

Consolidated Financial Summary Cumulative Second Quarter of FY2019

(April 1, 2018 – September 30, 2018)

TS TECH Co.,Ltd.

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In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.



Consolidated Financial Summary for the Cumulative Second Quarter of FY2019 (under IFRS)

October 31, 2018

Company name: TS TECH CO., LTD. Stock exchange listing: Tokyo Stock Exchange
 Stock code: 7313 URL: <http://www.tstech.co.jp>
 Representative: Masanari Yasuda, President
 Contact: Mahoro Kurata, Manager, Public Relations Section, Administration Department Tel. 048-462-1121
 Scheduled date for filing of quarterly securities report: November 9, 2018
 Scheduled date of commencement of dividend payment: December 3, 2018
 Preparation of supplementary explanatory material: Yes
 Quarterly results briefing: Yes (for institutional investors and analysts)

(Amounts of less than one million yen are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Cumulative Second Quarter of FY2019 (April 1, 2018 – September 30, 2018)

(1) Consolidated Financial Results (Cumulative Total)

(% of change from the same period of previous year)

	Revenue		Operating income		Income before tax		Net income		Income attributable to owners of parent		Total comprehensive income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Second quarter of FY2019	202,340	-9.5	18,583	-19.7	20,010	-18.2	14,520	-19.0	11,560	-11.4	17,879	-13.5
Second quarter of FY2018	223,693	10.7	23,155	48.8	24,457	64.6	17,918	72.9	13,046	61.9	20,660	—

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Second quarter of FY2019	170.01	—
Second quarter of FY2018	191.86	—

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets	Equity attributable to owners of parent per share
	Million yen	Million yen	Million yen	%	Yen
Second quarter of FY 2019	355,299	267,311	247,841	69.8	3,644.85
FY2018	351,944	259,924	235,589	66.9	3,464.66

2. Cash Dividends

	Annual cash dividends per share				
	End of 1Q	End of 2Q	End of 3Q	End of year	Annual
	Yen	Yen	Yen	Yen	Yen
FY2018	—	38.00	—	42.00	80.00
FY2019	—	42.00	—	—	—
FY2019 (forecast)	—	—	—	42.00	84.00

(Note) Revision from the most recent announcement of cash dividends forecasts: None

3. Consolidated Forecasts for FY2019 (April 1, 2018 - March 31, 2019)

(% of change from the same period of previous year)

	Revenue		Operating income		Income before tax		Net income		Income attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
FY2018	420,000	-12.4	41,000	-13.4	42,600	-14.3	32,400	-15.6	25,700	-14.7	377.95

(Note) Revision from the most recent announcement of consolidated financial forecasts: None

*Notes

- (1) Changes in important subsidiaries during the quarter : None
 (Changes in significant subsidiaries affecting the scope of consolidation during this period)
 New subsidiaries — companies Excluded subsidiaries — companies

- (2) Changes in accounting policies and accounting estimates
 1) Changes in accounting policies required by IFRS : Yes
 2) Changes other than 1) : None
 3) Changes in accounting estimates : None

- (3) Number of shares issued (common stock)

- 1) Number of shares issued at the end of the term including treasury stock
 2) Number of treasury stock at the end of the term
 3) Average number of shares during the term (cumulative)

2Q of FY2019	68,000,000 shares	FY2018	68,000,000 shares
2Q of FY2019	2,195 shares	FY2018	2,100 shares
2Q of FY2019	67,997,835 shares	2Q of FY2018	67,997,930 shares

*This quarterly financial statement is exempt from quarterly reviews

*Explanation regarding the appropriate use of forecasts of financial results and other notes

The consolidated forecasts presented above are projections made by management at TS TECH Co., Ltd. (hereinafter the “Company”) on the basis of information available at the time of preparation. For that reason, they involve risks and uncertainties. Accordingly, we request that readers of this document avoid making investment decisions based exclusively on these forecasts. Please bear in mind the possibility that actual results may differ materially from these forecasts due to various important factors. Readers are asked to proceed to “(3) Qualitative Information Concerning Consolidated Forecasts” on page 4 for assumptions and other information that form the premise for the operating results forecast above.

