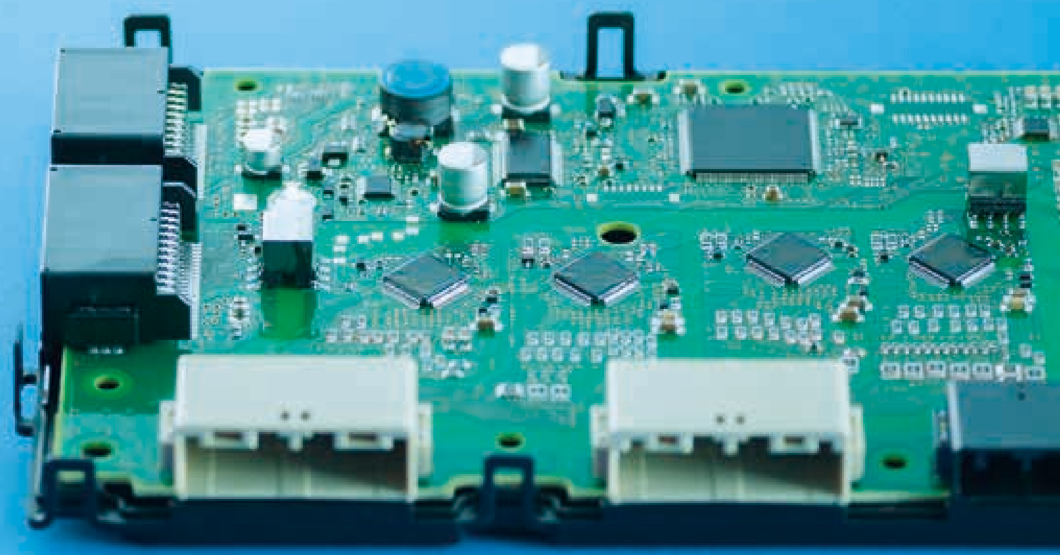
小さな部品が世界を変える



Keihin Corporation
Annual Report 2017

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.

Financial Results for FY2017

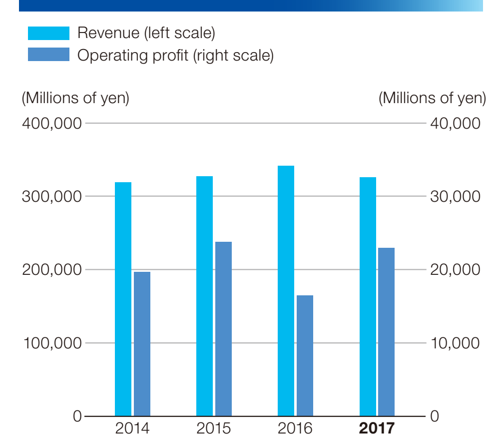
Revenue	Operating profit	Profit attributable to owners of the parent	Cash dividends
¥325.5 billion	¥22.9 billion	¥11.0 billion	¥40.0*
(declined 4.7% compared with FY2016)	(rose 39.6% compared with FY2016)	(rose 95.2% compared with FY2016)	

* Ordinary dividend of ¥38.00/share, Commemorative dividend (for the 60th anniversary) of ¥2.00/share

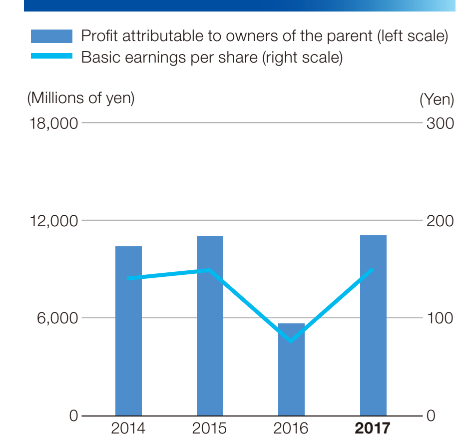
	2016	2017 (Millions of yen (unless otherwise stated))	2017 (Thousands of U.S. dollars (unless otherwise stated))
For the year:			
Revenue	¥341,576	**¥325,550**	**$2,901,772**
Operating profit	16,440	**22,954**	**204,601**
Profit attributable to owners of the parent	5,677	**11,084**	**98,794**
At year-end:			
Total equity	¥182,521	**¥193,883**	**$1,728,162**
Total assets	257,065	**266,851**	**2,378,559**
Cash dividends (yen)	¥ 36.00	**¥ 40.00***	**$ 0.36**
Rate of exchange (1 U.S. dollar)	112.68	**112.19**	—
Unit sales (motorcycles and automobiles) (million units)	42.57	**44.15**	—

* Ordinary dividend of ¥38.00/share, Commemorative dividend (for the 60th anniversary) of ¥2.00/share

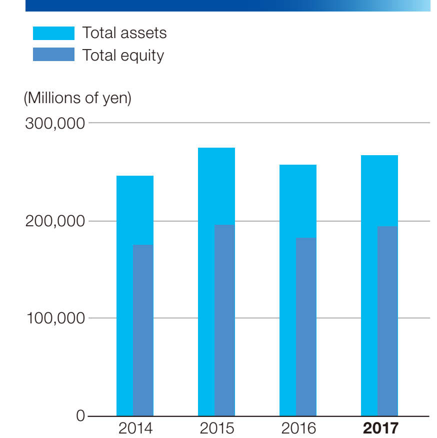
Revenue and Operating profit



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



Total assets and 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 ¥112.19 = US$1.

President's MESSAGE

13th Medium-Term Global Policy

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

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

13th Medium-Term Target

Operating profit margin

7%

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 76th term (April 1, 2016 to March 31, 2017), please let me say a few words.

To begin with, I would like to offer my heartfelt appreciation to everyone who has helped Keihin Corporation reach the major milestone of our 60th anniversary, which we marked on December 19, 2016, thanks to the support we have received from society, customers, suppliers and shareholders since our founding in 1956.

The 76th term was the final year of the Twelfth Medium-Term Business Plan (April 1, 2014 to March 31, 2017), during which we strived to realize our medium-term goal to "Create New Value by Utilizing Keihin's Collective Global Power."

Regarding the progress of our business development, we bolstered product competitiveness and enhanced our supply capacity with a view toward increasing the electrification of automobiles and shifting to direct-injection gasoline engines due to rising environmental awareness. We also worked to strengthen our cost competitiveness by expanding a high-efficiency production line using in-house manufacturing equipment and robots.

Revenue for fiscal 2017 decreased year on year, due to factors including the impact of exchange rates in China and the rest of Asia and a decline in sales in the Americas. Profits grew owing to streamlining and measures to strengthen the business structure in Japan, among other factors, despite an increase in depreciation and amortization and the impact of exchange rates.

As for dividends, we will submit a proposal for a year-end dividend of ¥20 per share (including a commemorative dividend of ¥1 for the 60th anniversary) at the 76th Ordinary General Meeting of Shareholders. Adding this to an interim dividend of ¥20 per share (including a commemorative dividend of ¥1 for the 60th anniversary), we will distribute a total dividend of ¥40 per share for fiscal 2017.

In April 2017, we launched the Thirteenth Medium-Term Business Plan (April 1, 2017 to March 31, 2020). Based on our Global Policy—"Build a strong company with healthy growth and a good company we can be proud of," we will continue to aim to be a company that always creates new value and contributes to the future of mankind, as stated in our corporate principle.

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

June 30, 2017

Chitoshi Yokota
President & CEO

• Looking back on 12th Medium-Term Management Plan

During the final year of the Twelfth Medium-Term Business Plan, the Group has worked to implement our key medium-term strategies—"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" and "Establishment of a corporate culture in which 'autonomy and independence' are deeply rooted," to achieve the Global Policy to "Create New Value by Utilizing Keihin's Collective Global Power."

With regard to initiatives during the three years of the Twelfth Medium-Term Business Plan under this policy, we made efforts to create new value, such as developing new products to adapt to electrification, and strengthening our business constitution by developing innovative production technologies and enhancing our quality, cost and supply system globally. However, a look at the business targets of the Twelfth Medium-Term Business Plan shows that revenue was affected by the exchange rates, market expansion was less than initially forecast and the operating profit ratio fell just short of the target despite implementation of initiatives to improve profitability in Japan and the Americas.

As for expanding sales to customers other than our main clients, although we made progress in broadening sales to new customers in the field of automotive air-conditioning heat exchangers, we failed to reach the business target.

• 13th Medium-Term Management Plan

In the Group's future business environment, tightening of exhaust emission regulations in India and other countries is expected to further accelerate the transition to FI for motorcycles. In the automobile business, we believe that vehicle electrification such as hybrid and electric cars will expand rapidly as a result of stricter environment regulations in countries such as the United States and China. Furthermore, the evolution of motorcycles and automobiles is expanding the role required of suppliers, leading to intensified global competition involving mega suppliers.

To succeed under such circumstances, the Group has set "Build a strong company with healthy growth and a good company we can be proud of" as the Global Policy of the newly launched Thirteenth Medium-Term Business Plan and will implement the following key strategies: "Provide eco-friendly solutions for the green technology era," "Greatly expand our customer base" and "Enhance the attraction toward the Keihin brand." To realize these policies, we will make investments for the future, including R&D investment aimed at furthering development of electrification and gasoline engines, in addition to capital investment with a view toward shifting to FI in motorcycles in India. In light of these policies, we will work toward achieving our medium-term target of a consolidated operating profit margin of 7%. Furthermore, we will seek sustainable growth and enhancement of corporate value by evolving into "a global green vehicle solutions brand" by 2030.

13th Medium-Term Management Target

Consolidated Operating Profit Margin 7%

As percentage of consolidated revenue

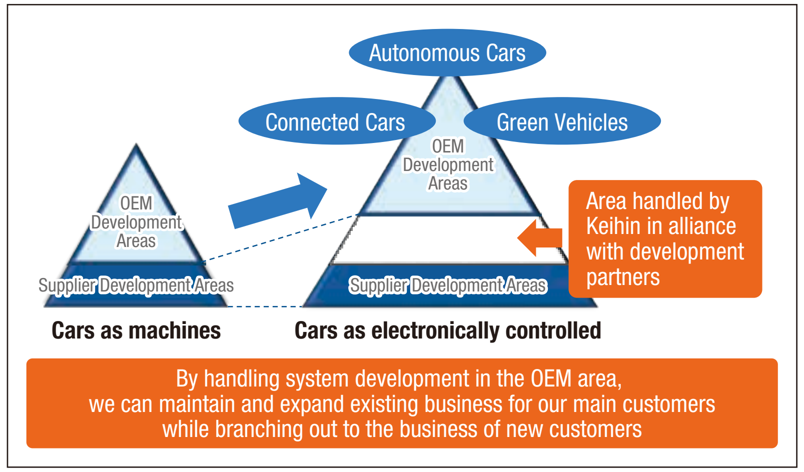
Capital expenditure	12th Plan: 5% → 13th Plan: 7%
Research and development expenses	12th Plan: 6% → 13th Plan: 7%

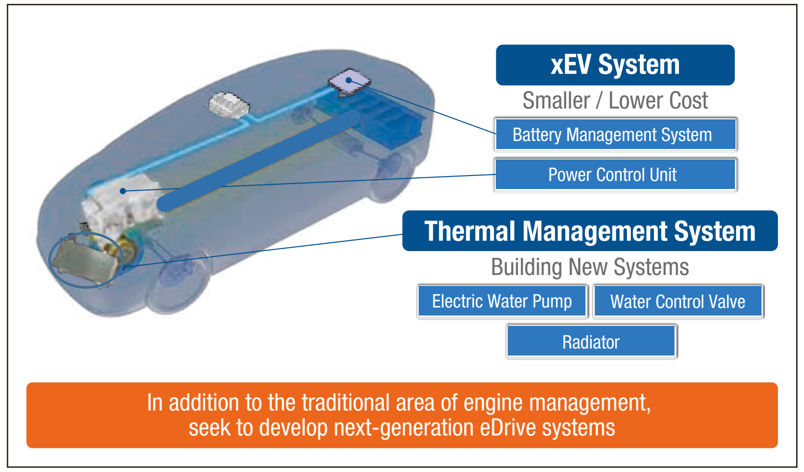
Note: The "Keihin Tree" represents our hopes for the 13th Medium-Term, in which the tree will grow under the three strategies for the 13th Medium-Term, putting out large roots and developing a thick, solid trunk.

Key Themes of 13th Medium-Term Business Plan

• Upstream development and proposal of original engine systems

In response to the increasing number of OEM development processes, such as vehicle electrification, autonomous cars and connected cars, we will expand into areas previously developed by OEM by further evolving control technologies for gasoline engine systems in alliance with our development partners. We will step up efforts with regard to upstream development and proposals of original engine systems in order to maintain and expand existing business for our main customers while branching out to the business of new customers.



