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

Consolidated Financial Results for the Fiscal Year Ended March 31, 2019 <under Japanese GAAP>

F-TECH INC.

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

1. Overview of Operating Results and Others

(1) Analysis regarding operating results

The global economy during the fiscal year ended March 31, 2019 has continued a recovery trend overall. The Japanese economy has continued a moderate recovery supported mainly by a favorable employment environment. Overseas, the economy in the United States remained robust, backed by a favorable employment and income environment and tax breaks. While in China, a slowdown in the economy became clear due to the effect of trade frictions between the United States and China, among other reasons. The economies of other regions in Asia remained firm.
In the automotive industry, in Japan, while sales were strong for light vehicles, the number of registered vehicles declined. In North America, sales of passenger cars declined, while sales of compact trucks were robust. In China, a slowdown became clear, due to factors such as a decrease in total sales volume. Sales remained stable overall in other Asian regions.
Under these circumstances, the Group has been working to provide its customers with new value, and has made efforts to increase orders in accordance with the basic policies of "Back to Basics" and "Challenge for New" outlined in the 13th Mid-term plan.
The operating results for the Group during the fiscal year under review are as follows. Although there were positive factors such as mass production impact from newly awarded products in the North American market, the impairment loss of non-current assets (of 1,958 million yen) at F&P America Mfg., Inc. (a consolidated subsidiary located in Ohio, United States) was booked primarily due to the information of production volume reduction at a major customer and the improvement activities being not fully implemented yet, which affected the performance of the Group. Net sales rose by 4.1% year on year to 235,361 million yen, operating profit decreased by 4.0% year on year to 6,580 million yen, ordinary profit increased by 0.7% year on year to 5,968 million yen, and profit attributable to owners of parent decreased by 39.6% to 2,844 million yen.

Operating results by segment are as follows.

(Japan)
Favorable sales due to an increase in production volumes of the major customers led to net sales rising by 14.6% year on year to 33,001 million yen. However, the segment recorded an operating profit of 921 million yen, down by 47.2% year on year due to a decrease in tooling sales for overseas group companies.

(North America)
Net sales rose by 5.0% year on year to 136,450 million yen primarily due to the contribution of the newly awarded contracts. The segment recorded an operating loss of 54 million yen due to the improvement activities at F&P America Mfg., Inc. (Ohio, Unites States) being not fully implemented yet. However, compared to the previous fiscal year, the fiscal year ended March 31, 2019 saw a recovery mainly as a result of initiatives to improve the production efficiency and reduce costs (an operating loss of 1,878 million yen was recorded in the same period of previous year).

(Asia)
Due to weak sales mainly to major customers, net sales decreased by 2.2% year on year to 65,909 million yen and operating profit decreased by 21.1% year on year to 5,275 million yen.

Outlook for the next fiscal year

As for the next fiscal year's outlook, there are concerns about circumstances of the trade issues led by the trade frictions between the United States and China in the global economy, which cloud prospects for the economy. Under these circumstances, although some benefit can be expected from streamlined operations mainly at the plants in North America, the changes in customer needs in the North American market have caused sales of sedan-type vehicles to weaken, and automobile demand in the Japanese and Chinese markets is forecasted to decrease.
Based on the above, as the outlook for consolidated results for the fiscal year ending March 31, 2020 (April 1, 2019 to March 31, 2020), we predict net sales of 218,000 million yen (down 7.4% year on year), operating profit of 6,000 million yen (down 8.8%), ordinary profit of 5,500 million yen (down 7.9%), and profit attributable to owners of parent of 2,500 million yen (down 12.1%).
Exchange rates are assumed at 107.00 yen to the U.S. dollar.

(2) Analysis regarding financial position

1) Assets, liabilities and net assets

As of March 31, 2019, total assets decreased by 13,416 million yen compared with the end of the previous fiscal year to 137,010 million yen, reflecting decreases in notes and accounts receivable - trade, machinery, equipment and vehicles, and other items.

Liabilities decreased by 14,195 million yen from the end of the previous fiscal year to 80,179 million yen reflecting decreases in short-term loans payable, accounts payable - other, long-term loans payable, and other items.