For materials used for the results briefing to be held on November 5, 2018, refer to the following link on our website (<http://www.tstech.co.jp/english/>).
 (IR Information) <http://www.tstech.co.jp/english/ir>

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1. Qualitative Information Concerning Quarterly Results

(1) Qualitative Information Concerning Consolidated Financial Results

Results for the consolidated cumulative second quarter of FY2019 (April 1, 2018 – September 30, 2018) are as follows.

(Unit: million yen)

		Cumulative second quarter of FY2019	Year-on-year change
Revenue	After application of IFRS 15	202,340	-9.5%
	FY2018 standards	226,805	1.4%
Operating income		18,583	-19.7%
Income before tax		20,010	-18.2%
Net income		14,520	-19.0%
Income attributable to owners of parent		11,560	-11.4%

Note: Under IFRS 15 “Revenue from Contracts with Customers,” a portion of amounts of originally recorded as sales and costs will no longer be recognized as revenue.

When calculated using FY2018 standards, revenue reached 226,805 million yen on a consolidated basis, a slight year-on-year increase of 3,112 million yen (1.4%), on higher order volume from major customers primarily in the Japan segment and an improved model mix. These factors offset a decrease in lower press tool sales in the Americas segment.

Looking at profits, operating income stood at 18,583 million yen, a decrease of 4,571 million yen (19.7%) year-on-year due to the end of compensation (3,840 million yen) accompanying the conclusion of the Guangzhou plant relocation in China, offsetting the impact of higher revenue. Income attributable to owners of parent amounted to 11,560 million yen, a decrease of 1,486 million yen (11.4%) year-on-year.

*USD/JPY average first half exchange rate... FY2018: ¥111.1 FY2019: ¥110.3

*CNY/JPY average first half exchange rate... FY2018: ¥16.4 FY2019: ¥16.8

Operating performance by segment is as follows.

(Japan)

(Unit: million yen)

		Cumulative second quarter of FY2018	Cumulative second quarter of FY2019	Difference	Change
Revenue	After application of IFRS 15	41,225	42,432	1,206	2.9%
	FY2018 standards		46,899	5,674	13.8%
Operating income		2,699	4,606	1,906	70.6%

Main factors for year-on-year change (versus FY2018 standards)

Revenue Revenue increased primarily due to higher order volume from major customers and an increase in sales beyond existing customers*, offsetting a change in model mix and lower component sales.

Operating income Operating income increased due to the effects of higher revenue.

*Sales beyond existing customers: sales to finished vehicle manufacturers other than major customers (Americas)

(Unit: million yen)

		Cumulative second quarter of FY2018	Cumulative second quarter of FY2019	Difference	Change
Revenue	After application of IFRS 15	108,635	94,838	-13,797	-12.7%
	FY2018 standards		107,958	-677	-0.6%
Operating income		5,583	4,615	-968	-17.3%

Main factors for year-on-year change (versus FY2018 standards)

Revenue	Revenue decreased slightly due to a decline in sales of press tools and the impact of exchange rates, offsetting higher order volume from major customers, an improved model mix, and an increase in sales beyond existing customers*.
Operating income	Despite continued efforts to make production even more efficient and additional cost-cutting measures, operating income decreased primarily due to higher labor costs stemming from both increased production and wage increases, and higher materials costs.

*Sales beyond existing customers: sales to finished vehicle manufacturers other than major customers

(China)

(Unit: million yen)

		Cumulative second quarter of FY2018	Cumulative second quarter of FY2019	Difference	Change
Revenue	After application of IFRS 15	55,029	46,575	-8,454	-15.4%
	FY2018 standards		53,904	-1,125	-2.0%
Operating income		14,277	8,983	-5,293	-37.1%

Main factors for year-on-year change (versus FY2018 standards)

Revenue	Revenue decreased slightly due to lower order volume from major customers, offsetting an improved model mix and the impact of exchange rates.
Operating income	Despite continued efforts to make production even more efficient and additional cost-cutting measures, operating income decreased primarily due to the end of compensation received in the previous fiscal year in conjunction with the conclusion of the Guangzhou plant relocation as well as lower order volume.

