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**Consolidated Financial Results**  
**for the Six Months Ended September 30, 2017**  
**<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 six months ended September 30, 2017 has continued a moderate recovery trend mainly in the developed countries. In the United States, consumer spending and corporate earnings have been firm. In Europe, the economy was on moderate recovery trend supported by monetary easing policies and the emerging market economies. In China, the economy has been continuously supported by consumer spending and other emerging countries also have been in a trend of economic recovery.

As for the Japanese economy, on the other hand, corporate earnings have been improving amid a trend of yen depreciation and recovery in overseas economies, and consumer spending also has been steady, resulting in mild economic recovery.

Under this macro-economic circumstance, in the automotive industry, automotive sales have been on a downward trend in the United States even with the low interest rates, low gasoline prices and increased sales incentives from automotive manufacturers. In China, there were signs of recovery in the automotive sales. 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.

In the financial aspect, on August 18, 2017, the Company exercised a call option on its 2020-maturity yen-denominated convertible bond-type bonds with subscription rights to shares issued in March 2015. As a result, the previous fiscal year-end balance of 2,350 million yen was converted into shares and net assets increased by the same amount.

The operating results for the Group during the six months under review are as follows. The Group benefited from an increase in production by major customers in the Japanese market and favorable sales by customers in the Chinese market. Net sales rose by 18.4% year on year to 107,511 million yen, operating profit increased by 28.7% year on year to 3,902 million yen, ordinary profit increased by 45.6% year on year to 3,248 million yen and profit attributable to owners of parent rose by 186.5% year on year to 1,969 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 12.1% year on year to 13,393 million yen. The segment recorded an operating profit of 935 million yen, up by 231.8% year on year.

(North America)

In the North American market, despite a decrease in production volume of the major customers due to downward trend in automotive sales, net sales rose by 18.9% year on year to 64,322 million yen owing to an increase in sales of tooling. The segment recorded an operating profit of 727 million yen, down by 44.2% year on year due to an increase in cost associated with the start-up of products for new orders and a completion of production of high-value-added products.

(Asia)

In the Chinese market, due to favorable sales of major customers, net sales rose by 20.4% year on year to 29,795 million yen and operating profit rose by 51.3% year on year to 2,297 million yen.

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

As of September 30, 2017, total assets increased by 6,715 million yen compared with the end of the previous fiscal year to 151,136 million yen, mainly reflecting increases in cash and deposits, notes and accounts receivable - trade, raw materials and supplies, and machinery, equipment and vehicles.

Liabilities increased by 2,191 million yen from the end of the previous fiscal year to 96,879 million yen mainly reflecting an increase in short-term loans payable, current portion of long-term loans payable, and long-term loans payable.

Net assets increased by 4,523 million yen from the end of the previous fiscal year to 54,256 million yen mainly reflecting increases in capital stock, capital surplus, and retained earnings.

**(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, 2017, 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, 2017

(From April 1, 2017 to September 30, 2017)

(Millions of yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Basic earnings per share (Yen)
Previous forecasts (A)	103,000	3,000	2,700	1,100	65.76
Actual results (B)	107,511	3,902	3,248	1,969	114.89
Difference (B-A)	4,511	902	548	869	
Difference (%)	4.4	30.1	20.3	79.0	
(Reference) Actual results for the second quarter of the previous fiscal year (Six months ended September 30, 2016)	90,801	3,033	2,230	687	44.77

Reasons for the differences

In operating performance during the six months ended September 30, 2017, net sales increased owing mainly to the effect of yen depreciation. Operating profit exceeded the previous forecast due primarily to an increase in production volume at the Company's major customers in Japan and Asia and tooling sales recognized ahead of the forecast in North America.