Net assets increased by 779 million yen to 56,830 million yen reflecting increases in retained earnings and other items.

2) Cash flows

As of March 31, 2019, cash and cash equivalents increased by 1,319 million yen compared with the end of the previous fiscal year to 7,191 million yen (up 22.5% year on year).

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

(Cash flows from operating activities)

Net cash provided by operating activities amounted to 23,141 million yen. The main factors were 3,943 million yen in profit before income taxes, 11,719 million yen in depreciation, a decrease in notes and accounts receivable - trade of 5,017 million yen, a decrease in inventories of 1,719 million yen, and an increase in notes and accounts payable - trade of 838 million yen.

Compared with the previous fiscal year, cash flows from operating activities changed from 10,616 million yen provided to 23,141 million yen provided. This was mainly due to decreases in notes and accounts receivable - trade and inventories.

(Cash flows from investing activities)

Net cash used in investing activities was 6,820 million yen. The main factor was 6,757 million yen in purchase of property, plant and equipment.

Compared with the previous fiscal year, cash flows from investing activities changed from 12,683 million yen used to 6,820 million yen used. This was mainly due to a decrease in the purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities amounted to 14,850 million yen. The main factor was 13,861 million yen in repayments of long-term loans payable.

Compared with the previous fiscal year, cash flows from financing activities changed from 2,409 million yen provided to 14,850 million yen used. This was due to a decrease in proceeds from long-term loans payable, a decrease in short-term loans payable, and an increase in repayments of long-term loans payable.

(Reference) Transition of cash flow indicators

	61st term Fiscal year ended March 31, 2016	62nd term Fiscal year ended March 31, 2017	63rd term Fiscal year ended March 31, 2018	64th term Fiscal year ended March 31, 2019
Equity ratio (%)	21.2	23.3	26.7	30.5
Market value-based equity ratio (%)	11.9	16.4	16.4	12.2
Ratio of interest-bearing debt to cash flows (year)	4.7	4.4	5.5	2.0
Interest coverage ratio (times)	13.7	15.3	9.2	19.0

(Notes) Equity ratio: equity / total assets

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

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

Interest coverage ratio: cash flow / paid interest

* All indicators are calculated using consolidated-based financial figures.

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

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

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

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

For the current fiscal year, the year-end dividend will be 10 yen per share and the interim dividend was 10 yen per share, which will lead to annual dividends of 20 yen.

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

2. Basic Rationale for Selecting the Accounting Standards

The Group currently prepares the consolidated financial statements according to the generally accepted accounting standards in Japan (Japanese GAAP), as it makes it possible to compare the consolidated financial statements against previous fiscal year and against other companies.
With regard to adoption of International Financial Reporting Standards (IFRS), it is the Group's policy to respond to this issue appropriately based on consideration of various domestic and international circumstances.

3. Consolidated financial statements and significant notes thereto

(1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Assets		
Current assets		
Cash and deposits	5,871	7,191
Notes and accounts receivable - trade	39,209	33,667
Merchandise and finished goods	5,406	4,450
Work in process	4,740	3,999
Raw materials and supplies	9,321	9,277
Other	4,139	2,866
Total current assets	68,689	61,453
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	18,010	16,096
Machinery, equipment and vehicles, net	39,333	36,115
Dies and tools, net	2,428	2,110
Land	5,928	5,892
Leased assets, net	544	640
Construction in progress	5,094	3,520
Other, net	1,658	2,014
Total property, plant and equipment	72,998	66,392
Intangible assets		
Software	359	304
Right of using facilities	38	38
Total intangible assets	397	342
Investments and other assets		
Investment securities	6,240	6,255
Long-term loans receivable	220	218
Retirement benefit asset	36	135
Deferred tax assets	1,026	1,434
Other	832	790
Allowance for doubtful accounts	(13)	(12)
Total investments and other assets	8,341	8,822
Total non-current assets	81,737	75,556
Total assets	150,426	137,010

