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, 2016

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, 2015		As of March 31, 2016
Assets				
Current assets				
Cash and deposits		8,983		6,831
Notes and accounts receivable - trade		27,379		28,930
Merchandise and finished goods		5,539		4,779
Work in process		3,766		3,942
Raw materials and supplies		8,159		8,069
Deferred tax assets		420		368
Other		3,459		4,486
Total current assets		57,707		57,409
Non-current assets				
Property, plant and equipment				
Buildings and structures, net	*1	19,657	*1	19,648
Machinery, equipment and vehicles, net		24,687		29,985
Dies and tools, net		1,844		1,969
Land	*1	6,238	*1	6,024
Leased assets, net		826		809
Construction in progress		12,365		13,423
Other, net		1,906		1,549
Total property, plant and equipment	*2	67,527	*2	73,410
Intangible assets				
Software		709		608
Right of using facilities		52		44
Other		19		18
Total intangible assets		780		671
Investments and other assets				
Investment securities	*3	5,063	*3	4,880
Long-term loans receivable		276		261
Net defined benefit asset		62		34
Deferred tax assets		415		449
Other		863		862
Total investments and other assets		6,681		6,489
Total non-current assets		74,989		80,570
Total assets		132,697		137,980

(Millions of yen)

		As of March 31, 2015		As of March 31, 2016
Liabilities				
Current liabilities				
Notes and accounts payable - trade		16,518		18,690
Short-term loans payable		19,099		22,589
Current portion of long-term loans payable	*1	11,356	*1	11,576
Lease obligations		635		395
Income taxes payable		825		499
Accounts payable - other		5,315		4,347
Notes payable - facilities		109		85
Provision for directors' bonuses		88		99
Other		3,843		4,207
Total current liabilities		57,792		62,492
Non-current liabilities				
Bonds payable		4,000		4,000
Long-term loans payable	*1	21,050	*1	18,597
Lease obligations		428		485
Deferred tax liabilities		2,518		3,369
Provision for directors' retirement benefits		212		233
Net defined benefit liability		243		954
Long-term accounts payable - other		6		693
Negative goodwill		78		72
Other		9		13
Total non-current liabilities		28,548		28,419
Total liabilities		86,340		90,911
Net assets				
Shareholders' equity				
Capital stock		4,790		4,790
Capital surplus		5,228		5,419
Retained earnings		15,115		17,512
Treasury shares		(18)		(18)
Total shareholders' equity		25,115		27,703
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities		858		618
Foreign currency translation adjustment		4,085		1,533
Remeasurements of defined benefit plans		338		(549)
Total accumulated other comprehensive income		5,283		1,602
Non-controlling interests		15,958		17,762
Total net assets		46,356		47,068
Total liabilities and net assets		132,697		137,980

ii) Consolidated statements of income and comprehensive income

(Millions of yen)

		Fiscal year ended March 31, 2015		Fiscal year ended March 31, 2016
Net sales		175,579		196,343
Cost of sales	*1	155,028	*1	173,714
Gross profit		20,551		22,629
Selling, general and administrative expenses	*2, *3	14,986	*2, *3	15,808
Operating income		5,564		6,821
Non-operating income				
Interest income		38		55
Dividend income		49		46
Share of profit of entities accounted for using equity method		400		437
Foreign exchange gains		362		–
Other		181		192
Total non-operating income		1,031		732
Non-operating expenses				
Interest expenses		741		883
Foreign exchange losses		–		449
Other		62		38
Total non-operating expenses		804		1,371
Ordinary income		5,791		6,182
Extraordinary income				
Gain on sales of non-current assets	*4	31	*4	963
Gain on liquidation of subsidiaries and associates		43		–
Insurance income		61		–
Total extraordinary income		136		963
Extraordinary losses				
Loss on sales of non-current assets	*5	1	*5	4
Loss on retirement of non-current assets	*6	145	*6	76
Loss on valuation of shares of subsidiaries and associates		48		–
Impairment loss	*7	183	*7	110
Total extraordinary losses		378		191
Profit before income taxes		5,550		6,953
Income taxes - current		2,696		1,171
Income taxes - deferred		(295)		1,188
Total income taxes		2,400		2,360
Profit		3,150		4,593
Profit attributable to				
Profit attributable to owners of parent		1,772		2,704
Profit attributable to non-controlling interests		1,377		1,888
Other comprehensive income				
Valuation difference on available-for-sale securities		111		(215)
Foreign currency translation adjustment		3,988		(3,298)
Remeasurements of defined benefit plans, net of tax		58		(878)
Share of other comprehensive income of entities accounted for using equity method		382		(212)
Total other comprehensive income	*8	4,541	*8	(4,605)

