

Note: This is an excerpt translation of the “Yukashoken-Houkokusho” 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 Statements

March 31, 2015

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, 2014 | As of March 31, 2015 |
|--|----------------------|----------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 7,823 | 8,983 |
| Notes and accounts receivable - trade | 24,016 | 27,379 |
| Merchandise and finished goods | 3,581 | 5,539 |
| Work in process | 3,485 | 3,766 |
| Raw materials and supplies | 6,809 | 8,159 |
| Deferred tax assets | 357 | 420 |
| Other | 3,331 | 3,459 |
| Total current assets | 49,404 | 57,707 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | *1 17,951 | *1 19,657 |
| Machinery, equipment and vehicles, net | 21,552 | 24,687 |
| Dies and tools, net | 1,514 | 1,844 |
| Land | *1 6,093 | *1 6,238 |
| Leased assets, net | 415 | 826 |
| Construction in progress | 6,521 | 12,365 |
| Other, net | 1,095 | 1,906 |
| Total property, plant and equipment | *2 55,144 | *2 67,527 |
| Intangible assets | | |
| Software | 781 | 709 |
| Right of using facilities | 66 | 52 |
| Other | 10 | 19 |
| Total intangible assets | 858 | 780 |
| Investments and other assets | | |
| Investment securities | *3 4,204 | *3 5,063 |
| Long-term loans receivable | 305 | 276 |
| Net defined benefit asset | 194 | 62 |
| Deferred tax assets | 280 | 415 |
| Other | 730 | 863 |
| Allowance for doubtful accounts | (61) | — |
| Total investments and other assets | 5,654 | 6,681 |
| Total non-current assets | 61,657 | 74,989 |
| Total assets | 111,062 | 132,697 |

(Millions of yen)

| | As of March 31, 2014 | As of March 31, 2015 |
|---|----------------------|----------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 16,170 | 16,518 |
| Short-term loans payable | 12,778 | 19,099 |
| Current portion of long-term loans payable | *1 10,146 | *1 11,356 |
| Lease obligations | 366 | 635 |
| Income taxes payable | 433 | 825 |
| Accounts payable - other | 3,345 | 5,315 |
| Notes payable - facilities | 138 | 109 |
| Provision for directors' bonuses | 89 | 88 |
| Other | 3,365 | 3,843 |
| Total current liabilities | 46,833 | 57,792 |
| Non-current liabilities | | |
| Bonds payable | — | 4,000 |
| Long-term loans payable | *1 21,212 | *1 21,050 |
| Lease obligations | 176 | 428 |
| Deferred tax liabilities | 2,447 | 2,518 |
| Provision for directors' retirement benefits | 204 | 212 |
| Net defined benefit liability | 249 | 243 |
| Long-term accounts payable - other | 9 | 6 |
| Negative goodwill | 83 | 78 |
| Other | 5 | 9 |
| Total non-current liabilities | 24,387 | 28,548 |
| Total liabilities | 71,220 | 86,340 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 4,790 | 4,790 |
| Capital surplus | 5,228 | 5,228 |
| Retained earnings | 13,958 | 15,115 |
| Treasury shares | (18) | (18) |
| Total shareholders' equity | 23,958 | 25,115 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 619 | 858 |
| Foreign currency translation adjustment | 1,012 | 4,085 |
| Remeasurements of defined benefit plans | 284 | 338 |
| Total accumulated other comprehensive income | 1,916 | 5,283 |
| Minority interests | 13,967 | 15,958 |
| Total net assets | 39,842 | 46,356 |
| Total liabilities and net assets | 111,062 | 132,697 |

ii) Consolidated statements of income and comprehensive income

(Millions of yen)

| | | Fiscal year ended March 31, 2014 | | Fiscal year ended March 31, 2015 |
|---|--------|-------------------------------------|--------|-------------------------------------|
| Net sales | | 172,456 | | 175,579 |
| Cost of sales | *1 | 152,180 | *1 | 155,028 |
| Gross profit | | 20,275 | | 20,551 |
| Selling, general and administrative expenses | *2, *3 | 13,550 | *2, *3 | 14,986 |
| Operating income | | 6,725 | | 5,564 |
| Non-operating income | | | | |
| Interest income | | 41 | | 38 |
| Dividend income | | 35 | | 49 |
| Share of profit of entities accounted for using equity method | | 436 | | 400 |
| Foreign exchange gains | | 377 | | 362 |
| Other | | 199 | | 181 |
| Total non-operating income | | 1,090 | | 1,031 |
| Non-operating expenses | | | | |
| Interest expenses | | 680 | | 741 |
| Other | | 57 | | 62 |
| Total non-operating expenses | | 738 | | 804 |
| Ordinary income | | 7,077 | | 5,791 |
| Extraordinary income | | | | |
| Gain on sales of non-current assets | *4 | 48 | *4 | 31 |
| Gain on liquidation of subsidiaries and associates | | — | | 43 |
| Insurance income | | — | | 61 |
| Total extraordinary income | | 48 | | 136 |
| Extraordinary losses | | | | |
| Loss on sales of non-current assets | *5 | 18 | *5 | 1 |
| Loss on retirement of non-current assets | *6 | 98 | *6 | 145 |
| Loss on valuation of shares of subsidiaries and associates | | — | | 48 |
| Impairment loss | *7 | 13 | *7 | 183 |
| Total extraordinary losses | | 130 | | 378 |
| Income before income taxes and minority interests | | 6,995 | | 5,550 |
| Income taxes - current | | 2,093 | | 2,696 |
| Income taxes - deferred | | 78 | | (295) |
| Total income taxes | | 2,171 | | 2,400 |
| Income before minority interests | | 4,824 | | 3,150 |
| Minority interests in income | | 1,504 | | 1,377 |
| Net income | | 3,319 | | 1,772 |
| Minority interests in income | | 1,504 | | 1,377 |
| Income before minority interests | | 4,824 | | 3,150 |

(Millions of yen)

| | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 |
|--|-------------------------------------|-------------------------------------|
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 28 | 111 |
| Foreign currency translation adjustment | 3,891 | 3,988 |
| Remeasurements of defined benefit plans, net of tax | — | 58 |
| Share of other comprehensive income of entities accounted for using equity method | 190 | 382 |
| Total other comprehensive income | *8 4,110 | *8 4,541 |
| Comprehensive income | 8,934 | 7,691 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 6,394 | 5,137 |
| Comprehensive income attributable to minority interests | 2,539 | 2,553 |

iii) Consolidated statements of changes in net assets
Fiscal year ended March 31, 2014