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	22,320	22,838
Short-term loans payable	19,391	12,649
Current portion of long-term loans payable	13,454	12,660
Lease obligations	495	648
Income taxes payable	791	390
Accounts payable - other	3,693	2,715
Notes payable - facilities	105	137
Provision for directors' bonuses	98	64
Other	4,898	4,895
Total current liabilities	65,250	57,002
Non-current liabilities		
Long-term loans payable	25,348	19,728
Lease obligations	223	153
Deferred tax liabilities	2,058	2,080
Provision for directors' retirement benefits	99	106
Net defined benefit liability	990	920
Long-term accounts payable - other	324	112
Negative goodwill	61	56
Other	17	18
Total non-current liabilities	29,123	23,176
Total liabilities	94,374	80,179
Net assets		
Shareholders' equity		
Capital stock	6,790	6,790
Capital surplus	7,222	7,222
Retained earnings	25,662	28,133
Treasury shares	(18)	(18)
Total shareholders' equity	39,656	42,127
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	792	467
Foreign currency translation adjustment	168	(418)
Remeasurements of defined benefit plans	(445)	(331)
Total accumulated other comprehensive income	515	(281)
Non-controlling interests	15,879	14,985
Total net assets	56,051	56,830
Total liabilities and net assets	150,426	137,010

(2) Consolidated statements of income and comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net sales	226,060	235,361
Cost of sales	201,835	212,007
Gross profit	24,225	23,353
Selling, general and administrative expenses	17,368	16,772
Operating profit	6,856	6,580
Non-operating income		
Interest income	66	88
Dividend income	43	53
Share of profit of entities accounted for using equity method	456	398
Other	208	322
Total non-operating income	774	863
Non-operating expenses		
Interest expenses	1,136	1,207
Foreign exchange losses	417	180
Other	152	86
Total non-operating expenses	1,706	1,475
Ordinary profit	5,924	5,968
Extraordinary income		
Gain on sales of non-current assets	45	15
Total extraordinary income	45	15
Extraordinary losses		
Loss on sales of non-current assets	2	19
Loss on retirement of non-current assets	59	63
Impairment loss	–	1,958
Total extraordinary losses	62	2,041
Profit before income taxes	5,908	3,943
Income taxes - current	1,609	1,775
Income taxes - deferred	(1,007)	(552)
Total income taxes	601	1,223
Profit	5,307	2,720
Profit attributable to		
Profit attributable to owners of parent	4,709	2,844
Profit attributable to non-controlling interests	597	(124)
Other comprehensive income		
Valuation difference on available-for-sale securities	85	(216)
Foreign currency translation adjustment	(152)	(817)
Remeasurements of defined benefit plans, net of tax	83	111
Share of other comprehensive income of entities accounted for using equity method	(13)	(106)
Total other comprehensive income	2	(1,029)
Comprehensive income	5,309	1,691
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,747	2,047
Comprehensive income attributable to non-controlling interests	562	(356)

(3) Consolidated statements of changes in net assets

Fiscal year ended March 31, 2018

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	5,615	6,155	21,425	(18)	33,177
Changes of items during period					
Conversion of convertible bond-type bonds with share acquisition rights	1,175	1,175			2,350
Dividends of surplus			(471)		(471)
Profit attributable to owners of parent			4,709		4,709
Purchase of treasury shares				(0)	(0)
Change in ownership interest of parent due to transactions with non-controlling interests		(107)			(107)
Net changes of items other than shareholders' equity					–
Total changes of items during period	1,175	1,067	4,237	(0)	6,479
Balance at end of current period	6,790	7,222	25,662	(18)	39,656

	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	740	270	(533)	477	16,077	49,732
Changes of items during period						
Conversion of convertible bond-type bonds with share acquisition rights						2,350
Dividends of surplus						(471)
Profit attributable to owners of parent						4,709
Purchase of treasury shares						(0)
Change in ownership interest of parent due to transactions with non-controlling interests						(107)
Net changes of items other than shareholders' equity	52	(102)	87	37	(197)	(160)
Total changes of items during period	52	(102)	87	37	(197)	6,319
Balance at end of current period	792	168	(445)	515	15,879	56,051