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Comprehensive income	7,691	(11)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,137	(707)
Comprehensive income attributable to non-controlling interests	2,553	695

iii) Consolidated statements of changes in net assets

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					
Dividends of surplus			(307)		(307)
Profit attributable to owners of parent			1,772		1,772
Purchase of treasury shares				(0)	(0)
Change in the parent company's ownership interest of subsidiaries due to transactions with non-controlling shareholders					–
Net changes of items other than shareholders' equity					
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				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	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						
Dividends of surplus						(307)
Profit attributable to owners of parent						1,772
Purchase of treasury shares						–
Change in the parent company's ownership interest of subsidiaries due to transactions with non-controlling shareholders						–
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

Fiscal year ended March 31, 2016

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	4,790	5,228	15,115	(18)	25,115
Cumulative effects of changes in accounting policies					–
Restated balance	4,790	5,228	15,115	(18)	25,115
Changes of items during period					
Dividends of surplus			(307)		(307)
Profit attributable to owners of parent			2,704		2,704
Purchase of treasury shares				(0)	(0)
Change in the parent company's ownership interest of subsidiaries due to transactions with non-controlling shareholders		190			190
Net changes of items other than shareholders' equity					
Total changes of items during period	–	190	2,397	(0)	2,587
Balance at end of current period	4,790	5,419	17,512	(18)	27,703

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	858	4,085	338	5,283	15,958	46,356
Cumulative effects of changes in accounting policies						–
Restated balance	858	4,085	338	5,283	15,958	46,356
Changes of items during period						
Dividends of surplus						(307)
Profit attributable to owners of parent						2,704
Purchase of treasury shares						(0)
Change in the parent company's ownership interest of subsidiaries due to transactions with non-controlling shareholders						190
Net changes of items other than shareholders' equity	(240)	(2,552)	(888)	(3,680)	1,804	(1,876)
Total changes of items during period	(240)	(2,552)	(888)	(3,680)	1,804	711
Balance at end of current period	618	1,533	(549)	1,602	17,762	47,068

iv) Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Cash flows from operating activities		
Profit before income taxes	5,550	6,953
Depreciation	8,920	10,081
Impairment loss	183	110
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	(152)	(145)
Increase (decrease) in provision for directors' retirement benefits	8	20
Increase (decrease) in provision for directors' bonuses	(0)	10
Interest and dividend income	(87)	(102)
Interest expenses	741	883
Foreign exchange losses (gains)	(129)	356
Share of (profit) loss of entities accounted for using equity method	(400)	(437)
Loss (gain) on sales of property, plant and equipment	(29)	(959)
Loss on retirement of property, plant and equipment	145	76
Decrease (increase) in notes and accounts receivable - trade	(1,045)	(3,224)
Decrease (increase) in inventories	(2,268)	(364)
Increase (decrease) in notes and accounts payable - trade	(965)	3,213
Other, net	993	(543)
Subtotal	11,460	15,924
Interest and dividend income received	120	137
Interest expenses paid	(739)	(887)
Income taxes paid	(2,322)	(3,032)
Net cash provided by (used in) operating activities	8,518	12,140
Cash flows from investing activities		
Purchase of property, plant and equipment	(14,487)	(19,318)
Proceeds from sales of property, plant and equipment	55	1,757
Purchase of intangible assets	(183)	(211)
Purchase of investment securities	(30)	(30)
Proceeds from sales of investment securities	–	55
Other, net	(66)	(61)
Net cash provided by (used in) investing activities	(14,712)	(17,810)

