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**Consolidated Financial Results**  
**for the Nine Months Ended December 31, 2023**  
**<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

The global economy in the nine months ended December 31, 2023 continued to face an uncertain outlook with multiple concerns due to the impact of the protracted situation in Ukraine, increased tension in the Middle East, persistently high resource and energy prices, and the tightening of monetary policy in Europe and the U.S., as well as the economic slowdown in China. In the automotive industry, although the semiconductor shortage is easing, the business environment remains challenging due to the tight supply-demand balance for labor in the U.S. and the late start of Japanese automakers in the shift to EVs in Chinese market.

In this business environment, the Group launched the 15th medium-term management plan in April 2023. While maintaining the foundations of the “Back to Basics” and “Challenge for New” policies, the Group has established a global policy of “We contribute to society by improving earning power and achieving sustainable growth” under the slogan of “Pursuing the essence of Monozukuri (manufacturing).” At regional sites and headquarters, the Group has been working on a company-wide basis to achieve design, development and production that can meet customer needs and to provide new value through the pursuit of the essence of Monozukuri. As a result, the Group received many inquiries about new models from various customers, which led to orders. In particular, the Group was successful in flexibly responding to emerging EV manufacturers’ needs to start up mass production lines for new models in the shortest amount of time to date. The Group was able to further increase its corporate value, including receiving recognition and awards for production and quality from a number of customers.

As a result of these activities, during the nine months ended December 31, 2023, net sales increased by 13.2% year on year to 215,055 million yen, operating profit increased by 414.9% year on year to 528 million yen, ordinary loss was 52 million yen (ordinary profit of 320 million yen in the same period of the previous year), and loss attributable to owners of parent was 489 million yen (profit attributable to owners of parent of 700 million yen in the same period of the previous year).

Profit attributable to owners of the parent for the same period of the previous year has been revised from 198 million yen to 700 million yen for comparison. This is because the accounting amount of gain on negative goodwill resulting from the conversion of India Steel Summit Private Limited into a subsidiary was tentatively 765 million yen in the same period of the previous year, but was fixed at 1,237 million yen at the end of the previous fiscal year, and this amount was reflected in the same period of the previous year.

Operating results by segment are as follows.

#### (Japan)

Net sales increased by 39.4% year on year to 22,477 million yen due partly to a trend toward an increase in production volume at major customers resulting from improvement in semiconductor shortages and the effect of mass production of products ordered by new customers. In terms of profit and loss, operating income rose by 137.7% year on year to 1,118 million yen, due to the effect of higher net sales.

#### (North America)

Net sales increased by 22.9% year on year to 148,780 million yen due partly to a trend toward an increase in production volume at major customers resulting from improvement in semiconductor shortages, the effect of mass production of newly ordered parts, and the impact of a weaker yen. In terms of profit and loss, operating loss was 1,219 million yen (an operating loss of 2,323 million yen in the same period of the previous year), due partly to continued impact from rising labor costs amid the tight labor market in the U.S. However, the Group returned to profitability in the third quarter (from October to December) of the current fiscal year due partly to the effect of higher net sales and improvement of the production characteristics.

#### (Asia)

While the production volume of major customers remained solid in Asian countries excluding the Chinese region, net sales decreased by 17.1% year on year to 43,797 million yen due to the production cuts of major customers in the Chinese region. In terms of profit and loss, operating profit decreased by 69.6% year on year to 562 million yen, due to a decrease in production volume.

**(2) Information regarding financial position**

As of December 31, 2023, total assets increased by 12,316 million yen compared with the end of the previous fiscal year to 188,454 million yen, reflecting increases in cash and deposits and machinery, equipment and vehicles. Liabilities increased by 8,073 million yen from the end of the previous fiscal year to 119,453 million yen, reflecting increases in notes and accounts payable - trade, and short-term loans payable. Net assets increased by 4,243 million yen to 69,000 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, 2024 announced on November 7, 2023.

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

### (1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	5,491	10,534
Notes and accounts receivable - trade	37,806	36,755
Merchandise and finished goods	5,296	6,128
Work in process	7,632	8,986
Raw materials and supplies	12,702	12,915
Other	3,729	4,048
Allowance for doubtful accounts	(55)	(48)
Total current assets	72,603	79,320
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	18,884	21,884
Machinery, equipment and vehicles, net	45,363	51,216
Construction in progress	13,005	7,194
Other, net	15,030	14,830
Total property, plant and equipment	92,284	95,125
Intangible assets	285	321
Investments and other assets		
Investment securities	7,464	8,770
Other	3,500	4,916
Total investments and other assets	10,965	13,686
Total non-current assets	103,534	109,133
Total assets	176,137	188,454

