

# 2018

## **Annual Report**

For the Fiscal Year Ended March 31, 2018

## Fundamental Beliefs

Respect for the Individual

Customer First

## Corporate Principles

While maintaining a global viewpoint,  
we provide superior technologies and distinctive products  
for the satisfaction of our customers.

## Management Policies

- Pursue your dreams with ambition and a youthful spirit.
- Develop your awareness and improve skills.
- Create a safe, positive and harmonious working environment.
- Value time and originality.
- Strive persistently toward your goals.

Through implementation of the Yachiyo Corporate Philosophy,  
the Yachiyo Group “aims to become a company that is recognized and valued by society.”

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	2017 64th term (April 1, 2016~ March 31, 2017)	2018 65th term (April 1, 2017~ March 31, 2018)
Revenue [Continuing operations] (Millions of yen)	138,979	165,562
Profit before tax [Continuing operations] (Millions of yen)	8,982	9,223
Profit [All businesses] (Millions of yen)	6,884	7,555
Profit attributable to owners of parent [All businesses] (Millions of yen)	4,743	4,796
Comprehensive income [All businesses] (Millions of yen)	6,788	6,849
Equity attributable to owners of parent (Millions of yen)	55,475	59,008
Total assets (Millions of yen)	130,943	131,278
Equity attributable to owners of parent per share (Yen)	2,310.16	2,457.30
Basic earnings per share (Yen)	197.51	199.73
Diluted earnings per share (Yen)	–	–
Equity attributable to owners of parent to total assets ratio (%)	42.4	44.9
Profit to equity attributable to owners of parent ratio (%)	8.9	8.4
Price earnings ratio (Times)	6.5	6.7
Cash flows from operating activities (Millions of yen)	9,480	19,125
Cash flows from investing activities (Millions of yen)	(9,163)	(9,325)
Cash flows from financing activities (Millions of yen)	1,007	(7,488)
Cash and cash equivalents at end of period (Millions of yen)	16,693	19,010
Number of employees [Average number of temporary employees outside the above] (Persons)	7,064 [1,393]	7,302 [1,530]

- (Notes) 1. From the 62nd term, the Company has been preparing its consolidated financial statements based on the International Financial Reporting Standards (hereinafter "IFRS").
2. Revenue does not include consumption taxes.
3. The amounts are rounded to the nearest million yen.
4. Diluted earnings per share is not stated due to the absence of dilutive shares.
5. The number of employees indicated here denotes the number of persons currently employed.
6. At the Board of Directors meeting held on December 18, 2017, it was resolved to transfer our vehicle production business to Honda Motor Co., Ltd. As a result of entering a share transfer agreement on the same date, the said business has been classified under discontinued operations, and for the 64th term, the figures shown are after reclassification. For the 61st, 62nd and 63rd terms, the figures shown include the figures of the discontinued operation.

# Achieving Our 2020 Vision: To Become a True Worldwide Player



**Jiro Yamaguchi**

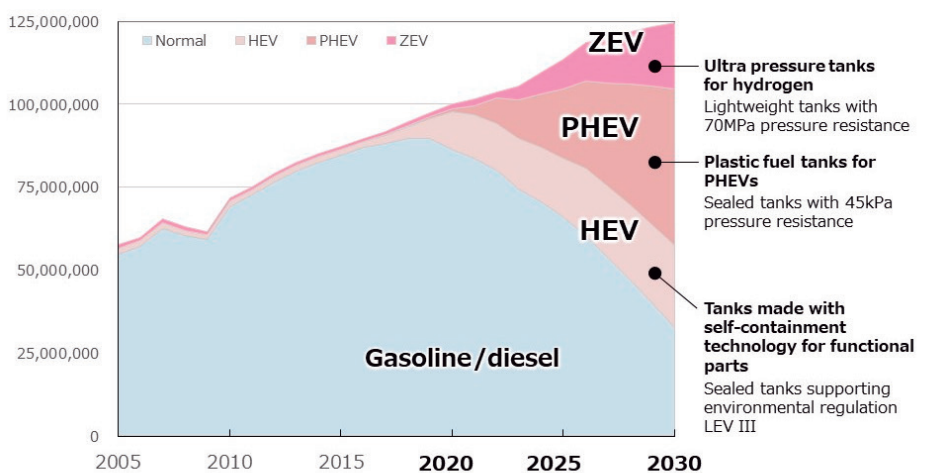
President and Representative Director

I would like to take this opportunity to thank all our shareholders and investors for their support.

In April 2018, we transferred our vehicle production business, which assembles mini vehicles, to Honda, and made a new start as a global supplier of automotive parts. We will concentrate on our parts production business, further solidifying and evolving the business as we drive forward growth and development.

As indicated by the keyword “CASE,” new players are entering the automotive industry from a wide range of other industries, including consumer electronics and communications, as electrification and automated driving technologies are rapidly practicalized and connected and shared technologies grab attention. Against this backdrop, we are advancing our businesses with the aim of actualizing the competitiveness of global top-class technology and products under the business policy of our three-year Mid-Term Management Plan, which runs from fiscal 2018 to fiscal 2020.

**Vehicle Unit Sales by Powertrain**



based on available information

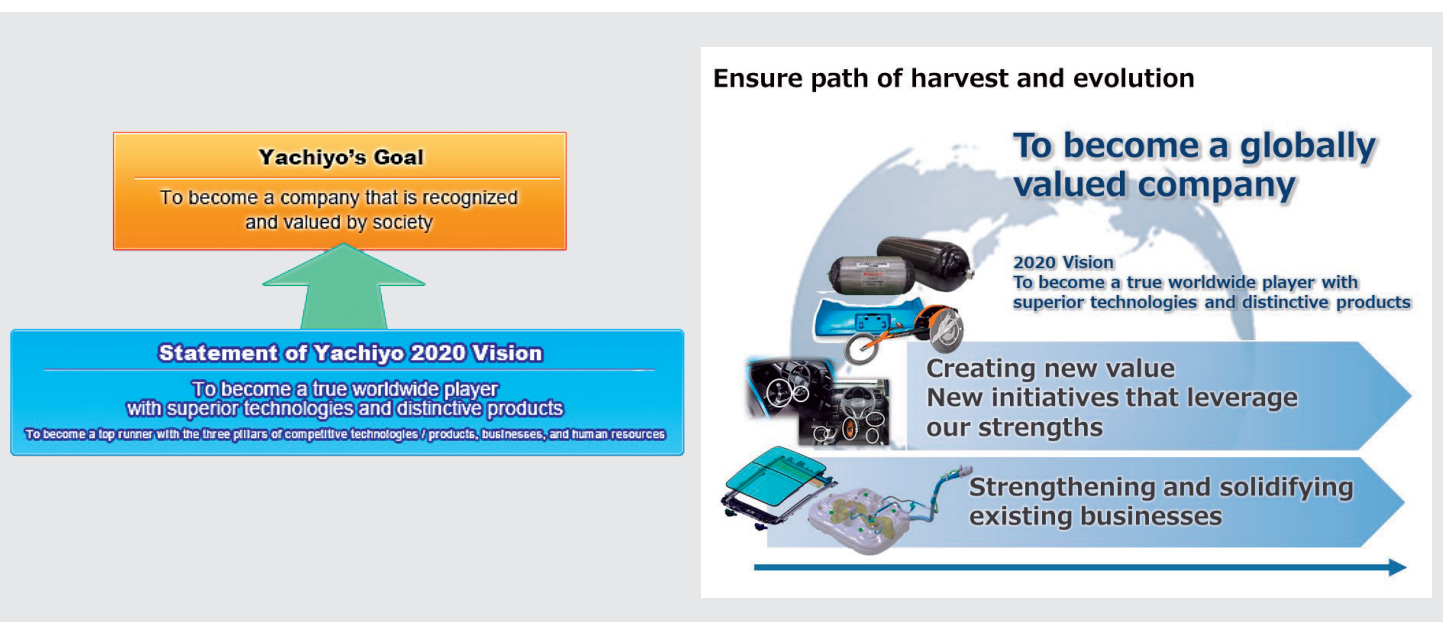
Plastic fuel tanks are one of our mainstay products. Mass production, using a new technology that enables us to mold a tank containing components in advance, began with the North American specification Honda Odyssey. The technology suppresses evaporation of fuel into the open air and meets environmental regulations, which are tightened each year. Demand for plug-in hybrid electric vehicles (PHEV) is expected to see especially strong growth amid electric vehicles. Mounting batteries and other components makes vehicles heavier. However, we are developing a high-pressure sealed tank that is lightweight yet can withstand high internal pressures, using our own proprietary technology. Products like this, which help keep vehicles lightweight, will maintain our competitiveness.

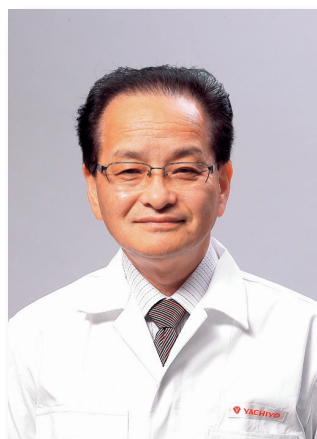
Other mainstay products include sunroofs. Demand for panoramic sunroofs grows year after year. Orders are increasing, especially in North America and China. They are being used increasingly in SUVs, minivans, and other vehicles, a trend we expect will continue. We are meeting customer demand steadily while initiating the development of attractive sunroofs that provide an even greater sense of openness.

