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**Consolidated Financial Results  
for the Three Months Ended June 30, 2015  
<under Japanese GAAP>**

**F-TECH INC.**

19, Showanuma, Shobu-cho, Kuki City, Saitama, JAPAN

## **1. Qualitative information regarding financial results for the period under review**

### **(1) Information regarding operating results**

In the global economy during the three months ended June 30, 2015, in the U.S., robust economic environment lead the firm consumer spending, which rendered the moderate economic recovery. In Europe, despite the Greek uncertain economic situation, the economy in the Eurozone has been recovering moderately, underpinned by a favorable employment and income environment in Germany and the U.K. Economic growth of the emerging countries, such as China, is declining and the economic outlook remains uncertain.

Meanwhile, in the Japanese economy, improvements in corporate earnings and the employment environment can be observed as a result of economic and financial measures by the government and Bank of Japan, and economic recovery has shown a moderate recovery trend.

Under this macro-economic circumstance, in the automotive industry, automobile sales in North America is keeping a high level, while the sales in the Asia region, which includes China, remains declining. In Japan, where the focus of sales is in the light and compact car market, sales proceeded at a low level. Under these conditions, the Group pushed ahead with its 12th Mid-Term Plan, which started in April 2014, under the corporate policy "To become a chassis system manufacturer with overwhelming competitiveness." We will make the truly globalized enterprise by changing the Group to the structure of chassis system manufacturer and by strengthening environmentally friendly technologies to promote the sales expansion.

As a result of the above, the operating results for the Group during the three months under review are as follows. Despite the continuation of firm automobile sales in North America, the Group saw decreases in sales of major customers in the Japanese market and the Chinese market. Net sales rose 9.1% year on year to 45,430 million yen, operating income fell 49.2% year on year to 590 million yen, ordinary income fell 51.7% year on year to 449 million yen and loss attributable to owners of parent of 98 million yen (compared with profit attributable to owners of parent of 172 million yen in the same period of the previous fiscal year).

Operating results by segment are as follows.

(Japan)

The volume of orders reduced, reflecting a reduction in the number of automobiles produced by the major customers of the Company. Net sales fell 25.9% year on year to 4,902 million yen. In terms of income/loss, despite making efforts in various improvement measures, the segment recorded an operating loss of 409 million yen (compared with an operating income of 63 million yen in the same period of the previous fiscal year).

(North America)

In the North American Market, firm automobile sales continued, and boosted by the positive effect of foreign exchange, net sales rose 20.5% year on year to 31,333 million yen. In terms of income/loss, although there was an increase in development costs associated with new models for the next fiscal year, the segment recorded an operating income of 1,042 million yen, up 2.4% year on year.

(Asia)

In the Thai market there was a moderate recovery, while in the Chinese market, there was an increase in sales owing to new orders from Beijing Automobile Works and SAIC-GM-Wuling Automobile. However, sales of major customers decreased and net sales rose 1.8% year on year to 9,194 million yen. In terms of income/loss, despite the decreased sales of major customers in China, the segment incurred costs to start up production for new models and recorded an operating loss of 190 million yen (compared with an operating loss of 90 million yen in the previous fiscal year).

### **(2) Information regarding financial position**

As of the end of the three months ended June 30, 2015, total assets decreased 2,867 million yen compared with the end of the previous fiscal year to 129,829 million yen, mainly reflecting a decrease in notes and accounts receivable - trade.

Liabilities decreased 4,838 million yen from the end of the previous fiscal year to 81,502 million yen mainly reflecting decreases in short-term loans payable and long-term loans payable.

Net assets increased 1,970 million yen from the end of the previous fiscal year to 48,327 million yen mainly reflecting increases in capital surplus and non-controlling interests.

### **(3) Information regarding consolidated earnings forecasts and other forward-looking statements**

The consolidated earnings forecasts for the six months ending September 30, 2015, and the fiscal year ending March 31, 2016, announced in “Consolidated Financial Results for the Fiscal Year Ended March 31, 2015” on May 7, 2015, have not been changed.

## **2. Matters regarding summary information (Notes)**

### **(1) Changes in significant subsidiaries during the three months ended June 30, 2015**

Not applicable.

### **(2) Application of special accounting for preparing quarterly consolidated financial statements**

Tax expenses in the consolidated financial statements for a portion of consolidated subsidiaries are calculated first by reasonably estimating the effective tax rate after applying tax effect accounting against income before income taxes for the fiscal year including the three months under review, and next by multiplying the quarterly income (loss) before income taxes by such estimated effective tax rate.

### **(3) Changes in accounting policies, changes in accounting estimates and restatements**

#### ***Changes in accounting policies***

#### ***Application of Accounting Standard for Business Combinations, etc.***

Effective from the first quarter under review, the Company has applied the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013) and the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013), etc. As a result, the method of recording the amount of difference caused by changes in the Company’s ownership interests in subsidiaries in the case of subsidiaries under ongoing control of the Company was changed to one in which it is recorded as capital surplus, and the method of recording acquisition-related costs was changed to one in which they are recognized as expenses for the fiscal year in which they are incurred.

