



ANNUAL REPORT 2015

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SHOWA Philosophy



— Our Fundamental Beliefs —

Respect for the individuals

Trust/Fairness/Independence

— Our Corporate Principle —

With the aim of becoming a global company trusted by customers worldwide, we are committed to making continuous innovations to provide superior products of the best technology and the highest quality to meet users' needs.

— Code of Conduct —

1. Let actions be driven by ideals and visions
2. Value time and ideas, and approach problems based on fundamentals and principles
3. Place value on communications and understand the situation of others
4. Maintain operational transparency and soundness
5. Always be aware of environmental preservation, and make contributions to the community and society

Message from the President



Dear Shareholders,
Please allow me to begin by extending my heartfelt gratitude for your continued support. We are pleased to present this summary of our results of the 107th term (from April 1, 2014 to March 31st, 2015) as follows.

At the Board of Directors Meeting held on June 26th, 2015, I, Nobuyuki Sugiyama, was newly elected as president. I kindly ask for the same support and guidance you have given my predecessor, Yoichi Hojo.

A decrease in sales of automotive as well as steering products resulted in an overall decrease in sales compared to the previous term. This term's operating and ordinary profits were also lower than previous term's due to changes in configuration of variable sales and an increase in labor and research and development costs. However, our net income profits increased this term due to an increase in gain on sales of investment securities together with a decrease in restructuring charges, provision of reserve for product warranties, as well as a decrease in extraordinary losses based on antitrust law violations.

As a new product lineup to our electric power steering system, we have developed and launched "DPA-EPS (Dual Pinion Assist-EPS) which provides more comfortable steering feel compared with existing products. In addition, our new factory in Mexico, "Showa Autoparts Mexico S.A.de C.V." began operations in July, 2015, and started the production of DPA-EPS.

Our basic policy is to distribute profits in accordance with performance and achievement of dividends. Taking business performance, together with a long-term perspective in future business developments and consolidated results into comprehensive consideration, as well as responding to the support of our stockholders, we have decided to set the year-end dividend at ¥19 per share. As a result, the dividend for the fiscal year totaled ¥37 per share including the interim dividend of ¥18. For the next term (from April 1, 2015 to March 31, 2016) we expect to set ¥19 for both the interim dividend and the year-end dividend, and as a result the dividend for the fiscal year is to total ¥38 per share.

We hope that we can continue to count on our shareholders for their understanding and support.

Nobuyuki Sugiyama
President

Review of Operations

Status of current term (2014)

Although sales of motorcycle products increased mainly in Asia, sales of automotive products in Japan and South America as well as that of steering products in Japan and Asia decreased, resulting in an overall decrease in our group sales over last year. Our operating income increased over last year due to a decrease in restructuring charges, provision for product warranties, and antitrust law-related losses. In addition, both pre-tax income and net income attributable to owners of the parent increased compared to last year.

Net sales	266,407 million yen	(1.7% increase over previous term)
Operating income	15,978 million yen	(36.5% increase over previous term)
Pre-tax income	18,222 million yen	(47.0% increase over previous term)
Net income attributable to owners of the parent	11,570 million yen	(91.4% increase over previous term)

Outlook for next term (2015)

Next term we expect that the gradual recovery of the global economy will continue. The demand in the Japanese automobile market will fall due to an increase in light vehicle tax among others, while the demand in North America, Asia, and Europe will increase, leading to an increase in the global demand over last year.

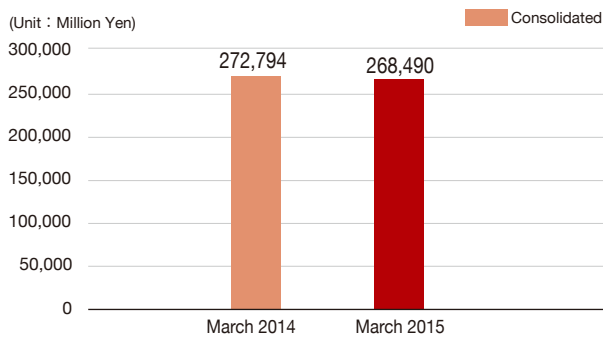
Furthermore, as we continue to expand our global business, we have decided to voluntarily adopt International Financial Reporting Standards (IFRS) to improve the international compatibility of our financial statements, homogenize financial information within our group, and to enhance the efficiency of financial reporting. While Japanese accounting standards are applied for the current term calculations, the following consolidated financial forecasts for next term are based on IFRS.

We assume exchange rates of 1 USD = 122 yen and 1 RMB = 19.6 yen, based on the full-year average.

