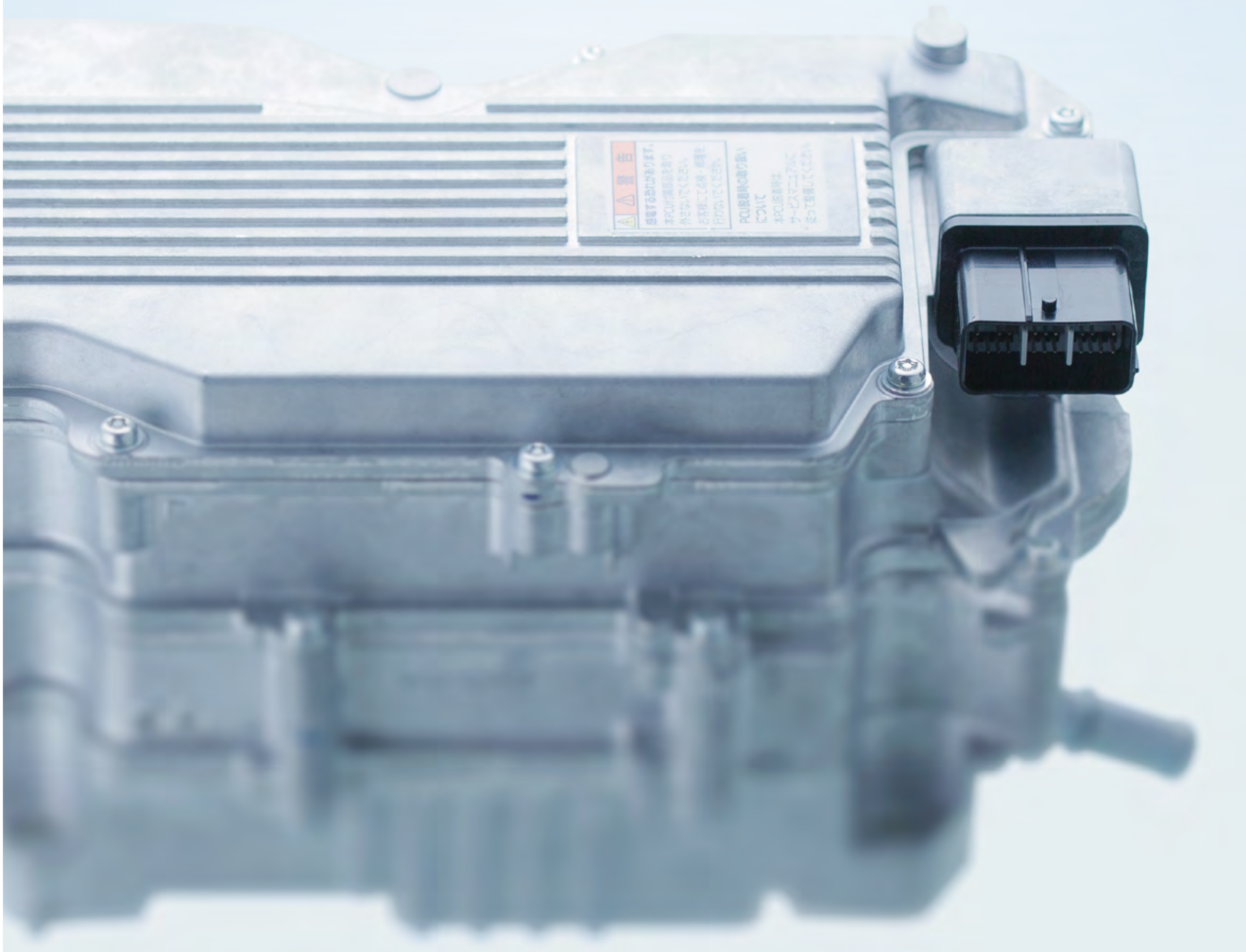
KEIHIN
小さな部品が世界を変える

Keihin Corporation Annual Report 2016



Keihin Corporation

Profile

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

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

The concept also emphasizes respect for different perspectives and customs, and encourages 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.

CONTENTS

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

KEIHIN

Financial Highlights

Financial Results for FY2016

Revenue
¥341.5 billion
(rose 4.4% compared with FY2015)

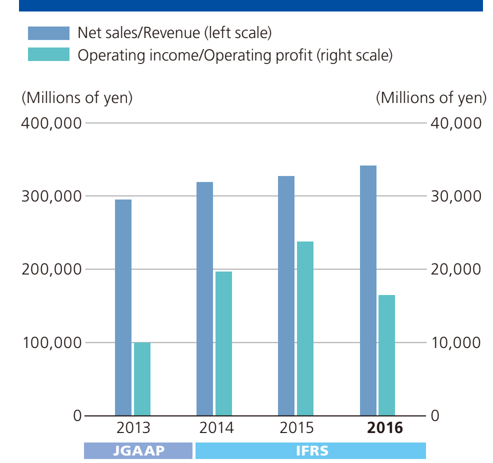
Operating profit
¥16.4 billion
(declined 27.7% compared with FY2015)

Profit attributable to owners of the parent
¥5.6 billion
(declined 48.6% compared with FY2015)

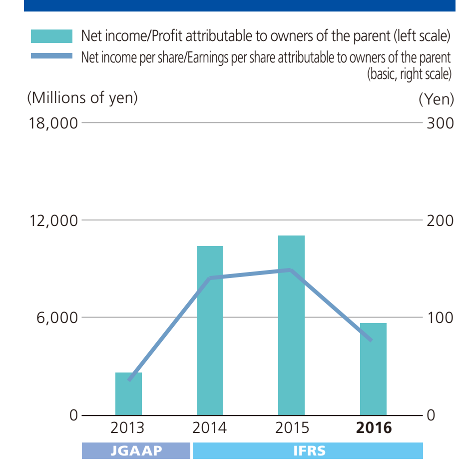
Cash dividends
¥36.0

	2015	2016 Millions of yen (except per share amounts)	2016 Thousands of U.S. dollars (except per share amounts)
For the year:			
Revenue	¥327,075	¥341,576	$3,031,378
Operating profit	22,747	16,440	145,897
Profit attributable to owners of the parent	11,051	5,677	50,379
At year-end:			
Total net assets / Total equity	¥195,611	¥182,521	$1,619,816
Total assets	274,269	257,065	2,281,374
Cash dividends	¥ 34.00	¥ 36.00	$ 0.32
Rate of exchange	120.17	112.68	
Unit sales (motorcycles and automobiles) (million units)	44.36	42.57	

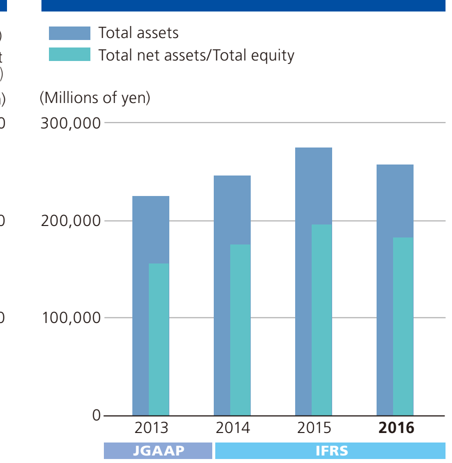
Net sales/Revenue and Operating income/Operating profit



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



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.
2. U.S. dollar amounts in this annual report are translated from Japanese yen, for convenience only, at the rate of ¥112.68 = US$1.

My name is Chitoshi Yokota, and I was appointed president in June 2016. We aim to become a company that contributes to the future of mankind by continuously creating new value.

June 30, 2016

President & CEO

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

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 75th term (April 1, 2015 to March 31, 2016), please let me say a few words.

This term was the second 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 internally developed a new power control unit for hybrid vehicles for the first time, and products that use this technology were installed in fuel cell vehicles (FCVs). We also developed a high pressure hydrogen supply valve for FCVs, which is the first in the world to meet international technical standards. Additionally, we commercialized a system product for downsized direct injection turbo engines as an initiative to improve the efficiency of internal combustion engines.

With respect to our production activities, we introduced highly efficient assembly lines and launched cutting-edge and environment-friendly products for vehicle electrification in Japan. We also responded to growing global demand by starting mass production of injectors for gasoline direct-injection engines in the United States, a new electronic fuel injection system for small motorcycles in Brazil, and air conditioning products at the new Wuhan base in China, our fifth production base in the country.

These efforts have resonated with our customers and helped us to earn their trust. As a result, we were selected by Honda Motor Co., Ltd. as the winner of five awards in four different categories of the Supplier Excellence Appreciation Awards, an unprecedented evaluation. Meanwhile, we worked on implementing measures in Japan to strengthen our business structure in response to a decline in domestic production, due to such factors as a larger-than-expected shrinkage of the Japanese market.

Revenue for fiscal 2016 grew year-on-year, thanks to increased sales of automobile products in North America and China. However, profits decreased due to such factors as the implementation of special early retirement support, despite an increase in profits from streamlining and the impact of exchange rates.

As for dividends, we will submit a proposal for a dividend of ¥18 per share at the 75th Ordinary General Meeting of Shareholders. Adding this to an interim dividend of the same amount per share, we distribute a total dividend of ¥36 per share for fiscal 2016.

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.

Financial Results for FY2016

Revenue rose due to increased sales of automobile products in North America and China, despite declining sales of automobile products in Japan and motorcycle products in Asia. Profits decreased due to an increase in labor expenses and the implementation of special early retirement support associated with measures to improve the domestic business structure, despite higher profits from streamlining and the impact of exchange rates.

Revenue	Operating profit	Profit attributable to owners of the parent
¥341.5 billion	**¥16.4** billion	**¥5.6** billion
(rose 4.4% compared with FY2015)	(declined 27.7% compared with FY2015)	(declined 48.6% compared with FY2015)

• Economic environment

The economic environment surrounding the Group in fiscal 2016 saw a gradual upturn in Japan. The impact of the consumption tax hike eased, corporate revenue improved, and other positive factors were seen. However, the rapid rise of the yen and slowdowns in overseas economies from the start of the year caused the pace of economic expansion to fall far below initial projections, increasing the sense of uncertainty over the economic outlook.

Overseas, the economy in the United States steadily expanded, owing to the effects of strong consumer spending. Asia's overall pace of economic expansion tended to be slow. Low levels of personal consumption in Thailand and Indonesia resulted in sluggish growth, while stalled consumption in India caused by bad weather made the pace of economic expansion slower than before. Consumer spending in China remained stable, although its economic outlook remains uncertain.

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 (covering the three years from April 2014 to March 2017).

• Business performance of motorcycle and power products

In motorcycle and power products, the Group engaged in global expansion of electronic fuel injection systems (FI systems) for small motorcycles. The FI systems include the world's smallest injectors, which meet the exhaust emission regulations established in many countries in response to rising environmental awareness. One FI system that features the newly developed electronic control unit with mounted ACG starter control system is installed in the Honda *Vario eSP*, launched in Indonesia. The Group worked to expand sales among global customers following the installation of FI systems for small motorcycles in the Yamaha *VEGA FORCE*, launched in Indonesia, and the Kawasaki *Z125*, launched in the Asian market. Also, among large motorcycle products, FI systems are installed in the Honda *RC213V-S* and *CRF1000L Africa Twin*.

• Business performance of automobile products

In automobile products, efforts were intensified over vehicle electrification and efficiency of internal combustion engines. These moves were in response to the tightening of exhaust emission regulations in countries around the world and rising environmental awareness. Initiatives for vehicle electrification included our first in-house development of a new power control unit for power generation and drive motor control of hybrid vehicles. This unit was installed in the Honda *ODYSSEY HYBRID*, and products to which this technology is applied were used in the Honda *CLARITY FUEL CELL*, a fuel cell electric vehicle. The *CLARITY FUEL CELL* also includes numerous products, such as a high pressure hydrogen supply valve, based on natural gas control technologies, that is the first to meet international technical standards used in accessories for compressed hydrogen automobile fuel systems. Other products include hydrogen fuel control units, air control units, electronic control units, and air conditioning products. We developed system products that support automobiles with downsized direct injection turbo engines to improve efficiency of internal combustion engines. These products were installed in the Honda *STEPWGN* sold in Japan and the Honda *Civic* sold in the United States and Thailand. For automobiles with V6 cylinder engines, our fuel supply products and electronic control products, such as injectors for direct-injection engines, are installed in the Honda *Pilot* sold in the United States. As part of our expanded sales of heat exchangers, our condensers were used in the Porsche *Macan*.

In this way, we expanded global sales of our cutting-edge and environment-friendly products with a competitive advantage in our efforts to meet customers' wide-ranging needs.

Looking Back on Fiscal 2016

April

■ System products for downsized direct injection turbo engines, installed in the Honda *STEPWGN*

May

■ Parent-Child Traffic Safety Workshop held in Tochigi Prefecture

■ Participated as volunteers in the Millennium Hope Hills Tree Planting Festival in Iwanuma City, Miyagi Prefecture

June

■ Products for V6 cylinder engines installed in the Honda *Pilot*, launched in the United States

■ Keihin's products for natural-gas vehicles installed in systems of Westport Fuel Systems Inc. in Canada

July

■ Keihin's products installed in the Honda *RC213V-S* super sport bike

■ Carried out beach clean-up activities in Shichigahama Town, Miyagi Prefecture

• Building a global supply system

We continued work on the building of an optimized supply system for our business expansion aimed at meeting growing demand worldwide. We began mass production in the United States of injectors for gasoline direct-injection engines, whose market is expected to grow. We also increased production capacity and introduced automated lines to enhance production efficiency, and shifted production to our Mexican site to improve business feasibility. Furthermore, we established a global supply system by starting mass production of new FI systems in Brazil, while we started mass production of air conditioning products in China at the new Wuhan base, our fifth production base in the country.