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	4,843	4,438
Proceeds from long-term loans payable	9,915	10,010
Repayments of long-term loans payable	(10,906)	(11,703)
Proceeds from issuance of bonds	4,000	–
Purchase of treasury shares	–	(0)
Proceeds from share issuance to non-controlling shareholders	–	1,651
Proceeds from sales and installment back	–	833
Repayments of installment payables	(190)	(256)
Cash dividends paid	(306)	(307)
Dividends paid to non-controlling interests	(554)	(597)
Repayments of finance lease obligations	(619)	(676)
Proceeds from sales and leasebacks	869	400
Net cash provided by (used in) financing activities	7,052	3,792
Effect of exchange rate change on cash and cash equivalents	301	(274)
Net increase (decrease) in cash and cash equivalents	1,159	(2,151)
Cash and cash equivalents at beginning of period	7,823	8,983
Cash and cash equivalents at end of period	*1 8,983	*1 6,831

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.

Reason for exclusion from scope of consolidation

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

3. Disclosure about application of equity method

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

Not applicable.

(2) Number of associates accounted for using the equity method: Four
Johnan Manufacturing Inc.
JOHNAN AMERICA, Inc.
JOHNAN F.TECH (THAILAND) LTD.
JOHNAN DE MEXICO, S.A. DE C.V.

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

Number of associates not accounted for using the equity method: Five
Progressive Tools & Components Pvt Ltd.
JOHNAN UK LTD.
PT. JFD INDONESIA
JOHNAN WUHAN INC.
Johnan Kyushu Manufacturing Inc.

Reason for exclusion from scope of equity method

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

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

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

Among the consolidated subsidiaries, the fiscal year end of F.tech Philippines Mfg., Inc. and F.tech R&D Philippines Inc. is January 31 and the fiscal year end of F.E.G. DE QUERETARO, S.A. DE C.V., F.tech Zhongshan Inc., F.tech Wuhan Inc., 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 non-controlling interests in net assets in the consolidated balance sheets.

(6) Accounting policy for goodwill

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

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

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

(8) Other significant matters for preparing consolidated financial statements

Accounting policy for consumption taxes

Tax exclusive method is adopted.

Changes in accounting policies

Application of the Revised Accounting Standard for Business Combinations, etc.

The Company and its domestic subsidiaries adopted Revised Accounting Standard for Business Combinations (ASBJ Statement No.21, September 13, 2013 (hereinafter, “Statement No.21”)), Revised Accounting Standard for Consolidated Financial Statements (ASBJ Statement No.22, September 13, 2013 (hereinafter, “Statement No.22”)) and Revised Accounting Standard for Business Divestitures (ASBJ Statement No.7, September 13, 2013 (hereinafter, “Statement No.7”)) (together, the “Business Combination Accounting Standards”), from the current fiscal year. As a result, the Company changed its accounting policies to recognize in capital surplus the differences arising from the changes in the Company’s ownership interest of subsidiaries over which the Company continues to maintain control and to record acquisition related costs as expenses in the fiscal year in which the costs are incurred. In addition, the Company changed its accounting policy for the reallocation of acquisition costs due to the completion following provisional accounting to reflect such reallocation in the consolidated financial statements for the fiscal year in which the business combination took place. The Company also changed the presentation of net income and the term “non-controlling interests” is used instead of “minority interests”. Certain amounts in the previous fiscal year comparative information were reclassified to conform to such changes in the current fiscal year presentation.

In the consolidated statements of cash flows for the current fiscal year, cash flows from acquisition or disposal of shares of subsidiaries with no changes in the scope of consolidation are included in “Cash flows from financing activities” and cash flows from acquisition related costs for shares of subsidiaries with changes in the scope of consolidation or costs related to acquisition or disposal of shares of subsidiaries with no changes in the scope of consolidation are included in “Cash flows from operating activities”.

With regard to the application of the Business Combination Accounting Standards, the Company followed the provisional treatments in article 58-2 (4) of Statement No.21, article 44-5 (4) of Statement No.22 and article 57-4 (4) of Statement No.7 with application from the beginning of the current fiscal year prospectively.

