TAKATA

Takata Corporation

Consolidated results for the fiscal year ended March 31, 2017

This document is a partial translation of Japanese financial statements (kessan tanshin) that has been prepared as a guide for non-Japanese investors. It contains forward-looking statements based on a number of assumptions and beliefs made by management in light of information currently available. Actual financial results may differ materially depending on a number of factors, including changing economic conditions, legislative and regulatory developments, delay in new product launches, and pricing and product initiatives of competitors.

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SUMMARY OF FINANCIAL STATEMENTS (Consolidated)

Results for the fiscal year ended March 31, 2017

Takata Corporation May 10, 2017

Stock Code:	7312	Listed exchanges:	Tokyo 1st Section
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Scheduled date of general shareholders' meeting:	June 27, 2017
Scheduled date of payment of dividend:	--
Scheduled date of filing of *Yuka shoken hokokusho* (financial report):	June 28, 2017
Scheduled date of payment of dividends:	—
Availability of supplementary explanatory material for full-year results:	Available
Presentation meeting for full-year results:	Scheduled

1. Consolidated financial results for the fiscal year ended March 31, 2017

1) Consolidated operating results

Millions of yen, rounded down

Percentage figures for sales, operating income, etc. represent changes compared to the previous fiscal year

	Fiscal year ended March 31, 2017		Fiscal year ended March 31, 2016	
		(% change)		(% change)
Sales	662,533	(7.7)	718,003	11.7
Operating income	38,958	(7.5)	42,133	27.8
Ordinary income	42,999	22.1	35,206	(13.4)
Net income attributable to owners of parent	79,588	—	(13,075)	—
Earnings per share (¥)	(957.04)		(157.24)	
Fully diluted earnings per share (¥)	—		—	
Return on equity (%)	(104.7)		(9.7)	
Ratio of ordinary income to total assets (%)	9.8		7.7	
Ratio of operating income to sales (%)	5.9		5.9	

Notes: 1. Comprehensive income: FY ended March 2017: (¥90,484million), —%; FY ended March 2016: (¥25,498 million), —%

2. Equity in earnings of affiliates: FY ended March 2017: ¥ — million; FY ended March 2016: ¥ — million

2) Consolidated financial position

	As of March 31, 2017	As of March 31, 2016
Total assets (*Millions of yen, rounded down*)	430,954	443,036
Net assets (*Millions of yen, rounded down*)	33,142	124,586
Shareholders' equity ratio (%)	7.0	27.5
Net assets per share (¥)	363.74	1,464.67

Note: Shareholders' equity at end of period: FY ended March 2017: ¥30,249 million; FY ended March 2016: ¥121,803 million

3) Consolidated cash flows

Millions of yen, rounded down

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2016
Operating activity cash flows	8,954	8,576
Investing activity cash flows	11,844	(22,643)
Financing activity cash flows	(85)	(378)
Cash and cash equivalents at end of period	77,083	57,613

2. Dividends

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ending March 31, 2018 (forecast)
Interim dividend per share (¥)	0.00	0.00	—
Year-end dividend per share (¥)	0.00	0.00	—
Annual dividend per share (¥)	0.00	0.00	—
Total dividend payment *(millions of yen)*	0.00	0.00	
Consolidated dividend payout ratio (%)	—	—	—
Dividend to net assets ratio (%)	—	—	

Note: The dividend forecast for the fiscal year ending March 31, 2018, has not been determined at the time of this report.

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3. Forecasts for the fiscal year ending March 31, 2018 (April 1, 2017 to March 31, 2018)

Millions of yen, rounded down

	Interim period ending September 30, 2017		FY ending March 31, 2018	
		(% change)		(% change)
Sales	320,000	(2.8)	620,000	(6.4)
Operating income	12,000	(45.2)	21,500	(44.8)
Ordinary income	11,700	(28.9)	21,000	(51.2)
Net Income	5,000	(72.6)	9,000	—
Earnings per share (¥)	60.12		108.22	

4. Other

1) Transfer of important subsidiaries during the period under review (Note: Indicates transfers of subsidiaries resulting in changes in the scope of consolidation): None

2) Changes in accounting methods or disclosure since previous fiscal year

1. Changes in accounting method: None
2. Other changes: None
3. Changes in accounting estimates: None
4. Retrospective restatements: None

3) Number of shares outstanding (ordinary shares)

	Year ended March 31, 2017	Year ended March 31, 2016
Shares outstanding at end of fiscal year (including treasury shares)	83,161,700	83,161,700
Treasury shares held at end of fiscal year	398	398
Average shares outstanding during fiscal year	83,161,302	83,161,302

Reference: Outline of Non-consolidated financial results

1. Non-consolidated operating results for the fiscal year ended March 31, 2017

1) Non-consolidated operating results

Millions of yen, rounded down

Percentage figures for sales, operating income, etc. represent changes compared to the previous fiscal year

	Fiscal year ended March 31, 2017		Fiscal year ended March 31, 2016	
		(% change)		(% change)
Sales	137,516	8.1	127,182	8.1
Operating income	4,434	13.4	3,911	(44.6)
Ordinary income	7,112	56.4	4,546	(52.7)
Net income (loss)	(99,428)	—	4,525	57.9
Earnings per share (¥)	(1,195.61)		54.42	
Fully diluted earnings per share (¥)	—		—	

2) Non-consolidated financial position	As of March 31, 2017	As of March 31, 2016
Total assets (*Millions of yen, rounded down*)	183,700	243,249
Net assets (*Millions of yen, rounded down*)	1,067	104,207
Shareholders' equity ratio (%)	0.6	42.8
Net assets per share (¥)	12.83	1,253.80

Note: Shareholders' equity: FY ended March 2017: ¥1,067million; FY ended March 2016: ¥104,207 million

Note: Status of implementation of audit procedures

This kessan tanshin document is outside the scope of audit procedures stipulated under the Financial Instruments and Exchange Act. At the time of its disclosure, audit procedures with respect to the Financial Instruments and Exchange Act were in the process of being implemented.

