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**Consolidated Financial Results
for the Three Months Ended June 30, 2021
<under Japanese GAAP>**

F-TECH INC.

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1. Qualitative information regarding financial results for the period under review

The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter, "Revenue Recognition Accounting Standard") and other standards are applied from the start of the first quarter ended June 30, 2021. The impact of the application of the Revenue Recognition Accounting Standard and other standards on the financial position and operating results is immaterial.

(1) Information regarding operating results

The global economy in the three months ended June 30, 2021 continued to be heavily affected by the novel coronavirus, and economic activities remained in a severe condition. While economic activities were resumed with the progress in vaccinations and there seemed to be a sign of recovery, the outlook for the containment of the novel coronavirus remains unpredictable mainly due to concerns over another wave of infections with the spread of the mutant strains of the virus in some countries and regions. The automotive industry on the whole has been on a recovery track from the impact of the novel coronavirus. However, the future outlook remains uncertain due to factors including decreased production caused by the global shortage of semiconductors continuing from the end of the previous fiscal year.

In this business environment, the Group launched the 14th Mid-term plan in April 2020. Under the company-wide global policy of "Let's exceed out limits! We will, without compromise, produce the 'Best One' for all our customers," and based on the policies of "Back to Basics" and "Challenge for New," we have been working to provide our customers with new value and have made efforts to obtain new business. Responding accurately to changes in the environment and issues brought by the novel coronavirus infections, we have been striving to embody our policies by such means as seeking new business contracts and developing new technologies based on sustainability, optimizing investment, engaging in various improvement activities, and conducting cost reduction.

As a result, during the three months under review, net sales increased by 85.2% year on year to 46,557 million yen, operating profit was 36 million yen (an operating loss of 1,372 million yen in the same period of the previous year), ordinary loss was 141 million yen (an ordinary loss of 1,881 million yen in the same period of the previous year), and loss attributable to owners of parent was 703 million yen (loss attributable to owners of parent of 2,678 million yen in the same period of the previous year).

Operating results by segment are as follows.

(Japan)

As the volume of orders from major customers was on par with that in the same period of the previous year due to the impact of the novel coronavirus infection and shortage of semiconductors, net sales increased by 8.8% year on year to 4,771 million yen. In terms of profit and loss, as a result of increased sales of products and cost reduction, operating profit was 184 million yen (an operating loss of 1,012 million yen in the same period of the previous year).

(North America)

The volume of orders from major customers recovered from the impact of novel coronavirus infection, and net sales increased by 81.8% year on year to 27,307 million yen. Meanwhile, in terms of profit and loss, due to increased labor expenses and rising material prices, operating loss was 788 million yen (an operating loss of 524 million yen in the same period of the previous year). In addition, in the same period of the previous year, fixed costs incurred due to the novel coronavirus (1,496 million yen) were recorded under extraordinary losses. When comparing the results by taking into account these fixed costs, profit increased by 1,232 million yen year on year.

(Asia)

The volume of orders from major customers recovered from the impact of novel coronavirus infection, and net sales increased by 152.3% year on year to 14,478 million yen and operating profit was 693 million yen (an operating profit of 5 million yen in the same period of the previous year). In addition, in the same period of the previous year, fixed costs incurred due to the novel coronavirus (692 million yen) were recorded under extraordinary losses. When comparing the results by taking into account these fixed costs, profit increased by 1,380 million yen year on year.

(2) Information regarding financial position

As of June 30, 2021, total assets increased by 538 million yen compared with the end of the previous fiscal year to 137,252 million yen, reflecting increases in cash and deposits and construction in progress, despite a decrease in notes and accounts receivable - trade.

Liabilities increased by 216 million yen from the end of the previous fiscal year to 81,899 million yen, reflecting an increase in short-term loans payable, despite a decrease in notes and accounts payable - trade.

Net assets increased by 321 million yen to 55,353 million yen, reflecting an increase in foreign currency translation adjustment, despite a decrease in retained earnings and other items.

Although the Revenue Recognition Accounting Standard and other standards were applied, there is no impact on the balance of retained earnings at the start of the period under review.

