Note: This is an excerpt translation of the "Kessan Tanshin" for the convenience of overseas stakeholders. In cases where any differences occur between the English version and the original Japanese version, the Japanese version shall prevail. F-TECH INC. assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

Consolidated Financial Results for the Fiscal Year Ended March 31, 2017 <under Japanese GAAP>

F-TECH INC.

19, Showanuma, Shobu-cho, Kuki City, Saitama, JAPAN

1. Overview of Operating Results and Others

(1) Analysis regarding operating results

The trend in the global economy during the fiscal year ended March 31, 2017 was in general steady, although the situation was uncertain, with the issue of Brexit, concern over the Chinese economy, and concern over new policies in the United States, etc., and meanwhile the economies in the United States and China both saw stable growth.
In the automotive market, automobile sales continued to rise firmly in North America and China while increasing year on year in Japan, as well.
Under these circumstances, the Group pushed ahead with expanding manufacturing and sales on a global basis under the corporate policy “To become a chassis system manufacturer with overwhelming competitive strength,” outlined in its 12th Mid-Term Plan, which started in April 2014, striving to enhance its R&D capabilities, production structure and environmentally friendly technologies.
In the R&D aspect, we introduced a development infrastructure at R&D bases in the Japan, North America and Asia regions to achieve a borderless development environment, where sharing of development information and a seamless development structure have been established. Moreover, the use of advanced simulation technologies to evaluate for strength, durability, and development cost has contributed to improving the cost competitiveness and increasing the speed in development activities.
In the production structure aspect, we have formed alliance with local companies in India, Brazil, and some areas in China, where F-tech does not have its own plants, to strengthen manufacturing network on a global basis, and we made continual advancement toward establishing an optimal supply system. In order to support business with new customers, production capabilities have been enhanced in production plants in Mexico and Canada. In Japan, we further focused on improving production characteristics to be flexible for the change in production volume and the ‘value added’ reduction due to increased numbers of compact cars.
In the aspect of environmentally friendly technologies, the global development activities of the environmental management system that F-tech has been engaging in were recognized, and F-tech received the Energy Management Insight Award in June 2016, and Chairman Prize of The Energy Conservation Center, Japan of the Energy Conservation Cases Category of 2016 Energy Conservation Grand Prize in January 2017.
In the financial aspect, 1,650 million yen, out of 2020-maturity yen-denominated convertible bond-type bonds with subscription rights to shares issued in March 2015, was converted into shares, and net assets increased by the same amount.
The operating results for the Group during the fiscal year under review are as follows. The Group benefited mainly from a recovery of sales to major customers in Japanese market and favorable sales to major customers in the Chinese market. Net sales rose 0.8% year on year to 197,941 million yen, operating profit rose 17.8% to 8,035 million yen, ordinary profit rose 16.7% to 7,214 million yen, and profit attributable to owners of parent rose 49.2% to 4,035 million yen, including the recording of deferred tax assets, etc. as a result of the improvement in business performance of the Company.

Operating results by segment are as follows.

(Japan)
The increased sales of the Company to major customers amidst a recovery in production volume of the major customers of the Company, along with an increase in the number of export automobiles, led to net sales rising by 14.6% year on year to 25,229 million yen and an operating profit rising by 150.9% year on year to 958 million yen.

(North America)
In the North American market, where automobile sales are substantial, despite firm sales to major customers and other customers, the effect of yen appreciation and the increased labor costs due to the tight labor market led to net sales falling by 3.6% year on year to 120,433 million yen. The segment recorded operating profit of 2,928 million yen, down 37.4% year on year.

(Asia)
Sales to major customers were favorable and business with new customers was expanded in China and Thailand. Net sales rose 5.9% year on year to 52,279 million yen and operating profit rose 86.9% year on year to 3,868 million yen.

Outlook for the next fiscal year

As for the outlook for the next fiscal year, in Japan the outlook is for continuing recovery including the sales for exported automobile models. In North America, although the sales trend is projected to remain solid, changes in model mix and the investment made to grow business with new customers will result in a decrease in profit. In Asia, with favorable conditions forecast for major customers, both sales and profit are expected to grow.