In the field of new technologies, we are working on ways of making vehicles lighter, with products include vehicle body frames and lightweight carbon roofs, based on carbon fiber reinforced plastic (CFRP) technologies developed for racing wheelchairs.

Our 2018 to 2020 Mid-Term Management Plan, “Time for Harvest and Evolution,” is the last mid-term to achieve the Yachiyo 2020 Vision. All of our employees are working as one to realize the Plan’s target of “Actualize the competitiveness of global top-class technology and products.”

I would like to thank all of our shareholders and investors for their ongoing support and cooperation in the Group’s initiatives.





**Tomohiro Fujimoto**  
Senior Managing Director  
Chief Operating Officer, Production Operations

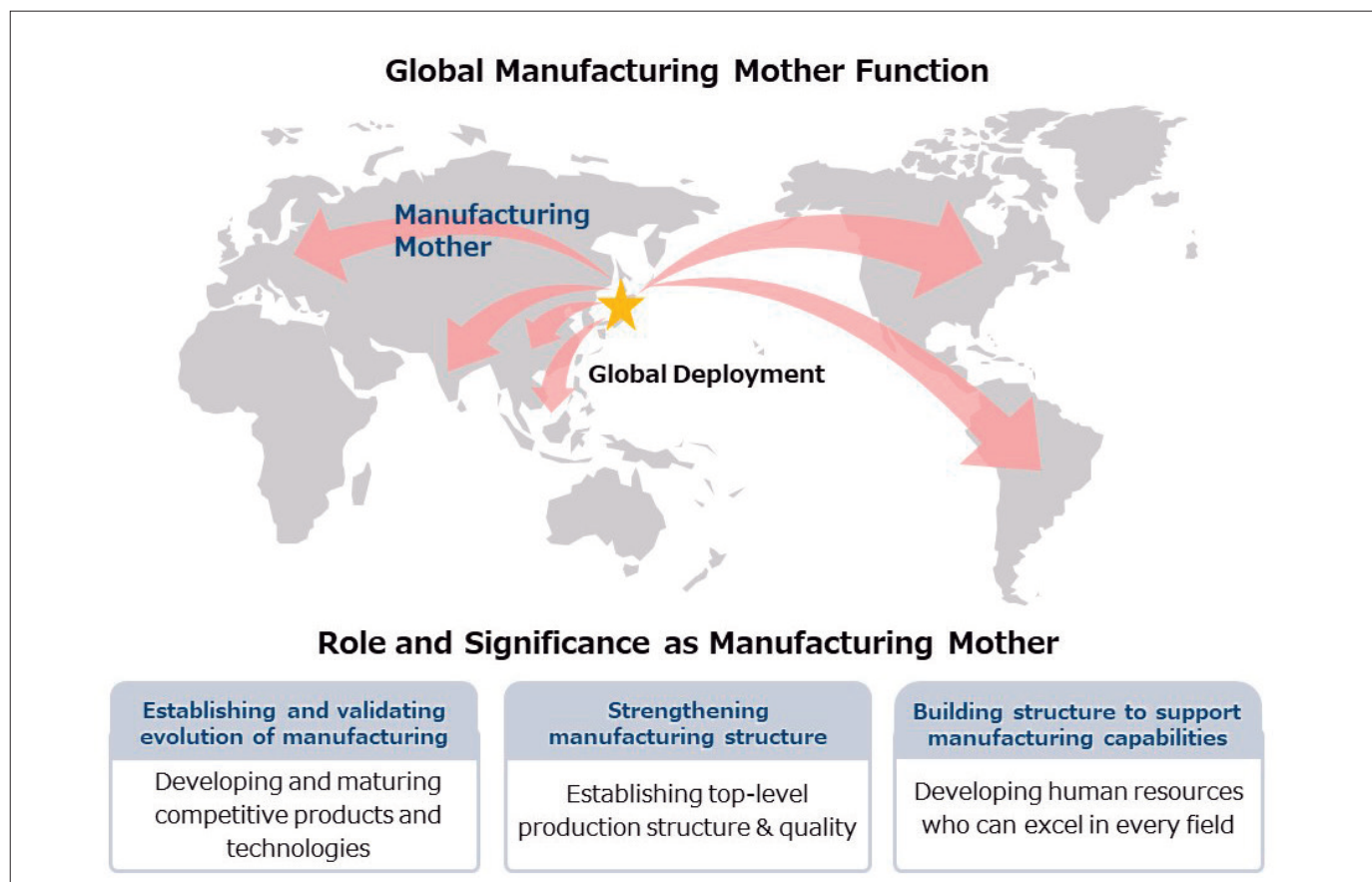
## Focusing on Parts Production Business and Becoming Autonomous and Self-reliant

We have transferred its vehicle production business, which assembles mini vehicles, to Honda and focused its management resources much more on its parts production business. We are advancing our business with the goal of “becoming a true worldwide player” in line with our 2020 Vision.

We have positioned our 2018 to 2020 Mid-Term Management Plan, which started in April, as the “Time for Harvest and Evolution.” We will harvest the product technologies we have developed by ensuring they are brought to market and advance preparations to evolve in 2020 and beyond. We will also advance companywide critical policies of the 2018-2020 Mid-Term Management Plan steadily and evolve as an autonomous automotive parts supplier.

### Further Enhancing Global Operations

We are further enhancing its global operations as an autonomous global supplier. We will set structure targets for each production base, identifying the distinctive characteristics and current status of each region and production base, clearly





identify the roles of Japan and each region and production base in order to achieve these targets, and build the optimum business operation structure in order to take maximum advantage of our limited management resources. Through these efforts, we will establish global operations, smoothly launch new models, ensure appropriate revenue, improve the structure of each production base, and achieve robust business operations for Yachiyo as a whole.

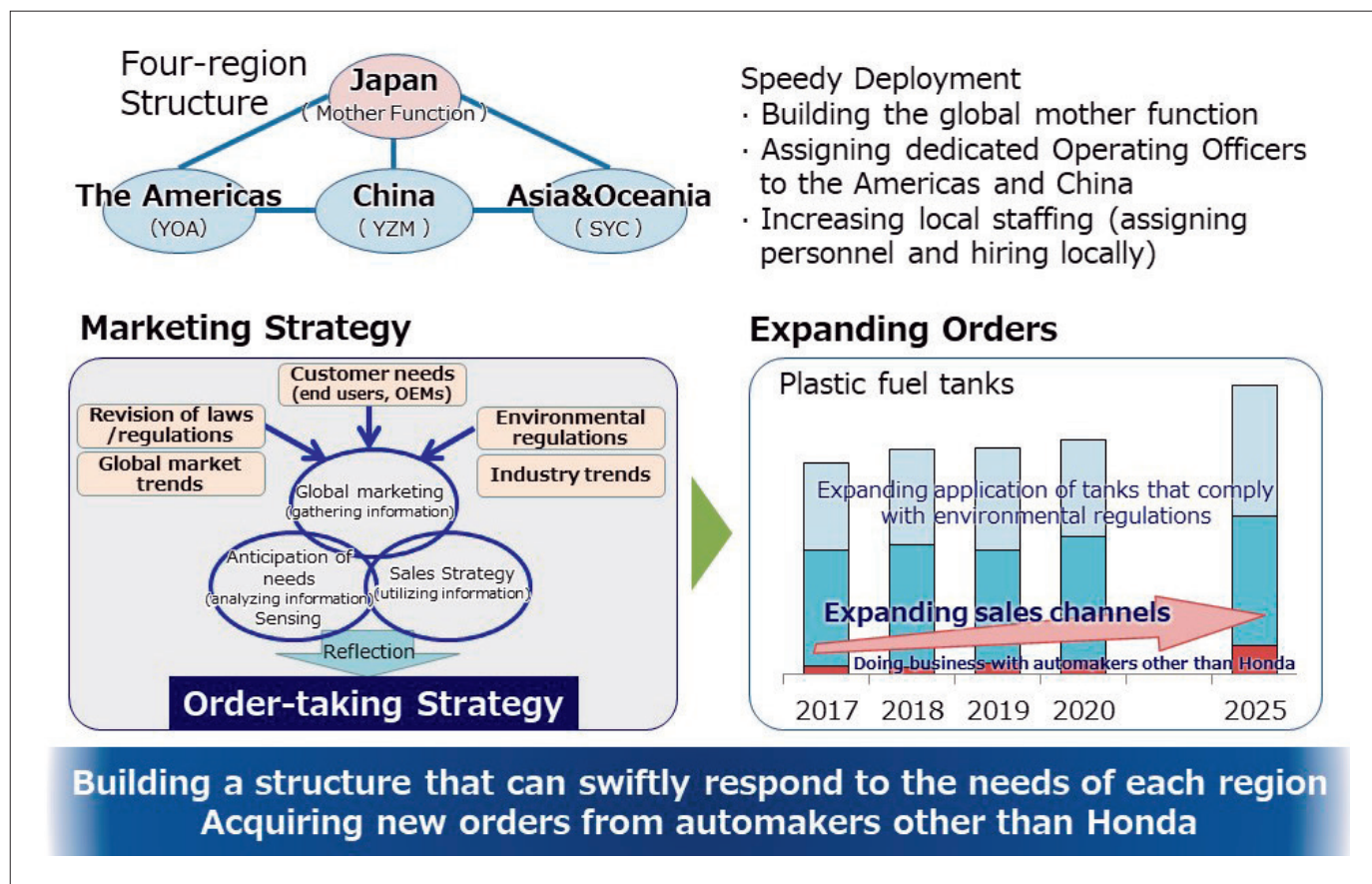
## Initiatives toward Autonomy and Self-reliance

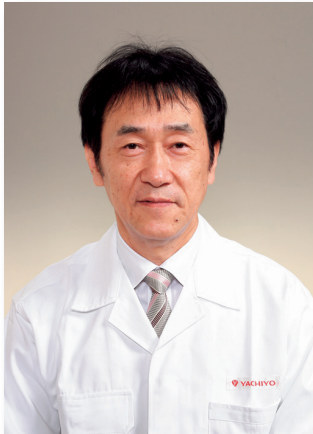
### (1) Optimizing Japanese operations

The Company's head office function is located in Japan, and this requires our Japanese operations to be sound. We will roll out the following measures from fiscal 2018 to further strengthen our efforts to solidify these operations. Firstly, we will further increase profitability by improving business efficiency and productivity in Japan and work to rebuild a production structure that serves as a model for global Yachiyo as a whole. Next, we will conduct thorough streamlining, especially in the area of mass production development, use the cost reductions to supplement development of future technologies and products, and build an efficient development structure.

