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# **Consolidated Financial Statements**

**March 31, 2017**

**F-TECH INC.**

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

Consolidated financial statements, etc.

(1) Consolidated financial statements

i) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
<b>Assets</b>		
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	*1 19,648	*1 18,937
Machinery, equipment and vehicles, net	29,985	33,374
Dies and tools, net	1,969	2,313
Land	*1 6,024	*1 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	*2 73,410	*2 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	*3 4,880	*3 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
<b>Total assets</b>	<b>137,980</b>	<b>144,420</b>

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	18,690	21,186
Short-term loans payable	*4 22,589	*4 20,562
Current portion of long-term loans payable	*1 11,576	*1 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	*1 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
<b>Net assets</b>		
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

ii) 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	*1	173,714	*1	173,372
Gross profit		22,629		24,569
Selling, general and administrative expenses	*2, *3	15,808	*2, *3	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	*4	963	*4	42
Gain on sales of investment securities		–		2
Total extraordinary income		963		44
Extraordinary losses				
Loss on sales of non-current assets	*5	4	*5	6
Loss on retirement of non-current assets	*6	76	*6	132
Impairment loss	*7	110	*7	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	*8	(4,605)	*8	(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

iii) 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					
Dividends of surplus			(307)		(307)
Profit attributable to owners of parent			2,704		2,704
Purchase of treasury shares				(0)	(0)
Change in the parent company's ownership interest of subsidiaries due to transactions with non-controlling shareholders		190			190
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						
Dividends of surplus						(307)
Profit attributable to owners of parent						2,704
Purchase of treasury shares						(0)
Change in the parent company's ownership interest of subsidiaries due to transactions with non-controlling shareholders						190
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 the parent company's ownership interest of subsidiaries due to transactions with non-controlling shareholders		(88)			(88)
Increase (decrease) due to change in fiscal year-end of consolidated subsidiaries			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 the parent company's ownership interest of subsidiaries due to transactions with non-controlling shareholders						(88)
Increase (decrease) due to change in fiscal year-end of consolidated subsidiaries						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

## iv) Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
<b>Cash flows from operating activities</b>		
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
<b>Cash flows from investing activities</b>		
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
<b>Cash flows from financing activities</b>		
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 resulting from change in fiscal year-end of consolidated subsidiaries	–	(110)
Cash and cash equivalents at end of period	*1 6,831	*1 5,719



## Notes to consolidated financial statements

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

#### 1. Basis of presentation of consolidated financial statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in accordance with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards (“IFRS”).

As permitted by the Japanese Financial Instruments and Exchange Act, amounts less than one million yen have been omitted. As a result, the totals shown in accompanying financial statements do not necessarily agree with the sum of the individual amounts.

#### 2. 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.

#### 3. 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.

#### 4. 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.

In the fiscal year ended March 31, 2017, in order to achieve a more appropriate disclosure of consolidated financial information, F.tech Mfg. (Thailand) Ltd. changed its fiscal year-end from December 31 to March 31.

As a result of this change in fiscal year-end, the Company recognized profit or loss of the relevant consolidated subsidiary for the period between the end of the previous fiscal year and the beginning of the current fiscal year directly as "Retained earnings" in the consolidated balance sheet for the fiscal year ended March 31, 2017, and presented the amount in the consolidated statement of changes in net assets as "Increase (decrease) due to change in fiscal year-end of consolidated subsidiaries." In addition, the Company presented the increase (decrease) in cash and cash equivalents for the aforementioned period in the consolidated statement of cash flows for the fiscal year ended March 31, 2017, as "Increase (decrease) in balance resulting from change in fiscal year-end of consolidated subsidiaries."

5. 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.

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

Leased assets relating to finance lease transactions that do not transfer ownership are depreciated by the straight-line method assuming the lease periods as useful lives without residual value.

(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 collectability 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.

iii) Application of simplified method for small businesses

In calculating net defined benefit liability, certain consolidated subsidiaries apply the simplified method in which the net defined benefit liability and retirement benefit costs are deemed to be the amount of retirement benefits to be paid in cases where all eligible employees retired on a voluntary basis at the fiscal year-end date.

(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

All goodwill and the portion of negative goodwill that was 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 Company and its domestic subsidiaries adopted “Revised Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016) from the fiscal year ended March 31, 2017.

## Notes to consolidated balance sheets

### \*1. Assets pledged and liabilities secured

Assets pledged as collateral are as follows:

	(Millions of yen)	
	As of March 31, 2016	As of March 31, 2017
Buildings and structures	174	166
Land	240	240
Total	415	407

Liabilities secured are as follows:

	(Millions of yen)	
	As of March 31, 2016	As of March 31, 2017
Current portion of long-term loans payable	30	17
Long-term loans payable	17	-
Total	47	17

### \*2. Accumulated depreciation of property, plant and equipment is as follows:

	(Millions of yen)	
	As of March 31, 2016	As of March 31, 2017
	94,784	99,278

### \*3. Investment securities relating to non-consolidated subsidiaries and associates are as follows:

	(Millions of yen)	
	As of March 31, 2016	As of March 31, 2017
Investment securities (stocks)	3,483	3,972

### \*4. The Group has entered into overdraft agreements and loan commitment agreements with 15 banks to efficiently raise working capital. Balance of unexecuted borrowings at end of period under these agreements is shown below:

	(Millions of yen)	
	As of March 31, 2016	As of March 31, 2017
Total amount of overdraft facility limit and loan commitment	40,093	44,180
Balance of borrowings outstanding	21,539	19,529
Unexecuted balance	18,553	24,651

## Notes to consolidated statements of income and comprehensive income

- \*1. The ending balance of inventories represents the amount after write-down of the book value in accordance with the decline in profitability and the following loss (reversal) on valuation of inventories is included in cost of sales.

(Millions of yen)	
Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
33	132

- \*2. The major items of selling, general and administrative expenses are as follows:

(Millions of yen)		
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Haulage expenses	1,917	2,642
Salaries, allowance and bonuses	4,625	4,330
Retirement benefit costs	129	182
Provision for directors' bonuses	95	126
Provision for directors' retirement benefits	20	60
Depreciation	640	638
Research and development expenses	3,293	3,238

- \*3. Research and development expenses included in general and administrative expenses

(Millions of yen)		
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
	3,293	3,238

- \*4. The breakdown of gain on sales of non-current assets is as follows:

(Millions of yen)		
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Buildings and structures	132	29
Machinery, equipment and vehicles	23	12
Land	806	-
Other	1	0
Total	963	42

- \*5. The breakdown of loss on sales of non-current assets is as follows:

(Millions of yen)		
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Machinery, equipment and vehicles	3	5
Other	0	0
Total	4	6

\*6. The breakdown of loss on retirement of non-current assets is as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Buildings and structures	30	10
Machinery, equipment and vehicles	44	108
Dies and tools	0	2
Other	1	11
Total	76	132

\*7. Impairment loss

For the fiscal year ended March 31, 2016, the Group recorded impairment loss on the following asset groups:

Location	Use	Type	Amount
Karawang, Indonesia	Idle assets	Construction in progress	110 million yen

The Group's idle assets are grouped by each asset.

