

# **FY15 2nd Quarter Financial Results Meeting**

**November 5, 2014**

**F.Tech Inc.**

**TSE 1<sup>st</sup> Section: 7212**

**<http://www.ftech.co.jp/>**

- 1. Financial Results Overview**
- 2. Earnings Forecast**
- 3. Features of the Company**
- 4. Business Strategy**
- 5. Topics**



**Yuichi Fukuda**  
**Director & Executive**  
**Vice President**

## 1. Financial Results Overview

2. Earnings Forecast

3. Features of the Company

4. Business Strategy

5. Topics



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# Consolidated Financial Results Overview (Year on Year)



(Unit: Rounded down to the nearest million yen)

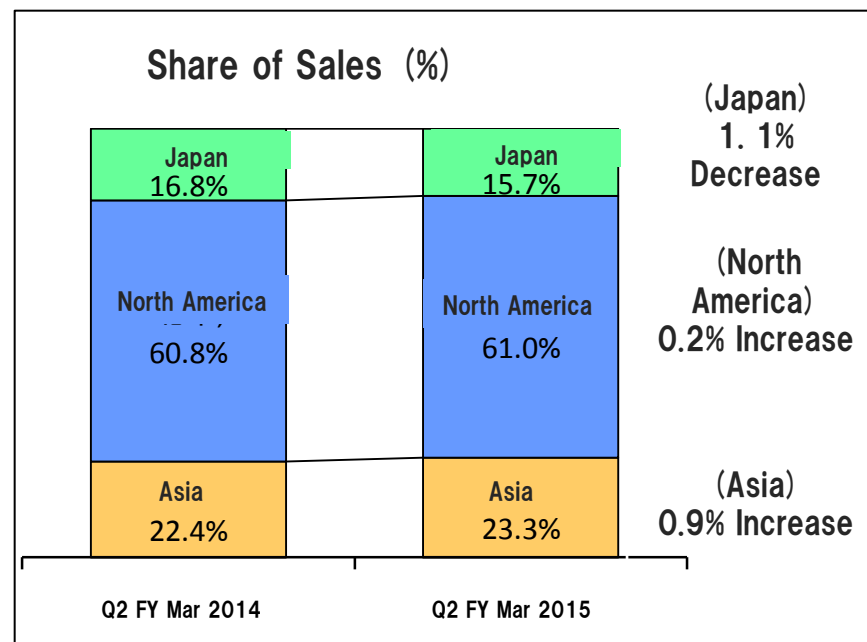
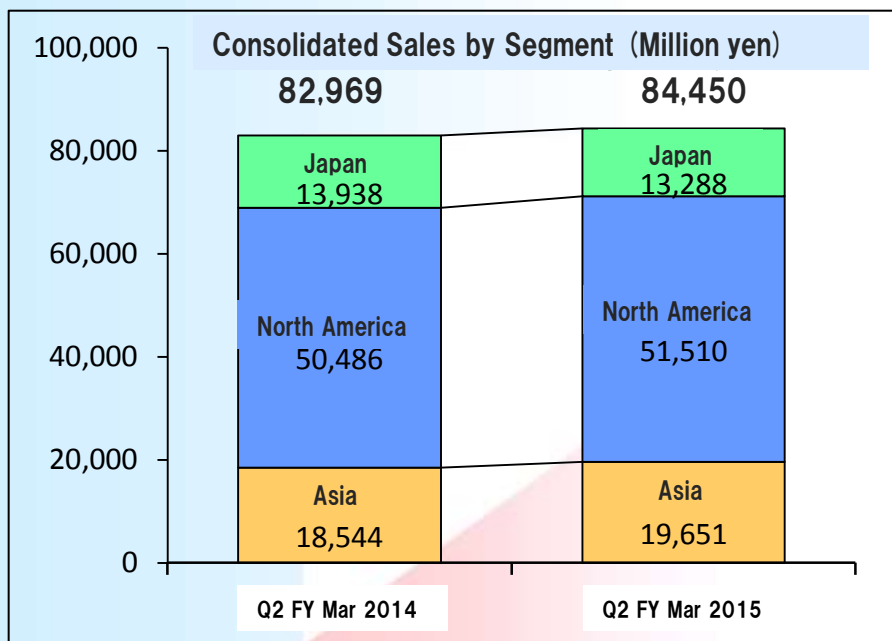
	Actual Q2 FY Ended Mar 2014		Actual Q2 FY Ending Mar 2015		Difference	
	Amount	Ratio to Sales	Amount	Ratio to Sales	Amount of Difference	Ratio of Change
Sales	82,969	100.0%	84,450	100.0%	1,481	1.8%
Operating Income	3,206	3.9%	2,232	2.6%	-973	-30.4%
Income before tax	3,250	3.9%	2,143	2.5%	-1,107	-34.1%
Income for the term	1,535	1.9%	521	0.6%	-1,014	-66.0%
Earnings per Share (yen)	124.28 yen	—	33.96 yen	—	-90.31 yen	-72.7%

## Foreign Exchange Impact

Currency	Actual Q2 FY Ended Mar 2014	Actual Q2 FY Ending Mar 2015	Difference
1 US\$	98.65 yen	103.61 yen	4.96 yen
1 CAN\$	95.38 yen	95.07 yen	-0.31 yen
1 Yuan (RMB)	15.53 yen	16.56 yen	1.03 yen

**Sales increased but income decreased; sales increased due to foreign exchange impact**

# Consolidated Sales (Year on Year)



## Change in Consolidated Sales

	Q2 FY Mar 2014	Q2 FY Mar 2015	Difference	Ratio of Difference	FX Impact	Real Difference	Ratio of Difference
Japan	13,938	13,288	-650	-4.7%	—	-650	-4.7%
North America	50,486	51,510	1,024	2.0%	1,573	-549	-1.1%
Asia	18,544	19,651	1,107	6.0%	1,007	100	0.5%
<b>Consolidated</b>	<b>82,969</b>	<b>84,450</b>	<b>1,481</b>	<b>1.8%</b>	<b>2,579</b>	<b>-1,098</b>	<b>-1.3%</b>

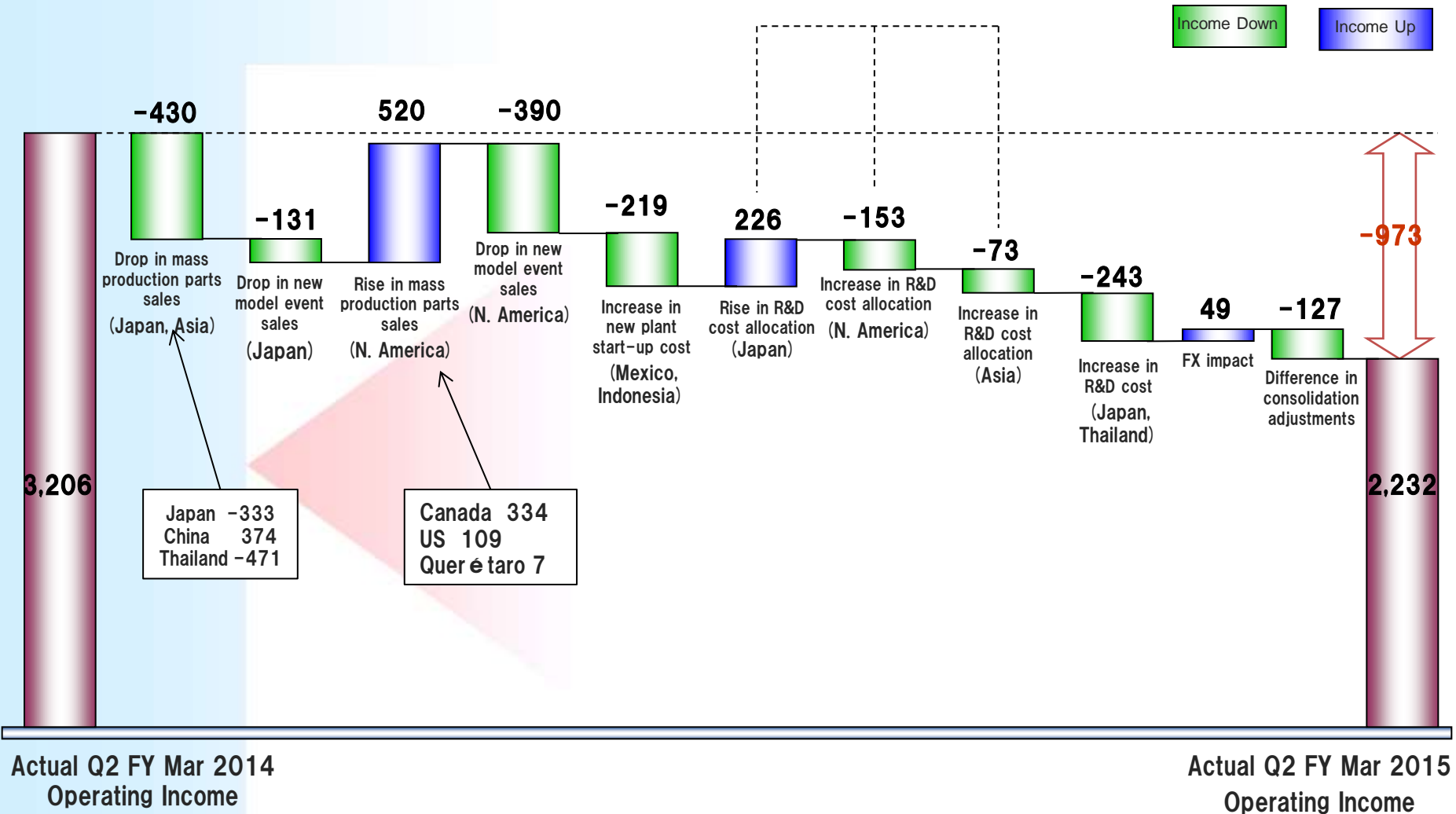
**Sales decreased for Japan; they increased for North America due to foreign exchange impact; and increased for Asia**

