	—	—	—	—	—	19,300

For the fiscal year ended March 31, 2015

	Millions of yen						
	Reporting Segments					Eliminations	Total
	Japan	Americas	Asia	China	Total		
Revenue:							
Outside customers	**81,877**	**105,676**	**85,959**	**53,563**	**327,075**	**—**	**327,075**
Intersegment	**69,295**	**4,005**	**13,066**	**8,420**	**94,786**	**(94,786)**	**—**
Total	**151,172**	**109,680**	**99,026**	**61,983**	**421,860**	**(94,786)**	**327,075**
Depreciation and amortization	**(7,386)**	**(3,939)**	**(3,853)**	**(2,160)**	**(17,337)**	**464**	**(16,873)**
Impairment loss	**(26)**	**—**	**(19)**	**—**	**(45)**	**—**	**(45)**
Operating profit	**2,445**	**721**	**14,725**	**3,391**	**21,282**	**1,465**	**22,747**
Finance income	**—**	**—**	**—**	**—**	**—**	**—**	**513**
Finance costs	**—**	**—**	**—**	**—**	**—**	**—**	**(1,941)**
Profit before tax	**—**	**—**	**—**	**—**	**—**	**—**	**21,320**

	Japan	Americas	Asia	China	Total	Eliminations	Total
	Thousands of U.S. dollars						
	Reporting Segments						
Revenue:							
Outside customers	**681,341**	**879,385**	**715,314**	**445,725**	**2,721,765**	**—**	**2,721,765**
Intersegment	**576,640**	**33,326**	**108,733**	**70,065**	**788,764**	**(788,764)**	**—**
Total	**1,257,981**	**912,711**	**824,047**	**515,790**	**3,510,529**	**(788,764)**	**2,721,765**
Depreciation and amortization	**(61,459)**	**(32,779)**	**(32,062)**	**(17,972)**	**(144,272)**	**3,859**	**(140,413)**
Impairment loss	**(217)**	**—**	**(160)**	**—**	**(377)**	**—**	**(377)**
Operating profit	**20,348**	**5,996**	**122,537**	**28,218**	**177,100**	**12,194**	**189,293**
Finance income	—	—	—	—	—	—	**4,271**
Finance costs	—	—	—	—	—	—	**(16,149)**
Profit before tax	—	—	—	—	—	—	**177,416**

(Note)

1. Intersegment revenue is based on arm's length pricing.
2. Revenue in the "Eliminations" column is intersegment revenue. Operating profit or 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.

(3) Information by product and service

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

Millions of yen		
2014		
Motorcycles and Power Products	Automobile Products	Total
90,084	228,605	318,689

Millions of yen			Thousands of U.S. dollars		
2015			**2015**		
Motorcycles and Power Products	Automobile Products	Total	Motorcycles and Power Products	Automobile Products	Total
96,466	**230,608**	**327,075**	**802,749**	**1,919,016**	**2,721,765**

(4) Information by region

Revenue to 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 to outside customers is classified by country and area based on geographic location.

i . Revenue to outside customers

Millions of yen					
2014					
Japan	USA	Thailand	China	Others	Total
61,413	95,647	33,431	57,888	70,311	318,689

Millions of yen						Thousands of U.S. dollars					
2015						**2015**					
Japan	USA	Thailand	China	Others	Total	Japan	USA	Thailand	China	Others	Total
54,176	**101,255**	**30,391**	**60,717**	**80,535**	**327,075**	**450,830**	**842,597**	**252,899**	**505,262**	**670,178**	**2,721,765**

ii . Non-current assets

Millions of yen					
April 1, 2013 (Transition date)					
Japan	USA	Thailand	China	Others	Total
34,359	16,148	12,878	10,161	18,255	91,800

Millions of yen					
2014					
Japan	USA	Thailand	China	Others	Total
33,053	17,837	13,414	12,143	23,767	100,214

Millions of yen						Thousands of U.S. dollars					
2015						**2015**					
Japan	USA	Thailand	China	Others	Total	Japan	USA	Thailand	China	Others	Total
32,010	**23,148**	**15,016**	**13,705**	**26,855**	**110,734**	**266,371**	**192,623**	**124,960**	**114,045**	**223,476**	**921,475**

(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 accounts for over 10% of consolidated revenue for the fiscal years ended March 31, 2014 and 2015 amounting to ¥274,286 million and ¥278,764 million ($ 2,319,747 thousand), respectively, and is included in revenue from outside customers in each of the Japan, Americas, Asia and China segments.

7. Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

	Millions of yen			Thousands of U.S. dollars
	April 1, 2013 (Transition date)	2014	**2015**	**2015**
Cash and deposits	19,900	23,730	**22,328**	**185,807**
Certificates of deposit with maturities of less than 3 months	8,400	5,700	**2,300**	**19,140**
Time deposits with maturities of less than 3 months	1,685	887	**4,666**	**38,830**
Total	29,985	30,318	**29,295**	**243,776**

The balance of "cash and cash equivalents" on the consolidated statement of financial position is consistent with "cash and cash equivalents" on the consolidated statement of cash flows.

8. Trade and Other Receivables

The breakdown of trade and other receivables is as follows:

	Millions of yen			Thousands of U.S. dollars
	April 1, 2013 (Transition date)	2014	**2015**	**2015**
Notes and trade receivables	41,754	43,332	**47,114**	**392,058**
Accrued receivables	3,292	3,962	**8,779**	**73,054**
Others	895	889	**724**	**6,027**
Allowance for doubtful accounts	(10)	(12)	**(16)**	**(130)**
Total	45,932	48,171	**56,601**	**471,009**
Current	45,494	47,792	**56,274**	**468,290**
Non-current	437	379	**327**	**2,720**
Total	45,932	48,171	**56,601**	**471,009**

9. Other Financial Assets

The breakdown of other financial assets is as follows:

	Millions of yen			Thousands of U.S. dollars
	April 1, 2013 (Transition date)	2014	**2015**	**2015**
Time deposits with maturities of more than three months	3,195	1,225	**3,768**	**31,356**
Derivatives	—	—	**0**	**0**
Equity instruments	5,756	12,453	**13,586**	**113,056**
Total	8,952	13,678	**17,354**	**144,412**
Current	3,195	1,225	**3,768**	**31,357**
Non-current	5,756	12,453	**13,586**	**113,056**
Total	8,952	13,678	**17,354**	**144,412**

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
	April 1, 2013 (Transition date)	2014	**2015**	**2015**
Renesas Electronics Corporation	—	6,558	**7,442**	**61,926**
Honda Motor Co., Ltd.	4,959	5,069	**5,444**	**45,302**
Mitsubishi UFJ Financial Group, Inc.	290	295	**387**	**3,218**
Others	508	531	**314**	**2,610**
Total	5,756	12,453	**13,586**	**113,056**

Of the above, there are no significant investments that were derecognized during the fiscal years ended March 31, 2014 and 2015.

10. Inventories

The breakdown of inventories is as follows:

	Millions of yen			Thousands of U.S. dollars
	April 1, 2013 (Transition date)	2014	**2015**	**2015**
Merchandise and finished products	12,173	13,358	**14,407**	**119,886**
Work in process	6,940	7,276	**8,460**	**70,403**
Raw materials and supplies	21,426	23,644	**29,654**	**246,766**
Total	40,539	44,278	**52,521**	**437,055**

The write-downs of inventories included in "cost of sales" during the fiscal years ended March 31, 2014 and 2015 are ¥2,620 million and ¥2,993 million ($24,904 thousand). There are no significant inventories pledged as security for liabilities.

11. 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, 2013	61,856	144,579	38,288	13,526	258,250
Acquisition	2,751	16,213	4,678	19,016	42,658
Sales or disposal	(594)	(4,447)	(2,309)	—	(7,350)
Transfer	—	—	—	(23,600)	(23,600)
Foreign currency translation adjustments	1,552	4,626	1,028	324	7,530
Others	39	(156)	19	35	(64)
As of March 31, 2014	**65,603**	**160,816**	**41,704**	**9,300**	**277,423**
Acquisition	**2,864**	**8,831**	**3,984**	**18,035**	**33,714**
Sales or disposal	**(229)**	**(5,321)**	**(2,762)**	**—**	**(8,312)**
Transfer	**—**	**—**	**—**	**(15,465)**	**(15,465)**
Foreign currency translation adjustments	**3,995**	**11,484**	**3,031**	**1,029**	**19,539**
Others	**111**	**(210)**	**433**	**(278)**	**56**
As of March 31, 2015	**72,344**	**175,600**	**46,391**	**12,621**	**306,955**

	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, 2014	**545,920**	**1,338,235**	**347,044**	**77,392**	**2,308,592**
Acquisition	**23,830**	**73,488**	**33,156**	**150,078**	**280,552**
Sales or disposal	**(1,909)**	**(44,277)**	**(22,982)**	**—**	**(69,168)**
Transfer	**—**	**—**	**—**	**(128,693)**	**(128,693)**
Foreign currency translation adjustments	**33,245**	**95,565**	**25,223**	**8,561**	**162,594**
Others	**925**	**(1,749)**	**3,601**	**(2,310)**	**467**
As of March 31, 2015	**602,011**	**1,461,262**	**386,043**	**105,027**	**2,554,343**

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, 2013	(28,835)	(110,751)	(31,874)	(171,460)
Depreciation	(1,832)	(8,584)	(3,875)	(14,291)
Impairment loss	(7)	(258)	(19)	(284)
Sales or disposal	410	4,247	2,207	6,864
Foreign currency translation adjustments	(801)	(3,199)	(822)	(4,822)
Others	21	65	59	145
As of March 31, 2014	**(31,044)**	**(118,481)**	**(34,324)**	**(183,849)**
Depreciation	**(1,916)**	**(9,339)**	**(4,293)**	**(15,548)**
Impairment loss	**(11)**	**(15)**	**(19)**	**(45)**
Sales or disposal	**210**	**5,253**	**2,661**	**8,125**
Foreign currency translation adjustments	**(2,000)**	**(8,060)**	**(2,351)**	**(12,411)**
Others	**(187)**	**(156)**	**(211)**	**(554)**
As of March 31, 2015	**(34,947)**	**(130,798)**	**(38,538)**	**(204,283)**

	Thousands of U.S. dollars			
	Land, buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Total
As of March 31, 2014	**(258,333)**	**(985,945)**	**(285,631)**	**(1,529,909)**
Depreciation	**(15,943)**	**(77,714)**	**(35,727)**	**(129,384)**
Impairment loss	**(89)**	**(128)**	**(160)**	**(377)**
Sales or disposal	**1,749**	**43,716**	**22,144**	**67,609**
Foreign currency translation adjustments	**(16,640)**	**(67,072)**	**(19,566)**	**(103,278)**
Others	**(1,559)**	**(1,297)**	**(1,757)**	**(4,613)**
As of March 31, 2015	**(290,815)**	**(1,088,440)**	**(320,697)**	**(1,699,953)**

Depreciation of property, plant and equipment is included in "cost of sales" and "selling, general and administrative expenses" in the consolidated statement of income. The information of impairment loss is disclosed in Note "13. Impairment Loss."