The carrying amount of construction in progress as idle assets was reduced to the recoverable amount, and the reduced amount is recorded as impairment loss in extraordinary losses.

The recoverable amount was measured based on the value in use and the carrying amount was fully reduced to the full amount with the recoverable amount deemed as zero.

For the fiscal year ended March 31, 2017, the Group recorded impairment loss on the following asset groups:

Location	Use	Type	Amount
Kuki Plant (Kuki City, Saitama)	Idle assets	Machinery and equipment	36 million yen
Kuki Plant (Kuki City, Saitama)	Idle assets	Machinery and equipment	17 million yen
Ontario, Canada	Idle assets	Machinery and equipment	71 million yen
Karawang, Indonesia	Idle assets	Buildings	28 million yen
Total			153 million yen

The Group's idle assets are grouped by each asset.

The carrying amounts of machinery and equipment, and buildings as idle assets were reduced to the recoverable amounts, and the reduced amounts are recorded as impairment loss in extraordinary losses.

The recoverable amounts were measured at the net selling prices. If the possible sale of the assets is considered to be remote, the net selling prices are assessed as zero.



\*8. Notes regarding reclassification adjustments and tax effects relating to other comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Valuation difference on available-for-sale securities		
Increase (decrease) during the period	(326)	148
Pre-adjustment of tax effect	(326)	148
Tax effect amount	110	(43)
Valuation difference on available-for-sale securities	(215)	104
Foreign currency translation adjustment		
Increase (decrease) during the period	(3,298)	(2,035)
Foreign currency translation adjustment	(3,298)	(2,035)
Remeasurements of defined benefit plans, net of tax		
Increase (decrease) during the period	(807)	(67)
Reclassification adjustments	(80)	99
Pre-adjustment of tax effect	(887)	32
Tax effect amount	9	–
Remeasurements of defined benefit plans, net of tax	(878)	32
Share of other comprehensive income of entities accounted for using equity method		
Increase (decrease) during the period	(212)	(12)
Share of other comprehensive income of entities accounted for using equity method	(212)	(12)
Total other comprehensive income	(4,605)	(1,911)

## Notes to consolidated statements of changes in net assets

Fiscal year ended March 31, 2016

### 1. Class and total number of issued shares and class and number of treasury shares

(Thousands of shares)

	Number of shares as of beginning of current fiscal year	Number of shares increased in current fiscal year	Number of shares decreased in current fiscal year	Number of shares as of end of current fiscal year
Issued shares				
Common shares	15,390	–	–	15,390
Total	15,390	–	–	15,390
Treasury shares				
Common shares	33	0	–	33
Total	33	0	–	33

(Note) The breakdown of the increase in number of treasury shares is as follows:

- Increase from the purchase of treasury shares: 47 shares

### 2. Dividends

#### (1) Cash dividends paid

Resolution	Class of shares	Total cash dividend (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 19, 2015	Common shares	153	Retained earnings	10	March 31, 2015	June 22, 2015
Board of Directors' meeting held on November 5, 2015	Common shares	153	Retained earnings	10	September 30, 2015	December 1, 2015

#### (2) Dividends whose record dates are in the current fiscal year but whose effective dates fall in the next fiscal year

Resolution	Class of shares	Total cash dividend (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 21, 2016	Common shares	153	Retained earnings	10	March 31, 2016	June 22, 2016

Fiscal year ended March 31, 2017

1. Class and total number of issued shares and class and number of treasury shares

(Thousands of shares)

	Number of shares as of beginning of current fiscal year	Number of shares increased in current fiscal year	Number of shares decreased in current fiscal year	Number of shares as of end of current fiscal year
Issued shares				
Common shares	15,390	1,370	–	16,760
Total	15,390	1,370	–	16,760
Treasury shares				
Common shares	33	–	–	33
Total	33	–	–	33

(Note) The breakdown of the increase in number of common shares is as follows:

- Increase from the exercise of subscription rights to shares in convertible bond-type bonds with subscription rights to shares: 1,370,425 shares

2. Dividends

(1) Cash dividends paid

Resolution	Class of shares	Total cash dividend (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 21, 2016	Common shares	153	Retained earnings	10	March 31, 2016	June 22, 2016
Board of Directors' meeting held on November 7, 2016	Common shares	153	Retained earnings	10	September 30, 2016	December 1, 2016

(2) Dividends whose record dates are in the current fiscal year but whose effective dates fall in the next fiscal year

Resolution	Class of shares	Total cash dividend (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 23, 2017	Common shares	284	Retained earnings	17	March 31, 2017	June 26, 2017

(Note) A 70th anniversary commemorative dividend of 7 yen is included in the dividend per share resolved at the Annual General Meeting of Shareholders held on June 23, 2017.

## Notes to consolidated statements of cash flows

### \*1. Reconciliation of ending balance of cash and cash equivalents with account balances per balance sheet

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Cash and deposits	6,831	5,719
Cash and cash equivalents	6,831	5,719

### 2. Description of significant transactions not requiring use of cash or cash equivalents

#### (1) Assets and liabilities associated with finance lease transactions

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Assets and liabilities associated with finance lease transactions	517	1,141

#### (2) Exercise of subscription rights to shares in convertible bond-type bonds with subscription rights to shares:

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Increase in amount of capital stock from exercise of subscription rights to shares	–	825
Increase in amount of capital surplus from exercise of subscription rights to shares	–	825
Decrease in amount of bonds payable from exercise of subscription rights to shares	–	1,650

## Notes on leases

As lessee

### 1. Finance lease transactions

Finance lease transactions that do not transfer ownership

#### i) Leased assets

Property, plant and equipment

Production facilities: Machinery and equipment

#### ii) Depreciation of leased assets

Depreciation of leased assets is as stated in “5. Disclosure of accounting policies, (2) Accounting policy for depreciation of significant assets” under “Basis of presentation and significant accounting policies for preparation of consolidated financial statements.”

For finance lease transactions that do not transfer ownership and commenced on or before March 31, 2008, the accounting treatment follows the method applicable to ordinary rental transactions. The detail is as shown below:

- (1) Acquisition cost equivalent, accumulated depreciation equivalent and net book value equivalent at end of period

(Millions of yen)

	As of March 31, 2016		
	Acquisition cost equivalent	Accumulated depreciation equivalent	Net book value equivalent at end of period
Machinery, equipment and vehicles	82	82	–
Other	–	–	–
Total	82	82	–

(Millions of yen)

	As of March 31, 2017		
	Acquisition cost equivalent	Accumulated depreciation equivalent	Net book value equivalent at end of period
Machinery, equipment and vehicles	–	–	–
Other	–	–	–
Total	–	–	–

(Note) The acquisition cost equivalent includes the imputed interest expense portion, since the outstanding balance of future lease payments at end of period represented a small proportion of property, plant and equipment.