(Millions of yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period | 2,677 | 3,115 | 10,762 | (18) | 16,536 |
| Cumulative effects of changes in accounting policies | | | | | — |
| Restated balance | 2,677 | 3,115 | 10,762 | (18) | 16,536 |
| Changes of items during period | | | | | |
| Issuance of new shares | 2,112 | 2,112 | | | 4,225 |
| Dividends of surplus | | | (123) | | (123) |
| Net income | | | 3,319 | | 3,319 |
| Purchase of treasury shares | | | | (0) | (0) |
| Net changes of items other than shareholders' equity | | | | | — |
| Total changes of items during period | 2,112 | 2,112 | 3,195 | (0) | 7,421 |
| Balance at end of current period | 4,790 | 5,228 | 13,958 | (18) | 23,958 |

| | Accumulated other comprehensive income | | | | Minority 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 | 503 | (1,946) | — | (1,443) | 11,922 | 27,016 |
| Cumulative effects of changes in accounting policies | | | | | | — |
| Restated balance | 503 | (1,946) | — | (1,443) | 11,922 | 27,016 |
| Changes of items during period | | | | | | |
| Issuance of new shares | | | | | | 4,225 |
| Dividends of surplus | | | | | | (123) |
| Net income | | | | | | 3,319 |
| Purchase of treasury shares | | | | | | (0) |
| Net changes of items other than shareholders' equity | 116 | 2,958 | 284 | 3,359 | 2,044 | 5,404 |
| Total changes of items during period | 116 | 2,958 | 284 | 3,359 | 2,044 | 12,825 |
| Balance at end of current period | 619 | 1,012 | 284 | 1,916 | 13,967 | 39,842 |

Fiscal year ended March 31, 2015

(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 | 13,958 | (18) | 23,958 |
| Cumulative effects of changes in accounting policies | | | (306) | | (306) |
| Restated balance | 4,790 | 5,228 | 13,651 | (18) | 23,651 |
| Changes of items during period | | | | | |
| Issuance of new shares | | | | | — |
| Dividends of surplus | | | (307) | | (307) |
| Net income | | | 1,772 | | 1,772 |
| Purchase of treasury shares | | | | | — |
| Net changes of items other than shareholders' equity | | | | (0) | (0) |
| Total changes of items during period | — | — | 1,464 | (0) | 1,464 |
| Balance at end of current period | 4,790 | 5,228 | 15,115 | (18) | 25,115 |

| | Accumulated other comprehensive income | | | | Minority 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 | 619 | 1,012 | 284 | 1,916 | 13,967 | 39,842 |
| Cumulative effects of changes in accounting policies | | | | | | (306) |
| Restated balance | 619 | 1,012 | 284 | 1,916 | 13,967 | 39,535 |
| Changes of items during period | | | | | | |
| Issuance of new shares | | | | | | — |
| Dividends of surplus | | | | | | (307) |
| Net income | | | | | | 1,772 |
| Purchase of treasury shares | | | | | | — |
| Net changes of items other than shareholders' equity | 239 | 3,073 | 53 | 3,366 | 1,990 | 5,357 |
| Total changes of items during period | 239 | 3,073 | 53 | 3,366 | 1,990 | 6,821 |
| Balance at end of current period | 858 | 4,085 | 338 | 5,283 | 15,958 | 46,356 |

iv) Consolidated statements of cash flows

(Millions of yen)

| | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 |
|--|-------------------------------------|-------------------------------------|
| Cash flows from operating activities | | |
| Income before income taxes and minority interests | 6,995 | 5,550 |
| Depreciation | 7,508 | 8,920 |
| Impairment loss | 13 | 183 |
| Amortization of goodwill | (5) | (5) |
| Loss on valuation of shares of subsidiaries and associates | — | 48 |
| Loss (gain) on liquidation of subsidiaries and associates | — | (43) |
| Increase (decrease) in assets and liabilities related to retirement benefits | (190) | (152) |
| Increase (decrease) in provision for directors' retirement benefits | (24) | 8 |
| Increase (decrease) in provision for directors' bonuses | 85 | (0) |
| Interest and dividend income | (77) | (87) |
| Interest expenses | 680 | 741 |
| Foreign exchange losses (gains) | (3) | (129) |
| Share of (profit) loss of entities accounted for using equity method | (436) | (400) |
| Loss (gain) on sales of property, plant and equipment | (30) | (29) |
| Loss on retirement of property, plant and equipment | 98 | 145 |
| Decrease (increase) in notes and accounts receivable - trade | (5,110) | (1,045) |
| Decrease (increase) in inventories | 516 | (2,268) |
| Increase (decrease) in notes and accounts payable - trade | 1,386 | (965) |
| Other, net | 1,354 | 993 |
| Subtotal | 12,760 | 11,460 |
| Interest and dividend income received | 113 | 120 |
| Interest expenses paid | (703) | (739) |
| Payments for extra retirement payments | (1,426) | — |
| Income taxes paid | (1,441) | (2,322) |
| Net cash provided by (used in) operating activities | 9,301 | 8,518 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (12,966) | (14,487) |
| Proceeds from sales of property, plant and equipment | 84 | 55 |
| Purchase of intangible assets | (143) | (183) |
| Purchase of investment securities | (28) | (30) |
| Other, net | (53) | (66) |
| Net cash provided by (used in) investing activities | (13,108) | (14,712) |

(Millions of yen)

| | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 |
|---|-------------------------------------|-------------------------------------|
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term loans payable | (3,603) | 4,843 |
| Proceeds from long-term loans payable | 18,953 | 9,915 |
| Repayments of long-term loans payable | (12,687) | (10,906) |
| Proceeds from issuance of bonds | — | 4,000 |
| Proceeds from issuance of common shares | 4,225 | — |
| Purchase of treasury shares | (0) | — |
| Repayments of installment payables | (192) | (190) |
| Cash dividends paid | (123) | (306) |
| Cash dividends paid to minority shareholders | (495) | (554) |
| Repayments of finance lease obligations | (395) | (619) |
| Proceeds from sales and leasebacks | — | 869 |
| Net cash provided by (used in) financing activities | 5,681 | 7,052 |
| Effect of exchange rate change on cash and cash equivalents | 643 | 301 |
| Net increase (decrease) in cash and cash equivalents | 2,518 | 1,159 |
| Cash and cash equivalents at beginning of period | 5,304 | 7,823 |
| Cash and cash equivalents at end of period | *1 7,823 | *1 8,983 |

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. 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.

In the current fiscal year, the non-consolidated subsidiary Sankyo Press Inc. was dissolved and its liquidation was completed.

Reason for exclusion from scope of consolidation

The non-consolidated subsidiaries are small in scale and the amounts of their total assets, net sales, net income (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.

In the current fiscal year, the non-consolidated subsidiary accounted for using the equity method Sankyo Press Inc. was dissolved and its liquidation was completed.