IMPORTANT NOTICE REGARDING FORECASTS

Forecasts in this document are based on assumptions made and beliefs held by management in light of information currently available. Actual financial results may differ materially depending on a number of factors, including changing economic conditions, legislative and regulatory developments, delay in new product launches, and pricing and product initiatives of competitors.

I. Operating results

1. Operating results

Looking at global economies during the fiscal year under review, the U.S. economy saw a recovery trend in the second half of the fiscal year driven by positive expectations toward the new presidential administration. In Europe, economies retained a moderate recovery, despite temporary instability in financial markets due to Britain's decision to leave the EU. In Asia, despite instability in China, there were signs of economic recovery, as well as steady economic growth in South East Asia and India, reflecting strong domestic demand. The Japanese economy, while somewhat lacking in strength, continued to show a mild improvement.

In the auto industry, automobile production grew steadily in the United States despite sales having appeared to have levelled off, while automobile production and sales both remained positive in European countries. In China, automobile production and sales grew steadily, reflecting the continued effects of a reduction in tax on small vehicles. In Japan, despite poor sales of light vehicles, there was a recovery in sales numbers of standard-sized vehicles in the second half of the fiscal year, leading to the first increase in production in three years. In certain emerging markets such as Russia, Brazil, and Thailand, automobile sales decreased slightly.

Operating in this environment, the Takata Group continued efforts to become the world's No. 1 manufacturer of automotive safety systems by developing a structure that can respond rapidly to customer needs on a global basis. With particular regard to the large-scale quality issues that the Company currently faces, the Takata Quality Drive Division carried out activities to increase quality awareness across the entire organization, based on the following framework. (1) Reforming quality awareness from the top down, (2) product design combining robustness and productivity (3) global expansion, and (4) short- and medium-term measures to improve business processes. At the same time, the division worked to reform quality in every business process, including development, design, commercial production, procurement and delivery. In production, Takata began began full-scale operations at its plant in Hungary (Takata Safety Systems Hungary Kft.). The Company expanded its activities for the Takata Production System, an ongoing production reform project, from Japan to a global level, and activities are now underway at Takata facilities in Japan, the Americas, Europe, and Asia. In new products and technology, in response to the increasing focus of attention in Japan and around the world on autonomous vehicle technology by automobile manufacturers and other sensor components manufacturers in recent years, the Company has begun the development of driving support technology that is essential for such systems. In summer 2017, Takata is preparing to start mass production of a Driver Monitoring System that detects whether a driver is focused on the road ahead or falling asleep, and an advanced steering wheel package comprising Hands on Wheel sensing systems that detect whether the driver's hands are on the steering wheel when switching between automatic and manual driving, and lights embedded in the steering wheel that warn the driver when dangerous situations are detected. As technology continues to evolve towards a stage of completely autonomous driving, to support the development of a driving society in which people can enjoy safety and peace of mind, Takata will continue to pursue the development of safety technology that focuses on protecting vehicle occupants.

The Takata Group's consolidated net sales for the fiscal year under review decreased 7.7% to ¥662,533 million, largely due to the sale of subsidiaries in the U.S. and Europe and the effects of the stronger yen compared to the same period of the previous year. Operating income decreased 7.5% to ¥38,958 million, despite increased earnings in Europe, Japan, and Asia, which failed to offset the impact of a decline in earnings in the Americas. Foreign exchange gains contributed to a rise in ordinary income which increased 22.1% to ¥42,999 million. However, a net loss attributable to owners of parent of ¥79,588 million was recorded (compared to a net loss of ¥13,075 million in the previous comparable period), resulting from the recording of a special loss of ¥97,545 million mainly related to a settlement with the U.S. Department of Justice.

Results by geographical segment were as follows

(1) Japan

In Japan, although sales of light vehicles remained sluggish, sales of passenger vehicles recovered, and sales to domestic automobile manufacturers increased. Export sales to group companies also increased, resulting in an increase of 8.3% in Takata's net sales to ¥137,762 million. Operating income increased 17.9% to ¥6,126 million, as an increase in recall-related expenses was more than offset by the increase in revenue from higher sales and a reduction in expenses.

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(2) The Americas

In the Americas, automobile production and sales in the U.S. continued to trend positively, while conditions in Brazil began to recover in the second half of the year. However, Takata's sales decreased 15.1% to ¥290,697 million, impacted by a reduction in sales resulting from the sale of a U.S. subsidiary and the effects of the stronger yen. Operating income decreased 36.4% to ¥11,116 million, due to a decline in sales resulting from the sale of a U.S. subsidiary, combined with an increase in recall-related expenses.

(3) Europe

In Europe, Takata's net sales declined by 5.5% to ¥173,640 million, with the effects of a strong yen outweighing higher year-on-year sales on a local currency basis resulting from continued positive trends in automobile production. Operating income increased 173.7% to ¥2,136 million, largely supported by an improvement in earnings in Russia.

(4) Asia

In Asia, Takata's net sales increased by just 0.04% to ¥181,312 million, as an upward trend in year-on-year sales on a local currency basis concomitant with strong trends in automobile production, mainly in China and India, were almost completely offset by the effects of the strong yen. Operating income increased 1.8% to ¥19,662 million, as an increase in earnings in ASEAN countries, South Korea and India outweighed a decline in earnings in China.

Outlook for the fiscal year ending March 31, 2018

For the year ahead, overall global vehicle production is expected to show continued moderate expansion, as growth in China and other Asian markets and an increase in automotive production in emerging markets such as Russia and Brazil is expected.

In this environment, Takata will endeavor to responsively align production of safety products with the production plans of automaker customers, while pursuing a range of measures to improve productivity, streamline management through cost reduction, and strengthen the Company's financial position.

Takata's consolidated forecasts for the fiscal year ending March 31, 2018 are for net sales of ¥620,000 million, operating income of ¥21,500 million, ordinary income of ¥21,000 million, and net income attributable to owners of parent of ¥9,000 million. These forecasts are based on exchange rates of US$1 = ¥110 and EUR1 = ¥120.