# Operating Income by Segment (Year on Year)

	Actual Q2 FY Mar 2014		Actual Q2 FY Mar 2015		Difference	Rate of Difference	FX Impact
	Operating Income	Share by Region	Operating Income	Share by Region			
Japan	419	13.1%	37	1.7%	-381	-91.0%	-
North America	1,846	57.6%	1,711	76.6%	-135	-7.4%	15
Asia	520	16.2%	191	8.6%	-328	-63.2%	34
<b>Total</b>	<b>2,787</b>	<b>86.9%</b>	<b>1,940</b>	<b>86.9%</b>	<b>-846</b>	<b>-30.4%</b>	<b>49</b>
Adjustment	419	13.1%	292	13.1%	-127	-30.4%	-
Consolidated	3,206	100.0%	2,232	100.0%	-973	-30.4%	49

# Factors in Changes in Operating Income (Year on Year)

(Unit: Rounded down to the nearest million yen)



(Actual Q2 FY Mar 2014 ⇒ Actual Q2 FY Mar 2015)

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# Consolidated Results Forecast Overview (vs. Old Plan)



(Unit: Rounded down to the nearest million yen)

(Unit: Million yen)	FY Mar 2015 (Announced on Aug 4)		FY Mar 2015 (Announced on Nov 4)		Change	
	Amount	Ratio to Sales	Amount	Ratio to Sales	Amount of Change	Rate of Change
Sales	167,000	100.0%	171,000	100.0%	4,000	2.4%
Operating Income	6,100	3.7%	5,550	3.2%	-550	-9.0%
Income before tax	5,850	3.5%	5,300	3.1%	-550	-9.4%
Income for the term	2,550	1.5%	1,800	1.1%	-750	-29.4%
Earnings per Share (yen)	166.05 yen	—	117.21 yen	—	48.84 yen	-29.4%

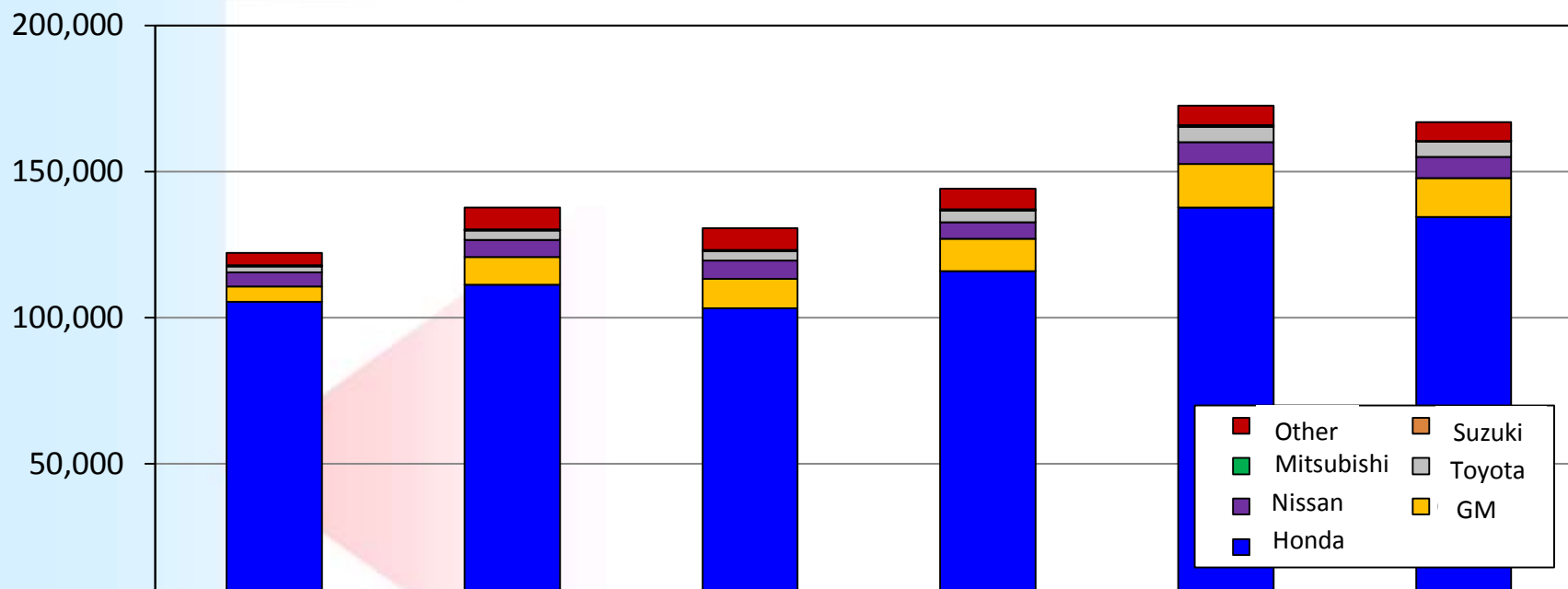
Currency	FY Mar 2015 (Aug 4)	FY Mar 2015 (Nov 4)	Difference
1 US\$	95.00 yen	103.30 yen	8.30 yen
1 CAN\$	95.00 yen	95.04 yen	0.04 yen
1 Yuan (RMB)	15.14 yen	16.67 yen	1.53 yen

**Sales to increase but income to decrease**

(sales to increase due to FX conversion impact, but income to decrease due to lower production volume)

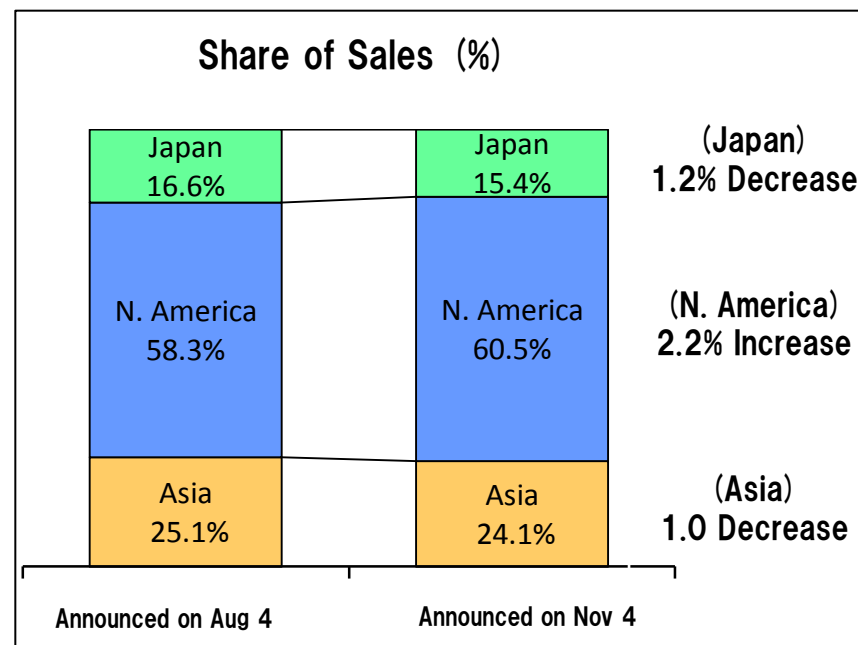
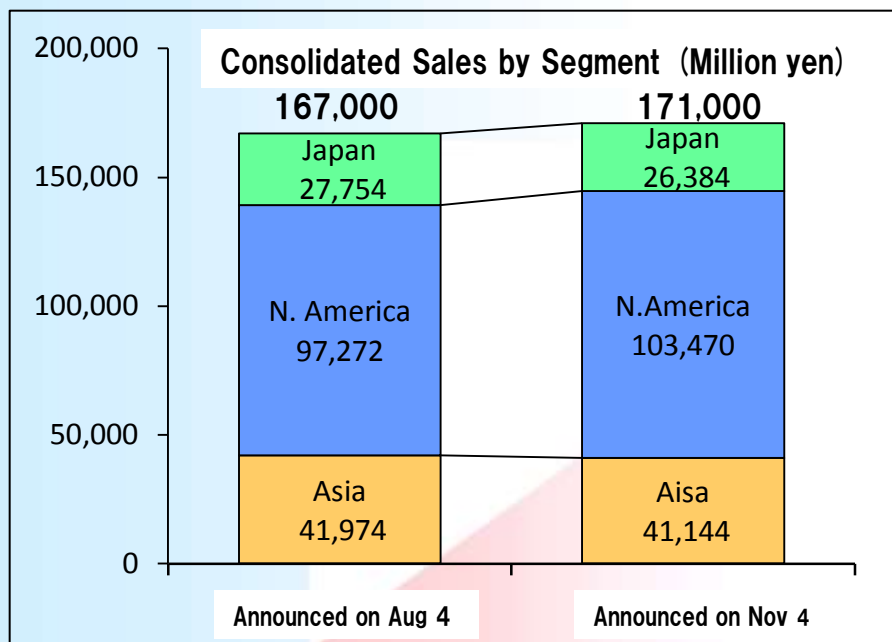
# Change in Sales by Customer