As a result, ordinary income and profit before income taxes for the current fiscal year each decreased by 389 million yen and capital surplus as of the end of the current fiscal year increased by 190 million yen.

The effects on earnings per share are explained in “Per share information”.

New accounting standards not yet applied

Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016)

(1) Overview

The practical guidance on accounting standards and the practical guidance on auditing standards (portion relating to accounting treatments) for tax effect accounting issued by the Japanese Institute of Certified Public Accountants (JICPA) are to be transferred to the ASBJ. In this regard, the Guidance on Recoverability of Deferred Tax Assets still basically follows the framework of the guidance on recoverability of deferred tax assets, which is principally stipulated in the Auditing Treatment Regarding Judgment of Recoverability of Deferred Tax Assets outlined in the JICPA Auditing Committee Report No. 66, where entities are classified into five categories and the amount of deferred tax assets recorded is estimated according to those categories, but the ASBJ has made necessary revisions to the category criteria and part of the treatment of the amount of deferred tax assets to be recorded. This guidance provides guidelines for applying the Accounting Standards for Tax Effect Accounting (Business Accounting Council) with regard to recoverability of deferred tax assets.

(2) Application schedule

The guidance is scheduled to be applied from the beginning of the fiscal year starting on and after April 1, 2016.

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

The effect of application of the Guidance on Recoverability of Deferred Tax Assets 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, 2016.

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, 2015	As of March 31, 2016
Buildings and structures	183	174
Land	240	240
Total	424	415

Liabilities secured are as follows:

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
Current portion of long-term loans payable	30	30
Long-term loans payable	47	17
Total	77	47

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

(Millions of yen)

As of March 31, 2015	As of March 31, 2016
94,614	94,784

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

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
Investment securities (stocks)	3,316	3,483

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

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
Total amount of overdraft facility limit and loan commitment	39,504	40,093
Balance of borrowings outstanding	17,025	21,539
Unexecuted balance	22,479	18,553

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, 2015	Fiscal year ended March 31, 2016
(13)	33

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

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Haulage expenses	1,569	1,917
Salaries, allowance and bonuses	4,520	4,625
Retirement benefit costs	167	129
Provision for directors’ bonuses	86	95
Provision for directors’ retirement benefits	18	20
Depreciation	607	640
Research and development expenses	3,356	3,293

*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, 2015	Fiscal year ended March 31, 2016
3,356	3,293

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

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Buildings and structures	8	132
Machinery, equipment and vehicles	16	23
Land	–	806
Other	5	1
Total	31	963

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

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Machinery, equipment and vehicles	1	3
Other	0	0
Total	1	4

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

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Buildings and structures	32	30
Machinery, equipment and vehicles	103	44
Dies and tools	6	0
Other	3	1
Total	145	76

*7. Impairment loss

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.

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

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

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

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

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

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

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Valuation difference on available-for-sale securities		
Increase (decrease) during the period	126	(326)
Tax effect amount	(14)	110
Valuation difference on available-for-sale securities	111	(215)
Foreign currency translation adjustment		
Increase (decrease) during the period	3,988	(3,298)
Remeasurements of defined benefit plans, net of tax		
Increase (decrease) during the period	85	(807)
Reclassification adjustments	(85)	(80)
Pre-adjustment of tax effect	0	(887)
Tax effect amount	58	9
Remeasurements of defined benefit plans, net of tax	58	(878)
Share of other comprehensive income of entities accounted for using equity method		
Increase (decrease) during the period	382	(212)
Total other comprehensive income	4,541	(4,605)

Notes to consolidated statements of changes in net assets

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

Fiscal year ended March 31, 2016

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

(Thousands of shares)

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

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

- Increase from the purchase of treasury shares: 47 shares

2. Dividends

(1) Cash dividends paid

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

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

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

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, 2015	Fiscal year ended March 31, 2016
Cash and deposits	8,983	6,831
Cash and cash equivalents	8,983	6,831

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, 2015	Fiscal year ended March 31, 2016
Assets and liabilities associated with finance lease transactions	1,112	517

