

Consolidated Financial Summary Cumulative Third Quarter of FY2019

(April 1, 2018 – December 31, 2018)

TS TECH Co.,Ltd.

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

January 31, 2019

Company name: TS TECH CO., LTD. Stock exchange listing: Tokyo Stock Exchange
 Stock code: 7313 URL: <http://www.tstech.co.jp>
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 Scheduled date for filing of quarterly securities report: February 8, 2019
 Scheduled date of commencement of dividend payment: —
 Preparation of supplementary explanatory material: None
 Quarterly results briefing: None

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

1. Consolidated Financial Results for the Cumulative Third Quarter of FY2019 (April 1, 2018 – December 31, 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	%
Third quarter of FY2019	308,254	-12.3	29,532	-12.8	31,571	-11.4	24,201	-8.1	20,069	-0.8	22,075	-31.0
Third quarter of FY2018	351,460	13.0	33,873	42.1	35,650	45.1	26,330	45.1	20,233	38.5	32,005	55.0

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Third quarter of FY2019	295.15	—
Third quarter of FY2018	297.57	—

(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
Third quarter of FY 2019	352,295	268,650	248,443	70.5	3,653.70
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
FY2019	410,000	-14.5	39,500	-16.6	42,000	-15.5	31,000	-19.3	25,600	-15.0	376.48

(Note) Revision from the most recent announcement of consolidated financial forecasts: Yes

*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	3Q of FY2019	68,000,000 shares	FY2018	68,000,000 shares
2) Number of treasury stock at the end of the term	3Q of FY2019	2,275 shares	FY2018	2,100 shares
3) Average number of shares during the term (cumulative)	3Q of FY2019	67,997,819 shares	3Q of FY2018	67,997,919 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 on the previous page 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 5 for assumptions and other information that form the premise for the operating results forecast on the previous page.

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1. Qualitative Information Concerning Quarterly Results

(1) Qualitative Information Concerning Consolidated Financial Results

Results for the consolidated cumulative third quarter of FY2019 (April 1, 2018 – December 31, 2018) are as follows.

(Unit: million yen)

		Cumulative third quarter of FY2019	Year-on-year change
Revenue	After application of IFRS 15	308,254	-12.3%
	FY2018 standards	347,953	-1.0%
Operating income		29,532	-12.8%
Income before tax		31,571	-11.4%
Net income		24,201	-8.1%
Income attributable to owners of parent		20,069	-0.8%

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 347,953 million yen on a consolidated basis, a year-on-year decrease of 3,506 million yen (1.0%), on lower order volume in both the China and Asia and Europe segments and lower press tool sales in the Americas segment. These factors offset higher order volume from major customers, primarily in the Japan and Americas segments, driven by new model launches.

Looking at profits, operating income stood at 29,532 million yen, a decrease of 4,340 million yen (12.8%) year-on-year due to the end of compensation (3,840 million yen) accompanying the conclusion of the Guangzhou plant relocation in China and higher materials costs. These factors offset ongoing efforts to make production even more efficient and cost-cutting measures. Income attributable to owners of parent amounted to 20,069 million yen, a decrease of 164 million yen (0.8%) year-on-year.

*USD/JPY average cumulative 3Q exchange rate... FY2018: ¥111.7 FY2019: ¥111.2

*CNY/JPY average cumulative 3Q exchange rate... FY2018: ¥16.6 FY2019: ¥16.6

Operating performance by segment is as follows.

(Japan)

(Unit: million yen)

		Cumulative third quarter of FY2018	Cumulative third quarter of FY2019	Difference	Change
Revenue	After application of IFRS 15	66,706	68,348	1,641	2.5%
	FY2018 standards		75,634	8,928	13.4%
Operating income		6,334	8,693	2,358	37.2%

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

Revenue Revenue increased primarily due to higher order volume from major customers driven by new model launches, as well as an improved model mix.

Operating income Operating income increased due to the effects of higher revenue and additional cost cutting measures.

