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**Consolidated Financial Results  
for the Three Months Ended June 30, 2018  
<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**

The global economy in the three months ended June 30, 2018 has continued a moderate recovery overall, despite an increase of future uncertainty mainly due to concerns regarding the escalation of trade conflicts. In the United States, the economy continued a gradual expansion due to improved employment and income environment in addition to tax breaks from tax reform. In China, stable growth continued despite signs of weakness in certain areas. The economies of other emerging countries also remained generally firm. The Japanese economy has continued a moderate recovery supported by continuous improvement in the employment and income environment.

In the automotive industry, while sales volumes increased in the United States, sales varied depending on automobile models and demand continued to shift from passenger cars to compact trucks. A stable sales increase continued in China, and also sales remained steady in Japan and other countries in Asia. Under these circumstances, with the basic policies of “Back to Basics” and “Challenge for New” outlined in the 13th Mid-term plan, which started in April 2017, the Group has been working to provide its customers with new value, and has made efforts to increase orders.

The operating results for the Group during the three months under review are as follows. The Group benefited from continuing steady production in the North American market and favorable sales by customers in the Chinese market. Net sales rose by 10.2% year on year to 58,110 million yen. While operating profit decreased by 14.9% year on year to 1,569 million yen due to operating loss in North America, ordinary profit increased by 5.8% year on year to 1,581 million yen due to foreign exchange gains, and profit attributable to owners of parent rose by 9.8% year on year to 780 million yen.

Operating results by segment are as follows.

(Japan)

Favorable sales due to an increase in production volumes of the major customers of the Company led to net sales rising by 10.3% year on year to 7,218 million yen. However, the segment recorded an operating profit of 27 million yen, down by 96.7% year on year due to a decrease in tooling sales for overseas markets.

(North America)

In the North American market, net sales rose by 7.8% year on year to 34,095 million yen primarily due to the impact of the newly awarded contracts that were concluded in the previous year and fully contributed to sales from the start of the current fiscal year. The segment recorded an operating loss of 125 million yen (an operating profit of 249 million yen was recorded in the same period of the previous year) following the impact of the end of production of high-value-added products that occurred in the previous year, a delay in a new customer's plans for producing new models, and the increase in cost burden resulting from said delay. However, compared to the fourth quarter of the previous fiscal year, there were signs of a recovery.

(Asia)

Due to firm sales mainly to major customers in China, net sales rose by 15.6% year on year to 16,796 million yen and operating profit rose by 20.1% year on year to 1,477 million yen.

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

As of June 30, 2018, total assets decreased by 7,005 million yen compared with the end of the previous fiscal year to 143,421 million yen, mainly reflecting decreases in notes and accounts receivable - trade and construction in progress.

Liabilities decreased by 6,847 million yen from the end of the previous fiscal year to 87,527 million yen mainly reflecting decreases in notes and accounts payable - trade, short-term loans payable, and long-term loans payable.

Net assets decreased by 157 million yen from the end of the previous fiscal year to 55,894 million yen mainly reflecting decreases in valuation difference on available-for-sale securities, 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, 2018, and the fiscal year ending March 31, 2019, announced in “Consolidated Financial Results for the Fiscal Year Ended March 31, 2018” on May 9, 2018, have not been changed.

