

# FY16 2nd Quarter Financial Results Meeting

November 6, 2015

F.Tech Inc.

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

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

1. Financial Results Overview
2. Earnings Forecast
3. Basic Information
4. Business Strategy
5. Topics



Yuichi Fukuda  
President & Co-CEO

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# Consolidated Financial Results Overview (year on year)



(Million yen)

	Q2 Actual FY Ended Mar 2015		Q2 Actual FY Ending Mar 2016		Difference	
Sales	84,450	100.0%	93,983	100.0%	9,532	11.3%
Operating Income	2,232	2.6%	2,115	2.3%	-116	-5.2%
Income before tax	2,143	2.5%	2,102	2.2%	-40	-1.9%
Profit attributable to owners of parent	521	0.6%	420	0.4%	-101	-19.4%
Earnings per share(yen)	33.96	—	27.37	—	-6.59	-19.4%

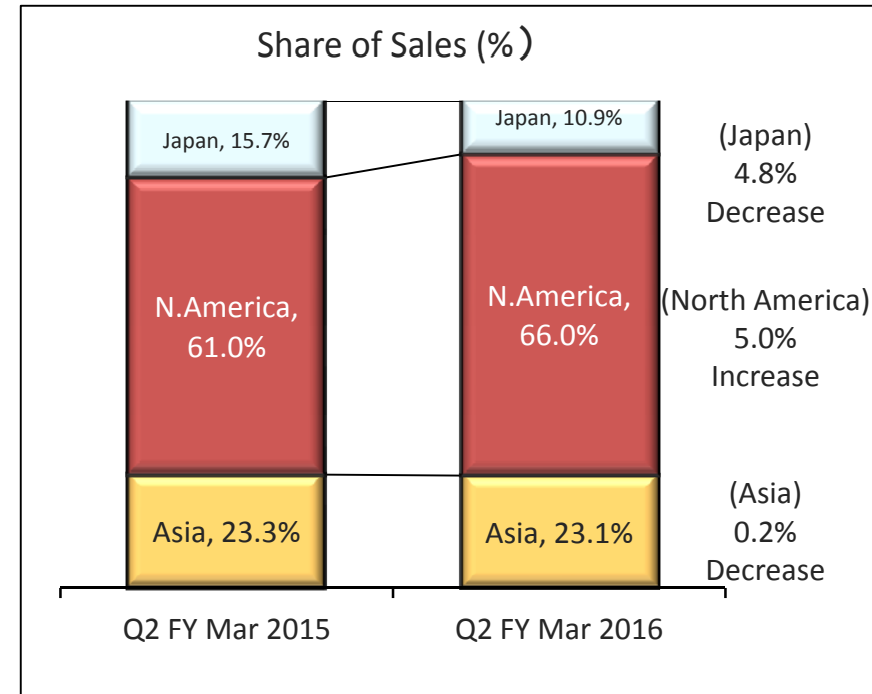
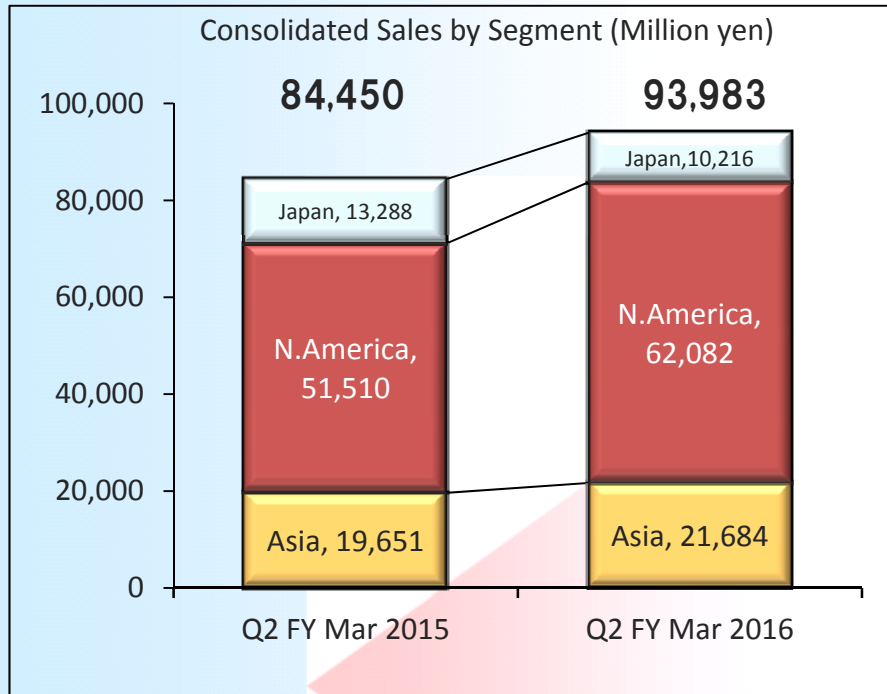
## Foreign Exchange Impact

Currency	Q2 Actual FY Ended Mar 2015	Q2 Actual FY Ending Mar 2016	Difference
1US\$	103.61 yen	121.72 yen	18.11 yen
1CAN\$	95.07 yen	95.62 yen	0.55 yen
1Yuan(RMB)	16.56 yen	19.36 yen	2.80 yen

Sales increased but income decreased : Sales increased due to foreign exchange impact, Income decreased due to the impact of decreased sales of our main customer.



# Consolidated Sales (year on year)



## Changes in Consolidated Sales

	Q2 FY Mar 2015	Q2 FY Mar 2016	Difference	Difference (%)	FX Impact	Real difference	Difference (%)
Japan	13,288	10,216	-3,072	-23.1%	—	-3,072	-23.1%
N.America	51,510	62,082	10,572	20.5%	6,318	4,253	8.3%
Asia	19,651	21,684	2,032	10.3%	3,445	-1,413	-7.2%
Consolidated	84,450	93,983	9,532	11.3%	9,764	-231	-0.3%

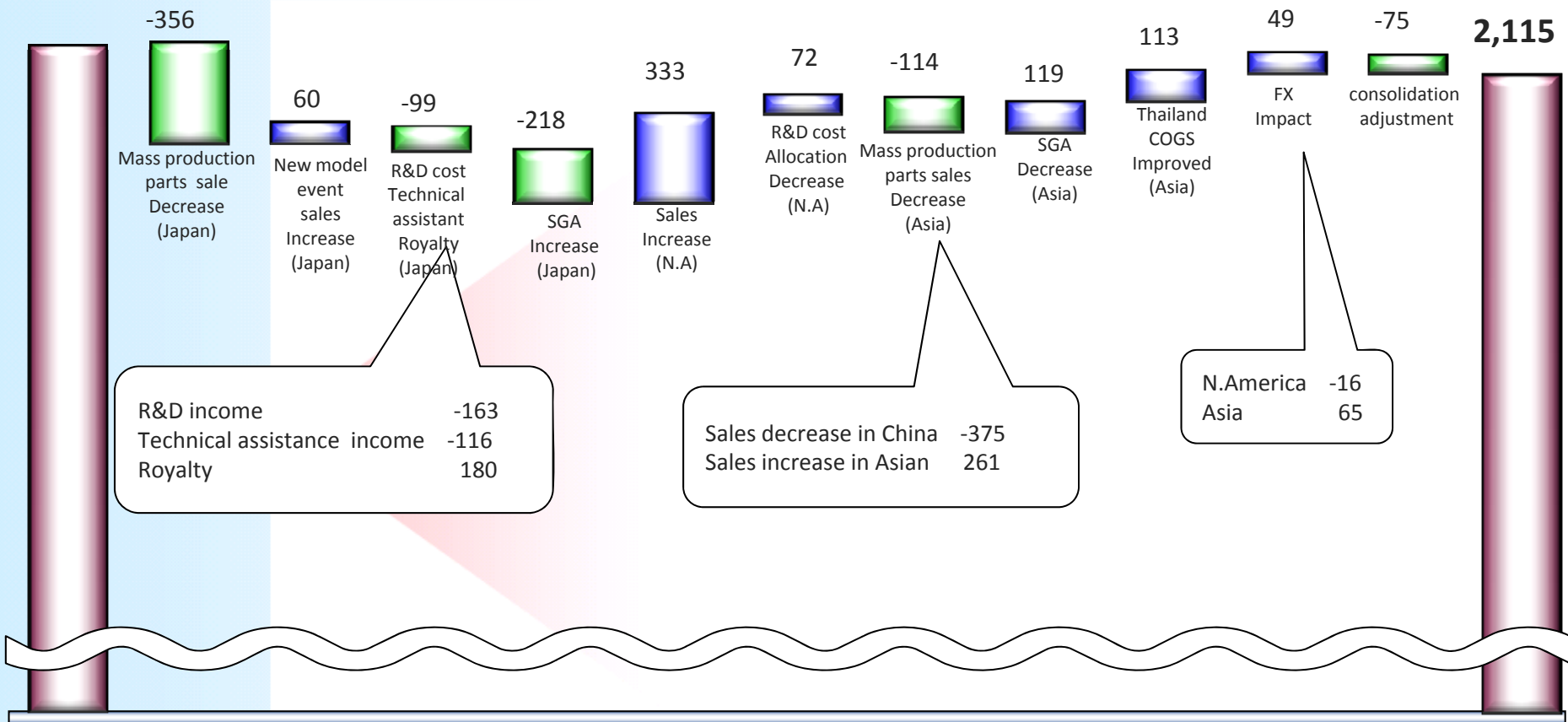
Sales in NA increased, overseas segments contributing 89.1% of consolidated sales.

