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Consolidated Financial Statements

March 31, 2019

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, 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	*1 72,998	*1 66,392
Intangible assets		
Software	359	304
Right of using facilities	38	38
Total intangible assets	397	342
Investments and other assets		
Investment securities	*2 6,240	*2 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	*3 19,391	*3 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

ii) 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	*1 201,835	*1 212,007
Gross profit	24,225	23,353
Selling, general and administrative expenses	*2, *3 17,368	*2, *3 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	*4 45	*4 15
Total extraordinary income	45	15
Extraordinary losses		
Loss on sales of non-current assets	*5 2	*5 19
Loss on retirement of non-current assets	*6 59	*6 63
Impairment loss	—	*7 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 (loss) 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	*8 2	*8 (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)

iii) 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 the parent company's ownership interest of subsidiaries due to transactions with non-controlling shareholders		(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 the parent company's ownership interest of subsidiaries due to transactions with non-controlling shareholders						(107)
Net changes of items other than shareholders' equity	52	(102)	87	37	(19)	(160)
Total changes of items during period	52	(102)	87	37	(19)	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 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	—	—	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 the parent company's ownership interest of subsidiaries due to transactions with non-controlling shareholders						—
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

iv) 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)

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
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 leaseback transactions	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	*1 5,871	*1 7,191

Notes to consolidated financial statements

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

1. Basis of presentation of consolidated financial statements

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

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

2. Disclosure of scope of consolidation

(1) Number of consolidated subsidiaries: Sixteen

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

(2) Number of non-consolidated subsidiaries: 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.

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: 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.

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

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

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

5. Disclosure of accounting policies

- (1) Accounting policy for measuring significant assets

i) Securities

Available-for-sale securities (other securities)

Securities with a fair value

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

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

Securities without a fair value

Stated at cost determined by the moving-average method.

- ii) Derivatives
Stated at fair value.
 - iii) Inventories
Inventories of the Company and its domestic consolidated subsidiaries are stated at cost determined by the average cost method (balance sheet amounts are determined based on the method of writing down book value in accordance with decreased profitability). Inventories of foreign consolidated subsidiaries are stated at the lower of cost or market, determined by the first-in, first-out method.
- (2) Accounting policy for depreciation of significant assets
- i) Property, plant and equipment (excluding leased assets)
Depreciated by the straight-line method.
 - ii) Intangible assets (excluding leased assets)
Amortized by the straight-line method.
Software (for internal use) is amortized by the straight-line method over the usable period in the Company (5 years).
 - iii) Leased assets
Leased assets relating to finance lease transactions that do not transfer ownership are depreciated by the straight-line method assuming the lease periods as useful lives without residual value.
- (3) Accounting policy for significant provisions
- i) Allowance for doubtful accounts
To prepare for losses from bad debts, an estimated uncollectible amount is provided either by making an estimation using the historical rate of credit loss in the case of general receivables, or based on individual consideration of 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

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

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

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

(8) Other significant matters for preparing consolidated financial statements

Accounting policy for consumption taxes

Tax exclusive method is adopted.

New accounting standards to be applied

1. The Company and its domestic consolidated subsidiaries

- “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, issued by the Accounting Standards Board of Japan on March 30, 2018)
- “Implementation guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, issued by the Accounting Standards Board of Japan on March 30, 2018)

(1) Overview

The International Accounting Standards Board (IASB) and US Financial Accounting Standards Board (FASB) jointly developed comprehensive revenue recognition standards and issued “Revenue from Contracts with Customers” in May 2014 (IASB’s IFRS 15 and FASB’s Topic 606). Considering that IFRS 15 shall apply to fiscal years beginning on or after January 1, 2018, and Topic 606 shall apply to fiscal years beginning after December 15, 2017, the ASBJ developed a comprehensive accounting standard on revenue recognition and thus issued the accounting standard together with the implementation guidance.

The ASBJ established the accounting standard on revenue recognition by following the basic policies in developing it. The basic policies were: firstly, incorporating the core principle of IFRS 15 as the starting point from the perspective of facilitating comparability among financial statements, which is one of the benefits of ensuring consistency with IFRS 15; secondly, adding alternative treatments, but to the extent not impairing comparability, where consideration should be given to the practice having been used in Japan.

