

Consolidated Financial Results for the Fiscal Year Ended March 31, 2018(J-GAAP)

May 14, 2018

Company name: T.RAD Co., Ltd.

Code No.: 7236

Representative: Hiromi Kano, President

Contact: Norio Kanai, Executive Officer,
Finance & Accounting Dept.

Listing: Tokyo Stock Exchange, First Section

URL: <http://www.trad.co.jp>

Tel: +81-3-3373-1101

Scheduled date of the Ordinary General Meeting of Shareholders: June 27, 2018

Scheduled date of filing of securities report: June 27, 2018

Scheduled date of start of dividend payments: June 28, 2018

Supplemental materials prepared for consolidated financial results: None

Briefing on consolidated financial results: Yes

(Amounts less than one million yen have been truncated)

1. Consolidated Financial Performance for the Fiscal Year Ended March 31, 2018

(April 1, 2017 to March 31, 2018)

(1) Consolidated operating performance

(Percentage figures indicate year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2018	124,490	15.7	5,792	80.1	6,445	81.9	3,691	82.6
Fiscal year ended March 31, 2017	107,608	5.4	3,216	157.9	3,544	148.9	2,022	171.4

Note: Comprehensive income

Fiscal year ended March 31, 2018: ¥4,189 million —%

Fiscal year ended March 31, 2017: ¥1,586 million —%

	Net income per share	Diluted net income per share	Return on shareholders' equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2018	463.77	—	8.6	7.5	4.7
Fiscal year ended March 31, 2017	252.74	—	4.9	4.5	3.0

Reference: Equity earnings (losses) of affiliates

Fiscal year ended March 31, 2018: ¥337 million

Fiscal year ended March 31, 2017: ¥387 million

Note: We consolidated each unit of 10 common shares into a unit of one share on October 1, 2017. Net income per share and Diluted net income per share are calculated on the assumption that the consolidation of shares was conducted at beginning of the previous consolidated fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal year ended March 31, 2018	94,241	46,639	47.6	5,635.91
Fiscal year ended March 31, 2017	79,213	42,385	52.4	5,211.69

Reference: Shareholders' equity

As of March 31, 2018: ¥44,861 million

As of March 31, 2017: ¥41,485 million

Note: We consolidated each unit of 10 common shares into a unit of one share on October 1, 2017. Net assets per share is calculated on the assumption that the consolidation of shares was conducted at beginning of the previous consolidated fiscal year.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investment activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended March 31, 2018	9,202	(4,422)	749	11,965
Fiscal year ended March 31, 2017	6,693	(5,775)	(1,425)	6,216

2. Dividends

	Dividends per Share					Total Dividends Paid (Annual)	Payout Ratio (Consolidated)	Dividends per Net Assets (Consolidated)
	1Q	2Q	3Q	Year-End	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2017	—	3.00	—	3.00	6.00	477	23.7	1.2
Fiscal year ended March 31, 2018	—	3.00	—	60.00	—	716	19.4	1.7
Fiscal year ending March 31, 2019 (Forecast)	—	40.00	—	50.00	90.00		26.5	

We consolidated each unit of 10 common shares into a unit of one share on October 1, 2017. The amount of the year-end dividends per share for the fiscal year ended March 31, 2018, is described taken consolidation of shares into consideration, and annual dividends per share is described as “—.” The annual dividends per share which is converted by the basis after consolidation of shares for the fiscal year ended March 31, 2017 and 2018, are respectively 60 yen and 90 yen.

3. Forecast of Consolidated Financial Performance for the Fiscal Year Ending March 31, 2019

(April 1, 2018 to March 31, 2019)

(Percentage figures indicate changes from the same period of the previous year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
2 nd Quarter ending September 30, 2018	67,400	14.4	3,000	11.7	3,000	-2.0	1,900	29.4	238.70
Fiscal year ending March 31, 2019	136,500	9.6	6,100	5.3	6,200	-3.8	2,700	-26.8	339.20

4. Other

- (1) Changes in significant subsidiaries during the period (changes in specific subsidiaries resulting in changes in the scope of consolidation): None
- (2) Changes in accounting principles, procedures, presentation methods
 - 1) Changes associated with revision of accounting standards: None
 - 2) Changes other than 1): None
 - 3) Changes accounting estimation procedures: None
 - 4) Changes in presentation methods: None
- (3) Number of shares issued and outstanding (common stock)
 - 1) Number of shares issued and outstanding at end of year (including treasury stock)
 - As of March 31, 2018: 8,344,405 shares
 - As of March 31, 2017: 8,344,405 shares
 - 2) Number of shares of treasury stock at end of period
 - As of March 31, 2018: 384,514 shares
 - As of March 31, 2017: 382,534 shares
 - 3) Average number of shares outstanding during the period
 - Fiscal year ended March 31, 2018: 7,960,893 shares
 - Fiscal year ended March 31, 2017: 8,004,003 shares

Note: We consolidated each unit of 10 common shares into a unit of one share on October 1, 2017. Number of shares issued and outstanding at end of year, Number of shares of treasury stock at end of period and Average number of shares outstanding during the period are calculated on the assumption that the consolidation of shares was conducted at beginning of the previous consolidated fiscal year.

(Reference) Summary of Non-consolidated Financial Performance

1. Non-consolidated Financial Performance for Fiscal Year Ended March 31, 2018

(April 1, 2017 to March 31, 2018)

(1) Non-consolidated operating performance

(Percentage figures indicate year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2018	63,522	11.8	605	-23.4	4,025	40.9	2,711	42.4
Fiscal year ended March 31, 2017	56,834	-2.9	790	—	2,856	49.3	1,904	116.3

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended March 31, 2018	340.65	—
Fiscal year ended March 31, 2017	238.02	—

Note: We consolidated each unit of 10 common shares into a unit of one share on October 1, 2017. Net income per share and Diluted net income per share are calculated on the assumption that the consolidation of shares was conducted at beginning of the previous consolidated fiscal year.

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal year ended March 31, 2018	60,003	31,926	53.2	4,010.91
Fiscal year ended March 31, 2017	52,391	29,801	56.9	3,743.88

Reference: Shareholders' equity

As of March 31, 2018: ¥31,926 million

As of March 31, 2017: ¥29,801 million

Note: We consolidated each unit of 10 common shares into a unit of one share on October 1, 2017. Net assets per share is calculated on the assumption that the consolidation of shares was conducted at beginning of the previous consolidated fiscal year.

2. Forecast of Non-Consolidated Financial Performance for the Fiscal Year Ending March 31, 2019

(April 1, 2018 to March 31, 2019)

(Percentage figures indicate changes from the same period of the previous year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
2 nd Quarter ending September 30, 2018	32,200	4.3	200	-75.4	1,500	-47.2	1,200	-41.0	150.76
Fiscal year ending March 31, 2019	65,800	3.6	500	-17.4	3,000	-25.5	400	-85.2	50.25

* The consolidated financial results presented herein are not subject to the audit procedures by certified public accountant or audit firm.

* Explanations for proper use of forecasts and other specific affairs

The forward-looking statement such as forecast of financial performance etc. described in this report based on information currently available and certain assumptions judged to be reasonable. Actual performance may differ significantly from these projections due to various factors.

Table of Contents

1. Business Results and Qualitative Information for the Fiscal Year Ended March 31, 2018.....	5
(1) General overview of financial performance.....	5
(2) General overview of Consolidated financial position.....	6
2. Overview of the T.RAD Group	7
3. Basic Concept Behind the Selection of Accounting Standards	9
4. Consolidated Financial Statements	10
(1) Consolidated balance sheets	10
(2) Consolidated statements of income and consolidated statement of comprehensive income	12
(Consolidated statements of income).....	12
(Consolidated statement of comprehensive income).....	14
(3) Consolidated statements of changes in net assets	15
(4) Consolidated statements of cash flows.....	17
(5) Notes concerning consolidated financial statement	19
(Going concern assumptions)	19
(Basis for preparation of consolidated financial statements).....	19
(Consolidated balance sheets).....	22
(Consolidated statements of income).....	22
(Consolidated statement of changes in net assets).....	25
(Notes to consolidated statement of cash flows).....	27
(Segment information)	27
(Supplementary information).....	30
(Per share information).....	31
(Significant subsequent events)	31
(Omitted disclosure)	31
5. Non-Consolidated Financial Statements and main notes	32
(1) Non-consolidated balance sheets	32
(2) Non-consolidated statements of income	36
(3) Non-consolidated statements of changes in net assets.....	38
(4) Notes concerning non-consolidated financial statement.....	40
(Going concern assumptions)	40

1. Business Results and Qualitative Information for the Fiscal Year Ended March 31, 2018

(1) General overview of financial performance

General overview

There was a gradual recovery trend in the economic environment during the consolidated fiscal year that ended March 31, 2018, with improvements in the corporate earnings environment behind the progress of the weakening yen and increase of exports. However, uncertainties remain in overseas political trends, including the protectionist policy management of the U.S. administration and Geopolitical risk.

Under the circumstances, the net sales and operating income of the TRAD Group (on a foreign currency basis) increased in subsidiaries of the United States, China and Asia, due to strong performance. The profit attributable to owner of parent increased from the same period of the previous year, although we posted extraordinary loss accompanying payment of settlement related to antitrust laws, due to posting gain on sales of investment securities and posting gain on step acquisitions caused by making Qingdao Toyo Heat Exchanger Co., Ltd. a consolidated subsidiary etc.