- (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 net income (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., F.tech Mfg. (Thailand) Ltd., 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.

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.
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 minority interests in net assets in the consolidated balance sheets.

(6) Accounting policy for hedging

i) Accounting policy for hedging

The special treatment is applied to interest rate swaps which satisfy requirements for the special treatment.

ii) Hedging instruments and hedged items

| <u>Hedging instruments</u> | <u>Hedged items</u> |
|----------------------------|---------------------|
| Interest rate swaps | Loans payable |

iii) Hedging policy

To hedge the interest rate fluctuation risk, all hedged items are hedged in principle using interest rate swaps for interest expenses on loans payable.

iv) Method for assessment of hedge effectiveness

It is assessed whether the substantial terms and conditions on the notional amount of hedging instruments and hedged items are the same, and whether the hedging instruments fully offset fluctuations in exchange rates and cash flows at the inception of the hedges and on an ongoing basis. Evaluation of the hedge effectiveness of interest rate swaps for which the special treatment is applied is omitted.

(7) 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.

(8) 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.

(9) Other significant matters for preparing consolidated financial statements

Accounting policy for consumption taxes

Tax exclusive method is adopted.

Changes in accounting policies

Application of the Accounting Standard for Retirement Benefits and Guidance on the Accounting Standard for Retirement Benefits

For the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012 (hereinafter, the “Statement No. 26”)) and Guidance on Accounting Standards for Retirement Benefits (ASBJ Guidance No. 25, March 26, 2015 (hereinafter, the “Guidance No. 25”)), the Company has applied the provisions set forth in the main clauses of paragraph 35 of the Statement No. 26 and paragraph 67 of the Guidance No. 25 effective from the current fiscal year. Accordingly, the Company has reviewed the calculation of retirement benefit obligations and current service cost and changed the method of attributing expected benefits to periods from the straight-line basis to the benefit formula basis as well as amended the method for determining the discount rate from one based on a maturity period approximate to the expected average remaining service period of employees to one that uses a single weighted average discount rate reflecting the estimated timing of retirement benefit payment and the estimated amount of each retirement benefit payment.

The application of the Statement No. 26 and the Guidance No. 25 is in accordance with the transitional measures provided in paragraph 37 of the Statement No. 26. Accordingly, the effect of the change in the calculation of retirement benefit obligations and current service cost has been added to or deducted from retained earnings as of the beginning of the current fiscal year.

As a result of the application, as of the beginning of the current fiscal year, net defined benefit liability increased by 288 million yen, and retained earnings decreased by 306 million yen. The effect of this application on operating income, ordinary income and income before income taxes and minority interests during the current fiscal year is immaterial.

The impact of this on per-share information is stated in the relevant section.

New accounting standards not yet applied

Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013)

Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013)

Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013)

Accounting Standard for Earnings Per Share (ASBJ Statement No. 2, September 13, 2013)

Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, September 13, 2013)

Guidance on Accounting Standard for Earnings Per Share (ASBJ Guidance No. 4, September 13, 2013)

(1) Overview

These accounting standards and guidance have been revised mainly focusing on how the changes of the shares in subsidiaries, over which the Company continues to control, should be treated by the Company when additional stock of a subsidiary is acquired, the treatment of acquisition related costs, the provisional application of accounting treatments, and the presentation of current net income and the change of shareholder's equity from minority interests to non-controlling interests.

(2) Application schedule

These accounting standards and guidance are scheduled to be applied from the beginning of the fiscal year starting on and after April 1, 2015. The provisional application of accounting treatments is scheduled to be applied to business combinations carried out on and after April 1, 2015.

(3) Effect of application of the Accounting Standard and Guidance

The effect of application of the Accounting Standard and Guidance on the consolidated financial statements is being estimated as of the filing date of the Annual Securities Report for the fiscal year ended March 31, 2015.

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, 2014 | As of March 31, 2015 |
| Buildings and structures | 192 | 183 |
| Land | 240 | 240 |
| Total | 432 | 424 |

Liabilities secured are as follows:

| | (Millions of yen) | |
|--|----------------------|----------------------|
| | As of March 31, 2014 | As of March 31, 2015 |
| Current portion of long-term loans payable | 39 | 30 |
| Long-term loans payable | 77 | 47 |
| Total | 117 | 77 |

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

| | (Millions of yen) | |
|--|----------------------|----------------------|
| | As of March 31, 2014 | As of March 31, 2015 |
| | 83,569 | 94,614 |

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

| | (Millions of yen) | |
|--------------------------------|----------------------|----------------------|
| | As of March 31, 2014 | As of March 31, 2015 |
| Investment securities (stocks) | 2,614 | 3,316 |

4. The Group has entered into overdraft agreements and loan commitment agreements with 12 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, 2014 | As of March 31, 2015 |
| Total amount of overdraft facility limit and loan commitment | 34,429 | 39,504 |
| Balance of borrowings outstanding | 11,202 | 17,025 |
| Unexecuted balance | 23,227 | 22,479 |

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, 2014 | Fiscal year ended March 31, 2015 |
| 17 | (13) |

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

| (Millions of yen) | | |
|--|-------------------------------------|-------------------------------------|
| | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 |
| Haulage expenses | 1,452 | 1,569 |
| Salaries, allowance and bonuses | 4,071 | 4,520 |
| Retirement benefit costs | 249 | 167 |
| Provision for directors' bonuses | 89 | 86 |
| Provision for directors' retirement benefits | 31 | 18 |
| Depreciation | 514 | 607 |
| Research and development expenses | 2,667 | 3,356 |

- *3. Research and development expenses included in general and administrative expenses and manufacturing cost for the current period

| (Millions of yen) | | |
|-------------------|-------------------------------------|-------------------------------------|
| | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 |
| | 2,667 | 3,356 |

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

| (Millions of yen) | | |
|-----------------------------------|-------------------------------------|-------------------------------------|
| | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 |
| Buildings and structures | — | 8 |
| Machinery, equipment and vehicles | 16 | 16 |
| Land | 22 | — |
| Other | 9 | 5 |
| Total | 48 | 31 |

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

| (Millions of yen) | | |
|-----------------------------------|-------------------------------------|-------------------------------------|
| | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 |
| Machinery, equipment and vehicles | 15 | 1 |
| Other | 2 | 0 |
| Total | 18 | 1 |

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

| | (Millions of yen) | |
|-----------------------------------|-------------------------------------|-------------------------------------|
| | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 |
| Buildings and structures | 42 | 32 |
| Machinery, equipment and vehicles | 12 | 103 |
| Dies and tools | 40 | 6 |
| Other | 3 | 3 |
| Total | 98 | 145 |

*7. Impairment loss

For the fiscal year ended March 31, 2014, the Group recorded impairment loss on the following asset groups:

| Location | Use | Type | Amount |
|------------------------|-------------|------|----------------|
| Kumagaya City, Saitama | Idle assets | Land | 13 million yen |

In principle, the Group's business assets are grouped by the categories for managerial accounting and the Group's idle assets are grouped by each asset.

