

# Financial Results for FY 2019 Second Quarter

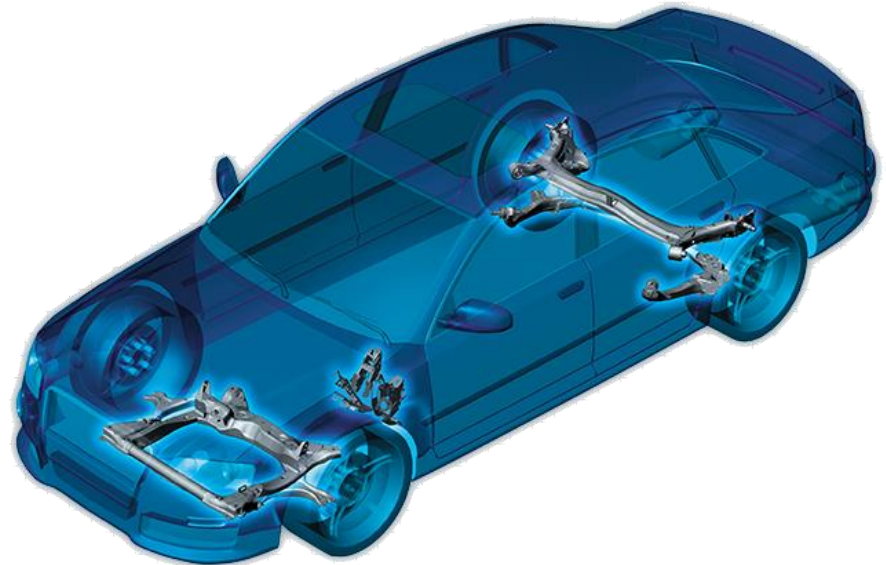
11/8/2018

F-TECH Inc.

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

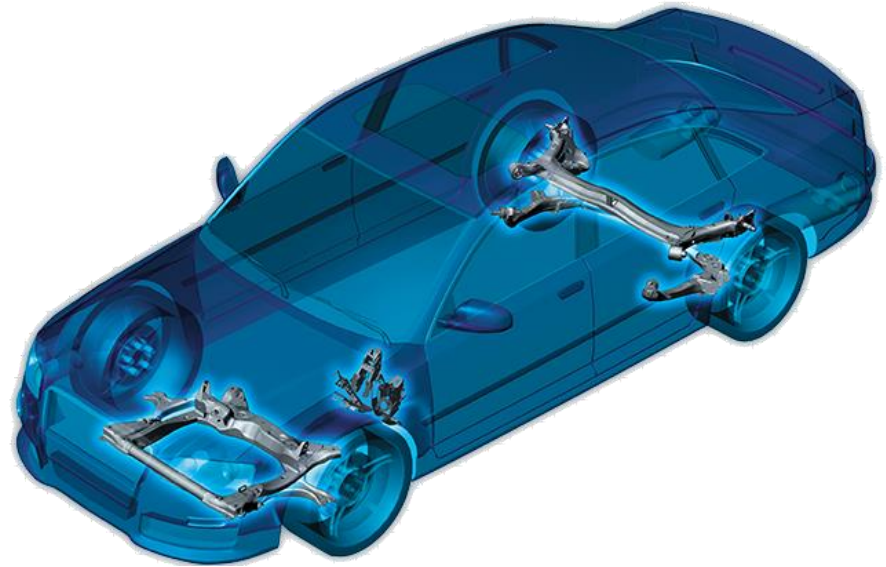
<http://www.fttech.co.jp>

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



Yuichi Fukuda  
President & CEO

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# Consolidated Financial Results Overview (Year on Year)



(Unit: M Yen)

	FY 2018 Q2 Actual		FY 2019 Q2 Actual		Difference	
Sales	107,511	—	115,393	—	7,882	7.3%
Operating Income	3,902	3.6%	2,995	2.6%	▲907	▲23.3%
Income before tax	3,248	3.0%	2,567	2.2%	▲680	▲20.9%
Profit Attributable to owners of parent	1,969	1.8%	1,398	1.2%	▲570	▲29.0%
Earnings per share (Yen)	114.89	—	74.89	—	▲40.00	▲34.8%