- (2) Outstanding balance of future lease payments at end of period, etc.

Not applicable.

- (3) Lease fees paid and depreciation equivalent during the period

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Lease fees paid	6	–
Depreciation equivalent	6	–

- (4) Calculation method for depreciation equivalent

The straight-line method is used assuming the lease periods as useful lives without residual value.

2. Operating lease transactions

Future lease payments under non-cancellable leases of operating lease transactions

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Due within one year	161	158
Due over one year	170	169
Total	332	328

## Notes on financial instruments

### 1. Overview of financial instruments

#### (1) Policy on treatment of financial instruments

The Group raises necessary funds (mainly loans from banks and issuance of corporate bonds) according to the capital expenditure plan to conduct the auto parts related business consisting of the manufacture and sale of auto parts and dies, equipment, tools, etc. for these parts. The Group utilizes derivatives to hedge its exposure to risks described below and adheres to a policy of not conducting derivative transactions for speculative purposes.

#### (2) Financial instruments and related risks

Notes and accounts receivable - trade that are operating receivables are exposed to the credit risk of customers. Although operating receivables denominated in foreign currencies, which arise from intercompany transactions due to the globally developed businesses, are exposed to the risk of fluctuations in exchange rates, forward exchange contracts are used to hedge this risk. Investment securities are principally stocks related to business activities or capital alliances with business partners and exposed to the risk of fluctuations in market prices. Long-term loans receivable are intercompany loans and exposed to the credit risk of the borrowers.

Notes and accounts payable - trade that are operating payable and accounts payable - other are due within one year. Some of these payables are denominated in foreign currencies due to import of materials, etc. and exposed to the risk of fluctuations in exchange rates, however they are within the range of the outstanding balance of accounts payable - trade denominated in the same foreign currency on a permanent basis. Loans payable, bonds payable and lease obligations on finance leases are principally for procuring funds needed for capital expenditure and due for repayment within up to eight years after the fiscal year end.

Derivative transaction is forward exchange contracts to hedge the foreign currency risk on operating receivables arising from intercompany transactions.

#### (3) Risk management system for financial instruments

##### i) Management of credit risk (customers' default risk)

For operating receivables, the Company conducts maturity management and balance management by counterparty through periodical monitoring of major business partners' status in the operation division and the management division of each department in accordance with the internal rules on sales management, and endeavors to quickly determine and mitigate any concern on the collection of receivables due to deteriorated financial conditions. Consolidated subsidiaries also manage operating receivables in the same manner in accordance with the Company's internal rules on sales management. For long-term loans receivable, the Company periodically monitors the status of borrowers to quickly determine and mitigate any concern on the collection of loans due to their deteriorated financial condition and other factors.

##### ii) Management of market risk (fluctuation risk of foreign currency exchange and interest rates, etc.)

The Company and some consolidated subsidiaries utilize forward exchange contracts in principle to hedge the foreign currency exchange rate fluctuation risk by currency on a monthly basis for operating receivables arising from intercompany transactions. Depending on the status of foreign exchange rates, forward exchange contracts are entered into for a maximum of 12 months in relation to operating receivables denominated in foreign currencies that are certainly expected to arise from forecast royalty transactions.

For investment securities, the Company periodically assesses market value and financial conditions of issuers (business partners).

For derivative transactions, the Company assesses the positions to conduct hedge transactions on a monthly basis under the hedge policy of the funds and foreign exchange conference, in accordance with the internal rules on foreign exchange risks which stipulate transaction authority, limit amounts and other matters. Based on this assessment, the accounting department conducts transactions, and records information on the transaction and checks balances with counterparties.

iii) Management of liquidity risk associated with fund raising (risk of inability to pay on due date)  
The Company's accounting department prepares and updates financial plans annually and monthly based on reports from each department.

(4) Supplementary explanation concerning fair values of financial instruments

Fair values of financial instruments comprise of values based on market prices and reasonably measured values where market prices are unavailable. As several variable factors are incorporated in calculating the relevant fair value, the resulting amount may vary depending on the different preconditions employed.

(5) Concentration of credit risks

As of March 31, 2017, 62.4% of operating receivables were associated with the major customers.



## 2. Fair values of financial instruments

Carrying amounts on the consolidated balance sheets, fair values and differences therebetween of the financial instruments are shown below. However, financial instruments whose fair values are deemed to be extremely difficult to determine are not included therein (Please refer to Note 2 below).

As of March 31, 2016

(Millions of yen)

	Carrying amount on the consolidated balance sheet	Fair value	Difference
(1) Cash and deposits	6,831	6,831	—
(2) Notes and accounts receivable - trade	28,930	28,930	—
(3) Investment securities			
Available-for-sale securities (other securities)	1,170	1,170	—
(4) Long-term loans receivable	261	261	0
(5) Notes and accounts payable - trade	18,690	18,690	—
(6) Accounts payable - other	4,347	4,347	—
(7) Short-term loans payable	22,589	22,589	—
(8) Bonds payable	4,000	4,150	150
(9) Long-term loans payable (*1)	30,174	30,221	47
(10) Lease obligations (*2)	880	898	17
(11) Derivatives (*3)	43	43	—

(\*1) Current portion of long-term loans payable in current liabilities is included.

(\*2) The total amount of lease obligations in current liabilities and lease obligations in non-current liabilities is presented.

(\*3) Claims and obligations arising from derivative transactions are presented on a net basis.

As of March 31, 2017

(Millions of yen)

	Carrying amount on the consolidated balance sheet	Fair value	Difference
(1) Cash and deposits	5,719	5,719	—
(2) Notes and accounts receivable - trade	33,151	33,151	—
(3) Investment securities			
Available-for-sale securities (other securities)	1,351	1,351	—
(4) Long-term loans receivable	236	237	1
(5) Notes and accounts payable - trade	21,186	21,186	—
(6) Accounts payable - other	4,579	4,579	—
(7) Short-term loans payable	20,562	20,562	—
(8) Bonds payable	2,350	2,774	424
(9) Long-term loans payable (*1)	34,225	34,154	(71)
(10) Lease obligations (*2)	1,184	1,192	7
(11) Long-term accounts payable - other (installment) (*3)	806	753	(52)
(12) Derivatives (*4)	2	2	—

(\*1) Current portion of long-term loans payable in current liabilities is included.

(\*2) The total amount of lease obligations in current liabilities and lease obligations in non-current liabilities is presented.

(\*3) Current portion of long-term accounts payable - other (installment) included in accounts payable - other in current

liabilities is included.

(\*4) Claims and obligations arising from derivative transactions are presented on a net basis.

(Notes) 1. Measurement method of fair values of financial instruments and matters concerning securities and derivatives

(1) Cash and deposits and (2) Notes and accounts receivable - trade

The fair value of these assets is based on the book value, given that the fair value is almost the same as the book value, as they are settled in a short period.

(3) Investment securities

The fair value of stocks with fair value is based on the quoted market price.

(4) Long-term loans receivable

The fair value of long-term loans receivable is calculated based on the present value of future cash flows (principal and interest) discounted using the assumed interest rate of similar new borrowings.

