



Consolidated Financial Summary FY2020

(April 1, 2019 – March 31, 2020)

TS TECH Co.,Ltd.

This document is an English translation of the Japanese language version of the consolidated financial summary that TS TECH Co., Ltd. has produced for reference purposes.

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

Consolidated Financial Summary for FY2020 (under IFRS)

May 15, 2020

Company name: TS TECH CO., LTD. Stock exchange listing: Tokyo Stock Exchange
 Stock code: 7313 URL: <https://www.tstech.co.jp>
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 Scheduled date of general meeting of shareholders: June 19, 2020
 Scheduled date of commencement of dividend payment: June 22, 2020
 Scheduled date for filing of securities report: June 22, 2020
 Preparation of supplementary explanatory material: Yes Results briefing: None

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

1. Consolidated Financial Results for FY2020 (April 1, 2019 - March 31, 2020)

(1) Consolidated Financial Results

(%: year-on-year change)

	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	%
FY2020	359,682	-12.7	26,326	-32.1	28,751	-30.6	20,202	-35.0	15,064	-41.5	8,761	-71.6
FY2019	412,072	-14.1	38,793	-18.1	41,407	-16.7	31,064	-19.1	25,750	-14.5	30,849	-16.8

	Basic earnings per share	Diluted earnings per share	Return on equity attributable to owners of parent	Ratio of income before tax to total assets	Ratio of operating income to revenue
	Yen	Yen	%	%	%
FY2020	221.54	—	5.9	8.2	7.3
FY2019	378.70	—	10.5	11.7	9.4

(Reference) Share of profit (loss) of investments accounted for using the equity method FY2020 481 million yen FY2019 367 million yen

(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
FY2020	341,820	274,552	254,745	74.5	3,746.40
FY2019	358,265	277,424	255,617	71.3	3,759.21

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of term
	Million yen	Million yen	Million yen	Million yen
FY2020	44,193	-5,366	-12,917	149,628
FY2019	43,806	-18,321	-16,390	128,647

2. Cash Dividends

	Annual cash dividends per share					Total cash dividends (annual)	Dividends payout ratio (consolidated)	Equity attributable to owners of parent to dividend ratio (consolidated)
	End of 1Q	End of 2Q	End of 3Q	End of year	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY2019	—	42.00	—	42.00	84.00	5,711	22.2	2.3
FY2020	—	43.00	—	43.00	86.00	5,847	38.8	2.3
FY2021 (Forecasts)	—	—	—	—	—	—	—	—

(Note) Dividend forecasts for FY2021 are currently pending and will be announced as soon as it is possible to make reasonable calculations.

3. Consolidated Forecasts for FY2021 (April 1, 2020 - March 31, 2021)

We are currently unable to make reasonable calculations regarding the consolidated forecasts for FY2021 due to the novel coronavirus outbreak. Forecasts will be announced as soon as it is possible to make reasonable calculations.

Notes

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

- (2) Changes in accounting principles and 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)

FY2020	68,000,000 shares	FY2019	68,000,000 shares
FY2020	2,434 shares	FY2019	2,275 shares
FY2020	67,997,654 shares	FY2019	67,997,795 shares

(Note) For the number of shares that is the basis for the calculation of basic earnings per share, please see page 19, “Per Share Information.”

(Reference) Non-Consolidated Financial Results

1. Non-Consolidated Financial Results for FY2020 (April 1, 2019 - March 31, 2020)

(1) Non-Consolidated Financial Results (%: year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2020	77,352	-20.0	1,135	-81.8	15,651	-17.5	13,755	-9.3
FY2019	96,690	12.2	6,241	55.8	18,981	39.4	15,159	-12.5

	Net income per share	Diluted net income per share
	Yen	Yen
FY2020	202.29	—
FY2019	222.95	—

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2020	137,328	122,748	89.4	1,805.19
FY2019	134,810	116,881	86.7	1,718.91

(Reference) Shareholders' equity: FY2020 122,748 million yen FY2019 116,881 million yen

(Note) Financial figures in the non-consolidated financial results are based on Japanese accounting standards.

*This consolidated financial summary is exempt from audits by certified public accountants and auditing firms.