## Foreign Exchange Impact

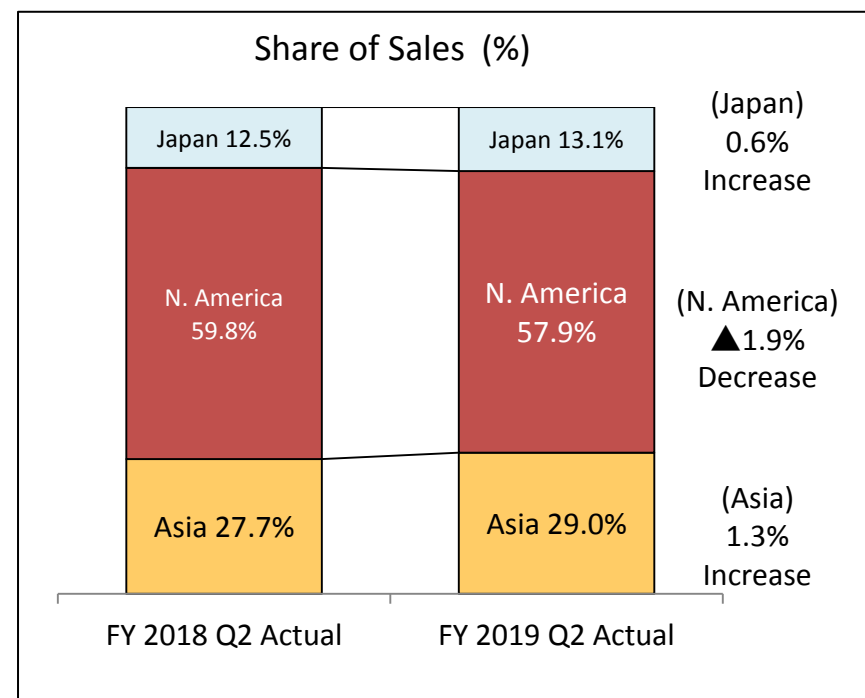
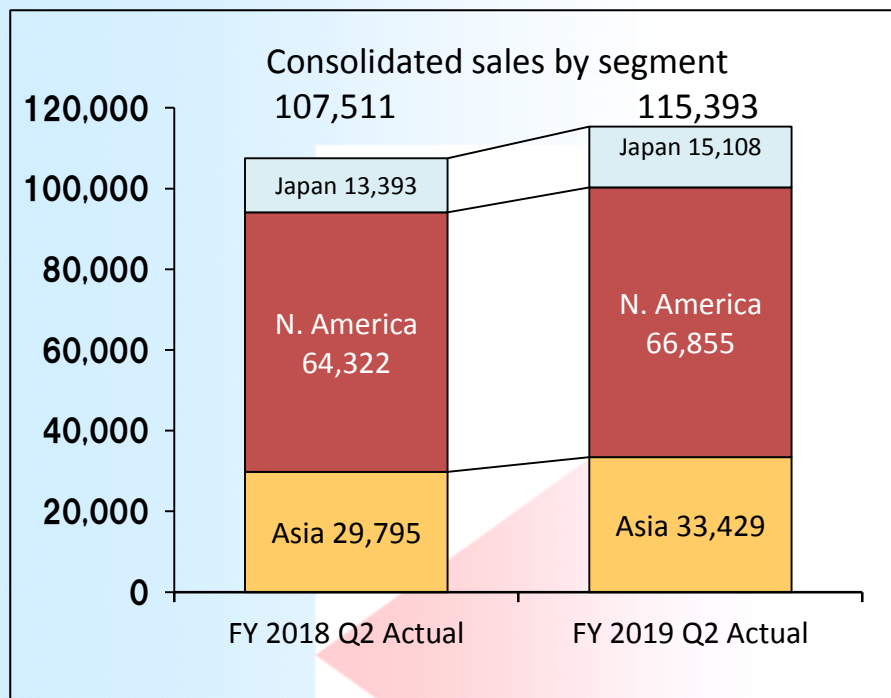
	FY 2018 Q2 Actual	FY 2019 Q2 Actual	Difference
1US\$	111.29 Yen	110.71Yen	▲0.58 Yen
1CAN\$	86.16 Yen	85.08 Yen	▲1.08 Yen
1Yuan(RMB)	16.37 Yen	17.00 Yen	0.63 Yen

Increase in sales and decrease in profit.

(Sales increased by tooling sales, but profit decreased mainly because production of high-margin products ended.)