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	24,169	25,002
Short-term loans payable	27,832	38,357
Current portion of long-term loans payable	12,995	13,446
Income taxes payable	942	391
Provision for directors' bonuses	85	55
Other	9,520	11,012
<b>Total current liabilities</b>	<b>75,544</b>	<b>88,265</b>
<b>Non-current liabilities</b>		
Long-term loans payable	29,908	25,162
Provision for directors' retirement benefits	53	58
Net defined benefit liability	1,003	1,068
Negative goodwill	33	29
Other	4,836	4,869
<b>Total non-current liabilities</b>	<b>35,836</b>	<b>31,188</b>
<b>Total liabilities</b>	<b>111,380</b>	<b>119,453</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	6,790	6,790
Capital surplus	6,733	6,404
Retained earnings	27,979	27,116
Treasury shares	(60)	(79)
<b>Total shareholders' equity</b>	<b>41,443</b>	<b>40,231</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	543	727
Deferred gains or losses on hedges	386	450
Foreign currency translation adjustment	7,731	12,110
Remeasurements of defined benefit plans	(65)	(34)
<b>Total accumulated other comprehensive income</b>	<b>8,595</b>	<b>13,254</b>
<b>Non-controlling interests</b>	<b>14,717</b>	<b>15,514</b>
<b>Total net assets</b>	<b>64,756</b>	<b>69,000</b>
<b>Total liabilities and net assets</b>	<b>176,137</b>	<b>188,454</b>

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

(Millions of yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Net sales	189,986	215,055
Cost of sales	177,592	200,800
Gross profit	12,393	14,255
Selling, general and administrative expenses	12,290	13,726
Operating profit	102	528
Non-operating income		
Interest income	63	90
Dividend income	103	69
Share of profit of entities accounted for using equity method	79	424
Foreign exchange gains	968	772
Other	196	242
Total non-operating income	1,410	1,600
Non-operating expenses		
Interest expenses	1,172	2,046
Other	20	134
Total non-operating expenses	1,193	2,180
Ordinary profit (loss)	320	(52)
Extraordinary income		
Gain on change in equity	-	157
Gain on sales of non-current assets	25	12
Gain on negative goodwill	1,237	-
Total extraordinary income	1,262	169
Extraordinary losses		
Loss on sales of non-current assets	13	4
Loss on retirement of non-current assets	27	3
Total extraordinary losses	40	8
Profit before income taxes	1,542	109
Income taxes - current	1,478	2,057
Income taxes - deferred	(444)	(1,104)
Total income taxes	1,034	953
Profit (loss)	508	(843)
Profit (loss) attributable to		
Profit (loss) attributable to owners of parent	700	(489)
Profit (loss) attributable to non-controlling interests	(191)	(354)
Other comprehensive income		
Valuation difference on available-for-sale securities	(125)	266
Deferred gains or losses on hedges	461	65
Foreign currency translation adjustment	6,137	5,222
Remeasurements of defined benefit plans, net of tax	(1)	10
Share of other comprehensive income of entities accounted for using equity method	261	236
Total other comprehensive income	6,733	5,801
Comprehensive income	7,241	4,958
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,421	4,169
Comprehensive income attributable to non-controlling interests	820	788

### (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 the scope of consolidation and equity method application*

##### *(Significant changes in the scope of consolidation)*

F-Tech North America Inc., a newly established company, is included in the scope of consolidation from the first quarter of the current fiscal year.

#### *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, 2023, and next by multiplying the quarterly profit (loss) before income taxes by such estimated effective tax rate.

#### *Segment information, etc.*

##### **Segment information**

###### I. 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)	1,851	(1)

###### 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)
Elimination of intersegment transactions	104
Operating profit in the consolidated statements of income and comprehensive income	102

###### 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 1,237 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 disclosed based on the amount after a significant revision of the initial allocation of acquisition cost due to the finalization of the provisional accounting treatment for the business combination.

II. Nine months ended December 31, 2023

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	22,477	148,780	43,797	215,055
Intersegment sales and transfers	7,535	1,165	2,039	10,739
Total	30,013	149,945	45,837	225,795
Segment profit (loss)	1,118	(1,219)	562	462

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	462
Elimination of intersegment transactions	66
Operating profit in the consolidated statements of income and comprehensive income	528

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



***Business combinations, etc.***

**Transactions under common control, etc.**

***(Acquisition of additional shares of a consolidated subsidiary)***

On December 21, 2023, the Company decided on and implemented an acquisition of shares of F&P America Mfg., Inc., a consolidated subsidiary of the Company, through the contribution of debt as an investment in kind (debt-equity swap).

(1) Outline of the transaction

1) Name and business description of the company involved in the business combination

Name of the company: F&P America Mfg., Inc.

Description of business: Manufacture and sale of auto parts and dies, equipment, tools, etc. for these parts

2) Date of the business combination

December 21, 2023

3) Legal form of the business combination

Acquisition of shares through the contribution of debt as an investment in kind (debt-equity swap)

4) Name of the company after the business combination

No change.

5) Other matters relating to the outline of the transaction

The Company has contributed to a capital increase for F&P America Mfg., Inc. for the purpose of stabilizing its financial position by way of a debt-equity swap.

(2) Outline of the accounting treatment applied

The transaction was accounted for as a transaction with non-controlling shareholders, which falls under the category of transactions under common control, etc., in accordance with the “Accounting Standard for Business Combinations” and the “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures.”

(3) Matters concerning the acquisition of additional shares of a subsidiary

Acquisition cost of the acquired company and breakdown by type of consideration		
Consideration for acquisition	Aggregate face amount of debt subject to in-kind contribution	46 million U.S. dollars (6,601 million yen)
Acquisition cost		46 million U.S. dollars (6,601 million yen)

***Significant events after reporting period***

Not applicable.