As a result, net sales during the consolidated fiscal year under review increased by 16,881 million yen from the previous fiscal year, amounting to 124,490 million yen (up 15.7% year on year), operating income increased by 2,576 million yen, amounting to 5,792 million yen (up 80.1% year on year), ordinary income increased by 2,901 million yen, amounting to 6,445 million yen (up 81.9% year on year) and profit attributable to owners of parent increased by 1,669 million yen, amounting to 3,691 million yen (up 82.6% year on year).

The segment results are as follows.

The book-closing date for the consolidated subsidiaries for the consolidated fiscal year under review is December 31. In preparing the consolidated financial statements, the financial statements as of, and for one year period ended on this date were used. With respect to important transactions conducted during the period between this date and the book-closing date for consolidated accounting, we have made adjustments as necessary for consolidated accounting. The segments relevant to such adjustments are the United States, Europe, Asia and China.

In the first quarterly consolidated accounting period, TRAD Sales Europe GmbH in which we newly established is included in the scope of consolidation. The corresponding segment is Europe.

Furthermore, in the third quarterly consolidated accounting period, Qingdao Toyo Heat Exchanger Co., Ltd. in which we acquired its shares additionally is included in the scope of consolidation. The corresponding segment is China.

	Net Sales				Operating Income (Loss)			
	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Increase/Decrease	Percentage change (on a foreign currency basis)*	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Increase/Decrease	Percentage change (on a foreign currency basis)*
	(Millions of yen)	(Millions of yen)	(Millions of yen)	(%)	(Millions of yen)	(Millions of yen)	(Millions of yen)	(%)
Japan	51,521	56,862	5,341	10.4	777	604	-172	-22.2
United States	26,003	30,236	4,233	19.9	(334)	678	1,012	309.4
Europe	3,866	4,126	260	-4.1	(284)	(509)	-224	-67.0
Asia	15,636	17,055	1,418	4.9	986	2,116	1,129	109.1
China	9,593	15,242	5,648	55.9	1,717	2,709	992	52.9
Other (including elimination)	986	966	-20	-2.1	353	192	-161	-45.5
Total	107,608	124,490	16,881	15.3	3,216	5,792	2,576	76.3

*The percentage changes (on a foreign currency basis) in the chart are the percentage changes after correcting for differences arising from fluctuations in the foreign exchange rates applicable to overseas net sales.

(i) Japan

Net sales of products for automobile industry increased from the same period of the previous year thanks to the favorable transition of the orders received for our products of models. The net sales of products for construction and industrial machines increased from the same period of the previous year due to the increase of demand for China and recovery of the Mining market. As a result, the net sales in the Japan segment increased by 5,341 million yen, resulting in 56,862 million yen.

Operating income decreased by 172 million yen from the same period of the previous year due to the increase of R&D expenses and warranty expenses etc., resulting in 604 million yen.

(ii) United States

The net sales of products for the automobile industry largely increased from the same period of the previous year by the commencement of mass production of models for which orders were newly received. As a result, the net sales in the United States segment increased by 19.9% from the same period of the previous year on a foreign currency basis. On a yen basis, it increased by 4,233 million yen, resulting in 30,236 million yen.

Operating income increased by 1,012 million yen from the same period of the previous year, resulting in 678 million yen. On a foreign currency basis, it increased by 309.4%.

(iii) Europe

The net sales for automobile industry decreased from the same period of the previous year due to the decrease of orders received in both Czech Republic and Russia. As a result, the net sales in the Europe segment decreased by 4.1% from the same period of the previous year on a foreign currency basis. On a yen basis, it increased by 260 million yen due to the effect of foreign currency fluctuations, resulting in 4,126 million yen.

Operating loss of 509 million yen was posted, worsening by 224 million yen from the same period of the previous year. On a foreign currency basis, it decreased by 67.0%.

(iv) Asia

The net sales of products for the automobile industry increased from the same period of the previous year by the favorable sales of the orders received for our products of models in Thailand, Indonesia and Vietnam. As a result, the net sales in the Asia segment increased by 4.9% from the same period of the previous year on a foreign currency basis. On a yen basis, it increased by 1,418 million yen, resulting in 17,055 million yen.

Operating income increased by 1,129 million yen from the same period of the previous year, resulting in 2,116 million yen. On a foreign currency basis, it increased by 109.1%.

(v) China

The net sales of products for the automobile industry largely increased from the same period of the previous year due to the commencement of mass production of models for which orders were newly received, the increase of orders received from major customers and a new addition of net sales of Qingdao Toyo Heat Exchanger Co., Ltd. We acquired its shares additionally and making it a subsidiary from the third quarterly consolidated accounting period. Net sales of products for construction and industrial machines largely increased due to the favorable Chinese market. As a result, the net sales in the China segment increased by 55.9% from the same period of the previous year on a foreign currency basis. On a yen basis, it increased by 5,648 million yen, resulting in 15,242 million yen.

Operating income increased by 992 million yen from the same period of the previous year, resulting in 2,709 million yen. On a foreign currency basis, it increased by 52.9%.

Outlook for the fiscal year ending March 31, 2019

As to the forecast for the fiscal year ending March 2019 of the TRAD group, the sales of our domestic and overseas bases are expected to increase from the same period of the previous year. As to our profits, ordinary income and profit attributable to owners of parent are expected to decrease due to the factor of deterioration in earnings of subsidiaries in Europe.

We forecasts the following consolidated financial performance for the fiscal year ending March 31, 2019: net sales of 136,500 million yen (up 9.6% year on year), operating income of 6,100 million yen (up 5.3% year on year), ordinary income of 6,200 million yen (down 3.8% year on year), and profit attributable to owners of parent of 2,700 million yen (down 26.8% year on year).

(2) General overview of consolidated financial position

1) Assets, liabilities and net assets

Total assets at the end of the consolidated fiscal year under review resulted in 94,241 million yen (up 15,027 million yen from the end of the previous fiscal year) due to making Qingdao Toyo Heat Exchanger Co., Ltd. a consolidated subsidiary and increase of net sales etc.

Current assets resulted in 51,652 million yen (up 14,054 million yen), current liabilities resulted in 35,642 million yen (up 11,176 million yen).

Net assets resulted in 46,639 million yen (up 4,253 million yen) due to the increases of retained earnings etc.

2) Cash flows

The increasing and decreasing factors of each cash flow in the consolidated fiscal year under review are as follows.

Net cash provided by operating activities was 9,202 million yen, an increase of 2,509 million yen year on year due to the increase of profit before income taxes. Net cash used in investing activities was 4,422 million yen, an increase of 1,352 million yen year on year due to the increase of sales of investment securities and decrease of purchase of tangible fixed assets etc., net cash provided by financing activities was 749 million yen, an increase of 2,175 million yen year on year due to the increases of interest-bearing liabilities etc.

As a result, cash and cash equivalents at the end of the fiscal year under review totaled 11,965 million yen, an increase of 5,749 million yen from the end of the previous fiscal year.

2. Overview of the T.RAD Group

1. Contents of Businesses

The T.RAD Group, which consists of T.RAD Co., Ltd. (the “Company”), its 17 subsidiaries and two affiliates, mainly manufactures and sells various types of heat exchangers and provides related services.