(Asia and Europe)

(Unit: million yen)

	Cumulative second quarter of FY2018	Cumulative second quarter of FY2019	Difference	Change
Revenue	36,046	34,950	-1,095	-3.0%
Operating income	3,209	3,086	-123	-3.8%

Main factors for year-on-year change

Revenue	Revenue decreased slightly due to lower order volume from major customers and a change in model mix, offsetting higher component sales.
Operating income	Despite continued efforts to make production even more efficient and additional cost-cutting measures, operating income decreased slightly due to lower revenue.

Sales by business segment are as follows:

(Unit: million yen)

	Cumulative second quarter of FY2018		Cumulative second quarter of FY2019		Year-on-year	Changes
		Sales ratio		Sales ratio		
Motorcycles	2,990	1.3%	2,898	1.4%	-92	-3.1%
Automobiles	218,062	97.5%	196,698	97.2%	-21,364	-9.8%
(Seats)	191,411	85.6%	173,710	85.9%	-17,701	-9.2%
(Interior products)	26,650	11.9%	22,987	11.4%	-3,662	-13.7%
Other businesses	2,640	1.2%	2,743	1.4%	103	3.9%
Total	223,693	100.0%	202,340	100.0%	-21,353	-9.5%

(2) Qualitative Information Concerning Consolidated Financial Positions

(Assets)

Assets at the end of the second quarter of FY2019 stood at 355,299 million yen, an increase of 3,354 million yen from the end of FY2018. This change is due to an increase in cash and cash equivalents resulting from higher net income as well as continued recognition of components and raw materials supplied at cost to customers as financial transactions following the application of IFRS 15 “Revenue from Contracts with Customers.” These factors offset a decrease in trade and other receivables stemming from lower order volume from major customers.

(Liabilities)

Liabilities at the end of the second quarter of FY2019 amounted to 87,987 million yen, down 4,031 million yen from the end of FY2018. The decline resulted mainly from a decrease in provisions due to partial payment of the cost the Group is anticipated to bear in relation to a recall by a major customer as well as a decrease in current borrowings due to repayments.

(Equity)

Equity at the end of the second quarter of FY2019 was 267,311 million yen, up 7,386 million yen from the end of FY2018. This change is primarily the result of an increase in retained earnings stemming from the allocation of net income.

(3) Qualitative Information Concerning Consolidated Forecasts

Taking into account consolidated operating results for the cumulative second quarter of FY2019 as well as the current trend in orders from major customers and foreign exchange rates, the Company is keeping the consolidated forecasts announced on April 27, 2018 unchanged.

2. Condensed Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Condensed Quarterly Consolidated Statement of Financial Position

(Unit: million yen)

	FY2018 (As of March 31, 2018)	Second quarter of FY2019 (As of September 30, 2018)
Assets		
Current assets		
Cash and cash equivalents	118,758	121,492
Trade and other receivables	74,294	70,509
Other financial assets	11,541	16,460
Inventories	25,175	25,967
Income tax receivables	1,227	1,130
Other current assets	4,959	5,183
Total assets	235,957	240,743
Non-current assets		
Property, plant and equipment	73,532	73,359
Intangible assets	10,753	10,270
Investments accounted for using the equity method	1,463	1,306
Other financial assets	24,290	23,959
Net defined benefit asset	2,804	2,694
Deferred tax assets	2,367	2,195
Other non-current assets	775	769
Total non-current assets	115,986	114,555
Total assets	351,944	355,299

(Unit: million yen)

	FY2018 (As of March 31, 2018)	Second quarter of FY2019 (As of September 30, 2018)
Liabilities and equity		
Current liabilities		
Trade and other payables	67,262	68,985
Current borrowings	1,059	302
Other financial liabilities	1,269	1,397
Income taxes payable	3,773	3,345
Provisions	4,641	1,344
Other current liabilities	2,720	2,700
Total current liabilities	80,727	78,074
Non-current liabilities		
Non-current borrowings	424	279
Other financial liabilities	1,430	1,137
Net defined benefit liability	1,267	1,122
Provisions	99	99
Deferred tax liabilities	5,159	4,393
Other non-current liabilities	2,911	2,879
Total non-current liabilities	11,292	9,912
Total liabilities	92,019	87,987
Equity		
Capital stock	4,700	4,700
Capital surplus	5,171	5,171
Treasury stock	-4	-5
Retained earnings	219,999	228,703
Other components of equity	5,723	9,271
Total equity attributable to owners of parent	235,589	247,841
Non-controlling interests	24,335	19,470
Total equity	259,924	267,311
Total liabilities and equity	351,944	355,299