• Efficiency improvements and launches of cutting-edge and environment-friendly products in Japan

Meanwhile, in Japan, as a leader in manufacturing (monozukuri), we created highly effective production lines that further improved production efficiency by shifting manufacturing back from China and other Asian regions to Japan. We also deployed internal fabrication equipment and robots to automate our intuition and know-how, and integrated manufacturing processes, among other initiatives. Furthermore, in the vehicle electrification field where expanded production volume is expected, we began mass production of power control units and their core components, intelligent power modules, for use in hybrid vehicles. In these ways, Japan, as the global flagship location, introduced highly efficient assembly lines and launched cutting-edge and environment-friendly products for vehicle electrification, among others. However, the Japanese market contracted more than expected due to the consumption tax hike, and domestic production volume fell due to expansion of local production overseas. For these reasons, we worked on implementing measures inside Japan to strengthen our business structure.

Review of Operations

August

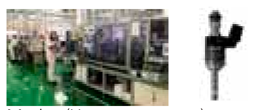
- FI systems including newly developed electronic control unit with ACG starter control system installed in the Honda *Vario eSP*, launched in Indonesia

- Commenced global supply of new FI systems for small motorcycles by starting mass production of these systems in Brazil

September

- FI systems installed in the Yamaha *VEGA FORCE*, launched in Indonesia

- Started mass production of injectors for direct injection engines in the Americas

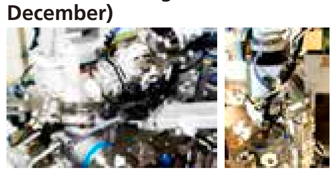


Mexico (Upstream process)

United States (Downstream process)

October

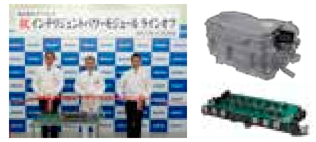
- Resumed manufacturing in Japan of electronically controlled throttle bodies for automobiles (manufacturing of electronic control units for automobiles began in December)



- Automated manufacturing lines for air-conditioning units came into operation in the United States

November

- Started mass production of intelligent power modules embedded in new power control units for hybrid vehicles, and of peripheral parts

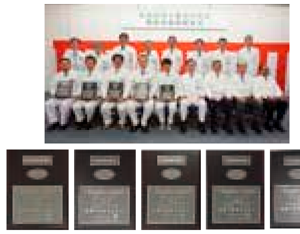


- Keihin's products installed in the Honda *Civic* launched, in the United States

- Keihin's products installed in the Kawasaki *Z125*

December

- Selected by Honda Motor Co., Ltd. as winner of Supplier Excellence Appreciation Awards in four different categories: "Development," "Environment," "Cost," and "Parts"



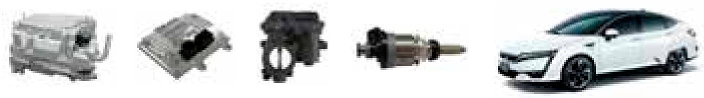
- Keihin's products installed in the Honda *BR-V* launched in Indonesia

January

- Ranked 16th place in the manufacturing industry category and 5th place in the automobile and automobile parts category in the Environmental Management Survey conducted by Nikkei Inc.

February

- Keihin's products installed in *CLARITY FUEL CELL*, Honda's new fuel cell electric vehicle



- Keihin's products installed in the Honda *ODYSSEY HYBRID*

- Keihin's products installed in the Honda *CRF1000L Africa Twin*

March

- High pressure hydrogen supply valve for fuel cell electric vehicles became the first in world to meet the technical standards of the United Nations

- Completed preparations for assembly production of FI system products for small motorcycles in India
- Full-fledged operations began at the newly established production base in Wuhan, China for air-conditioning products for automobiles
- Keihin's products installed in the Porsche *Macan*

Our efforts resonated with our customers and helped us to earn their trust over the course of this year, as we strengthened our global competitiveness and created cutting-edge and environment-friendly technologies and products. As a result of these efforts, we were selected by Honda Motor Co., Ltd. from over 300 partners as the winner of five Supplier Excellence Appreciation Awards in four different categories in January 2016, an unprecedented evaluation.

• Revenue increased, but profit fell significantly due to improvement of domestic business structure

As a result of the aforementioned operations, consolidated revenue in fiscal 2016 increased ¥14,501 million year on year, to ¥341,576 million. In motorcycle and power products, revenue decreased ¥9,473 million year on year, to ¥86,994 million, while revenue of automobile products rose ¥23,974 million, to ¥254,582 million. Regarding profits, operating profit decreased ¥6,308 million year on year, to ¥16,440 million, due to an increase in labor expenses and implementation of special early retirement support associated with measures to improve the domestic business structure, in spite of higher profits from streamlining and the impact of exchange rates. Profit attributable to owners of the parent fell ¥5,374 million year on year, to ¥5,677 million.

• To be successful in a challenging business environment

In the Group's current business environment, the transition to FI systems for motorcycles is expected to accelerate, underpinned by global market growth led by greater penetration of motorcycles and the tightening of exhaust emission regulations. In the automobile business, we see a growing need for cutting-edge and environment-friendly products in developed countries related to electrification and to efficiency of internal combustion engines of hybrid and other vehicles. At the same time, market growth is raising the need for low-cost products, mainly in emerging countries. As a result, global competition involving mega suppliers over motorcycle and automobile products is intensifying.

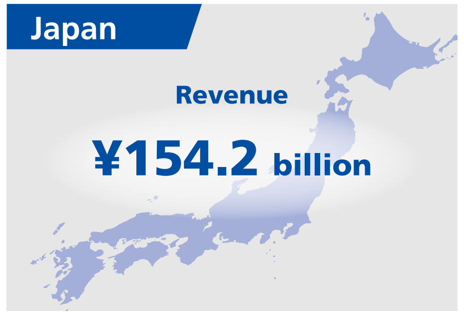
Under such circumstances, the Group will accelerate efforts to implement the following key strategies over the medium term: "Innovate products and manufacturing for the future," "Establish a robust business structure that can withstand the challenges in the industry," and "Promote a proactive and independent corporate culture." Doing so is in line with our aim to achieve the Twelfth Medium-Term Global Policy—"Create New Value by Utilizing Keihin's Collective Global Power" —by March 2017, the final year of the Twelfth Medium-Term Business Plan.

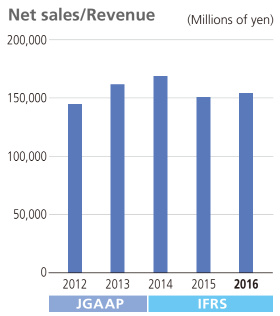
"Innovate products and manufacturing technology with a view to the future" means focusing on strengthening systems and equipment to develop vehicle electrification, as well as on conducting cooperative research with industry and academia on next-generation technologies. At the same time, we will enhance collaboration in development and manufacturing to create system products that are among the best in the world to serve as the pillar of our future business.

To "Creation of a strong and flexible business constitution for survival in the global competition," we will implement measures to improve the Group's business structure in Japan. We will install new, highly effective production lines with greater levels of production efficiency than existing lines, for use in manufacturing injectors for gasoline direct-injection engines and intelligent power modules used in hybrid vehicles. Demand for both as cutting-edge and environment-friendly products is expected to grow in the future. We will also work for establishing a robust global business structure by conducting efficient business operations through strengthened coordination between Japan and other regions.

To "Establishment of a corporate culture in which Autonomy and Independence are deeply rooted," we will accelerate our efforts to expand sales among our global customers. We will also continue to increase efforts for sharing our joy with society, customers, suppliers, and shareholders, and further earn their understanding and trust by enhancing our global corporate social responsibility (CSR) activities that focus on "the environment, security, and the personnel who support these fields."

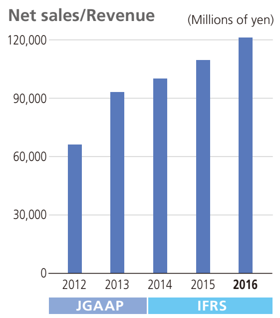
Through these efforts, we aim to realize a consolidated operating profit margin of 8%, the Twelfth Medium-Term Target, in the year ended March 31, 2017, the final year of the Twelfth Medium-Term Business Plan. At the same time, we will continue to pursue our Twelfth Medium-Term Global Policy—"Create New Value by Utilizing Keihin's Collective Global Power"— realize our corporate principle, "Keihin will continue to contribute to the future of mankind by the continuous creation of new value," and improve our corporate value.



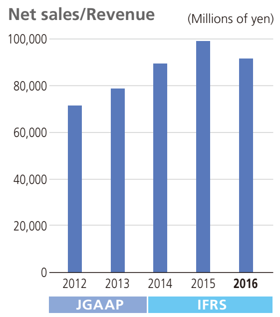


Note: Net sales/revenue for Europe is included in the geographical segment of Japan from FY2015.

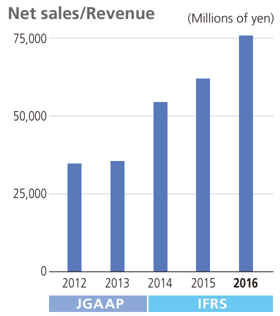
Sales of motorcycle and power products for the South American and Indonesian markets declined. In Japan, sales of automobile products fell, although sales of products in the field of heat exchangers for air conditioning systems rose in North America, China and other regions. Nonetheless, revenue was up ¥3,041 million year-on-year, at ¥154,213 million, due to the impact of favorable exchange rates.



Revenue increased ¥11,473 million year-on-year, to ¥121,153 million, due to higher sales of automobile products in North and Central America and the impact of favorable exchange rates, despite a sales decline of motorcycle and power products in South America.



Sales of motorcycle products fell primarily due to sluggishness in the Indonesian market. Sales of automobile products rose in Malaysia, India and other countries, despite a decline in Indonesia and elsewhere. These factors contributed to revenue of ¥91,571 million, down ¥7,455 million year-on-year.



Revenue increased ¥13,880 million year-on-year, to ¥75,862 million, due to higher sales of automobile products and the impact of favorable exchange rates, despite a fall in sales of motorcycle and power products in China.

Japan

14 Countries

33 Group Companies

22,011 Employees (As of March 31, 2016)

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 Corporation
- Keihin Electronics Technology, Inc. R&D
- Keihin Valve Corporation
- 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 Mfg., 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

- Nanjing Keihin Carburetor Co., Ltd. R&D
- Dongguan Keihin Engine Management System 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

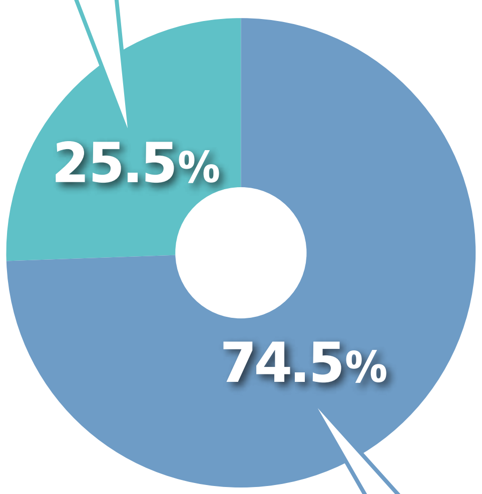
* Operating results of the Keihin Thermal Technology Group are included in the geographical segment of Japan.

In fiscal 2016, we developed an electronic control unit with a mounted ACG starter control system that complies with environmental regulations. However, unit sales of carburetors and FI systems fell by 6.5% and 5.2%, respectively, due to slumps in the Indian and Indonesian markets.

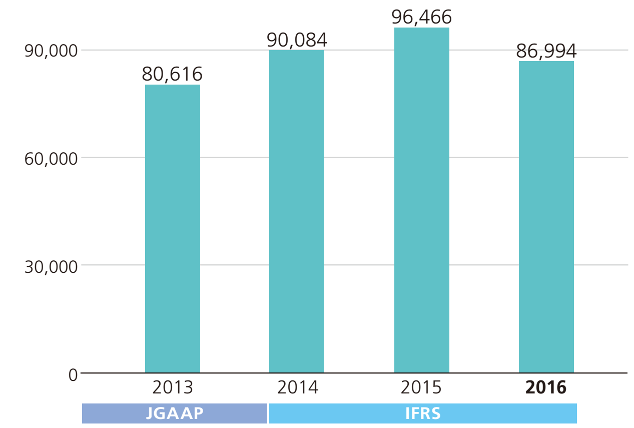
As a result, net sales of motorcycle and power products totaled ¥86,994 million, a 9.8% decline year-on-year.

Motorcycle and Power Products

Revenue:
¥87.0 billion
(down 9.8%)



Net sales/Revenue (Millions of yen)



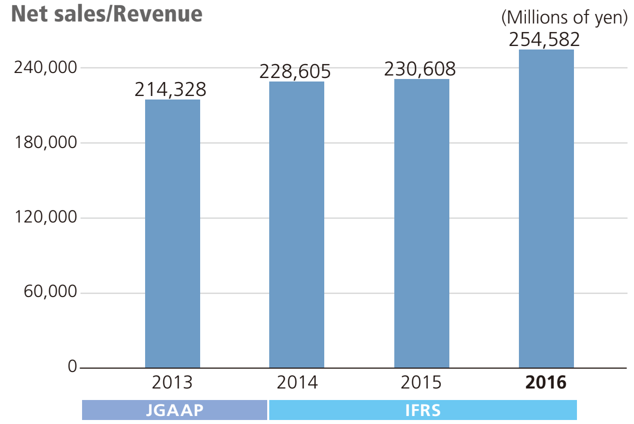
In fiscal 2016, we developed a power control unit for hybrid vehicles and a product for fuel cell vehicles (FCVs) as cutting-edge and environment-friendly products. We also developed system products that support automobiles with downsized direct injection turbo engines to improve the efficiency of internal combustion engines.

