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# **Consolidated Financial Statements**

**March 31, 2020**

**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, 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	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>*1 66,392</b>	<b>*1 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	*2 6,255	*2 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>		
Current liabilities		
Notes and accounts payable - trade	22,838	17,427
Short-term loans payable	*3 12,649	*3 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
Total current liabilities	57,002	55,412
Non-current liabilities		
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
Total non-current liabilities	23,176	24,333
Total liabilities	80,179	79,745
Net assets		
Shareholders' equity		
Capital stock	6,790	6,790
Capital surplus	7,222	7,230
Retained earnings	28,133	27,912
Treasury shares	(18)	(18)
Total shareholders' equity	42,127	41,914
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	467	174
Foreign currency translation adjustment	(418)	(1,657)
Remeasurements of defined benefit plans	(331)	(295)
Total accumulated other comprehensive income	(281)	(1,778)
Non-controlling interests	14,985	14,156
Total net assets	56,830	54,292
Total liabilities and net assets	137,010	134,038

ii) 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	*1	212,007	*1	198,665
Gross profit		23,353		20,047
Selling, general and administrative expenses	*2, *3	16,772	*2, *3	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	*4	15	*4	23
Gain on change in equity		–		314
Other		–		6
Total extraordinary income		15		344
Extraordinary losses				
Loss on sales of non-current assets	*5	19	*5	3
Loss on retirement of non-current assets	*6	63	*6	63
Impairment loss	*7	1,958	*7	–
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	*8	(1,029)	*8	(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)

iii) 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 effect 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 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
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 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

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 the parent company's ownership interest of subsidiaries due to transactions with non-controlling shareholders		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 the parent company's ownership interest of subsidiaries due to transactions with non-controlling shareholders						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

## iv) 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)

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
<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 leaseback transactions	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	*1 7,191	*1 8,879

## 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.  
Right-of-use assets are depreciated by the straight-line method over the shorter of the useful life of the asset or lease term.
- (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.

### **Changes in accounting policies**

#### **Application of IFRS 16 “Leases”**

Starting from the fiscal year ended March 31 2020, 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 consolidated 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 fiscal year ended March 31 2020, in accordance with the transitional measures 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 consolidated balance sheet for the current fiscal year. The impacts on the consolidated statements of income and the per share information for the current fiscal year are immaterial. As the cumulative effect has been reflected on the net assets at the beginning of the current fiscal year, impacts 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 fiscal year ended March 31 2020, 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 the amounts under the previous accounting standard, net sales and cost of sales for the fiscal year ended March 31, 2020 each increased by 1,118 million yen. There is no impact on the

beginning balance of retained earnings.

### **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 31, 2020)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, issued by the Accounting Standards Board of Japan on March 31, 2020)

(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.

- “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, issued by the Accounting Standards Board of Japan on July 4, 2019)
- “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, issued by the Accounting Standards Board of Japan on July 4, 2019)
- “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, issued by the Accounting Standards Board of Japan on July 4, 2019)
- “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, issued by the Accounting Standards Board of Japan on July 4, 2019)
- “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, issued by the Accounting Standards Board of Japan on March 31, 2020)

(1) Overview

To improve comparability with international accounting standards, “Accounting Standard for Fair Value Measurement” and “Implementation Guidance on Accounting Standard for Fair Value Measurement” (hereinafter, “Accounting Standard for Fair Value Measurement, etc.”) have been developed as guidance on how to measure fair value. “Accounting Standard for Fair Value Measurement, etc.” will be applied in determining the fair value of the following items.

- Financial instruments set forth in “Accounting Standard for Financial Instruments”
- Inventories held for trading purposes set forth in “Accounting Standard for Measurement of Inventories”

In addition, with the revised “Implementation Guidance on Disclosures about Fair Value of Financial Instruments,” notes to the breakdown by the level of fair value of financial instruments, etc. were provided.

(2) Scheduled date of application

These ASBJ statements 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 Fair Value Measurement and other accounting standards on the consolidated financial statements is currently under evaluation.