Fiscal year ended March 31, 2019

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,790	7,222	25,662	(18)	39,656
Changes of items during period					
Conversion of convertible bond-type bonds with share acquisition rights	–	–			–
Dividends of surplus			(374)		(374)
Profit attributable to owners of parent			2,844		2,844
Purchase of treasury shares				(0)	(0)
Change in ownership interest of parent due to transactions with non-controlling interests		–			–
Net changes of items other than shareholders' equity					–
Total changes of items during period	–	–	2,470	(0)	2,470
Balance at end of current period	6,790	7,222	28,133	(18)	42,127

	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	792	168	(445)	515	15,879	56,051
Changes of items during period						
Conversion of convertible bond-type bonds with share acquisition rights						–
Dividends of surplus						(374)
Profit attributable to owners of parent						2,844
Purchase of treasury shares						(0)
Change in ownership interest of parent due to transactions with non-controlling interests						–
Net changes of items other than shareholders' equity	(325)	(586)	114	(797)	(894)	(1,691)
Total changes of items during period	(325)	(586)	114	(797)	(894)	779
Balance at end of current period	467	(418)	(331)	(281)	14,985	56,830

(4) Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from operating activities		
Profit before income taxes	5,908	3,943
Depreciation	11,666	11,719
Impairment loss	–	1,958
Amortization of goodwill	(5)	(5)
Increase (decrease) in assets and liabilities related to retirement benefits	79	(40)
Increase (decrease) in provision for directors' retirement benefits	(180)	6
Increase (decrease) in provision for directors' bonuses	(35)	(34)
Interest and dividend income	(109)	(142)
Interest expenses	1,136	1,207
Foreign exchange losses (gains)	184	164
Share of loss (profit) of entities accounted for using equity method	(456)	(398)
Loss (gain) on sales of property, plant and equipment	(43)	3
Loss on retirement of property, plant and equipment	59	63
Decrease (increase) in notes and accounts receivable - trade	(6,149)	5,017
Decrease (increase) in inventories	96	1,719
Increase (decrease) in notes and accounts payable - trade	1,177	838
Other, net	(293)	(769)
Subtotal	13,036	25,252
Interest and dividend income received	146	179
Interest expenses paid	(1,141)	(1,219)
Income taxes paid	(1,424)	(1,071)
Net cash provided by (used in) operating activities	10,616	23,141
Cash flows from investing activities		
Purchase of property, plant and equipment	(12,641)	(6,757)
Proceeds from sales of property, plant and equipment	92	100
Purchase of intangible assets	(95)	(94)
Purchase of investment securities	(34)	(38)
Other, net	(4)	(30)
Net cash provided by (used in) investing activities	(12,683)	(6,820)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(622)	(6,966)
Proceeds from long-term loans payable	16,977	7,171
Repayments of long-term loans payable	(11,683)	(13,861)
Purchase of treasury shares	(0)	(0)
Repayments of installment payables	(444)	(306)
Cash dividends paid	(471)	(377)
Dividends paid to non-controlling interests	(868)	(537)
Repayments of finance lease obligations	(891)	(840)
Proceeds from sale and leasebacks	413	867
Net cash provided by (used in) financing activities	2,409	(14,850)
Effect of exchange rate change on cash and cash equivalents	(190)	(150)
Net increase (decrease) in cash and cash equivalents	152	1,319
Cash and cash equivalents at beginning of period	5,719	5,871
Cash and cash equivalents at end of period	5,871	7,191

(5) Notes to consolidated financial statements

Uncertainties of entity's ability to continue as going concern

Not applicable.

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

1. Disclosure of scope of consolidation

(1) Number of consolidated subsidiaries: Sixteen

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

(2) Number of non-consolidated subsidiaries: Two

Laguna Greenland Corp.
F.tech Automotive Components Private Limited

Reason for exclusion from scope of consolidation

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

2. Disclosure about application of equity method

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

Not applicable.

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

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

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

Laguna Greenland Corp.