As the outlook for consolidated results for the fiscal year ending March 31, 2018 (April 1, 2017 to March 31, 2018), we predict net sales of 209,000 million yen (up 5.6% year on year), operating profit of 8,000 million yen (down 0.4%), ordinary profit of 7,400 million yen (up 2.6%), and profit attributable to owners of parent of 4,000 million yen (down 0.9%).

Exchange rates are assumed at 108.00 yen to the U.S. dollar.

(2) Analysis regarding financial position

1) Assets, liabilities and net assets

As of March 31, 2017, total assets increased 6,440 million yen compared with the end of the previous fiscal year to 144,420 million yen, mainly reflecting increases in notes and accounts receivable - trade, merchandise and finished goods and machinery, equipment and vehicles.

Liabilities increased 3,776 million yen from the end of the previous fiscal year to 94,688 million yen reflecting increases in notes and accounts payable - trade and long-term loans payable.

Net assets increased 2,663 million yen to 49,732 million yen mainly reflecting an increase in retained earnings.

2) Cash flows

As of March 31, 2017, cash and cash equivalents decreased 1,112 million yen compared with the end of the previous fiscal year to 5,719 million yen (down 16.3% year on year).

Cash flows in the fiscal year under review and factors in increase or decrease from the previous fiscal year are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to 13,245 million yen. The main factors were 6,966 million yen in profit before income taxes, 10,334 million yen in depreciation, an increase in notes and accounts receivable - trade of 4,977 million yen and an increase of notes and accounts payable - trade of 2,998 million yen, and income taxes paid of 1,702 million yen.

Compared with the previous fiscal year, cash flows from operating activities changed from 12,140 million yen provided to 13,245 million yen provided. This was mainly due to a decrease in income taxes paid.

(Cash flows from investing activities)

Net cash used in investing activities was 13,116 million yen. The main factor was 12,840 million yen in purchase of property, plant and equipment.

Compared with the previous fiscal year, cash flows from investing activities changed from 17,810 million yen used to 13,116 million yen used. This was mainly due to a decrease in the purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash used by financing activities amounted to 870 million yen. The main factors were 2,624 million yen in net decrease in short-term loans payable, 15,730 million yen in proceeds from long-term loans payable and 11,075 million yen in repayments of long-term loans payable.

Compared with the previous fiscal year, cash flows from financing activities changed from 3,792 million yen provided to 870 million yen used. This was mainly due to a decrease in proceeds from net decrease in short-term loans payable.

(Reference) Transition of cash flow indicators

	59th term Fiscal year ended March 31, 2014	60th term Fiscal year ended March 31, 2015	61st term Fiscal year ended March 31, 2016	62nd term Fiscal year ended March 31, 2017
Equity ratio (%)	23.3	22.9	21.2	23.3
Market value-based equity ratio (%)	17.3	13.3	11.9	16.4
Ratio of interest-bearing debt to cash flows (year)	4.8	6.6	4.7	4.4
Interest coverage ratio (times)	13.2	11.5	13.7	15.3

(Notes) Equity ratio: equity / total assets

Market value-based equity ratio: market capitalization / total assets

Interest-bearing debt to cash flow ratio (year): interest-bearing debt / cash flow

Interest coverage ratio: cash flow / paid interest

* All indicators are calculated using consolidated-based financial figures.
* Market capitalization is calculated by multiplying the closing stock price at the end of the period by the number of issued shares as of the end of the period (excluding treasury shares).
* The figure used for cash flow is “net cash provided by (used in) operating activities” on the consolidated statements of cash flows. Interest-bearing debt includes all liabilities recorded on the consolidated balance sheets on which we paid interest. Furthermore, regarding the paid interest, we use the interest expenses paid recorded on the consolidated statements of cash flows.