# Consolidated sales by Segment (Year on Year)

(Unit : M yen)



	FY 2018 Q2 Actual	FY 2019 Q2 Actual	Difference	Difference (%)	FX Impact	Net Difference	Difference (%)
Japan	13,393	15,108	1,715	12.8%	—	1,715	12.8%
N. America	64,322	66,855	2,533	3.9%	▲851	3,384	5.3%
Asia	29,795	33,429	3,633	12.2%	997	2,636	8.8%
Consolidated	107,511	115,393	7,882	7.3%	146	7,736	7.2%

Sales increase in all segments (Biggest contributors are NA in money amount, Japan in percentage)

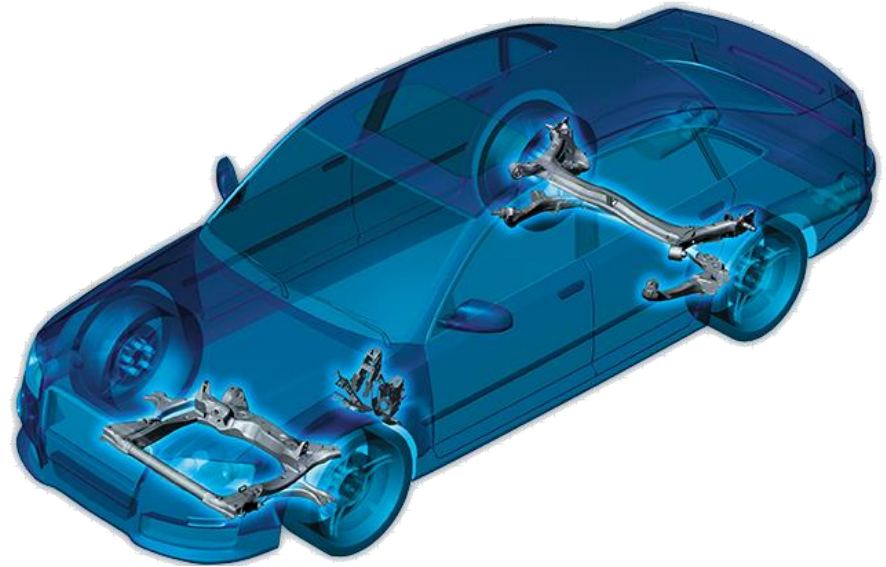


# Operating Income by Segment (Year on Year)

(Unit : M Yen)

	Operating Income				Share		
	FY 2018 Q2 Actual	FY 2019 Q2 Actual	Difference	Difference (%)	FY 2018 Q2 Actual	FY 2019 Q2 Actual	Difference (%)
Japan	935	232	▲703	▲75.2%	24.0%	7.8%	▲16.2%
N. America	727	▲319	▲1,046	▲143.9%	18.6%	▲10.7%	▲29.3%
Asia	2,297	2,810	512	22.3%	58.9%	93.8%	35.0%
Total	3,960	2,723	▲1,237	▲31.2%	101.5%	90.9%	▲10.6%
Adjustment	▲57	271	329	-%	▲1.5%	9.1%	10.6%
Consolidation	3,902	2,995	▲907	▲23.3%	100.0%	100.0%	0.0%

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# Consolidated Results Forecast Overview (FY 2019 for the Full Year)

(Unit : M Yen)

	FY 2019 Previous Forecast		FY 2019 Current Forecast		Difference	
Sales	226,000	—	233,000	—	7,000	3.1%
Operating profit	7,500	3.3%	6,500	2.8%	▲1,000	▲13.3%
Profit before tax	6,600	2.9%	5,600	2.4%	▲1,000	▲15.2%
Profit attributable to owners of parent	4,000	1.8%	3,100	1.3%	▲900	▲22.5%
Earnings per share (Yen)	214.15	—	165.97	—	▲48.18	▲22.5%