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2. Analysis of financial position

(1) Assets, liabilities and net assets

Total assets as of March 31, 2017 were ¥430,954 million, a year-on-year decline of ¥12,081 million. The primary reason for this decline was a decrease in fixed assets, which was partially offset by an increase in cash and deposits. Total liabilities as of March 31, 2017 were ¥397,812 million, a year-on-year increase of ¥79,363, million. The primary reason for this increase was an increase in accounts payable-other. Net assets as of March 31, 2017 were ¥33,142 million as of March 31, 2017, a year-on-year decline of ¥91,444 million. The primarily reason for this decline was the recording of a net loss attributable to owners of parent.

(2) Cash flows

Cash and cash equivalents ("cash") as of March 31, 2017 were ¥77,083 million, a decrease of ¥19,470 million from the end of the previous fiscal year.

A summary of cash flows in the fiscal year under review is as follows.

Cash flows from operating activities

Net cash provided by operating activities was ¥8,954 million compared with net cash of ¥8,576 million provided in the previous fiscal year. The main factors reducing cash flow included the recording of a net loss before income taxes for the period, the recording a gain on the sale of shares of subsidiaries, the recording of a gain on transfer of business, and an increase in accounts receivable. The main factors increasing cash flow included the recording of depreciation expenses and a loss related to the U.S. Department of Justice settlement.

Cash flows from investing activities

Net cash provided by investing activities was ¥11,844 million compared with ¥22,643 million used in the previous year. The main factors included outgoings for capital expenditure which were offset by inflows from a gain on the sale of shares in subsidiaries resulting from a change in the scope of consolidation, a gain on transfer of business, and the sale of investment securities.

Cash flows from financing activities

Net cash used in financing activities was ¥85 million compared with ¥378 million used in the previous year. The main factors included outgoings for the repayment of long-term borrowings, which were partially offset by income from an increase in short-term borrowings.

Trends in cash flow-related indices

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Shareholders' equity ratio (%)	31.0	27.5	7.0
Shareholders' equity ratio at market price (%)	23.0	8.2	9.3
Interest-bearing debt to cash flow ratio (years)	22.5	9.8	9.4
Interest coverage ratio (times)	3.8	8.1	11.5

Notes:

1. All indices are calculated from consolidated financial data.
2. Shareholders' equity ratio = (Term-end total net assets – minority interests)/term-end total assets
3. Shareholders' equity ratio at market price = market capitalization/total assets
4. Interest-bearing debt to cash flow ratio = Interest-bearing debt/operating cash flow (operating cash flow is the cash flow from operating activities as recorded in the consolidated statements of cash flows)
5. Interest coverage ratio = Operating cash flow/interest paid

(Cash flow is the operating cash flow amount recorded in the consolidated statements of cash flows)

(Interest paid is the amount recorded in the consolidated statements of cash flows)

3. Material events, etc. regarding assumption of going concern

For the fiscal year ended March 31, 2017, the Takata Group recorded a net loss attributable to owners of parent for the third consecutive year, due to factors including the recording of a large special loss relating to a settlement agreement with the U.S. Department of Justice on January 13, 2017 (U.S. time). Also, as a result of the recording of accounts payable-other in relation to a settlement agreement with the U.S. Department of Justice, as of the end of the fiscal year under review, the Group's current liabilities exceed its current assets. Although cash flow returned to positive as a result of the sale of a U.S. subsidiary and a European subsidiary, the Group continued to face events or circumstances that could give rise to significant doubt about its ability to continue as a going concern, including continuing to refinance long-term borrowings that have reached their repayment date to a term of repayment of less than one month, the future payment of accounts payable-other of US$850 million, which is the remaining amount to be paid in a US$1,000 million settlement agreement with the U.S. Department of Justice following the completed payment of US$150 million , and a possibility that the Group may be liable to bear significant costs in relation to (1) Market recalls, and (2) Lawsuits, etc. arising from airbag defects as stated in the Contingent Liability section in Items related to the consolidated balance sheet.

Net sales and operating income are continuing to trend favorably, and the Group is implementing measures as outlined below to address events and circumstances that may give rise to doubts about the assumption that the Group has the ability to continue as a going concern. However, although the payment of accounts payable-other of US$850 million remaining in relation to the settlement agreement with the U.S. Department of Justice and the payment of potential significant costs in relation to market recalls and lawsuits arising from airbag defects will depend largely on the Group's restructuring plan, including the selection of a new sponsor, the Group is currently working to select a new sponsor, and is still in the midst of negotiations with stakeholders, including automakers and financial institutions, regarding the formulation of a restructuring plan, and therefore at this point in time there is considered to be significant doubt about the assumption that the Group has the ability to continue as a going concern.

1. Cooperation with authorities; activities to support continued transactions with automakers and financial institutions; establishment of the steering committee.
   The Group is making every effort to address product quality issues connected with the market recall of vehicles containing airbags manufactured by the Group, working to promote end-user safety and public confidence through collaborative testing and analysis with automakers, cooperating fully with market recalls and requests from authorities such as reaching agreement with the U.S. National Highway Traffic Safety Administration (NHTSA) on a Consent Order on November 3, 2015 (U.S. time) and an amended to the Consent Order on May 4, 2016 (U.S. time) . While working to resolve product quality issues, the Group is reforming its product development process, quality systems and service provisions to meet the needs of customers and contribute to the development of a safe and plentiful society. The Group views the pursuit of safety as its societal mission, and is in ongoing dialogue with automakers with respect to maintaining a stable supply of products manufactured by the Group underpinned by the business foundation necessary to achieve such goal. The Group is also in constant dialogue with financial institution partners to secure necessary funding resources and has gained their understanding with regard to maintaining the Group's financing. Moreover, the Group is working to ensure a transparent process for all stakeholders through the establishment in February 2016 of a steering committee, comprised of external experts, tasked with developing a group restructuring plan, including the Group's governance, capital and financial policies and procurement policies. Additionally, as part of the development of the group restructuring plan, and with the aim of addressing the airbag market recall issue, the steering committee has been commissioned to seek new investors (sponsors), is now holding discussions with OEMs regarding these sponsor proposals.