Carrying amount

		Land, buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Construction in progress	Total
As of April 1, 2013	(Millions of yen)	33,021	33,828	6,415	13,526	86,790
As of March 31, 2014	(Millions of yen)	34,559	42,335	7,380	9,300	93,574
As of March 31, 2015	(Millions of yen)	**37,396**	**44,802**	**7,853**	**12,621**	**102,672**
As of March 31, 2015	(Thousands of U.S. dollars)	**311,195**	**372,822**	**65,346**	**105,027**	**854,390**

(2) Collateral

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

12. 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, 2013	4,847	—	1,520	6,367
Acquisition	1,242	—	230	1,472
Increase arising from internal development	—	1,187	—	1,187
Sale or disposal	(587)	—	(121)	(708)
Foreign currency translation adjustments	86	—	9	95
Others	(1)	—	(13)	(13)
As of March 31, 2014	**5,588**	**1,187**	**1,625**	**8,399**
Acquisition	**860**	**—**	**20**	**881**
Increase arising from internal development	**—**	**1,973**	**—**	**1,973**
Sale or disposal	**(492)**	**—**	**—**	**(492)**
Foreign currency translation adjustments	**312**	**—**	**13**	**325**
Others	**91**	**(56)**	**(231)**	**(196)**
As of March 31, 2015	**6,359**	**3,105**	**1,427**	**10,891**

	Thousands of U.S. dollars			
	Software	Development expenses	Others	Total
As of March 31, 2014	**46,497**	**9,878**	**13,519**	**69,894**
Acquisition	**7,160**	**—**	**168**	**7,329**
Increase arising from internal development	**—**	**16,422**	**—**	**16,422**
Sale or disposal	**(4,092)**	**—**	**—**	**(4,092)**
Foreign currency translation adjustments	**2,598**	**—**	**108**	**2,705**
Others	**753**	**(463)**	**(1,920)**	**(1,630)**
As of March 31, 2015	**52,915**	**25,838**	**11,875**	**90,629**

Accumulated amortization and accumulated impairment loss

	Millions of yen			
	Software	Development expenses	Others	Total
As of April 1, 2013	(2,483)	—	(550)	(3,033)
Amortization	(745)	(12)	(240)	(997)
Impairment loss	(42)	—	—	(42)
Sale or disposal	581	—	121	703
Foreign currency translation adjustments	(58)	—	1	(58)
Others	2	—	24	26
As of March 31, 2014	**(2,744)**	**(12)**	**(644)**	**(3,400)**
Amortization	**(916)**	**(194)**	**(216)**	**(1,325)**
Impairment loss	**—**	**—**	**—**	**—**
Sale or disposal	**492**	**—**	**—**	**492**
Foreign currency translation adjustments	**(188)**	**—**	**(8)**	**(196)**
Others	**29**	**—**	**26**	**54**
As of March 31, 2015	**(3,328)**	**(206)**	**(842)**	**(4,376)**

	Thousands of U.S. dollars			
	Software	Development expenses	Others	Total
As of March 31, 2014	**(22,836)**	**(100)**	**(5,361)**	**(28,297)**
Amortization	**(7,620)**	**(1,613)**	**(1,795)**	**(11,029)**
Impairment loss	**—**	**—**	**—**	**—**
Sale or disposal	**4,092**	**—**	**—**	**4,092**
Foreign currency translation adjustments	**(1,568)**	**—**	**(66)**	**(1,634)**
Others	**238**	**—**	**213**	**451**
As of March 31, 2015	**(27,695)**	**(1,713)**	**(7,009)**	**(36,417)**

*1 The amortization of intangible assets is included in "cost of sales" and "selling, general and administrative expenses" in the consolidated statement of income. The breakdown of impairment loss is stated in Note "13. Impairment Loss."

*2 Capitalized development expenses recognized as intangible assets during the fiscal years ended March 31, 2014 and 2015 are ¥1,187 million and ¥1,973 million ($16,422thousand) respectively. Total expenses related to research and development activities during the fiscal years ended March 31, 2014 and 2015 are ¥17,804 million and ¥18,606 million ($154,834thousand), respectively.

Carrying amount

		Software	Development expenses	Others	Total
As of April 1, 2013	(Millions of yen)	2,365	—	969	3,334
As of March 31, 2014	(Millions of yen)	2,843	1,175	980	4,999
As of March 31, 2015	**(Millions of yen)**	**3,031**	**2,899**	**585**	**6,515**
As of March 31, 2015	**(Thousands of U.S. dollars)**	**25,220**	**24,125**	**4,866**	**54,212**

13. Impairment Loss

For the fiscal year ended March 31, 2014

The Group recognized an impairment loss of ¥326 million during the fiscal year ended March 31, 2014.

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 segments are "Japan" and "Asia." The amounts recognized in each reporting segment are stated in Note "6. Segment Information."

For the fiscal year ended March 31, 2015

The Group recognized an impairment loss of ¥45 million ($ 377 thousand) during the fiscal year ended March 31, 2015.

Impairment losses were mainly recognized on tools, furniture and fixtures, 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 segments are "Japan" and "Asia." The amount recognized in each reporting segment is stated in Note "6. Segment Information."

14. 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, 2014

	Millions of yen			
	As of April 1, 2013	Recognized in profit or loss (Note)	Recognized in other comprehensive income	As of March 31, 2014
Deferred tax assets				
Inventories	633	539	—	1,172
Property, plant and equipment and intangible assets	2,088	693	—	2,782
Accrued expenses	992	(165)	—	827
Retirement benefits	419	23	(131)	312
Unused tax losses	82	313	—	396
Others	666	(108)	—	558
Total deferred tax assets	4,880	1,297	(131)	6,046
Deferred tax liabilities				
Property, plant and equipment and intangible assets	2,191	711	—	2,902
Financial assets measured at fair value through other comprehensive income	1,659	(3)	979	2,635
Undistributed retained earnings of foreign subsidiaries	469	306	—	775
Others	247	(55)	—	192
Total deferred tax liabilities	4,565	958	979	6,503

Foreign currency translation adjustments are included in the amounts recognized in profit or loss.

For the fiscal year ended March 31, 2015

	Millions of yen			
	As of April 1, 2014	Recognized in profit or loss (Note)	Recognized in other comprehensive income	As of March 31, 2015
Deferred tax assets				
Inventories	**1,172**	**470**	—	**1,642**
Property, plant and equipment and intangible assets	**2,782**	**(333)**	—	**2,449**
Accrued expenses	**827**	**(79)**	—	**748**
Retirement benefits	**312**	**148**	**25**	**485**
Unused tax losses	**396**	**(373)**	—	**23**
Others	**558**	**(136)**	—	**422**
Total deferred tax assets	**6,046**	**(302)**	**25**	**5,769**
Deferred tax liabilities				
Property, plant and equipment and intangible assets	**2,902**	**376**	—	**3,277**
Financial assets measured at fair value through other comprehensive income	**2,635**	**2**	**1,057**	**3,695**
Undistributed retained earnings of foreign subsidiaries	**775**	**(241)**	—	**534**
Retirement benefits	—	**97**	**260**	**357**
Others	**192**	**(138)**	—	**54**
Total deferred tax liabilities	**6,503**	**96**	**1,317**	**7,916**

Foreign currency translation adjustments are included in the amounts recognized in profit or loss.

	Thousands of U.S. dollars			
	As of April 1, 2014	Recognized in profit or loss (Note)	Recognized in other comprehensive income	As of March 31, 2015
Deferred tax assets				
Inventories	**9,749**	**3,915**	**—**	**13,664**
Property, plant and equipment and intangible assets	**23,149**	**(2,767)**	**—**	**20,381**
Accrued expenses	**6,886**	**(661)**	**—**	**6,225**
Retirement benefits	**2,592**	**1,230**	**210**	**4,033**
Unused tax losses	**3,293**	**(3,101)**	**—**	**192**
Others	**4,644**	**(1,129)**	**—**	**3,515**
Total deferred tax assets	**50,313**	**(2,513)**	**210**	**48,009**
Deferred tax liabilities				
Property, plant and equipment and intangible assets	**24,147**	**3,126**	**—**	**27,273**
Financial assets measured at fair value through other comprehensive income	**21,925**	**20**	**8,800**	**30,745**
Undistributed retained earnings of foreign subsidiaries	**6,451**	**(2,009)**	**—**	**4,443**
Retirement benefits	**—**	**805**	**2,164**	**2,969**
Others	**1,595**	**(1,147)**	**—**	**447**
Total deferred tax liabilities	**54,118**	**795**	**10,963**	**65,877**

Foreign currency translation adjustments are included in the amounts recognized in profit or loss.