Furthermore, for business combinations carried out on or after the beginning of the first quarter ended June 30, 2015, the accounting method was changed to one in which the reviewed acquisition cost allocation resulting from the finalization of the tentative accounting treatment is reflected in the quarterly consolidated financial statements for the quarterly period to which the date of business combination belongs. In addition, the presentation method for “net income” and other related items has been changed, and “minority interests” are now presented as “non-controlling interests.” To reflect these changes, the Company has reclassified its quarterly and full-year consolidated financial statements for the first three months of the previous fiscal year and the previous fiscal year.

Application of the Accounting Standard for Business Combinations, etc. is in line with the transitional measures provided in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations, Paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures. Application of the standards commenced at the beginning of the first quarter under review and will continue going forward.

As a result, ordinary income, and income before income taxes for the three months ended June 30, 2015 have each decreased by 402 million yen. Moreover, capital surplus at the end of the three months ended June 30, 2015 has increased 402 million yen.

### 3. Quarterly consolidated financial statements

#### (1) Consolidated balance sheets

(Millions of yen)

|  | As of March 31, 2015 | As of June 30, 2015 |
|--|----------------------|---------------------|
| <b>Assets</b>                                |                      |                     |
| Current assets                               |                      |                     |
| Cash and deposits                            | 8,983                | 8,811               |
| Notes and accounts receivable - trade        | 27,379               | 23,002              |
| Merchandise and finished goods               | 5,539                | 5,599               |
| Work in process                              | 3,766                | 3,934               |
| Raw materials and supplies                   | 8,159                | 8,115               |
| Other  | 3,880                | 3,172               |
| <b>Total current assets</b>                  | <b>57,707</b>        | <b>52,636</b>       |
| Non-current assets                           |                      |                     |
| Property, plant and equipment                |                      |                     |
| Buildings and structures, net                | 19,657               | 19,762              |
| Machinery, equipment and vehicles, net       | 24,687               | 24,787              |
| Construction in progress                     | 12,365               | 13,933              |
| Other, net                                   | 10,816               | 11,161              |
| <b>Total property, plant and equipment</b>   | <b>67,527</b>        | <b>69,644</b>       |
| Intangible assets                            | 780                  | 719                 |
| Investments and other assets                 |                      |                     |
| Investment securities                        | 5,063                | 5,162               |
| Other  | 1,618                | 1,667               |
| <b>Total investments and other assets</b>    | <b>6,681</b>         | <b>6,829</b>        |
| <b>Total non-current assets</b>              | <b>74,989</b>        | <b>77,193</b>       |
| <b>Total assets</b>                          | <b>132,697</b>       | <b>129,829</b>      |
| <b>Liabilities</b>                           |                      |                     |
| Current liabilities                          |                      |                     |
| Notes and accounts payable - trade           | 16,518               | 17,540              |
| Short-term loans payable                     | 19,099               | 17,114              |
| Current portion of long-term loans payable   | 11,356               | 11,666              |
| Income taxes payable                         | 825                  | 347                 |
| Provision for directors' bonuses             | 88                   | 43                  |
| Other  | 9,904                | 7,542               |
| <b>Total current liabilities</b>             | <b>57,792</b>        | <b>54,255</b>       |
| Non-current liabilities                      |                      |                     |
| Bonds payable                                | 4,000                | 4,000               |
| Long-term loans payable                      | 21,050               | 18,816              |
| Provision for directors' retirement benefits | 212                  | 217                 |
| Net defined benefit liability                | 243                  | 254                 |
| Negative goodwill                            | 78                   | 76                  |
| Other  | 2,963                | 3,881               |
| <b>Total non-current liabilities</b>         | <b>28,548</b>        | <b>27,246</b>       |
| <b>Total liabilities</b>                     | <b>86,340</b>        | <b>81,502</b>       |

(Millions of yen)

|   | As of March 31, 2015 | As of June 30, 2015 |
|---|----------------------|---------------------|
| Net assets  |                      |                     |
| Shareholders' equity                                  |                      |                     |
| Capital stock   | 4,790                | 4,790               |
| Capital surplus                                       | 5,228                | 5,631               |
| Retained earnings                                     | 15,115               | 14,863              |
| Treasury shares                                       | (18)                 | (18)                |
| Total shareholders' equity                            | 25,115               | 25,265              |
| Accumulated other comprehensive income                |                      |                     |
| Valuation difference on available-for-sale securities | 858                  | 920                 |
| Foreign currency translation adjustment               | 4,085                | 4,301               |
| Remeasurements of defined benefit plans               | 338                  | 314                 |
| Total accumulated other comprehensive income          | 5,283                | 5,536               |
| Non-controlling interests                             | 15,958               | 17,525              |
| Total net assets                                      | 46,356               | 48,327              |
| Total liabilities and net assets                      | 132,697              | 129,829             |