(2) Condensed Quarterly Consolidated Statements of Income and Comprehensive Income

Condensed Quarterly Consolidated Statement of Income

Consolidated Cumulative Second Quarter

(Unit: million yen)

	Consolidated cumulative second quarter of FY2018 (April 1, 2017 – September 30, 2017)	Consolidated cumulative second quarter of FY2019 (April 1, 2018 – September 30, 2018)
Revenue	223,693	202,340
Cost of sales	-187,016	-166,311
Gross profit	36,677	36,029
Selling, general and administrative expenses	-17,815	-17,906
Other income	4,424	636
Other expenses	-130	-175
Operating income	23,155	18,583
Finance income	1,210	1,340
Finance costs	-82	-60
Share of profit (loss) of investments accounted for using the equity method	174	147
Income before tax	24,457	20,010
Income tax expense	-6,538	-5,490
Net income	17,918	14,520
Income attributable to		
Income attributable to owners of parent	13,046	11,560
Income attributable to non-controlling interests	4,872	2,959
Net income	17,918	14,520
Earnings per share		
Basic earnings per share (yen)	191.86	170.01
Diluted earnings per share (yen)	—	—

Condensed Quarterly Consolidated Statement of Comprehensive Income
Consolidated Cumulative Second Quarter

(Unit: million yen)

	Consolidated cumulative second quarter of FY2018 (April 1, 2017 – September 30, 2017)	Consolidated cumulative second quarter of FY2019 (April 1, 2018 – September 30, 2018)
Net income	17,918	14,520
Other comprehensive income		
Components that will not be reclassified subsequently to net profit or loss		
Remeasurements of defined benefits plans	-84	118
Financial assets measured at fair value through other comprehensive income	—	310
Total components that will not be reclassified subsequently to net profit or loss	-84	429
Components that may be reclassified subsequently to net profit or loss		
Change in fair value of available-for-sale financial assets	139	—
Differences on translation from foreign operations	2,703	2,984
Share of other comprehensive income of associates accounted for using the equity method	-15	-53
Total components that may be reclassified subsequently to net profit or loss	2,826	2,930
Other comprehensive income, net or tax	2,742	3,359
Comprehensive income for the period	20,660	17,879
Comprehensive income for the period attributable to:		
Comprehensive income for the period attributable to owners of parent	15,109	15,108
Comprehensive income for the period attributable to non-controlling interests	5,551	2,771
Comprehensive income for the period	20,660	17,879

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

Consolidated Cumulative Second Quarter of FY2018 (April 1, 2017 - September 30, 2017)

(Unit: million yen)

	Equity attributable to owners of parent				
	Capital stock	Capital surplus	Treasury stock	Retained earnings	Other components of equity
Balance as at the end of the previous fiscal year	4,700	5,257	-4	194,847	7,617
Comprehensive income					
Net income				13,046	
Other comprehensive income					2,062
Total comprehensive income	—	—	—	13,046	2,062
Transactions with owners, etc.					
Dividends				-2,379	
Acquisition of treasury stock			-0		
Changes in ownership interests in subsidiaries		-85			
Other					
Total transactions with owners, etc.	—	-85	-0	-2,379	—
Balance as at the end of the fiscal year	4,700	5,171	-4	205,513	9,679

	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance as at the end of the previous fiscal year	212,417	18,572	230,989
Comprehensive income			
Net income	13,046	4,872	17,918
Other comprehensive income	2,062	679	2,742
Total comprehensive income	15,109	5,551	20,660
Transactions with owners, etc.			
Dividends	-2,379	-2,362	-4,742
Acquisition of treasury stock	-0		-0
Changes in ownership interests in subsidiaries	-85	-730	-815
Other			
Total transactions with owners, etc.	-2,465	-3,092	-5,558
Balance as at the end of the fiscal year	225,060	21,031	246,092