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

No revisions have been made to the earnings forecasts for the fiscal year ending March 31, 2022 which were announced in the Notice Concerning Earnings Forecasts and Dividend Forecasts on July 15, 2021.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2021	As of June 30, 2021
Assets		
Current assets		
Cash and deposits	3,708	6,544
Notes and accounts receivable - trade	31,578	25,840
Merchandise and finished goods	6,547	7,289
Work in process	4,351	4,960
Raw materials and supplies	8,743	9,491
Other	2,744	2,646
Total current assets	57,673	56,772
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	17,147	17,148
Machinery, equipment and vehicles, net	32,880	32,688
Construction in progress	9,034	10,327
Other, net	10,950	11,085
Total property, plant and equipment	70,012	71,250
Intangible assets	320	309
Investments and other assets		
Investment securities	6,995	7,170
Other	1,712	1,749
Total investments and other assets	8,708	8,919
Total non-current assets	79,041	80,479
Total assets	136,714	137,252

(Millions of yen)

	As of March 31, 2021	As of June 30, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	19,772	17,207
Short-term loans payable	20,872	24,042
Current portion of long-term loans payable	9,884	10,066
Income taxes payable	658	426
Provision for directors' bonuses	31	25
Other	8,182	7,905
Total current liabilities	59,401	59,672
Non-current liabilities		
Long-term loans payable	16,943	16,782
Provision for directors' retirement benefits	57	43
Net defined benefit liability	791	800
Negative goodwill	44	43
Other	4,443	4,556
Total non-current liabilities	22,280	22,226
Total liabilities	81,682	81,899
Net assets		
Shareholders' equity		
Capital stock	6,790	6,790
Capital surplus	6,733	6,733
Retained earnings	26,559	25,693
Treasury shares	(64)	(64)
Total shareholders' equity	40,019	39,153
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	490	564
Foreign currency translation adjustment	(333)	1,229
Remeasurements of defined benefit plans	128	125
Total accumulated other comprehensive income	286	1,918
Non-controlling interests	14,726	14,281
Total net assets	55,032	55,353
Total liabilities and net assets	136,714	137,252

(2) Consolidated statements of income and comprehensive income

(Millions of yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
Net sales	25,141	46,557
Cost of sales	23,236	43,081
Gross profit	1,904	3,475
Selling, general and administrative expenses	3,277	3,439
Operating profit (loss)	(1,372)	36
Non-operating income		
Interest income	14	17
Dividend income	18	29
Share of profit of entities accounted for using equity method	-	33
Other	69	43
Total non-operating income	102	123
Non-operating expenses		
Interest expenses	210	191
Share of loss of entities accounted for using equity method	270	-
Foreign exchange losses	113	86
Other	17	23
Total non-operating expenses	611	301
Ordinary loss	(1,881)	(141)
Extraordinary income		
Gain on sales of non-current assets	0	0
Subsidy income	1,104	-
Total extraordinary income	1,104	0
Extraordinary losses		
Loss on sales of non-current assets	-	0
Loss on retirement of non-current assets	18	24
Loss attributable to the novel coronavirus	2,265	-
Total extraordinary losses	2,284	24
Loss before income taxes	(3,060)	(165)
Income taxes - current	317	611
Income taxes - deferred	(108)	(78)
Total income taxes	208	533
Loss	(3,269)	(698)
Profit attributable to		
Loss attributable to owners of parent	(2,678)	(703)
Profit (loss) attributable to non-controlling interests	(590)	4
Other comprehensive income		
Valuation difference on available-for-sale securities	91	72
Foreign currency translation adjustment	(323)	2,024
Remeasurements of defined benefit plans, net of tax	47	(3)
Share of other comprehensive income of entities accounted for using equity method	48	47
Total other comprehensive income	(136)	2,140
Comprehensive income	(3,405)	1,442
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(2,823)	929
Comprehensive income attributable to non-controlling interests	(581)	512

(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.

Changes in accounting policies

(Accounting Standard for Revenue Recognition)

The Company and its domestic consolidated subsidiaries applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter, "Revenue Recognition Accounting Standard") and other standards from the start of the first quarter ended June 30, 2021, and revenue is recognized at an amount that is expected to be received in exchange for promised goods or services when control of the goods or services transfers to the customer.

