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

**F-TECH INC.**

19, Showanuma, Shobu-cho, Kuki City, Saitama, JAPAN

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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; hereafter, “Revenue Recognition Accounting Standard”) and other standards have been applied since 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 six months ended September 30, 2021 showed signs of gradual recovery following the rollout of coronavirus vaccination programs, despite the still severe impact of the pandemic. However, the outlook remains uncertain since the pace of recovery momentum varies from country to country, and there are also fears of a possible resurgence of the virus.

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 and fears of the impact of soaring raw material prices.

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 our 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 six months under review, net sales increased by 21.0% year on year to 89,049 million yen, operating loss was 1,424 million yen (an operating loss of 1,665 million yen in the same period of the previous year), ordinary loss was 1,627 million yen (an ordinary loss of 2,296 million yen in the same period of the previous year), and loss attributable to owners of parent was 2,340 million yen (loss attributable to owners of parent of 3,345 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 previous year due to the impact of the novel coronavirus infection and shortage of semiconductors, net sales decreased by 5.4% year on year to 8,806 million yen. In terms of profit and loss, operating loss was 152 million yen (an operating loss of 1,184 million yen in the same period of the previous year) due mainly to increased sales of products and cost reduction.

#### **(North America)**

The volume of orders from major customers rose from the same period of the previous year, which saw a substantial decline due to the impact of novel coronavirus infection. However, the shortage of semiconductors delayed recovery, and net sales increased by 15.3% year on year to 52,107 million yen and operating loss was 2,148 million yen (an operating loss of 1,315 million yen in the same period of the previous year).

#### **(Asia)**

The volume of orders from major customers recovered from the impact of novel coronavirus infection, and net sales increased by 47.3% year on year to 28,134 million yen and operating profit increased by 41.1% year on year to 1,020 million yen.

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

As of September 30, 2021, total assets decreased by 439 million yen compared with the end of the previous fiscal year to 136,275 million yen, reflecting a decrease in notes and accounts receivable - trade, despite increases in cash and deposits, merchandise and finished goods and construction in progress.

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Liabilities increased by 1,296 million yen from the end of the previous fiscal year to 82,979 million yen, reflecting increases in short-term loans payable and long-term loans payable, despite a decrease in notes and accounts payable -trade.

Net assets decreased by 1,735 million yen to 53,296 million yen, reflecting a decrease in retained earnings and other items.

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

For the fiscal year ending March 31, 2022, we have revised the earnings forecasts announced on July 15, 2021, based on currently available information and projections.

For details, please see the Notice Concerning Revision of Earnings Forecasts and Decision on Interim Dividend (No Dividend), released today.

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

### (1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2021	As of September 30, 2021
<b>Assets</b>		
Current assets		
Cash and deposits	3,708	5,811
Notes and accounts receivable - trade	31,578	20,423
Merchandise and finished goods	6,547	8,824
Work in process	4,351	5,415
Raw materials and supplies	8,743	10,363
Other	2,744	3,031
<b>Total current assets</b>	<b>57,673</b>	<b>53,870</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	17,147	16,782
Machinery, equipment and vehicles, net	32,880	33,987
Construction in progress	9,034	11,578
Other, net	10,950	11,039
<b>Total property, plant and equipment</b>	<b>70,012</b>	<b>73,388</b>
Intangible assets	320	304
Investments and other assets		
Investment securities	6,995	6,994
Other	1,712	1,717
<b>Total investments and other assets</b>	<b>8,708</b>	<b>8,711</b>
<b>Total non-current assets</b>	<b>79,041</b>	<b>82,404</b>
<b>Total assets</b>	<b>136,714</b>	<b>136,275</b>

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(Millions of yen)

	As of March 31, 2021	As of September 30, 2021
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	19,772	15,252
Short-term loans payable	20,872	24,185
Current portion of long-term loans payable	9,884	10,063
Income taxes payable	658	367
Provision for directors' bonuses	31	36
Other	8,182	8,593
<b>Total current liabilities</b>	<b>59,401</b>	<b>58,499</b>
<b>Non-current liabilities</b>		
Long-term loans payable	16,943	19,099
Provision for directors' retirement benefits	57	47
Net defined benefit liability	791	883
Negative goodwill	44	42
Other	4,443	4,408
<b>Total non-current liabilities</b>	<b>22,280</b>	<b>24,480</b>
<b>Total liabilities</b>	<b>81,682</b>	<b>82,979</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	6,790	6,790
Capital surplus	6,733	6,733
Retained earnings	26,559	24,055
Treasury shares	(64)	(62)
<b>Total shareholders' equity</b>	<b>40,019</b>	<b>37,517</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	490	520
Foreign currency translation adjustment	(333)	1,069
Remeasurements of defined benefit plans	128	45
<b>Total accumulated other comprehensive income</b>	<b>286</b>	<b>1,636</b>
<b>Non-controlling interests</b>	<b>14,726</b>	<b>14,143</b>
<b>Total net assets</b>	<b>55,032</b>	<b>53,296</b>
<b>Total liabilities and net assets</b>	<b>136,714</b>	<b>136,275</b>

