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**Consolidated Financial Results  
for the Nine Months Ended December 31, 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 nine months ended December 31, 2019 remained in a recovery trend as a whole, but concerns over the economic slowdown have increased mainly due to the prolonged trade friction between the United States and China. The Japanese economy made a moderate recovery despite weaknesses seen in exports and production. Overseas, the economy in the United States continued steady growth, supported by robust personal consumption. 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 fell below the previous fiscal year due to the consumption tax increase and natural disasters. In North America, sales of passenger cars were sluggish, while sales of light trucks remained strong. In Asia, sales volumes continued in a slump.

Under these circumstances, the Group has been working to provide its customers with new value 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, Japan and Asia.

The operating results for the Group during the nine months under review are as follows. Although there was mass production start-up effects of products for newly awarded products in the North American market, net sales decreased by 6.2% year on year to 164,685 million yen due mainly to reduced production volumes in the Chinese and Asian markets and the impact of foreign exchange. Operating profit decreased by 37.4% year on year to 2,894 million yen, ordinary profit decreased by 60.1% year on year to 1,739 million yen, and loss attributable to owners of parent was 725 million yen (a profit attributable to owners of parent of 2,284 million yen in the same period of the previous year) partly due to the lower sales plus the impact of the impairment loss recorded at JOHNNAN AMERICA, Inc., an affiliate accounted for using the equity method.

Operating results by segment are as follows.

(Japan)

Net sales decreased by 19.4% year on year to 19,740 million yen and operating loss was 753 million yen (an operating profit of 824 million yen in the same period of the previous year) due to a decline in the number of orders stemming from reduced production by major customers.

(North America)

Net sales fell by 0.7% year on year to 101,091 million yen due to a decline in production volumes required by major customers in the United States and strong yen impact, despite an increase in the production volumes of ordered products in Mexico and Canada. The segment recorded an operating profit of 314 million yen (an operating loss of 492 million yen in the same period of the previous year), as a result of not only mass production start-up effects of ordered products, but the improvement of production efficiency and measures for cost reduction.

(Asia)

As production volumes required by major customers remained weak, net sales decreased by 11.2% year on year to 43,853 million yen and operating profit decreased by 21.6% year on year to 3,120 million yen.

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

As of December 31, 2019, total assets decreased by 1,464 million yen compared with the end of the previous fiscal year to 135,545 million yen, mainly reflecting decreases in notes and accounts receivable - trade, and machinery, equipment and vehicles.

Liabilities increased by 1,244 million yen from the end of the previous fiscal year to 81,424 million yen, mainly reflecting increases in short-term loans payable and long-term loans payable.

Net assets decreased by 2,709 million yen from the end of the previous fiscal year to 54,121 million yen mainly reflecting a decrease in retained earnings.

**(3) Information regarding consolidated earnings forecasts and other forward-looking statements**

Although the spread of novel coronavirus has been affecting our operations, we can hardly estimate the effect, at this point in time. Therefore, the earnings forecasts for the fiscal year ending March 31, 2020 announced on November 7, 2019 have not been changed. We will promptly disclose the revised earnings forecasts based on the subsequent trends of business results when needed.

## 2. Quarterly consolidated financial statements and significant notes thereto

### (1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
<b>Assets</b>		
Current assets		
Cash and deposits	7,191	9,486
Notes and accounts receivable - trade	33,667	28,219
Merchandise and finished goods	4,450	6,662
Work in process	3,999	4,291
Raw materials and supplies	9,277	8,659
Other	2,866	2,815
<b>Total current assets</b>	<b>61,453</b>	<b>60,135</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	16,096	16,212
Machinery, equipment and vehicles, net	36,115	32,543
Construction in progress	3,520	7,549
Other, net	10,658	11,031
<b>Total property, plant and equipment</b>	<b>66,392</b>	<b>67,337</b>
Intangible assets	342	283
Investments and other assets		
Investment securities	6,255	6,067
Other	2,579	1,742
Allowance for doubtful accounts	(12)	(20)
<b>Total investments and other assets</b>	<b>8,822</b>	<b>7,789</b>
<b>Total non-current assets</b>	<b>75,556</b>	<b>75,410</b>
<b>Total assets</b>	<b>137,010</b>	<b>135,545</b>
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	22,838	18,589
Short-term loans payable	12,649	17,108
Current portion of long-term loans payable	12,660	10,864
Income taxes payable	390	499
Provision for directors' bonuses	64	91
Other	8,398	7,762
<b>Total current liabilities</b>	<b>57,002</b>	<b>54,915</b>
Non-current liabilities		
Long-term loans payable	19,728	21,772
Provision for directors' retirement benefits	106	120
Net defined benefit liability	920	889
Negative goodwill	56	51
Other	2,365	3,673
<b>Total non-current liabilities</b>	<b>23,176</b>	<b>26,508</b>
<b>Total liabilities</b>	<b>80,179</b>	<b>81,424</b>

