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**Consolidated Financial Results  
for the Six Months Ended September 30, 2016  
<under Japanese GAAP>**

**F-TECH INC.**

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

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

An overview of the global economy in the six months ended September 30, 2016 is as follows. In the United States, consumer spending has been firm, due to an improved employment environment. Europe was marked by uncertainty, owing to Brexit as well as the effect of geopolitical risks. China saw modest economic deceleration, mainly from financial market trends affected by issues including the decline of real estate prices and excessive debt problems. Other emerging markets also experienced a notable downturn in economic growth characterized primarily by economic deceleration.

In the Japanese economy, various government measures led to improvements in the employment situation, but economic deceleration in emerging markets, coupled with yen appreciation, caused economic growth to remain flat.

On the other hand, in the automotive industry, automobile sales in North America have been firm, while sales expansion in the Asia region including China continued to weaken. In Japan, domestic automobile production declined partly as a result of stagnant sales in the light and compact car market.

Under these circumstances, the Group pushed ahead with expanding sales on a global basis under the corporate policy "To become a chassis system manufacturer with overwhelming competitive strength," outlined in its 12th Mid-Term Plan, which started in April 2014.

The operating results for the Group during the six months under review are as follows. The Group benefited mainly from a recovery in production at major customers in the Japanese market and favorable sales for customers in the Chinese market. In detail, net sales decreased 3.4% year on year to 90,801 million yen, operating income rose 43.4% year on year to 3,033 million yen, ordinary income rose 6.1% year on year to 2,230 million yen and profit attributable to owners of parent rose 63.6% year on year to 687 million yen.

Operating results by segment are as follows.

(Japan)

There was a recovery in the number of automobiles produced by the major customers of the Company, along with an increase in the number of export automobiles. Net sales rose 17.0% year on year to 11,948 million yen and operating income was 282 million yen (compared with an operating loss of 575 million yen in the same period of the previous fiscal year).

(North America)

In the North American market, although firm automobile sales continued, the effect of yen appreciation on foreign exchange and other factors led to net sales falling by 12.8% year on year to 54,112 million yen. The segment recorded an operating income of 1,304 million yen, down 37.9% year on year.

(Asia)

Sales of major customers were favorable, and sales of new customers increased in the Chinese market. Net sales rose 14.1% year on year to 24,740 million yen and operating income rose 306.2% year on year to 1,518 million yen.

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

As of September 30, 2016, total assets decreased by 10,967 million yen compared with the end of the previous fiscal year to 127,013 million yen, mainly reflecting decreases in notes and accounts receivable - trade, buildings and structures, machinery, equipment and vehicles and construction in progress.

Liabilities decreased by 3,139 million yen from the end of the previous fiscal year to 87,772 million yen mainly reflecting decreases in notes and accounts payable - trade, short-term loans payable and current portion of long-term loans payable.

Net assets decreased by 7,827 million yen from the end of the previous fiscal year to 39,240 million yen mainly reflecting decreases in foreign currency translation adjustment 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 9, 2016, 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, 2016

(From April 1, 2016 to September 30, 2016)

(Millions of yen)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Basic earnings per share (Yen)
Previous forecasts (A)	91,000	2,500	2,400	800	52.10
Actual results (B)	90,801	3,033	2,230	687	44.77
Difference (B-A)	(198)	533	(169)	(112)	
Difference (%)	(0.2)	21.3	(7.1)	(14.1)	
(Reference) Actual results for the second quarter of the previous fiscal year (Six months ended September 30, 2015)	93,983	2,115	2,102	420	27.37

**Reasons for the differences**

Operating performance during the six months ended September 30, 2016, remained robust, as production volume at the Company's major customers increased. However, net sales decreased due to the effect of yen appreciation. Although operating income increased against the backdrop of the abovementioned reasons, ordinary income and other profit categories declined, mainly because of foreign exchange losses associated with yen appreciation.