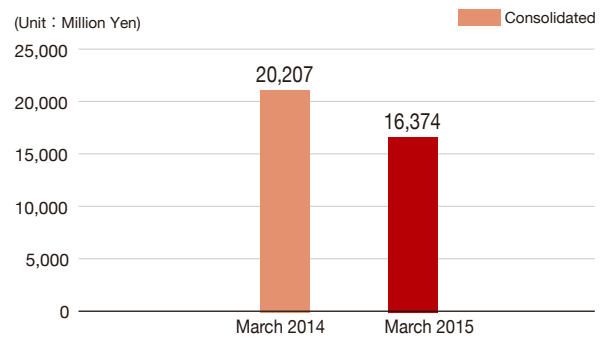
Net sales	269,000 million yen	(1.0% increase over previous term)
Operating income	16,100 million yen	(0.8% increase over previous term)
Pre-tax income	17,100 million yen	(6.2% decrease over previous term)
Net income attributable to owners of the parent	8,700 million yen	(24.8% increase over previous term)

Financial Performance Highlights

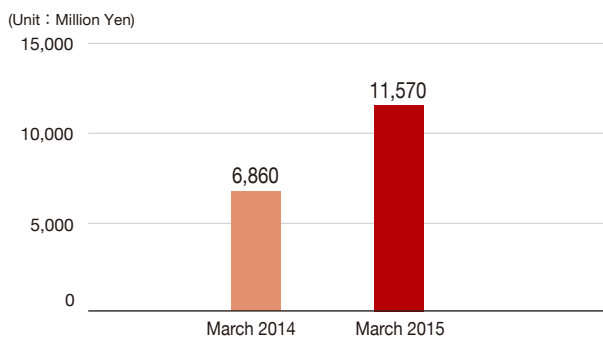
Sales



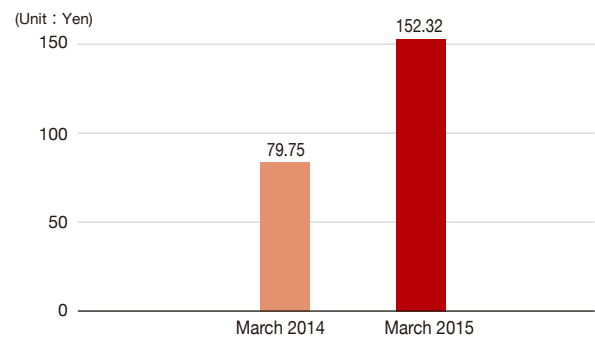
Operating profit



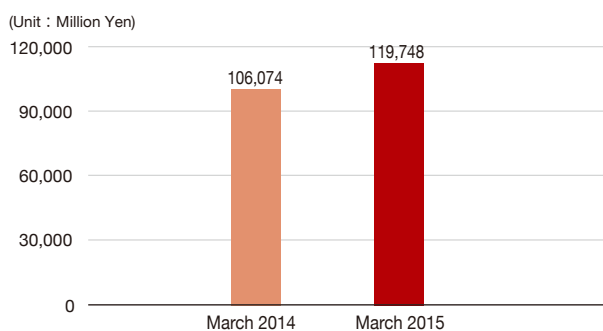
Net income attributable to owners of the parent



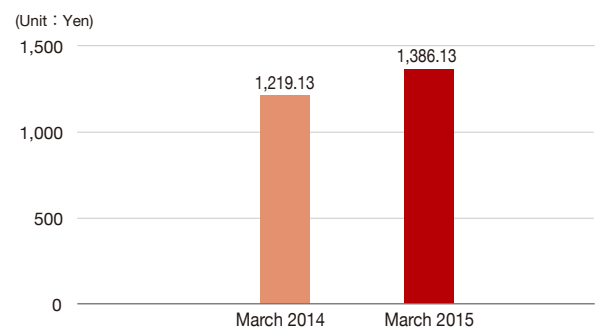
Net income per share



Total shareholders' equity



Equity per share attributable to owners of the parent



* From the previous consolidated fiscal year, our group has made a switch from Japanese Standards to voluntary application of International Financial Reporting Standards (IFRS). Accordingly, our financial statements are reported based on IFRS.

Segment Results

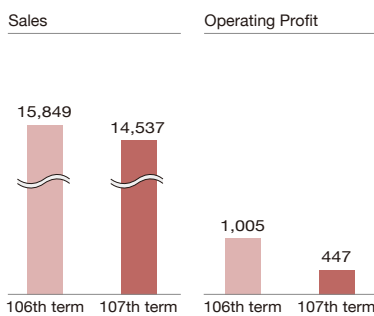
(Numerical unit of bar graph: 1 million yen)

* The sales amount includes internal sales or transfers between segments.