(5) Notes and accounts payable - trade, (6) Accounts payable - other and (7) Short-term loans payable

The fair value of these liabilities is based on the book value, given that the fair value is almost the same as the book value, as they are settled in a short period.

(8) Bonds payable

The fair value of bonds payable issued by the Company is calculated based on market prices.

(9) Long-term loans payable, (10) Lease obligations and (11) Long-term accounts payable - other (installment)

The fair values of long-term loans payable with fixed interest rates, lease obligations and long-term accounts payable - other (installment) are calculated by discounting the total amount of principal and interest at the assumed interest rate of similar new borrowings, lease contracts and installment payment contracts. Since long-term loans payable with floating interest rates reflect market interest rates within a short period, the fair value is approximately the same as the book value and thus presented at the book value.

(12) Derivatives

The fair value of derivatives is based on the prices presented by the financial institution with which the contract has been made. These derivatives are forward exchange contracts to hedge the exchange rate fluctuation risk on operating receivables denominated in foreign currencies.

2. Financial instruments whose fair values are deemed to be extremely difficult to determine

(Millions of yen)

Classification	As of March 31, 2016	As of March 31, 2017
Non-listed shares		
Shares of subsidiaries and associates	3,483	3,972
Other	226	352
Total	3,710	4,325

(Note) The above are not included in "(3) Investment securities" above because their market prices are not available and the future cash flows cannot be estimated reliably, and thus their fair values are deemed extremely difficult to determine.

3. Redemption schedule for monetary receivables after the fiscal year end

As of March 31, 2016

(Millions of yen)

	Due within one year	Due after one year through five years	Due after five years through ten years	Due over ten years
Cash and deposits	6,831	—	—	—
Notes and accounts receivable - trade	28,930	—	—	—
Long-term loans receivable	—	—	72	188
Total	35,762	—	72	188

As of March 31, 2017

(Millions of yen)

	Due within one year	Due after one year through five years	Due after five years through ten years	Due over ten years
Cash and deposits	5,719	–	–	–
Notes and accounts receivable - trade	33,151	–	–	–
Long-term loans receivable	–	–	65	171
Total	38,870	–	65	171

4. Repayment schedule for bonds payable, long-term loans payable, lease obligations and other interest-bearing debts  
As of March 31, 2016

(Millions of yen)

	Due within one year	Due after one year through five years	Due after five years through ten years	Due over ten years
Short-term loans payable	22,589	–	–	–
Bonds payable	–	4,000	–	–
Long-term loans payable	11,576	18,531	65	–
Lease obligations	395	484	1	–
Total	34,562	23,015	66	–

As of March 31, 2017

(Millions of yen)

	Due within one year	Due after one year through five years	Due after five years through ten years	Due over ten years
Short-term loans payable	20,562	–	–	–
Bonds payable	–	2,350	–	–
Long-term loans payable	10,953	23,220	51	–
Lease obligations	742	442	–	–
Long-term accounts payable - other (installment)	293	512	–	–
Total	32,552	26,525	51	–

## Notes on securities

### 1. Available-for-sale securities (other securities)

As of March 31, 2016

(Millions of yen)

	Type	Carrying amount on the consolidated balance sheet	Original purchase price	Difference
Items whose carrying amount on the consolidated balance sheet exceeds original purchase price	(1) Shares	1,156	591	564
	(2) Bonds	–	–	–
	(3) Other	–	–	–
	Subtotal	1,156	591	564
Items whose carrying amount on the consolidated balance sheet does not exceed original purchase price	(1) Shares	13	18	(4)
	(2) Bonds	–	–	–
	(3) Other	–	–	–
	Subtotal	13	18	(4)
Total		1,170	609	560

(Note) Non-listed shares (carrying amount on the consolidated balance sheet: 226 million yen) are not included in “Available-for-sale securities (other securities)” above because their market prices are not available and their fair values are deemed extremely difficult to determine.

As of March 31, 2017

(Millions of yen)

	Type	Carrying amount on the consolidated balance sheet	Original purchase price	Difference
Items whose carrying amount on the consolidated balance sheet exceeds original purchase price	(1) Shares	1,346	637	709
	(2) Bonds	–	–	–
	(3) Other	–	–	–
	Subtotal	1,346	637	709
Items whose carrying amount on the consolidated balance sheet does not exceed original purchase price	(1) Shares	4	4	(0)
	(2) Bonds	–	–	–
	(3) Other	–	–	–
	Subtotal	4	4	(0)
Total		1,351	641	709

(Note) Non-listed shares (carrying amount on the consolidated balance sheet: 352 million yen) are not included in “Available-for-sale securities (other securities)” above because their market prices are not available and their fair values are deemed extremely difficult to determine.

2. Available-for-sale securities (other securities) sold

As of March 31, 2016

(Millions of yen)

Type	Amount sold	Total gain on sales	Total loss on sales
(1) Shares	55	–	–
(2) Bonds	–	–	–
(3) Other	–	–	–
Total	55	–	–

As of March 31, 2017

(Millions of yen)

Type	Amount sold	Total gain on sales	Total loss on sales
(1) Shares	3	2	–
(2) Bonds	–	–	–
(3) Other	–	–	–
Total	3	2	–

## Notes on derivatives

### 1. Derivative transactions to which hedge accounting is not applied

#### (1) Foreign currency

As of March 31, 2016

(Millions of yen)

Classification	Type of transaction	As of March 31, 2016			
		Contract/notional amount	Portion of contract/notional amount over one year	Fair value	Valuation gain (loss)
Transactions other than market transactions	Forward exchange contracts				
	Sell				
	U.S. dollar	1,057	–	43	43
	Canadian dollar	–	–	–	–
	Thai Baht	60	–	(0)	(0)
Total		1,118	–	43	43

(Note) Measurement method for fair values

Fair values are calculated based on price presented by counterparty financial institutions, etc.

As of March 31, 2017

(Millions of yen)

Classification	Type of transaction	As of March 31, 2017			
		Contract/notional amount	Portion of contract/notional amount over one year	Fair value	Valuation gain (loss)
Transactions other than market transactions	Forward exchange contracts				
	Sell				
	U.S. dollar	1,318	–	(14)	(14)
	Euro	45	–	0	0
	Canadian dollar	1,228	–	20	20
	Thai Baht	45	–	(3)	(3)
Total		2,636	–	2	2

(Note) Measurement method for fair values

Fair values are calculated based on price presented by counterparty financial institutions, etc.

#### (2) Interest rate

As of March 31, 2016

Not applicable.

As of March 31, 2017

Not applicable.

2. Derivative transactions to which hedge accounting is applied

(1) Foreign currency

As of March 31, 2016

Not applicable.

As of March 31, 2017

Not applicable.

(2) Interest rate

As of March 31, 2016

Not applicable.

As of March 31, 2017

Not applicable.