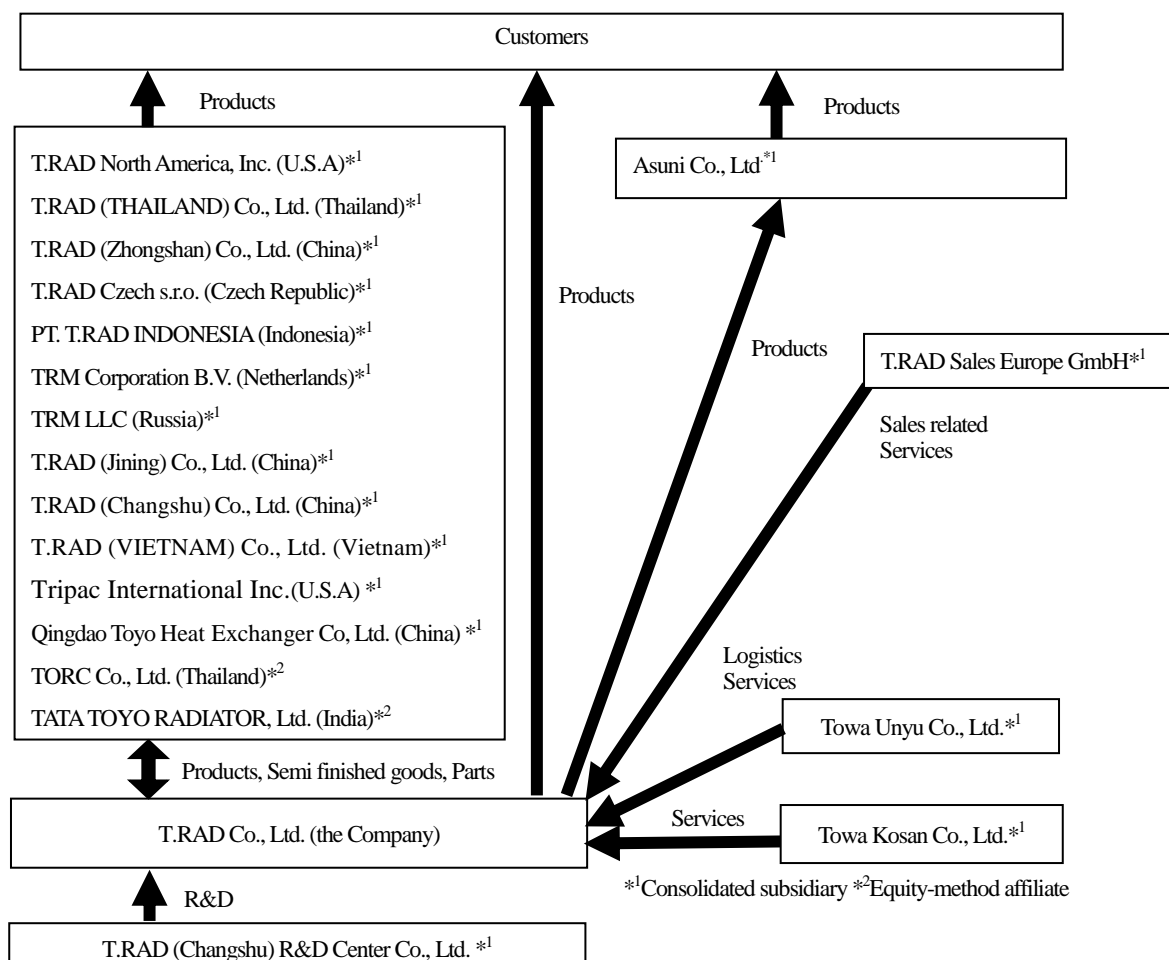
Each reportable segment is composed as below, and these reportable segments are the same as the classification of the segment information listed in 4. Consolidated Financial Statements (5) Notes concerning Consolidated Financial Statements.

Reportable Segments	Main company
Japan	T.RAD Co., Ltd. (the Company)
United States	T.RAD North America, Inc. Tripac International Inc.
Europe	T.RAD Czech s.r.o. TRM Corporation B.V. TRM LLC T.RAD Sales Europe GmbH
Asia	T.RAD (THAILAND) Co., Ltd. PT. T.RAD INDONESIA T.RAD (VIETNAM) Co., Ltd. TORC Co., Ltd. * ¹ TATA TOYO RADIATOR, Ltd. * ¹
China	T.RAD (Zhongshan) Co., Ltd. T.RAD (Jining) Co., Ltd. T.RAD (Changshu) Co., Ltd. T.RAD (Changshu) R&D Center Co., Ltd. Qingdao Toyo Heat Exchanger Co, Ltd.
Other (Japan)	Asuni Co., Ltd. Towa Unyu Co., Ltd. Towa Kosan Co., Ltd.

*¹ Equity-method affiliates are included in the reportable segment where they are located.

[Business Flow Chart]

The flow chart for the businesses of the T.RAD Group is as follows.



2. Subsidiaries and Affiliates

Name	Location	Capital (Thousand)	Description of business	Voting rights ratio (%)	Relations with the Company
Consolidated subsidiaries					
T.RAD North America, Inc. *2,4	Hopkinsville, Kentucky, U.S.A	USD 70,000	Manufacture and sales of heat exchangers	100.0	Business relationship Concurrent position of director
Tripac International Inc.	Fort Worth, Texas, U.S.A	USD 4,166	Manufacture and sales of heat exchangers	93.1 *1 (93.1)	Business relationship
T.RAD Czech s.r.o. *2	Unhost, Czech	CZK 780,000	Manufacture and sales of heat exchangers	96.8	Business relationship Obligation Guarantee Loan of funds
TRM Corporation B.V.*2	Amsterdam, Netherlands	EUR 26,172	Manufacture and sales of heat exchangers	75.0	Holding Company of TRM LLC Concurrent position of director
TRM LLC*2	Nizhniy Novgorod, Russia	RUB 1,059,742	Manufacture and sales of heat exchangers	75.0 *1 (75.0)	Business relationship Obligation Guarantee Loan of funds
T.RAD (THAILAND) Co., Ltd.*2	Chachoengsao, Thailand	THB 390,500	Manufacture and sales of heat exchangers	100.0	Business relationship Concurrent position of director
PT. T.RAD INDONESIA	Bekasi, Java, Indonesia	USD 7,300	Manufacture and sales of heat exchangers	90.0 *1 (26.3)	Business relationship Concurrent position of director
T.RAD (VIETNAM) Co., Ltd.	Hanoi, Vietnam	USD 6,300	Manufacture and sales of heat exchangers	100.0	Business relationship Concurrent position of director
T.RAD (Zhongshan) Co., Ltd.*2	Zhongshen, Guangdong, China	CNY 107,601	Manufacture and sales of heat exchangers	90.0	Business relationship Concurrent position of director
T.RAD (Jining) Co., Ltd.	Jining, Shandong, China	CNY 3,000	Manufacture and sales of heat exchangers	90.0 *1 (90.0)	Business relationship
T.RAD (Changshu) Co., Ltd.*2	Changshu, Jiangsu, China	USD 17,000	Manufacture and sales of heat exchangers	90.0	Business relationship Concurrent position of director
T.RAD (Changshu) R&D Center Co., Ltd.	Changshu, Jiangsu, China	USD 2,200	Development of heat exchangers	100.0	Business relationship R&D Center
T.RAD Sales Europe GmbH	Stuttgart, Germany	EUR 25,000	Sales services of T.RAD in Europe	100.0	Business relationship
Qingdao Toyo Heat Exchanger Co., Ltd.	Qingdao, Shandong, China	CNY 61,339	Manufacture and sales of heat exchangers	64.0	Business relationship
Asuni Co., Ltd.	Hadano, Kanagawa, Japan	JPY 15,325	Sales of heat exchangers	100.0 *1 (50.0)	Business relationship
Towa Unyu Co., Ltd.	Higashiura, Chita, Aichi, Japan	JPY 48,900	Cargo transportation	100.0 *1 (13.0)	Business relationship Transportation of Products
Towa Kosan Co., Ltd.	Minami-ku, Nagoya, Aichi, Japan	JPY 334,720	Management of properties, etc.	100.0 *1 (7.3)	Business relationship
Equity-method affiliates					
TORC Co., Ltd.	Chachoengsao, Thailand	THB 60,000	Manufacture and sales of heat exchangers	45.0	Business relationship Concurrent position of director
TATA TOYO RADIATOR, Ltd.	Pune, India	INR 320,000	Manufacture and sales of heat exchangers	40.2	Business relationship

Notes:

- *1. The figures in parentheses are the ratios that the Company indirectly holds.
- *2. T.RAD North America, Inc., T.RAD Czech s.r.o., TRM Corporation B.V., TRM LLC., TRAD (THAILAND) Co., Ltd., T.RAD (Zhongshan) Co., Ltd., and T.RAD (Changshu) Co., Ltd are specific subsidiaries of the Company.
- *3. Seventeen consolidated subsidiaries and two affiliates mentioned above have not submitted any securities registration statements or securities reports.
- *4. Net sales accounted for over 10% of consolidated net sales. However, the principal income summary is omitted, as net sales of the subsidiary accounted for over 90% of net sales in United States area of the segment information.

3. Basic Concept Behind the Selection of Accounting Standards

In order to ensure comparability between companies and over time, the T.RAD Group prepares the Company's consolidated financial statements based on the "Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (except Chapters 7 and 8)" (Ordinance of the Ministry of Finance No. 28 of 1976).

Please note that, in view of domestic and overseas circumstances, the Company intends to respond appropriately to the application of international accounting standards.

4. Consolidated Financial Statements

(1) Consolidated balance sheets

(Millions of yen)

	FY2016	FY2017
	As of March 31, 2017	As of March 31, 2018
	Amount	Amount
(Assets)		
Current assets		
Cash and deposits	*2 6,025	*2 12,128
Notes and accounts receivable-trade	19,198	24,928
Electronically recorded monetary claims-operating	2,461	2,659
Short-term investment securities	499	399
Merchandise and finished goods	1,889	2,728
Work in process	514	594
Raw materials and supplies	4,180	5,097
Deferred tax assets	652	947
Others	2,260	2,253
Allowance for doubtful accounts	(83)	(85)
Total current assets	37,598	51,652
Noncurrent assets		
Tangible fixed assets		
Buildings and structures	18,931	19,934
Accumulated depreciation	(12,605)	(13,406)
Building and structures, net	6,326	6,528
Machinery, equipment and vehicles	45,045	49,359
Accumulated depreciation	(29,130)	(33,072)
Machinery, equipment and vehicles, net	15,914	16,287
Land	2,541	2,602
Lease assets	789	805
Accumulated depreciation	(657)	(683)
Lease assets, net	131	122
Construction in progress	2,461	3,476
Other tangible fixed assets	27,097	27,417
Accumulated depreciation	(24,867)	(25,180)
Other tangible fixed assets, net	2,230	2,236
Total tangible fixed assets	29,607	31,254
Intangible assets		
Goodwill	225	583
Other intangible assets	734	1,068
Total intangible assets	959	1,651
Investments and other assets		
Investment securities	*1 8,762	*1 8,470
Net defined benefit asset	212	467
Deferred tax assets	196	31
Others	*1 1,904	*1 741
Allowance for doubtful accounts	(28)	(28)
Total investments and other assets	11,047	9,682
Total noncurrent assets	41,615	42,588
Total assets	79,213	94,241