**(2) Consolidated statements of income and comprehensive income**

(Millions of yen)

|   | Three months ended<br>June 30, 2014 | Three months ended<br>June 30, 2015 |
|---|-------------------------------------|-------------------------------------|
| Net sales   | 41,648                              | 45,430                              |
| Cost of sales   | 36,993                              | 41,047                              |
| Gross profit  | 4,654                               | 4,382                               |
| Selling, general and administrative expenses                                      | 3,491                               | 3,792                               |
| Operating income  | 1,163                               | 590                                 |
| Non-operating income  |                                     |                                     |
| Interest income   | 8                                   | 8                                   |
| Dividend income   | 26                                  | 6                                   |
| Share of profit of entities accounted for using equity method                     | 50                                  | 93                                  |
| Other   | 23                                  | 69                                  |
| Total non-operating income  | 108                                 | 177                                 |
| Non-operating expenses  |                                     |                                     |
| Interest expenses   | 165                                 | 212                                 |
| Foreign exchange losses   | 173                                 | 86                                  |
| Other   | 3                                   | 19                                  |
| Total non-operating expenses  | 341                                 | 319                                 |
| Ordinary income   | 930                                 | 449                                 |
| Extraordinary income  |                                     |                                     |
| Gain on sales of non-current assets   | 3                                   | 145                                 |
| Total extraordinary income  | 3                                   | 145                                 |
| Extraordinary losses  |                                     |                                     |
| Loss on retirement of non-current assets  | 6                                   | 5                                   |
| Total extraordinary losses  | 6                                   | 5                                   |
| Income before income taxes  | 927                                 | 589                                 |
| Income taxes - current  | 594                                 | 475                                 |
| Income taxes - deferred   | (45)                                | (101)                               |
| Total income taxes  | 549                                 | 373                                 |
| Profit  | 378                                 | 215                                 |
| Profit attributable to  |                                     |                                     |
| Profit (loss) attributable to owners of parent                                    | 172                                 | (98)                                |
| Profit attributable to non-controlling interests                                  | 206                                 | 314                                 |
| Other comprehensive income  |                                     |                                     |
| Valuation difference on available-for-sale securities                             | (13)                                | 18                                  |
| Foreign currency translation adjustment   | (504)                               | 858                                 |
| Remeasurements of defined benefit plans, net of tax                               | 46                                  | (23)                                |
| Share of other comprehensive income of entities accounted for using equity method | (30)                                | 23                                  |
| Total other comprehensive income  | (502)                               | 877                                 |
| Comprehensive income  | (123)                               | 1,093                               |
| Comprehensive income attributable to  |                                     |                                     |
| Comprehensive income attributable to owners of parent                             | (228)                               | 422                                 |
| Comprehensive income attributable to non-controlling interests                    | 104                                 | 670                                 |

### (3) Notes to quarterly consolidated financial statements

#### *Uncertainties of entity's ability to continue as going concern*

Not applicable.

#### *Substantial changes in the amount of shareholders' equity*

Not applicable.

#### *Segment information, etc.*

##### Segment information

##### I. Three months ended June 30, 2014

##### 1. Disclosure of net sales and profit (loss) for each reportable segment

(Millions of yen)

|                                  | Reportable segments |               |       | Total  |
|----------------------------------|---------------------|---------------|-------|--------|
|                                  | Japan               | North America | Asia  |        |
| Net sales                        |                     |               |       |        |
| Net sales to external customers  | 6,616               | 25,995        | 9,036 | 41,648 |
| Transactions with other segments | 2,986               | 351           | 479   | 3,817  |
| Total                            | 9,603               | 26,347        | 9,515 | 45,466 |
| Segment profit (loss)            | 63                  | 1,017         | (90)  | 991    |

##### 2. Differences between total amounts of profit (loss) for reportable segments and amounts in the consolidated statements of income and comprehensive income and main details of these differences (matters relating to difference adjustments)

(Millions of yen)

| Profit   | Amount |
|--|--------|
| Reportable segments total  | 991    |
| Elimination of intersegment transactions   | 171    |
| Operating income in the consolidated statements of income and comprehensive income | 1,163  |

##### 3. Disclosure of impairment loss on non-current assets and goodwill for each reportable segment

Not applicable.

##### II. Three months ended June 30, 2015

##### 1. Disclosure of net sales and profit (loss) for each reportable segment

(Millions of yen)

|                                  | Reportable segments |               |       | Total  |
|----------------------------------|---------------------|---------------|-------|--------|
|                                  | Japan               | North America | Asia  |        |
| Net sales                        |                     |               |       |        |
| Net sales to external customers  | 4,902               | 31,333        | 9,194 | 45,430 |
| Transactions with other segments | 2,583               | 409           | 411   | 3,404  |
| Total                            | 7,486               | 31,742        | 9,606 | 48,835 |
| Segment profit (loss)            | (409)               | 1,042         | (190) | 441    |

##### 2. Differences between total amounts of profit (loss) for reportable segments and amounts in the consolidated statements of income and comprehensive income and main details of these differences (matters relating to difference adjustments)

(Millions of yen)

| Profit   | Amount |
|--|--------|
| Reportable segments total  | 441    |
| Elimination of intersegment transactions   | 149    |
| Operating income in the consolidated statements of income and comprehensive income | 590    |

##### 3. Disclosure of impairment loss on non-current assets and goodwill for each reportable segment

Not applicable.

#### *Significant events after reporting period*

Not applicable.