### (2) Expanding new sales channels

Transactions with Honda make up a large proportion of the Company's current business. In order to be autonomous and self-reliant as an automotive parts supplier operating globally, we must expand our relationships with automakers other than Honda. Meanwhile, environmental and other legal regulations, market trends, automaker needs, and other factors vary by region and country. We must also identify customer needs, and divert our products and technologies, extend the period of using them, or make them general-purpose. We will build a structure that enables us to swiftly meet the needs of our customers in each region and expand our sales channels globally.





Satoshi Yasuda

Managing Director

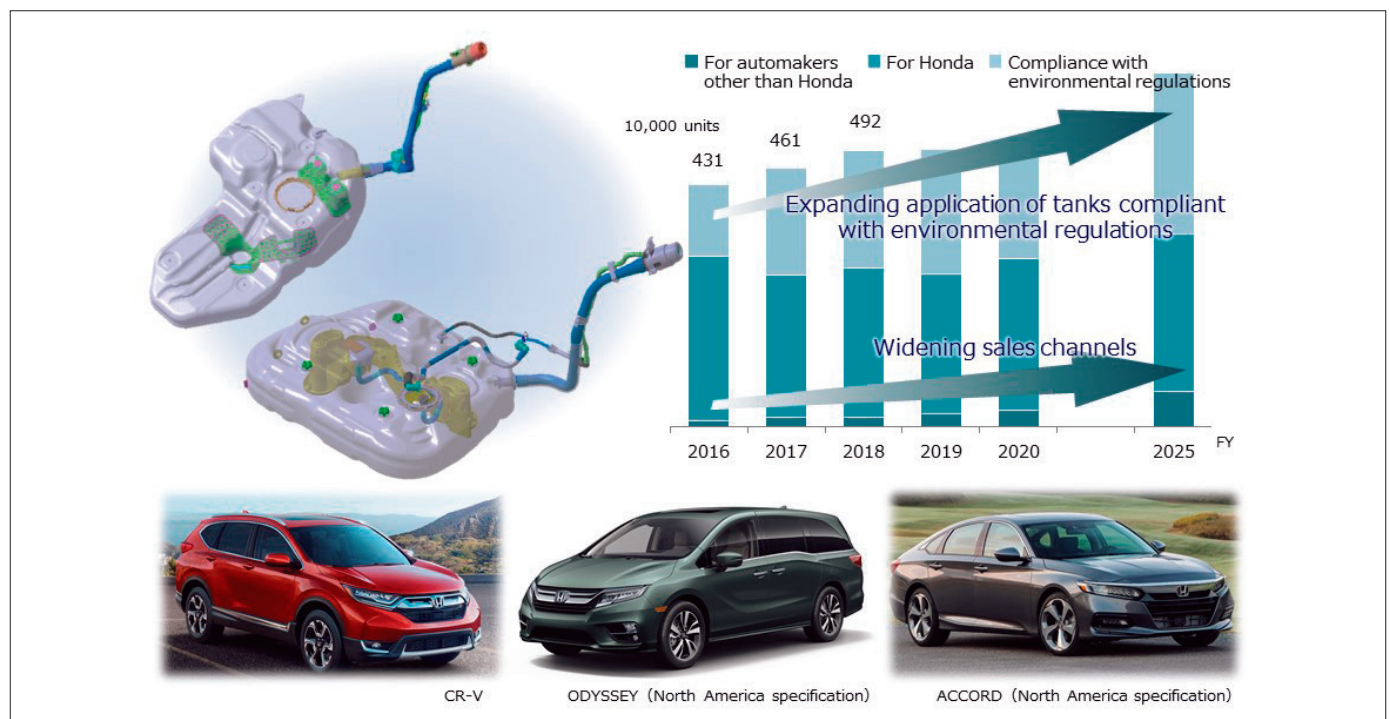
Chief Operating Officer, Engineering & Development Operations

## Direction of Mainstay Product Evolution

The automotive industry is undergoing a once-in-a-century transformation, as evidenced by such developments as the rapidly practicalizing electrification and automated driving technology. We will make sure that we commercialize, or “harvest,” the product technologies we have developed so far, while preparing for evolution in 2020 and beyond. Here, I would like to mainly describe the direction in which our mainstay products are evolving.

### Evolution of Fuel Tank Technology

Electrification of vehicles has been rapidly spreading, including hybrid electric vehicles (HEVs), plug-in hybrid electric vehicles (PHEVs), battery electric vehicles (BEVs), and fuel cell vehicles (FCVs). Seen from the perspective of fuel tanks, conventional gasoline vehicles, HEVs, and others naturally require tanks that conform with strict environmental regulations. Demand for fuel tanks for PHEVs is expected to rise, which will certainly require technology that can reliably withstand increases in pressure within the tank from vaporized fuel. We are drawing on proprietary new technology to develop plastic fuel tanks that are lighter than ever before while maintaining high-pressure resistance. We will aggressively approach automakers with electrification strategies.



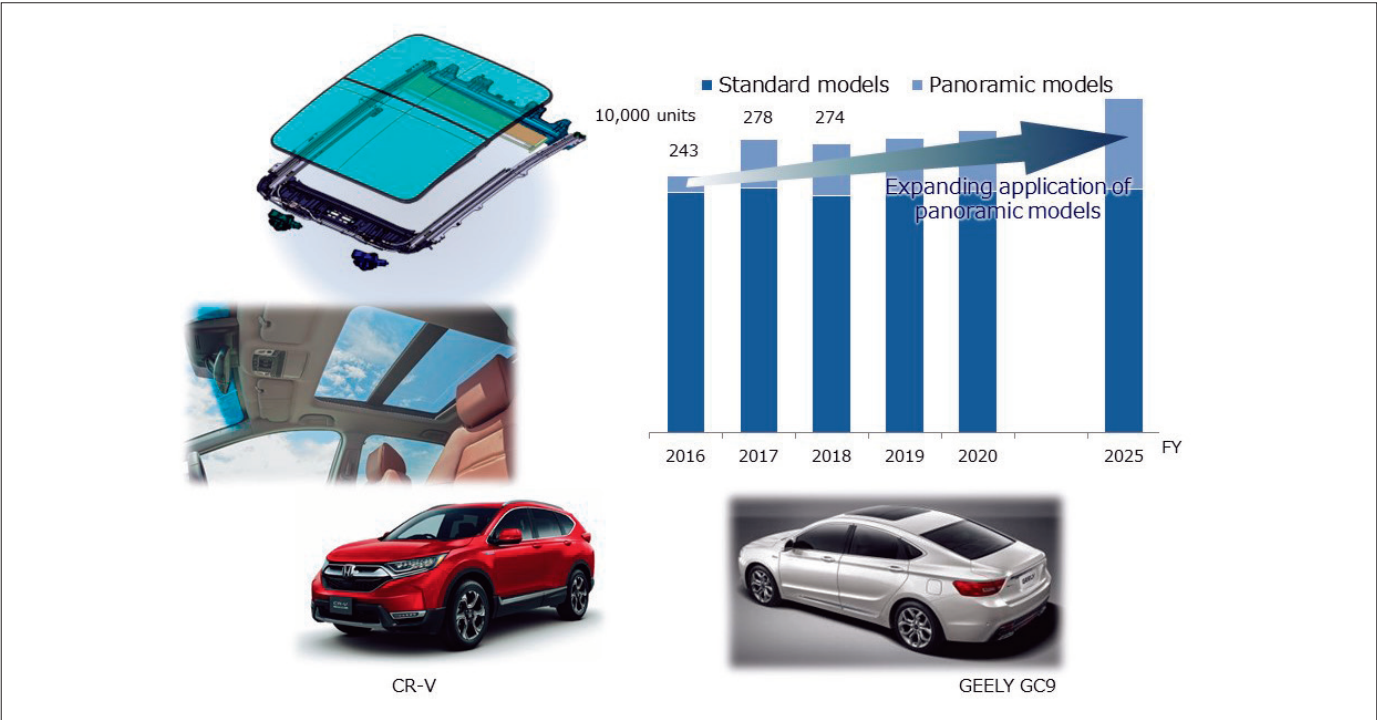


We are also leveraging the technology and expertise developed through our plastic fuel tanks and multiple plastic products to develop lightweight liners for FCVs and continue to enhance our technologies to create tanks for FCVs that are safe, lightweight and affordable.