(Million yen)



	FY Mar 2010		FY Mar 2011		FY Mar 2012		FY Mar 2013		FY Mar 2014		FY Mar 2015 (E)	
Honda	105,497	86.4%	111,300	80.8%	103,340	79.1%	116,046	80.5%	137,708	79.9%	136,992	80.1%
GM	5,182	4.2%	9,533	6.9%	10,082	7.7%	10,935	7.6%	14,863	8.6%	14,269	8.3%
Nissan	4,861	4.0%	5,886	4.3%	6,208	4.8%	5,773	4.0%	7,535	4.4%	8,052	4.7%
Toyota	2,022	1.7%	3,136	2.3%	3,131	2.4%	3,919	2.7%	5,209	3.0%	5,412	3.2%
Mitsubishi	159	0.1%	248	0.2%	289	0.2%	217	0.2%	369	0.2%	236	0.1%
Suzuki	207	0.2%	88	0.1%	91	0.1%	114	0.1%	127	0.1%	113	0.1%
Other	4,201	3.4%	7,515	5.5%	7,468	5.7%	7,085	4.9%	6,645	3.9%	5,926	3.5%
Consolidated Sales	122,129	100.0%	137,706	100.0%	130,609	100.0%	144,089	100.0%	172,456	100.0%	171,000	100.0%

# Consolidated Sales Forecast (vs. Old Plan)



## Change in Consolidated Sales

	Announced on Aug 4	Announced on Nov 4	Change	Rate of Change	FX Impact	Real Change	Rate of Change
Japan	27,754	26,384	-1,369	-4.9%	—	-1,369	-4.9%
N. America	97,272	103,470	6,198	6.4%	5,064	1,134	1.2%
Asia	41,974	41,144	-829	-2.0%	3,235	-4,065	-9.7%
Consolidated	167,000	171,000	4,000	2.4%	8,300	-4,300	-2.6%

**Sales to increase overall due to FX impact, but to decrease in Japan and Asia**

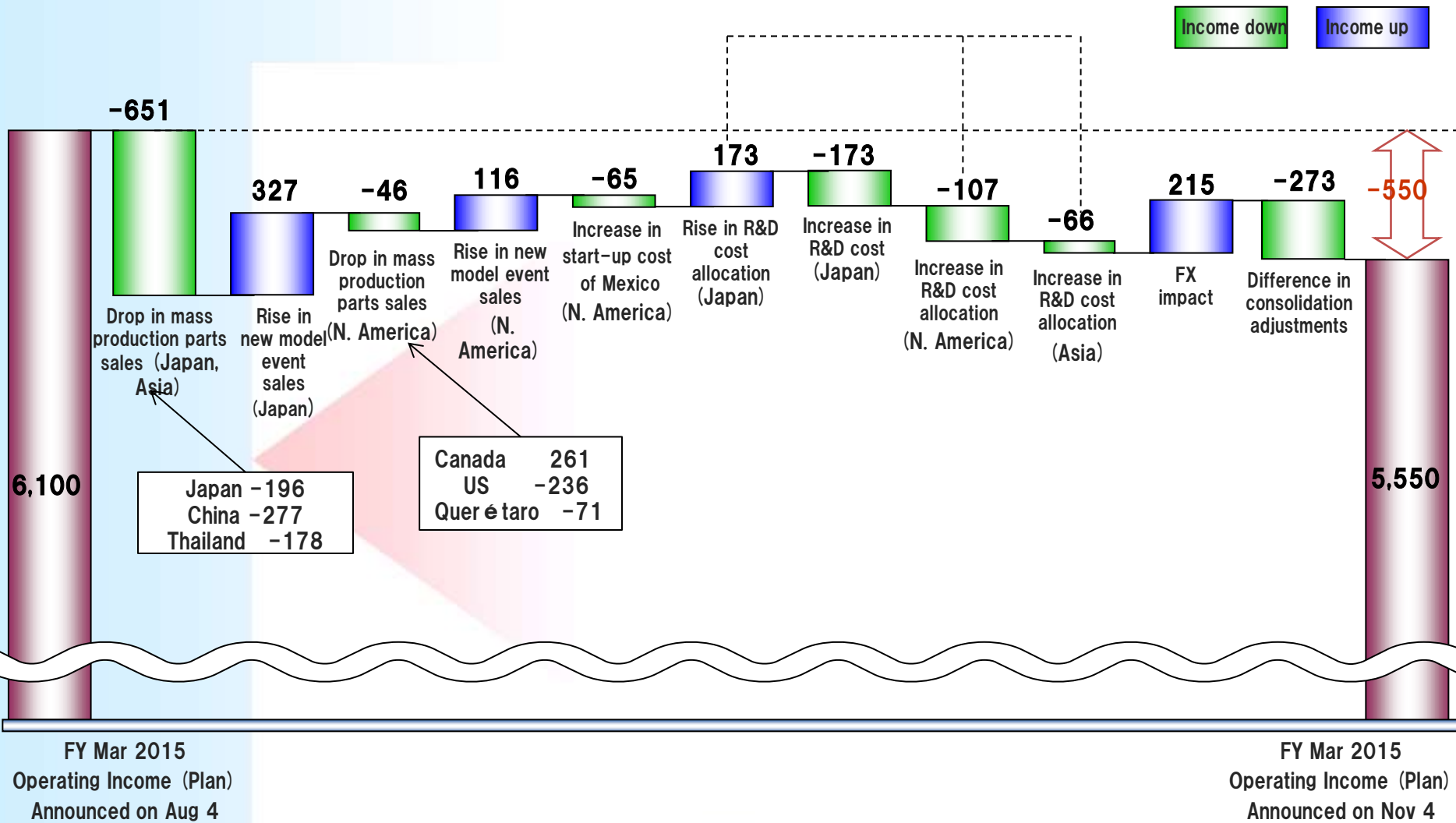
# Operating Income Forecast by Segment (vs. Old Plan)



