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**Consolidated Financial Results
for the Three Months Ended June 30, 2019
<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, 2019 has continued a recovery trend overall, but future uncertainty has increased. The Japanese economy has continued a moderate recovery despite weaknesses seen in exports and production. Overseas, the economy in the United States continued a moderate expansion, backed primarily by a favorable employment and income environment, although uncertainty over the economic outlook grew. While in China, the economy slowed down due to the impact of trade friction between the United States and China, among other reasons. The economies of other regions in Asia overall transitioned to a slowdown trend.

In the automotive industry, in Japan, sales of both registered vehicles and light vehicles were strong. In North America, sales of passenger cars declined and the shift in demand to light trucks continued. In China, sales volumes significantly decreased. A downward trend in other Asian regions led to weak sales. Under these circumstances, the Group has been working to provide its customers with new value, and has made efforts to obtain new business in accordance with the basic policies of “Back to Basics” and “Challenge for New” outlined in the 13th Mid-term plan. This led the Group to win new large-scale business contracts in North America.

The operating results for the Group during the three months under review are as follows. Net sales decreased by 0.1% year on year to 58,063 million yen. Although production volume increased in North America, the number of new business contracts awarded in Asia remained weak. Operating profit increased by 12.4% year on year to 1,764 million yen mainly as a result of initiatives to improve the production efficiency and reduce costs. However, ordinary profit decreased by 9.7% year on year to 1,429 million yen and profit attributable to owners of parent decreased by 50.3% year on year to 387 million yen primarily due to foreign exchange losses and increased income taxes.

Operating results by segment are as follows.

(Japan)

Since production volume required by major customers remained strong, net sales rose by 4.1% year on year to 7,514 million yen and operating profit rose by 124.7% to 62 million yen.

(North America)

Net sales rose by 6.0% year on year to 36,146 million yen due to the impact of increased production volume required by customers. The segment recorded an operating profit of 649 million yen (an operating loss of 125 million yen in the same period of the previous year) mainly as a result of initiatives to improve the production efficiency and reduce costs, in addition to the effect of higher sales.

(Asia)

As production volume required by major customers remained weak, net sales decreased by 14.3% year on year to 14,403 million yen and operating profit decreased by 39.1% year on year to 899 million yen.

(2) Information regarding financial position

As of June 30, 2019, total assets decreased by 969 million yen compared with the end of the previous fiscal year to 136,040 million yen, mainly reflecting decreases in notes and accounts receivable - trade, and raw materials and supplies.

Liabilities decreased by 666 million yen from the end of the previous fiscal year to 79,512 million yen, mainly reflecting decreases in notes and accounts payable - trade, and long-term loans payable.

Net assets decreased by 303 million yen from the end of the previous fiscal year to 56,527 million yen mainly reflecting decreases in valuation difference on available-for-sale securities 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, 2019, and the fiscal year ending March 31, 2020, announced in “Consolidated Financial Results for the Fiscal Year Ended March 31, 2019” on May 9, 2019, have not been changed.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019
Assets		
Current assets		
Cash and deposits	7,191	6,675
Notes and accounts receivable - trade	33,667	31,534
Merchandise and finished goods	4,450	5,309
Work in process	3,999	4,291
Raw materials and supplies	9,277	8,762
Other	2,866	3,392
Total current assets	61,453	59,966
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	16,096	15,878
Machinery, equipment and vehicles, net	36,115	34,755
Construction in progress	3,520	4,786
Other, net	10,658	11,972
Total property, plant and equipment	66,392	67,393
Intangible assets	342	326
Investments and other assets		
Investment securities	6,255	6,203
Other	2,579	2,164
Allowance for doubtful accounts	(12)	(13)
Total investments and other assets	8,822	8,354
Total non-current assets	75,556	76,074
Total assets	137,010	136,040
Liabilities		
Current liabilities		
Notes and accounts payable - trade	22,838	20,715
Short-term loans payable	12,649	15,236
Current portion of long-term loans payable	12,660	11,509
Income taxes payable	390	285
Provision for directors' bonuses	64	41
Other	8,398	9,291
Total current liabilities	57,002	57,080
Non-current liabilities		
Long-term loans payable	19,728	17,805
Provision for directors' retirement benefits	106	112
Net defined benefit liability	920	929
Negative goodwill	56	54
Other	2,365	3,529
Total non-current liabilities	23,176	22,432
Total liabilities	80,179	79,512