# Factors in Changes in Operating Income

(Unit: Million yen)



2,232



Q2 FY Mar 2015  
Operating Income Actual

Q2 FY Mar 2016  
Operating Income Actual

# Operating Income by Segment (year on year)



(Unit: Million yen)

	FY Mar 2015 Q2 Actual		FY Mar 2016 Q2 Actual		Difference	Difference (%)
	Operating Income	Share by Region	Operating Income	Share by Region		
Japan	37	1.7%	-575	-27.2%	-613	—
N. America	1,711	76.6%	2,100	99.3%	389	22.8%
Asia	191	8.6%	373	17.7%	182	95.2%
<b>Total</b>	<b>1,940</b>	<b>86.9%</b>	<b>1,899</b>	<b>89.8%</b>	<b>-41</b>	<b>-2.1 %</b>
Adjustment	292	13.1%	216	10.2%	-75	-25.8%
<b>Consolidated</b>	<b>2,232</b>	<b>100.0%</b>	<b>2,115</b>	<b>100.0%</b>	<b>-116</b>	<b>-5.2%</b>

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# Consolidated Performance Forecast (FY Mar 2016)



(Unit: Million yen)

	FY Mar 2016 (Announced on Aug 5)		FY Mar 2016 (Announced on Nov 5)		Difference	
Sales	185,000	100.0%	194,000	100.0%	9,000	4.9%
Operating Income	6,500	3.5%	6,500	3.4%	—	—
Income before tax	6,200	3.4%	6,300	3.2%	100	1.6%
Profit attributable to owners of parent	2,600	1.4%	2,500	1.3%	-100	-3.8%
Earnings per share (yen)	169.31	—	162.80	—	-6.51	-3.8%

## Foreign Exchange Impact

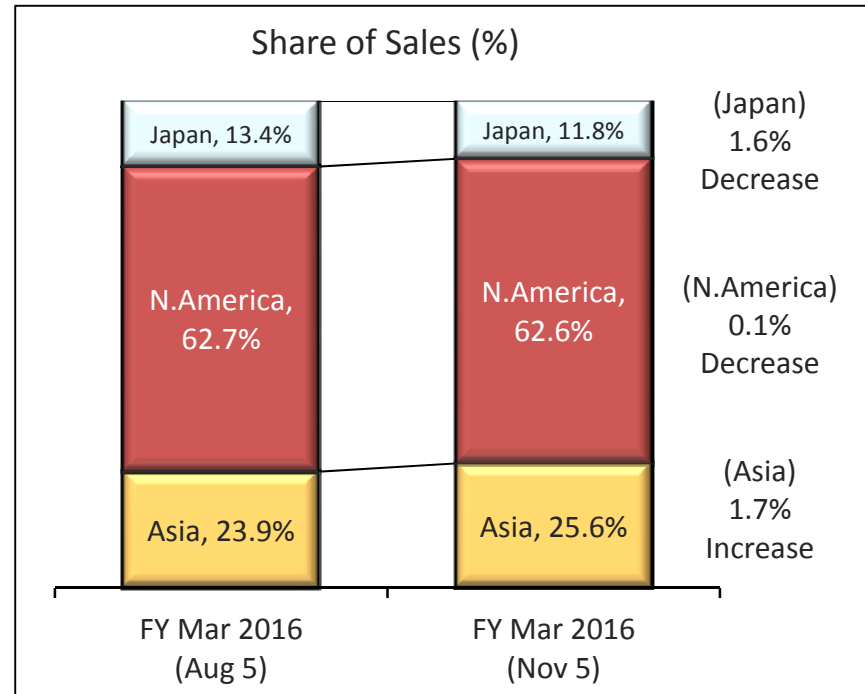
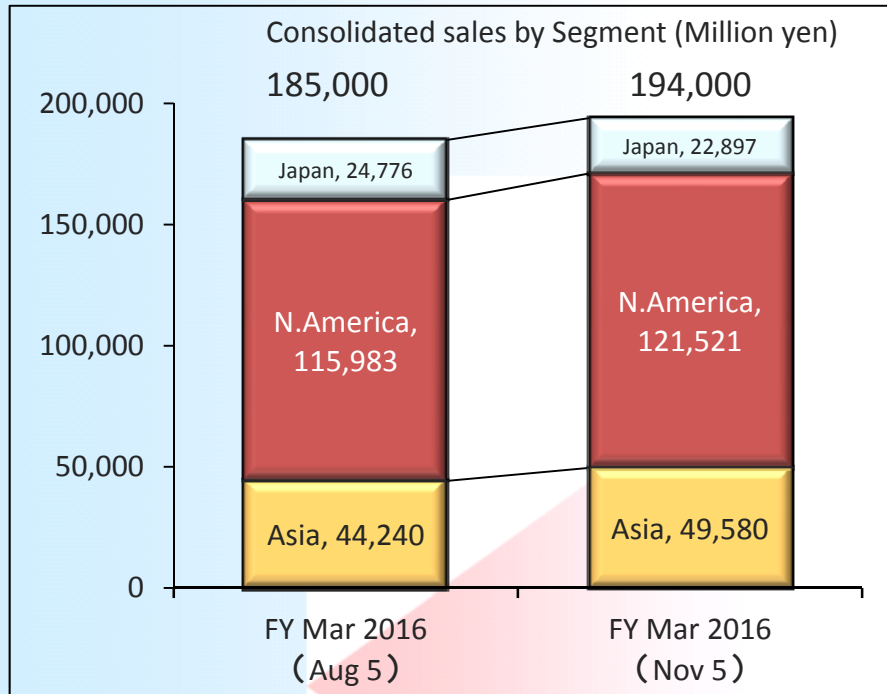
	FY Mar 2016 (Aug 5)	FY Mar 2016 (Nov 5)	Difference
1US\$	115.00 yen	119.86 yen	4.86 yen
1CAN\$	93.00 yen	91.31 yen	-1.69 yen
1Yuan (RMB)	18.00 yen	18.98 yen	0.98 yen

\* 2<sup>nd</sup> half exchange rates asumptions: 1US\$:118.00yen, 1CAN\$:87.00yen, 1RMB: 18.00yen

Income increased due to foreign exchange impact, net profit decreased due to net profit attributable to non-controlling interests increased.



# Consolidated Sales Forecast (FY Mar 2016)



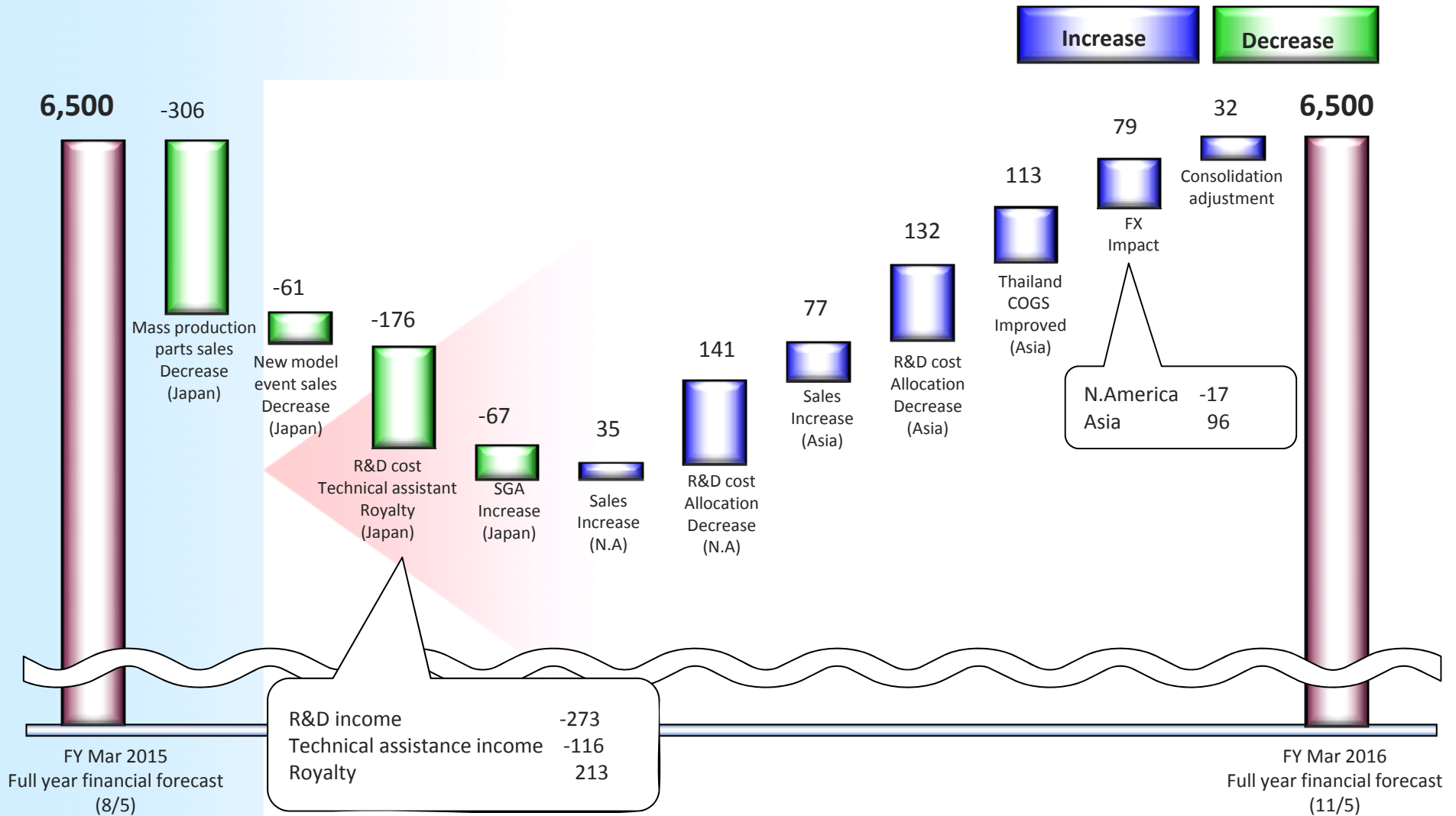
Changes in Consolidated Sales

	Announced on Aug 5	Announced on Nov 5	Difference	Difference (%)	FX Impact	Real difference	Difference (%)
Japan	24,776	22,897	-1,878	-7.6%	—	-1,878	-7.6%
N.America	115,983	121,521	5,538	4.8%	2,405	3,133	2.7%
Asia	44,240	49,580	5,340	12.1%	2,108	3,232	7.3%
<b>Consolidated</b>	<b>185,000</b>	<b>194,000</b>	<b>9,000</b>	<b>4.9%</b>	<b>4,514</b>	<b>4,486</b>	<b>2.4%</b>

Sales in NA remains firm, and in Asia region, sales has been recovered in 2<sup>nd</sup> half, which contributes to overall increase. Sales trend in Japan is showing recovery, however, it does not lead to favorable impact on the profit.