(ii) Earnings forecasts revisions

Revisions to consolidated earnings forecasts for the fiscal year ending March 31, 2018 (From April 1, 2017 to March 31, 2018)

(Millions of yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Basic earnings per share (Yen)
Previous forecasts (A)	209,000	8,000	7,400	4,000	239.14
Current forecasts (B)	220,000	8,200	7,100	4,400	245.70
Difference (B-A)	11,000	200	(300)	400	
Difference (%)	5.3	2.5	(4.1)	10.0	
(Reference) Actual results for the previous fiscal year (Fiscal year ended March 31, 2017)	197,941	8,035	7,214	4,035	261.01

Reasons for the revisions

Taking into account the production volume changes at the Company's major customers, as well as the effect of yen depreciation, the Company has made the above-stated revisions to the consolidated earnings forecasts for the full fiscal year ending March 31, 2018. Compared with previous forecasts, the current forecasts show net sales as higher, owing mainly to the effect of yen depreciation and impact of the increase in production volume at the Company's major customers in Japan and Asia. The Company expects operating profit to increase due primarily to the effect of yen depreciation and impact of the increase in sales in Japan and Asia, despite a decrease in production volume at the Company's major customers in North America and an increase in costs due to the tight labor market and other factors. Average exchange rates for the fiscal year are assumed at 110.91 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. Quarterly consolidated financial statements and significant notes thereto

### (1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
<b>Assets</b>		
Current assets		
Cash and deposits	5,719	6,773
Notes and accounts receivable - trade	33,151	35,007
Merchandise and finished goods	5,883	4,875
Work in process	4,228	5,030
Raw materials and supplies	8,533	10,191
Other	4,383	5,124
<b>Total current assets</b>	<b>61,899</b>	<b>67,001</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	18,937	18,910
Machinery, equipment and vehicles, net	33,374	38,823
Construction in progress	11,416	8,030
Other, net	10,948	10,649
<b>Total property, plant and equipment</b>	<b>74,676</b>	<b>76,413</b>
Intangible assets	508	407
Investments and other assets		
Investment securities	5,677	5,677
Other	1,676	1,666
Allowance for doubtful accounts	(17)	(30)
<b>Total investments and other assets</b>	<b>7,336</b>	<b>7,314</b>
<b>Total non-current assets</b>	<b>82,521</b>	<b>84,134</b>
<b>Total assets</b>	<b>144,420</b>	<b>151,136</b>
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	21,186	20,118
Short-term loans payable	20,562	23,078
Current portion of long-term loans payable	10,953	12,125
Income taxes payable	649	438
Provision for directors' bonuses	134	68
Other	9,979	9,351
<b>Total current liabilities</b>	<b>63,465</b>	<b>65,181</b>
Non-current liabilities		
Bonds payable	2,350	-
Long-term loans payable	23,271	26,276
Provision for directors' retirement benefits	280	90
Net defined benefit liability	987	973
Negative goodwill	67	64
Other	4,265	4,293
<b>Total non-current liabilities</b>	<b>31,222</b>	<b>31,698</b>
<b>Total liabilities</b>	<b>94,688</b>	<b>96,879</b>

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
Net assets		
Shareholders' equity		
Capital stock	5,615	6,790
Capital surplus	6,155	7,330
Retained earnings	21,425	23,109
Treasury shares	(18)	(18)
Total shareholders' equity	33,177	37,211
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	740	761
Foreign currency translation adjustment	270	578
Remeasurements of defined benefit plans	(533)	(463)
Total accumulated other comprehensive income	477	875
Non-controlling interests	16,077	16,168
Total net assets	49,732	54,256
Total liabilities and net assets	144,420	151,136