The carrying amount of land 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 at the net selling price that was assessed by appraisal value.

For the fiscal year ended March 31, 2015, the Group recorded impairment loss on the following asset groups:

| Location | Use | Type | Amount |
|------------------------|---|-------------------------|-----------------|
| Kumagaya City, Saitama | Idle assets | Land | 111 million yen |
| Ontario, Canada | Auto parts Production-related facilities | Machinery and equipment | 71 million yen |

In principle, the Group's business assets are grouped by the categories for managerial accounting and the Group's idle assets are grouped by each asset.

The carrying amount of land 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 at the net selling price that was assessed by appraisal value.

As a result of reviews of production plans for some automobile models at customers and substantial fluctuations in demand in line with changes in consumer needs, the carrying amount of the auto parts production-related facilities was reduced to the recoverable amount and the reduced amount is recorded as impairment loss in extraordinary losses.

The recoverable amounts of these assets were measured based on the values in use, and the values in use were calculated based on future cash flows. Discount rates were not taken into consideration as the expected periods of use are short and the quantitative impacts are insignificant.

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

(Millions of yen)

| | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 |
|--|-------------------------------------|-------------------------------------|
| Valuation difference on available-for-sale securities | | |
| Increase (decrease) during the period | 42 | 126 |
| Reclassification adjustments | — | — |
| Pre-adjustment of tax effect | 42 | 126 |
| Tax effect amount | (14) | (14) |
| Valuation difference on available-for-sale securities | 28 | 111 |
| Foreign currency translation adjustment | | |
| Increase (decrease) during the period | 3,891 | 3,988 |
| Reclassification adjustments | — | — |
| Pre-adjustment of tax effect | 3,891 | 3,988 |
| Tax effect amount | — | — |
| Foreign currency translation adjustment | 3,891 | 3,988 |
| Remeasurements of defined benefit plans, net of tax | | |
| Increase (decrease) during the period | — | 85 |
| Reclassification adjustments | — | (85) |
| Pre-adjustment of tax effect | — | 0 |
| Tax effect amount | — | 58 |
| Remeasurements of defined benefit plans, net of tax | — | 58 |
| Share of other comprehensive income of entities accounted for using equity method | | |
| Increase (decrease) during the period | 190 | 382 |
| Reclassification adjustments | — | — |
| Share of other comprehensive income of entities accounted for using equity method | 190 | 382 |
| Total other comprehensive income | 4,110 | 4,541 |

Notes to consolidated statements of changes in net assets

Fiscal year ended March 31, 2014

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 | 12,390 | 3,000 | — | 15,390 |
| Total | 12,390 | 3,000 | — | 15,390 |
| Treasury shares | | | | |
| Common shares | 32 | 0 | — | 32 |
| Total | 32 | 0 | — | 32 |

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

- Increase from the issuance of new shares resulting from the capital increase through the public offering with payment date of January 27, 2014: 2,610,000 shares
- Increase from the issuance of new shares resulting from the capital increase through the third-party allotment with payment date of February 5, 2014: 390,000 shares
- Increase from the purchase of treasury shares less than one unit: 69 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 |
|--|-----------------|--|---------------------|--------------------------|--------------------|------------------|
| Board of Directors' meeting held on November 1, 2013 | Common shares | 123 | Retained earnings | 10 | September 30, 2013 | December 2, 2013 |

(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 19, 2014 | Common shares | 153 | Retained earnings | 10 | March 31, 2014 | June 20, 2014 |

Fiscal year ended March 31, 2015

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 | 32 | 0 | — | 33 |
| Total | 32 | 0 | — | 33 |

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

- Increase in portion of treasury shares (shares of the Company) owned by an associate accounted for using the equity method attributable to the Company due to change in equity of the associate accounted for using the equity method: 840 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, 2014 | Common shares | 153 | Retained earnings | 10 | March 31, 2014 | June 20, 2014 |
| Board of Directors' meeting held on November 4, 2014 | Common shares | 153 | Retained earnings | 10 | September 30, 2014 | December 1, 2014 |

(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 19, 2015 | Common shares | 153 | Retained earnings | 10 | March 31, 2015 | June 22, 2015 |

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, 2014 | Fiscal year ended March 31, 2015 |
|---------------------------|-------------------------------------|-------------------------------------|
| Cash and deposits | 7,823 | 8,983 |
| Cash and cash equivalents | 7,823 | 8,983 |

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, 2014 | Fiscal year ended March 31, 2015 |
|---|-------------------------------------|-------------------------------------|
| Assets and liabilities associated with finance lease transactions | 521 | 1,112 |

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: Dies and tools, machinery and equipment, and others

Other than production facilities: Vehicles

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, 2014 | | |
|-----------------------------------|-----------------------------|-------------------------------------|--|
| | Acquisition cost equivalent | Accumulated depreciation equivalent | Net book value equivalent at end of period |
| Machinery, equipment and vehicles | 1,460 | 1,358 | 101 |
| Other | 44 | 43 | 0 |
| Total | 1,504 | 1,402 | 102 |

(Millions of yen)

| | As of March 31, 2015 | | |
|-----------------------------------|-----------------------------|-------------------------------------|--|
| | Acquisition cost equivalent | Accumulated depreciation equivalent | Net book value equivalent at end of period |
| Machinery, equipment and vehicles | 1,093 | 1,086 | 6 |
| Other | 14 | 14 | — |
| Total | 1,107 | 1,101 | 6 |

(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.

(Millions of yen)

| | As of March 31, 2014 | As of March 31, 2015 |
|---|----------------------|----------------------|
| Outstanding balance of future lease payments at end of period | | |
| Due within one year | 95 | 6 |
| Due over one year | 6 | — |
| Total | 102 | 6 |

(Note) The outstanding balance of future lease payments at end of period 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.

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

(Millions of yen)

| | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 |
|-------------------------|-------------------------------------|-------------------------------------|
| Lease fees paid | 214 | 95 |
| Depreciation equivalent | 214 | 95 |

(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, 2014 | As of March 31, 2015 |
|---------------------|----------------------|----------------------|
| Due within one year | 209 | 233 |
| Due over one year | 172 | 151 |
| Total | 381 | 384 |

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 payables 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 six years after the fiscal year end. Since some of these obligations carry floating interest rates, they are exposed to the risk of fluctuations in interest rates. Derivative transactions (interest rate swaps) are utilized to hedge this risk.

