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**Consolidated Financial Results  
for the Fiscal Year Ended March 31, 2020  
<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, 2020 remained in a moderate recovery trend overall but experienced a sharp slowdown from the beginning of the year due to the spread of the novel coronavirus, making the economic outlook extremely unclear and exceedingly difficult. Economic activities were curtailed throughout Japan, the United States, China, and other regions in Asia from the start of the fourth quarter due to the spread of the virus, and the economy faced major downward pressure. In the automotive industry, sales volumes fell below the previous fiscal year's in all regions due to this sharp economic slowdown. In addition, the spread of the virus has caused disruptions in the supply chain and factory shutdowns on a global scale.

The Group has been working to provide its customers with new value in accordance with the basic policies of "Back to Basics" and "Challenge for New" outlined in the 13th Mid-term plan launched in April 2017. As a result, as well as winning new large-scale business contracts in North America, Japan and Asia, we have been working on strengthening areas such as development, production, and engineering in all regions towards future growth. The spread of the virus, however, affected the fourth quarter.

As a result, during the fiscal year under review, net sales decreased by 7.1% year on year to 218,712 million yen, operating profit decreased by 37.9% year on year to 4,088 million yen, ordinary profit decreased by 53.7% year on year to 2,764 million yen, and profit attributable to owners of parent decreased by 88.5% to 328 million yen.

Operating results by segment are as follows.

(Japan)

Net sales decreased by 20.8% year on year to 26,126 million yen and operating loss was 683 million yen (an operating profit of 921 million yen in the same period of the previous year) due to a decline in the volume of orders from major customers who reduced their production.

(North America)

Net sales fell by 2.2% year on year to 133,454 million yen due to a decline in the volume of orders from major customers in the United States who reduced their production and strong yen impact, despite an increase in the production volumes of ordered products in Mexico and Canada. The segment recorded an operating profit of 367 million yen (an operating loss of 54 million yen in the same period of the previous year), as a result of not only mass production start-up effects of ordered products, but the improvement of production efficiency and measures for cost reduction, despite the impact from production suspensions by major customers at the end of the fiscal year due to the spread of the novel coronavirus.

(Asia)

As the volume of orders received remained weak due to major customers who reduced their production, net sales decreased by 10.3% year on year to 59,132 million yen and operating profit decreased by 17.2% to 4,365 million yen. The fiscal year of the Company's subsidiaries in China, which hold a large share of the Company's business in Asia, ends on December 31. The novel coronavirus, therefore, did not impact the results for the fiscal year under review. (The plants suspended operation in February 2020 due to the novel coronavirus but resumed operation in mid-March. They are now back at operating levels prior to the suspensions.)

### **Outlook for the next fiscal year**

The next fiscal year's outlook remains undetermined, because it is difficult at this point in time to reasonably calculate the effect of the spread of the novel coronavirus. We will promptly disclose consolidated earnings forecasts once it becomes possible to prepare them.

## (2) Analysis regarding financial position

### 1) Assets, liabilities and net assets

As of March 31, 2020, total assets decreased by 2,971 million yen compared with the end of the previous fiscal year to 134,038 million yen, reflecting decreases in notes and accounts receivable - trade, machinery, equipment and vehicles, and other items.

Liabilities decreased by 433 million yen from the end of the previous fiscal year to 79,745 million yen reflecting decreases in notes and accounts payable - trade, accounts payable - other, long-term loans payable, and other items.

Net assets decreased by 2,538 million yen to 54,292 million yen reflecting decreases in retained earnings and other items.

### 2) Cash flows

As of March 31, 2020, cash and cash equivalents increased by 1,688 million yen compared with the end of the previous fiscal year to 8,879 million yen (up 23.5% 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 10,539 million yen. The main factors were 3,042 million yen in profit before income taxes, 10,890 million yen in depreciation, a decrease in notes and accounts receivable - trade of 4,728 million yen, an increase in inventories of 1,864 million yen, and a decrease in notes and accounts payable - trade of 4,829 million yen.

Compared with the previous fiscal year, cash flows from operating activities changed from 23,141 million yen provided to 10,539 million yen provided. This was mainly due to a decrease in notes and accounts payable - trade and an increase in inventories.