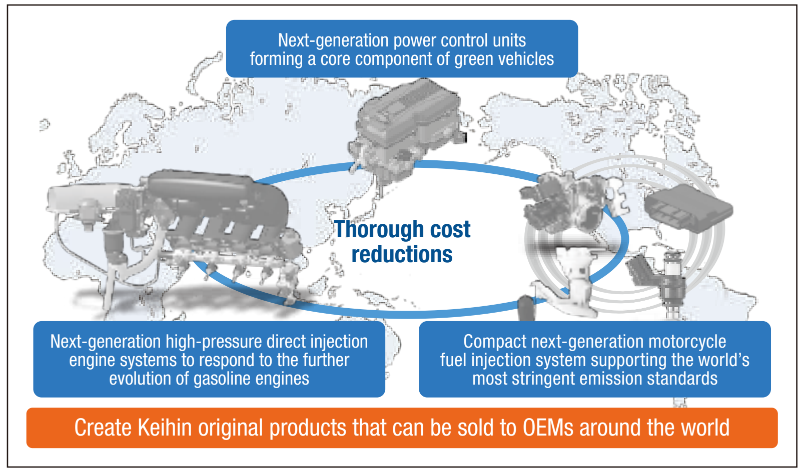


• Build next-generation electric vehicle technologies

We have accumulated know-how in the areas of power control units (PCU), which form a core component of electric vehicles, and battery management systems (BMS), which help extend driving ranges. We will further evolve our technologies in these areas with a view toward future vehicle electrification. As for future technology, we are also pursuing research on thermal management to use heat emitted by PCUs and will seek to develop next-generation eDrive systems.

• Greatly expand our customer base

With a view toward realizing business in 2030, we will expand sales beyond our main customers by creating original products that can be sold to OEMs around the world. Such products include next-generation high-pressure direct injection engine systems, compact motorcycle fuel injection systems and PCUs that are even smaller and cheaper.



KEIHIN

Financial Results for FY2017

Revenue	Operating profit	Profit attributable to owners of the parent
¥325.5 billion	¥22.9 billion	¥11.0 billion
(declined 4.7% compared with FY2016)	(rose 39.6% compared with FY2016)	(rose 95.2% compared with FY2016)

• Economic environment

The economic environment surrounding the Group in fiscal 2017 saw a gradual upturn continue in Japan, amid factors including a recovery in exports due to the weaker yen as well as an improvement in corporate revenue, despite fluctuations in the exchange rate stemming from uncertainty in overseas economies.

Overseas, the economy in the United States continued to recover due to an increase in consumer spending and a strong employment environment. In Asia, an economic upturn focused on domestic demand was seen in Thailand, Indonesia and India. Factors such as strong consumer spending and the effects of government policies led to signs of improvement in the Chinese economy.

In this environment, the Group expanded 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, in response to rising environmental awareness, an electronic fuel injection system (FI system) for small motorcycles was installed in the Honda *Scoopy i*, launched in Thailand. The FI system includes a newly developed electronic control unit with a built-in drive circuit for LED headlights. Keihin's FI system products are also installed in the Suzuki *Gixxer*, launched in India. Among large motorcycle products, an FI system is installed in the KTM *1290 SUPER DUKE R*, and the industry's first FI system using an electronic control-type throttle body in the 250cc-and-under class is installed in the Honda *CBR250RR*, launched in Indonesia.

• Business performance of automobile products

In automobile products, installation of numerous products developed under the Twelfth Medium-Term Business Plan has expanded on a global basis. The new power control unit, which is a core component of hybrid vehicles, is installed in the Honda *Accord*, and electronic control products and fuel supply products, including the electronic control unit that controls the automotive onboard battery, which will be important in vehicle electrification in the future, are installed in the Honda *Freed*, launched in Japan. In addition, in response to rising environmental awareness, system products for direct-injection engines, including injectors for gasoline direct-injection engines, are installed in the Honda *Civic*, launched in Asia and China, the Honda *CR-V*, launched in the United States, and the ACURA *CDX*, launched in China. Furthermore, system products for V6 cylinder direct-injection engines are installed in the Honda *Ridgeline*, launched in the United States. For new customers, we supplied HI-LEX Corporation with the electronic control unit for the power lift gate on the Mazda *CX-5*, launched in Japan.

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

• Building and expanding a global supply system

With regard to business expansion aimed at meeting growing demand worldwide, we began assembly production of FI systems for small motorcycles in India, where tighter exhaust emission regulations are planned. In the Americas and China, we expanded production capacity for products for vehicles with direct-injection engines, installation of which is increasing globally in response to rising environmental awareness. We also set up a new production line in Japan for injectors for direct-injection engines and built a supply system that can handle the ever-expanding demand.

Looking Back on Fiscal 2017

April

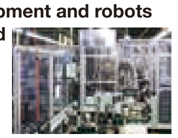
■ Parent-Child Traffic Safety Workshop held in Tochigi, Miyagi and Sayama

Tochigi Miyagi Sayama

May

■ KTT Group received Volkswagen Group Award 2016

■ Began full-scale operation of automated mass production line of DBW for automobiles with equipment and robots developed and produced in-house in Japan



■ Power control unit installed in the Honda *Accord*, launched in Japan

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

■ Electronic control products installed in the ACURA *NSX*, launched in the United States

■ Participated as volunteers in the Millennium Hope Hills Tree Planting Festival

June

July

■ Fuel supply products installed in the ACURA *CDX*, launched in China

■ FI system products installed in the Suzuki *Gixxer*, launched in India

August

September

■ Keihin's products installed in the Honda *Freed*, launched in Japan

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

October

■ Keihin's products installed in the Honda *Avancier*, launched in China

■ Keihin's products installed in the KTM *1290 SUPER DUKE R*

November

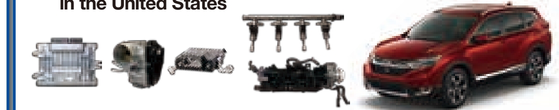
■ Exhibited for the first time at Kids Engineer in Tohoku, a hands-on event to get children interested in manufacturing (*monozukuri*)

■ Keihin's products installed in the Honda *CBR250RR*, launched in Indonesia

December

■ Held commemorative ceremony for the 60th anniversary

■ Keihin's products installed in the Honda *CR-V*, launched in the United States



■ Launched Hidamari Satogo Project, by collaborating with local communities to create forest spaces (*satoyama*) where children can play safely

January

■ Keihin's subsidiary in Thailand obtained FORD Q1 quality certification from Ford Motor Company (Thailand) Limited

■ Ranked 18th in the manufacturing industry category and 4th in the automobile and automobile parts category in the Environmental Management Survey, conducted by Nikkei Inc.

February

■ Supplied electronic control products to HI-LEX Corporation for the Mazda *CX-5*, launched in Japan

■ Keihin's subsidiary in Thailand made a donation to the Thai government in response to the damage caused by major flooding in southern Thailand

March

■ Keihin's products installed in the Honda *Scoopy i*, launched in Thailand

■ Keihin's subsidiary in the United States designated a Clean Corporate Citizen by the state of Michigan

• Toward stability and increased production capacity of advanced environmental products in Japan

Meanwhile, in Japan, as a leader in manufacturing (*monozukuri*), we developed equipment that automates processes requiring the intuition and know-how of experienced workers. In addition to stabilizing quality and the supply system in Brazil through use of this equipment, we also moved ahead with preparations for a mass production line for automotive air-conditioning units that achieves automation and labor-saving in the production process through the use of internal fabrication equipment and robots. Furthermore, to handle growing demand for intelligent power modules, which will be a core component for vehicle electrification such as hybrid cars and electric automobiles, we made preparations to expand production capacity by introducing automated equipment and enhancing the efficiency of the production process.

In addition, as one result of our day-to-day efforts, our subsidiary Keihin Thermal Technology Corporation received the Volkswagen Group Award 2016 from the Volkswagen Group, the only Japanese company to do so. The award recognizes our condensers, an automotive air-conditioning heat exchange product, for their contribution to improving the cost competitiveness of customers' products through high quality and low costs.

To share our joy with society, customers, suppliers and shareholders, the Group has worked as one globally to promote CSR (corporate social responsibility) activities through initiatives such as environmental conservation and social contributions. As a result, our efforts have been recognized by society and local communities, such as in Japan, where we were ranked 18th in the manufacturing industry category overall on the 20th Environmental Management Survey, conducted by Nikkei Inc., and in the United States, where Keihin Michigan Manufacturing was designated a Clean Corporate Citizen by the state of Michigan.

• Revenue decreased, but profit increased significantly due to streamlining

As a result of the aforementioned operations, consolidated revenue in fiscal 2017 decreased ¥16,026 million year on year, to ¥325,550 million. In motorcycle and power products, revenue decreased ¥4,125 million year on year, to ¥82,869 million, while revenue from automobile products fell ¥11,901 million year on year, to ¥242,681 million. Regarding profits, operating profit increased ¥6,515 million year on year, to ¥22,954 million, owing mainly to the effects of streamlining, despite factors including an increase in depreciation and amortization and the impact of exchange rates. Profit attributable to owners of the parent rose ¥5,407 million year on year, to ¥11,084 million.

• Annual dividend of ¥40 and dividend payout ratio of 26.7%

We position the return of profit to shareholders as one of our most important management tasks.

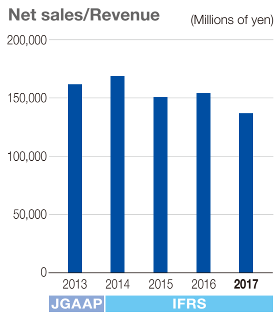
With regard to dividends, our policy is to implement a dividend from a long-term perspective, taking into account consolidated performance while comprehensively considering future business developments.

After complehensively considering performance in the fiscal year ended March 31, 2017, we paid a year-end dividend of ¥20 per share (including a commemorative dividend of ¥1 for our 60th anniversary), and an annual dividend of ¥40 (including a commemorative dividend of ¥2 for our 60th anniversary), which includes the interim dividend.

KEIHIN

Japan

Revenue
¥136.9 billion



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

Revenue

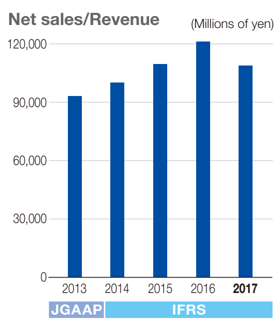
Increase due to increased sales of motorcycle and power products particularly in Indonesia and Thailand, increased sales of domestic automobile products, as well as higher sales of air-conditioning heat exchanger products in China and Europe, despite an unfavorable exchange rate.

Operating profit

Increase due to effect from strengthening of domestic business constitution in addition to the effect of higher revenue.

Americas

Revenue
¥108.8 billion



Revenue

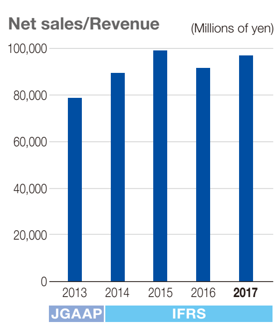
Decrease due to unfavorable exchange rate in addition to decreased sales of motorcycle and power products in South America, and lower sales of automobile products in North America and Central America.

Operating profit

Decrease due to lower production efficiency in addition to the effect of lower revenue.

Asia

Revenue
¥96.8 billion



Revenue

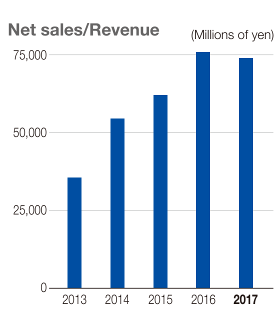
Decrease due to unfavorable exchange rate, despite increased sales of motorcycle and power products in Indonesia and Vietnam, and increased sales of automobile products in Thailand, Malaysia and elsewhere.

Operating profit

Decrease primarily due to unfavorable exchange rate.

China

Revenue
¥73.9 billion



Revenue

Decrease due to unfavorable exchange rate, despite increased sales of motorcycle and power products and automobile products.

Operating profit

Decrease due to unfavorable exchange rate despite increased sales mainly of automobile products, as well as cost reductions.

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14 Countries

22,310 Employees (As of March 31, 2017)

33 Group Companies

Japan

Plants and Offices

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

Subsidiaries

- Keihin Sakura Corporation
- Keihin Nasu Corporation
- Keihin Watari 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

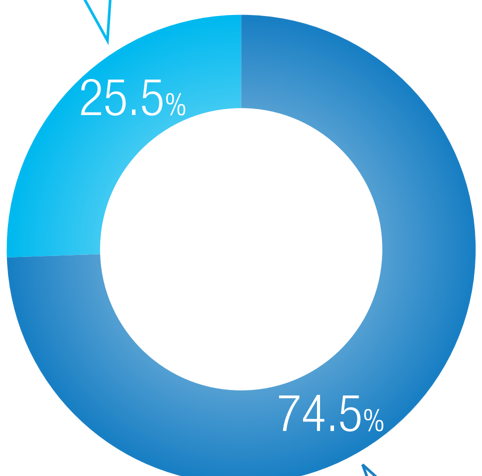
- Keihin Thermal Technology Czech, s.r.o.*

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

* The Keihin Thermal Technology group was under control of management as part of the automotive air-conditioning heat exchange business in the Japan segment in FY2016. However, the Americas subsidiary and the Thailand subsidiary are included in "the American segment" and "the Asia segment," respectively, in FY2017. Each subsidiary has been placed under control of Americas headquarters and Asia headquarters to strengthen cooperation between the air-conditioning production subsidiary and regional headquarters. Accordingly, results for the year ended March 31, 2016 and the year ended March 31, 2017 have been restated for the current year presentation.