Derivative transaction is forward exchange contracts to hedge the foreign currency risk on operating receivables arising from intercompany transactions. For information on hedging instruments and hedged items, hedge policy, method for assessment of hedge effectiveness and other matters concerning hedge accounting, please refer to "Accounting policy for hedging" shown in "Disclosure of accounting policies" above.

(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. The Company utilizes interest rate swaps to mitigate the risk of fluctuations in interest rates payable on loans payable.

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.

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, 2014

(Millions of yen)

| | Carrying amount on the consolidated balance sheet | Fair value | Difference |
|--|---|------------|------------|
| (1) Cash and deposits | 7,823 | 7,823 | — |
| (2) Notes and accounts receivable - trade | 24,016 | 24,016 | — |
| (3) Investment securities | | | |
| Available-for-sale securities (other securities) | 1,308 | 1,308 | — |
| (4) Long-term loans receivable | 305 | | |
| Allowance for doubtful accounts (*1) | (61) | | |
| | 244 | 244 | 0 |
| (5) Notes and accounts payable - trade | 16,170 | 16,170 | — |
| (6) Short-term loans payable | 12,778 | 12,778 | — |
| (7) Long-term loans payable (*2) | 31,358 | 31,352 | (6) |
| (8) Lease obligations (*3) | 542 | 543 | 0 |
| (9) Derivatives total (*4) | (6) | (6) | — |

(*1) Amounts of allowance for doubtful accounts separately included in long-term loans receivable are excluded.

(*2) Current portion of long-term loans payable in current liabilities are included.

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

(*4) Claims and obligations arising from derivative transactions are presented on a net basis. Net obligations are indicated in parentheses.

As of March 31, 2015

(Millions of yen)

| | Carrying amount on the consolidated balance sheet | Fair value | Difference |
|--|---|------------|------------|
| (1) Cash and deposits | 8,983 | 8,983 | — |
| (2) Notes and accounts receivable - trade | 27,379 | 27,379 | — |
| (3) Investment securities | | | |
| Available-for-sale securities (other securities) | 1,464 | 1,464 | — |
| (4) Long-term loans receivable | 276 | 276 | 0 |
| (5) Notes and accounts payable - trade | 16,518 | 16,518 | — |
| (6) Short-term loans payable | 19,099 | 19,099 | — |
| (7) Bonds payable | 4,000 | 4,164 | 164 |
| (8) Long-term loans payable (*1) | 32,406 | 32,462 | 56 |
| (9) Lease obligations (*2) | 1,063 | 1,080 | 17 |
| (10) Derivatives total (*3) | (0) | (0) | — |

(*1) Current portion of long-term loans payable in current liabilities are 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. Net obligations are indicated in parentheses.

(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 and (6) 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.

(7) Bonds payable

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

(8) Long-term loans payable and (9) Lease obligations

The fair value of long-term loans payable with fixed interest rates and lease obligations is calculated by discounting the total amount of principal and interest at the assumed interest rate of similar new borrowings and lease 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.

(10) 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, 2014 | As of March 31, 2015 |
|---------------------------------------|----------------------|----------------------|
| Non-listed shares | | |
| Shares of subsidiaries and associates | 2,614 | 3,316 |
| Other | 281 | 281 |
| Total | 2,895 | 3,598 |

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, 2014

(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 | 7,823 | — | — | — |
| Notes and accounts receivable - trade | 24,016 | — | — | — |
| Long-term loans receivable | 74 | — | — | 231 |
| Total | 31,913 | — | — | 231 |

As of March 31, 2015

(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 | 8,983 | — | — | — |
| Notes and accounts receivable - trade | 27,379 | — | — | — |
| Long-term loans receivable | — | — | 77 | 199 |
| Total | 36,362 | — | 77 | 199 |

4. Repayment schedule for bonds payable, long-term loans payable, lease obligations and other interest-bearing debts

As of March 31, 2014

(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 | 12,778 | — | — | — |
| Long-term loans payable | 10,146 | 21,212 | — | — |
| Lease obligations | 366 | 165 | 11 | — |
| Total | 23,291 | 21,377 | 11 | — |

As of March 31, 2015

(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 | 19,099 | — | — | — |
| Bonds payable | — | 4,000 | — | — |
| Long-term loans payable | 11,356 | 21,050 | — | — |
| Lease obligations | 635 | 422 | 6 | — |
| Total | 31,090 | 25,472 | 6 | — |

Notes on securities

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

As of March 31, 2014

(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 | 1,292 | 530 | 761 |
| | (2) Bonds | — | — | — |
| | (3) Other | — | — | — |
| | Subtotal | 1,292 | 530 | 761 |
| Items whose carrying amount on the consolidated balance sheet does not exceed original purchase price | (1) Shares | 16 | 18 | (2) |
| | (2) Bonds | — | — | — |
| | (3) Other | — | — | — |
| | Subtotal | 16 | 18 | (2) |
| Total | | 1,308 | 548 | 759 |

(Note) Non-listed shares (carrying amount on the consolidated balance sheet: 281 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, 2015

(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 | 1,464 | 579 | 885 |
| | (2) Bonds | — | — | — |
| | (3) Other | — | — | — |
| | Subtotal | 1,464 | 579 | 885 |
| Items whose carrying amount on the consolidated balance sheet does not exceed original purchase price | (1) Shares | — | — | — |
| | (2) Bonds | — | — | — |
| | (3) Other | — | — | — |
| | Subtotal | — | — | — |
| Total | | 1,464 | 579 | 885 |

(Note) Non-listed shares (carrying amount on the consolidated balance sheet: 281 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

Not applicable.

Notes on derivatives

1. Derivative transactions to which hedge accounting is not applied

(1) Foreign currency

As of March 31, 2014

(Millions of yen)

| Classification | Type of transaction | As of March 31, 2014 | | | |
|---|----------------------------|--------------------------|---|------------|-----------------------|
| | | 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 | 1,134 | — | (6) | (6) |
| | Canadian dollar | — | — | — | — |
| | Thai Baht | — | — | — | — |
| Total | | 1,134 | — | (6) | (6) |

(Note) Measurement method for fair values

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

As of March 31, 2015

(Millions of yen)

| Classification | Type of transaction | As of March 31, 2015 | | | |
|---|----------------------------|--------------------------|---|------------|-----------------------|
| | | 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 | 721 | — | 0 | 0 |
| | Canadian dollar | 190 | — | 0 | 0 |
| | Thai Baht | 57 | — | (1) | (1) |
| Total | | 969 | — | (0) | (0) |

(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, 2014

Not applicable.

