

Consolidated Financial Results for the Fiscal Year Ended March 31, 2016(J-GAAP)

May 16, 2016

Company name: T.RAD Co., Ltd.

Code No.: 7236

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Supplemental materials prepared for consolidated financial results: None

Briefing on consolidated financial results: Yes (for institutional investors, and analysts)

(Amounts less than one million yen have been truncated)

1. Consolidated Financial Performance for the Fiscal Year Ended March 31, 2016

(April 1, 2015 to March 31, 2016)

(1) Consolidated operating performance

(Percentage figures indicate year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2016	102,132	-1.3	1,247	-62.2	1,424	-61.1	745	53.9
Fiscal year ended March 31, 2015	103,442	8.6	3,300	-20.4	3,656	-26.9	484	-76.3

Note: Comprehensive income

Fiscal year ended March 31, 2016: ¥(2,489) million —%

Fiscal year ended March 31, 2015: ¥4,021 million -10.3%

	Net income per share	Diluted net income per share	Return on shareholders' equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2016	9.07	—	1.8	1.8	1.2
Fiscal year ended March 31, 2015	5.89	—	1.2	4.7	3.2

Reference: Equity earnings (losses) of affiliates

Fiscal year ended March 31, 2016: ¥320 million

Fiscal year ended March 31, 2015: ¥339 million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal year ended March 31, 2016	78,764	41,855	51.9	497.69
Fiscal year ended March 31, 2015	82,408	44,848	53.0	531.56

Reference: Shareholders' equity

As of March 31, 2016: ¥40,880 million

As of March 31, 2015: ¥43,667 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investment activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended March 31, 2016	4,958	(8,115)	2,385	6,760
Fiscal year ended March 31, 2015	4,872	(8,223)	2,112	7,805

2. Dividends

	Dividends per Share					Total Dividends Paid (Annual)	Payout Ratio (Consolidated)	Dividends per Net Assets (Consolidated)
	1Q	2Q	3Q	Year-End	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2015	—	4.00	—	2.00	6.00	492	101.9	1.2
Fiscal year ended March 31, 2016	—	3.00	—	3.00	6.00	492	66.2	1.2
Fiscal year ending March 31, 2017 (Forecast)	—	3.00	—	3.00	6.00		29.0	

3. Forecast of Consolidated Financial Performance for the Fiscal Year Ending March 31, 2017

(April 1, 2016 to March 31, 2017)

(Percentage figures indicate changes from the same period of the previous year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
2 nd Quarter ending September 30, 2016	51,900	1.5	1,200	129.6	1,400	81.1	700	232.4	8.52
Fiscal year ending March 31, 2017	105,000	2.8	2,500	100.4	2,900	103.6	1,700	128.3	20.70

4. Other

- (1) Changes in significant subsidiaries during the period (changes in specific subsidiaries resulting in changes in the scope of consolidation): None
- (2) Changes in accounting principles, procedures, presentation methods
 - 1) Changes associated with revision of accounting standards: Yes
 - 2) Changes other than 1): None
 - 3) Changes accounting estimation procedures: None
 - 4) Changes in presentation methods: None
- (3) Number of shares issued and outstanding (common stock)
 - 1) Number of shares issued and outstanding at end of year (including treasury stock)
 - As of March 31, 2016: 83,444,057 shares
 - As of March 31, 2015: 83,444,057 shares
 - 2) Number of shares of treasury stock at end of period
 - As of March 31, 2016: 1,302,781 shares
 - As of March 31, 2015: 1,293,921 shares
 - 3) Average number of shares outstanding during the period
 - Fiscal year ended March 31, 2016: 82,145,052 shares
 - Fiscal year ended March 31, 2015: 82,153,792 shares

(Reference) Summary of Non-consolidated Financial Performance

1. Non-consolidated Financial Performance for Fiscal Year Ended March 31, 2016

(April 1, 2015 to March 31, 2016)

(1) Non-consolidated operating results

(Percentage figures indicate year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2016	58,558	-3.1	(44)	—	1,912	-3.6	880	—
Fiscal year ended March 31, 2015	60,448	3.7	(783)	—	1,983	-8.5	(356)	—

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended March 31, 2016	10.72	—
Fiscal year ended March 31, 2015	(4.35)	—

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal year ended March 31, 2016	52,713	28,452	53.9	345.93
Fiscal year ended March 31, 2015	55,276	29,456	53.2	358.09

Reference: Shareholders' equity

As of March 31, 2016: ¥28,414 million

As of March 31, 2015: ¥29,417 million

2. Forecast of Non-Consolidated Financial Performance for the Fiscal Year Ending March 31, 2017

(April 1, 2016 to March 31, 2017)

(Percentage figures indicate changes from the same period of the previous year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
2 nd Quarter ending September 30, 2016	27,100	-4.5	0	—	1,000	—	600	—	7.30
Fiscal year ending March 31, 2017	55,400	-5.4	100	—	2,100	9.8	1,400	59.1	17.04

* Notice regarding audit procedure for the consolidated financial statements

The consolidated financial results presented herein are not subject to the audit procedures pursuant to the Financial Instruments and Exchange Act. The audit procedures for consolidated financial statements pursuant to the Financial Instruments and Exchange Act have not been completed at the time of the disclosure of these financial results.

* Summaries for relevant use of forecasts and other specific affairs

This report contains projections of performance and other projections based on information currently available and certain assumptions judged to be reasonable. Actual performance may differ materially from these projections resulting from changes in the economic environment and other risks and uncertainties.

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Business Results and Qualitative Information for the Fiscal Year Ended March 31, 2016 (J-GAAP)

(1) Analysis of financial performance

General overview

The economic environment of the consolidated fiscal year under review continued to be non-transparent situation for the future, due to the influence of the entering the aspect of interest raising in the United States, deceleration of the Chinese economy and those of emerging countries, low price of crude oil, strong yen and low stock prices from the beginning of the year. Private consumption in Japan has also been on a sluggish recovery pace since the hike in the consumption tax rate last April.

Under these circumstances, net sales of Company Group (based on a foreign currency basis) increased in the United States, Europe and Asia year on year, but those in Japan and China decreased. Operating income rose in Japan, but declined sharply in the United States, Europe, and Asia. Profit attributable to owners of parent increased in comparison to the same period of the previous fiscal year, due to a decrease in extraordinary loss, and a decrease in income taxes paid.

As a result, net sales of the consolidated fiscal year under review decreased by 1,310 million yen from the previous fiscal year, amounting to 102,132 million yen (down 1.3% year on year), operating income decreased by 2,053 million yen, amounting to 1,247 million yen (down 62.2% year on year), ordinary income decreased by 2,232 million yen, amounting to 1,424 million yen (down 61.1% year on year) and profit attributable to owners of parent increased by 260 million yen, amounting to 745 million yen (up 53.9% year on year).

The segment results are as follows.

The book-closing date for the consolidated subsidiaries for the consolidated fiscal year under review is December 31. In preparing the consolidated financial statements, the financial statements as of, and for one year period ended on this date were used. With respect to material transactions conducted during the period between this date and the book-closing date for consolidated accounting, we have made adjustments as necessary for consolidated accounting. The segments relevant to such adjustments are the United States, Europe, Asia and China.

The book-closing date for three domestic subsidiaries changed from December 31 to March 31 from the consolidated fiscal year under review. The segment impacted by such adjustments is Other.

	Net Sales				Operating Income (Loss)			
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Increase/Decrease	Percentage change (on a foreign currency basis)*	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Increase/Decrease	Percentage change (on a foreign currency basis)*
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(%)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(%)
Japan	54,688	51,979	-2,708	-5.0	(775)	(39)	736	94.9
United States	20,688	23,127	2,439	11.8	900	(965)	-1,866	-207.3
Europe	3,375	3,078	-297	0.9	(244)	(311)	-66	-65.5
Asia	14,357	13,363	-994	0.6	1,628	1,029	-599	-31.2
China	9,301	8,546	-754	-3.1	1,532	1,288	-243	-11.3
Other (including elimination)	1,031	2,036	1,005	97.5	259	244	-14	-5.5
Total	103,442	102,132	-1,310	0.6	3,300	1,247	-2,053	-60.4

*The percentage changes (on a foreign currency basis) in the chart are the percentage changes after correcting for differences arising from fluctuations in the foreign exchange rates applicable to overseas net sales.

(i) Japan

Although net sales of products for the automobile industry was influenced by the increase of light vehicle tax and the temporary suspension of the operation of the factories of major clients, it increased a little year on year thanks to mainly the favorable transition of the export of finished cars to North America. Net sales of products for construction and industrial machines largely decreased due to the influence of the decrease of orders received accompanying the production adjustments of major clients. Net sales of products for air conditioners decreased due to the sluggish orders received from major clients. As a result, net sales of the segment decreased by 2,708 million yen, amounting to 51,979 million yen.

Operating loss of 39 million yen was posted, improving by 736 million yen year on year due to the raising of royalties by overseas consolidated subsidiaries and the decrease of research costs.

(ii) United States

Net sales of products for the automobile industry recorded a significant year-on-year increase due to rising orders from major clients, driven by the solid economy in the United States, and the commencement of mass production of models for which we had received new orders. Net sales of products for construction and industrial machines rose due to the commencement of mass production of models for which we had received new orders. As a result, net sales of the segment converted to yen increased by 2,439 million yen, amounting to 23,127 million yen.