# Changes in Operating Income

(Unit: Million yen)



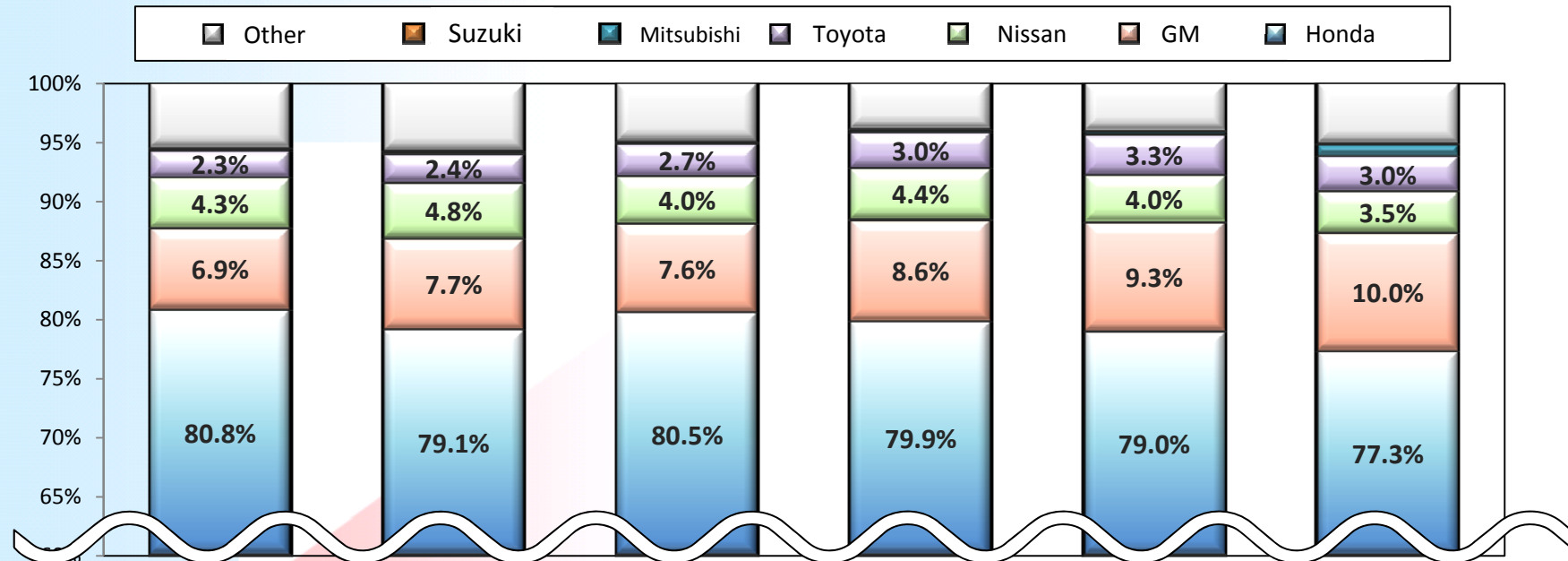
# Operating Income by Segment (FY Mar 2016 Forecast)



(Unit: Million yen)

	FY Mar 2016 (Announced on Aug 5)		FY Mar 2016 (Announced on Nov 5)		Difference	Difference (%)
	Operating Income	Share by Region	Operating Income	Share by Region		
Japan	1,047	16.1%	437	6.7%	-610	-58.3%
N. America	4,105	63.2%	4,265	65.6%	159	3.9%
Asia	1,797	27.7%	2,215	34.1%	418	23.3%
Total	6,950	106.9%	6,918	106.4%	-32	-0.5%
Adjustment	-450	-6.9%	-418	-6.4%	32	-7.2%
Consolidated	6,500	100.0%	6,500	100.0%	—	—

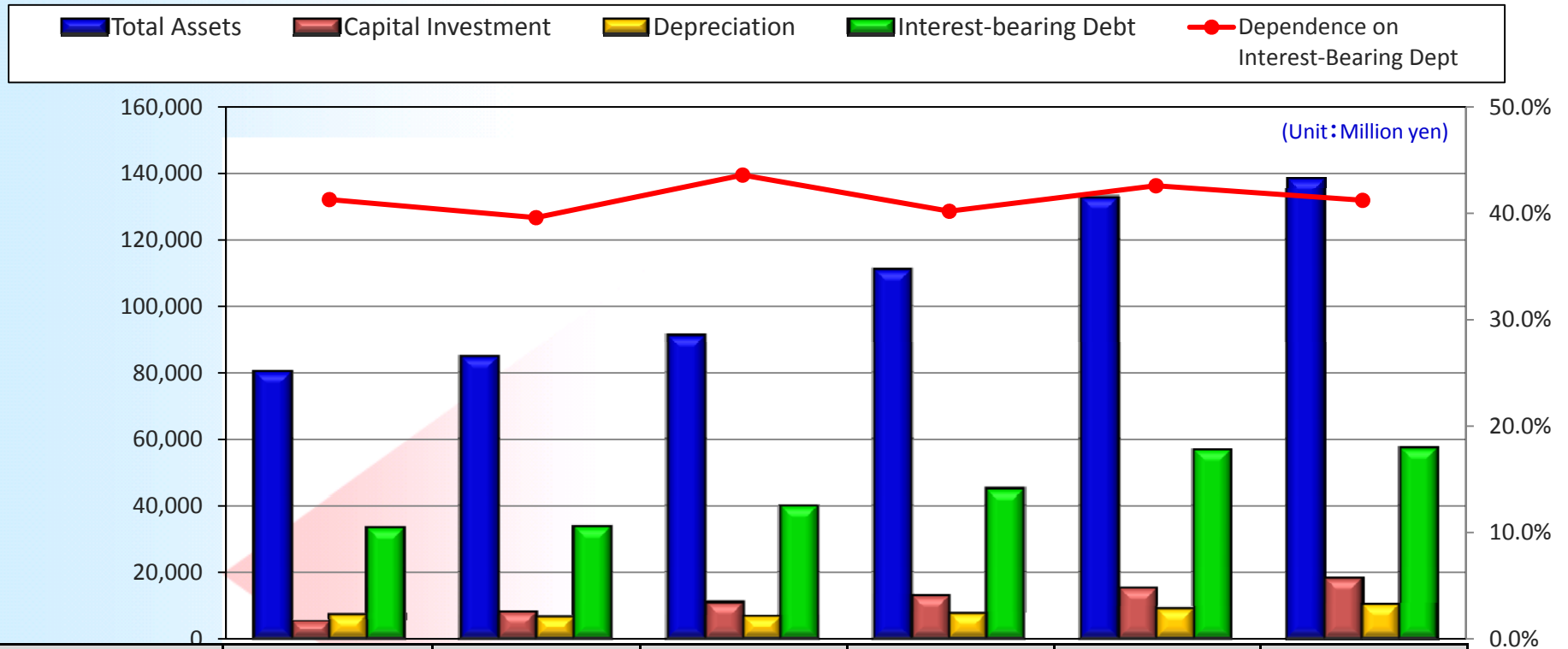
# Changes in Sales by Customer



	FY Mar 2011	FY Mar 2012	FY Mar 2013	FY Mar 2014	FY Mar 2015	FY Mar 2016
Honda	111,300	103,340	116,046	137,708	138,635	150,014
GM	9,533	10,082	10,935	14,863	16,304	19,407
Nissan	5,886	6,208	5,773	7,535	7,024	6,754
Toyota	3,136	3,131	3,919	5,209	5,875	5,914
Mitsubishi	248	289	217	369	526	2,018
Suzuki	88	91	114	127	135	286
Other	7,515	7,468	7,085	6,645	7,080	9,606
<b>Total</b>	<b>137,706</b>	<b>130,609</b>	<b>144,089</b>	<b>172,456</b>	<b>175,579</b>	<b>194,000</b>

(Unit: Million yen)

# Financial Situation



	FY Mar 2011	FY Mar 2012	FY Mar 2013	FY Mar 2014	FY Mar 2015	FY Mar 2016
Total Assets	80,220	84,796	91,200	111,062	132,697	138,390
Capital Expenditure	5,095	7,872	10,696	12,715	14,987	17,879
Depreciation	7,017	6,374	6,544	7,508	8,920	10,200
Interest-Bearing Debt	33,157	33,567	39,786	44,679	56,570	57,055
Dependence on Interest-Bearing Dept	41.3%	39.6%	43.6%	40.2%	42.6%	41.2%




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# Company Overview

Company name	F-TECH INC.	
Capital	4,790.37 million yen	
Number of shares issued	15,390,000	
Foundation	July 1 <sup>st</sup> 1947	
Head office	19 Showanuma, Shobu-cho, Kuki City, Saitama	
Number of employees	952 (F-tech standalone) 7,773 (Consolidated)	
Number of overseas facilities	N. America: 8, China: 4, Asia: 4, Europe: 1	

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

## Basic Business Strategy

### 1. Change to Chassis System Structure

- Create a structure capable of developing a chassis system by combining peripheral parts into a multifunctional component, in addition to developing standalone chassis.

### 2. Evolution to Global Operations

- Global expansion  
→ Achieve 24 hour system
- Implement development base system  
→ Borderless Development Environment

Corresponds optimally to global needs

### 3. Strengthening of Environmentally Friendly Technologies

- Advancement of weight-reduction technology
- New processing technology
- Electronic

## Target

### Business Performance

Sales 200 billion JPY

Operating income 10 billion JPY  
(Operating profit 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 business

### Technology

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

### R&D

- Multiple functional module development
- Move to electronic components
- Weight-reduction design