As a result of the application, accounting treatment for some buy-sell transactions with repurchase obligation has been changed, thereby such transactions are recognized as financial transactions, and ending inventory of supplied articles remaining at fee-paying suppliers are recognized as "Work in process," and consideration received from the fee-paying suppliers are recognized as financial liabilities. In the application of the Revenue Recognition Accounting Standard and other standards, the Company and its domestic consolidated subsidiaries elected to apply the transitional measures set forth in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard, thereby the cumulative effect of retrospectively applying the new accounting standards for the periods prior to the start of the first quarter ended June 30, 2021 is added to or subtracted from retained earnings at the start of the first quarter, and the new accounting standards are applied from the balance at the start of the period.

As a result, net sales and cost of sales for the three months ended June 30, 2021 increased by 160 million yen and 160 million yen, respectively. There is no impact on the balance of retained earnings at the start of the period.

Due to the application of the Revenue Recognition Accounting Standard and other standards, "Other" presented under "Current assets" in the consolidated balance sheet for the previous fiscal year is partially included in "Work in process" from the first quarter ended June 30, 2021, and "Notes and accounts payable - trade" presented under "Current liabilities" in the consolidated balance sheet for the previous fiscal year are partially presented as "Other." In addition, some transactions which were accounted for as a minus in "Cost of sales" in the consolidated statement of income for the three months ended June 30, 2020, have been included in "Net sales."

In addition, pursuant to the transitional measures set forth in the Paragraph 89-2 of the Revenue Recognition Accounting Standard, no reclassification was made to the figures for the previous fiscal year and for the three months ended June 30, 2020 in accordance with the new presentation methods.

(Accounting Standard for Fair Value Measurement)

The Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; hereinafter, "Fair Value Measurement Accounting Standard") and other standards were applied from the start of the first quarter ended June 30, 2021, and pursuant to the transitional measures set forth in Paragraph 19 of the Fair Value Measurement Accounting Standard and in Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), new accounting policies stipulated by the Fair Value Measurement Accounting Standard will be applied going forward. The application has no impact on the quarterly consolidated financial statements.

Additional information

There are no material changes to the assumptions of accounting estimates regarding the impact from the novel coronavirus infection stated in the securities report for the previous consolidated fiscal year (Additional information).

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 first quarter ended June 30, 2021, and next by multiplying the quarterly profit (loss) before income taxes by such estimated effective tax rate.

Consolidated statements of income and comprehensive income

Some consolidated subsidiaries received a government subsidy to cover the cost of leave allowances, etc. during the periods when operations were suspended or shortened in response to government requests. The subsidy income is offset by relevant personnel expenses, etc. (cost of sales of 466 million yen and selling, general and administrative expenses of 12 million yen).

Segment information, etc.

Segment information

I. Three months ended June 30, 2020

1. Disclosure of net sales and profit (loss) for each reportable segment

(Millions of yen)

	Reportable segments			Total
	Japan	North America	Asia	
Net sales				
Net sales to external customers	4,386	15,016	5,738	25,141
Intersegment sales and transfers	2,122	355	463	2,941
Total	6,508	15,371	6,202	28,082
Segment profit (loss)	(1,012)	(524)	5	(1,531)

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	(1,531)
Elimination of intersegment transactions	159
Operating profit (loss) in the consolidated statements of income and comprehensive income	(1,372)

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

II. Three months ended June 30, 2021

1. Disclosure of net sales and profit (loss) for each reportable segment

(Millions of yen)

	Reportable segments			Total
	Japan	North America	Asia	
Net sales				
Net sales to external customers	4,771	27,307	14,478	46,557
Intersegment sales and transfers	3,504	324	550	4,378
Total	8,276	27,631	15,028	50,936
Segment profit (loss)	184	(788)	693	88

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	88
Elimination of intersegment transactions	(52)
Operating profit in the consolidated statements of income and comprehensive income	36

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

4. Matters relating to changes in reportable segments

As stated in “Changes in accounting policies,” Revenue Recognition Accounting Standard and other standards are applied from the start of the first quarter ended June 30, 2021, and accounting treatment methods for revenue recognition have been changed. Accordingly, calculation methods for profit (loss) for business segments have been changed in the same manner.

Due to this change, net sales for the reportable segment of “Japan” in the three months ended June 30, 2021 increased by 160 million yen as compared to the previous methods.

Significant events after reporting period

Not applicable.