

**CONSOLIDATED FINANCIAL STATEMENTS**  
**FURUKAWA ELECTRIC CO., LTD. AND**  
**SUBSIDIARIES**  
**March 31, 2019 and 2018**

CONSOLIDATED BALANCE SHEETS  
FURUKAWA ELECTRIC CO., LTD. AND  
SUBSIDIARIES

At March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
<u>ASSETS</u>			
Current assets:			
Cash and bank deposits (Note 4)	¥ 44,628	¥ 50,635	\$ 405,709
Marketable securities (Note 5)	2,371	0	21,555
Notes and accounts receivable	219,347	224,335	1,994,064
Inventories (Note 6)	122,890	113,792	1,117,182
Other current assets	32,365	28,643	294,227
Allowance for doubtful accounts	(1,090)	(1,215)	(9,909)
Total current assets	420,513	416,191	3,822,845
Property, plant and equipment (Note 8)			
Land	36,777	39,981	334,336
Buildings	216,932	218,385	1,972,109
Machinery and equipment	539,225	535,863	4,902,045
Leased assets	3,444	3,808	31,309
Construction in progress	36,444	20,484	331,309
Total	832,823	818,523	7,571,118
Accumulated depreciation	(603,463)	(601,794)	(5,486,027)
Net property, plant and equipment	229,360	216,728	2,085,091
Investments and other assets:			
Investments and long-term loans (Notes 5, 7 and 8)	127,141	141,256	1,155,827
Deferred tax assets (Note 15)	13,644	6,359	124,036
Asset for retirement benefits (Notes 2g and 9)	5,633	5,143	51,209
Other non-current assets	22,898	24,157	208,164
Allowance for doubtful accounts	(1,172)	(1,206)	(10,655)
Total investments and other assets	168,148	175,713	1,528,618
Total	¥ 818,021	¥ 808,632	\$ 7,436,555

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
<b><u>LIABILITIES AND NET ASSETS</u></b>			
Current liabilities:			
Short-term debt (Note 8)	¥ 106,710	¥ 106,279	\$ 970,091
Current portion of bonds (Note 8)	-	10,000	-
Notes and accounts payable	131,422	124,387	1,194,745
Accrued income taxes	3,893	4,024	35,391
Provision for product defect compensation (Note 2h)	28,400	22,827	258,182
Other current liabilities	61,193	62,815	556,300
Total current liabilities	<u>331,621</u>	<u>330,335</u>	<u>3,014,736</u>
Long-term liabilities :			
Bonds (Note 8)	20,000	20,000	181,818
Long-term debt (Note 8)	119,298	122,227	1,084,527
Liability for retirement benefits (Notes 2g and 9)	47,731	43,174	433,918
Provision for environmental costs (Note 2i)	10,691	10,470	97,191
Asset retirement obligations	1,246	1,084	11,327
Deferred tax liabilities (Note 15)	1,547	2,327	14,064
Other long-term liabilities	5,972	6,943	54,291
Total long-term liabilities	<u>206,488</u>	<u>206,226</u>	<u>1,877,164</u>
Contingent liabilities (Note 11)			
Net assets			
Shareholders' equity (Note 10)			
Common stock			
Authorized shares, 250,000 thousand in 2019 and 2018			
Issued shares, 70,666 thousand in 2019 and 2018			
	69,395	69,395	630,864
Capital surplus	22,535	22,271	204,864
Retained earnings	151,744	128,130	1,379,491
Common treasury stock, at cost			
48,900 in 2019			
48,650 in 2018	(600)	(613)	(5,455)
Total shareholders' equity	<u>243,074</u>	<u>219,182</u>	<u>2,209,764</u>
Accumulated other comprehensive income			
Unrealized gain on available-for-sale securities (Note 5)			
	21,788	30,020	198,073
Deferred gain (loss) on derivatives under hedge accounting (Note 2c)			
	124	(495)	1,127
Adjustments for retirement benefits	(8,391)	(6,525)	(76,282)
Foreign currency translation adjustments	(8,937)	(5,664)	(81,245)
Total accumulated other comprehensive income	<u>4,584</u>	<u>17,335</u>	<u>41,673</u>
Non-controlling interests			
	<u>32,252</u>	<u>35,552</u>	<u>293,200</u>
Total net assets	<u>279,911</u>	<u>272,071</u>	<u>2,544,645</u>
Total	<u>¥ 818,021</u>	<u>¥ 808,632</u>	<u>\$ 7,436,555</u>

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME  
FURUKAWA ELECTRIC CO., LTD. AND  
SUBSIDIARIES

For the years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
Net sales	¥ 991,590	¥ 967,333	\$ 9,014,455
Cost of sales (Note 12)	824,481	801,411	7,495,282
Gross profit	167,108	165,921	1,519,164
Selling, general and administrative expenses (Note 12)	126,266	121,117	1,147,873
Operating income	40,842	44,804	371,291
Other income (expenses):			
Interest and dividend income	3,373	2,564	30,664
Interest expense	(4,075)	(3,977)	(37,045)
Foreign exchange loss, net	(1,100)	(1,216)	(10,000)
Equity in income of non-consolidated subsidiaries and affiliates	1,685	4,311	15,318
Gain on sales of investmet securities	4,952	220	45,018
Gain on disposal of property, plant and equipment	3,779	9,362	34,355
Loss on disposal of property, plant and equipment	(2,779)	(967)	(25,264)
Impairment loss (Note 14)	(2,627)	(3,122)	(23,882)
Provision for product defect compensation (Note 2h)	(6,364)	(7,157)	(57,855)
Provision for loss on litigation	-	(2,131)	-
Other, net	(1,929)	(2,224)	(17,536)
Profit before income taxes	35,757	40,466	325,064
Income taxes (Note 15) :			
Current	8,811	8,402	80,100
Deferred	(5,500)	(251)	(50,000)
	3,310	8,151	30,091
Profit	32,446	32,314	294,964
attributable to non-controlling interests	3,338	3,767	30,345
attributable to owners of parent	¥ 29,108	¥ 28,547	\$ 264,618
	Yen		U.S. dollars
Per share of common stock( Notes 2p and 17)			
Basic profit	¥ 412.98	¥ 405.05	\$ 3.75
Diluted profit	¥ -	¥ -	\$ -
Cash dividends applicable to the year	¥ 85.00	¥ 80.00	\$ 0.77

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 FURUKAWA ELECTRIC CO., LTD. AND  
 SUBSIDIARIES

For the years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
Profit	¥ 32,446	¥ 32,314	\$ 294,964
Other comprehensive income			
Unrealized gain (loss) on available-for-sale securities	(8,055)	3,561	(73,227)
Deferred gain (loss) on derivatives under hedge accounting	733	(1,205)	6,664
Adjustments for retirement benefits (Notes 2g and 9)	(1,787)	1,786	(16,245)
Foreign currency translation adjustments	(2,792)	703	(25,382)
Share of other comprehensive income of affiliates accounted for by the equity method	(1,408)	524	(12,800)
Total other comprehensive income (Note 16)	(13,309)	5,369	(120,991)
Total comprehensive income	¥ 19,137	¥ 37,684	\$ 173,973
Attributable to :			
Owners of parent	¥ 16,194	¥ 33,455	\$ 147,218
Non-controlling interests	¥ 2,943	¥ 4,229	\$ 26,755

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS  
FURUKAWA ELECTRIC CO., LTD. AND  
SUBSIDIARIES

(For the year ended March 31, 2019)

	Thousands Number of shares of Common stock	Millions of yen				
		Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Common treasury stock	Total shareholders' equity	
Balance at March 31, 2018	70,481	¥ 69,395	¥ 22,271	¥ 128,130	¥ (613)	¥ 219,182
Cash dividends paid	-	-	-	(5,649)	-	(5,649)
Profit attributable to owners of parent	-	-	29,108	-	-	29,108
Net effect of increase in consolidated subsidiaries	-	-	198	-	-	198
Net effect of decrease in consolidated subsidiaries	-	-	-	-	-	0
Net effect of decrease in an affiliated company accounted for by the equity method due to change in scope of equity method	-	-	(43)	-	-	(43)
Acquisition of treasury stock	(0)	-	-	(1)	-	(1)
Disposal of treasury stock	5	-	-	15	-	15
Net effect of change in parent's equity due to transaction with non-controlling interests	-	264	-	-	-	264
Net change in items other than those in shareholders' equity	-	-	-	-	-	-
Net change during the year	5	264	23,613	13	-	23,891
Balance at March 31, 2019	70,486	¥ 69,395	¥ 22,535	¥ 151,744	¥ (600)	¥ 243,074

	Millions of yen						
	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Unrealized gain on available-for- sale securities	ferred gain (lo- under hedge accounting	Adjustment for retirement benefits (Note 10)	Foreign currency translation adjustments	Total accumulated other comprehensive income		
Balance at March 31, 2018	¥ 30,020	¥ (495)	¥ (6,525)	¥ (5,664)	¥ 17,335	¥ 35,552	¥ 272,071
Cash dividends paid	-	-	-	-	-	-	(5,649)
Profit attributable to owners of parent	-	-	-	-	-	-	29,108
Net effect of increase in consolidated subsidiaries	-	-	-	-	-	-	198
Net effect of decrease in consolidated subsidiaries	-	-	-	-	-	-	0
Net effect of decrease in an affiliated company accounted for by the equity method due to change in scope of equity method	-	-	-	-	-	-	(43)
Acquisition of treasury stock	-	-	-	-	-	-	(1)
Disposal of treasury stock	-	-	-	-	-	-	15
Net effect of change in parent's equity due to transaction with non-controlling interests	-	-	-	-	-	-	264
Net change in items other than those in shareholders' equity	(8,232)	620	(1,866)	(3,273)	(12,750)	(3,300)	(16,050)
Net change during the year	(8,232)	620	(1,866)	(3,273)	(12,750)	(3,300)	7,840
Balance at March 31, 2019	¥ 21,788	¥ 124	¥ (8,391)	¥ (8,937)	¥ 4,584	¥ 32,252	¥ 279,911

	Thousands of U.S. dollars (Note 3)				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Common treasury stock	Total shareholders' equity
Balance at March 31, 2018	\$ 630,864	\$ 202,464	\$ 1,164,818	\$ (5,373)	\$ 1,992,564
Cash dividends paid	-	-	(51,355)	-	(51,355)
Profit attributable to owners of parent	-	-	264,618	-	264,618
Net effect of increase in consolidated subsidiaries	-	-	1,800	-	1,800
Net effect of decrease in consolidated subsidiaries	-	-	-	-	-
Net effect of decrease in an affiliated company accounted for by the equity method due to change in scope of equity method	-	-	-	-	(410)
Acquisition of treasury stock	-	-	-	(9)	(9)
Disposal of treasury stock	-	-	-	136	136
Net effect of change in parent's equity due to transaction with non-controlling interests	-	2,400	-	-	2,400
Net change in items other than those in shareholders' equity	-	-	-	-	-
Net change during the year	-	2,400	214,664	118	217,191
Balance at March 31, 2019	\$ 630,864	\$ 204,864	\$ 1,379,491	\$ (5,455)	\$ 2,209,764

	Thousands of U.S. dollars (Note 3)						
	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Unrealized gain on available-for- sale securities	ferred gain (lo- under hedge accounting	Adjustment for retirement benefits (Note 10)	Foreign currency translation adjustments	Total accumulated other comprehensive income		
Balance at March 31, 2018	\$ 272,909	\$ (4,500)	\$ (59,318)	\$ (51,491)	\$ 157,591	\$ 323,200	\$ 2,473,373
Cash dividends paid	-	-	-	-	-	-	(51,355)
Profit attributable to owners of parent	-	-	-	-	-	-	264,618
Net effect of increase in consolidated subsidiaries	-	-	-	-	-	-	1,800
Net effect of decrease in consolidated subsidiaries	-	-	-	-	-	-	0
Net effect of decrease in an affiliated company accounted for by the equity method due to change in scope of equity method	-	-	-	-	-	-	(9)
Acquisition of treasury stock	-	-	-	-	-	-	(9)
Disposal of treasury stock	-	-	-	-	-	-	136
Net effect of change in parent's equity due to transaction with non-controlling interests	-	-	-	-	-	-	2,400
Net change in items other than those in shareholders' equity	(74,836)	5,636	(16,964)	(29,755)	(115,909)	(30,000)	(145,909)
Net change during the year	(74,836)	5,636	(16,964)	(29,755)	(115,909)	(30,000)	71,273
Balance at March 31, 2019	\$ 198,073	\$ 1,127	\$ (76,282)	\$ (81,245)	\$ 41,673	\$ 293,200	\$ 2,544,645

See accompanying notes to consolidated financial statements.

**CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS**  
**FURUKAWA ELECTRIC CO., LTD. AND**  
**SUBSIDIARIES**

(For the year ended March 31, 2018)

	Thousands	Millions of yen				
	Number of shares of Common stock outstanding	Shareholders' equity				Total shareholders' equity
		Common stock	Capital surplus	Retained earnings	Common treasury stock	
Balance at March 31, 2017	70,473	¥ 69,395	¥ 21,562	¥ 103,942	¥ (633)	¥ 194,267
Cash dividends paid		-	-	(3,884)	-	(3,884)
Profit attributable to owners of parent		-	-	28,547	-	28,547
Net effect of increase in consolidated subsidiaries		-	-	(475)	-	(475)
Acquisition of treasury stock	(0)	-	-	-	(3)	(3)
Disposal of treasury stock	8	-	-	-	23	23
Net effect of change in parent's equity due to transaction with non-controlling interests		-	708	-	-	708
Net change in items other than those in shareholders' equity		-	-	-	-	-
Net change during the year	8	-	708	24,187	19	24,915
Balance at March 31, 2018	70,481	¥ 69,395	¥ 22,271	¥ 128,130	¥ (613)	¥ 219,182

	Millions of yen						
	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Unrealized gain on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Adjustment for retirement benefits (Note 10)	Foreign currency translation adjustments	Total accumulated other comprehensive income		
Balance at March 31, 2017	¥ 26,622	¥ 717	¥ (8,138)	¥ (6,756)	¥ 12,445	¥ 30,338	¥ 237,051
Cash dividends paid	-	-	-	-	-	-	(3,884)
Profit attributable to owners of parent	-	-	-	-	-	-	28,547
Net effect of increase in consolidated subsidiaries	-	-	-	-	-	-	(475)
Acquisition of treasury stock	-	-	-	-	-	-	(3)
Disposal of treasury stock	-	-	-	-	-	-	23
Net effect of change in parent's equity due to transaction with non-controlling interests	-	-	-	-	-	-	708
Net change in items other than those in shareholders' equity	3,398	(1,213)	1,612	1,092	4,890	5,213	10,104
Net change during the year	3,398	(1,213)	1,612	1,092	4,890	5,213	35,020
Balance at March 31, 2018	¥ 30,020	¥ (495)	¥ (6,525)	¥ (5,664)	¥ 17,335	¥ 35,552	¥ 272,071

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS  
FURUKAWA ELECTRIC CO., LTD. AND  
SUBSIDIARIES

For the years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
Cash flows from operating activities:			
Profit before income taxes	¥ 35,757	¥ 40,466	\$ 325,064
Adjustments for:			
Depreciation	26,271	25,106	238,827
Equity in income of non-consolidated subsidiaries and affiliates	(1,685)	(4,311)	(15,318)
Gain on sales of marketable securities and investment securities, net	(4,954)	(221)	(45,036)
Gain on disposal of property, plant and equipment, net	(1,000)	(8,394)	(9,091)
Impairment loss	2,627	3,122	23,882
Loss on write-down of inventories	1,366	1,297	12,418
Interest and dividend income	(3,373)	(2,564)	(30,664)
Interest expense	4,075	3,977	37,045
Foreign exchange gain, net	(111)	(137)	(1,009)
Decrease (increase) in trade receivable	1,196	(26,363)	10,873
Increase in inventories	(11,479)	(9,387)	(104,355)
Increase in trade payable	6,009	17,057	54,627
Increase (decrease) in liability for retirement benefits	2,165	(142)	19,682
Increase (decrease) in provision for environmental costs	223	(1,083)	2,027
Increase in provision for product defect compensation	5,785	6,814	52,591
Other, net	(7,604)	1,200	(69,127)
Subtotal	55,271	46,436	502,464
Interest and dividend income received	4,732	3,961	43,018
Interest expense paid	(4,152)	(3,953)	(37,745)
Income taxes paid	(9,390)	(8,014)	(85,364)
Net cash provided by operating activities	46,460	38,429	422,364
Cash flows from investing activities:			
Increase in time deposits, net	767	190	6,973
Purchases of investment securities	(2,924)	(799)	(26,582)
Proceeds from sales and redemption of investment securities	9,051	526	82,282
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	1,829	72	16,627
Purchases of investments in subsidiaries resulting in change in scope of consolidation	138	-	1,255
Purchases of property, plant and equipment	(43,053)	(34,349)	(391,391)
Purchases of intangible assets	(3,997)	(3,533)	(36,336)
Proceeds from sales of non-current assets	5,515	9,951	50,136
Decrease (increase) in short-term loans, net	2,182	(5,886)	19,836
Other	(550)	(491)	(5,000)
Net cash used in investing activities	(31,042)	(34,319)	(282,200)



	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
Cash flows from financing activities:			
Decrease in short-term debt, net	4,140	875	37,636
Proceeds from long-term debt	26,186	19,668	238,055
Repayments of long-term debt	(31,421)	(17,778)	(285,645)
Proceeds from issue of bonds	-	10,000	-
Repayments of redemption of bonds	(10,000)	(10,000)	(90,909)
Proceeds from non-controlling shareholders	-	1,649	-
Payments for purchase of common treasury stock	(1)	(3)	(9)
by subsidiaries	(8)	(161)	(73)
Cash dividends paid	(5,647)	(3,885)	(51,336)
Cash dividends paid to non-controlling shareholders	(2,291)	(1,226)	(20,827)
Other	(372)	(1,081)	(3,382)
Net cash used in financing activities	(19,414)	(1,943)	(176,491)
Effect of exchange rate changes on cash and cash equivalents	853	1,040	7,755
Net (decrease) increase in cash and cash equivalents	(3,142)	3,206	(28,564)
Cash and cash equivalents at beginning of year	49,758	46,147	452,345
Cash and cash equivalents of newly consolidated subsidiaries	223	463	2,027
Cash and cash equivalents of de-consolidated subsidiaries	-	(59)	-
Cash and cash equivalents at end of year (Note 4)	¥ 46,838	¥ 49,758	\$ 425,800

See accompanying notes to consolidated financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### FURUKAWA ELECTRIC CO., LTD. AND SUBSIDIARIES

#### 1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Furukawa Electric Co., Ltd. (the "Company") 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").

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2018 consolidated financial statements to conform to the classifications used in 2019.

Japanese yen figures less than a thousand yen are rounded down to the nearest thousand yen, except where otherwise indicated.

#### 2. Significant Accounting Policies

##### a) Basis of consolidation

1) The consolidated financial statements as of March 31, 2019, include the accounts of the Company and its 109 (108 in 2018) significant subsidiaries (together, the "Group").

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for using the equity method.

Investments in 12 (14 in 2018) unconsolidated subsidiaries and associated companies are accounted for using the equity method.

Investments in the remaining unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of the cost of acquisition over the fair value of the net assets of an acquired subsidiary at the date of acquisition is amortized over a period of 20 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

## 2) Fiscal year-end of the consolidated subsidiaries

There are 50 subsidiaries' fiscal year-ends that differ from that of the Company due to local statutory requirements. Those 50 subsidiaries' fiscal year-ends are as of December 31, and the Company makes necessary adjustments if there are any significant transactions. There have been no significant transactions, those which would materially affect the Company's financial position and results of operations, with such subsidiaries during the period from January 1 to March 31.

## 3) Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements

Under Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements," the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification) tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; and (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting.

## 4) Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method

ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments," requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method, unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized

development costs of R&D; and (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting.

b) Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash on hand, bank deposits capable of being withdrawn on demand, and short-term investments with an original maturity of three months or less and subject to a minor risk of fluctuation in value.

c) Financial instruments

1) Debt and equity securities

Debt securities for which the Company and its consolidated subsidiaries have both the positive intent and ability to hold to maturity are classified as “held-to-maturity debt securities” and mainly carried at amortized cost. Securities other than held-to-maturity debt securities and investments in equity securities of non-consolidated subsidiaries and affiliates are classified as “available-for-sale securities” and are carried at fair value with unrealized gain and loss, net of tax, reported as a separate component of net assets. For the purpose of computing gain and loss on securities sold, the cost of these securities is determined using the moving average method. Securities that do not have readily determinable fair values are recorded at cost. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income. The Company and its consolidated subsidiaries do not hold any trading securities.

Debt securities due within one year are presented as “Marketable securities” under current assets, and all other securities are presented as “Investments and long-term loans” in the accompanying balance sheets.

Additional information with respect to marketable debt and equity securities is included in Note 5.

2) Derivatives and Hedging Activities

The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange, interest rates and prices of raw materials. Foreign exchange forward contracts, currency swap contracts, interest rate swap contracts, and forward contracts for metal materials are utilized by the Group to reduce foreign currency exchange risks, interest rate risks and price fluctuation risk of raw materials. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments are classified and accounted for as derivatives used for hedging purposes if such derivatives qualify for hedge accounting, which requires high correlation and effectiveness between the hedging instruments and the hedged items. For such derivatives, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Foreign currency forward contracts employed to hedge foreign exchange exposures for export sales and purchases are measured at fair value, and the unrealized gains/losses are recognized in income.

Forward contracts applied for forecasted (or committed) transactions are also measured at fair value, but the unrealized gains/losses are deferred until the underlying transactions are completed.

Trade receivables and trade payables denominated in foreign currencies for which foreign exchange forward contracts are used to hedge the foreign currency fluctuations are translated at the contracted rate if the forward contracts qualify for hedge accounting.

Long-term debt denominated in foreign currencies for which currency swaps are used to hedge the foreign currency fluctuations is translated at the contracted rate if the forward contracts qualify for hedge accounting. Also, long-term debt with interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not re-measured at market value. Instead, the differential paid or received under the swap agreements are recognized and included in interest expense.

Additional information on derivatives is presented in Note 19.

d) Inventories

Inventories are stated principally at cost determined using the average method, which requires the amount of the inventories on the balance sheet be written down when there is a decrease in profitability.

e) Allowance for doubtful accounts

Allowance for doubtful accounts is provided at the amount of estimated non-recoverable receivables on an individual account basis, plus the amount calculated by applying the historical bad debt loss ratios to the remaining receivables.

f) Property, plant and equipment

Property, plant and equipment, including significant capital expenditures and additions, are stated at cost. Repairs and maintenance expense are charged to income as incurred. Properties other than leased assets are depreciated principally using the straight-line method.

g) Retirement benefits

Employees who terminate their service with the Company or its domestic, consolidated subsidiaries are entitled to lump-sum severance indemnities determined based on accumulated points allocated to employees each year according to their job classification and performance. The liability for these severance indemnities is not funded.

The retirement benefit plans of the Company and its domestic consolidated subsidiaries have features whereby employees who retire at age 55 or over with 20 or more years of service may elect to receive benefits in the form of pensions. These plans, which are non-contributory and funded, generally provide for an annuity payable over a ten-year period subsequent to retirement. The annual contributions for pension benefits include current service costs, amortization of prior service costs, and interest on the unfunded portion of past service costs.

The Company and its domestic consolidated subsidiaries recognize retirement benefits based on the estimated amounts of projected benefit obligation reduced by the fair value of the pension plan assets at each fiscal year-end. The retirement benefit obligation for employees is attributed to each period by the benefit formula method.

Prior service cost is amortized as incurred using the straight-line method over periods that are shorter than the average remaining years of service of the employees (generally one to ten years).

Actuarial gain or loss is amortized in the year following the original recognition of the gain or loss and is recognized primarily by the straight-line method over periods that are shorter than the average remaining years of service of the employees (generally one to ten years).

A minimum pension liability adjustment is generally required for the Company's consolidated subsidiaries in the U.S. when the accumulated benefit obligation exceeds plan assets under U.S. GAAP. The minimum liability adjustment, less allowable intangible assets, is directly charged to retained earnings, net of tax benefit, in the accompanying consolidated financial statements.