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

We are currently unable to make reasonable calculations regarding the consolidated forecasts for FY2021 due to the novel coronavirus outbreak. Forecasts will be announced as soon as it is possible to make reasonable calculations.

Supplementary earnings materials can be obtained via the following URL:

(IR Library): <https://www.tstech.co.jp/english/ir/>

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1. Operating Performance Overview

(1) Overview of Financial Results

The global economic environment continued to prove difficult during the period under review due to factors such as increased uncertainty stemming from trade friction between the U.S. and China and an economic slowdown in Asia, primarily in India. Additionally, the global outbreak of the novel coronavirus in the fourth quarter greatly impacted the automobile market through plant shutdowns and drastic production cuts.

Although the Group saw increased production in the China segment until the third quarter, production decreased in other segments due to the economy and customer activity. Moreover, production stoppages by customers in accordance with federal mandates restricting business operations amid the spread of the novel coronavirus outbreak resulted in plant shutdowns not only in China but the Americas and Asia and Europe segments as well. Coupled with a downturn in demand for automobiles, this led to decreased order volume at plants still online, and production was down year-on-year in all segments except China.

Amid this backdrop, the Group actively deployed sales initiatives aimed at securing new customers and commercial rights, promoted the development of next-generation technologies that look to the future as well as a project that aims to create an even more efficient structure through fully automated production lines, and proceeded with comprehensive cost-cutting measures.

However, revenue for the fiscal year under review amounted to 359,682 million yen on a consolidated basis, down 52,389 million yen (12.7%) from the preceding fiscal year. This was mainly due to lower production stemming from the novel coronavirus outbreak and the exchange rate impact. Looking at profits, operating income stood at 26,326 million yen, down 12,467 million yen (32.1%) year-on-year. This reflected lower revenue as well as the allocation of provisions for severance pay in anticipation of layoffs at TS TECH UK LTD (TSUK), where it has become difficult to maintain the current scope of business operations following the decision by a major customer to end production in the U.K. in 2021. Income attributable to owners of parent totaled 15,064 million yen, a decrease of 10,686 million yen (41.5%) year-on-year.

USD/JPY average exchange rate... FY2019: ¥110.9 FY2020: ¥108.7

CNY/JPY average exchange rate...FY2019: ¥16.5 FY2020: ¥15.6

Operating performance by geographic segment is as follows:

(Japan)

In the fiscal year under review, the Group launched production of seats for Honda's new N-WGN and Fit.

(Unit: million yen)

	FY2019	FY2020	Difference	Change
Revenue	92,856	75,134	-17,721	-19.1%
Operating income	11,935	6,049	-5,886	-49.3%

Main factors for year-on-year change

Revenue	Revenue decreased on lower production primarily due to a partial production stoppage by a customer and delays in the start of production of new models.
Operating income	Operating income decreased due to the impact of lower revenue, offsetting various cost containment and cost-cutting measures.

*The impact of the novel coronavirus outbreak on segment results for this period is minimal as production was uninterrupted as of the end of March 2020.

(The Americas)

In the fiscal year under review, the Group worked to create a highly-profitable structure by addressing cost containment through enhanced quality assurance capabilities in each process.

(Unit: million yen)

	FY2019	FY2020	Difference	Change
Revenue	195,604	176,346	-19,258	-9.8%
Operating income	10,041	8,054	-1,986	-19.8%

Main factors for year-on-year change

Revenue	Revenue decreased primarily due to production decreases stemming from the novel coronavirus outbreak, lower press tool sales, and the impact of foreign currency translation.
Operating income	Operating income decreased due to the impact of lower revenue, offsetting various cost containment and cost-cutting measures.

*Segment results for this period have been impacted by the novel coronavirus outbreak as production stopped at select locations in late March 2020.

(China)

In the fiscal year under review, the Group launched production of seats for the new Honda Envix in Wuhan and the new Honda Breeze in Guangzhou.