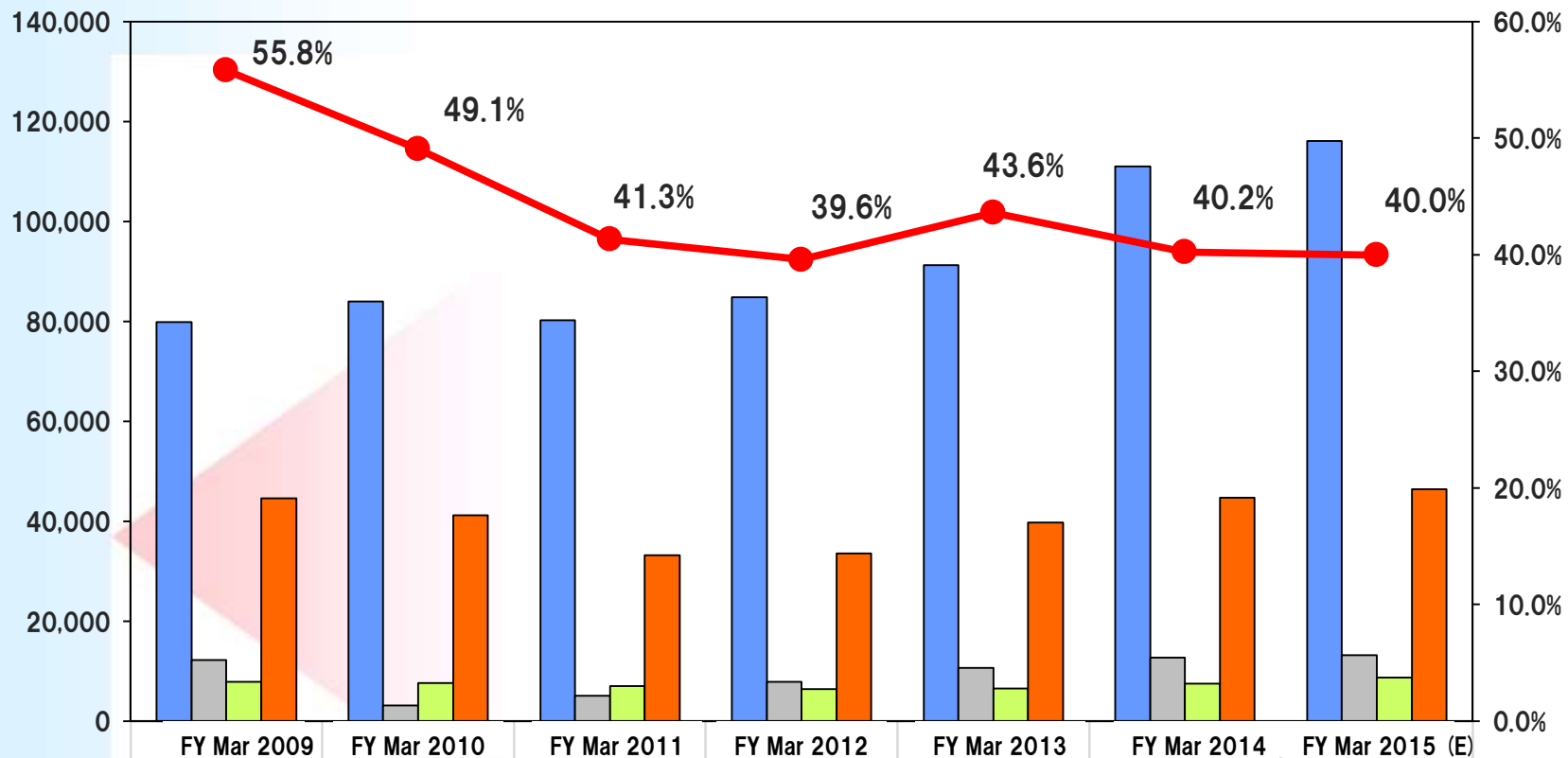
	FY Mar 2015 Announced on Aug 4		FY Mar 2015 Announced on Nov 4		Change	Rate of Change	FX Impact
	Operating Income	Share by Region	Operating Income	Share by Region			
Japan	1,211	19.9%	1,342	24.2%	131	10.8%	-
N. America	3,814	62.5%	3,854	69.4%	39	1.0%	141
Asia	1,103	18.1%	656	11.8%	-447	-40.5%	74
<b>Total</b>	<b>6,129</b>	<b>100.5%</b>	<b>5,853</b>	<b>105.5%</b>	<b>-276</b>	<b>-4.5%</b>	<b>215</b>
Adjustment	-29	-0.5%	-303	-5.5%	-273	-	-
Consolidated	6,100	100.0%	5,550	100.0%	-550	-9.0%	215

# Factors in Operating Income Change (vs. Old Plan)

(Unit: Rounded down to the nearest million yen)



FY Mar 2015 Plan (Aug 4) ⇒ FY Mar 2015 Plan (Nov 4)



	Total Assets	79,885	84,037	80,220	84,796	91,200	111,062	116,051
	Capital Investment	12,247	3,177	5,095	7,873	10,696	12,715	13,242
	Depreciation	7,799	7,596	7,017	6,374	6,544	7,508	8,750
	Interest-bearing Debt	44,593	41,240	33,157	33,567	39,786	44,679	46,393
	Dependence on Interest-bearing Debt	55.8%	49.1%	41.3%	39.6%	43.6%	40.2%	40.0%

## FY Mar 2015 Forecast

	End Q1	End Q2	End Q3	End Q4	Total	Dividend Payout Ratio
<b>Dividend Forecast</b>	—	<b>10.00 yen</b>	—	<b>10.00 yen</b>	<b>20.00 yen</b>	<b>17.1%</b>
(Ref.) Actual Result of Previous Term FY Mar 2014	—	10.00 yen	—	10.00 yen	20.00 yen	7.8%
Change from Previous Term	—	—	—	—	—	9.3%

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# 1. Corporate Philosophy: Four Key Strengths

## Mission Statement

From global perspective, we strive to contribute to our society and to improve the quality of life through manufacturing of highest quality products with ambition and sincerity.

## F-Tech Basic Principles

### 1 Challenging Spirit

➔ Encourage people to always aspire for excellence

### 2 Respecting People

➔ Based on human dignity

### 3 Making Profit

➔ Making profit is the most important thing

## Four Key Strengths

### Research & Development

- Realize on a daily basis the development of new technologies and new products responding to the needs of the time

### Production Engineering

- Realize economic and highly-efficient production lines, and practice high-quality manufacturing

### Global Competitiveness

- Promote global business expansion to realize the supply of components to OEMs worldwide.

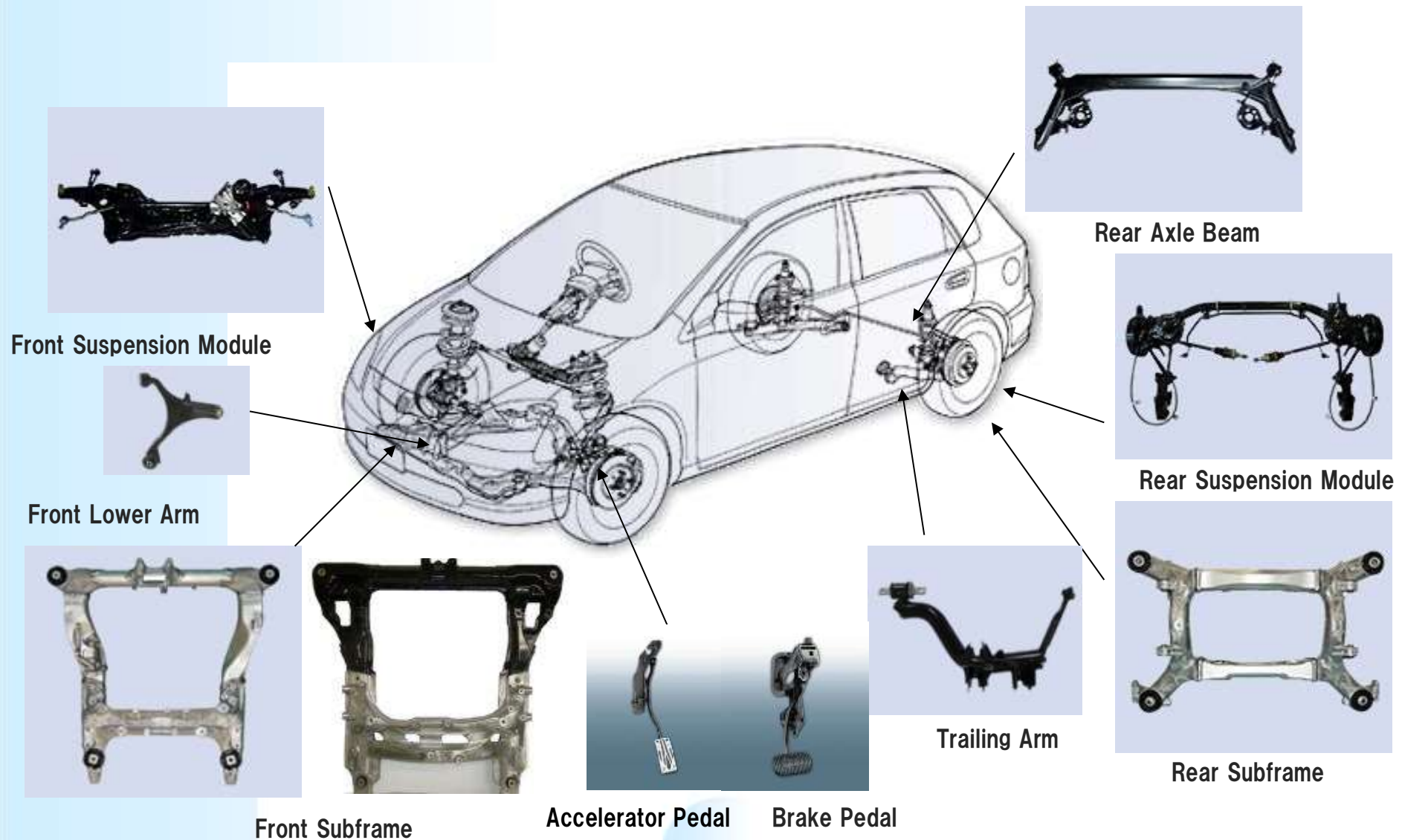
### Power of Associates

- A challenging spirit of each associate creates a big power to step into a new field
- Practice associate training with respect for people

<b>Foundation</b>	<b>July 1947</b>
<b>Head Office</b>	<b>19 Showanuma, Shobu-cho, Kuki City, Saitama Prefecture</b>
<b>Capital</b>	<b>4,790.37 million yen</b>
<b>Sales</b>	<b>172,456 million yen</b> (FY ended Mar 2014)
<b>No. of Associates</b>	<b>5,788</b> (As of end of March 2014)
<b>Listed Exchange</b>	<b>TSE 1st Section [Security Code: 7212]</b>
<b>Major Customers</b>	<b>Honda, GM, Nissan, Toyota, Mitsubishi, Suzuki, Daihatsu, and Isuzu</b>

# 3. Business Contents (Overview of Products)

Business Contents: Underbody suspension arm, subframe, brake pedal, torsion beam for the automotive industry