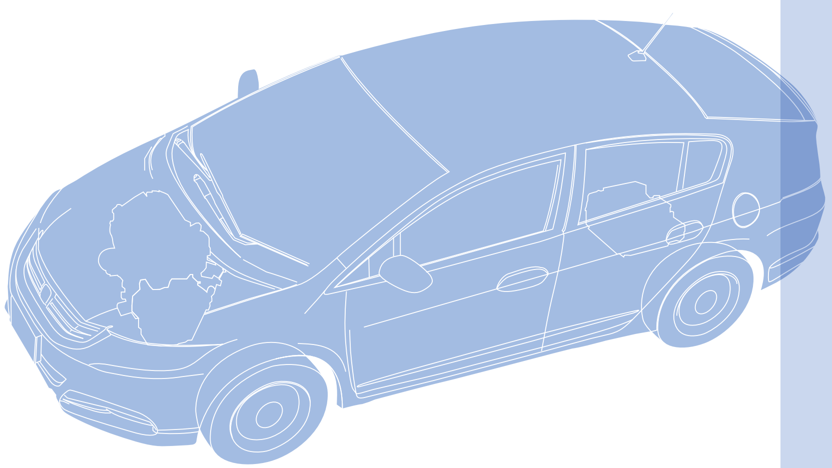
Motorcycle and Power Products

Revenue: ¥82.8 billion
(down 4.7%)



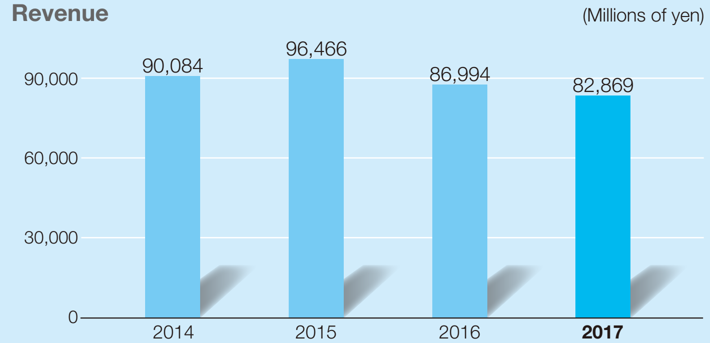
Automobile Products

Revenue: ¥242.6 billion
(down 4.7%)



In fiscal 2017, in response to rising environmental awareness, we started supplying an electronic fuel injection system (FI system) for small motorcycles that includes a newly developed electronic control unit with a built-in drive circuit for LED headlights. In addition, in products for large motorcycles we supplied the industry's first FI system using an electronic control-type throttle body in the class of 250cc or less.

Revenue of motorcycle and power products totaled ¥82,869 million, a 4.7% decline year on year, due to the impact of unfavorable exchange rates and other factors, despite strong sales in Asia.



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

Small Motorcycle

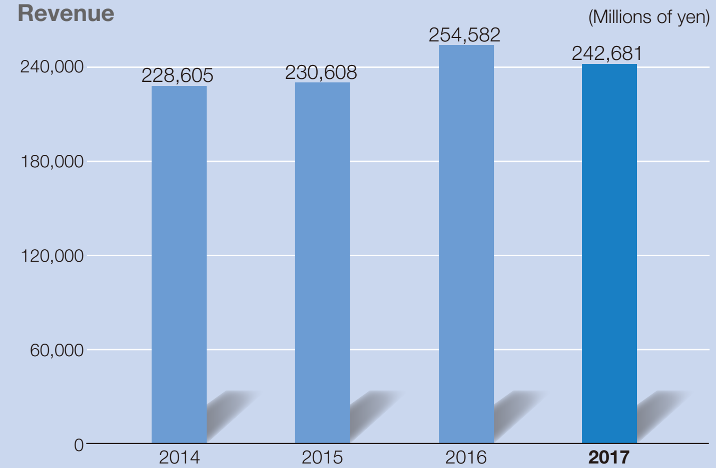
Large Motorcycle

Carburetors

In fiscal 2017, we provided a power control unit for hybrid vehicles and an electronic control unit for automotive batteries, which will be important in the electrification of vehicles. In addition, we supplied environment-friendly gasoline direct injectors as well as system products for V6 cylinder engines.

For new customers, we supplied condensers for automotive air-conditioning products and electronic control units for power rear gates.

Revenue of automobile products totaled ¥242,681 million, a 4.7% decline year on year, due to the impact of unfavorable exchange rates and other factors, despite strong sales in Japan and China.



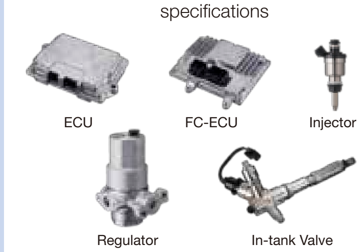
Main Automobile Products

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

CNG Products

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

Air-Conditioning System

Realizing lightweight, energy-saving, comfort-creating systems

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.

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

In fiscal 2017, R&D expenses came to ¥19,404 million (US$172,958 million).

Capital Expenditures

In fiscal 2017, capital expenditures increased 13.6% year on year, to ¥16,575 million (US$147,745 million), which consists of ¥13,368 million (US$119,153 million) for investments in production facilities, up 20.4% year on year; ¥965 million (US$8,605 million) for R&D expenses, up 48.3% year on year; and ¥2,242 million (US$19,987 million) for other investments including intangible assets, down 21.1% year on year.

A look at investments in production facilities by geographical region shows that ¥6,355 million (US$56,645 million) was allocated to operations in Japan, ¥3,973 million (US$35,411 million) to the Americas, ¥1,320 million (US$11,762 million) to Asia and ¥1,720 million (US$15,335 million) to China.

Cash Flows

The balance of cash and cash equivalents as of March 31, 2017, was ¥39,549 million (US$352,518 million), up 0.1% from the previous fiscal year-end.

Net cash provided by operating activities totaled ¥24,962 million (US$222,495 million), down 18.9% year on year. This was mainly due to profit before tax as well as depreciation and amortization, which offset an increase in inventories and payment of income taxes.

Net cash used in investing activities amounted to ¥18,358 million (US$163,634 million), up 85.3% year on year. This was mainly due to purchase of property, plant and equipment and intangible assets.

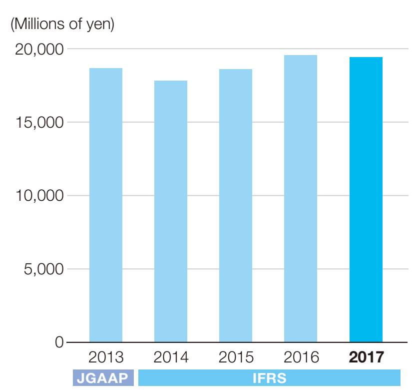
Net cash used in financing activities stood at ¥7,189 million (US$64,076 million), down 25.6% year on year, mainly due to repayment of loans and payment of dividends.

Financial Position

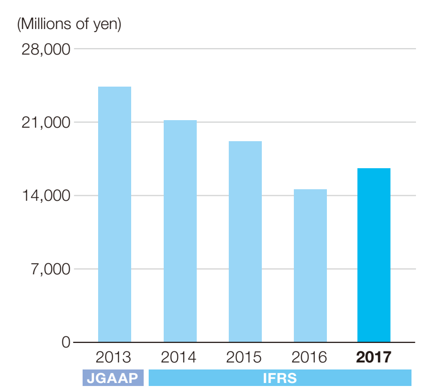
Total assets stood at ¥266,851 million (US$2,378,559 million) on March 31, 2017, up 3.8% from the previous fiscal year-end. Net assets totaled ¥193,883 million (US$1,728,162 million), up 6.2% from the previous fiscal year-end.

Net assets per share amounted to ¥2,304.26 (US$20.54), an increase of ¥150.44 from the previous fiscal year-end. The equity ratio was 63.9%, up 1.9 percentage points from the previous fiscal year-end.

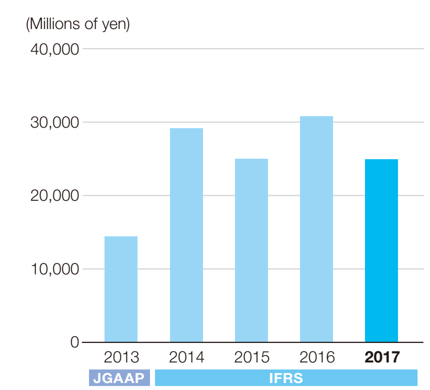
Research and development expenses



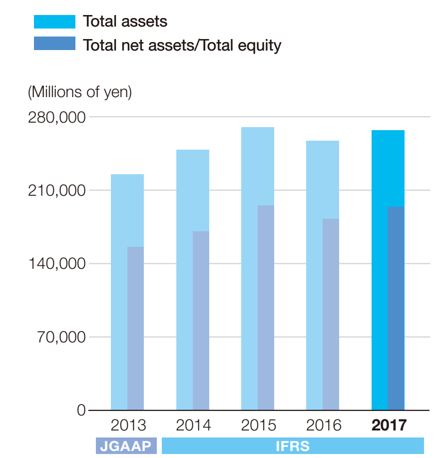
Capital expenditures



Cash provided by operating activities



Total assets and
Total net assets/Total equity



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, 2017.

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 2017, ended March 31, 2017, transactions with the Honda Group represented roughly 85% of Keihin's consolidated revenue. In the future, if the business strategies of the Honda Group change, or if for some reason the business status that the Keihin Group currently enjoys with the Honda Group changes, the business activities, business results and financial standing of the Keihin Group might be considerably affected.

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

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

9. Disruptive events, including disasters, disease, war, terror attacks, strikes and major accidents
The Keihin Group conducts business on a global scale. Unforeseen events, such as natural disasters, the outbreak of disease, the eruption of war, acts of terrorism and major accidents, such as nuclear crises, could cause physical damage and human casualties and leave infrastructures temporarily or permanently unusable, which could then delay or completely prevent procurement of raw materials and components, impede production, the sale of products and logistics, and interrupt services. Such delays to, or suspension of, operations, especially if they prove to be lengthy, could adversely affect the Group's business activities, financial standing and business results.

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

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

Basic concept 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 supervising the execution of business. In addition, introducing a corporate officer structure enables a separation of supervisory and execution roles, thereby giving a greater degree of flexibility to the Board of Directors.

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

<Appointment of candidate for director and audit & supervisory board member>
A candidate for director is decided by a resolution of the Board of Directors. A candidate for audit & supervisory board member is elected by consent from among the Audit & Supervisory Board, followed by a resolution of the Board of Directors.

<Business execution structure>
Keihin established a corporate officer structure as a means to reinforce its director system, in order to expand business globally and address changes in the operating environment, thereby allowing the Board of Directors to concentrate on decision-making and supervising operations, and giving it a greater degree of flexibility.

Underpinned by the Keihin Philosophy, the Company's organization is structured with a headquarters established for each region, business and function, and subsidiaries placed under the umbrella of their respective headquarters. Under this framework, directors and operating officers (collectively,"assigned directors") are appointed to key posts in key businesses and operational headquarters and divisions. The Company also maintains highly effective and efficient corporate structures, where business activities are capably and appropriately executed, including the implementation of the Medium-Term Business Plan and the Annual Business Plan. Among these structures is the Management Council, a body that discusses important management topics within the scope of authority delegated by the Board of Directors, as well as 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 independent 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 an Audit & Supervisory Board, comprising three audit & supervisory board members, two of whom are independent audit & supervisory board members. Audit & supervisory board members 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 independent directors, and Yasuhiko Narita, an independent audit & supervisory board member, 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.