Certain consolidated subsidiaries use a simplified method for calculating retirement benefit expenses and liabilities based on the assumption that the benefits payable, which are calculated as if all eligible employees voluntarily terminated their employment at fiscal year-end, approximates the retirement benefit obligation at year-end.

h) Provision for product defect compensation

Provision for product defect compensation is provided at an amount deemed necessary to cover possible compensation costs.

i) Provision for environmental costs

Provision for environmental costs, mainly to remove Poly Chlorinated Biphenyl ("PCB") and to improve soil conservation, is provided to cover estimated future costs.

j) Research and development costs, and computer software

Research and development expenditures are charged to income as incurred. Expenditures relating to computer software developed for internal use are charged against income as incurred, except when such expenditures contribute to the generation of income or to future cost savings. In these circumstances, such expenditure are capitalized as an asset and amortized using the straight-line method over its estimated useful life of 5 years.

k) Leases

Finance lease transactions are capitalized by recognizing lease assets and lease obligations in the balance sheet.

Depreciation of finance lease assets that transfer ownership of the assets is calculated by the same method applied for property, plant and equipment. Depreciation of finance lease assets that do not transfer ownership of the assets at the end of the lease term, mainly machinery and equipment, and vehicles, are calculated using the straight-line method over the lease periods, which are deemed as the useful lives assuming no residual value.

All other leases are accounted for as operating leases.

l) Construction Contracts

Construction revenue and construction costs are recognized by the percentage-of-completion method if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs, and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract is deemed to be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method should be applied. When it is probable that the total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for a loss on such construction contracts.

m) Income taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income.

Deferred income taxes are recognized to reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Such recognition is measured using the enacted tax rates and laws that are expected to be in effect when differences are expected to reverse.

The Company has elected to file its tax return under the consolidated tax filing system.

On February 16, 2018, the ASBJ issued ASBJ Statement No. 28, "Partial Amendments to Accounting Standard for Tax Effect Accounting," which requires deferred tax assets and deferred tax liabilities to be classified as investments and

other assets and long-term liabilities, respectively. Deferred tax assets were previously classified as current assets and investments and other assets, and deferred tax liabilities were previously classified as current liabilities and long-term liabilities under the previous accounting standard. The revised accounting standard, which is effective for annual periods beginning on or after April 1, 2018, has been retrospectively applied. As a result, in its consolidated balance sheet as of the last fiscal year-end, deferred tax assets of ¥ 9,931 million and deferred tax liabilities of ¥ 1 million which were previously classified as current assets and current liabilities, respectively, as of March 31, 2018, have been reclassified as investments and other assets and long-term liabilities, respectively, in the accompanying consolidated balance sheet.

The effect of off-setting deferred tax assets with deferred tax liabilities related to the same tax-paying body resulted in reducing total assets and total liabilities by ¥ 7,190 million each, as compared with the previous consolidated balance sheet.

For disclosures on deferred tax accounting, certain items were added under the Partial Amendments article 3 through 5. However, the contents of the previous year were not disclosed in accordance with the transition treatment set out in the Partial Amendments article 7.

n) Translation of foreign currency accounts

Current and non-current monetary items denominated in foreign currencies are translated into Japanese yen at exchange rates in effect at the respective balance sheet dates. Monetary items denominated in foreign currencies, for which foreign exchange forward contracts are used to hedge the foreign currency fluctuation, are translated into Japanese yen at the contracted rates. Exchange gain or loss is credited or charged to current operations.

The Company translates the revenue and expense accounts of the overseas consolidated subsidiaries and affiliates accounted for by the equity method at the average rates of exchange in effect during the year. The balance sheet accounts, except for the components of net assets (excluding non-controlling interests in the overseas consolidated subsidiaries and affiliates accounted for by the equity method), are translated into Japanese yen at the rates of exchange in effect at the respective balance sheet date. The components of net assets (excluding non-controlling interests in the overseas consolidated subsidiaries and affiliates accounted for by the equity method) are translated at their historical exchange rates. Differences arising from such translation are shown as “Foreign currency translation adjustments” under accumulated other comprehensive income in a separate component of equity.

o) Impairment of property, plant and equipment

Property, plant and equipment are periodically reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss shall be recognized in the statements of income by reducing the carrying amount of impaired assets, or a group of assets, to the recoverable amount, which is measured using the higher of net selling price or value in use.



Accumulated loss of impairment is deducted directly from the acquisition costs of the related assets in accordance with the revised disclosure requirements.

Additional information on impairment of property, plant and equipment, and depreciation is presented in Note 14.

p) Per Share Information

Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share is not presented as the effect of including potential common shares is anti-dilutive.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year.

q) Accounting change

IFRS No.9 (Financial Instruments) and IFRS No.15 (Revenue from Contracts with Customers) have been adopted from this fiscal year in overseas subsidiaries other than United States of America. IFRS No.9 and IFRS No.15 do not have a material impact on the consolidated financial statements.

r) Standards issued but not yet effective

1. Accounting Standard for Revenue Recognition (ASBJ Statement No 29)  
Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No.30)

(1) Overview

The International Accounting Standard Board (“IASB”) and the Financial Accounting Standard Board (“FASB”) jointly developed a comprehensive accounting standard for revenue recognition, and the Revenue from Contracts with Customers was issued in May 2014, (IFRS No.15 by IASB and Topic 606 by FASB).

Topic 606 was applied from annual reporting periods beginning on or after December 15, 2017, and IFRS No.15 was applied for annual reporting periods beginning on or after January 2018. Based on this, the ASBJ developed a comprehensive accounting standard for revenue recognition and the related implementation guidance and issued them together.

Based on the ASBJ’s basic policy for the development of the accounting standard for revenue recognition, the basic principles of IFRS No.15 were incorporated into the ASBJ Statement No.29 as a starting point. Then, the Statement was further written with the goal of increasing comparability among financial statements. If there are any items which should be updated, as it relates to Japanese GAAP, alternative

treatments are incorporated, to the extent that comparability is not sacrificed.

(2) Schedule date of adoption

It will be applied to the accounting reporting period for the year ending March 31, 2022.

(3) Impact of adoption of accounting standard and implementation guidance

The impact to consolidated financial statements is still being evaluated.

2. Overseas consolidated subsidiaries

Leases (IFRS No.16)

(1) Overview

IFRS 16 sets out the revisions for current accounting standard and disclosures of treatments of leases. More specially, IFRS No.16 generally requires all leases within a term of more than 12 months to recognize right-of-use assets and lease liabilities on financial statements.

(2) Schedule date of adoption

It will be applied to the accounting reporting period for the year ending March 31, 2020.

(3) Impact of adoption of accounting standard and implementation guidance

The impact to the consolidated financial statements is still being evaluated.

s) Additional information

(Board Benefit Trust)

Based upon a resolution of the 194<sup>th</sup> Ordinary General Meeting of Shareholders on June 27, 2016, the Company has introduced a Performance-Linked Stock Compensation System (Board Benefit Trust, hereafter the “BBT”) to be a part of the remuneration process for Directors excluding Outside Directors and the Executive Officers other than Directors and the Senior Fellows (collectively the “Directors, etc.”). The goals of the BBT are to form a stronger linkage between remuneration and the Company’s business performance and to provide incentive for meeting and exceeding the Company’s medium - to long-term business plans.

1) Overview of the transaction

In accordance with the Stock Benefit Regulations for Executives (the “Regulation”), previously set out by the Company, points are granted to the Directors, etc. under the BBT during their term in office, and the accumulated points are exchanged for an equivalent amount of shares at the time of retirement. Points granted are adjusted once every three years and are linked to the Company’s business performance. If the Directors, etc., who are eligible to receive the benefits, meet the requirements of the Regulation, money in an amount equivalent to a certain portion of those points granted to the Directors, etc. shall be provided to them instead of the Company’s shares.

The shares to be provided to the Directors, etc., including the shares to be provided for their future services, are acquired using monetary assets contributed previously by the Company to the BBT. Those shares are managed separately as an asset in BBT.

2) Accounting treatment

The Gross method has been applied in accordance with “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts” (PITF No. 30 issued on March 26, 2015).

3) The Company’s shares remaining in the BBT

The Company’s shares owned by the BBT are accounted for as treasury stock in the Net Assets section at book value recorded by the BBT (excluding acquisition-related costs). The book value and the number of shares of treasury stock are ¥307 million (\$2,790 thousand) and 115,000 shares at March 31, 2019 and ¥323 million and 120,800 shares at March 31, 2018.

### 3. U.S. Dollar Amounts

The consolidated financial statements are stated in Japanese yen, which is the currency of the country in which the Company is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥ 110 to \$1, the approximate rate of exchange at March 31, 2019. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

### 4. Cash Flow Information

1) Cash and cash equivalents as of March 31, 2019 and 2018 consisted of:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Cash and bank deposits	¥ 44,628	¥ 50,635	\$ 405,709
Less, time deposits with an original maturity of more than 3 months	(142)	(878)	(1,291)
Highly liquid securities	2,352	0	21,382
Cash and cash equivalents	<u>¥46,838</u>	<u>¥49,758</u>	<u>\$ 425,800</u>

2) The followings are the summary of assets and liabilities which were transferred related to FCM Corporation and represent the costs of shares and proceeds from sales of investments in the subsidiary.

(For the year ended March 31, 2019)

	Millions of yen	Thousands of U.S. dollars
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	2019	2019
Current assets	¥ 7,691	\$ 69,918
Non-current assets	4,552	41,382
Current liabilities	(5,431)	(49,373)
Non-current liabilities	(2,153)	(19,573)
Non-controlling interests	(2,084)	(18,945)
Gain on sale of shares of the subsidiary	293	2,664
Sales amount of those shares	¥ 2,866	\$ 26,055
Cash and cash equivalents	(1,037)	(9,427)
Proceeds from sales of those shares	¥ 1,829	\$ 16,627

## 5. Debt and Equity Securities

Investments in debt and equity securities that have a readily determinable fair value as of March 31, 2019 and 2018 included in “Marketable securities” (Current assets) and in “Investments and long-term loans” (Non-current assets) are summarized as follows:

	Millions of yen			
	2019			
	Cost	Fair value	Gross unrealized gain	Gross unrealized loss
Held-to-maturity debt securities:				
Government bonds, municipal bonds and other	¥ 2,370	¥ 2,370	¥ —	¥ —
Other debt securities	99	101	1	—
Total held-to-maturity debt securities	<u>¥ 2,469</u>	<u>¥ 2,471</u>	<u>¥ 1</u>	<u>¥ —</u>
Available-for-sale securities:				
Marketable equity securities	¥ 13,913	¥ 45,482	¥ 31,623	¥ (53)
Other securities	0	0	—	—
Total available-for-sale securities	<u>¥ 13,914</u>	<u>¥ 45,483</u>	<u>¥ 31,623</u>	<u>¥ (53)</u>

	Thousands of U.S. dollars			
	2019			
	Cost	Fair value	Gross unrealized gain	Gross unrealized loss
Held-to-maturity debt securities:				
Government bonds, municipal bonds and other	\$ 21,545	\$ 21,545	\$ —	\$ —
Other debt securities	900	918	9	—
Total held-to-maturity debt securities	<u>\$ 22,445</u>	<u>\$ 22,464</u>	<u>\$ 9</u>	<u>\$ —</u>
Available-for-sale securities:				
Marketable equity securities	\$ 126,482	\$ 413,473	\$ 287,482	\$ (482)
Other securities	0	0	—	—
Total available-for-sale securities	<u>\$ 126,491</u>	<u>\$ 413,482</u>	<u>\$ 287,482</u>	<u>\$ (482)</u>

	Millions of yen			
	2018			
	Cost	Fair value	Gross unrealized gain	Gross unrealized loss
Held-to-maturity debt securities:				
Government bonds, municipal bonds and other	¥ —	¥ —	¥ —	¥ —
Other debt securities	99	102	2	—
Total held-to-maturity debt securities	<u>¥ 99</u>	<u>¥ 102</u>	<u>¥ 2</u>	<u>¥ —</u>
Available-for-sale securities:				
Marketable equity securities	¥ 15,784	¥ 57,714	¥ 41,935	¥ (5)
Other securities	0	0	—	—
Total available-for-sale securities	<u>¥ 15,785</u>	<u>¥ 57,715</u>	<u>¥ 41,935</u>	<u>¥(5)</u>

Proceeds from sales of available-for-sale securities for the years ended March 31, 2019 and 2018 were ¥6,660 million (\$60,545 thousand) and ¥405 million, respectively. The gross realized gains on those sales for the years ended March 31, 2019 and 2018 were ¥4,657 million (\$42,336 thousand) and ¥221 million, respectively. There was no gross realized losses on those sales for the year ended March 31, 2019 and 2018. Impairment loss on available-for-sale securities with fair value for the years ended March 31, 2019 and 2018 amounted to ¥168 million (\$1,527 thousand) and ¥395 million, respectively.

