

Financial Results for the Year Ended March 31, 2018

[Japanese GAAP] (Consolidated)



May 11, 2018

Company name: Tatsuta Electric Wire & Cable Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Stock Code: 5809

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Scheduled date of General Meeting of Shareholders: June 22, 2018

Scheduled date of filing Annual Securities Report: June 22, 2018

Scheduled date of commencing dividend payments: June 4, 2018

Availability of supplementary briefing material on annual financial results: Available

Schedule of annual financial results briefing session: Scheduled for institutional investors, analysts and journalists

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Year Ended March 31, 2018 (April 1, 2017 to March 31, 2018)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2018	55,194	12.4	5,047	17.7	5,219	19.5	3,677	10.6
Fiscal year ended March 31, 2017	49,114	(6.5)	4,286	(3.1)	4,368	(4.1)	3,324	12.6

(Note) Comprehensive income: Fiscal year ended March 31, 2018: 4,077 million yen (10.3%)

Fiscal year ended March 31, 2017: 3,697 million yen (73.8%)

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Return on assets	Operating profit ratio
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2018	59.52	-	9.2	10.6	9.1
Fiscal year ended March 31, 2017	52.79	-	9.0	9.5	8.7

(Reference) Equity in earnings of affiliates: Fiscal year ended March 31, 2018: NA

Fiscal year ended March 31, 2017: NA

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2018	51,480	41,406	80.4	670.19
As of March 31, 2017	47,145	38,153	80.9	617.52

(Reference) Equity: As of March 31, 2018: 41,406 million yen

As of March 31, 2017: 38,153 million yen

(3) Consolidated Cash Flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended March 31, 2018	1,545	(683)	(826)	1,286
Fiscal year ended March 31, 2017	5,411	(4,092)	(1,649)	1,254

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2017	-	6.00	-	6.00	12.00
Fiscal year ended March 31, 2018	-	7.00	-	8.00	15.00
Fiscal year ending March 31, 2019 (Forecast)	-	8.00	-	8.00	16.00

	Total dividend paid out	Dividend payout ratio (consolidated)	Dividend on equity (consolidated)
	Million yen	%	%
Fiscal year ended March 31, 2017	753	22.7	2.0
Fiscal year ended March 31, 2018	926	25.2	2.3
Fiscal year ending March 31, 2019 (Forecast)		28.2	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2019 (April 1, 2018 to March 31, 2019)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	30,100	10.4	2,750	(12.2)	2,750	(12.6)	2,000	(18.8)	32.37
Full year	60,000	8.7	5,000	(0.9)	5,000	(4.2)	3,500	(4.8)	56.65

Notes:

- (1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): No
Newly added: NA Excluded: NA
- (2) Changes in accounting principles, changes in accounting estimates and retrospective restatement
 - 1) Changes in accounting principles due to the revision of accounting standards: No
 - 2) Changes in accounting principles other than 1) above: No
 - 3) Changes in accounting estimates: No
 - 4) Retrospective restatement: No
- (3) Total number of issued shares (common stock)
 - 1) Total number of issued shares at the end of the period (including treasury shares):

As of March 31, 2018	70,156,394 shares
As of March 31, 2017	70,156,394 shares
 - 2) Total number of treasury shares at the end of the period:

As of March 31, 2018	8,372,706 shares
As of March 31, 2017	8,371,505 shares
 - 3) Average number of shares during the period:

Fiscal year ended March 31, 2018	61,784,287 shares
Fiscal year ended March 31, 2017	62,987,555 shares

* These consolidated financial results are outside the scope of audit by a certified public accountant or an audit corporation.

* Explanation of the proper use of financial results forecast and other notes

The earnings forecasts and other forward-looking statements herein are based on information available to the Company and certain assumptions deemed reasonable as at the date of publication of this document and should not be interpreted as any kind of guarantee or promise by the Company to achieve such forecasts. In addition, actual results may differ significantly from these forecasts due to a wide range of factors.

Please see our website for supplemental financial information.

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1. Overview of business results, etc.

(1) Business results for the fiscal year under review

(i) Operating results for the period under review

The Japanese economy during the fiscal year under review gradually recovered, as improvements in corporate earnings and the employment environment were seen. When looking overseas, economy gradually recovered as a whole, despite some risk factors such as the policy trends in the U.S., concern about the economic slowdown in China and the situation in North Korea. As for natural resource prices, oil prices were generally on the uptrend. Domestic quotation prices for copper were on an upward trend as a whole and the average price for the period exceeded the level of the previous fiscal year.

During this period, demand for copper wire within Japan were generally firm, roughly on par with that of the previous fiscal year. With respect to the electronic materials segment, demand for functional films, our flagship product, significantly increased from the previous fiscal year, despite sharp fluctuation during the period.

Under these circumstances, the Group continued to steadily promote various efforts to strengthen its business foundation including improvement of efficiency in business operations, a shift toward high value-added products and the development of new and peripheral businesses, while taking all possible measures to ensure provision of functional film products. As a result, net sales for the current fiscal year were 55,194 million yen (up 12.4% from the previous fiscal year), operating income was 5,047 million yen (up 17.7% from the previous fiscal year), ordinary income was 5,219 million yen (up 19.5% from the previous fiscal year), and profit attributable to owners of parent was 3,677 million yen (up 10.6% from the previous fiscal year).