Foreign Exchange  
Impact

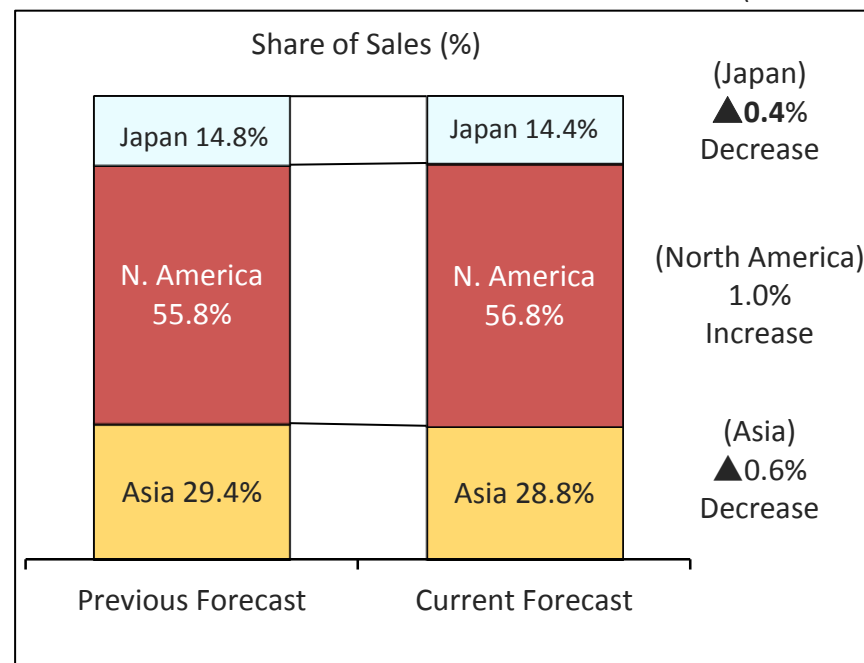
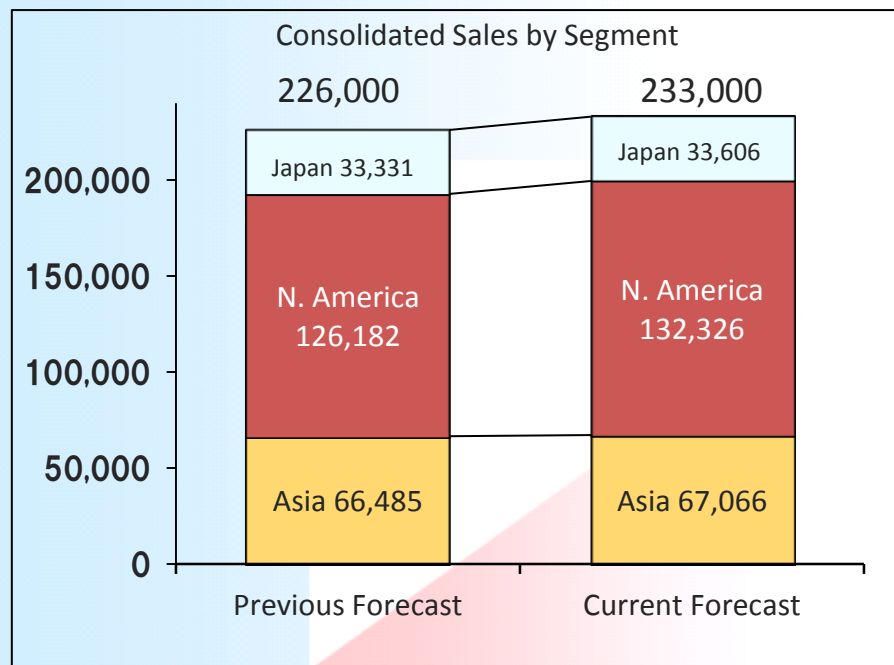
	Previous Forecast	Current Forecast	Difference
1US\$	105.00 yen	107.86 yen	2.86 yen
1CAN\$	81.00 yen	83.04 yen	2.04 yen
1Yuan(RMB)	16.60 yen	16.73 yen	0.13 yen

Increase in sales and decrease in profit (Mainly foreign exchange impacts)



# Consolidated Sales by Segment (FY 2019 Forecast for the Full Year)

(Unit : M Yen)



## Changes in Consolidated Sales

	Previous Forecast	Current Forecast	Difference	Difference (%)	FX Impact	Net Difference	Difference (%)
Japan	33,331	33,606	274	0.8%	—	274	0.8%
N. America	126,182	132,326	6,143	4.9%	3,471	2,671	2.1%
Asia	66,485	67,066	581	0.9%	647	▲66	▲0.1%
Consolidated	226,000	233,000	7,000	3.1%	4,119	2,880	1.3%