(Unit: million yen)

	FY2019	FY2020	Difference	Change
Revenue	89,187	82,729	-6,457	-7.2%
Operating income	16,663	15,542	-1,121	-6.7%

Main factors for year-on-year change

Revenue	Although production increased with the end of a partial production stoppage by a customer that occurred in the previous fiscal year, revenue decreased due to the novel coronavirus outbreak and the impact of foreign currency translation.
Operating income	Operating income decreased due to the impact of lower revenue, offsetting various cost containment and cost-cutting measures.

*Segment results for this period have been impacted by the novel coronavirus outbreak as production was stopped from the start of the Chinese New Year (Jan. 23, 2020) through mid-March.

(Asia and Europe)

In the fiscal year under review, the Group launched production of seats for Honda's new Accord and City in Thailand.

(Unit: Million yen)

	FY2019	FY2020	Difference	Change
Revenue	66,822	51,967	-14,855	-22.2%
Operating income	5,425	2,109	-3,316	-61.1%

Main factors for year-on-year change

Revenue	Revenue decreased primarily due to lower production mainly in India and the U.K., and lower component sales.
Operating income	Operating income decreased due to the impact of lower revenue and the allocation of provisions for severance pay at TSUK, offsetting various cost containment and cost-cutting measures.

*Although production stopped at select locations in late March 2020, the impact of the novel coronavirus on segment results for this period is minimal.

Revenue by business segment is as follows:

(Unit: million yen)

	FY2019		FY2020		Difference	Change
		Ratio		Ratio		
Motorcycles	6,504	1.6%	4,996	1.4%	-1,508	-23.2%
Automobiles	399,871	97.0%	348,937	97.0%	-50,934	-12.7%
(Seats)	353,002	85.7%	308,580	85.8%	-44,421	-12.6%
(Interior products)	46,869	11.4%	40,356	11.2%	-6,512	-13.9%
Other businesses	5,696	1.4%	5,748	1.6%	52	0.9%
Total	412,072	100.0%	359,682	100.0%	-52,389	-12.7%

(2) Overview of Financial Position

Assets, liabilities, and equity

(Assets)

Assets at the end of FY2020 stood at 341,820 million yen, decreasing 16,445 million yen from the end of FY2019. This change is primarily the result of a decrease in other financial assets resulting from a decrease in time deposits, as well as a decrease in trade and other receivables driven by lower order volume from major customers. These factors offset an increase in cash and cash equivalents stemming from the allocation of net income.

(Liabilities)

Total liabilities at the end of FY2020 amounted to 67,268 million yen, down 13,572 million yen from the end of FY2019. The decline resulted mainly from a decrease in trade and other payables stemming from lower order volume from major customers.

(Equity)

Equity at the end of FY2020 totaled 274,552 million yen, decreasing 2,872 million yen from the end of FY2019. This change is primarily the result of a decrease in other components of equity due to the differences on translation from foreign operations, offsetting an increase in retained earnings stemming from the allocation of net income.

(3) Overview of Cash Flows

Cash and cash equivalents (hereinafter “cash”) at the end of FY2020 amounted to 149,628 million yen, up 20,981 million yen from the end of the previous fiscal year.

(Cash flows from operating activities)

Cash flows from operating activities amounted to 44,193 million yen, showing a year-on-year increase of 387 million yen. This is the result of a 16,969 million yen decrease in trade and other receivables as well as a change in provisions from a decrease of 4,513 million yen in the previous fiscal year to an increase of 2,171 million yen in FY2020. These factors offset a 12,656 million yen decrease in income before tax as well as a 7,646 million yen decrease in trade and other payables.

(Cash flows from investing activities)

Cash flows from investing activities came to 5,366 million yen, a decrease of 12,954 million yen year-on-year. This primarily reflects a net change in both payments into and proceeds from the withdrawal of time deposits from an outlay of 8,659 million yen to an intake of 58 million yen in FY2020.

(Cash flows from financial activities)

Cash flows from financial activities totaled 12,917 million yen, a decrease of 3,472 million yen year-on-year. This reflects a decrease of 2,041 million yen in dividend payments (including payments to non-controlling interests) and a net change in short-term loans payable from an outlay of 863 million yen to an outlay of 0 million yen.

(4) Consolidated Earnings Forecasts for FY2021

We are currently unable to make reasonable calculations regarding the consolidated forecasts for FY2021 due to the novel coronavirus outbreak. Forecasts will be announced as soon as it is possible to make reasonable calculations.