(2) Scheduled date of application

These ASBJ statement and guidance will be applied at the start of the fiscal year beginning on April 1, 2021.

(3) Effects of application of the accounting standard, etc.

The impact of the application of the Accounting Standard for Revenue Recognition on the consolidated financial statements is currently under evaluation.

2. Foreign consolidated subsidiaries

“Leases” (US GAAP ASU 2016-02)

(1) Overview

This accounting standard requires a lessee to recognize assets and liabilities for all leases in principle, and so forth.

(2) Scheduled date of application

The accounting standard will be applied from the fiscal year ending March 31, 2021.

(3) Effects of application of the accounting standard, etc.

The impact on the consolidated financial statements is currently under evaluation.

“Leases” (IFRS 16)

(1) Overview

This accounting standard requires a lessee to recognize assets and liabilities for all leases in principle, and so forth.

(2) Scheduled date of application

The accounting standard will be applied from the fiscal year ending March 31, 2020.

(3) Effects of application of the accounting standard, etc.

The impact on the consolidated financial statements is currently under evaluation.

Changes in presentation

Upon application of “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018 (hereinafter, “Statement No. 28”)) from the beginning of the current fiscal year, the Company and its domestic subsidiaries changed the presentation and related notes of deferred tax assets and deferred tax liabilities, such that deferred tax assets and deferred tax liabilities are classified as part of ‘investments and other assets’ and ‘non-current liabilities,’ respectively.

As a result, in the consolidated balance sheets as of March 31, 2018, “Deferred tax assets” classified as “Current assets” decreased by 610 million yen, and “Deferred tax assets” classified as “Investments and other assets” increased by 610 million yen.

Deferred tax assets and deferred tax liabilities of the same taxable entity are offset in presentation, and total assets decreased by 98 million yen compared with the amount before the change.

The notes related to tax effect accounting additionally included those described in notes 8 (excluding total amount of valuation allowance) and 9 of “Accounting Standard for Tax Effect Accounting,” which are required in paragraphs 3 to 5 of Statement No. 28. However, this additional information corresponding to the previous fiscal year is not disclosed, in accordance with the transitional treatments prescribed in paragraph 7 of Statement No. 28.

Notes to consolidated balance sheets

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

	(Millions of yen)	
	As of March 31, 2018	As of March 31, 2019
	104,053	111,922

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

	(Millions of yen)	
	As of March 31, 2018	As of March 31, 2019
Investment securities (stocks)	4,379	4,664

*3. The Group has entered into overdraft agreements and loan commitment agreements with 14 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, 2018	As of March 31, 2019
Total amount of overdraft facility limit and loan commitment	45,411	47,698
Balance of borrowings outstanding	19,196	12,649
Unexecuted balance	26,215	35,048

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, 2018	Fiscal year ended March 31, 2019
	136	(25)

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

	(Millions of yen)	
	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Haulage expenses	3,074	2,890
Salaries, allowance and bonuses	4,691	4,439
Retirement benefit costs	192	194
Provision for directors' bonuses	96	61
Provision for directors' retirement benefits	20	20
Depreciation	561	497
Research and development expenses	2,971	2,985

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

	(Millions of yen)	
	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
	2,971	2,985

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

	(Millions of yen)	
	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Buildings and structures	—	7
Machinery, equipment and vehicles	17	6
Land	27	—
Other	0	1
Total	45	15

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

	(Millions of yen)	
	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Machinery, equipment and vehicles	2	9
Other	0	9
Total	2	19

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

	(Millions of yen)	
	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Buildings and structures	1	10
Machinery, equipment and vehicles	54	48
Dies and tools	0	1
Other	2	2
Total	59	63

*7. Impairment loss

For the fiscal year ended March 31, 2018, the Group did not record impairment loss.

For the fiscal year ended March 31, 2019, the Group recorded impairment loss on the following asset group:

Location	Use	Type	Amount
Ohio, U.S.A	Auto parts Production-related facilities	Buildings and structures, machinery, equipment and vehicles	1,958 million yen

In principle, the Group's business assets are grouped by the categories for management accounting.