## 6. Inventories

Inventories as of March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Merchandise and finished goods	¥ 40,169	¥ 36,814	\$ 365,173
Work in process	36,956	32,273	335,964
Raw materials and supplies	45,764	44,703	416,036
	<u>¥ 122,890</u>	<u>¥ 113,792</u>	<u>\$ 1,117,182</u>

The amounts of inventories for normal sales written down due to a decrease of profitability are ¥1,366 million (\$12,418 thousand) and ¥1,297 million for the years ended March 31, 2019 and 2018, respectively, and are charged to cost of sales.

## 7. Investments and Long-term Loans

Investments and long-term loans at March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Non-consolidated subsidiaries and affiliates	¥ 77,938	¥ 78,383	\$ 708,527
Other	49,203	62,873	447,300
	<u>¥ 127,141</u>	<u>¥ 141,256</u>	<u>\$ 1,155,827</u>

## 8. Short-term Debt, Long-term Debt and Bonds

Short-term debt represents notes payable to banks, most of which are unsecured, bank overdrafts and commercial papers issued by the Company. The annual weighted average interest rates for short-term debt applicable at March 31, 2019 and 2018 are 3.0% and 2.1%, respectively.

Bonds and long-term debt as of March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
0.79% unsecured bonds due 2018	¥ -	10,000	\$ -
0.43% unsecured bonds due 2026	10,000	10,000	90,909
0.53% unsecured bonds due 2027	10,000	10,000	90,909
Loans, principally from banks and insurance companies, due from 2020 to 2029 with interest rates ranging from 0.8% to 1.7% and predominantly collateralized	146,658	154,254	1,333,255
	166,658	184,254	1,515,073
Less: portion due within one year	(27,360)	(42,027)	(248,727)
	<u>¥ 139,298</u>	<u>¥ 142,227</u>	<u>\$ 1,266,345</u>

At March 31, 2019, the following assets were pledged as collateral for short-term debt of ¥638 million (\$5,800 thousand), long-term debt of ¥750 million (\$6,818 thousand), and others of ¥1,684 million (\$15,309 thousand):

	Millions of yen	Thousands of U.S. dollars
	2019	2019
Current assets *	¥ 2,366	\$ 21,509
Property, plant and equipment	1,757	15,973
	<u>¥ 4,123</u>	<u>\$ 37,482</u>

\*) Collateral for guarantee on the extension of the deadline to pay import consumption tax

At March 31, 2018, the following assets were pledged as collateral for short-term debt of ¥1,190 million, long-term debt of ¥668 million, and others of ¥382 million:

	Millions of yen
	<u>2018</u>
Property, plant and equipment	¥ 1,992
Investments in securities	562
	<u>¥ 2,554</u>

The aggregate annual maturities of the non-current portion of long-term debt and bonds as of March 31, 2019 were as follows:

<u>Year ending March 31</u>	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
2020	¥ 27,360	\$ 248,727
2021	30,911	281,009
2022	25,753	234,118
2023	8,011	72,827
2024 and thereafter	74,623	678,391
	<u>¥ 166,658</u>	<u>\$ 1,515,073</u>

## 9. Severance and Retirement Plans

The Company and its consolidated subsidiaries have funded and unfunded defined benefit pension plans and defined contribution plans. The defined benefit plans consist of Employees' Pension Fund Plan, defined benefit corporation pension plan, and lump-sum severance indemnity plan.

There are cases where additional retirement benefits are paid at the time of retirement of employees. The Company has established an employees' retirement benefit trust and certain consolidated subsidiaries have joined multi-employer employees' pension fund.

The plans where it is not possible to reasonably compute the amounts of plan assets corresponding to their own contribution amounts are accounted for in the same way as the defined contribution plan.

Liability for retirement benefits and net periodic benefit costs are, however, calculated by the simplified method under the defined benefit corporation pension plans and the lump-sum severance indemnity plans set up by a part of consolidated subsidiaries.

(For the years ended March 31, 2019 and 2018)

### 1. Defined benefit plans

The changes in defined benefit obligation for the years ended March 31, 2019 and 2018:

	Millions of yen		Thousands of U.S. dollars
	<u>2019</u>	<u>2018</u>	<u>2019</u>
Balance at beginning of year	¥ 103,760	¥ 101,673	\$ 943,273
Current service cost	3,915	4,876	35,591
Interest cost	1,196	1,213	10,873
Actuarial gain and loss	1,585	2,410	14,409
	<u>¥ 109,056</u>		<u>\$ 1,004,956</u>

Benefits paid	(6,353)	(6,678)	(57,755)
Foreign currency transaction adjustments	167	264	1,518
Balance at end of year	<u>¥ 104,271</u>	<u>¥ 103,760</u>	<u>\$ 947,918</u>

The changes in plan assets for the years ended March 31, 2019 and 2018:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Balance at beginning of year	¥ 67,779	¥ 63,690	\$ 616,173
Expected return on plan assets	1,792	1,853	16,291
Actuarial gain and loss	(1,944)	2,119	(17,673)
Contributions from the Company	1,221	2,832	11,100
Benefits paid	(5,238)	(3,376)	(47,618)
Foreign currency transaction adjustments	71	659	645
Balance at end of year	<u>¥ 63,681</u>	<u>¥ 67,779</u>	<u>\$ 578,918</u>

The changes in net liability for retirement benefits using a simplified method for the years ended March 31, 2019 and 2018:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Balance at beginning of year	¥ 2,049	¥ 2,309	\$ 18,627
Retirement benefit expenses	502	633	4,584
Benefits paid	(290)	(213)	(2,636)
Contributions to fund	(249)	(250)	(2,264)
Net effect resulting in change in scope of consolidation	(502)	(431)	(4,564)
Balance at end of year	<u>¥ 1,508</u>	<u>¥ 2,049</u>	<u>\$ 13,709</u>

Reconciliation between the liabilities recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2019 and 2018:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Funded defined benefit obligation	¥ 99,875	¥ 98,944	\$ 907,955
Plan assets	(68,039)	(71,943)	(618,536)
	31,836	27,000	289,418
Unfunded defined benefit obligation	10,261	11,029	93,282
Net liability for defined benefit obligation	<u>42,097</u>	<u>38,030</u>	<u>382,700</u>
Liability for retirement benefits	47,731	43,174	433,918
Asset for retirement benefits	(5,633)	(5,143)	(51,209)
Net liability for defined benefit obligation	<u>¥ 42,097</u>	<u>¥ 38,030</u>	<u>\$ 382,700</u>

Note: The above items include the part used a simplified method.

The components of retirement benefit expenses for the years ended March 31, 2019 and 2018:



	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Service cost	¥ 3,915	¥ 4,876	\$ 35,591
Interest cost	1,196	1,213	10,873
Expected return on plan assets	(1,792)	(1,853)	(16,291)
Amortization of actuarial gain and loss	1,484	1,790	13,491
Amortization of prior service cost	60	110	545
Retirement benefit expenses calculated on a simplified method	502	633	4,564
Total retirement benefit expenses	¥ 5,366	¥ 6,770	\$ 48,782

The components of adjustments for retirement benefits in other comprehensive income (before tax effects) for the years ended March 31, 2019 and 2018:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Prior service cost	¥ 58	¥ 111	\$ 527
Actuarial gain and loss	(2,448)	1,715	(22,255)
Total	¥ (2,390)	¥ 1,826	\$ (21,727)

The components of adjustments for retirement benefits in accumulated other comprehensive income (before tax effects) for the years ended March 31, 2019 and 2018:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Unrecognized prior service cost	¥ 104	¥ 162	\$ 945
Unrecognized actuarial gain and loss	9,778	7,329	88,891
Total	¥ 9,882	¥ 7,491	\$ 89,836

Plan assets as of March 31, 2019 and 2018

a) Components of plan assets

Plan assets consisted of the followings:

	2019	2018
Equity investments	37%	47%
Debt investments	25%	22%
Assets in a life-insurer's general account	19%	17%
Cash and deposits	3%	3%
Others	16%	11%
Total*	100%	100%

(\*): The above plan assets included 14% and 17% of assets held by the retirement benefit trust set up for the retirement benefit plan as of March 31, 2019 and 2018, respectively.

b) Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return from the various components of the plan assets.

Assumptions used for the years ended March 31, 2019 and 2018 were set forth as follows:

	<u>2019</u>	<u>2018</u>
Discount rate	0.4-8.5%	0.1-5.6%
Expected rate of return on plan assets	1.0-6.2%	1.0-5.8%

2. Defined contribution plans

Required contributions for defined contribution plans for the years ended March 31, 2019 and 2018 were ¥520 million (\$4,727 thousand) and ¥666 million, respectively.

3. The multi-employer plan which contributions necessary is treated as net periodic pension costs is as follows:

a) The funded status of the multi-employer plan as of March 31, 2019 and 2018:

	<u>Millions of yen</u>	
	<u>2019</u>	<u>2018</u>
Plan assets	¥ 205,822	¥ 224,850
Sum of actuarial liabilities of pension plan and minimum actuarial reserve	<u>(188,665)</u>	<u>(210,705)</u>
Net balance	<u>¥ 17,156</u>	<u>¥ 14,144</u>

b) The contribution ratio of the Group in the multi-employer plan for the years ended March 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
The contribution ratio of the Group in the multi-employer plan	0.4%	0.5%

c) Supplementary explanation

The above net balance resulted mainly from past service cost under the plan in pension actuarial valuation and special reserve. The ratios above do not represent the actual actuarial liability ratio of the Group.

## 10. Shareholders' Equity

Japanese companies are subject to the Companies Act of Japan (the "Companies Act").

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting.

Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed as such in its articles of incorporation.

Semi-annual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the

shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula.

(Dividends)

Dividends whose record date is attributable to the year ended March 31, 2018 but which is effective in the following year:

1) Dividend payment

Approvals by shareholders' meeting held on June 22, 2018 are as follows:

Type of shares	Common stock
Total amount of dividends	¥5,649 million
Funds for dividends	Retained earnings
Dividends per share	¥80.00
Record date	March 31, 2018
Effective date	June 25, 2018

(Note) Total amount of dividend payments includes dividends of ¥9 million paid for the Company's shares held in BBT.

2) Dividends whose record date is attributable to the year ended March 31, 2019 but which is effective in the following year:

Approvals by shareholders' meeting held on June 27, 2019 are as follows:

Type of shares	Common stock
Total amount of dividends	¥6,002 million (\$54,564 thousand)
Funds for dividends	Retained earnings
Dividends per share	¥85.00 (\$0.77)
Record date	March 31, 2019
Effective date	June 28, 2019

(Note) Total amount of dividend payments includes dividends of ¥9 million (\$82 thousand) paid for the Company's shares held in BBT.

## 11. Contingent Liabilities

1) Contingent liabilities as of March 31, 2019 and 2018:

	Millions of yen		Thousands of
	2019	2018	U.S. dollars
Loans guaranteed (principally for non-consolidated subsidiaries and affiliates)	¥ 6,004	¥ 6,993	\$ 54,582
Repurchase obligation of the securitization of receivables	5,931	6,463	53,918
Total	¥ 11,935	¥ 13,456	\$ 108,500

2) Other

- a) The Company and its related companies are currently in negotiations with automobile manufactures, regarding compensations for damages due to a violation of the Competition Act related to automobile wire harness cartels.
- b) In reference to the automotive parts manufactured by its consolidated subsidiaries, vehicles with such parts have been recalled, and the Company and its consolidated subsidiaries were requested to compensate a portion of costs incurred by TOKAI RIKA Co., LTD. (“TOKAI”), a purchaser of such parts. The Company and its consolidated subsidiaries have been party to negotiations but have not yet reached an agreement.

In terms of the above case, American Furukawa, Inc., a consolidated subsidiary of the Company, is the subject of litigation with the Michigan court of justice in the U.S. as filed by TRAM, Inc. and TRMI, Inc., subsidiaries of TOKAI, (Delivery date of legal complaint; June 15, 2017 (local time))

In instances where automobiles that incorporated parts manufactured by consolidated subsidiaries are being recalled separately from the above,, the Company and its consolidated subsidiaries are requested to compensate a portion of such costs by the purchaser of those parts.

Compensation costs have been reasonably estimated and reserved for, as it relates to the continued negotiations and such costs may impact the consolidated results of the Company. As it relates to additional contingent liabilities, at present, it is impossible to estimate reasonably such additional potential amounts.