The impact of the novel coronavirus outbreak on the company and our countermeasures are outlined below.

1. The State of Plant Operations

Production stoppages occurred in late April at select locations in Japan due to major customers' production adjustments.

In the Americas segment, production has been stopped at select plants since late March, but production will gradually resume beginning in mid-May.

Production stopped at select plants in the Asia and Europe segment in late March, but locations in Thailand have gradually resumed production since late April. We will work with customers to make preparations to resume production at other locations.

Production at all Group plants in the China segment stopped at the start of the Chinese New Year (Jan. 23, 2020), but all plants resumed operations by mid-March, with the situation varying by location according to the degree of virus containment in each area.

2. The Impact on Business Operations and Countermeasures

The use of cash reserves in line with Group-wide secure capital guidelines has made uninterrupted payment of fixed costs at locations where production is currently stopped possible, and there are currently no locations experiencing financial issues.

Also, a Group-wide novel coronavirus emergency response committee was established on January 29. Swift collection of information and the implementation of measures to maintain production, such as alternate production of components or in-Group supply, have prevented supply chain disruptions at plants that are currently operating.

We will review capital investment and implement cost-containment measures while we continue to assess the situation. As we enact thorough measures to prevent the spread of the virus in accordance with the directives of each country's government and local authorities, we will also continue to make preparations for a smooth restart of production once the virus has been contained and work to maintain hiring.

2. Basic Policy on the Selection of Accounting Standards

The Group has adopted IFRS (International Financial Reporting Standards) to increase the international comparability of its financial statements in the capital market.

3. Consolidated Financial Statements

(1) Consolidated Statement of Financial Position

(Unit: million yen)

	FY2019 (As of March 31, 2019)	FY2020 (As of March 31, 2020)
Assets		
Current assets		
Cash and cash equivalents	128,647	149,628
Trade and other receivables	67,774	41,500
Other financial assets	18,596	11,540
Inventories	25,948	28,233
Income tax receivables	1,117	2,281
Other current assets	5,713	4,667
Total current assets	247,797	237,852
Non-current assets		
Property, plant and equipment	71,515	68,530
Intangible assets	10,080	9,366
Investments accounted for using the equity method	1,484	1,596
Other financial assets	22,466	20,307
Net defined benefit assets	2,535	1,879
Deferred tax assets	1,778	1,055
Other non-current assets	607	1,231
Total non-current assets	110,467	103,967
Total assets	358,265	341,820

(Unit: million yen)

	FY2019 (As of March 31, 2019)	FY2020 (As of March 31, 2020)
Liabilities and equity		
Current liabilities		
Trade and other payables	64,747	51,084
Current borrowings	157	75
Other financial liabilities	773	1,109
Income tax receivables	1,772	575
Provisions	271	156
Other current liabilities	3,673	2,965
Total current liabilities	71,395	55,965
Non-current liabilities		
Non-current borrowings	75	—
Other financial liabilities	745	2,841
Net defined benefit liabilities	1,365	1,372
Provisions	99	2,378
Deferred tax liabilities	5,326	3,598
Other non-current liabilities	1,832	1,111
Total non-current liabilities	9,445	11,302
Total liabilities	80,840	67,268
Equity		
Capital stock	4,700	4,700
Capital surplus	5,171	5,171
Treasury stock	-5	-5
Retained earnings	240,038	249,367
Other components of equity	5,712	-4,487
Total equity attributable to owners of parent	255,617	254,745
Non-controlling interests	21,807	19,806
Total equity	277,424	274,552
Total liabilities and equity	358,265	341,820

(2) Consolidated Statement of Income and Comprehensive Income

Consolidated Statement of Income

(Unit: million yen)

