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**Consolidated Financial Results  
for the Three Months Ended June 30, 2017  
<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**

The global economy in the three months ended June 30, 2017 has continued a recovery trend mainly in the developed countries. In the United States, consumer spending has been firm. In Europe, despite the uncertain economic outlook mainly due to the effects of geopolitical risks, the economy was on moderate recovery trend. Although there has been a continued economic slowdown in China, other emerging countries have been in a trend of economic recovery.

On the other hand, in the Japanese economy, a trend of improved earnings has been seen mainly in export-related companies owing to yen depreciation, and consumer spending has been steady, which led to a continued mild economic recovery.

Under this macro-economic circumstance, in the automotive industry, automotive sales have been slow in the United States even with the low interest rates and increased sales incentives from automotive manufacturers. In China, automotive sales remained low due to the impact of restrictive monetary policies executed by the government to control the overheated real estate market. In Europe, automobile sales remained solid due to robustness in economic situations. In Japan, with an upward trend of consumer spending, firm automobile sales continued.

Under these circumstances, the Group has set the basic policies of “Back to Basics” and “Challenge for New” outlined in the 13th Mid-term plan, which started in April 2017, and has been working to provide its customers with new value.

The operating results for the Group during the three months under review are as follows. The Group benefited from an increase in production by major customers in the Japanese market, continuingly steady production by major customers in the North American market, and favorable sales by customers in the Chinese market. Net sales rose 11.6% year on year to 52,720 million yen. In terms of profit (loss), due to an increase in cost associated with the startup of products for new orders in North America and a decrease in production of high-value-added products, operating profit decreased 15.6% year on year to 1,843 million yen, ordinary profit decreased 15.0% year on year to 1,495 million yen and profit attributable to owners of parent rose 7.0% year on year to 710 million yen.

Operating results by segment are as follows.

(Japan)

An increase in production volume of the major customers of the Company, along with an increase in export sales, led to net sales rising by 13.3% year on year to 6,544 million yen. The segment recorded an operating profit of 852 million yen, up 177.0% year on year.

(North America)

In the North American market, as firm automobile sales of major customers continued, net sales rose 11.2% year on year to 31,640 million yen. In terms of profit (loss), the segment recorded an operating profit of 249 million yen, down 76.5% year on year due to an increase in cost associated with the startup of products for new orders and a decrease in production of high-value-added products.

(Asia)

In the Chinese market, due to favorable sales of major customers, net sales rose 11.5% year on year to 14,534 million yen and operating profit rose 24.4% year on year to 1,230 million yen.

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

As of June 30, 2017, total assets increased 505 million yen compared with the end of the previous fiscal year to 144,926 million yen, mainly reflecting increases in machinery, equipment and vehicles, and construction in progress.

Liabilities increased 948 million yen from the end of the previous fiscal year to 95,636 million yen mainly reflecting an increase in short-term loans payable.

Net assets decreased 442 million yen from the end of the previous fiscal year to 49,290 million yen mainly reflecting decreases in foreign currency translation adjustment 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, 2017, and the fiscal year ending March 31, 2018, announced in “Consolidated Financial Results for the Fiscal Year Ended March 31, 2017” on May 10, 2017, have not been changed.