(3) Basic policy on distribution of profits and dividends for the current and the next fiscal years

The Company's basic policy on distribution of profits is established to ensure return of profits to shareholders based on operating results. While striving to reinforce the financial strength, we review the profitability and future business opportunities from the long term perspective, and also consider commemorative dividends and share splits depending on milestones we reach. For distribution of profits by dividend, the Company is targeting a payout ratio for profit attributable to owners of parent of 10% or above for the time being, and as a rule, provides dividends twice a year, interim and year-end dividends. As for internal reserve funds, in order to respond to future changes in the business environment, we plan to appropriate these for further business expansion and improving financial characteristics by focusing on increasing cost competitiveness and strengthening structures to support global development, production, and sales activities.

Year-end dividends shall be matters for resolution at a shareholders' meeting.

For the current fiscal year, a 70th anniversary commemorative dividends of 7 yen is added to the ordinary dividend per share of 10 yen, the year-end dividend will be 17 yen per share and the interim dividend was 10 yen per share, which will lead to annual dividends of 27 yen.

For the next fiscal year, the Company plans to distribute annual dividends of 20 yen, with the interim dividend of 10 yen per share and the year-end dividend of 10 yen per share.

(4) Information regarding differences between consolidated earnings forecasts and actual results

The Company hereby notifies the fact that there were differences between its consolidated earnings forecasts for the fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017), which were announced on February 2, 2017, and the actual results for the fiscal year.

Differences between earnings forecasts and actual results in the fiscal year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)

(Millions of yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Basic earnings per share (Yen)
Previous forecasts (A)	192,000	7,400	6,400	3,000	195.31
Actual results (B)	197,941	8,035	7,214	4,035	261.01
Difference (B-A)	5,941	635	814	1,035	
Difference (%)	3.1	8.6	12.7	34.5	
(Reference) Actual results for the previous fiscal year (Fiscal year ended March 31, 2016)	196,343	6,821	6,182	2,704	176.14

Reasons for the differences

Operating performance for the fiscal year ended March 31, 2017 was an increase in profit due to the impact of the increase in income in Japan and North America, and other factors.

In addition, profit attributable to owners of parent substantially exceeded the forecasts due to recording of deferred tax assets as a result of recovery of operating performance of the Company and other factors.

2. Basic Rationale for Selecting the Accounting Standards

The Group currently prepares the consolidated financial statements according to the generally accepted accounting standards in Japan (Japanese GAAP), as it makes it possible to compare the consolidated financial statements against previous fiscal year and against other companies.

With regard to adoption of International Financial Reporting Standards (IFRS), it is the Group’s policy to respond to this issue appropriately based on consideration of various domestic and international circumstances.

3. Consolidated financial statements

(1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Assets		
Current assets		
Cash and deposits	6,831	5,719
Notes and accounts receivable - trade	28,930	33,151
Merchandise and finished goods	4,779	5,883
Work in process	3,942	4,228
Raw materials and supplies	8,069	8,533
Deferred tax assets	368	541
Other	4,486	3,841
Total current assets	57,409	61,899
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	19,648	18,937
Machinery, equipment and vehicles, net	29,985	33,374
Dies and tools, net	1,969	2,313
Land	6,024	5,978
Leased assets, net	809	937
Construction in progress	13,423	11,416
Other, net	1,549	1,718
Total property, plant and equipment	73,410	74,676
Intangible assets		
Software	608	468
Right of using facilities	44	40
Other	18	–
Total intangible assets	671	508
Investments and other assets		
Investment securities	4,880	5,677
Long-term loans receivable	261	236
Net defined benefit asset	34	35
Deferred tax assets	449	569
Other	862	834
Allowance for doubtful accounts	–	(17)
Total investments and other assets	6,489	7,336
Total non-current assets	80,570	82,521
Total assets	137,980	144,420