	FY2019 (April 1, 2018- March 31, 2019)	FY2020 (April 1, 2019- March 31, 2020)
Revenue	412,072	359,682
Cost of sales	-338,031	-300,307
Gross profit	74,040	59,374
Selling, general and administrative expenses	-36,521	-33,531
Other income	1,692	1,537
Other expenses	-418	-1,053
Operating income	38,793	26,326
Finance income	2,371	2,218
Finance costs	-125	-275
Share of profit (loss) of investments accounted for using the equity method	367	481
Income before tax	41,407	28,751
Income tax expense	-10,343	-8,548
Net income	31,064	20,202
Income attributable to:		
Owners of parent	25,750	15,064
Non-controlling interests	5,313	5,137
Net income	31,064	20,202
Earnings per share		
Basic earnings per share (yen)	378.70	221.54
Diluted earnings per share (yen)	—	—

/ Consolidated Comprehensive Income

(Unit: million yen)

	FY2019 (April 1, 2018- March 31, 2019)	FY2020 (April 1, 2019- March 31, 2020)
Net income	31,064	20,202
Other comprehensive income		
Components that will not be reclassified subsequently to net profit or loss		
Remeasurements of defined benefit plans	23	-421
Financial assets measured at fair value through other comprehensive income	-1,363	-1,971
Total components that will not be reclassified subsequently to net profit or loss	-1,340	-2,393
Components that may be reclassified subsequently to net profit or loss		
Differences on translation from foreign operations	1,219	-9,015
Share of other comprehensive income of associates accounted for using the equity method	-95	-32
Total components that may be reclassified subsequently to net profit or loss	1,124	-9,048
Other comprehensive income, net of tax	-215	-11,441
Comprehensive income for the period	30,849	8,761
Comprehensive income for the period attributable to:		
Owners of parent	25,740	4,864
Non-controlling interests	5,108	3,896
Comprehensive income for the period	30,849	8,761

(3) Consolidated Statement of Changes in Equity

FY2019 (April 1, 2018 - March 31, 2019)

(Unit: million yen)

	Equity attributable to owners of parent				
	Capital stock	Capital surplus	Treasury stock	Retained earnings	Other components of equity
Balance at the end of the previous fiscal year	4,700	5,171	-4	219,999	5,723
Cumulative impact of accounting policy changes					
Balance at the end of the previous fiscal year with accounting policy changes	4,700	5,171	-4	219,999	5,723
Comprehensive income					
Net income				25,750	
Other comprehensive income					-10
Total comprehensive income	—	—	—	25,750	-10
Transactions with owners, etc.					
Dividends				-5,711	
Acquisition of treasury stock			-0		
Total transactions with owners, etc.	—	—	-0	-5,711	—
Balance at the end of the fiscal year	4,700	5,171	-5	240,038	5,712

	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at the end of the previous fiscal year	235,589	24,335	259,924
Cumulative impact of accounting policy changes			
Balance at the end of the previous fiscal year with accounting policy changes	235,589	24,335	259,924
Comprehensive income			
Net income	25,750	5,313	31,064
Other comprehensive income	-10	-204	-215
Total comprehensive income	25,740	5,108	30,849
Transactions with owners, etc.			
Dividends	-5,711	-7,636	-13,348
Acquisition of treasury stock	-0		-0
Total transactions with owners, etc.	-5,712	-7,636	-13,349
Balance at the end of the fiscal year	255,617	21,807	277,424

FY2020 (April 1, 2019 - March 31, 2020)

(Unit: million yen)

	Equity attributable to owners of parent				
	Capital stock	Capital surplus	Treasury stock	Retained earnings	Other components of equity
Balance at the end of the previous fiscal year	4,700	5,171	-5	240,038	5,712
Cumulative impact of accounting policy changes				44	
Balance at the end of the previous fiscal year with accounting policy changes	4,700	5,171	-5	240,083	5,712
Comprehensive income					
Net income				15,064	
Other comprehensive income					-10,200
Total comprehensive income	—	—	—	15,064	-10,200
Transactions with owners, etc.					
Dividends				-5,779	
Acquisition of treasury stock			-0		
Total transactions with owners, etc.	—	—	-0	-5,779	—
Balance at the end of the fiscal year	4,700	5,171	-5	249,367	-4,487