2. Capital expenditure and cost reduction
   The Group will work to improve cash flow through measures such as reducing capital expenditure to align with sales plans and controlling costs through shifting manufacturing and other functions to low cost countries.

3. Sale of marketable securities
   Marketable securities have been sold to improve cash flow.

4. Consideration of sale of non-core assets
   The Group has been considering the sale of assets that are not core to the Company's main business of manufacturing and selling automotive safety products, and on September 28, 2016 (U.S. time) sold part of the business of its U.S. subsidiary. Also, on February 22, 2017 (U.S. time) the Company sold two

companies in its U.S. subsidiary and part of the business of a European subsidiary. The Group will continue to consider sales of other businesses that are not core to its main business.

5. Review of inflator business
   The Group is comprehensively reviewing its inflator operations with the aim of ensuring the continuation and growth of the airbag business.

II. Basic approach to selection of accounting standards

To enable appropriate comparisons between financial periods and between companies, the financial statements of Takata Corporation and its consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan (JGAAP). The Company will continue to review domestic and international circumstances with respect to the potential adoption of international financial reporting standards (IFRS).

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III. Consolidated Financial Statements

1. Consolidated balance sheets

Millions of yen, rounded down

	As of March 31, 2017	As of March 31, 2016
ASSETS		
Current assets		
Cash	74,767	53,712
Notes & accounts receivable	122,215	115,732
Marketable securities	3,290	4,836
Inventories	80,240	81,413
Deferred income taxes	9,791	16,489
Other	32,061	32,191
Allowance for doubtful accounts	(3,378)	(3,617)
Total current assets	318,986	300,759
Fixed assets		
Tangible assets		
Building and structures	85,966	87,942
Accumulated depreciation	(54,984)	(54,053)
Building and structures (net)	30,982	33,889
Machinery and equipment	167,100	162,773
Accumulated depreciation	(136,159)	(123,591)
Machinery and equipment (net)	30,941	39,181
Land	11,678	12,809
Construction in progress	8,874	16,462
Other	62,091	60,722
Accumulated depreciation	(51,561)	(49,943)
Other (net)	10,530	10,778
Total tangible assets	93,007	113,120
Intangible assets		
Goodwill	247	803
Other	1,762	2,868
Total intangible assets	2,010	3,671
Investments and other assets		
Investment securities	5,069	12,390
Deferred income taxes	6,029	6,445
Net defined benefit asset	—	77
Other	5,869	6,588
Allowance for doubtful accounts	(18)	(18)
Total investments and other assets	16,950	25,484
Total fixed assets	111,968	142,277
Total assets	430,954	443,036

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1. Consolidated balance sheets (cont'd)

Millions of yen, rounded down

	As of March 31, 2017	As of March 31, 2016
LIABILITIES		
Current liabilities		
Accounts payable	58,450	71,508
Short-term borrowings	32,387	20,549
Current portion of long-term borrowings	17,601	15,297
Current portion of bonds	10,000	—
Accounts payable -other	*1 145,222	39,392
Accrued expenses	20,208	21,945
Accrued income taxes	5,173	5,253
Deferred income taxes	49	157
Warranty reserve	20,990	42,755
Other	30,613	18,206
Total current liabilities	340,697	235,064
Long-term liabilities		
Bonds	20,000	30,000
Long-term borrowings	3,990	18,208
Deferred income taxes	9,930	12,832
Net defined benefit liability	14,148	14,466
Reserve for directors' retirement benefits	761	668
Other	8,283	7,209
Total long-term liabilities	57,115	83,385
Total liabilities	397,812	318,449
NET ASSETS		
Shareholders' equity		
Capital	41,862	41,862
Capital surplus	42,579	42,579
Retained earnings	(25,156)	54,432
Treasury shares	(0)	(0)
Total shareholders' equity	59,283	138,872
Accumulated other comprehensive income		
Unrealized gains on available-for-sale securities	0	3,712
Foreign currency translation adjustments	(24,630)	(16,576)
Remeasurements of defined benefit plans	(4,403)	(4,204)
Total accumulated other comprehensive income	(29,033)	(17,068)
Non-controlling interests	2,892	2,783
Total net assets	33,142	124,586
Total liabilities and net assets	430,954	443,036

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2. Consolidated statements of operations

(Consolidated statements of income)

Millions of yen, rounded down

	Year ended March 31, 2017	Year ended March 31, 2016
Net sales	662,533	718,003
Cost of sales	545,420	594,835
Gross profit	117,112	123,168
Selling, general and administrative expenses	78,154	81,035
Operating income	38,958	42,133
Non-operating income		
Interest income	608	726
Dividend income	158	412
Foreign exchange gain	4,158	—
Other	1,028	1,054
Total non-operating income	5,954	2,192
Non-operating expenses		
Interest expenses	1,050	1,077
Foreign exchange losses	—	7,162
Other	863	879
Total non-operating expenses	1,913	9,119
Ordinary income	42,999	35,206
Special gains		
Gain on sales of shares in subsidiary	16,337	—
Gain on transfer of business	2,939	—
Gain on sales of investment securities	4,800	3,930
Gain on sales of fixed assets	400	367
Total special gains	24,477	4,298
Special losses		
Loss related to U.S. Department of Justice settlement	*1 97,545	—
Recall-related loss	*2 15,631	13,559
Impairment loss	*3 11,534	—
Warranty reserve	3,917	16,641
Settlement payments for manufacturer’s responsibility	2,911	3,515
Loss on soil contamination countermeasures	1,437	—
Penalties	—	8,409
Settlement payments	—	1,910
Business restructuring loss	—	125
Loss on sales of investment securities	—	120
Total special losses	132,978	44,281
Net income (loss) before income taxes	(65,501)	(4,776)
Income taxes—current	7,867	7,053
Income taxes—deferred	5,225	881
Total income taxes	13,092	7,934
Net income (loss)	(78,594)	(12,711)
Net Income attributable to non-controlling interests	994	364
Net income (loss) attributable to owners of parent	(79,588)	(13,075)