## 12. Selling, General and Administrative Expenses

The components of selling, general and administrative expenses for the years ended March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of
	2019	2018	U.S. dollars
Freightage and packing expenses	¥ 21,180	¥ 20,824	\$ 192,545
Sales commissions	1,969	2,538	17,900
Salaries and wages	45,585	44,198	414,409
Retirement benefit expenses	2,118	2,810	19,255
Depreciation	2,665	2,589	24,227
Research and development costs	17,258	15,504	156,891
Other	35,491	32,651	322,645
Total	<u>¥ 126,266</u>	<u>¥ 121,117</u>	<u>\$ 1,147,873</u>

Research and development costs charged to “Selling, general and administrative expenses” and manufacturing costs for the years ended March 31, 2019 and 2018 amounted to ¥ 21,141 million (\$192,191 thousand) and ¥19,533 million, respectively.

### 13. Leases

The minimum rental commitments under non-cancelable operating leases for the years ended March 31, 2019:

	Millions of yen		Thousands of
	2019	2018	U.S. dollars
Due within one year	¥ 1,038	¥ -	\$ 9,436
Due after one year	2,413	-	21,936
Total	¥ 3,451	¥ -	\$ 31,373

### 14. Impairment Loss

(For the year ended March 31, 2019)

The Group has recognized impairment loss of the following asset groups in this fiscal year. The Group classifies property, plant and equipment into groups by company, business or business unit (each of which is deemed to generate independent cash flows), and idle properties into individual, independent groups.

Impairment loss by type of assets for the year ended March 31, 2019 consisted of the following:

Location	Usage	Type of asset	Millions of yen	Thousands of U.S. dollars
Ichihara-city, Chiba prefecture	Fixed assets for business use	Buildings ¥ 757 million (\$6,882 thousand), Machinery and equipment ¥ 278 million (\$2,527 thousand) and others ¥ 698million (\$6,345 thousand)	¥ 1,733	\$ 15,755
Hiratsuka-city, Kanagawa prefecture	Fixed assets for business use	Buildings ¥157 million (\$1,427 thousand), Machinery and equipment ¥31 million (\$282 thousand) and others ¥186 million (\$1,691 thousand)	375	3,409
Ohta-ku, Tokyo	Fixed assets for business use	Buildings ¥99 million (\$900 thousand), Machinery and equipment ¥38 million (\$345 thousand) and others ¥153 million (\$1,391 thousand)	292	2,655
Nikko-city, Tochigi prefecture	Fixed assets for business use	Machinery and equipment ¥15 million (\$136 thousand) and others ¥11 million (\$100 thousand)	26	236
Other	Fixed assets	Machinery and equipment	199	1,809

	for business use	and others		
			Total	¥ 2,627
				\$ 23,882

It has been decided that recoverable amounts of fixed assets for business use in Chiba prefecture, Kanagawa prefecture, Tokyo, and Tochigi prefecture were less than their carrying amounts due to continuing negative cash flow generated from operating activities and the likelihood of the carrying amount not being recoverable by future cash flows. Accordingly, the carrying amounts of such assets were reduced to the recoverable amounts. The recoverable amounts of the asset groups were mainly evaluated based on the appraisal value.

(For the year ended March 31, 2018)

The Group has recognized impairment loss of the following asset groups in this fiscal year. The Group classifies property, plant and equipment into groups by company, business or business unit (each of which is deemed to generate independent cash flows), and idle properties into individual independent groups.

Impairment loss by type of assets for the year ended March 31, 2018 consisted of the following:

Location	Usage	Type of asset	Millions of yen
Liaoning Sheng, the People's Republic of China	Fixed assets for business use	Building, Machinery and equipment and others	¥ 2,492
Tanba-city, Hyogo prefecture	Fixed assets for business use	Land, Building and equipment	341
Hakui-county, Ishikawa prefecture	Fixed assets for business use	Land, Building and equipment	280
Other	Fixed assets for business use	Building and others	8
Total			¥ 3,122

It has been decided that recoverable amounts of fixed assets for business use in the People's Republic of China, Ishikawa prefecture, and other, were less than their carrying amounts due to continuing negative cash flow generated from operating activities and the likelihood of the carrying amount not being recoverable by future cash flows. Accordingly, the carrying amounts of such assets were reduced to the recoverable amounts. The recoverable amounts of the asset groups were mainly evaluated based on the appraisal value. The carrying amounts of fixed assets for business use in Hyogo prefecture were reduced to the recoverable amounts, of which assets had no chance for future use because the factory was shut down.

## 15. Income Taxes

Income taxes applicable to the Company and its domestic consolidated subsidiaries consist of corporation tax, inhabitants' tax, and enterprise tax, which in the aggregate would result in a statutory income tax rate of approximately 30.6% and 30.9% for the years ended March 31, 2019 and 2018, respectively. Overseas consolidated subsidiaries are subject to income taxes in the countries in which they operate.

Summarized below is a reconciliation of the statutory income tax rate and the effective income tax rate for the years ended March 31, 2019 and 2018:

	2019	2018
Japanese statutory income tax rate	30.6%	30.9%
Entertainment expense and other	1.7	1.6
Dividend income non-taxable	(2.4)	(1.5)
Equity in income (loss) of non-consolidated subsidiaries and affiliates	(1.4)	(3.3)
Research and development cost	(1.8)	-
Valuation allowance	8.1	(1.4)
Difference of applicable tax rate of overseas consolidated subsidiaries	(6.2)	(3.2)
Utilization of loss carryforwards	(19.7)	(16.0)
Amortization of goodwill	0.5	0.4
Undistributed earnings of subsidiaries and affiliates	0.3	8.6
Other, net	(0.4)	3.9
Effective income tax rate	<u>9.3%</u>	<u>20.1%</u>

Deferred tax assets (liabilities) as of March 31, 2019 and 2018:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Liability for retirement benefits	¥ 16,007	¥ 15,341	\$ 145,518
Provision for environmental costs	3,277	3,209	29,791
Loss carryforwards	46,621	39,209	423,827
Accrued bonus	3,327	3,227	30,245
Depreciation	3,305	2,837	30,045
Provision for product defect compensation	9,422	6,408	85,655
Impairment loss	6,853	6,963	62,300
Loss on write-down of inventories	1,001	931	9,100
Other	8,970	7,234	81,545
Gross deferred tax assets	<u>98,787</u>	<u>85,361</u>	<u>898,064</u>
Less valuation allowance for loss carryforwards	(40,580)	-	(368,909)
Less valuation allowance for total of future deductible temporary differences etc.	<u>(21,938)</u>	<u>-</u>	<u>(199,436)</u>
Valuation allowance	<u>(62,518)</u>	<u>(54,238)</u>	<u>(568,345)</u>
Total deferred tax assets	36,268	31,123	329,709
Unrealized gain on available-for-sale securities	(9,773)	(12,089)	(88,845)
Undistributed earnings of subsidiaries and affiliates	(9,309)	(9,197)	(84,627)
Revaluation difference on land	(720)	(499)	(6,545)
Other	<u>(4,366)</u>	<u>(5,304)</u>	<u>(39,691)</u>
Total deferred tax liabilities	<u>(24,170)</u>	<u>(27,090)</u>	<u>(219,727)</u>
Net deferred tax assets	<u>¥ 12,097</u>	<u>¥ 4,032</u>	<u>\$ 109,973</u>

The expiration of loss carryforwards, the related valuation allowances, and the resulting net deferred tax assets as of March 31, 2019:

March 31, 2019	Millions of Yen						Total
	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	
Deferred tax assets relating to loss carryforwards	¥ 1,309	¥ 1,385	6,240	¥ 7,062	¥ 6,268	¥24,355	¥46,621
Less valuation allowances for loss carryforwards	(778)	(937)	(2,558)	(6,112)	(6,171)	(24,021)	(40,580)
Net deferred tax assets relating to loss carryforwards	¥ 530	¥ 447	¥ 3,681	¥ 949	¥ 97	¥ 333	¥ 6,041

March 31, 2019	Thousands of U.S. dollars						Total
	1 Year or Less	After 1 Year through 2 Years	After 2 Years through 3 Years	After 3 Years through 4 Years	After 4 Years through 5 Years	After 5 Years	
Deferred tax assets relating to loss carryforwards	\$ 11,900	\$ 12,591	\$ 56,727	\$ 64,200	\$ 56,982	\$ 221,409	\$ 423,827
Less valuation allowances for loss carryforwards	(7,073)	(8,518)	(23,255)	(55,564)	(56,100)	(218,373)	(368,909)
Net deferred tax assets relating to loss carryforwards	\$ 4,818	\$ 4,064	\$ 33,464	\$ 8,627	\$ 882	\$3,027	\$ 54,918

## 16. Other Comprehensive Income (Loss)

(For the year ended March 31, 2019)

- 1) The following table presents components of recycled amounts of other comprehensive income for the year ended March 31, 2019:

	Millions of yen	
Unrealized gain or loss on available-for-sale securities		
Amount arising during the year	¥ (5,792)	
Reclassification adjustments for gains and losses included in profit	(4,571)	¥ (10,363)



Deferred gain or loss on derivatives under hedge accounting		
Amount arising during the year	887	
Reclassification adjustments for gains and losses included in profit	(165)	
Adjustments for amounts transferred to assets' acquisition costs	355	1,077
Adjustments for retirement benefits		
Amount arising during the year	(3,924)	
Reclassification adjustments for gains and losses included in profit	1,534	(2,390)
Foreign currency translation adjustments		
Amount arising during the year	(2,792)	(2,792)
Share of other comprehensive income of affiliates accounted for by the equity method		
Amount arising during the year	(1,409)	
Reclassification adjustments for gains and losses included in profit	10	
Adjustments for amounts transferred to assets' acquisition costs	¥ (9)	(1,408)
Subtotal before tax effects		(15,875)
Tax effects		2,566
Total other comprehensive income		¥ (13,309)

Thousands of U.S. dollars

Unrealized gain or loss on available-for-sale securities		
Amount arising during the year	\$ (52,655)	
Reclassification adjustments for gains and losses included in profit	(41,555)	\$ (94,209)
Deferred gain or loss on derivatives under hedge accounting		
Amount arising during the year	8,064	
Reclassification adjustments for gains and losses included in profit	(1,500)	
Adjustments for amounts transferred to assets' acquisition costs	3,227	9,791
Adjustments for retirement benefits		
Amount arising during the year	(35,673)	
Reclassification adjustments for gains and losses included in profit	13,945	(21,727)
Foreign currency translation adjustments		
Amount arising during the year	(25,382)	(25,382)
Share of other comprehensive income of affiliates accounted for by the equity method		
Amount arising during the year	(12,809)	
Reclassification adjustments for gains and losses included in profit	91	
Adjustments for amounts transferred to assets' acquisition costs	(82)	(12,800)

Subtotal before tax effects	(144,318)
Tax effects	23,327
Total other comprehensive income	<u>\$ (120,991)</u>

2) Deferred tax of other comprehensive income for the year ended March 31, 2019:

	Millions of yen		
	Before-tax amounts	Tax (expense) Benefits	Net-of-tax amounts
Unrealized gain or loss on available-for-sale securities	¥ (10,363)	¥ 2,307	¥ (8,055)
Deferred gain or loss on derivatives under hedge accounting	1,077	(344)	733
Adjustments for retirement benefits	(2,390)	602	(1,787)
Foreign currency translation adjustments	(2,792)	-	(2,792)
Share of other comprehensive income of affiliates accounted for by the equity method	(1,408)	-	(1,408)
Total other comprehensive income	¥ (15,875)	¥ 2,566	¥ (13,309)

(For the year ended March 31, 2018)

	Thousands of U.S. dollars		
	Before-tax amounts	Tax benefits (expense)	Net-of-tax amounts
Unrealized gain or loss on available-for-sale securities	\$ (94,209)	\$ 20,973	\$ (73,227)
Deferred gain or loss on derivatives under hedge accounting	9,791	(3,127)	6,664
Adjustments for retirement benefits	(21,727)	5,473	(16,245)
Foreign currency translation adjustments	(25,382)	-	(25,382)
Share of other comprehensive income of affiliates accounted for by the equity method	(12,800)	-	(12,800)
Total other comprehensive income	\$ (144,318)	\$ 23,327	\$ (120,991)

- 1) The following table presents components of recycled amounts of other comprehensive income for the year ended March 31, 2018:

	Millions of yen	
Unrealized gain or loss on available-for-sale securities		
Amount arising during the year	¥ 6,357	
Reclassification adjustments for gains and losses included in profit	(220)	¥ 6,136
Deferred gain or loss on derivatives under hedge accounting		
Amount arising during the year	(1,693)	
Reclassification adjustments for gains and losses included in profit	97	

