Note: This is an excerpt translation of the “Kessan Tanshin” for the convenience of overseas stakeholders. In cases where any differences occur between the English version and the original Japanese version, the Japanese version shall prevail. F-TECH INC. assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

Consolidated Financial Results for the Six Months Ended September 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 six months ended September 30, 2015, in the U.S., robust economic environment has led to improved employment and steady increase in household consumption. In Europe, the economy is continuing to recover due to the firm consumer spending. Economic growth of the emerging countries, such as China, is declining and the economic outlook remains uncertain.

In the Japanese economy, personal consumption remains generally firm, and the economy has shown a moderate recovery trend.

Under these macro-economic circumstances, in the automotive industry, automobile sales in North America remains favorable, while in Asia region, the automotive industry has been sluggish, reflecting slowing growth in the Chinese market. In Japan, the automotive industry has been sagging mainly in the light and compact car market, due to the increase of the tax levied on the light vehicle and the decrease of the tax benefit of purchasing the eco-cars by the change of relative temporary regulation.

Under these conditions, the Group pushed ahead with its 12th Mid-Term Plan, which started in April 2014, under the whole corporate policy "To become a chassis system manufacturer with overwhelming competitive strength." 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 six months under review are as follows. Bolstered by robust ongoing automobile sales in the North America and the impact of yen depreciation and other factors, net sales rose 11.3% year on year to 93,983 million yen. Owing to reduced domestic production and other factors, operating income fell 5.2% to 2,115 million yen, ordinary income decreased 1.9% to 2,102 million yen, and profit attributable to owners of parent fell 19.4% to 420 million yen.

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 23.1% year on year to 10,216 million yen, while the segment recorded an operating loss of 575 million yen, compared with an operating income of 37 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 62,082 million yen and the segment recorded an operating income of 2,100 million yen, up 22.8% year on year.

(Asia)

Due to a recovery in the number of automobiles produced by the major customers in Thailand, net sales grew 10.3% year on year to 21,684 million yen, and operating income increased 95.2% to 373 million yen.

(2) Information regarding financial position

As of September 30, 2015, total assets increased 5,214 million yen compared with the end of the previous fiscal year to 137,912 million yen, mainly reflecting increases in notes and accounts receivable - trade, buildings and structures, net, and machinery, equipment and vehicles, net.

Liabilities increased 3,983 million yen from the end of the previous fiscal year to 90,324 million yen mainly reflecting increases in notes and accounts payable - trade, current portion of long-term loans payable and long-term loans payable.

Net assets increased 1,231 million yen from the end of the previous fiscal year to 47,588 million yen mainly reflecting increases in capital surplus and non-controlling interests.

(3) Information regarding differences between consolidated earnings forecasts and actual results and revisions to earnings forecasts

Taking recent performance trends into consideration, the Company has revised its consolidated earnings forecasts, which were announced on May 7, 2015, as described below.

(i) Differences between earnings forecasts and actual results

Differences between earnings forecasts and actual results in the six months ended September 30, 2015 (From April 1, 2015 to September 30, 2015)

(Millions of yen)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Basic earnings per share (Yen)
Previous forecasts (A)	90,000	2,000	1,850	300	19.54
Actual results (B)	93,983	2,115	2,102	420	27.37
Difference (B-A)	3,983	115	252	120	
Difference (%)	4.4	5.8	13.6	40.1	
(Reference) Actual results for the second quarter of the previous fiscal year (Six months ended September 30, 2014)	84,450	2,232	2,143	521	33.96

Reasons for the differences

During the six months ended September 30, 2015, sales to major customers in Japan decreased, but these sales increased in North America and Asia region. This factor, as well the favorable impact of exchange rates, led to higher net sales and income than had been previously forecasted.

(ii) Earnings forecasts revisions

Revisions to consolidated earnings forecasts for the fiscal year ending March 31, 2016 (From April 1, 2015 to March 31, 2016)

(Millions of yen)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Basic earnings per share (Yen)
Previous forecasts (A)	185,000	6,500	6,200	2,600	169.31
Current forecasts (B)	194,000	6,500	6,300	2,500	162.80
Difference (B-A)	9,000	—	100	(100)	
Difference (%)	4.9	—	1.6	(3.8)	
(Reference) Actual results for the previous fiscal year (Fiscal year ended March 31, 2015)	175,579	5,564	5,791	1,772	115.42

Reasons for the revisions

The revised earnings forecasts for the fiscal year ending March 31, 2016, shown above, take into account reduced production in Japan and other factors. Although net sales are now expected to be higher than in the previous forecasts, owing to the favorable impact of exchange rates, we expect operating income to be on a par with the previous forecasts due to reduced production in Japan, and expect profit attributable to owners of parent to be lower than previous forecasts. Gain on transfer of non-current assets described in the “6. Future Outlook” of the “Notice Related to the Transfer of Non-current Assets” announced on October 19, 2015, are not reflected in these forecasts, as the timing of this sale is undetermined. Average exchange rates for the fiscal year are assumed at 119.86 yen to the U.S. dollar.