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(Consolidated statements of comprehensive income)

Millions of yen, rounded down

	Year ended March 31, 2017	Year ended March 31, 2016
Net income (loss)	(78,594)	(12,711)
Other comprehensive income		
Unrealized gains (losses) on available-for-sale securities	(3,712)	(4,656)
Deferred gains on hedging instruments	—	1
Foreign currency translation adjustments	(7,979)	(9,478)
Remeasurements of defined benefit plans	(199)	1,345
Total other comprehensive income	(11,890)	(12,787)
Comprehensive income (loss)	(90,484)	(25,498)
Total comprehensive income (loss) attributable to:		
Owners of parent	(91,554)	(25,671)
Non-controlling interests	1,069	173

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3. Consolidated statement of changes in net assets

Year ended March 31, 2017

Millions of yen, rounded down

	SHAREHOLDERS' EQUITY				
	Capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period................	41,862	42,579	54,432	(0)	138,872
Change during the period					
Net income attributable to owners of parent			(79,588)		(79,588)
Net changes of items other than those in shareholders' equity					
Total change during the period............................	—	—	(79,588)	—	(79,588)
Balance at end of current period............................	41,862	42,579	(25,156)	(0)	59,283

	ACCUMULATED OTHER COMPREHENSIVE INCOME					
	Unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total other comprehensive income	Non-controlling interests	Total net assets
Balance at beginning of current period................	3,712	(16,576)	(4,204)	(17,068)	2,783	124,586
Change during the period						
Net income attributable to owners of parent						(79,588)
Net changes of items other than those in shareholders' equity	(3,712)	(8,053)	(199)	(11,965)	109	(11,855)
Total change during the period............................	(3,712)	(8,053)	(199)	(11,965)	109	(91,444)
Balance at end of current period............................	0	(24,630)	(4,403)	(29,033)	2,892	33,142

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3. Consolidated statement of changes in net assets (cont'd.)

Year ended March 31, 2016

Millions of yen, rounded down

	SHAREHOLDERS' EQUITY				
	Capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period................	41,862	42,328	67,508	(0)	151,697
Change during the period					
Net income attributable to owners of parent			(13,075)		(13,075)
Change in treasury shares of parent arising from transactions with non-controlling interests ..		250			250
Net changes of items other than those in shareholders' equity					
Total change during the period............................	—	250	(13,075)	—	(12,825)
Balance at end of current period................	41,862	42,579	54,432	(0)	138,872

	ACCUMULATED OTHER COMPREHENSIVE INCOME						
	Unrealized gain on available-for-sale securities	Deferred gains (losses) on hedging instruments	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total other comprehen-sive income	Non-controlling interests	Total net assets
Balance at beginning of current period................	8,368	(1)	(7,289)	(5,550)	(4,473)	1,542	148,766
Change during the period							
Net income attributable to owners of parent							(13,075)
Change in treasury shares of parent arising from transactions with non-controlling interests ..							250
Net changes of items other than those in shareholders' equity	(4,656)	1	(9,286)	1,345	(12,595)	1,241	(11,354)
Total change during the period............................	(4,656)	1	(9,286)	1,345	(12,595)	1,241	(24,179)
Balance at end of current period................	3,712	—	(16,576)	(4,204)	(17,068)	2,783	124,586

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4. Consolidated statements of cash flows

Millions of yen, rounded down

	Year ended March 31, 2017	Year ended March 31, 2016
Operating activities		
Net loss before income tax	(65,501)	(4,776)
Depreciation and amortization	21,017	21,659
Gain on sales of investment securities	(4,800)	(3,810)
Gain on sales of shares of subsidiary	(16,337)	—
Gain on transfer of business	(2,939)	—
Gain on sales of fixed assets	(400)	(356)
Loss related to U.S. Department of Justice settlement	97,545	—
Penalties	—	8,409
Settlement payments	—	1,910
Settlement payments for manufacturer's responsibility	2,911	3,515
Impairment losses	11,534	—
(Decrease) increase in allowance for doubtful accounts	(2)	219
Increase in net defined benefit liability	279	656
Increase in reserve for directors' retirement benefits	106	101
Decrease in warranty reserve	(5,655)	(30,188)
Foreign exchange (gains) losses	(2,868)	69
Interest and dividend income	(767)	(1,138)
Interest expenses	1,050	1,077
Increase in accounts and notes receivable	(15,403)	(35)
Increase in inventories	(3,581)	(13,690)
(Decrease) increase in accounts payable	(7,250)	9,349
Increase in accounts payable-other	8,773	26,648
Increase in accrued expenses	1,229	382
Increase in other current assets	(137)	(5,398)
Increase in other current liabilities	12,872	2,195
Increase in other non-current liabilities	3,322	360
Other	1,658	2,311
Subtotal	36,656	19,473
Interest and dividends received	767	1,138
Interest paid	(778)	(1,053)
Payment for penalties	(1,083)	(1,201)
Payments for U.S. Department of Justice settlement	(16,251)	—
Settlement payments	—	(869)
Settlement payments for manufacturer's responsibility	(3,564)	(2,776)
Income taxes paid	(6,792)	(6,134)
Net cash provided by operating activities	8,954	8,576

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4. Consolidated statements of cash flows (cont'd)

Millions of yen, rounded down

	Year ended March 31, 2017	Year ended March 31, 2016
Investing activities		
Increase in time deposits	(84)	(12)
Proceeds from sales of shares of subisidiaries resulting in changes in the scope of consolidation	20,130	—
Proceeds from transfer of business	3,450	—
Purchases of fixed assets	(18,702)	(28,185)
Proceeds from sales of fixed assets	2,056	1,228
Purchases of intangible assets	(433)	(691)
Proceeds from sales of investment securities	6,407	6,276
Other	(980)	(1,260)
Net cash used in investing activities	11,844	(22,643)
Financing activities		
Net increase (decrease) in short-term borrowings	5,217	(17)
Proceeds from long-term borrowings	1,201	8,955
Repayment of long-term borrowings	(5,544)	(10,634)
Proceeds from sales of shares of subsidiaries not resulting in change in scope of consolidation	—	1,667
Payment of dividends to non-controlling interests	(959)	(349)
Net cash provided by (used in) financing activities	(85)	(378)
Effects of exchange rate changes on cash and cash equivalents	(1,243)	(3,613)
Net increase (decrease) in cash and cash equivalents	19,470	(18,059)
Cash and cash equivalents at beginning of year	57,613	75,672
Cash and cash equivalents at end of year	77,083	57,613