(Americas)

(Unit: million yen)

		Cumulative third quarter of FY2018	Cumulative third quarter of FY2019	Difference	Change
Revenue	After application of IFRS 15	164,644	144,290	-20,354	-12.4%
	FY2018 standards		164,904	259	0.2%
Operating income		8,199	7,089	-1,110	-13.5%

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

Revenue Revenue remained largely unchanged year-on-year primarily due to higher order volume from major customers driven by new model launches, an improved model mix, and an increase in sales beyond existing customers*. These factors offset lower press tool sales and the impact of currency translation.

Operating income Despite ongoing efforts to make production even more efficient and additional cost-cutting measures, operating income decreased primarily due to higher materials costs.

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

(China)

(Unit: million yen)

		Cumulative third quarter of FY2018	Cumulative third quarter of FY2019	Difference	Change
Revenue	After application of IFRS 15	90,035	69,563	-20,471	-22.7%
	FY2018 standards		82,216	-7,819	-8.7%
Operating income		18,369	13,275	-5,094	-27.7%

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

Revenue Revenue decreased primarily due to lower order volume from major customers.

Operating income 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 third quarter of FY2018	Cumulative third quarter of FY2019	Difference	Change
Revenue	56,307	50,926	-5,381	-9.6%
Operating income	4,936	4,335	-600	-12.2%

Main factors for year-on-year change

Revenue Revenue decreased due to lower order volume from major customers and model mix changes, offsetting higher component sales.

Operating income Despite ongoing efforts to make production even more efficient and cost-cutting measures, operating income decreased due to lower revenue.

Sales by business segment are as follows:

(Unit: million yen)

	Cumulative third quarter of FY2018		Cumulative third quarter of FY2019		Difference	Change
		Sales ratio		Sales ratio		
Motorcycles	4,725	1.3%	4,084	1.3%	-640	-13.6%
Automobiles	342,686	97.5%	300,028	97.3%	-42,657	-12.4%
(Seats)	301,748	85.9%	264,181	85.7%	-37,566	-12.4%
(Interior products)	40,938	11.6%	35,846	11.6%	-5,091	-12.4%
Other businesses	4,048	1.2%	4,141	1.3%	92	2.3%
Total	351,460	100.0%	308,254	100.0%	-43,206	-12.3%

(2) Qualitative Information Concerning Consolidated Financial Positions

(Assets)

Assets at the end of the third quarter of FY2019 stood at 352,295 million yen, an increase of 351 million yen from the end of FY2018. This change is mainly due to a decrease in trade and other receivables stemming primarily from changes in orders received as well as a decrease in other non-current financial assets driven by the fair market valuation of shareholdings. These factors offset an increase in other current financial assets resulting from payments into time deposits.

(Liabilities)

Liabilities at the end of the third quarter of FY2019 amounted to 83,645 million yen, down 8,374 million yen from the end of FY2018. The decline resulted mainly from a decrease in current 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 trade and other payables on payment of balances, including those related to capital investment.

(Equity)

Equity at the end of the third quarter of FY2019 was 268,650 million yen, up 8,725 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, offsetting a decrease in non-controlling interests on payment of dividends to non-controlling shareholders.

(3) Qualitative Information Concerning Consolidated Forecasts

Taking into account the consolidated financial results for the cumulative third quarter of FY2019 as well as the current trend in orders from major customers, the Group has revised the consolidated results forecasts it announced on April 27, 2018 as follows.

The assumed average full-year exchange rates are USD/JPY: ¥110.4 and CNY/JPY: ¥16.5.

Revisions to full-year consolidated forecasts for FY2019 (April 1, 2018 – March 31, 2019)

	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
Previous forecasts (A)	420,000	41,000	42,600	32,400	25,700	377.95
Revised forecasts (B)	410,000	39,500	42,000	31,000	-25,600	376.48
Difference (B-A)	-10,000	-1,500	-600	-1,400	-100	
Change in %	-2.4	-3.7	-1.4	-4.3	-0.4	
(Reference) Results from previous fiscal year (FY2018)	479,490	47,346	49,681	38,392	30,115	442.89