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

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Net sales	73,605	89,049
Cost of sales	68,600	83,491
Gross profit	5,004	5,557
Selling, general and administrative expenses	6,670	6,982
Operating loss	(1,665)	(1,424)
Non-operating income		
Interest income	33	37
Dividend income	22	29
Foreign exchange gains	-	90
Other	124	89
Total non-operating income	180	247
Non-operating expenses		
Interest expenses	417	378
Share of loss of entities accounted for using equity method	22	24
Foreign exchange losses	356	-
Other	15	47
Total non-operating expenses	811	449
Ordinary loss	(2,296)	(1,627)
Extraordinary income		
Gain on sales of non-current assets	0	4
Subsidy income	1,518	-
Gain on sales of investment securities	6	1
Total extraordinary income	1,525	6
Extraordinary losses		
Loss on sales of non-current assets	-	7
Loss on retirement of non-current assets	34	38
Loss attributable to the novel coronavirus	2,505	-
Total extraordinary losses	2,540	45
Loss before income taxes	(3,311)	(1,666)
Income taxes - current	611	932
Income taxes - deferred	34	(123)
Total income taxes	646	808
Loss	(3,957)	(2,474)
Profit attributable to		
Loss attributable to owners of parent	(3,345)	(2,340)
Loss attributable to non-controlling interests	(611)	(134)
Other comprehensive income		
Valuation difference on available-for-sale securities	12	38
Foreign currency translation adjustment	(478)	1,908
Remeasurements of defined benefit plans, net of tax	93	(83)
Share of other comprehensive income of entities accounted for using equity method	13	(4)
Total other comprehensive income	(358)	1,858
Comprehensive income	(4,316)	(616)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(3,681)	(990)
Comprehensive income attributable to non-controlling interests	(635)	374

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**(3) Consolidated statements of cash flows**

(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
<b>Cash flows from operating activities</b>		
Loss before income taxes	(3,311)	(1,666)
Depreciation	5,075	5,221
Amortization of goodwill	(2)	(2)
Increase (decrease) in assets and liabilities related to retirement benefits	20	7
Increase (decrease) in provision for directors' retirement benefits	(73)	(9)
Increase (decrease) in provision for directors' bonuses	(64)	5
Interest and dividend income	(55)	(66)
Interest expenses	417	378
Foreign exchange losses (gains)	134	(265)
Share of loss (profit) of entities accounted for using equity method	22	24
Loss (gain) on sales of property, plant and equipment	(0)	2
Loss on retirement of property, plant and equipment	34	38
Decrease (increase) in notes and accounts receivable – trade	1,319	12,153
Decrease (increase) in inventories	(1,524)	(4,164)
Increase (decrease) in notes and accounts payable – trade	623	(5,093)
Loss (gain) on sales of investment securities	(6)	(1)
Other, net	566	(612)
<b>Subtotal</b>	<b>3,175</b>	<b>5,948</b>
Interest and dividend income received	84	88
Interest expenses paid	(425)	(383)
Income taxes paid	(776)	(1,109)
<b>Net cash provided by (used in) operating activities</b>	<b>2,058</b>	<b>4,543</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(5,138)	(7,026)
Proceeds from sales of property, plant and equipment	8	104
Purchase of intangible assets	(55)	(30)
Purchase of investment securities	(16)	(20)
Proceeds from sales of investment securities	10	4
Other, net	18	(10)
<b>Net cash provided by (used in) investing activities</b>	<b>(5,172)</b>	<b>(6,979)</b>

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(Millions of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	4,491	3,187
Proceeds from long-term loans payable	2,050	7,703
Repayments of long-term loans payable	(5,074)	(5,550)
Purchase of treasury shares	(45)	(0)
Cash dividends paid	(200)	(162)
Repayments of installment payables	(129)	-
Dividends paid to non-controlling interests	(815)	(958)
Repayments of lease obligations	(332)	(262)
Proceeds from sales of treasury shares	-	1
Other, net	(83)	229
Net cash provided by (used in) financing activities	(138)	4,188
Effect of exchange rate change on cash and cash equivalents	(250)	350
Net increase (decrease) in cash and cash equivalents	(3,502)	2,102
Cash and cash equivalents at beginning of period	8,879	3,708
Cash and cash equivalents at end of period	5,377	5,811



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#### **(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.

##### ***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 six months ended September 30, 2021 both increased by 323 million yen. 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 six months ended September 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 six months ended September 30, 2020 in accordance with the new presentation methods. Furthermore, in line with transitional treatment set forth in Paragraph 28-15 of the “Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No. 12, March 31, 2020), no information is provided breaking down revenue from contracts with customers for the six months ended September 30, 2020.

###### ***(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.

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

***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).

***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 710 million yen and selling, general and administrative expenses of 16 million yen).

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**Segment information, etc.**

**Segment information**

I. Six months ended September 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	9,306	45,200	19,099	73,605
Intersegment sales and transfers	4,435	664	1,257	6,358
Total	13,742	45,864	20,356	79,963
Segment profit (loss)	(1,184)	(1,315)	723	(1,776)

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	(1,776)
Elimination of intersegment transactions	111
Operating profit (loss) in the consolidated statements of income and comprehensive income	(1,665)

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

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II. Six months ended September 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	8,806	52,107	28,134	89,049
Intersegment sales and transfers	6,824	663	1,270	8,758
Total	15,631	52,771	29,405	97,808
Segment profit (loss)	(152)	(2,148)	1,020	(1,280)

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	(1,280)
Elimination of intersegment transactions	(143)
Operating profit (loss) in the consolidated statements of income and comprehensive income	(1,424)

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 six months ended September 30, 2021 increased by 323 million yen as compared to the previous methods.

**Significant events after reporting period**

Not applicable.