5. Notes to consolidated quarterly financial statements

(Notes regarding assumption of going concern)
For the fiscal year ended March 31, 2017, the Takata Group recorded a net loss attributable to owners of parent for the third consecutive year, due to factors including the recording of a large special loss relating to a settlement agreement with the U.S. Department of Justice on January 13, 2017 (U.S. time). Also, as a result of the recording of accounts payable-other in relation to a settlement agreement with the U.S. Department of Justice, as of the end of the fiscal year under review, the Group's current liabilities exceed its current assets. Although cash flow returned to positive as a result of the sale of a U.S. subsidiary and a European subsidiary, the Group continued to face events or circumstances that could give rise to significant doubt about its ability to continue as a going concern, including continuing to refinance long-term borrowings that have reached their repayment date to a term of repayment of less than one month, the future payment of accounts payable-other of US$850 million, which is the remaining amount to be paid in a US$1,000 million settlement agreement with the U.S. Department of Justice following the completed payment of US$150 million , and a possibility that the Group may be liable to bear significant costs in relation to (1) Market recalls, and (2) Lawsuits, etc. arising from airbag defects as stated in the Contingent Liability section in Items related to the consolidated balance sheet.

The Group is implementing measures as outlined below to address events and circumstances that may give rise to doubts about the assumption that the Group has the ability to continue as a going concern.

1. Cooperation with authorities; activities to support continued transactions with automakers and financial institutions; establishment of the steering committee.
   The Group is making every effort to address product quality issues connected with the market recall of vehicles containing airbags manufactured by the Group, working to promote end-user safety and public confidence through collaborative testing and analysis with automakers, cooperating fully with market recalls and requests from authorities such as reaching agreement with the U.S. National Highway Traffic Safety Administration (NHTSA) on a Consent Order on November 3, 2015 (U.S. time) and an amended to the Consent Order on May 4, 2016 (U.S. time) . While working to resolve product quality issues, the Group is reforming its product development process, quality systems and service provisions to meet the needs of customers and contribute to the development of a safe and plentiful society. The Group views the pursuit of safety as its societal mission, and is in ongoing dialogue with automakers with respect to maintaining a stable supply of products manufactured by the Group underpinned by the business foundation necessary to achieve such goal. The Group is also in constant dialogue with financial institution partners to secure necessary funding resources and has gained their understanding with regard to maintaining the Group's financing. Moreover, the Group is working to ensure a transparent process for all stakeholders through the establishment in February 2016 of a steering committee, comprised of external experts, tasked with developing a group restructuring plan, including the Group's governance, capital and financial policies and procurement policies. Additionally, as part of the development of the group restructuring plan, and with the aim of addressing the airbag market recall issue, the steering committee has been commissioned to seek new investors (sponsors), and is now holding discussions with OEMs regarding these sponsor proposals.

2. Capital expenditure and cost reduction
   The Group will work to improve cash flow through measures such as reducing capital expenditure to align with sales plans and controlling costs through shifting manufacturing and other functions to low cost countries.

3. Sale of marketable securities
   Marketable securities have been sold to improve cash flow.

4. Consideration of sale of non-core assets
   The Group has been considering the sale of assets that are not core to the Company's main business of manufacturing and selling automotive safety products, and on September 28, 2016 (U.S. time) sold part of the business of its U.S. subsidiary. Also, on February 22, 2017 (U.S. time) the Company sold two companies in its U.S. subsidiary and part of the business of a European subsidiary. The Group will continue to consider sales of other businesses that are not core to its main business.

5. Review of inflator business
   The Group is comprehensively reviewing its inflator operations with the aim of ensuring the continuation and growth of the airbag business

However, although the remaining payment of accounts payable-other of US$850 million in relation to the settlement agreement with the U.S. Department of Justice and the payment of potential significant costs in relation to market recalls and lawsuits arising from airbag defects will depend largely on the Group’s restructuring plan, including the selection of a new sponsor, the Group is currently working to select a new sponsor, and is still in the midst of negotiations with stakeholders, including automakers and financial institutions, regarding the formulation of a restructuring plan, and therefore at this point in time there is considered to be significant doubt about the assumption that the Group has the ability to continue as a going concern.

These financial statements have been produced based on the assumption that the Group has the ability to continue as a going concern, and the effects associated with the significant doubt about the assumption that the Group has the ability to continue as a going concern are not reflected in the consolidated financial statements.

(Additional information)

The Implementation Guidance on Recoverability of Deferred Tax Assets (Accounting Standards Board of Japan (ASBJ) Guidance No. 26) issued on March 28, 2016, has been applied from the fiscal year under review.

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(Items related to the consolidated balance sheet)

***1 Additional information**

On January 13, 2017 (U.S. time), the Company reached a settlement agreement with the U.S. Department of Justice regarding the company's previously disclosed issues related to the integrity of Takata's inflator validation testing and reporting. Based on this agreement, the Group has recorded accounts payable-other of US$850 million (¥95.3 billion), being the amount outstanding from the total settlement agreement of US$1,000 million after payment of US$150 million, as a settlement amount for payment of a fine and contribution to a compensation fund as outlined below. The amount contributed to the compensation fund is not expected to be returned to the Company.