Adjustments for amounts transferred to assets' acquisition costs	(180)	(1,777)
Adjustments for retirement benefits		
Amount arising during the year	(73)	
Reclassification adjustments for gains and losses included in profit	1,900	1,826
Foreign currency translation adjustments		
Amount arising during the year	703	703
Share of other comprehensive income of affiliates accounted for by the equity method		
Amount arising during the year	488	
Reclassification adjustments for gains and losses included in profit	(71)	
Adjustments for amounts transferred to assets' acquisition costs	¥ 106	524
Subtotal before tax effects		7,413
Tax effects		(2,044)
Total other comprehensive income		¥ 5,369

2) Deferred tax of other comprehensive income for the year ended March 31, 2018:

	Millions of yen		
	Before-tax amounts	Tax (expense) benefits	Net-of-tax amounts
Unrealized gain or loss on available-for-sale securities	¥ 6,136	¥ (2,575)	¥ 3,561
Deferred gain or loss on derivatives under hedge accounting	(1,777)	571	(1,205)
Adjustments for retirement benefits	1,826	(40)	1,786
Foreign currency translation adjustments	703	-	703
Share of other comprehensive income of affiliates accounted for by the equity method	524	-	524
Total other comprehensive income	¥ 7,413	¥ (2,044)	¥5,369

17. Amount Per Share

	Yen		U.S. dollars
	2019	2018	2019
Profit attributable to owners of parent per share:			
Basic	¥ 412.98	¥ 405.05	\$ 3.75
Diluted	¥ -	¥ -	\$ -
	Yen		U.S. dollars
	2019	2018	2019
Net assets per share	¥ 3,513.58	¥ 3,355.77	\$ 31.94

Basic profit attributable to owners of parent per common stock (the “Basic profit per share”) is calculated by dividing profit attributable to owners of parent by the weighted average number of shares of common stock outstanding during the respective years (the “Weighted average number of shares”), adjusted for treasury stock held.

Diluted profit attributable to owners of parent per common stock has not been presented for the years ended March 31, 2019 and 2018, since the Company has issued no potentially dilutive shares.

Net assets per share are computed based on the net assets excluding non-controlling interests, and the number of shares of common stock outstanding at the year end.

The Company’s shares held in Board Benefit Trust (See in Note 2. (s)), which are treated as treasury stock, are deducted from the number of shares at the end of the fiscal year used in the calculation of the net asset per share and are also deducted from the weighted average number of shares used in the calculation of basic profit per share.

The number of shares of the above treasury stock deducted as of March 31, 2019 and 2018 are 115,000 and 120,800 shares, respectively. The weighted average number of shares of the above treasury stock deducted during the fiscal year ended March 31, 2019 and 2018 are 116,450 and 122,975 shares, respectively.

The bases for “Amount Per Share” calculation are as follows:

1) Basic profit attributable to owners of parent per share:

	<u>Thousands of shares</u>	
	<u>2019</u>	<u>2018</u>
Weighted average number of shares of common stock during the fiscal year	70,485	70,479

  

	<u>Millions of yen</u>		<u>Thousands of U.S. dollars</u>
	<u>2019</u>	<u>2018</u>	<u>2019</u>
Profit attributable to owners of parent	¥ 29,108	¥ 28,547	\$ 264,618
Profit not attributable to owners of parent	-	-	-
Profit attributable to owners of parent related to common stock	¥ 29,108	¥ 28,547	\$ 264,618

2) Net assets per share

	<u>Thousands of shares</u>	
	<u>2019</u>	<u>2018</u>
Number of shares of common stock at the end of the fiscal year	70,486	70,481

  

	<u>Millions of yen</u>		<u>Thousands of U.S. dollars</u>
	<u>2019</u>	<u>2018</u>	<u>2019</u>
Total net assets	¥ 279,911	¥ 272,071	\$ 2,544,645

Amounts deducted from total net assets:

Non-controlling interests	¥ (32,252)	¥ (35,552)	\$ (293,200)
Net assets attributable to shares of common stock	¥ 247,659	¥ 236,518	\$ 2,251,445

## 18. Financial Instruments and Related Disclosures

### 1. Conditions of Financial instruments

#### 1) Policy for financial instruments

The fund management policy of the Group (the Company and its consolidated subsidiaries) has been set up to put its operating funds in deposits or investments that are assured of no impairment, and the necessary funding is obtained through borrowings from banks and other financial institutions and from bond issuances. Derivative transactions are not entered into for speculative purposes.

#### 2) Details of financial instruments and associated risks and risk management system

Trade notes and accounts receivable arising from operation are exposed to credit risk of customers. The Group carries out the practice of keeping track of due dates and outstanding balances of each customer under the credit management rules, as well as monitoring major customers' credit status on a regular basis in order to minimize credit risk.

Marketable securities and investment securities are mainly equity securities and are exposed to the risk of changes in market value. These securities are primarily the shares of companies with which the Group has business relationship, and the fair value of these securities are evaluated on a regular basis.

Trade notes and accounts payable arising from operations normally have payment terms of less than one year.

Short-term and long-term debt are mainly utilized for working capital and capital investments. The interest rate risk of a certain portion of those loans payable is hedged using interest rate swaps as hedging instruments.

Although trade payable, short-term debt, and long-term debt are exposed to liquidity risk, these payables are managed by such means as cash flow projections prepared on a timely manner.

As it relates to derivative transactions, foreign exchange forward contracts are used for hedging foreign currency risk associated with receivables and payables arising from operations that are denominated in foreign currency; interest rate swaps are used for hedging interest rate risk associated with loans payable; and metal forward contracts are used for hedging the price risk related to raw materials and work in process. Execution and management of derivative transactions are subject to related internal rules. In relation to accounting for hedge transactions, hedging instruments, and hedged items, the Company's hedging policy and effectiveness of hedge transactions are set out in the Company's internal

rules.

### 3) Supplementary information on the fair value of financial instruments

The fair value of financial instruments is based upon the market prices or reasonable estimates of fair value of these instruments if these fair values are not available. The estimated fair values would not be fixed due to variety of factors and assumptions. In addition, the contractual amounts of the derivative transactions set out in “2. Fair value of financial instruments” below are not an indicator of the market risk associated with derivative transactions.

#### 2. Fair value of financial instruments

The carrying amounts on the consolidated balance sheet, the fair value amounts, and differences as of March 31, 2019 and 2018 are below. Note that financial instruments whereby it is extremely difficult to measure the fair value are not included in the following table. For this information, please see “Financial instruments whereby the fair value is extremely difficult to measure”)

(As of March 31, 2019)

	Millions of yen		
	Carrying amount (*1)	Fair value (*1)	Difference
(1) Cash and bank deposits	¥ 44,628	¥ 44,628	¥ -
(2) Trade receivable	219,347	219,347	-
(3) Marketable securities and investments securities			
a. Held-to-maturity debt securities	2,469	2,471	1
b. Available-for-sale securities	45,483	45,483	-
c. Unconsolidated subsidiaries and affiliated companies	59,878	38,379	(21,499)
Total of assets	371,809	350,311	(21,497)
(1) Trade payable	(131,422)	(131,422)	-
(2) Short-term debt	(106,710)	(106,710)	-
(3) Bonds (including current portion)	(20,000)	(20,130)	(130)
(4) Long-term debt	(119,298)	(119,994)	(695)
Total of liabilities	(377,432)	(378,258)	(826)
Derivative transactions (*2)			
(1) Derivative transactions for which hedge accounting does not apply	(146)	(146)	-
(2) Derivative transactions for which hedge accounting apply	697	697	
Total of derivative transactions	¥ 551	¥ 551	¥ -

	Thousands of U.S. dollars		
	Carrying amount (*1)	Fair value (*1)	Difference
(1) Cash and bank deposits	\$ 405,709	\$ 405,709	\$ -
(2) Trade receivable	1,994,064	1,994,064	-
(3) Marketable securities and investments securities			
a. Held-to-maturity debt securities	22,445	22,464	9
b. Available-for-sale securities	413,482	413,482	-
c. Unconsolidated subsidiaries and affiliated companies	544,345	348,900	(195,445)
Total of assets	3,380,082	3,184,645	(195,427)
(1) Trade payable	(1,194,745)	(1,194,745)	-
(2) Short-term debt	( 970,091)	(970,091)	-
(3) Bonds (including current portion)	(181,818)	(183,000)	(1,182)
(4) Long-term debt	(1,084,527)	(1,090,855)	(6,318)
Total of liabilities	(3,431,200)	(3,438,709)	(7,509)
Derivative transactions (*2)			
(1) Derivative transactions for which hedge accounting does not apply	(1,327)	(1,327)	-
(2) Derivative transactions for which hedge accounting apply	6,336	6,336	-
Total of derivative transactions	\$ 5,009	\$ 5,009	\$ -

(\*1); Liabilities are included in parentheses.

(\*2); Assets and liabilities arising from derivative transactions are presented on a net basis and net liabilities are included in parentheses.

(As of March 31, 2018)

	Millions of yen		
	Carrying amount (*1)	Fair value (*1)	Difference
(4) Cash and bank deposits	¥ 50,635	¥ 50,635	¥ -
(5) Trade receivable	224,335	224,335	-
(6) Marketable securities and investments securities			
b. Held-to-maturity debt securities	99	102	2
b. Available-for-sale securities	57,715	57,715	-
d. Unconsolidated subsidiaries and affiliated companies	60,695	46,396	(14,298)
Total of assets	393,480	379,184	(14,295)
(4) Trade payable	(124,387)	(124,387)	-
(5) Short-term debt	(106,279)	(106,279)	-
(6) Bonds (including current portion)	(30,000)	(30,018)	(18)
(4) Long-term debt	(122,227)	(122,659)	(432)

Total of liabilities	(382,893)	(383,345)	(451)
Derivative transactions (*2)			
(3) Derivative transactions for which hedge accounting does not apply	61	61	-
(4) Derivative transactions for which hedge accounting apply	(459)	(459)	-
Total of derivative transactions	¥ (398)	¥ (398)	¥ -

(\*1); Liabilities are included in parentheses.

(\*2); Assets and liabilities arising from derivative transactions are presented on a net basis and net liabilities are included in parentheses.

## I. Fair value of financial instruments

### Assets

#### (1) Cash and deposits

The carrying amount approximates fair value due to the short maturity of these instruments.

#### (2) Trade receivable

The carrying amount approximates fair value due to the short maturity of these instruments. A part of trade receivable is treated as receivable denominated in Japanese yen due to applying the special treatment of foreign currency exchange contracts and the carrying amount approximates fair value.

#### (3) Marketable securities and investment securities

The fair value of equity securities is based on quoted market price, if available. The fair value of debt securities is based on quoted market price or provided price by financial institutions. Marketable securities and investment securities by holding purpose are set out in "Note 5. Debt and Equity Securities".

### Liabilities

#### (1) Trade payable

The carrying amount approximates fair value because of the short maturity of these instruments. A part of trade payable is treated as payable denominated in Japanese yen due to applying the special treatment of foreign currency exchange contracts and the carrying amount approximates fair value.

#### (2) Short-term debt

The carrying amount approximates fair value because of the short maturity of these instruments.

#### (3) Bonds

Fair value of bonds is based on quoted market price, if available. If not, the fair value is based on present value by discounting total cash flows of principal and interest to be paid at the rate considering remaining periods of those bonds and the related credit risk.

#### (4) Long-term debt

Fair value of long-term debts is based on the price provided by financial institutions



or the present value of future cash flows discounted using the current interest rate for similar debt of a comparable maturity. Interest rate swaps subject to special treatment are used for long-term floating rate debt. Embedded interest rate swaps are discounted using current interest rate, which is reasonably estimated using similar debt of a comparable maturity.

#### Derivative Transactions

Notional amount, fair value, unrealized gain or loss, and others are described in Note 19. “Additional Information on Derivatives”.

- II. Financial instruments whereby the fair value is extremely difficult to measure  
 Unlisted investment securities of unconsolidated subsidiaries and affiliated companies amounted to ¥13,727 million (\$124,791 thousand) and ¥13,761 million as of March 31, 2019 and 2018 are not included in (3) Marketable securities and investments securities a. Held-to-maturity debt securities and c. Unconsolidated subsidiaries and affiliated companies above, because market value is not available and their future cash flow are difficult to estimate, accordingly it is not practicable to estimate the fair value.