	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at the end of the previous fiscal year	255,617	21,807	277,424
Cumulative impact of accounting policy changes	44		44
Balance at the end of the previous fiscal year with accounting policy changes	255,662	21,807	277,469
Comprehensive income			
Net income	15,064	5,137	20,202
Other comprehensive income	-10,200	-1,240	-11,441
Total comprehensive income	4,864	3,896	8,761
Transactions with owners, etc.			
Dividends	-5,779	-5,898	-11,677
Acquisition of treasury stock	-0		-0
Total transactions with owners, etc.	-5,780	-5,898	-11,678
Balance at the end of the fiscal year	254,745	19,806	274,552

(4) Consolidated Statement of Cash Flows

(Unit: million yen)

	FY2019 (April 1, 2018- March 31, 2019)	FY2020 (April 1, 2019- March 31, 2020)
Cash flows from operating activities		
Income before tax	41,407	28,751
Depreciation and amortization	11,982	12,311
Impairment loss	69	666
Loss (gain) on disposal of non-current assets	-242	-495
Finance income and finance costs	-2,010	-1,976
Share of loss (profit) of investments accounted for using the equity method	-367	-481
Decrease (increase) in trade and other receivables	6,751	23,721
Net decrease (increase) in leased receivables and investment assets	3,319	1,363
Decrease (increase) in inventories	-526	-3,299
Increase (decrease) in trade and other payables	-2,886	-10,532
Increase (decrease) in net defined benefit asset or liability	362	803
Increase (decrease) in provisions	-4,513	2,171
Other	392	-698
Subtotal	53,738	52,305
Interest income received	1,246	1,515
Dividend income received	919	940
Interest expenses paid	-122	-116
Income taxes paid	-11,975	-10,452
Net cash provided by (used in) operating activities	43,806	44,193
Cash flows from investing activities		
Payments into time deposits	-11,004	-17,382
Proceeds from withdrawal of time deposits	2,345	23,182
Purchase of property, plant and equipment	-6,782	-7,623
Proceeds from sales of property, plant and equipment	512	218
Purchase of intangible assets	-2,012	-3,311
Purchase of equity instruments	-1,373	-445
Proceeds from sales of equity instruments	—	2
Payments of loans receivable	-168	-241
Collection of loans receivable	173	179
Other	-10	53
Net cash used in (provided by) investing activities	-18,321	-5,366

(Unit: million yen)

	FY2019 (April 1, 2018- March 31, 2019)	FY2020 (April 1, 2019- March 31, 2020)
Cash flows from financial activities		
Net increase (decrease) in short-term loans payable	-863	-0
Repayment of long-term loans payable	-390	-150
Repayments of lease obligations	-1,859	-1,532
Purchase of treasury stock	-0	-0
Cash dividends paid	-5,711	-5,779
Dividends paid to non-controlling interests	-7,564	-5,455
Net cash used in (provided by) financing activities	-16,390	-12,917
Effect of exchange rate changes on cash and cash equivalents	794	-4,928
Net increase (decrease) in cash and cash equivalents	9,888	20,981
Cash and cash equivalents at beginning of period	118,758	128,647
Cash and cash equivalents at end of period	128,647	149,628

(5) Notes Concerning Consolidated Financial Statements
(Changes in Accounting Policies)

The Group has adopted the following accounting standard effective FY2020.

Standard	Standard Name	Standard Summary
IFRS 16	Leases	Revision of accounting procedures related to lease contracts

(Application of IFRS 16 “Leases”)

Whether a contract is or contains a lease will be determined by the content of said contract, even if it does not take the legal form of a lease.

Right-of-use assets and lease liabilities will not be recognized for leases that are considered short-term (having a term less than or equal to 12 months in length) or low value.

Excluding short-term or low-value leases, if a contract is or contains a lease, right-of-use assets and lease liabilities will be recognized on the date of application in the consolidated statement of financial position. Lease payments related to a short-term or low-value lease will be accounted for as an expense on a straight-line basis over the lease term or another systematic basis.

Right-of-use assets will be measured using a cost model, and said assets will be measured at cost less accumulated depreciation and accumulated impairment losses.

Cost comprises initial direct costs and prepayments that are included in initial measurements of lease liabilities and restoration costs required by lease contracts. Right-of-use assets will be depreciated systematically over either the estimated useful life of an asset or its lease term, whichever is shorter. Lease liabilities will be measured at the present value of future lease payments. Using the effective interest rate method, lease payments will be classified as finance costs or repayments of lease liabilities. Finance costs will be recognized in the consolidated statement of income.