### Evolution of Sunroof Technology

Our lineup of sunroof products includes standard and panoramic models with enlarged glass areas. Although the mechanism and other aspects of the standard sunroofs have reached the stage of perfection as products and the market is maturing, panoramic sunroofs are being used increasingly in SUVs and minivans. This trend is expected to continue. We are increasing the number of variations of our sunroofs to meet the needs of each automaker while pursuing a high level of design. We are also developing sunroofs that achieve a sense of unity with the vehicle body by incorporating them with the vehicle frame structure.

As the electrification and automated driving technologies are more practicalized, the more the values required for the vehicle’s cabin space change. We expect the needs for sunroofs to become increasingly high. We will work to enhance the variations while improving development and production efficiency and creating even more appealing products.



## Offering New Value to End Users

In the vehicle production business which we transferred to Honda, we had put our heart into producing large numbers of mini vehicles and delivering them to our customers. The Honda S660 was one of them.

The carbon fiber reinforced plastic (CFRP) roof for the S660 that we are currently developing is about 20% lighter than the genuine roof. It also sports an extremely beautiful design. We have exhibited the product under development at numerous events and many customers asked us to bring it to market as soon as possible, at a final owners' event held by Yachiyo Yokkaichi Co., Ltd. (currently, Honda Auto Body Co., Ltd.) on April 1. We are currently preparing to launch this product.

We will continue to offer new value that delights end users, including customized parts for the S660, and to make efforts to enhance the Yachiyo brand.



Yachiyo CFRP roof (prototype)



Many requests for market launch



Genuine roof (canvas top)



**Accelerate commercial production  
of Yachiyo parts for the S660**

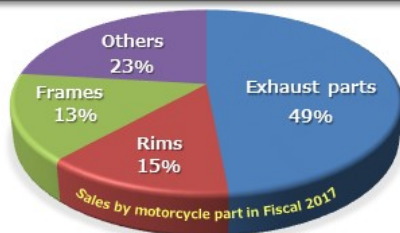


Yoshiki Matsubara  
Director  
President, Goshi Giken Co., Ltd.

## Aiming to be World's Best Manufacturer of Exhaust and Body Parts for Motorcycles

One of our subsidiaries, Goshi Giken Co., Ltd. (hereinafter, "Goshi Giken"), is in the business of motorcycle parts. Goshi Giken is increasing its mass production of exhaust and body parts for large vehicles, including the Honda CB series and CRF1000L Africa Twin. Goshi Giken's aluminum products, which were newly internalized (or kept as technology within its grasp), have also been used as body parts in large vehicles. Along with its current specialty in exhaust parts, Goshi Giken is aiming to be the "world's best manufacturer of exhaust and body parts for motorcycles."

### Goshi 2020 Vision Goal World's Best Manufacturer of Exhaust and Body Parts for Motorcycles



### =GOSHI Group Global Network=



Production of exhaust and body parts for motorcycles, including the CRF1000L Africa Twin

## Basic Principles

Yachiyo is grounded in the fundamental beliefs of “Respect for the Individual” and “Customer First.” In order to earn greater trust from not only our shareholders and investors, but also our customers and society, and “to become a company that is recognized and valued by society,” Yachiyo recognizes the enhancement of corporate governance as one of our most important management issues, and is making efforts to improve this area.

In organizational management, we are swiftly and appropriately expanding business operations that meet the demands of customers around the world while also building a highly effective and efficient system.

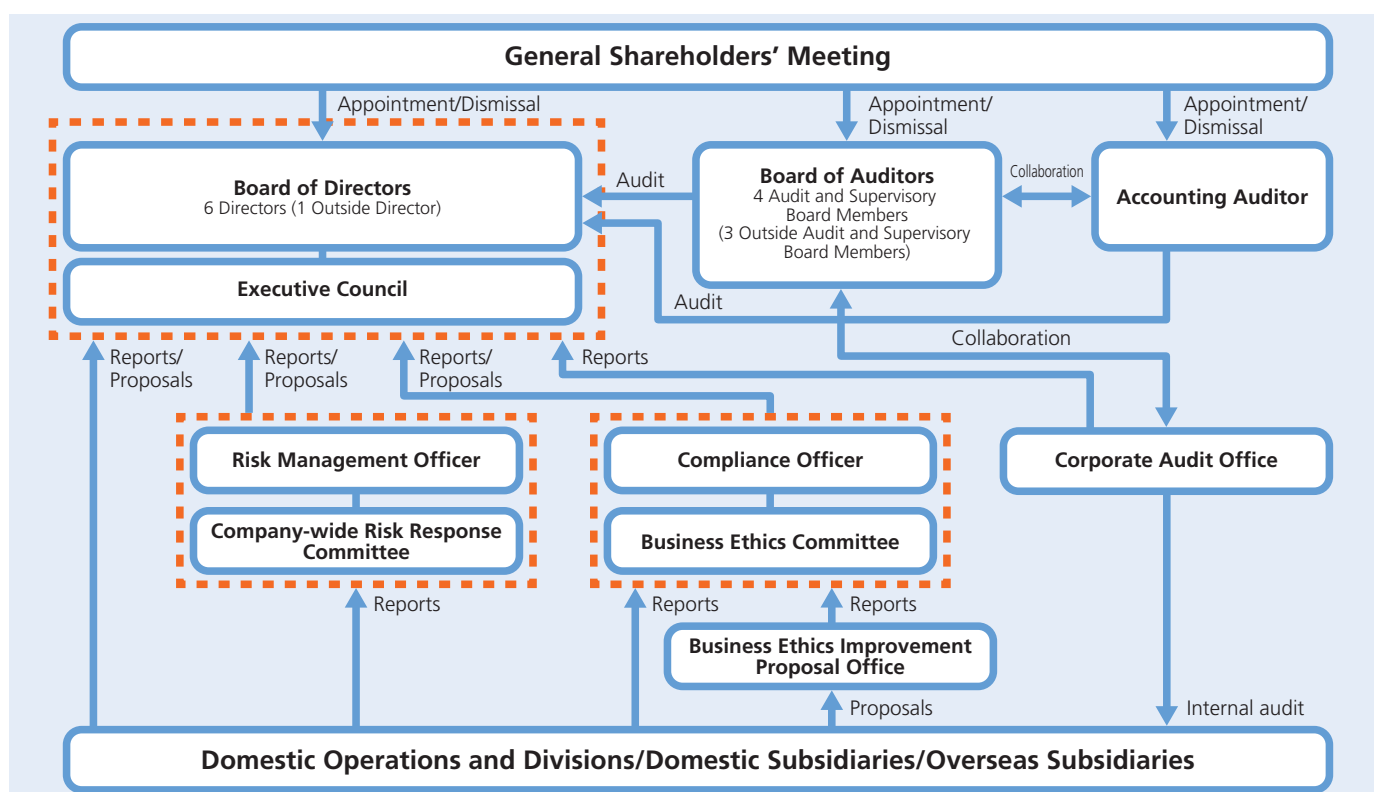
In addition to effective audits on the overall legality and progress in the business activities of each organization as conducted by the Corporate Audit Office, a division in charge of internal audits, each organization is also working on compliance and risk management while improving their autonomy.

In order to objectively monitor management, we have appointed Outside Directors and Outside Audit and Supervisory Board Members, and are performing supervision and audits on the Board of Directors and Board of Auditors. Yachiyo has also adopted an operating officer system with an aim to separate the supervision and execution functions of management, improving the mobility of the Board of Directors and accelerating decision-making in management by the Board of Directors.