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
Net assets		
Shareholders' equity		
Capital stock	6,790	6,790
Capital surplus	7,222	7,222
Retained earnings	28,133	26,858
Treasury shares	(18)	(18)
Total shareholders' equity	42,127	40,852
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	467	485
Foreign currency translation adjustment	(418)	(1,128)
Remeasurements of defined benefit plans	(331)	(215)
Total accumulated other comprehensive income	(281)	(858)
Non-controlling interests	14,985	14,127
Total net assets	56,830	54,121
Total liabilities and net assets	137,010	135,545

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

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Net sales	175,622	164,685
Cost of sales	158,463	149,798
Gross profit	17,158	14,887
Selling, general and administrative expenses	12,538	11,993
Operating profit	4,619	2,894
Non-operating income		
Interest income	60	55
Dividend income	43	41
Share of profit of entities accounted for using equity method	280	–
Foreign exchange gains	126	–
Other	186	131
Total non-operating income	698	229
Non-operating expenses		
Interest expenses	908	824
Share of loss of entities accounted for using equity method	–	232
Foreign exchange losses	–	249
Other	46	77
Total non-operating expenses	955	1,383
Ordinary profit	4,362	1,739
Extraordinary income		
Gain on sales of non-current assets	13	8
Other	0	1
Total extraordinary income	13	9
Extraordinary losses		
Loss on sales of non-current assets	5	3
Loss on retirement of non-current assets	41	33
Total extraordinary losses	47	37
Profit before income taxes	4,329	1,711
Income taxes - current	1,491	1,616
Income taxes - deferred	60	614
Total income taxes	1,552	2,231
Profit (loss)	2,777	(519)
Profit attributable to		
Profit (loss) attributable to owners of parent	2,284	(725)
Profit attributable to non-controlling interests	492	205
Other comprehensive income		
Valuation difference on available-for-sale securities	(243)	42
Foreign currency translation adjustment	(620)	(1,052)
Remeasurements of defined benefit plans, net of tax	99	112
Share of other comprehensive income of entities accounted for using equity method	(106)	(17)
Total other comprehensive income	(871)	(916)
Comprehensive income	1,906	(1,435)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,606	(1,302)
Comprehensive income attributable to non-controlling interests	300	(133)

### **(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***

##### ***(Calculation of tax expenses)***

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 third quarter ended December 31, 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 1,451 million yen, "Other" of current liabilities increased by 241 million yen, and "Other" of non-current liabilities increased by 1,112 million yen as of December 31, 2019. The impacts on the beginning balance of retained earnings and profit or loss for the nine months ended December 31, 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 nine months ended December 31, 2019 increased by 839 million yen, respectively. There is no impact on the beginning balance of retained earnings.

**Segment information, etc.**

**Segment information**

I. Nine months ended December 31, 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	24,483	101,760	49,378	175,622
Transactions with other segments	9,288	1,231	2,563	13,082
Total	33,771	102,992	51,941	188,705
Segment profit (loss)	824	(492)	3,981	4,313

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	4,313
Elimination of intersegment transactions	306
Operating profit in the consolidated statements of income and comprehensive income	4,619

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

II. Nine months ended December 31, 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	19,740	101,091	43,853	164,685
Transactions with other segments	8,411	1,152	2,055	11,620
Total	28,152	102,244	45,909	176,306
Segment profit (loss)	(753)	314	3,120	2,681

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	2,681
Elimination of intersegment transactions	212
Operating profit in the consolidated statements of income and comprehensive income	2,894

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.