Notes on leases

As lessee

1. Finance lease transactions

Finance lease transactions that do not transfer ownership

i) Leased assets

Property, plant and equipment

Production facilities: Machinery and equipment

ii) Depreciation of leased assets

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

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

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

(Millions of yen)

	As of March 31, 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

(Millions of yen)

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

(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, 2015	As of March 31, 2016
Outstanding balance of future lease payments at end of period		
Due within one year	6	–
Due over one year	–	–
Total	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, 2015	Fiscal year ended March 31, 2016
Lease fees paid	95	6
Depreciation equivalent	95	6

(4) Calculation method for depreciation equivalent

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

2. Operating lease transactions

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

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
Due within one year	233	161
Due over one year	151	170
Total	384	332

Notes on financial instruments

1. Overview of financial instruments

(1) Policy on treatment of financial instruments

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

(2) Financial instruments and related risks

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

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

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

(3) Risk management system for financial instruments

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

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

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

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

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

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

iii) Management of liquidity risk associated with fund raising (risk of inability to pay on due date)

The Company's accounting department prepares and updates financial plans annually and monthly based on reports from each department.

(4) Supplementary explanation concerning fair values of financial instruments

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

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, 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 (*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.

As of March 31, 2016

(Millions of yen)

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

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

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

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

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

(3) Investment securities

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

(4) Long-term loans receivable

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

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

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

(8) Bonds payable

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

(9) Long-term loans payable and (10) 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.

(11) 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, 2015	As of March 31, 2016
Non-listed shares		
Shares of subsidiaries and associates	3,316	3,483
Other	281	226
Total	3,598	3,710

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, 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

As of March 31, 2016

(Millions of yen)

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

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

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	–

As of March 31, 2016

(Millions of yen)

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

Notes on securities

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

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.

As of March 31, 2016

(Millions of yen)

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

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

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

As of March 31, 2015

(Millions of yen)

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

As of March 31, 2016

(Millions of yen)

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

Notes on derivatives

1. Derivative transactions to which hedge accounting is not applied

(1) Foreign currency

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.

As of March 31, 2016

(Millions of yen)

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

(Note) Measurement method for fair values

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

(2) Interest rate

As of March 31, 2015

Not applicable.

As of March 31, 2016

Not applicable.

2. Derivative transactions to which hedge accounting is applied

(1) Foreign currency

As of March 31, 2015

Not applicable.

As of March 31, 2016

Not applicable.

(2) Interest rate

As of March 31, 2015

Not applicable.

As of March 31, 2016

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, 2015	Fiscal year ended March 31, 2016
Balance at beginning of period	4,719	5,296
Cumulative effects of changes in accounting policies	288	–
Restated balance	5,008	5,296
Service cost	368	373
Interest cost	60	62
Actuarial loss (gain)	28	676
Benefits paid	(195)	(183)
Other	25	(25)
Balance at end of period	5,296	6,199

(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, 2015	Fiscal year ended March 31, 2016
Balance at beginning of period	4,804	5,209
Expected return on plan assets	100	103
Actuarial loss (gain)	116	(103)
Contributions paid by the employer	351	358
Benefits paid	(180)	(181)
Other	17	(8)
Balance at end of period	5,209	5,376

(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, 2015	Fiscal year ended March 31, 2016
Balance at beginning of period	139	93
Benefit costs	(29)	22
Benefits paid	(7)	(8)
Contributions paid by the employer	(8)	(10)
Balance at end of period	93	96

(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, 2015	As of March 31, 2016
Funded retirement benefit obligations	5,341	6,250
Plan assets	(5,299)	(5,476)
	42	773
Unfunded retirement benefit obligations	138	146
Total net liability (asset) for retirement benefits	180	919
Net defined benefit liability	243	954
Net defined benefit asset	(62)	(34)
Total net liability (asset) for retirement benefits	180	919

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

(5) Retirement benefit costs

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Service cost	368	373
Interest cost	60	62
Expected return on plan assets	(100)	(103)
Net actuarial loss amortization	(87)	(107)
Retirement benefit costs calculated using simplified methods	(29)	22
Total	212	247

(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, 2015	Fiscal year ended March 31, 2016
Actuarial gains and losses	0	(887)
Total	0	(887)