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

### (1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2018	As of June 30, 2018
<b>Assets</b>		
Current assets		
Cash and deposits	5,871	6,030
Notes and accounts receivable - trade	39,209	34,467
Merchandise and finished goods	5,406	5,202
Work in process	4,740	4,413
Raw materials and supplies	9,321	9,032
Other	4,139	3,981
<b>Total current assets</b>	<b>68,689</b>	<b>63,128</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	18,010	17,886
Machinery, equipment and vehicles, net	39,333	38,944
Construction in progress	5,094	4,007
Other, net	10,559	10,913
<b>Total property, plant and equipment</b>	<b>72,998</b>	<b>71,752</b>
Intangible assets	397	372
Investments and other assets		
Investment securities	6,240	6,045
Other	2,115	2,136
Allowance for doubtful accounts	(13)	(13)
<b>Total investments and other assets</b>	<b>8,341</b>	<b>8,168</b>
<b>Total non-current assets</b>	<b>81,737</b>	<b>80,293</b>
<b>Total assets</b>	<b>150,426</b>	<b>143,421</b>
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	22,320	20,508
Short-term loans payable	19,391	16,982
Current portion of long-term loans payable	13,454	12,938
Income taxes payable	791	516
Provision for directors' bonuses	98	46
Other	9,193	8,502
<b>Total current liabilities</b>	<b>65,250</b>	<b>59,494</b>
Non-current liabilities		
Long-term loans payable	25,348	23,987
Provision for directors' retirement benefits	99	91
Net defined benefit liability	990	990
Negative goodwill	61	60
Other	2,623	2,902
<b>Total non-current liabilities</b>	<b>29,123</b>	<b>28,032</b>
<b>Total liabilities</b>	<b>94,374</b>	<b>87,527</b>

(Millions of yen)

	As of March 31, 2018	As of June 30, 2018
Net assets		
Shareholders' equity		
Capital stock	6,790	6,790
Capital surplus	7,222	7,222
Retained earnings	25,662	26,255
Treasury shares	(18)	(18)
Total shareholders' equity	39,656	40,249
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	792	645
Foreign currency translation adjustment	168	(230)
Remeasurements of defined benefit plans	(445)	(397)
Total accumulated other comprehensive income	515	17
Non-controlling interests	15,879	15,626
Total net assets	56,051	55,894
Total liabilities and net assets	150,426	143,421

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

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Net sales	52,720	58,110
Cost of sales	46,736	52,400
Gross profit	5,984	5,710
Selling, general and administrative expenses	4,140	4,140
Operating profit	1,843	1,569
Non-operating income		
Interest income	17	27
Dividend income	18	26
Share of profit of entities accounted for using equity method	13	88
Foreign exchange gains	–	106
Other	49	100
Total non-operating income	98	349
Non-operating expenses		
Interest expenses	227	313
Foreign exchange losses	140	–
Other	77	23
Total non-operating expenses	446	336
Ordinary profit	1,495	1,581
Extraordinary income		
Gain on sales of non-current assets	1	9
Total extraordinary income	1	9
Extraordinary losses		
Loss on sales of non-current assets	0	0
Loss on retirement of non-current assets	13	1
Total extraordinary losses	13	2
Profit before income taxes	1,483	1,588
Income taxes - current	563	522
Income taxes - deferred	(78)	45
Total income taxes	485	567
Profit	997	1,021
Profit attributable to		
Profit attributable to owners of parent	710	780
Profit attributable to non-controlling interests	287	241

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Other comprehensive income		
Valuation difference on available-for-sale securities	(69)	(116)
Foreign currency translation adjustment	(232)	(281)
Remeasurements of defined benefit plans, net of tax	52	48
Share of other comprehensive income of entities accounted for using equity method	(39)	(103)
Total other comprehensive income	(288)	(453)
Comprehensive income	709	567
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	428	282
Comprehensive income attributable to non-controlling interests	280	284

### (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, 2018, 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, 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.

II. Three months ended June 30, 2018

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	7,218	34,095	16,796	58,110
Transactions with other segments	3,002	390	750	4,143
Total	10,220	34,485	17,547	62,253
Segment profit (loss)	27	(125)	1,477	1,380

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	1,380
Elimination of intersegment transactions	189
Operating profit in the consolidated statements of income and comprehensive income	1,569

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.

**Additional information**

“Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) and relevant Guidances have been applied effective from the beginning of the first quarter ended June 30, 2018. Accordingly, deferred tax assets were presented under “Investments and other assets” and deferred tax liabilities were presented under “Non-current liabilities.”