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	18,690	21,186
Short-term loans payable	22,589	20,562
Current portion of long-term loans payable	11,576	10,953
Lease obligations	395	742
Income taxes payable	499	649
Accounts payable - other	4,347	4,873
Notes payable - facilities	85	114
Provision for directors' bonuses	99	134
Other	4,207	4,248
Total current liabilities	62,492	63,465
Non-current liabilities		
Bonds payable	4,000	2,350
Long-term loans payable	18,597	23,271
Lease obligations	485	442
Deferred tax liabilities	3,369	3,294
Provision for directors' retirement benefits	233	280
Net defined benefit liability	954	987
Long-term accounts payable - other	693	512
Negative goodwill	72	67
Other	13	16
Total non-current liabilities	28,419	31,222
Total liabilities	90,911	94,688
Net assets		
Shareholders' equity		
Capital stock	4,790	5,615
Capital surplus	5,419	6,155
Retained earnings	17,512	21,425
Treasury shares	(18)	(18)
Total shareholders' equity	27,703	33,177
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	618	740
Foreign currency translation adjustment	1,533	270
Remeasurements of defined benefit plans	(549)	(533)
Total accumulated other comprehensive income	1,602	477
Non-controlling interests	17,762	16,077
Total net assets	47,068	49,732
Total liabilities and net assets	137,980	144,420

(2) Consolidated statements of income and comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net sales	196,343	197,941
Cost of sales	173,714	173,372
Gross profit	22,629	24,569
Selling, general and administrative expenses	15,808	16,533
Operating profit	6,821	8,035
Non-operating income		
Interest income	55	55
Dividend income	46	43
Share of profit of entities accounted for using equity method	437	536
Other	192	230
Total non-operating income	732	865
Non-operating expenses		
Interest expenses	883	873
Foreign exchange losses	449	770
Other	38	43
Total non-operating expenses	1,371	1,686
Ordinary profit	6,182	7,214
Extraordinary income		
Gain on sales of non-current assets	963	42
Gain on sales of investment securities	–	2
Total extraordinary income	963	44
Extraordinary losses		
Loss on sales of non-current assets	4	6
Loss on retirement of non-current assets	76	132
Impairment loss	110	153
Total extraordinary losses	191	292
Profit before income taxes	6,953	6,966
Income taxes - current	1,171	1,971
Income taxes - deferred	1,188	(438)
Total income taxes	2,360	1,533
Profit	4,593	5,432
Profit attributable to		
Profit attributable to owners of parent	2,704	4,035
Profit attributable to non-controlling interests	1,888	1,397
Other comprehensive income		
Valuation difference on available-for-sale securities	(215)	104
Foreign currency translation adjustment	(3,298)	(2,035)
Remeasurements of defined benefit plans, net of tax	(878)	32
Share of other comprehensive income of entities accounted for using equity method	(212)	(12)
Total other comprehensive income	(4,605)	(1,911)
Comprehensive income	(11)	3,521
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(707)	2,910
Comprehensive income attributable to non-controlling interests	695	610

(3) Consolidated statements of changes in net assets

Fiscal year ended March 31, 2016

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	4,790	5,228	15,115	(18)	25,115
Changes of items during period					
Conversion of convertible bond-type bonds with subscription rights to shares					–
Dividends of surplus			(307)		(307)
Profit attributable to owners of parent			2,704		2,704
Purchase of treasury shares				(0)	(0)
Change in ownership interest of parent due to transactions with non-controlling interests		190			190
Increase/Decrease by change of subsidiary's financial closing month					–
Net changes of items other than shareholders' equity					–
Total changes of items during period	–	190	2,397	(0)	2,587
Balance at end of current period	4,790	5,419	17,512	(18)	27,703

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	858	4,085	338	5,283	15,958	46,356
Changes of items during period						
Conversion of convertible bond-type bonds with subscription rights to shares						–
Dividends of surplus						(307)
Profit attributable to owners of parent						2,704
Purchase of treasury shares						(0)
Change in ownership interest of parent due to transactions with non-controlling interests						190
Increase/Decrease by change of subsidiary's financial closing month						–
Net changes of items other than shareholders' equity	(240)	(2,552)	(888)	(3,680)	1,804	(1,876)
Total changes of items during period	(240)	(2,552)	(888)	(3,680)	1,804	711
Balance at end of current period	618	1,533	(549)	1,602	17,762	47,068