Gas springs segment/Others **5.5%**

Sales 14,537 million
(8.3% decrease from the previous fiscal year)

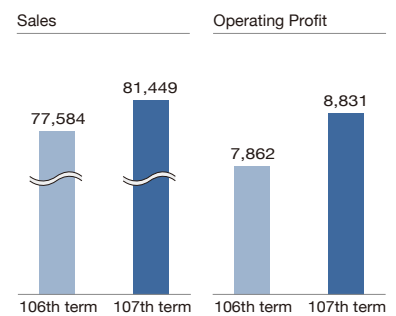
Operating Profit 447 million
(55.5% decrease from the previous fiscal year)



Motorcycle and Hydraulic components segment **30.6%**

Sales 81,449 million
(5.0% increase from the previous fiscal year)

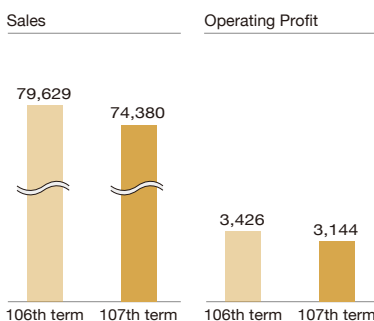
Operating Profit 8,831 million
(12.3% increase from the previous fiscal year)



Steering systems components segment **27.9%**

Sales 74,380 million
(6.6% decrease from the previous fiscal year)

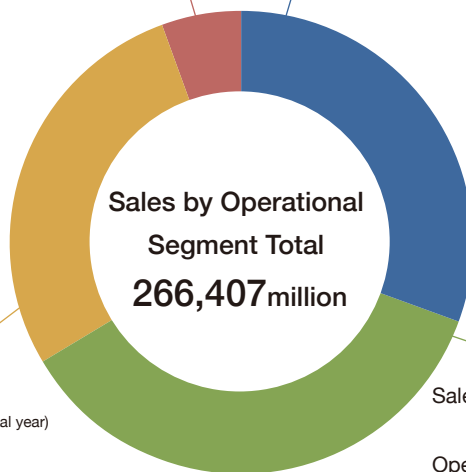
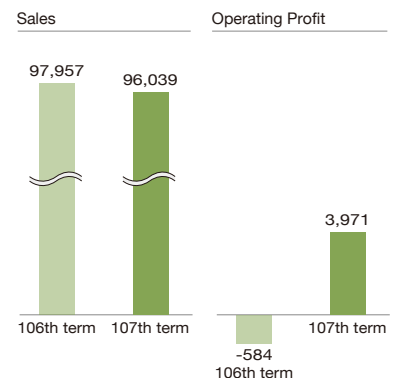
Operating Profit 3,144 million
(8.2% decrease from the previous fiscal year)



Automotive components segment **36.0%**

Sales 96,039 million
(2.0% decrease from the previous fiscal year)

Operating Profit 3,971 million



Segment results

Segment	Main cause
Motorcycle and Hydraulic components segment	Overall sales of motorcycle products increased over the previous fiscal year mainly due to sales increase in Asia.
Automotive components segment	Overall sales of automotive products decreased compared to the previous fiscal year mainly due to sales decrease in Japan and South America.
Steering components segment	Overall sales of steering products decreased compared to the previous fiscal year mainly due to sales decrease in Japan and Asia.
Gas springs segment / Others	Overall sales of gas spring products increased over the previous fiscal year mainly due to sales increase in Japan.

Consolidated Financial Statements

※1 \$ = 120.17 Yen

Consolidated Balance Sheet (Summary)	Millions of yen	Millions of yen	Thousands of U.S. dollars
	2014	2015	2015
Assets			
Current assets	98,717	104,846	872,481
Noncurrent assets	84,992	93,290	776,317
Total assets	183,709	198,137	1,648,806
Liabilities and shareholders' equity			
Current liabilities	64,816	62,533	520,371
Noncurrent liabilities	12,818	15,854	131,930
shareholders' equity	106,074	119,748	996,488
Total Liabilities and shareholders' equity	183,709	198,137	1,648,806

Profit and loss calculator (Summary)	Millions of yen	Millions of yen	Thousands of U.S. dollars
	2014	2015	2015
Sales	271,021	266,407	2,216,918
Cost of sales	(222,297)	(218,418)	(1,817,575)
Gross profit	48,724	47,988	399,334
Other income (expense)	(37,014)	(32,010)	(266,373)
Selling, general and administrative expenses	(27,626)	(31,285)	(260,340)
Provision of reserve for product warranties	(3,206)	(43)	(358)
Restructuring charges	(3,769)	(475)	(3,953)
Antitrust law-related losses	(2,048)	-	-
Operating income	11,709	15,978	132,962
Finance income and finance costs	112	1,199	9,978
Gains and losses on equity method investment	573	1,044	8,688
Pre-tax income	12,395	18,222	151,635
Corporate income tax	(3,541)	(3,759)	(31,281)
Current net income	8,854	14,463	120,354
Attributable net income			0
Owners of the parent	6,044	11,570	96,280
Non-controlling interests	2,809	2,892	24,066

Operating income: The operating income totaled 15,978 million yen (36.5% increase from previous fiscal year) due to a decrease in restructuring charges, provision of reserve for product warranties, and antitrust law-related losses.