# 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.

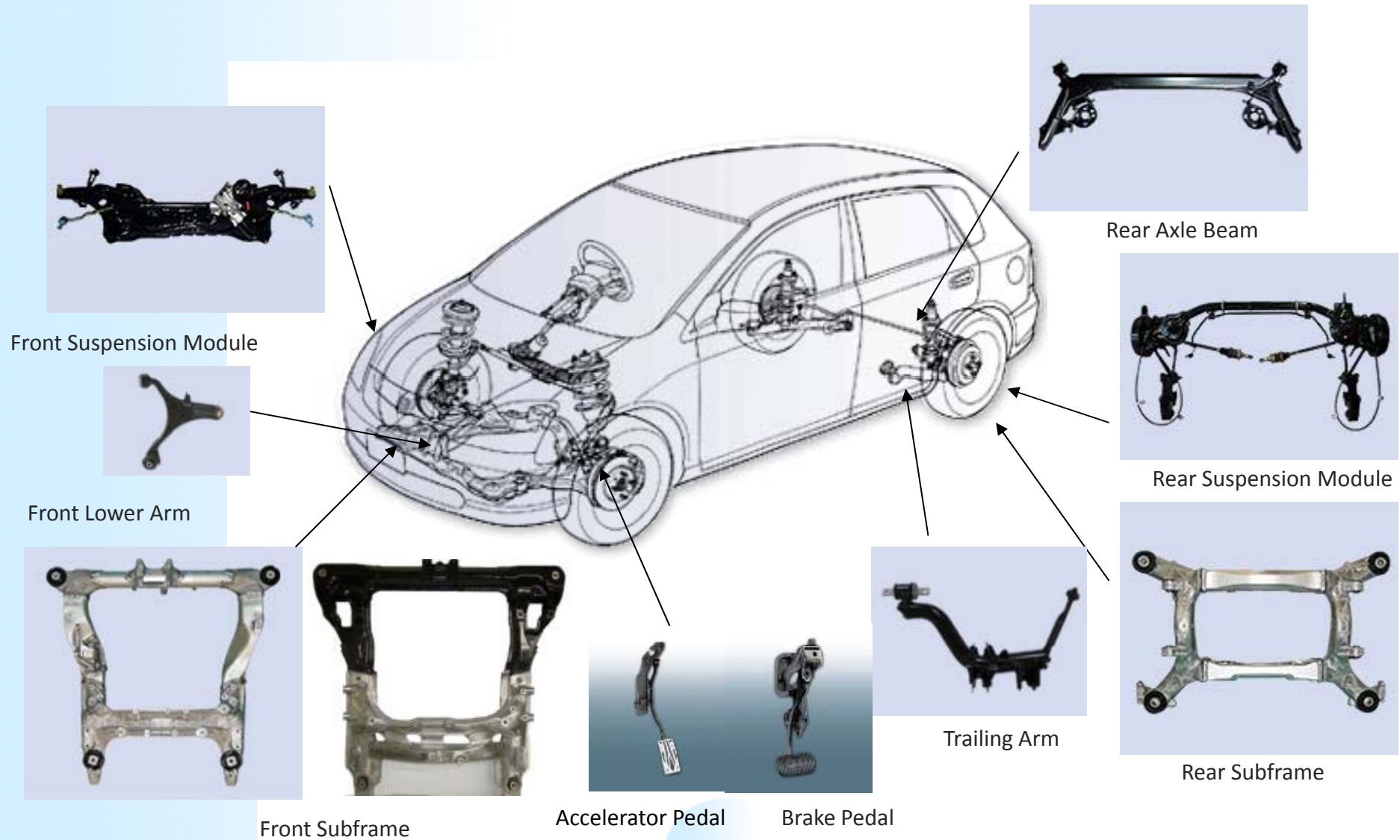
### Power of Associates

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



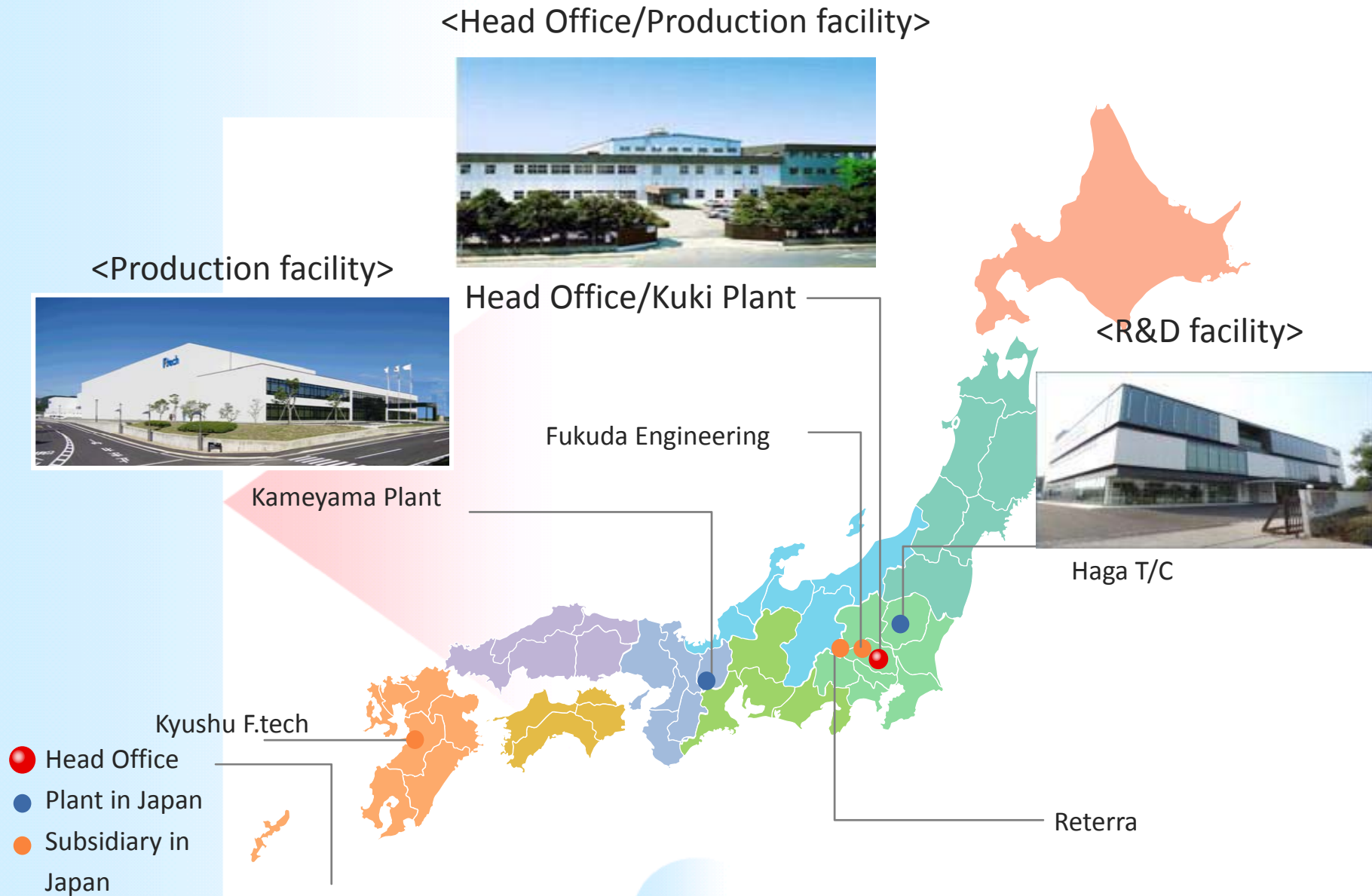
# Business Contents (Overview of Products)

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

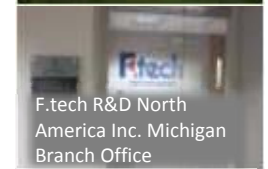
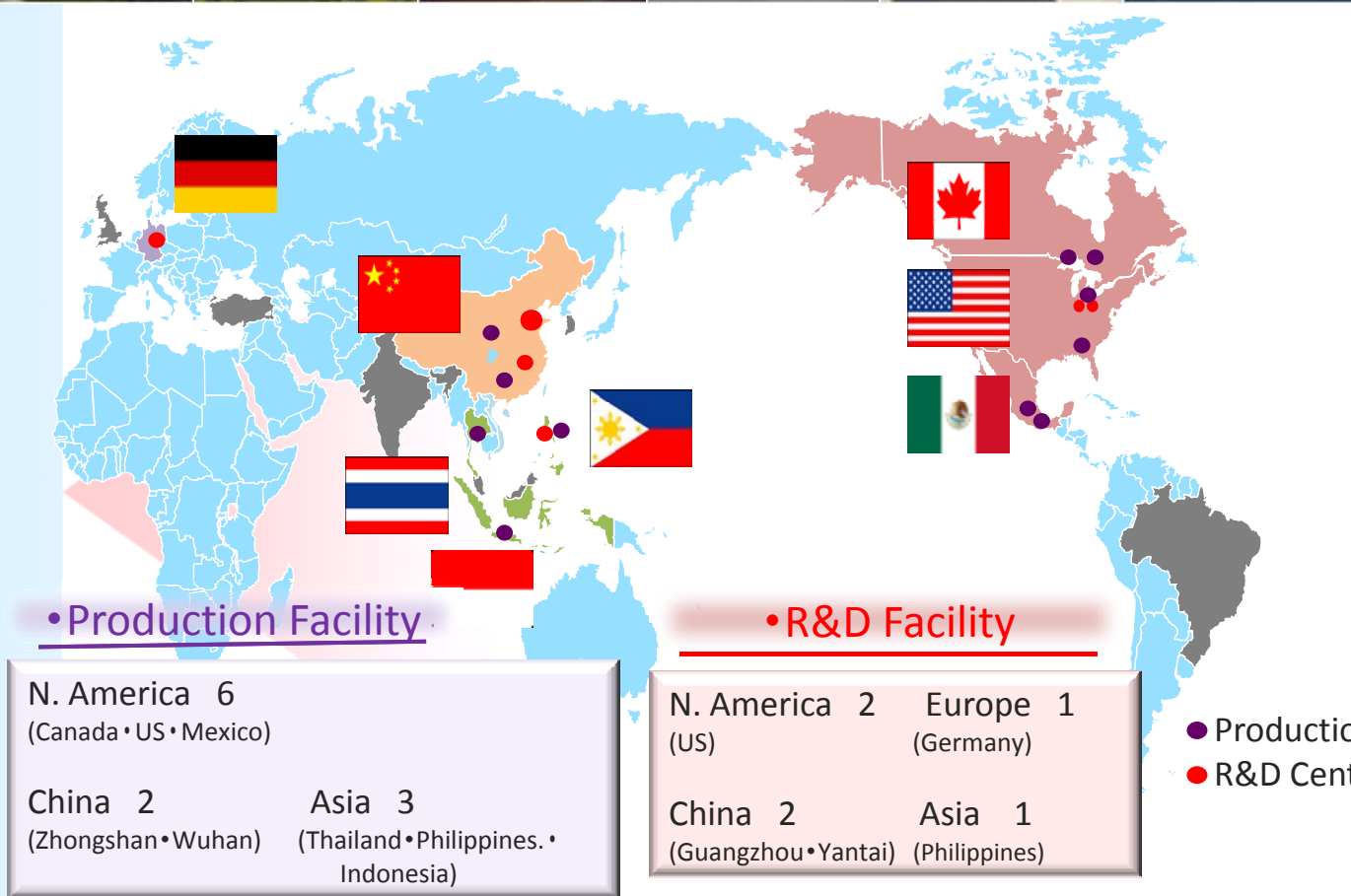