## Notes on retirement benefits

### 1. Summary of retirement benefit plans adopted

The Company has established an employees' pension fund plan and a constitution-based defined benefit corporate pension plan. Some domestic consolidated subsidiaries have established constitution-based defined benefit corporate pension plans and lump-sum retirement benefit plans. Some foreign consolidated subsidiaries have established defined benefit plans or the defined contribution plans.

Some consolidated subsidiaries apply simplified methods in calculating retirement benefit obligations.

As for the employees' pension fund plan, the Company has participated in the Social Welfare Pension Fund of Nippon Sheet Metal Presswork (multi-employer contributory pension plans) since 1970. The Social Welfare Pension Fund of Nippon Sheet Metal Presswork would request an increased burden on members, such as through increased member contributions, for its survival following recent changes in Employees' Pension Insurance Act. Based on the conclusion that it is difficult to continue its operation, ordinary dissolution of the fund was resolved at a meeting of its board of representatives held on August 4, 2014. The Minister of Health, Labour and Welfare approved dissolution on September 29, 2016, and as of the current consolidated fiscal year end, the liquidation process is underway. Moreover, no additional cost arising from the dissolution of the fund is expected. With this dissolution, the Company has changed its employees' pension fund plan to JMSA Welfare Pension Fund (multi-employer contributory pension plans) in October 2016.

Because the Company cannot reasonably calculate the amount of plan assets in terms of its contributions for these multi-employer contributory pension plans, retirement benefit obligations for these plans are accounted for in the same manner as a defined contribution plan.

### 2. Defined benefit plans

#### (1) Reconciliation between the balance at beginning of period and the balance at end of period of retirement benefit obligations (excluding plans to which the simplified method was applied)

	(Millions of yen)	
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Balance at beginning of period	5,296	6,199
Service cost	373	442
Interest cost	62	18
Actuarial loss (gain)	676	7
Benefits paid	(183)	(220)
Other	(25)	(27)
Balance at end of period	6,199	6,419

#### (2) Reconciliation between the balance at beginning of period and the balance at end of period of plan assets (excluding plans to which the simplified method was applied)

	(Millions of yen)	
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Balance at beginning of period	5,209	5,376
Expected return on plan assets	103	111
Actuarial loss (gain)	(103)	(60)
Contributions paid by the employer	358	363
Benefits paid	(181)	(215)
Other	(8)	(16)
Balance at end of period	5,376	5,560



- (3) Reconciliation between the balance at beginning of period and the balance at end of period of net defined benefit liability for plans to which the simplified method was applied

(Millions of yen)		
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Balance at beginning of period	93	96
Benefit costs	22	26
Benefits paid	(8)	(20)
Contributions paid by the employer	(10)	(9)
Balance at end of period	96	92

- (4) Reconciliation between the balances at end of period of retirement benefit obligations and plan assets, and net defined benefit liability and net defined benefit asset recorded in the consolidated balance sheet

(Millions of yen)		
	As of March 31, 2016	As of March 31, 2017
Funded retirement benefit obligations	6,250	6,395
Plan assets	(5,476)	(5,668)
	773	726
Unfunded retirement benefit obligations	146	224
Total net liability (asset) for retirement benefits	919	951
Net defined benefit liability	954	987
Net defined benefit asset	(34)	(35)
Total net liability (asset) for retirement benefits	919	951

(Note) Includes plans to which simplified methods were applied.

- (5) Retirement benefit costs

(Millions of yen)		
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Service cost	373	442
Interest cost	62	18
Expected return on plan assets	(103)	(111)
Net actuarial loss amortization	(107)	99
Retirement benefit costs calculated using simplified methods	22	26
Total	247	474

(6) Remeasurements of defined benefit plans, net of tax

The breakdown of the items recorded in remeasurements of defined benefit plans, net of tax (before deducting tax effect) in the consolidated statement of income and comprehensive income is as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Actuarial gains and losses	(887)	32
Total	(887)	32

(7) Remeasurements of defined benefit plans

The breakdown of the items recorded in remeasurements of defined benefit plans (before deducting tax effect) in accumulated other comprehensive income in the consolidated balance sheet is as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Actuarial gains and losses that are yet to be recognized	(551)	(519)
Total	(551)	(519)

(8) Plan assets

i) Breakdown of major categories of plan assets

The ratio of major categories to total plan assets is as follows:

	As of March 31, 2016	As of March 31, 2017
Bonds	26.1%	26.8%
Equity securities	10.4	11.0
General account	57.1	57.4
Other	6.4	4.8
Total	100.0	100.0

ii) Method to determine rate of expected long-term return

The rate of expected long-term return is determined in consideration of the present and expected asset mix and the present and expected long-term return rate on the various assets that comprise the plan assets.

(9) Actuarial assumptions

Major bases for actuarial calculations at end of period

	As of March 31, 2016	As of March 31, 2017
Discount rate	0.1%	0.1%
Long-term expected rate of return	2.0%	2.0%
Expected rate of salary increase	3.0%	3.0%

3. Defined contribution plan

The required contribution amount to defined contribution plans (including employees' pension fund plan in multi-employer contributory pension plans which is accounted for in the same manner) was 387 million yen in the previous fiscal year and 367 million yen in the current fiscal year.

4. Multi-employer contributory pension plans

The required contribution amount to the multi-employer contributory pension plan-type employees' pension fund plan, which is accounted for in the same manner as a defined contribution plan, and defined benefit plans was 189 million yen in the previous fiscal year and 189 million yen in the current fiscal year for Social Welfare Pension Fund of Nippon Sheet Metal Presswork, and 22 million yen in the current fiscal year for JMSA Welfare Pension Fund.

(1) Latest funding position of the multi-employer contributory pension plans

i) Social Welfare Pension Fund of Nippon Sheet Metal Presswork (Millions of yen)

	Previous fiscal year (As of March 31, 2015)	Current fiscal year (As of March 31, 2016)
Amount of plan assets	76,331	70,886
Total of actuarial benefit obligations for the purpose of pension financing calculation and minimum reserve	75,032	70,409
Difference	1,299	476

ii) JMSA Welfare Pension Fund (Millions of yen)

	Current fiscal year (As of March 31, 2017)
Amount of plan assets	540
Amount of reserve for the purpose of pension financing calculation	622
Difference	(81)

(2) Ratio of the Group's members to the entire plan

i) Social Welfare Pension Fund of Nippon Sheet Metal Presswork

Previous fiscal year 6.9% (As of March 31, 2015)

Current fiscal year 5.9% (As of March 31, 2016)

ii) JMSA Welfare Pension Fund

Current fiscal year 16.3% (As of March 31, 2017)

(3) Supplementary explanation

The main reasons for the difference in (1) above are 1,299 million yen and 476 million yen of surplus carried-forward in the previous fiscal year and in the current fiscal year, respectively, by the Social Welfare Pension Fund of Nippon Sheet Metal Presswork, and 581 million yen of past service liabilities for the purpose of pension financing calculation and 662 million yen of deficiency carried-forward in the current fiscal year by JMSA Welfare Pension Fund.