Consolidated Financial Statements

※1 \$ = 120.17 Yen

Cash flow (Summary)	Millions of yen	Millions of yen	Thousands of U.S. dollars
	2014	2015	2015
Net cash provided by (used in) operating activities	25,224	13,412	111,609
Net cash provided by (used in) investing activities	(10,155)	(10,408)	(86,611)
Net cash provided by (used in) financial activities	(13,042)	(3,531)	(29,383)
Effect of exchange rate change on cash and cash equivalents	(657)	892	7,423
Net increase (decrease) in cash and cash equivalents (indicates decrease)	1,369	365	3,037
Cash and cash equivalents at Beginning of Year	25,459	26,829	223,259
Cash and cash equivalents at End of Year	26,829	27,194	226,296

The balance of cash and cash equivalents (hereinafter called “funds”) at the end of the fiscal year totaled 27,194 million yen, up 365 million yen year-on-year.

Net cash provided by (used in) operating activities: Funds earned from operating activities totaled 13,412 million yen, down 11,813 million yen year-on-year. This is mainly due to a decrease in antitrust law-related losses and expenses for our early retirement support system.

Net cash provided by (used in) investing activities: Funds used for investment activities totaled 10,408 million yen, up 252 million yen year-on-year. This is mainly due to an increase in spending for purchase of properties, plants and equipment.

Net cash provided by (used in) financial activities: Funds used for financial activities totaled 3,531 million yen, down 9,511 million yen year-on-year. This is mainly due to an increase in repayment of short-term loans payable.

Highlights

Development of new mechanism shock absorber “SFF-Air”

We have developed and launched an evolutionary shock absorber, “SFF-Air* (Separate Function Front Fork - Air).” It is much light in weight compared to exiting high-performance SFF products with improved bump absorption, achieving enhanced maneuverability and riding comfort.

This product has been adopted by Honda Motor Co. Ltd., in “CRF250R,” Suzuki Motor Corporation in “RM-Z450,” and Kawasaki Heavy Industries, Ltd., in “KX450F.”

In addition, our technology was able to contribute to AMA Supercross Championship, in which Ryan Villopoto (Monster Energy Kawasaki), riding a machine equipped with this product, won the Series Championship.

※ Registered trademark of Showa Corporation.



SFF-Air



HONDA CRF 250R

Automotive Products

Regarding automotive products, American Honda Motor Co., Inc. has adopted our shock absorber in their “Acura TLX.” Shock absorbers are equipped with SFRD* (Sensitive Frequency Response Damper) which makes damping force adjustment possible without having to rely on electronic control, realizing both riding comfort and stability under various conditions.

※ Registered trademark of Showa Corporation.



Acura TLX

Highlights

Establishment of European and North American Bases

SHOWA UK LTD. EUROPE SALES OFFICE (provisional name) is schedule to be established in Munich, Germany on December 1st, 2014 as a European sales base for SHOWA UK LTD.

Also, AMERICAN SHOWA INC. Milwaukee Office/Showa R&D Milwaukee Office (provisional name) is scheduled to be established as a North American sales and development base of AMERICAN SHOWA INC. in Milwaukee, U.S.A. on January 1st, 2015.

We will continue to expand prompt and timely sales and development activities close to our customers.



Unveiled the World' s First Technologies at EICMA 2014 (Milan)

At the EICMA 2014, we exhibited our latest front fork technologies including “Balance Free Front Fork,” which uses world-first technology consisting of a balance-free structure with an inline piston unit whose improvements in damping force responsiveness has enabled outstanding traction and absorption properties, and “Dual Bending Valve Front Fork,” which employs world-first technology of a dual-bending valve structure and enables linear damping in accordance with the stroke speed.

We will actively strive to further enhance our products to be competitive in global markets including European markets.



Balance Free Front Fork



Highlights

Automotive Products

Regarding automotive products, Honda Motor Co., Ltd. has adopted our shock absorber, steering gear box, and gas springs for use in their “S660”. Additionally, Mazda Motor Corporation has adopted our gas springs and shock absorber S-SEES*(Front), which realizes both riding comfort and driving stability, for use in their “CX-3”.

※ Registered trademark of Showa Corporation.



S660



CX-3

Launched electric power steering, “DPA-EPS”

Launched electric power steering, “DPA-EPS”

We have developed and launched “DPA-EPS*(Dual Pinion Assist-EPS)” as a new lineup of products to electric power steering.

This product employs a system which places pinion gear that was up until now only fitted on the steering shaft (steering wheel) on the assist shaft (road wheel input) as well.

Pinion which has newly placed the power assist unit for the road wheel inputs and electric motor speed reducers together enabled more comfortable steering feel to be achieved.

Mazda Motor Corporation has adopted this product in their new “Roadster”.

※ Registered trademark of Showa Corporation.