# Overview of Bases (1) - Bases in Japan



# Overview of Bases (2) – Overseas Bases



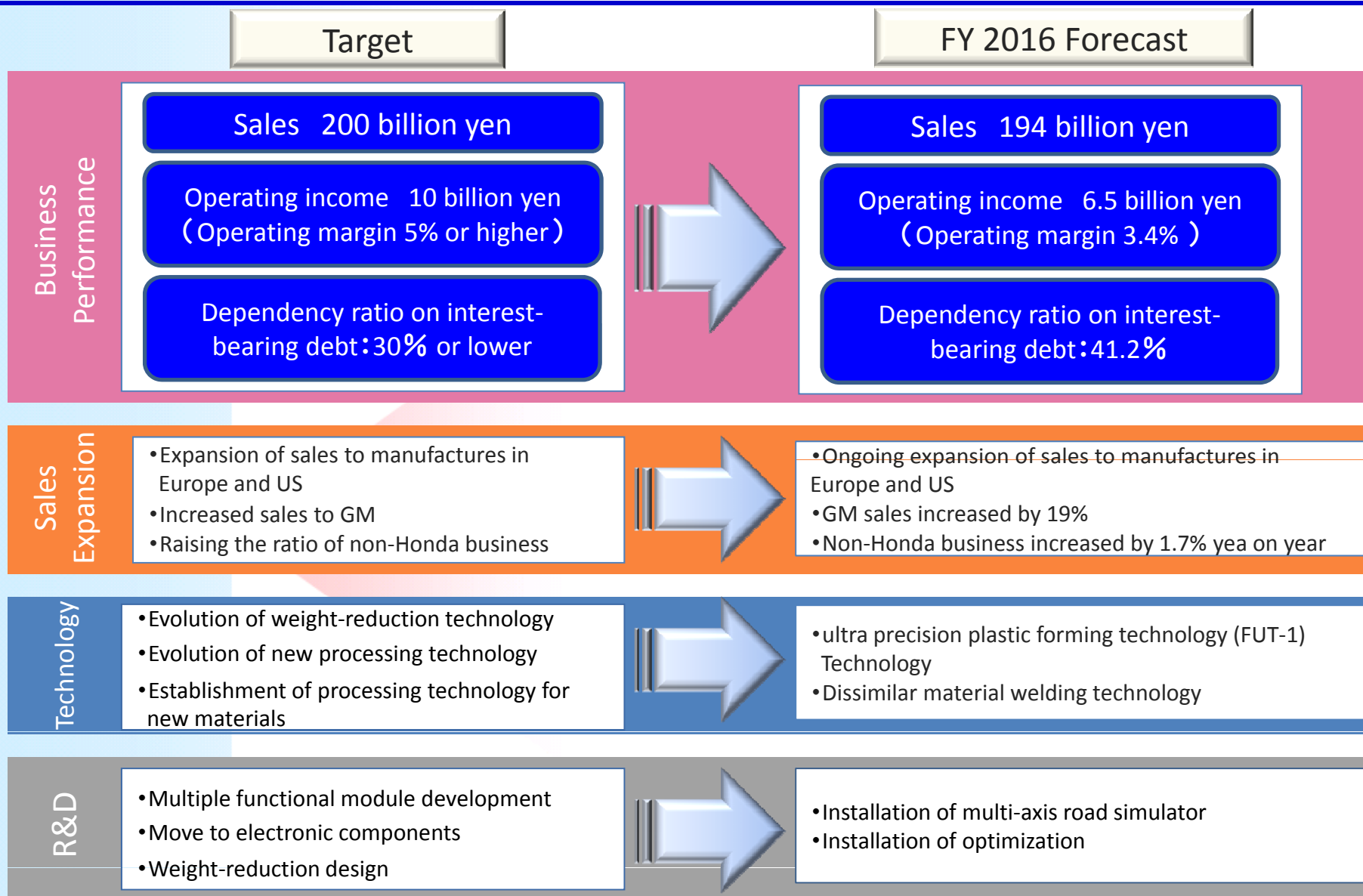
R&D capability has been enhanced for new business opportunities

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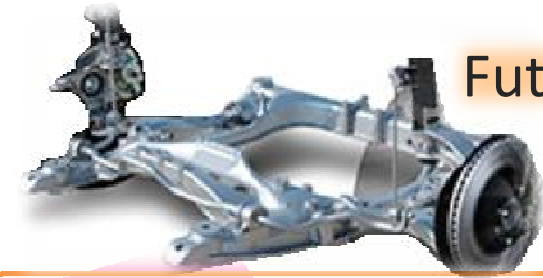
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# Current Status of 12<sup>th</sup> Mid-Term Plan (FY 2015 - FY 2017)





# Revolution to Chassis-System Structure



Future

Develop the lightest weight as multi-functional system

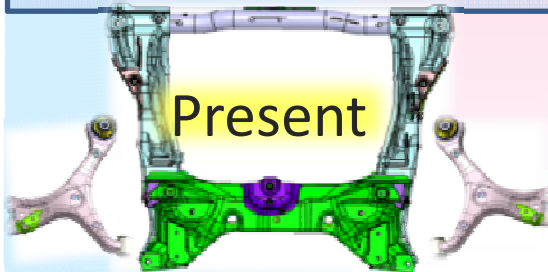
Quality assurance of parts with peripheral parts Installed

Achieve optimal processing technology

Optimal design by utilizing the simulation technology

Self-procurement of “Bush” and “ Ball Joint”

Develop and propose cost-competitive parts with lightest weight and high rigidity



Present

Regional characteristics and customer needs are properly incorporated and reflected to achieve optimal proposals.



## Best simulation technology and development process in the industry

### 1 Designing

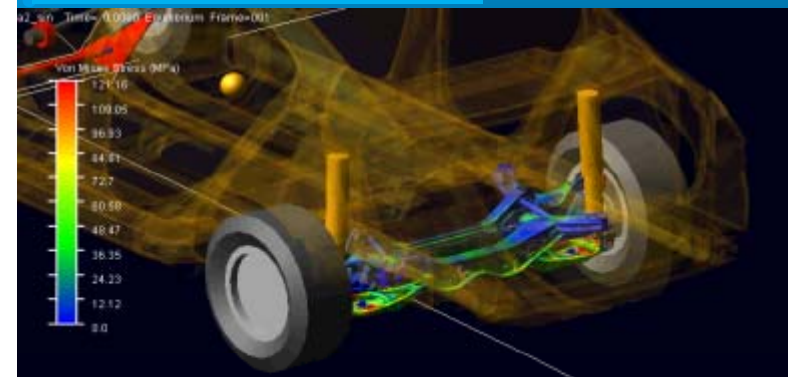
- Conceive products with the latest CAD system



### 2 CAE Simulation

- Advance the optimal designing technology with the latest CAE analysis
- Strengthen proposals as a chassis system
- Achieve 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



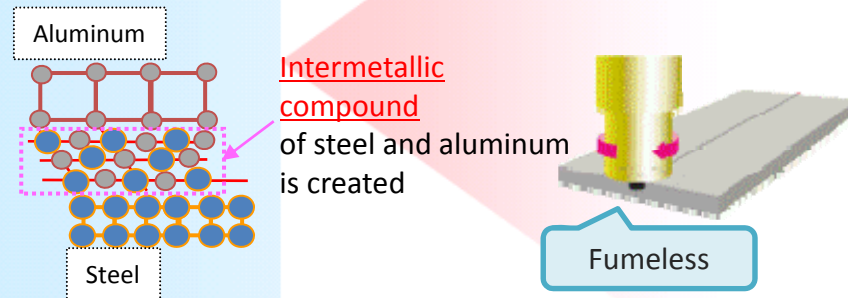
- Introduced multi-axis road simulator in 2014
  - Effectively achieving the optimal design by performing the bench testing on suspension systems with the same conditions as real cars

# Dissimilar Material Welding 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)



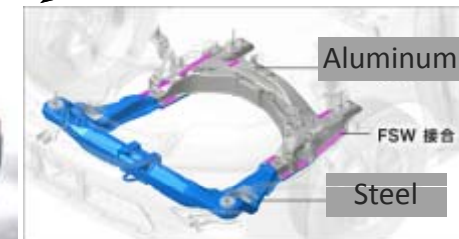
cross-section



## Established mass production structure for a new Accord model

- Weight-reduction -25%
- Improved performance  
Improved stiffness of the area where suspension mounted +20%
- Reduction of energy for manufacturing/  
Electric power saving -50%

U.S. New Accord Model



- Volume: 1,500 units or more/day

## World's First New Technology



(1) Steel/aluminum dissimilar material FSW welding technology



(2) Structural/anti-rust technology



(3) FSW welding system by using industrial robots



(4) Non-destructive testing system by using infrared camera/laser

## The Japan Welding Engineering Society WEB Magazine

Material provided by Honda Motor Co.,Ltd

# FSW Processing Technology



WE-COMマガジン第18号(2015年10月発行)の目次

1. 自動車サブフレームのFSWによる異種金属接合技術実用化
2. 可視化用レーザー照明を用いた溶接現象の可視化手法
3. 光造形方式のアディティブ・マニュファクチャリングによる積層造形
4. 大阪大学接合科学研究所 国際溶接技術者(IWE)コースの修了生を訪問して  
(1) 学生時代に国際溶接技術者 / IWEを取得して  
—IWEコース受講から現在までを振り返る—  
(2) 若手IWE(International Welding Engineer)の今  
—資格取得から現在に至るまで—