Front Suspension Module



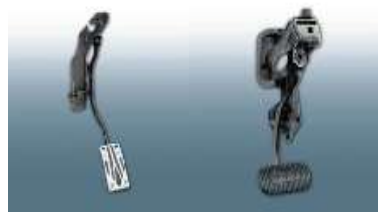
Front Lower Arm



Front Subframe



Accelerator Pedal



Brake Pedal



Rear Axle Beam



Rear Suspension Module



Trailing Arm



Rear Subframe

# 4. Overview of Bases (1) – Bases in Japan



Head Office/Kuki Factory



Kameyama Factory

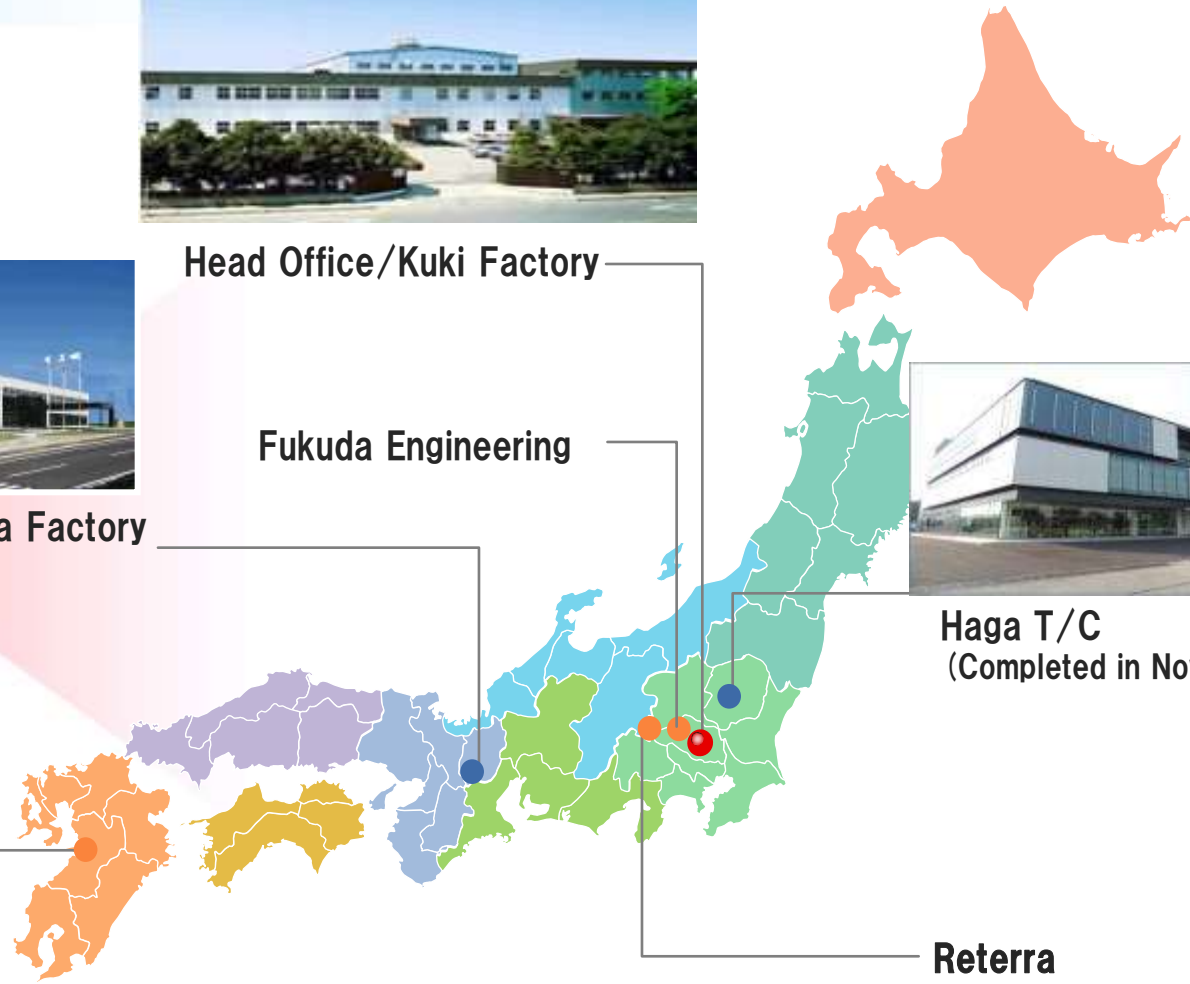
Fukuda Engineering



Haga T/C  
(Completed in Nov 2013)

Kyushu F.tech

- Head Office
- Factory in Japan
- Subsidiary in Japan



Reterra

# 4. Overview of Bases (2) – Overseas Bases

European Branch of  
F.Tech R&D N. America  
(Est. Aug 2014)



F.tech R&D (Guangzhou)  
(Est. Dec 2011)



Michigan Office of F.Tech  
R&D N. America  
(Est. Aug 2013)



PT. F.tech INDONESIA  
(Est. Jan 2013)



F&P MFG.de Mexico S.A.de C.V.  
(Est. Jul 2012)

## Production Bases

N. America 6  
(Canada, US, Mexico)

China 2  
(Zhongshan, Wuhan)

Asia 3  
(Thailand, Philippines, Indonesia)

## R&D Centers

N. America 2  
(US)

China 2  
(Guangzhou, Yantai)

Asia 1  
(Philippines)

Europe 1  
(Germany)

\* Photos show those established in the last 3 years.

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# 1. Overview of 12<sup>th</sup> Mid-Term Three-Year Plan



**Corporate Policy: To become a chassis system manufacturer with overwhelming competitiveness**

## Basic Business Strategy

### 1. Change to Chassis System Structure

- Create a structure capable of developing a chassis system by combining assembly parts into a multifunctional component, in addition to developing standalone chassis such as subframe and suspension arm

### 2. Evolution to Global Operations

- With Japan playing the mother plant function:
  - (1) Simultaneous global development
  - (2) Creation of locally-optimized specifications
  - (3) Competitive local parts production
  - (4) Maximum utilization of local resources
  - (5) Development of global human resources

### 3. Strengthening of Environmentally Friendly Technologies

1. Advancement of weight-reduction technology
2. Digitalization
3. New processing technologies

## Target

Business  
Performance

Net sales 200 billion yen

Operating income 10 billion yen  
(Operating margin 5% or higher)

Dependency ratio on interest-bearing debt: 30% or lower

Sales  
Expansion

- Expansion of sales to manufacturers in Europe and U.S.
- Increased sales to GM
- Raising the ratio of non-Honda orders

Technology

- Evolution of weight-reduction technology
- Evolution of new processing technologies
- Establishment of processing technology for new materials

R&D

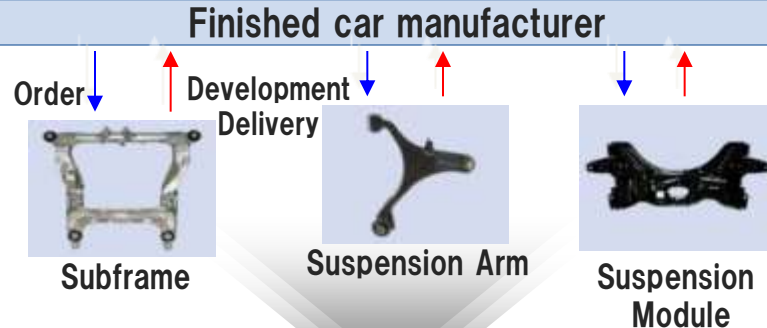
- Multiple function module
- Move to electronic components
- Weight-reduction design

## Change to Chassis System Structure

### System Development

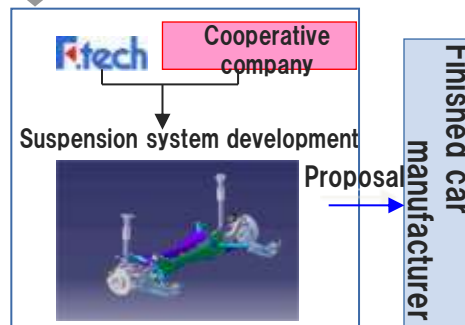
- Developed as a system by adding dynamic composite parts **Previous Chassis Development**

- Developed individual parts separately



### Chassis Development Going Forward

- Propose high value-added functions by developing peripheral parts of chassis as well
- Respond to needs for weight reduction
- Realize efficient and rational development by developing as a system