(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
	April 1, 2013 (Transition date)	2014	**2015**	**2015**
Deductible temporary differences	21,886	22,748	**21,010**	**174,839**
Unused tax losses	13,694	8,501	**18,014**	**149,905**
Unused tax credits	3,851	4,199	**4,365**	**36,328**

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

	Millions of yen			Thousands of U.S. dollars
	April 1, 2013 (Transition date)	2014	**2015**	**2015**
1st year	—	—	**—**	**—**
2nd year	—	—	**351**	**2,924**
3rd year	—	301	**202**	**1,678**
4th year	428	796	**2,039**	**16,965**
5th year and thereafter	13,266	7,404	**15,422**	**128,338**
Total	13,694	8,501	**18,014**	**149,905**

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

	Millions of yen			Thousands of U.S. dollars
	April 1, 2013 (Transition date)	2014	**2015**	**2015**
1st year	2,006	2,110	**2,166**	**18,025**
2nd year	902	887	**1,055**	**8,779**
3rd year	883	1,122	**1,106**	**9,201**
4th year	60	56	**4**	**33**
5th year and thereafter	—	24	**34**	**290**
Total	3,851	4,199	**4,365**	**36,328**

(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
	April 1, 2013 (Transition date)	2014	**2015**	**2015**
Temporary differences associated with investments in subsidiaries for which no deferred tax liabilities are recognized	61,087	72,428	**95,883**	**797,894**

(4) Income taxes

The breakdown of income tax expense is as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	**2015**	**2015**
Current income tax	(6,671)	**(7,070)**	**(58,830)**
Deferred income tax	455	**(599)**	**(4,983)**
Total	(6,216)	**(7,668)**	**(63,813)**

(5) Reconciliation between the applicable and effective tax rate

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

	2014	**2015**
Applicable tax rate (*1)	37.4%	**35.0%**
Different tax rates applied to foreign subsidiaries	(16.6%)	**(15.4%)**
Undistributed retained earnings of foreign subsidiaries	4.0%	**2.5%**
Foreign tax	5.4%	**5.3%**
Temporary differences on elimination in profit or loss resulting from intra-group transactions	2.7%	**1.2%**
Changes in unrecognized deferred tax assets	(1.8%)	**5.8%**
Impact of tax rate change (*1, *2)	0.1%	**(0.4%)**
Others	1.0%	**1.9%**
Effective tax rate	32.2%	**36.0%**

*1 The Company's income tax expense mainly arises from corporation tax, inhabitants' tax and enterprise tax. The corresponding applicable tax rate based on these taxes changed from 37.4% for the fiscal year ended March 31, 2014 to 35.03% for the fiscal year ended March 31, 2015. The applicable tax rates for subsidiaries are calculated pursuant to local tax laws, etc., of the respective countries or jurisdictions. On March 20, 2014, the "Act for Partial Amendment of the Income Tax Act, etc." was enacted by the National Diet of Japan, and the Special Reconstruction Corporation Tax is no longer imposed from fiscal years commencing on or after April 1, 2014. As a result, the tax rate applicable to the Company and its domestic subsidiaries has changed from the tax rate in the fiscal year ended March 31, 2014.

*2 On March 31, 2015, the “Act for Partial Amendment of the Income Tax Act. etc.” and the “Act for Partial Amendment of the Local Tax Act, etc.” were enacted by the National Diet of Japan, and the applicable tax rate has changed from fiscal years commencing on or after April 1, 2015. As a result, the applicable tax rate used by the Company for the calculation of deferred tax assets and deferred tax liabilities as of March 31, 2015 changed to 32.48% for the temporary differences to be eliminated from April 1, 2015 to March 31 2016 and to 31.67% for the temporary differences to be eliminated from April 1, 2016.

15. Trade and other payables

The breakdown of trade and other payables is as follows:

	Millions of yen			Thousands of U.S. dollars
	April 1, 2013 (Transition date)	2014	**2015**	**2015**
Note and trade account payables	27,960	30,098	**31,707**	**263,849**
Accrued expenses	13,508	13,251	**13,698**	**113,989**
Accrued payments	4,041	3,898	**4,141**	**34,463**
Total	45,509	47,247	**49,546**	**412,300**

16. Loans

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

	Millions of yen				Thousands of U.S. dollars
	April 1, 2013 (Transition date)	2014	**2015**	Average Interest rate (Note)	**2015**
Short-term loans	8,601	7,776	**9,568**	3.46%	**79,617**
Long-term loans to be repaid within one year	1,141	2,205	**2,779**	0.97%	**23,130**
Long-term loans	6,377	5,739	**3,194**	1.20%	**26,580**
Total	16,118	15,720	**15,541**	-	**129,327**
Current	9,741	9,981	**12,347**		**102,747**
Non-current	6,377	5,739	**3,194**		**26,580**
Total	16,118	15,720	**15,541**		**129,327**

The average interest rate is based on the weighted-average rate calculated based on the interest rates and the balances as of March 31, 2015.

17. Other Financial Liabilities

The breakdown of other financial liabilities is as follows:

	Millions of yen			Thousands of U.S. dollars
	April 1, 2013 (Transition date)	2014	**2015**	**2015**
Derivatives	112	67	**48**	**397**
Finance lease obligations	220	215	**388**	**3,231**
Total	331	282	**436**	**3,628**
Current	139	111	**278**	**2,317**
Non-current	192	171	**158**	**1,311**
Total	331	282	**436**	**3,628**

18. Provisions

The breakdown of provisions is as follows:

	Millions of yen			Thousands of U.S. dollars
	April 1, 2013 (Transition date)	2014	**2015**	**2015**
Warranty provisions	300	606	**375**	**3,117**
Others	164	583	**172**	**1,431**
Total	463	1,189	**547**	**4,548**
Current	300	1,014	**375**	**3,117**
Non-current	164	175	**172**	**1,431**
Total	463	1,189	**547**	**4,548**

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, 2014	**606**	**583**	**1,189**
Increase during the fiscal year	**262**	**31**	**293**
Interest cost associated with passage of time	**—**	**1**	**1**
Decrease due to intended use	**(402)**	**(436)**	**(838)**
Reversal during the fiscal year	**(123)**	**(22)**	**(145)**
Foreign currency translation adjustments	**31**	**16**	**46**
As of March 31, 2015	**375**	**172**	**547**

	Thousands of U.S. dollars		
	Warranty provisions	Others	Total
As of April 1, 2014	**5,045**	**4,849**	**9,894**
Increase during the fiscal year	**2,184**	**254**	**2,438**
Interest cost associated with passage of time	**—**	**7**	**7**
Decrease due to intended use	**(3,345)**	**(3,628)**	**(6,973)**
Reversal during the fiscal year	**(1,023)**	**(181)**	**(1,203)**
Foreign currency translation adjustments	**256**	**129**	**385**
As of March 31, 2015	**3,117**	**1,431**	**4,548**

19. 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
	April 1, 2013 (Transition date)	2014	**2015**	**2015**
Present value of defined benefit obligations	43,014	43,924	**48,758**	**405,739**
Fair value of plan assets	35,446	40,396	**47,240**	**393,110**
Defined benefit liability (net)	7,568	3,528	**2,614**	**21,753**
Defined benefit asset (net)	—	—	**1,096**	**9,123**

(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, 2013	**43,014**	
Service cost	2,126	
Interest cost	505	
Actuarial gain or loss		
Changes in demographic assumptions	58	
Changes in financial assumptions	(496)	
Experience adjustments	(891)	
Benefits paid	(1,612)	
Others	957	
Foreign currency translation adjustments	264	
As of March 31, 2014	**43,924**	**365,517**
Service cost	**2,282**	**18,990**
Interest cost	**583**	**4,849**
Actuarial gain or loss		
Changes in demographic assumptions	**122**	**1,011**
Changes in financial assumptions	**1,722**	**14,332**
Experience adjustments	**1,462**	**12,167**
Benefits paid	**(2,024)**	**(16,840)**
Foreign currency translation adjustments	**687**	**5,713**
As of March 31, 2015	**48,758**	**405,739**

(c) Significant actuarial assumptions and sensitivity analysis

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

	April 1, 2013 (Transition date)	2014	**2015**
Discount rate	1.0%	1.1%	**1.1%**

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
		April 1, 2013 (Transition date)	2014	**2015**	**2015**
Discount rate	Increase of 0.5%	(2,315)	(2,273)	**(2,465)**	**(20,510)**
	Decrease of 0.5%	2,562	2,508	**2,720**	**22,637**

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 statement 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:

	April 1, 2013 (Transition date)	2014	**2015**
Weighted average duration	11.1 years	11.3 years	**12.5 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, 2013	**35,446**	
Contributions by the employer	3,454	
Benefits paid	(1,551)	
Interest revenue (Note)	407	
Return on plan assets (excluding interest revenue)	2,429	
Foreign currency translation adjustments	212	
As of March 31, 2014	**40,396**	**336,158**
Contributions by the employer	**3,616**	**30,092**
Benefits paid	**(1,947)**	**(16,202)**
Interest revenue (Note)	**560**	**4,662**
Return on plan assets (excluding interest revenue)	**4,119**	**34,276**
Foreign currency translation adjustments	**496**	**4,123**
As of March 31, 2015	**47,240**	**393,110**

Interest revenue 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 ¥2,978 million ($24,778 thousand) to plan assets in the fiscal year ending March 31, 2016.