- “Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections” (ASBJ Statement No. 24, issued by the Accounting Standards Board of Japan on March 31, 2020)

(1) Overview

The purpose of this accounting standard is to clarify the principles and the overview of procedures of the accounting treatments adopted, in cases where the provisions of relevant accounting standards, etc. are unclear.

(2) Scheduled date of application

This ASBJ statement will be applied from the end of the fiscal year ending March 31, 2021.

- “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, issued by the Accounting Standards Board of Japan on March 31, 2020)

(1) Overview

The purpose of this accounting standard is to disclose information that will facilitate the understanding of the users of the financial statements, regarding items of accounting estimates recorded in the financial statements for the current fiscal year that have the risk of significantly impacting the financial statements for the following fiscal year.

(2) Scheduled date of application

This ASBJ statement will be applied from the end of the fiscal year ending March 31, 2021.

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 at the start of the fiscal year beginning on April 1, 2022.

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

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

**Additional information**

The spread of the novel coronavirus infection is an event that has a broad impact on the economy and corporate activities. The Group has been affected in such ways that the operations at some of its plants were suspended due mainly to the major customers’ suspension of plant operations or production adjustments, and safety measures taken based on the policies of the government and local government agencies. However, many of the Group’s plants have resumed operations.

Nonetheless, at this point in time, it is difficult to reasonably predict when the novel coronavirus will be contained and the extent of its impact. Therefore, the Group has made accounting estimates for the recoverability of deferred tax assets and the impairment of property, plant and equipment based on information from external and other sources, assuming that the impact of the novel coronavirus infection will continue over a period of time in the fiscal year ending March 31, 2021.

Because the impact of the spread of the novel coronavirus on economic activities is highly uncertain, any changes in the assumptions above may have an impact on the Group's financial position, operating results and cash flows in the fiscal year ending March 31, 2021.

## Notes to consolidated balance sheets

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

	(Millions of yen)	
	As of March 31, 2019	As of March 31, 2020
	111,922	116,766

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

	(Millions of yen)	
	As of March 31, 2019	As of March 31, 2020
Investment securities (stocks)	4,664	4,548

\*3. The Group has entered into overdraft agreements and loan commitment agreements with 13 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, 2019	As of March 31, 2020
Total amount of overdraft facility limit and loan commitment	47,698	46,902
Balance of borrowings outstanding	12,649	20,395
Unexecuted balance	35,048	26,506

## 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, 2019	Fiscal year ended March 31, 2020
	(25)	176

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

	(Millions of yen)	
	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Haulage expenses	2,890	2,162
Salaries, allowance and bonuses	4,439	4,577
Retirement benefit costs	194	203
Provision for directors' bonuses	61	75
Provision for directors' retirement benefits	20	21
Depreciation	497	534
Research and development expenses	2,985	2,878

- \*3. The total research and development expenses included in general and administrative expenses are as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
	2,985	2,878

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

	(Millions of yen)	
	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Buildings and structures	7	13
Machinery, equipment and vehicles	6	9
Other	1	0
Total	15	23

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

	(Millions of yen)	
	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Machinery, equipment and vehicles	9	3
Other	9	0
Total	19	3

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

	(Millions of yen)	
	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Buildings and structures	10	22
Machinery, equipment and vehicles	48	33
Dies and tools	1	0
Other	2	6
Total	63	63

\*7. 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.

For the fiscal year ended March 31, 2020, the Group did not record impairment loss.

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

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Valuation difference on available-for-sale securities		
Increase (decrease) during the period	(309)	(243)
Pre-adjustment of tax effect	(309)	(243)
Tax effect amount	92	72
Valuation difference on available-for-sale securities	(216)	(171)
Foreign currency translation adjustment		
Increase (decrease) during the period	(817)	(1,869)
Foreign currency translation adjustment	(817)	(1,869)
Remeasurements of defined benefit plans, net of tax		
Increase (decrease) during the period	106	(120)
Reclassification adjustments	9	151
Pre-adjustment of tax effect	116	31
Tax effect amount	(4)	—
Remeasurements of defined benefit plans, net of tax	111	31
Share of other comprehensive income of entities accounted for using equity method		
Increase (decrease) during the period	(106)	(183)
Share of other comprehensive income of entities accounted for using equity method	(106)	(183)
Total other comprehensive income	(1,029)	(2,193)