An overview of the Group's business performance by segment is as follows.

[Electric Wire and Cable Business]

Net sales for the electric wire and cable business were 32,621 million yen (up 14.6% from the previous fiscal year) mainly due to the market price of copper remaining at a higher level compared with the previous year, whereas operating income was 949 million yen (down 21.2% from the previous fiscal year) owing mainly to the impacts of rises in prices of petrochemicals and freight cost and an increase in depreciation.

[Electronic Materials Business]

Net sales of the electronic materials business were 20,902 million yen (up 10.2% from the previous fiscal year) and operating income was 4,808 million yen (up 35.1% from the previous fiscal year) mainly due to a significant year-on-year increase in sales of functional films for mobile terminals caused by a temporary surge in demand for new-model smartphones.

[Other Businesses]

Net sales for this segment were 1,703 million yen (up 0.1% from the previous fiscal year) and operating income was 52 million yen (down 51.8% from the previous fiscal year) in spite of an increase in revenue from the environmental analysis business, due in part to a change in the sales mix, as represented by a decrease in revenue from the optical components business.

(ii) Earnings forecasts for the next term

The Japanese economy is expected to recover gradually during the next term, mainly due to the implementation of economic measures and monetary easing by the Bank of Japan.

Amid this situation, in the wire and cable business sector in Japan, private capital expenditures are expected to increase gradually and an increase in demand is anticipated toward the full-scale commencement of preparation for the Tokyo Olympics and urban redevelopment projects. In addition, with regards to the functional films business, while growth of the entire market of smartphones and other mobile terminals will slow, change in the product mix is expected to continue due to sophistication of functions.

Under these circumstances, the financial results forecast for the next fiscal year is as follows.

Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2019

				(Millions of yen)
	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent
First half	30,100	2,750	2,750	2,000
Full year	60,000	5,000	5,000	3,500
(Reference) Fiscal year ended March 31, 2018	55,194	5,047	5,219	3,677

(2) Overview of financial position for the fiscal year under review

Financial position during the fiscal year under review

In regard to the financial position for the fiscal year under review, total assets increased by 4,335 million yen from the end of the previous fiscal year to 51,480 million yen, mainly due to an increase in notes and accounts receivable-trade and inventories, in spite of a decrease in short-term loans receivable.

Total liabilities increased by 1,081 million yen to 10,074 million yen primarily as a result of an increase in income taxes payable and notes and accounts payable - trade, in spite of a decrease in net defined benefit liability.

Total net assets increased by 3,253 million yen from the end of the previous fiscal year to 41,406 million yen mainly due to an increase in retained earnings.

Overall cash flows and the reasons therefor are as follows:

Net cash provided by operating activities amounted to 1,545 million yen, a decrease by 3,865 million yen from the previous fiscal year, with netting factors contributing to capital increase such as income before income taxes and minority interests of 5,013 million yen and depreciation of 1,695 million yen and factors contributing to a capital decrease including a decrease (increase) in notes and accounts receivable - trade of 2,848 million yen and a decrease (increase) in inventories of 2,478 million yen.

Net cash used in investing activities resulted in a net cash outflow of 683 million yen, a decrease of 3,409 million yen from the previous fiscal year, with netting factors contributing to a capital increase such as a decrease (increase) in short-term loans receivable of 1,685 million yen and factors contributing to capital decrease including the

purchase of property, plant and equipment of 2,578 million yen.

As a result, free cash flow, calculated by deducting net cash used in investing activities from net cash provided by operating activities, amounted to positive 862 million yen (compared with 1,318 million yen of the previous fiscal year).

Net cash used in financing activities resulted in a net cash outflow of 826 million yen mainly due to cash dividends paid of 803 million yen, a decrease in net cash outflow by 823 million yen from the previous year.

(3) Basic policy on distribution of profits and dividends for the current term and next term

The Company's basic policy on dividends, etc., is to provide stable dividend payments on a continuing basis with a target of a dividend payout ratio of 30%. It makes a determination by comprehensively taking trends of business performance and future capital expenditures into consideration. The Company intends to pay the year-end dividend of 8 yen per share, resulting in a total dividend of 15 yen per share for the year including the interim dividend.

As for the next fiscal year, the Company also intends to pay a total dividend of 16 yen per share with an interim dividend of 8 yen and a year-end dividend of 8 yen.