Consolidated Cumulative Second Quarter of FY2019 (April 1, 2018 - September 30, 2018)

(Unit: million yen)

	Equity attributable to owners of parent				
	Capital stock	Capital surplus	Treasury stock	Retained earnings	Other components of equity
Balance as at the end of the previous fiscal year	4,700	5,171	-4	219,999	5,723
Comprehensive income					
Net income				11,560	
Other comprehensive income					3,548
Total comprehensive income	—	—	—	11,560	3,548
Transactions with owners, etc.					
Dividends				-2,855	
Acquisition of treasury stock			-0		
Changes in ownership interests in subsidiaries					
Other					
Total transactions with owners, etc.	—	—	-0	-2,855	—
Balance as at the end of the fiscal year	4,700	5,171	-5	228,703	9,271

	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance as at the end of the previous fiscal year	235,589	24,335	259,924
Comprehensive income			
Net income	11,560	2,959	14,520
Other comprehensive income	3,548	-188	3,359
Total comprehensive income	15,108	2,771	17,879
Transactions with owners, etc.			
Dividends	-2,855	-7,636	-10,492
Acquisition of treasury stock	-0		-0
Changes in ownership interests in subsidiaries			
Other			
Total transactions with owners, etc.	-2,856	-7,636	-10,492
Balance as at the end of the fiscal year	247,841	19,470	267,311

(4) Condensed Quarterly Consolidated Statement of Cash Flows

(Unit: million yen)

	Consolidated cumulative second quarter of FY2018 (April 1, 2017 – September 30, 2017)	Consolidated cumulative second quarter of FY2019 (April 1, 2018 – September 30, 2018)
Cash flows from operating activities		
Income before tax	24,457	20,010
Depreciation and amortization	5,674	5,934
Impairment loss	—	44
Loss (gain) on disposal of non-current assets	-176	-141
Finance income and finance costs	-775	-1,042
Equity in (earnings) losses of affiliates	-174	-147
Decrease (increase) in operating and other receivables	-925	4,651
Net decrease (increase) in leased receivables and investment assets	-695	593
Decrease (increase) in inventories	2,059	-267
Increase (decrease) in operating and other debts	-811	532
Increase (decrease) in net defined benefit asset or liability	-67	-23
Increase (decrease) in provisions	-10	-3,454
Other	3,839	-25
Subtotal	32,393	26,664
Interest income received	479	618
Dividend income received	329	426
Interest expenses paid	-77	-58
Income taxes paid	-7,518	-6,701
Cash flows from operating activities	25,605	20,948
Cash flows from investing activities		
Payments into time deposits	-2,792	-5,569
Proceeds from withdrawal of time deposits	944	462
Purchase of property, plant and equipment	-4,674	-2,901
Proceeds from sales of property, plant and equipment	98	62
Purchase of intangible assets	-647	-872
Purchase of equity instruments	-29	-32
Proceeds from sales of equity instruments	0	—
Payments of loans receivable	-110	-100
Collection of loans receivable	88	85
Other	-19	-5
Cash flows from investing activities	-7,143	-8,871

(Unit: million yen)

	Consolidated cumulative second quarter of FY2018 (April 1, 2017 – September 30, 2017)	Consolidated cumulative second quarter of FY2019 (April 1, 2018 – September 30, 2018)
Cash flows from financial activities		
Net increase (decrease) in short-term loans payable	40	-860
Proceeds from long-term loans payable	200	—
Repayment of long-term loans payable	-2	-43
Repayments of finance lease obligations	-669	-960
Purchase of treasury stock	-0	-0
Cash dividends paid	-2,379	-2,855
Dividends paid to non-controlling interests	-3,794	-6,223
Payment to acquire interests in subsidiaries from non-controlling interests	-815	—
Net cash provided by (used in) financing activities	-7,422	-10,944
Effect of exchange rate change on cash and cash equivalents	1,375	1,601
Net increase (decrease) in cash and cash equivalents	12,415	2,733
Cash and cash equivalents at beginning of period	96,008	118,758
Cash and cash equivalents at end of period	108,424	121,492

(5) Notes Concerning Condensed Quarterly Consolidated Financial Statements

(Changes in Accounting Policies)

The Group has adopted the following accounting standards effective the first quarter of FY2019.