(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, 2015	Fiscal year ended March 31, 2016
Actuarial gains and losses that are yet to be recognized	336	(551)
Total	336	(551)

(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, 2015	As of March 31, 2016
Bonds	28.7%	26.1%
Equity securities	12.2	10.4
General account	56.1	57.1
Other	3.0	6.4
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, 2015	As of March 31, 2016
Discount rate	1.0%	0.1%
Long-term expected rate of return	2.0%	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 344 million yen in the previous fiscal year and 387 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 187 million yen in the previous fiscal year and 189 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, 2014)	Current fiscal year (As of March 31, 2015)
Amount of plan assets	69,619	76,331
Total of actuarial benefit obligations for the purpose of pension financing calculation and minimum reserve	82,794	75,032
Difference	(13,175)	1,299

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

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

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

(3) Supplementary explanation

The main reasons for the difference in (1) above, are 10,992 million yen of past service liabilities for the purpose of pension financing calculation and 2,183 million yen of deficiency carried-forward in the previous fiscal year, and 1,299 million yen of surplus carried-forward in the current fiscal year.

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, 2015	As of March 31, 2016
Deferred tax assets		
Tax loss carry forwards	3,043	2,669
Elimination of unrealized gains on non-current assets	1,073	1,213
Impairment loss	771	575
Excess depreciation	363	574
Accrued bonuses	298	314
Loss on valuation of inventories	211	169
Net defined benefit liability	49	119
Other	362	339
Deferred tax assets subtotal	6,175	5,976
Valuation allowance	(5,237)	(5,068)
Total deferred tax assets	937	907
Deferred tax liabilities		
Depreciation (foreign consolidated subsidiaries)	(2,336)	(3,301)
Valuation difference on available-for-sale securities	(280)	(170)
Net defined benefit asset	(19)	(9)
Other	(56)	(20)
Total deferred tax liabilities	(2,692)	(3,502)
Net deferred tax assets (liabilities)	(1,755)	(2,595)

(Note) Net deferred tax liabilities as of March 31, 2015 and March 31, 2016 are included in the following items in the consolidated balance sheets.

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
Current assets – Deferred tax assets	420	368
Non-current assets – Deferred tax assets	415	449
Current liabilities – Other	(72)	(43)
Non-current liabilities – Deferred tax liabilities	(2,518)	(3,369)

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, 2015	As of March 31, 2016
Statutory income tax rate	35.0%	32.5%
(Adjustments)		
Tax rate differences in foreign consolidated subsidiaries	(6.6)	(5.0)
Foreign withholding tax	7.7	3.6
Share of profit (loss) of entities accounted for using equity method	(2.6)	(2.0)
Change in valuation allowance	8.7	1.6
Income taxes for prior periods	–	1.1
Expenses not deductible permanently such as entertainment expenses	0.5	1.1
Inhabitant per capita tax	0.3	0.2
Other	0.2	0.8
Effective income tax rate after application of tax effect accounting	43.2	33.9

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. 15, 2016) and the Act on Partial Amendment, etc. of the Local Tax Act, etc. (Act No. 13, 2016) were enacted in the Diet session on March 29, 2016. With this amendment, the corporate income tax rates, etc. are to be reduced effective from the fiscal year beginning on or after April 1, 2016. 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 are changed from 31.7% to 30.3% for the fiscal years beginning on April 1, 2016 and April 1, 2017, and to 30.1% for the fiscal years beginning on or after April 1, 2018.

The impact of these changes in tax rates is immaterial.

Notes on business combinations

Transactions under common control, etc.

1. Subsidiaries' capital increase through third-party allotment

(1) Outline of transaction

i) Name of companies involved in business combination and nature of their business

Name of companies involved in business combination:

F.tech Zhongshan Inc. and F.tech Wuhan Inc. (Consolidated subsidiaries of the Company)

Nature of business:

Manufacture and sale of auto parts

ii) Date of business combination

June 30, 2015 (deemed sale date)

iii) Legal form of business combination

Capital increase through third-party allotment

iv) Name of companies after business combination

No change was made.

v) Other items regarding outline of transaction

The capital increase through third-party allotment to non-controlling shareholders was made mainly for the purpose of stabilizing and strengthening the management of the Group.

