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**Consolidated Financial Results  
for the Nine Months Ended December 31, 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 nine months ended December 31, 2021 showed signs of gradual recovery following the rollout of coronavirus vaccination programs, despite the still severe impact of the pandemic. However, the rise of the Omicron variant, which is said to be highly infectious, is causing a resurgence of the outbreak, and the outlook remains uncertain.

In the automotive industry, although the effect of suspended factory operations in North America, Europe, and the Asia region due to the novel coronavirus in the first quarter of the previous year is abating, production levels have failed to return to those seen in the same period of the previous year due to ongoing disruptions to the supply chain, including 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 out limits! We will, without compromise, produce the ‘Best One’ for all our customers,” we have been working to obtain new business in order to provide our customers with new value. This resulted in new orders for six models from five automakers in Japan and North America, and is expected to contribute to earnings from the next fiscal year onwards. In addition, 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 reductions.

As a result, during the nine months under review, net sales increased by 2.4% year on year to 133,787 million yen, operating loss was 2,500 million yen (an operating profit of 1,245 million yen in the same period of the previous year), ordinary loss was 2,760 million yen (an ordinary profit of 320 million yen in the same period of the previous year), and loss attributable to owners of parent was 3,156 million yen (loss attributable to owners of parent of 2,090 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 decreased due to the continued impact of the novel coronavirus infection and disruptions to the supply chain, including the shortage of semiconductors, net sales decreased by 1.5% year on year to 14,592 million yen. In terms of profit and loss, operating profit was 310 million yen (an operating loss of 106 million yen in the same period of the previous year) due mainly to increased sales of products to overseas bases and cost reductions.

#### (North America)

The effect of suspended factory operations due to the impact of the novel coronavirus in the first quarter of the previous fiscal year is abating. However, disruptions to the supply chain, including the shortage of semiconductors, had a major impact on production by our major customers, and intermittent production suspensions or reductions at factories continued over a long period of time. As a result, production by customers declined more than during the pandemic in the same period of the previous year, and net sales fell by 3.6% year on year to 77,163 million yen while operating loss was 4,226 million yen (an operating loss of 1,032 million yen in the same period of the previous year).

#### (Asia)

Production reductions by major customers due to disruptions to the supply chain, including the shortage of semiconductors, continued. However, net sales increased by 17.4% year on year to 42,031 million yen as the effect of suspended factory operations, due to the impact of the novel coronavirus in the first quarter of the previous year, abated. In terms of profit and loss, operating profit decreased by 36.6% year on year to 1,712 million yen, due mainly to increases in outsourcing expenses and transportation costs.

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**(2) Information regarding financial position**

As of December 31, 2021, total assets increased by 10,874 million yen compared with the end of the previous fiscal year to 147,589 million yen, reflecting increases in cash and deposits, inventories, and construction in progress, despite a decrease in notes and accounts receivable - trade.

Liabilities increased by 12,574 million yen from the end of the previous fiscal year to 94,257 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 1,700 million yen to 53,332 million yen reflecting decreases in retained earnings and other items.

**(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 announced on November 4, 2021.

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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 December 31, 2021
<b>Assets</b>		
Current assets		
Cash and deposits	3,708	6,126
Notes and accounts receivable - trade	31,578	24,366
Merchandise and finished goods	6,547	11,209
Work in process	4,351	5,782
Raw materials and supplies	8,743	12,233
Other	2,744	3,770
Total current assets	57,673	63,489
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	17,147	16,876
Machinery, equipment and vehicles, net	32,880	34,046
Construction in progress	9,034	13,733
Other, net	10,950	10,478
Total property, plant and equipment	70,012	75,135
Intangible assets	320	293
Investments and other assets		
Investment securities	6,995	6,980
Other	1,712	1,690
Total investments and other assets	8,708	8,671
Total non-current assets	79,041	84,100
<b>Total assets</b>	<b>136,714</b>	<b>147,589</b>

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(Millions of yen)