As a translation provision, IFRS 16 provides for a method to recognize the cumulative effect of the application of the standard on the date of initial application. The weighted-average incremental borrowing rate used to measure lease liabilities at the date of initial application in the consolidated statement of financial position is 1.2%.

The application of IFRS 16 offers a practical expedient to grandfather the assessment of contracts identified as containing leases in accordance with IAS 17 “Leases” (hereinafter “IAS 17”) or IFRIC 4 “Determining whether an Arrangement Contains a Lease.” All assessments made following the date of initial application shall be made in accordance with IFRS 16.

In addition, IFRS 16 includes the following practical expedients for leases classified as operating leases under IAS 17.

-- Leases with a lease term expiring within 12 months of the date of initial application will be subject to the same accounting procedures as short-term leases.

--Initial direct costs will be excluded from measurements of right-of-use assets at the date of initial application.

--Hindsight will be used to determine a lease term if a contract contains options to extend or terminate a lease.

An adjustment sheet for contracts classified as non-cancellable operating lease contracts at the end of the previous fiscal year under IAS 17 as well as lease liabilities at the date of initial application recognized in the consolidated statement of financial position is as follows.

(Unit: million yen)

Non-cancellable operating lease contracts (March 31, 2019)	1,492
Finance lease obligations (March 31, 2019)	1,510
Cancelable operating lease contracts, etc.	570
Lease liabilities (April 1, 2019)	3,572

As a result, an additional 2,107 million yen in right-of-use assets and 2,062 million yen in lease liabilities have been recognized in conjunction with the application of IFRS 16. There is no major impact on operating income or net income.

Right-of-use assets are included in “Property, plant and equipment” and “Intangible assets,” and lease liabilities are included in “Other financial liabilities (current)” and “Other financial liabilities (non-current).”

In addition, “Repayments of finance lease obligations” in the consolidated statement of cash flows has been reclassified as “Repayments of lease liabilities” effective FY2020.

(Notes Concerning Going Concern Assumption)

Not applicable

(Segment Information)

1. Overview of reporting segments

Reporting segments are component units of the Company able to provide financial information. These segments file monthly reports that the Board of Directors uses to decide management resource allocation and evaluate results.

Positioning Japan as its global base, the Company has a control and management system for the three operating regions of “The Americas,” which includes the U.S., Canada, Mexico and Brazil; “China” comprising China and Hong Kong; and “Asia and Europe” which covers Thailand, the Philippines, India, Indonesia, the U.K. and Hungary. The Company appoints an officer responsible for control and management in each region. Policies, plans, controls and other matters concerning general operations are discussed at regional management meetings attended by directors and the like in these regions for executing business activities.

Accordingly, the Company positions “Japan,” “The Americas,” “China,” and “Asia and Europe” as its four reporting segments.

In the reporting segments of “Japan,” “The Americas,” and “Asia and Europe,” the Company manufactures and sells products under their coverage that mainly consist of automobile seats, interior products, motorcycle seats, and resin-based products for motorcycles. In the reporting segment of “China,” the Company engages primarily in the manufacture and sale of automobile seats and interior products.

2. Accounting methods for revenue, profits or losses, assets, liabilities and other items for reporting segments

The Company decides the price of transactions carried out among its segments by considering market prices and gross costs, and through price negotiations.

Profits for reporting segments are operating income figures based on the consolidated statements of income.

3. Information about revenue, profits or losses, assets, liabilities and other items for reporting segments
FY2019 (April 1, 2018 - March 31, 2019)

(Unit: million yen)

	Reporting segments					Adjustments	Amounts stated in consolidated F/S
	Japan	The Americas	China	Asia and Europe	Total		
Revenue							
External revenue	69,984	194,167	83,595	64,324	412,072	—	412,072
Inter-segment transfer	22,871	1,437	5,591	2,497	32,397	-32,397	—
Total	92,856	195,604	89,187	66,822	444,470	-32,397	412,072
Segment profits	11,935	10,041	16,663	5,425	44,066	-5,272	38,793
Finance income and finance costs	—	—	—	—	—	—	2,246
Return on investment using the equity method	—	—	—	—	—	—	367
Income before tax	—	—	—	—	—	—	41,407

- (Notes) 1. Adjustments of -5,272 million yen for segment profits include a deduction of -156 million yen for transactions among segments, and operating expenses of -5,116 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 consolidated statements of income.