### Activities for Chassis System Development

Reduced number of parts  
→Contributed to cost reduction and weight reduction

Strengthened R&D, production technology, and quality assurance system

Acquisition of technology and accumulation of know-how in new areas

Assessment of multiple functions internally at the company

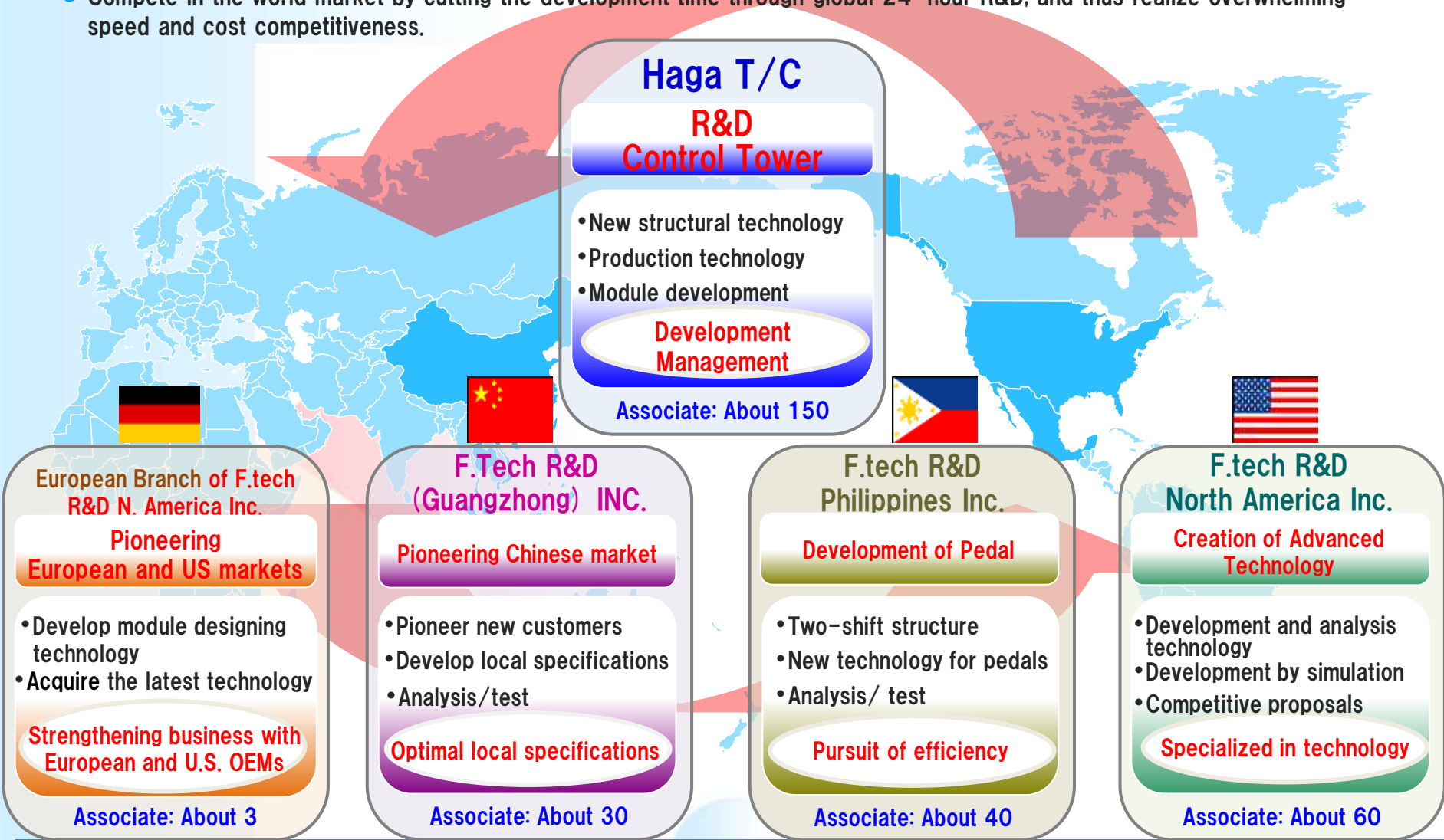
Alliance with cooperative companies

- Response to technological innovation for automobiles
- Direction for OEMs to procure parts in the future
- Promotion of joint development with manufacturers specialized in each area
- In-house development in the future



# 2. Activities under Mid-Term Plan

- Four Bases and Europe: Conducting efficient development by assessing, before making a prototype, the strength, durability and development cost by using **highly sophisticated simulation technology – the best in the industry** ⇒ Sales expansion
- Compete in the world market by cutting the development time through global 24-hour R&D, and thus realize overwhelming speed and cost competitiveness.



## Best simulation technology and development process in the industry

### 1 Designing

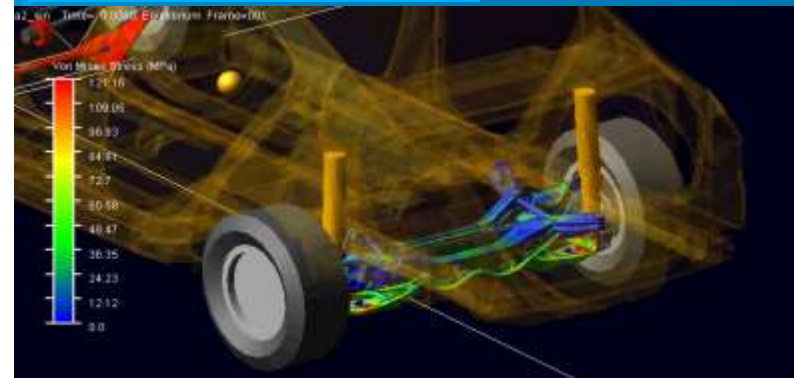
- Conceive products with the latest CAD system



### 2 CAE Simulation

- Advance the optimal designing technology with the latest CAE analysis
- Strengthen proposals as a chassis system
- Realize the optimal system specifications and reduce weight while maintaining the strength and durability

#### ADAMS Simulation



Assess composite parts such as suspension arms and subframes as a whole, to become a chassis system manufacturer capable of proposing the optimal parts specifications for the system

### 3 Prototype/Product Test

- After CAE analysis, performing the durability bench test by the prototype with multiple-vibration machine



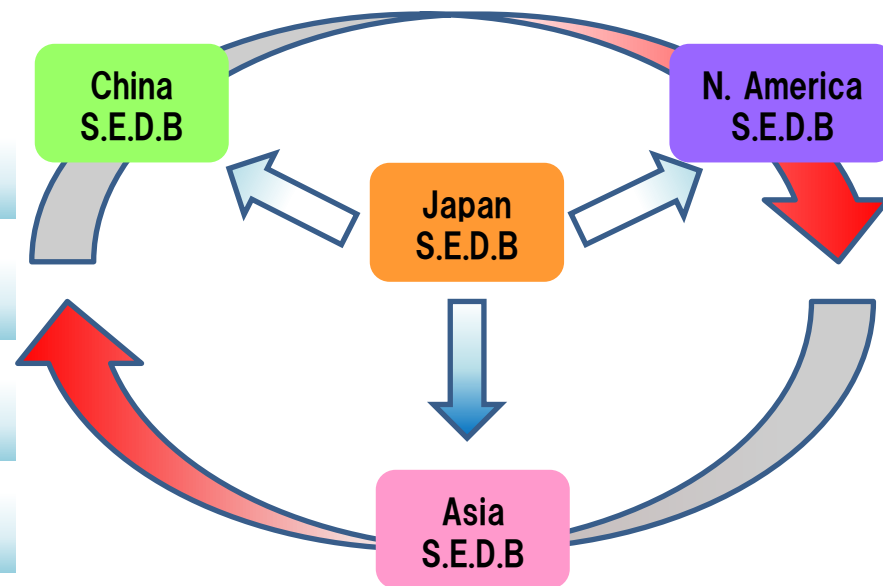
- Introduced multi-axis road simulator in 2014
  - Effectively achieving the optimal design by performing the bench testing on suspension systems with the same conditions as real cars

## 2. Activities under Mid-Term Plan

### Evolution to Global Operations

Future Direction to Head In

- Simultaneous global development
- Creation of locally optimized specifications
- Competitive local parts production
- Maximum utilization of local resources