DPA-EPS



Roadster

Highlights

SAM begins operation in July, 2015

Our Mexican subsidiary “Showa Autoparts Mexico S.A. de C.V. (SAM)” began operations in July, 2015. As a new production base for electric power steering following the U.S. and Canada in North America, it has started production of our new product, “DPA-EPS”.

Opening ceremony was held in June, with Guanajuato State Governor and our customers and business partners as guests.

Overview of SAM

Location	Guanajuato, United Mexican States
Capital	812 million pesos
Site Area	99.362m ²
Building Area	21.133m ²
Investment Ratio	Showa Group 100%



Automotive Engineering Exposition 2015

We had an exhibition at Automotive Engineering Exposition 2015 held at Pacifico in Yokohama from May 20th to 22nd, 2015.

We introduced technologies we have cultivated from races as well as world-first products and technologies developed through real-world research.

Content of Exhibition

Product exhibition	Shock absorber for motorcycles Balance Free Front Fork Balance Free Rear Cushion Air Shock Dual Bending Valve
	Shock absorber for automobiles Electronically controlled damper SFRD(Sentive Frequency Response Damper)
	Power steering DPA-EPS (Dual Pinion Assist-EPS) BRA-EPS (Belt Rack Assist-EPS)
Simulation	Automotive experience simulator



SHOWA' s Global Network

As of 31st March 2015

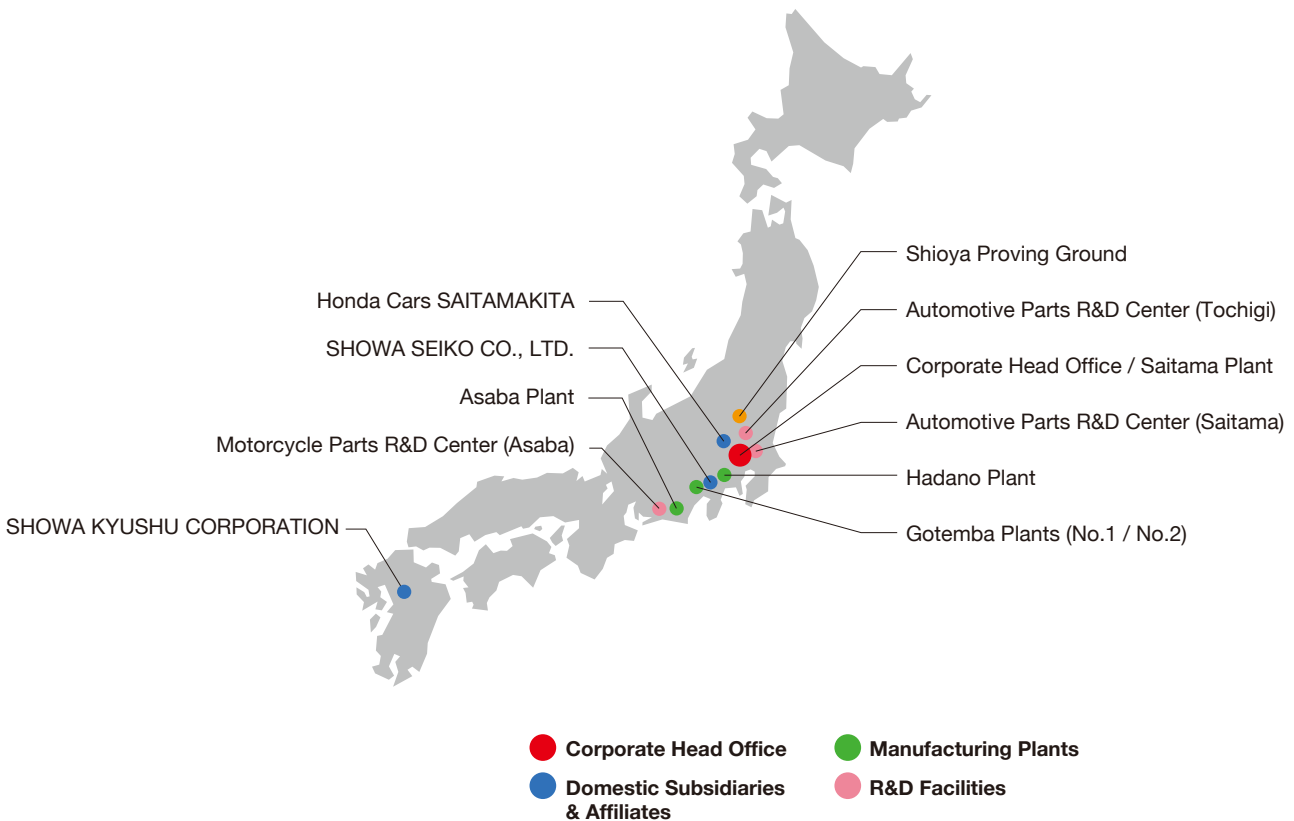
Overview of Business

The SHOWA Group consists of our company, 15 subsidiaries and three affiliates, and our main businesses are the manufacture and sale of automotive parts.