Thanks to strong sales in North America and China, net sales totaled ¥254,582 million, a 10.4% increase year-on-year.

Automobile Products

Revenue:
¥254.6 billion
(up 10.4%)

Net sales/Revenue (Millions of yen)



Main Motorcycle and Power Products

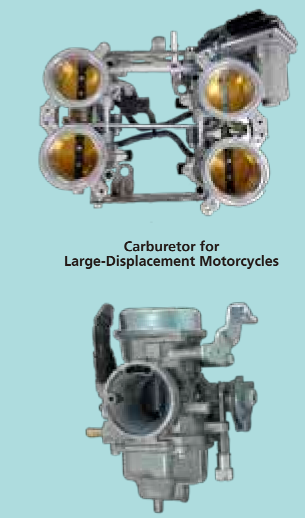
Fuel Injection System

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

ECU
Fuel Pump Module
Fuel Injector
Throttle Body

Carburetors

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



Carburetor for Large-Displacement Motorcycles
Carburetor for Small-Displacement Motorcycles

Main Automobile Products

Hybrid Vehicle Products

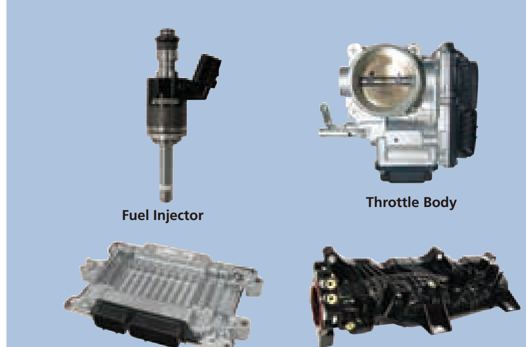
Ensuring optimum control and safety in motors and batteries

Fuel Cell Vehicle Products

Meeting next-generation energy specifications

Fuel Supply System

Core automobile parts that feed fuel and air to the engine



Fuel Injector
Throttle Body
ECU
Intake Manifold

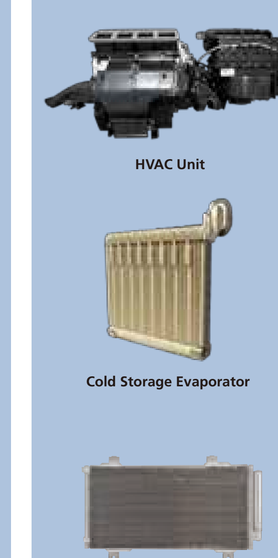
CNG Products

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

Fuel Injector
Pressure Regulator
Oil Trap Filter
2nd ECU

Air-Conditioning System

Realizing lightweight, energy-saving, comfort-creating systems



HVAC Unit
Cold Storage Evaporator
Condenser

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. In fiscal 2016, R&D expenses came to ¥19,559 million (US$174 million).

Capital Expenditures

In fiscal 2016, capital expenditures declined 22.9% year-on-year, to ¥14,593 million, which consists of ¥11,099 million (US$98 million) for investments in production facilities, down 21.5% year-on-year; ¥651 million (US$6 million) for R&D expenses, down 28.9% year-on-year; and ¥2,843 million (US$25 million) for other investments including intangible assets, down 26.5% year-on-year.

Looking at investments in production facilities by geographical region, ¥3,519 million (US$31 million) was allocated to operations in Japan, ¥3,898 million (US$35 million) to the Americas, ¥2,072 million (US$18 million) to Asia, and ¥1,610 million (US$14 million) to China.

Cash Flows

The balance of cash and cash equivalents as of March 31, 2016, was ¥39,515 million (US$351 million), up 34.9% from the previous fiscal year-end.

Net cash provided by operating activities totaled ¥30,791 million (US$273 million), up 23.3% 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 ¥9,903 million (US$90 million), down 56.1% year-on-year. This was mainly due to the purchase of property, plant and equipment and intangible assets.

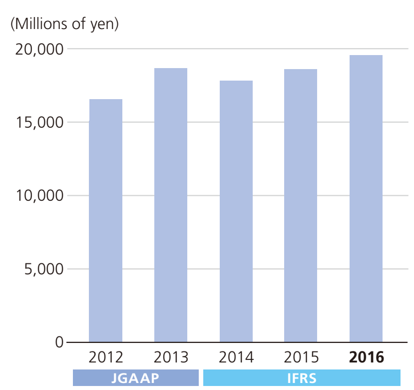
Net cash used in financing activities stood at ¥9,662 million (US$86 million), up 71.9% year-on-year, mainly due to the payment of dividends.

Financial Position

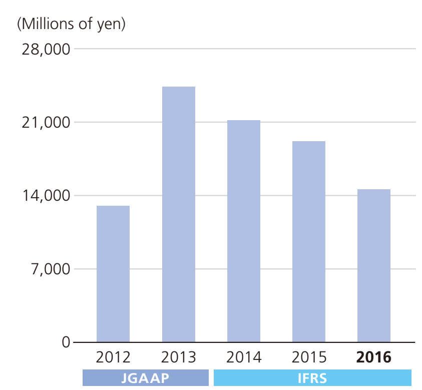
Total assets stood at ¥257,065 million (US$2,281 million) on March 31, 2016, down 6.3% from the previous fiscal year-end. Net assets totaled ¥182,521 million (US$1,620 million), up 6.7% from the previous fiscal year-end.

Net assets per share amounted to ¥2,153.82 (US$19.11), a decrease of ¥136.36 from the previous fiscal year-end. The equity ratio was 62.0%, up 0.2 percentage points from the previous fiscal year-end.

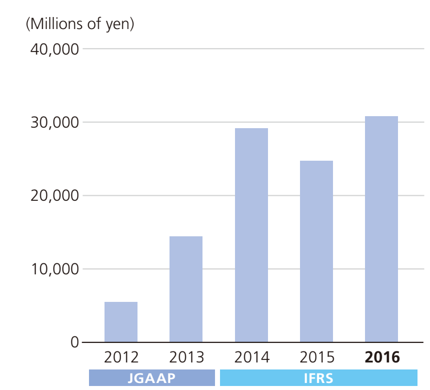
Research and development expenses



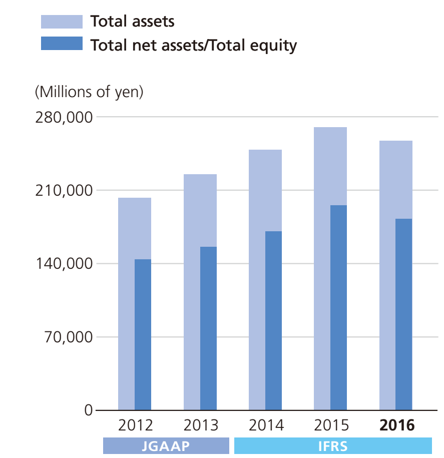
Capital expenditures



Cash provided by operating activities



Total assets and Total net assets/Total equity



Risk Factors

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, 2016.

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 2016, ended March 31, 2016, transactions with the Honda Group represented roughly 86% 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.

Corporate Governance

Basic Concept on Corporate Governance

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

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

Corporate Governance Structure

1. Overview of the Corporate Governance Structure

<Board of Directors>

The Board of Directors, comprising 11 directors including two independent directors, is tasked with decision making on legal requirements and important business matters, and 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 Philosophy, the Company's organization is structured with a headquarters established for each region, business, and function, and subsidiaries placed under the umbrella of their respective headquarters. Under this framework, directors and 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.

2. Reasons for Adopting the Corporate Governance Structure

As a business organization, Keihin seeks to elicit a deeper sense of trust from stakeholders by encouraging everyone within the Group in offices around the world to consider the issues and become ambassadors of the Company with a full understanding of the Keihin Philosophy and our Declaration of Conduct.

The Company's directors frequently discuss executive duties and the supervision thereof at meetings of important management bodies, including the Board of Directors, which comprises internal directors with abundant experience in the automobile and motorcycle industry and external directors who pursue management decision-making and supervision from a neutral and objective perspective based on a wealth of experience and high-level insights, and the Management Council.

The Company also has a Board of Corporate Auditors, comprising three corporate auditors, two of whom are external corporate auditors. Corporate auditors possess a wealth of experience and high-level insights, and their broad and professional perspectives are useful in supervising and auditing the execution of business activities and directors' responsibilities in an independent and impartial way.

Through these structures, the Company believes that the supervisory systems in place to oversee the validity, legality, and other aspects of its management are fully functioning.

3. Overview of the Limited Liability Agreement

Pursuant to Article 427, Paragraph 1 of the Companies Act and the provisions of the Articles of Incorporation, the Company has concluded a limited liability agreement with Taro Mizuno and Shigeo Wakabayashi, who are External Directors, and Yasuhiko Narita, an External Corporate Auditor, respectively. This agreement limits their liabilities as provided in Article 423, Paragraph 1 of the said Act up to the minimum amount stipulated in Article 425, paragraph 1 of the said Act. If their re-election is approved, the Company intends to continue the said liability agreement with them, respectively.

4. Status of Development of Internal Control Systems

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

(a). Structure to ensure that directors and 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.

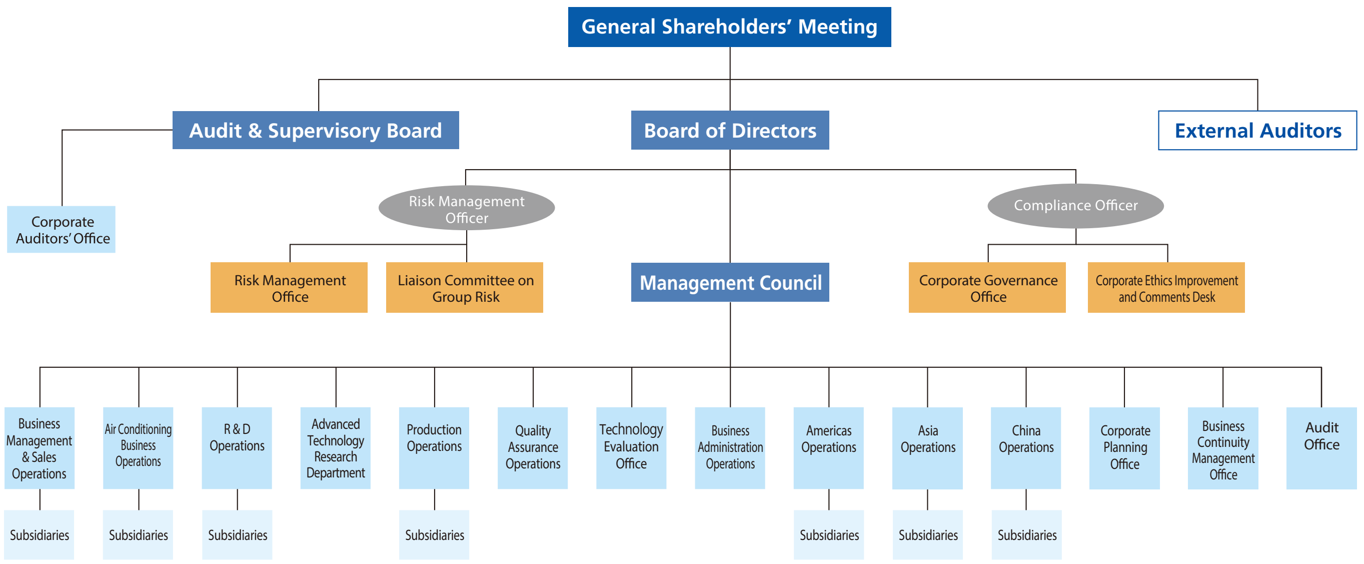
(b). Structure concerning storage and management of information on the execution of directors' duties
The Company stores and manages documents that contain information concerning the execution of directors' duties, such as meeting minutes of the Board of Directors, materials and meeting minutes of the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

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

(d). Structure to ensure efficient execution of directors' functions and duties
Keihin established a corporate officer structure as a means to reinforce its director system, in order to expand business globally and address changes in the operating environment, thereby allowing the Board of Directors to concentrate on decision making and supervising operations, and giving it a greater degree of flexibility. Underpinned by the Keihin Philosophy, the Company's organization is structured with a headquarters established for each region, business, and function, and subsidiaries placed under the umbrella of their respective headquarters. Under this framework, directors and 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.

(e). Structure to ensure appropriate operations at corporate groups comprising the Company and its subsidiaries (including a framework for subsidiaries' reporting to the Company on the performance of duties by directors at subsidiaries)
Having established the Declaration of Conduct as the Group's universal 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.

Organizational Structure



(f). Matters concerning employees in the case where corporate auditors request staff to assist them in their duties and matters to ensure the independence of such employees from directors and the effectiveness of directions given to such employees
The Company has established a Corporate Auditors' Office to assist corporate auditors in their duties, and assigns full-time employees therein. Such employees work under the direction of corporate auditors, with the transfer, evaluation, disciplining, etc., of employees being carried out once corporate auditors' approval has been obtained.

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

(h). 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.

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

5. Status of the development of the risk management structure

The following measures are implemented under the Company's risk management structure.