## Notes to consolidated statements of changes in net assets

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

Fiscal year ended March 31, 2020

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	33	–	–	33
Total	33	–	–	33

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 26, 2019	Common shares	187	Retained earnings	10	March 31, 2019	June 27, 2019
Board of Directors' meeting held on November 7, 2019	Common shares	187	Retained earnings	10	September 30, 2019	December 3, 2019

(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 25, 2020	Common shares	187	Retained earnings	10	March 31, 2020	June 26, 2020

## 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, 2019	Fiscal year ended March 31, 2020
Cash and deposits	7,191	8,879
Cash and cash equivalents	7,191	8,879

### 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, 2019	Fiscal year ended March 31, 2020
Assets and liabilities associated with finance lease transactions	870	525

## 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, 2019	As of March 31, 2020
Due within one year	202	236
Due over one year	200	324
Total	403	560

## 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 and operating leases are principally for procuring funds needed for capital expenditure and due for repayment within up to four 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. In addition, contract/notional amounts related to derivative transactions in "Notes on derivatives" do not in themselves indicate the market risk of derivative transactions.

(5) Concentration of credit risks

As of March 31, 2020, 61.7% 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, 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
Total assets	42,314	42,315	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
Total liabilities	71,773	71,743	(30)
(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.

As of March 31, 2020

(Millions of yen)

	Carrying amount on the consolidated balance sheet	Fair value	Difference
(1) Cash and deposits	8,879	8,879	–
(2) Notes and accounts receivable - trade	27,955	27,955	–
(3) Investment securities			
Available-for-sale securities (other securities)	1,032	1,032	–
(4) Long-term loans receivable	226	226	–
Total assets	38,094	38,094	–
(5) Notes and accounts payable - trade	17,427	17,427	–
(6) Accounts payable - other	2,371	2,371	–
(7) Short-term loans payable	20,395	20,395	–
(8) Long-term loans payable (*1)	28,886	29,027	140
(9) Lease obligations (*2)	1,904	2,035	131
(10) Long-term accounts payable - other (installment) (*3)	147	149	2
Total liabilities	71,132	71,406	273
(11) Derivatives (*4)	(28)	(28)	–

(\*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, 2019	As of March 31, 2020
Non-listed shares		
Shares of subsidiaries and associates	4,664	4,548
Other	352	378
Total	5,017	4,927

(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, 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	–	218	–

As of March 31, 2020

(Millions of yen)

	Due within one year	Due after one year through five years	Due after five years through ten years	Due over ten years
Cash and deposits	8,879	–	–	–
Notes and accounts receivable - trade	27,955	–	–	–
Long-term loans receivable	–	165	61	–
Total	36,835	165	61	–

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

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	–

As of March 31, 2020

(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	20,395	–	–	–
Long-term loans payable	9,740	19,144	2	–
Lease obligations	572	1,331	–	–
Long-term accounts payable - other (installment)	144	2	–	–
Total	30,853	20,478	2	–

## Notes on securities

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

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.

As of March 31, 2020

(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	1,003	717	285
	(2) Bonds	–	–	–
	(3) Other	–	–	–
	Subtotal	1,003	717	285
Items whose carrying amount on the consolidated balance sheet does not exceed original purchase price	(1) Shares	29	38	(8)
	(2) Bonds	–	–	–
	(3) Other	–	–	–
	Subtotal	29	38	(8)
Total		1,032	755	277

(Note) Non-listed shares (carrying amount on the consolidated balance sheet: 378 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, 2019

Not applicable.

Fiscal year ended March 31, 2020

Not applicable.

## Notes on derivatives

### 1. Derivative transactions to which hedge accounting is not applied

#### (1) Foreign currency

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.

As of March 31, 2020

(Millions of yen)

Classification	Type of transaction	As of March 31, 2020			
		Contract/notional amount	Portion of contract/notional amount over one year	Fair value	Valuation gain (loss)
Transactions other than market transactions	Forward exchange contracts				
	Sell				
	U.S. dollar	1,141	–	(30)	(30)
	Thai Baht	41	–	1	1
Total		1,182	–	(28)	(28)

(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, 2019

Not applicable.