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)	Third quarter of FY2019 (As of December 31, 2018)
Assets		
Current assets		
Cash and cash equivalents	118,758	121,484
Trade and other receivables	74,294	71,643
Other financial assets	11,541	16,449
Inventories	25,175	25,930
Income tax receivables	1,227	1,034
Other current assets	4,959	5,579
Total assets	235,957	242,121
Non-current assets		
Property, plant and equipment	73,532	71,352
Intangible assets	10,753	10,041
Investments accounted for using the equity method	1,463	1,426
Other financial assets	24,290	21,991
Net defined benefit asset	2,804	2,639
Deferred tax assets	2,367	2,006
Other non-current assets	775	716
Total non-current assets	115,986	110,174
Total assets	351,944	352,295

(Unit: million yen)

	FY2018 (As of March 31, 2018)	Third quarter of FY2019 (As of December 31, 2018)
Liabilities and equity		
Current liabilities		
Trade and other payables	67,262	66,223
Current borrowings	1,059	296
Other financial liabilities	1,269	1,082
Income taxes payable	3,773	2,778
Provisions	4,641	356
Other current liabilities	2,720	4,938
Total current liabilities	80,727	75,676
Non-current liabilities		
Non-current borrowings	424	248
Other financial liabilities	1,430	834
Net defined benefit liability	1,267	1,216
Provisions	99	100
Deferred tax liabilities	5,159	3,773
Other non-current liabilities	2,911	1,796
Total non-current liabilities	11,292	7,969
Total liabilities	92,019	83,645
Equity		
Capital stock	4,700	4,700
Capital surplus	5,171	5,171
Treasury stock	-4	-5
Retained earnings	219,999	234,357
Other components of equity	5,723	4,219
Total equity attributable to owners of parent	235,589	248,443
Non-controlling interests	24,335	20,207
Total equity	259,924	268,650
Total liabilities and equity	351,944	352,295

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

Condensed Quarterly Consolidated Statement of Income

Consolidated Cumulative Third Quarter

(Unit: million yen)

	Consolidated cumulative third quarter of FY2018 (April 1, 2017 – December 31, 2017)	Consolidated cumulative third quarter of FY2019 (April 1, 2018 – December 31, 2018)
Revenue	351,460	308,254
Cost of sales	-293,802	-252,079
Gross profit	57,657	56,174
Selling, general and administrative expenses	-28,009	-27,433
Other income	4,752	1,029
Other expenses	-527	-239
Operating income	33,873	29,532
Finance income	1,607	1,854
Finance costs	-116	-95
Share of profit (loss) of investments accounted for using the equity method	286	279
Income before tax	35,650	31,571
Income tax expense	-9,320	-7,370
Net income	26,330	24,201
Income attributable to		
Income attributable to owners of parent	20,233	20,069
Income attributable to non-controlling interests	6,096	4,131
Net income	26,330	24,201
Earnings per share		
Basic earnings per share (yen)	297.57	295.15
Diluted earnings per share (yen)	—	—

Condensed Quarterly Consolidated Statement of Comprehensive Income
Consolidated Cumulative Third Quarter

(Unit: million yen)

	Consolidated cumulative third quarter of FY2018 (April 1, 2017 – December 31, 2017)	Consolidated cumulative third quarter of FY2019 (April 1, 2018 – December 31, 2018)
Net income	26,330	24,201
Other comprehensive income		
Components that will not be reclassified subsequently to net profit or loss		
Remeasurements of defined benefits plans	-85	117
Financial assets measured at fair value through other comprehensive income	—	-1,603
Total components that will not be reclassified subsequently to net profit or loss	-85	-1,485
Components that may be reclassified subsequently to net profit or loss		
Change in fair value of available-for-sale financial assets	1,687	—
Differences on translation from foreign operations	4,053	-575
Share of other comprehensive income of associates accounted for using the equity method	20	-64
Total components that may be reclassified subsequently to net profit or loss	5,761	-640
Other comprehensive income, net or tax	5,675	-2,126
Comprehensive income for the period	32,005	22,075
Comprehensive income for the period attributable to:		
Comprehensive income for the period attributable to owners of parent	24,825	18,566
Comprehensive income for the period attributable to non-controlling interests	7,180	3,508
Comprehensive income for the period	32,005	22,075