With regard to business assets of F&P America Mfg., Inc., a consolidated subsidiary of the Company in North America, there was an indication of impairment in conjunction with a decline in profitability due to a change in the production system of a major customer in the United States. As a result of consideration of the future recoverability, the carrying amounts were reduced to the recoverable amounts, and the reduced amounts were recorded as impairment loss in extraordinary losses. The breakdown is buildings and structures of 1,558 million yen, and machinery, equipment and vehicles of 399 million yen.

The recoverable amount was measured at the net selling price that was assessed by appraisal value.

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

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Valuation difference on available-for-sale securities		
Increase (decrease) during the period	122	(309)
Pre-adjustment of tax effect	122	(309)
Tax effect amount	(36)	92
Valuation difference on available-for-sale securities	85	(216)
Foreign currency translation adjustment		
Increase (decrease) during the period	(152)	(817)
Foreign currency translation adjustment	(152)	(817)
Remeasurements of defined benefit plans, net of tax		
Increase (decrease) during the period	13	106
Reclassification adjustments	54	9
Pre-adjustment of tax effect	68	116
Tax effect amount	14	(4)
Remeasurements of defined benefit plans, net of tax	83	111
Share of other comprehensive income of entities accounted for using equity method		
Increase (decrease) during the period	(13)	(106)
Share of other comprehensive income of entities accounted for using equity method	(13)	(106)
Total other comprehensive income	2	(1,029)

Notes to consolidated statements of changes in net assets

Fiscal year ended March 31, 2018

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 (Note 1)	16,760	1,951	—	18,712
Total	16,760	1,951	—	18,712
Treasury shares				
Common shares (Note 2)	33	0	—	33
Total	33	0	—	33

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

1. Increase from the exercise of share acquisition rights in convertible bond-type bonds with share acquisition rights: 1,951,819 shares
2. Increase from the purchase of treasury shares less than one unit: 35 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 23, 2017	Common shares	284	Retained earnings	17	March 31, 2017	June 26, 2017
Board of Directors' meeting held on November 7, 2017	Common shares	187	Retained earnings	10	September 30, 2017	December 1, 2017

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

(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, 2018	Common shares	187	Retained earnings	10	March 31, 2018	June 22, 2018

Fiscal year ended March 31, 2019

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	18,712	–	–	18,712
Total	18,712	–	–	18,712
Treasury shares				
Common shares (Note)	33	0	–	33
Total	33	0	–	33

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

Increase from the purchase of treasury shares less than one unit: 32 shares

2. Dividends

(1) Cash dividends paid

Resolution	Class of shares	Total cash dividend (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 21, 2018	Common shares	187	Retained earnings	10	March 31, 2018	June 22, 2018
Board of Directors' meeting held on November 7, 2018	Common shares	187	Retained earnings	10	September 30, 2018	December 4, 2018

(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 26, 2019	Common shares	187	Retained earnings	10	March 31, 2019	June 27, 2019

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, 2018	Fiscal year ended March 31, 2019
Cash and deposits	5,871	7,191
Cash and cash equivalents	5,871	7,191

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, 2018	Fiscal year ended March 31, 2019
Assets and liabilities associated with finance lease transactions	417	870

(2) Exercise of share acquisition rights in convertible bond-type bonds with share acquisition rights:

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Increase in amount of capital stock from exercise of share acquisition rights	1,175	—
Increase in amount of capital surplus from exercise of share acquisition rights	1,175	—
Decrease in amount of bonds payable from exercise of share acquisition rights	2,350	—

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.”

2. Operating lease transactions

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

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Due within one year	199	202
Due over one year	146	200
Total	346	403

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 balance of accounts receivable - trade denominated in the same foreign currency on a permanent basis. Loans payable, long-term accounts payable - other 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.

(5) Concentration of credit risks

As of March 31, 2019, 62.3% of operating receivables were associated with the major customers.