As of March 31, 2020

Not applicable.

2. Derivative transactions to which hedge accounting is applied

(1) Foreign currency

As of March 31, 2019

Not applicable.

As of March 31, 2020

Not applicable.

(2) Interest rate

As of March 31, 2019

Not applicable.

As of March 31, 2020

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, 2019	Fiscal year ended March 31, 2020
Balance at beginning of period	6,697	6,828
Service cost	453	455
Interest cost	27	34
Actuarial loss (gain)	(59)	(30)
Benefits paid	(287)	(132)
Other	(4)	0
Balance at end of period	6,828	7,156

#### (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, 2019	Fiscal year ended March 31, 2020
Balance at beginning of period	5,836	6,132
Expected return on plan assets	121	118
Actuarial loss (gain)	58	(150)
Contributions paid by the employer	366	351
Benefits paid	(248)	(110)
Other	(2)	5
Balance at end of period	6,132	6,347

#### (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, 2019	Fiscal year ended March 31, 2020
Balance at beginning of period	92	89
Benefit costs	24	29
Benefits paid	(15)	(2)
Contributions paid by the employer	(12)	(19)
Balance at end of period	89	95

(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, 2019	As of March 31, 2020
Funded retirement benefit obligations	6,741	7,035
Plan assets	(6,263)	(6,497)
	478	538
Unfunded retirement benefit obligations	306	366
Total net liability (asset) for retirement benefits	784	904
Net defined benefit liability	920	1,050
Net defined benefit asset	(135)	(146)
Total net liability (asset) for retirement benefits	784	904

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

(5) Retirement benefit costs

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Service cost	453	455
Interest cost	27	34
Expected return on plan assets	(121)	(118)
Net actuarial loss amortization	9	151
Retirement benefit costs calculated using simplified methods	24	29
Total	393	553

(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, 2019	Fiscal year ended March 31, 2020
Actuarial gains and losses	116	31
Total	116	31

(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, 2019	Fiscal year ended March 31, 2020
Actuarial gains and losses that are yet to be recognized	(324)	(292)
Total	(324)	(292)

(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, 2019	As of March 31, 2020
Bonds	18.0%	11.2%
Equity securities	16.4	12.3
Cash and deposits	56.0	57.0
Other	9.6	19.5
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, 2019	As of March 31, 2020
Discount rate	0.1%	0.1%
Long-term expected rate of return	2.0%	1.7%
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 453 million yen in the previous fiscal year and 449 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 49 million yen in the previous fiscal year and 51 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, 2019)	Current fiscal year (As of March 31, 2020)
Amount of plan assets	1,242	1,421
Amount of reserve for the purpose of pension financing calculation	1,018	1,276
Difference	223	145

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

JMSA Welfare Pension Fund

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

Current fiscal year 18.0% (As of March 31, 2020)

(3) Supplementary explanation

The main reason for the difference in (1) above, is 368 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 three 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

	As of March 31, 2019	(Millions of yen) As of March 31, 2020
Deferred tax assets		
Tax loss carry forwards (Note 2)	2,419	2,567
Excess depreciation	1,008	1,020
Elimination of unrealized gains on non-current assets	627	593
Impairment loss	453	399
Accrued bonuses	435	310
Loss on valuation of inventories	101	212
Net defined benefit liability	175	180
Other	418	657
Deferred tax assets subtotal	5,639	5,940
Valuation allowance for tax loss carry forwards (Note 2)	(1,775)	(1,814)
Valuation allowance for the total of deductible temporary difference, etc.	(1,375)	(1,751)
Valuation allowance subtotal (Note 1)	(3,151)	(3,565)
Total deferred tax assets	2,488	2,374
Deferred tax liabilities		
Depreciation (foreign consolidated subsidiaries)	(2,837)	(3,242)
Valuation difference on available-for-sale securities	(158)	(86)
Net defined benefit asset	(16)	(14)
Other	(122)	(215)
Total deferred tax liabilities	(3,133)	(3,557)
Net deferred tax assets (liabilities)	(645)	(1,183)

(Notes) 1. Valuation allowance increased by 414 million yen. This increase is mainly due to an increase in valuation allowance for deductible temporary difference as a result of a decrease in 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.