Corporate Head Office, Plants and R&D Facilities

Corporate Head Office	1-14-1, Fujiwara-cho, Gyoda, Saitama
Plants	Saitama Plant (Gyoda, Saitama), Hadano Plant (Hadano, Kanagawa), Gotemba Plant (Gotemba, Shizuoka), Asaba Plant (Fukuroi, Shizuoka),
R&D Facilities	Automotive Parts R&D Centers (Haga, Tochigi / Gyoda, Saitama) Motorcycle Parts R&D Center (Fukuroi, Shizuoka)

Japan



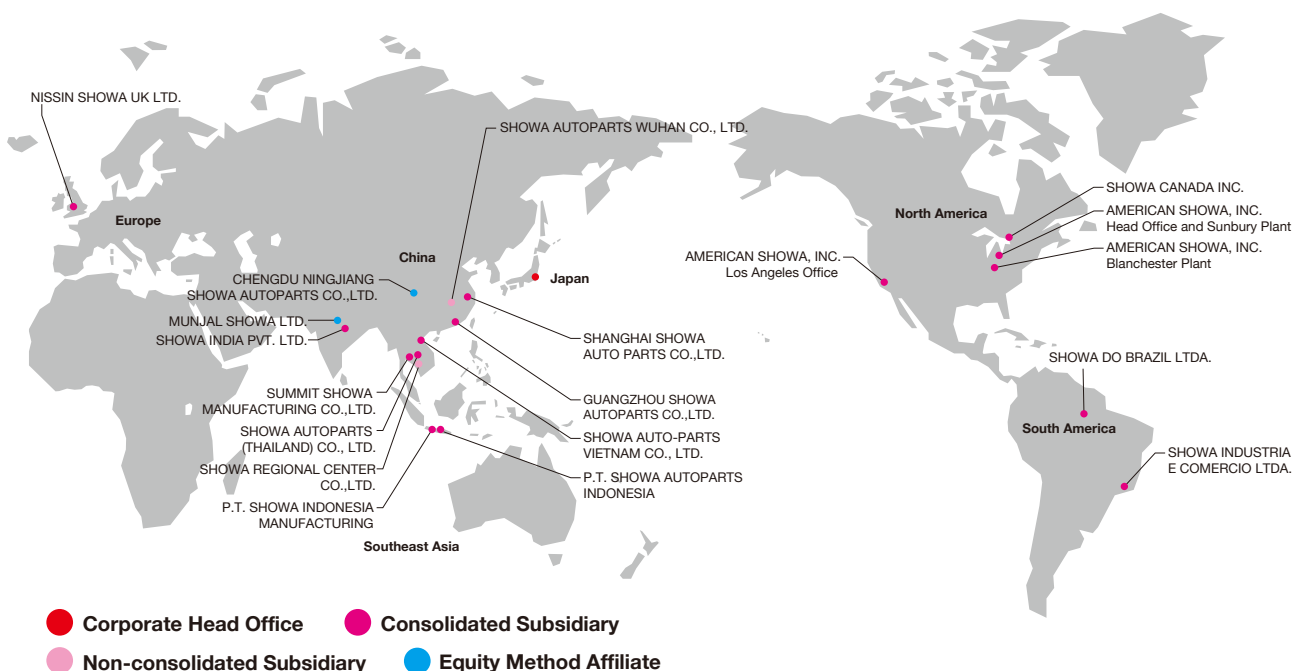
SHOWA' s Global Network

As of 31st March 2015

Overview of Subsidiaries and Affiliates

Consolidated Subsidiaries	P.T. SHOWA INDONESIA MANUFACTURING AMERICAN SHOWA, INC. SHOWA DO BRAZIL LTDA. SHOWA KYUSHU CORPORATION SUMMIT SHOWA MANUFACTURING CO., LTD. SHOWA CANADA INC. SHOWA INDUSTRIA E COMERICO LTDA. SHOWA SEIKO CO., LTD. GUANGZHOU SHOWA AUTOPARTS CO., LTD. NISSIN SHOWA UK LTD SHANGHAI SHOWA AUTO PARTS CO., LTD. SHOWA INDIA PVT. LTD. SHOWA AUTOPARTS (THAILAND) CO., LTD. SHOWA AUTO-PARTS VIETNAM CO., LTD. Honda Cars SAITAMAKITA
Equity Method Affiliates	MUNJAL SHOWA LTD. CHENGDU NINGJIANG SHOWA AUTOPARTS CO.,LTD
Non-consolidated subsidiary	SHOWA REGIONAL CENTER (THAILAND) CO., LTD. PT. SHOWA AUTOPARTS INDONESIA

Overseas



SHOWA' s Technolog

Automotive Components

Shock Absorbers

Shock absorbers are critical to an automobile's character because they make the auto comfortable to ride and affect the attitude and stability of the automobile body. With their superior performance and quality, Showa brand shock absorbers have created satisfied customers around the world. Showa has years of experience with strut modules and is also working on suspension modules combined with peripheral components.