(a). A Legal Affairs and Corporate Governance Promotion Office has been established within the Legal Affairs Department to verify matters related to compliance and corporate ethics and reflect the results of such verification in operations.
(b). A Corporate Ethics Improvement and Comments Desk has been established as an initial point of contact to receive issues of concern and suggestions from within the Group and suppliers of the Company.
(c). Legal and control functions are integrated to enhance support to strengthen the business base through the Global Liaison Committee on Legal Affairs.
(d). The Declaration of Conduct is set out as guidelines for conduct to be shared within the corporate group comprising the Company and its subsidiaries.
(e). The Company has developed a structure to improve initiatives for compliance and risk management, in which each organization regularly conducts self-verification on the status of such initiatives based on checklists, and reports the results to the directors in charge.
(f). The Company has set out Compliance Rules and Risk Management Rules and appoints directors in charge of promoting initiatives related to compliance and risk management, respectively.
(g). A Liaison Committee on Group Risk and dedicated departments have been established to carry out comprehensive risk management on a global scale.

Status of internal audit and audits by corporate auditors

Internal audit of the Company and its subsidiaries is effectively implemented by seven employees from the Audit Office, who conduct audits of the execution of business and internal control over financial reporting of each organization, in mutual coordination with three corporate auditors (two of whom are external corporate auditors).

The audit firm reports to and exchanges opinions with corporate auditors on the accounting audit plan, the plan for audit of internal control over financial reporting, and the status and results of the audits. In addition, the audit firm discusses with the Audit Office the plan for the audit of internal control over financial reporting, and the status and results of the audits.

Full-time Corporate Auditor Katsuyuki Matsui has many years of experience in finance and accounting operations in the accounting division and other accounting-related divisions at Honda Motor Co., Ltd., and has considerable knowledge of these fields.

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 high-level 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.

The Company requires its external directors and external corporate auditors to meet the independence standards set forth by the Tokyo Stock Exchange and notifies the Tokyo Stock Exchange pursuant to said standards.

<Independent Directors>

Taro Mizuno possesses high-level 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 high-level insights. 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.

<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 86% of revenue on a consolidated basis in fiscal 2016. 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.

Compensation, etc., for directors and corporate auditors

1. Total amount of compensation, etc., by category, total amount by compensation type, and the number of eligible directors and corporate auditors.

Category	Number of eligible directors/corporate auditors	Total amount of compensation, etc. (Millions of yen)
Directors (excluding external directors)	13	257
Corporate auditors (excluding external corporate auditors)	2	24
External directors and external corporate auditors	5	40
Total	20	321

Notes:
1.Amounts are rounded to the nearest million yen.
2.The total amount of compensation, etc., does not include employee salaries paid to directors who concurrently serve as employees.
3.The amount of compensation for directors is within the limit of ¥450 million per year (excluding employee salaries) and that for corporate auditors is within the limit of ¥70 million per year, pursuant to the resolution at the general meeting of shareholders (resolution at the 72nd Ordinary General Meeting of Shareholders).
4.The number of eligible directors and corporate auditors eligible for some of the total amount of compensation, etc., include four directors and two corporate auditors who retired as of the close of the 74th Ordinary General Meeting of Shareholders.
5.The total amount of compensation, etc., includes base compensation of ¥280 million (¥216 million for directors, ¥24 million for corporate auditors, and ¥40 million for external directors and corporate auditors) paid during the fiscal year under review.
6.The total amount of compensation, etc., includes accrued bonuses for directors of ¥41 million for the fiscal year under review.

2. Details on the policy for determining the amount of compensation, etc., for directors and corporate auditors and the calculation method thereof, and the policy for determining the amount and calculation method

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

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

Status of the shareholding

1. The number of issues and the total balance sheet amount of investment shares held for purposes other than pure investment
14 issues
¥392 million

2. Holding category, issue, number of shares, amount on the balance sheet, and holding purpose of investment shares held for purposes other than pure investment

Fiscal year ended March 31, 2015
Specified investment shares

Issuer	Number of shares (Shares)	Amount on the balance sheet (Millions of yen)	Holding purpose
Renesas Electronics Corporation	8,333,300	7,442	To facilitate business relationships, etc.
Mistubishi UFJ Financial Group, Inc.	519,950	387	To facilitate business relationships, etc.
NIPPON KONPO UNYU SOKO CO., LTD.	23,814	50	To facilitate business relationships, etc.
OGURA CLUTCH CO.,LTD.	100,000	34	To facilitate business relationships, etc.
SANSHIN ELECTRONICS CO., LTD.	10,000	10	To facilitate business relationships, etc.
Kawasaki Heavy Industries, Ltd.	10,000	6	To facilitate business relationships, etc.
CMK CORPORATION	1,000	0	To facilitate business relationships, etc.

Fiscal year ended March 31, 2016
Special investment shares

Issuer	Number of shares (Shares)	Amount on the balance sheet (Millions of yen)	Holding purpose
Mistubishi UFJ Financial Group, Inc.	519,950	271	To facilitate business relationships, etc.
NIKKON Holdings CO., LTD.	23,814	49	To facilitate business relationships, etc.
OGURA CLUTCH CO., LTD.	100,000	33	To facilitate business relationships, etc.
SANSHIN ELECTRONICS CO., LTD.	10,000	9	To facilitate business relationships, etc.
Kawasaki Heavy Industries, Ltd.	10,000	3	To facilitate business relationships, etc.
CMK CORPORATION	1,000	0	To facilitate business relationships, etc.

Note:NIPPON KONPO UNYU SOKO CO., LTD. has changed its trade name to NIKKON Holdings Co., Ltd. as of October 1, 2015.

Status of accounting audits

Certified public accountants (CPA) who have conducted accounting audits of the Company are Mr. Shinji Takada and Mr. Shigeki Hioki of Ernst & Young ShinNihon LLC. Since they have been conducting audits of the Company for less than seven years, the number of consecutive years of service is not stated.

In addition, 16 CPAs and 17 other members assisted in accounting audits of the Company.

Number of directors

The Company stipulates in its Articles of Incorporation that the number of the Company's directors is to be no more than 15.

Requirements for a resolution to elect directors

The Company stipulates in its Articles of Incorporation that a resolution to elect directors requires the attendance of shareholders who possess one third or more of all voting rights held by shareholders entitled to exercise their voting rights and a majority of the votes cast by those shareholders present.

In addition, the Company stipulates in its Articles of Incorporation that a resolution to elect directors is not to be made by cumulative voting.

Acquisition of shares of the Company

The Company stipulates in its Articles of Incorporation, with respect to matters provided for in Article 165, Paragraph 2 of the Companies Act, that it may acquire its own shares through market transactions, etc., by a resolution of the Board of Directors with the aim of enabling the implementation of a flexible capital policy.

Decision-making body for appropriation of surplus, etc.

The Company stipulates in its Articles of Incorporation, with respect to matters provided for in each item of Article 459, Paragraph 1 of the Companies Act related to appropriation of surplus, etc., that the appropriation of surplus is determined by a resolution of the Board of Directors unless otherwise stipulated by laws and regulations, with the aim of enabling the implementation of a flexible capital policy and dividend policy by delegating the authority of resolving the appropriation of surplus to the Board of Directors.

The year-end dividend for the fiscal year under review has been determined by a resolution of the general meeting of shareholders as in the past to reflect the opinions of shareholders.

Requirements for a special resolution at the general meeting of shareholders

The Company stipulates in its Articles of Incorporation, with respect to the requirements for a special resolution at the general meeting of shareholders provided for in Article 309, Paragraph 2 of the Companies Act, that a special resolution requires the attendance of shareholders who possess one third or more of all voting rights held by shareholders entitled to exercise their voting rights and two thirds or more of the votes cast by those shareholders present. The intention of such requirements is to facilitate the holding of general meetings of shareholders by relaxing the required quorum for special resolutions.

Board of Directors

President & CEO, and Representative Director
Chitoshi Yokota

Managing officer and Representative Director
Hiroshi Seikai

Managing officer and Representative Director
Genichiro Konno

Managing Officer and Director
Hirohisa Amano

Managing Officer and Director
Yusuke Takayama

Managing Officer and Director
Masayasu Shigemoto

Senior Operating Officer and Director
Mikihito Kawakatsu

Senior Operating Officer and Director
Tadayoshi Ito

Senior Operating Officer and Director
Tomoya Abe

Director (Independent)
Taro Mizuno

Director (Independent)
Shigeo Wakabayashi

Audit & Supervisory Board Member

Katsuyuki Matsui

Koki Onuma

Yasuhiko Narita

Managing Officer

Kenichi Nishizawa

Senior Operating Officer

Toru Mitsubori Toshihiro Kuroki Shinichi Omachi

Operating Officer

Seiichi Shindo Masaaki Takahashi Kazumi Araki Hiroshi Nakatsubo Kazuyuki Meguro Yasutoshi Ito Raymond Watson

(As of June 30, 2016)

CSR Policy

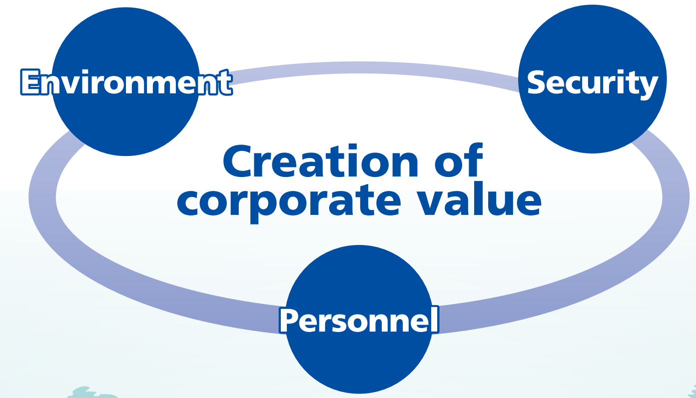
Keihin think CSR activities is...

We provide exceptional products that are environment-friendly and reliable in our core business activities of developing and manufacturing mobility components. We consider "the environment, security, and the personnel who support these CSR fields" to be material (critical themes) in our corporate development and societal contributions, and we engage in activities that resonate with and earn the trust of society.

Environment
As a mobility systems supplier, our contributions to a recycling-oriented society, such as our CO2 reduction efforts, help us achieve our corporate principle. We are actively engaged in developing technologies and products and production that help reduce our environmental impact.

Security
Through our core business activities of developing and manufacturing mobility components, our mission is to supply customers with products with a sense of security, thereby earning their trust. We constantly strive to improve our designs and product quality to ensure safety for a secure motorized society.

Personnel
People create the "new value" of our corporate principle.
People are the focus of "Respect for the individual" and "The five joys," the fundamental beliefs of the Keihin Philosophy. It is the power of people that enables us to create new value and achieve our corporate principle. We will continue to develop personnel based on our philosophy to share joy with our stakeholders.



Five-Year Summary of Selected Financial Data

Financial Section

For the years ended March 31, 2012, 2013, 2014, 2015 and 2016

	JGAAP		IFRS			
					Millions of yen (except per share amounts)	Thousands of U.S. dollars (except per share amounts)
	2012	2013	2014	2015	2016	2016
For the year:						
Net sales/Revenue	¥ 259,994	¥ 294,944	¥ 318,689	¥ 327,075	¥ 341,576	$ 3,031,378
Results by geographical region						
Japan	144,982	161,836	168,994	151,172	154,213	1,368,591
Americas	66,096	93,143	100,076	109,680	121,153	1,075,195
Asia	71,370	78,645	89,522	99,026	91,571	812,664
China	34,721	35,552	58,287	61,983	75,862	673,254
Europe	4,444	6,487	-	-	-	-
Consolidated adjustments	(61,619)	(80,719)	(98,191)	(94,786)	(101,223)	(898,327)
Results by products						
Motorcycle and power products	88,754	80,616	90,084	96,466	86,994	772,042
Mechanical products for automobiles	171,240	214,328	228,605	230,608	254,582	2,259,336
Operating income/Operating profit	10,818	10,015	19,517	22,747	16,440	145,897
Income before income taxes and minority interests/ Profit before tax	10,174	12,304	13,083	13,652	15,549	137,996
Net income/Profit attributable to owners of the parent	4,239	2,656	10,430	11,051	5,677	50,379
Comprehensive income / Comprehensive income for the year	1,078	15,253	27,384	29,719	(7,778)	(69,026)
Research and development expenses	16,547	18,676	17,804	18,606	19,559	173,582
Capital expenditures	13,013	24,365	21,180	18,915	14,593	129,505
At year-end:						
Total net assets/Total equity	¥ 143,909	¥ 155,934	¥ 170,479	¥ 195,611	¥ 182,521	$ 1,619,816
Total assets	202,724	224,957	245,740	274,269	257,065	2,281,374
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	76.75	68.00
Cash dividends	26.00	28.00	31.00	34.00	36.00	0.32
Net assets/Equity	1,652.61	1,765.80	1,998.02	2,290.18	2,153.82	19.11
Cash flows:						
Cash flows from operating activities	¥ 5,463	¥ 14,432	¥ 29,232	¥ 24,966	¥ 30,791	$ 273,263
Cash flows from investing activities	(16,444)	(29,081)	(21,251)	(22,577)	(9,903)	(89,889)
Cash flows from financing activities	(4,620)	9,056	(9,400)	(5,619)	(9,662)	(85,751)
Cash and cash equivalents at end of year	25,865	23,132	30,318	29,295	39,515	350,685

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.
2. U.S. dollar amounts in this annual report are translated from Japanese yen, for convenience only, at the rate of ¥112.68 = US$1.
3. From FY2012, the Company applies the "Accounting Standard for Comprehensive Income" (ASBJ Statement No. 25, issued June 30, 2010).
4. Net sales/revenue for Europe is included in the geographical segment of Japan from FY2015.
5. 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.