Fiscal year ended March 31, 2017

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	4,790	5,419	17,512	(18)	27,703
Changes of items during period					
Conversion of convertible bond-type bonds with subscription rights to shares	825	825			1,650
Dividends of surplus			(307)		(307)
Profit attributable to owners of parent			4,035		4,035
Purchase of treasury shares					–
Change in ownership interest of parent due to transactions with non-controlling interests		(88)			(88)
Increase/Decrease by change of subsidiary's financial closing month			184		184
Net changes of items other than shareholders' equity					–
Total changes of items during period	825	736	3,912	–	5,473
Balance at end of current period	5,615	6,155	21,425	(18)	33,177

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	618	1,533	(549)	1,602	17,762	47,068
Changes of items during period						
Conversion of convertible bond-type bonds with subscription rights to shares						1,650
Dividends of surplus						(307)
Profit attributable to owners of parent						4,035
Purchase of treasury shares						–
Change in ownership interest of parent due to transactions with non-controlling interests						(88)
Increase/Decrease by change of subsidiary's financial closing month						184
Net changes of items other than shareholders' equity	121	(1,262)	16	(1,124)	(1,685)	(2,809)
Total changes of items during period	121	(1,262)	16	(1,124)	(1,685)	2,663
Balance at end of current period	740	270	(533)	477	16,077	49,732

(4) Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Cash flows from operating activities		
Profit before income taxes	6,953	6,966
Depreciation	10,081	10,334
Impairment loss	110	153
Amortization of goodwill	(5)	(5)
Loss (gain) on sales of investment securities	–	(2)
Increase (decrease) in assets and liabilities related to retirement benefits	(145)	34
Increase (decrease) in provision for directors' retirement benefits	20	47
Increase (decrease) in provision for directors' bonuses	10	35
Interest and dividend income	(102)	(98)
Interest expenses	883	873
Foreign exchange losses (gains)	356	157
Share of (profit) loss of entities accounted for using equity method	(437)	(536)
Loss (gain) on sales of property, plant and equipment	(959)	(36)
Loss on retirement of property, plant and equipment	76	132
Decrease (increase) in notes and accounts receivable - trade	(3,224)	(4,977)
Decrease (increase) in inventories	(364)	(2,351)
Increase (decrease) in notes and accounts payable - trade	3,213	2,998
Other, net	(543)	1,953
Subtotal	15,924	15,677
Interest and dividend income received	137	133
Interest expenses paid	(887)	(863)
Income taxes paid	(3,032)	(1,702)
Net cash provided by (used in) operating activities	12,140	13,245
Cash flows from investing activities		
Purchase of property, plant and equipment	(19,318)	(12,840)
Proceeds from sales of property, plant and equipment	1,757	123
Purchase of intangible assets	(211)	(174)
Purchase of investment securities	(30)	(158)
Proceeds from sales of investment securities	55	3
Other, net	(61)	(69)
Net cash provided by (used in) investing activities	(17,810)	(13,116)

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	4,438	(2,624)
Proceeds from long-term loans payable	10,010	15,730
Repayments of long-term loans payable	(11,703)	(11,075)
Purchase of treasury shares	(0)	–
Proceeds from share issuance to non-controlling shareholders	1,651	–
Proceeds from sales and installment backs	833	–
Repayments of installment payables	(256)	(419)
Cash dividends paid	(307)	(307)
Dividends paid to non-controlling interests	(597)	(1,253)
Repayments of finance lease obligations	(676)	(797)
Proceeds from sales and leasebacks	400	1,086
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	(1,210)
Other, net	–	0
Net cash provided by (used in) financing activities	3,792	(870)
Effect of exchange rate change on cash and cash equivalents	(274)	(261)
Net increase (decrease) in cash and cash equivalents	(2,151)	(1,002)
Cash and cash equivalents at beginning of period	8,983	6,831
Increase (decrease) in balance associated with the fiscal year-end change of consolidated subsidiaries	–	(110)
Cash and cash equivalents at end of period	6,831	5,719

(5) Notes to consolidated financial statements

Uncertainties of entity's ability to continue as going concern

Not applicable.