As of March 31, 2015

Not applicable.

2. Derivative transactions to which hedge accounting is applied

(1) Foreign currency

As of March 31, 2014

Not applicable.

As of March 31, 2015

Not applicable.

(2) Interest rate

As of March 31, 2014

(Millions of yen)

| Hedge accounting method | Type of transaction | Principal hedged items | As of March 31, 2014 | | |
|--|-----------------------------|-------------------------|--------------------------|---|------------|
| | | | Contract/notional amount | Portion of contract/notional amount over one year | Fair value |
| Special treatment of interest rate swaps | Interest rate swaps | | | | |
| | Receive variable, pay fixed | Long-term loans payable | 460 | — | (2) |
| Total | | | 460 | — | (2) |

(Note) Measurement method for fair values

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

As of March 31, 2015

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 the employees' pension fund plan, the Company has participated in the Social Welfare Pension Fund of Nippon Sheet Metal Presswork (multi-employer pension plan) since 1970. Because the Company cannot reasonably calculate the amount of plan assets in terms of its contributions, retirement benefit obligations for this plan 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, 2014 | Fiscal year ended March 31, 2015 |
| Balance at beginning of period | 4,852 | 4,719 |
| Cumulative effects of changes in accounting policies | — | 288 |
| Restated balance | 4,852 | 5,008 |
| Service cost | 328 | 368 |
| Interest cost | 103 | 60 |
| Actuarial loss (gain) | 44 | 28 |
| Benefits paid | (616) | (195) |
| Other | 7 | 25 |
| Balance at end of period | 4,719 | 5,296 |

(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, 2014 | Fiscal year ended March 31, 2015 |
| Balance at beginning of period | 4,465 | 4,804 |
| Expected return on plan assets | 114 | 100 |
| Actuarial loss (gain) | 169 | 116 |
| Contributions paid by the employer | 646 | 351 |
| Benefits paid | (592) | (180) |
| Other | (0) | 17 |
| Balance at end of period | 4,804 | 5,209 |

- (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, 2014 | Fiscal year ended March 31, 2015 |
| Balance at beginning of period | 133 | 139 |
| Benefit costs | 19 | (29) |
| Benefits paid | (1) | (7) |
| Contributions paid by the employer | (12) | (8) |
| Balance at end of period | 139 | 93 |

- (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, 2014 | As of March 31, 2015 |
| Funded retirement benefit obligations | 4,754 | 5,341 |
| Plan assets | (4,888) | (5,299) |
| | (134) | 42 |
| Unfunded retirement benefit obligations | 189 | 138 |
| Total net liability (asset) for retirement benefits | 54 | 180 |
| Net defined benefit liability | 249 | 243 |
| Net defined benefit asset | (194) | (62) |
| Total net liability (asset) for retirement benefits | 54 | 180 |

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

- (5) Retirement benefit costs

| | (Millions of yen) | |
|--|-------------------------------------|-------------------------------------|
| | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 |
| Service cost | 328 | 368 |
| Interest cost | 103 | 60 |
| Expected return on plan assets | (114) | (100) |
| Net actuarial loss amortization | 49 | (87) |
| Past service costs amortization | 56 | — |
| Retirement benefit costs calculated using simplified methods | 19 | (29) |
| Total | 442 | 212 |

(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, 2014 | Fiscal year ended March 31, 2015 |
| Actuarial gains and losses | – | 0 |
| Total | – | 0 |

(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, 2014 | Fiscal year ended March 31, 2015 |
| Actuarial gains and losses that are yet to be recognized | 336 | 336 |
| Total | 336 | 336 |

(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, 2014 | As of March 31, 2015 |
|-------------------|----------------------|----------------------|
| Bonds | 29.0% | 28.7% |
| Equity securities | 11.2 | 12.2 |
| General account | 57.7 | 56.1 |
| Other | 2.1 | 3.0 |
| 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, 2014 | As of March 31, 2015 |
|-----------------------------------|----------------------|----------------------|
| Discount rate | 2.0% | 1.0% |
| Long-term expected rate of return | 2.5% | 2.0% |

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 313 million yen in the previous fiscal year and 344 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, was 186 million yen in the previous fiscal year and 187 million yen in the current fiscal year.

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

| | (Millions of yen) | |
|--|--|---|
| | Previous fiscal year (As of March 31, 2013) | Current fiscal year (As of March 31, 2014) |
| Amount of plan assets | 64,698 | 69,619 |
| Total of actuarial benefit obligations for the purpose of pension financing calculation and minimum reserve (Note) | 80,765 | 82,794 |
| Difference | (16,067) | (13,175) |

(Note) In the previous fiscal year, this item was stated as "Amount of benefit obligations for the purpose of pension financing calculation."

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

Previous fiscal year 6.9% (As of March 31, 2013)

Current fiscal year 6.2% (As of March 31, 2014)

(3) Supplementary explanation

The main reasons for the difference in (1) above, are 11,701 million yen in the previous fiscal year and 10,992 million yen in the current fiscal year of past service liabilities for the purpose of pension financing calculation and 4,366 million yen in the previous fiscal year and 2,183 million yen in the current fiscal year of deficiency carried-forward.

Under the plan, past service liabilities are amortized over 20 years 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, 2014 | As of March 31, 2015 |
| Deferred tax assets | | |
| Tax loss carry forwards | 2,619 | 3,043 |
| Elimination of unrealized gains on non-current assets | 990 | 1,073 |
| Impairment loss | 901 | 771 |
| Excess depreciation | 419 | 363 |
| Accrued bonuses | 297 | 298 |
| Loss on valuation of inventories | 215 | 211 |
| Net defined benefit liability | 100 | 49 |
| Foreign tax deduction | 1,098 | – |
| Allowance for doubtful accounts | 22 | – |
| Other | 337 | 362 |
| Deferred tax assets subtotal | 7,003 | 6,175 |
| Valuation allowance | (6,215) | (5,237) |
| Total deferred tax assets | 788 | 937 |
| Deferred tax liabilities | | |
| Depreciation (foreign consolidated subsidiaries) | (2,280) | (2,336) |
| Valuation difference on available-for-sale securities | (266) | (280) |
| Net defined benefit asset | (68) | (19) |
| Other | (62) | (56) |
| Total deferred tax liabilities | (2,677) | (2,692) |
| Net deferred tax assets (liabilities) | (1,889) | (1,755) |

(Note) Net deferred tax assets as of March 31, 2014 and March 31, 2015 are included in the following items in the consolidated balance sheets.

| | (Millions of yen) | |
|--|----------------------|----------------------|
| | As of March 31, 2014 | As of March 31, 2015 |
| Current assets – deferred tax assets | 357 | 420 |
| Non-current assets – deferred tax assets | 280 | 415 |
| Current liabilities – other | (79) | (72) |
| Non-current liabilities – deferred tax liabilities | (2,447) | (2,518) |