1【Consolidated Financial Statements】

(1)【Consolidated Statement of Financial Position】

Keihin Corporation and Consolidated Subsidiaries
As of March 31, 2015 and 2016

	Notes	Millions of yen 2015	Millions of yen 2016	Thousands of U.S. dollars 2016
Assets				
Current assets				
Cash and cash equivalents	7, 28	29,295	**39,515**	**350,685**
Trade and other current receivables	8, 28	56,274	**54,932**	**487,502**
Other current financial assets	9, 28	3,768	**1,203**	**10,674**
Inventories	10	52,521	**44,783**	**397,434**
Other current assets		2,839	**2,547**	**22,608**
Total current assets		144,696	**142,980**	**1,268,902**
Non-current assets				
Property, plant and equipment	11,13	102,672	**95,956**	**851,576**
Intangible assets	12	6,515	**6,560**	**58,214**
Trade and other non-current receivables	8, 28	327	**242**	**2,146**
Other non-current financial assets	9, 28	13,586	**4,947**	**43,906**
Retirement benefit assets	19	1,096	**4**	**35**
Deferred tax assets	14	3,830	**4,130**	**36,655**
Other non-current assets		1,547	**2,247**	**19,940**
Total non-current assets		129,573	**114,085**	**1,012,472**
Total assets		274,269	**257,065**	**2,281,374**

	Notes	Millions of yen 2015	Millions of yen 2016	Thousands of U.S. dollars 2016
Liabilities and equity				
Liabilities				
Current liabilities				
Trade and other current payables	15, 28	49,546	**53,267**	**472,727**
Short-term loans	16, 28	12,347	**9,984**	**88,603**
Other current financial liabilities	17, 28	278	**514**	**4,560**
Income tax payables	14	1,754	**1,272**	**11,285**
Provisions	18	375	**293**	**2,596**
Other current liabilities		651	**740**	**6,565**
Total current liabilities		64,951	**66,068**	**586,336**
Non-current liabilities				
Long-term loans	16, 28	3,194	**563**	**5,000**
Other non-current financial liabilities	17, 28	158	**120**	**1,068**
Retirement benefit liabilities	19	2,614	**2,982**	**26,462**
Provisions	18	172	**175**	**1,556**
Deferred tax liabilities	14	5,977	**3,368**	**29,889**
Other non-current liabilities		1,592	**1,267**	**11,246**
Total non-current liabilities		13,707	**8,476**	**75,222**
Total liabilities		78,658	**74,544**	**661,558**
Equity				
Common stock	20	6,932	**6,932**	**61,522**
Capital surplus	20	9,524	**9,524**	**84,525**
Retained earnings	20	128,126	**133,029**	**1,180,588**
Treasury stock	20	(37)	**(38)**	**(338)**
Other components of equity	20	24,836	**9,847**	**87,393**
Equity attributable to owners of the parent		169,381	**159,295**	**1,413,691**
Non-controlling interests		26,230	**23,226**	**206,126**
Total equity		195,611	**182,521**	**1,619,816**
Total liabilities and equity		274,269	**257,065**	**2,281,374**

(2)【Consolidated Statement of Income】

Keihin Corporation and Consolidated Subsidiaries

For the fiscal years ended March 31, 2015 and 2016

	Notes	Millions of yen 2015	Millions of yen 2016	Thousands of U.S. dollars 2016
Revenue	6	327,075	**341,576**	**3,031,378**
Cost of sales	25	(278,089)	**(289,678)**	**(2,570,805)**
Gross profit		48,985	**51,897**	**460,572**
Selling, general and administrative expenses	21, 25	(26,685)	**(30,327)**	**(269,147)**
Other income	22	1,042	**785**	**6,963**
Other expenses	22, 25	(595)	**(5,915)**	**(52,491)**
Operating profit	6	22,747	**16,440**	**145,897**
Finance income	23	513	**464**	**4,116**
Finance costs	23	(1,941)	**(1,354)**	**(12,017)**
Profit before tax		21,320	**15,549**	**137,996**
Income tax expense	14	(7,668)	**(7,570)**	**(67,179)**
Profit for the year		13,652	**7,980**	**70,816**
Profit attributable to:				
Owners of the parent		11,051	**5,677**	**50,379**
Non-controlling interests		2,601	**2,303**	**20,437**
Profit for the year		13,652	**7,980**	**70,816**
		Yen		U.S. dollars
Earnings per share attributable to owners of the parent:				
Basic earnings per share	24	149.42	**76.75**	**0.68**

(3)【Consolidated Statement of Comprehensive Income】

Keihin Corporation and Consolidated Subsidiaries

For the fiscal years ended March 31, 2015 and 2016

	Notes	Millions of yen 2015	Millions of yen 2016	Thousands of U.S. dollars 2016
Profit for the year		13,652	**7,980**	**70,816**
Other comprehensive income (loss)				
Items that will not be reclassified to profit or loss, net of tax:				
Gains (losses) on financial assets measured at fair value through other comprehensive income (loss)	26	217	**(695)**	**(6,171)**
Remeasurements of net defined benefit liabilities (assets)	26	578	**(2,730)**	**(24,232)**
Total comprehensive income (loss) that will not be reclassified to profit or loss, net of tax		795	**(3,426)**	**(30,402)**
Items that may be reclassified to profit or loss, net of tax:				
Foreign currency translation adjustments	26	15,272	**(12,332)**	**(109,440)**
Total comprehensive income (loss) that may be reclassified to profit or loss, net of tax		15,272	**(12,332)**	**(109,440)**
Other comprehensive income (loss) for the year		16,067	**(15,757)**	**(139,842)**
Total comprehensive income (loss) for the year		29,719	**(7,778)**	**(69,026)**
Comprehensive income (loss) attributable to:				
Owners of the parent		24,049	**(7,497)**	**(66,531)**
Non-controlling interests		5,670	**(281)**	**(2,495)**
Comprehensive income (loss) for the year		29,719	**(7,778)**	**(69,026)**

(4)【Consolidated Statement of Changes in Equity】

Keihin Corporation and Consolidated Subsidiaries

For the fiscal 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**

Keihin Corporation and Consolidated Subsidiaries

For the fiscal year ended March 31, 2016

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, 2015		**6,932**	**9,524**	**128,126**	**(37)**	**8,051**	**—**
Comprehensive income							
Profit for the year		—	—	**5,677**	—	—	—
Other comprehensive income (loss)	26	—	—	—	—	**(695)**	**(2,678)**
Total comprehensive income (loss)		—	—	**5,677**	—	**(695)**	**(2,678)**
Transactions with owners							
Dividends paid	27	—	—	**(2,589)**	—	—	—
Purchase of treasury stock		—	—	—	**(1)**	—	—
Transfer from other components of equity to retained earnings		—	—	**1,815**	—	**(4,492)**	**2,678**
Total transactions with owners		—	—	**(774)**	**(1)**	**(4,492)**	**2,678**
As of March 31, 2016		**6,932**	**9,524**	**133,029**	**(38)**	**2,863**	**—**

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, 2015		**16,785**	**24,836**	**169,381**	**26,230**	**195,611**
Comprehensive income						
Profit for the year		—	—	**5,677**	**2,303**	**7,980**
Other comprehensive income (loss)	26	**(9,801)**	**(13,174)**	**(13,174)**	**(2,584)**	**(15,757)**
Total comprehensive income (loss)		**(9,801)**	**(13,174)**	**(7,497)**	**(281)**	**(7,778)**
Transactions with owners						
Dividends paid	27	—	—	**(2,589)**	**(2,722)**	**(5,311)**
Purchase of treasury stock		—	—	**(1)**	—	**(1)**
Transfer from other components of equity to retained earnings		—	**(1,815)**	—	—	—
Total transactions with owners		—	**(1,815)**	**(2,590)**	**(2,722)**	**(5,312)**
As of March 31, 2016		**6,985**	**9,847**	**159,295**	**23,226**	**182,521**

Thousands of U.S. dollars

	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, 2015		**61,522**	**84,525**	**1,137,076**	**(327)**	**71,447**	—
Comprehensive income							
Profit for the year		—	—	**50,379**	—	—	—
Other comprehensive income (loss)	26	—	—	—	—	**(6,171)**	**(23,763)**
Total comprehensive income (loss)		—	—	**50,379**	—	**(6,171)**	**(23,763)**
Transactions with owners							
Dividends paid	27	—	—	**(22,973)**	—	—	—
Purchase of treasury stock		—	—	—	**(11)**	—	—
Transfer from other components of equity to retained earnings		—	—	**16,106**	—	**(39,869)**	**23,763**
Total transactions with owners		—	—	**(6,867)**	**(11)**	**(39,869)**	**23,763**
As of March 31, 2016		**61,522**	**84,525**	**1,180,588**	**(338)**	**25,407**	—

Thousands of U.S. dollars

	Notes	Equity attributable to owners of the parent				
		Other components of equity				
		Foreign currency translation adjustments	Total	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
As of April 1, 2015		**148,963**	**220,410**	**1,503,206**	**232,781**	**1,735,987**
Comprehensive income						
Profit for the year		—	—	**50,379**	**20,437**	**70,816**
Other comprehensive income (loss)	26	**(86,977)**	**(116,911)**	**(116,911)**	**(22,931)**	**(139,842)**
Total comprehensive income (loss)		**(86,977)**	**(116,911)**	**(66,531)**	**(2,495)**	**(69,026)**
Transactions with owners						
Dividends paid	27	—	—	**(22,973)**	**(24,161)**	**(47,134)**
Purchase of treasury stock		—	—	**(11)**	—	**(11)**
Transfer from other components of equity to retained earnings		—	**(16,106)**	—	—	—
Total transactions with owners		—	**(16,106)**	**(22,984)**	**(24,161)**	**(47,145)**
As of March 31, 2016		**61,986**	**87,393**	**1,413,691**	**206,126**	**1,619,816**

(5)【Consolidated Statement of Cash Flows】

Keihin Corporation and Consolidated Subsidiaries

For the fiscal years ended March 31, 2015 and 2016

	Notes	Millions of yen		Thousands of U.S. dollars
		2015	**2016**	**2016**
Cash flows from operating activities:				
Profit before tax		21,320	**15,549**	**137,996**
Depreciation and amortization		16,873	**17,355**	**154,024**
Impairment loss		45	**33**	**297**
Interest and dividends income		(513)	**(464)**	**(4,116)**
Interest expense		490	**464**	**4,116**
(Gain) loss on sale of property, plant and equipment		(179)	**(48)**	**(422)**
(Increase) decrease in trade and other receivables		(2,649)	**(3,193)**	**(28,337)**
(Increase) decrease in inventories		(3,318)	**3,568**	**31,666**
Increase (decrease) in trade and current payables		(246)	**7,611**	**67,548**
Increase (decrease) in provisions		(723)	**(69)**	**(612)**
Increase (decrease) in retirement and servance benefits		(1,479)	**(1,475)**	**(13,094)**
Other, net		3,708	**111**	**987**
Subtotal		33,332	**39,444**	**350,053**
Interest received		414	**357**	**3,164**
Dividends received		181	**137**	**1,220**
Interest paid		(495)	**(470)**	**(4,171)**
Income taxes paid		(8,466)	**(8,677)**	**(77,003)**
Net cash provided by operating activities		24,966	**30,791**	**273,263**
Cash flows from investing activities:				
(Increase) decrease in time-deposits, net		(2,423)	**2,258**	**20,040**
Purchase of property, plant and equipment and intangible assets		(21,028)	**(17,882)**	**(158,693)**
Proceeds from sale of property, plant and equipment and intangible assets		557	**134**	**1,186**
Proceeds from sale of investment securities		—	**5,492**	**48,737**
Increase in loan receivable		(437)	**(335)**	**(2,976)**
Collection of loans		539	**461**	**4,090**
Other, net		214	**(31)**	**(272)**
Net cash used in investing activities		(22,577)	**(9,903)**	**(87,889)**
Cash flows from financing activities:				
Increase (decrease) in short-term loans, net		1,157	**656**	**5,822**
Repayment of long-term loans		(2,220)	**(4,785)**	**(42,462)**
Dividends paid to owners of the parent	27	(2,441)	**(2,589)**	**(22,973)**
Dividends paid to non-controlling interests		(2,145)	**(2,722)**	**(24,161)**
Purchase of treasury stock		(1)	**(1)**	**(11)**
Other, net		30	**(222)**	**(1,966)**
Net cash used in financing activities		(5,619)	**(9,662)**	**(85,751)**
Foreign currency translation adjustments on cash and cash equivalents		2,207	**(1,005)**	**(8,918)**
Net increase (decrease) in cash and cash equivalents		(1,023)	**10,221**	**90,704**
Cash and cash equivalents at beginning of year	7	30,318	**29,295**	**259,980**
Cash and cash equivalents at end of year	7	29,295	**39,515**	**350,685**

[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, 2016 consist of the financial statements of the Company and its consolidated subsidiaries (hereinafter the "Group"). The Group is primarily engaged in the manufacturing and sales of motorcycle and power products and automobile products.

2. Basis of Preparation

(1) Compliance with IFRS

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

The consolidated financial statements were approved by the Company's Board of Directors on June 24, 2016.

(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 ¥112.68 to US$1, the approximate rate of exchange at March 31, 2016. 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 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, or bankruptcy of the obligor, etc.