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

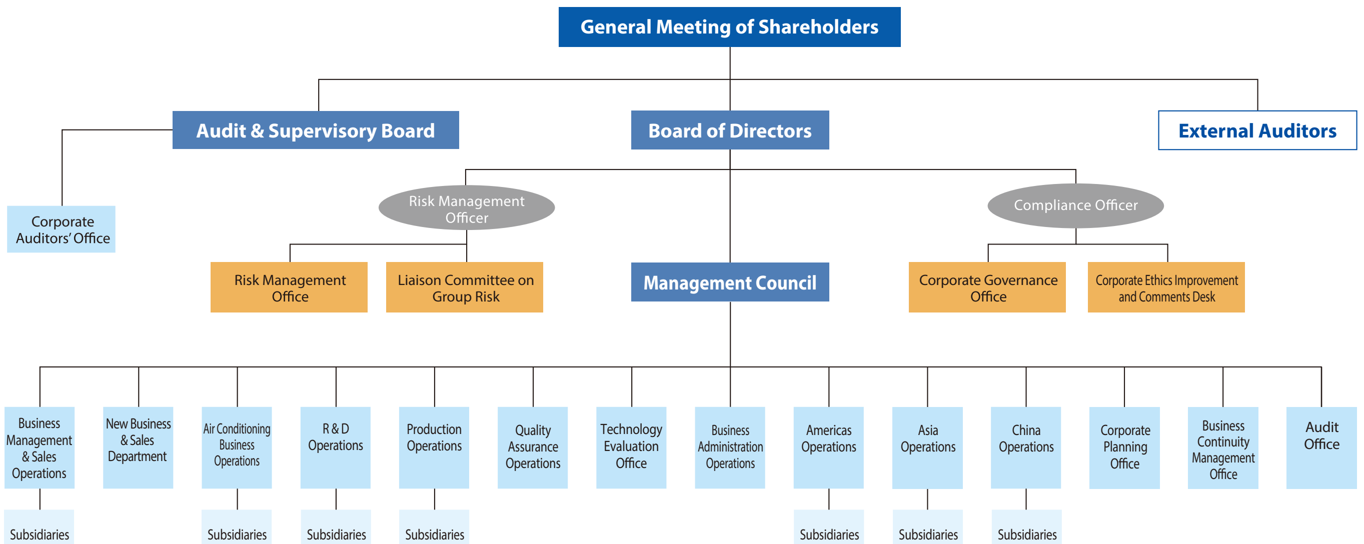
(b). Structure concerning storage and management of information on the execution of directors' duties
The Company stores and manages documents that contain information concerning the execution of directors' duties, such as meeting minutes of the Board of Directors, materials and meeting minutes of the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

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

(d). Structure to ensure efficient execution of directors' functions and duties
Keihin established a corporate officer structure as a means to reinforce its director system, in order to expand business globally and address changes in the operating environment, thereby allowing the Board of Directors to concentrate on decision-making and supervising operations, and giving it a greater degree of flexibility. Underpinned by the Keihin Philosophy, the Company's organization is structured with a headquarters established for each region, business and function, and subsidiaries placed under the umbrella of their respective headquarters. Under this framework, directors and operating officers (collectively,"assigned directors") are appointed to key posts in key businesses and operational headquarters and divisions. The Company also maintains highly effective and efficient corporate structures, where business activities are capably and appropriately executed, including the implementation of the Medium-Term Business Plan and the Annual Business Plan. Among these structures is the Management Council, a body that discusses important management topics within the scope of authority delegated by the Board of Directors, as well as 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 Standards of Conduct, the Group is stepping up initiatives and activities for compliance and risk management by verifying their status based on checklists developed for each organization and subsidiary, and reporting the results to the Company's Board of Directors. In addition, the Company's Audit Office, an independent audit body, verifies the execution of operations through an internal audit. In principle, the Company appoints directors and 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 with regard to important matters.

Organizational Structure



(f). Matters concerning employees in the case where audit & supervisory board members 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 audit & supervisory board members in their duties and assigns full-time employees therein. Such employees work under the direction of audit & supervisory board members, with the transfer, evaluation, disciplining, etc., of employees being carried out once audit & supervisory board members' approval has been obtained.

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

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

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

5. Status of the development of the risk management structure

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

(a). A dedicated department has been established 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 standards of conduct to be shared within the 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 audit & supervisory board members

Internal audit of the Company and its subsidiaries is effectively implemented by 10 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 audit & supervisory board members (two of whom are independent audit & supervisory board members).

The audit firm reports to and exchanges opinions with audit & supervisory board members 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 Audit & Supervisory Board Members Takayoshi Uchida 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.

Independent directors and independent audit & supervisory board members

Keihin has two independent directors and two independent audit & supervisory board members, and there are no conflicts of interest between the Company and these individuals. The independent directors are Taro Mizuno and Shigeo Wakabayashi, and the independent audit & supervisory board members are Takayoshi Uchida 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 independent audit & supervisory board members, who are positioned independently, are assigned the functions and responsibilities of performing audits based on their extensive experience and excellent judgment from both broad-ranging and specialized viewpoints in a neutral and objective manner.

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

<Independent Directors>

- 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 independent 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 independent director of the Company. Mr. Mizuno worked at Fujitsu Limited until 2010. Although the Company has some transactions related to internal systems with Fujitsu, they are considered 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 independent 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 independent director of the Company.

<Independent Audit & Supervisory Board Members>

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

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

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

Category	Number of eligible directors/audit & supervisory board members	Total amount of compensation, etc. (Millions of yen)
Directors (excluding independent directors)	11	255
Audit & supervisory board members (excluding independent audit & supervisory board members)	1	24
Independent directors and independent audit & supervisory board members	4	41
Total	16	320

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 audit & supervisory board members is within the limit of ¥70 million per year, pursuant to the resolution at the general meeting of shareholders (resolution at the 72nd Ordinary General Meeting of Shareholders).
4. The number of eligible directors and audit & supervisory board members eligible for some of the total amount of compensation, etc., includes two directors who retired as of the close of the 75th Ordinary General Meeting of Shareholders.
5. The total amount of compensation, etc., includes base compensation of ¥268 million (¥202 million for directors ¥24 million for audit & supervisory board members, and ¥41 million for independent directors and audit & supervisory board members) paid during the fiscal year under review.
6. The total amount of compensation, etc., includes accrued bonuses for directors of ¥53 million for the fiscal year under review.

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

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

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

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

12 issues
¥533 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, 2016
Specified investment shares

Issuer	Number of shares (Shares)	Amount on the balance sheet (Millions of yen)	Holding purpose
Mitsubishi UFJ Financial Group, Inc.	519,950	271	To facilitate business relationships, etc.
NIPPON KONPO UNYU SOKO 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.

Fiscal year ended March 31, 2017
Special investment shares

Issuer	Number of shares (Shares)	Amount on the balance sheet (Millions of yen)	Holding purpose
Mitsubishi UFJ Financial Group, Inc.	519,950	364	To facilitate business relationships, etc.
NIKKON Holdings CO., LTD.	23,814	57	To facilitate business relationships, etc.
Kawasaki Heavy Industries, Ltd.	10,000	3	To facilitate business relationships, etc.

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, 13 CPAs and 21 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.

Directors

President & CEO, and Representative Director
Chitoshi Yokota

Senior Managing Officer and Representative Director
Hiroshi Seikai

Managing Officer and Director
Genichiro Konno

Managing Officer and Director
Hirohisa Amano

Managing Officer and Director
Yusuke Takayama

Managing Officer and Director
Masayasu Shigemoto

Managing Officer and Director
Tomoya Abe

Senior Operating Officer and Director
Mikihito Kawakatsu

Senior Operating Officer and Director
Hiroshi Nakatsubo

Director (Independent)
Taro Mizuno

Director (Independent)
Shigeo Wakabayashi

Audit & Supervisory Board Members

Takayoshi Uchida

Toshihiro Kuroki

Yasuhiko Narita

Managing Officer

Kenichi Nishizawa

Senior Operating Officers

Toru Mitsubori   Yasutoshi Ito

Operating Officers

Seiichi Shindo   Masaaki Takahashi   Kazumi Araki   Kazuyuki Meguro   Raymond Watson   Yasunori Shimada

(As of June 30, 2017)

CSR Policy

Keihin thinks CSR activities are…

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 CO_2 reduction efforts, help us achieve our corporate principle. We are actively engaged in developing technologies, 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.

Financial Section

Five-Year Summary of Selected Financial Data

KEIHIN

For the years ended March 31, 2013, 2014, 2015, 2016 and 2017

	JGAAP	IFRS				
					Millions of yen (except per share amounts)	Thousands of U.S. dollars (except per share amounts)
	2013	2014	2015	2016	2017	2017
For the year:						
Net sales/Revenue	¥ 294,944	¥ 318,689	¥ 327,075	¥ 341,576	¥ 325,550	$ 2,901,772
Results by geographical region						
Japan	161,836	168,994	151,172	154,213	136,940	1,220,608
Americas	93,143	100,076	109,680	121,153	108,834	970,085
Asia	78,645	89,522	99,026	91,571	96,882	863,551
China	35,552	58,287	61,983	75,862	73,930	658,974
Europe	6,487	—	—	—	—	—
Consolidated adjustments	(80,719)	(98,191)	(94,786)	(101,223)	(91,036)	(811,446)
Results by products						
Motorcycle and power products	80,616	90,084	96,466	86,994	82,869	738,648
Mechanical products for automobiles	214,328	228,605	230,608	254,582	242,681	2,163,123
Operating income/Operating profit	10,015	19,517	22,747	16,440	22,954	204,601
Income before income taxes and minority interests/ Profit before tax	12,304	13,083	13,652	15,549	20,729	184,765
Net income/Profit attributable to owners of the parent	2,656	10,430	11,051	5,677	11,084	98,794
Comprehensive income/ Comprehensive income for the year	15,253	27,384	29,719	(7,778)	16,238	144,737
Research and development expenses	18,676	17,804	18,606	19,559	19,404	172,958
Capital expenditures	24,365	21,180	18,915	14,593	16,575	147,745
At year-end:						
Total net assets/Total equity	¥ 155,934	¥ 170,479	¥ 195,611	¥ 182,521	¥ 193,883	$ 1,728,162
Total assets	224,957	245,740	274,269	257,065	266,851	2,378,559
Net income per share/Basic earnings per share (yen and U.S. dollars)	35.91	141.02	149.42	76.75	149.86	1.34
Cash dividends	28.00	31.00	34.00	36.00	40.00	0.36
Net assets/Equity	1,765.80	1,998.02	2,290.18	2,153.82	2,304.26	20.54
Cash flows:						
Cash flows from operating activities	¥ 14,432	¥ 29,232	¥ 24,966	¥ 30,791	¥ 24,962	$ 222,495
Cash flows from investing activities	(29,081)	(21,251)	(22,577)	(9,903)	(18,358)	(163,634)
Cash flows from financing activities	9,056	(9,400)	(5,619)	(9,662)	(7,189)	(64,076)
Cash and cash equivalents at end of year	23,132	30,318	29,295	39,515	39,549	352,518

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 ¥112.19 = US$1.
3. From FY2013, 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, 2016 and 2017

	Notes	Millions of yen 2016	Millions of yen 2017	Thousands of U.S. dollars 2017
Assets				
Current assets				
Cash and cash equivalents	7, 28	39,515	**39,549**	**352,518**
Trade and other current receivables	8, 28	54,932	**56,982**	**507,904**
Other current financial assets	9, 28	1,203	**2,695**	**24,020**
Inventories	10	44,783	**45,771**	**407,982**
Other current assets		2,547	**2,158**	**19,235**
Total current assets		142,980	**147,155**	**1,311,659**
Non-current assets				
Property, plant and equipment	11,13	95,956	**97,148**	**865,928**
Intangible assets	12	6,560	**6,178**	**55,063**
Trade and other non-current receivables	8, 28	242	**237**	**2,116**
Other non-current financial assets	9, 28	4,947	**5,341**	**47,606**
Retirement benefit assets	19	4	**3,529**	**31,459**
Deferred tax assets	14	4,130	**4,302**	**38,343**
Other non-current assets		2,247	**2,960**	**26,385**
Total non-current assets		114,085	**119,695**	**1,066,899**
Total assets		257,065	**266,851**	**2,378,559**

	Notes	Millions of yen 2016	Millions of yen 2017	Thousands of U.S. dollars 2017
Liabilities and equity				
Liabilities				
Current liabilities				
Trade and other current payables	15, 28	53,267	**52,222**	**465,480**
Short-term loans	16, 28	9,984	**8,590**	**76,569**
Other current financial liabilities	17, 28	514	**831**	**7,409**
Income tax payables	14	1,272	**1,141**	**10,175**
Provisions	18	293	**406**	**3,621**
Other current liabilities		740	**728**	**6,487**
Total current liabilities		66,068	**63,919**	**569,740**
Non-current liabilities				
Long-term loans	16, 28	563	—	—
Other non-current financial liabilities	17, 28	120	**89**	**793**
Retirement benefit liabilities	19	2,982	**2,445**	**21,790**
Provisions	18	175	**188**	**1,677**
Deferred tax liabilities	14	3,368	**5,158**	**45,974**
Other non-current liabilities		1,267	**1,169**	**10,423**
Total non-current liabilities		8,476	**9,049**	**80,656**
Total liabilities		74,544	**72,968**	**650,397**
Equity				
Common stock	20	6,932	**6,932**	**61,791**
Capital surplus	20	9,524	**9,258**	**82,524**
Retained earnings	20	133,029	**144,708**	**1,289,845**
Treasury stock	20	(38)	**(39)**	**(344)**
Other components of equity	20	9,847	**9,560**	**85,216**
Equity attributable to owners of the parent		159,295	**170,420**	**1,519,033**
Non-controlling interests		23,226	**23,462**	**209,129**
Total equity		182,521	**193,883**	**1,728,162**
Total liabilities and equity		257,065	**266,851**	**2,378,559**