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

Consolidated Cumulative Third Quarter of FY2018 (April 1, 2017 – December 31, 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				20,233	
Other comprehensive income					4,591
Total comprehensive income	—	—	—	20,233	4,591
Transactions with owners, etc.					
Dividends				-4,963	
Acquisition of treasury stock			-0		
Changes in ownership interests in subsidiaries		-85			
Total transactions with owners, etc.	—	-85	-0	-4,963	—
Balance as at the end of the fiscal year	4,700	5,171	-4	210,117	12,208

	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	20,233	6,096	26,330
Other comprehensive income	4,591	1,084	5,675
Total comprehensive income	24,825	7,180	32,005
Transactions with owners, etc.			
Dividends	-4,963	-2,362	-7,326
Acquisition of treasury stock	-0		-0
Changes in ownership interests in subsidiaries	-85	-730	-815
Total transactions with owners, etc.	-5,049	-3,092	-8,142
Balance as at the end of the fiscal year	232,192	22,660	254,853

Consolidated Cumulative Third Quarter of FY2019 (April 1, 2018 – December 31, 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				20,069	
Other comprehensive income					-1,503
Total comprehensive income	—	—	—	20,069	-1,503
Transactions with owners, etc.					
Dividends				-5,711	
Acquisition of treasury stock			-0		
Changes in ownership interests in subsidiaries					
Total transactions with owners, etc.	—	—	-0	-5,711	—
Balance as at the end of the fiscal year	4,700	5,171	-5	234,357	4,219

	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	20,069	4,131	24,201
Other comprehensive income	-1,503	-622	-2,126
Total comprehensive income	18,566	3,508	22,075
Transactions with owners, etc.			
Dividends	-5,711	-7,636	-13,348
Acquisition of treasury stock	-0		-0
Changes in ownership interests in subsidiaries		—	—
Total transactions with owners, etc.	-5,712	-7,636	-13,349
Balance as at the end of the fiscal year	248,443	20,207	268,650

(4) Condensed Quarterly Consolidated Statement of Cash Flows

(Unit: million yen)

	Consolidated cumulative third quarter of FY2018 (April 1, 2017 – December 31, 2017)	Consolidated cumulative third quarter of FY2019 (April 1, 2018 – December 31, 2018)
Cash flows from operating activities		
Income before tax	35,650	31,571
Depreciation and amortization	8,619	8,973
Impairment loss	180	56
Loss (gain) on disposal of non-current assets	-205	-193
Finance income and finance costs	-1,124	-1,438
Equity in (earnings) losses of affiliates	-286	-279
Decrease (increase) in operating and other receivables	-2,191	2,112
Net decrease (increase) in leased receivables and investment assets	-414	2,428
Decrease (increase) in inventories	2,068	-649
Increase (decrease) in operating and other debts	-1,627	-716
Increase (decrease) in net defined benefit asset or liability	-146	126
Increase (decrease) in provisions	-13	-4,428
Other	6,802	2,149
Subtotal	47,313	39,712
Interest income received	696	886
Dividend income received	470	798
Interest expenses paid	-110	-91
Income taxes paid	-11,265	-9,089
Cash flows from operating activities	37,103	32,216
Cash flows from investing activities		
Payments into time deposits	-3,888	-7,471
Proceeds from withdrawal of time deposits	1,797	1,541
Purchase of property, plant and equipment	-6,702	-5,287
Proceeds from sales of property, plant and equipment	103	133
Purchase of intangible assets	-949	-1,358
Purchase of equity instruments	-44	-1,260
Proceeds from sales of equity instruments	0	—
Payments of loans receivable	-152	-137
Collection of loans receivable	148	146
Other	8	-4
Cash flows from investing activities	-9,679	-13,698

(Unit: million yen)