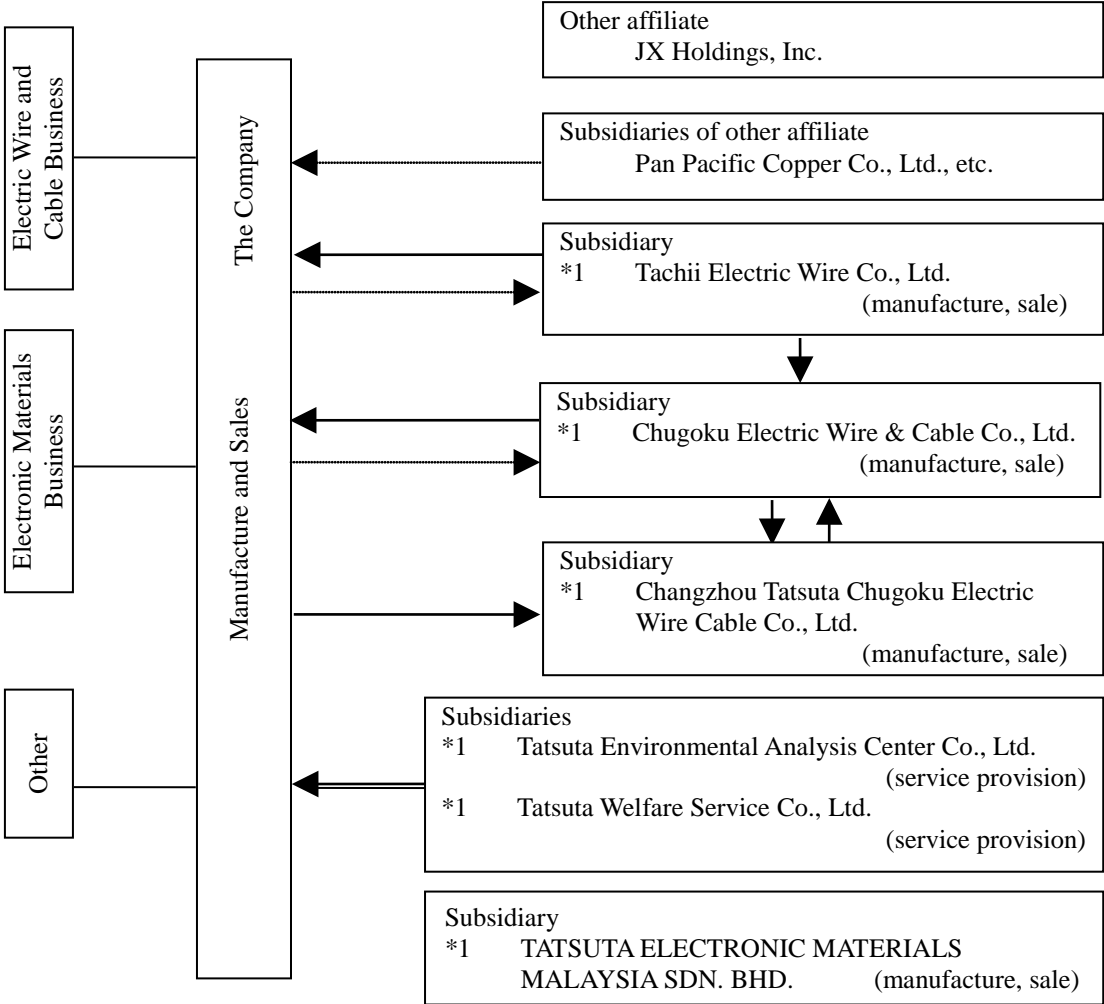
2. Overview of Group Operations

The Company's Group is comprised of the Company and six subsidiaries, and is engaged in the electric wire and cable business, the electronic materials business, as well as the equipment system product business, the optical components business and the environmental analysis business etc.

The details of businesses of the Company's Group and the positioning of subsidiaries in each business segment are as follows.

Reporting segment	Details of business	Primary company(s)
Electric Wire and Cable Business	Communication Wire Business Manufacturing and sales of wires for infrastructure and general industrial machinery	The Company
	Equipment Wire Business Manufacturing and sales of wires for FAs and precision industrial machinery	The Company, Chugoku Electric Wire & Cable Co., Ltd., Tachii Electric Wire Co., Ltd., Changzhou Tatsuta Chugoku Electric Wire & Cable Co., Ltd.
Electronic Materials Business	Functional Materials Business Manufacturing and sales of functional materials for electronic equipment including EMI shielding film and conductive paste	The Company
	Fine Wire Business Manufacturing and sales of ultra-fine bonding wires for wiring of electronic parts	The Company, TATSUTA ELECTRONIC MATERIALS MALAYSIA SDN. BHD.
Other	Equipment System Business Manufacturing and sales of water leakage detectors, intrusion monitoring system, access control system, medical equipment system, etc.	The Company
	Optical Components Business Manufacturing and sales of visible wavelengths fiber device, optical fiber coupler, optical components for medical use, etc.	The Company
	Environmental Analysis Business Measurement and analysis of water quality, air, noise, vibration and odor; research and analysis of toxic substance, soil pollution and asbestos	Tatsuta Environmental Analysis Center Co., Ltd.

The Group's business organization chart is as follows:



Note 1 *1 Consolidated subsidiaries

Note 2
 ← Products
 ← Services
 ← Materials

3. Management Policy

(1) The Company's basic policy of management

The basic management policy of the Group is to:

(i) continuously and proactively take up the development of businesses that will lead the next generation, based on our core businesses of electric wire/cable and electronic materials and with overwhelming vitality and speed, while we promote consolidated management that is both highly conscientious and transparent so that we may create sustainable growth and improve mid- and long-term corporate value, and

(ii) consider global environmental problems while we provide products and services with characteristics that will meet customer needs, and thus also contribute to the sustainable growth and development of society.

(2) The Company's mid- and long-term management strategy

(i) 2025 long-term vision:

Our goal is to achieve net sales of ¥100 billion and operating income of ¥10 billion in fiscal 2025. We will explore the frontiers of electric wire and electronic materials with the aim of becoming a niche top supplier that provides unique cutting-edge parts and materials.

