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Consolidated Financial Results
for the Six Months Ended September 30, 2019
<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

The global economy in the six months ended September 30, 2019 has continued a recovery trend overall, but concerns over the economic slowdown have increased mainly due to the intensification of trade friction between the United States and China. The Japanese economy has continued a moderate recovery despite weaknesses seen in exports and production. Overseas, in the United States, although a favorable employment and income environment continued, economic growth slowed down primarily due to a downturn in exports. In China, the economy continued to slow down mainly due to the impact of trade friction between the United States and China. The economies of other regions in Asia as a whole slowed down moderately.

In the automotive industry, in Japan, sales volumes of both registered vehicles and light vehicles were robust. In North America, sales of passenger cars declined and the shift in demand to light trucks continued. In China, sales volumes significantly decreased. Sales remained weak in other Asian regions. 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 Japan and Asia as well following North America.

The operating results for the Group during the six months under review are as follows. Although production was robust in North America, the Group recorded lower sales and profits primarily due to the impact of decreased production volumes in Japan and Asia as well as foreign exchange fluctuations. Net sales decreased by 2.6% year on year to 112,355 million yen, operating profit decreased by 28.9% year on year to 2,129 million yen, ordinary profit decreased by 41.0% year on year to 1,515 million yen, and loss attributable to owners of parent was 127 million yen (a profit attributable to owners of parent of 1,398 million yen in the same period of the previous year) partly due to the impact of increased income taxes.

Operating results by segment are as follows.

(Japan)

Since production volumes required by major customers remained weak, net sales decreased by 6.0% year on year to 14,194 million yen and operating loss was 432 million yen (an operating profit of 232 million yen in the same period of the previous year).

(North America)

Net sales rose by 3.2% year on year to 68,992 million yen due to the impact of increased production volumes required by major customers. The segment recorded an operating profit of 395 million yen (an operating loss of 319 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 volumes required by major customers remained weak, net sales decreased by 12.7% year on year to 29,167 million yen and operating profit decreased by 31.4% year on year to 1,928 million yen.

(2) Information regarding financial position

As of September 30, 2019, total assets decreased by 5,112 million yen compared with the end of the previous fiscal year to 131,897 million yen, mainly reflecting decreases in cash and deposits, notes and accounts receivable - trade, and machinery, equipment and vehicles.

Liabilities decreased by 3,142 million yen from the end of the previous fiscal year to 77,036 million yen, mainly reflecting decreases in notes and accounts payable - trade, current portion of long-term loans payable, and long-term loans payable.

Net assets decreased by 1,970 million yen from the end of the previous fiscal year to 54,860 million yen mainly reflecting a decrease in 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, 2019, as described below.

(i) Difference between earnings forecasts and actual results

Difference between earnings forecasts and actual results in the six months ended September 30, 2019

(From April 1, 2019 to September 30, 2019)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Basic earnings per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecasts (A)	110,000	2,300	2,000	500	26.77
Actual results (B)	112,355	2,129	1,515	(127)	(6.82)
Difference (B-A)	2,355	(170)	(484)	(627)	(33.59)
Difference (%)	2.1	(7.4)	(24.2)	-	-
(Reference) Actual results for the second quarter of the previous fiscal year (Six months ended September 30, 2018)	115,393	2,995	2,567	1,398	74.89

Reasons for the differences

In operating performance during the six months ended September 30, 2019, sales increased and profits decreased compared with previous forecasts. In North America, sales increased and profits decreased due to the fact that operational improvements were still in process, although production remained relatively robust. In Japan, sales and profits decreased due to decreases in production volumes at major customers. In Asia, sales increased owing to the foreign exchange benefit, despite a slight downturn in production, and profits were almost the same as the forecasts. A loss attributable to owners of parent was recorded primarily due to increased income taxes.