2. Fair values of financial instruments

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

As of March 31, 2018

(Millions of yen)

	Carrying amount on the consolidated balance sheet	Fair value	Difference
(1) Cash and deposits	5,871	5,871	—
(2) Notes and accounts receivable - trade	39,209	39,209	—
(3) Investment securities			
Available-for-sale securities (other securities)	1,508	1,508	—
(4) Long-term loans receivable	220	221	1
(5) Notes and accounts payable - trade	22,320	22,320	—
(6) Accounts payable - other	3,423	3,423	—
(7) Short-term loans payable	19,391	19,391	—
(8) Long-term loans payable (*1)	38,803	38,646	(156)
(9) Lease obligations (*2)	718	732	13
(10) Long-term accounts payable - other (installment) (*3)	594	566	(28)
(11) Derivatives (*4)	(4)	(4)	—

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

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

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

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

As of March 31, 2019

(Millions of yen)

	Carrying amount on the consolidated balance sheet	Fair value	Difference
(1) Cash and deposits	7,191	7,191	—
(2) Notes and accounts receivable - trade	33,667	33,667	—
(3) Investment securities			
Available-for-sale securities (other securities)	1,237	1,237	—
(4) Long-term loans receivable	218	219	1
(5) Notes and accounts payable - trade	22,838	22,838	—
(6) Accounts payable - other	2,715	2,715	—
(7) Short-term loans payable	12,649	12,649	—
(8) Long-term loans payable (*1)	32,388	32,374	(14)
(9) Lease obligations (*2)	802	776	(26)
(10) Long-term accounts payable - other (installment) (*3)	378	388	9
(11) Derivatives (*4)	(1)	(1)	—

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

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

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

liabilities is included.

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

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

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

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

(3) Investment securities

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

(4) Long-term loans receivable

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

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

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

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

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

(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, 2018	As of March 31, 2019
Non-listed shares		
Shares of subsidiaries and associates	4,379	4,664
Other	352	352
Total	4,732	5,017

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

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

As of March 31, 2018

(Millions of yen)

	Due within one year	Due after one year through five years	Due after five years through ten years	Due over ten years
Cash and deposits	5,871	—	—	—
Notes and accounts receivable - trade	39,209	—	—	—
Long-term loans receivable	—	—	220	—
Total	45,081	—	220	—

As of March 31, 2019

(Millions of yen)

	Due within one year	Due after one year through five years	Due after five years through ten years	Due over ten years
Cash and deposits	7,191	—	—	—
Notes and accounts receivable - trade	33,667	—	—	—
Long-term loans receivable	—	—	218	—
Total	40,858	55	162	—

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

As of March 31, 2018

(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	19,391	—	—	—
Long-term loans payable	13,454	24,641	706	—
Lease obligations	495	223	—	—
Long-term accounts payable - other (installment)	270	324	—	—
Total	33,612	25,189	706	—

As of March 31, 2019

(Millions of yen)

	Due within one year	Due after one year through five years	Due after five years through ten years	Due over ten years
Short-term loans payable	12,649	—	—	—
Long-term loans payable	12,660	19,375	352	—
Lease obligations	648	153	—	—
Long-term accounts payable - other (installment)	266	112	—	—
Total	26,225	19,641	352	—

Notes on securities

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

As of March 31, 2018

(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	1,494	662	831
	(2) Bonds	—	—	—
	(3) Other	—	—	—
	Subtotal	1,494	662	831
Items whose carrying amount on the consolidated balance sheet does not exceed original purchase price	(1) Shares	13	13	(0)
	(2) Bonds	—	—	—
	(3) Other	—	—	—
	Subtotal	13	13	(0)
Total		1,508	676	831

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

As of March 31, 2019

(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	1,222	696	525
	(2) Bonds	—	—	—
	(3) Other	—	—	—
	Subtotal	1,222	696	525
Items whose carrying amount on the consolidated balance sheet does not exceed original purchase price	(1) Shares	15	18	(3)
	(2) Bonds	—	—	—
	(3) Other	—	—	—
	Subtotal	15	18	(3)
Total		1,237	715	522

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

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

Fiscal year ended March 31, 2018

Not applicable.

Fiscal year ended March 31, 2019

Not applicable.

Notes on derivatives

1. Derivative transactions to which hedge accounting is not applied

(1) Foreign currency

As of March 31, 2018

(Millions of yen)

Classification	Type of transaction	As of March 31, 2018			
		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	898	—	(4)	(4)
	Thai Baht	71	—	0	0
Total		970	—	(4)	(4)

(Note) Measurement method for fair values

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

As of March 31, 2019

(Millions of yen)

Classification	Type of transaction	As of March 31, 2019			
		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	813	—	(1)	(1)
	Thai Baht	65	—	(0)	(0)
Total		879	—	(1)	(1)

(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, 2018

Not applicable.