**(ii) Earnings forecasts revisions**

Revisions to consolidated earnings forecasts for the fiscal year ending March 31, 2017 (From April 1, 2016 to March 31, 2017)

(Millions of yen)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Basic earnings per share (Yen)
Previous forecasts (A)	192,000	6,500	6,200	2,800	182.34
Current forecasts (B)	183,000	6,500	5,450	2,350	153.03
Difference (B-A)	(9,000)	0	(750)	(450)	
Difference (%)	(4.7)	0.0	(12.1)	(16.1)	
(Reference) Actual results for the previous fiscal year (Fiscal year ended March 31, 2016)	196,343	6,821	6,182	2,704	176.14

**Reasons for the revisions**

The above-stated revisions to the Company's consolidated earnings forecasts for the full fiscal year ending March 31, 2017, take into account increased production volume at the Company's major customers, as well as the effect of yen appreciation. Compared with previous forecasts, the current forecasts show net sales as lower, and operating income as unchanged. However, excluding the effect of foreign exchange, the Company substantially forecasts growth in net sales and operating income. The Company expects ordinary income and other profit categories to decrease, owing mainly to foreign exchange losses associated with yen appreciation.

Average exchange rates for the fiscal year are assumed at 100.18 yen to the U.S. dollar.

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

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

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

Tax expenses in the quarterly 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 profit before income taxes for the fiscal year including the second quarter ended September 30, 2016, and next by multiplying the quarterly profit (loss) before income taxes by such estimated effective tax rate.

### **(2) Additional information**

The Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016) has been applied from the first quarter ended June 30, 2016.

### 3. Quarterly consolidated financial statements

#### (1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2016	As of September 30, 2016
<b>Assets</b>		
Current assets		
Cash and deposits	6,831	6,876
Notes and accounts receivable - trade	28,930	24,576
Merchandise and finished goods	4,779	5,960
Work in process	3,942	3,947
Raw materials and supplies	8,069	7,389
Other	4,855	3,946
Total current assets	57,409	52,697
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	19,648	17,433
Machinery, equipment and vehicles, net	29,985	27,146
Construction in progress	13,423	12,151
Other, net	10,352	10,762
Total property, plant and equipment	73,410	67,494
Intangible assets	671	605
Investments and other assets		
Investment securities	4,880	4,850
Other	1,608	1,382
Allowance for doubtful accounts	-	(17)
Total investments and other assets	6,489	6,215
Total non-current assets	80,570	74,315
Total assets	137,980	127,013
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	18,690	16,219
Short-term loans payable	22,589	21,546
Current portion of long-term loans payable	11,576	9,646
Income taxes payable	499	253
Provision for directors' bonuses	99	61
Other	9,036	9,022
Total current liabilities	62,492	56,749
Non-current liabilities		
Bonds payable	4,000	4,000
Long-term loans payable	18,597	21,604
Provision for directors' retirement benefits	233	230
Net defined benefit liability	954	940
Negative goodwill	72	69
Other	4,561	4,176
Total non-current liabilities	28,419	31,022
Total liabilities	90,911	87,772

(Millions of yen)

	As of March 31, 2016	As of September 30, 2016
Net assets		
Shareholders' equity		
Capital stock	4,790	4,790
Capital surplus	5,419	5,330
Retained earnings	17,512	18,231
Treasury shares	(18)	(18)
Total shareholders' equity	27,703	28,333
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	618	542
Foreign currency translation adjustment	1,533	(3,011)
Remeasurements of defined benefit plans	(549)	(516)
Total accumulated other comprehensive income	1,602	(2,986)
Non-controlling interests	17,762	13,894
Total net assets	47,068	39,240
Total liabilities and net assets	137,980	127,013