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

	Millions of yen					
	April 1, 2013 (Transition date)		2014		**2015**	
	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)	4,660	7,606	3,916	9,524	**6,209**	**7,394**
Bonds (Note)	1,676	9,479	3,085	13,713	**4,686**	**13,101**
General accounts of life insurance companies	—	2,187	—	2,413	—	**2,596**
Hedge funds	—	4,925	—	2,272	—	**5,429**
Cash and cash equivalents	3,222	—	3,803	—	**6,022**	—
Others	24	1,667	23	1,647	**20**	**1,785**
Total	9,582	25,864	10,827	29,569	**16,936**	**30,304**

	Thousands of U.S. dollars	
	2015	
	Quoted price in an active market is available	No quoted price in an active market is available
Stocks (Note)	**51,667**	**61,527**
Bonds (Note)	**38,992**	**109,016**
General accounts of life insurance companies	—	**21,604**
Hedge funds	—	**45,177**
Cash and cash equivalents	**50,109**	—
Others	**165**	**14,851**
Total	**140,934**	**252,176**

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
	2014	**2015**	**2015**
Service cost	(2,126)	**(2,282)**	**(18,990)**
Net interest	(99)	**(23)**	**(187)**
Total	(2,225)	**(2,305)**	**(19,178)**

These costs are included in "cost of sales" and "selling, general and administrative expenses" in the consolidated statement 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, 2014 and 2015 is as follows. The cost is included in "cost of sales" and "selling, general and administrative expenses" in the consolidated statement of income.

	Millions of yen		Thousands of U.S. dollars
	2014	**2015**	**2015**
Contributions	(350)	**(428)**	**(3,563)**

20. Equity and Other Equity Items

(1) Number of shares authorized

The number of shares authorized is as follows:

	April 1, 2013 (Transition date)	2014	**2015**
Number of shares authorized (shares)	240,000,000	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.

	April 1, 2013 (Transition date)	2014	**2015**
Total number of shares issued (share)	73,985,246	73,985,246	**73,985,246**

(3) Treasury stock

Number of treasury stock is as follows:

	April 1, 2013 (Transition date)	2014	**2015**
Number of treasury stock (shares)	24,244	24,780	**25,378**

(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 or 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) Remeasurements of net benefit defined benefit liabilities (assets)

Remeasurements 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). Remeasurements 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.

21. Selling, General and Administrative Expenses

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

	Millions of yen		Thousands of U.S. dollars
	2014	**2015**	**2015**
Employee benefit expenses	(10,412)	**(10,776)**	**(89,676)**
Freight and packing expenses	(3,400)	**(3,694)**	**(30,737)**
Depreciation and amortization	(1,220)	**(1,209)**	**(10,060)**
Others	(12,326)	**(11,007)**	**(91,592)**
Total	(27,357)	**(26,685)**	**(222,064)**

22. Other income and Other expenses

(1) Other income

The Group recognized gains on sales of property, plant and equipment of ¥132 million and ¥286 million ($2,379 thousand) for the fiscal years ended March 31, 2014 and 2015, respectively.
There is no additional significant other income.

(2) Other expenses

The Group recognized impairment losses of ¥326 million and ¥45 million ($377 thousand) for the fiscal years ended March 31, 2014 and 2015, respectively. The breakdown of impairment loss is presented in Note "13 Impairment Loss."

The Group recognized expenses for production restructuring of subsidiaries of ¥406 million for the fiscal year ended March 31, 2014. There are no additional significant other expenses.

23. Finance Income and Finance Costs

(1) Finance income

The breakdown of finance income is as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	**2015**	**2015**
Interest income	295	**376**	**3,132**
Dividend income	122	**137**	**1,140**
Total	417	**513**	**4,271**

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.

(2) Finance costs

The breakdown of finance costs is as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	**2015**	**2015**
Interest costs	(435)	**(490)**	**(4,082)**
Foreign exchange loss	(199)	**(1,450)**	**(12,067)**
Total	(635)	**(1,941)**	**(16,149)**

24. 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.

		2014	**2015**
Earnings per share attributable to owners of the parent	(Millions of yen)	10,430	**11,051**
Weighted average number of ordinary shares outstanding during the year	(shares)	73,960,722	**73,960,167**
Basic earnings per share	(yen)	141.02	**149.42**

25. 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 them are disclosed as "cost of sales" and "selling, general and administrative expenses" in the consolidated statement of income. The total amounts are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	**2015**	**2015**
Employee benefit costs	(75,643)	**(79,775)**	**(663,848)**
Depreciation and amortization	(15,288)	**(16,873)**	**(140,413)**

26. Other Comprehensive Income

The amount of changes and income tax relating to each items for each year including non-controlling interests are as follows:

	Millions of yen		
	2014		
	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	5,695	(979)	4,716
Subtotal	5,695	(979)	4,716
Remeasurements of the net defined benefit liabilities (assets)			
Amount arising during the year	3,759	(94)	3,664
Subtotal	3,759	(94)	3,664
Items that may be reclassified to profit or loss			
Foreign currency translation adjustments			
Amount arising during the year	5,884	—	5,884
Subtotal	5,884	—	5,884
Total other comprehensive income	**15,338**	**(1,074)**	**14,264**

	Millions of yen		
	2015		
	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	**1,274**	**(1,057)**	**217**
Subtotal	**1,274**	**(1,057)**	**217**
Remeasurements of the net defined benefit liabilities (assets)			
Amount arising during the year	**813**	**(235)**	**578**
Subtotal	**813**	**(235)**	**578**
Items that may be reclassified to profit or loss			
Foreign currency translation adjustments			
Amount arising during the year	**15,272**	—	**15,272**
Subtotal	**15,272**	—	**15,272**
Total other comprehensive income	**17,360**	**(1,292)**	**16,067**

	Thousands of U.S. dollars		
	2015		
	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	**10,603**	**(8,800)**	**1,803**
Subtotal	**10,603**	**(8,800)**	**1,803**
Remeasurements of the net defined benefit liabilities (assets)			
Amount arising during the year	**6,766**	**(1,954)**	**4,812**
Subtotal	**6,766**	**(1,954)**	**4,812**
Items that may be reclassified to profit or loss			
Foreign currency translation adjustments			
Amount arising during the year	**127,089**	—	**127,089**
Subtotal	**127,089**	—	**127,089**
Total other comprehensive income	**144,459**	**(10,753)**	**133,705**

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

27. Dividends

For the fiscal year ended March 31, 2014

(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 21, 2013 Annual Shareholders Meeting	Ordinary shares	1,035	14	March 31, 2013	June 24, 2013	Retained earnings
October 31, 2013 Board of Directors	Ordinary shares	1,109	15	September 30, 2013	November 29, 2013	Retained earnings

(2) Dividends with a record date in the fiscal year ended March 31, 2014 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 20, 2014 Annual Shareholders Meeting	Ordinary shares	1,183	16	March 31, 2014	June 23, 2014	Retained earnings

For the fiscal year ended March 31, 2015

(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 20, 2014 Annual Shareholders Meeting	**Ordinary shares**	**1,183**	**16**	**March 31, 2014**	**June 23, 2014**	**Retained earnings**
November 10, 2014 Board of Directors	**Ordinary shares**	**1,257**	**17**	**September 30, 2014**	**November 28, 2014**	**Retained earnings**

(2) **Dividends with a record date in the fiscal year ended March 31, 2015 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 19, 2015 Annual Shareholders Meeting	**Ordinary shares**	**1,257**	**17**	**March 31, 2015**	**June 22, 2015**	**Retained earnings**

For the fiscal year ended March 31, 2015

(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 20, 2014 Annual Shareholders Meeting	**Ordinary shares**	**9,847**	**0.13**	**March 31, 2014**	**June 23, 2014**	**Retained earnings**
November 10, 2014 Board of Directors	**Ordinary shares**	**10,463**	**0.14**	**September 30, 2014**	**November 28, 2014**	**Retained earnings**

(2) **Dividends with a record date in the fiscal year ended March 31, 2015 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 19, 2015 Annual Shareholders Meeting	**Ordinary shares**	**10,463**	**0.14**	**March 31, 2015**	**June 22, 2015**	**Retained earnings**

28. Financial Instruments

Financial assets measured at fair value through profit or loss are referred to as "FVTPL financial assets," financial assets measured at fair value through other comprehensive income are referred to as "FVTOCI 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 equal the respective carrying amount.

	April 1, 2013 (Transition date)		2014		**2015**	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Long-term loans payable	7,517	7,535	7,944	7,996	**5,974**	**5,992**

	Thousands of U.S. dollars	
	2015	
	Carrying amount	Fair value
Long-term loans payable	**49,710**	**49,865**

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.

(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)," and "other financial liabilities (current)" in the consolidated statement of financial position, respectively

As of April 1, 2013

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Assets:				
FVTPL financial assets				
Derivatives	—	—	—	—
FVTOCI financial assets				
Equity instruments	5,329	—	427	5,756
Total	5,329	—	427	5,756
Liabilities:				
FVTPL financial liabilities				
Derivatives	—	112	—	112
Total	—	112	—	112

As of March 31, 2014

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Assets:				
FVTPL financial assets				
Derivatives	—	—	—	—
FVTOCI financial assets				
Equity instruments	12,026	—	427	12,453
Total	12,026	—	427	12,453
Liabilities:				
FVTPL financial liabilities				
Derivatives	—	67	—	67
Total	—	67	—	67

As of March 31, 2015

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Assets:				
FVTPL financial assets				
Derivatives	—	**0**	—	**0**
FVTOCI financial assets				
Equity instruments	**13,389**	—	**197**	**13,586**
Total	**13,389**	**0**	**197**	**13,586**
Liabilities:				
FVTPL financial liabilities				
Derivatives	—	**48**	—	**48**
Total	—	**48**	—	**48**

	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Assets:				
FVTPL financial assets				
Derivatives	—	**0**	—	**0**
FVTOCI financial assets				
Equity instruments	**111,414**	—	**1,642**	**113,056**
Total	**111,414**	**0**	**1,642**	**113,056**
Liabilities:				
FVTPL financial liabilities				
Derivatives	—	**397**	—	**397**
Total	—	**397**	—	**397**

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

Financial instruments classified as Level 2 are forward exchange contracts. The fair value of forward exchange contracts 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 operates business activities on a global scale and conducts buying and selling transactions in foreign currencies. As a result, the Group has 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, in principle, uses foreign currency forward exchange contracts for exchange fluctuation risks that have been monitored according to each currency and on a monthly base. 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. Such effects include the effects of foreign currency forward exchange contracts entered into to reduce the foreign currency exchange rate risk. 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
	2014	**2015**	**2015**
Profit before tax	(8)	**(62)**	**(515)**

(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 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
	2014	**2015**	**2015**
Other comprehensive income (before tax effects)	(1,203)	**(1,339)**	**(11,141)**

(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 statement of financial position is the maximum exposure to credit risk.