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

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

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

(iv) Derecognition of financial assets

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

2) Financial liabilities

(i) Initial recognition and measurement

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

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

(ii) Subsequent measurement

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

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

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

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

(iii) Derecognition of financial liabilities

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

(5) Hedge accounting

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

(6) Cash and cash equivalents

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

(7) Inventories

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

(8) Property, plant and equipment

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

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

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

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

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

(9) Intangible assets

1) Software

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

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

2) Development expenses

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

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

(10) Leases

Leases are classified as finance leases (lessee) when all the risks and rewards of ownership of an asset in an arrangement are substantially transferred to the Group, and all leases other than finance leases are classified as operating leases (lessee).
Leased assets under finance lease transactions (lessee) are initially recognized at the lower of the fair value of leased properties or the present value of minimum lease payments, which were determined at the inception of the lease. After the initial recognition, the leased assets are depreciated over the estimated useful life of the assets or the term of the lease, whichever is shorter.
Lease payments are allocated to finance costs and payments of lease obligations in accordance with the interest method, and financial costs are recognized in the consolidated 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, 2018	Fiscal year ending March 31, 2019	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
IFRS 16	Leases	January 1, 2019	Fiscal year ending March 31, 2020	Amendment of accounting for lease contract

6. Segment Information

(1) Overview of reporting segments

The Company defines its reporting segments as units of the Company for which independent financial information is accessible and which are subject to periodic review by the Board of Directors to determine the allocation of management resources and to evaluate performance.

The Company is primarily engaged in the manufacture and sale of motorcycle and power products and automobile products and divides its activities into four region-specific reporting segments—Japan, Americas, Asia, and China—each with management systems and production and sales systems tailored to local characteristics.

Five consolidated subsidiaries under the umbrella of Keihin Thermal Technology Corporation 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, 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

For the fiscal year ended March 31, 2016

Millions of yen

	Reporting Segments					Eliminations	Total
	Japan	Americas	Asia	China	Total		
Revenue:							
Outside customers	**78,072**	**114,277**	**80,743**	**68,484**	**341,576**	—	**341,576**
Intersegment	**76,141**	**6,876**	**10,828**	**7,379**	**101,223**	**(101,223)**	—
Total	**154,213**	**121,153**	**91,571**	**75,862**	**442,799**	**(101,223)**	**341,576**
Depreciation and amortization	**(7,003)**	**(4,403)**	**(3,992)**	**(2,240)**	**(17,637)**	**282**	**(17,355)**
Impairment loss	**(33)**	—	**(0)**	—	**(33)**	—	**(33)**
Operating profit (loss)	**(4,748)**	**3,908**	**10,119**	**7,401**	**16,681**	**(241)**	**16,440**
Finance income	—	—	—	—	—	—	**464**
Finance costs	—	—	—	—	—	—	**(1,354)**
Profit before tax	—	—	—	—	—	—	**15,549**

	Japan	Americas	Asia	China	Total	Eliminations	Total
	Thousands of U.S. dollars						
	Reporting Segments						
Revenue:							
Outside customers	**692,861**	**1,014,176**	**716,569**	**607,772**	**3,031,378**	**—**	**3,031,378**
Intersegment	**675,730**	**61,019**	**96,095**	**65,483**	**898,327**	**(898,327)**	**—**
Total	**1,368,591**	**1,075,195**	**812,664**	**673,254**	**3,929,705**	**(898,327)**	**3,031,378**
Depreciation and amortization	**(62,149)**	**(39,073)**	**(35,427)**	**(19,878)**	**(156,526)**	**2,503**	**(154,024)**
Impairment loss	**(295)**	**—**	**(2)**	**—**	**(297)**	**—**	**(297)**
Operating profit (loss)	**(42,138)**	**34,685**	**89,805**	**65,685**	**148,037**	**(2,141)**	**145,897**
Finance income	**—**	**—**	**—**	**—**	**—**	**—**	**4,116**
Finance costs	**—**	**—**	**—**	**—**	**—**	**—**	**(12,017)**
Profit before tax	**—**	**—**	**—**	**—**	**—**	**—**	**137,996**

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

Millions of yen		
2015		
Motorcycles and Power Products	Automobile Products	Total
96,466	230,608	327,075

Millions of yen		
2016		
Motorcycles and Power Products	Automobile Products	Total
86,994	**254,582**	**341,576**

Thousands of U.S. dollars		
2016		
Motorcycles and Power Products	Automobile Products	Total
772,042	**2,259,336**	**3,031,378**

(4) Information by region

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

i . Revenue from outside customers

Millions of yen					
2015					
Japan	USA	Thailand	China	Others	Total
54,176	101,255	30,391	60,717	80,535	327,075

Millions of yen					
2016					
Japan	USA	Thailand	China	Others	Total
51,589	**110,117**	**28,733**	**76,094**	**75,042**	**341,576**

Thousands of U.S. dollars					
2016					
Japan	USA	Thailand	China	Others	Total
457,836	**977,256**	**254,997**	**675,314**	**665,974**	**3,031,378**

ii . Non-current assets

Millions of yen					
2015					
Japan	USA	Thailand	China	Others	Total
32,010	23,148	15,016	13,705	26,855	110,734

Millions of yen					
2016					
Japan	USA	Thailand	China	Others	Total
34,936	**20,116**	**11,769**	**11,529**	**26,412**	**104,762**

Thousands of U.S. dollars					
2016					
Japan	USA	Thailand	China	Others	Total
310,043	**178,525**	**104,450**	**102,316**	**234,395**	**929,730**

(5) Information by major customer

The Group continuously sells products to Honda Motor Co., Ltd. and the Honda Motor Group. Revenue from the Honda Motor Group accounting for over 10% of consolidated revenue for the fiscal years ended March 31, 2015 and 2016 amounted to ¥278,764 million and ¥293,474 million ($2,604,488 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
	2015	**2016**	**2016**
Cash and deposits	22,328	**34,474**	**305,944**
Certificates of deposit with maturities of less than three months	2,300	**—**	**—**
Time deposits with maturities of less than three months	4,666	**5,041**	**44,741**
Total	29,295	**39,515**	**350,685**

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
	2015	**2016**	**2016**
Notes and trade receivables	47,114	**47,149**	**418,434**
Accrued receivables	8,779	**7,395**	**65,629**
Others	724	**629**	**5,585**
Allowance for doubtful accounts	(16)	**—**	**—**
Total	56,601	**55,173**	**489,648**
Current	56,274	**54,932**	**487,502**
Non-current	327	**242**	**2,146**
Total	56,601	**55,173**	**489,648**

9. Other Financial Assets

The breakdown of other financial assets is as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Time deposits with maturities of more than three months	3,768	**1,090**	**9,677**
Derivatives	0	**112**	**997**
Equity instruments	13,586	**4,947**	**43,906**
Total	17,354	**6,150**	**54,580**
Current	3,768	**1,203**	**10,674**
Non-current	13,586	**4,947**	**43,906**
Total	17,354	**6,150**	**54,580**

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
	2015	**2016**	**2016**
Renesas Electronics Corporation	7,442	—	—
Honda Motor Co., Ltd.	5,444	**4,304**	**38,200**
Mitsubishi UFJ Financial Group, Inc.	387	**271**	**2,406**
Others	314	**372**	**3,300**
Total	13,586	**4,947**	**43,906**

During the fiscal year ended March 31, 2016, with the aim of increased efficiency and effective use of the assets held by the Group, FVTOCI financial assets measured at fair value through other comprehensive income were sold (derecognized).

The fair value at the time of derecognition was ¥5,492 million ($48,737 thousand) and accumulated gains recognized as other comprehensive income (loss) in equity were ¥4,492 million ($39,862 thousand).

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

10. Inventories

The breakdown of inventories is as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Merchandise and finished products	14,407	**12,402**	**110,064**
Work in process	8,460	**7,496**	**66,526**
Raw materials and supplies	29,654	**24,885**	**220,844**
Total	52,521	**44,783**	**397,434**

The write-downs of inventories included in "cost of sales" during the fiscal years ended March 31, 2015 and 2016 were ¥2,993 million and ¥3,222 million ($28,592 thousand), respectively. 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, 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**
Acquisition	**2,281**	**12,417**	**4,506**	**13,763**	**32,967**
Sales or disposal	**(153)**	**(7,200)**	**(2,641)**	—	**(9,993)**
Transfer	—	—	—	**(17,778)**	**(17,778)**
Foreign currency translation adjustments	**(3,481)**	**(9,044)**	**(2,560)**	**(821)**	**(15,906)**
Others	**13**	**96**	**494**	**63**	**667**
As of March 31, 2016	**71,004**	**171,870**	**46,190**	**7,847**	**296,911**

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, 2015	**642,027**	**1,558,394**	**411,703**	**112,009**	**2,724,134**
Acquisition	**20,246**	**110,201**	**39,987**	**122,139**	**292,572**
Sales or disposal	**(1,353)**	**(63,893)**	**(23,441)**	—	**(88,687)**
Transfer	—	—	—	**(157,778)**	**(157,778)**
Foreign currency translation adjustments	**(30,896)**	**(80,261)**	**(22,716)**	**(7,290)**	**(141,163)**
Others	**117**	**850**	**4,386**	**562**	**5,915**
As of March 31, 2016	**630,141**	**1,525,291**	**409,919**	**69,642**	**2,634,993**

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, 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)**
Depreciation	**(1,843)**	**(9,016)**	**(4,581)**	**(15,440)**
Impairment loss	—	**(30)**	**(4)**	**(33)**
Sales or disposal	**137**	**7,152**	**2,557**	**9,846**
Foreign currency translation adjustments	**1,535**	**6,010**	**1,999**	**9,544**
Others	**79**	**(210)**	**(458)**	**(589)**
As of March 31, 2016	**(35,038)**	**(126,892)**	**(39,025)**	**(200,955)**

	Thousands of U.S. dollars			
	Land, buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Total
As of March 31, 2015	**(310,146)**	**(1,160,790)**	**(342,014)**	**(1,812,951)**
Depreciation	**(16,352)**	**(80,018)**	**(40,654)**	**(137,024)**
Impairment loss	—	**(264)**	**(33)**	**(297)**
Sales or disposal	**1,218**	**63,468**	**22,692**	**87,378**
Foreign currency translation adjustments	**13,624**	**53,340**	**17,736**	**84,700**
Others	**702**	**(1,861)**	**(4,064)**	**(5,223)**
As of March 31, 2016	**(310,954)**	**(1,126,125)**	**(346,338)**	**(1,783,417)**

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, 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, 2016	(Millions of yen)	**35,966**	**44,978**	**7,164**	**7,847**	**95,956**
As of March 31, 2016	(Thousands of U.S. dollars)	**319,186**	**399,167**	**63,582**	**69,642**	**851,576**

(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, 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**
Acquisition	**648**	—	**80**	**728**
Increase arising from internal development	—	**1,450**	—	**1,450**
Sale or disposal	**(354)**	—	—	**(354)**
Foreign currency translation adjustments	**(272)**	—	**(43)**	**(315)**
Others	**(383)**	**(40)**	**8**	**(415)**
As of March 31, 2016	**5,998**	**4,515**	**1,473**	**11,985**

	Thousands of U.S. dollars			
	Software	Development expenses	Others	Total
As of March 31, 2015	**56,433**	**27,555**	**12,665**	**96,653**
Acquisition	**5,750**	—	**712**	**6,462**
Increase arising from internal development	—	**12,870**	—	**12,870**
Sale or disposal	**(3,142)**	—	—	**(3,142)**
Foreign currency translation adjustments	**(2,412)**	—	**(381)**	**(2,793)**
Others	**(3,399)**	**(358)**	**74**	**(3,684)**
As of March 31, 2016	**53,230**	**40,067**	**13,070**	**106,367**

Accumulated amortization and accumulated impairment loss

	Millions of yen			
	Software	Development expenses	Others	Total
As of April 1, 2014	(2,744)	(12)	(644)	(3,400)
Amortization	(916)	(194)	(216)	(1,325)
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)**
Amortization	**(993)**	**(688)**	**(235)**	**(1,916)**
Sale or disposal	**354**	—	—	**354**
Foreign currency translation adjustments	**184**	—	**32**	**216**
Others	**313**	—	**(17)**	**296**
As of March 31, 2016	**(3,470)**	**(894)**	**(1,062)**	**(5,426)**

	Thousands of U.S. dollars			
	Software	Development expenses	Others	Total
As of March 31, 2015	**(29,536)**	**(1,827)**	**(7,475)**	**(38,838)**
Amortization	**(8,809)**	**(6,109)**	**(2,082)**	**(17,000)**
Sale or disposal	**3,142**	—	—	**3,142**
Foreign currency translation adjustments	**1,631**	—	**286**	**1,917**
Others	**2,779**	—	**(154)**	**2,625**
As of March 31, 2016	**(30,793)**	**(7,936)**	**(9,424)**	**(48,154)**

(Note)

1. The amortization of intangible assets is included in "cost of sales" and "selling, general and administrative expenses" in the consolidated statement of income.
2. Capitalized development expenses recognized as intangible assets during the fiscal years ended March 31, 2015 and 2016 were ¥1,973 million and ¥1,450 million ($12,870 thousand), respectively. Total expenses related to research and development activities during the fiscal years ended March 31, 2015 and 2016 were ¥18,606 million and ¥19,559 million ($173,582 thousand), respectively.

Carrying amount

		Software	Development expenses	Others	Total
As of April 1, 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, 2016	**(Millions of yen)**	**2,528**	**3,621**	**411**	**6,560**
As of March 31, 2016	**(Thousands of U.S. dollars)**	**22,437**	**32,131**	**3,646**	**58,214**

13. Impairment Loss

For the fiscal year ended March 31, 2015

The Group recognized an impairment loss of ¥45 million 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."

For the fiscal year ended March 31, 2016

The Group recognized an impairment loss of ¥33 million ($ 297 thousand) during the fiscal year ended March 31, 2016.