Outline of fine, etc.	Payment deadline	Amount
A criminal fine for pleading guilty to one count of wire fraud for falsifying testing data and reports that were provided to automakers	Payment in full within 30 days of guilty plea (February 27, 2017)	¥2,804 million (US$25 million)
Contribution to a restitution fund for individuals who suffered or will suffer personal injury caused by the malfunction of a Takata airbag inflator, and who have not already resolved their claims	As above	¥14,023 million (US$125 million)
Subtotal*		¥16,827 million (US$150 million)
Contribution to a restitution fund for automakers who received falsified testing data and reports	Within 5 days of completion of company restructuring process (expected to be completed within 365 days of guilty plea on February 27, 2017)	¥54,058 million (US$482 million)
Contribution to a restitution fund for automakers who have purchased airbag inflators from Takata containing phase-stabilized ammonium nitrate	As above	¥41,302 million (US$368 million)
Subtotal		¥95,360 million (US$850 million)
Total		¥112,190 million (US$1,000 million)

*Payment completed as of March 31, 2017

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2 Contingent Liability

(1) Market recalls

Market recalls have been implemented for certain airbag products previously manufactured by TKH, which is the Company's U.S. subsidiary. As a result, a provision for product warranties was recorded to the extent that a reasonable estimate of costs expected to be incurred is possible (for cases in which it has been definitely determined that responsibility lies with the Group as the manufacturer). With respect to airbag product market recalls for which the proportion and amount of costs allocated to the Group will be decided through discussions with automakers, as described below, it is not currently possible to make a reasonable estimate of the costs likely to be borne by the Group. Accordingly, depending on future developments in relation to the market recalls there may be a significant impact on the Group's financial position, financial performance and cash flow.

<u>Airbag product market recalls for which the proportion and amount of costs allocated to the Group will be decided through discussions with automakers</u>

TKH mainly has been engaged in efforts and discussions with the U.S. National Highway Traffic and Safety Administration (NHTSA) to address the issue of airbag products containing inflators manufactured by the Group. As a result, on May 18, 2015 (U.S. time), TKH filed four Defect Information Reports ("DIRs") on its airbag inflators (gas generator) with NHTSA putting the utmost importance on the safety of end users. On the same day, TKH entered into a Consent Order with NHTSA to implement additional market recalls for airbag products for which the cause of the defect was still being determined. In accordance with the Consent Order, TKH, upon mutual consultation with the affected automotive manufacturers, submitted to NHTSA a plan outlining the measures that will be taken by TKH itself and in cooperation with the affected automotive manufacturers to achieve the purposes of the National Traffic and Motor Vehicle Safety Act of 1966 as well as the Consent Order. On January 25, 2016 (U.S. time), TKH further addressed public safety concerns, filing with NHTSA two additional DIRs for inflators manufactured by the Group. In these DIRs, under the supervision of NHTSA, market recalls were stipulated for specific driver-side airbag products manufactured by the Group and incorporating non-desiccated inflators, for which the cause of the defect was still being determined, in vehicle model years up to 2014. In addition, the DIRs included a provision for the possible subsequent recall of inflators installed in vehicle models after 2014, depending on the results of investigations into the root cause. These DIRs reflected the Group's current understanding based on the findings to date from ongoing investigations regarding the root cause that a small percentage of inflators had the potential to rupture on deployment due to excessive internal pressure as a result of long-term exposure to environments of high heat and humidity along with manufacturing variability and other such factors.

On November 3, 2015 (U.S. time) TKH and NHTSA agreed to the second Consent Order under which the Group would phase out the manufacture and sale of non-desiccated Phase Stabilized Ammonium Nitrate (PSAN) inflators and would not enter into any new contracts to provide PSAN inflators.

On May 4, 2016 (U.S. time), TKH and NHTSA agreed to an amendment to the Consent Order of November 3, 2015 (U.S. time). Under this amendment, the Group will be filing Defect Information Reports (DIRs) for all non-desiccated frontal airbags manufactured by the Group and not currently under market recall in the U.S. in five stages, according to model years and the geographic regions where the vehicles are registered, focusing first on older vehicles in regions of high heat and absolute humidity. Through these market recalls of airbags products for which the root cause of the defect is still being determined, all non-desiccated frontal airbags will be under market recall by December 31, 2019.

With regard to the root cause of defects in airbag products subject to market recalls, although in July 2016 the Group received a report from an independent investigation, this report did not address the responsibility of the Company, TKH or automakers. The proportion and amount of costs allocated to the Group will be decided through discussions planned to be held with automakers. Accordingly, depending on the outcome of these discussions the Group may become liable for a certain portion of costs associated with airbags subject to recall, but it is not currently possible to make a reasonable estimate of any such costs.

As of May 10, 2017 the approximate number of Takata airbags under recall totaled 52 million in the U.S., 17 million in Japan and 4.7 million in Canada, and authorities in the U.S. and Japan had announced additional planned recalls of approximately 10 million airbags and 1 million airbags respectively.

(2) Lawsuits, etc. arising from airbag defects

In connection with airbags manufactured by the Group, in the U.S., a multidistrict litigation is currently pending with the United States District Court for the Southern District of Florida against the Company and its U.S. subsidiaries, seeking compensation for economic loss and personal injury. The Company and its U.S. subsidiaries also received notices of respective lawsuits from the State of Hawaii, the U.S. Virgin Islands, and New Mexico, seeking compensation for economic loss. In Canada, the Company and its U.S. subsidiaries have received notices of class action lawsuits seeking compensation for economic loss. Additionally, a class action complaint has been filed in the Mazatlán court in Mexico against the Company's U.S. and Mexican subsidiaries, seeking compensation for economic loss.

At this stage it is not currently possible to make a reasonable estimate of the likelihood or amount of any damages or penalties, etc., arising in connection with these lawsuits, etc. Depending on future developments in relation to such lawsuits, etc., there is a possibility that the Group's financial position, financial performance and cash flows may be affected.

(3) Matters related to anti-trust laws

The Company and its U.S. subsidiaries have received claims for damages, including class action lawsuits in the U.S. and Canada in connection with a settlement reached with the U.S. Department of Justice for a breach of U.S. anti-trust laws. It is currently not possible to reasonably estimate the likelihood or amount of any claims for damages arising in connection with these anti-trust matters.

