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**Consolidated Financial Results
for the Three Months Ended June 30, 2022
<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

Global economic conditions in the three months ended June 30, 2022 continued to be unstable due to novel coronavirus infections, the protracted situation in Ukraine, as well as soaring costs of resources and energy and price hikes caused by the aforementioned factors. Moreover, policy interest rate hikes across European and U.S. countries, as well as exchange rate fluctuations and other factors have combined to make the economic outlook uncertain.

In the automotive industry, the outlook for the production volume of automobile manufacturers remained uncertain due to supply chain disruptions resulting from the lockdown in Shanghai following a resurgence in novel coronavirus infections in China, in addition to a shortage of semiconductors and rising raw material and transportation costs.

In this business environment, the Group, having launched its 14th medium-term plan in April 2020, has been actively working to provide customers with new value, in line with the basic policies of “Back to Basics” and “Challenge for New,” under the global policy of “Let’s exceed our limits! We will, without compromise, produce the ‘Best One’ for all our customers.” As a result, during the three months ended June 30, 2022, we have won new orders in the North American market and have also acquired a new subsidiary in India, a market which abounds with future potential, having been able to lay the groundwork for future growth. On the other hand, our current business performance has been impacted by a decline in our customers’ production volume due to semiconductor shortages and the Shanghai lockdown, rising manufacturing costs and selling, general and administrative expenses due to soaring raw material and transportation costs, and the depreciation of the yen, among other factors.

As a result, during the three months ended June 30, 2022, net sales increased by 28.5% year on year to 59,811 million yen, operating loss was 1,095 million yen (an operating profit of 36 million yen in the same period of the previous year), ordinary loss was 249 million yen (an ordinary loss of 141 million yen in the same period of the previous year), and profit attributable to owners of parent was 260 million yen (loss attributable to owners of parent of 703 million yen in the same period of the previous year). A gain on negative goodwill of 765 million yen arising from the acquisition of an Indian subsidiary was recorded as extraordinary income.

Operating results by segment are as follows.

(Japan)

The production volume of major customers continued to decline on account of semiconductor shortages and other factors, and net sales fell by 1.6% year on year to 4,695 million yen. In terms of profit and loss, operating loss was 327 million yen (an operating profit of 184 million yen in the same period of the previous year) due to the impact of a decline in product sales, in addition to reduced production.

(North America)

The production volume of major customers continued to decline on account of semiconductor shortages and other factors, but net sales rose 35.5% year on year to 37,012 million yen due to the depreciation of the yen. In terms of profit and loss, operating loss was 1,013 million yen (an operating loss of 788 million yen in the same period of the previous year) due to rising raw material costs and the absence of coronavirus-related government subsidies, in addition to the impact of reduced production.

(Asia)

Net sales rose 25.0% year on year to 18,103 million yen, owing to a recovery in the production volume of major customers, the depreciation of the yen and other factors. In terms of profit and loss, operating profit declined 4.4% year on year to 662 million yen on the impact of rising raw material and transportation costs.

(2) Information regarding financial position

As of June 30, 2022, total assets increased by 18,117 million yen compared with the end of the previous fiscal year to 179,049 million yen, reflecting increases in cash and deposits, as well as property, plant and equipment, such as machinery, equipment and vehicles and construction in progress.

Liabilities increased by 14,540 million yen from the end of the previous fiscal year to 114,893 million yen, reflecting increases in both short-term loans payable and long-term loans payable.

Net assets increased by 3,577 million yen to 64,156 million yen, reflecting an increase in foreign currency translation adjustment.

(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, 2023 which were announced in the Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 on May 12, 2022.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	1,981	8,213
Notes and accounts receivable - trade	36,327	36,014
Merchandise and finished goods	8,754	9,146
Work in process	7,500	8,610
Raw materials and supplies	11,775	12,800
Other	3,387	4,060
Allowance for doubtful accounts	(2)	(17)
Total current assets	69,723	78,828
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	18,352	19,631
Machinery, equipment and vehicles, net	36,467	39,241
Construction in progress	15,570	17,845
Other, net	10,976	13,608
Total property, plant and equipment	81,366	90,325
Intangible assets	299	317
Investments and other assets		
Investment securities	7,412	6,805
Other	2,130	2,772
Total investments and other assets	9,542	9,577
Total non-current assets	91,208	100,220
Total assets	160,931	179,049

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	22,966	24,449
Short-term loans payable	36,540	43,415
Current portion of long-term loans payable	10,244	10,426
Income taxes payable	652	459
Provision for directors' bonuses	44	24
Other	8,371	9,791
Total current liabilities	78,819	88,565
Non-current liabilities		
Long-term loans payable	16,735	20,339
Provision for directors' retirement benefits	51	52
Net defined benefit liability	919	984
Negative goodwill	39	37
Other	3,787	4,913
Total non-current liabilities	21,533	26,327
Total liabilities	100,353	114,893
Net assets		
Shareholders' equity		
Capital stock	6,790	6,790
Capital surplus	6,733	6,733
Retained earnings	26,619	26,836
Treasury shares	(62)	(61)
Total shareholders' equity	40,081	40,298
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	518	498
Deferred gains or losses on hedges	-	85
Foreign currency translation adjustment	4,498	7,905
Remeasurements of defined benefit plans	7	7
Total accumulated other comprehensive income	5,025	8,497
Non-controlling interests	15,472	15,359
Total net assets	60,578	64,156
Total liabilities and net assets	160,931	179,049