As of March 31, 2020

(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)	117	427	676	281	6	1,058	2,567
Valuation allowance	(117)	(427)	(651)	(275)	–	(343)	(1,814)
Deferred tax assets	–	–	24	5	6	715	(b) 752

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

(b) For tax loss carry forwards of 2,567 million yen (amount multiplied by the statutory income tax rate), deferred tax assets of 752 million yen were recorded. The deferred tax assets of 752 million yen were recognized principally in relation to the balance of tax loss carry forwards for F&P America Mfg., Inc. of 938 million yen (amount after multiplying the statutory income tax rate). Tax loss carry forwards for which these deferred tax assets were recorded arose due mainly to the recording of loss before income taxes in the fiscal year ended March 31, 2019 and the fiscal year ended March 31, 2020. 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, 2019	As of March 31, 2020
Statutory income tax rate	30.1%	30.1%
(Adjustments)		
Change in valuation allowance	(9.2)	17.3
Foreign tax credit	10.0	16.8
Expenses not deductible permanently such as entertainment expenses	1.9	3.2
Share of profit (loss) of entities accounted for using equity method	(3.0)	1.9
Inhabitant per capita tax	0.4	0.5
Tax rate differences in foreign consolidated subsidiaries	2.3	0.2
Other	(1.5)	(0.7)
Effective income tax rate after application of tax effect accounting	31.0	69.4

## Notes on business combinations

Transactions under common control, etc.

Acquisition of additional shares of a subsidiary

(1) Outline of transaction

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

Name of a company involved in business combination:

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

Nature of business:

Manufacture and sale of auto parts

ii) Date of business combination

March 17, 2020

iii) Legal form of business combination

Acquisition of shares for cash consideration

iv) Name of company after business combination

No change was made.

v) Percentage of voting rights acquired

Percentage of voting rights owned before the share acquisition: 87.50%

Percentage of voting rights subsequent to the share acquisition: 93.55%

(2) Outline of accounting treatment applied

The transaction was accounted for as transactions under common control in accordance with the Accounting Standard for Business Combinations (ASBJ Statement No. 21, January 16, 2019) and the Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, January 16, 2019).

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

The Company's acquisition cost is 3,262 million yen of acquisition cost of common shares.

However, the amount was fully eliminated because this transaction is an intercompany transaction.

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

i) Major factor of change in capital surplus

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

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

8 million yen

## 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 fiscal year ended March 31, 2019, net rental revenue from the rental properties amounted to 23 million yen (rental revenue was recorded in non-operating income).

In the fiscal year ended March 31, 2020, 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, 2019	Fiscal year ended March 31, 2020
Carrying amount on the consolidated balance sheet		
Balance at beginning of period	1,219	696
Increase (decrease) during period	(522)	(15)
Balance at end of period	696	681
Fair value at end of period	928	974

- (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, 2020 includes a decrease due to foreign currency translation difference of 15 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, 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

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
Transactions with other segments	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
Other items				
Depreciation	2,511	5,288	3,347	11,147
Investments in entities accounted for using equity method	4,413	–	–	4,413
Increase in property, plant and equipment and intangible assets	2,772	7,475	2,312	12,561

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

(Millions of yen)

Other items	Reportable segments total		Adjustments		Amount recorded in the consolidated balance sheet	
	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Depreciation	12,107	11,147	(387)	(257)	11,719	10,890
Investments in entities accounted for using equity method	4,529	4,413	–	–	4,529	4,413
Increase in property, plant and equipment and intangible assets	8,149	12,561	(93)	(322)	8,055	12,238

(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, 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	Other	Total
13,353	13,760	15,277	12,101	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

Fiscal year ended March 31, 2020

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
25,646	79,234	38,838	45,517	29,477	218,712

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

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

Japan	U.S.A.	Canada	China	Other	Total
13,219	13,588	16,577	11,965	11,362	66,714

3. Information for major customers (Millions of yen)

Counterparty	Revenues	Relevant segment
Honda Motor Co., Ltd. and its group companies	153,004	All reportable segments
General Motors Company and its group companies	27,719	All reportable segments

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

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

Fiscal year ended March 31, 2020

Not applicable.