Basis of presentation and significant accounting policies for preparation of consolidated financial statements

1. Disclosure of scope of consolidation

(1) Number of consolidated subsidiaries: Sixteen

F&P Mfg., Inc.
F&P America Mfg., Inc.
F.tech Philippines Mfg., Inc.
F.E.G. DE QUERETARO, S.A. DE C.V.
F.tech Zhongshan Inc.
F.tech R&D North America Inc.
F.tech Wuhan Inc.
Fukuda Engineering Co., Ltd.
Kyushu F.tech Inc.
F.tech Mfg. (Thailand) Ltd.
Reterra Co., Ltd.
F.tech R&D Philippines Inc.
F.tech R&D (Guangzhou) Inc.
F&P MFG.DE MEXICO S.A. DE C.V.
Yantai Fuyan Mould Co., Ltd.
PT. F.tech INDONESIA

(2) Number of non-consolidated subsidiaries: One

Laguna Greenland Corp.

Reason for exclusion from scope of consolidation

The non-consolidated subsidiaries are small in scale and the amounts of their total assets, net sales, profit (loss) (for the Company's equity interest), retained earnings (for the Company's equity interest) and other financial statement items do not have a significant impact on the Company's consolidated financial statements.

2. Disclosure about application of equity method

(1) Non-consolidated subsidiaries accounted for using the equity method

Not applicable.

(2) Number of associates accounted for using the equity method: Four

Johnan Manufacturing Inc.
JOHNAN AMERICA, Inc.
JOHNAN F.TECH (THAILAND) LTD.
JOHNAN DE MEXICO, S.A. DE C.V.

(3) Number of non-consolidated subsidiaries not accounted for using the equity method: One

Laguna Greenland Corp.

Number of associates not accounted for using the equity method: Five

Progressive Tools & Components Pvt Ltd.

JOHNAN UK LTD.

PT. JFD INDONESIA

JOHNAN WUHAN INC.

Johnan Kyushu Manufacturing Inc.

Reason for exclusion from scope of equity method

The non-consolidated subsidiaries and associates that are not accounted for using the equity method are excluded from the application of the equity method since such exclusion has no significant impact on the Company's consolidated financial statements in terms of profit (loss) (for the Company's equity interest), retained earnings (for the Company's equity interest) and other financial statement items, and overall they are of minor significance.

(4) The fiscal year ends of certain companies accounted for using the equity method are different from the consolidated fiscal year end. In preparing the consolidated financial statements, the Company uses the financial statements of these companies as of their fiscal year end.

3. Disclosure about fiscal years, etc. of consolidated subsidiaries

Among the consolidated subsidiaries, the fiscal year end of F.tech Philippines Mfg., Inc. and F.tech R&D Philippines Inc. is January 31 and the fiscal year end of F.E.G. DE QUERETARO, S.A. DE C.V., F.tech Zhongshan Inc., F.tech Wuhan Inc., Yantai Fuyan Mould Co., Ltd., F.tech R&D (Guangzhou) Inc., F&P MFG.DE MEXICO S.A. DE C.V. and PT. F.tech INDONESIA is December 31.

In the preparation of the consolidated financial statements, the financial statements as of these dates are used. However, for major transactions that occurred between these fiscal year ends and the consolidated fiscal year end, necessary adjustments are made in the consolidated financial statements.

(Change in fiscal years, etc. of consolidated subsidiaries)

In order to ensure more appropriate disclosure of consolidated financial information, from the current fiscal year, the fiscal year end of F.tech Mfg. (Thailand) Ltd. was changed to March 31. As a result of this change of accounts closing date, profit and loss of the relevant consolidated subsidiary after the conclusion of the previous fiscal year and before the beginning of the current fiscal year were directly recorded in retained earnings.

4. Disclosure of accounting policies

(1) Accounting policy for measuring significant assets

i) Securities

Available-for-sale securities (other securities)

Securities with a fair value

Stated at fair value based on market prices on the closing date of the accounting period.