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019
Net assets		
Shareholders' equity		
Capital stock	6,790	6,790
Capital surplus	7,222	7,222
Retained earnings	28,133	28,157
Treasury shares	(18)	(18)
Total shareholders' equity	42,127	42,151
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	467	390
Foreign currency translation adjustment	(418)	(232)
Remeasurements of defined benefit plans	(331)	(292)
Total accumulated other comprehensive income	(281)	(134)
Non-controlling interests	14,985	14,510
Total net assets	56,830	56,527
Total liabilities and net assets	137,010	136,040

(2) Consolidated statements of income and comprehensive income

(Millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Net sales	58,110	58,063
Cost of sales	52,400	52,238
Gross profit	5,710	5,825
Selling, general and administrative expenses	4,140	4,061
Operating profit	1,569	1,764
Non-operating income		
Interest income	27	15
Dividend income	26	18
Share of profit of entities accounted for using equity method	88	49
Foreign exchange gains	106	–
Other	100	45
Total non-operating income	349	128
Non-operating expenses		
Interest expenses	313	281
Foreign exchange losses	–	147
Other	23	35
Total non-operating expenses	336	464
Ordinary profit	1,581	1,429
Extraordinary income		
Gain on sales of non-current assets	9	1
Total extraordinary income	9	1
Extraordinary losses		
Loss on sales of non-current assets	0	0
Loss on retirement of non-current assets	1	12
Total extraordinary losses	2	13
Profit before income taxes	1,588	1,417
Income taxes - current	522	662
Income taxes - deferred	45	116
Total income taxes	567	779
Profit	1,021	638
Profit attributable to		
Profit attributable to owners of parent	780	387
Profit attributable to non-controlling interests	241	250

(Millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Other comprehensive income		
Valuation difference on available-for-sale securities	(116)	(55)
Foreign currency translation adjustment	(281)	179
Remeasurements of defined benefit plans, net of tax	48	37
Share of other comprehensive income of entities accounted for using equity method	(103)	(16)
Total other comprehensive income	(453)	144
Comprehensive income	567	782
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	282	534
Comprehensive income attributable to non-controlling interests	284	247

(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, 2019, and next by multiplying the quarterly profit (loss) before income taxes by such estimated effective tax rate.

Changes in accounting policies

Application of IFRS 16 Leases

Starting from the first quarter ended June 30, 2019, IFRS 16 *Leases* has been applied to the Group companies except for the following companies: the Company itself and its subsidiaries in Japan that have adopted Japanese GAAP, and its subsidiaries in the United States that have adopted the generally accepted accounting principles in the United States (US GAAP). IFRS 16 requires a lessee to recognize, in principle, all lease transactions as assets and liabilities in the balance sheet. There are no material changes in accounting for leases as a lessor.

The Group reflects the cumulative effect of applying this accounting standard as an adjustment to the balances of retained earnings as well as related non-current assets and liabilities as of the beginning of the first quarter ended June 30, 2019 in accordance with the transition under IFRS 16.

As a result, compared with the amounts under the previous accounting standard, "Other" of property, plant and equipment increased by 1,504 million yen, "Other" of current liabilities increased by 27 million yen, and "Other" of non-current liabilities increased by 1,343 million yen as of June 30, 2019. The impacts on the beginning balance of retained earnings and profit or loss for the three months ended June 30, 2019 were immaterial.

Application of Accounting Standards Codification (ASC) 606 Revenue from Contracts with Customers

Starting from the first quarter ended June 30, 2019, ASC 606 *Revenue from Contracts with Customers* has been applied to the overseas subsidiaries that have adopted US GAAP. ASC 606 requires such subsidiaries to recognize revenue when control over promised goods or services is transferred to customers in an amount of consideration to which they expect to be entitled in exchange for transferring those goods or services.

The Group applies this accounting standard in accordance with the transition procedure under ASC 606.

As a result, compared with the amounts under the previous accounting standard, net sales and cost of sales for the three months ended June 30, 2019 increased by 337 million yen, respectively. There is no impact on the beginning balance of retained earnings.

Segment information, etc.

Segment information

I. 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.

II. Three months ended June 30, 2019

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	7,514	36,146	14,403	58,063
Transactions with other segments	2,903	410	657	3,970
Total	10,417	36,557	15,060	62,034
Segment profit	62	649	899	1,612

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	1,612
Elimination of intersegment transactions	152
Operating profit in the consolidated statements of income and comprehensive income	1,764

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.