Operating loss of 965 million yen was recorded, a decline of 1,866 million yen from the operating income posted in the same period of the previous fiscal year, affected by higher than expected increases in personnel, scrap, transport costs, etc. associated with production disorder from a sudden increase in orders.

(iii) Europe

Although deteriorating economic conditions in Russia led to disappointing sales of existing models to customers, net sales of products for the automobile industry increased year on year due to the commencement of mass production of models for which we had received new orders. Net sales of products for air conditioners decreased due to the influence of the decrease of orders received from major clients in the Czech Republic. As a result, net sales of the segment increased by 0.9% year on year on a foreign currency basis, but decreased by 297 million yen due to the influence of foreign exchanges, amounting to 3,078 million yen.

Operating loss of 311 million yen was posted, worsening by 66 million yen year on year. On a foreign currency basis, it decreased by 65.5%.

(iv) Asia

As to net sales of products for the automobile industry, net sales of two-wheel models decreased in Indonesia and Vietnam, but it increased thanks to the starting of mass production of newly ordered models in Thailand. Net sales of products for construction and industrial machines decreased due to the decreased orders received in Thailand, accompanying the production adjustments by clients. As a result, although net sales of the segment increased by 0.6% on a foreign currency basis year on year, it decreased by 994 million yen due to the influence of foreign exchanges, amounting to 13,363 million yen.

Operating income decreased by 599 million yen year on year, amounting to 1,029 million yen. On a foreign currency basis, it decreased by 31.2%.

(v) China

Net sales of products for the automobile industry decreased year on year due to the decrease of orders received caused by the production adjustment of major clients. Although we started mass production in the motor business which we newly entered, net sales of products for construction and industrial machines decreased too by the sluggish market. As a result, net sales of the segment decreased by 754 million yen, amounting to 8,546 million yen, partly due to the factor of foreign exchange.

Operating income decreased by 243 million yen year on year, amounting to 1,288 million yen. On a foreign currency basis, it decreased by 11.3%.

(vi) Other

Net sales of products for the Other segment including business activities, such as the transportation business undertaken by our domestic subsidiaries, were 2,036 million yen, due to the impact of a year-on-year increase of 1,005 million yen. This comes from that from the consolidated fiscal year under review, the book-closing date of 3 companies of the segment in Japan changed from December 31 to March 31 and net sales of 15 months was posted.

Outlook for the fiscal year ending March 31, 2017

As to the forecast for the fiscal year ending March 2017 of the Company Group, though the domestic net sales of the products for construction and industrial machines and the products for air conditioners will decrease year on year, the overseas net sales will increase year on year driven by the United States and ASEAN bases, and the consolidated net sales is forecasted to increase. As to net income, it is forecasted to increase thanks to the recoveries of profits at the bases in the United States.

The Company forecasts the following consolidated financial performance for the fiscal year ending March 31, 2017: net sales of 105,000 million yen (up 2.8% year on year), operating income of 2,500 million yen (up 100.4% year on year), ordinary income of 2,900 million yen (up 103.6% year on year), and profit attributable to owners of parent of 1,700 million yen (up 128.3% year on year).

(2) Consolidated financial position

1) Assets, liabilities and net assets

Total assets as of the end of the consolidated fiscal year under review amounted to 78,764 million yen (down 3,643 million yen year on year) due to the decrease of current assets caused by the decrease of net sales and the fall of the market prices of investment securities.

Although the loan increased, liabilities amounted to 36,909 million yen (down 650 million yen year on year) due to the decreases of current liabilities and deferred tax liabilities.

Net assets amounted to 41,855 million yen (down 2,993 million yen year on year) due to the decreases of valuation difference on available-for-sale securities and foreign currency translation adjustment.

2) Cash flows

Cash and cash equivalents at the end of the fiscal year under review totaled 6,760 million yen, a decrease of 1,045 million yen from the end of the previous fiscal year.

The increasing and decreasing factors of each cash flow in the consolidated fiscal year under review are as follows.

Net cash provided by operating activities increased by 86 million yen year on year, amounting to plus 4,958 million yen. Net cash used in investing activities recorded that the expenditure decreased by 107 million yen year on year, amounting to minus 8,115 million yen. Net cash provided by financial activities increased by 273 million yen year on year, amounting to plus 2,385 million yen.

(3) Basic policy on profit distribution and dividends for fiscal years 2015 and 2016

The Company places return of profits to shareholders as the most important policy, through improvement of company quality and reinforcement of operating foundations, and allocate appropriate dividends based on the business results to the shareholders.

The Company has, based on the aforementioned policy, set the dividend for the end of the fiscal year under review at 3 yen per share. Furthermore, since the Company has set an interim dividend of 3 yen per share, the annual dividend will be 6 yen per share.

The Company plans an annual dividend of 6 yen per share for the next fiscal year.

2. Overview of the T.RAD Group

1. Businesses

The T.RAD Group, which consists of T.RAD Co., Ltd. (the “Company”), its 13 subsidiaries and three affiliates, mainly manufactures and sells various types of heat exchangers and provides related services.

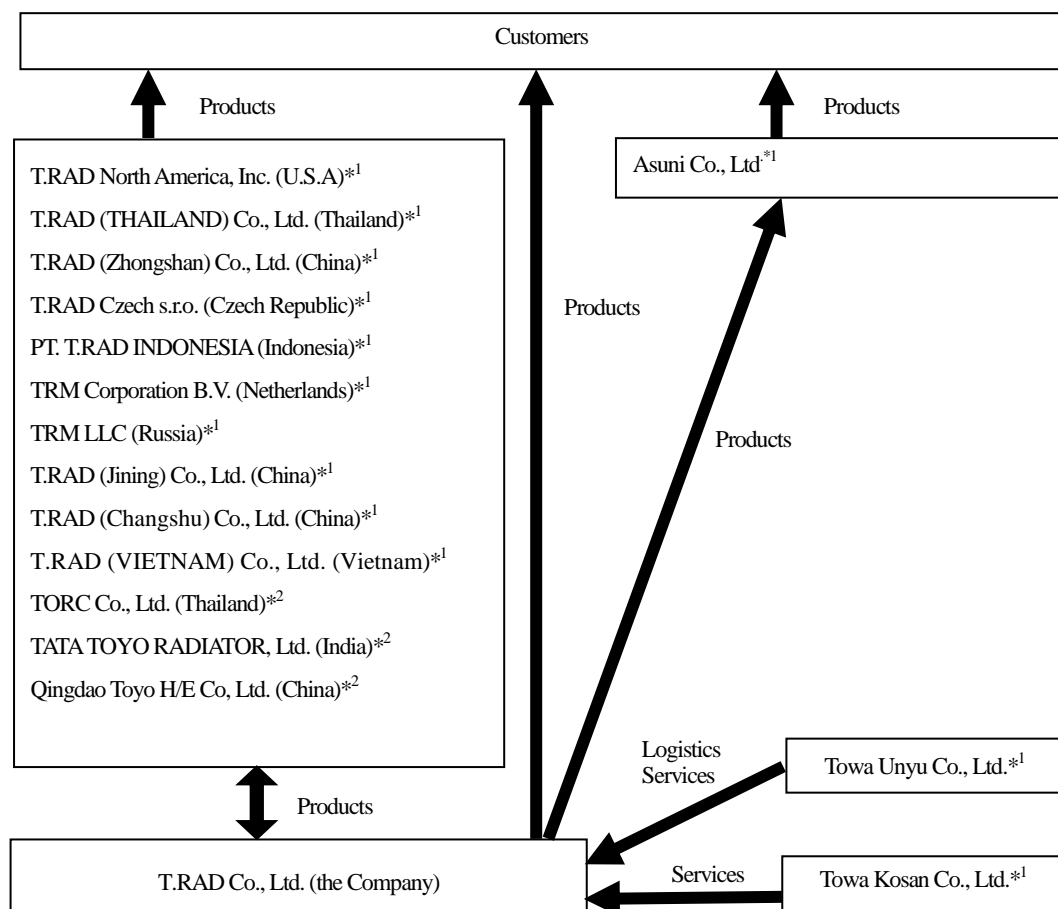
Each reported segment is composed as below, and these reported segments are the same as the classification of the segment information listed in 5. Consolidated Financial Statements (5) Notes concerning Consolidated Financial Statements.

Reportable Segments	
Japan	T.RAD Co., Ltd. (the Company)
United States	T.RAD North America, Inc.
Europe	T.RAD Czech s.r.o. TRM Corporation B.V. TRM LLC
Asia	T.RAD (THAILAND) Co., Ltd. PT. T.RAD INDONESIA T.RAD (VIETNAM) Co., Ltd. TORC Co., Ltd. * ¹ TATA TOYO RADIATOR, Ltd. * ¹
China	T.RAD (Zhongshan) Co., Ltd. T.RAD (Jining) Co., Ltd. T.RAD (Changshu) Co., Ltd. Qingdao Toyo H/E Co, Ltd. * ¹
Other (Japan)	Asuni Co., Ltd. Towa Unyu Co., Ltd. Towa Kosan Co., Ltd.

*¹ Equity-method affiliates are included in the reportable segment where they are located.

[Business Flow Chart]

The flow chart for the businesses of the T.RAD Group is as follows.