(ii) Earnings forecasts revisions

Revisions to consolidated earnings forecasts for the fiscal year ending March 31, 2020

(From April 1, 2019 to March 31, 2020)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Basic earnings per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecasts (A)	218,000	6,000	5,500	2,500	133.84
Current forecasts (B)	221,000	5,000	4,300	1,100	58.89
Difference (B-A)	3,000	(1,000)	(1,200)	(1,400)	(74.95)
Difference (%)	1.4	(16.7)	(21.8)	(56.0)	(56.0)
(Reference) Actual results for the previous fiscal year (Fiscal year ended March 31, 2019)	235,361	6,580	5,968	2,844	152.30

Reasons for the revisions

With regard to the Company's consolidated earnings forecasts for the full fiscal year ending March 31, 2020, the current forecasts stated above show an increase in sales and a decrease in profits compared with previous forecasts, taking into account factors such as production volume changes at major customers as well as the impact of foreign exchange.

The Company expects net sales to increase mainly due to the impact of increases in production volumes at customers in North America. The Company expects operating profit to decrease due primarily to a

decrease in production volume at major customers in Japan and Asia as well as the impact of employees' strikes at customers in North America.

The average exchange rate for the fiscal year is assumed at 106.84 yen to the U.S. dollar.

Note: The above-stated earnings forecasts are based on information currently available to the Company and certain assumptions judged to be reasonable. 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, 2019	As of September 30, 2019
Assets		
Current assets		
Cash and deposits	7,191	4,822
Notes and accounts receivable - trade	33,667	30,494
Merchandise and finished goods	4,450	6,059
Work in process	3,999	3,812
Raw materials and supplies	9,277	8,903
Other	2,866	2,864
Total current assets	61,453	56,956
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	16,096	15,535
Machinery, equipment and vehicles, net	36,115	33,086
Construction in progress	3,520	6,526
Other, net	10,658	11,356
Total property, plant and equipment	66,392	66,505
Intangible assets	342	304
Investments and other assets		
Investment securities	6,255	6,233
Other	2,579	1,909
Allowance for doubtful accounts	(12)	(12)
Total investments and other assets	8,822	8,130
Total non-current assets	75,556	74,940
Total assets	137,010	131,897
Liabilities		
Current liabilities		
Notes and accounts payable - trade	22,838	19,587
Short-term loans payable	12,649	17,052
Current portion of long-term loans payable	12,660	10,636
Income taxes payable	390	342
Provision for directors' bonuses	64	61
Other	8,398	8,521
Total current liabilities	57,002	56,202
Non-current liabilities		
Long-term loans payable	19,728	16,366
Provision for directors' retirement benefits	106	115
Net defined benefit liability	920	887
Negative goodwill	56	53
Other	2,365	3,411
Total non-current liabilities	23,176	20,833
Total liabilities	80,179	77,036

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
Net assets		
Shareholders' equity		
Capital stock	6,790	6,790
Capital surplus	7,222	7,222
Retained earnings	28,133	27,642
Treasury shares	(18)	(18)
Total shareholders' equity	42,127	41,636
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	467	420
Foreign currency translation adjustment	(418)	(1,090)
Remeasurements of defined benefit plans	(331)	(254)
Total accumulated other comprehensive income	(281)	(925)
Non-controlling interests	14,985	14,149
Total net assets	56,830	54,860
Total liabilities and net assets	137,010	131,897

(2) Consolidated statements of income and comprehensive income

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Net sales	115,393	112,355
Cost of sales	104,134	102,117
Gross profit	11,259	10,237
Selling, general and administrative expenses	8,264	8,108
Operating profit	2,995	2,129
Non-operating income		
Interest income	44	38
Dividend income	29	29
Share of profit of entities accounted for using equity method	142	77
Other	122	85
Total non-operating income	338	230
Non-operating expenses		
Interest expenses	607	554
Foreign exchange losses	127	229
Other	31	59
Total non-operating expenses	766	844
Ordinary profit	2,567	1,515
Extraordinary income		
Gain on sales of non-current assets	12	6
Other	-	1
Total extraordinary income	12	7
Extraordinary losses		
Loss on sales of non-current assets	5	0
Loss on retirement of non-current assets	21	21
Total extraordinary losses	26	22
Profit before income taxes	2,553	1,501
Income taxes - current	963	1,091
Income taxes - deferred	(66)	312
Total income taxes	897	1,403
Profit	1,655	97
Profit attributable to		
Profit (loss) attributable to owners of parent	1,398	(127)
Profit attributable to non-controlling interests	257	224
Other comprehensive income		
Valuation difference on available-for-sale securities	(67)	(50)
Foreign currency translation adjustment	672	(985)
Remeasurements of defined benefit plans, net of tax	73	74
Share of other comprehensive income of entities accounted for using equity method	10	(17)
Total other comprehensive income	689	(979)
Comprehensive income	2,345	(882)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,763	(771)
Comprehensive income attributable to non-controlling interests	581	(111)