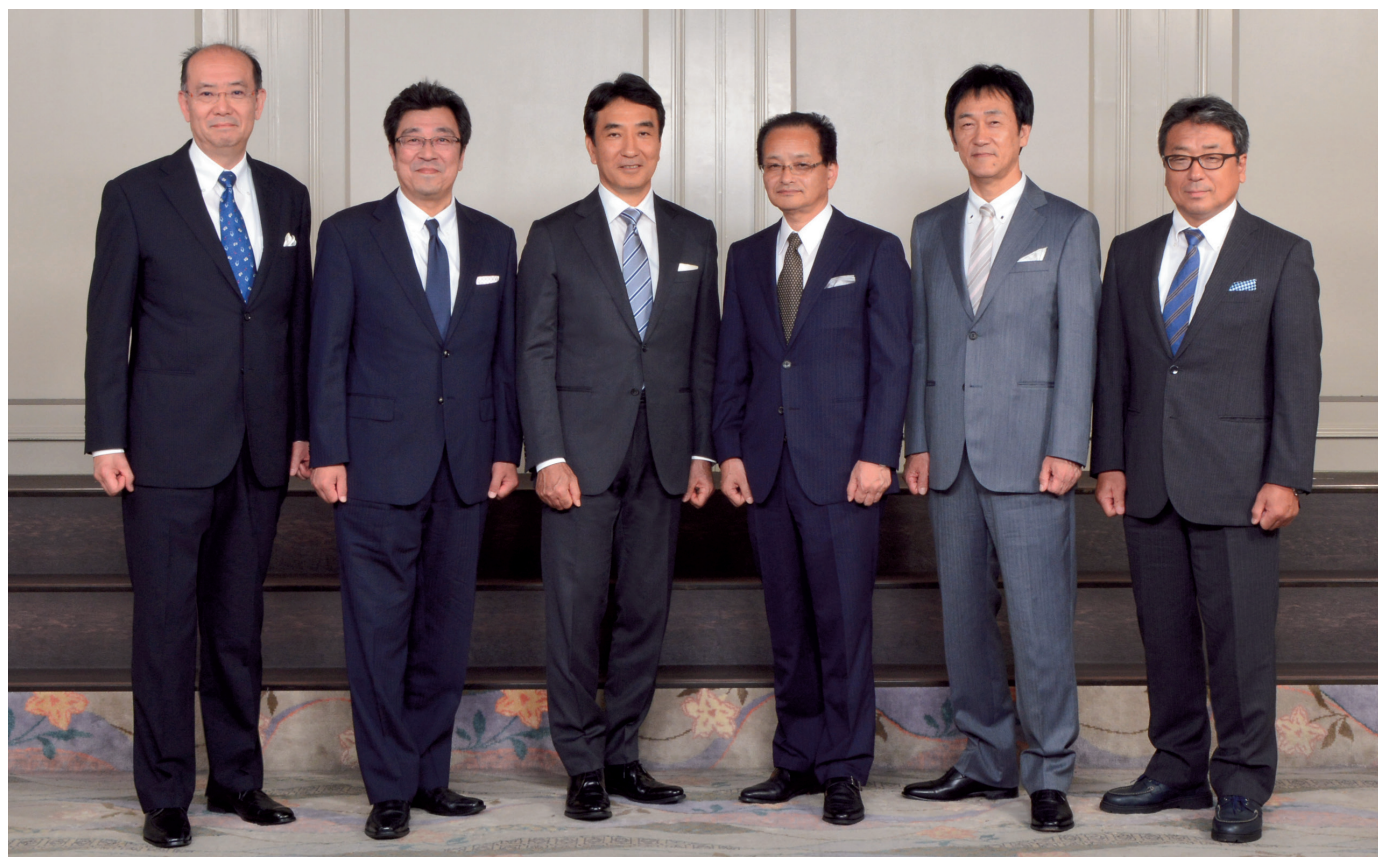
For the Directors, in order to enhance mobility for response to the changing business environment, we have set a term of office of one year.

For our shareholders and investors, quick and accurate publication and disclosure of financial statements and management policies are at our core, and we will continue to work to enhance corporate transparency.

## Overview of Corporate Governance Structure







Tsutomu  
Yokose

Tetsuya  
Kitamura

Jiro  
Yamaguchi

Tomohiro  
Fujimoto

Satoshi  
Yasuda

Yoshiki  
Matsubara

President and Representative  
Director:

Jiro Yamaguchi

Senior Operating Officer:

Hiroyuki Kihara  
Sadayuki Kurihara  
Yoshiyasu Hasegawa  
Koichi Hotta  
Kiyonori Mishima

Senior Managing and  
Representative Director:

Tomohiro Fujimoto

Managing Director:

Tetsuya Kitamura  
Satoshi Yasuda

Director:

Yoshiki Matsubara  
Tsutomu Yokose

Audit and Supervisory Board  
Member (Full-time):

Minoru Matsukawa

Audit and Supervisory Board  
Member:

Kazunari Tominaga  
Megumi Yamamuro  
Masanobu Muramatsu

- (Notes) 1. Tsutomu Yokose is outside director as provided for in Article 2, Item 15 of the Company Law.  
2. Kazunari Tominaga, Megumi Yamamuro and Masanobu Muramatsu are outside audit and supervisory board members as provided for in Article 2, Item 16 of the Company Law.  
3. Yachiyo has introduced the Operating Officer system.



## Financial Section

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## 1. Analysis of Results of Operations and Financial Position

### (1) Analysis of Results of Operations

During the fiscal year ended March 31, 2018, the Japanese economy has continued on a moderate recovery trend as there were signs of improvement in private consumption and capital investment. Overseas, although there was concern over fluctuations in the financial markets and their impact on the American economy, recovery was led by an increase in private consumption and capital investment stemming from the improved employment situation. As for Asian economies, China continued to show signs of recovery, despite concerns about real estate prices and trends in the financial markets including the problem of excessive debt. India saw a moderate recovery mainly in domestic demand, and other Asian countries also underwent an economic recovery. The economies of key European countries recovered moderately, despite anxiety over the impact of geopolitical risks and policy uncertainties.

In light of these circumstances, the Group has strived to “Actualize the competitiveness of global top-class technology and products” under the three-year Mid-Term Management Plan that started from April 2017 (2017 to 2019 Mid-Term Management Plan) in order to achieve its 2020 Vision, “Become a true worldwide player with superior technologies and distinctive products.” We have worked towards the “autonomy and self-reliance of each business,” the “realization of the world’s best or first ever technologies and products,” and “dramatic improvements in the power of the actual site through working style reforms” based on the “Yachiyo Corporate Philosophy” and “stable quality and deliveries.”

In the “evolution of manufacturing in anticipation of needs” that has been set as a priority measure, we have strengthened information collection capabilities and completed the establishment of targets for cutting-edge technologies and products in consideration of future needs. In addition, we commenced development process reforms aimed at achieving manufacturing capabilities with top-level competitiveness.

In “establishing and implementing global operations,” we have strengthened mutual coordination between production bases and completed the establishment of benchmark structure targets by region and production base for the stabilization of the production structure at a high level and improvements in competitive strength.

In “dramatic improvements in the quality assurance structure,” we have established cross-organizational front loading processes in order to prevent the occurrence of similar defects and started to build frameworks for the effective use of past mistakes and know-how in prevention.

In the “advance development and optimal placement of human resources for the future,” we have commenced measures for the revitalization of human resources and working style reforms in order to maximize on-site capabilities and commenced flexible human resource development by thinking outside the box.

In the “sustainable business development aimed at improving corporate value,” we have strengthened initiatives aimed at the achievement of a low-carbon society, made social contributions through our unique technologies and products, and strengthened GRC activities aimed at sound corporate activities.

The Company resolved to transfer the vehicle production business to Honda Motor Co., Ltd. at the Board of Directors meeting held on December 18, 2017, and the transfer was completed on April 2, 2018.

As a result, this business is classified as a discontinued operation, and the figures for revenue, operating profit, and profit before tax are for continuing operations excluding such discontinued operations are described. In addition, the results for the previous fiscal year have been modified in the same manner.

Revenue in the fiscal year ended March 31, 2018 increased ¥26,584 million (19.1%) year on year, to ¥165,562 million, due to an increase in orders received for automotive parts overseas and the effects of foreign currency translations. In terms of profit, operating profit increased ¥536 million (6.1%) year on year, to ¥9,369 million, primarily due to the increase in profits from the increase in revenues and the positive effects of cost improvements, despite the impairment loss recorded by the Company on a non-consolidated basis and the increase in expenses from the launch of new models in the Americas and supporting increased production. Profit before tax increased ¥241 million (2.7%) year on year, to ¥9,223 million, while profit also increased ¥671 million (9.7%) year on year, to ¥7,555 million.

Business results by segment are as follows.

### **(Japan)**

In Japan, revenue totaled ¥25,912 million, an increase of ¥1,043 million or 4.2%, compared with the previous fiscal year, as a result of factors including a recovery in orders received for motorcycle parts that suffered from a decrease in production due to the Kumamoto Earthquake during the previous fiscal year. Loss before tax totaled ¥3,549 million, a profit decrease of ¥1,741 million compared with profit before tax for the previous fiscal year, due primarily to the impairment loss recorded by the Company on a non-consolidated basis, despite an increase in orders received.

### **(The Americas)**

In the Americas, revenue increased ¥4,221 million (10.7%) year on year, to ¥43,681 million, due to factors which include the positive effects of an increase in orders received at the Company's consolidated subsidiaries, Yachiyo Manufacturing of America, LLC (U.S.A.) and US Yachiyo, Inc. (U.S.A.). Profit before tax decreased ¥1,800 million (88.5%) year on year, to ¥233 million, due primarily to the increase in expenses from changes in the model lineup, the launch of new models, and supporting increased production, despite an increase in orders received.

### **(China)**

In China, revenue increased ¥11,937 million (47.4%) year on year, to ¥37,101 million, due to an increase in orders received at the Company's consolidated subsidiaries, Yachiyo Wuhan Manufacturing Co., Ltd. and Yachiyo Zhongshan Manufacturing Co., Ltd. Profit before tax increased ¥2,422 million (68.2%) year on year, to ¥5,971 million, due mainly to an increase in orders and the effects of foreign currency translations.

## **(Asia)**

In Asia, revenue increased ¥9,382 million (19.0%) year on year, to ¥58,869 million, due to factors which include an increase in orders received at the Company's consolidated subsidiaries, Goshi-Thanglong Auto-Parts Co., Ltd. in Vietnam and Siam Goshi Manufacturing Co., Ltd. in Thailand, and the effects of foreign currency translations. Profit before tax increased ¥1,383 million (25.7%) year on year, to ¥6,762 million, due mainly to an increase in orders received and the effects of foreign currency translations.

## **(2) Analysis of Financial Position**

Total assets at the end of the fiscal year ended March 31, 2018 stood at ¥131,278 million, representing an increase of ¥334 million compared to the previous fiscal year. The increase was mainly attributable to an increase in cash and cash equivalents, despite a decrease in inventories.