(Millions of yen)

	FY2016	FY2017
	As of March 31, 2017	As of March 31, 2018
	Amount	Amount
(Liabilities)		
Current liabilities		
Notes and accounts payable-trade	9,745	² 14,086
Electronically recorded obligations - operating	2,949	4,703
Short-term loans payable	5,178	7,646
Lease obligations	572	378
Income taxes payable	539	563
Accrued expenses	² 2,205	3,289
Provision for bonuses	1,276	1,468
Provision for directors' bonuses	53	96
Provision for product warranties	104	206
Provision for shareholders benefit program	41	62
Electronically recorded obligations - non-operating	352	757
Others	1,448	2,384
Total current liabilities	24,465	35,642
Noncurrent liabilities		
Long-term loans payable	9,473	8,582
Lease obligations	631	735
Deferred tax liabilities	1,977	2,400
Provision for directors' retirement benefits	2	4
Net defined benefit liability	81	95
Asset retirement obligations	89	89
Others	106	51
Total noncurrent liabilities	12,362	11,959
Total liabilities	36,827	47,601
(Net assets)		
Shareholders' equity		
Capital stock	8,545	8,545
Capital surplus	7,473	7,434
Retained earnings	24,162	27,376
Treasury stock	(891)	(899)
Total shareholders' equity	39,289	42,457
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,148	1,047
Foreign currency translation adjustment	550	679
Remeasurements of defined benefit plans	496	677
Total valuation and translation adjustments	2,195	2,404
Non-controlling interests	900	1,777
Total net assets	42,385	46,639
Total liabilities and net assets	79,213	94,241

(2) Consolidated statements of income and consolidated statement of comprehensive income
(Consolidated statements of income)

(Millions of yen)

	FY2016	FY2017
	(Apr. 1, 2016–Mar. 31, 2017)	(Apr. 1, 2017–Mar. 31, 2018)
	Amount	Amount
Net sales	107,608	124,490
Cost of sales	95,944	108,543
Gross profit	11,664	15,946
Selling, general and administrative expenses		
Packing and delivery expenses	1,149	1,498
Provision for product warranties	66	98
Directors' compensations	202	201
Salaries and allowances	1,979	2,001
Provision for bonuses	247	338
Provision for directors' bonuses	53	96
Provision for directors' retirement benefits	1	2
Provision for retirement benefits	89	79
Welfare expenses	957	1,059
Depreciation	291	304
Rent expenses	261	315
Transportation and communication expenses	452	516
Research and development expenses	1,084	1,255
Entertainment expenses	86	95
Provision for shareholders benefit program	40	65
Provision of allowance for doubtful accounts	5	8
Commission Fee	359	358
Miscellaneous expenses	1,079	1,769
Amortization of goodwill	39	89
Total selling, general and administrative expenses	8,447	10,153
Operating income (loss)	3,216	5,792
Non-operating income		
Interest income	70	80
Dividends income	215	208
Equity in earnings of affiliates	387	337
Others	180	277
Total non-operating income	853	904
Non-operating expenses		
Interest expenses	236	212
Foreign exchange losses	276	29
Bad debts expenses	0	-
Others	12	10
Total non-operating expenses	525	251
Ordinary income	3,544	6,445

(Millions of yen)

	FY2016	FY2017
	(Apr. 1, 2016–Mar. 31, 2017)	(Apr. 1, 2017–Mar. 31, 2018)
	Amount	Amount
Extraordinary income		
Gain on sales of noncurrent assets	16	11
Gain on sales of investment securities	333	641
Gain on reversal of subscription rights to shares	37	—
Gain on step acquisitions	—	607
Total extraordinary income	388	1,261
Extraordinary loss		
Loss on retirement of noncurrent assets	142	108
Loss on sales of noncurrent assets	24	4
Impairment loss	354	28
Loss on sales of golf club memberships	0	—
Surcharges	592	1,998
Total extraordinary loss	1,115	2,139
Income (loss) before income taxes	2,817	5,567
Income taxes-current	1,013	1,459
Income taxes-deferred	(303)	158
Total income taxes	710	1,617
Profit (loss)	2,107	3,949
Profit (loss) attributable to non-controlling interests	84	257
Profit (loss) attributable to owners of parent	2,022	3,691

(Consolidated statement of comprehensive income)

(Millions of yen)

	FY2016	FY2017
	(Apr. 1, 2016–Mar. 31, 2017)	(Apr. 1, 2017–Mar. 31, 2018)
	Amount	Amount
Profit (loss)	2,107	3,949
Other comprehensive income		
Valuation difference on available-for-sale securities	453	(101)
Foreign currency translation adjustment	(967)	359
Remeasurements of defined benefit plans, net of tax	140	180
Share of other comprehensive income of associates accounted for using equity method	(147)	(199)
Total other comprehensive income	(520)	239
Comprehensive income	1,586	4,189
(Breakdown)		
Comprehensive income attributable to owners of parent	1,575	3,900
Comprehensive income attributable to non-controlling interests	10	288

(3) Consolidated statements of changes in net assets
 Fiscal year ended March 31, 2017(April 1, 2016 to March 31, 2017)

(Millions of yen)

	Shareholders' Equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
As of April 1, 2016	8,545	7,473	22,625	(405)	38,238
Changes of items during the period					
Dividends from surplus			(485)		(485)
Profit attributable to owners of parent			2,022		2,022
Purchase of treasury stock				(485)	(485)
Disposal of treasury shares					
Change in ownership interest of parent due to transactions with non-controlling interests					
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	1,537	(485)	1,051
As of March 31, 2017	8,545	7,473	24,162	(891)	39,289

(Millions of yen)

	Valuation and translation adjustments				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total valuation and translation adjustments			
As of April 1, 2016	695	1,590	356	2,642	37	936	41,855
Changes of items during the period							
Dividends from surplus							(485)
Profit attributable to owners of parent							2,022
Purchase of treasury stock							(485)
Disposal of treasury shares							
Change in ownership interest of parent due to transactions with non-controlling interests							
Net changes of items other than shareholders' equity	453	(1,040)	140	(446)	(37)	(36)	(520)
Total changes of items during the period	453	(1,040)	140	(446)	(37)	(36)	530
As of March 31, 2017	1,148	550	496	2,195	—	900	42,385

Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

(Millions of yen)

	Shareholders' Equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
As of April 1, 2017	8,545	7,473	24,162	(891)	39,289
Changes of items during the period					
Dividends from surplus			(477)		(477)
Profit attributable to owners of parent			3,691		3,691
Purchase of treasury stock				(8)	(8)
Disposal of treasury shares		0		0	0
Change in ownership interest of parent due to transactions with non-controlling interests		(38)			(38)
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	(38)	3,214	(8)	3,167
As of March 31, 2018	8,545	7,434	27,376	(899)	42,457

(Millions of yen)

	Valuation and translation adjustments				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total valuation and translation adjustments		
As of April 1, 2017	1,148	550	496	2,195	900	42,385
Changes of items during the period						
Dividends from surplus						(477)
Profit attributable to owners of parent						3,691
Purchase of treasury stock						(8)
Disposal of treasury shares						0
Change in ownership interest of parent due to transactions with non-controlling interests						(38)
Net changes of items other than shareholders' equity	(101)	129	180	208	877	1,086
Total changes of items during the period	(101)	129	180	208	877	4,253
As of March 31, 2018	1,047	679	677	2,404	1,777	46,639

(4) Consolidated statements of cash flows

(Millions of yen)

	FY2016	FY2017
	(Apr. 1, 2016–Mar. 31, 2017)	(Apr. 1, 2017–Mar. 31, 2018)
	Amount	Amount
Net cash provided by (used in) operating activities		
Income (loss) before income taxes	2,817	5,567
Depreciation and amortization	5,683	5,550
Impairment loss	354	28
Retirement benefit expenses	(33)	(44)
Increase (decrease) in net defined benefit liability	101	64
Increase (decrease) in provision for directors' retirement benefits	1	2
Increase (decrease) in allowance for doubtful accounts	5	(29)
Increase (decrease) in provision for bonuses	78	191
Increase (decrease) in provision for directors' bonuses	31	43
Increase (decrease) in provision for product warranties	(100)	(35)
Increase (decrease) in provision for shareholders benefit program	1	—
Loss on retirement of noncurrent assets	142	108
Loss (gain) on sales of tangible fixed assets	7	(7)
Loss (gain) on sales of investment securities	(333)	(641)
Surcharges	592	1,998
Interests and dividends income	(285)	(289)
Interests expenses	236	212
Foreign exchange losses (gains)	(63)	—
Equity in (earnings) losses of affiliates	(387)	(337)
Loss (gain) on investments in partnership	0	—
Decrease (increase) in notes and accounts receivable-trade	(1,822)	(2,978)
Decrease (increase) in inventories	(346)	(679)
Increase (decrease) in notes and accounts payable-trade	(123)	3,258
Loss (gain) on step acquisitions	—	(607)
Decrease (increase) in other current assets	497	38
Increase (decrease) in other current liabilities	715	378
Other, net	(23)	37
Subtotal	7,748	11,828
Interest and dividends income received	505	365
Interest expenses paid	(236)	(213)
Income taxes paid	(830)	(1,364)
Surcharges	(493)	(1,412)
Net cash provided by (used in) operating activities	6,693	9,202