	Consolidated cumulative third quarter of FY2018 (April 1, 2017 – December 31, 2017)	Consolidated cumulative third quarter of FY2019 (April 1, 2018 – December 31, 2018)
Cash flows from financial activities		
Net increase (decrease) in short-term loans payable	-99	-861
Proceeds from long-term loans payable	300	—
Repayment of long-term loans payable	-4	-78
Repayments of finance lease obligations	-993	-1,357
Purchase of treasury stock	-0	-0
Cash dividends paid	-4,963	-5,711
Dividends paid to non-controlling interests	-4,921	-7,564
Payment to acquire interests in subsidiaries from non-controlling interests	-815	—
Net cash provided by (used in) financing activities	-11,498	-15,574
Effect of exchange rate change on cash and cash equivalents	2,197	-217
Net increase (decrease) in cash and cash equivalents	18,123	2,725
Cash and cash equivalents at beginning of period	96,008	118,758
Cash and cash equivalents at end of period	114,131	121,484

(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 third quarter is as follows.

1) Condensed Quarterly Consolidated Statement of Financial Position

(Unit: million yen)

	Amount related to IAS 18 and relevant interpretations (December 31, 2018)	Impact of the application of IFRS 15	Third quarter of FY2019 (December 31, 2018)	Notes
Assets				
Current assets				
Trade and other receivables	69,637	2,005	71,643	1
Inventories	25,340	589	25,930	1, 2
(omitted)				
Liabilities and equity				
Current liabilities				
Trade and other payables	63,627	2,595	66,223	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 2,005 million yen and “inventories” decreased by 2,005 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 – December 31, 2018)	Impact of the application of IFRS 15	Consolidated cumulative third quarter of FY2019 (April 1, 2018 – December 31, 2018)	Notes
Revenue	347,953	-39,699	308,254	3
Cost of sales	291,778	-39,699	252,079	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 39,699 million yen.

(Notes Concerning Going Concern Assumption)

Not applicable

(Segment Information, etc.)

Information about revenue, profits or losses for reportable segments

Consolidated cumulative third quarter of FY2018 (April 1, 2017 – December 31, 2017)

(Unit: million yen)

	Reportable Segments					Adjustments	Amounts stated in consolidated F/S
	Japan	Americas	China	Asia and Europe	Total		
Revenue							
External revenue	48,845	163,199	84,259	55,155	351,460	—	351,460
Inter-segment transfer	17,861	1,444	5,776	1,151	26,234	-26,234	—
Total	66,706	164,644	90,035	56,307	377,694	-26,234	351,460
Segment profits	6,334	8,199	18,369	4,936	37,840	-3,967	33,873
Finance income and finance costs	—	—	—	—	—	—	1,491
Return on investment using the equity method	—	—	—	—	—	—	286
Income before tax	—	—	—	—	—	—	35,650

- (Notes) 1. Adjustments of -3,967 million yen for segment profits include a deduction of -235 million yen for transactions among segments, and operating expenses of -3,731 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 third quarter of FY2019 (April 1, 2018 – December 31, 2018)

(Unit: million yen)

	Reportable Segments					Adjustments	Amounts stated in consolidated F/S
	Japan	Americas	China	Asia and Europe	Total		
Revenue							
External revenue	50,654	143,222	65,329	49,047	308,254	—	308,254
Inter-segment transfer	17,693	1,067	4,234	1,879	24,874	-24,874	—
Total	68,348	144,290	69,563	50,926	333,128	-24,874	308,254
Segment profits	8,693	7,089	13,275	4,335	33,393	-3,861	29,532
Finance income and finance costs	—	—	—	—	—	—	1,759
Return on investment using the equity method	—	—	—	—	—	—	279
Income before tax	—	—	—	—	—	—	31,571

- (Notes)
1. Adjustments of -3,861 million yen for segment profits include a deduction of -94 million yen for transactions among segments, and operating expenses of -3,767 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.
 3. 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 third quarter of FY2019, revenue in the Japan segment decreased by 7,286 million yen; revenue in the Americas segment decreased by 20,614 million yen; and revenue in the China segment decreased by 12,652 million yen versus the previous accounting method. There is no impact on segment profits.