(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 statement 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.

April 1, 2013 (Transition date)

	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	16,118	16,246	9,762	2,254	2,213	1,012	1,005	—
Other financial liabilities								
Derivatives	112	112	112	—	—	—	—	—
Lease obligations	220	252	34	56	25	25	25	87
Guarantee obligations	—	266	266	—	—	—	—	—
Total	16,449	16,876	10,173	2,309	2,239	1,037	1,030	87

As of March 31, 2014

	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
Loan	15,720	15,924	10,080	2,607	1,561	1,543	133	—
Other financial liabilities								
Derivatives	67	67	67	—	—	—	—	—
Lease obligations	215	241	50	54	25	25	25	61
Guarantee obligations	—	269	269	—	—	—	—	—
Total	16,002	16,500	10,466	2,661	1,586	1,568	158	61

As of March 31, 2015

	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	**15,541**	**15,653**	**12,413**	**1,630**	**1,610**	—	—	—
Other financial liabilities								
Derivatives	**48**	**48**	**48**	—	—	—	—	—
Lease obligations	**388**	**408**	**236**	**61**	**25**	**25**	**25**	**36**
Guarantee obligations	—	**242**	**242**	—	—	—	—	—
Total	**15,977**	**16,351**	**12,938**	**1,691**	**1,636**	**25**	**25**	**36**

	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	**129,327**	**130,258**	**103,293**	**13,565**	**13,400**	—	—	—
Other financial liabilities								
Derivatives	**397**	**397**	**397**	—	—	—	—	—
Lease obligations	**3,231**	**3,398**	**1,962**	**505**	**211**	**211**	**211**	**298**
Guarantee obligations	—	**2,016**	**2,016**	—	—	—	—	—
Total	**132,955**	**136,069**	**107,668**	**14,071**	**13,611**	**211**	**211**	**298**

29. 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
	April 1, 2013 (Transition date)	2014	**2015**	**2015**
Capital	124,419	147,774	**169,381**	**1,409,514**
Total liabilities and equity	227,117	245,740	**274,269**	**2,282,343**
Equity ratio	54.8%	60.1%	**61.8%**	**61.8%**

There is no significant externally imposed capital requirement.

30. Related Parties

(1) Transactions with related parties

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

April 1, 2013 (Transition date)

Type	Name of related parties	Content of transactions	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.	5,228
		Purchase of raw materials, etc.	218
Other related party	Honda of America Manufacturing, Inc.	Sales of products, such as fuel injection system, etc.	3,827

For the fiscal year ended March 31, 2014

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.	44,665	6,163
		Purchase of raw materials, etc.	1,696	188
Other related party	Honda of America Manufacturing, Inc.	Sales of products, such as fuel injection system, etc.	39,940	4,256

For the fiscal year ended March 31, 2015

Type	Name of related parties	Content of transactions	Millions of yen	
			Transaction amount	Outstanding balance
A company with significant influence on the Company	Honda Motor Co., Ltd.	Sales of products, such as fuel injection system, etc.	37,791	5,157
		Purchase of raw materials, etc.	1,170	147
Other related party	Honda of America Manufacturing, Inc.	Sales of products, such as fuel injection system, etc.	39,494	6,681

Type	Name of related parties	Content of transactions	Thousands of U.S. dollars	
			Transaction amount	Outstanding balances
A company with significant influence on the Company	Honda Motor Co., Ltd.	Sales of products, such as fuel injection system, etc.	314,480	42,914
		Purchase of raw materials, etc.	9,738	1,221
Other related party	Honda of America Manufacturing, Inc.	Sales of products, such as fuel injection system, etc.	328,647	55,600

(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
	2014	**2015**	**2015**
Base compensation and bonus	(339)	**(341)**	**(2,841)**

31. 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
	April 1, 2013 (Transition date)	2014	**2015**	**2015**
Honda Housing Mutual Aid Society	254	254	**230**	**1,911**
Earthquake housing loan program	12	15	**13**	**105**
Total	266	269	**242**	**2,016**

32. Subsequent Event

Not applicable.

33. Commitments

Not applicable.

34. Composition of the Group

(1) Composition of the Group

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

Reporting segment	Number of companies		
	April 1, 2013 (Transition date)	2014	**2015**
Japan	13	13	**13**
Americas	7	7	**7**
Asia	10	10	**10**
China	3	3	**4**
Total	33	33	**34**

(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		
			April 1, 2013 (Transition date)	2014	2015
Keihin Sakura Corporation	Miyagi Prefecture	Japan	100.00%	100.00%	100.00%
Keihin Nasu Corporation *2	Tochigi Prefecture	Japan	100.00%	100.00%	100.00%
Keihin Watari Co., Ltd.	Miyagi Prefecture	Japan	100.00%	100.00%	100.00%
Keihin Electronics Technology, Inc.	Miyagi Prefecture	Japan	100.00%	100.00%	100.00%
Keihin Valve Corp.	Kanagawa Prefecture	Japan	51.00%	51.00%	51.00%
Keihin Thermal Technology Corporation	Tochigi Prefecture	Japan	60.00%	100.00%	100.00%
Keihin Thermal Technology of America, Inc.	U.S.A.	Japan	60.00% (100.00%)	100.00%	100.00%
Keihin Thermal Technology (Thailand) Co., Ltd.	Thailand	Japan	58.50% (97.50%)	97.50%	97.50%
Keihin-Grand Ocean Thermal Technology (Dalian) Co., Ltd.	China	Japan	33.00% (55.00%)	55.00%	55.00%
Keihin Thermal Technology Czech, s.r.o.	Czech Republic	Japan	60.00% (100.00%)	100.00%	100.00%
Keihin Europe Ltd.	United Kingdom	Japan	100.00%	100.00%	100.00%
Keihin Sales and Development Europe GmbH	Germany	Japan	100.00%	100.00%	100.00%
Keihin North America, Inc.	U.S.A.	Americas	75.10%	75.10%	75.10%
Keihin Carolina System Technology, LLC.	U.S.A.	Americas	75.10% (100.00%)	75.10% (100.00%)	75.10% (100.00%)
Keihin Aircon North America, Inc.	U.S.A.	Americas	80.08% (100.00%)	80.08% (100.00%)	80.08% (100.00%)
Keihin IPT Manufacturing, LLC.	U.S.A.	Americas	75.10% (100.00%)	75.10% (100.00%)	75.10% (100.00%)
Keihin Michigan Manufacturing, LLC.	U.S.A.	Americas	75.10% (100.00%)	75.10% (100.00%)	75.10% (100.00%)

Company name	Location	Reporting segment	Ownership interests *1		
			April 1, 2013 (Transition date)	2014	2015
Keihin de Mexico S.A. de C.V.	Mexico	Americas	100.00%	100.00%	100.00%
Keihin Tecnologia do Brasil Ltda.	Brazil	Americas	70.00%	70.00%	70.00%
Keihin Asia Bangkok Co., Ltd.	Thailand	Asia	100.00%	100.00%	100.00%
Keihin (Thailand) Co., Ltd.	Thailand	Asia	57.02%	57.02%	57.02%
Keihin Auto Parts (Thailand) Co., Ltd.	Thailand	Asia	85.00%	85.00%	85.00%
PT Keihin Indonesia	Indonesia	Asia	100.00%	100.00%	100.00%
Keihin India Manufacturing Pvt. Ltd. *3	India	Asia	100.00%	100.00%	100.00%
Keihin FIE Pvt. Ltd.	India	Asia	74.00%	74.00%	74.00%
Keihin Automotive Systems India Pvt. Ltd.	India	Asia	100.00%	100.00%	100.00%
Keihin Vietnam Co., Ltd.	Vietnam	Asia	100.00%	100.00%	100.00%
Taiwan Keihin Carburetor Co., Ltd.	Taiwan	Asia	51.00%	51.00%	51.00%
Keihin Malaysia Manufacturing SDN. BHD.	Malaysia	Asia	100.00%	100.00%	100.00%
Nanjing Keihin Carburetor Co., Ltd.	China	China	100.00%	100.00%	100.00%
Dongguan Keihin Engine Management System Co., Ltd.	China	China	100.00%	100.00%	100.00%
Keihin R&D China Co., Ltd.	China	China	100.00%	100.00%	100.00%
Keihin (Wuhan) Automotive Components Co., Ltd. *4	China	China	—	—	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 brackets.
*2 In April 2014, Nasu Seiki Manufacturing Co., Ltd. was renamed Keihin Nasu Corporation.
*3 In November 2013, Keihin Panalfa Ltd. was renamed Keihin India Manufacturing Pvt. Ltd.
*4 Keihin (Wuhan) Automotive Components Co., Ltd. is newly included in the scope of consolidation on July 4, 2014 by 100% investment from Dongguan Keihin Engine Management System Co., Ltd which is wholly owned by the Company.

(3) Changes in ownership interests

For the fiscal year ended March 31, 2014

In an effort to become more cost-competitive, enhance the ability to develop products and, manufacture more competitive products in one of its core businesses, the Air Conditioning Business, the Company acquired from Showa Denko K.K. equity interests in Keihin Thermal Technology Corporation, which had already been controlled by the Company.