### Role of Overseas Bases

**S: Sales Area**

Strengthen existing business  
Acquire new customers

**E: Engineering Area**

Introduce advanced technology  
Optimize production lines

**D: Development Area**

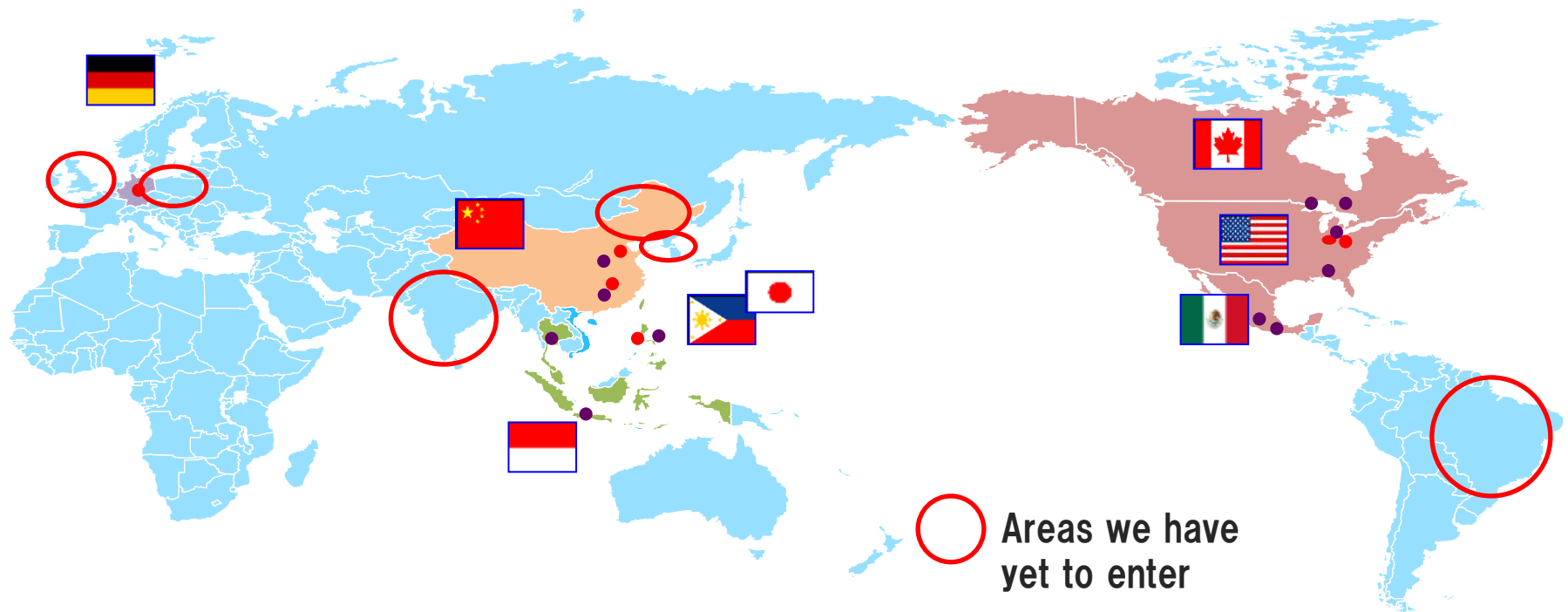
Develop locally optimized specifications

**B: Purchasing**

Cost reduction/  
Local procurement

### Establishment of Supply System for European/US OEM Manufacturers

- Requested to supply globally, we need to develop a supply system for Europe, part of China, and other areas where we have no base. We will establish an optimal supply system by having the best mix of expanding our own bases and forming alliances in regions we have yet to enter.
- For the common platform of Nissan and Renault, we will supply pedal assy worldwide in an alliance with European manufacturers.



From receiving orders at our base to receiving orders globally

## Strengthening of Environmentally Friendly Technology

### Weight-reduction Technology

- Further weight-reduction design for the chassis system (Optimization analysis)
- Evolution of core technologies (FSW, Hydroform, Pipe Form Annealing)



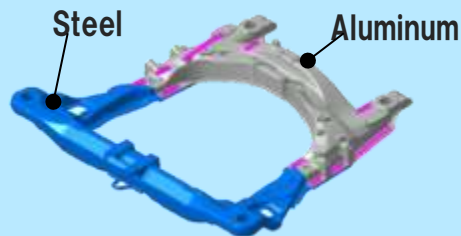
FSW



Hydroforming



Pipe Form Annealing



Steel

Aluminum



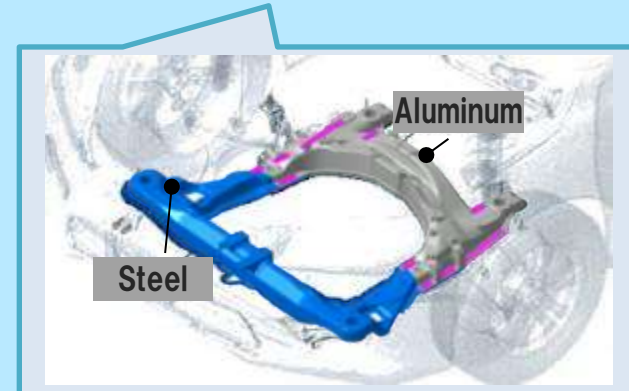
FUT-01

### Processing Technology

**FSW=Friction Stir Welding**

**Established mass production system for a new Accord model**

U.S. New Accord Model



Aluminum

Steel

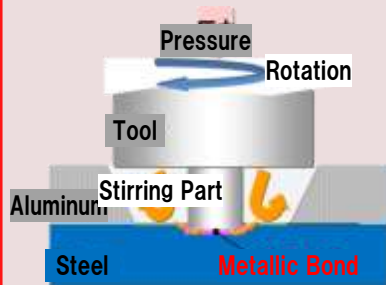
- Volume: 1,500 units or more/day  
(Actual: About 762,000 units; Sep 2012 to Oct 2014)

## Strengthening of Environmentally Friendly Technology

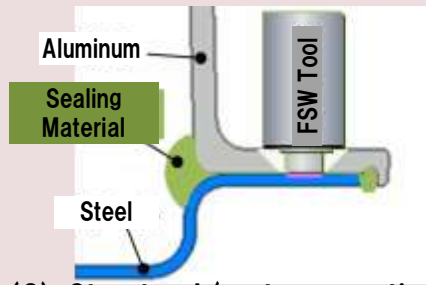
### Case of Weight-reduction Technology

- Steel/Aluminum FSW Dissimilar Material Welding Hybrid Subframe = First technology of its kind in the world
- Won the 60<sup>th</sup> Annual Okochi Memorial Technology Prize (which is awarded to distinguished achievements contributing to progress in academia and development of industries)

### World's First New Technology



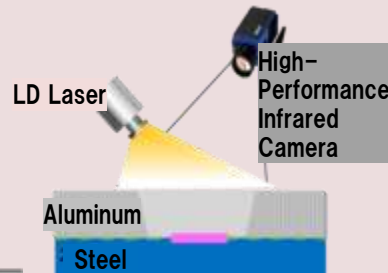
(1) Dissimilar material Welding Technology



(2) Structural/rust-prevention technology



(3) Mass Production Technology



(4) Non-Destructive Testing System

- Weight-reduction -25%
- Improved Motility
- Improved Stiffness of Suspension Attaching Point +20%
- Reduction of energy for Manufacturing/  
Electric Power Saving -50%



Fumeless

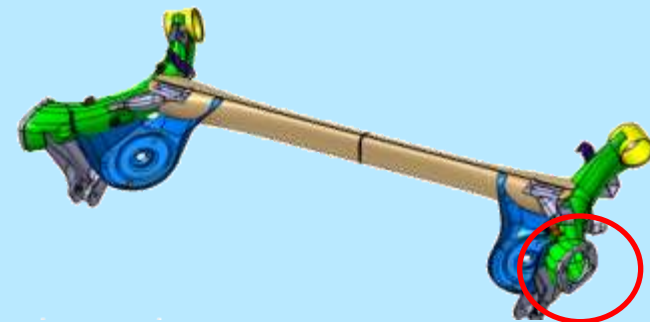
Intermetallic compound of steel and aluminum is created

## 2. Activities under Mid-Term Plan

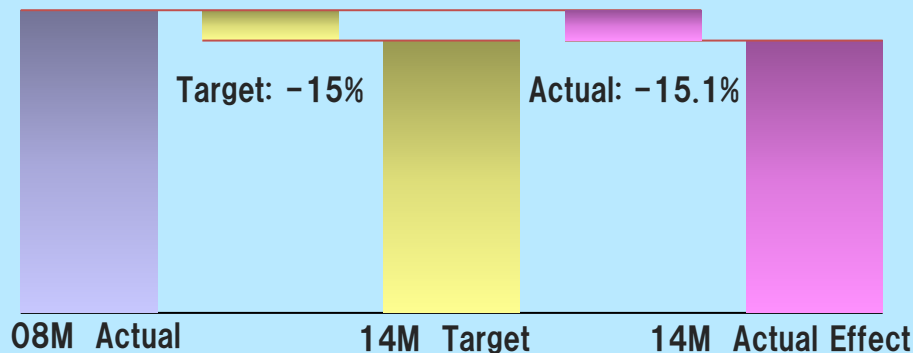
### Strengthening Environmentally Friendly Technology

#### Case of Lightweight Product

- Development of locally optimized products (Ultralight, high stiffness, high strength, super-inexpensive)
- Creation of in-house value-added (FIT WHEEL PLATE)



RR AXLE BEAM Result of Weight-reduction



Supplied by Customer



Outsourced



In-house Production



Using our own development/proposing capabilities, we contributed to the weight-reduction of a whole finished car.

# 3. FUT (F.tech Ultimate Technologies System)

Super-Precision Plastic Processing Technology  
“FUT-01” Started Operation in November!