As of March 31, 2019

Not applicable.

2. Derivative transactions to which hedge accounting is applied

(1) Foreign currency

As of March 31, 2018

Not applicable.

As of March 31, 2019

Not applicable.

(2) Interest rate

As of March 31, 2018

Not applicable.

As of March 31, 2019

Not applicable.

Notes on retirement benefits

1. Summary of retirement benefit plans adopted

The Company has established 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.

Because the Company has participated in JMSA Welfare Pension Fund (multi-employer contributory pension plan) and cannot reasonably calculate the amount of plan assets in terms of its contributions for the plan, retirement benefit obligations for the 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, 2018	Fiscal year ended March 31, 2019
Balance at beginning of period	6,419	6,697
Service cost	486	453
Interest cost	20	27
Actuarial loss (gain)	0	(59)
Benefits paid	(215)	(287)
Other	(13)	(4)
Balance at end of period	6,697	6,828

(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, 2018	Fiscal year ended March 31, 2019
Balance at beginning of period	5,560	5,836
Expected return on plan assets	115	121
Actuarial loss (gain)	14	58
Contributions paid by the employer	363	366
Benefits paid	(206)	(248)
Other	(10)	(2)
Balance at end of period	5,836	6,132

- (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, 2018	Fiscal year ended March 31, 2019
Balance at beginning of period	92	92
Benefit costs	23	24
Benefits paid	(13)	(15)
Contributions paid by the employer	(10)	(12)
Balance at end of period	92	89

- (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, 2018	As of March 31, 2019
Funded retirement benefit obligations	6,605	6,741
Plan assets	(5,954)	(6,263)
	650	478
Unfunded retirement benefit obligations	303	306
Total net liability (asset) for retirement benefits	953	784
Net defined benefit liability	990	920
Net defined benefit asset	(36)	(135)
Total net liability (asset) for retirement benefits	953	784

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

- (5) Retirement benefit costs

	(Millions of yen)	
	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Service cost	486	453
Interest cost	20	27
Expected return on plan assets	(115)	(121)
Net actuarial loss amortization	54	9
Retirement benefit costs calculated using simplified methods	23	24
Total	469	393

(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, 2018	Fiscal year ended March 31, 2019
Actuarial gains and losses	68	116
Total	68	116

(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, 2018	Fiscal year ended March 31, 2019
Actuarial gains and losses that are yet to be recognized	(450)	(324)
Total	(450)	(324)

(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, 2018	As of March 31, 2019
Bonds	18.2%	18.0%
Equity securities	13.0	16.4
Cash and deposits	57.1	56.0
Other	11.7	9.6
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, 2018	As of March 31, 2019
Discount rate	0.1%	0.1%
Long-term expected rate of return	2.0%	2.0%
Expected rate of salary increase	3.0%	3.0%

3. Defined contribution plan

The required contribution amount to defined contribution plans (including employees' pension fund plan in multi-employer contributory pension plans which is accounted for in the same manner) was 388 million yen in the previous fiscal year and 453 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 defined benefit plans, which is accounted for in the same manner as a defined contribution plan, was 22 million yen in the previous fiscal year and 49 million yen in the current fiscal year.

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

JMSA Welfare Pension Fund		(Millions of yen)
	Previous fiscal year (As of March 31, 2018)	Current fiscal year (As of March 31, 2019)
Amount of plan assets	1,014	1,242
Amount of reserve for the purpose of pension financing calculation	622	1,018
Difference	392	223

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

JMSA Welfare Pension Fund

Previous fiscal year	16.4% (As of March 31, 2018)
Current fiscal year	17.6% (As of March 31, 2019)

(3) Supplementary explanation

The main reason for the difference in (1) above, is 452 million yen of past service liabilities for the purpose of pension financing calculation.

Under the JMSA Welfare Pension Fund, past service liabilities are amortized over four years and eight months using the equal repayment method.

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

Notes on share options, etc.

Not applicable.