As a result, ownership interests in the company changed from 60% to 100%.

The transaction is treated as an equity transaction. The details are as follows:

Title	Millions of yen
Increase of total equity of attributable to owners of the parent (Decrease in non-controlling interests)	5,769
Acquisition costs	(3,699)
Increase in capital surplus	2,070

For the fiscal year ended March 31, 2015

Not applicable.

35. First-time Adoption

The Group has disclosed its consolidated financial statements in accordance with IFRS from the current fiscal year (from April 1, 2014 to March 31, 2015). The most recent consolidated financial statements prepared in accordance with Japanese Generally Accepted Accounting Principles (hereinafter Japanese GAAP) are those relating to the fiscal year ended March 31, 2014, and the date of transition to IFRS is April 1, 2013.

Exemptions under IFRS 1

IFRS stipulates that, in principle, a company that adopts IFRS for the first time (hereinafter the “First-time Adopter”) shall apply standards required by IFRS retrospectively. However, IFRS 1 “First-time Adoption of International Financial Reporting Standards” (hereinafter “IFRS 1”) allows some exemptions on the retrospective application of certain standards required by IFRS, and the Group adopts the following exemptions.

(1) Foreign currency translation adjustments

IFRS 1 allows a First-time Adopter the option of deeming the cumulative foreign currency translation adjustments to be zero at the date of transition to IFRS. The Group has adopted this exemption, and the cumulative foreign currency translation adjustments are deemed to be zero at the date of transition to IFRS.

(2) Business combinations

In IFRS 1, a First-time Adopter may select either the method to apply IFRS 3 “Business Combinations” (hereinafter “IFRS 3”) retrospectively to all business combinations that occurred before the date of transition to IFRS, or the method to apply IFRS 3 from the specific business combinations that occurred on or before the date of transition to IFRS.
The Group has chosen to use the method to apply IFRS 3 retrospectively to the business combinations that occurred on and after January 1, 2012. In association with this, the Group has also applied IFRS 10 “Consolidated Financial Statements” (hereinafter “IFRS 10”) from the same date.

Reconciliation of equity as of the transition date to IFRS (April 1, 2013)

Japanese GAAP	Japanese GAAP	Reconciliation amount	IFRS	Notes	IFRS
	Millions of yen	Millions of yen	Millions of yen		
Assets					Assets
Current assets					Current assets
Cash and deposits	18,874	11,111	29,985	F	Cash and cash equivalents
Securities	8,400	(8,400)	—	F	
Trade notes and accounts receivables	39,124	6,370	45,494		Trade and other current receivables
	—	3,195	3,195		Other current financial assets
Merchandise and finished products	11,958	28,581	40,539	F	Inventories
Work in process	6,983	(6,983)	—	F	
Raw materials and supplies	23,377	(23,377)	—	F	
Deferred tax assets	2,586	(2,586)	—	F	
Others	12,613	(3,900)	8,713		Other current assets
Total current assets	123,914	4,011	127,926		Total current assets
Non-current assets					Non-current assets
Property, plant and equipment	83,350	3,439	86,790		Property, plant and equipment
Intangible assets	3,848	(514)	3,334	A	Intangible assets
Investment securities	8,422	(2,665)	5,756		Other non-current financial assets
Long-term loans receivable	437	0	437		Trade and other non-current receivables
Allowance for doubtful accounts	(1)	1	—		
Deferred tax assets	473	724	1,197	F	Deferred tax assets
Other assets	4,514	(2,837)	1,677	C	Other non-current assets
Total non-current assets	101,043	(1,851)	99,191		Total non-current assets
Total assets	224,957	2,160	227,117		Total assets

Japanese GAAP	Japanese GAAP	Reconciliation amount	IFRS	Notes	IFRS
	Millions of yen	Millions of yen	Millions of yen		
					Liabilities and equity
Liabilities					Liabilities
Current liabilities					Current liabilities
Trade notes and accounts payables	29,702	15,807	45,509	B,F	Trade and other current payables
Accrued expenses	10,336	(10,336)	—	F	
Accrued bonuses for directors	54	(54)	—		
Short-term loans payable	7,724	2,017	9,741		Short-term loans
Current portion of long-term debt	1,172	(1,172)	—		
Income taxes payable	1,251	4	1,255		Income tax payables
Accrued product warranties	301	(1)	300		Provisions
Lease obligation	27	(27)	—		
	—	139	139		Other current financial liabilities
Deferred tax liabilities	43	(43)	—	F	
Other current liabilities	4,950	(3,451)	1,498		Other current liabilities
Total current liabilities	55,561	2,882	58,442		Total current liabilities
Non-current liabilities					Non-current liabilities
Long-term loans	6,347	30	6,377		Long-term loans
Accrued retirement benefits for employees	1,275	6,293	7,568	C	Retirement benefit liabilities
Accrued retirement benefits for directors	522	(522)	—		
Asset retirement obligations	164	0	164		Provisions
Lease obligation	193	(0)	192		Other non-current financial liabilities
Deferred tax liabilities	3,628	(2,746)	882	F	Deferred tax liabilities
Other non-current liabilities	1,333	602	1,936		Other non-current liabilities
Total non-current liabilities	13,462	3,657	17,119		Total non-current liabilities
Total liabilities	69,023	6,539	75,562		Total liabilities
Equity					Equity
Common stock	6,932	—	6,932		Common stock
Capital surplus	7,941	(486)	7,455	A	Capital surplus
Retained earnings	123,027	(16,064)	106,963	D	Retained earnings
Treasury stock	(35)	—	(35)		Treasury stock
Total accumulated other comprehensive income (loss)	(7,265)	10,369	3,104	D	Other components of equity
	130,600	(6,181)	124,419		Equity attributable to owners of the parent
Minority interests	25,334	1,803	27,137		Non-controlling interests
Total net assets	155,934	(4,379)	151,555		Total equity
Total liabilities and net assets	224,957	2,160	227,117		Total liabilities and equity

The differences in the amount of equity under Japanese GAAP and those under IFRS are mainly due to the following reasons:

A. Reconciliation of goodwill
Under Japanese GAAP, the Group recognized goodwill incurred from the additional acquisition on December 31, 2012 of shares in Keihin India Manufacturing Pvt. Ltd. (former Keihin Panalfa Ltd.), which had been controlled by the Company. Under IFRS, as a result of applying IFRS 10 from January 1, 2012, the transaction was treated as an equity transaction and ¥486 million was recognized as a decrease in “Capital Surplus.”

B. Reconciliation of liabilities relating to paid absences
Liabilities relating to paid absences are not recognized under Japanese GAAP. However, under IFRS, unused paid absences are recognized as liabilities in accordance with IAS 19 “Employee Benefits.” As a result, the amount of “Trade and Other Payables” increased by ¥3,266 million.

C. Reconciliation of retirement benefits
Under Japanese GAAP, the Group defers the recognition of actuarial gain or loss by amortizing over a fixed number of years. Under IFRS, actuarial gain or loss is recognized as other comprehensive income when incurred and immediately transferred to “Retained Earnings.” As a result, the amount of “Other Non-Current Assets ” decreased by ¥2,205 million, and the amount of “Retirement Benefit Liabilities” increased by ¥6,293 million.

D. Reconciliation of other components of equity
In applying IFRS, the Group adopted the exemption in IFRS 1 for the cumulative foreign currency translation adjustments and deemed the cumulative foreign currency translation adjustments that existed at the date of transition to IFRS to be zero. As a result, ¥(6,835) million was transferred from “other components of equity” to “Retained Earnings.”

E. Reconciliation relating to the end of a reporting period
As for some consolidated subsidiaries that have a different closing date from that of the parent company, the Group carries out consolidation by unifying the closing date of such subsidiaries or by preparing additional financial statements as of the end of the reporting period of the parent company. As a result, the amount of respective accounts in the consolidated statement of financial position is affected.

F. Reclassifications in presentation
The following reclassifications in presentation were made:

- “Securities” separately presented under Japanese GAAP are included in “Cash and Cash Equivalents” under IFRS. Time deposits with duration exceeding three months included in “Cash and Deposits” under Japanese GAAP are included in “Other Current Financial Assets” under IFRS.
- “Merchandise and Finished Products,” “Work in Process,” and “Raw Materials and Supplies” separately presented under Japanese GAAP are collectively presented as “inventories” under IFRS.
- “Accrued Expenses” separately presented under Japanese GAAP are included in “Trade and Other Payables” under IFRS.
- “Deferred Tax Assets” and “Deferred Tax Liabilities” are presented as non-current items under IFRS.