(Millions of yen)

	FY2016	FY2017
	(Apr. 1, 2016–Mar. 31, 2017)	(Apr. 1, 2017–Mar. 31, 2018)
	Amount	Amount
Net cash provided by (used in) investing activities		
Proceeds from withdrawal of time deposits	30	19
Payments into time deposits	(124)	(276)
Purchase of tangible fixed assets	(6,099)	(5,352)
Proceeds from sales of tangible fixed assets	74	147
Purchase of intangible assets	(217)	(247)
Purchase of investment securities	(0)	(14)
Proceeds from sales of investment securities	602	990
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	247
Payments of loans receivable	(0)	—
Other, net	(40)	(441)
Net cash provided by (used in) investing activities	(5,775)	(4,422)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(2,320)	714
Proceeds from long-term loans payable	5,904	1,658
Repayment of long-term loans payable	(3,092)	(923)
Proceeds from share issuance to non-controlling shareholders	1	1
Purchase of treasury stock	(485)	(8)
Cash dividends paid	(485)	(477)
Cash dividends paid to non-controlling shareholders	(142)	(106)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(29)
Others	(804)	(78)
Net cash provided by (used in) financing activities	(1,425)	749
Effect of exchange rate change on cash and cash equivalents	(177)	220
Net increase (decrease) in cash and cash equivalents	(684)	5,749
Cash and cash equivalents at beginning of period	6,760	6,216
Increase in cash and cash equivalents from newly consolidated subsidiary	140	—
Cash and cash equivalents at end of period	6,216	11,965

(5) Notes concerning Consolidated Financial Statements

(Going concern assumptions)

Not applicable

(Basis for preparation of consolidated financial statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 17

Names of the main consolidated subsidiaries:

Names of the consolidated subsidiaries are omitted as they are listed in “2. Overview of the T.RAD Group.”

Since the consolidated fiscal year under review, T.RAD Sales Europe GmbH and Qingdao Toyo Heat Exchanger Co., Ltd. have been included in the scope of consolidation. In the consolidated fiscal year, we made a new investment in T.RAD Sales Europe GmbH and we acquired shares of the stock of Qingdao Toyo Heat Exchanger Co., Ltd. additionally. Accordingly, since the consolidated fiscal year under review, we have included these two companies in the scope of consolidation.

2. Application of equity method

(1) Number of equity method affiliates: 2

Names of main companies:

TORC Co., Ltd.

Tata Toyo Radiator Ltd.

(2) Of the companies accounted for by the equity method, for those that have a closing date that differs from the consolidated closing date, the financial statements for each such company’s financial year are used.

3. Fiscal years of consolidated subsidiaries

The book-closing date of fourteen overseas companies out of the consolidated companies is December 31.

In preparing the consolidated financial statements, the financial statements as of the dates stated above were used. With regard to important transactions that occurred between each company’s closing date and the consolidated closing date, necessary adjustments for consolidation were made.

Three of our consolidated subsidiaries, i.e., Asuni Co., Ltd., Towa Unyu Co., Ltd., and Towa Kosan Co., Ltd., have the same settlement date that coincides with the last day of the consolidated fiscal year.

4. Accounting standard

(1) Valuation basis and method for important assets

i. Securities

Other securities

Securities with fair market values:

Stated at the market value as of the balance sheet date, based on quoted market prices, etc. (any valuation differences are included in net assets in full, and the cost of securities sold is determined by the gross average method.);

Securities without fair market values:

Stated at cost determined by the gross average method.

ii. Derivatives

Derivative is evaluated by quoted market prices.

iii. Inventories

Stated at cost by the gross average method, in principle (for figures shown on the balance sheet, values are written down to their book values based on their decreased profitability).

In addition, overseas consolidated subsidiaries mainly adopt the lower-of-cost-or-market method based on the first-in first-out method.

(2) Depreciation method for important depreciable assets

i. Tangible fixed assets (excluding lease assets)

Depreciation of Tangible fixed assets is calculated mainly by the declining-balance method. The approximate useful life of assets is as follows:

Buildings and structures: 3–60 years

Machinery, equipment and vehicles: 2–17 years

Assets with an acquisition cost from ¥100,000 to less than ¥200,000 are depreciated by the straight-line method over three years based on the provisions of the Corporation Tax Act.

At overseas consolidated subsidiaries, depreciation is calculated principally by the straight-line method.

ii. Intangible assets (excluding lease assets)

At the Company and consolidated subsidiaries, the amortization of intangible assets is computed by the straight-line method. Software for internal use is amortized by the straight-line method over the estimated internal useful life (five years).

iii. Lease assets

Lease assets are amortized by the straight-line method, assuming the lease period as the useful life and no residual value.

(3) Recognition of important allowances

i. Allowance for doubtful accounts

The allowance for doubtful accounts is provided at an amount determined based on a reasonable standard such as the historical experience of bad debt for ordinary accounts. For specific accounts such as doubtful accounts receivable, the collectability is determined individually, and the estimated uncollectible amount is recorded.

ii. Provision for bonuses

To appropriate funds for the payment of bonuses to employees, Provision for bonuses is provided at an estimated amount to be paid.

iii. Provision for directors' bonuses

Provision for directors' bonuses is provided at an estimated amount to accrue for the fiscal year ended March 31, 2018.

iv. Provision for product warranty

To provide for potential expenses related to the after-the-sale service of products, the Company allots an estimated amount based upon past performance.

v. Provision for shareholders benefit program

In order to prepare for the expenditure accompanying shareholders benefit program, we are posting forecasted amount of occurrence based on the rate of past use results etc.

vi. Provision for directors' retirement benefits

Some of the consolidated subsidiaries provide the provision for directors' retirement benefits at an amount deemed necessary to cover the total amount to be paid mainly pursuant to the internal regulations thereof at the end of the fiscal year-end.

(4) Accounting method for defined benefit plans

i. Method of attributing expected defined benefit plans

In calculating its defined benefit plans obligation, the Company applies the point basis as its method of attributing the expected defined benefit plans to the periods until the end of the consolidated fiscal year under review.

ii. Amortizing method for actuarial gains or losses and prior service costs

Prior service cost is amortized using the straight-line method over a certain length of period equal to or less than the average remaining service period for employees at the time such gains or losses are realized (maximum 15 years).

The actuarial gains or losses realized in each accounting period for the said allowance is amortized by the straight-line method over a certain length of period equal to or less than the average remaining service period for employees at the time such gains or losses are realized (maximum 15 years).

iii. Treatment for unrecognized actuarial gains or losses and unrecognized prior service costs

Actuarial gains or losses and prior service costs that are yet to be recognized in profit or loss are recognized within net assets as remeasurements of defined benefit plans under accumulated other comprehensive income, after adjusting for tax effects.

(5) Significant hedge accounting methods

i. Hedge accounting methods

Deferred hedge accounting treatment is used. With regard to the parent company, designated hedge accounting treatment is used for foreign currency-denominated monetary claims to which forward foreign exchange contracts have been applied. Exceptional accounting is used for interest-rate swap agreements which conform to the special regulated terms.

ii. Hedging method and scope

Hedging method : Forward foreign exchange

Scope of hedging : Foreign currency-denominated accounts receivable

Hedging method : Interest-rate swap agreement

Scope of hedging : loans payable

iii. Hedging policy

Primarily, the parent company enters into forward foreign exchange transactions for the purpose of reducing the risk from market price fluctuations on foreign currency-denominated transactions.

In addition, interest rate swap agreements are used to reduce the risk from interest rate fluctuations of loans.

iv. Method for evaluating the effectiveness of hedges

For forward foreign exchange transactions, confirmations are made that the currencies, value dates, and amounts are identical. Interest swap agreements conforming to the special regulated terms are omitted to evaluate their effectiveness.

(6) Amortization of goodwill

As for the amortization of goodwill, we reasonably estimated the period during which the effect is realized and made equal amortization over the period.

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

Cash and cash equivalents consist of cash on hand, cash in banks that can be withdrawn at any time and short-term investments with a maturity of three months or less from purchasing date that can be easily converted to cash and are subject to little risk of change in value.

(8) Other important matters for the preparation of consolidated financial statements

i. Accounting treatment of consumption taxes, etc.

The tax excluded method is adopted in accounting treatment of consumption taxes, etc.

ii. Application of consolidated tax payment system

Company and consolidated domestic subsidiaries applying consolidated tax payment system.