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

Impairment losses are included in "other expenses" in the consolidated 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, 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

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

For the fiscal year ended March 31, 2016

	Millions of yen			
	As of April 1, 2015	Recognized in profit or loss (Note)	Recognized in other comprehensive income	As of March 31, 2016
Deferred tax assets				
Inventories	**1,642**	**(499)**	—	**1,143**
Property, plant and equipment and intangible assets	**2,449**	**667**	—	**3,116**
Accrued expenses	**748**	**782**	—	**1,530**
Retirement benefits	**485**	**(108)**	**128**	**505**
Unused tax losses	**23**	**62**	—	**85**
Others	**422**	**(150)**	—	**272**
Total deferred tax assets	**5,769**	**755**	**128**	**6,653**
Deferred tax liabilities				
Property, plant and equipment and intangible assets	**3,277**	**663**	—	**3,940**
Financial assets measured at fair value through other comprehensive income	**3,695**	**(1)**	**(2,455)**	**1,238**
Undistributed retained earnings of foreign subsidiaries	**534**	**46**	—	**580**
Retirement benefits	**357**	**(94)**	**(260)**	**3**
Others	**54**	**76**	—	**129**
Total deferred tax liabilities	**7,916**	**689**	**(2,715)**	**5,890**

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

	Thousands of U.S. dollars			
	As of April 1, 2015	Recognized in profit or loss (Note)	Recognized in other comprehensive income	As of March 31, 2016
Deferred tax assets				
Inventories	14,572	(4,424)	—	10,148
Property, plant and equipment and intangible assets	21,736	5,918	—	27,654
Accrued expenses	6,638	6,943	—	13,582
Retirement benefits	4,301	(954)	1,139	4,486
Unused tax losses	205	549	—	753
Others	3,749	(1,332)	—	2,417
Total deferred tax assets	51,200	6,700	1,139	59,040
Deferred tax liabilities				
Property, plant and equipment and intangible assets	29,085	5,883	—	34,969
Financial assets measured at fair value through other comprehensive income	32,789	(9)	(21,790)	10,989
Undistributed retained earnings of foreign subsidiaries	4,738	406	—	5,144
Retirement benefits	3,166	(835)	(2,307)	24
Others	477	672	—	1,149
Total deferred tax liabilities	70,256	6,116	(24,098)	52,274

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

(2) Unrecognized deferred tax assets

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

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Deductible temporary differences	21,010	16,436	145,862
Unused tax losses	18,014	27,533	244,349
Unused tax credits	4,365	3,587	31,835

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

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
1st year	—	303	2,689
2nd year	351	174	1,543
3rd year	202	1,903	16,889
4th year	2,039	828	7,348
5th year and thereafter	15,422	24,325	215,881
Total	18,014	27,533	244,349

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

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
1st year	2,166	1,036	9,198
2nd year	1,055	1,311	11,636
3rd year	1,106	1,063	9,434
4th year	4	1	5
5th year and thereafter	34	176	1,562
Total	4,365	3,587	31,835

(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
	2015	2016	2016
Temporary differences associated with investments in subsidiaries for which no deferred tax liabilities are recognized	95,883	87,393	775,590

(4) Income taxes

The breakdown of income tax expense is as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Current income tax	(7,070)	(7,777)	(69,016)
Deferred income tax	(599)	207	1,837
Total	(7,668)	(7,570)	(67,179)

(5) Reconciliation between the applicable and effective tax rate

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

	2015	2016
Applicable tax rate (*1)	35.0%	32.5%
Different tax rates applied to foreign subsidiaries	(15.4%)	(14.0%)
Undistributed retained earnings of foreign subsidiaries	2.5%	3.7%
Foreign tax	5.3%	10.2%
Temporary differences on elimination in profit or loss resulting from intra-group transactions	1.2%	2.9%
Changes in unrecognized deferred tax assets	5.8%	11.0%
Impact of tax rate change (*1, *2)	(0.4%)	0.0%
Others	1.9%	2.3%
Effective tax rate	36.0%	48.7%

*1 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.

*2 On March 29, 2016, 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, 2016. 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, 2016 changed to 30.27% for the temporary differences to be eliminated from April 1, 2016 to March 31, 2018 and to 30.04% for the temporary differences to be eliminated from April 1, 2018.

15. Trade and other payables

The breakdown of trade and other payables is as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Notes and trade payables	31,707	**31,161**	**276,546**
Accrued expenses	13,698	**19,062**	**169,168**
Accrued payments	4,141	**3,044**	**27,012**
Total	49,546	**53,267**	**472,727**

16. Loans

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

	Millions of yen			Thousands of U.S. dollars
	2015	**2016**	Average Interest rate (Note)	**2016**
Short-term loans	9,568	**9,420**	**3.54%**	**83,603**
Long-term loans to be repaid within one year	2,779	**563**	**2.15%**	**5,000**
Long-term loans	3,194	**563**	**2.15%**	**5,000**
Total	15,541	**10,547**	—	**93,603**
Current	12,347	**9,984**		**88,603**
Non-current	3,194	**563**		**5,000**
Total	15,541	**10,547**		**93,603**

(Note) The average interest rate is based on the weighted-average rate calculated based on the interest rates and the balances as of March 31, 2016.

17. Other Financial Liabilities

The breakdown of other financial liabilities is as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Derivatives	48	**37**	**330**
Finance lease obligations	388	**597**	**5,297**
Total	436	**634**	**5,628**
Current	278	**514**	**4,560**
Non-current	158	**120**	**1,068**
Total	436	**634**	**5,628**

18. Provisions

The breakdown of provisions is as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Warranty provisions	375	**293**	**2,596**
Others	172	**175**	**1,556**
Total	547	**468**	**4,152**
Current	375	**293**	**2,596**
Non-current	172	**175**	**1,556**
Total	547	**468**	**4,152**

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, 2015	**375**	**172**	**547**
Increase during the fiscal year	**119**	**3**	**122**
Interest cost associated with passage of time	—	**4**	**4**
Decrease due to intended use	**(139)**	—	**(139)**
Reversal during the fiscal year	**(46)**	—	**(46)**
Foreign currency translation adjustments	**(16)**	**(3)**	**(19)**
As of March 31, 2016	**293**	**175**	**468**

	Thousands of U.S. dollars		
	Warranty provisions	Others	Total
As of April 1, 2015	**3,324**	**1,526**	**4,850**
Increase during the fiscal year	**1,059**	**26**	**1,085**
Interest cost associated with passage of time	—	**32**	**32**
Decrease due to intended use	**(1,237)**	—	**(1,237)**
Reversal during the fiscal year	**(407)**	—	**(407)**
Foreign currency translation adjustments	**(143)**	**(28)**	**(171)**
As of March 31, 2016	**2,596**	**1,556**	**4,152**

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
	2015	**2016**	**2016**
Present value of defined benefit obligations	48,758	**44,536**	**395,247**
Fair value of plan assets	47,240	**41,559**	**368,820**
Defined benefit liability (net)	2,614	**2,982**	**26,462**
Defined benefit asset (net)	1,096	**4**	**35**

(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, 2014	43,924	
Service cost	2,282	
Interest cost	583	
Actuarial gain or loss		
Changes in demographic assumptions	122	
Changes in financial assumptions	1,722	
Experience adjustments	1,462	
Benefits paid	(2,024)	
Foreign currency translation adjustments	687	
As of March 31, 2015	**48,758**	**432,711**
Service cost	**2,434**	**21,602**
Interest cost	**487**	**4,323**
Actuarial gain or loss		
Changes in demographic assumptions	**19**	**166**
Changes in financial assumptions	**2,154**	**19,119**
Experience adjustments	**(522)**	**(4,630)**
Past service cost and gain or losses of settlements	**(791)**	**(7,021)**
Benefits paid	**(7,573)**	**(67,209)**
Foreign currency translation adjustments	**(430)**	**(3,813)**
As of March 31, 2016	**44,536**	**395,247**

(c) Significant actuarial assumptions and sensitivity analysis

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

	2015	**2016**
Discount rate	1.1%	**0.7%**

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
		2015	**2016**	**2016**
Discount rate	Increase of 0.5%	(2,465)	**(2,471)**	**(21,930)**
	Decrease of 0.5%	2,720	**2,796**	**24,812**

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:

	2015	**2016**
Weighted average duration	12.5 years	**12.9 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, 2014	40,396	
Contributions by the employer	3,616	
Benefits paid	(1,947)	
Interest revenue (Note)	560	
Return on plan assets (excluding interest revenue)	4,119	
Foreign currency translation adjustments	496	
As of March 31, 2015	**47,240**	**419,240**
Contributions by the employer	**2,908**	**25,812**
Benefits paid	**(7,365)**	**(65,366)**
Interest revenue (Note)	**509**	**4,518**
Return on plan assets (excluding interest revenue)	**(1,468)**	**(13,024)**
Foreign currency translation adjustments	**(266)**	**(2,359)**
As of March 31, 2016	**41,559**	**368,820**

(Note) 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 ¥1,967 million ($17,460 thousand) to plan assets in the fiscal year ending March 31, 2017.

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

	Millions of yen				Thousands of U.S. dollars	
	2015		**2016**		**2016**	
	Quoted price in an active market is available	No quoted price in an active market is available	Quoted price in an active market is available	No quoted price in an active market is available	Quoted price in an active market is available	No quoted price in an active market is available
Stocks (Note)	6,209	7,394	**5,481**	**6,610**	**48,646**	**58,658**
Bonds (Note)	4,686	13,101	**4,208**	**10,672**	**37,346**	**94,707**
General accounts of life insurance companies	—	2,596	**—**	**2,378**	**—**	**21,100**
Hedge funds	—	5,429	**—**	**4,793**	**—**	**42,536**
Cash and cash equivalents	6,022	—	**5,187**	**—**	**46,031**	**—**
Others	20	1,785	**31**	**2,200**	**273**	**19,522**
Total	16,936	30,304	**14,907**	**26,652**	**132,297**	**236,524**

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

(g) Defined benefit cost

The breakdown of defined benefit cost is as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Service cost	(2,282)	**(2,434)**	**(21,602)**
Past service cost and gain or losses of settlements	—	**791**	**7,021**
Net interest	(23)	**22**	**194**
Total	(2,305)	**(1,621)**	**(14,387)**

These costs are included in "cost of sales", "selling, general and administrative expenses" and "other 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, 2015 and 2016 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
	2015	**2016**	**2016**
Contributions	(428)	**(504)**	**(4,471)**

20. Equity and Other Equity Items

(1) Number of shares authorized

The number of shares authorized is as follows:

	2015	**2016**
Number of shares authorized (shares)	240,000,000	**240,000,000**

(2) Total number of shares issued

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

	2015	**2016**
Total number of shares issued (shares)	73,985,246	**73,985,246**

(3) Treasury stock

Number of treasury stock is as follows:

	2015	**2016**
Number of treasury stock (shares)	25,378	**26,041**

(4) Information on surplus included in equity

(a) Capital surplus

The components of capital surplus are as follows:

(i) Legal capital surplus

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

(ii) Other capital surplus

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

(b) Retained earnings

The components of retained earnings are as follows:

(i) Legal retained earnings

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

(ii) Other retained earnings

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

(5) Information on other components of equity

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

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

(b) 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
	2015	**2016**	**2016**
Employee benefit expenses	(10,776)	**(11,795)**	**(104,675)**
Freight and packing expenses	(3,694)	**(4,178)**	**(37,076)**
Depreciation and amortization	(1,209)	**(1,271)**	**(11,276)**
Others (Note)	(11,007)	**(13,084)**	**(116,120)**
Total	(26,685)	**(30,327)**	**(269,147)**

(Note) Employment assistance expenses amouting to ¥435 million ($3,864 thousand) were included in early retirement expenses during the fiscal years ended March 31, 2016.

22. Other income and Other expenses

(1) Other income

The Group recognized gains on sales of property, plant and equipment of ¥286 million and ¥65 million ($580 thousand) for the fiscal years ended March 31, 2015 and 2016, respectively.

There is no additional significant other income.

(2) Other expenses

The Group recognized impairment losses of ¥45 million and ¥33 million ($297 thousand) for the fiscal years ended March 31, 2015 and 2016, respectively. The breakdown of impairment loss is presented in Note "13. Impairment Loss."

In addition, early retirement expenses for special extra retirement payments, etc., of ¥4,611 million ($40,918 thousand) and expenses associated with the sale (derecognition) of FVTOCI financial assets of ¥879 million ($7,798 thousand) were recorded during the fiscal year ended March 31, 2016.

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
	2015	**2016**	**2016**
Interest income	376	**326**	**2,897**
Dividend income	137	**137**	**1,220**
Total	513	**464**	**4,116**

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
	2015	**2016**	**2016**
Interest costs	(490)	**(464)**	**(4,116)**
Foreign exchange loss	(1,450)	**(890)**	**(7,902)**
Total	(1,941)	**(1,354)**	**(12,017)**

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.