Under Social Welfare Pension Fund of Nippon Sheet Metal Presswork, past service liabilities are amortized over 20 years using the equal repayment method. Under JMSA Welfare Pension Fund, past service liabilities are amortized over 6 years and 2 months using the equal repayment method.

The ratio in (2) above is different from the ratio of the Group's actual contributions.

**Notes on share options, etc.**

Not applicable.

## Notes on tax effect accounting

### 1. Breakdown of deferred tax assets and deferred tax liabilities by major component

	(Millions of yen)	
	As of March 31, 2016	As of March 31, 2017
Deferred tax assets		
Tax loss carry forwards	2,669	2,416
Elimination of unrealized gains on non-current assets	1,213	1,010
Excess depreciation	574	567
Impairment loss	575	538
Accrued bonuses	314	284
Loss on valuation of inventories	169	210
Net defined benefit liability	119	115
Other	339	498
Deferred tax assets subtotal	5,976	5,642
Valuation allowance	(5,068)	(4,140)
Total deferred tax assets	907	1,502
Deferred tax liabilities		
Depreciation (foreign consolidated subsidiaries)	(3,301)	(3,318)
Valuation difference on available-for-sale securities	(170)	(213)
Net defined benefit asset	(9)	(10)
Other	(20)	(142)
Total deferred tax liabilities	(3,502)	(3,685)
Net deferred tax assets (liabilities)	(2,595)	(2,183)

(Note) Net deferred tax assets (liabilities) as of March 31, 2016 and March 31, 2017 are included in the following items in the consolidated balance sheets.

	(Millions of yen)	
	As of March 31, 2016	As of March 31, 2017
Current assets – Deferred tax assets	368	541
Non-current assets – Deferred tax assets	449	569
Current liabilities – Other	(43)	–
Non-current liabilities – Deferred tax liabilities	(3,369)	(3,294)

2. Reconciliation of significant difference between statutory income tax rate and effective income tax rate after application of tax effect accounting

	As of March 31, 2016	As of March 31, 2017
Statutory income tax rate	32.5%	30.3%
(Adjustments)		
Change in valuation allowance	1.6	(10.8)
Foreign tax credit	–	6.0
Tax rate differences in foreign consolidated subsidiaries	(5.0)	(4.4)
Share of profit (loss) of entities accounted for using equity method	(2.0)	(2.3)
Expenses not deductible permanently such as entertainment expenses	1.1	1.9
Inhabitant per capita tax	0.2	0.2
Foreign withholding tax	3.6	–
Income taxes for prior periods	1.1	–
Other	0.8	1.1
Effective income tax rate after application of tax effect accounting	33.9	22.0

## Notes on business combinations

Transactions under common control, etc.

### 1. Acquisition of additional shares of a subsidiary

#### (1) Outline of transaction

##### i) Name of a company involved in business combination and nature of its business

Name of a company involved in business combination:

F.tech Wuhan Inc. (Consolidated subsidiary of the Company)

Nature of business:

Manufacture and sale of auto parts

##### ii) Date of business combination

June 30, 2016 (deemed acquisition date)

##### iii) Legal form of business combination

Acquisition of shares from non-controlling shareholders

##### iv) Name of company after business combination

No change was made.

##### v) Other items regarding outline of transaction

The Company underwrote the acquisition of shares from non-controlling shareholders for the purpose of further strengthening the capital ties as well as stabilizing and strengthening the management of the Group.

#### (2) Outline of accounting treatment applied

The transaction was accounted for as transactions with non-controlling shareholders categorized under transactions under common control, etc. in accordance with the Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013) and the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, September 13, 2013).

#### (3) Matters concerning acquisition of additional shares of a subsidiary

Acquisition cost of the acquired company and breakdown thereof by consideration type

Consideration for acquisition	Cash and deposits	403 million yen
-------------------------------	-------------------	-----------------

#### (4) Matters concerning change in the parent company's ownership interest of subsidiaries due to transactions with non-controlling shareholders

##### i) Major factor of change in capital surplus

The change in capital surplus is attributable to the difference between the acquisition cost for the additional shares by the Company and the amount of decrease in non-controlling interests due to the additional acquisition by the Company.

##### ii) Amount of capital surplus decreased by transactions with non-controlling shareholders

9 million yen

2. Acquisition of additional shares of a subsidiary

(1) Outline of transaction

i) Name of a company involved in business combination and nature of its business

Name of a company involved in business combination:

F.tech Mfg. (Thailand) Ltd. (Consolidated subsidiary of the Company)

Nature of business:

Manufacture and sale of auto parts

ii) Date of business combination

September 30, 2016 (deemed acquisition date)

iii) Legal form of business combination

Acquisition of shares from non-controlling shareholders

iv) Name of company after business combination

No change was made.

v) Other items regarding outline of transaction

The Company underwrote the acquisition of shares from non-controlling shareholders for the purpose of further strengthening the capital ties as well as stabilizing and strengthening the management of the Group.

(2) Outline of accounting treatment applied

The transaction was accounted for as transactions with non-controlling shareholders categorized under transactions under common control, etc. in accordance with the Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013) and the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, September 13, 2013).

(3) Matters concerning acquisition of additional shares of a subsidiary

Acquisition cost of the acquired company and breakdown thereof by consideration type

Consideration for acquisition    Cash and deposits    806 million yen

(4) Matters concerning change in the parent company's ownership interest of subsidiaries due to transactions with non-controlling shareholders

i) Major factor of change in capital surplus

The change in capital surplus is attributable to the difference between the acquisition cost for the additional shares by the Company and the amount of decrease in non-controlling interests due to the additional acquisition by the Company.

ii) Amount of capital surplus decreased by transactions with non-controlling shareholders

78 million yen



### Notes on asset retirement obligations

Not applicable.

### Notes on real estate for lease, etc.

The Company and a subsidiary own rental properties and idle properties in Saitama Prefecture and other areas.

In the current fiscal year, net rental revenue from the rental properties amounted to 27 million yen (rental revenue was recorded in non-operating income). Carrying amount on the consolidated balance sheet, increase (decrease) in the current fiscal year and fair value of these real estate properties for lease, etc. are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Carrying amount on the consolidated balance sheet		
Balance at beginning of period	1,465	1,308
Increase (decrease) during period	(156)	(51)
Balance at end of period	1,308	1,257
Fair value at end of period	1,585	1,496

- (Notes)
1. Carrying amount on the consolidated balance sheet is calculated by subtracting accumulated depreciation and impairment loss from acquisition cost.
  2. The increase (decrease) during the fiscal year ended March 31, 2017 includes a decrease due to foreign currency translation difference (51 million yen).
  3. Fair values at end of period are based on certain appraisal value and indicators that are considered to appropriately reflect market prices.