Standard	Standard Name	Standard Summary
IFRS 9	Financial Instruments	Revision of the classification, measurement and impairment of financial instruments; and hedge accounting
IFRS 15	Revenue from Contracts with Customers	Revision of accounting procedures related to recognition of revenue

(Application of IFRS 9 “Financial Instruments”)

The Group has adopted IFRS 9 “Financial Instruments” (issued July 2014, hereinafter “IFRS 9”) effective the first quarter of FY2019. As per the transition guidance for IFRS 9, the standard is not reflected in the consolidated financial statements of the previous fiscal year.

The Group has made the following changes to the classification of financial assets in conjunction with the application of IFRS 9.

The Group’s financial assets will be measured either at fair value or at amortized cost.

A financial asset will be measured at amortized cost if both of the following conditions are met:

--The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows

--The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets not measured at amortized cost will be measured at fair value.

Equity instruments measured at fair value, excluding those that are held for trading and therefore measured at fair value through profit or loss, will be assessed on an individual basis, and they will not be reclassified following an initial recognition of measurement at fair value either through profit or loss or through other comprehensive income.

In line with the classification changes, financial assets originally classified as “available-for-sale financial assets” will be reclassified as “financial assets measured at fair value through other comprehensive income.”

Impairment loss and gain or loss on sales related to available-for-sale financial assets, originally recognized as profit or loss in the consolidated statement of income, will be recognized as other comprehensive income.

With respect to the impairment of financial assets measured at amortized cost, under IFRS 9, the Group will also implement an “expected credit losses” model that recognizes loss allowance on the basis of expected credit losses. Under this model, the credit risk of each financial asset will be checked on the last day of each accounting period for significant increases since initial recognition. If the credit risk of a financial asset has not increased significantly since initial recognition, expected credit losses will be measured through a loss allowance equal to the 12-month expected credit losses. Conversely, if the credit risk of a financial asset has significantly increased since initial recognition, expected credit losses will be measured through a loss allowance equal to full lifetime expected credit losses.

However, a loss allowance equal to full lifetime expected credit losses is required for trade receivables that do not contain significant financing components, irrespective of significant credit risk increases since initial recognition.

The impact of IFRS 9 on the condensed quarterly consolidated financial statements is minimal.

(Application of IFRS 15 “Revenue from Contracts with Customers”)

The Group has adopted IFRS 15 “Revenue from Contracts with Customers” (issued May 2014) and “Clarifications to IFRS 15” (issued April 2016) (hereinafter collectively “IFRS 15”) effective the first quarter of FY2019.

As per transitional guidance for IFRS 15, the cumulative effect of applying the standard will be recognized as an adjustment to the retained earnings balance at the beginning of the first quarter of FY2019.

In conjunction with the application of IFRS 15, the group will recognize revenue, excluding dividends and interest accounted for in accordance with IFRS 9 “Financial Instruments,” by applying the following five steps.

Step 1: Identify the contract with a customer

Step 2: Identify the performance obligation in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligation in the contract

Step 5: Recognize revenue when a performance obligation is satisfied

The Group’s primary line of business involves the manufacture and sale of seats for automobiles. Revenue pertaining to the sale of these products will be recognized when a product and control of said product are transferred to the customer and the performance obligation is deemed satisfied.

Revenue will be measured as amounts that deduct discounts, rebates and refunds from compensation agreed upon in the contract with the customer.

The impact of the application of IFRS 15 on the condensed quarterly consolidated financial statements for the consolidated cumulative second quarter is as follows.