(Valuation difference is stated as a component of net assets in the consolidated balance sheets, the cost of securities sold is calculated applying the moving-average method.)

Securities without a fair value

Stated at cost determined by the moving-average method.

ii) Derivatives

Stated at fair value.

iii) Inventories

Inventories of the Company and its domestic consolidated subsidiaries are stated at cost determined by the average cost method (balance sheet amounts are determined based on the method of writing down book value in accordance with decreased profitability). Inventories of foreign consolidated subsidiaries are stated at the lower of cost or market, determined by the first-in, first-out method.

(2) Accounting policy for depreciation of significant assets

i) Property, plant and equipment (excluding leased assets)

Depreciated by the straight-line method.

However, some domestic consolidated subsidiaries adopt the declining balance method for buildings acquired on or before March 31, 1998.

ii) Intangible assets (excluding leased assets)

Amortized by the straight-line method.

Software (for internal use) is amortized by the straight-line method over the usable period in the Company (5 years).

iii) Leased assets

Depreciated by the straight-line method assuming the lease periods as useful lives without residual value.

For finance lease transactions of the Company and its domestic consolidated subsidiaries that do not transfer ownership and commenced on or before March 31, 2008, the accounting treatment follows the method applicable to ordinary rental transactions.

(3) Accounting policy for significant provisions

i) Allowance for doubtful accounts

To prepare for losses from bad debts, an estimated uncollectible amount is provided either by making an estimation using the historical rate of credit loss in the case of general receivables, or based on individual consideration of collectibility in the case of specific receivables such as highly doubtful receivables.

ii) Provision for directors' retirement benefits

At the Company and some subsidiaries, to prepare for the payment of directors' retirement benefits, the amount to be paid at the fiscal year end, based on the internal rules for directors' retirement benefits, is provided.

iii) Provision for directors' bonuses

To prepare for the payment of directors' bonuses, the amount expected to be paid at the current fiscal year end is provided.

(4) Accounting method of retirement benefits

i) Methods of attributing estimated retirement benefits to accounting periods

When calculating retirement benefit obligations, the benefit formula method is used to attribute estimated benefit amounts to periods of service until the fiscal year end.

ii) Amortization of actuarial gains and losses

Actuarial gains and losses are amortized beginning in the following fiscal years by the straight-line method over a period which is equal to or less than the average remaining service period of employees (mainly 5 years) at the time of occurrence.

(5) Translation basis of significant assets and liabilities denominated in foreign currencies

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rates prevailing at the consolidated fiscal year end, and the translation adjustment is recognized in the consolidated statements of income. Assets and liabilities of foreign consolidated subsidiaries are translated into Japanese yen at the spot exchange rates as of the fiscal year end, and revenues and expenses of foreign consolidated subsidiaries are translated into Japanese yen at the average exchange rates. Translation adjustments are included in foreign currency translation adjustment and non-controlling interests in net assets in the consolidated balance sheets.

(6) Accounting policy for goodwill

Goodwill and negative goodwill that were recognized on or before March 31, 2010 have been amortized by the straight-line method over periods not exceeding 20 years based on the estimated period during which their effect will be recognized for each investment.

(7) Scope of cash and cash equivalents in consolidated statements of cash flows

Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value and due within three months from the date of acquisition.

(8) Other significant matters for preparing consolidated financial statements

Accounting policy for consumption taxes

Tax exclusive method is adopted.

Additional information

The Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016) has been applied effective from the fiscal year ended March 31, 2017.

Segment information, etc.

1. Description of reportable segments

   The reportable segments of the Company are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resource allocation and assess their performance.

   The Company is engaged in the manufacture and sale of auto parts. As of the end of the current fiscal year, four companies including the Company in Japan as well as five local corporations in North America and eight local corporations in Asia each conduct the business operations. These local corporations, which are independent management units, formulate comprehensive strategies and develop business activities in each area.

   For this reason, the Company consists of regional segments based on the manufacturing and sales systems and has three reportable segments, namely Japan, North America and Asia.