(3) Consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Cash flows from operating activities		
Profit before income taxes	2,553	1,501
Depreciation	5,978	5,471
Amortization of goodwill	(2)	(2)
Increase (decrease) in assets and liabilities related to retirement benefits	53	40
Increase (decrease) in provision for directors' retirement benefits	(3)	9
Increase (decrease) in provision for directors' bonuses	(29)	(3)
Interest and dividend income	(73)	(68)
Interest expenses	607	554
Foreign exchange losses (gains)	13	80
Share of loss (profit) of entities accounted for using equity method	(142)	(77)
Loss (gain) on sales of property, plant and equipment	(6)	(6)
Loss on retirement of property, plant and equipment	21	21
Decrease (increase) in notes and accounts receivable - trade	4,588	2,572
Decrease (increase) in inventories	1,350	(1,342)
Increase (decrease) in notes and accounts payable - trade	(1,072)	(2,887)
Increase (decrease) in accrued expenses	101	(95)
Other, net	(212)	526
Subtotal	13,724	6,294
Interest and dividend income received	111	106
Interest expenses paid	(613)	(564)
Income taxes paid	(882)	(1,187)
Net cash provided by (used in) operating activities	12,339	4,648
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,894)	(4,983)
Proceeds from sales of property, plant and equipment	25	58
Purchase of intangible assets	(50)	(32)
Purchase of investment securities	(18)	(45)
Other, net	(5)	0
Net cash provided by (used in) investing activities	(2,943)	(5,002)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(6,794)	4,585
Proceeds from long-term loans payable	5,184	2,294
Repayments of long-term loans payable	(6,844)	(7,277)
Purchase of treasury shares	(0)	-
Cash dividends paid	(186)	(187)
Repayments of installment payables	(165)	(155)
Dividends paid to non-controlling interests	(537)	(699)
Repayments of finance lease obligations	(436)	(416)
Proceeds from sale and leaseback transactions	686	-
Net cash provided by (used in) financing activities	(9,094)	(1,856)
Effect of exchange rate change on cash and cash equivalents	(12)	(159)
Net increase (decrease) in cash and cash equivalents	289	(2,369)
Cash and cash equivalents at beginning of period	5,871	7,191
Cash and cash equivalents at end of period	6,160	4,822

(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, 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 1,438 million yen, "Other" of current liabilities increased by 133 million yen, and "Other" of non-current liabilities increased by 1,192 million yen as of September 30, 2019. The impacts on the beginning balance of retained earnings and profit or loss for the six months ended September 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 the US GAAP. ASC 606 requires such subsidiaries to recognize revenue when promised goods or services are transferred to customers in an amount reflecting consideration to which they expect to be entitled in exchange for 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 six months ended September 30, 2019 increased by 625 million yen, respectively. There is no impact on the beginning balance of retained earnings.

Segment information, etc.

Segment information

I. Six months ended September 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	15,108	66,855	33,429	115,393
Transactions with other segments	6,226	740	1,579	8,547
Total	21,334	67,596	35,009	123,940
Segment profit (loss)	232	(319)	2,810	2,723

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	2,723
Elimination of intersegment transactions	271
Operating profit in the consolidated statements of income and comprehensive income	2,995

3. Disclosure of impairment loss on non-current assets and goodwill, etc. for each reportable segment
Not applicable.

II. Six months ended September 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	14,194	68,992	29,167	112,355
Transactions with other segments	5,196	730	1,367	7,295
Total	19,391	69,723	30,535	119,650
Segment profit (loss)	(432)	395	1,928	1,890

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	1,890
Elimination of intersegment transactions	238
Operating profit in the consolidated statements of income and comprehensive income	2,129

3. Disclosure of impairment loss on non-current assets and goodwill, etc. for each reportable segment
Not applicable.

Significant events after the reporting period

Not applicable.