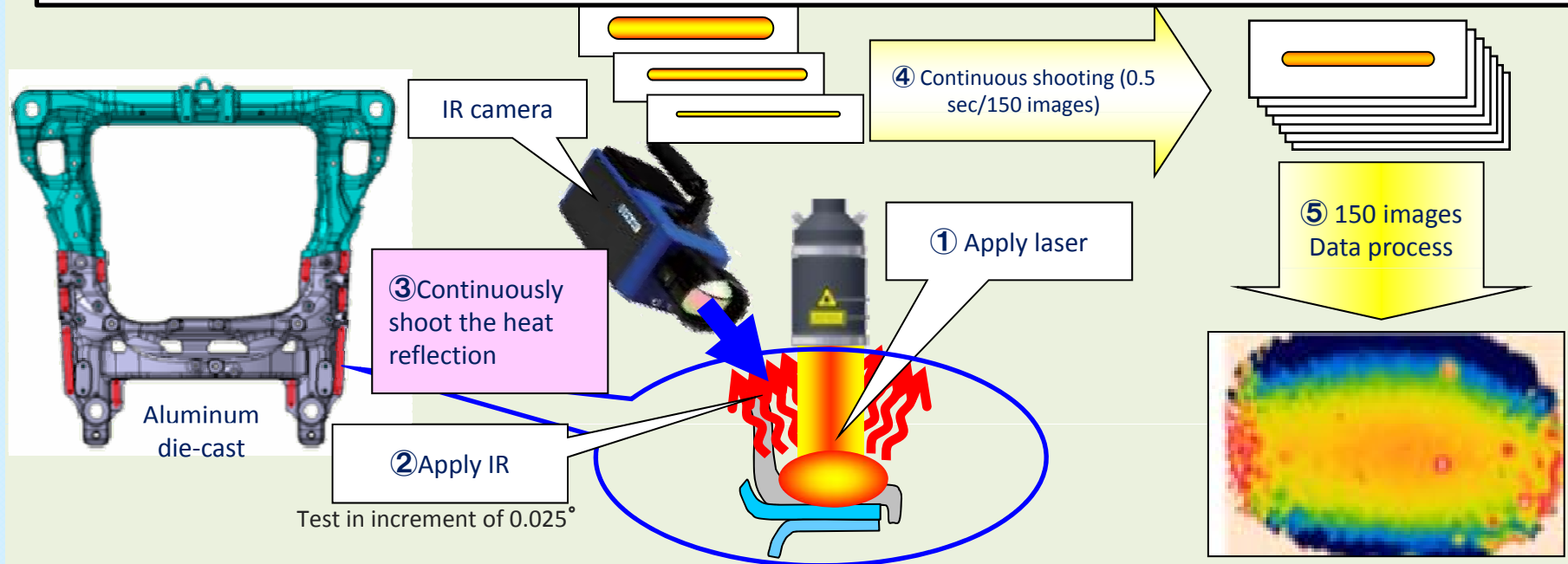
\* No video

FSW Video (partial)

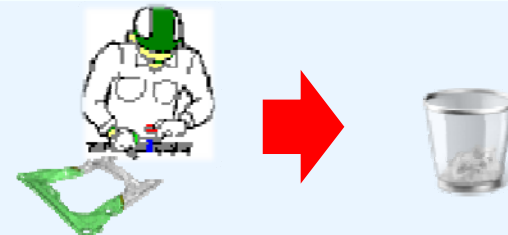
WE-COM Magazine, No.18

# FSW (Non-Destructive Inspection System)

Focus the study on laser-excited non-destructive testing technology, which detects and judges infrared phases caused by differences in thermal transmission of joined structure

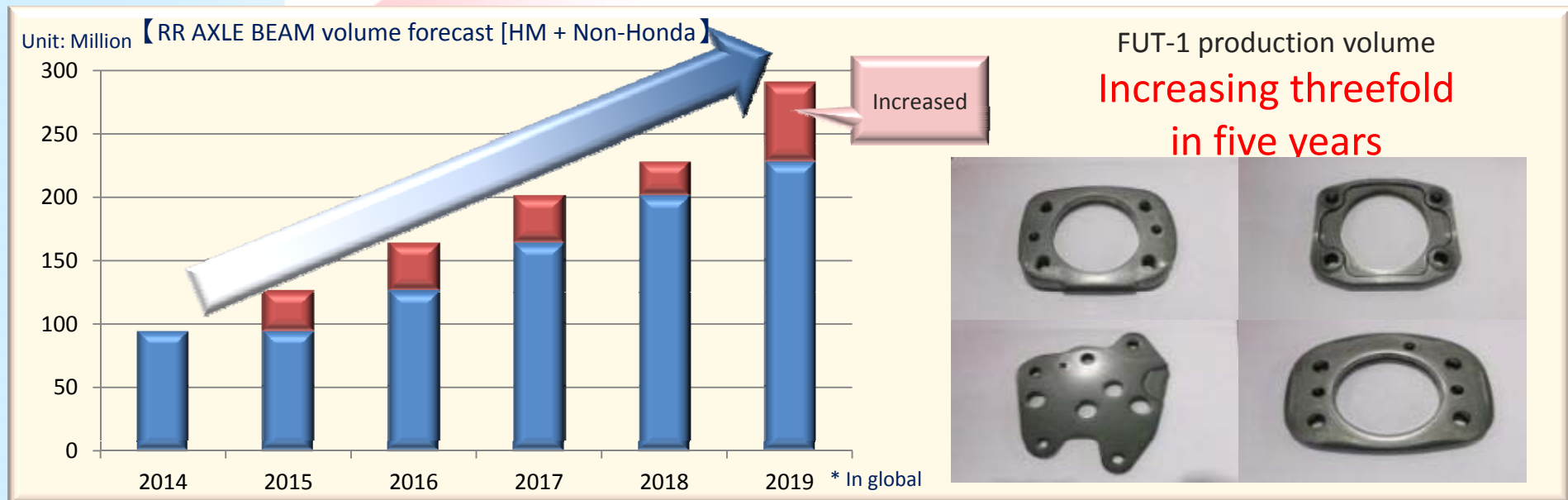
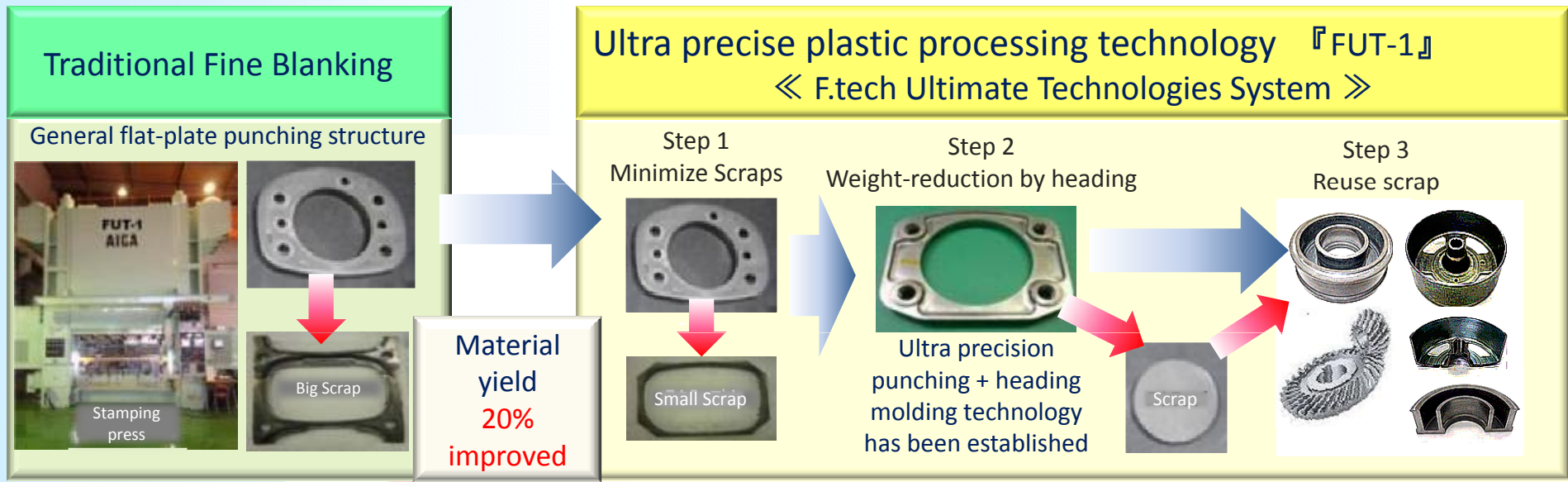


- Automation from manual work
- Establish quality assurance system
- Achieve zero destruction inspection and zero scrap cost





# Ultra Precision Plastic Forming Technology (FUT-1)





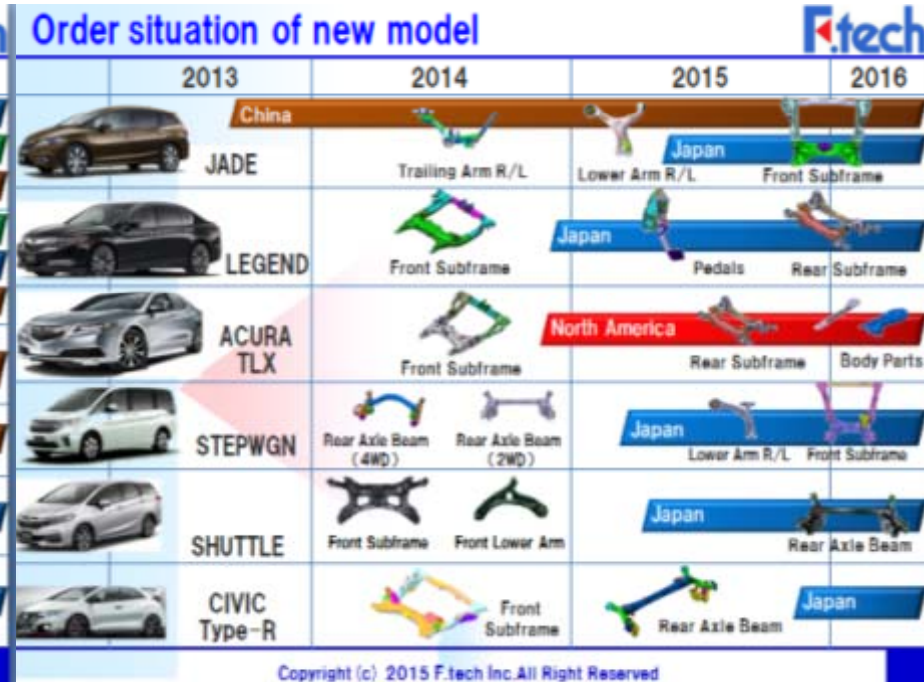
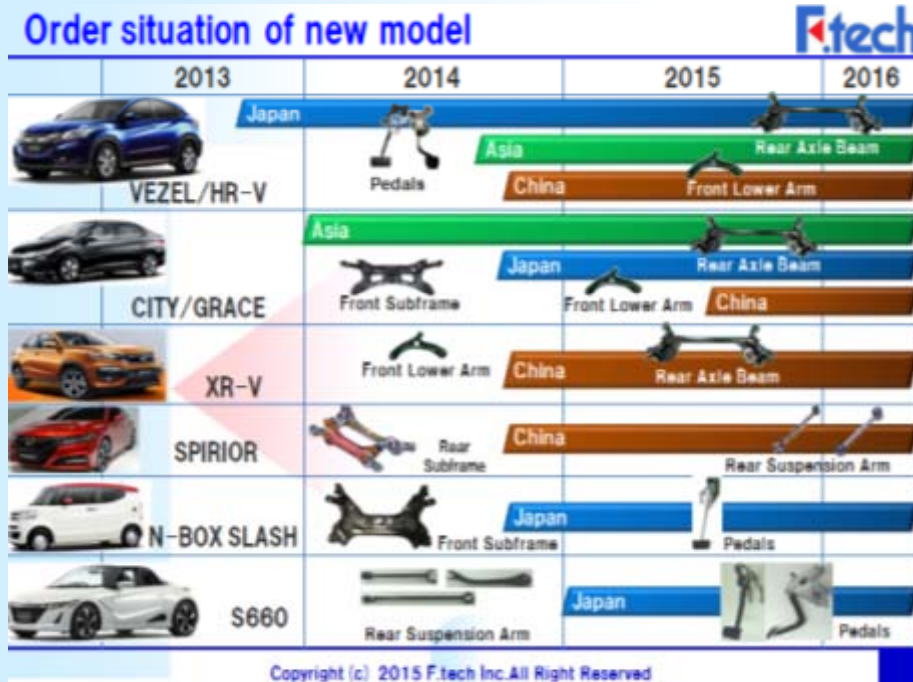
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# New Model Status