To achieve this, we will actively invest in the fields which are expected to achieve market expansion; namely, conductive paste and medical equipment parts & materials in pursuit of growth. For other existing business fields, we will implement strategies such as promoting investment to help enhance efficiency and shifting our operational focus to high margin products to pursue the optimization of profit.

(ii) Mid-term management plan for Fiscal Year Ending March 31, 2018 through Fiscal Year Ending March 31, 2020:

While focusing on the establishment of the foundation to attain the 2025 Long-Term Vision, we aim to achieve net sales of ¥58.0 billion and operating income of ¥5.4 billion for the Fiscal Year Ending March 31, 2020.

4. Basic Approach to the Selection of Accounting Standards

The policy of the Group is to prepare its consolidated financial statements under the Japanese standards, in consideration of the comparability of its consolidated financial statements between periods and other factors.

Meanwhile, we intend to address the future application of IFRS in a timely and appropriate manner upon taking both internal and external environments into consideration.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and deposits	1,254	1,286
Notes and accounts receivable - trade	14,375	17,228
Finished goods	1,988	2,459
Work in process	3,468	5,215
Raw materials and supplies	624	890
Deferred tax assets	201	384
Short-term loans receivable	9,726	8,041
Other	620	505
Allowance for doubtful accounts	(1)	(0)
Total current assets	32,258	36,011
Non-current assets		
Property, plant and equipment		
Buildings and structures	15,888	16,326
Accumulated depreciation	(10,912)	(10,627)
Buildings and structures, net	4,976	5,699
Machinery, equipment and vehicles	20,240	20,165
Accumulated depreciation	(17,308)	(17,581)
Machinery, equipment and vehicles, net	2,931	2,584
Tools, furniture and fixtures	2,878	2,922
Accumulated depreciation	(2,539)	(2,550)
Tools, furniture and fixtures, net	339	372
Land	3,916	3,799
Construction in progress	912	1,142
Leased assets	7	6
Accumulated depreciation	(7)	(6)
Leased assets, net	0	0
Total property, plant and equipment	13,075	13,598
Intangible assets		
Software	144	119
Software in progress	0	3
Right of using facilities	5	5
Other	17	14
Total intangible assets	168	143
Investments and other assets		
Investment securities	930	1,077
Long-term prepaid expenses	10	10
Net defined benefit asset	-	27
Deferred tax assets	615	505
Other	97	114
Allowance for doubtful accounts	(10)	(7)
Total investments and other assets	1,643	1,727
Total non-current assets	14,887	15,469
Total assets	47,145	51,480

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,398	3,661
Lease obligations	2	0
Accounts payable - other	720	967
Accrued expenses	1,157	1,383
Income taxes payable	826	1,315
Other	466	1,009
Total current liabilities	6,571	8,337
Non-current liabilities		
Long-term loans payable	1,050	1,050
Lease obligations	0	-
Provision for environmental measures	106	80
Provision for business structure improvement	183	12
Net defined benefit liability	797	318
Asset retirement obligations	182	173
Deferred tax liabilities	15	14
Other	84	87
Total non-current liabilities	2,421	1,737
Total liabilities	8,992	10,074
Net assets		
Shareholders' equity		
Capital stock	6,676	6,676
Capital surplus	4,536	4,516
Retained earnings	29,681	32,555
Treasury shares	(2,456)	(2,457)
Total shareholders' equity	38,437	41,290
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	229	262
Deferred gains or losses on hedges	149	(69)
Foreign currency translation adjustment	(51)	(46)
Remeasurements of defined benefit plans	(611)	(31)
Total accumulated other comprehensive income	(283)	116
Total net assets	38,153	41,406
Total liabilities and net assets	47,145	51,480

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	Previous fiscal year (From April 1, 2016 to March 31, 2017)	Current fiscal year (From April 1, 2017 to March 31, 2018)
Net sales	49,114	55,194
Cost of sales	36,647	41,286
Gross profit	12,467	13,908
Total selling, general and administrative expenses	8,180	8,860
Operating profit	4,286	5,047
Non-operating income		
Interest income	7	6
Dividend income	15	17
Reversal of provision for business structure improvement	51	19
Subsidy income	40	109
Other	55	77
Total non-operating income	170	231
Non-operating expenses		
Interest expenses	14	14
Loss on abandonment of non-current assets	17	5
Foreign exchange losses	16	3
Derivative loss	14	1
Other	25	33
Total non-operating expenses	88	59
Ordinary profit	4,368	5,219
Extraordinary income		
Gain on sales of investment securities	-	5
Gain on sales of non-current assets	-	233
Total extraordinary income	-	239
Extraordinary losses		
Loss on abandonment of non-current assets	-	154
Impairment loss	-	290
Total extraordinary losses	-	445
Profit before income taxes	4,368	5,013
Income taxes - current	1,302	1,586
Income taxes - deferred	(258)	(250)
Total income taxes	1,043	1,335
Profit	3,324	3,677
Profit attributable to owners of parent	3,324	3,677