(2)【Consolidated Statement of Income】

Keihin Corporation and Consolidated Subsidiaries

For the fiscal years ended March 31, 2016 and 2017

	Notes	Millions of yen 2016	Millions of yen 2017	Thousands of U.S. dollars 2017
Revenue	6	341,576	**325,550**	**2,901,772**
Cost of sales	25	(289,678)	**(274,068)**	**(2,442,893)**
Gross profit		51,897	**51,482**	**458,879**
Selling, general and administrative expenses	21, 25	(30,327)	**(28,726)**	**(256,050)**
Other income	22	785	**781**	**6,957**
Other expenses	22, 25	(5,915)	**(582)**	**(5,186)**
Operating profit	6	16,440	**22,954**	**204,601**
Finance income	23	464	**446**	**3,980**
Finance costs	23	(1,354)	**(2,672)**	**(23,815)**
Profit before tax		15,549	**20,729**	**184,765**
Income tax expense	14	(7,570)	**(7,494)**	**(66,794)**
Profit for the year		7,980	**13,235**	**117,972**
Profit attributable to:				
Owners of the parent		5,677	**11,084**	**98,794**
Non-controlling interests		2,303	**2,151**	**19,177**
Profit for the year		7,980	**13,235**	**117,972**

	Notes	Yen 2016	Yen 2017	U.S. dollars 2017
Earnings per share attributable to owners of the parent:				
Basic earnings per share	24	76.75	**149.86**	**1.34**

(3)【Consolidated Statement of Comprehensive Income】

Keihin Corporation and Consolidated Subsidiaries

For the fiscal years ended March 31, 2016 and 2017

	Notes	Millions of yen 2016	Millions of yen 2017	Thousands of U.S. dollars 2017
Profit for the year		7,980	**13,235**	**117,972**
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	(695)	**278**	**2,480**
Remeasurements of net defined benefit liabilities (assets)	26	(2,730)	**3,368**	**30,023**
Total comprehensive income (loss) that will not be reclassified to profit or loss, net of tax		(3,426)	**3,646**	**32,502**
Items that may be reclassified to profit or loss, net of tax:				
Foreign currency translation adjustments	26	(12,332)	**(644)**	**(5,736)**
Total comprehensive income (loss) that may be reclassified to profit or loss, net of tax		(12,332)	**(644)**	**(5,736)**
Other comprehensive income (loss) for the year		(15,757)	**3,003**	**26,766**
Total comprehensive income (loss) for the year		(7,778)	**16,238**	**144,737**
Comprehensive income (loss) attributable to:				
Owners of the parent		(7,497)	**13,893**	**123,833**
Non-controlling interests		(281)	**2,345**	**20,905**
Comprehensive income (loss) for the year		(7,778)	**16,238**	**144,737**

(4)【Consolidated Statement of Changes in Equity】

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

Keihin Corporation and Consolidated Subsidiaries

For the fiscal year ended March 31, 2017

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, 2016		6,932	9,524	133,029	(38)	2,863	—
Comprehensive income							
Profit for the year		—	—	**11,084**	—	—	—
Other comprehensive income (loss)	26	—	—	—	—	**278**	**3,389**
Total comprehensive income (loss)		—	—	**11,084**	—	**278**	**3,389**
Transactions with owners							
Dividends paid	27	—	—	**(2,810)**	—	—	—
Purchase of treasury stock		—	—	—	**(0)**	—	—
Acquisition (disposal) of non-controlling interests		—	**(266)**	—	—	—	—
Transfer from other components of equity to retained earnings		—	—	**3,406**	—	**(17)**	**(3,389)**
Total transactions with owners		—	**(266)**	**595**	**(0)**	**(17)**	**(3,389)**
As of March 31, 2017		**6,932**	**9,258**	**144,708**	**(39)**	**3,124**	—

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, 2016		6,985	9,847	159,295	23,226	182,521
Comprehensive income						
Profit for the year		—	—	**11,084**	**2,151**	**13,235**
Other comprehensive income (loss)	26	**(858)**	**2,809**	**2,809**	**194**	**3,003**
Total comprehensive income (loss)		**(858)**	**2,809**	**13,893**	**2,345**	**16,238**
Transactions with owners						
Dividends paid	27	—	—	**(2,810)**	**(2,066)**	**(4,876)**
Purchase of treasury stock		—	—	**(0)**	—	**(0)**
Acquisition (disposal) of non-controlling interests		**310**	**310**	**44**	**(44)**	—
Transfer from other components of equity to retained earnings		—	**(3,406)**	—	—	—
Total transactions with owners		**310**	**(3,096)**	**(2,767)**	**(2,109)**	**(4,876)**
As of March 31, 2017		**6,436**	**9,560**	**170,420**	**23,462**	**193,883**

	Notes	Common stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity: Gains (losses) on financial assets measured at fair value through other comprehensive income	Other components of equity: Remeasurements of net defined benefit liabilities (assets)
		Thousands of U.S. dollars					
		Equity attributable to owners of the parent					
As of April 1, 2016		61,791	84,894	1,185,745	(340)	25,518	—
Comprehensive income							
Profit for the year		—	—	98,794	—	—	—
Other comprehensive income (loss)	26	—	—	—	—	2,480	30,207
Total comprehensive income (loss)		—	—	98,794	—	2,480	30,207
Transactions with owners							
Dividends paid	27	—	—	(25,051)	—	—	—
Purchase of treasury stock		—	—	—	(4)	—	—
Acquisition (disposal) of non-controlling interests		—	(2,370)	—	—	—	—
Transfer from other components of equity to retained earnings		—	—	30,357	—	(150)	(30,207)
Total transactions with owners		—	(2,370)	5,306	(4)	(150)	(30,207)
As of March 31, 2017		61,791	82,524	1,289,845	(344)	27,848	—

	Notes	Other components of equity: Foreign currency translation adjustments	Other components of equity: Total	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
		Thousands of U.S. dollars				
		Equity attributable to owners of the parent				
As of April 1, 2016		62,257	87,775	1,419,865	207,026	1,626,891
Comprehensive income						
Profit for the year		—	—	98,794	19,177	117,972
Other comprehensive income (loss)	26	(7,648)	25,038	25,038	1,728	26,766
Total comprehensive income (loss)		(7,648)	25,038	123,833	20,905	144,737
Transactions with owners						
Dividends paid	27	—	—	(25,051)	(18,412)	(43,462)
Purchase of treasury stock		—	—	(4)	—	(4)
Acquisition (disposal) of non-controlling interests		2,760	2,760	390	(390)	—
Transfer from other components of equity to retained earnings		—	(30,357)	—	—	—
Total transactions with owners		2,760	(27,597)	(24,665)	(18,801)	(43,466)
As of March 31, 2017		57,368	85,216	1,519,033	209,129	1,728,162

(5)【Consolidated Statement of Cash Flows】

Keihin Corporation and Consolidated Subsidiaries

For the fiscal years ended March 31, 2016 and 2017

	Notes	Millions of yen 2016	Millions of yen 2017	Thousands of U.S. dollars 2017
Cash flows from operating activities:				
Profit before tax		15,549	20,729	184,765
Depreciation and amortization		17,355	16,886	150,513
Impairment loss		33	24	216
Interest and dividends income		(464)	(446)	(3,980)
Interest expense		464	302	2,694
(Gain) loss on sale of property, plant and equipment		(48)	(9)	(79)
(Increase) decrease in trade and other receivables		(3,193)	(3,559)	(31,727)
(Increase) decrease in inventories		3,568	(1,383)	(12,329)
(Decrease) increase in trade and current payables		7,611	(1,361)	(12,133)
Increase (decrease) in provisions		(69)	116	1,036
Increase (decrease) in retirement and servance benefits		(1,475)	280	2,495
Other, net		111	873	7,783
Subtotal		39,444	32,452	289,256
Interest received		357	301	2,680
Dividends received		137	149	1,324
Interest paid		(470)	(314)	(2,803)
Income taxes paid		(8,677)	(7,625)	(67,962)
Net cash provided by operating activities		30,791	24,962	222,495
Cash flows from investing activities:				
(Increase) decrease in time-deposits, net		2,258	(1,474)	(13,136)
Purchase of property, plant and equipment and intangible assets		(17,882)	(16,940)	(150,992)
Proceeds from sale of property, plant and equipment and intangible assets		134	167	1,484
Purchase of investment securities		—	(82)	(733)
Proceeds from sale of investment securities		5,492	37	333
Increase in loan receivable		(335)	(315)	(2,810)
Collection of loans		461	414	3,688
Other, net		(31)	(165)	(1,468)
Net cash used in investing activities		(9,903)	(18,358)	(163,634)
Cash flows from financing activities:				
(Decrease) increase in short-term loans, net		656	(1,255)	(11,190)
Repayment of long-term loans		(4,785)	(544)	(4,853)
Dividends paid to owners of the parent	27	(2,589)	(2,810)	(25,051)
Dividends paid to non-controlling interests		(2,722)	(2,066)	(18,412)
Purchase of treasury stock		(1)	(0)	(4)
Other, net		(222)	(512)	(4,567)
Net cash used in financing activities		(9,662)	(7,189)	(64,076)
Foreign currency translation adjustments on cash and cash equivalents		(1,005)	619	5,516
Net increase (decrease) in cash and cash equivalents		10,221	34	302
Cash and cash equivalents at beginning of year	7	29,295	39,515	352,216
Cash and cash equivalents at end of year	7	39,515	39,549	352,518

[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, 2017 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 23, 2017.

(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 ¥112.19 to US$1, the approximate rate of exchange at March 31, 2017. 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 income on plan assets and interest expense on defined benefit obligations. Net interest is calculated by using the same discount rate as used for the measurement of the present value of defined benefit obligations.

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

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

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

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

2) Short-term employee benefits

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

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

(13) Provisions

Provisions are recognized when the Group has present legal and constructive obligations as a result of past events; it is probable that outflows of economic resources will be required to settle the obligations, and reliable estimates of the amount of such obligations can be made. Provisions are calculated by discounting estimated future cash flows to the present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the liabilities. The reversal of the discounted amount due to the passage of time is recognized in profit or loss. Warranty provisions are the major provisions for the Group. To prepare for expenditures on the cost of free repairs of products, the sum of the following amount calculated by estimating the cost of free repairs under warranty contracts with purchasers of the products is recorded.

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

(14) Treasury stock

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

(15) Revenue

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

1) Sales of goods

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

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

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

2) Interest income

Interest income is recognized using the effective interest method.

3) Dividends

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

(16) 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.

The Keihin Thermal Technology Group was under the control of management as part of the automotive air-conditioner heat exchange business in the Japan segment until the fiscal year ended March 31, 2016. However, the subsidiary in the U.S. and the subsidiary in Thailand are now included in the “Americas” segment and the “Asia” segment, respectively, from the fiscal year ended March 31, 2017. The respective subsidiaries have been placed under control of the Americas headquarter and the Asia headquarter to strengthen co-operation between the air-conditioning manufacturing subsidiary and the regional headquarters. Accordingly, the financial results for the fiscal year ended March 31, 2016 have been restated to reflect the current year’s presentation.