1) Condensed Quarterly Consolidated Statement of Financial Position

(Unit: million yen)

	Amount related to IAS 18 and relevant interpretations (September 30, 2018)	Impact of the application of IFRS 15	Second quarter of FY2019 (September 30, 2018)	Notes
Assets				
Current assets				
Trade and other receivables	68,447	2,061	70,509	1
Inventories	25,433	533	25,967	1, 2
(omitted)				
Liabilities and equity				
Current liabilities				
Trade and other payables	66,389	2,595	68,985	2
(remainder of statement omitted)				

1. The ending inventory for components and raw materials provided at cost by customers has been reclassified from “inventories” to “trade and other receivables.”
As a result, “trade and other receivables” increased by 2,061 million yen and “inventories” decreased by 2,061 million yen.
2. Components and raw materials supplied at cost to customers were originally removed from inventories at the time of supply, but inventories will continue to be recognized as a financial transaction and the ending inventory of components and raw materials retained by the customer will be recognized as a financial liability.
As a result, “inventories” and “trade and other payables” each increased by 2,595 million yen.

2) Condensed Quarterly Consolidated Statement of Income

(Unit: million yen)

	Amount related to IAS 18 and relevant interpretations (April 1, 2018 – September 30, 2018)	Impact of the application of IFRS 15	Consolidated cumulative second quarter of FY2019 (April 1, 2018 – September 30, 2018)	Notes
Revenue	226,805	-24,465	202,340	3
Cost of sales	190,776	-24,465	166,311	3
(remainder of statement omitted)				

3. Components and raw materials provided at cost by customers were originally reflected in both “revenue” and “cost of sales” but will now be shown only as a decrease in “revenue.”
As a result, both “revenue” and “cost of sales” decreased by 24,465 million yen.

(Notes Concerning Going Concern Assumption)

Not applicable

(Segment Information, etc.)

Information about revenue, profits or losses for reportable segments

Consolidated cumulative second quarter of FY2018 (April 1, 2017 – September 30, 2017)

(Unit: million yen)

	Reportable Segments					Adjustments	Amounts stated in consolidated F/S
	Japan	Americas	China	Asia and Europe	Total		
Revenue							
External revenue	29,365	107,625	51,326	35,376	223,693	—	223,693
Inter-segment transfer	11,860	1,009	3,703	670	17,244	-17,244	—
Total	41,225	108,635	55,029	36,046	240,937	-17,244	223,693
Segment profits	2,699	5,583	14,277	3,209	25,770	-2,615	23,155
Finance income and finance costs	—	—	—	—	—	—	1,127
Return on investment using the equity method	—	—	—	—	—	—	174
Income before tax	—	—	—	—	—	—	24,457

- (Notes) 1. Adjustments of -2,615 million yen for segment profits include a deduction of -169 million yen for transactions among segments, and operating expenses of -2,446 million yen associated with the administration division of the headquarters of the parent company, which could not be allocated.
2. Segment profits are adjusted to operating income in the condensed quarterly consolidated statements of income.

Consolidated cumulative second quarter of FY2019 (April 1, 2018 – September 30, 2018)

(Unit: million yen)

	Reportable Segments					Adjustments	Amounts stated in consolidated F/S
	Japan	Americas	China	Asia and Europe	Total		
Revenue							
External revenue	30,398	94,143	44,066	33,732	202,340	—	202,340
Inter-segment transfer	12,034	695	2,509	1,217	16,456	-16,456	—
Total	42,432	94,838	46,575	34,950	218,796	-16,456	202,340
Segment profits	4,606	4,615	8,983	3,086	21,291	-2,707	18,583
Finance income and finance costs	—	—	—	—	—	—	1,279
Return on investment using the equity method	—	—	—	—	—	—	147
Income before tax	—	—	—	—	—	—	20,010

- (Notes)
- Adjustments of -2,707 million yen for segment profits include a deduction of -175 million yen for transactions among segments, and operating expenses of -2,532 million yen associated with the administration division of the headquarters of the parent company, which could not be allocated.
 - Segment profits are adjusted to operating income in the condensed quarterly consolidated statements of income.
 - As outlined in “Changes in Accounting Policies,” accounting methods to recognize revenue have changed in conjunction with the application of IFRS 15 “Revenue from Contracts with Customers” effective the first quarter of FY2019, and methods for measuring profits and losses for reportable segments have changed accordingly.
As a result, in the consolidated cumulative second quarter of FY2019, revenue in the Japan segment decreased by 4,467 million yen; revenue in the Americas segment decreased by 13,119 million yen; and revenue in the China segment decreased by 7,329 million yen versus the previous accounting method. There is no impact on segment profits.