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Previous fiscal year (From April 1, 2016 to March 31, 2017)	Current fiscal year (From April 1, 2017 to March 31, 2018)
Profit	3,324	3,677
Other comprehensive income		
Valuation difference on available-for-sale securities	25	32
Deferred gains or losses on hedges	347	(218)
Foreign currency translation adjustment	(70)	5
Remeasurements of defined benefit plans, net of tax	69	580
Total other comprehensive income	372	400
Comprehensive income	3,697	4,077
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,697	4,077

(3) Consolidated Statements of Changes in Equity

Previous fiscal year (From April 1, 2016 to March 31, 2017)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,676	4,536	27,121	(1,585)	36,749
Changes of items during period					
Dividends of surplus			(765)		(765)
Profit attributable to owners of parent			3,324		3,324
Purchase of treasury shares				(871)	(871)
Change in ownership interest of parent due to transactions with non-controlling interests					
Net changes of items other than shareholders' equity					—
Total changes of items during period	—	—	2,559	(871)	1,687
Balance at end of current period	6,676	4,536	29,681	(2,456)	38,437

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	203	(198)	19	(681)	(656)	36,093
Changes of items during period						
Dividends of surplus						(765)
Profit attributable to owners of parent						3,324
Purchase of treasury shares						(871)
Change in ownership interest of parent due to transactions with non-controlling interests						—
Net changes of items other than shareholders' equity	25	347	(70)	69	372	372
Total changes of items during period	25	347	(70)	69	372	2,060
Balance at end of current period	229	149	(51)	(611)	(283)	38,153

Current fiscal year (From April 1, 2017 to March 31, 2018)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,676	4,536	29,681	(2,456)	38,437
Changes of items during period					
Dividends of surplus			(803)		(803)
Profit attributable to owners of parent			3,677		3,677
Purchase of treasury shares				(0)	(0)
Change in ownership interest of parent due to transactions with non-controlling interests		(20)			(20)
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	(20)	2,874	(0)	2,853
Balance at end of current period	6,676	4,516	32,555	(2,457)	41,290

	Accumulated other comprehensive income					Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	229	149	(51)	(611)	(283)	38,153
Changes of items during period						
Dividends of surplus						(803)
Profit attributable to owners of parent						3,677
Purchase of treasury shares						(0)
Change in ownership interest of parent due to transactions with non-controlling interests						(20)
Net changes of items other than shareholders' equity	32	(218)	5	580	400	400
Total changes of items during period	32	(218)	5	580	400	3,253
Balance at end of current period	262	(69)	(46)	(31)	116	41,406

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Previous fiscal year (From April 1, 2016 to March 31, 2017)	Current fiscal year (From April 1, 2017 to March 31, 2018)
Cash flows from operating activities		
Profit before income taxes	4,368	5,013
Depreciation	1,596	1,695
Impairment loss	-	290
Increase (decrease) in net defined benefit liability	(37)	28
Decrease (increase) in net defined benefit asset	232	304
Increase (decrease) in provision for business structure improvement	(64)	(170)
Increase (decrease) in provision for environmental measures	(5)	(26)
Increase (decrease) in allowance for doubtful accounts	2	(3)
Interest and dividend income	(22)	(24)
Loss (gain) on sales and valuation of investment securities	-	(5)
Subsidy income	(40)	(109)
Interest expenses	14	14
Loss (gain) on sales of non-current assets	(0)	(226)
Loss on retirement of non-current assets	17	177
Decrease (increase) in notes and accounts receivable - trade	(334)	(2,848)
Decrease (increase) in inventories	25	(2,478)
Decrease (increase) in other assets	50	(92)
Increase (decrease) in notes and accounts payable - trade	115	255
Increase (decrease) in accounts payable - other	51	146
Increase (decrease) in accrued expenses	(16)	226
Increase (decrease) in accrued consumption taxes	45	(74)
Increase (decrease) in other liabilities	245	469
Other, net	(10)	(9)
Subtotal	6,233	2,551
Interest and dividend income received	22	24
Interest expenses paid	(15)	(14)
Income taxes paid	(870)	(1,124)
Proceeds from subsidy income	40	109
Net cash provided by (used in) operating activities	5,411	1,545

(Millions of yen)

	Previous fiscal year (From April 1, 2016 to March 31, 2017)	Current fiscal year (From April 1, 2017 to March 31, 2018)
Cash flows from investing activities		
Purchase of securities	(209)	(105)
Proceeds from sales of securities	-	13
Purchase of property, plant and equipment	(2,360)	(2,578)
Proceeds from sales of property, plant and equipment	1	360
Purchase of intangible assets	(74)	(36)
Net decrease (increase) in short-term loans receivable	(1,444)	1,685
Decrease (increase) in other investments	(6)	(20)
Net cash provided by (used in) investing activities	(4,092)	(683)
Cash flows from financing activities		
Proceeds from long-term loans payable	1,000	-
Repayments of long-term loans payable	(1,010)	-
Cash dividends paid	(765)	(803)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	(20)
Purchase of treasury shares	(871)	(0)
Other, net	(2)	(2)
Net cash provided by (used in) financing activities	(1,649)	(826)
Effect of exchange rate change on cash and cash equivalents	(10)	(4)
Net increase (decrease) in cash and cash equivalents	(341)	31
Cash and cash equivalents at beginning of period	1,595	1,254
Cash and cash equivalents at end of period	1,254	1,286

(5) Notes to the consolidated financial statements

(Notes on the going concern assumption)

N/A

(Notes on important matters for the preparation of consolidated financial statements)

1. Scope of the consolidation

(1) Number of consolidated subsidiaries: 6

Chugoku Electric Wire & Cable Co., Ltd.