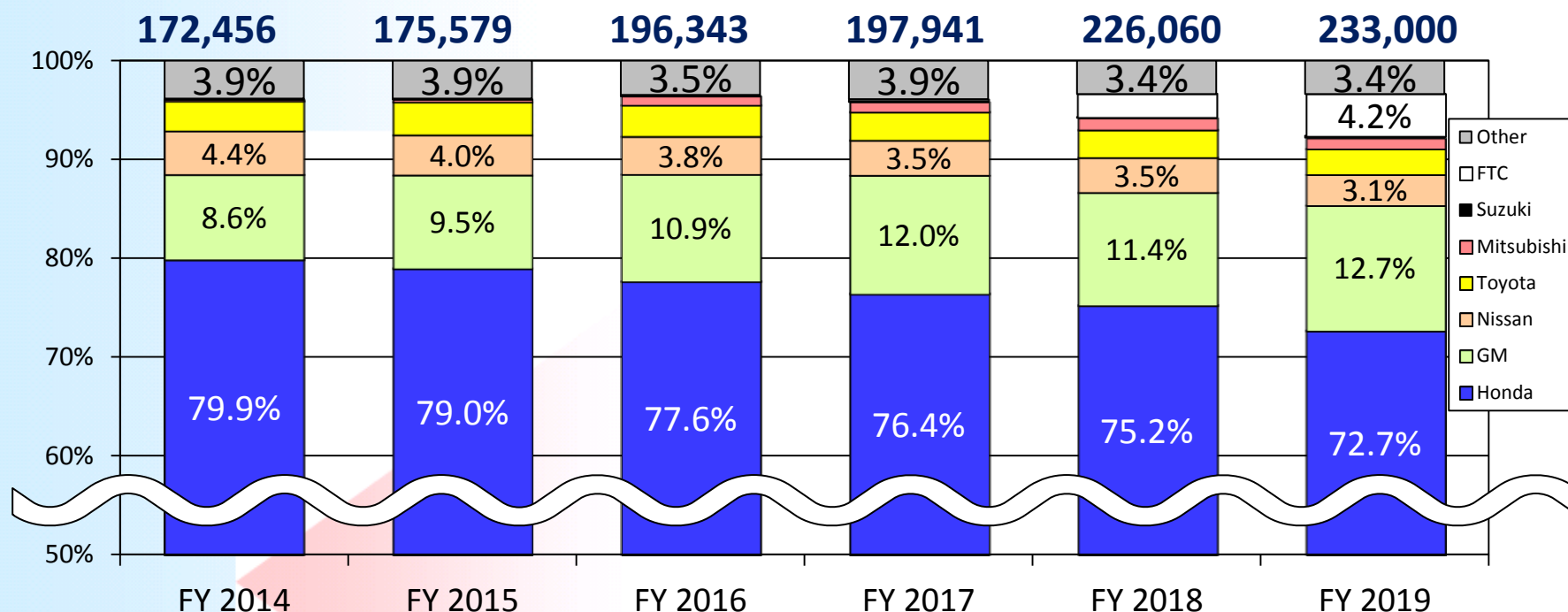
Sales increased (Increase in Japan and N.America, as planned in Asia)

# Operating Profit by Segment (FY 2019 Forecast for the Full Year)

(Unit : M Yen)

	Operating Income					Share		
	FY 2019 Previous forecast	FY 2019 Current forecast	Difference	Difference (%)		FY 2019 Previous forecast	FY 2019 Current forecast	Difference (%)
Japan	332	482	150	45.1%		4.4%	7.4%	3.0%
North America	1,723	669	▲1,054	▲61.2%		23.0%	10.3%	▲12.7%
Asia	5,955	5,299	▲655	▲11.0%		79.4%	81.5%	2.1%
Total	8,012	6,451	▲1,560	▲19.5%		106.8%	99.3%	▲7.5%
Adjustment	▲512	48	560	109.4%		▲6.8%	0.7%	7.5%
Consolidated	7,500	6,500	▲1,000	▲13.3%		100.0%	100.0%	—