Propeller Shafts

The propeller shaft's function is to transmit the driving force of the engine to the wheel axis. The long cylindrical shaft rotates at high speed. It must limit vibration and noise while ensuring high durability. Showa supplies leading-edge technologies, and our structural analysis enables a smaller number of components and lighter weight. Further, we have implemented friction welding to achieve high precision, dynamic balance and ultra-strong parts connections.

Shock Absorbers



Propeller Shafts



Gas Springs



Differential Gears



Steering Systems



Steering Systems

Of all automobile components, steering systems must provide performance and reliability. The steering system is the man/machine interface that transmits the driver's steering motion to the automobile and conveys information on running conditions from the automobile to the driver. The term "power steering system" refers to a component that assists steering and provides drivers with comfortable maneuverability.

Power steering systems are classified into hydraulic power steering systems (HPS), which use the engine's power as a drive source, and electric power steering systems (EPS), utilizing the vehicle's battery. Showa has a full line of power steering models.

Gas Springs

Gas springs help to open and close front hoods and rear gates by using gas reaction force. They come with speed-adjustment devices that enable operators to open and close the hood and trunk at optimal speed. Showa develops a variety of products to meet customers' diverse needs.

Differential Gears

The role of a differential mechanism is to absorb the difference in rotation between the right and left wheels when an automobile is cornering. These products must offer durability, transmission efficiency and quiet operation. Showa's differential gears are light in weight while exhibiting high performance in automobiles from subcompacts to SUVs.

SHOWA' s Technology

Motorcycle Components

Shock Absorbers

Showa motorcycle shock absorbers are used extensively in motorcycle races around the world. From racing machines to scooters, we use our technology and experience to meet a wide variety of performance needs.

Drive Unit Products

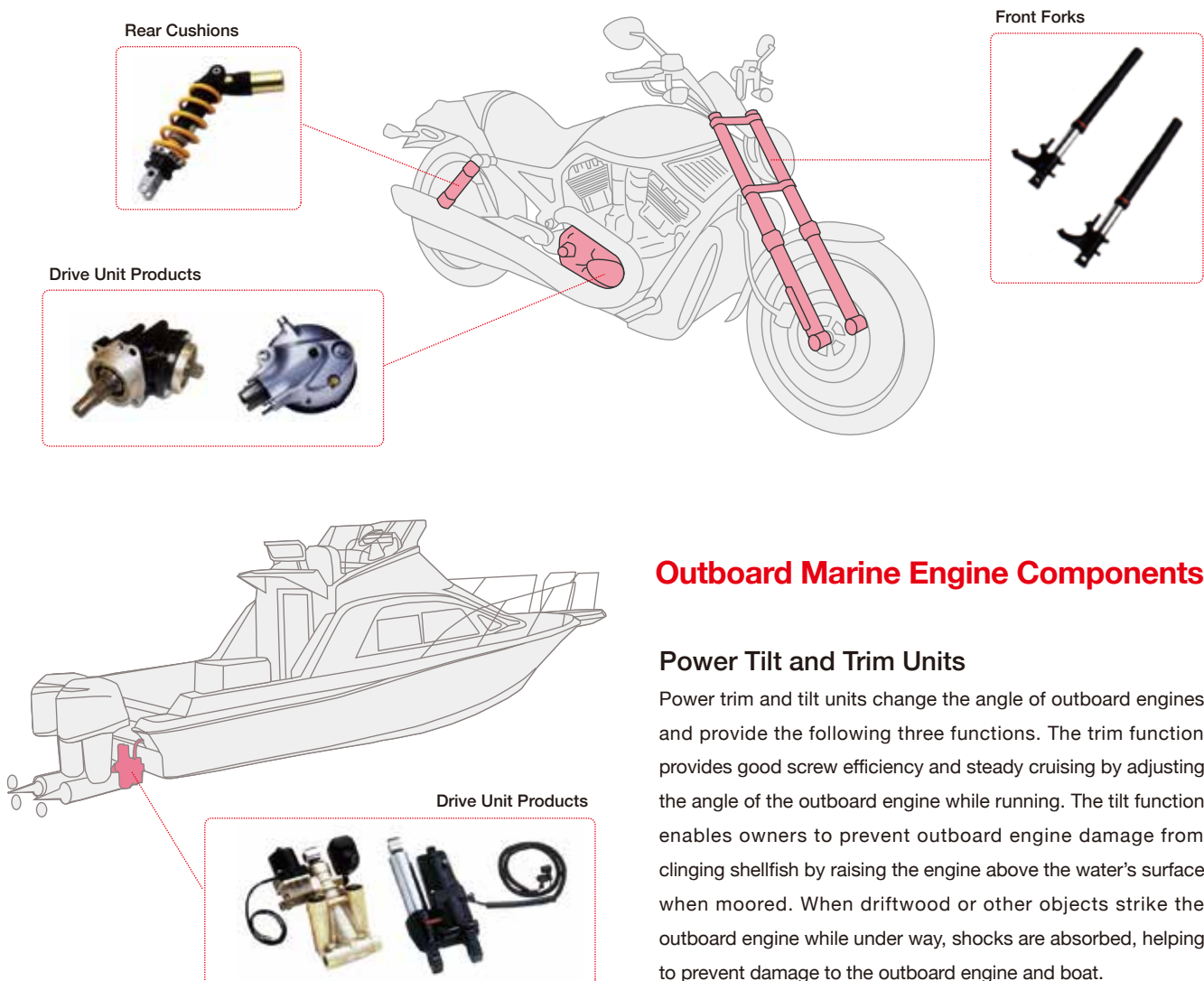
For motorcycle and ATV drive unit products, Showa has achieved lighter weights through analysis of functions, shapes, and materials, while maintaining excellent durability, transmission efficiency and quiet operation.