Tatsuta Environmental Analysis Center Co., Ltd.

Tatsuta Welfare Service Co., Ltd.

Changzhou Tatsuta Chugoku Electric Wire Cable Co., Ltd.

TATSUTA ELECTRONIC MATERIALS MALAYSIA SDN. BHD.

Tachii Electric Wire Co., Ltd.

(2) Number of non-consolidated subsidiaries: 2

Reason for exclusion from the scope of consolidation

These non-consolidated subsidiaries are excluded from the scope of consolidation, because they are small in size and their respective total assets, net sales, net income (corresponding to equity held by the Company) and retained earnings (corresponding to equity held by the Company) of these companies have little impact on the consolidated financial statements.

2. Application of the equity method

Number of non-consolidated subsidiaries that are not accounted for by the equity method: 2

(Reason for non-application of the equity method)

Non-consolidated subsidiaries that are not accounted for by the equity method are excluded from the scope of the application of the equity method, because their respective net income (corresponding to equity held by the Company) and retained earnings (corresponding to equity held by the Company) have little impact on the consolidated financial statements even if they are excluded from the scope of the equity method, as well as have minor significance as a whole.

3. Fiscal years, etc., of the consolidated subsidiaries

The closing date of Changzhou Tatsuta Chugoku Electric Wire & Cable Co., Ltd. and TATSUTA ELECTRONIC MATERIALS MALAYSIA SDN. BHD., which are among the Company's consolidated subsidiaries, is December 31. The consolidated financial statements of these consolidated subsidiaries were prepared using the financial documents dated as of such closing date. Necessary adjustments are made on any significant transactions that took place between this date and the consolidated closing date.

The final day of the fiscal year of other consolidated subsidiaries is the same as the closing date of the consolidated fiscal year.

4. Notes to accounting policies

(1) Valuation basis and methods for significant assets

a) Marketable securities

Other marketable securities

Securities with market value: Market value method based on the market value, etc., at the end of the consolidated fiscal year (any valuation gain or loss to be reported in a designated component of net assets; cost of sale to be computed by the moving-average method).

Securities without market value

Stated at cost based on the moving average method.

b) Derivatives

Stated at fair value

c) Inventories

Stated at cost mainly using the gross monthly average method (book value is written down based on the decreased profitability).

(2) Depreciation method of significant depreciable assets

a) Property, plant and equipment (excluding leased assets): Declining-balance method

Straight-line method for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016

Useful lives of major items are as follows:

Buildings and structures: 15 to 50 years

Machinery, equipment and vehicles: 4 to 8 years

b) Intangible fixed assets (excluding leased assets) : Straight-line method

Straight-line method for software, which is used in the Company, based on the life in the Company (5 years); declining-balance method for other intangible fixed assets

c) Leased assets:

Straight-line method, whereby the leasing period is deemed to be the duration of useful life and the residual value is zero.

(3) Standards of accounting for significant provisions

a) Allowance for doubtful receivables

In order to provide for losses due to doubtful receivables and bad debts, etc., an amount based on the percentage of actual historical bad debts is recorded for ordinary receivables, and the estimated amounts of irrecoverable debt based on the estimated recoverability of individual cases is recorded for specified receivables such as doubtful receivables.

b) Provision for environmental measures

The Company provided an estimated disposal cost to cover expenditures such as the disposal of PCB waste required under the "Law Concerning Special Measures for Promotion of Appropriate Disposal of PCB (polychlorinated biphenyl) Waste."

c) Provision for business structure improvement

The Company provided a reasonably estimated amount to cover expected expenses and losses on business structure improvement in the Electric Wire and Cable Business.

(4) Accounting methods for retirement benefits

(i) Method of attributing the projected amount of retirement benefit to the period

In calculating retirement benefit obligations, the Company uses the benefit formula method to allocate the projected retirement benefit for the period up to the end of the consolidated fiscal year under review.

(ii) Method of amortizing actuarial gain and loss and past service cost

Past service cost is amortized by the straight-line method over the average remaining years of service of the employees (11 years).

Actuarial gain and loss are written off in the year following the consolidated fiscal year in which the gain or loss is recognized by the straight-line method over the average remaining years of service of the eligible employees (11 years).

(iii) Application of the simplified method to small-size companies, etc.

For some consolidated subsidiaries, a simplified method is applied for the calculation of retirement benefit obligations and retirement benefit expenses in which the necessary retirement benefit provisions for voluntary resignations at the end of the fiscal year are recorded as retirement benefit obligations.

(5) Basis for the conversion of important foreign-currency assets or liabilities into Japanese yen

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rate at the balance sheet date. The foreign exchange gains and losses from translation are recognized in profit or loss. Assets and liabilities of overseas subsidiaries, etc., are translated into Japanese yen using the spot exchange rate on the consolidated balance sheet date thereof. Revenue and expenses are translated into Japanese yen using the average exchange rates of the consolidated fiscal year. The translation differences are included in foreign currency translation adjustment in the net assets section.