Notes on tax effect accounting

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

	(Millions of yen)	
	As of March 31, 2018	As of March 31, 2019
Deferred tax assets		
Tax loss carry forwards (Note 2)	2,562	2,419
Excess depreciation	828	1,008
Elimination of unrealized gains on non-current assets	747	627
Impairment loss	495	453
Accrued bonuses	369	435
Net defined benefit liability	148	175
Loss on valuation of inventories	135	101
Other	491	418
Deferred tax assets subtotal	5,777	5,639
Valuation allowance for tax loss carry forwards (Note 2)	–	(1,775)
Valuation allowance for the total of deductible temporary difference, etc.	–	(1,375)
Valuation allowance subtotal (Note 1)	(3,377)	(3,151)
Total deferred tax assets	2,400	2,488
Deferred tax liabilities		
Depreciation (foreign consolidated subsidiaries)	(3,004)	(2,837)
Valuation difference on available-for-sale securities	(250)	(158)
Net defined benefit asset	(11)	(16)
Other	(167)	(122)
Total deferred tax liabilities	(3,433)	(3,133)
Net deferred tax assets (liabilities)	(1,032)	(645)

(Notes) 1. Valuation allowance decreased by 225 million yen. This decrease is mainly due to a decrease in valuation allowance for deductible temporary difference as a result of the recording of taxable income at the Company and some consolidated subsidiaries.

2. Amounts of tax loss carry forwards and related deferred tax assets by expiration of carry forwards

As of March 31, 2019		(Millions of yen)					
	Within one year	Over one year and within two years	Over two years and within three years	Over three years and within four years	Over four years and within five years	Over five years	Total
Tax loss carry forwards (a)	–	132	427	676	277	904	2,419
Valuation allowance	–	(61)	(427)	(651)	(275)	(360)	(1,775)
Deferred tax assets	–	71	–	25	1	544	(b) 643

(a) Tax loss carry forwards represent the amount multiplied by the statutory income tax rate.

(b) For tax loss carry forwards of 2,419 million yen (amount multiplied by the statutory income tax rate), deferred tax assets of 643 million yen were recorded. The deferred tax assets of 643 million yen were recognized principally in relation to the balance of tax loss carry forwards for F&P America Mfg., Inc. of 571 million yen (amount after multiplying the statutory income tax rate). Tax loss carry forwards for which these deferred tax assets were recorded arose due to the recording of loss before income taxes in the fiscal year ended March 31, 2018 and the fiscal year ended March 31, 2019. The Company has determined, based on expected future taxable income, etc., that the deferred tax assets related to the tax loss carry forwards are determined to be recoverable.

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, 2018	As of March 31, 2019
Statutory income tax rate	30.3%	30.1%
(Adjustments)		
Foreign tax credit	7.2	10.0
Change in valuation allowance	(14.3)	(9.2)
Share of profit (loss) of entities accounted for using equity method	(2.3)	(3.0)
Tax rate differences in foreign consolidated subsidiaries	(1.7)	2.3
Expenses not deductible permanently such as entertainment expenses	2.9	1.9
Inhabitant per capita tax	0.3	0.4
Effect of the U.S. tax reform	(13.0)	—
Other	0.8	(1.5)
Effective income tax rate after application of tax effect accounting	10.2	31.0

Notes on asset retirement obligations

Not applicable.

Notes on real estate for lease, etc.

The Company and a consolidated 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 23 million yen (rental revenue was recorded in non-operating income). Carrying amount on the consolidated balance sheet, increase (decrease) in the current fiscal year and fair value of these real estate properties for lease, etc. are as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Carrying amount on the consolidated balance sheet		
Balance at beginning of period	1,257	1,219
Increase (decrease) during period	(38)	(522)
Balance at end of period	1,219	696
Fair value at end of period	1,409	928

- (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, 2019 includes an increase due to foreign currency translation difference of 8 million yen and a decrease due to a change in use to business assets, etc. of (530) million yen.
 3. Fair values at end of period are based on certain appraisal value and indicators that are considered to appropriately reflect market prices.

Segment information, etc.

Segment information

1. Description of reportable segments

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

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

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

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

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

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

Transactions with other segments are based on prevailing market prices.