Front Forks

The front fork is a key structural component of a motorcycle, holding the front wheel securely and providing the steering function. This vital part must be able to closely follow road contours through smooth operation and steady damping force, while retaining high rigidity.

Rear Cushions

The rear cushion is attached to the rear fork directly or through a link. By controlling the attitude and energy absorption of the motorcycle body, the rear cushion helps the rear wheel to follow road contours.



Outboard Marine Engine Components

Power Tilt and Trim Units

Power trim and tilt units change the angle of outboard engines and provide the following three functions. The trim function provides good screw efficiency and steady cruising by adjusting the angle of the outboard engine while running. The tilt function enables owners to prevent outboard engine damage from clinging shellfish by raising the engine above the water's surface when moored. When driftwood or other objects strike the outboard engine while under way, shocks are absorbed, helping to prevent damage to the outboard engine and boat.

Outlook of Consolidated Business Performance

As of 31st March 2015

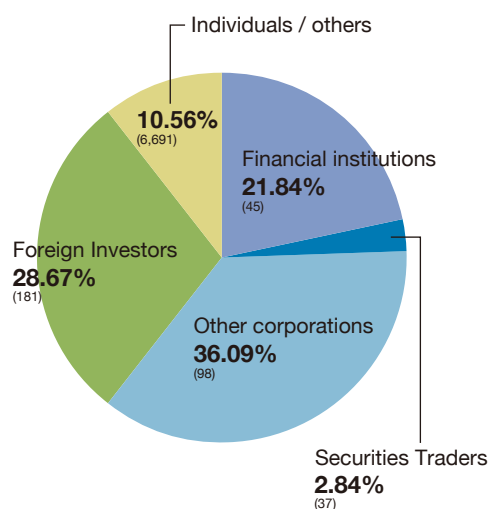
Status of Shares

Total Number of Authorized Shares	180,000,000 shares
Total Number of Issued Share	76,020,019 shares
Number of Shareholders	7,057

Major shareholders

Shareholder Name	Shares held (shares)	Investment ratio (%)
Honda Motor Co., Ltd.	25,447,856	33.48
Japan Trustee Services Bank, Ltd. (Trust Account)	3,292,800	4.33
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,095,300	2.75
Showa Holdings	1,572,360	2.07
Japan Trustee Services Bank, Ltd. (Trust Account 4)	1,552,900	2.04
THE BANK OF NEW YORK, TREATY JASDEC ACCOUNT	1,352,000	1.78
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,291,480	1.70
Mellon Bank TREATY CLIENTS OMNIBUS	1,253,200	1.65
Mellon Bank, N.A. as Agent for its Client Mellon Omnibus US Pension	1,141,500	1.50
STATE STREET BANK AND TRUST CLIENT OMNIBUS ACCOUNT OM02 505002	967,600	1.27

Share Distribution by Shareholders



Board of Directors and Corporate Auditors

As of 26rd June 2015

Directors

Representative Director President	Nobuyuki Sugiyama
Representative Director Executive Vice President and Executive Officer	Akira Kadoya
Representative Director Senior Managing Officer	Hajime Hirata
Director Managing Officers	Takeshi Nagao Kenichi Ono
Director Operating Officers	Wakiyama Narutoshi Tetsuya Matsumura Yutaka Ueno

Director(Audit and Supervisory Committee)	Yosuke Mano
Outside Director(Audit and Supervisory Committee)	Tsuneo Mizusawa Hikoyuki Miwa

Executive Officers

Operating Officers	Shuichi Kawahara Hiroshi Ichimura Hidehiko Koyano Kazuhiro Nishioka Shinichi Miyajima
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* Serving solely as Executive Officers and not concurrently as Director