Note: The above-stated earnings forecasts are based on information currently available to the Company and are believed to be rational on this basis. However, as they include risks and uncertainties due to various factors regarding the future outlook, actual results may differ from forecasts.

2. Matters regarding summary information (Notes)

(1) Changes in significant subsidiaries during the six months ended September 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 second quarter ended September 30, 2015, 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

Effective from the first quarter ended June 30, 2015, 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 six months of the previous fiscal year and the previous fiscal year.

In the consolidated cash flow statements for the six months ended September 30, 2015, cash flows related to the acquisition or sale of stock of a subsidiary that do not result in changes in the scope of consolidation are stated in "cash flows from financing activities." Cash flows for acquisition-related costs for stock of a subsidiary that do result in changes in the scope of consolidation and cash flows for expenses associated with the acquisition or sale of stock of a subsidiary that do not result in changes in the scope of consolidation are stated in "cash flows from operating activities."

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 ended June 30, 2015 and will continue going forward.

As a result, ordinary income and income before income taxes for the six months ended September 30, 2015 have each decreased by 402 million yen. Moreover, capital surplus as of September 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 September 30, 2015
Assets		
Current assets		
Cash and deposits	8,983	9,021
Notes and accounts receivable - trade	27,379	28,801
Merchandise and finished goods	5,539	5,063
Work in process	3,766	3,886
Raw materials and supplies	8,159	8,173
Other	3,880	3,543
Total current assets	57,707	58,488
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	19,657	20,832
Machinery, equipment and vehicles, net	24,687	25,663
Construction in progress	12,365	14,764
Other, net	10,816	10,809
Total property, plant and equipment	67,527	72,070
Intangible assets	780	743
Investments and other assets		
Investment securities	5,063	4,919
Other	1,618	1,689
Total investments and other assets	6,681	6,609
Total non-current assets	74,989	79,423
Total assets	132,697	137,912
Liabilities		
Current liabilities		
Notes and accounts payable - trade	16,518	18,779
Short-term loans payable	19,099	17,760
Current portion of long-term loans payable	11,356	12,720
Income taxes payable	825	509
Provision for directors’ bonuses	88	61
Other	9,904	10,638
Total current liabilities	57,792	60,470
Non-current liabilities		
Bonds payable	4,000	4,000
Long-term loans payable	21,050	21,793
Provision for directors’ retirement benefits	212	223
Net defined benefit liability	243	256
Negative goodwill	78	75
Other	2,963	3,505
Total non-current liabilities	28,548	29,853
Total liabilities	86,340	90,324

(Millions of yen)

	As of March 31, 2015	As of September 30, 2015
Net assets		
Shareholders' equity		
Capital stock	4,790	4,790
Capital surplus	5,228	5,631
Retained earnings	15,115	15,382
Treasury shares	(18)	(18)
Total shareholders' equity	25,115	25,784
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	858	749
Foreign currency translation adjustment	4,085	3,348
Remeasurements of defined benefit plans	338	289
Total accumulated other comprehensive income	5,283	4,387
Non-controlling interests	15,958	17,415
Total net assets	46,356	47,588
Total liabilities and net assets	132,697	137,912