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

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Net sales	93,983	90,801
Cost of sales	84,178	80,008
Gross profit	9,804	10,792
Selling, general and administrative expenses	7,688	7,759
Operating income	2,115	3,033
Non-operating income		
Interest income	20	28
Dividend income	31	37
Share of profit of entities accounted for using equity method	214	214
Foreign exchange gains	37	-
Other	127	72
Total non-operating income	431	352
Non-operating expenses		
Interest expenses	416	438
Foreign exchange losses	-	690
Other	28	26
Total non-operating expenses	445	1,155
Ordinary income	2,102	2,230
Extraordinary income		
Gain on sales of non-current assets	149	12
Gain on sales of investment securities	-	2
Total extraordinary income	149	15
Extraordinary losses		
Loss on sales of non-current assets	0	1
Loss on retirement of non-current assets	56	14
Impairment loss	-	36
Total extraordinary losses	56	52
Profit before income taxes	2,195	2,193
Income taxes - current	977	837
Income taxes - deferred	(86)	117
Total income taxes	891	955
Profit	1,303	1,237
Profit attributable to		
Profit attributable to owners of parent	420	687
Profit attributable to non-controlling interests	883	550
Other comprehensive income		
Valuation difference on available-for-sale securities	(108)	(49)
Foreign currency translation adjustment	(691)	(6,406)
Remeasurements of defined benefit plans, net of tax	(47)	35
Share of other comprehensive income of entities accounted for using equity method	(102)	(291)
Total other comprehensive income	(949)	(6,711)
Comprehensive income	354	(5,474)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(206)	(3,901)
Comprehensive income attributable to non-controlling interests	560	(1,572)

**(3) Consolidated statements of cash flows**

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
<b>Cash flows from operating activities</b>		
Profit before income taxes	2,195	2,193
Depreciation	5,016	5,048
Impairment loss	-	36
Amortization of goodwill	(2)	(2)
Loss (gain) on sales of investment securities	-	(2)
Increase (decrease) in assets and liabilities related to retirement benefits	(56)	28
Increase (decrease) in provision for directors' retirement benefits	10	(2)
Increase (decrease) in provision for directors' bonuses	(26)	(37)
Interest and dividend income	(51)	(65)
Interest expenses	416	438
Foreign exchange losses (gains)	(70)	800
Share of (profit) loss of entities accounted for using equity method	(214)	(214)
Loss (gain) on sales of property, plant and equipment	(149)	(11)
Loss on retirement of property, plant and equipment	56	14
Decrease (increase) in notes and accounts receivable - trade	(1,758)	1,434
Decrease (increase) in inventories	225	(2,269)
Increase (decrease) in notes and accounts payable - trade	2,350	(829)
Increase (decrease) in accrued expenses	(26)	169
Other, net	1,081	(3)
<b>Subtotal</b>	<b>8,997</b>	<b>6,725</b>
Interest and dividend income received	86	89
Interest expenses paid	(416)	(432)
Income taxes paid	(1,908)	(931)
<b>Net cash provided by (used in) operating activities</b>	<b>6,759</b>	<b>5,450</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(8,936)	(6,180)
Proceeds from sales of property, plant and equipment	187	72
Purchase of intangible assets	(73)	(112)
Purchase of investment securities	(15)	(142)
Proceeds from sales of investment securities	-	3
Other, net	7	(8)
<b>Net cash provided by (used in) investing activities</b>	<b>(8,830)</b>	<b>(6,368)</b>



(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(1,385)	251
Proceeds from long-term loans payable	7,530	9,139
Repayments of long-term loans payable	(5,467)	(6,130)
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	(94)	(228)
Dividends paid to non-controlling interests	(597)	(1,253)
Repayments of finance lease obligations	(409)	(482)
Proceeds from sales and leasebacks	94	1,086
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	(403)
Net cash provided by (used in) financing activities	2,003	1,826
Effect of exchange rate change on cash and cash equivalents	105	(753)
Net increase (decrease) in cash and cash equivalents	37	154
Cash and cash equivalents at beginning of period	8,983	6,831
Increase (decrease) in cash and cash equivalents due to the fiscal year-end change of consolidated subsidiaries	-	(110)
Cash and cash equivalents at end of period	9,021	6,876

(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, 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 for each reportable segment  
Not applicable.

II. Six months ended September 30, 2016

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	11,948	54,112	24,740	90,801
Transactions with other segments	7,070	847	1,275	9,194
Total	19,019	54,959	26,016	99,995
Segment profit	282	1,304	1,518	3,105

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	3,105
Elimination of intersegment transactions	(71)
Operating income in the consolidated statements of income and comprehensive income	3,033

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

(Millions of yen)

	Japan	North America	Asia	Unallocated amounts and elimination	Total
Impairment loss	36	–	–	–	36

***Significant events after reporting period***

Not applicable.