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, 2016

Millions of yen

	Reporting Segments					Eliminations	Total
	Japan	Americas	Asia	China	Total		
Revenue:							
Outside customers	69,078	116,463	87,551	68,484	341,576	—	341,576
Intersegment	63,477	5,984	14,133	7,379	90,972	(90,972)	—
Total	132,555	122,446	101,684	75,862	432,548	(90,972)	341,576
Depreciation and amortization	(6,151)	(4,698)	(4,548)	(2,240)	(17,637)	282	(17,355)
Impairment loss	(33)	—	(0)	—	(33)	—	(33)
Operating profit (loss)	(6,425)	3,700	11,959	7,401	16,636	(196)	16,440
Finance income	—	—	—	—	—	—	464
Finance costs	—	—	—	—	—	—	(1,354)
Profit before tax	—	—	—	—	—	—	15,549

For the fiscal year ended March 31, 2017

Millions of yen

	Reporting Segments					Eliminations	Total
	Japan	Americas	Asia	China	Total		
Revenue:							
Outside customers	**72,206**	**100,736**	**85,649**	**66,960**	**325,550**	—	**325,550**
Intersegment	**64,734**	**8,098**	**11,233**	**6,971**	**91,036**	**(91,036)**	—
Total	**136,940**	**108,834**	**96,882**	**73,930**	**416,586**	**(91,036)**	**325,550**
Depreciation and amortization	**(6,875)**	**(4,759)**	**(3,851)**	**(1,918)**	**(17,402)**	**516**	**(16,886)**
Impairment loss	**(23)**	—	**(1)**	—	**(24)**	—	**(24)**
Operating profit (loss)	**3,465**	**3,285**	**10,956**	**5,894**	**23,600**	**(646)**	**22,954**
Finance income	—	—	—	—	—	—	**446**
Finance costs	—	—	—	—	—	—	**(2,672)**
Profit before tax	—	—	—	—	—	—	**20,729**

	Reporting Segments (Thousands of U.S. dollars)					Eliminations	Total
	Japan	Americas	Asia	China	Total		
Revenue:							
Outside customers	**643,601**	**897,904**	**763,426**	**596,840**	**2,901,772**	**—**	**2,901,772**
Intersegment	**577,007**	**72,180**	**100,125**	**62,133**	**811,446**	**(811,446)**	**—**
Total	**1,220,608**	**970,085**	**863,551**	**658,974**	**3,713,218**	**(811,446)**	**2,901,772**
Depreciation and amortization	**(61,277)**	**(42,415)**	**(34,326)**	**(17,095)**	**(155,113)**	**4,600**	**(150,513)**
Impairment loss	**(205)**	**—**	**(11)**	**—**	**(216)**	**—**	**(216)**
Operating profit (loss)	**30,884**	**29,280**	**97,652**	**52,539**	**210,355**	**(5,755)**	**204,601**
Finance income	**—**	**—**	**—**	**—**	**—**	**—**	**3,980**
Finance costs	**—**	**—**	**—**	**—**	**—**	**—**	**(23,815)**
Profit before tax	**—**	**—**	**—**	**—**	**—**	**—**	**184,765**

(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 2016		
Motorcycles and Power Products	Automobile Products	Total
86,994	254,582	341,576

Millions of yen 2017			Thousands of U.S. dollars 2017		
Motorcycles and Power Products	Automobile Products	Total	Motorcycles and Power Products	Automobile Products	Total
82,869	**242,681**	**325,550**	**738,648**	**2,163,123**	**2,901,772**

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

Millions of yen 2017						Thousands of U.S. dollars 2017					
Japan	USA	Thailand	China	Others	Total	Japan	USA	Thailand	China	Others	Total
54,068	**94,069**	**29,778**	**74,133**	**73,502**	**325,550**	**481,931**	**838,480**	**265,425**	**660,780**	**655,155**	**2,901,772**

ii . Non-current assets

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

Millions of yen 2017						Thousands of U.S. dollars 2017					
Japan	USA	Thailand	China	Others	Total	Japan	USA	Thailand	China	Others	Total
37,470	**19,902**	**11,702**	**10,525**	**26,686**	**106,286**	**333,989**	**177,396**	**104,305**	**93,818**	**237,867**	**947,375**

(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, 2016 and 2017 amounted to ¥293,474 million and ¥277,742 million ($2,475,643 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 2016	Millions of yen 2017	Thousands of U.S. dollars 2017
Cash and deposits	34,474	**33,557**	**299,108**
Time deposits with maturities of less than three months	5,041	**5,992**	**53,410**
Total	39,515	**39,549**	**352,518**

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 2016	Millions of yen 2017	Thousands of U.S. dollars 2017
Notes and trade receivables	47,149	**48,952**	**436,327**
Accrued receivables	7,395	**7,608**	**67,815**
Others	629	**660**	**5,878**
Total	55,173	**57,219**	**510,020**
Current	54,932	**56,982**	**507,904**
Non-current	242	**237**	**2,116**
Total	55,173	**57,219**	**510,020**

9. Other Financial Assets

The breakdown of other financial assets is as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	**2017**	**2017**
Time deposits with maturities of more than three months	1,090	**2,633**	**23,471**
Derivatives	112	**62**	**550**
Equity instruments	4,947	**5,341**	**47,606**
Total	6,150	**8,036**	**71,626**
Current	1,203	**2,695**	**24,020**
Non-current	4,947	**5,341**	**47,606**
Total	6,150	**8,036**	**71,626**

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
	2016	**2017**	**2017**
Honda Motor Co., Ltd.	4,304	**4,674**	**41,661**
Mitsubishi UFJ Financial Group, Inc.	271	**364**	**3,243**
Others	372	**303**	**2,702**
Total	4,947	**5,341**	**47,606**

During the fiscal years ended March 31, 2016 and 2017, with the aim of increased efficiency and effective use of the assets held by the Group, FVTOCI financial assets were sold (derecognized).

During the fiscal years ended March 31, 2016 and 2017, their fair values at the time of derecognition were ¥5,492 million and ¥37 million ($333 thousand), respectively, and accumulated gains recognized as other comprehensive income (loss) in equity were ¥4,492 million and ¥17 million ($150 thousand), respectively.

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

10. Inventories

The breakdown of inventories is as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	**2017**	**2017**
Merchandise and finished products	12,402	**13,334**	**118,851**
Work in process	7,496	**8,022**	**71,505**
Raw materials and supplies	24,885	**24,416**	**217,627**
Total	44,783	**45,771**	**407,982**

The write-downs of inventories included in “cost of sales” during the fiscal years ended March 31, 2016 and 2017 were ¥3,222 million and ¥4,799 million ($42,777 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, 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**
Acquisition	**1,128**	**11,928**	**4,023**	**16,525**	**33,604**
Sales or disposal	**(537)**	**(5,193)**	**(2,247)**	—	**(7,977)**
Transfer	—	—	—	**(16,240)**	**(16,240)**
Foreign currency translation adjustments	**(287)**	**(855)**	**(163)**	**2**	**(1,302)**
Others	**74**	**20**	**(459)**	**(381)**	**(746)**
As of March 31, 2017	**71,383**	**177,770**	**47,344**	**7,753**	**304,250**

	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, 2016	**632,893**	**1,531,953**	**411,710**	**69,946**	**2,646,502**
Acquisition	**10,053**	**106,318**	**35,861**	**147,294**	**299,526**
Sales or disposal	**(4,788)**	**(46,284)**	**(20,033)**	—	**(71,104)**
Transfer	—	—	—	**(144,758)**	**(144,758)**
Foreign currency translation adjustments	**(2,554)**	**(7,622)**	**(1,449)**	**19**	**(11,607)**
Others	**661**	**176**	**(4,088)**	**(3,395)**	**(6,645)**
As of March 31, 2017	**636,265**	**1,584,541**	**422,000**	**69,106**	**2,711,913**

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, 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)**
Depreciation	**(1,798)**	**(8,846)**	**(4,130)**	**(14,775)**
Impairment loss	—	**(23)**	**(1)**	**(24)**
Sales or disposal	**326**	**5,027**	**2,214**	**7,567**
Foreign currency translation adjustments	**107**	**422**	**81**	**610**
Others	**2**	**(41)**	**515**	**476**
As of March 31, 2017	**(36,402)**	**(130,352)**	**(40,347)**	**(207,101)**

	Thousands of U.S. dollars			
	Land, buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Total
As of March 31, 2016	**(312,312)**	**(1,131,043)**	**(347,850)**	**(1,791,206)**
Depreciation	**(16,031)**	**(78,846)**	**(36,817)**	**(131,693)**
Impairment loss	—	**(205)**	**(11)**	**(216)**
Sales or disposal	**2,903**	**44,810**	**19,736**	**67,449**
Foreign currency translation adjustments	**955**	**3,764**	**721**	**5,441**
Others	**14**	**(365)**	**4,591**	**4,240**
As of March 31, 2017	**(324,471)**	**(1,161,884)**	**(359,630)**	**(1,845,985)**

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, 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, 2017	(Millions of yen)	**34,980**	**47,418**	**6,997**	**7,753**	**97,148**
As of March 31, 2017	(Thousands of U.S. dollars)	**311,794**	**422,658**	**62,370**	**69,106**	**865,928**

(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, 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**
Acquisition	**300**	—	**0**	**300**
Increase arising from internal development	—	**1,457**	—	**1,457**
Sale or disposal	**(24)**	—	—	**(24)**
Foreign currency translation adjustments	**(12)**	—	**0**	**(12)**
Others	**(305)**	**(82)**	**(34)**	**(421)**
As of March 31, 2017	**5,957**	**5,890**	**1,439**	**13,286**

	Thousands of U.S. dollars			
	Software	Development expenses	Others	Total
As of March 31, 2016	**53,463**	**40,242**	**13,127**	**106,832**
Acquisition	**2,670**	—	**3**	**2,672**
Increase arising from internal development	—	**12,987**	—	**12,987**
Sale or disposal	**(211)**	—	—	**(211)**
Foreign currency translation adjustments	**(107)**	—	**4**	**(103)**
Others	**(2,721)**	**(729)**	**(303)**	**(3,753)**
As of March 31, 2017	**53,093**	**52,501**	**12,831**	**118,424**

Accumulated amortization and accumulated impairment loss

	Millions of yen			
	Software	Development expenses	Others	Total
As of April 1, 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)**
Amortization	**(919)**	**(1,003)**	**(189)**	**(2,111)**
Sale or disposal	**23**	—	—	**23**
Foreign currency translation adjustments	**(1)**	—	**(4)**	**(6)**
Others	**311**	**69**	**32**	**412**
As of March 31, 2017	**(4,056)**	**(1,829)**	**(1,223)**	**(7,109)**

	Thousands of U.S. dollars			
	Software	Development expenses	Others	Total
As of March 31, 2016	**(30,928)**	**(7,971)**	**(9,465)**	**(48,364)**
Amortization	**(8,190)**	**(8,944)**	**(1,686)**	**(18,820)**
Sale or disposal	**204**	—	—	**204**
Foreign currency translation adjustments	**(13)**	—	**(38)**	**(52)**
Others	**2,772**	**613**	**285**	**3,670**
As of March 31, 2017	**(36,155)**	**(16,302)**	**(10,904)**	**(63,361)**

(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, 2016 and 2017 were ¥1,450 million and ¥1,457 million ($12,987 thousand), respectively. Total research and development expenses including those capitalized expenses during the fiscal years ended March 31, 2016 and 2017 were ¥19,559 million and ¥19,404 million ($172,958 thousand), respectively.

Carrying amount

		Software	Development expenses	Others	Total
As of April 1, 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, 2017	**(Millions of yen)**	**1,900**	**4,061**	**216**	**6,178**
As of March 31, 2017	**(Thousands of U.S. dollars)**	**16,938**	**36,198**	**1,926**	**55,063**

13. Impairment Loss

For the fiscal year ended March 31, 2016

The Group recognized an impairment loss of ¥33 million 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."

For the fiscal year ended March 31, 2017

The Group recognized an impairment loss of ¥24 million ($216 thousand) during the fiscal year ended March 31, 2017.

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, 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 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, 2017

	Millions of yen			
	As of April 1, 2016	Recognized in profit or loss (Note)	Recognized in other comprehensive income	As of March 31, 2017
Deferred tax assets				
Inventories	**1,143**	**410**	—	**1,553**
Property, plant and equipment and intangible assets	**3,116**	**(10)**	—	**3,106**
Accrued expenses	**1,530**	**(400)**	—	**1,131**
Retirement benefits	**505**	**(203)**	**156**	**459**
Unused tax losses	**85**	**76**	—	**161**
Others	**272**	**(86)**	—	**186**
Total deferred tax assets	**6,653**	**(213)**	**156**	**6,596**
Deferred tax liabilities				
Property, plant and equipment and intangible assets	**3,940**	**215**	—	**4,155**
Financial assets measured at fair value through other comprehensive income	**1,238**	**(1)**	**71**	**1,308**
Undistributed retained earnings of foreign subsidiaries	**580**	**241**	—	**820**
Retirement benefits	**3**	**(163)**	**1,228**	**1,068**
Others	**129**	**(29)**	—	**101**
Total deferred tax liabilities	**5,890**	**262**	**1,299**	**7,452**

(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, 2016	Recognized in profit or loss (Note)	Recognized in other comprehensive income	As of March 31, 2017
Deferred tax assets				
Inventories	**10,192**	**3,652**	—	**13,844**
Property, plant and equipment and intangible assets	**27,775**	**(91)**	—	**27,684**
Accrued expenses	**13,641**	**(3,562)**	—	**10,079**
Retirement benefits	**4,506**	**(1,806)**	**1,388**	**4,088**
Unused tax losses	**756**	**681**	—	**1,437**
Others	**2,428**	**(769)**	—	**1,659**
Total deferred tax assets	**59,297**	**(1,894)**	**1,388**	**58,791**
Deferred tax liabilities				
Property, plant and equipment and intangible assets	**35,121**	**1,913**	—	**37,034**
Financial assets measured at fair value through other comprehensive income	**11,037**	**(10)**	**632**	**11,660**
Undistributed retained earnings of foreign subsidiaries	**5,166**	**2,146**	—	**7,312**
Retirement benefits	**24**	**(1,456)**	**10,949**	**9,516**
Others	**1,154**	**(254)**	—	**900**
Total deferred tax liabilities	**52,502**	**2,338**	**11,581**	**66,422**

(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
	2016	**2017**	**2017**
Deductible temporary differences	16,436	**17,847**	**159,076**
Unused tax losses	27,533	**32,168**	**286,728**
Unused tax credits	3,587	**4,288**	**38,224**

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

	Millions of yen		Thousands of U.S. dollars
	2016	**2017**	**2017**
1st year	303	**178**	**1,583**
2nd year	174	**1,922**	**17,128**
3rd year	1,903	**846**	**7,542**
4th year	828	**5,681**	**50,636**
5th year and thereafter	24,325	**23,542**	**209,839**
Total	27,533	**32,168**	**286,728**