Reconciliation of equity as of March 31, 2014

Japanese GAAP	Japanese GAAP	Reconciliation amount	IFRS	Notes	IFRS
	Millions of yen	Millions of yen	Millions of yen		
Assets					Assets
Current assets					Current assets
Cash and deposits	24,876	5,442	30,318	H	Cash and cash equivalents
Securities	5,700	(5,700)	—	H	
Trade notes and accounts receivables	49,277	(1,485)	47,792		Trade and other current receivables
	—	1,225	1,225		Other current financial assets
Merchandise and finished products	13,829	30,449	44,278	H	Inventories
Work in process	7,382	(7,382)	—	H	
Raw materials and supplies	26,439	(26,439)	—	H	
Deferred tax assets	2,679	(2,679)	—	H	
Others	9,991	(3,850)	6,141		Other current assets
Total current assets	140,173	(10,419)	129,753		Total current assets
Non-current assets					Non-current assets
Property, plant and equipment	95,781	(2,207)	93,574		Property, plant and equipment
Intangible assets	4,216	783	4,999	A,B	Intangible assets
Investment securities	12,052	401	12,453		Other non-current financial assets
Long-term loans receivable	379	—	379		Trade and other non-current receivables
Allowance for doubtful accounts	(1)	1	—		
Deferred tax assets	756	2,185	2,940	H	Deferred tax assets
Other assets	2,876	(1,234)	1,641		Other non-current assets
Total non-current assets	116,058	(71)	115,987		Total non-current assets
Total assets	256,230	(10,491)	245,740		Total assets

Japanese GAAP	Japanese GAAP	Reconciliation amount	IFRS	Notes	IFRS
	Millions of yen	Millions of yen	Millions of yen		
					Liabilities and equity
Liabilities					Liabilities
Current liabilities					Current liabilities
Trade notes and accounts payables	35,624	11,623	47,247	C,H	Trade and other current payables
Accrued expenses	10,802	(10,802)	—	H	
Accrued bonuses for directors	106	(106)	—		
Short-term loans payable	7,624	2,357	9,981		Short-term loans
Current portion of long-term debt	2,210	(2,210)	—		
Income taxes payable	1,790	(317)	1,473		Income tax payables
Accrued product warranties	608	406	1,014		Provisions
Lease obligation	408	(408)	—		
	29	(29)	—		Other current financial liabilities
Deferred tax liabilities	—	111	111		
Other current liabilities	37	(37)	–	H	Other current liabilities
Total current liabilities	5,725	(4,881)	844		Total current liabilities
Non-current liabilities	64,964	(4,292)	60,672		Non-current liabilities
Long-term loans					Long-term loans
Accrued retirement benefits for employees	5,795	(56)	5,739		Retirement benefit liabilities
Accrued retirement benefits for directors	4,137	(609)	3,528		
Asset retirement obligations	25	(25)	—		Provisions
Lease obligation	173	2	175		Other non-current financial liabilities
Deferred tax liabilities	171	(0)	171		Deferred tax liabilities
Other non-current liabilities	4,447	(1,049)	3,398	H	Other non-current liabilities
Total non-current liabilities	1,485	94	1,579		Total non-current liabilities
Total liabilities	16,234	(1,644)	14,590		Total liabilities
Equity	81,198	(5,937)	75,261		Equity
Common stock					Common stock
Capital surplus	6,932	—	6,932		Capital surplus
Retained earnings	7,941	1,584	9,524	A,E	Retained earnings
Treasury stock	134,155	(15,271)	118,884	D,F	Treasury stock
Total accumulated other comprehensive income (loss)	(36)	—	(36)		Other components of equity
	3,923	8,546	12,469	D,F	Equity attributable to owners of the parent
Minority interests	152,915	(5,141)	147,774		Non-controlling equity
Total net assets	22,118	587	22,704		Total equity
Total liabilities and net assets	175,033	(4,554)	170,479		Total liabilities and equity
Liabilities	256,230	(10,491)	245,740		Liabilities and equity

The differences in the amount of equity under Japanese GAAP and those under IFRS are mainly due to the following reasons:

A. Reconciliation of goodwill

Under Japanese GAAP, the Group recognized goodwill incurred from the additional acquisition on December 31, 2012 of shares in Keihin India Manufacturing Pvt. Ltd. (former Keihin Panalfa Ltd.), which has been controlled by the Company. Under IFRS, as a result of applying IFRS 10 from January 1, 2012, the transaction was treated as an equity transaction and ¥486 million was recognized as a decrease in “Capital Surplus.”

B. Reconciliation of development expenses

Certain development expenses that are recognized as expenses under Japanese GAAP are recorded as assets because they meet the requirements provided for in IAS 38 “Intangible Assets.” As a result, the amount of “Intangible Assets” increased by ¥1,175 million.

C. Reconciliation of liabilities relating to compensated absences

Liabilities relating to compensated absences are not recognized under Japanese GAAP. However, under IFRS, unused compensated absences are recognized as liabilities in accordance with IAS 19 “Employee Benefits.” As a result, the amount of “Trade and Other Payables” increased by ¥3,322 million.

D. Reconciliation of retirement benefits

Under Japanese GAAP, actuarial gain or loss is recognized as other comprehensive income when incurred and transferred to profit or loss by amortizing over a fixed number of years. Under IFRS, actuarial gain or loss is recognized as other comprehensive income when incurred and immediately transferred to “Retained Earnings.” As a result, ¥3,636 million was transferred from “Other Components of Equity” to “Retained Earnings.”

E. Reconciliation of negative goodwill

Negative goodwill, which arose as a result of the additional acquisition in January 2014 of shares in Keihin Thermal Technology Corporation, which had been controlled by the Company, is recognized as “Extraordinary Income” under Japanese GAAP. Such transaction is treated as an equity transaction under IFRS and recognized as an increase in “Capital Surplus.”

F. Reconciliation of other components of equity

In applying IFRS, the Group adopted the exemption in IFRS 1 for the cumulative foreign currency translation adjustments and deemed the cumulative foreign currency translation adjustments that existed at the date of transition to IFRS to be zero. As a result, the amount of ¥(6,835) million was transferred from “Other Components of Equity” to “Retained Earnings.”

G. Reconciliation relating to the end of a reporting period

As for some consolidated subsidiaries that have a different closing date from that of the parent company, the Group carries out consolidation by unifying the closing date of such subsidiaries or by preparing additional financial statements as of the end of the reporting period of the parent company. As a result, the amount of respective accounts in the consolidated statement of financial position is affected.

H. Reclassifications in presentation

The following reclassifications in presentation were made:

- “Securities” separately presented under Japanese GAAP are included in “Cash and Cash Equivalents” under IFRS. Time deposits with a duration exceeding three months included in “Cash and Deposits” under Japanese GAAP are included in “Other Current Financial Assets” under IFRS.
- “Merchandise and Finished Products,” “Work in Process,” and “Raw Materials and Supplies” separately presented under Japanese GAAP are collectively presented as “Inventories” under IFRS.
- “Accrued Expenses” separately presented under Japanese GAAP are included in “Trade and Other Payables” under IFRS.
- “Deferred Tax Assets” and “Deferred Tax Liabilities” are presented as non-current items under IFRS.
-

Reconciliation of comprehensive income for the fiscal year ended March 31, 2014

Japanese GAAP	Japanese GAAP	Reconciliation amount	IFRS	Notes	IFRS
	Millions of yen	Millions of yen	Millions of yen		
Net sales	349,375	(30,686)	318,689	A	Revenue
Cost of sales	(302,647)	31,540	(271,107)	A	Cost of sales
Gross profit	46,728	854	47,582		Gross profit
Selling, general and administrative expenses	(27,064)	(294)	(27,357)	D	Selling, general and administrative expenses
	–	589	589	D	Other income
	–	(1,296)	(1,296)	D	Other expenses
Operating profit	19,664	(147)	19,517		Operating profit
Non-operating income	977	(977)	–	D	
Non-operating expenses	(1,001)	1,001	–	D	
Extraordinary income	2,765	(2,765)	–	B, D	
Extraordinary losses	(722)	722	–	D	
	–	417	417	D	Finance income
	–	(635)	(635)	D	Finance costs
Income before income taxes and minority interests	21,683	(2,384)	19,300		Profit before tax
Income taxes	(6,723)	6,723	–		
Deferred income taxes	125	(125)	–		
Total income taxes	(6,597)	381	(6,216)		Income tax expense
Net income before minority interests	15,086	(2,003)	13,083		Profit for the year
Minority interests	2,828	(175)	2,653		Profit attributable to non-controlling interests
Net income	12,258	(1,828)	10,430		Profit attributable to owners of the parent

Japanese GAAP	Japanese GAAP	Reconciliation amount	IFRS	Notes	IFRS
	Millions of yen	Millions of yen	Millions of yen		
Net income before minority interests	15,086	(2,003)	13,083		Profit for the year
Other comprehensive income					Other comprehensive income
Unrealized gains on available-for-sale securities, net	4,716	–	4,716		Gains (losses) on financial assets measured at fair value through other comprehensive income
	–	3,664	3,664		Re measurements of the net defined benefit liabilities (assets)
Foreign currency translation adjustments, net	13,915	(8,031)	5,884		Foreign currency translation adjustments
Other comprehensive income	18,631	(4,367)	14,264		Other comprehensive income for the year
Comprehensive income	33,717	(6,370)	27,348		Total comprehensive income for the year
Comprehensive income attributable to shareholders of Keihin Corporation	27,387	(3,955)	23,431		Comprehensive income attributable to owners of the parent
Comprehensive income attributable to minority interests	6,330	(2,414)	3,916		Comprehensive income attributable to non-controlling interests

The differences in the amount of comprehensive income under Japanese GAAP and those under IFRS are mainly due to the following reasons:

A. Reconciliation of revenue and cost of sales

The Group purchases components from a customer and, after processing such components, sells them to such customer by adding the amount equivalent to fees, etc., to the purchase price (hereinafter referred to as the "transaction of supplied goods with charges"). Under Japanese GAAP, "net sales" and "cost of sales" relating to the transaction of supplied goods with charges are presented in gross amount in the consolidated statements of income. Under IFRS, such transaction is presented in a net amount of "revenue" and "cost of sales," and only the "revenue" equivalent to the fees, etc., is presented. As a result, the amount of "revenue" and "cost of sales" decreased by ¥35,220 million.

B. Reconciliation of negative goodwill

Negative goodwill, which arose as a result of the additional acquisition in January 2014 of shares in Keihin Thermal Technology Corporation, which had been under the control of the Company, is recognized as "extraordinary income" under Japanese GAAP. Such transaction is treated as an equity transaction under IFRS and recognized as an increase in "capital surplus."

C. Reconciliation relating to the end of a reporting period

As for some consolidated subsidiaries that have a different closing date from that of the parent company, the Group carries out consolidation by unifying the closing date of such subsidiaries or by preparing additional financial statements as of the end of the reporting period of the parent company. As a result, the amount of respective accounts in the consolidated statement of income and consolidated statement of comprehensive income is affected.