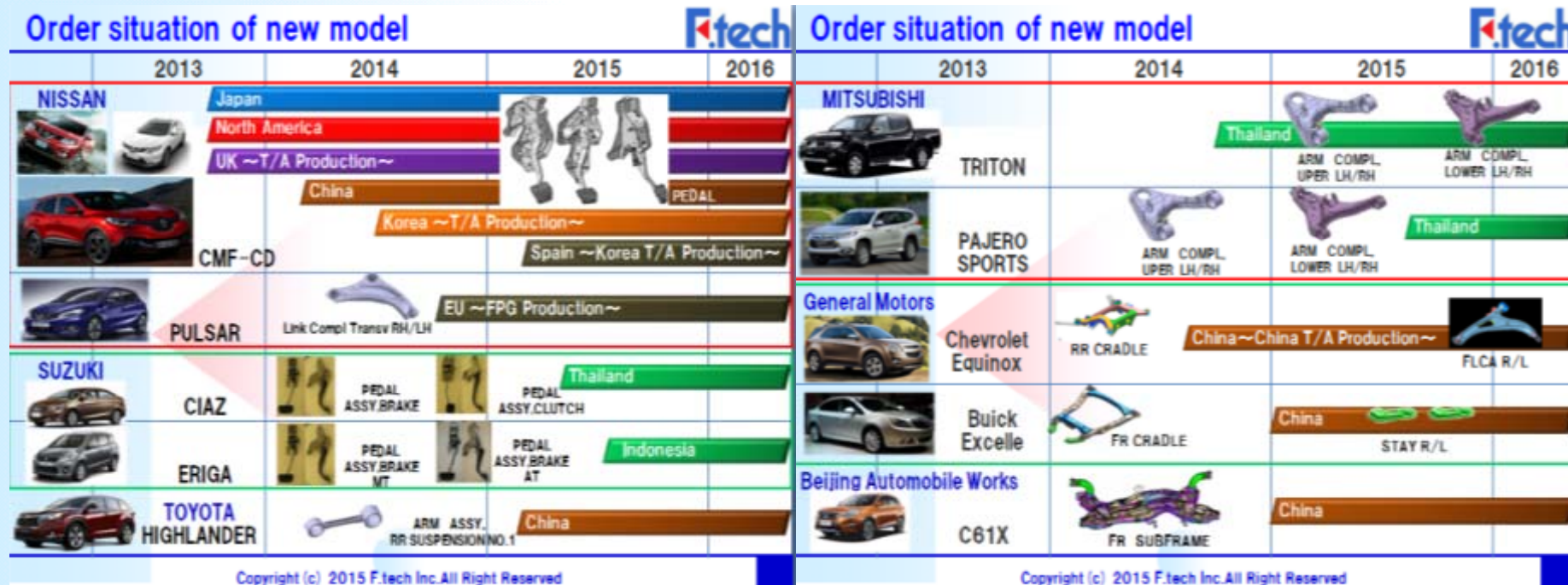
## New model business awarded from Honda



We are continuously awarded by achieving weight reduction while maintaining strength and rigidity requirements, and showing strong cost competitiveness.

# New Model Status

## New model business awarded from other OEMs



Continuously expanding business with Japanese, western, and Chinese OEMs due to our development capability.



# New Model Status

## General Motors



Name of car: Buick Excelle

Annual sales: USD 18,285K

Production plant: F-Tech  
WUHAN Inc.

Production volume: 230,000 units/yr

Parts awarded: FR CRADLE STAY R/L

Start of production: Jan 2015

## Beijing Automobile Works Co., Ltd,



Name of car: Shenbao

Annual sales: RMB 14.7M

Production plant: F-Tech Zhongshan  
Inc.

Production volume: 38,600 units/yr

Parts awarded: FR SUBFRAME

Start of production: Jan 2015

## MITSUBISHI



Name of car: PAJERO SPORTS

Annual sales: THB 38.1M

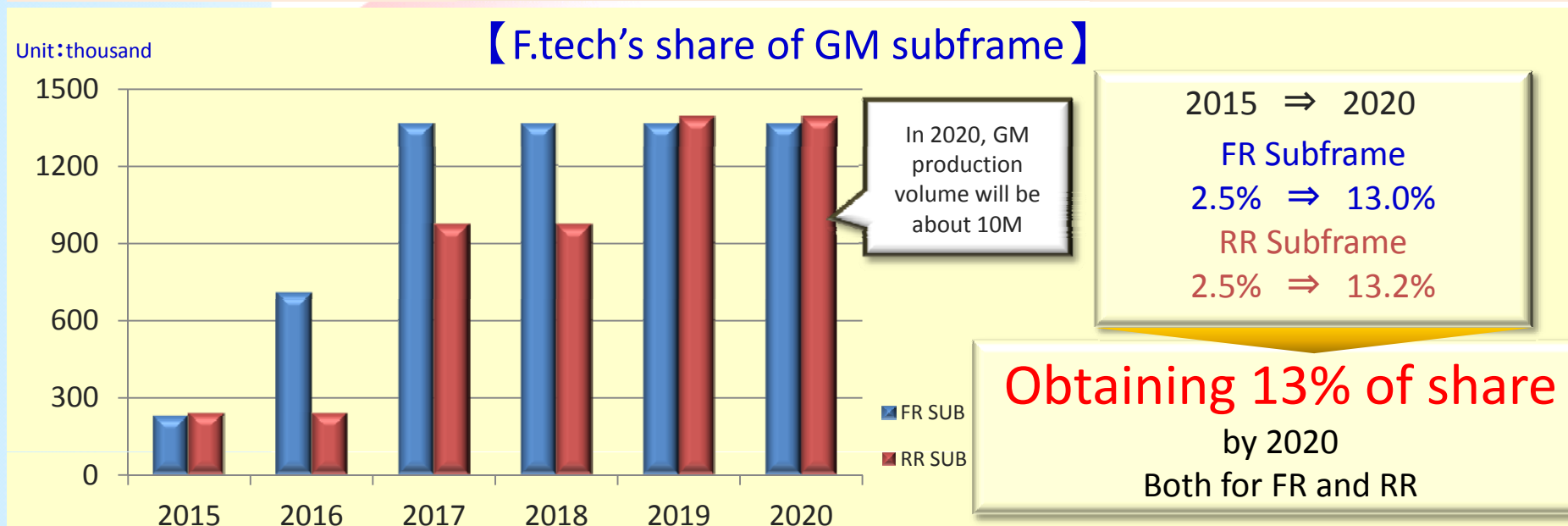
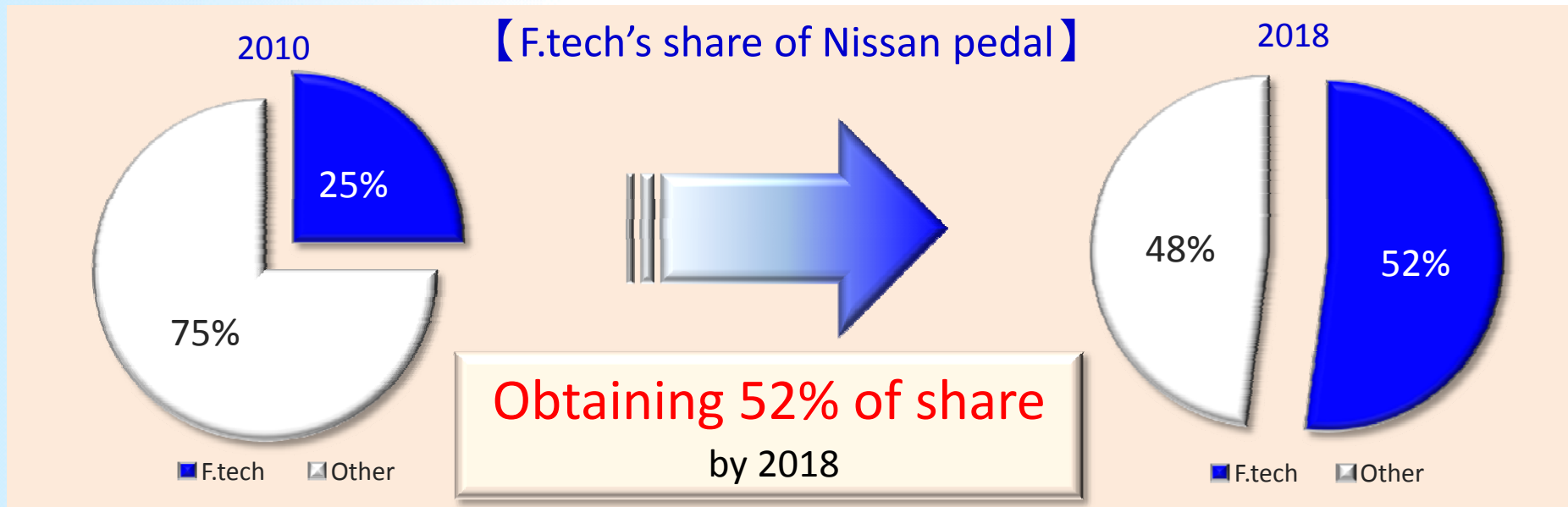
Production plant: F-TECH MFG.  
(THAILAND)LTD.