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, 2014 | As of March 31, 2015 |
|--|----------------------|----------------------|
| Statutory income tax rate | 37.4% | 35.0% |
| (Adjustments) | | |
| Change in valuation allowance | (4.2) | 8.7 |
| Foreign withholding tax | 7.1 | 7.7 |
| Tax rate differences in foreign consolidated subsidiaries | (8.6) | (6.6) |
| Share of profit (loss) of entities accounted for using equity method | (2.3) | (2.6) |
| Expenses not deductible permanently such as entertainment expenses | 0.9 | 0.5 |
| Inhabitant per capita tax | 0.3 | 0.3 |
| Other | 0.4 | 0.2 |
| Effective income tax rate after application of tax effect accounting | 31.0 | 43.2 |

3. Revision to deferred tax assets and deferred tax liabilities due to change in income tax rates

The Act for Partial Amendment of the Income Tax Act, etc. (Act No. 9, 2015) and the Act on Partial Amendment of the Local Tax Act, etc. (Act No. 2, 2015) were promulgated on March 31, 2015. With this amendment, the corporate income tax rates, etc. are to be reduced effective from the fiscal year beginning on or after April 1, 2015. In conjunction with this, the statutory income tax rates utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized from April 1, 2015 to March 31, 2016 and on or after April 1, 2016 are changed from 35.0% for the fiscal year ended March 31, 2015 to 32.5% and 31.7%, respectively, as of March 31, 2015.

The impact of these changes in tax rates is immaterial.

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 6 million yen (rental revenue was recorded in non-operating income) and impairment loss was 111 million yen (recorded in extraordinary losses). 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, 2014 | Fiscal year ended March 31, 2015 |
|--|-------------------------------------|-------------------------------------|
| Carrying amount on the consolidated balance sheet | | |
| Balance at beginning of period | 875 | 984 |
| Increase (decrease) during period | 108 | 480 |
| Balance at end of period | 984 | 1,465 |
| Fair value at end of period | 1,046 | 1,697 |

- (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, 2015 includes an increase due to increase in rental properties (226 million yen) and idle assets (366 million yen) and a decrease due to impairment loss (111 million yen).
 3. Fair values at end of period for major properties are based on the appraisal made by external real estate appraisers. Fair values for other properties 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 income (before amortization of goodwill).

Transactions with other segments are based on prevailing market prices.

As stated in change in accounting policies, the calculation method for retirement benefit obligations and current service costs has been changed effective from the current fiscal year. The impact of this change on profits for each reportable segment is immaterial.

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

Fiscal year ended March 31, 2014

(Millions of yen)

| | Reportable segments | | | Total |
|---|---------------------|---------------|--------|---------|
| | Japan | North America | Asia | |
| Net sales | | | | |
| Net sales to external customers | 30,170 | 102,209 | 40,077 | 172,456 |
| Transactions with other segments | 12,816 | 1,240 | 1,822 | 15,880 |
| Total | 42,986 | 103,449 | 41,899 | 188,336 |
| Segment profit | 1,331 | 3,940 | 1,157 | 6,429 |
| Segment assets | 50,697 | 48,018 | 32,765 | 131,481 |
| Other items | | | | |
| Depreciation | 1,911 | 4,056 | 1,992 | 7,960 |
| Investments in entities accounted for using equity method | 2,227 | 203 | — | 2,430 |
| Increase in property, plant and equipment and intangible assets | 3,011 | 4,296 | 5,767 | 13,075 |

Fiscal year ended March 31, 2015

(Millions of yen)

| | Reportable segments | | | Total |
|---|---------------------|---------------|--------|---------|
| | Japan | North America | Asia | |
| Net sales | | | | |
| Net sales to external customers | 25,579 | 110,189 | 39,811 | 175,579 |
| Transactions with other segments | 15,868 | 1,541 | 2,099 | 19,510 |
| Total | 41,447 | 111,731 | 41,910 | 195,090 |
| Segment profit | 434 | 4,635 | 758 | 5,828 |
| Segment assets | 53,433 | 63,542 | 38,280 | 155,257 |
| Other items | | | | |
| Depreciation | 2,322 | 4,304 | 2,750 | 9,378 |
| Investments in entities accounted for using equity method | 2,942 | 238 | – | 3,181 |
| Increase in property, plant and equipment and intangible assets | 2,061 | 9,006 | 5,134 | 16,203 |

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, 2014 | Fiscal year ended March 31, 2015 |
|--|-------------------------------------|-------------------------------------|
| Reportable segments total | 188,336 | 195,090 |
| Elimination of intersegment transactions | (15,880) | (19,510) |
| Net sales in the consolidated financial statements | 172,456 | 175,579 |

(Millions of yen)

| Profit | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 |
|---|-------------------------------------|-------------------------------------|
| Reportable segments total | 6,429 | 5,828 |
| Elimination of intersegment transactions | 295 | (264) |
| Operating income in the consolidated financial statements | 6,725 | 5,564 |

(Millions of yen)

| Assets | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 |
|---|-------------------------------------|-------------------------------------|
| Reportable segments total | 131,481 | 155,257 |
| Elimination of intersegment transactions | (20,404) | (22,546) |
| Other adjustments | (14) | (13) |
| Total assets in the consolidated financial statements | 111,062 | 132,697 |

(Millions of yen)

| Other items | Reportable segments total | | Adjustments | | Amount recorded in the consolidated balance sheet | |
|---|----------------------------------|----------------------------------|----------------------------------|----------------------------------|---|----------------------------------|
| | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 |
| Depreciation | 7,960 | 9,378 | (451) | (457) | 7,508 | 8,920 |
| Investments in entities accounted for using equity method | 2,430 | 3,181 | – | – | 2,430 | 3,181 |
| Increase in property, plant and equipment and intangible assets | 13,075 | 16,203 | (360) | (571) | 12,715 | 15,631 |

(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, 2014

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 |
|--------|--------|--------|--------|--------|---------|
| 28,935 | 62,877 | 35,601 | 31,537 | 13,503 | 172,456 |

(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 |
|--------|--------|--------|-------|-------|--------|
| 16,145 | 12,335 | 9,079 | 9,158 | 8,425 | 55,144 |

3. Information for major customers (Millions of yen)

| Counterparty | Revenues | Relevant segment |
|---|----------|-------------------------|
| Honda Motor Co., Ltd. and its group companies | 137,708 | All reportable segments |

Fiscal year ended March 31, 2015

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 |
|--------|--------|--------|--------|--------|---------|
| 23,791 | 65,682 | 39,091 | 32,203 | 14,810 | 175,579 |