F.tech Automotive Components Private Limited

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

Progressive Tools & Components Pvt Ltd.
JOHNAN UK LTD.
PT. JFD INDONESIA
JOHNAN WUHAN INC.
Johnan Kyushu Manufacturing Inc.
Johnan Foshan Inc.

Reason for exclusion from scope of equity method

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

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

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

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

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

4. Disclosure of accounting policies

(1) Accounting policy for measuring significant assets

i) Securities

Available-for-sale securities (other securities)

Securities with a fair value

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

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

Securities without a fair value

Stated at cost determined by the moving-average method.

ii) Derivatives

Stated at fair value.

iii) Inventories

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

(2) Accounting policy for depreciation of significant assets

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

Depreciated by the straight-line method.

ii) Intangible assets (excluding leased assets)

Amortized by the straight-line method.

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

iii) Leased assets

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

(3) Accounting policy for significant provisions

i) Allowance for doubtful accounts

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

iii) Application of simplified method for small businesses

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

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

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

(6) Accounting policy for goodwill

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.

Segment information, etc.

Segment information

1. Description of reportable segments

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

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

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

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

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

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

   Intersegment sales and transfers 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, 2018

(Millions of yen)

	Reportable segments			Total
	Japan	North America	Asia	
Net sales				
Net sales to external customers	28,795	129,904	67,360	226,060
Intersegment sales and transfers	16,779	1,489	3,177	21,446
Total	45,574	131,393	70,538	247,506
Segment profit (loss)	1,744	(1,878)	6,684	6,549
Segment assets	56,049	75,950	45,240	177,241

Fiscal year ended March 31, 2019

(Millions of yen)

	Reportable segments			Total
	Japan	North America	Asia	
Net sales				
Net sales to external customers	33,001	136,450	65,909	235,361
Intersegment sales and transfers	11,645	1,778	3,410	16,833
Total	44,647	138,228	69,319	252,195
Segment profit (loss)	921	(54)	5,275	6,142
Segment assets	57,193	63,248	41,605	162,047

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, 2018	Fiscal year ended March 31, 2019
Reportable segments total	247,506	252,195
Elimination of intersegment transactions	(21,446)	(16,833)
Net sales in the consolidated financial statements	226,060	235,361

(Millions of yen)

Profit	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Reportable segments total	6,549	6,142
Elimination of intersegment transactions	306	438
Operating profit in the consolidated financial statements	6,856	6,580

(Millions of yen)

Assets	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Reportable segments total	177,241	162,047
Elimination of intersegment transactions	(26,804)	(25,027)
Other adjustments	(10)	(10)
Total assets in the consolidated financial statements	150,426	137,010

Per share information

(Yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net assets per share	2,150.74	2,240.33
Basic earnings per share	262.98	152.30
Diluted earnings per share	252.13	–

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

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Basic earnings per share		
Profit attributable to owners of parent (Millions of yen)	4,709	2,844
Amounts not attributable to common shareholders (Millions of yen)	–	–
Profit attributable to owners of parent related to common shares (Millions of yen)	4,709	2,844
Average number of shares (Thousands of shares)	17,908	18,678
Diluted earnings per share		
Adjustment on profit attributable to owners of parent (Millions of yen)	–	–
Increase in number of common shares (Thousands of shares)	770	–
[Of the above, convertible bond-type bonds with subscription rights to shares (Thousands of shares)]	[770]	[–]
Outline of potential shares that were not used in calculating diluted earnings per share because they have no dilutive effects	–	–

Significant events after reporting period

Not applicable.

4. Other information

(1) Changes in Officers

1) Changes in representatives

Not applicable.

2) Changes in other officers

• New candidate for auditor scheduled to be appointed

Auditor (Outside Auditor)	Hiroshi Takahashi	(Current positions: Advisor of Atsumi & Sakai, Director of Non-life Insurance Policy-holders Protection Corporation of Japan, Director of Japan Institute of Business Law, Chairperson of Egusa Foundation for International Cooperation in the Social Sciences)

• Retiring auditor

Current position: Outside Auditor	Akira Tonishi

3) Scheduled date of assuming office

June 26, 2019