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

Fiscal year ended March 31, 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
Transactions with other segments	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
Other items				
Depreciation	2,805	5,401	3,893	12,101
Investments in entities accounted for using equity method	3,963	279	—	4,243
Increase in property, plant and equipment and intangible assets	2,069	7,902	2,918	12,890

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
Transactions with other segments	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
Other items				
Depreciation	2,798	5,625	3,683	12,107
Investments in entities accounted for using equity method	4,529	—	—	4,529
Increase in property, plant and equipment and intangible assets	2,415	2,497	3,236	8,149

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

(Millions of yen)

Other items	Reportable segments total		Adjustments		Amount recorded in the consolidated balance sheet	
	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Depreciation	12,101	12,107	(435)	(387)	11,666	11,719
Investments in entities accounted for using equity method	4,243	4,529	—	—	4,243	4,529
Increase in property, plant and equipment and intangible assets	12,890	8,149	(454)	(93)	12,435	8,055

(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, 2018

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
27,766	79,276	40,988	50,707	27,322	226,060

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

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

Japan	U.S.A.	Canada	China	Mexico	Other	Total
15,993	15,666	15,703	12,742	7,193	5,698	72,998

3. Information for major customers (Millions of yen)

Counterparty	Revenues	Relevant segment
Honda Motor Co., Ltd. and its group companies	170,089	All reportable segments
General Motors Company and its group companies	25,781	All reportable segments

Fiscal year ended March 31, 2019

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
32,242	82,593	40,079	49,258	31,186	235,361

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

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

Japan	U.S.A.	Canada	China	Mexico	Other	Total
13,353	13,760	15,277	12,101	6,931	4,966	66,392

3. Information for major customers (Millions of yen)

Counterparty	Revenues	Relevant segment
Honda Motor Co., Ltd. and its group companies	169,512	All reportable segments
General Motors Company and its group companies	30,257	All reportable segments

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

Fiscal year ended March 31, 2018

Not applicable.

Fiscal year ended March 31, 2019

(Millions of yen)

	Japan	North America	Asia	Unallocated amounts and elimination	Total
Impairment loss	—	2,446	—	(487)	1,958

Amortization and unamortized balance of goodwill for each reportable segment

Fiscal year ended March 31, 2018

(Millions of yen)

	Japan	North America	Asia	Unallocated amounts and elimination	Total
Amortization during period	—	0	—	—	0
Balance at end of period	—	10	—	—	10

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	17	18	36	—	72

Fiscal year ended March 31, 2019

(Millions of yen)

	Japan	North America	Asia	Unallocated amounts and elimination	Total
Amortization during period	—	0	—	—	0
Balance at end of period	—	10	—	—	10

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	16	16	33	—	66

Information about gain on bargain purchase for each reportable segment

Fiscal year ended March 31, 2018

Not applicable.

Fiscal year ended March 31, 2019

Not applicable.

Related parties

Fiscal year ended March 31, 2018

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)
Major shareholder	Honda Motor Co., Ltd.	Minato-ku, Tokyo	86,067	Manufacture and sale of motor vehicles and passengers car bodies	(Owned) Direct 13.64	Purchaser of products of the Group and seller of parts and raw materials	Sale of finished goods	20,579	Accounts receivable - trade	2,893

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

- (1) Due to the completion of conversion of all the yen-denominated convertible bond-type bonds with share acquisition rights due 2020, which was issued by the Company, into shares on September 12, 2017, the voting rights holding ratio of Honda Motor Co., Ltd. changed to 13.64%, and thus the type of the related party changed from other associate to major shareholder. The above transaction amount includes the transactions that occurred in the period when the type of the related party was other associate.
- (2) 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.

ii) Officers and major individual shareholders (limited to individuals) 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)
Officer and his or her close family member	Akihide Fukuda	—	—	Executive Senior Advisor of the Company	(Owned) Direct 4.76	Advisory contract	Advisory fees	22	—	—

(Note) Advisory fees are determined based on the contract entered into through consultation between the both parties after comprehensively taking into account past experience and others.

