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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<br>June 30, 2017 | Three months ended<br>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<br>June 30, 2017 | Three months ended<br>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<br>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<br>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.”