(2) Consolidated statements of income and comprehensive income

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Net sales	46,557	59,811
Cost of sales	43,081	56,830
Gross profit	3,475	2,981
Selling, general and administrative expenses	3,439	4,076
Operating profit (loss)	36	(1,095)
Non-operating income		
Interest income	17	14
Dividend income	29	34
Share of profit of entities accounted for using equity method	33	-
Foreign exchange gains	-	1,019
Other	43	63
Total non-operating income	123	1,131
Non-operating expenses		
Interest expenses	191	262
Share of loss of entities accounted for using equity method	-	16
Foreign exchange losses	86	-
Other	23	6
Total non-operating expenses	301	286
Ordinary loss	(141)	(249)
Extraordinary income		
Gain on sales of non-current assets	0	6
Gain on negative goodwill	-	765
Total extraordinary income	0	771
Extraordinary losses		
Loss on sales of non-current assets	0	1
Loss on retirement of non-current assets	24	6
Total extraordinary losses	24	7
Profit (loss) before income taxes	(165)	514
Income taxes - current	611	629
Income taxes - deferred	(78)	(399)
Total income taxes	533	230
Profit (loss)	(698)	283
Profit (loss) attributable to		
Profit (loss) attributable to owners of parent	(703)	260
Profit attributable to non-controlling interests	4	23
Other comprehensive income		
Valuation difference on available-for-sale securities	72	(56)
Deferred gains or losses on hedges	-	88
Foreign currency translation adjustment	2,024	4,265
Remeasurements of defined benefit plans, net of tax	(3)	(0)
Share of other comprehensive income of entities accounted for using equity method	47	226
Total other comprehensive income	2,140	4,523
Comprehensive income	1,442	4,807
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	929	3,733
Comprehensive income attributable to non-controlling interests	512	1,073

(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

(Application of Accounting Standards Codification (ASC) Topic 842, "Leases")

The Company's consolidated subsidiaries that adopt US GAAP have adopted ASC Topic 842, *Leases* from the first quarter ended June 30, 2022. As a result, lessee's lease transactions are, in principle, all recorded as assets and liabilities on the balance sheet.

In accordance with the transitional measures provided in this accounting standard, the cumulative effect of adopting this accounting standard is recognized at the beginning of the first quarter ended June 30, 2022, which is the date of initial application of this accounting standard.

As a result, "Other" presented under property, plant and equipment, "Other" presented under current liabilities, and "Other" presented under non-current liabilities each increased by 1,217 million yen, 231 million yen, and 985 million yen, respectively, as of June 30, 2022, compared with the amounts that would have been recorded under the previous accounting standard. The effect on the beginning balance of retained earnings and profit and loss for the three months ended June 30, 2022 is immaterial.

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, 2022, 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).

Segment information, etc.

Segment information

I. 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.

II. Three months ended June 30, 2022

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	4,695	37,012	18,103	59,811
Intersegment sales and transfers	2,741	260	364	3,365
Total	7,436	37,272	18,468	63,177
Segment profit (loss)	(327)	(1,013)	662	(678)

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	(678)
Elimination of intersegment transactions	(416)
Operating loss in the consolidated statements of income and comprehensive income	(1,095)

3. Disclosure of impairment loss on non-current assets and goodwill, etc. for each reportable segment
(Significant gain on negative goodwill)

A gain on negative goodwill of 765 million yen was recorded in the first quarter ended June 30, 2022 as a result of acquiring shares in India Steel Summit Private Limited to make it a consolidated subsidiary. The amount of gain on negative goodwill is tentatively calculated since the allocation of acquisition costs has not been completed as of June 30, 2022. The amount is not allocated to reportable segments as it is recorded in extraordinary income.

Business combinations, etc.

(Business combination through acquisition)

The Company resolved to make India Steel Summit Private Limited a subsidiary by acquiring shares of the company at the extraordinary meeting of the Board of Directors held on March 24, 2022. India Steel Summit Private Limited became a subsidiary of the Company on May 31, 2022 through the acquisition of shares.

1. Summary of business combination

(1) Name and business description of the acquired company

Name of company shares of which are acquired: India Steel Summit Private Limited

Description of business: Steel processing, press parts manufacturing and mold manufacturing

(2) Main reason for business combination

It is aimed to demonstrate maximum superiority, having our mold business, the Company's forte, as our core in the India market where growth is expected.

(3) Date of business combination

May 31, 2022 (deemed date of acquisition: March 31, 2022)

(4) Legal form of business combination

Share acquisition

(5) Name of company after business combination

No change

(6) Voting right ratio acquired

Voting right ratio held right before business combination 10%

Voting right additionally obtained on the date of business combination 90%

Voting right ratio held after business combination 100%

(7) Grounds for reaching the decision on acquisition of corporation

The Company acquires shares in consideration of cash.

2. Period for which the operations of the acquired company are included in the quarterly consolidated statements of income for the period

From April 1, 2022 to June 30, 2022

3. Acquisition cost of the acquired company and breakdown by type of consideration

Consideration for acquisition—Cash 415 million Indian rupees (661 million yen)

Acquisition cost 415 million Indian rupees (661 million yen)

4. Descriptions and amounts of main acquisition-related expenses

Advisory fees and commissions 7 million yen

5. Amount of gain on negative goodwill incurred and reason for incurrence

(1) Amount of gain on negative goodwill incurred

765 million yen

The above amount is calculated tentatively.

(2) Reason for incurrence

Since net assets at fair value at the time of business combination exceeded the acquisition cost.

Significant events after reporting period

Not applicable.