(6) Method of important hedge accounting

a) Method of hedge accounting

The Company has adopted the deferred hedge accounting method. Certain forward exchange contracts are subject to appropriation if they satisfy the requirements of appropriation treatment (“furiate-shori”).

b) Hedging instruments and hedged items

Hedge accounting was applied to the following hedging instruments and hedged items during the consolidated fiscal year under review.

(Hedging instruments)	(Hedged items)
Foreign exchange forward contracts	Foreign currency receivable and payable, etc.
Commodity derivatives	Raw materials

c) Hedging policy

Foreign exchange forward contracts and commodity derivatives are used to hedge the foreign currency risk on the hedged items and the price fluctuation risk of raw materials in accordance with the internal rules.

d) Method to evaluate effectiveness of hedging

The effectiveness of hedging is assessed based on the market fluctuation of hedging instruments and hedged items through the comparison of the cumulative amount thereof for the period from the commencement of hedging to evaluate the effectiveness thereof.

(7) Scope of funds in the consolidated cash flow statement

Funds in the consolidated cash flow statement (cash and cash equivalents) consists of cash on hand, deposits that can be withdrawn at any time, and short-term investments with a maturity of three months or less when purchased which can easily be converted to cash and are subject to little risk of change in value.

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

a) Accounting of consumption taxes

Tax exclusion method

b) Application of consolidated tax payment system

Applied

(Segment information, etc.)

[Segment information]

1 Outline of reportable segments

The reportable segments of the Company are components of the Company about which separate financial information is available and are evaluated regularly by the Board of Directors in deciding how to allocate resources and in assessing performance.

The Company consists of business segments by product and service based on operating divisions and operating companies. Categories of reportable segments and key products, etc., relating to the respective reportable segments are as follows:

Reportable segment	Key products, etc.
Electric Wire and Cable Business	Bare wires, cables (for electric power, fiber optic and telecommunication), covered wires
Electronic Materials Business	Electronic materials (conductive functional materials, bonding wires, etc.)

2 Basis for calculating sales, profit and loss, assets and other items by reportable segment

The method for the accounting process of reportable segments is equivalent to the method described in “Notes on important matters for the preparation of consolidated financial statements.” Segment performance is evaluated based on operating income or loss. Profit of reportable segments figures are based on operating income. Inter-segment revenue and transfer within the segments are based on the prevailing market price.

3 Information on amounts of sales, profit or loss, assets and other items by reportable segments

Previous consolidated fiscal year (from April 1, 2016 to March 31, 2017)

	Reportable segment			Other (Note 1)	Total	Adjustment (Note 2)	Amounts stated in consolidated financial statements (Note 3)
	Electric Wire and Cable Business	Electronic Materials Business	Subtotal				
Net sales							
Net sales to external customers	28,466	18,974	47,441	1,672	49,114	—	49,114
Net intersegment sales or transfer	—	—	—	28	28	(28)	—
Total	28,466	18,974	47,441	1,701	49,143	(28)	49,114
Segment profit (loss)	1,205	3,559	4,765	109	4,874	(587)	4,286
Segment assets	20,265	11,611	31,876	1,212	33,089	14,056	47,145
Other items							
Depreciation and amortization	480	942	1,423	53	1,477	119	1,596
Increase in property, plant, equipment and intangible assets	1,110	895	2,006	145	2,151	172	2,324

(Notes)

1. “Other” is a business segment that is not included in the reportable segments, and comprises the equipment system product business, the optical components business and the environmental analysis business.

2. The adjustment is as follows:

- (1) The adjustment to segment profit (loss) of negative 587 million yen represents 9 million yen in inter-segment eliminations and negative 597 million yen of corporate assets not allocated to each reportable segment. Corporate assets mainly include general administrative expenses and research expenses that are not attributable to reportable segments.
- (2) The adjustment to segment assets of 14,056 million yen represents negative 1,619 million yen in offsets against receivables of the administrative division of headquarters and 15,676 million yen of corporate assets not allocated to each reportable segment. Corporate assets mainly include funds to manage surplus assets (cash and short-term loans), long-term investment funds (investment securities), deferred tax assets, and assets related to the administration and research divisions (general affairs, basic research).
- (3) The adjustment to increase in property, plant, equipment and intangible assets of 172 million yen represents capital investment including headquarters building and research & development assets.

3. Segment profit (loss) is adjusted to operating income in the consolidated financial statements.

Consolidated fiscal year under review (from April 1, 2017 to March 31, 2018)

	Reportable segment			Other (Note 1)	Total	Adjustment (Note 2)	(Millions of yen) Amounts stated in consolidated financial statements (Note 3)
	Electric Wire and Cable Business	Electronic Materials Business	Subtotal				
Net sales							
Net sales to external customers	32,621	20,902	53,524	1,670	55,194	—	55,194
Net intersegment sales or transfer	—	—	—	33	33	(33)	—
Total	32,621	20,902	53,524	1,703	55,228	(33)	55,194
Segment profit (loss)	949	4,808	5,758	52	5,810	(763)	5,047
Segment assets	25,418	12,533	37,951	1,104	39,056	12,424	51,480
Other items							
Depreciation and amortization	642	897	1,540	72	1,612	82	1,695
Increase in property, plant, equipment and intangible assets	1,570	375	1,946	43	1,990	721	2,711