- III. The redemption schedule for money claim and held-to-maturity debt securities with maturity date subsequent to the consolidated balance sheets date:

(As of March 31, 2019)

	Millions of yen			
	Within 1 year	Over 1 year to 5 years	Over 5 year to 10 years	Over 10 years
Bank deposits	¥ 43,305	¥ -	¥ -	¥ -
Trade receivable	219,347	-	-	-
Marketable securities and investments securities				
Held-to-maturity debt securities:				
1) Government bonds, municipal bonds and other	2,370	-		
2) Other debt securities	-	99	-	-
Total	¥ 265,023	¥ 99	¥ -	¥ -

	Thousands of U.S. dollars			
	Within 1 year	Over 1 year to 5 years	Over 5 year to 10 years	Over 10 years
Bank deposits	\$ 393,682	\$ -	\$ -	\$ -
Trade receivable	1,994,064	-	-	-
Marketable securities and investments securities				
Held-to-maturity debt securities:				
1) Government bonds, municipal bonds and other	21,545	-		

2) Other debt securities	-	900	-	-
Total	\$ 2,409,300	\$ 900	\$ -	\$ -

(As of March 31, 2018)

	Millions of yen			
	Within 1 year	Over 1 year to 5 years	Over 5 year to 10 years	Over 10 years
Bank deposits	¥ 49,810	¥ -	¥ -	¥ -
Trade receivable	224,335	-	-	-
Marketable securities and investments securities				
Held-to-maturity debt securities:				
Other debt securities	-	99	-	-
Total	¥ 274,145	¥ 99	¥ -	¥ -

IV. The redemption schedule for long-term debt and other interest bearing debt with maturity date subsequent to the consolidated balance sheets date are described in “Note 8. Short-term Debt, Long-term Debt and Bonds”.

## 19. Additional Information on Derivatives

1. As of March 31, 2019

- 1) Derivative transactions for which hedge accounting does not apply  
a) Foreign currency related transactions

	Millions of yen				Thousands of U.S. dollars			
	Notional Amount	Portion over 1 year	Fair value (*)	Unrealized gain(loss)	Notional Amount	Portion over 1 year	Fair value (*)	Unrealized gain(loss)
Non-market transaction								
Foreign currency:								
Sell								
U.S.\$	¥ 2,185	-	¥ (16)	¥ (16)	\$ 19,864	-	\$ (145)	\$ (145)
Yen	1,019	-	38	38	9,264	-	345	345
Qatari Riyal	1,213	-	(51)	(51)	11,027	-	(464)	(464)
Bahraini Dinar	4,991	622	(131)	(131)	45,373	5,655	(1,191)	(1,191)
Indonesian Rupiah	2,911	-	(56)	(56)	26,464	-	(509)	(509)
Other	73	-	(0)	(0)	664	-	(0)	(0)
Buy								
U.S.\$	3,465	-	16	16	31,500	-	145	145
Yen	1,554	-	5	5	14,127	-	45	45
Other	666	-	18	18	6,055	-	164	164
Total	<u>¥18,081</u>	<u>¥ 622</u>	<u>¥ (177)</u>	<u>¥ (177)</u>	<u>\$ 164,373</u>	<u>\$ 5,655</u>	<u>\$(1,609)</u>	<u>\$ (1,609)</u>

(\*) Fair value is determined by prices obtained from foreign exchange market.

b) Commodity related transactions

Millions of yen				Thousands of U.S. dollars				
2019				2019				
Notional Amount	Portion over 1 year	Fair value (*)	Unrealized gain(loss)	Notional Amount	Portion over 1 year	Fair value (*)	Unrealized gain(loss)	
Market transaction								
Forward contracts:								
Sell	¥ 9,322	¥ -	¥(98)	¥(98)	\$ 84,745	\$ -	\$ (891)	\$ (891)
Buy	5,260	-	127	127	47,818	-	1,155	1,155
Total	¥ 14,583	¥ -	¥ 28	¥ 28	\$ 132,573	\$ -	\$ 255	\$ 255

(\*) Fair value is determined by prices obtained from commodity exchange market.

2) Derivative transactions for which hedge accounting apply

a) Foreign currency related transactions

Millions of yen					Thousands of U.S. dollars			
2019					2019			
Hedged item	Notional Amount	Portion over 1 year	Fair value (*)	Calculation method of fair value	Notional Amount	Portion over 1 year	Fair value (*)	
Normal accounting method								
Foreign currency:								
Sell								
U.S.\$	Trade	¥6,739	¥ 268	¥ (18)	Forward rate of foreign currency	\$ 61,264	\$ 2,436	\$ (164)
Euro	Receivable (Forecast transactions)	365	77	10		3,318	700	91
Other		150	-	(1)		1,364	-	(9)
Buy								
U.S.\$	Trade	11,941	19	(12)	Forward rate of foreign currency	108,555	173	(109)
Euro	payable (Forecast transactions)	75	-	0		682	-	0
Other		3,597	-	(26)		32,700	-	(236)
Assignment accounting (special treatment for foreign exchange forward contracts)								
Foreign currency:								
Sell								
U.S.\$	Trade	15,015	-	-		136,500	-	-
Other	receivable	383	-	-		3,482	-	-
Buy								
U.S.\$	Trade	489	-	-		4,445	-	-
Other	payable	-	-	-		-	-	-
Currency swap								
	Long-term debt	2,000	2,000	-		18,182	18,182	-
	Total	¥40,757	¥2,365	¥ (47)		\$ 370,518	\$ 21,500	\$ (427)

(\*) The fair value of foreign currency related transactions subject to assignment accounting (special treatment for foreign exchange forward contract) is accounted for together with the underlying trade receivable or trade payable or long-term debt subject to hedging.

b) Interest-rate related transactions

		Millions of yen			Thousands of U.S. dollars		
		2019			2019		
Hedged item	Notional Amount	Portion over 1 year	Fair value (*)	Notional Amount	Portion over 1 year	Fair value (*)	
Special treatment interest rate swap:							
Receiving fixed rates and paying floating rates	Long-term debt	¥ -	¥ -	-	\$ -	\$ -	-
Receiving floating rates and paying fixed rates	Long-term debt	46,100	26,100	-	419,091	237,273	-
	Total	¥ 46,100	¥ 26,100	-	\$ 419,091	\$ 237,273	-

(\*) The fair value of interest rate swaps subject to special treatment embedded in long-term debt subject to hedging included in the fair value of the corresponding long-term debt.

c) Commodity related transactions

		Millions of yen			Thousands of U.S. dollars		
		2019			2019		
Hedged item	Notional Amount	Portion over 1 year	Fair value	Calculation method of fair value	Notional Amount	Portion over 1 year	Fair value
Normal accounting method:							
Forward contracts for metal materials:							
Raw Sell materials and work Buy in process	¥ 2,466	¥ -	¥ (53)	Forward rate of metal material	\$ 22,418	\$ -	\$ (482)
	17,479	837	799		158,900	7,609	7,264
Total	¥ 19,946	¥ 837	¥ 745		\$ 181,327	\$ 7,609	\$ 6,773

2. As of March 31, 2018

1) Derivative transactions for which hedge accounting does not apply

a) Foreign currency related transactions

Millions of yen			
2018			
Notional Amount	Portion over 1 year	Fair value (*)	Unrealized gain(loss)
Non-market transaction			

Foreign currency:

Sell

U.S.\$	¥ 959	-	¥ (9)	¥ (9)
Yen	1,024	-	31	31
Qatari Riyal	1,243	-	33	33
Bahraini Dinar	550	-	20	20
Indonesian Rupiah	2,783	-	(7)	(7)
Buy				
U.S.\$	2,575	186	(33)	(33)
Yen	1,186	-	(3)	(3)
Other	50	-	4	4
Total	<u>¥ 10,375</u>	<u>¥ 186</u>	<u>¥ 36</u>	<u>¥ 36</u>

(\*) Fair value is determined by prices obtained from foreign exchange market.

b) Commodity related transactions

Millions of yen				
2018				
	Notional Amount	Portion over 1 year	Fair value (*)	Unrealized gain(loss)
Market transaction				
Forward contracts:				
Sell	¥ 8,790	¥ -	¥ 157	¥ 157
Buy	8,491	-	(132)	(132)
Total	<u>¥ 17,281</u>	<u>¥ -</u>	<u>¥ 25</u>	<u>¥ 25</u>

(\*)Fair value is determined by prices obtained from commodity exchange market.

2) Derivative transactions for which hedge accounting apply

a) Foreign currency related transactions

Millions of yen					
2018					
	Hedged item	Notional Amount	Portion over 1 year	Fair value (*)	Calculation method of fair value
Normal accounting method					
Foreign currency:					
Sell					
U.S.\$	Trade receivable	¥8,535	-	¥ 313	Forward rate of foreign currency
Euro	(Forecast transactions)	316	¥ 79	2	
Other		2,391	-	3	
Buy					
U.S.\$	Trade payable	11,896	-	(447)	Forward
Euro		318	-	21	

Other	(Forecast transactions)	2,127		(157)	rate of foreign currency
Assignment accounting (special treatment for foreign exchange forward contracts)					
Foreign currency:					
Sell					
U.S.\$	Trade receivable	4,969	-	-	-
Other		1,432	-	-	-
Buy					
U.S.\$	Trade payable	837	-	-	-
Other		37	-	-	-
Currency swap					
	Long-term debt	2,000	2,000	-	-
	Total	<u>¥ 34,862</u>	<u>¥ 2,079</u>	<u>¥ (263)</u>	<u>-</u>

(\*) The fair value of foreign currency related transactions subject to assignment accounting (special treatment for foreign exchange forward contract) is accounted for together with the underlying trade receivable or trade payable or long-term debt subject to hedging.

b) Interest-rate related transactions

Millions of yen				
2018				
	Hedged item	Notional Amount	Portion over 1 year	Fair value (*)
Special treatment interest rate swap:				
Receiving fixed rates and paying floating rates	Long-term debt	¥ 220	¥ -	-
Receiving floating rates and paying fixed rates	Long-term debt	59,988	46,988	-
	Total	<u>¥ 60,209</u>	<u>¥ 46,988</u>	<u>-</u>

(\*) The fair value of interest rate swaps subject to special treatment embedded in long-term debt subject to hedging included in the fair value of the corresponding long-term debt.

c) Commodity related transactions

Millions of yen					
2018					
	Hedged item	Notional Amount	Portion over 1 year	Fair value	Calculation method of fair value
Normal accounting method:					
Forward contracts for metal materials:					
Sell	Raw materials and work in	¥ 2,768	¥ -	¥(20)	Forward rate of metal
Buy		<u>14,678</u>	<u>375</u>	<u>(175)</u>	

process	¥ 17,446	¥ 375	¥ (195)	material
Total				

## 20. Segment Information

### 1. Outline of reportable segments

The reportable segments of the Company are components for which the financial information can be obtained separately from its other components, and the Board of Directors reviews such reportable segments on a regular basis in order to decide allocations of managerial resources and evaluate business performance.

The Group establishes divisions by type of product and service, and each division draws up their comprehensive strategy of the products sold and services performed in domestic and overseas market.

Products and services of main business on each segment are as follows;

#### (1) Infrastructure

Optical fiber, optical fiber cable, optical components, semiconductor optical devices, material communication cable, fusion splicer, industrial lasers, network equipment, CATV system, radio products, power transmission cable, power transmission cable accessories and insulations, insulated wires, electrical insulation tape, electronic material products, etc.

#### (2) Electronics & Automotive Systems

Automotive components (wire harness, steering roll connector, battery state sensor, perimeter monitoring radar, etc.), automatic batteries/batteries for industrial use, copper/aluminum wires, magnet wires, copper and copper alloy products, functional surface products (plating), processed products for electronic parts (leading frame, etc.), superconducting products, special metal materials (shape-memory/super-elastic alloys), etc.

#### (3) Functional Products

Cable conduits, water-feeding pipe materials, foaming products, UV tapes for semiconductor manufacturing, electronic components materials, heat-dissipation products, hard disc drive (HDD) aluminum substrates, electrodeposited copper foils, etc.

#### (4) Service and Development, etc.

Logistics, supporting service for each business of the Group as business in trust etc., real-estate leasing, hydraulic power generation, driving of R&D for new products, etc.

SPC No.5 formed by Aspirant Group Inc. made a Take Over Bid (the "TOB") for shares of FCM CO., Ltd. The Company applied all ordinary shares hold by the Company to such TOB and this TOB succeeded on November 30, 2018. As a result, FCM CO., Ltd was excluded from the scope of its consolidated subsidiaries.