(Consolidated balance sheets)

*1 Those for non-consolidated subsidiaries and affiliates are as follows:

	FY2016 (As of March 31, 2017)	FY2017 (As of March 31, 2018)
Investment securities:	¥1,984 million	¥2,172 million
Investments and other assets (other) (investment):	¥1,133 million	¥0 million
Total	¥3,117 million	¥2,172 million

*2 Pledged Assets and collateralized liabilities:

The following assets were pledged as collateral:

	FY2016 (As of March 31, 2017)	FY2017 (As of March 31, 2018)
Cash and deposits:	¥18 million	¥350 million

The following liabilities were collateralized by the above assets:

	FY2016 (As of March 31, 2017)	FY2017 (As of March 31, 2018)
Accrued expenses:	¥12 million	—
Notes payable-trade:	—	¥350 million
Total	¥12 million	¥350 million

(Consolidated statements of income)

#1 Research and development expenses included in general expenses and cost of sales:

	FY2016 (April 1, 2016–March 31, 2017)	FY2017 (April 1, 2017–March 31, 2018)
	¥2,659 million	¥2,827 million

#2 Gain on sales of noncurrent assets are as follows:

	FY2016 (April 1, 2016–March 31, 2017)	FY2017 (April 1, 2017–March 31, 2018)
Buildings and structures:	—	¥0 million
Machinery, equipment and vehicles:	¥4 million	¥2 million
Construction in progress:	¥2 million	—
Other:	¥9 million	¥8 million
Total	¥16 million	¥11 million

#3 Loss on retirement of noncurrent assets are as follows:

	FY2016 (April 1, 2016–March 31, 2017)	FY2017 (April 1, 2017–March 31, 2018)
Buildings and structures:	¥12 million	¥28 million
Machinery, equipment and vehicles:	¥102 million	¥69 million
Construction in progress:	¥21 million	¥1 million
Other:	¥5 million	¥8 million
Total	¥142 million	¥108 million

#4 Loss on sales of noncurrent assets are as follows:

	FY2016 (April 1, 2016–March 31, 2017)	FY2017 (April 1, 2017–March 31, 2018)
Machinery, equipment and vehicles:	¥19 million	¥3 million
Construction in progress:	¥5 million	—
Other:	¥0 million	¥0 million
Total	¥24 million	¥4 million

#5 Impairment Loss:

Impairment losses were recorded in the following asset groups of the Group:

FY2016 (April 1, 2016–March 31, 2017)

Place	Purpose of use	Type	Impairment loss
Shiga Works Higashiomi-city, Shiga	Idle assets	Machinery, equipment and vehicles	¥18 million
T.RAD Czech s.r.o Unhost, Czech	Manufacture and sales of heat exchangers	Machinery, equipment and vehicles	¥70 million
TRM LLC Nizhni Novgorod, Russia	Manufacture and sales of heat exchangers	Buildings and structures	¥106 million
		Machinery, equipment and vehicles	¥137 million
		Other tangible fixed assets	¥20 million
		Subtotal	¥265 million
		Total	¥354 million

The asset groups are classified on the base of managerial accounting in consideration of company category and business category.

As a result of accounting for the impairment of assets based on the aforementioned grouping, regarding idle assets with no expected future use, its book value was written down to recoverable values, and the Company posted this loss as an impairment loss under extraordinary loss. The amount listed as recoverable value by each asset group have been appraised based on residual value.

As to manufacture and sales of heat exchangers, regarding aforementioned tangible fixed assets were no longer expected to recover the investment amount due to the decrease in profitability. Accordingly, their book values were written down to recoverable values, and the Company posted those losses as an impairment loss under extraordinary loss.

The amount listed as recoverable value by each asset group was calculated in accordance with the asset's value in usage. In T.RAD Czech s.r.o, the calculation reflects a 10% discount in future cash flow. In TRM LLC, the calculation reflects a 18% discount in future cash flow.

FY2017 (April 1, 2017–March 31, 2018)

Place	Purpose of use	Type	Impairment loss
T.RAD Czech s.r.o Unhost, Czech	Manufacture and sales of heat exchangers	Machinery, equipment and vehicles	¥28 million
		Total	¥28 million

The asset groups are classified on the base of managerial accounting in consideration of company category and business category.

As a result of accounting for the impairment of assets based on the aforementioned grouping, regarding aforementioned tangible fixed assets were no longer expected to recover the investment amount due to the decrease in profitability. Accordingly, their book values were written down to recoverable values, and the Company posted those losses as an impairment loss under extraordinary loss.

The amount listed as recoverable value by each asset group was calculated in accordance with the asset's value in usage. In T.RAD Czech s.r.o, the calculation reflects a 10% discount in future cash flow.

#6 Surcharges are as follows:

	FY2016 (April 1, 2016–March 31, 2017)	FY2017 (April 1, 2017–March 31, 2018)
Research-related expenses :	¥592 million	¥1,998 million

In connection with sales of automotive parts (radiators and other components), investigations related to antitrust laws by judicial authorities and lawsuit etc. related to the same laws are underway, in the consolidated fiscal year under review and previous consolidated fiscal year, we posted the costs related to the investigations and settlement to some clients as an extraordinary loss.

#7 Inventories at the close of the fiscal year-end, are the amounts after it write-down of the book value as a result of a decrease in profitability. The following loss on valuation of inventories is included in cost of sales:

	FY2016 (April 1, 2016–March 31, 2017)	FY2017 (April 1, 2017–March 31, 2018)
	¥91 million	¥(19) million

(Consolidated statement of changes in net assets)

Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

1. Type and number of shares issued and treasury shares

(Thousands of shares)

	Number of shares at beginning of the current fiscal year	Number of shares increased in the current fiscal year	Number of shares decreased in the current fiscal year	Number of shares at end of the current fiscal year
Shares issued				
Common stock	83,444	—	—	83,444
Total	83,444	—	—	83,444
Treasury shares				
Common stock *1	1,302	2,522	—	3,825
Total	1,302	2,522	—	3,825

Note:*1. The number of common stocks of treasury shares increased 2,515 thousand shares due to purchase of treasury stock by resolution of board of directors and increased 7 thousand shares due to a repurchase of fractional shares.

2. Subscription rights to shares and own subscription rights to shares

Not applicable

3. Cash dividends

(1) Cash dividends paid

Resolution	Type of shares	Cash dividends (Millions of yen)	Cash dividends per share (Yen)	Record date	Effective date
June 28, 2016 Ordinary General Meeting of Shareholders	Common stock	246	3	March 31, 2016	June 29, 2016
November 4, 2016 Board of Directors	Common stock	238	3	September 30, 2016	December 1, 2016

(2) Cash dividends with record dates falling in the fiscal year ended March 31, 2017 and effective dates coming after the end of the fiscal year

Resolution	Type of shares	Cash dividends (Millions of yen)	Resource of dividends	Cash dividends per share (Yen)	Record date	Effective date
June 28, 2017 Ordinary General Meeting of Shareholders	Common stock	238	Retained earnings	3	March 31, 2017	June 29, 2017

Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

1. Type and number of shares issued and treasury shares (Thousands of shares)

	Number of shares at beginning of the current fiscal year	Number of shares increased in the current fiscal year	Number of shares decreased in the current fiscal year	Number of shares at end of the current fiscal year
Shares issued				
Common stock	83,444	—	75,099	8,344
Total	83,444	—	75,099	8,344
Treasury shares				
Common stock *1	3,825	6	3,447	384
Total	3,825	6	3,447	384

Note: 1. We consolidated each unit of 10 common shares into a unit of one share on October 1, 2017.

2. The number of common stock decreased 75,099 thousand shares due to consolidation of shares.

3. The number of common stocks of treasury shares increased 6 thousand shares. 0 thousand shares increased due to purchase of fractions of less than one share accompanying with consolidation of shares, and 6 thousand shares increased due to a repurchase of fractional shares (before consolidation of shares 5 thousand shares, after consolidation of shares 0 thousand shares).

4. The number of common stocks of treasury shares decreased 3,447 thousand shares due to the decrease of 3,447 thousand shares by consolidation of shares.

2. Subscription rights to shares and own subscription rights to shares

Not applicable

3. Cash dividends

(1) Cash dividends paid

Resolution	Type of shares	Cash dividends (Millions of yen)	Cash dividends per share (Yen)	Record date	Effective date
June 28, 2017 Ordinary General Meeting of Shareholders	Common stock	238	3	March 31, 2017	June 29, 2017
November 6, 2017 Board of Directors	Common stock	238	3	September 30, 2017	December 1, 2017

(2) Cash dividends with record dates falling in the fiscal year ended March 31, 2018 and effective dates coming after the end of the fiscal year

Resolution	Type of shares	Cash dividends (Millions of yen)	Resource of dividends	Cash dividends per share (Yen)	Record date	Effective date
June 27, 2018 Ordinary General Meeting of Shareholders	Common stock	477	Retained earnings	60	March 31, 2018	June 28, 2018

(Notes to consolidated statement of cash flows)

*1 The relationship between cash and cash equivalents at the fiscal year-end and the figures stated on the consolidated balance sheets:

	FY2016 (April 1, 2016–March 31, 2017)	FY2017 (April 1, 2017–March 31, 2018)
Cash and deposits:	¥6,025 million	¥12,128 million
Securities:	¥499 million	¥399 million
Time deposits with a maturity of 3 months or more at date of purchase:	¥(309) million	¥(562) million
Cash and cash equivalents:	¥6,216 million	¥11,965 million

(Segment information)

1. General information of reportable segments

The reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed at management meetings comprising directors and officers, whereby decisions are made regarding the allocation of resources to the segments and assessments are made concerning the segments' performance.

