

Analysis regarding management performance

Business performance for this consolidated accounting year

With regard to the world economy for this consolidated accounting year, the economy has continued to recover in the U.S., and has also shown gradual recovery in Europe. China saw movements showing that its economy is picking up as a result of the effects of various governmental policies, and in ASEAN, too, the economy grew moderately overall, with support from a steady recovery in domestic demand and exports. A mild recovery trend continued in Japan, as well. Therefore, there was moderate growth in the world economy as a whole.

In the automotive industry, the number of vehicles sold was less than the previous year in the U.S. and Russia, where demand is low, and in some of the emerging countries, such as Brazil and Thailand, but it increased in regions such as Europe, where the market is on a recovery trend, and in China, where tax breaks supported demand. In Japan, while there are effects from increased tax on mini vehicles, the number of vehicles sold was more than in the previous year because of, for example, the effects of new model vehicles. Globally, the number of vehicles sold exceeded that of the previous year.

In this kind of environment, our group continued to be committed to "ensuring quality at a Group-level," "steadily enhancing global Monozukuri," "developing next-generation products," "establishing a strong revenue base" and "enhancing global bases." With respect to quality and Monozukuri, we promoted activities that placed importance on the construction of an audit system that will respond to globalization and the control of changes and abnormality handling. However, we ended up recording an additional extraordinary loss in relation to defects in some of products that had been manufactured in the past. In order to prevent recurrence of major defects, we are committed to enhancing our quality assurance system. In new product development, we introduced state-of-the-art products and technologies in which we have pursued ease of use, simplicity and comfort under the theme of "Connecting People and Cars Gently" at the Automotive Engineering Exposition 2016 Nagoya. With regard to products that have been newly shifted to mass production, we have developed an audio switch with the dignified operation feeling of a high-grade audio device and simple operability achieved through a dial shape, and a shift lever

that adopts a sporty operation feeling and a new genuine a leather stitching method performed by experienced craftsman. The products have been adopted in Toyota Motor Corporation's Lexus LC500/LC500h. Furthermore, we have developed an outer mirror with a built-in hospitality function that displays the car name logo at the foot, and has been adopted in Toyota Motor Corporation's C-HR. These products have received awards from said company. In addition, the automotive remote key for which we developed the design in collaboration with Toyota Motor Corporation was recognized for its advanced design for the series of operations when getting into and out of a car, and led to our being selected for the "JIDA Design Museum Selection" jointly with said company, for an excellent industrial design that should be passed on to future generations. Through these activities, we have been striving to establish a strong revenue base.

With regard to the business performance for this consolidated accounting year, the net sales were 459,070 million yen, which was a decrease of 17,132 million yen (a decrease by 3.6%) in revenue compared to the previous consolidated accounting year. With regard to income, the operating income was 30,522 million yen, which was a decrease of 4,086 million yen (a decrease by 11.8%) in income compared to the previous consolidated accounting year, and ordinary income was 32,111 million yen, which was a decrease of 2,562 million yen (a decrease by 7.4%) in income compared to the previous consolidated accounting year. The net loss for the current term attributable to the owners of parent company shares was 4,336 million yen, owing to the effects of recording 10,460 million yen for a loss on product warranties and 12,092 million yen for a loss on a violation of antitrust law as extraordinary losses. (The net profit for the term attributable to the owners of parent company shares in the previous consolidated accounting year was 5,591 million yen.)

Analysis related to financial Status

Assets, liabilities and total equity status

■ Assets

Assets were 368,666 million yen, which was a 5,323-million-yen increase from the end of the previous consolidated accounting year. This is mainly due to an increase in merchandise and finished goods, and also in buildings and structures.

■ Liabilities

Liabilities were 156,323 million yen, which was a 14,730-million-yen increase from the end of the previous consolidated accounting year. This is mainly due to an increase in accrued expenses.

■ Total equity

The total equity was 212,343 million yen, which was a 9,407-million-yen decrease from the end of the previous consolidated accounting year. This is mainly due to a decrease in retained earnings.

As a result of increases in assets and liabilities, and a decrease in total equity, the shareholders' equity ratio changed from 58.0% at the end of the previous consolidated accounting year to 54.5%.

Cash flow status

Cash and cash equivalents (hereinafter referred to as "funds") for the consolidated base at the end of this consolidated accounting year were 53,372 million yen, which was a 14,058-million-yen increase from the end of the previous consolidated accounting year.

■ Cash flows from operating activities

Funds acquired as a result of operating activities were 33,497 million yen, an increase of 12,750 million yen compared to the previous consolidated accounting year. This is mainly the result of the "Other" account's having increased by 38,378 million yen.

■ Cash flows from investing activities

Funds acquired as a result of investing activities were 11,606 million yen, a decrease of 10,741 million yen compared to the previous consolidated accounting year. This is mainly a result of a decrease of 5,035 million yen in expenditure from purchases of tangible fixed assets.

■ Cash flows from financing activities

Funds acquired as a result of financing activities were 7,020 million yen, a decrease of 693 million yen compared to the previous consolidated accounting year. This is mainly a result of a decrease of 266 million yen in the amount dividends paid.