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

	Millions of yen		Thousands of U.S. dollars
	2016	**2017**	**2017**
1st year	1,036	**1,531**	**13,647**
2nd year	1,311	**1,170**	**10,428**
3rd year	1,063	**1,425**	**12,698**
4th year	1	**10**	**91**
5th year and thereafter	176	**152**	**1,361**
Total	3,587	**4,288**	**38,224**

(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
	2016	**2017**	**2017**
Temporary differences associated with investments in subsidiaries for which no deferred tax liabilities are recognized	87,393	**86,606**	**771,961**

(4) Income taxes

The breakdown of income tax expense is as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	**2017**	**2017**
Current income tax	(7,777)	**(7,084)**	**(63,145)**
Deferred income tax	207	**(409)**	**(3,649)**
Total	(7,570)	**(7,494)**	**(66,794)**

(5) Reconciliation between the applicable and effective tax rate

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

	2016	**2017**
Applicable tax rate	32.5%	**30.3%**
Different tax rates applied to foreign subsidiaries	(14.0%)	**(10.2%)**
Undistributed retained earnings of foreign subsidiaries	3.7%	**4.0%**
Foreign tax	10.2%	**8.6%**
Temporary differences on elimination in profit or loss resulting from intra-group transactions	2.9%	**0.1%**
Changes in unrecognized deferred tax assets	11.0%	**2.7%**
Others	2.3%	**0.8%**
Effective tax rate	48.7%	**36.2%**

15. Trade and Other Payables

The breakdown of trade and other payables is as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	**2017**	**2017**
Notes and trade payables	31,161	**33,222**	**296,124**
Accrued expenses	19,062	**14,661**	**130,679**
Accrued payments	3,044	**4,339**	**38,676**
Total	53,267	**52,222**	**465,480**

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
	2016	**2017**	Average Interest rate (Note)	**2017**
Short-term loans	9,420	**8,029**	**2.44%**	**71,569**
Long-term loans to be repaid within one year	563	**561**	**2.15%**	**5,000**
Long-term loans	563	—	—	—
Total	10,547	**8,590**	—	**76,569**
Current	9,984	**8,590**		**76,569**
Non-current	563	—		—
Total	10,547	**8,590**		**76,569**

(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, 2017.

17. Other Financial Liabilities

The breakdown of other financial liabilities is as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	**2017**	**2017**
Derivatives	37	**3**	**30**
Finance lease obligations	597	**917**	**8,172**
Total	634	**920**	**8,202**
Current	514	**831**	**7,409**
Non-current	120	**89**	**793**
Total	634	**920**	**8,202**

18. Provisions

The breakdown of provisions is as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	**2017**	**2017**
Warranty provisions	293	**406**	**3,621**
Others	175	**188**	**1,677**
Total	468	**594**	**5,297**
Current	293	**406**	**3,621**
Non-current	175	**188**	**1,677**
Total	468	**594**	**5,297**

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, 2016	**293**	**175**	**468**
Increase during the fiscal year	**227**	**11**	**238**
Interest cost associated with passage of time	—	**3**	**3**
Decrease due to intended use	**(108)**	—	**(108)**
Reversal during the fiscal year	**(3)**	—	**(3)**
Foreign currency translation adjustments	**(2)**	**(1)**	**(4)**
As of March 31, 2017	**406**	**188**	**594**

	Thousands of U.S. dollars		
	Warranty provisions	Others	Total
As of April 1, 2016	**2,607**	**1,563**	**4,170**
Increase during the fiscal year	**2,019**	**102**	**2,121**
Interest cost associated with passage of time	—	**25**	**25**
Decrease due to intended use	**(960)**	—	**(960)**
Reversal during the fiscal year	**(27)**	—	**(27)**
Foreign currency translation adjustments	**(18)**	**(13)**	**(32)**
As of March 31, 2017	**3,621**	**1,677**	**5,297**

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
	2016	**2017**	**2017**
Present value of defined benefit obligations	44,536	**46,380**	**413,402**
Fair value of plan assets	41,559	**47,464**	**423,071**
Defined benefit liability (net)	2,982	**2,445**	**21,790**
Defined benefit asset (net)	4	**3,529**	**31,459**

(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, 2015	48,758	
Service cost	2,434	
Interest cost	487	
Actuarial gain or loss		
Changes in demographic assumptions	19	
Changes in financial assumptions	2,154	
Experience adjustments	(522)	
Past service cost and gain or losses of settlements	(791)	
Benefits paid	(7,573)	
Foreign currency translation adjustments	(430)	
As of March 31, 2016	**44,536**	**396,973**
Service cost	**2,303**	**20,527**
Interest cost	**315**	**2,810**
Actuarial gain or loss		
Changes in demographic assumptions	**15**	**132**
Changes in financial assumptions	**(302)**	**(2,694)**
Experience adjustments	**695**	**6,193**
Past service cost and gain or losses of settlements	**6**	**49**
Benefits paid	**(1,243)**	**(11,081)**
Foreign currency translation adjustments	**55**	**492**
As of March 31, 2017	**46,380**	**413,402**

(c) Significant actuarial assumptions and sensitivity analysis

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

	2016	**2017**
Discount rate	0.7%	**0.8%**

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 2016	**2017**	Thousands of U.S. dollars **2017**
Discount rate	Increase of 0.5%	(2,471)	**(2,409)**	**(21,473)**
	Decrease of 0.5%	2,796	**2,655**	**23,669**

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:

	2016	2017
Weighted average duration	12.9 years	**12.7 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, 2015	47,240	
Contributions by the employer	2,908	
Benefits paid	(7,365)	
Interest income (Note)	509	
Return on plan assets (excluding interest income)	(1,468)	
Foreign currency translation adjustments	(266)	
As of March 31, 2016	**41,559**	**370,431**
Contributions by the employer	**1,963**	**17,501**
Benefits paid	**(1,196)**	**(10,664)**
Interest income (Note)	**249**	**2,218**
Return on plan assets (excluding interest income)	**4,848**	**43,214**
Foreign currency translation adjustments	**42**	**372**
As of March 31, 2017	**47,464**	**423,071**

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

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

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

The Group plans to contribute ¥2,397 million ($21,367 thousand) to plan assets in the fiscal year ending March 31, 2018.

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

	Millions of yen				Thousands of U.S. dollars	
	2016		2017		2017	
	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)	5,481	6,610	**6,909**	**6,293**	**61,586**	**56,093**
Bonds (Note)	4,208	10,672	**4,637**	**13,362**	**41,336**	**119,099**
General accounts of life insurance companies	—	2,378	**—**	**2,376**	—	**21,175**
Hedge funds	—	4,793	**—**	**4,962**	—	**44,232**
Cash and cash equivalents	5,187	—	**7,561**	**—**	**67,395**	—
Others	31	2,200	**195**	**1,169**	**1,739**	**10,417**
Total	14,907	26,652	**19,303**	**28,161**	**172,056**	**251,015**

(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
	2016	2017	2017
Service cost	(2,434)	**(2,303)**	**(20,527)**
Past service cost and gain or losses of settlements	791	**(6)**	**(592)**
Net interest	22	**(66)**	**(49)**
Total	(1,621)	**(2,375)**	**(21,169)**

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, 2016 and 2017 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
	2016	2017	2017
Contributions	(504)	**(467)**	**(4,161)**

20. Equity and Other Equity Items

(1) Number of shares authorized

The number of shares authorized is as follows:

	2016	2017
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.

	2016	2017
Total number of shares issued (shares)	73,985,246	**73,985,246**

(3) Treasury stock

Number of treasury stock is as follows:

	2016	2017
Number of treasury stock (shares)	26,041	**26,299**

(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
	2016	**2017**	**2017**
Employee benefit expenses	(11,795)	**(10,841)**	**(96,633)**
Freight and packing expenses	(4,178)	**(4,102)**	**(36,567)**
Depreciation and amortization	(1,271)	**(1,135)**	**(10,113)**
Others (Note)	(13,084)	**(12,648)**	**(112,736)**
Total	(30,327)	**(28,726)**	**(256,050)**

(Note) Employment assistance expenses amounting to ¥435 million were included in early retirement expenses during the fiscal year 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 ¥65 million and ¥68 million ($609 thousand) for the fiscal years ended March 31, 2016 and 2017, respectively.

There is no additional significant other income.

(2) Other expenses

The Group recognized impairment losses of ¥33 million and ¥24 million ($216 thousand) for the fiscal years ended March 31, 2016 and 2017, 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 and expenses associated with the sale (derecognition) of FVTOCI financial assets of ¥879 million 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
	2016	**2017**	**2017**
Interest income	326	**306**	**2,730**
Dividend income	137	**140**	**1,249**
Total	464	**446**	**3,980**

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

	Millions of yen		Thousands of U.S. dollars
	2016	**2017**	**2017**
Financial assets derecognized during the year	—	**1**	**12**
Financial assets held at year-end	137	**139**	**1,237**
Total	137	**140**	**1,249**

(2) Finance costs

The breakdown of finance costs is as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	**2017**	**2017**
Interest costs	(464)	**(302)**	**(2,694)**
Foreign exchange loss	(890)	**(2,370)**	**(21,121)**
Total	(1,354)	**(2,672)**	**(23,815)**

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.

		2016	**2017**
Earnings per share attributable to owners of the parent	(Millions of yen)	5,677	**11,084**
Weighted average number of ordinary shares outstanding during the year	(shares)	73,959,537	**73,959,076**
Basic earnings per share	(yen)	76.75	**149.86**

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
	2016	**2017**	**2017**
Employee benefit costs	(89,554)	**(80,301)**	**(715,763)**
Depreciation and amortization	(17,355)	**(16,886)**	**(150,513)**

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		
	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)

	Millions of yen		
	2017		
	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	**349**	**(71)**	**278**
Subtotal	**349**	**(71)**	**278**
Remeasurements of the net defined benefit liabilities (assets)			
Amount arising during the year	**4,441**	**(1,073)**	**3,368**
Subtotal	**4,441**	**(1,073)**	**3,368**
Items that may be reclassified to profit or loss			
Foreign currency translation adjustments			
Amount arising during the year	**(644)**	—	**(644)**
Subtotal	**(644)**	—	**(644)**
Total other comprehensive income (loss)	**4,146**	**(1,144)**	**3,003**

	Thousands of U.S. dollars		
	2017		
	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	**3,112**	**(632)**	**2,480**
Subtotal	**3,112**	**(632)**	**2,480**
Remeasurements of the net defined benefit liabilities (assets)			
Amount arising during the year	**39,583**	**(9,560)**	**30,023**
Subtotal	**39,583**	**(9,560)**	**30,023**
Items that may be reclassified to profit or loss			
Foreign currency translation adjustments			
Amount arising during the year	**(5,736)**	—	**(5,736)**
Subtotal	**(5,736)**	—	**(5,736)**
Total other comprehensive income (loss)	**36,959**	**(10,193)**	**26,766**

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

27. Dividends

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, 2017

(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 24, 2016 Annual Shareholders Meeting	Ordinary shares	1,331	18	March 31, 2016	June 27, 2016	Retained earnings
November 8, 2016 Board of Directors	Ordinary shares	1,479	20	September 30, 2016	November 28, 2016	Retained earnings
Total	—	2,810	—	—	—	—

(2) Dividends with a record date in the fiscal year ended March 31, 2017 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 23, 2017 Annual Shareholders Meeting	Ordinary shares	1,479	20	March 31, 2017	June 26, 2017	Retained earnings

For the fiscal year ended March 31, 2017

(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 24, 2016 Annual Shareholders Meeting	Ordinary shares	11,866	0.16	March 31, 2016	June 27, 2016	Retained earnings
November 8, 2016 Board of Directors	Ordinary shares	13,185	0.18	September 30, 2016	November 28, 2016	Retained earnings
Total	—	25,051	—	—	—	—

(2) Dividends with a record date in the fiscal year ended March 31, 2017 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 23, 2017 Annual Shareholders Meeting	Ordinary shares	13,185	0.18	March 31, 2017	June 26, 2017	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	
	2016		**2017**		**2017**	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Long-term loans payable	1,127	1,130	**561**	**562**	**5,000**	**5,008**

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, 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

As of March 31, 2017

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Assets:				
FVTPL financial assets				
Derivatives	—	**62**	—	**62**
FVTOCI financial assets				
Equity instruments	**5,116**	—	**225**	**5,341**
Total	**5,116**	**62**	**225**	**5,403**
Liabilities:				
FVTPL financial liabilities				
Derivatives	—	**3**	—	**3**
Total	—	**3**	—	**3**

	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Assets:				
FVTPL financial assets				
Derivatives	—	**550**	—	**550**
FVTOCI financial assets				
Equity instruments	**45,602**	—	**2,004**	**47,606**
Total	**45,602**	**550**	**2,004**	**48,156**
Liabilities:				
FVTPL financial liabilities				
Derivatives	—	**30**	—	**30**
Total	—	**30**	—	**30**