(Notes to consolidated statements of income)

*1. With regard to the total US$1,000 million which is to be paid for fines and for the establishment of compensation funds based on the settlement agreement with the U.S. Department of Justice as outlined above in *(Items related to the consolidated balance sheet) *1 Additional Information*, the Group has recorded provisions of US$862 million, which represents the difference between the total amount of the Department of Justice settlement of US$1,000 million minus US$138 million as the amount allocated in accordance with the purpose of the restitution fund (US$368 million) for automakers who have purchased airbag inflators from Takata containing phase-stabilized ammonium nitrate, from the total product warranty provisions already recorded prior to the agreement.

*2. An amount was recorded for costs associated with a lawsuit filed in connection with a customer recall undertaken with respect to products previously manufactured by a U.S. subsidiary.

*3. Impairment losses

The Group recognized an impairment loss on the following asset groups during the previous fiscal year.

Location	Use	Type
U.S.	Assets for business operations	Machinery, equipment and vehicles
Mexico	Assets for business operations	Machinery, equipment and vehicles
Germany	Assets for business operations	Machinery, equipment and vehicles
China	Assets for business operations	Machinery, equipment and vehicles

The Group, in principle, categorizes assets for business operations into groups based on the categories used in management accounting and categorizes assets for rent and idle assets individually.

Based on this grouping, following consideration of asset impairment, the book value of assets for business operation (machinery, equipment and vehicles) was reduced to their recoverable amount, and the Group recorded this reduction as an impairment loss (¥11,534 million) in special losses.

Segment information

1. Overview of reporting segments

Takata Group operates globally in the development, manufacture and sale of automotive safety systems and products, and is managed under the four regions of Japan, the Americas, Europe, and Asia.

Each region is managed as an independent unit, expanding business activities based on the development of a comprehensive strategy for each region. The Group's results are therefore reported based on these four segments.

In each segment, Takata handles a wide range of automotive safety products, including seat belts and airbags, along with steering wheels, interior trim, child seats, and many other items.

The main countries and regions in segments other than Japan are:

The Americas:	United States, Brazil and Mexico
Europe:	Germany, Hungary, Romania and Poland
Asia:	China, the Philippines, Thailand, South Korea and India

2. Method of calculating amounts for net sales, operating income or loss, assets, liabilities, and other items by reporting segment

The accounting method used for business segments is the same as that described in "Significant accounting policies for the preparation of the consolidated financial statements." Reporting segment income is based on operating income figures. Inter-segment sales are calculated based on third-party transaction prices.

3. Net sales, operating income or loss, assets, liabilities, and other items by reporting segment

Fiscal year ended March 31, 2017

Millions of yen, rounded down

	Japan	The Americas	Europe	Asia	Total	Eliminations and Corporate (Note 1.)	Consolidated (Note 2.)
Net sales							
Sales to external customers	79,966	269,970	164,598	147,997	662,533	—	662,533
Inter-segment sales or transfers	57,795	20,726	9,041	33,315	120,879	(120,879)	—
Total	137,762	290,697	173,640	181,312	783,413	(120,879)	662,533
Segment operating income	6,126	11,116	2,136	19,662	39,041	(83)	38,958
Segment assets	250,614	200,073	207,611	116,801	775,100	(344,145)	430,954
Other items							
Depreciation and amortization	1,584	8,788	5,464	4,720	20,558	(12)	20,545
Goodwill amortization	—	314	84	—	399	72	471
	—	11,105	28	400	11,534	—	11,534
Increase in tangible fixed assets or intangible fixed assets	1,151	8,693	4,655	4,581	19,082	—	19,082

Notes:

1. In segment operating income, eliminations and corporate of minus ¥83 million includes minus ¥11 million in eliminations of inter-segment sales and minus ¥72 million in goodwill amortization. In segment assets, eliminations and corporate of minus ¥344,145 million corresponds to elimination of inter-segment sales.
2. Segment operating income is based on adjusted operating income as recorded in the consolidated statements of income.

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Fiscal year ended March 31, 2016 *Millions of yen, rounded down*

	Japan	The Americas	Europe	Asia	Total	Eliminations and Corporate (Note 1.)	Consolidated (Note 2.)
Net sales							
Sales to external customers	77,040	319,603	170,638	150,720	718,003	—	718,003
Inter-segment sales or transfers	50,212	22,815	13,152	30,528	116,708	(116,708)	—
Total	127,253	342,418	183,790	181,248	834,711	(116,708)	718,003
Segment operating income	5,196	17,486	780	19,306	42,769	(636)	42,133
Segment assets	262,489	212,544	195,730	119,711	790,476	(347,439)	443,036
Other items							
Depreciation and amortization	1,992	8,803	5,923	4,433	21,151	(31)	21,119
Goodwill amortization	—	364	102	—	467	72	540
Increase in tangible fixed assets or intangible fixed assets	1,632	13,424	7,170	6,153	28,381	—	28,381

Notes:

1. In segment operating income, eliminations and corporate of minus ¥636 million includes minus ¥563 million in eliminations of inter-segment sales and minus ¥72 million in goodwill amortization. In segment assets, eliminations and corporate of minus ¥347,439 million corresponds to elimination of inter-segment sales.
2. Segment operating income is based on adjusted operating income as recorded in the consolidated statements of income.

Per Share Information

	FY ended March 31, 2017	FY Ended March 31, 2016
Net assets per share	¥363.74	¥1,464.67
Net income per share	(¥957.04)	(¥157.24)

Note:

1. For the previous and current consolidated fiscal years, diluted net income per share has been omitted due to the recording of a net loss and no residual shares.
2. The basis for the calculation of net loss per share and the net income per share after adjustment for residual securities is as follows.

	FY ended March 31, 2017	FY Ended March 31, 2016
Net income (loss) attributable to owners of parent (¥ million)	(79,588)	(13,075)
Net income (loss) related to common stock (¥ million)	(79,588)	(13,075)
Average number of outstanding shares during period (1,000 shares)	83,161	83,161

Significant Subsequent Events

No applicable items