#### (Cash flows from investing activities)

Net cash used in investing activities was 11,961 million yen. The main factor was 12,096 million yen in purchase of property, plant and equipment.

Compared with the previous fiscal year, cash flows from investing activities changed from 6,820 million yen used to 11,961 million yen used. This was mainly due to an increase in the purchase of property, plant and equipment.

#### (Cash flows from financing activities)

Net cash provided by financing activities amounted to 3,345 million yen. The main factors were an increase in short-term loans payable of 7,951 million yen, 10,029 million yen in proceeds from long-term loans payable, and 12,931 million yen in repayments of long-term loans payable.

Compared with the previous fiscal year, cash flows from financing activities changed from 14,850 million yen used to 3,345 million yen provided. This was due to an increase in short-term loans payable and an increase in proceeds from long-term loans payable.

#### (Reference) Transition of cash flow indicators

	62nd term Fiscal year ended March 31, 2017	63rd term Fiscal year ended March 31, 2018	64th term Fiscal year ended March 31, 2019	65th term Fiscal year ended March 31, 2020
Equity ratio (%)	23.3	26.7	30.5	29.9
Market value-based equity ratio (%)	16.4	16.4	12.2	5.9
Ratio of interest-bearing debt to cash flows (year)	4.4	5.5	2.0	4.9
Interest coverage ratio (times)	15.3	9.2	19.0	9.5

(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) Information regarding differences between consolidated earnings forecasts and actual results

The Company hereby announces information regarding differences between the consolidated earnings forecasts for the fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020), which were announced on November 7, 2019, and the actual results.

Difference between earnings forecasts and actual results

Difference between earnings forecasts and actual results in the fiscal year ended March 31, 2020 (From April 1, 2019 to March 31, 2020)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Basic earnings per share
	Million yen	Million yen	Million yen	Million yen	Million yen
Previous forecasts (A)	221,000	5,000	4,300	1,100	58.89
Actual results (B)	218,712	4,088	2,764	328	17.58
Difference (B-A)	(2,287)	(911)	(1,535)	(771)	(41.31)
Difference (%)	(1.0)	(18.2)	(35.7)	(70.1)	(70.1)
(Reference) Actual results for the previous fiscal year ended March 31, 2019	235,361	6,580	5,968	2,844	152.30

Reasons for the differences

Production volumes required by major customers fell short of targets against a backdrop of the economic environment and demand trends in the automotive markets in each regional segment. Combined with the impact from the spread of the novel coronavirus in the fourth quarter, this resulted in sales and each profit type remaining below expectations.

### (4) 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.

Consolidated earnings forecasts for the fiscal year ending March 31, 2021 remain undetermined due to the impact at the current time from the spread of the novel coronavirus. Dividend plans for the next fiscal year also remain undetermined. The Company will disclosed them once it becomes possible to calculate the financial forecasts.

## **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, 2019	As of March 31, 2020
<b>Assets</b>		
Current assets		
Cash and deposits	7,191	8,879
Notes and accounts receivable - trade	33,667	27,955
Merchandise and finished goods	4,450	6,389
Work in process	3,999	4,026
Raw materials and supplies	9,277	8,677
Other	2,866	3,027
<b>Total current assets</b>	<b>61,453</b>	<b>58,956</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	16,096	16,205
Machinery, equipment and vehicles, net	36,115	32,450
Dies and tools, net	2,110	1,669
Land	5,892	5,863
Leased assets, net	640	544
Construction in progress	3,520	6,750
Other, net	2,014	3,230
<b>Total property, plant and equipment</b>	<b>66,392</b>	<b>66,714</b>
Intangible assets		
Software	304	330
Right of using facilities	38	32
<b>Total intangible assets</b>	<b>342</b>	<b>363</b>
Investments and other assets		
Investment securities	6,255	5,960
Long-term loans receivable	218	226
Retirement benefit asset	135	146
Deferred tax assets	1,434	1,265
Other	790	405
Allowance for doubtful accounts	(12)	-
<b>Total investments and other assets</b>	<b>8,822</b>	<b>8,004</b>
<b>Total non-current assets</b>	<b>75,556</b>	<b>75,081</b>
<b>Total assets</b>	<b>137,010</b>	<b>134,038</b>