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
	2016	**2017**	**2017**
Profit before tax	20	**(83)**	**(742)**

(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
	2016	**2017**	**2017**
Other comprehensive income (loss) (before tax effects)	(469)	**(512)**	**(4,560)**

(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, 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
Loan	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

As of March 31, 2017

	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	**8,590**	**8,598**	**8,598**	—	—	—	—	—
Other financial liabilities								
Derivatives	**3**	**3**	**3**	—	—	—	—	—
Lease obligations	**917**	**925**	**831**	**35**	**25**	**25**	**8**	—
Guarantee obligations	—	**212**	**212**	—	—	—	—	—
Total	**9,510**	**9,739**	**9,645**	**35**	**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	**76,569**	**76,636**	**76,636**	—	—	—	—	—
Other financial liabilities								
Derivatives	**30**	**30**	**30**	—	—	—	—	—
Lease obligations	**8,172**	**8,249**	**7,410**	**313**	**226**	**226**	**75**	—
Guarantee obligations	—	**1,893**	**1,893**	—	—	—	—	—
Total	**84,771**	**86,809**	**85,969**	**313**	**226**	**226**	**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
	2016	**2017**	**2017**
Capital	159,295	**170,420**	**1,519,033**
Total liabilities and equity	257,065	**266,851**	**2,378,559**
Equity ratio	62.0%	**63.9%**	—

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, 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

For the fiscal year ended March 31, 2017

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.	**39,192**	**6,068**
		Purchase of raw materials, etc.	**785**	**145**
Other related party	Honda of America Manufacturing, Inc.	Sales of products, such as fuel injection system, etc.	**38,939**	**2,643**

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.	**349,336**	**54,089**
		Purchase of raw materials, etc.	**6,999**	**1,293**
Other related party	Honda of America Manufacturing, Inc.	Sales of products, such as fuel injection system, etc.	**347,082**	**23,557**

(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
	2016	**2017**	**2017**
Base compensation and bonus	(321)	**(320)**	**(2,855)**

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
	2016	**2017**	**2017**
Honda Housing Mutual Aid Society	209	**204**	**1,815**
Earthquake housing loan program	10	**9**	**79**
Total	219	**212**	**1,893**

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 2016	Number of companies **2017**
Japan	11	**11**
Americas	8	**8**
Asia	11	**11**
China	4	**4**
Total	34	**34**

(Note) The Keihin Thermal Technology Group was under the control of management as part of the automotive air-conditioner heat exchange business in the Japan segment until the fiscal year ended March 31, 2016. However, the subsidiary in the U.S. and the subsidiary in Thailand are now included in the “Americas” segment and the “Asia” segment, respectively, from the fiscal year ended March 31, 2017. The respective subsidiaries have been placed under control of the Americas headquarter and the Asia headquarter to strengthen co-operation between the air-conditioning manufacturing subsidiary and regional headquarters. Accordingly, the above information for the fiscal year ended March 31, 2016 has been restated to reflect the current year’s presentation.

(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	
			2016	2017
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-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%)	75.10% (100.00%)
Keihin IPT Mfg, LLC.	U.S.A.	Americas	75.10% (100.00%)	75.10% (100.00%)
Keihin Michigan Manufacturing, LLC.	U.S.A.	Americas	75.10% (100.00%)	75.10% (100.00%)
Keihin Thermal Technology of America, Inc.	U.S.A.	Americas	100.00%	100.00%
Keihin de Mexico S.A. de C.V.	Mexico	Americas	100.00%	100.00%
Keihin Tecnologia do Brasil Ltda.	Brazil	Americas	70.00%	75.28%
Keihin Asia Bangkok Co., Ltd.	Thailand	Asia	100.00%	100.00%
Keihin (Thailand) Co., Ltd.	Thailand	Asia	57.02%	57.02%
Keihin Auto Parts (Thailand) Co., Ltd.	Thailand	Asia	85.00%	85.00%
Keihin Thermal Technology (Thailand) Co., Ltd.	Thailand	Asia	97.50%	97.50%
PT Keihin Indonesia	Indonesia	Asia	100.00%	100.00%
Keihin India Manufacturing Pvt. Ltd.	India	Asia	100.00%	100.00%
Keihin FIE Pvt. Ltd.	India	Asia	74.00%	74.00%
Keihin Automotive Systems India Pvt. Ltd.	India	Asia	100.00%	100.00%
Keihin Vietnam Co., Ltd.	Vietnam	Asia	100.00%	100.00%
Keihin Malaysia Manufacturing SDN. BHD.	Malaysia	Asia	100.00%	100.00%
Taiwan Keihin Carburetor Co., Ltd.	Taiwan	Asia	51.00%	51.00%
Nanjing Keihin Carburetor Co., Ltd.	China	China	100.00%	100.00%
Dongguan Keihin Engine Management System Co., Ltd.	China	China	100.00%	100.00%
Keihin R&D China Co., Ltd.	China	China	100.00%	100.00%
Keihin (Wuhan) Automotive Components Co., Ltd.	China	China	100.00%	100.00%

(Note) 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.

(3) Changes in Ownership Interests

For the fiscal year ended March 31, 2016

Not applicable

For the fiscal year ended March 31, 2017

Not applicable

Ernst & Young ShinNihon LLC
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Building a better working world

Independent Auditor's Report

The Board of Directors
Keihin Corporation

We have audited the accompanying consolidated financial statements of Keihin Corporation and its consolidated subsidiaries, which comprise the consolidated statement of financial position as at March 31, 2017, 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, 2017, 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 23, 2017

Corporate Data (As of March 31, 2017)

KEIHIN

Keihin Corporation

Corporate Data

Established	December 19, 1956
Capital	6,932 million yen
Fiscal Year-End	March 31
Number of Employees	22,310 (Consolidated), 3,699 (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

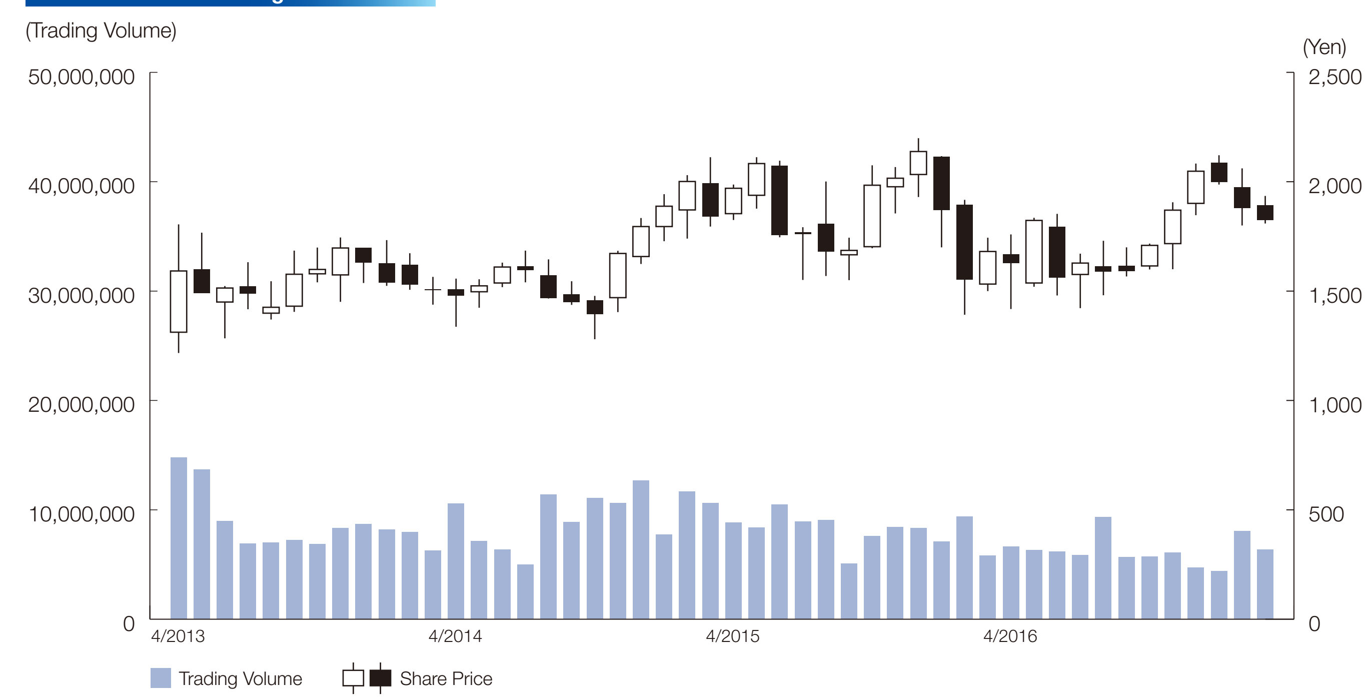
Stock Information

Number of Shares Authorized	240,000,000 shares
Total Number of Shares Issued	73,985,246 shares
Number of Shareholders	4,444
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

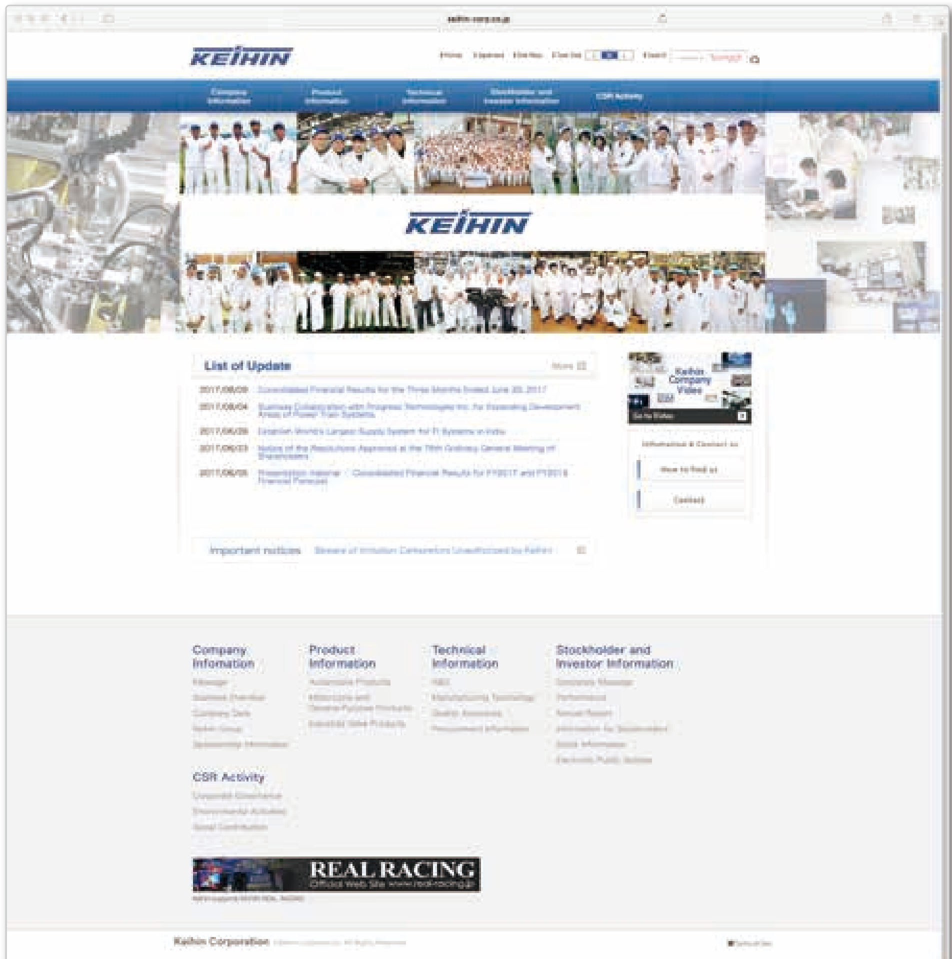
	Number of shares held (Thousands)	Percentage of total shares outstanding (%)
HONDA MOTOR CO., LTD.	30,581	41.33
JAPAN TRUSTEE SERVICES BANK, LTD. (TRUST ACCOUNT)	2,302	3.11
BANK OF TOKYO-MITSUBISHI UFJ, LTD.	1,938	2.62
THE MASTER TRUST BANK OF JAPAN, LTD. (TRUST ACCOUNT)	1,537	2.08
STATE STREET BANK AND TRUST COMPANY	1,300	1.76
THE BANK OF NEW YORK MELLON 140044	1,224	1.65
STATE STREET BANK AND TRUST COMPANY 505103	1,148	1.55
KEIHIN CORPORATION CLIENT STOCK OWNERSHIP ASSOCIATION	1,011	1.37
JAPAN TRUSTEE SERVICES BANK, LTD. (TRUST ACCOUNT 9)	983	1.33
CBNY DFA INTERNATIONAL SMALL CAP VALUE PORTFOLIO	902	1.22

Share Price and Trading Volume



Corporate Data (As of March 31, 2017)

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.