Total liabilities stood at ¥59,418 million, representing a decrease of ¥4,904 million. The decrease was mainly attributable to a decrease in loans payable.

Total equity stood at ¥71,859 million, representing an increase of ¥5,238 million. This was mainly due to an increase in retained earnings, despite decreases in other components of equity.

### **Status of Cash Flows**

Cash and cash equivalents (hereinafter referred to as "funds") at the end of the fiscal year ended March 31, 2018 increased by ¥2,317 million compared to the end of the previous fiscal year, to ¥19,010 million. This was mainly due to profit before tax of ¥9,223 million, profit before tax from discontinued operations of ¥1,873 million, depreciation and amortization of ¥7,159 million, and an impairment loss of ¥2,013 million, despite income taxes paid of ¥4,643 million, purchase of property, plant and equipment of ¥8,233 million, a net decrease in short-term loans payable of ¥2,165 million, and repayment of long-term loans payable of ¥3,804 million.

The status of cash flows for the fiscal year ended March 31, 2018 and the factors related to increase/decrease from the previous fiscal year are as described below.

### **(a) Cash flows from operating activities**

Funds provided by operating activities increased by ¥9,645 million compared to the previous fiscal year, to ¥19,125 million (¥9,480 million of funds provided in the previous fiscal year). This was primarily due to profit before tax of ¥9,223 million, profit before tax from discontinued operations of ¥1,873 million, depreciation and amortization of ¥7,159 million, an impairment loss of ¥2,013 million, and a decrease in inventories of ¥1,836 million, despite income taxes paid of ¥4,643 million.

### **(b) Cash flows from investing activities**

Funds used in investing activities increased by ¥163 million compared to the previous fiscal year, to ¥9,325 million (¥9,163 million of funds used in the previous fiscal year). This was primarily due to the purchase of property, plant and equipment of ¥8,233 million.

### **(c) Cash flows from financing activities**

Funds used in financing activities increased by ¥8,495 million compared to the previous fiscal year, to ¥7,488 million (¥1,007 million of funds provided in the previous fiscal year). This was primarily due to a net decrease in short-term loans payable of ¥2,165 million, repayment of long-term loans payable of ¥3,804 million, and cash dividends paid of ¥1,611 million.

## **(3) Fundamental Policy Concerning Earnings Distributions and Dividend for the Fiscal Year Under Review**

The Company regards returning profits to its shareholders as one of the paramount issues of management. It has been endeavoring to enhance its corporate value by developing business activities with a global viewpoint.

In determining earnings distribution, the Company gives comprehensive considerations including the outlook for future funds demand. As for dividend payouts, the Company has made it a policy to determine payouts on a long-term basis considering results of operations on a consolidated basis.

The Company's basic policy is to pay dividends from surplus twice a year through an interim dividend and a year-end dividend.

The decision-making body for these dividends is the Board of Directors for the interim dividend and the General Shareholders' Meeting for the year-end dividend.

By utilizing retained earnings for investments and contributions for the sake of future business expansion, the Company endeavors to improve business performance and strengthen its financial standing.

Regarding the year-end dividend for the fiscal year under review, the Company has decided it will be ¥16 per share (making the annual dividend ¥32 per share, along with the interim dividend of ¥16 per share). As a result, the dividend to equity attributable to owners of the consolidated parent company ratio for the fiscal year under review was 1.3%.

## **2. Management Policies**

### **(1) Basic Policies of Management**

The Company has always followed the fundamental beliefs of "Respect for the Individual" and "Customer First." For "Respect for the Individual," we respect each other's individuality, build mutual trust based on a collegial relationship. For "Customer First," we make maximum efforts to meet customers' requests and give them a top priority. Under such fundamental beliefs, we endeavor to realize the following corporate principles: "While maintaining a global viewpoint, we provide superior technologies and distinctive products for the satisfaction of our customers," to share joy with all parties including shareholders, to try to improve our corporate value, and to aim to become a company that is recognized and valued by society through implementation of the Yachiyo corporate philosophy.



## **(2) Target Management Indicators**

The Group positions the consolidated operating income margin as an important management indicator for attaining steady growth in the global market, securing appropriate profits, and improving corporate value.

## **(3) Medium- to Long-Term Management Strategies and Issues to be Addressed**

With regard to the economic outlook, in Japan we expect the economy to undergo a mild recovery owing to the continued improvement in the employment environment and income situation with the addition of the effects of various policy measures. Although there are uncertainties such as the impact of policies, trends in trade negotiations, the future course of economies in China and other emerging countries in Asia, and the impact of crude oil prices and fluctuations in financial and capital markets, the global economy is expected to continue to follow a mild recovery path.

With regard to the automotive industry in which the Group operates, while a significant increase in automobile sales volume is not believed to be likely in Japan as the population decreases, outside of Japan, we expect increased production and sales of automobiles going forward driven by the two major markets of the United States and China, as well as increased demand in emerging countries, although the level of demand will differ by country.

As the global market expands, automakers are expected to develop automobiles that respond to needs, such as high value-added models for advanced countries and inexpensive models for emerging countries. And in order to reduce this development burden while carrying out speedy commercialization, automakers are increasingly procuring parts from mega-suppliers with planning and development capabilities for making original proposals and global level supply capabilities. Furthermore, the adoption of electric vehicles and practical application of automated driving technologies is accelerating, and with this trend, partnerships going above and beyond the borders of the automotive industry are becoming more prominent as electronics manufacturers, materials manufacturers, and IT companies, etc. enter partnerships with automotive-related companies.

Although the Group has formulated a Mid-Term Management Plan every three years and conducted business accordingly, in light of the dramatic changes in the operating environment, from the current fiscal year we will reconfirm the business results and changes in the environment every year and revise the Mid-Term Management Plan as necessary. As a result of reconfirmation of the three-year Mid-Term Management Plan that started from April 2018 (2018 to 2020 Mid-Term Management Plan), a partial revision including the strengthening of the global manufacturing mother function was made while basically following the 2017 to 2019 Mid-Term Management Plan up until now. The Group will continue to aim to "Actualize the competitiveness of global top-class technology and products" in the 2018 to 2020 Mid-Term Management Plan. In addition, all of our employees will communicate together even more closely as they work towards the "autonomy and self-reliance of each business," the "realization of the world's best or first ever technologies and products," and "dramatic improvements in the power of the actual site through working style reforms" based on the "Yachiyo Corporate Philosophy," "safety," and "stable quality and deliveries." We will keep a constant watch on our operating environment in order to incorporate the latest information, analyze it and look ahead accordingly, and if necessary, make changes

to our business approach and allocation of management resources in a speedy manner as we work proactively to prepare for the future. In order to steadily advance these efforts, the entire Company is working to implement the following five company-wide priority measures.

#### **a) Evolution of manufacturing in anticipation of needs**

In order to achieve outstanding technologies and unique products in the face of dramatically changing market needs, we will work to reform our ways in manufacturing that we have used until now and increase speed as well.

We will dramatically expand our information network in order to be more attuned to the trends of the times and society, and global trends and values so that we are able to anticipate the needs of customers, and aim to provide the world's best or first ever technologies and products as the embodiment of new value. In addition, we will strengthen the role of each of the various fields from planning to development, production, and sales in manufacturing, while making dramatic improvements to manufacturing capabilities by constantly repeating a process of successively feeding back the anticipated information and advance information from each field to its preceding counterpart.

#### **b) Establishing and implementing global operations**

As overseas production bases have taken over the bulk of the production volume accompanying the expanded production of core products consisting of plastic fuel tanks and sunroofs, there is an increased need to strengthen support for differing needs in each region and strengthen cooperation between Japan and these regions as well as production bases. In light of this, we will evolve global operations by strengthening the head office function and establishing a manufacturing mother function in Japan while clarifying the roles and responsibilities of production bases in each region.

We will work to improve the structure of all production bases by setting and achieving structure targets, while also clarifying the roles of production bases and establishing an optimal company-wide business operation structure in order to achieve these roles. Furthermore, we will work to realize even more robust business operations through means such as the implementation of global operations for the smooth launch of new models and further improvements to the production structure at each production base.

#### **c) Dramatic improvements in the quality assurance structure**

We will ensure the input of opinions of related departments from the stage of development and technology design conception in order to continue to stably produce high-quality products. We will establish a structure that does not make or release defective products, that does not allow for malfunctions, and that is accepting of production changes, and implement activities for maintaining and improving quality (aka Yachiyo Best Quality) and activities for greater production efficiency (aka Total Productive Maintenance) in all areas in order to improve quality and establish a quality assurance structure that is not affected by changes or irregular events that may arise.

#### **d) Advance development and optimal placement of human resources for the future**

In order to make dramatic improvements in on-site capabilities in preparation for changes in work due to the evolution of manufacturing and for the future, we will conduct fundamental measures including working style reforms and improvements to the environment to accept diverse human resources.

In addition, after anticipating the future business structure and clarifying the necessary human resources for the departments and fields that will support this structure, we will develop human resources for the future and optimize their placement as we enhance their collective strength.

#### **(5) Sustainable business development aimed at improving corporate value**

In response to the increased needs for achieving a low-carbon society, we will contribute to society by means of working to reduce our environmental burden more than ever through our corporate activities including reductions in CO<sub>2</sub> emissions, reductions in water consumption, and the strengthening of waste reduction activities, as well as providing our unique technologies and products that take into consideration social welfare and the environment while complying with laws and regulations, internal regulations, and social standards.