2. Explanation of measurements of net sales, profit (loss), assets, liabilities, and other items for each reportable segment

   The accounting procedures for reportable segments are consistent with those stated in "Basis of presentation and significant accounting policies for preparation of consolidated financial statements."

   Profit of reportable segments is based on operating profit (before amortization of goodwill).

   Transactions with other segments are based on prevailing market prices.

3. Disclosure of net sales, profit (loss), assets, liabilities, and other items for each reportable segment

Fiscal year ended March 31, 2016

(Millions of yen)

	Reportable segments			Total
	Japan	North America	Asia	
Net sales				
Net sales to external customers	22,016	124,953	49,372	196,343
Transactions with other segments	16,535	1,718	2,037	20,291
Total	38,552	126,671	51,410	216,635
Segment profit	381	4,675	2,069	7,126
Segment assets	57,393	67,865	40,306	165,564

Fiscal year ended March 31, 2017

(Millions of yen)

	Reportable segments			Total
	Japan	North America	Asia	
Net sales				
Net sales to external customers	25,229	120,433	52,279	197,941
Transactions with other segments	14,713	1,774	3,050	19,538
Total	39,943	122,207	55,329	217,480
Segment profit	958	2,928	3,868	7,754
Segment assets	56,438	72,614	41,257	17,031

4. Differences between total amounts for reportable segments and amounts in the consolidated financial statements and main details of these differences (matters relating to difference adjustments)

(Millions of yen)

Net sales	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Reportable segments total	216,635	217,480
Elimination of intersegment transactions	(20,291)	(19,538)
Net sales in the consolidated financial statements	196,343	197,941

(Millions of yen)

Profit	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Reportable segments total	7,126	7,754
Elimination of intersegment transactions	(305)	281
Operating profit in the consolidated financial statements	6,821	8,035

(Millions of yen)

Assets	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Reportable segments total	165,564	170,310
Elimination of intersegment transactions	(27,571)	(25,878)
Other adjustments	(12)	(11)
Total assets in the consolidated financial statements	137,980	144,420

Per share information

(Yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net assets per share	1,908.40	2,012.06
Basic earnings per share	176.14	261.01
Diluted earnings per share	144.81	216.05

(Note) Basis for calculating basic earnings per share and diluted earnings per share is as follows:

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Basic earnings per share		
Profit attributable to owners of parent (Millions of yen)	2,704	4,035
Amounts not attributable to common shareholders (Millions of yen)	–	–
Profit attributable to owners of parent related to common shares (Millions of yen)	2,704	4,035
Average number of shares (Thousands of shares)	15,356	15,461
Diluted earnings per share		
Adjustment on profit attributable to owners of parent (Millions of yen)	–	–
Increase in number of common shares (Thousands of shares)	3,322	3,217
[Of the above, convertible bond-type bonds with subscription rights to shares (Thousands of shares)]	[3,322]	[3,217]
Outline of potential shares that were not used in calculating diluted earnings per share because they have no dilutive effects	–	–

Significant events after reporting period

Not applicable.

5. Other information

(1) Changes in Officers

1) Changes in representatives

Not applicable.

2) Changes in other officers

- New candidates for directors scheduled to be appointed

Director & Managing Officer	Shigeharu Tobita	(Current position: Managing Officer and General Manager of Corporate Planning Office)
Director (Outside Director)	Naoko Tomono	(Current position: Partner of T&T Partners Law Office, Conciliation Commissioner, Tokyo Family Court and Outside Director of Taisei Lamick Co., Ltd.)

- Retiring director

Current position: Director & Senior Managing Officer	Masao Toyoda
Current position: Executive Senior Advisor	Akihide Fukuda
Current position: Director & Adviser	Tsuguo Kimura

- New candidate for auditor scheduled to be appointed

Standing Statutory Auditor	Masao Toyoda	(Current position: Director & Senior Managing Officer)

- Retiring auditor

Current position: Standing Statutory Auditor	Keiji Umezu

3) Scheduled date of assuming office

June 23, 2017