Amortization and unamortized balance of goodwill for each reportable segment

Fiscal year ended March 31, 2019

Not applicable.

Amortization and unamortized balance of negative goodwill that arose from business combinations conducted before April 1, 2010 are as follows:

(Millions of yen)

	Japan	North America	Asia	Unallocated amounts and elimination	Total
Amortization during period	1	0	3	–	5
Balance at end of period	16	6	33	–	56

Fiscal year ended March 31, 2020

Not applicable.

Amortization and unamortized balance of negative goodwill that arose from business combinations conducted before April 1, 2010 are as follows:

(Millions of yen)

	Japan	North America	Asia	Unallocated amounts and elimination	Total
Amortization during period	1	0	3	–	5
Balance at end of period	14	6	29	–	50

Information about gain on bargain purchase for each reportable segment

Fiscal year ended March 31, 2019

Not applicable.

Fiscal year ended March 31, 2020

Not applicable.

## Related parties

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

- (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.

##### 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.

Fiscal year ended March 31, 2020

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	19,143	Accounts receivable - trade	2,263
							Purchase of raw materials	9,899	Accounts payable - trade	1,111

(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.

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	30,470	Accounts receivable - trade	1,948
							Purchase of raw materials	29,785	Accounts payable - trade	1,881
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	22,266	Accounts receivable - trade	1,206
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	29,584	Accounts receivable - trade	1,768
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	7,888	Accounts receivable - trade	1,212

(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, 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

(Notes) 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

**Significant subsequent event**

The Group has been affected by the spread of the novel coronavirus in such ways that the operations at some of its plants were suspended. Since it is not predictable 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.

- 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	12,649	20,395	2.21	–
Current portion of long-term loans payable	12,660	9,740	1.67	–
Current portion of lease obligations	648	572	3.14	–
Current portion of long-term accounts payable - other (installment)	266	144	2.47	–
Long-term loans payable (excluding current portion)	19,728	19,146	1.73	2021–2025
Lease obligations (excluding current portion)	153	1,331	4.17	2021–2034
Long-term accounts payable - other (excluding current portion)	112	2	0.60	2021–2021
Total	46,219	51,334	–	–

(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	8,097	5,724	3,655	1,666
Lease obligations	388	109	58	50
Long-term accounts payable - other (installment)	2	–	–	–

Annexed detailed schedule of asset retirement obligations

Not applicable.

(2) Other information

Quarterly information for the fiscal year ended March 31, 2020

(Cumulative period)	Three months ended June 30, 2019	Six months ended September 30, 2019	Nine months ended December 31, 2019	Fiscal year ended March 31, 2020
Net sales (Millions of yen)	58,063	112,355	164,685	218,712
Profit before income taxes (Millions of yen)	1,417	1,501	1,711	3,042
Profit (loss) attributable to owners of parent (Millions of yen)	387	(127)	(725)	328
Basic earnings (loss) per share (Yen)	20.77	(6.82)	(38.85)	17.58

(Three-month period)	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings (loss) per share (Yen)	20.77	(27.60)	(32.02)	56.43



## **Independent Auditor's Report**

To the Board of Directors of F-TECH INC.:

### **Opinion**

We have audited the accompanying consolidated financial statements of F-TECH INC. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as of March 31, 2020 and 2019, 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 notes, comprising the basis of presentation and significant accounting policies for preparation of consolidated financial statements and other explanatory information expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020 and 2019, and its consolidated operating results and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Responsibilities of Management and Corporate auditors and the board of corporate auditors for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

#### **Interest required to be disclosed by the Certified Public Accountants Act of Japan**

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Junshi Ono  
Designated Engagement Partner  
Certified Public Accountant



*Kenya Yakuwa*

Kenya Yakuwa  
Designated Engagement Partner  
Certified Public Accountant

KPMG AZSA LLC  
Tokyo Office, Japan  
September 3, 2020