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	22,838	17,427
Short-term loans payable	12,649	20,395
Current portion of long-term loans payable	12,660	9,740
Lease obligations	648	572
Income taxes payable	390	500
Accounts payable - other	2,715	2,515
Notes payable - facilities	137	74
Provision for directors' bonuses	64	77
Other	4,895	4,108
<b>Total current liabilities</b>	<b>57,002</b>	<b>55,412</b>
<b>Non-current liabilities</b>		
Long-term loans payable	19,728	19,146
Lease obligations	153	1,331
Deferred tax liabilities	2,080	2,448
Provision for directors' retirement benefits	106	126
Net defined benefit liability	920	1,050
Long-term accounts payable - other	112	2
Negative goodwill	56	50
Other	18	175
<b>Total non-current liabilities</b>	<b>23,176</b>	<b>24,333</b>
<b>Total liabilities</b>	<b>80,179</b>	<b>79,745</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	6,790	6,790
Capital surplus	7,222	7,230
Retained earnings	28,133	27,912
Treasury shares	(18)	(18)
<b>Total shareholders' equity</b>	<b>42,127</b>	<b>41,914</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	467	174
Foreign currency translation adjustment	(418)	(1,657)
Remeasurements of defined benefit plans	(331)	(295)
<b>Total accumulated other comprehensive income</b>	<b>(281)</b>	<b>(1,778)</b>
<b>Non-controlling interests</b>	<b>14,985</b>	<b>14,156</b>
<b>Total net assets</b>	<b>56,830</b>	<b>54,292</b>
<b>Total liabilities and net assets</b>	<b>137,010</b>	<b>134,038</b>

**(2) Consolidated statements of income and comprehensive income**

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net sales	235,361	218,712
Cost of sales	212,007	198,665
Gross profit	23,353	20,047
Selling, general and administrative expenses	16,772	15,958
Operating profit	6,580	4,088
Non-operating income		
Interest income	88	75
Dividend income	53	51
Share of profit of entities accounted for using equity method	398	-
Other	322	144
Total non-operating income	863	271
Non-operating expenses		
Interest expenses	1,207	1,113
Share of loss of entities accounted for using equity method	-	191
Foreign exchange losses	180	181
Other	86	108
Total non-operating expenses	1,475	1,595
Ordinary profit	5,968	2,764
Extraordinary income		
Gain on sales of non-current assets	15	23
Gain on change in equity	-	314
Other	-	6
Total extraordinary income	15	344
Extraordinary losses		
Loss on sales of non-current assets	19	3
Loss on retirement of non-current assets	63	63
Impairment loss	1,958	-
Total extraordinary losses	2,041	66
Profit before income taxes	3,943	3,042
Income taxes - current	1,775	1,424
Income taxes - deferred	(552)	687
Total income taxes	1,223	2,112
Profit	2,720	930
Profit attributable to		
Profit attributable to owners of parent	2,844	328
Profit (loss) attributable to non-controlling interests	(124)	601
Other comprehensive income		
Valuation difference on available-for-sale securities	(216)	(171)
Foreign currency translation adjustment	(817)	(1,869)
Remeasurements of defined benefit plans, net of tax	111	31
Share of other comprehensive income of entities accounted for using equity method	(106)	(183)
Total other comprehensive income	(1,029)	(2,193)
Comprehensive income	1,691	(1,263)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,047	(1,168)
Comprehensive income attributable to non-controlling interests	(356)	(95)



**(3) Consolidated statements of changes in net assets****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
Cumulative effects of changes in accounting policies					–
Restated balance	6,790	7,222	25,662	(18)	39,656
Changes of items during period					
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
Cumulative effect of changes in accounting policies						–
Restated balance	792	168	(445)	515	15,879	56,051
Changes of items during period						
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

**Fiscal year ended March 31, 2020**

(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	28,133	(18)	42,127
Cumulative effect of changes in accounting policies			(175)		(175)
Restated balance	6,790	7,222	27,957	(18)	41,951
Changes of items during period					
Dividends of surplus			(374)		(374)
Profit attributable to owners of parent			328		328
Purchase of treasury shares					-
Change in ownership interest of parent due to transactions with non-controlling interests		8			8
Net changes of items other than shareholders' equity					
Total changes of items during period	-	8	(45)	-	(37)
Balance at end of current period	6,790	7,230	27,912	(18)	41,914