*¹Consolidated subsidiary *²Equity-method affiliate

2. Subsidiaries and Affiliates

Name	Location	Capital (Thousand)	Description of business	Voting rights ratio (%)	Relations with the Company
Consolidated subsidiaries					
T.RAD North America, Inc. *2,4	Hopkinsville, Kentucky, U.S.A	USD 55,000	Manufacture and sales of heat exchangers	100.0	Business relationship Concurrent position of director
T.RAD Czech s.r.o. *2	Unhost, Czech	CZK 250,000	Manufacture and sales of heat exchangers	90.0	Business relationship Obligation Guarantee Loan of funds
TRM Corporation B.V. *2	Amsterdam, Netherlands	EUR 26,072	Manufacture and sales of heat exchangers	75.0	Holding Company of TRM LLC Concurrent position of director
TRM LLC *2	Nizhni Novgorod, Russia	RUB 1,059,742	Manufacture and sales of heat exchangers	75.0 *1 (75.0)	Business relationship Obligation Guarantee Loan of funds
T.RAD (THAILAND) Co., Ltd. *2	Chachoengsao, Thailand	THB 390,500	Manufacture and sales of heat exchangers	100.0	Business relationship Concurrent position of director
PT. T.RAD INDONESIA	Bekasi, Java, Indonesia	USD 7,300	Manufacture and sales of heat exchangers	90.0 *1 (26.3)	Business relationship Concurrent position of director
T.RAD (VIETNAM) Co., Ltd.	Hanoi, Vietnam	USD 6,300	Manufacture and sales of heat exchangers	100.0	Business relationship Concurrent position of director Obligation Guarantee
T.RAD (Zhongshan) Co., Ltd. *2	Zhongshen, Guangdong, China	CNY 107,601	Manufacture and sales of heat exchangers	90.0	Business relationship Concurrent position of director
T.RAD (Jining) Co., Ltd.	Jining, Shandong, China	CNY 3,000	Manufacture and sales of heat exchangers	90.0 *1 (90.0)	Business relationship
T.RAD (Changshu) Co., Ltd. *2	Changshu, Jiangsu, China	USD 17,000	Manufacture and sales of heat exchangers	90.0	Business relationship Concurrent position of director
Asuni Co., Ltd.	Hadano, Kanagawa, Japan	JPY 15,325	Sales of heat exchangers	100.0 *1 (50.0)	Business relationship
Towa Unyu Co., Ltd.	Higashiura, Chita, Aichi, Japan	JPY 48,900	Cargo transportation	100.0 *1 (13.0)	Business relationship Transportation of Products
Towa Kosan Co., Ltd.	Minami-ku, Nagoya, Aichi, Japan	JPY 334,720	Management of properties	100.0 *1 (7.3)	Business relationship Concurrent position of director
Equity-method affiliates					
TORC Co., Ltd.	Chachoengsao, Thailand	THB 60,000	Manufacture and sales of heat exchangers	45.0	Business relationship Concurrent position of director
TATA TOYO RADIATOR, Ltd.	Pune, India	INR 320,000	Manufacture and sales of heat exchangers	40.2	Business relationship
Qingdao Toyo H/E Co., Ltd.	Qingdao, Shandong, China	CNY 40,856	Manufacture and sales of heat exchangers	39.0	Business relationship

Notes:

- *1. The figures in parentheses are the ratios that the Company indirectly holds.
- *2. T.RAD North America, Inc., TRAD (THAILAND) Co., Ltd., T.RAD (Zhongshan) Co., Ltd., T.RAD Czech s.r.o., TRM Corporation B.V., TRM LLC., and T.RAD (Changshu) Co., Ltd are specific subsidiaries of the Company.
- *3. Thirteen consolidated subsidiaries and three affiliates mentioned above have not submitted any securities registration statements or securities reports.
- *4. Net sales accounted for over 10% of consolidated net sales. However, the principal income summary is omitted, as net sales of the subsidiary accounted for over 90% of net sales in the North America segment.

3. Management Policy

(1) Basic policy for corporate management

Our basic philosophy is to “contribute to social progress by means of supplying superior products” and “pursue enduring development of the Company and happiness of customers, shareholders, employees and local communities.” Furthermore, in order to succeed in global competition, we aim to develop attractive products and improve business performance through efficiency improvement in productivity while securing customer satisfaction quality.

(2) Target management indicators

In addition to sales (size of the Company), we focus on ordinary income margin (profitability), and return on equity (capital efficiency). We are committed to improving these figures and enhancing our financial positions.

(3) Medium- to long-term business strategies

T.RAD Group has been implementing the four-year 10th medium-term management plan, “T.RAD-10” since April 2013. The Group has been stepping up global operations under two slogans of “Trusted Company” and “Global Growth”. In addition, all employees of the T.RAD Group have been fully committed to ensuring “Safety,” “Quality,” and “Compliance and Environment”—group-wide policies we have set forth.

(4) Future Issues

1) In tackling the “T.RAD-10,” in order to respond to the global growth, we are deploying the expansion of factories in the United States and the strengthening of overseas R&D centers.

In addition, since the last year, we have assigned chief regional director to overseas production bases and advancing the expediting the decision of will.

This year, the overseas net sales is forecasted to exceed 50% and we will aim at the global deployment more positively.

Also, as to the development of products, mainly our Sales/Marketing & technical divisions will make the strategies for regions and products and we are advancing the development of products based on the market needs. By the development of products from development stage aiming at epoch-making cost cutting, we will secure global competitive power and will strengthen the profitability. As the strategy for products, we will make SMART (※) series, compact and highly efficient casing-less oil cooler and EGR cooler for light cars up to large-size construction machines as our strategic products, thereby, we will respond to the expansion of net sales in the world market.

*SMART: Slim & Advanced Radiator Technology
 The world’s No. 1 radiator packed with our finest technology

As to the challenge in terms of production, the rapid expansion of investment by T.RAD North America, Inc. (hereinafter, “TRA”), our consolidated subsidiary in the United States, caused by the increase of orders received, is weighing on profit and the “TRA Profit Improvement Project” started last year. By the strong advancement of this project, the recovery of profit has been advancing and we will continue to make efforts for it this year too.

In the meantime, receiving the influence of the recession in China, our consolidated subsidiaries and joint ventures in China have been influenced as shown in the decrease of orders received for heat exchangers for cars and heat exchangers for construction and industrial machines. On this point, by the deployment of next-generation environment contribution products such as casing-less oil cooler and water-cooling inter-cooler for cars, we will aim at the maintenance and improvement of the numbers of orders received.

2) Other

On July 20, 2011, the Japan Fair Trade Commission launched an on-the-spot investigation into the Company, over the alleged violation of the Article 3 of the Antimonopoly Act. On November 22, 2012, we received a cease-and-desist order for violation of the Antimonopoly Act (Prohibition of unreasonable restraint of trade) in respect of transactions involving automotive radiators and electric fans. Additionally, on July 19, 2011, U.S. judicial authorities launched an on-the-spot investigation into T.RAD North America, Inc., a consolidated subsidiary of the Company, over the alleged violation of the federal antitrust law regarding sales of automotive parts in the United States. On September 26, 2013 (local time), we reached a plea bargain deal with the U.S. Department of Justice, agreeing to pay a fine for the violation of antitrust laws regarding sales of automotive parts (radiators and others).

The Company took the violation seriously and has been implementing a host of measure aimed at ensuring observance of the antitrust act and preventing a recurrence of the practice. Among the measures are the review of relevant rules and guidelines, holding of educational seminars for employees and periodic inspections and audits. We will further reinforce compliance, about which we had done our best, and will do all we can to prevent recurrence so that we can regain the trust of the customers and others.

Furthermore, as for questions and inquiries filed by administrative and judicial authorities in Europe and Canada, we will continue to fully cooperate with them while receiving advice from legal experts.

As to the civil class action brought to the Eastern Federal District Court in the state of Michigan in the United States by car dealers and end users, our company and TRA(hereinafter referred to as “the Company etc.”) made an agreement of compromise with the plaintiff on October 3, 2014. In addition, several same kind of actions were brought to the Company etc. in Canada and the United States. If important matters to disclose in the future arise, we will promptly disclose them.

4. Basic Concept Behind the Selection of Accounting Standards

In order to ensure comparability between companies and over time, the T.RAD Group prepares the Company’s consolidated financial statements based on the “Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (except Chapters 7 and 8)” (Ordinance of the Ministry of Finance No. 28 of 1976).

Please note that, in view of domestic and overseas circumstances, the Company intends to respond appropriately to the application of international accounting standards.