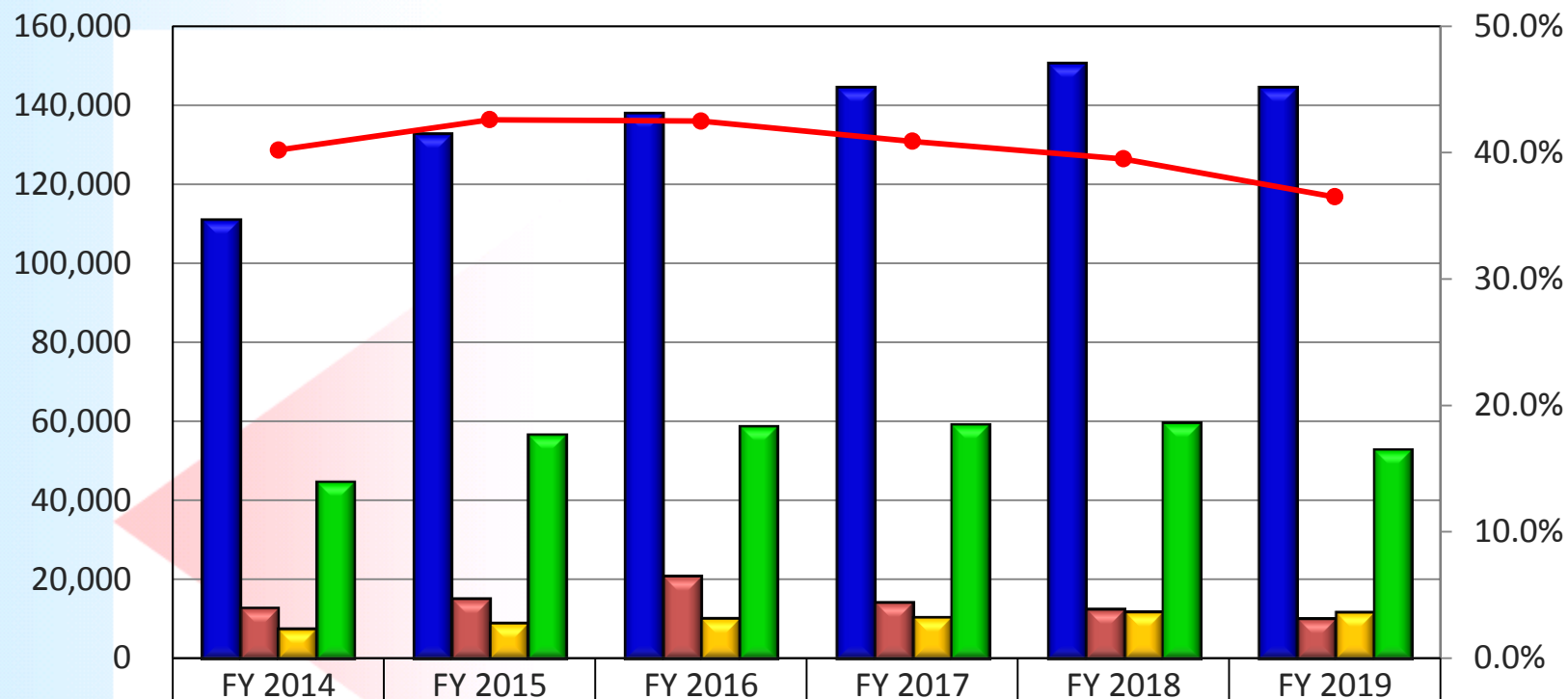
# Changes in Sales by Customer



	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Honda	137,708	138,635	152,435	151,282	170,089	169,339
GM	14,880	16,622	21,345	23,683	25,782	29,480
Nissan	7,536	7,024	7,435	6,985	7,957	7,257
Toyota	5,209	5,875	6,204	5,658	6,428	6,117
Mitsubishi	370	526	1,803	2,036	2,648	2,668
Suzuki	127	135	321	197	269	540
FTC (New)				373	5,183	9,828
Other	6,626	6,762	6,800	7,728	7,705	7,771
	172,456	175,579	196,343	197,941	226,060	233,000

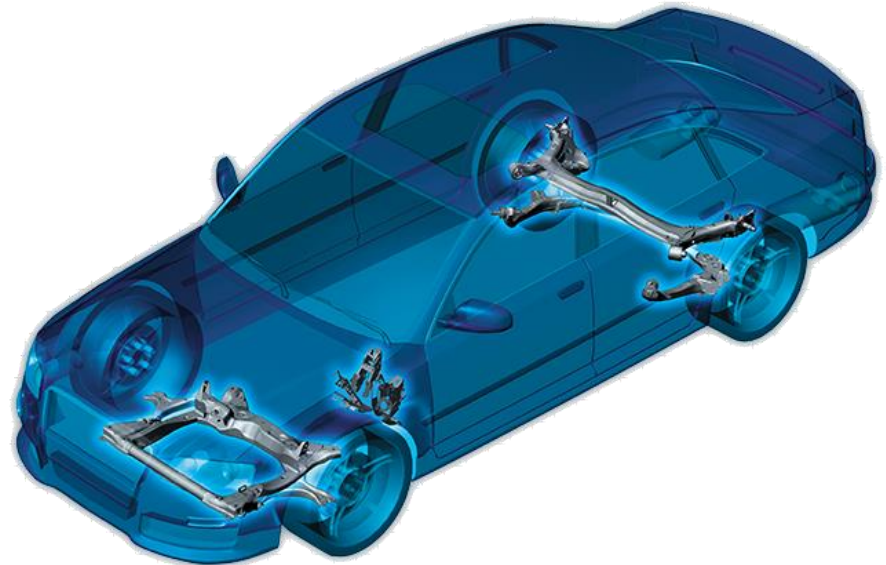
(Unit : M Yen)