	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	467	(418)	(331)	(281)	14,985	56,830
Cumulative effect of changes in accounting policies						(175)
Restated balance	467	(418)	(331)	(281)	14,985	56,655
Changes of items during period						
Dividends of surplus						(374)
Profit attributable to owners of parent						328
Purchase of treasury shares						-
Change in ownership interest of parent due to transactions with non-controlling interests						8
Net changes of items other than shareholders' equity	(293)	(1,239)	35	(1,496)	(828)	(2,325)
Total changes of items during period	(293)	(1,239)	35	(1,496)	(828)	(2,362)
Balance at end of current period	174	(1,657)	(295)	(1,778)	14,156	54,292

**(4) Consolidated statements of cash flows**

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
<b>Cash flows from operating activities</b>		
Profit before income taxes	3,943	3,042
Depreciation	11,719	10,890
Impairment loss	1,958	–
Loss (gain) on change in equity	–	(314)
Amortization of goodwill	(5)	(5)
Increase (decrease) in assets and liabilities related to retirement benefits	(40)	159
Increase (decrease) in provision for directors' retirement benefits	6	19
Increase (decrease) in provision for directors' bonuses	(34)	12
Interest and dividend income	(142)	(127)
Interest expenses	1,207	1,113
Foreign exchange losses (gains)	164	138
Share of loss (profit) of entities accounted for using equity method	(398)	191
Loss (gain) on sales of property, plant and equipment	3	(20)
Loss on retirement of property, plant and equipment	63	63
Decrease (increase) in notes and accounts receivable - trade	5,017	4,728
Decrease (increase) in inventories	1,719	(1,864)
Increase (decrease) in notes and accounts payable - trade	838	(4,829)
Other, net	(769)	79
Subtotal	25,252	13,276
Interest and dividend income received	179	165
Interest expenses paid	(1,219)	(1,111)
Income taxes paid	(1,071)	(1,790)
Net cash provided by (used in) operating activities	23,141	10,539
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(6,757)	(12,096)
Proceeds from sales of property, plant and equipment	100	111
Purchase of intangible assets	(94)	(141)
Purchase of investment securities	(38)	(66)
Other, net	(30)	231
Net cash provided by (used in) investing activities	(6,820)	(11,961)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	(6,966)	7,951
Proceeds from long-term loans payable	7,171	10,029
Repayments of long-term loans payable	(13,861)	(12,931)
Purchase of treasury shares	(0)	–
Repayments of installment payables	(306)	(312)
Cash dividends paid	(377)	(374)
Dividends paid to non-controlling interests	(537)	(699)
Repayments of finance lease obligations	(840)	(796)
Proceeds from sale and leasebacks	867	478
Net cash provided by (used in) financing activities	(14,850)	3,345
Effect of exchange rate change on cash and cash equivalents	(150)	(236)
Net increase (decrease) in cash and cash equivalents	1,319	1,688
Cash and cash equivalents at beginning of period	5,871	7,191
Cash and cash equivalents at end of period	7,191	8,879

## **(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.

***Changes in accounting policies***

Application of IFRS 16 *Leases*

Starting from the first quarter ended June 30, 2019, IFRS 16 *Leases* has been applied to the Group companies except for the following companies: the Company itself and its subsidiaries in Japan that have adopted Japanese GAAP, and its subsidiaries in the United States that have adopted the generally accepted accounting principles in the United States (US GAAP). IFRS 16 requires a lessee to recognize, in principle, all lease transactions as assets and liabilities in the balance sheet. There are no material changes in accounting for leases as a lessor.

The Group reflects the cumulative effect of applying this accounting standard as an adjustment to the balances of retained earnings as well as related non-current assets and liabilities as of the beginning of the first quarter ended June 30, 2019 in accordance with the transition under IFRS 16.