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

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Net sales	90,801	107,511
Cost of sales	80,008	95,164
Gross profit	10,792	12,347
Selling, general and administrative expenses	7,759	8,444
Operating profit	3,033	3,902
Non-operating income		
Interest income	28	37
Dividend income	37	25
Share of profit of entities accounted for using equity method	214	153
Other	72	103
Total non-operating income	352	320
Non-operating expenses		
Interest expenses	438	504
Foreign exchange losses	690	373
Other	26	97
Total non-operating expenses	1,155	974
Ordinary profit	2,230	3,248
Extraordinary income		
Gain on sales of non-current assets	12	5
Gain on sales of investment securities	2	–
Total extraordinary income	15	5
Extraordinary losses		
Loss on sales of non-current assets	1	0
Loss on retirement of non-current assets	14	35
Impairment loss	36	–
Total extraordinary losses	52	35
Profit before income taxes	2,193	3,217
Income taxes - current	837	992
Income taxes - deferred	117	(300)
Total income taxes	955	691
Profit	1,237	2,526
Profit attributable to		
Profit attributable to owners of parent	687	1,969
Profit attributable to non-controlling interests	550	556
Other comprehensive income		
Valuation difference on available-for-sale securities	(49)	9
Foreign currency translation adjustment	(6,406)	869
Remeasurements of defined benefit plans, net of tax	35	69
Share of other comprehensive income of entities accounted for using equity method	(291)	(147)
Total other comprehensive income	(6,711)	800
Comprehensive income	(5,474)	3,327
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(3,901)	2,367
Comprehensive income attributable to non-controlling interests	(1,572)	959

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

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
<b>Cash flows from operating activities</b>		
Profit before income taxes	2,193	3,217
Depreciation	5,048	5,618
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	28	19
Increase (decrease) in provision for directors' retirement benefits	(2)	(190)
Increase (decrease) in provision for directors' bonuses	(37)	(65)
Interest and dividend income	(65)	(62)
Interest expenses	438	504
Foreign exchange losses (gains)	800	115
Share of (profit) loss of entities accounted for using equity method	(214)	(153)
Loss (gain) on sales of property, plant and equipment	(11)	(5)
Loss on retirement of property, plant and equipment	14	35
Decrease (increase) in notes and accounts receivable - trade	1,434	(1,379)
Decrease (increase) in inventories	(2,269)	(1,032)
Increase (decrease) in notes and accounts payable - trade	(829)	(1,216)
Increase (decrease) in accrued expenses	169	213
Other, net	(3)	(1,631)
Subtotal	6,725	3,985
Interest and dividend income received	89	99
Interest expenses paid	(432)	(504)
Income taxes paid	(931)	(713)
Net cash provided by (used in) operating activities	5,450	2,866
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(6,180)	(6,443)
Proceeds from sales of property, plant and equipment	72	14
Purchase of intangible assets	(112)	(36)
Purchase of investment securities	(142)	(17)
Proceeds from sales of investment securities	3	–
Other, net	(8)	(13)
Net cash provided by (used in) investing activities	(6,368)	(6,495)



(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	251	2,142
Proceeds from long-term loans payable	9,139	9,501
Repayments of long-term loans payable	(6,130)	(5,337)
Purchase of treasury shares	–	(0)
Cash dividends paid	(153)	(284)
Repayments of installment payables	(228)	(225)
Dividends paid to non-controlling interests	(1,253)	(868)
Repayments of finance lease obligations	(482)	(407)
Proceeds from sales and leasebacks	1,086	299
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	1,826	4,820
Effect of exchange rate change on cash and cash equivalents	(753)	(136)
Net increase (decrease) in cash and cash equivalents	154	1,054
Cash and cash equivalents at beginning of period	6,831	5,719
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	6,876	6,773

#### (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.

##### *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, 2017, and next by multiplying the quarterly profit (loss) before income taxes by such estimated effective tax rate.

##### *Segment information, etc.*

###### **Segment information**

###### I. 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 (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	3,105
Elimination of intersegment transactions	(71)
Operating profit 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

II. Six months ended September 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	13,393	64,322	29,795	107,511
Transactions with other segments	10,514	792	1,464	12,771
Total	23,907	65,114	31,260	120,282
Segment profit	935	727	2,297	3,960

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	3,960
Elimination of intersegment transactions	(57)
Operating profit in the consolidated statements of income and comprehensive income	3,902

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.