(Notes)

1. “Other” is a business segment that is not included in the reportable segments, and comprises the equipment system product business, the optical components business and the environmental analysis business.
2. The adjustment is as follows:
 - (1) The adjustment to segment profit (loss) of negative 763 million yen represents 12 million yen in inter-segment eliminations and negative 775 million yen of corporate assets not allocated to each reportable segment. Corporate assets mainly include general administrative expenses and research expenses that are not attributable to reportable segments.
 - (2) The adjustment to segment assets of 12,424 million yen represents negative 1,632 million yen in offsets against receivables of the administrative division of headquarters and 14,056 million yen of corporate assets not allocated to each reportable segment. Corporate assets mainly include funds to manage surplus assets (cash and short-term loans), long-term investment funds (investment securities), deferred tax assets, and assets related to the administration and research divisions (general affairs, basic research).

(3) The adjustment to increase in property, plant, equipment and intangible assets of 721 million yen represents capital investment including headquarters building and research & development assets.

3. Segment profit (loss) is adjusted to operating income in the consolidated financial statements.

[Related Information]

Previous consolidated fiscal year (from April 1, 2016 to March 31, 2017)

1. Information by product and service

Information is omitted as similar information is disclosed in “Segment information.”

2. Information by geographical area

(1) Net sales

(Millions of yen)

Japan	China	South Korea	Other Asia	Other	Total
31,957	10,704	4,121	2,307	24	49,114

(Note) 1. Net sales are segmented by country or region based on customer location.

(2) Property, plant, equipment

Information is omitted since amount of property, plant and equipment in Japan exceeds 90% of property, plant and equipment on the consolidated balance sheet.

3. Information by major customer

(Millions of yen)

Customer name	Net sales	Related segment name
SUMIDEN HITACHI CABLE Ltd.	9,703	Electric Wire and Cable Business

Consolidated fiscal year under review (from April 1, 2017 to March 31, 2018)

1. Information by product and service

Information is omitted as similar information is disclosed in Segment Information.

2. Information by geographical area

(1) Net sales

(Millions of yen)

Japan	China	South Korea	Other Asia	Other	Total
35,381	10,904	4,768	4,112	27	55,194

(Note) 1. Net sales are segmented by country or region based on customer location.

(2) Property, plant, equipment

Information is omitted since amount of property, plant and equipment in Japan exceeds 90% of property, plant and equipment on the consolidated balance sheet.

3. Information by major customer

(Millions of yen)

Customer name	Net sales	Related segment name
SUMIDEN HITACHI CABLE Ltd.	10,564	Electric Wire and Cable Business

[Information on impairment loss on fixed assets by reportable segment]

Previous consolidated fiscal year (from April 1, 2016 to March 31, 2017)

N/A

Consolidated fiscal year under review (from April 1, 2017 to March 31, 2018)

(Millions of yen)

	Reportable segment			Other	Total	Corporate items and eliminations	Total
	Electric Wire and Cable Business	Electronic Materials Business	Subtotal				
Impairment loss	290	—	290	—	290	—	290

[Information on amortization of goodwill and unamortized balance by reportable segment]

Previous consolidated fiscal year (from April 1, 2016 to March 31, 2017)

N/A

Consolidated fiscal year under review (from April 1, 2017 to March 31, 2018)

N/A

[Information on gain on negative goodwill by reportable segment]

Previous consolidated fiscal year (from April 1, 2016 to March 31, 2017)

N/A

Consolidated fiscal year under review (from April 1, 2017 to March 31, 2018)

N/A

(Per share information)

Previous consolidated fiscal year (from April 1, 2016 to March 31, 2017)		Consolidated fiscal year under review (from April 1, 2017 to March 31, 2018)	
Net assets per share	617.52 yen	Net assets per share	670.19 yen
Net income per share	52.79 yen	Net income per share	59.52 yen
There is no diluted net income per share as there are no shares with dilutive effect.		There is no diluted net income per share as there are no shares with dilutive effect.	
Basis for calculation		Basis for calculation	
1. Net assets per share		1. Net assets per share	
Total amount in net assets on the consolidated balance sheet	38,153 million yen	Total amount in net assets on the consolidated balance sheet	41,406 million yen
Amount deducted from the total amount in net assets	- million yen	Amount deducted from the total amount in net assets	- million yen
Net assets on common shares	38,153 million yen	Net assets on common shares	41,406 million yen
Number of common shares at the end of fiscal year	61,784 thousand shares	Number of common shares at the end of fiscal year	61,783 thousand shares
2. Net income per share		2. Net income per share	
Net income (loss) attributable to owners of parent in consolidated statements of income	3,324 million yen	Net income (loss) attributable to owners of parent in consolidated statements of income	3,677 million yen
Amount not attributable to common shares	- million yen	Amount not attributable to common shares	- million yen
Net income (loss) attributable to owners of parent on common shares	3,324 million yen	Net income (loss) attributable to owners of parent on common shares	3,677 million yen
Average number of common shares during the period	62,987 thousand shares	Average number of common shares during the period	61,784 thousand shares

(Important subsequent events)

N/A