## Segment information, etc.

### Segment information

#### 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
Other items				
Depreciation	2,474	4,475	3,549	10,500
Investments in entities accounted for using equity method	3,089	259	–	3,348
Increase in property, plant and equipment and intangible assets	3,340	13,507	4,691	21,539

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	170,310
Other items				
Depreciation	2,771	4,523	3,526	10,821
Investments in entities accounted for using equity method	3,560	276	–	3,837
Increase in property, plant and equipment and intangible assets	3,839	6,623	3,861	14,323

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

(Millions of yen)

Other items	Reportable segments total		Adjustments		Amount recorded in the consolidated balance sheet	
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Depreciation	10,500	10,821	(419)	(486)	10,081	10,334
Investments in entities accounted for using equity method	3,348	3,837	-	-	3,348	3,837
Increase in property, plant and equipment and intangible assets	21,539	14,323	(960)	(230)	20,578	14,093

(Note) Adjustments of increase in property, plant and equipment and intangible assets are the effect of intersegment consolidation adjustments.

Information associated with reportable segments

Fiscal year ended March 31, 2016

1. Information by product or service

This information has been omitted as net sales to external customers in a single product or service category account for more than 90% of net sales recorded in the consolidated statements of income.

2. Information by geographical region

(1) Net sales (Millions of yen)

Japan	U.S.A.	Canada	China	Other	Total
21,126	73,449	44,718	38,464	18,585	196,343

(Note) Net sales are segmented by country or region based on customer locations.

(2) Property, plant and equipment (Millions of yen)

Japan	U.S.A.	Canada	China	Other	Total
18,342	17,722	12,466	12,363	12,514	73,410

3. Information for major customers (Millions of yen)

Counterparty	Revenues	Relevant segment
Honda Motor Co., Ltd. and its group companies	152,435	All reportable segments

Fiscal year ended March 31, 2017

1. Information by product or service

This information has been omitted as net sales to external customers in a single product or service category account for more than 90% of net sales recorded in the consolidated statements of income.

2. Information by geographical region

(1) Net sales (Millions of yen)

Japan	U.S.A.	Canada	China	Other	Total
24,116	65,584	48,269	39,464	20,507	197,941

(Note) Net sales are segmented by country or region based on customer locations.

(2) Property, plant and equipment (Millions of yen)

Japan	U.S.A.	Canada	China	Mexico	Other	Total
16,803	17,859	13,495	12,077	7,710	6,729	74,676

3. Information for major customers (Millions of yen)

Counterparty	Revenues	Relevant segment
Honda Motor Co., Ltd. and its group companies	149,738	All reportable segments
General Motors Company and its group companies	23,682	All reportable segments

Disclosure of impairment loss on non-current assets for each reportable segment

Fiscal year ended March 31, 2016

(Millions of yen)

	Japan	North America	Asia	Unallocated amounts and elimination	Total
Impairment loss	–	–	110	–	110

Fiscal year ended March 31, 2017

(Millions of yen)

	Japan	North America	Asia	Unallocated amounts and elimination	Total
Impairment loss	53	71	28	–	153

Amortization and unamortized balance of goodwill for each reportable segment

Fiscal year ended March 31, 2016

(Millions of yen)

	Japan	North America	Asia	Unallocated amounts and elimination	Total
Amortization during period	–	0	–	–	0
Balance at end of period	–	12	–	–	12

Amortization and unamortized balance of negative goodwill in accordance with business combinations that took effect before April 1, 2010 are as follows:

(Millions of yen)

	Japan	North America	Asia	Unallocated amounts and elimination	Total
Amortization during period	1	1	3	–	6
Balance at end of period	21	21	42	–	85

Fiscal year ended March 31, 2017

(Millions of yen)

	Japan	North America	Asia	Unallocated amounts and elimination	Total
Amortization during period	–	0	–	–	0
Balance at end of period	–	11	–	–	11

Amortization and unamortized balance of negative goodwill in accordance with business combinations that took effect before April 1, 2010 are as follows:

(Millions of yen)

	Japan	North America	Asia	Unallocated amounts and elimination	Total
Amortization during period	1	1	3	–	6
Balance at end of period	19	20	39	–	79

Information about gain on bargain purchase for each reportable segment

Fiscal year ended March 31, 2016

Not applicable.

Fiscal year ended March 31, 2017

Not applicable.

## Related parties

Fiscal year ended March 31, 2016

### 1. Related-party transactions

#### (1) Transactions between the company filing the consolidated financial statements and related parties

##### i) The parent company and major shareholders (limited to companies) of the company filing the consolidated financial statements

Type	Name	Location	Capital stock or stake (Millions of yen)	Nature of business or occupation	Voting rights holding ratio (%)	Relationship with the related party	Description of transactions	Transaction amount (Millions of yen)	Line item	Ending balance (Millions of yen)
Other associate	Honda Motor Co., Ltd.	Minato-ku, Tokyo	86,067	Manufacture and sale of motor vehicles and passengers car bodies	(Owned) Direct 16.6	Purchaser of products of the Group and seller of parts and raw materials	Sale of finished goods	13,843	Accounts receivable - trade	1,919

(Notes) 1. Terms and conditions of transactions and policy on determination thereof

Selling prices are determined by making an estimate based on economic rationality in view of market prices and the Company's manufacturing technologies, submitting the estimate to the customer and then negotiating on price.

2. In the above amounts, transaction amounts do not include consumption taxes while ending balances do.

#### (2) Transactions between consolidated subsidiaries of the company filing the consolidated financial statements and related parties

##### i) Companies which have the same parent company as the company filing the consolidated financial statements and subsidiaries of other associates of the company filing the consolidated financial statements

Type	Name	Location	Capital stock or stake (Millions of yen)	Nature of business or occupation	Voting rights holding ratio (%)	Relationship with the related party	Description of transactions	Transaction amount (Millions of yen)	Line item	Ending balance (Millions of yen)
Subsidiary of other associates	Honda of America Mfg., Inc.	Ohio, U.S.A.	USD 561,568 thousand	Manufacture and sale of motor vehicles and passengers car bodies	-	Purchaser of products of the Group and seller of parts and raw materials	Sale of finished goods	39,328	Accounts receivable - trade	2,884
							Purchase of raw materials	27,061	Accounts payable - trade	2,815
Subsidiary of other associates	Honda Manufacturing of Alabama, LLC	Alabama, U.S.A.	USD 400,000 thousand	Manufacture and sale of motor vehicles and passengers car bodies	-	Purchaser of products of the Group and seller of parts and raw materials	Sale of finished goods	26,087	Accounts receivable - trade	2,190
Subsidiary of other associates	Honda Canada, Inc.	Ontario, Canada	CAD 226,090 thousand	Manufacture and sale of motor vehicles and passengers car bodies	-	Purchaser of products of the Group and seller of parts and raw materials	Sale of finished goods	25,424	Accounts receivable - trade	2,747

(Notes) 1. Terms and conditions of transactions and policy on determination thereof

(1) Selling prices are determined by making an estimate based on economic rationality in view of market prices and the Company's manufacturing technologies, submitting the estimate to the customer and then negotiating on price.

(2) In purchases of raw materials, prices are determined through negotiations on price by reference to market prices.