(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 |
|--------|--------|--------|--------|--------|--------|
| 17,090 | 17,147 | 10,414 | 12,782 | 10,091 | 67,527 |

3. Information for major customers (Millions of yen)

| Counterparty | Revenues | Relevant segment |
|---|----------|-------------------------|
| Honda Motor Co., Ltd. and its group companies | 138,635 | All reportable segments |

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

Fiscal year ended March 31, 2014

(Millions of yen)

| | Japan | North America | Asia | Unallocated amounts and elimination | Total |
|-----------------|-------|---------------|------|-------------------------------------|-------|
| Impairment loss | 13 | — | — | — | 13 |

Fiscal year ended March 31, 2015

(Millions of yen)

| | Japan | North America | Asia | Unallocated amounts and elimination | Total |
|-----------------|-------|---------------|------|-------------------------------------|-------|
| Impairment loss | 111 | 71 | — | — | 183 |

Amortization and unamortized balance of goodwill for each reportable segment

Fiscal year ended March 31, 2014

(Millions of yen)

| | Japan | North America | Asia | Unallocated amounts and elimination | Total |
|----------------------------|-------|---------------|------|-------------------------------------|-------|
| Amortization during period | — | 0 | — | — | 0 |
| Balance at end of period | — | 14 | — | — | 14 |

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 | 25 | 24 | 48 | — | 98 |

Fiscal year ended March 31, 2015

(Millions of yen)

| | Japan | North America | Asia | Unallocated amounts and elimination | Total |
|----------------------------|-------|---------------|------|-------------------------------------|-------|
| Amortization during period | — | 0 | — | — | 0 |
| Balance at end of period | — | 13 | — | — | 13 |

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 | 23 | 23 | 45 | – | 92 |

Information about gain on bargain purchase for each reportable segment

Fiscal year ended March 31, 2014

Not applicable.

Fiscal year ended March 31, 2015

Not applicable.

Related parties

Fiscal year ended March 31, 2014

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 | 21,180 | Accounts receivable - trade | 2,128 |
| | | | | | | | Purchase of raw materials | 14,351 | Accounts payable - trade | 1,331 |

(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) 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 578,000 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 | 29,289 | Accounts receivable - trade | 2,468 |
| 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 | 26,648 | Accounts receivable - trade | 2,413 |
| | | | | | | | Purchase of raw materials | 13,493 | Accounts payable - trade | 1,330 |
| 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 | 20,794 | Accounts receivable - trade | 2,182 |
| | | | | | | | Purchase of raw materials | 10,745 | Accounts payable - trade | 1,115 |

(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, 2015

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 | 16,259 | Accounts receivable - trade | 1,601 |

(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 | 31,639 | Accounts receivable - trade | 4,299 |
| 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 Purchase of raw materials | 27,909 16,039 | Accounts receivable - trade Accounts payable - trade | 2,621 1,437 |
| 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 | 21,667 | Accounts receivable - trade | 2,521 |

(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, 2014 | Fiscal year ended March 31, 2015 |
|------------------------------|-------------------------------------|-------------------------------------|
| Net assets per share | 1,684.87 | 1,979.55 |
| Net income per share | 257.86 | 115.42 |
| Diluted net income per share | — | 114.60 |

(Notes) 1. As stated in “Changes in accounting policies,” the Accounting Standard for Retirement Benefits has been applied and the application is in accordance with the transitional measures provided in paragraph 37 of the Accounting Standard for Retirement Benefits.

As a result, net assets per share for the fiscal year ended March 31, 2015 decreased by 19.99 yen.

As for net income per share and diluted net income per share for the fiscal year ended March 31, 2015, the impact of the change is immaterial.

2. Basis for calculating net income per share and diluted net income per share is as follows:

| | Fiscal year ended March 31, 2014 | Fiscal year ended March 31, 2015 |
|--|-------------------------------------|-------------------------------------|
| Net income per share | | |
| Net income (Millions of yen) | 3,319 | 1,772 |
| Amounts not attributable to common shareholders (Millions of yen) | — | — |
| Net income related to common shares (Millions of yen) | 3,319 | 1,772 |
| Average number of shares (Thousands of shares) | 12,873 | 15,356 |
| Diluted net income per share | | |
| Adjustment on net income (Millions of yen) | — | — |
| Increase in number of common shares (Thousands of shares) | — | 109 |
| [Of the above, convertible bond-type bonds with subscription rights to shares (Thousands of shares)] | — | [109] |
| Outline of potential shares that were not used in calculating diluted net income per share because they have no dilutive effects | — | — |

Significant events after reporting period

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 | — | None | March 23, 2020 |
| Total | — | — | — | 4,000 | — | — | — |

(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) | — |
| 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 |
|---------------------|--------------------------------------|---|--|---|
| — | — | — | — | 4,000 |

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 | 12,778 | 19,099 | 1.48 | — |
| Current portion of long-term loans payable | 10,146 | 11,356 | 1.63 | — |
| Current portion of lease obligations | 366 | 635 | 1.30 | — |
| Long-term loans payable (excluding current portion) | 21,212 | 21,050 | 1.79 | 2016–2020 |
| Lease obligations (excluding current portion) | 176 | 428 | 1.49 | 2016–2021 |
| Total | 44,679 | 52,569 | — | — |

(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 and lease obligations (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 | 9,349 | 6,222 | 3,955 | 1,523 |
| Lease obligations | 271 | 66 | 50 | 34 |

Annexed detailed schedule of asset retirement obligations

Not applicable.

(2) Other information

Quarterly information for the fiscal year ended March 31, 2015

| (Cumulative period) | Three months ended June 30, 2014 | Six months ended September 30, 2014 | Nine months ended December 31, 2014 | Fiscal year ended March 31, 2015 |
|---|----------------------------------|-------------------------------------|-------------------------------------|----------------------------------|
| Net sales (Millions of yen) | 41,648 | 84,450 | 127,699 | 175,579 |
| Income before income taxes and minority interests (Millions of yen) | 927 | 2,010 | 3,594 | 5,550 |
| Net income (Millions of yen) | 172 | 521 | 1,129 | 1,772 |
| Net income per share (Yen) | 11.21 | 33.96 | 73.54 | 115.42 |

| (Three-month period) | First quarter | Second quarter | Third quarter | Fourth quarter |
|----------------------------|---------------|----------------|---------------|----------------|
| Net income per share (Yen) | 11.21 | 22.76 | 39.57 | 41.88 |



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, 2015 and 2014, 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 misstatements, 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, 2015 and 2014, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.


KPMG AZSA LLC
September 17, 2015
Tokyo, Japan