		2015	**2016**
Earnings per share attributable to owners of the parent	(Millions of yen)	11,051	**5,677**
Weighted average number of ordinary shares outstanding during the year	(shares)	73,960,167	**73,959,537**
Basic earnings per share	(yen)	149.42	**76.75**

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

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Employee benefit costs	(79,775)	**(89,554)**	**(794,764)**
Depreciation and amortization	(16,873)	**(17,355)**	**(154,024)**

26. Other Comprehensive Income

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

	Millions of yen		
	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 (loss)	17,360	(1,292)	16,067

	Millions of yen		
	2016		
	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	**(3,151)**	**2,455**	**(695)**
Subtotal	**(3,151)**	**2,455**	**(695)**
Remeasurements of the net defined benefit liabilities (assets)			
Amount arising during the year	**(3,119)**	**388**	**(2,730)**
Subtotal	**(3,119)**	**388**	**(2,730)**
Items that may be reclassified to profit or loss			
Foreign currency translation adjustments			
Amount arising during the year	**(12,332)**	—	**(12,332)**
Subtotal	**(12,332)**	—	**(12,332)**
Total other comprehensive income (loss)	**(18,601)**	**2,844**	**(15,757)**

	Thousands of U.S. dollars		
	2016		
	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	**(27,961)**	**21,790**	**(6,171)**
Subtotal	**(27,961)**	**21,790**	**(6,171)**
Remeasurements of the net defined benefit liabilities (assets)			
Amount arising during the year	**(27,679)**	**3,447**	**(24,232)**
Subtotal	**(27,679)**	**3,447**	**(24,232)**
Items that may be reclassified to profit or loss			
Foreign currency translation adjustments			
Amount arising during the year	**(109,440)**	—	**(109,440)**
Subtotal	**(109,440)**	—	**(109,440)**
Total other comprehensive income (loss)	**(165,079)**	**25,237**	**(139,842)**

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

27. Dividends

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
Total	—	2,441	—	—	—	—

(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, 2016

(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 19, 2015 Annual Shareholders Meeting	**Ordinary shares**	**1,257**	**17**	**March 31, 2015**	**June 22, 2015**	**Retained earnings**
November 10, 2015 Board of Directors	**Ordinary shares**	**1,331**	**18**	**September 30, 2015**	**November 30, 2015**	**Retained earnings**
Total	—	**2,589**	—	—	—	—

(2) Dividends with a record date in the fiscal year ended March 31, 2016 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 24, 2016 Annual Shareholders Meeting	**Ordinary shares**	**1,331**	**18**	**March 31, 2016**	**June 27, 2016**	**Retained earnings**

For the fiscal year ended March 31, 2016

(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 19, 2015 Annual Shareholders Meeting	**Ordinary shares**	**11,158**	**0.15**	**March 31, 2015**	**June 22, 2015**	**Retained earnings**
November 10, 2015 Board of Directors	**Ordinary shares**	**11,815**	**0.16**	**September 30, 2015**	**November 30, 2015**	**Retained earnings**
Total	—	**22,973**	—	—	—	—

(2) **Dividends with a record date in the fiscal year ended March 31, 2016 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 24, 2016 Annual Shareholders Meeting	**Ordinary shares**	**11,815**	**0.16**	**March 31, 2016**	**June 27, 2016**	**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 equals the respective carrying amount.

	Millions of yen				Thousands of U.S. dollars	
	2015		**2016**		**2016**	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Long-term loans payable	5,974	5,992	**1,127**	**1,130**	**10,000**	**10,030**

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 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

As of March 31, 2016

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Assets:				
FVTPL financial assets				
Derivatives	—	**112**	—	**112**
FVTOCI financial assets				
Equity instruments	**4,686**	—	**262**	**4,947**
Total	**4,686**	**112**	**262**	**5,059**
Liabilities:				
FVTPL financial liabilities				
Derivatives	—	**37**	—	**37**
Total	—	**37**	—	**37**

	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Assets:				
FVTPL financial assets				
Derivatives	—	**997**	—	**997**
FVTOCI financial assets				
Equity instruments	**41,583**	—	**2,323**	**43,906**
Total	**41,583**	**997**	**2,323**	**44,903**
Liabilities:				
FVTPL financial liabilities				
Derivatives	—	**330**	—	**330**
Total	—	**330**	—	**330**

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

Financial instruments classified as Level 2 are forward exchange contracts. 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 basis. 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
	2015	**2016**	**2016**
Profit before tax	(62)	**20**	**181**

(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
	2015	**2016**	**2016**
Other comprehensive income (loss) (before tax effects)	(1,339)	**(469)**	**(4,158)**

(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.

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
Loan	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

As of March 31, 2016

	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	**10,547**	**10,574**	**10,004**	**571**	—	—	—	—
Other financial liabilities								
Derivatives	**37**	**37**	**37**	—	—	—	—	—
Lease obligations	**597**	**610**	**481**	**45**	**25**	**25**	**25**	**8**
Guarantee obligations	—	**219**	**219**	—	—	—	—	—
Total	**11,181**	**11,440**	**10,741**	**616**	**25**	**25**	**25**	**8**

	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	**93,603**	**93,845**	**88,778**	**5,067**	—	—	—	—
Other financial liabilities								
Derivatives	**330**	**330**	**330**	—	—	—	—	—
Lease obligations	**5,297**	**5,411**	**4,267**	**396**	**225**	**225**	**225**	**75**
Guarantee obligations	—	**1,943**	**1,943**	—	—	—	—	—
Total	**99,231**	**101,530**	**95,319**	**5,463**	**225**	**225**	**225**	**75**

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
	2015	**2016**	**2016**
Capital	169,381	**159,295**	**1,413,691**
Total liabilities and equity	274,269	**257,065**	**2,281,374**
Equity ratio	61.8%	**62.0%**	**62.0%**

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:

For the fiscal year ended March 31, 2015

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.	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

For the fiscal year ended March 31, 2016

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.	**34,066**	**6,073**
		Purchase of raw materials, etc.	**821**	**157**
Other related party	Honda of America Manufacturing, Inc.	Sales of products, such as fuel injection system, etc.	**45,744**	**3,005**

Type	Name of related parties	Content of transactions	Thousands of U.S. dollars: Transaction Amount	Thousands of U.S. dollars: Outstanding balances
A company with significant influence on the Company	Honda Motor Co., Ltd.	Sales of products, such as fuel injection system, etc.	**302,325**	**53,896**
		Purchase of raw materials, etc.	**7,289**	**1,396**
Other related party	Honda of America Manufacturing, Inc.	Sales of products, such as fuel injection system, etc.	**405,964**	**26,667**

(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
	2015	**2016**	**2016**
Base compensation and bonus	(341)	**(321)**	**(2,845)**

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
	2015	**2016**	**2016**
Honda Housing Mutual Aid Society	230	**209**	**1,852**
Earthquake housing loan program	13	**10**	**92**
Total	242	**219**	**1,943**

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 associates.

Reporting segment	Number of companies: 2015	Number of companies: **2016**
Japan	13	**13**
Americas	7	**7**
Asia	10	**10**
China	4	**4**
Total	34	**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	
			2015	2016
Keihin Sakura Corporation	Miyagi Prefecture	Japan	100.00%	100.00%
Keihin Nasu Corporation	Tochigi Prefecture	Japan	100.00%	100.00%
Keihin Watari Corporation	Miyagi Prefecture	Japan	100.00%	100.00%
Keihin Electronics Technology, Inc.	Miyagi Prefecture	Japan	100.00%	100.00%
Keihin Valve Corporation	Kanagawa Prefecture	Japan	51.00%	51.00%
Keihin Thermal Technology Corporation	Tochigi Prefecture	Japan	100.00%	100.00%
Keihin Thermal Technology of America, Inc.	U.S.A.	Japan	100.00%	100.00%
Keihin Thermal Technology (Thailand) Co., Ltd.	Thailand	Japan	97.50%	97.50%
Keihin-Grand Ocean Thermal Technology (Dalian) Co., Ltd.	China	Japan	55.00%	55.00%
Keihin Thermal Technology Czech, s.r.o.	Czech Republic	Japan	100.00%	100.00%
Keihin Europe Ltd.	United Kingdom	Japan	100.00%	100.00%
Keihin Sales and Development Europe GmbH	Germany	Japan	100.00%	100.00%
Keihin North America, Inc.	U.S.A.	Americas	75.10%	75.10%
Keihin Carolina System Technology, LLC.	U.S.A.	Americas	75.10% (100.00%)	75.10% (100.00%)
Keihin Aircon North America, Inc.	U.S.A.	Americas	80.08% (100.00%)	80.08% (100.00%)
Keihin IPT Mfg, LLC.	U.S.A.	Americas	75.10% (100.00%)	75.10% (100.00%)
Keihin Michigan Manufacturing, LLC.	U.S.A.	Americas	75.10% (100.00%)	75.10% (100.00%)
Keihin de Mexico S.A. de C.V.	Mexico	Americas	100.00%	100.00%
Keihin Tecnologia do Brasil Ltda.	Brazil	Americas	70.00%	70.00%
Keihin Asia Bangkok Co., Ltd.	Thailand	Asia	100.00%	100.00%
Keihin (Thailand) Co., Ltd.	Thailand	Asia	57.02%	57.02%
Keihin Auto Parts (Thailand) Co., Ltd.	Thailand	Asia	85.00%	85.00%
PT Keihin Indonesia	Indonesia	Asia	100.00%	100.00%
Keihin India Manufacturing Pvt. Ltd.	India	Asia	100.00%	100.00%
Keihin FIE Pvt. Ltd.	India	Asia	74.00%	74.00%
Keihin Automotive Systems India Pvt. Ltd.	India	Asia	100.00%	100.00%
Keihin Vietnam Co., Ltd.	Vietnam	Asia	100.00%	100.00%
Taiwan Keihin Carburetor Co., Ltd.	Taiwan	Asia	51.00%	51.00%
Keihin Malaysia Manufacturing SDN. BHD.	Malaysia	Asia	100.00%	100.00%
Nanjing Keihin Carburetor Co., Ltd.	China	China	100.00%	100.00%
Dongguan Keihin Engine Management System Co., Ltd.	China	China	100.00%	100.00%
Keihin R&D China Co., Ltd.	China	China	100.00%	100.00%
Keihin (Wuhan) Automotive Components Co., Ltd. *2	China	China	100.00%	100.00%

*1 If the ratio of ownership interests and the ratio of voting rights of the Group are different, the ratio of voting rights is stated in parentheses

*2 Keihin (Wuhan) Automotive Components Co., Ltd. was 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.

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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, 2016, and the consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended and the notes to consolidated financial statements, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Keihin Corporation and its consolidated subsidiaries as at March 31, 2016, 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 24, 2016

Corporate Data (As of March 31, 2016)

Keihin Corporation

Corporate Data

Established	December 19, 1956
Capital	6,932 million yen
Fiscal Year-End	March 31
Number of Employees	22,011 (Consolidated), 4,083 (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

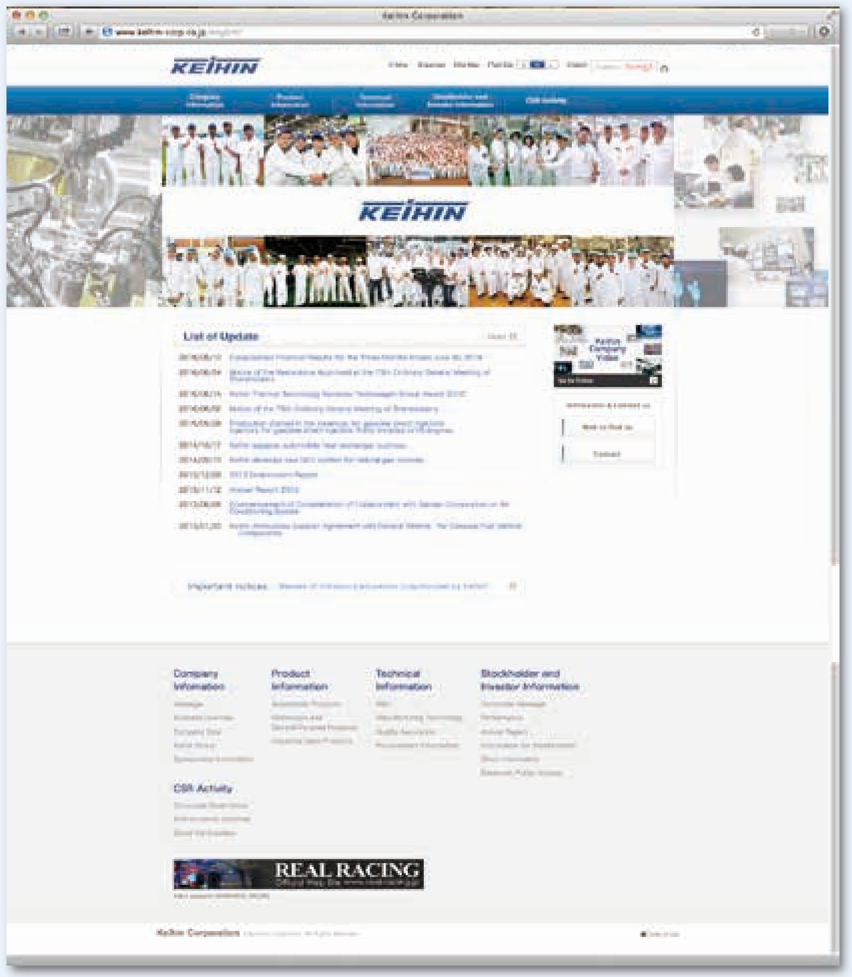
Number of Shares Authorized	240,000,000 shares
Total Number of Shares Issued	73,985,246 shares
Number of Shareholders	4,561
Stock Listing	Tokyo Stock Exchange
General Meeting of Shareholders	June
Share Registrar	Mitsubishi UFJ Trust and Banking Corporation 1-4-5, Marunouchi, Chiyoda-ku, Tokyo 100-8212, 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)	3,444	4.66
BANK OF TOKYO-MITSUBISHI UFJ, LTD.	1,938	2.62
THE MASTER TRUST BANK OF JAPAN, LTD. (TRUST ACCOUNT)	1,328	1.80
JP MORGAN CHASE BANK 385632	1,261	1.71
KEIHIN CORPORATION CLIENT STOCK OWNERSHIP ASSOCIATION	1,013	1.37
STATE STREET BANK AND TRUST COMPANY 505103	917	1.24
THE BANK OF NEW YORK 133522	915	1.24
STATE STREET BANK AND TRUST COMPANY	909	1.23
STATE STREET BANK AND TRUST CLIENT OMNIBUS ACCOUNT OM02 505002	887	1.20

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.