	As of March 31, 2021	As of December 31, 2021
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	19,772	18,217
Short-term loans payable	20,872	33,748
Current portion of long-term loans payable	9,884	10,187
Income taxes payable	658	347
Provision for directors' bonuses	31	54
Other	8,182	8,765
<b>Total current liabilities</b>	<b>59,401</b>	<b>71,320</b>
<b>Non-current liabilities</b>		
Long-term loans payable	16,943	18,285
Provision for directors' retirement benefits	57	49
Net defined benefit liability	791	888
Negative goodwill	44	40
Other	4,443	3,672
<b>Total non-current liabilities</b>	<b>22,280</b>	<b>22,936</b>
<b>Total liabilities</b>	<b>81,682</b>	<b>94,257</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	23,239
Treasury shares	(64)	(62)
<b>Total shareholders' equity</b>	<b>40,019</b>	<b>36,700</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	490	452
Foreign currency translation adjustment	(333)	1,965
Remeasurements of defined benefit plans	128	46
<b>Total accumulated other comprehensive income</b>	<b>286</b>	<b>2,463</b>
<b>Non-controlling interests</b>	<b>14,726</b>	<b>14,167</b>
<b>Total net assets</b>	<b>55,032</b>	<b>53,332</b>
<b>Total liabilities and net assets</b>	<b>136,714</b>	<b>147,589</b>

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

(Millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Net sales	130,701	133,787
Cost of sales	119,140	125,721
Gross profit	11,560	8,065
Selling, general and administrative expenses	10,314	10,566
Operating profit (loss)	1,245	(2,500)
Non-operating income		
Interest income	48	50
Dividend income	30	60
Share of profit of entities accounted for using equity method	61	-
Foreign exchange gains	-	72
Other	148	167
Total non-operating income	288	350
Non-operating expenses		
Interest expenses	608	552
Share of loss of entities accounted for using equity method	-	22
Foreign exchange losses	552	-
Other	51	36
Total non-operating expenses	1,213	610
Ordinary profit (loss)	320	(2,760)
Extraordinary income		
Gain on sales of non-current assets	13	83
Subsidy income	1,572	-
Gain on sales of investment securities	6	4
Gain on cancellation of leases	-	84
Total extraordinary income	1,592	172
Extraordinary losses		
Loss on sales of non-current assets	12	8
Loss on retirement of non-current assets	66	55
Loss attributable to the novel coronavirus	2,558	-
Total extraordinary losses	2,638	63
Loss before income taxes	(724)	(2,651)
Income taxes - current	1,349	1,175
Income taxes - deferred	252	(313)
Total income taxes	1,601	861
Loss	(2,326)	(3,512)
Profit attributable to		
Loss attributable to owners of parent	(2,090)	(3,156)
Loss attributable to non-controlling interests	(235)	(355)
Other comprehensive income		
Valuation difference on available-for-sale securities	141	(25)
Foreign currency translation adjustment	(5)	3,012
Remeasurements of defined benefit plans, net of tax	141	(82)
Share of other comprehensive income of entities accounted for using equity method	15	23
Total other comprehensive income	293	2,928
Comprehensive income	(2,032)	(584)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,987)	(979)
Comprehensive income attributable to non-controlling interests	(45)	394

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### **(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 nine months ended December 31, 2021 both increased by 518 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 nine months ended December 31, 2021, 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 nine months ended December 31, 2021 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.

#### ***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, 2021, and next by multiplying the quarterly profit (loss) before income taxes by such estimated effective tax rate.

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***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.

***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 751 million yen and selling, general and administrative expenses of 17 million yen).



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**Segment information, etc.**

**Segment information**

I. Nine months ended December 31, 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	14,821	80,073	35,806	130,701
Intersegment sales and transfers	10,475	896	2,004	13,376
Total	25,296	80,970	37,810	144,078
Segment profit (loss)	(106)	(1,032)	2,701	1,562

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	1,562
Elimination of intersegment transactions	(317)
Operating profit in the consolidated statements of income and comprehensive income	1,245

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

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II. Nine months ended December 31, 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	14,592	77,163	42,031	133,787
Intersegment sales and transfers	10,803	1,033	2,088	13,926
Total	25,395	78,197	44,120	147,713
Segment profit (loss)	310	(4,226)	1,712	(2,203)

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	(2,203)
Elimination of intersegment transactions	(297)
Operating profit (loss) in the consolidated statements of income and comprehensive income	(2,500)

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 nine months ended December 31, 2021 increased by 518 million yen as compared to the previous methods.

**Significant events after reporting period**

Not applicable.