In addition, by actively disclosing these efforts to stakeholders, we will allow stakeholders to gain an understanding of and expectations towards our business activities as we endeavor to realize a sustainable society in the future and fulfill our responsibilities.

## Consolidated Statements of Financial Position

Millions of yen

	As of March 31, 2017	As of March 31, 2018
<b>Assets</b>		
Current assets		
Cash and cash equivalents	16,693	18,929
Trade and other receivables	38,376	36,213
Other financial assets	1,536	1,634
Inventories	11,937	9,398
Other current assets	1,175	1,048
Subtotal	69,717	67,222
Assets held for sale	–	9,236
Total current assets	69,717	76,458
Non-current assets		
Property, plant and equipment	49,696	43,910
Intangible assets and goodwill	6,321	5,435
Other financial assets	1,557	1,881
Deferred tax assets	1,639	2,096
Net defined benefit asset	1,494	1,359
Other non-current assets	519	139
Total non-current assets	61,226	54,820
Total assets	130,943	131,278

Millions of yen

	As of March 31, 2017	As of March 31, 2018
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	25,754	24,685
Loans payable	14,458	11,516
Other financial liabilities	127	91
Income taxes payable	1,427	1,531
Other current liabilities	5,202	4,451
Subtotal	46,968	42,274
Liabilities directly related to assets held for sale	–	3,412
Total current liabilities	46,968	45,687
Non-current liabilities		
Loans payable	6,146	3,208
Other financial liabilities	160	152
Net defined benefit liability	5,467	5,138
Deferred tax liabilities	5,129	4,898
Other non-current liabilities	451	336
Total non-current liabilities	17,354	13,731
Total liabilities	64,322	59,418
Equity		
Capital stock	3,686	3,686
Capital surplus	3,488	3,488
Retained earnings	46,011	49,969
Treasury stock	(25)	(25)
Other components of equity	2,316	1,891
Total equity attributable to owners of parent	55,475	59,008
Non-controlling interests	11,147	12,851
Total equity	66,622	71,859
Total liabilities and equity	130,943	131,278



## Consolidated Statements of Income

For the years ended March 31

Millions of yen

	2017 64th term	2018 65th term
Continuing operations		
Revenue	138,979	165,562
Cost of sales	(115,927)	(140,258)
Gross profit	23,051	25,304
Selling, general and administrative expenses	(10,223)	(11,761)
Research and development expense	(3,838)	(4,305)
Other income	357	352
Other expenses	(515)	(221)
Operating profit	8,833	9,369
Finance income	362	321
Finance expenses	(212)	(467)
Profit before tax	8,982	9,223
Income tax expense	(3,270)	(4,116)
Profit from continuing operations	5,713	5,107
Discontinued operations		
Profit from discontinued operations	1,172	2,448
Profit	6,884	7,555
Attribution of profit		
Owners of parent	4,743	4,796
Non-controlling interests	2,142	2,759
Earnings per share		
Basic earnings (loss) per share		
Continuing operations	148.72	97.78
Discontinued operations	48.79	101.95
Total basic earnings per share	197.51	199.73

## Consolidated Statements of Comprehensive Income

For the years ended March 31

Millions of yen

	2017 64th term	2018 65th term
Profit	6,884	7,555
Other comprehensive income		
Items not recognized in profit or loss		
Remeasurements of defined benefit plans	680	(117)
Net change of financial assets measured at fair value through other comprehensive income	161	(4)
Total of items not recognized in profit or loss	841	(121)
Items that may be recognized in profit or loss		
Translation differences of foreign operations	(937)	(586)
Total of items that may be recognized in profit or loss	(937)	(586)
Total other comprehensive income	(96)	(706)
Comprehensive income	6,788	6,849
Attribution of comprehensive income		
Owners of parent	4,481	4,254
Non-controlling interests	2,307	2,596

# Consolidated Statements of Changes in Equity

Millions of yen

	Equity attributable to owners of parent			
	Capital stock	Capital surplus	Retained earnings	Treasury stock
Balance as of April 1, 2016	3,686	3,473	41,530	(25)
Comprehensive income				
Profit			4,743	
Other comprehensive income				
Remeasurements of defined benefit plans				
Net change of financial assets measured at fair value through other comprehensive income				
Translation differences of foreign operations				
Total comprehensive income	-	-	4,743	-
Transactions with owners				
Purchase of treasury stock				
Dividends of surplus			(672)	
Change in scope of consolidation				
Change in non-controlling interest		15		
Transfer from other components of equity to retained earnings			410	
Total transactions with owners	-	15	(262)	-
Balance as of March 31, 2017	3,686	3,488	46,011	(25)
Comprehensive income				
Profit			4,796	
Other comprehensive income				
Remeasurements of defined benefit plans				
Net change of financial assets measured at fair value through other comprehensive income				
Translation differences of foreign operations				
Total comprehensive income	-	-	4,796	-
Transactions with owners				
Purchase of treasury stock				(0)
Dividends of surplus			(720)	
Change in scope of consolidation				
Change in non-controlling interest				
Transfer from other components of equity to retained earnings			(118)	
Total transactions with owners	-	-	(838)	(0)
Balance as of March 31, 2018	3,686	3,488	49,969	(25)

Millions of yen

	Equity attributable to owners of parent					Non-controlling interests	Total equity
	Other components of equity				Total		
	Remeasurements of defined benefit plans	Net change of financial assets measured at fair value through other comprehensive income	Translation differences of foreign operations	Total			
Balance as of April 1, 2016	–	438	2,549	2,988	51,651	10,311	61,962
Comprehensive income							
Profit					4,743	2,142	6,884
Other comprehensive income							
Remeasurements of defined benefit plans	410			410	410	269	680
Net change of financial assets measured at fair value through other comprehensive income		161		161	161		161
Translation differences of foreign operations			(833)	(833)	(833)	(104)	(937)
Total comprehensive income	410	161	(833)	(262)	4,481	2,307	6,788
Transactions with owners							
Purchase of treasury stock					–		–
Dividends of surplus					(672)	(971)	(1,643)
Change in scope of consolidation					–	103	103
Change in non-controlling interest					15	(604)	(588)
Transfer from other components of equity to retained earnings	(410)			(410)	–		–
Total transactions with owners	(410)	–	–	(410)	(657)	(1,471)	(2,128)
Balance as of March 31, 2017	–	600	1,716	2,316	55,475	11,147	66,622
Comprehensive income							
Profit					4,796	2,759	7,555
Other comprehensive income							
Remeasurements of defined benefit plans	(118)			(118)	(118)	1	(117)
Net change of financial assets measured at fair value through other comprehensive income		(4)		(4)	(4)		(4)
Translation differences of foreign operations			(421)	(421)	(421)	(164)	(586)
Total comprehensive income	(118)	(4)	(421)	(542)	4,254	2,596	6,849
Transactions with owners							
Purchase of treasury stock					(0)		(0)
Dividends of surplus					(720)	(890)	(1,611)
Change in scope of consolidation					–		–
Change in non-controlling interest					–		–
Transfer from other components of equity to retained earnings	118			118	–		–
Total transactions with owners	118	–	–	118	(720)	(890)	(1,611)
Balance as of March 31, 2018	–	596	1,295	1,891	59,008	12,851	71,859

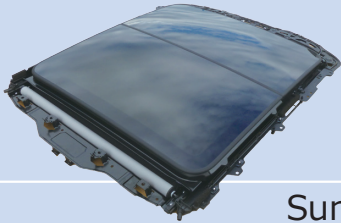
## Consolidated Statements of Cash Flows

For the years ended March 31

Millions of yen

	2017 64th term	2018 65th term
Cash flows from operating activities		
Profit before tax	8,982	9,223
Profit (loss) before tax from discontinued operations	1,178	1,873
Depreciation and amortization	7,894	7,159
Impairment loss	179	2,013
Finance income	(362)	(321)
Finance expenses	212	467
Decrease (increase) in trade and other receivables	(7,299)	(331)
Decrease (increase) in inventories	(1,386)	1,836
Increase (decrease) in trade and other payables	3,051	532
Increase (decrease) in net defined benefit liability	(270)	406
Decrease (increase) in net defined benefit asset	(346)	133
Other, net	916	590
Subtotal	12,751	23,580
Dividend income	39	18
Interest income	316	310
Interest expenses paid	(161)	(141)
Income taxes (paid) refund	(3,466)	(4,643)
Net cash provided by (used in) operating activities	9,480	19,125
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,570)	(8,233)
Proceeds from sales of property, plant and equipment	203	103
Purchase of intangible assets	(1,402)	(1,484)
Payments into or withdrawal of time deposits, net	81	279
Proceeds from transfer of business	229	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(2,803)	-
Other, net	100	10
Net cash provided by (used in) investing activities	(9,163)	(9,325)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	4,806	(2,165)
Proceeds from long-term loans payable	3,600	200
Repayment of long-term loans payable	(5,081)	(3,804)
Cash dividends paid to owners of parent	(672)	(720)
Cash dividends paid to non-controlling interests	(971)	(890)
Purchase of shares of subsidiaries that do not result in change in scope of consolidation	(588)	-
Other, net	(86)	(108)
Net cash provided by (used in) financing activities	1,007	(7,488)
Net increase (decrease) in cash and cash equivalents	1,325	2,312
Effect of exchange rate change on cash and cash equivalents	(103)	5
Cash and cash equivalents at beginning of period	15,472	16,693
Cash and cash equivalents at end of period	16,693	19,010