5. Consolidated Financial Statements

(1) Consolidated balance sheets

(Millions of yen)

	FY2014	FY2015
	As of March 31, 2015	As of March 31, 2016
	Amount	Amount
(Assets)		
Current assets		
Cash and deposits	*2 7,450	*2 6,363
Notes and accounts receivable-trade	19,426	18,214
Electronically recorded monetary claims-operating	1,422	1,735
Short-term investment securities	492	622
Merchandise and finished goods	1,608	1,677
Work in process	291	405
Raw materials and supplies	4,969	4,214
Deferred tax assets	797	503
Other current assets	3,084	2,975
Allowance for doubtful accounts	(34)	(38)
Total current assets	39,507	36,673
Noncurrent assets		
Tangible fixed assets		
Buildings and structures	17,998	19,060
Accumulated depreciation	(11,598)	(12,066)
Building and structures, net	6,400	6,993
Machinery, equipment and vehicles	38,855	41,149
Accumulated depreciation	(25,963)	(27,363)
Machinery, equipment and vehicles, net	12,892	13,786
Land	2,393	2,576
Lease assets	771	703
Accumulated depreciation	(540)	(540)
Lease assets, net	230	162
Construction in progress	4,475	4,940
Other tangible fixed assets	24,097	25,252
Accumulated depreciation	(21,674)	(23,099)
Other tangible fixed assets, net	2,422	2,153
Total tangible fixed assets	28,815	30,613
Intangible assets		
Other intangible assets	842	728
Total intangible assets	842	728
Investments and other assets		
Investment securities	*1 10,321	*1 8,266
Long-term loans receivable	303	303
Net defined benefit asset	631	43
Deferred tax assets	28	29
Others	*1 1,991	*1 2,135
Allowance for doubtful accounts	(33)	(28)
Total investments and other assets	13,243	10,750
Total noncurrent assets	42,901	42,091
Total assets	82,408	78,764

(Millions of yen)

	FY2014	FY2015
	As of March 31, 2015	As of March 31, 2016
	Amount	Amount
(Liabilities)		
Current liabilities		
Notes and accounts payable-trade	13,555	12,915
Short-term loans payable	6,333	9,839
Lease obligations	754	854
Income taxes payable	350	289
Accrued expenses	*2 2,206	*2 1,990
Provision for bonuses	1,259	1,198
Provision for directors' bonuses	55	22
Provision for product warranties	68	209
Provision for shareholders benefit program	—	40
Notes payable-facilities	125	168
Others	2,738	1,830
Total current liabilities	27,447	29,354
Noncurrent liabilities		
Long-term loans payable	5,225	4,464
Lease obligations	1,294	1,140
Deferred tax liabilities	3,343	1,705
Provision for directors' retirement benefits	7	0
Net defined benefit liability	26	45
Asset retirement obligations	87	88
Others	126	109
Total noncurrent liabilities	10,112	7,555
Total liabilities	37,560	36,909
(Net assets)		
Shareholders' equity		
Capital stock	8,545	8,545
Capital surplus	7,473	7,473
Retained earnings	22,290	22,625
Treasury stock	(403)	(405)
Total shareholders' equity	37,906	38,238
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,165	695
Foreign currency translation adjustment	2,875	1,590
Remeasurements of defined benefit plans	720	356
Total valuation and translation adjustments	5,761	2,642
Subscription rights to shares	39	37
Non-controlling interests	1,140	936
Total net assets	44,848	41,855
Total liabilities and net assets	82,408	78,764

(2) Consolidated statements of income and consolidated statement of comprehensive income
(Consolidated statements of income)

(Millions of yen)

	FY2014	FY2015
	(Apr. 1, 2014–Mar. 31, 2015)	(Apr. 1, 2015–Mar. 31, 2016)
	Amount	Amount
Net sales	103,442	102,132
Cost of sales	#1,#7 91,997	#1,#7 92,809
Gross profit	11,445	9,323
Selling, general and administrative expenses		
Packing and delivery expenses	1,172	1,096
Provision for product warranties	74	49
Directors' compensations	199	202
Salaries and allowances	1,978	2,001
Provision for bonuses	236	237
Provision for directors' bonuses	55	22
Provision for directors' retirement benefits	1	0
Provision for retirement benefits	108	88
Welfare expenses	749	894
Depreciation	317	320
Rent expenses	232	251
Transportation and communication expenses	497	457
Research and development expenses	#1 1,116	#1 852
Entertainment expenses	100	81
Provision for shareholders benefit program	—	40
Provision of allowance for doubtful accounts	4	4
Commission Fee	302	301
Miscellaneous expenses	998	1,171
Total selling, general and administrative expenses	8,145	8,076
Operating income (loss)	3,300	1,247
Non-operating income		
Interest income	105	62
Dividends income	188	224
Equity in earnings of affiliates	339	320
Others	168	118
Total non-operating income	801	726
Non-operating expenses		
Interest expenses	195	181
Loss on investments in partnership	1	17
Foreign exchange losses	128	341
Bad debts expenses	58	—
Others	61	9
Total non-operating expenses	445	549
Ordinary income	3,656	1,424

(Millions of yen)

	FY2014	FY2015
	(Apr. 1, 2014–Mar. 31, 2015)	(Apr. 1, 2015–Mar. 31, 2016)
	Amount	Amount
Extraordinary income		
Gain on sales of noncurrent assets	#2 1	#2 56
Gain on sales of investment securities	308	—
Gain on reversal of subscription rights to shares	0	1
Total extraordinary income	309	57
Extraordinary loss		
Loss on retirement of noncurrent assets	#3 175	#3 100
Loss on sales of noncurrent assets	#4 13	#4 4
Impairment loss	#5 5	#5 —
Loss on sales of golf club memberships	1	—
Surcharges	#6 1,487	#6 139
Total extraordinary loss	1,683	244
Income (loss) before income taxes	2,283	1,237
Income taxes-current	1,205	948
Income taxes-deferred	551	(434)
Total income taxes	1,756	513
Profit (loss)	526	723
Profit (loss) attributable to non-controlling interests	42	(21)
Profit (loss) attributable to owners of parent	484	745

(Consolidated statement of comprehensive income)

(Millions of yen)

	FY2014	FY2015
	(Apr. 1, 2014–Mar. 31, 2015)	(Apr. 1, 2015–Mar. 31, 2016)
	Amount	Amount
Profit (loss)	526	723
Other comprehensive income		
Valuation difference on available-for-sale securities	1,095	(1,469)
Foreign currency translation adjustment	1,455	(1,111)
Remeasurements of defined benefit plans, net of tax	591	(365)
Share of other comprehensive income of associates accounted for using equity method	352	(266)
Total other comprehensive income	3,494	(3,213)
Comprehensive income	4,021	(2,489)
(Breakdown)		
Comprehensive income attributable to owners of parent	4,013	(2,374)
Comprehensive income attributable to non-controlling interests	7	(115)

(3) Consolidated statements of changes in net assets
Fiscal year ended March 31, 2015(April 1, 2014 to March 31, 2015)

(Millions of yen)

	Shareholders' Equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
As of April 1, 2014	8,545	7,473	22,974	(401)	38,592
Cumulative effects of changes in accounting policies			(510)		(510)
Restated balance	8,545	7,473	22,463	(401)	38,081
Changes of items during the period					
Dividends from surplus			(657)		(657)
Profit attributable to owners of parent			484		484
Purchase of treasury stock				(2)	(2)
Change of accounts other than shareholders' equity (Net)					
Total changes of items during the period	—	—	(172)	(2)	(175)
As of March 31, 2015	8,545	7,473	22,290	(403)	37,906

(Millions of yen)

	Valuation and translation adjustments				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total valuation and translation adjustments			
As of April 1, 2014	1,069	1,033	129	2,232	40	1,212	42,077
Cumulative effects of changes in accounting policies							(510)
Restated balance	1,069	1,033	129	2,232	40	1,212	41,566
Changes of items during the period							
Dividends from surplus							(657)
Profit attributable to owners of parent							484
Purchase of treasury stock							(2)
Net changes of items other than shareholders' equity	1,095	1,842	591	3,529	(0)	(71)	3,457
Total changes of items during the period	1,095	1,842	591	3,529	(0)	(71)	3,281
As of March 31, 2015	2,165	2,875	720	5,761	39	1,140	44,848

Fiscal year ended March 31, 2016 (April 1, 2015 to March 31, 2016)

(Millions of yen)

	Shareholders' Equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
As of April 1, 2015	8,545	7,473	22,290	(403)	37,906
Cumulative effects of changes in accounting policies					
Restated balance	8,545	7,473	22,290	(403)	37,906
Changes of items during the period					
Dividends from surplus			(410)		(410)
Profit attributable to owners of parent			745		745
Purchase of treasury stock				(1)	(1)
Change of accounts other than shareholders' equity (Net)					
Total changes of items during the period	—	—	334	(1)	332
As of March 31, 2016	8,545	7,473	22,625	(405)	38,238

(Millions of yen)

	Valuation and translation adjustments				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total valuation and translation adjustments			
As of April 1, 2015	2,165	2,875	720	5,761	39	1,140	44,848
Cumulative effects of changes in accounting policies							—
Restated balance	2,165	2,875	720	5,761	39	1,140	44,848
Changes of items during the period							
Dividends from surplus							(410)
Profit attributable to owners of parent							745
Purchase of treasury stock							(1)
Net changes of items other than shareholders' equity	(1,469)	(1,284)	(364)	(3,119)	(1)	(204)	(3,325)
Total changes of items during the period	(1,469)	(1,284)	(364)	(3,119)	(1)	(204)	(2,993)
As of March 31, 2016	695	1,590	356	2,642	37	936	41,855

(4) Consolidated statements of cash flows

(Millions of yen)