Other important items

(Unit: million yen)

	Reporting segments					Adjustments	Amounts stated in consolidated F/S
	Japan	The Americas	China	Asia and Europe	Total		
Depreciation and amortization	2,847	5,204	2,127	1,824	12,003	-20	11,982
Impairment loss	—	10	12	46	69	—	69
Capital payments	3,667	2,033	737	974	7,412	—	7,412

(Note) The adjustment for depreciation is a deduction for transactions between segments.

FY2020 (April 1, 2019 - March 31, 2020)

(Unit: million yen)

	Reporting segments					Adjustments	Amounts stated in consolidated F/S
	Japan	The Americas	China	Asia and Europe	Total		
Revenue							
External revenue	56,691	175,300	77,636	50,052	359,682	—	359,682
Inter-segment transfer	18,442	1,045	5,093	1,914	26,495	-26,495	—
Total	75,134	176,346	82,729	51,967	386,178	-26,495	359,682
Segment profits	6,049	8,054	15,542	2,109	31,756	-5,430	26,326
Finance income and finance costs	—	—	—	—	—	—	1,943
Return on investment using the equity method	—	—	—	—	—	—	481
Income before tax	—	—	—	—	—	—	28,751

- (Notes) 1. Adjustments of -5,430 million yen for segment profits include a deduction of -647 million yen for transactions among segments, and operating expenses of -4,782 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 consolidated statements of income.

Other important items

(Unit: million yen)

	Reporting segments					Adjustments	Amounts stated in consolidated F/S
	Japan	The Americas	China	Asia and Europe	Total		
Depreciation and amortization	3,161	5,167	2,132	1,863	12,325	-13	12,311
Impairment loss	—	5	1	659	666	—	666
Capital payments	3,662	2,147	954	584	7,619	—	7,619

(Note) The adjustment for depreciation is a deduction for transactions between segments.

4. Information related to products and services

FY2019 (April 1, 2018 - March 31, 2019)

As revenues from external customers in a single product/service category account for the majority of revenue in consolidated statements of income, segment information by products and services is omitted.

FY2020 (April 1, 2019 - March 31, 2020)

As revenues from external customers in a single product/service category account for the majority of revenue in consolidated statements of income, segment information by products and services is omitted.

5. Information according to region

Revenue

(Unit: million yen)

	FY2019 (April 1, 2018- March 31, 2019)	FY2020 (April 1, 2019- March 31, 2020)
Japan	69,575	56,137
U.S.	139,883	124,906
Canada	44,335	42,281
China	83,755	77,735
Other	74,521	58,620
Total	412,072	359,682

(Note) Revenue is based on customers' locations and is categorized into countries or regions.

Non-current assets (excluding financial instruments, deferred tax assets, assets concerning retirement benefits, and rights arising from insurance contracts)

(Unit: million yen)

	FY2019 (As of March 31, 2019)	FY2020 (As of March 31, 2020)
Japan	31,686	33,724
U.S.	16,030	18,109
China	11,523	10,050
Other	22,356	16,012
Total	81,596	77,897

Information according to major customers

(Unit: million yen)

	FY2019 (April 1, 2018- March 31, 2019)	FY2020 (April 1, 2019- March 31, 2020)
Honda Motor Co., Ltd. Group	378,537	329,913

(Note) Revenue for the Japan, Americas, China, and Asia and Europe segments is recorded.

(Per Share Information)

Basic earnings per share and the basis for estimation are outlined below.

Latent common stock that has a dilution effect is not included.

	FY2019 (April 1, 2018- March 31, 2019)	FY2020 (April 1, 2019- March 31, 2020)
Income attributable to owners of parent (million yen)	25,750	15,064
Average number of common stock for the period (1,000 shares)	67,997	67,997
Basic earnings per share (yen)	378.70	221.54

(Subsequent Events)

Not applicable