## Previous Fine Blanking

Flat plate is pressed to make a round part with holes



Material Yield Rate  
Up 20%

## Step 1 Minimize Scraps



Small Scraps

## FUT-01 Super-Precision Plastic Processing

### Step 2 Weight-reduction by Forming



Establishment of Super-Precision Cutting and Forming Technology

### Step 3 Scrap Utilization and New Parts



## Current FUT-01

Mainly for  
automobile  
suspension parts

## Future Direction

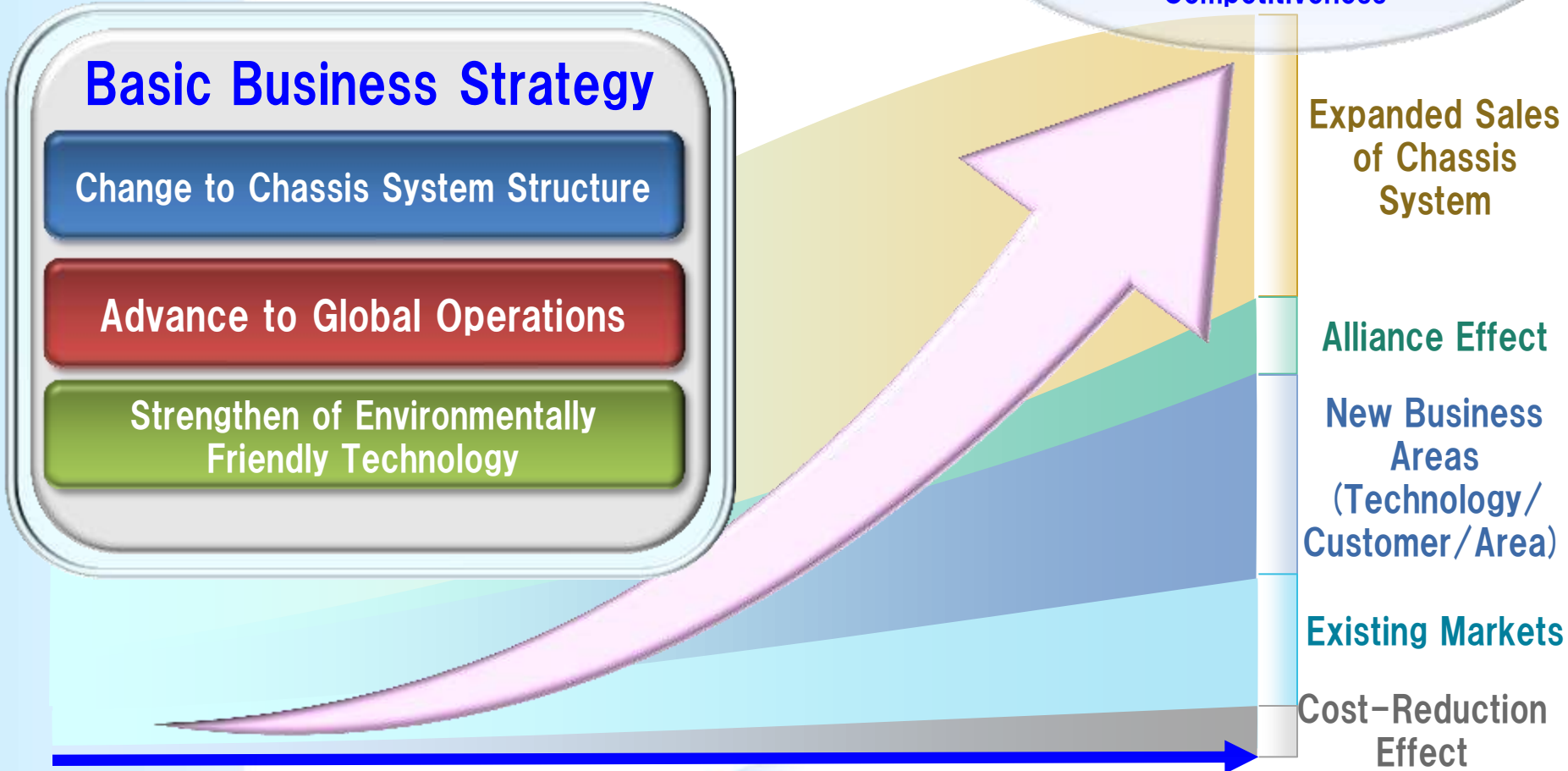
- Parts: Make new entry into electric equipment and gear areas
- Processing method: Challenge to optimize material costs by re-using scraps

By achieving the ultimate material yield and eliminating the post processes, we will realize the overwhelming cost reduction, and supply globally as F-tech's special products including to other customers.



# 4. Growth Image Going Forward

- Achieve the target earnings by implementing specific measures based on the mid-term business plan
- While firmly protecting the existing markets, introduce new technologies, and expand new customers and new business areas
- Increase profitability to realize new growth and become a chassis system manufacturer



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**Vice President**

## Philosophy for Environment

In order to become the top runner in the area of the environment in the automotive industry, we will make the utmost effort to establish a future with rich nature and low carbon. We will do this by having each of our associate's extending their understanding of global environmental issues and proactively engaging in the continuous preservation of the environment in all areas of our corporate activities.

### Acquired certification of ISO50001 (energy management system) (Kameyama Factory)

In 2013, our company became the first certified manufacturer specializing in automobile parts. Going forward, we will have our sophisticated energy management expand globally.



### Japan

#### -Kuki Factory

Cleaning of Bizen-horikawa River by the industrial complex

#### -Kameyama Factory

Improvement utilizing ISO50001EnMS

#### -Haga Technical Center

Completion of new management building with due consideration to the environment and safety

#### -Kyushu F.tech

Social contribution: Factory tour for local elementary school students



### Asia

#### -FPMI

Participation in a tree-planting program



#### -FMTL

Tree-planting of mangroves



### N. America

#### -DYNA-MIG

Received Award of Excellence for 2 consecutive years

#### -F&P-A

Awarded Honda-Green Prize and certified for DRG3

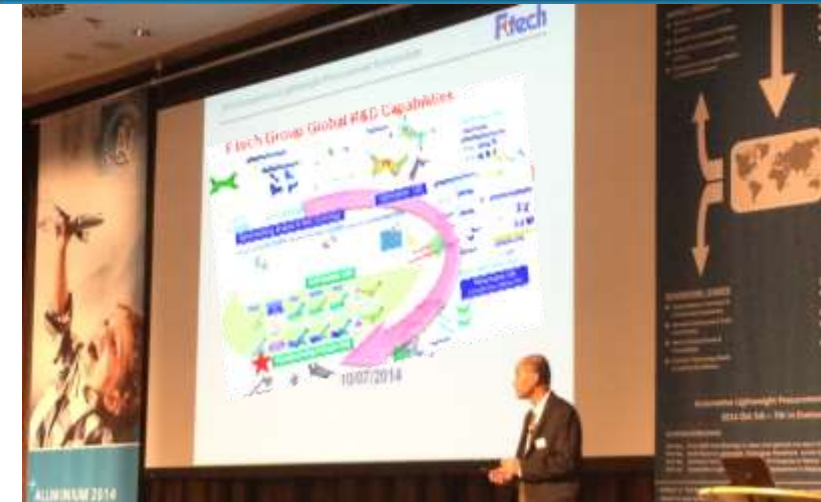


# Participation in AluMag Symposium

- In recognition of our weight-reduction technology, we were invited to and participated in the AluMag symposium in Germany, which was highly recognized in Europe.
- We made a presentation on our weight-reduction technology including FSW and others in front of OEMs from many countries in the world.

Participants
60 companies 210 people

## AluMag Symposium October 5 to 7, 2014 Düsseldorf, Germany



### SYMPOSIUM PARTNERS



## FSW: World's First New Technology of its kind

(1) Steel/aluminum FSW welding technology	(2) Structural/rust-prevention technology	(3) FSW welding system using industrial robots	(4) Non-destructive testing system by infrared camera/laser

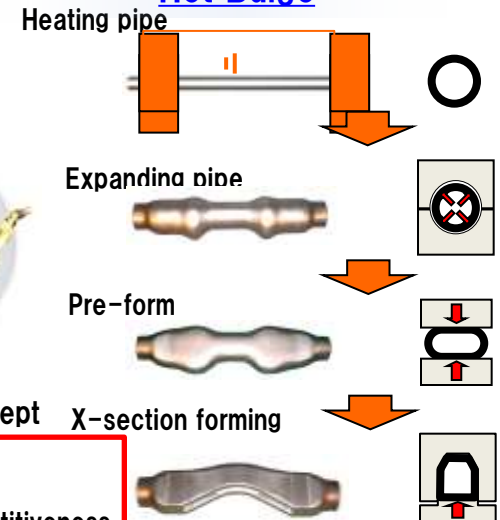
## CAE = Optimization

Case of Optimal Loops

Designable space  
Optimal basic structural concept

- Proposal for weight-reduction with optimal specifications
- Realization of overwhelming competitiveness

## Hot Bulge



We disclose information in a timely and appropriate way on our website.

<http://www.ftech.co.jp/index.html>



[http://www.ftech.co.jp/investors/investors\\_01.html](http://www.ftech.co.jp/investors/investors_01.html)



The future outlooks and earnings forecasts in this document are made based on the information available at the moment, and they include potential risks and uncertainties.

As a result, please bear in mind that actual business performance may substantially differ from the stated future forecasts due to changes in various factors.

For inquiries on IR information and requests for interviews, please contact:  
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