	FY2014	FY2015
	(Apr. 1, 2014–Mar. 31, 2015)	(Apr. 1, 2015–Mar. 31, 2016)
	Amount	Amount
Net cash provided by (used in) operating activities		
Income (loss) before income taxes	2,283	1,237
Depreciation and amortization	4,971	5,583
Impairment loss	5	—
Retirement benefit expenses	51	(2)
Increase (decrease) in net defined benefit liability	(93)	62
Increase (decrease) in provision for directors' retirement benefits	1	(7)
Increase (decrease) in allowance for doubtful accounts	4	4
Increase (decrease) in provision for bonuses	(72)	(60)
Increase (decrease) in provision for directors' bonuses	(22)	(33)
Increase (decrease) in provision for product warranties	20	140
Increase (decrease) in provision for shareholders benefit program	—	40
Loss on retirement of noncurrent assets	175	100
Loss (gain) on sales of tangible fixed assets	12	(51)
Loss (gain) on sales of investment securities	(308)	—
Surcharges	1,487	139
Interests and dividends income	(291)	(287)
Interests expenses	195	181
Foreign exchange losses (gains)	(189)	201
Equity in (earnings) losses of affiliates	(339)	(320)
Loss (gain) on investments in partnership	1	17
Decrease (increase) in notes and accounts receivable-trade	(1,237)	573
Decrease (increase) in inventories	(1,102)	336
Increase (decrease) in notes and accounts payable-trade	1,015	(391)
Decrease (increase) in other current assets	(309)	(115)
Increase (decrease) in other current liabilities	308	(252)
Other, net	(123)	22
Subtotal	6,442	7,117
Interest and dividends income received	536	522
Interest expenses paid	(194)	(180)
Income taxes paid	(1,525)	(1,143)
Surcharges	(386)	(1,356)
Net cash provided by (used in) operating activities	4,872	4,958

(Millions of yen)

	FY2014	FY2015
	(Apr. 1, 2014–Mar. 31, 2015)	(Apr. 1, 2015–Mar. 31, 2016)
	Amount	Amount
Net cash provided by (used in) investing activities		
Proceeds from withdrawal of time deposits	1,153	60
Payments into time deposits	(466)	(152)
Purchase of tangible fixed assets	(8,483)	(7,800)
Proceeds from sales of tangible fixed assets	11	191
Purchase of intangible assets	(140)	(170)
Purchase of investment securities	(316)	(246)
Proceeds from sales of investment securities	629	—
Payments of loans receivable	(617)	—
Other, net	6	1
Net cash provided by (used in) investing activities	(8,223)	(8,115)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	1,263	1,020
Proceeds from long-term loans payable	1,853	2,434
Repayment of long-term loans payable	(218)	(655)
Proceeds from share insurance to non-controlling shareholders	26	1
Purchase of treasury stock	(2)	(1)
Cash dividends paid	(657)	(410)
Cash dividends paid to non-controlling shareholders	(105)	—
Others	(47)	(2)
Net cash provided by (used in) financing activities	2,112	2,385
Effect of exchange rate change on cash and cash equivalents	671	(273)
Net increase (decrease) in cash and cash equivalents	(567)	(1,045)
Cash and cash equivalents at beginning of period	8,372	7,805
Cash and cash equivalents at end of period	*1 7,805	*1 6,760

(5) Notes concerning Consolidated Financial Statements

(Going concern assumptions)

Not applicable

(Basis for preparation of consolidated financial statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 13

Names of the consolidated subsidiaries:

Names of the consolidated subsidiaries are omitted as they are listed in “2. Overview of the T.RAD Group.”

2. Application of equity method

(1) Number of equity method affiliates: 3

TORC Co., Ltd.

Tata Toyo Radiator Ltd.

Qingdao Toyo H/E Co, Ltd.

(2) Of the companies accounted for by the equity method, for those that have a closing date that differs from the consolidated closing date, the financial statements for each such company’s financial year are used.

3. Fiscal years of consolidated subsidiaries

The book-closing date of nine companies in addition to T.RAD North America, Inc. out of the consolidated companies is December 31.

In preparing the consolidated financial statements, the financial statements as of the dates stated above were used. With regard to important transactions that occurred between each company’s closing date and the consolidated closing date, necessary adjustments for consolidation were made.

For the consolidated subsidiaries that had a book-closing date of December 31 in the past, namely Asuni Co., Ltd., Towa Unyu Co., Ltd., and Towa Kosan Co., Ltd., the financial statements of that date were used and the necessary adjustments for consolidation purposes were made for material transactions that took place in the period between the above book-closing date and the consolidated book-closing date. However, as these subsidiaries have changed their book-closing date to March 31, the consolidated fiscal year under review for these subsidiaries is the 15-month period from January 1, 2015 to March 31, 2016.

Note that this change will not have a material effect on the consolidated fiscal year under review.

4. Accounting standard

(1) Valuation basis and method for important assets

i. Securities

Other securities

Securities with fair market values:

Stated at the market value as of the balance sheet date, based on quoted market prices, etc. (any valuation differences are included in net assets in full, and the cost of securities sold is determined by the gross average method.);

Securities without fair market values:

Stated at cost determined by the gross average method.

ii. Derivatives

Derivative is evaluated by quoted market prices.

iii. Inventories

Stated at cost by the gross average method, in principle (for figures shown on the balance sheet, values are written down to their book values based on their decreased profitability).

In addition, overseas consolidated subsidiaries mainly adopt the lower-of-cost-or-market method based on the first-in first-out method.

(2) Depreciation method for important depreciable assets

i. Tangible fixed assets (excluding lease assets)

Depreciation of Tangible fixed assets is calculated mainly by the declining-balance method. The approximate useful life of assets is as follows:

Buildings and structures: 3–60 years

Machinery, equipment and vehicles: 2–17 years

Assets with an acquisition cost from ¥100,000 to less than ¥200,000 are depreciated by the straight-line method over three years based on the provisions of the Corporation Tax Act.

At overseas consolidated subsidiaries, depreciation is calculated principally by the straight-line method.

ii. Intangible assets (excluding lease assets)

At the Company and consolidated subsidiaries, the amortization of intangible assets is computed by the straight-line method. Software for internal use is amortized by the straight-line method over the estimated internal useful life (five years).

iii. Lease assets

Lease assets are amortized by the straight-line method, assuming the lease period as the useful life and no residual value.

(3) Recognition of important allowances

i. Allowance for doubtful accounts

The allowance for doubtful accounts is provided at an amount determined based on a reasonable standard such as the historical experience of bad debt for ordinary accounts. For specific accounts such as doubtful accounts receivable, the collectability is determined individually, and the estimated uncollectible amount is recorded.

ii. Provision for bonuses

To appropriate funds for the payment of bonuses to employees, Provision for bonuses is provided at an estimated amount to be paid.

iii. Provision for directors' bonuses

Provision for directors' bonuses is provided at an estimated amount to accrue for the fiscal year ended March 31, 2016.

iv. Provision for product warranty

To provide for potential expenses related to the after-the-sale service of products, the Company allots an estimated amount based upon past performance.

v. Provision for shareholders benefit program

In order to prepare for the expenditure accompanying shareholders benefit program, we are posting forecasted amount of occurrence based on the rate of past use results etc.

vi. Provision for directors' retirement benefits

Some of the consolidated subsidiaries provide the provision for directors' retirement benefits at an amount deemed necessary to cover the total amount to be paid mainly pursuant to the internal regulations thereof at the end of the fiscal year-end.

(4) Accounting method for defined benefit plans

i. Method of attributing expected defined benefit plans

In calculating its defined benefit plans obligation, the Company applies the point basis as its method of attributing the expected defined benefit plans to the periods until the end of the consolidated fiscal year under review.

ii. Amortizing method for actuarial gains or losses and prior service costs

Prior service cost is amortized using the straight-line method over a certain length of period equal to or less than the average remaining service period for employees at the time such gains or losses are realized (maximum 15 years).

The actuarial gains or losses realized in each accounting period for the said allowance is amortized by the straight-line method over a certain length of period equal to or less than the average remaining service period for employees at the time such gains or losses are realized (maximum 15 years).

iii. Treatment for unrecognized actuarial gains or losses and unrecognized prior service costs

Actuarial gains or losses and prior service costs that are yet to be recognized in profit or loss are recognized within net assets as remeasurements of defined benefit plans under accumulated other comprehensive income, after adjusting for tax effects.

(5) Significant hedge accounting methods

i. Hedge accounting methods

Deferred hedge accounting treatment is used. With regard to the parent company, designated hedge accounting treatment is used for foreign currency-denominated monetary claims to which forward foreign exchange contracts have been applied. Exceptional accounting is used for interest-rate swap agreements which conform to the special regulated terms.

ii. Hedging method and scope

Hedging method : Forward foreign exchange

Scope of hedging : Foreign currency-denominated accounts receivable

Hedging method : Interest-rate swap agreement

Scope of hedging : loans payable

iii. Hedging policy

Primarily, the parent company enters into forward foreign exchange transactions for the purpose of reducing the risk from market price fluctuations on foreign currency-denominated transactions.

In addition, interest rate swap agreements are used to reduce the risk from interest rate fluctuations of loans.

iv. Method for evaluating the effectiveness of hedges

For forward foreign exchange transactions, confirmations are made that the currencies, value dates, and amounts are identical. Interest swap agreements conforming to the special regulated terms are omitted to evaluate their effectiveness.

(6) Scope of cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents consist of cash on hand, cash in banks that can be withdrawn at any time and short-term investments with a maturity of three months or less from purchasing date that can be easily converted to cash and are subject to little risk of change in value.

(7) Other important matters for the preparation of consolidated financial statements

i. Accounting treatment of consumption taxes, etc.

The tax excluded method is adopted in accounting treatment of consumption taxes, etc.

(Changes in important basic matters for the preparation of consolidated financial statements)

(Changes of accounting policy)

(Adoption of Accounting Standard for Business Combinations and others)

The “Accounting Standard for Business Combinations” (ASBJ Statement No.21, September 13, 2013), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No.22, September 13, 2013), the “Accounting Standard for Business Divestitures” (ASBJ Statement No.7, September 13, 2013) and other accounting standards have been adopted from the consolidated fiscal year under review. This has led to the implementation of changes in the presentation of net income and other related items and to a change in presentation from minority interests to non-controlling interests. In order to reflect these changes with regard to the previous consolidated fiscal year, the consolidated financial statements have been reclassified.