The Group's business involves the manufacture and sales of heat exchangers for the automobile and other industries. The Company covers the business in Japan. Overseas companies cover the business of each region such as the United States, Europe (the Czech Republic, Russia and Germany), Asia (Thailand, Indonesia and Vietnam) and China. Each of these overseas corporations is an independent business unit whose operations involve the manufacture of products that are marketed in each respective area.

Therefore, our Group consists of the Company and these overseas corporations which are based on a manufacturing and sales structure. As such, "Japan," "the United States," "Europe," "Asia" and "China" are our five reportable segments.

In each reportable segment, heat exchangers for automobiles, construction, industrial machinery and air conditioners are manufactured and sold.

2. Calculation method for net sales, profit (loss), assets and other items by reportable segment

The accounting method for the Group's reportable segments is generally the same as described in "Basis for preparation of consolidated financial statements."

Net sales for reportable segments are for each production region.

Segment income is based on operating income.

Intersegment income and transfer amount are calculated based on arm's length price.

3. Net sales, profit (loss), assets and other items by reportable segments

Fiscal year ended March 31, 2017(from April 1, 2016 to March 31, 2017)

(Millions of yen)

	Reportable segment						Other	Total
	Japan	United States	Europe	Asia	China	Total		
Net Sales:								
Sales to outside customers	51,521	26,003	3,866	15,636	9,593	106,621	986	107,608
Intersegment sales or transfers	5,312	144	86	77	1,428	7,049	2,894	9,944
Total	56,834	26,147	3,952	15,714	11,022	113,671	3,881	117,552
Segment income (loss)	777	(334)	(284)	986	1,717	2,862	256	3,118
Segment assets	55,189	16,481	2,906	8,641	8,713	91,932	2,309	94,241
Other items								
Depreciation	2,899	1,046	249	1,132	343	5,672	75	5,747
Investment amount in equity-method affiliate	747	—	—	—	—	747	—	747
Increase of tangible fixed assets and intangible assets	2,724	2,214	502	510	292	6,245	67	6,312

Note: "Other" comprises business operations that are not categorized as reportable segments and includes the business activities of domestic subsidiaries, such as the transportation business.

Fiscal year ended March 31, 2018(from April 1, 2017 to March 31, 2018)

(Millions of yen)

	Reportable segment						Other	Total
	Japan	United States	Europe	Asia	China	Total		
Net Sales:								
Sales to outside customers	56,862	30,236	4,126	17,055	15,242	123,523	966	124,490
Intersegment sales or transfers	6,659	164	603	105	1,604	9,138	3,197	12,336
Total	63,522	30,401	4,729	17,161	16,846	132,662	4,164	136,826
Segment income (loss)	604	678	(509)	2,116	2,709	5,600	244	5,844
Segment assets	62,750	17,055	5,633	9,080	17,607	112,127	2,345	114,473
Other items								
Depreciation	2,804	1,125	151	1,095	442	5,619	87	5,706
Investment amount in equity-method affiliate	531	—	—	—	—	531	—	531
Increase of tangible fixed assets and intangible assets	3,827	1,674	754	578	221	7,056	122	7,179

Note: "Other" comprises business operations that are not categorized as reportable segments and includes the business activities of domestic subsidiaries, such as the transportation business.

4. Difference amount between the total amount of reportable segments and the posted amounts in the consolidated financial statements and the main contents of the difference amount (the adjustment of difference)

(Millions of yen)

Net sales	FY2016	FY2017
Total of reportable segments	113,671	132,662
Net sales of the classification "Others"	3,881	4,164
Elimination of trades among segments	(9,944)	(12,336)
Net sales in the consolidated financial statements	107,608	124,490

(Millions of yen)

Profit	FY2016	FY2017
Total of reportable segments	2,862	5,600
Profit of the classification "Others"	256	244
Elimination of trades among segments	97	(51)
Operating income in the consolidated financial statements	3,216	5,792

(Millions of yen)

Assets	FY2016	FY2017
Total of reportable segments	91,932	112,127
Assets of the classification "Others"	2,309	2,345
Elimination of trades among segments	(15,027)	(20,231)
Total assets in the consolidated financial statements	79,213	94,241

(Millions of yen)

Other items	Total of reportable segments		Other		Adjustments		Posted amounts in the consolidated financial statements	
	FY2016	FY2017	FY2016	FY2017	FY2016	FY2017	FY2016	FY2017
Depreciation	5,672	5,619	75	87	(64)	(155)	5,683	5,550
Investment amount to equity-method affiliate	747	531	—	—	2,370	1,640	3,117	2,172
Increase of tangible fixed assets and intangible assets	6,245	7,056	67	122	(543)	(1,386)	5,769	5,793

Note: Adjustments are as follows.

1. The adjustment of depreciation cost derives from the elimination of unrealized losses and gains related to non-current assets.
2. The adjustment of investment amount to the entities accounted for using equity method derives from investment profit on equity method.
3. The adjustment of increased amounts of tangible fixed assets and intangible assets are as follows.
 Elimination of unrealized losses and gains related to non-current assets: (496) million yen
 Other consolidated adjustment among segments: (889) million yen

(Supplementary information)

Sales states (consolidated)

(Millions of yen)

	FY2016 (April 1, 2016 to March 31, 2017)		FY2017 (April 1, 2017 to March 31, 2018)		Increase/Decrease	
	Amount	%	Amount	%	Amount	%
For Automobile	75,769	70.4	88,185	70.8	12,416	16.4
For construction & industrial machine	21,643	20.1	26,957	21.7	5,314	24.6
For Air conditioner	6,793	6.3	5,721	4.6	-1,072	-15.8
Other	3,401	3.2	3,625	2.9	223	6.6
Total	107,608	100.0	124,490	100.0	16,881	15.7

Notes: Amounts less than one million yen have been truncated.

(Per share information)

	FY2016 (April 1, 2016–March 31, 2017)	FY2017 (April 1, 2017–March 31, 2018)
Net assets per share:	¥5,211.69	¥5,635.91
Net income per share:	¥252.74	¥463.77

(Note) 1. We consolidated each unit of 10 common shares into a unit of one share on October 1, 2017. Net assets per share and Net income per share are calculated on the assumption that the consolidation of shares was conducted at beginning of the previous consolidated fiscal year.

2. Diluted net income per share is not listed for the consolidated fiscal year under review, as there are no potential shares that have dilutive effects on per-share net income.

3. Basis for calculation of net income per share as follows.

	FY2016 (April 1, 2016–March 31, 2017)	FY2017 (April 1, 2017–March 31, 2018)
Net income per share		
Profit attributable to owners of parent (Millions of yen)	2,022	3,691
Net income that is not attributable to shares of common stock (Millions of yen)	—	—
Net income attributable to shares of common stock (Millions of yen)	2,022	3,691
Average number of shares of common stock during the period (Thousands)	8,004	7,960
Outline of the residual securities that had not had dilutive effects and therefore had not been included in the calculation of diluted net income per share for the period	—	—

(Significant subsequent events)

Not applicable

(Omitted disclosure)

Disclosure of the statement of comprehensive income, lease transactions, information on related parties, financial products, securities, derivative transactions, retirement benefits, stock options, tax-effect accounting, asset retirement obligations, and notes related to the rental property are omitted because disclosure of such information is deemed to be insignificant.

5. Non-Consolidated Financial Statements

(1) Non-consolidated balance sheets

(Millions of yen)

	FY2016	FY2017
	As of March 31, 2017	As of March 31, 2018
	Amount	Amount
(Assets)		
Current assets		
Cash and deposits	1,463	3,354
Notes receivable-trade	377	302
Electronically recorded monetary claims-operating	2,461	2,659
Accounts receivable-trade	11,882	13,650
Short-term investment securities	499	399
Merchandise and finished goods	1,143	1,153
Work in process	1,093	341
Raw materials and supplies	502	529
Prepaid expenses	95	97
Deferred tax assets	595	901
Short-term loans receivable from subsidiaries and affiliates	576	400
Accounts receivable-other	1,838	1,884
Other current assets	2	1
Allowance for doubtful accounts	(0)	(0)
Total current assets	22,531	25,677
Noncurrent assets		
Tangible Fixed Assets		
Buildings	11,129	11,279
Accumulated depreciation	(8,669)	(8,869)
Buildings, net	2,459	2,410
Structures	1,450	1,457
Accumulated depreciation	(1,154)	(1,201)
Structures, net	296	256
Machinery and equipment	22,289	22,719
Accumulated depreciation	(16,826)	(17,331)
Machinery and equipment, net	5,462	5,388
Vehicles	117	119
Accumulated depreciation	(107)	(99)
Vehicles, net	10	19
Tools, furniture and fixtures	22,682	22,549
Accumulated depreciation	(21,774)	(21,565)
Tools, furniture and fixtures, net	907	984
Land	1,207	1,228
Lease assets	629	629
Accumulated depreciation	(586)	(608)
Lease assets, net	43	21
Construction in progress	631	1,616
Other, net	2	2
Total Tangible Fixed Assets	11,022	11,926

(Millions of yen)