D. Reclassifications in presentation

Items presented in "selling, general and administrative expenses," "non-operating income," "non-operating expenses" and "extraordinary losses" under Japanese GAAP are presented, as to financial-related items, in "financial revenue" and "financial costs" and, as to other items, in "selling, general and administrative expenses," "other revenue" and "other expenses" under IFRS, respectively.

In addition, reclassification items impacting comprehensive income among those listed in the notes to the reconciliations of equity also are factors in the differences in the amounts under Japanese GAAP and those under IFRS, regarding the amount of respective accounts in the consolidated statement of income and consolidated statement of comprehensive income.

Disclosure of major reconciliation items in the consolidated statement of cash flows for the previous fiscal year (from April 1, 2013 to March 31, 2014)

Expenditures incurred from the additional acquisition in January 2014 of shares in Keihin Thermal Technology Corporation, which had been controlled by the Company, are classified into cash flows from investing activities under Japanese GAAP. Such expenditures are classified into cash flows from financing activities under IFRS. As a result, cash flows from investing activities increased by ¥3,699 million, and cash flows from financing activities decreased by the same amount.

Except for the above matter, there is no significant difference between the consolidated statement of cash flows in accordance with Japanese GAAP and the consolidated statement of cash flows disclosed in accordance with IFRS.

EY
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 positon as at March 31, 2015, 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, 2015, 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 19, 2015

Keihin Corporation

Corporate Data

Established	December 19, 1956
Capital	¥6,932,340,000
Fiscal Year-End	March 31
Number of Employees	22,060 (Consolidated), 4,170 (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	http://www.keihin-corp.co.jp/english

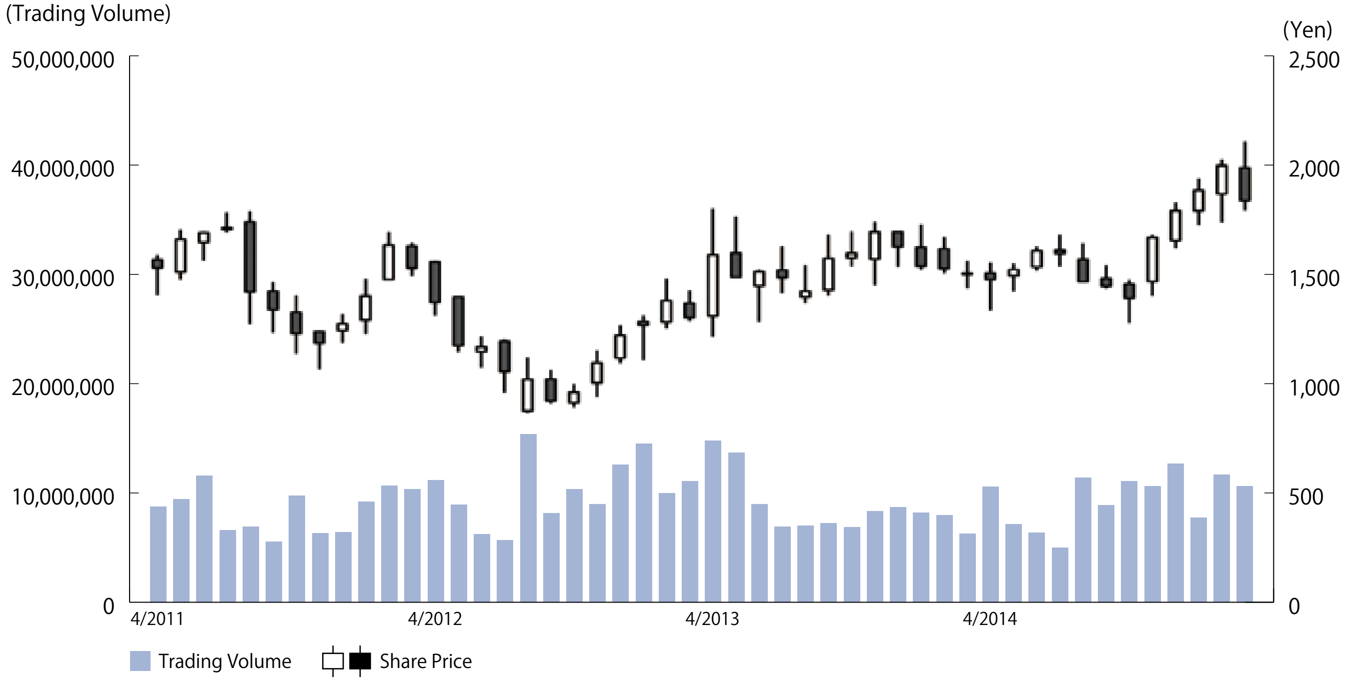
Stock Information

Number of Shares Authorized	240,000,000 shares
Total Number of Shares Issued	73,985,246 shares
Number of Shareholders	5,127
Stock Listing	Tokyo Stock Exchange
General Meeting of Shareholders	June
Share Registrar	The Mitsubishi Trust and Banking Corporation 1-4-5, Marunouchi, Chiyoda-ku, Tokyo 100-8212, Japan

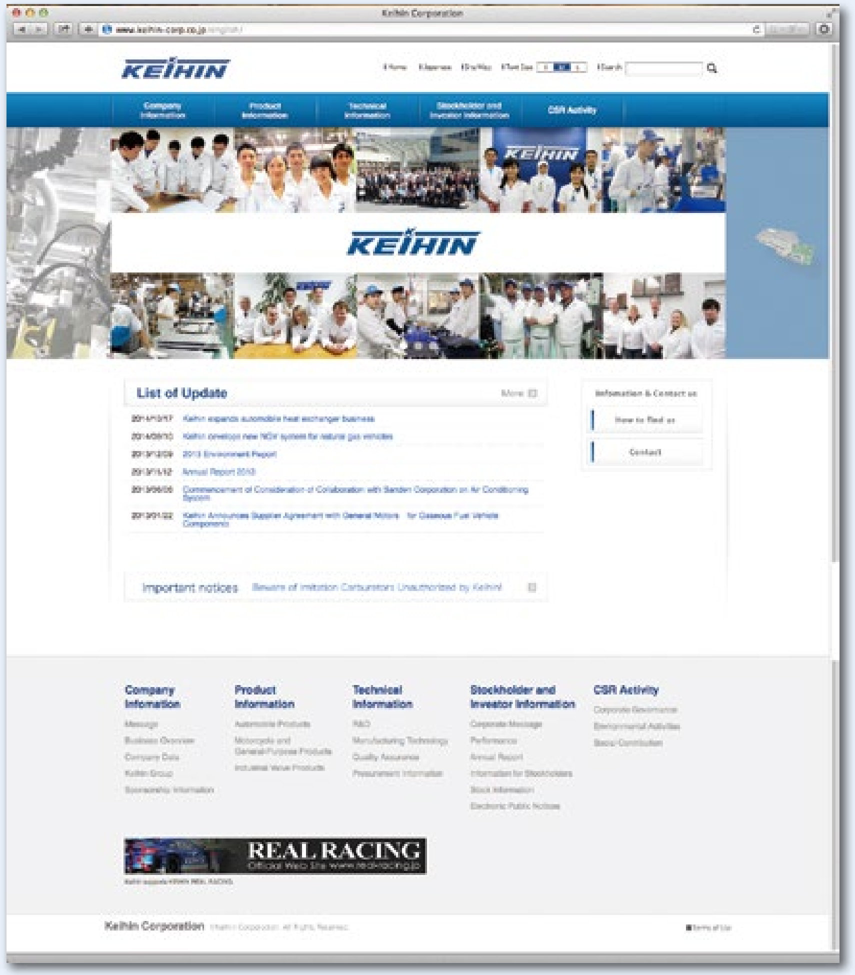
Principal Shareholders

	Number of shares held (Thousands)	Percentage of total shares outstanding (%)
Honda Motor Co., Ltd.	30,581	41.35
Japan Trustee Services Bank, Ltd. (Trust Account)	2,378	3.22
Bank of Tokyo-Mistubishi UFJ, Ltd.	1,938	2.62
Jp Morgan Chase Bank 385632	1,507	2.04
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,501	2.03
State Street Bank and Trust Client Omnibus Account OM02	1,041	1.41
Keihin Corporation Client Stock Ownership Association	987	1.33
Mellon Bank, N. A. as Agent For its Client Mellon Omnibus US Pension	942	1.27
States Street Bank and Trust Company 505223	884	1.20
State Street Bank and Trust Company	879	1.19

Share Price and Trading Volume

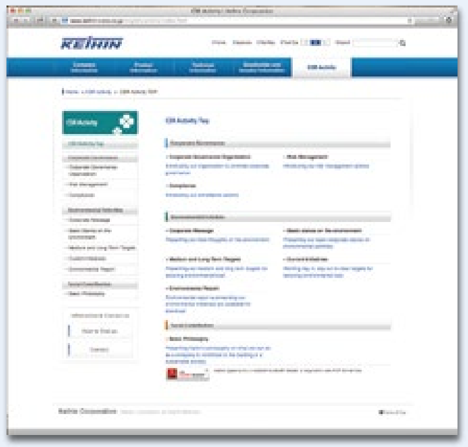


● Keihin Corporation Website



http://www.keihin-corp.co.jp/english/

● Keihin's CSR page



http://www.keihin-corp.co.jp/english/activity/index.html

● Keihin's environmental report

http://www.keihin-corp.co.jp/english/activity/environment_report.html

KEIHIN

change the future

Our Conviction Built into Each Product

Although the parts we produce for cars and motorcycles are very small,
we believe that their continuous evolution has the potential to change not only the industry,
but also the world itself.

We are confident of contributing to a better future through our constant
challenge to create new value.