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**Consolidated Financial Results  
for the Three Months Ended June 30, 2016  
<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, 2016, there was continuing uncertainty overall in the economic outlook. In the U.S., the firm consumer spending has continued, which promoted the moderate economic recovery. In Europe, the outlook for economic activity grew uncertain amid slowing domestic demand mainly due to the issue of the Brexit, and the effects of geopolitical risks. In China, there has been a gentle slowdown in economic growth mainly reflecting the trend of the financial market, which is under the influence of the decrease in real estate prices and an excessive debt problem. Other emerging countries are also in a trend of economic slowdown.

Meanwhile, in the Japanese economy, although employment has continued to be firm, production and exports were flat as a result of the appreciation of yen and the economic slowdown in the emerging countries.

Under this macro-economic circumstance, in the automotive industry, automobile sales in North America has been firm, while sales in the Asia region including China continued to weaken. In Japan, automobile sales proceeded at a low level owing to stagnant sales in the light and compact car market.

Under these conditions, 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 three months under review are as follows. The Group had a recovery in sales of major customers in the Japanese market and continuously robust sales in the North American Market. Sales of customers in the Chinese market was also favorable. In detail, net sales rose 4.0% year on year to 47,254 million yen, operating income rose 269.7% year on year to 2,183 million yen, ordinary income rose 291.6% year on year to 1,759 million yen and profit attributable to owners of parent was 663 million yen (compared with loss attributable to owners of parent of 98 million yen in the same period of the previous fiscal year).

Operating results by segment are as follows.

(Japan)

There were signs of a recovery in the number of automobiles produced by the major customers of the Company, along with an increase in export sales. Net sales rose 17.9% year on year to 5,777 million yen and operating income was 307 million yen (compared with an operating loss of 409 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 sudden yen appreciation on foreign exchange led to net sales falling by 9.2% year on year to 28,441 million yen. In terms of income/loss, the segment recorded an operating income of 1,061 million yen, up 1.8% year on year, mainly reflecting a subsidiary in Mexico going into full-scale production.

(Asia)

Sales of major customers and new customers were both favorable in the Chinese market. Net sales rose 41.8% year on year to 13,034 million yen and operating income was 989 million yen (compared with an operating loss of 190 million yen in the same period of the previous fiscal year).

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

As of June 30, 2016, total assets decreased by 9,037 million yen compared with the end of the previous fiscal year to 128,942 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 4,504 million yen from the end of the previous fiscal year to 86,406 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 4,533 million yen from the end of the previous fiscal year to 42,535 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, 2016, and the fiscal year ending March 31, 2017, announced in “Consolidated Financial Results for the Fiscal Year Ended March 31, 2016” on May 9, 2016, have not been changed.

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

**(1) 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 profit before income taxes for the fiscal year including the first quarter ended June 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 June 30, 2016
<b>Assets</b>		
Current assets		
Cash and deposits	6,831	6,680
Notes and accounts receivable - trade	28,930	24,137
Merchandise and finished goods	4,779	5,941
Work in process	3,942	3,909
Raw materials and supplies	8,069	7,915
Other	4,855	4,395
<b>Total current assets</b>	<b>57,409</b>	<b>52,979</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	19,648	18,213
Machinery, equipment and vehicles, net	29,985	28,402
Construction in progress	13,423	11,762
Other, net	10,352	10,885
<b>Total property, plant and equipment</b>	<b>73,410</b>	<b>69,264</b>
Intangible assets	671	619
Investments and other assets		
Investment securities	4,880	4,582
Other	1,608	1,496
<b>Total investments and other assets</b>	<b>6,489</b>	<b>6,078</b>
<b>Total non-current assets</b>	<b>80,570</b>	<b>75,962</b>
<b>Total assets</b>	<b>137,980</b>	<b>128,942</b>
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	18,690	16,689
Short-term loans payable	22,589	21,556
Current portion of long-term loans payable	11,576	10,129
Income taxes payable	499	405
Provision for directors' bonuses	99	36
Other	9,036	8,465
<b>Total current liabilities</b>	<b>62,492</b>	<b>57,282</b>
Non-current liabilities		
Bonds payable	4,000	4,000
Long-term loans payable	18,597	19,630
Provision for directors' retirement benefits	233	224
Net defined benefit liability	954	954
Negative goodwill	72	71
Other	4,561	4,243
<b>Total non-current liabilities</b>	<b>28,419</b>	<b>29,124</b>
<b>Total liabilities</b>	<b>90,911</b>	<b>86,406</b>

(Millions of yen)

	As of March 31, 2016	As of June 30, 2016
Net assets		
Shareholders' equity		
Capital stock	4,790	4,790
Capital surplus	5,419	5,409
Retained earnings	17,512	18,207
Treasury shares	(18)	(18)
Total shareholders' equity	27,703	28,387
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	618	432
Foreign currency translation adjustment	1,533	(1,083)
Remeasurements of defined benefit plans	(549)	(532)
Total accumulated other comprehensive income	1,602	(1,183)
Non-controlling interests	17,762	15,330
Total net assets	47,068	42,535
Total liabilities and net assets	137,980	128,942

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

(Millions of yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016
Net sales	45,430	47,254
Cost of sales	41,047	41,140
Gross profit	4,382	6,113
Selling, general and administrative expenses	3,792	3,930
Operating income	590	2,183
Non-operating income		
Interest income	8	15
Dividend income	6	23
Share of profit of entities accounted for using equity method	93	124
Other	69	41
Total non-operating income	177	204
Non-operating expenses		
Interest expenses	212	211
Foreign exchange losses	86	414
Other	19	3
Total non-operating expenses	319	629
Ordinary income	449	1,759
Extraordinary income		
Gain on sales of non-current assets	145	4
Total extraordinary income	145	4
Extraordinary losses		
Loss on sales of non-current assets	–	1
Loss on retirement of non-current assets	5	4
Total extraordinary losses	5	5
Profit before income taxes	589	1,758
Income taxes - current	475	600
Income taxes - deferred	(101)	60
Total income taxes	373	660
Profit	215	1,098
Profit attributable to		
Profit (loss) attributable to owners of parent	(98)	663
Profit attributable to non-controlling interests	314	434

(Millions of yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016
Other comprehensive income		
Valuation difference on available-for-sale securities	18	(131)
Foreign currency translation adjustment	858	(3,753)
Remeasurements of defined benefit plans, net of tax	(23)	18
Share of other comprehensive income of entities accounted for using equity method	23	(218)
Total other comprehensive income	877	(4,085)
Comprehensive income	1,093	(2,987)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	422	(2,122)
Comprehensive income attributable to non- controlling interests	670	(865)

### (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, 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.

##### II. Three months ended June 30, 2016

##### 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	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 income in the consolidated statements of income and comprehensive income	2,183

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

Not applicable.

#### *Significant events after reporting period*

Not applicable.