(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	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 major shareholder	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	34,184	Accounts receivable - trade	3,022
							Purchase of raw materials	31,767	Accounts payable - trade	2,936
Subsidiary of major shareholder	Honda Manufacturing of Alabama, LLC	Alabama, U.S.A.	USD 400,000 thousand	Manufacture and sale of motor vehicles and passengers car bodies	—	Purchaser of products of the Group and seller of parts and raw materials	Sale of finished goods	25,663	Accounts receivable - trade	2,165
Subsidiary of major shareholder	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	29,981	Accounts receivable - trade	2,904
Subsidiary of major shareholder	Honda Automobile (Thailand) Co., Ltd.	Ayutthaya, Thailand	THB 5,460,000 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	9,679	Accounts receivable - trade	1,741

(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, 2019

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)
Major shareholder	Honda Motor Co., Ltd.	Minato-ku, Tokyo	86,067	Manufacture and sale of motor vehicles and passengers car bodies	(Owned) Direct 13.64	Purchaser of products of the Group and seller of parts and raw materials	Sale of finished goods	24,871	Accounts receivable - trade	2,936
							Purchase of raw materials	13,395	Accounts payable - trade	1,538

(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.

ii) Officers and major individual shareholders (limited to individuals) 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)
Officer and his or her close family member	Akihide Fukuda	—	—	Executive Senior Advisor of the Company	(Owned) Direct 4.76	Advisory contract	Advisory fees	30	—	—

(Note) Advisory fees are determined based on the contract entered into through consultation between the both parties after comprehensively taking into account past experience and others.

(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	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 major shareholder	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	32,148	Accounts receivable - trade	2,864
							Purchase of raw materials	31,347	Accounts payable - trade	2,661
Subsidiary of major shareholder	Honda Manufacturing of Alabama, LLC	Alabama, U.S.A.	USD 400,000 thousand	Manufacture and sale of motor vehicles and passengers car bodies	—	Purchaser of products of the Group and seller of parts and raw materials	Sale of finished goods	23,535	Accounts receivable - trade	2,157
Subsidiary of major shareholder	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	30,543	Accounts receivable - trade	3,144
Subsidiary of major shareholder	Honda Automobile (Thailand) Co., Ltd.	Ayutthaya, Thailand	THB 5,460,000 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	8,940	Accounts receivable - trade	1,604

(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, 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	—

(Notes) 1. Diluted earnings per share for the fiscal year ended March 31, 2019 is not presented since no potential shares exist.

2. 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 share acquisition rights (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 subsequent event

Not applicable.

- v) Annexed consolidated detailed schedules
- Annexed detailed schedule of corporate bonds
- Not applicable.

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	19,391	12,649	2.58	–
Current portion of long-term loans payable	13,454	12,660	2.05	–
Current portion of lease obligations	495	648	0.98	–
Current portion of long-term accounts payable - other (installment)	270	266	2.63	–
Long-term loans payable (excluding current portion)	25,348	19,728	2.13	2020–2025
Lease obligations (excluding current portion)	223	153	0.86	2020–2023
Long-term accounts payable - other (excluding current portion)	324	112	3.08	2020–2021
Total	59,508	46,219	–	–

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

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

	(Millions of yen)			
	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Long-term loans payable	8,978	6,267	3,152	976
Lease obligations	126	15	11	–
Long-term accounts payable - other (installment)	110	2	–	–

Annexed detailed schedule of asset retirement obligations

Not applicable.

(2) Other information

Quarterly information for the fiscal year ended March 31, 2019

(Cumulative period)	Three months ended June 30, 2018	Six months ended September 30, 2018	Nine months ended December 31, 2018	Fiscal year ended March 31, 2019
Net sales (Millions of yen)	58,110	115,393	175,622	235,361
Profit before income taxes (Millions of yen)	1,588	2,553	4,329	3,943
Profit attributable to owners of parent (Millions of yen)	780	1,398	2,284	2,844
Basic earnings per share (Yen)	41.76	74.89	122.31	152.30

(Three-month period)	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings per share (Yen)	41.76	33.13	47.42	29.99



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, 2019 and 2018, and the consolidated statements of income and comprehensive income, the consolidated statements of changes in net assets and the consolidated statements of cash flows for the years then ended, and the basis of presentation and significant accounting policies for preparation of consolidated financial statements and other explanatory information expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, 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, 2019 and 2018, 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 2, 2019
Tokyo, Japan