	FY2016	FY2017
	As of March 31, 2017	As of March 31, 2018
	Amount	Amount
Intangible assets		
Software	283	189
Other intangible assets	219	367
Total intangible assets	502	557
Investments and other assets		
Investment securities	6,758	6,278
Stocks of subsidiaries and affiliates	6,466	6,466
Investments in capital of subsidiaries and affiliates	5,104	8,451
Long-term prepaid expenses	72	42
Insurance funds	129	113
Others	385	858
Allowance for doubtful accounts	(28)	(28)
Allowance for investment loss	(552)	(339)
Total investments and other assets	18,334	21,842
Total noncurrent assets	29,859	34,326
Total assets	52,391	60,003

(Millions of yen)

	FY2016	FY2017
	As of March 31, 2017	As of March 31, 2018
	Amount	Amount
(Liabilities)		
Current liabilities		
Electronically recorded obligations – operating	2,949	4,703
Accounts payable-trade	5,451	6,488
Short-term loans payable	740	1,820
Lease obligations	370	296
Accounts payable-other	453	486
Income taxes payable	192	135
Accrued consumption taxes	299	177
Accrued expenses	1,239	1,798
Advances received	77	109
Deposits received	58	146
Provision for bonuses	1,253	1,442
Provision for directors' bonuses	53	96
Provision for product warranties	39	31
Provision for shareholders benefit program	41	62
Electronically recorded obligations - non-operating	352	757
Others	102	685
Total current liabilities	13,674	19,239
Noncurrent liabilities		
Long-term loans payable	7,045	6,825
Lease obligations	540	696
Deferred tax liabilities	727	707
Provision for retirement benefits	510	520
Asset retirement obligations	63	63
Others	27	24
Total noncurrent liabilities	8,914	8,838
Total liabilities	22,589	28,077

(Millions of yen)

	FY2016	FY2017
	As of March 31, 2017	As of March 31, 2018
	Amount	Amount
(Net assets)		
Shareholders' equity		
Capital stock	8,545	8,545
Capital surplus		
Legal capital surplus	7,306	7,306
Other capital surplus	167	167
Total capital surplus	7,473	7,473
Retained earnings		
Legal retained earnings	1,097	1,097
Other retained earnings		
Reserve for dividends	500	500
Reserve for special account for advanced depreciation of noncurrent assets	107	104
General reserve	8,130	8,130
Retained earnings brought forward	3,690	5,927
Total retained earnings	13,525	15,759
Treasury stock	(891)	(899)
Total shareholders' equity	28,653	30,879
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,148	1,047
Total valuation and translation adjustments	1,148	1,047
Total net assets	29,801	31,926
Total liabilities and net assets	52,391	60,003

(2) Non-consolidated statements of income

(Millions of yen)

	FY2016	FY2017
	(Apr. 1, 2016–Mar. 31, 2017)	(Apr. 1, 2017–Mar. 31, 2018)
	Amount	Amount
Net sales	56,834	63,522
Cost of sales		
Beginning finished goods	795	1,009
Cost of products manufactured	47,371	51,556
Purchase of finished goods	800	1,479
Transfer from other account	1,645	2,077
Total	50,612	56,124
Finished goods transfer to other account	142	172
Ending finished goods	1,009	1,047
Cost of finished goods sold	49,459	54,904
Gross profit	7,374	8,618
Selling, general and administrative expenses		
Packing and delivery expenses	2,191	2,426
Advertising expenses	17	22
Provision for product warranties	8	31
Directors' compensations	174	176
Salaries and allowances	1,114	1,001
Provision for bonuses	229	318
Provision for directors' bonuses	53	96
Provision for retirement benefits	69	65
Welfare expenses	405	419
Depreciation	143	137
Repair expenses	74	79
Taxes and dues	74	72
Rent expenses	178	188
Transportation and communication expenses	326	365
Research and development expenses	1,095	1,453
Insurance expenses	30	28
Provision of allowance for doubtful accounts	0	—
Stationery expenses	22	22
Entertainment expenses	52	53
Provision for shareholders benefit program	40	65
Commission Fee	213	249
Miscellaneous expenses	67	739
Total selling, general and administrative expense	6,583	8,012
Operating income (loss)	790	605
Non-operating income		
Interest income	10	10
Interest on securities	1	1
Dividends income	2,177	3,295
Purchase discounts	0	—
Foreign exchange gains	—	53
Others	93	103
Total non-operating income	2,282	3,464

(Millions of yen)

	FY2016	FY2017
	(Apr. 1, 2016–Mar. 31, 2017)	(Apr. 1, 2017–Mar. 31, 2018)
	Amount	Amount
Non-operating expenses		
Interest expenses	51	38
Foreign exchange losses	160	—
Others	5	5
Total non-operating expenses	217	44
Ordinary income	2,856	4,025
Extraordinary income		
Gain on sales of noncurrent assets	3	0
Gain on sales of investment securities	333	641
Reversal of allowance for investment loss	—	213
Gain on reversal of subscription rights to shares	37	—
Total extraordinary income	375	856
Extraordinary Loss		
Loss on retirement of noncurrent assets	80	94
Loss on sales of noncurrent assets	3	0
Provision of allowance for investment loss	351	—
Loss on valuation of investments in capital of subsidiaries and affiliates	61	—
Impairment loss	18	—
Loss on sales of golf club memberships	0	—
Surcharges	592	1,998
Total extraordinary loss	1,109	2,093
Income before income taxes	2,122	2,788
Income taxes-current	294	358
Income taxes-deferred	(76)	(281)
Total income taxes	217	77
Net income(loss)	1,904	2,711

(3) Non-consolidated statements of changes in net assets
Fiscal year ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(Millions of yen)

	Shareholders' Equity										
	Capital stock	Capital Surplus			Legal retained earnings	Retained Earnings					Total retained earnings
		Legal capital surplus	Other capital surplus	Total capital surplus		Other retained earnings					
						Reserve for dividends	Reserve for advanced depreciation of non-current assets	Reserve for special depreciation	General reserve	Retained earnings brought forward	
As of April 1, 2016	8,545	7,306	167	7,473	1,097	500	110	0	8,130	2,267	12,106
Changes of items during the period											
Provision of reserve for special depreciation											—
Reversal of reserve for special depreciation								(0)		0	—
Provision of reserve for advanced depreciation of non-current assets											—
Reversal of reserve for advanced depreciation of non-current assets							(3)			3	—
Dividends from surplus										(485)	(485)
Net income										1,904	1,904
Purchase of treasury stock											—
Disposal of treasury shares											—
Net changes of items other than shareholders' equity											—
Total changes of items during the period	—	—	—	—	—	—	(3)	(0)	—	1,423	1,419
As of March 31, 2017	8,545	7,306	167	7,473	1,097	500	107	—	8,130	3,690	13,525

(Millions of yen)

	Shareholders' Equity		Valuation and translation adjustments		Subscription rights to share	Total net assets
	Treasury stock	Total Shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
As of April 1, 2016	(405)	27,719	695	695	37	28,452
Changes of items during the period						
Provision of reserve for special depreciation		—				—
Reversal of reserve for special depreciation		—				—
Provision of reserve for advanced depreciation of non-current assets		—				—
Reversal of reserve for advanced depreciation of non-current assets		—				—
Dividends from surplus		(485)				(485)
Net income		1,904				1,904
Purchase of treasury stock	(485)	(485)				(485)
Disposal of treasury shares						—
Net changes of items other than shareholders' equity			453	453	(37)	415
Total changes of items during the period	(485)	933	453	453	(37)	1,348
As of March 31, 2017	(891)	28,653	1,148	1,148	—	29,801

Fiscal year ended March 31, 2018 (April 1, 2017 to March 31, 2018)

(Millions of yen)

	Shareholders' Equity									
	Capital stock	Capital Surplus			Legal retained earnings	Retained Earnings				Total retained earnings
		Legal capital surplus	Other capital surplus	Total capital surplus		Reserve for dividends	Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward	
As of April 1, 2017	8,545	7,306	167	7,473	1,097	500	107	8,130	3,690	13,525
Changes of items during the period										
Reversal of reserve for advanced depreciation of non-current assets							(2)		2	—
Dividends from surplus									(477)	(477)
Net income									2,711	2,711
Purchase of treasury stock										
Disposal of treasury shares			0	0						
Net changes of items other than shareholders' equity										
Total changes of items during the period	—	—	0	0	—	—	(2)	—	2,236	2,234
As of March 31, 2018	8,545	7,306	167	7,473	1,097	500	104	8,130	5,927	15,759

(Millions of yen)

	Shareholders' Equity		Valuation and translation adjustments		Total net assets
	Treasury stock	Total Shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
As of April 1, 2017	(891)	28,653	1,148	1,148	29,801
Changes of items during the period					
Reversal of reserve for advanced depreciation of non-current assets		—			—
Dividends from surplus		(477)			(477)
Net income		2711			2,711
Purchase of treasury stock	(8)	(8)			(8)
Disposal of treasury shares	0	0			0
Net changes of items other than shareholders' equity			(101)	(101)	(101)
Total changes of items during the period	(8)	2,226	(101)	(101)	2,124
As of March 31, 2018	(899)	30,879	1,047	1,047	31,926

(4) Notes concerning non-consolidated financial statement
(Going concern assumptions)
Not applicable