The operation for industrial lasers, which was previously classified as “Service and Development, etc.” segment, turned out to have no prospect to commercialization. As a result, such an operation was reviewed, and it was reclassified to be part of the Infrastructure” segment.

The allocation method of head office’s costs of the Company has been changed from this fiscal year in order to reflect results of each reportable segment more appropriately.

The last year’s segment information was retroactively revised based on the current classification.



2. Segment information on sales and income (loss), identifiable assets and other items by business for the years ended March 31, 2019 and 2018 is summarized as follows:

(For the year ended March 31, 2019)

		Millions of yen					
	Infrastructure	Electronics & Automotive Systems	Functional products	Service and Development, etc.	Sub-total	Adjustments*	Total
Net sales							
Outside customers	¥ 282,250	¥ 536,675	¥ 140,748	¥ 31,916	¥ 991,590	¥ -	¥ 991,590
Inter-segment sales	5,723	25,995	8,551	15,649	55,921	(55,921)	-
Total	287,973	562,671	149,300	47,565	1,047,511	(55,921)	991,590
Segment income(loss)	¥ 7,430	¥ 19,706	¥ 13,539	¥ 55	¥ 40,731	¥ 111	¥ 40,842
Assets	¥ 263,288	¥ 340,767	¥ 102,879	¥ 138,621	¥ 845,555	¥ (27,534)	¥ 818,021
Others							
Depreciation	¥ 7,632	¥ 11,797	¥ 4,416	¥ 1,218	¥ 25,064	¥ 1,207	¥ 26,271
Amortization of goodwill	¥ 114	¥ 9	¥ 119	¥ 345	¥ 588	¥ -	¥ 588
Investments in affiliates accounted for by the equity method	¥ 7,082	¥ 7,091	¥ 6,983	¥ 48,895	¥ 70,052	¥ -	¥ 70,052
Tangible/intangible fixed assets increased	¥ 23,986	¥ 16,133	¥ 5,247	¥ 1,692	¥ 47,060	¥ 2,976	¥ 50,036

(For the year ended March 31, 2018)

		Millions of yen					
	Infrastructure	Electronics & Automotive Systems	Functional products	Service and Development, etc.	Sub-total	Adjustments*	Total
Net sales							
Outside customers	¥ 286,029	¥ 502,521	¥ 144,198	¥ 34,584	¥ 967,333	¥ -	¥ 967,333
Inter-segment sales	7,366	31,269	8,867	16,416	63,920	(63,920)	-
Total	293,396	533,790	153,065	51,001	1,031,254	(63,920)	967,333
Segment income(loss)	¥ 12,375	¥ 18,360	¥ 14,032	¥ (22)	¥ 44,746	¥ 58	¥ 44,804
Assets	¥ 251,329	¥ 332,930	¥ 114,164	¥ 134,678	¥ 833,104	¥ (24,471)	¥ 808,632
Others							
Depreciation	¥ 6,839	¥ 11,722	¥ 4,289	¥ 1,150	¥ 24,001	¥ 1,105	¥ 25,106
Amortization of goodwill	¥ 129	¥ 6	¥ 117	¥ 345	¥ 599	¥ -	¥ 599
Investments in affiliates accounted for by the equity method	¥ 6,673	¥ 7,214	¥ 7,243	¥ 49,441	¥ 70,573	¥ -	¥ 70,573
Tangible/intangible fixed assets increased	¥ 17,868	¥ 12,070	¥ 3,645	¥ 2,042	¥ 35,627	¥ 2,916	¥ 38,543

(For the year ended March 31, 2019)

		Thousands of U.S. dollars (Note 3)					
	Infrastructure	Electronics & Automotive Systems	Functional products	Service and Development, etc.	Sub-total	Adjustments*	Total
Net sales							
Outside customers	\$ 2,565,909	\$ 4,878,864	\$ 1,279,527	\$ 290,145	\$ 9,014,455	\$ -	\$ 9,014,455
Inter-segment sales	52,027	236,318	77,736	142,264	508,373	(508,373)	-
Total	2,617,936	5,115,191	1,357,273	432,409	9,522,827	(508,373)	9,014,455
Segment income(loss)	\$ 67,545	\$ 179,145	\$ 123,082	\$ 500	\$ 370,282	\$ 1,009	\$ 371,291
Assets	\$ 2,393,527	\$ 3,097,882	\$ 935,264	\$ 1,260,191	\$ 7,686,864	\$ (250,309)	\$ 7,436,555
Others							
Depreciation	\$ 69,382	\$ 107,245	\$ 40,145	\$ 11,073	\$ 227,855	\$ 10,973	\$ 238,827
Amortization of goodwill	\$ 1,036	\$ 82	\$ 1,082	\$ 3,136	\$ 5,345	\$ -	\$ 5,345
Investments in affiliates accounted for by the equity method	\$ 64,382	\$ 64,464	\$ 63,482	\$ 444,500	\$ 636,836	\$ -	\$ 636,836
Tangible/intangible fixed assets increased	\$ 218,055	\$ 146,664	\$ 47,700	\$ 15,382	\$ 427,818	\$ 27,055	\$ 454,873

\* Inter-segment transactions are eliminated from the consolidated financial statements. Corporate assets are included in the consolidated financial statements. Adjustments include increase of tangible/intangible fixed assets and depreciation related to the corporate assets.

<Related information>  
Information by regions

(For the year ended March 31, 2019)

	Millions of yen					
	Japan	China	Other asian areas	North middle america	Other	Total
Net sales	¥ 521,281	¥ 94,006	¥ 213,260	¥ 72,677	¥ 90,364	¥ 991,590

	Millions of yen				
	Japan	Asia	North middle america	Other	Total
Property, plant and equipment, net of accumulated depreciation	¥ 131,647	¥ 56,394	¥ 32,035	¥ 9,283	¥ 229,360

	Thousands of U.S. dollars (Note 3)					
	Japan	China	Other asian areas	North middle america	Other	Total
Net sales	\$ 4,738,918	\$ 854,600	\$ 1,938,727	\$ 660,700	\$ 821,491	\$ 9,014,455

	Thousands of U.S. dollars (Note 3)				
	Japan	Asia	North middle america	Other	Total
Property, plant and equipment, net of accumulated depreciation	\$ 1,196,791	\$ 512,673	\$ 291,227	\$ 84,391	\$ 2,085,091

(For the year ended March 31, 2018)

	Millions of yen					
	Japan	China	Other asian areas	North middle america	Other	Total
Net sales	¥ 510,663	¥ 96,911	¥ 193,059	¥ 84,746	¥ 81,952	¥ 967,333

	Millions of yen				
	Japan	Asia	North middle america	Other	Total
Property, plant and equipment, net of accumulated depreciation	¥ 128,724	¥ 55,076	¥ 23,835	¥ 9,092	¥ 216,728

<Information of impairment loss by reportable segments>

(For the year ended March 31, 2019)

	Millions of yen						
	Infrastructure	Electronics & Automotive Systems	Functional products	Service and Development, etc.	Sub-total	Adjustment	Total
Impairment loss	¥ 2,465	¥ 161	¥ —	¥ —	¥ 2,627	¥ —	¥ 2,627

	Thousands of U.S. dollars (Note 3)						
	Infrastructure	Electronics & Automotive Systems	Functional products	Service and Development, etc.	Sub-total	Adjustment	Total
Impairment loss	\$ 22,409	\$ 1,464	\$ —	\$ —	\$ 23,882	\$ —	\$ 23,882

(For the year ended March 31, 2018)

	Millions of yen						
	Infrastructure	Electronics & Automotive Systems	Functional products	Service and Development, etc.	Sub-total	Adjustment	Total
Impairment loss	¥ 2,774	¥ 342	¥ 5	¥ —	¥ 3,122	¥ —	¥ 3,122

<Information of goodwill by reportable segments>

(For the year ended March 31, 2019)

	Millions of yen						
	Infrastructure	Electronics & Automotive Systems	Functional products	Service and Development, etc.	Sub-total	Adjustment	Total
Amortization of goodwill	¥ 114	¥ 9	¥ 119	¥ 345	¥ 588	¥ —	¥ 588
Goodwill as of March 31	¥ 133	¥ 830	¥ 261	¥ 1,526	¥ 2,751	¥ —	¥ 2,751

	Thousands of U.S. dollars (Note 3)						
	Infrastructure	Electronics & Automotive Systems	Functional products	Service and Development, etc.	Sub-total	Adjustment	Total
Amortization of goodwill	\$ 1,036	\$ 82	\$ 1,082	\$ 3,136	\$ 5,345	\$ —	\$ 5,345
Goodwill as of March 31	\$ 1,209	\$ 7,545	\$ 2,373	\$ 13,873	\$ 25,009	\$ —	\$ 25,009

(For the year ended March 31, 2018)

	Millions of yen						
	Infrastructure	Electronics & Automotive Systems	Functional products	Service and Development, etc.	Sub-total	Adjustment	Total
Amortization of goodwill	¥ 129	¥ 6	¥ 117	¥ 345	¥ 599	¥ —	¥ 599
Goodwill as of March 31	¥ 264	¥ 14	¥ 392	¥ 1,871	¥ 2,542	¥ —	¥ 2,542

## 22. Related Party Transactions

### 1. 1) Transactions of the Company with related companies and others

(For the year ended March 31, 2019)

a) Officers and major shareholders of the Company (only in the case of individuals), etc.

Type of Related Party	Directors
Name	Tatsuo Teratani
Address	-
Capital	-
Type of business	Director
Voting right share owing (share owned)	Direct 0.0%
Business relationship	Conclusion of engineering guidance contact
Description of transactions	Payment of engineering guidance fee
Amounts of transactions	¥6 million (\$54 thousand)

b) Transactions of the non-consolidated subsidiaries and affiliates of the Company

Type of Related Party	Non-consolidated subsidiary
Name	Tohoku Access Cable Company
Address	Hachinohe-city Aomori prefecture
Capital	¥20 million (\$182 thousand)
Type of business	Manufacturing
Voting right share owing (share owned)	Direct 100.0%
Business relationship	Supply of raw materials and sales of it's products
Description of transactions	Distribution of residual assets as a result of liquidation
Amounts of transactions	¥349 million (\$3,173 thousand)

(Note)

Since Tohoku Access Cable Company completed liquidation procedures in December, 2018, the above amounts were transaction amounts of the period when it was a related party and the above voting right share owing (share owned) was at a point of time when it did not correspond to a related party.

In terms of distribution of residual assets due to liquidation, it considered financial condition of the subsidiary and others.

(For the year ended March 31, 2018)

None.

### 2) Transactions of the subsidiaries with related companies and others

(For the year ended March 31, 2019)

Type of Related Party	Directors
Name	Tatsuo Teratani
Address	-
Capital	-
Type of business	Director
Voting right share owing (share owned)	Non-direct 0.0%
Business relationship	Conclusion of engineering guidance
1) Description of transactions	Payment of engineering guidance fee
Amounts of transactions	¥9 million (\$81 thousand)
Accounts	Accrued expense
Year-end balances	-

(For the year ended March 31, 2018)

None.

### 2. Information on the parent company and significant affiliate companies

(For the years ended March 31, 2019 and 2018)

1) Information on the parent company

None.

2) Financial statements of a significant affiliate company

A significant affiliate company is UACJ Corporation (hereafter "UACJ").

Summarized aggregate financial statement data of UACJ is as follows.

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
Total current assets	¥348,291	¥322,461	\$3,166,282
Total non-current assets	¥458,933	¥451,610	\$4,172,118
Total current liabilities	¥273,269	¥273,148	\$2,484,264
Total non-current liabilities	¥327,751	¥292,527	\$2,979,555
Net assets	¥206,204	¥208,396	\$1,874,582
Sales	¥661,330	¥624,270	\$6,012,091
Profit before income taxes	¥10,041	¥19,692	\$91,282
Profit attributable to owners of parent	¥1,116	¥12,253	\$10,145

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Furukawa Electric Co., Ltd.:

We have audited the accompanying consolidated balance sheet of Furukawa Electric Co., Ltd. and its consolidated subsidiaries (the "Company") as of March 31, 2019, and the related consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### Management's Responsibility for the Consolidated Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Furukawa Electric Co., Ltd. and its consolidated subsidiaries as of March 31, 2019, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

### Other Matter

The consolidated financial statements of the Company for the year ended March 31, 2018, were audited by other auditors whose report, dated June 22, 2018, expressed an unqualified opinion on those statements.

### Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

*Deloitte Touche Tohmatsu LLC*

June 27, 2019