2. In the above amounts, transaction amounts do not include consumption taxes while ending balances do.

### 2. Notes on the parent company or major associates

Not applicable.



Fiscal year ended March 31, 2017

1. Related-party transactions

(1) Transactions between the company filing the consolidated financial statements and related parties

i) The parent company and major shareholders (limited to companies) of the company filing the consolidated financial statements

Type	Name	Location	Capital stock or stake (Millions of yen)	Nature of business or occupation	Voting rights holding ratio (%)	Relationship with the related party	Description of transactions	Transaction amount (Millions of yen)	Line item	Ending balance (Millions of yen)
Other associate	Honda Motor Co., Ltd.	Minato-ku, Tokyo	86,067	Manufacture and sale of motor vehicles and passengers car bodies	(Owned) Direct 15.2	Purchaser of products of the Group and seller of parts and raw materials	Sale of finished goods	17,156	Accounts receivable - trade	2,152

(Notes) 1. Terms and conditions of transactions and policy on determination thereof

Selling prices are determined by making an estimate based on economic rationality in view of market prices and the Company's manufacturing technologies, submitting the estimate to the customer and then negotiating on price.

2. In the above amounts, transaction amounts do not include consumption taxes while ending balances do.

(2) Transactions between consolidated subsidiaries of the company filing the consolidated financial statements and related parties

i) Companies which have the same parent company as the company filing the consolidated financial statements and subsidiaries of other associates of the company filing the consolidated financial statements

Type	Name	Location	Capital stock or stake (Millions of yen)	Nature of business or occupation	Voting rights holding ratio (%)	Relationship with the related party	Description of transactions	Transaction amount (Millions of yen)	Line item	Ending balance (Millions of yen)
Subsidiary of other associates	Honda of America Mfg., Inc.	Ohio, U.S.A.	USD 561,568 thousand	Manufacture and sale of motor vehicles and passengers car bodies	-	Purchaser of products of the Group and seller of parts and raw materials	Sale of finished goods	35,514	Accounts receivable - trade	3,511
							Purchase of raw materials	26,578	Accounts payable - trade	3,681
Subsidiary of other associates	Honda Manufacturing of Alabama, LLC	Alabama, U.S.A.	USD 400,000 thousand	Manufacture and sale of motor vehicles and passengers car bodies	-	Purchaser of products of the Group and seller of parts and raw materials	Sale of finished goods	23,207	Accounts receivable - trade	2,052
Subsidiary of other associates	Honda Canada, Inc.	Ontario, Canada	CAD 226,090 thousand	Manufacture and sale of motor vehicles and passengers car bodies	-	Purchaser of products of the Group and seller of parts and raw materials	Sale of finished goods	26,594	Accounts receivable - trade	2,445

(Notes) 1. Terms and conditions of transactions and policy on determination thereof

(1) Selling prices are determined by making an estimate based on economic rationality in view of market prices and the Company's manufacturing technologies, submitting the estimate to the customer and then negotiating on price.

(2) In purchases of raw materials, prices are determined through negotiations on price by reference to market prices.

2. In the above amounts, transaction amounts do not include consumption taxes while ending balances do.

2. Notes on the parent company or major associates

Not applicable.

**Notes on special purpose entities subject to disclosure**

Not applicable.

**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 subsequent event**

Not applicable.

v) Annexed consolidated detailed schedules

Annexed detailed schedule of corporate bonds

Company name	Type of bond	Date of issuance	Balance at beginning of current period (Millions of yen)	Balance at end of current period (Millions of yen)	Interest rate (%)	Collateral	Date of maturity
F-TECH INC.	Yen-denominated convertible bond-type bonds with subscription rights to shares due 2020 (Note 1)	March 20, 2015	4,000	2,350	–	None	March 23, 2020
Total	–	–	4,000	2,350	–	–	–

(Notes) 1. The information about the bonds with subscription rights to shares is as follows.

Type of bond	Due 2020
Shares to be issued	Common shares
Issue value per subscription right to shares (Yen)	Without contribution
Issue price per share (Yen)	1,204
Total issue value (Millions of yen)	4,000
Total issue value of shares issued upon exercise of subscription rights to shares (Millions of yen)	1,650
Granting ratio of subscription rights to shares (%)	100
Exercise period of subscription rights to shares	From April 2, 2015 to March 9, 2020

(Note) When there is a request from a person intending to exercise subscription rights to shares, in place of the redemption of the full amount of the bonds to which the subscription rights to shares are attached, it is deemed that the full amount to be paid in upon exercise of the subscription rights to shares has been paid in. In addition, when subscription rights to shares are exercised, it is deemed that the said request has been received.

2. Amounts of redemption scheduled within five years after the closing date of the accounting period are as follows:  
(Millions of yen)

Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
–	–	2,350	–	–

Annexed detailed schedule of borrowings

Classification	Balance at beginning of current period (Millions of yen)	Balance at end of current period (Millions of yen)	Average interest rate (%)	Payment due
Short-term loans payable	22,589	20,562	1.67	–
Current portion of long-term loans payable	11,576	10,953	1.46	–
Current portion of lease obligations	395	742	0.94	–
Current portion of long-term accounts payable - other (installment)	347	293	2.42	–
Long-term loans payable (excluding current portion)	18,597	23,271	1.66	2018–2025
Lease obligations (excluding current portion)	485	442	0.99	2018–2022
Long-term accounts payable - other (excluding current portion)	693	512	3.33	2018–2021
Total	53,644	56,779	–	–

(Notes) 1. The average interest rate is calculated using the interest rate and balance at end of period.

2. Repayment of long-term loans payable, lease obligations and long-term accounts payable - other (installment) (excluding current portion) above scheduled within five years after the closing date of the accounting period are as follows:

(Millions of yen)

	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Long-term loans payable	10,419	7,150	4,217	1,432
Lease obligations	281	131	25	4
Long-term accounts payable - other (installment)	195	201	112	2

Annexed detailed schedule of asset retirement obligations

Not applicable.

(2) Other information

Quarterly information for the fiscal year ended March 31, 2017

(Cumulative period)	Three months ended June 30, 2016	Six months ended September 30, 2016	Nine months ended December 31, 2016	Fiscal year ended March 31, 2017
Net sales (Millions of yen)	47,254	90,801	141,530	197,941
Profit before income taxes (Millions of yen)	1,758	2,193	4,835	6,966
Profit attributable to owners of parent (Millions of yen)	663	687	2,396	4,035
Basic earnings per share (Yen)	43.21	44.77	156.00	261.01

(Three-month period)	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings per share (Yen)	43.21	1.55	111.19	103.95



## **Independent Auditor's Report**

To the Board of Directors of F-TECH INC.:

We have audited the accompanying consolidated financial statements of F-TECH INC. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2017 and 2016, and the consolidated statements of income and comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information expressed in Japanese yen.

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of F-TECH INC. and its consolidated subsidiaries as at March 31, 2017 and 2016, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

**KPMG AZSA LLC**

*KPMG AZSA LLC*  
September 12, 2017  
Tokyo, Japan