As a result, compared with the amounts under the previous accounting standard, “Other” of property, plant and equipment increased by 1,423 million yen, “Other” of current liabilities increased by 212 million yen, and “Other” of non-current liabilities increased by 1,120 million yen in the balance sheet for the fiscal year under review. The impacts on the consolidated statements of income and the per share information for the fiscal year under review are immaterial. The impacts that the reflection of the cumulative effect on net assets at the beginning of the fiscal year under review has on the beginning balance of retained earnings in the consolidated statements of changes in net assets are immaterial. The impacts on cash flows from operating activities and cash flows from financing activities in the consolidated statements of cash flows for the fiscal year ended March 31, 2020 are immaterial.

Application of Accounting Standards Codification (ASC) 606 *Revenue from Contracts with Customers*

Starting from the first quarter ended June 30, 2019, ASC 606 *Revenue from Contracts with Customers* has been applied to the overseas subsidiaries that have adopted the US GAAP. ASC 606 requires such subsidiaries to recognize revenue when promised goods or services are transferred to customers in an amount reflecting consideration to which they expect to be entitled in exchange for those goods or services.

The Group applies this accounting standard in accordance with the transition procedure under ASC 606.

As a result, compared with amounts under the previous accounting standard, net sales and cost of sales for the fiscal year ended March 31, 2020 increased by 1,118 million yen, respectively. There is no impact on the beginning balance of retained earnings.

## 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, 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

Fiscal year ended March 31, 2020

(Millions of yen)

	Reportable segments			Total
	Japan	North America	Asia	
Net sales				
Net sales to external customers	26,126	133,454	59,132	218,712
Intersegment sales and transfers	12,825	1,634	2,738	17,199
Total	38,951	135,089	61,870	235,911
Segment profit (loss)	(683)	367	4,365	4,050
Segment assets	61,044	64,126	38,882	164,053



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, 2019	Fiscal year ended March 31, 2020
Reportable segments total	252,195	235,911
Elimination of intersegment transactions	(16,833)	(17,199)
Net sales in the consolidated financial statements	235,361	218,712

(Millions of yen)

Profit	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Reportable segments total	6,142	4,050
Elimination of intersegment transactions	438	37
Operating profit in the consolidated financial statements	6,580	4,088

(Millions of yen)

Assets	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Reportable segments total	162,047	164,053
Elimination of intersegment transactions	(25,027)	(30,005)
Other adjustments	(10)	(9)
Total assets in the consolidated financial statements	137,010	134,038

### **Per share information**

(Yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net assets per share	2,240.33	2,148.80
Basic earnings per share	152.30	17.58

(Note) 1. Diluted earnings per share 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, 2019	Fiscal year ended March 31, 2020
Basic earnings per share		
Profit attributable to owners of parent (Millions of yen)	2,844	328
Amounts not attributable to common shareholders (Millions of yen)	—	—
Profit attributable to owners of parent related to common shares (Millions of yen)	2,844	328
Average number of shares (Thousands of shares)	18,678	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)	—	—
[Of the above, convertible bond-type bonds with subscription rights to shares (Thousands of shares)]	[-]	[-]
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**

The Group has been affected by matters such as the suspension of operations at some plants due to the spread of the novel coronavirus. Since it is not possible to predict when the novel coronavirus will be contained, it is difficult at the present time to reasonably calculate the impact on the financial position, operating results, and cash flows in the next fiscal year and beyond.

#### 4. Other information

##### (1) Changes in Officers

###### 1) Changes in representatives

Not applicable.

###### 2) Changes in other officers

- New directors scheduled to be appointed

Not applicable.

- Retiring directors

Current position: Director &  
Managing Executive Officer

Shigeharu Tobita

(Scheduled to be appointed as Managing  
Executive Officer)

Current position: Director &  
Managing Executive Officer

Yoshinori Furusawa

(Scheduled to be appointed as Managing  
Executive Officer)

Current position: Director &  
Managing Executive Officer

Mitsuru Takeuchi

(Scheduled to be appointed as Managing  
Executive Officer)

Current position: Director &  
Managing Executive Officer

Kazuhiko Ogawa

(Scheduled to be appointed as Managing  
Executive Officer)

Current position: Director

Kenichi Ando

Current position: Director

Noriyuki Miyaoka

- New candidate for auditor

Not applicable.

- Retiring auditor

Not applicable.

###### 3) Scheduled date of assuming (retiring from) office

June 25, 2020