■ Total Asset 
 ■ Capital Investment 
 ■ Depreciation 
 ■ Interest-Bearing Debt 
 ● Dependence on Interest-Bearing Debt



Total Asset	111,062	132,697	137,980	144,420	150,525	144,414
Capital Investment	12,715	14,987	20,578	14,094	12,436	10,065
Depreciation	7,508	8,920	10,081	10,335	11,667	11,653
Interest-Bearing Debt	44,679	56,570	58,686	59,129	59,508	52,776
Dependence on Interest-Bearing Debt	40.2%	42.6%	42.5%	40.9%	39.5%	36.5%

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President & CEO



Corporate Policy

## Back to Basics, Challenge for New

FY 2017

FY 2018

FY 2019

FY 2020

Achieving strong financial positions and high profitability

### Actuals

Consolidated Sales

197.9 B Yen

Operating profit ratio

4.1%

Interest bearing debt ratio

40.9%

### Target

Consolidated Sales

212 B Yen

Operating profit ratio

5.0%

interest bearing debt ratio

35.0%

## Back to Basics

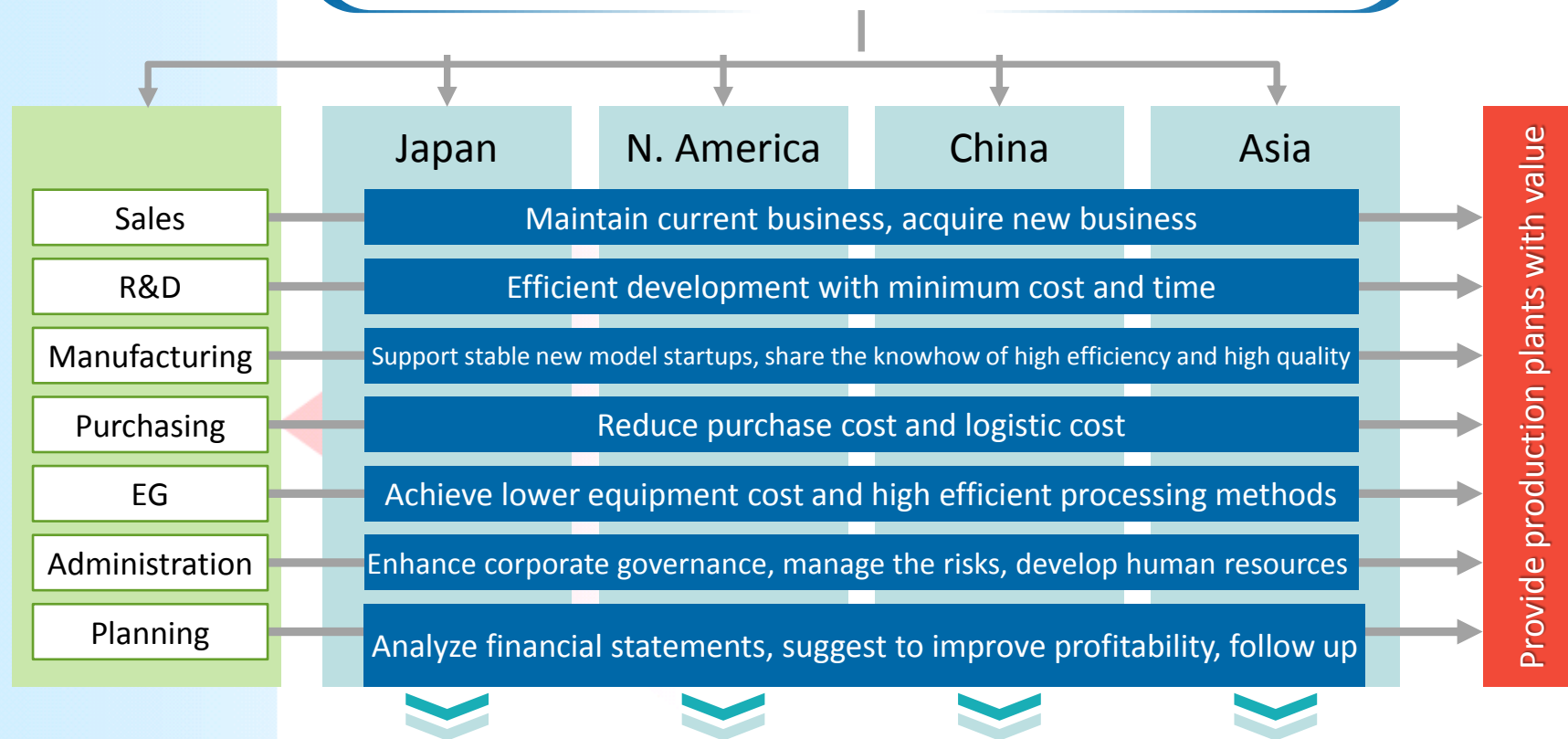
- Provide our customers with excellent value
- Production plants to maximize the profit
- Support function to minimize the cost and provide production plants with value
- Establish strong financial positions