(2) Consolidated statements of income and comprehensive income

(Millions of yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015
Net sales	84,450	93,983
Cost of sales	74,981	84,178
Gross profit	9,469	9,804
Selling, general and administrative expenses	7,237	7,688
Operating income	2,232	2,115
Non-operating income		
Interest income	15	20
Dividend income	34	31
Share of profit of entities accounted for using equity method	135	214
Foreign exchange gains	–	37
Other	85	127
Total non-operating income	271	431
Non-operating expenses		
Interest expenses	335	416
Foreign exchange losses	11	–
Other	13	28
Total non-operating expenses	360	445
Ordinary income	2,143	2,102
Extraordinary income		
Gain on sales of non-current assets	8	149
Total extraordinary income	8	149
Extraordinary losses		
Loss on sales of non-current assets	1	0
Loss on retirement of non-current assets	140	56
Total extraordinary losses	141	56
Income before income taxes	2,010	2,195
Income taxes - current	1,157	977
Income taxes - deferred	(110)	(86)
Total income taxes	1,047	891
Profit	963	1,303
Profit attributable to		
Profit attributable to owners of parent	521	420
Profit attributable to non-controlling interests	441	883
Other comprehensive income		
Valuation difference on available-for-sale securities	39	(108)
Foreign currency translation adjustment	430	(691)
Remeasurements of defined benefit plans, net of tax	25	(47)
Share of other comprehensive income of entities accounted for using equity method	126	(102)
Total other comprehensive income	622	(949)
Comprehensive income	1,585	354
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	888	(206)
Comprehensive income attributable to non-controlling interests	696	560

(3) Consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015
Cash flows from operating activities		
Income before income taxes	2,010	2,195
Depreciation	4,153	5,016
Amortization of goodwill	(2)	(2)
Increase (decrease) in assets and liabilities related to retirement benefits	(94)	(56)
Increase (decrease) in provision for directors' retirement benefits	(0)	10
Increase (decrease) in provision for directors' bonuses	(31)	(26)
Interest and dividend income	(50)	(51)
Interest expenses	335	416
Foreign exchange losses (gains)	14	(70)
Share of (profit) loss of entities accounted for using equity method	(135)	(214)
Loss (gain) on sales of property, plant and equipment	(7)	(149)
Loss on retirement of property, plant and equipment	140	56
Decrease (increase) in notes and accounts receivable - trade	1,821	(1,758)
Decrease (increase) in inventories	(1,488)	225
Increase (decrease) in notes and accounts payable - trade	(174)	2,350
Increase (decrease) in accrued expenses	83	(26)
Other, net	1,606	1,081
Subtotal	8,179	8,997
Interest and dividend income received	83	86
Interest expenses paid	(334)	(416)
Income taxes paid	(1,480)	(1,908)
Net cash provided by (used in) operating activities	6,448	6,759
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,691)	(8,936)
Proceeds from sales of property, plant and equipment	17	187
Purchase of intangible assets	(96)	(73)
Purchase of investment securities	(15)	(15)
Other, net	(15)	7
Net cash provided by (used in) investing activities	(6,801)	(8,830)

(Millions of yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	2,584	(1,385)
Proceeds from long-term loans payable	2,771	7,530
Repayments of long-term loans payable	(5,638)	(5,467)
Purchase of treasury shares	–	(0)
Proceeds from share issuance to non-controlling shareholders	–	1,651
Cash dividends paid	(153)	(153)
Proceeds from sales and Installment back	–	833
Repayments of installment payables	(98)	(94)
Dividends paid to non-controlling interests	(512)	(597)
Repayments of finance lease obligations	(224)	(409)
Proceeds from sales and leasebacks	–	94
Net cash provided by (used in) financing activities	(1,271)	2,003
Effect of exchange rate change on cash and cash equivalents	(21)	105
Net increase (decrease) in cash and cash equivalents	(1,645)	37
Cash and cash equivalents at beginning of period	7,823	8,983
Cash and cash equivalents at end of period	6,177	9,021

(4) 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. Six months ended September 30, 2014

1. Disclosure of net sales and profit for each reportable segment

(Millions of yen)

	Reportable segments			Total
	Japan	North America	Asia	
Net sales				
Net sales to external customers	13,288	51,510	19,651	84,450
Transactions with other segments	5,338	712	897	6,948
Total	18,627	52,223	20,548	91,399
Segment profit	37	1,711	191	1,940

2. Differences between total amounts of profit 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	1,940
Elimination of intersegment transactions	292
Operating income in the consolidated statements of income and comprehensive income	2,232

3. Disclosure of impairment loss on non-current assets and goodwill for each reportable segment
Not applicable.

II. Six months ended September 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	10,216	62,082	21,684	93,983
Transactions with other segments	6,053	789	914	7,757
Total	16,269	62,872	22,598	101,740
Segment profit (loss)	(575)	2,100	373	1,899

2. Differences between total amounts of profit 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	1,899
Elimination of intersegment transactions	216
Operating income in the consolidated statements of income and comprehensive income	2,115

3. Disclosure of impairment loss on non-current assets and goodwill for each reportable segment
Not applicable.

Significant events after reporting period

Not applicable.