(2) Outline of accounting treatment applied

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

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

i) Major factor of change in capital surplus

The change in capital surplus is attributable to the difference between the amount of capital increase through third-party allotment to non-controlling shareholders and the amount of increase in non-controlling interests.

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

402 million yen

2. Acquisition of additional shares of a subsidiary

(1) Outline of transaction

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

Name of a company involved in business combination:

F&P MFG.DE MEXICO S.A. DE C.V. (Consolidated subsidiary of the Company)

Nature of business:

Manufacture and sale of auto parts

ii) Date of business combination

December 31, 2015 (deemed acquisition date)

iii) Legal form of business combination

Capital increase through third-party allotment

iv) Name of company after business combination

No change was made.

v) Other items regarding outline of transaction

The Company underwrote the capital increase through third-party allotment for the purpose of further strengthening the capital ties as well as stabilizing and strengthening the management of the Group.

(2) Outline of accounting treatment applied

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

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

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

Consideration for acquisition	Cash and deposits	1,903 million yen

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

i) Major factor of change in capital surplus

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

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

211 million yen

Notes on asset retirement obligations

Not applicable.

Notes on real estate for lease, etc.

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

In the current fiscal year, net rental revenue from the rental properties amounted to 72 million yen (rental revenue was recorded in non-operating income) and gain on sales of non-current assets was 806 million yen (recorded in extraordinary income). Carrying amount on the consolidated balance sheet, increase (decrease) in the current fiscal year and fair value of these real estate properties for lease, etc. are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Carrying amount on the consolidated balance sheet		
Balance at beginning of period	984	1,465
Increase (decrease) during period	480	(156)
Balance at end of period	1,465	1,308
Fair value at end of period	1,697	1,585

(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, 2016 mainly includes an increase due to increase in idle assets (602 million yen) and a decrease due to transfer of idle land (727 million yen).
3. Fair values at end of period are based on certain appraisal value and indicators that are considered to appropriately reflect market prices.

Segment information, etc.

Segment information

1. Description of reportable segments

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

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

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

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

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

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

Transactions with other segments are based on prevailing market prices.

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

Fiscal year ended March 31, 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

Fiscal year ended March 31, 2016

(Millions of yen)

	Reportable segments			Total
	Japan	North America	Asia	
Net sales				
Net sales to external customers	22,016	124,953	49,372	196,343
Transactions with other segments	16,535	1,718	2,037	20,291
Total	38,552	126,671	51,410	216,635
Segment profit	381	4,675	2,069	7,126
Segment assets	57,393	67,865	40,306	165,564
Other items				
Depreciation	2,474	4,475	3,549	10,500
Investments in entities accounted for using equity method	3,089	259	–	3,348
Increase in property, plant and equipment and intangible assets	3,340	13,507	4,691	21,539

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, 2015	Fiscal year ended March 31, 2016
Reportable segments total	195,090	216,635
Elimination of intersegment transactions	(19,510)	(20,291)
Net sales in the consolidated financial statements	175,579	196,343

(Millions of yen)

Profit	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Reportable segments total	5,828	7,126
Elimination of intersegment transactions	(264)	(305)
Operating income in the consolidated financial statements	5,564	6,821

(Millions of yen)

Assets	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Reportable segments total	155,257	165,564
Elimination of intersegment transactions	(22,546)	(27,571)
Other adjustments	(13)	(12)
Total assets in the consolidated financial statements	132,697	137,980

(Millions of yen)

Other items	Reportable segments total		Adjustments		Amount recorded in the consolidated balance sheet	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Depreciation	9,378	10,500	(457)	(419)	8,920	10,081
Investments in entities accounted for using equity method	3,181	3,348	–	–	3,181	3,348
Increase in property, plant and equipment and intangible assets	16,203	21,539	(571)	(960)	15,631	20,578

(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, 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

Fiscal year ended March 31, 2016

1. Information by product or service

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

2. Information by geographical region

(1) Net sales (Millions of yen)

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

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

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

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

3. Information for major customers (Millions of yen)

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

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

Fiscal year ended March 31, 2015

(Millions of yen)

	Japan	North America	Asia	Unallocated amounts and elimination	Total
Impairment loss	111	71	–	–	183

Fiscal year ended March 31, 2016

(Millions of yen)

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

Amortization and unamortized balance of goodwill for each reportable segment

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

Fiscal year ended March 31, 2016

(Millions of yen)

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

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

(Millions of yen)

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

Information about gain on bargain purchase for each reportable segment

Fiscal year ended March 31, 2015

Not applicable.