## Main Products



Sunroofs



Plastic Fuel Tanks

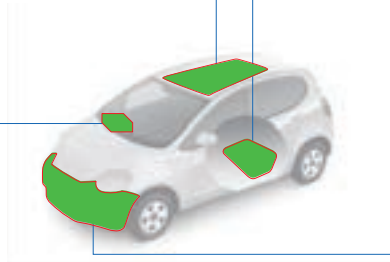
### Driving Supplemental Devices



Honda TECHMATIC System



Honda FRANZ System



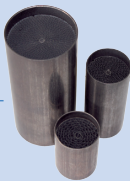
### Plastic Parts



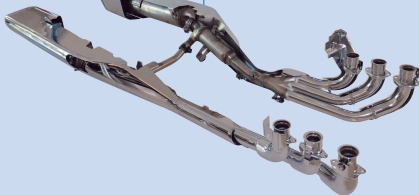
### Service Parts



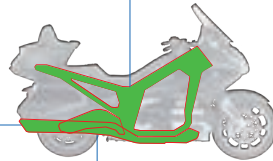
### Metal Catalyzers



### Mufflers



### Exhaust Parts



### Frames



Swing Arms

### Body Parts





## History of the Company

Date		Event
August	1953	Established Yachiyo Painting Co., Ltd. to engage in the baking finish of metals Appointed as a designated plant by Honda Motor Co., Ltd.
May	1960	Established Suzuka Plant in Suzuka City in Mie Prefecture to engage in the buffing and painting of motorcycle parts and components
September	1968	Changed company name to Yachiyo Industry Co., Ltd.
August	1972	Established Kashiwabara Plant in Sayama City in Saitama Prefecture and started commissioned production of mini vehicles for Honda Motor Co., Ltd. Accepted an investment from Honda and became its affiliated company
November	1974	Jointly established Goshi Giken Co., Ltd. with Honda Motor Co., Ltd. and Sankei Giken Kogyo Co., Ltd.
February	1976	Started commissioned production of buggies for overseas markets for Honda Motor Co., Ltd.
August	1977	Started production of fuel tanks for vehicles
June	1983	Established Yokkaichi Factory in Yokkaichi City in Mie Prefecture to engage in the pressing and welding of automotive parts
August	1985	Expanded Yokkaichi Factory and started commissioned production of mini trucks for Honda Motor Co., Ltd.
January	1986	Established Tochigi R&D Center in Sakura City in Tochigi Prefecture
June	1986	Started production of sunroofs for vehicles
January	1989	Established first overseas production base in Canada (currently the entire business has been transferred)
October	1994	Registered stock of the Company as over-the-counter stock with the Japan Security Dealers Association
May	1996	Started commissioned production of mini passenger vehicles at Yokkaichi Factory for Honda Motor Co., Ltd.
January	1997	Established Siam Yachiyo Co., Ltd. (currently a consolidated subsidiary) in Thailand
May	1997	Moved head office to Sayama City in Saitama Prefecture
September	1997	Established Yachiyo of America Inc. (currently a consolidated subsidiary) in the U.S.A.
October	1997	Jointly established AY Manufacturing Ltd. (currently a consolidated subsidiary) in the U.S.A. with other local corporations
May	1998	Established Kameyama Branch in Kameyama City in Mie Prefecture as an integrated processing and shipping plant for service parts
January	1999	Established US Yachiyo, Inc. (currently a consolidated subsidiary) in the U.S.A.
September	2000	Established Yachiyo Manufacturing of Alabama, LLC (name changed to Yachiyo Manufacturing of America, LLC (currently a consolidated subsidiary) in October 2014) in the U.S.A.
April	2002	Established Yachiyo Zhongshan Manufacturing Co., Ltd. (currently a consolidated subsidiary) in China
August	2002	Additionally acquired shares in Goshi Giken Co., Ltd. to make it a subsidiary of the Company (currently a consolidated subsidiary) Made also Uemura Tec Co., Ltd., a domestic subsidiary of Goshi Giken Co., Ltd., Siam Goshi Manufacturing Co., Ltd. (Thailand) and Goshi-Thanglong Auto-Parts Co., Ltd. (Vietnam), overseas subsidiaries of Goshi Giken Co., Ltd., subsidiaries of the Company (All three companies are currently consolidated subsidiaries of the Company.)
December	2004	Listed the shares of the Company on the JASDAQ Securities Exchange (currently the Tokyo Stock Exchange JASDAQ (standard))
July	2005	Established Yachiyo Wuhan Manufacturing Co., Ltd. (currently a consolidated subsidiary) in China
October	2005	Additionally acquired equity interest in AY Manufacturing Ltd. (U.S.A.) (currently a consolidated subsidiary) to make it a subsidiary of the Company
December	2006	Honda Motor Co., Ltd. became the parent company of the Company by means of tender offer of the shares in the Company
May	2007	Established Goshi India Auto Parts Private Ltd. (currently a consolidated subsidiary) in India
April	2008	Established Yachiyo India Manufacturing Private Ltd. (currently a consolidated subsidiary) in India
September	2009	Established Yachiyo do Brasil Industria e Comercio de Pecas Ltda. (currently a consolidated subsidiary) in Brazil
February	2012	Established Yachiyo Mexico Manufacturing S.A. de C.V. (currently a consolidated subsidiary) in Mexico
April	2012	Established Saitama R&D center in Sayama City in Saitama Prefecture
May	2012	Established PT. Yachiyo Trimitra Indonesia (currently a consolidated subsidiary) in Indonesia
December	2014	Established Yachiyo Germany GmbH (currently a consolidated subsidiary) in Germany
April	2016	Following the business transfer of MSD Co., Ltd., Goshi Tec Co., Ltd. in Koshi City, Kumamoto Prefecture, and Goshi Philippines, Inc. and LAGUNA ASSOCIE REALTY INC. in the Philippines, became subsidiaries of the Company. (All three companies are currently consolidated subsidiaries of the Company.)
December	2017	Established Yachiyo Yokkaichi Co., Ltd. as a preparatory company for transferring vehicle production business
March	2018	Yachiyo Yokkaichi Co., Ltd. took over the vehicle production business and started operation
April	2018	Transferred all of the shares of Yachiyo Yokkaichi Co., Ltd. to Honda Motor Co., Ltd. and terminated commissioned production of mini vehicles

## Shareholder Status

Category	End of Fiscal 2015 (as of March 31, 2016)		End of Fiscal 2016 (as of March 31, 2017)		End of Fiscal 2017 (as of March 31, 2018)	
	thousand shares	shareholders	thousand shares	shareholders	thousand shares	shareholders
Individual/Other	7,344	2,659	7,150	2,292	6,986	2,412
Financial institution	1,452	10	1,492	10	1,452	11
Securities company	226	24	165	22	279	23
Other domestic corporations	13,136	35	13,200	38	13,230	40
Foreigner	1,853	60	2,004	73	2,063	90
Treasury stock	29	1	29	1	29	1
Total	24,042	2,789	24,042	2,436	24,042	2,577

(Notes) The number of shares is rounded down to the closest thousand.

## Major Shareholders

Shareholder name	Number of shares held (thousand shares)	Shareholding ratio (%)
Honda Motor Co., Ltd.	12,103	50.4
Eiichi Otake	1,312	5.5
BBH for Fidelity Low-Priced Stock Fund (Principal All Sector Subportfolio) (Standing proxy: The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	902	3.8
Sumitomo Mitsui Banking Corporation	457	1.9
SAITAMA SHATAI CO., LTD.	438	1.8
Yoshiaki Ishii	388	1.6
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	350	1.5
Yachiyo Industry Employee Shareholding Association	335	1.4
Japan Trustee Services Bank, Ltd. (Trust account)	303	1.3
Joji Otake	232	1.0

- (Notes) 1. The shareholding ratio is calculated by excluding treasury stock (29,248 shares).  
2. All shares held by Japan Trustee Services Bank, Ltd. (trust account) are related to trust services.  
3. Although a copy of the change report pertaining to report of possession of large volume has been submitted by FIL Investments (Japan) Limited as described below, as the Company cannot confirm the actual number of the shares held at the end of the current fiscal year, it is not included in the above Major Shareholders.

Name	Address	Date of the reporting obligation created	Submission date	Number of share certificates, etc. held (thousand shares)	Holding ratio of share certificates, etc. (%)
FMR LLC	245 SUMMER STREET, BOSTON, MASSACHUSETTS 02210, USA	July 15, 2016	July 25, 2016	1,209	5.03

### Profile

Name: Yachiyo Industry Co., Ltd.  
(Yachiyo Kogyo Kabushiki Kaisha in Japanese)

Establishment: August 27, 1953

Capital stock: 3,685,600,000 yen

Number of employees: 868 (Nonconsolidated)  
6,818 (Consolidated)

Head office: 393 Kashiwabara, Sayama-City, Saitama 350-1335, Japan

Telephone: +81 4 2955 1211

### CSR Activities

Also refer to



< <http://www.en.yachiyo-ind.co.jp/csr/> >

October, 2018

## **Yachiyo Industry Co., Ltd.**

Corporate Strategy Office Corporate Communication  
Department 393, Kashiwabara, Sayama-shi, Saitama  
350-1335  
+81-4-2955-1211

<http://www.en.yachiyo-ind.co.jp/>