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Consolidated Financial Results
for the Nine Months Ended December 31, 2022
<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, 2022 (from April 1, 2022 to December 31, 2022) continued to face an uncertain outlook due to soaring prices, hikes in policy interest rates in each country, fluctuations in the exchange rate, the disruptions surrounding China's COVID policy and other factors.

In the automotive industry, the business environment remained challenging due to production fluctuations caused by the shortage of semiconductors, as well as soaring raw material costs and the disruptions surrounding China's COVID policy.

In this business environment, under the 14th medium-term plan launched in April 2020, the Group 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." In the fiscal year under review, following the acquisition of a new subsidiary in India, which abounds with future potential, we decided to establish a new company in order to revitalize our sales activities in the U.S., where many automakers are concentrated.

During the nine months ended December 31, 2022, the effect of mass production of newly ordered products, product sales, and cost reductions helped offset the impact from production fluctuations caused by the shortage of semiconductors, soaring costs of raw materials and other factors. As a result, net sales increased by 42.0% year on year to 189,986 million yen, operating profit was 109 million yen (an operating loss of 2,500 million yen in the same period of the previous year), ordinary profit was 292 million yen (an ordinary loss of 2,760 million yen in the same period of the previous year), and profit attributable to owners of parent was 198 million yen (loss attributable to owners of parent of 3,156 million yen in the same period of the previous year).

Operating results by segment are as follows.

(Japan)

The production at major customers fluctuated on account of semiconductor shortages, but net sales rose 10.5% year on year to 16,123 million yen due to the full-scale start of mass production at new customers, increased product sales and other factors. In terms of profit and loss, operating profit rose 51.7% year on year to 470 million yen as a result of an increase in product sales and the effect of foreign currency translation due to the yen depreciation, despite the impact of soaring raw material costs and other factors.

(North America)

Net sales rose 56.8% year on year to 121,027 million yen due to the full-scale start of mass production of newly ordered products, the effect of foreign currency translation due to the yen depreciation, and other factors, despite sluggish growth in the production volume of major customers due to the shortage of semiconductors. In terms of profit and loss, operating loss was 2,323 million yen (an operating loss of 4,226 million yen in the same period of the previous year) on account of the effect of mass production of newly ordered products, despite soaring raw material costs and the absence of coronavirus-related government subsidies.

(Asia)

The production volume of major customers fluctuated on account of the disruptions surrounding China's COVID policy and the shortage of semiconductors, but net sales rose 25.7% year on year to 52,834 million yen and operating profit rose 8.5% year on year to 1,858 million yen, partly owing to the acquisition of India Steel Summit Private Limited as a subsidiary and the effect of foreign currency translation due to the yen depreciation.

(2) Information regarding financial position

As of December 31, 2022, total assets increased by 20,079 million yen compared with the end of the previous fiscal year to 181,011 million yen, reflecting increases in cash and deposits, and machinery, equipment and vehicles.

Liabilities increased by 14,951 million yen from the end of the previous fiscal year to 115,304 million yen, reflecting increases in long-term loans payable.

Net assets increased by 5,128 million yen to 65,706 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 announced on November 4, 2022.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	1,981	8,494
Notes and accounts receivable - trade	36,327	34,202
Merchandise and finished goods	8,754	6,835
Work in process	7,500	8,023
Raw materials and supplies	11,775	13,308
Other	3,387	4,759
Allowance for doubtful accounts	(2)	(19)
Total current assets	69,723	75,605
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	18,352	19,644
Machinery, equipment and vehicles, net	36,467	46,038
Construction in progress	15,570	15,285
Other, net	10,976	14,189
Total property, plant and equipment	81,366	95,156
Intangible assets	299	296
Investments and other assets		
Investment securities	7,412	6,914
Other	2,130	3,038
Total investments and other assets	9,542	9,952
Total non-current assets	91,208	105,405
Total assets	160,931	181,011

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	22,966	23,755
Short-term loans payable	36,540	26,859
Current portion of long-term loans payable	10,244	12,707
Income taxes payable	652	388
Provision for directors' bonuses	44	56
Other	8,371	12,387
Total current liabilities	78,819	76,153
Non-current liabilities		
Long-term loans payable	16,735	33,561
Provision for directors' retirement benefits	51	51
Net defined benefit liability	919	1,016
Negative goodwill	39	35
Other	3,787	4,486
Total non-current liabilities	21,533	39,151
Total liabilities	100,353	115,304
Net assets		
Shareholders' equity		
Capital stock	6,790	6,790
Capital surplus	6,733	6,733
Retained earnings	26,619	26,428
Treasury shares	(62)	(60)
Total shareholders' equity	40,081	39,891
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	518	383
Deferred gains or losses on hedges	-	448
Foreign currency translation adjustment	4,498	9,907
Remeasurements of defined benefit plans	7	8
Total accumulated other comprehensive income	5,025	10,748
Non-controlling interests	15,472	15,066
Total net assets	60,578	65,706
Total liabilities and net assets	160,931	181,011

(2) Consolidated statements of income and comprehensive income

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Net sales	133,787	189,986
Cost of sales	125,721	177,592
Gross profit	8,065	12,393
Selling, general and administrative expenses	10,566	12,283
Operating profit (loss)	(2,500)	109
Non-operating income		
Interest income	50	63
Dividend income	60	103
Share of profit of entities accounted for using equity method	-	79
Foreign exchange gains	72	933
Other	167	196
Total non-operating income	350	1,376
Non-operating expenses		
Interest expenses	552	1,172
Share of loss of entities accounted for using equity method	22	-
Other	36	20
Total non-operating expenses	610	1,193
Ordinary profit (loss)	(2,760)	292
Extraordinary income		
Gain on sales of non-current assets	83	25
Gain on sales of investment securities	4	-
Gain on negative goodwill	-	765
Gain on cancellation of leases	84	-
Total extraordinary income	172	790
Extraordinary losses		
Loss on sales of non-current assets	8	13
Loss on retirement of non-current assets	55	27
Total extraordinary losses	63	40
Profit (loss) before income taxes	(2,651)	1,042
Income taxes - current	1,175	1,478
Income taxes - deferred	(313)	(442)
Total income taxes	861	1,036
Profit (loss)	(3,512)	6
Profit (loss) attributable to		
Profit (loss) attributable to owners of parent	(3,156)	198
Loss attributable to non-controlling interests	(355)	(191)
Other comprehensive income		
Valuation difference on available-for-sale securities	(25)	(125)
Deferred gains or losses on hedges	-	461
Foreign currency translation adjustment	3,012	6,140
Remeasurements of defined benefit plans, net of tax	(82)	(1)
Share of other comprehensive income of entities accounted for using equity method	23	261
Total other comprehensive income	2,928	6,736
Comprehensive income	(584)	6,742
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(979)	5,922
Comprehensive income attributable to non-controlling interests	394	820

(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 1,171 million yen, 272 million yen, and 899 million yen, respectively, as of December 31, 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 nine months ended December 31, 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 third quarter ended December 31, 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. 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 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.

II. Nine months ended December 31, 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	16,123	121,027	52,834	189,986
Intersegment sales and transfers	12,119	878	1,592	14,589
Total	28,243	121,906	54,426	204,575
Segment profit (loss)	470	(2,323)	1,858	5

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	5
Elimination of intersegment transactions	104
Operating profit in the consolidated statements of income and comprehensive income	109

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 December 31, 2022. The amount is not allocated to reportable segments as it is recorded in extraordinary income.

Significant events after reporting period

Not applicable.