

## ▼ Analysis related to financial status

### ▶ Assets, liabilities, and total equity status

With regard to the world economy for this consolidated accounting year, the economy has continued to recover in the United States, and has also shown resilience in Europe. In China, economic growth slowed while stable economic expansion continued in ASEAN. The economy of Japan recovered slightly despite the affected cost of continuing natural disasters. There was moderate growth in the world economy as a whole.

In the automobile industry, the numbers of sales were down year on year in the United States with rising interest rates of automobile loans. Europe had unstable economical and political situations and China had lowered economic growth, respectively. Whereas in ASEAN, the number of automobile sales increased thanks to a recovering economy.

In Japan, the number of vehicles sold was more than in the previous year because of, for example, the effects of new model cars. Globally, the number of vehicles sold fell short of that of the previous year.

In this kind of environment, our group continued to commit to “ensuring quality at a Group-level,” “developing and securing human resources and enhancement of quality of labor,” “steadily enhancing global Monozukuri and supply structures,” “developing next-generation products,” and “establishing a strong revenue base.”

With regard to quality, we have worked to secure it all across the company through designing and evaluating with the consideration of the operating environment and quality upgrading campaign in global Monozukuri.

In the development of new products, we took part in the Automotive Engineering Exhibition 2018 Nagoya and exhibited a “future cockpit mock.” As a new part of our work, we have introduced new approaches to exhibits under the theme of furthering human and evolving car interactions. From the human interface field, we introduced a “steering wheel with a hand-off detection function” (under development with Toyota Gosei Co., Ltd.). From the security field, we introduced a “cloud key distribution system,” which is a key system that supports cloud society and offers relief and safety. From the security field, we introduce an “electronic seat belt” that looks ahead to the future of autonomous driving.

We also invested in KAMUY Innovation Corporation, a venture business with digital image processing expertise to strengthen our image recognition technologies. We have already seen collaboration in regard to technologies with the company and as a

result, we will accelerate further development of more comfortable, safe, and secure products with greater advancement in image-related technologies.

Mass production of new products has started with one noteworthy product being the “digital outer mirror” installed in the Lexus ES by Toyota Motor Corporation. It is the world’s first in-production model where we developed a “visor section,” an “electric folding mechanism,” and a “camera heater.” We won the “Technology Development Award” from Toyota Motor Corporation.

In addition, we opened the Kita Kanto Sales Office in Utsunomiya City, Tochigi Prefecture to explore further business chances. In attention to convenience for our customers, we will further reinforce our sales activities. Moreover, we established a new corporation in Wuxi, Jiangsu Province, China where more market growth is expected. The corporation will act as a sales and technologies functional division group that is independent from existing production bases. By establishing a system to respond to customer needs faster and more actively, we will aim to strengthen our business foundation in China even more.

Through these activities, we have been striving to establish a stronger revenue base.

In commemoration of our 70th anniversary in August 2018, we have donated to the two municipalities and one township in Aichi Prefecture where our plants are located. We want to thank our shareholders and everyone for their support and cooperation in bringing about these achievements.

With regard to the business performance for this consolidated accounting year, the net sales were 507,645 million yen, which was an increase of 25,700 million yen (an increase by 5.3%) in revenue compared to the previous consolidated accounting year. With regard to profit for this consolidated accounting year, the consolidated operating income was 29,618 million yen, which was a decrease of 1,253 million yen (a decrease by 4.1%) in revenue compared to the previous consolidated accounting year. The consolidated ordinary income was 30,110 million yen, which was a decrease of 2,168 million yen (a decrease by 6.7%) in revenue compared to the previous consolidated accounting year. The net income that attributes to the shareholders of the parent company was 18,090 million yen, which was a decrease of 3,924 million yen (a decrease by 17.8%) compared to the previous consolidated accounting year.

## ▼ Analysis Related to Management Performance and Financial Status

### ▶ Assets, liabilities, and total equity status

#### ■ Assets

Assets were 387,556 million yen, which was a 10,554-million-yen increase from the end of the previous consolidated accounting year. This is mainly due to an increase in securities and inventories.

#### ■ Liabilities

Liabilities were 146,121 million yen, which was a 1,246-million-yen increase from the end of the previous consolidated accounting year. This is mainly due to an increase in provisions for product warranties.

#### ■ Total equity

Total equity was 241,435 million yen, which was a 9,308-million-yen increase from the end of the previous consolidated accounting year.

### ▶ Cash flows status

Cash and cash equivalents (hereinafter referred to as “funds”) for the consolidated base at the end of this consolidated accounting year were 55,727 million yen, which was a 2,143-million-yen decrease from the end of the previous consolidated accounting year.

#### ■ Cash flows from operating activities

Funds acquired as a result of operating activities were 37,919 million yen, an increase of 17,093 million yen compared to the previous consolidated accounting year. This is mainly the result of the Other account having increased by 9,199 million yen.

#### ■ Cash flows from investing activities

Funds acquired as a result of investing activities were 31,933 million yen, an increase of 12,164 million yen compared to the previous consolidated accounting year. This is mainly a result of an increase of 5,174 million yen in expenditures from purchases of securities for investments.

#### ■ Cash flows from financing activities

Funds acquired as a result of financing activities were 8,033 million yen, an increase of 11,572 million yen compared to the previous consolidated accounting year. This is mainly a result of an income of 10,000 million by issuance of debentures.