## 2. Quarterly consolidated financial statements and significant notes thereto

### (1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2017	As of June 30, 2017
<b>Assets</b>		
Current assets		
Cash and deposits	5,719	5,288
Notes and accounts receivable - trade	33,151	32,079
Merchandise and finished goods	5,883	6,060
Work in process	4,228	4,652
Raw materials and supplies	8,533	8,819
Other	4,383	4,759
<b>Total current assets</b>	<b>61,899</b>	<b>61,659</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	18,937	18,640
Machinery, equipment and vehicles, net	33,374	34,342
Construction in progress	11,416	12,203
Other, net	10,948	10,544
<b>Total property, plant and equipment</b>	<b>74,676</b>	<b>75,731</b>
Intangible assets	508	430
Investments and other assets		
Investment securities	5,677	5,529
Other	1,676	1,606
Allowance for doubtful accounts	(17)	(30)
<b>Total investments and other assets</b>	<b>7,336</b>	<b>7,105</b>
<b>Total non-current assets</b>	<b>82,521</b>	<b>83,267</b>
<b>Total assets</b>	<b>144,420</b>	<b>144,926</b>
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	21,186	20,374
Short-term loans payable	20,562	24,202
Current portion of long-term loans payable	10,953	11,103
Income taxes payable	649	502
Provision for directors' bonuses	134	46
Other	9,979	9,711
<b>Total current liabilities</b>	<b>63,465</b>	<b>65,941</b>
Non-current liabilities		
Bonds payable	2,350	2,350
Long-term loans payable	23,271	22,165
Provision for directors' retirement benefits	280	84
Net defined benefit liability	987	981
Negative goodwill	67	65
Other	4,265	4,047
<b>Total non-current liabilities</b>	<b>31,222</b>	<b>29,695</b>
<b>Total liabilities</b>	<b>94,688</b>	<b>95,636</b>

(Millions of yen)

	As of March 31, 2017	As of June 30, 2017
Net assets		
Shareholders' equity		
Capital stock	5,615	5,615
Capital surplus	6,155	6,155
Retained earnings	21,425	21,850
Treasury shares	(18)	(18)
Total shareholders' equity	33,177	33,602
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	740	655
Foreign currency translation adjustment	270	20
Remeasurements of defined benefit plans	(533)	(480)
Total accumulated other comprehensive income	477	196
Non-controlling interests	16,077	15,490
Total net assets	49,732	49,290
Total liabilities and net assets	144,420	144,926

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

(Millions of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
Net sales	47,254	52,720
Cost of sales	41,140	46,736
Gross profit	6,113	5,984
Selling, general and administrative expenses	3,930	4,140
Operating profit	2,183	1,843
Non-operating income		
Interest income	15	17
Dividend income	23	18
Share of profit of entities accounted for using equity method	124	13
Other	41	49
Total non-operating income	204	98
Non-operating expenses		
Interest expenses	211	227
Foreign exchange losses	414	140
Other	3	77
Total non-operating expenses	629	446
Ordinary profit	1,759	1,495
Extraordinary income		
Gain on sales of non-current assets	4	1
Total extraordinary income	4	1
Extraordinary losses		
Loss on sales of non-current assets	1	0
Loss on retirement of non-current assets	4	13
Total extraordinary losses	5	13
Profit before income taxes	1,758	1,483
Income taxes - current	600	563
Income taxes - deferred	60	(78)
Total income taxes	660	485
Profit	1,098	997
Profit attributable to		
Profit attributable to owners of parent	663	710
Profit attributable to non-controlling interests	434	287

(Millions of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
Other comprehensive income		
Valuation difference on available-for-sale securities	(131)	(69)
Foreign currency translation adjustment	(3,753)	(232)
Remeasurements of defined benefit plans, net of tax	18	52
Share of other comprehensive income of entities accounted for using equity method	(218)	(39)
Total other comprehensive income	(4,085)	(288)
Comprehensive income	(2,987)	709
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(2,122)	428
Comprehensive income attributable to non-controlling interests	(865)	280

**(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.

***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 first quarter ended June 30, 2017, and next by multiplying the quarterly profit (loss) before income taxes by such estimated effective tax rate.

**Segment information, etc.**

**Segment information**

I. Three months ended June 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	5,777	28,441	13,034	47,254
Transactions with other segments	4,051	472	638	5,162
Total	9,829	28,914	13,672	52,416
Segment profit	307	1,061	989	2,358

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	2,358
Elimination of intersegment transactions	(174)
Operating profit in the consolidated statements of income and comprehensive income	2,183

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

II. Three months ended June 30, 2017

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	6,544	31,640	14,534	52,720
Transactions with other segments	7,007	395	726	8,129
Total	13,552	32,036	15,260	60,850
Segment profit	852	249	1,230	2,331

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	2,331
Elimination of intersegment transactions	(488)
Operating profit in the consolidated statements of income and comprehensive income	1,843

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

**Significant events after reporting period**

Not applicable.