Fiscal year ended March 31, 2016

Not applicable.

Related parties

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 Manufac-turing 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	27,909	Accounts receivable - trade	2,621
							Purchase of raw materials	16,039	Accounts payable - trade	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.

Fiscal year ended March 31, 2016

1. Related-party transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

2. Notes on the parent company or major associates

Not applicable.

Notes on special purpose entities subject to disclosure

Not applicable.

Per share information

(Yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Net assets per share	1,979.55	1,908.40
Basic earnings per share	115.42	176.14
Diluted earnings per share	114.60	144.81

(Notes) 1. As stated in “Changes in accounting policies,” the Accounting Standard for Business Combinations, etc. has been applied.
As a result, for the fiscal year ended March 31, 2016, net assets per share increased by 12.43 yen and basic earnings per share and diluted earnings per share decreased by 25.37 yen and 20.86 yen, respectively.

2. Basis for calculating basic earnings per share and diluted earnings per share is as follows:

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Basic earnings per share		
Profit attributable to owners of parent (Millions of yen)	1,772	2,704
Amounts not attributable to common shareholders (Millions of yen)	–	–
Profit attributable to owners of parent related to common shares (Millions of yen)	1,772	2,704
Average number of shares (Thousands of shares)	15,356	15,356
Diluted earnings per share		
Adjustment on profit attributable to owners of parent (Millions of yen)	–	–
Increase in number of common shares (Thousands of shares)	109	3,322
[Of the above, convertible bond-type bonds with subscription rights to shares (Thousands of shares)]	(109)	(3,322)
Outline of potential shares that were not used in calculating diluted earnings per share because they have no dilutive effects	–	–

Significant subsequent event

Not applicable.

v) Annexed consolidated detailed schedules

Annexed detailed schedule of corporate bonds

Company name	Type of bond	Date of issuance	Balance at beginning of current period (Millions of yen)	Balance at end of current period (Millions of yen)	Interest rate (%)	Collateral	Date of maturity
F-TECH INC.	Yen-denominated convertible bond-type bonds with subscription rights to shares due 2020 (Note 1)	March 20, 2015	4,000	4,000	–	None	March 23, 2020
Total	–	–	4,000	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	19,099	22,589	1.26	–
Current portion of long-term loans payable	11,356	11,576	1.79	–
Current portion of lease obligations	635	395	1.10	–
Long-term loans payable (excluding current portion)	21,050	18,597	1.39	2017–2025
Lease obligations (excluding current portion)	428	485	1.00	2017–2022
Total	52,569	53,644	–	–

(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	8,077	6,051	3,504	897
Lease obligations	196	166	109	11

Annexed detailed schedule of asset retirement obligations

Not applicable.

(2) Other information

Quarterly information for the fiscal year ended March 31, 2016

(Cumulative period)	Three months ended June 30, 2015	Six months ended September 30, 2015	Nine months ended December 31, 2015	Fiscal year ended March 31, 2016
Net sales (Millions of yen)	45,430	93,983	144,145	196,343
Profit before income taxes (Millions of yen)	589	2,195	4,352	6,953
Profit (loss) attributable to owners of parent (Millions of yen)	(98)	420	1,316	2,704
Basic earnings (loss) per share (Yen)	(6.43)	27.37	85.70	176.14

(Three-month period)	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings (loss) per share (Yen)	(6.43)	33.79	58.33	90.44

KPMG

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, 2016 and 2015, 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, 2016 and 2015, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

KPMG Azsa LLC

KPMG AZSA LLC
September 13, 2016
Tokyo, Japan