(Consolidated balance sheets)

*1 Those for non-consolidated subsidiaries and affiliates are as follows:

	FY2014 (As of March 31, 2015)	FY2015 (As of March 31, 2016)
Investment securities:	¥1,965 million	¥1,870 million
Investments and other assets (other) (investment):	¥1,327 million	¥1,289 million
Total	¥3,292 million	¥3,160 million

*2 Pledged Assets and collateralized liabilities:

The following assets were pledged as collateral:

	FY2014 (As of March 31, 2015)	FY2015 (As of March 31, 2016)
Cash and deposits:	¥20 million	¥18 million

The following liabilities were collateralized by the above assets:

	FY2014 (As of March 31, 2015)	FY2015 (As of March 31, 2016)
Accrued expenses:	¥13 million	¥13 million

(Consolidated statements of income)

#1 Research and development expenses included in general expenses and manufacturing costs:

	FY2014 (April 1, 2014–March 31, 2015)	FY2015 (April 1, 2015–March 31, 2016)
	¥2,711 million	¥2,403 million

#2 Gain on sales of noncurrent assets are as follows:

	FY2014 (April 1, 2014–March 31, 2015)	FY2015 (April 1, 2015–March 31, 2016)
Machinery, equipment and vehicles:	¥1 million	¥10 million
Land	—	¥7 million
Construction in progress:	—	¥3 million
Other:	—	¥35 million
Total	¥1 million	¥56 million

#3 Loss on retirement of noncurrent assets are as follows:

	FY2014 (April 1, 2014–March 31, 2015)	FY2015 (April 1, 2015–March 31, 2016)
Buildings and structures:	¥77 million	¥24 million
Machinery, equipment and vehicles:	¥93 million	¥71 million
Other:	¥4 million	¥4 million
Total	¥175 million	¥100 million

#4 Loss on sales of noncurrent assets are as follows:

	FY2014 (April 1, 2014–March 31, 2015)	FY2015 (April 1, 2015–March 31, 2016)
Machinery, equipment and vehicles:	¥7 million	—
Construction in progress:	¥5 million	¥4 million
Total	¥13 million	¥4 million

#5 Impairment Loss:

Impairment losses were recorded in the following asset groups of the Group:

FY2014 (April 1, 2014–March 31, 2015)

Place	Purpose of use	Type	Impairment loss
Hadano Works Hadano-city, Kanagawa	Idle assets	Machinery, equipment and vehicles	¥5 million
		Total	¥5 million

The asset groups are classified on the base of managerial accounting in consideration of company category and business category.

Regarding idle assets, the Company makes a judgment based on each asset.

In the consolidated fiscal year under review, regarding idle assets with no expected future use, its book value was written down to recoverable values, and the Company posted this loss as an impairment loss under extraordinary loss. The amount listed as recoverable value by each asset group was calculated in accordance with the net realizable value; “machinery, equipment and vehicles” have been appraised based on residual value.

There is no applicable matter for the consolidated fiscal year under review.

#6 Surcharges are as follows:

	FY2014 (April 1, 2014–March 31, 2015)	FY2015 (April 1, 2015–March 31, 2016)
Surcharges:	¥1,096 million	—
Research-related expenses :	¥391 million	¥139 million
Total	¥1,487 million	¥139 million

A class action related to the violation of the Anti-Monopoly Act in the United States was brought to our company and T.RAD North America, Inc. We made an agreement of compromise with the above plaintiff on October 3, 2014 with the compromise amount of 9.75 million U.S. Dollars. As to the compromise amount, it was posted in the previous consolidated fiscal year. In addition, investigations by European and Canadian administrative and judicial authorities are underway over the case. In the consolidated fiscal year under review, we have posted the costs related to the investigations as a extraordinary loss.

#7 Inventories at the close of the fiscal year-end, are the amounts after it write-down of the book value as a result of a decrease in profitability. The following loss on valuation of inventories is included in cost of sales:

	FY2014 (April 1, 2014–March 31, 2015)	FY2015 (April 1, 2015–March 31, 2016)
	¥78 million	¥90 million

(Consolidated statement of changes in net assets)

Fiscal year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

1. Type and number of shares issued and treasury shares (Thousands of shares)

	Number of shares at beginning of the current fiscal year	Number of shares increased in the current fiscal year	Number of shares decreased in the current fiscal year	Number of shares at end of the current fiscal year
Shares issued				
Common stock	83,444	—	—	83,444
Total	83,444	—	—	83,444
Treasury shares				
Common stock *1	1,285	8	—	1,293
Total	1,285	8	—	1,293

Note:*1. The number of common stocks of treasury shares increased by 8 thousand shares due to a repurchase of fractional shares.

2. Subscription rights to shares and own subscription rights to shares

Category	Breakdown of subscription rights to shares	Class of shares to be issued upon exercise of subscription rights to shares	Number of shares to be issued upon exercise of subscription rights to shares (Thousands of shares)				Balance as of March 31, 2015 (Millions of yen)
			As of April 1, 2014	Increase during the fiscal year	Decrease during the fiscal year	As of March 31, 2015	
The filing company (Parent Company)	Subscription rights to shares as stock option	—	—	—	—	—	39
Total		—	—	—	—	—	39

3. Cash dividends

(1) Cash dividends paid

Resolution	Class of shares	Cash dividends (Millions of yen)	Cash dividends per share (Yen)	Record date	Effective date
June 26, 2014 Ordinary General Meeting of Shareholders	Common stock	328	4	March 31, 2014	June 27, 2014
November 7, 2014 Board of Directors	Common stock	328	4	September 30, 2014	December 1, 2014

(2) Cash dividends with record dates falling in the fiscal year ended March 31, 2015 and effective dates coming after the end of the fiscal year

Resolution	Class of shares	Cash dividends (Millions of yen)	Resource of dividends	Cash dividends per share (Yen)	Record date	Effective date
June 25, 2015 Ordinary General Meeting of Shareholders	Common stock	164	Retained earnings	2	March 31, 2015	June 26, 2015

Fiscal year ended March 31, 2016 (April 1, 2015 to March 31, 2016)

1. Type and number of shares issued and treasury shares (Thousands of shares)

	Number of shares at beginning of the current fiscal year	Number of shares increased in the current fiscal year	Number of shares decreased in the current fiscal year	Number of shares at end of the current fiscal year
Shares issued				
Common stock	83,444	—	—	83,444
Total	83,444	—	—	83,444
Treasury shares				
Common stock ^{*1}	1,293	8	—	1,302
Total	1,293	8	—	1,302

Note: *1. The number of common stocks of treasury shares increased by 8 thousand shares due to a repurchase of fractional shares.

2. Subscription rights to shares and own subscription rights to shares

Category	Breakdown of subscription rights to shares	Class of shares to be issued upon exercise of subscription rights to shares	Number of shares to be issued upon exercise of subscription rights to shares (Thousands of shares)				Balance as of March 31, 2016 (Millions of yen)
			As of April 1, 2015	Increase during the fiscal year	Decrease during the fiscal year	As of March 31, 2016	
The filing company (Parent Company)	Subscription rights to shares as stock option	—	—	—	—	—	37
Total		—	—	—	—	—	37

3. Cash dividends

(1) Cash dividends paid

Resolution	Class of shares	Cash dividends (Millions of yen)	Cash dividends per share (Yen)	Record date	Effective date
June 25, 2015 Ordinary General Meeting of Shareholders	Common stock	164	2	March 31, 2015	June 26, 2015
November 6, 2015 Board of Directors	Common stock	246	3	September 30, 2015	December 1, 2015

(2) Cash dividends with record dates falling in the fiscal year ended March 31, 2016 and effective dates coming after the end of the fiscal year

Resolution	Class of shares	Cash dividends (Millions of yen)	Resource of dividends	Cash dividends per share (Yen)	Record date	Effective date
June 28, 2016 Ordinary General Meeting of Shareholders	Common stock	246	Retained earnings	3	March 31, 2016	June 29, 20156

(Notes to consolidated statement of cash flows)

*1 The relationship between cash and cash equivalents at the fiscal year-end and the figures stated on the consolidated balance sheets:

	FY2014 (April 1, 2014–March 31, 2015)	FY2015 (April 1, 2015–March 31, 2016)
Cash and deposits:	¥7,450 million	¥6,363 million
Securities:	¥492 million	¥622 million
Time deposits with a maturity of 3 months or more at date of purchase:	¥(137) million	¥(225) million
Cash and cash equivalents:	¥7,805 million	¥6,760 million

(Segment information)

1. General information of reportable segments

The reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed at management meetings comprising directors and officers, whereby decisions are made regarding the allocation of resources to the segments and assessments are made concerning the segments' performance.

The Group's business involves the manufacture and sales of heat exchangers for the automobile and other industries. We have corporations overseas, in the United States, Europe (the Czech Republic and Russia), Asia (Thailand, Indonesia and Vietnam) and China. Each of these overseas corporations is an independent business unit whose operations involve the manufacture of products that are marketed in each respective area.

Therefore, our Group consists of the Company and these overseas corporations which are based on a manufacturing and sales structure. As such, "Japan," "the United States," "Europe," "Asia" and "China" are our five reportable segments.