Production volume: 56,000 units/yr

Parts awarded: ARM COMPL, UPER LH/RH ARM COMPL, LOWER LH/RH

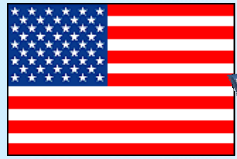
Start of production: Sep 2015

# Nissan Pedal Share / GM Subframe Share





# Capacity Expansion



June  
2015

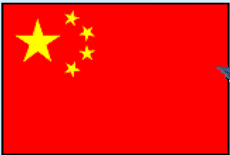
## F&P America

- 3000t TRF Stamping machine:  
Start of Production  
(Servo Press Machine)
- 1000t PRG Stamping machine:  
Start of Production  
(Servo Press machine)

3000t→



←1000t



August  
2015

## FTW(China)

- 3000t TRF Stamping machine:  
Start of production



October  
2016

## FPMX(Mexico)

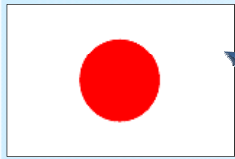
- 3000t TRF Stamping machine:  
Mass production start (Scheduled)
- 1000t PRG Stamping machine:  
Mass production start ( Scheduled)



Plant Building

**Production capability increased for GM business**

# Capacity Expansion



October  
2015

## Kyushu F.tech Inc.(Japan)

- Cold forging machine

Expand the supply to China and Asian region by strengthening the competitiveness



November  
2015

## DYNA-MIG(Canada)

- Cold forging machine

Introduced latest model high speed forging machine for new business opportunities



September  
2015

## F&P(Canada)

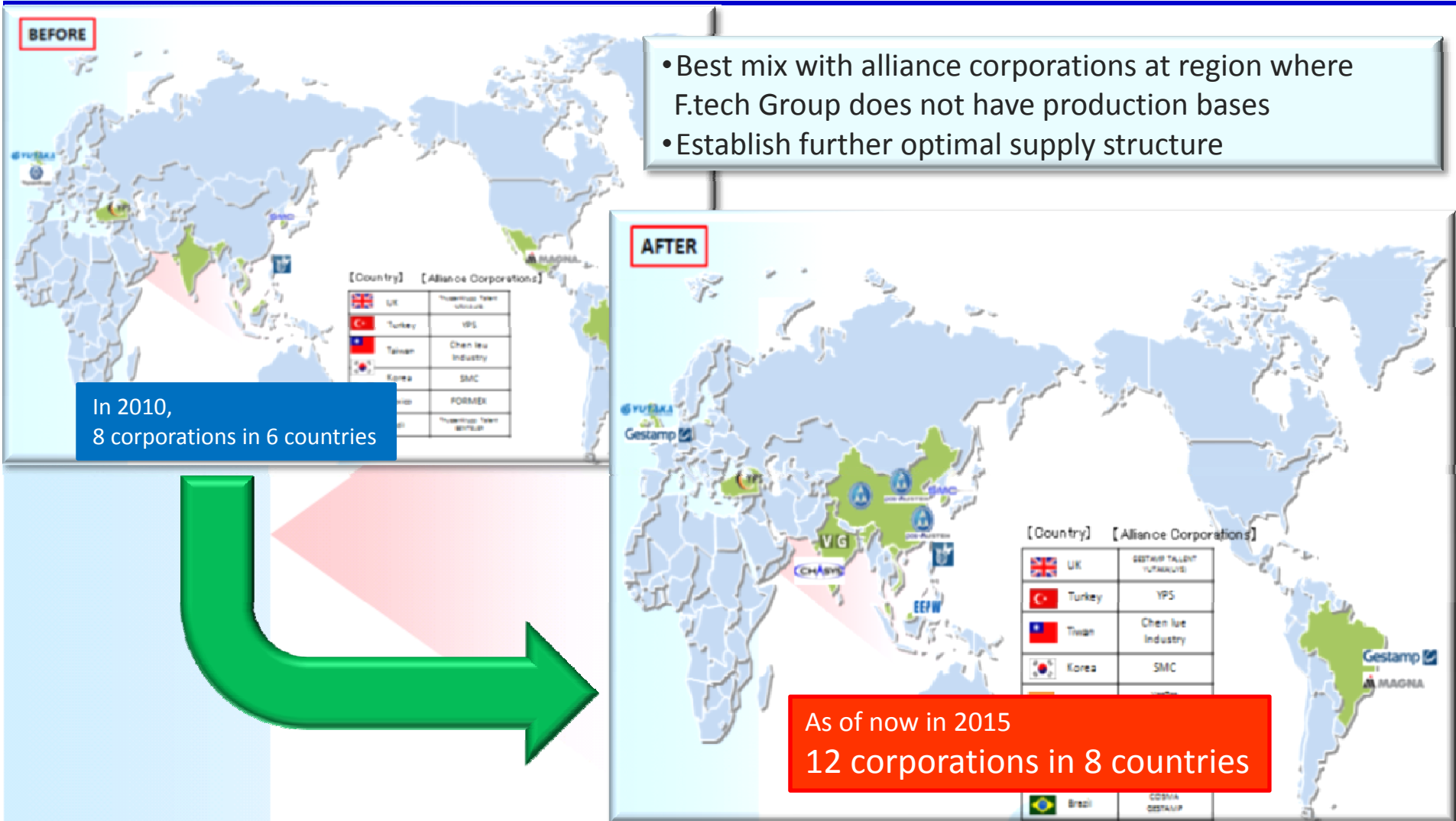
- Civic  
RR Module Assy

Activities for system module



Expanding business field in accordance with regional characteristics

# Overseas alliance corporations



Achieve optimal part supply structure by implementing global alliance strategy



# Environmental Activities



## Japan

The first forest creation activity  
"The Forest of F.tech"



## N. America

Received "Award of Excellence"  
for 3 consecutive years (DYNA-MIG)



## Asia

The construction of new factory building that  
contributes to energy saving and work friendly  
environment (Reterra)



"Adapt program" & beautification activities  
(Kameyama)



Received "HCPI Quality, Delivery  
and Environmental awards 2014"(FPMI)



F-TECH INC. will Comply with Corporate Governance Code with sincerity aiming at the fulfillment of our sustainable growth and improvement of the corporate value

Corporate Governance Code

73 items

Explain items

8 items

To be disclosed in November, 2015

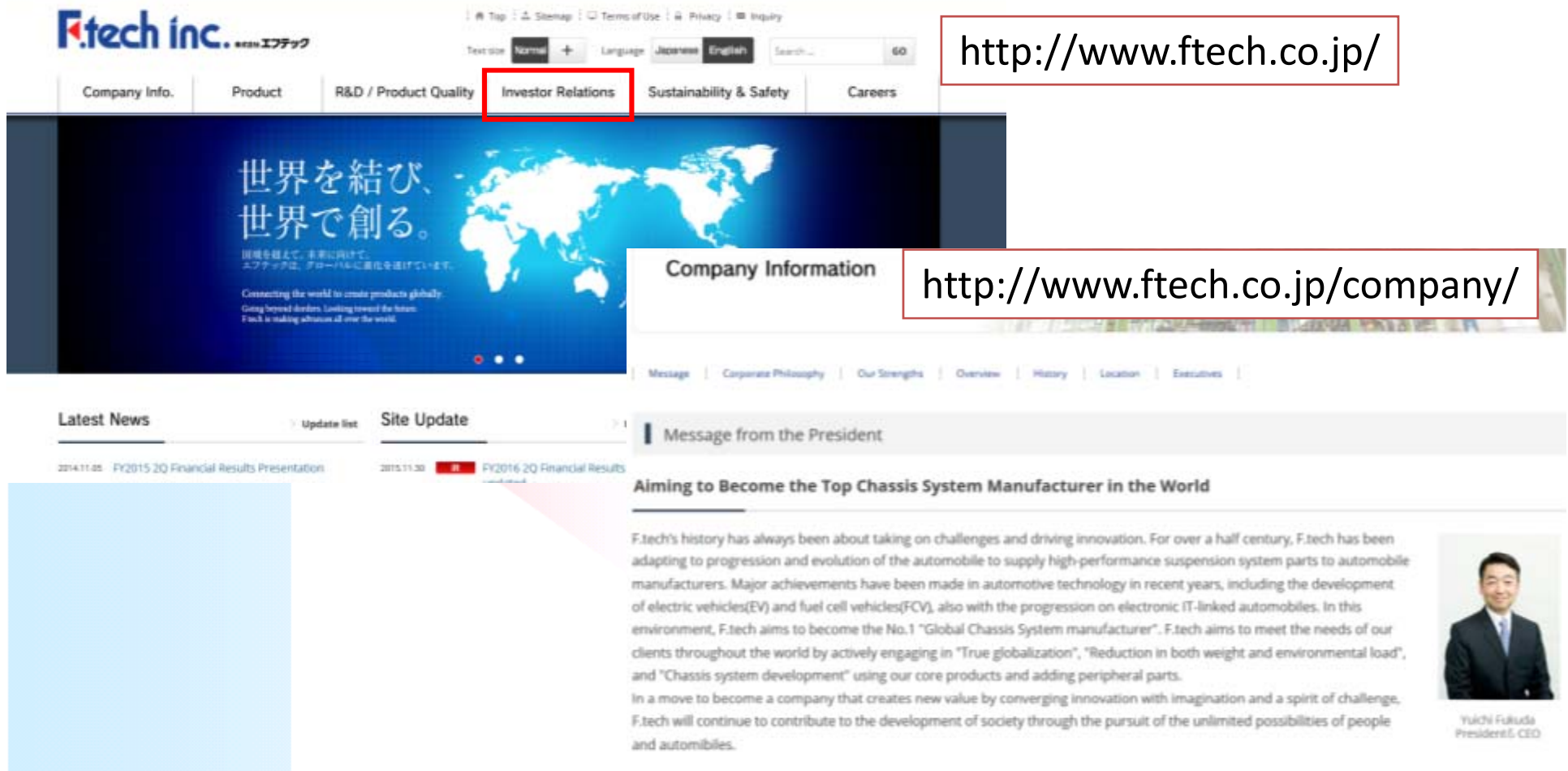
Main Explain items

- Report and verification of the progress of mid-term and long-term business plans
- Incentives for compensation paid to directors (Company's own stock etc.)
- Appoint at least two Independent directors
- Utilization of optional advisory committees for especially important matters
- Analysis and evaluation of effectiveness of the Board of Directors

**F-TECH INC. will disclose the correct information in a timely and appropriate manner to have the constructive dialogue with shareholders.**



Our corporate website was renewed in July 7, 2015  
We disclose information in a timely and appropriate manner on our website.





The future outlook 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.

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