In each reportable segment, heat exchangers for automobiles, construction, industrial machinery and air conditioners are manufactured and sold.

2. Calculation method for net sales, profit (loss), assets and other items by reportable segment

The accounting method for the Group's reportable segments is generally the same as described in "Basis for preparation of consolidated financial statements."

Net sales for reportable segments are for each production region.

Segment income is based on operating income.

Intersegment income and transfer amount are calculated based on arm's length price.

3. Net sales, profit (loss), assets and other items by reportable segments

Fiscal year ended March 31, 2015(from April 1, 2014 to March 31, 2015)

(Millions of yen)

	Reportable segment						Other	Total
	Japan	United States	Europe	Asia	China	Total		
Net Sales:								
Sales to outside customers	54,688	20,688	3,375	14,357	9,301	102,411	1,031	103,442
Intersegment sales or transfers	5,760	226	4	132	438	6,563	2,952	9,515
Total	60,448	20,915	3,380	14,490	9,739	108,974	3,983	112,958
Segment income (loss)	(775)	900	(244)	1,628	1,532	3,041	235	3,276
Segment assets	57,980	13,293	3,296	9,051	8,665	92,287	2,302	94,590
Other items								
Depreciation	2,810	679	218	886	351	4,946	62	5,008
Investment amount in equity-method affiliate	747	—	—	—	—	747	—	747
Increase of tangible fixed assets and intangible assets	3,927	2,138	673	1,724	729	9,194	55	9,249

Note: "Other" comprises business operations that are not categorized as reportable segments and includes the business activities of domestic subsidiaries, such as the transportation business.

Fiscal year ended March 31, 2016(from April 1, 2015 to March 31, 2016)

(Millions of yen)

	Reportable segment						Other	Total
	Japan	Unites States	Europe	Asia	China	Total		
Net Sales:								
Sales to outside customers	51,979	23,127	3,078	13,363	8,546	100,095	2,036	102,132
Intersegment sales or transfers	6,579	267	49	341	837	8,075	2,983	11,059
Total	58,558	23,395	3,127	13,704	9,384	108,171	5,020	113,191
Segment income (loss)	(39)	(965)	(311)	1,029	1,288	1,002	288	1,290
Segment assets	55,037	14,630	3,007	9,068	8,458	90,202	2,171	92,373
Other items								
Depreciation	3,139	808	244	1,004	362	5,557	87	5,645
Investment amount in equity-method affiliate	747	—	—	—	—	747	—	747
Increase of tangible fixed assets and intangible assets	3,627	2,573	402	1,527	254	8,385	101	8,486

Note: "Other" comprises business operations that are not categorized as reportable segments and includes the business activities of domestic subsidiaries, such as the transportation business.

3. Difference amount between the total amount of reported segments and the posted amounts in the consolidated financial statements and the main contents of the difference amount (the adjustment of difference)

(Millions of yen)

Net sales	FY2014	FY2015
Total of reported segments	108,974	108,171
Net sales of the classification "Others"	3,983	5,020
Elimination of trades among segments	(9,515)	(11,059)
Net sales in the consolidated financial statements	103,442	102,132

(Millions of yen)

Profit	FY2014	FY2015
Total of reported segments	3,041	1,002
Profit of the classification "Others"	235	288
Elimination of trades among segments	23	(43)
Operating income in the consolidated financial statements	3,300	1,247

(Millions of yen)

Assets	FY2014	FY2015
Total of reported segments	92,287	90,202
Assets of the classification "Others"	2,302	2,171
Elimination of trades among segments	(12,181)	(13,608)
Total assets in the consolidated financial statements	82,408	78,764

(Millions of yen)

Other items	Total of reported segments		Other		Adjustments		Posted amounts in the consolidated financial statements	
	FY2014	FY2015	FY2014	FY2015	FY2014	FY2015	FY2014	FY2015
Depreciation	4,946	5,557	62	87	(37)	(61)	4,971	5,583
Investment amount in equity-method affiliate	747	747	—	—	2,544	2,412	3,292	3,160
Increase of tangible fixed assets and intangible assets	9,194	8,385	55	101	(220)	(124)	9,029	8,362

Note: Adjustments are as follows.

1. The adjustment of depreciation cost derives from the elimination of unrealized losses and gains related to non-current assets.
2. The adjustment of investment amount to the entities accounted for using equity method derives from investment profit on equity method.
3. The adjustment of increased amounts of tangible fixed assets and intangible assets are as follows.
Elimination of unrealized losses and gains related to non-current assets: (116) million yen
Other consolidated adjustment among segments: (7) million yen

(Supplementary information)
Sales states (consolidated)

(Millions of yen)

	FY2014 (April 1, 2014 to March 31, 2015)		FY2015 (April 1, 2015 to March 31, 2016)		Increase/Decrease	
	Amount	%	Amount	%	Amount	%
For Automobile	66,370	64.2	67,854	66.4	1,484	2.2
For construction & industrial machine	24,477	23.6	21,714	21.3	-2,762	-11.3
For Air conditioner	8,745	8.5	7,793	7.6	-952	-10.9
Other	3,849	3.7	4,769	4.7	920	23.9
Total	103,442	100.0	102,132	100.0	-1,310	-1.3

Notes: Amounts less than one million yen have been truncated.

(Per share information)

	FY2014 (April 1, 2014–March 31, 2015)	FY2015 (April 1, 2015–March 31, 2016)
Net assets per share:	¥531.56	¥497.69
Net income per share:	¥5.89	¥9.07
Diluted net income per share:	—	—

(Note) 1. Diluted net income per share is not listed for the consolidated fiscal year under review, as there are no potential shares that have dilutive effects on per-share net income.

2. Basis for calculation of net income per share and diluted net income per share

	FY2014 (April 1, 2014–March 31, 2015)	FY2015 (April 1, 2015–March 31, 2016)
Net income per share		
Profit attributable to owners of parent (Millions of yen)	484	745
Net income that is not attributable to shares of common stock (Millions of yen)	—	—
Net income attributable to shares of common stock (Millions of yen)	484	745
Average number of shares of common stock during the period (Thousands)	82,153	82,145
Outline of the residual securities that had not had dilutive effects and therefore had not been included in the calculation of diluted net income per share for the period	Stock option (subscription rights to shares) by resolution of the Ordinary General Meeting of Shareholders held on June 28, 2011: 357	Stock option (subscription rights to shares) by resolution of the Ordinary General Meeting of Shareholders held on June 28, 2011: 336

(Significant subsequent events)

Not applicable

(Omitted disclosure)

Disclosure of the statement of comprehensive income, lease transactions, information on related parties, financial products, securities, derivative transactions, retirement benefits, stock options, tax-effect accounting, asset retirement obligations, and notes related to the rental property are omitted because disclosure of such information is deemed to be insignificant.

6. Non-Consolidated Financial Statements

(1) Non-consolidated balance sheets

(Millions of yen)

	FY2014	FY2015
	As of March 31, 2015	As of March 31, 2016
	Amount	Amount
(Assets)		
Current assets		
Cash and deposits	2,923	2,936
Notes receivable-trade	846	702
Electronically recorded monetary claims-operating	1,422	1,735
Accounts receivable-trade	13,478	12,829
Short-term investment securities	399	599
Merchandise and finished goods	974	917
Work in process	874	1,046
Raw materials and supplies	639	565
Prepaid expenses	78	100
Deferred tax assets	515	481
Short-term loans receivable from subsidiaries and affiliates	590	588
Accounts receivable-other	1,933	1,822
Other current assets	16	3
Total current assets	24,693	24,329
Noncurrent assets		
Tangible Fixed Assets		
Buildings	10,808	11,049
Accumulated depreciation	(8,145)	(8,394)
Buildings, net	2,662	2,655
Structures	1,395	1,423
Accumulated depreciation	(1,057)	(1,104)
Structures, net	338	318
Machinery and equipment	20,427	21,079
Accumulated depreciation	(16,093)	(16,368)
Machinery and equipment, net	4,334	4,710
Vehicles	119	119
Accumulated depreciation	(98)	(105)
Vehicles, net	21	14
Tools, furniture and fixtures	20,635	21,643
Accumulated depreciation	(19,563)	(20,661)
Tools, furniture and fixtures, net	1,071	982
Land	1,207	1,207
Lease assets	707	629
Accumulated depreciation	(493)	(505)
Lease assets, net	214	124
Construction in progress	1,138	1,422
Other, net	2	2
Total Tangible Fixed Assets	10,991	11,438

(Millions of yen)

	FY2014	FY2015
	As of March 31, 2015	As of March 31, 2016
	Amount	Amount
Intangible assets		
Software	585	399
Other intangible assets	31	85
Total intangible assets	617	484
Investments and other assets		
Investment securities	8,336	6,375
Stocks of subsidiaries and affiliates	4,865	4,865
Investments in capital of subsidiaries and affiliates	5,296	4,989
Long-term loans receivable from employees	0	0
Long-term prepaid expenses	106	84
Insurance funds	152	130
Others	251	244
Allowance for doubtful accounts	(33)	(28)
Allowance for investment loss	—	(201)
Total investments and other assets	18,974	16,460
Total noncurrent assets	30,583	28,383
Total assets	55,276	52,713

(Millions of yen)

	FY2014	FY2015
	As of March 31, 2015	As of March 31, 2016
	Amount	Amount
(Liabilities)		
Current liabilities		
Notes payable-trade	456	345
Accounts payable-trade	9,386	8,569
Short-term loans payable	2,650	4,550
Lease obligations	485	593
Accounts payable-other	789	1,211
Income taxes payable	60	74
Accrued consumption taxes	175	120
Accrued expenses	1,272	1,181
Advances received	0	27
Deposits received	60	61
Provision for bonuses	1,257	1,178
Provision for directors' bonuses	55	22
Provision for product warranties	59	59
Provision for shareholders benefit program	—	40
Notes payable-facilities	125	163
Others	1,203	—
Total current liabilities	18,038	18,198
Noncurrent liabilities		
Long-term loans payable	5,080	4,135
Lease obligations	977	863
Deferred tax liabilities	1,188	492
Provision for retirement benefits	430	479
Asset retirement obligations	63	63
Others	41	27
Total noncurrent liabilities	7,781	6,062
Total liabilities	25,820	24,260

(Millions of yen)

	FY2014	FY2015
	As of March 31, 2015	As of March 31, 2016
	Amount	Amount
(Net assets)		
Shareholders' equity		
Capital stock	8,545	8,545
Capital surplus		
Legal capital surplus	7,306	7,306
Other capital surplus	167	167
Total capital surplus	7,473	7,473
Retained earnings		
Legal retained earnings	1,097	1,097
Other retained earnings		
Reserve for dividends	500	500
Reserve for special account for advanced depreciation of noncurrent assets	112	110
Reserve for special depreciation	0	0
General reserve	8,130	8,130
Retained earnings brought forward	1,795	2,267
Total retained earnings	11,636	12,106
Treasury stock	(403)	(405)
Total shareholders' equity	27,251	27,719
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,165	695
Total valuation and translation adjustments	2,165	695
Subscription rights to shares	39	37
Total net assets	29,456	28,452
Total liabilities and net assets	55,276	52,713

(2) Non-consolidated statements of income

(Millions of yen)

	FY2014	FY2015
	(Apr. 1, 2014–Mar. 31, 2015)	(Apr. 1, 2015–Mar. 31, 2016)
	Amount	Amount
Net sales	60,448	58,558
Cost of sales		
Beginning finished goods	1,055	861
Cost of products manufactured	51,576	49,127
Purchase of finished goods	1,235	1,352
Transfer from other account	1,892	2,231
Total	55,760	53,573
Finished goods transfer to other account	284	417
Ending finished goods	861	795
Cost of finished goods sold	54,614	52,359
Gross profit	5,834	6,199
Selling, general and administrative expenses		
Packing and delivery expenses	2,138	2,093
Advertising expenses	18	16
Provision for product warranties	59	34
Directors' compensations	166	167
Salaries and allowances	1,070	1,141
Provision for bonuses	236	218
Provision for directors' bonuses	55	22
Provision for retirement benefits	98	77
Welfare expenses	382	398
Depreciation	181	170
Repair expenses	81	63
Taxes and dues	55	47
Rent expenses	166	181
Transportation and communication expenses	370	336
Research and development expenses	1,129	865
Insurance expenses	23	25
Stationery expenses	17	24
Entertainment expenses	61	47
Provision for shareholders benefit program	—	40
Commission Fee	199	207
Miscellaneous expenses	105	62
Total selling, general and administrative expense	6,617	6,243
Operating income (loss)	(783)	(44)
Non-operating income		
Interest income	3	10
Interest on securities	1	1
Dividends income	2,660	2,051
Purchase discounts	1	0
Foreign exchange gains	63	—
Others	97	100
Total non-operating income	2,826	2,163

(Millions of yen)

	FY2014	FY2015
	(Apr. 1, 2014–Mar. 31, 2015)	(Apr. 1, 2015–Mar. 31, 2016)
	Amount	Amount
Non-operating expenses		
Interest expenses	53	60
Foreign exchange losses	—	119
Loss on investments in partnership	1	17
Others	5	9
Total non-operating expenses	60	205
Ordinary income	1,983	1,912
Extraordinary income		
Gain on sales of noncurrent assets	11	9
Gain on sales of investment securities	308	—
Gain on reversal of subscription rights to shares	0	1
Total extraordinary income	320	11
Extraordinary Loss		
Loss on retirement of noncurrent assets	157	82
Provision of allowance for investment loss	—	201
Loss on valuation of investments in capital of subsidiaries and affiliates	618	312
Impairment loss	5	—
Loss on sales of golf club memberships	1	—
Surcharges	1,487	139
Total extraordinary loss	2,270	734
Income before income taxes	33	1,189
Income taxes-current	341	251
Income taxes-deferred	49	57
Total income taxes	390	309
Net income(loss)	(356)	880

(3) Non-consolidated statements of net assets

Fiscal year ended March 31, 2015 (April 1, 2014 to March 31, 2015)

(Millions of yen)

	Shareholders' Equity										
	Capital stock	Capital Surplus			Legal retained earnings	Retained Earnings					Total retained earnings
		Legal capital surplus	Other capital surplus	Total capital surplus		Other retained earnings					
					Reserve for dividends	Reserve for advanced depreciation of non-current assets	Reserve for special depreciation	General reserve	Retained earnings brought forward		
As of April 1, 2014	8,545	7,306	167	7,473	1,097	500	112	1	8,130	3,320	13,161
Cumulative effects of changes in accounting policies										(510)	(510)
Restated balance	8,545	7,306	167	7,473	1,097	500	112	1	8,130	2,809	12,650
Changes of items during the period											
Provision of reserve for special depreciation								0		(0)	—
Reversal of reserve for special depreciation								(0)		0	—
Provision of reserve for advanced depreciation of non-current assets							5			(5)	—
Reversal of reserve for advanced depreciation of non-current assets							(5)			5	—
Dividends from surplus										(657)	(657)
Net loss										(356)	(356)
Purchase of treasury stock											
Net changes of items other than shareholders' equity											
Total changes of items during the period	—	—	—	—	—	—	0	(0)	—	(1,014)	(1,014)
As of March 31, 2015	8,545	7,306	167	7,473	1,097	500	112	0	8,130	1,795	11,636

(Millions of yen)

	Shareholders' Equity		Valuation and translation adjustments		Subscription rights to share	Total net assets
	Treasury stock	Total Shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
As of April 1, 2014	(401)	28,779	1,069	1,069	40	29,889
Cumulative effects of changes in accounting policies		(510)				(510)
Restated balance	(401)	28,268	1,069	1,069	40	29,378
Changes of items during the period						
Provision of reserve for special depreciation		—				—
Reversal of reserve for special depreciation		—				—
Provision of reserve for advanced depreciation of non-current assets		—				—
Reversal of reserve for advanced depreciation of non-current assets		—				—
Dividends from surplus		(657)				(657)
Net loss		(356)				(356)
Purchase of treasury stock	(2)	(2)				(2)
Net changes of items other than shareholders' equity			1,095	1,095	(0)	1,095
Total changes of items during the period	(2)	(1,016)	1,095	1,095	(0)	78
As of March 31, 2015	(403)	27,251	2,165	2,165	39	29,456

Fiscal year ended March 31, 2016 (April 1, 2015 to March 31, 2016)

(Millions of yen)

	Shareholders' Equity										
	Capital stock	Capital Surplus			Legal retained earnings	Retained Earnings					Total retained earnings
		Legal capital surplus	Other capital surplus	Total capital surplus		Other retained earnings					
					Reserve for dividends	Reserve for advanced depreciation of non-current assets	Reserve for special depreciation	General reserve	Retained earnings brought forward		
As of April 1, 2015	8,545	7,306	167	7,473	1,097	500	112	0	8,130	1,795	11,636
Cumulative effects of changes in accounting policies											
Restated balance	8,545	7,306	167	7,473	1,097	500	112	0	8,130	1,795	11,636
Changes of items during the period											
Provision of reserve for special depreciation								0		(0)	—
Reversal of reserve for special depreciation								(0)		0	—
Provision of reserve for advanced depreciation of non-current assets							2			(2)	—
Reversal of reserve for advanced depreciation of non-current assets							(4)			4	—
Dividends from surplus										(410)	(410)
Net loss										880	880
Purchase of treasury stock											
Net changes of items other than shareholders' equity											
Total changes of items during the period	—	—	—	—	—	—	(1)	(0)	—	471	469
As of March 31, 2016	8,545	7,306	167	7,473	1,097	500	110	0	8,130	2,267	12,106

(Millions of yen)

	Shareholders' Equity		Valuation and translation adjustments		Subscription rights to share	Total net assets
	Treasury stock	Total Shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
As of April 1, 2015	(403)	27,251	2,165	2,165	39	29,456
Cumulative effects of changes in accounting policies						
Restated balance	(403)	27,251	2,165	2,165	39	29,456
Changes of items during the period						
Provision of reserve for special depreciation		—				—
Reversal of reserve for special depreciation		—				—
Provision of reserve for advanced depreciation of non-current assets		—				—
Reversal of reserve for advanced depreciation of non-current assets		—				—
Dividends from surplus		(410)				(410)
Net loss		880				880
Purchase of treasury stock	(1)	(1)				(1)
Net changes of items other than shareholders' equity			(1,469)	(1,469)	(1)	(1,471)
Total changes of items during the period	(1)	467	(1,469)	(1,469)	(1)	(1,003)
As of March 31, 2016	(405)	27,719	695	695	37	28,452

(4) Notes concerning consolidated financial statement
(Going concern assumptions)
Not applicable