## Challenge for New

- Acquire and expand new customers
- Propose new breakthrough products
- Establish new technologies and new processing methods
- Plan and execute new business opportunities

Enhance communication from Japan

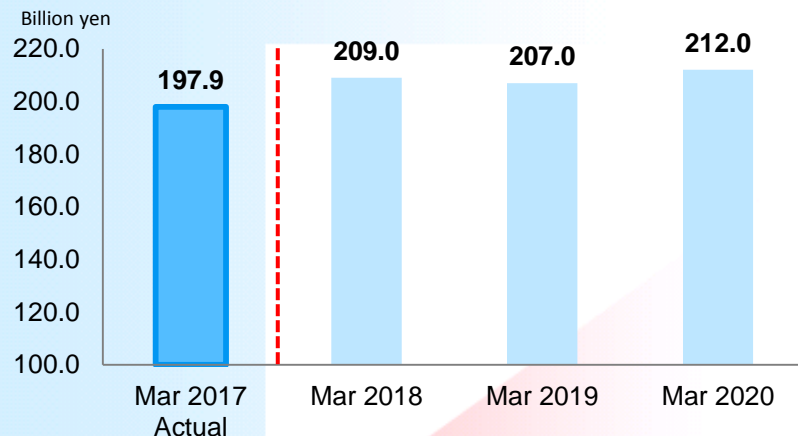
## Back to Basics, Challenge for New



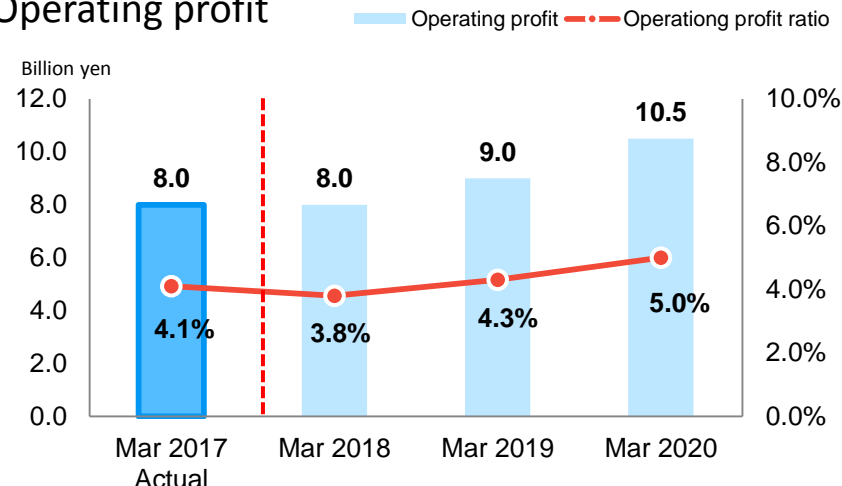
Manufacturing plants to achieve midterm targets as profit center

# Midterm Three-Year Plan - Targets -

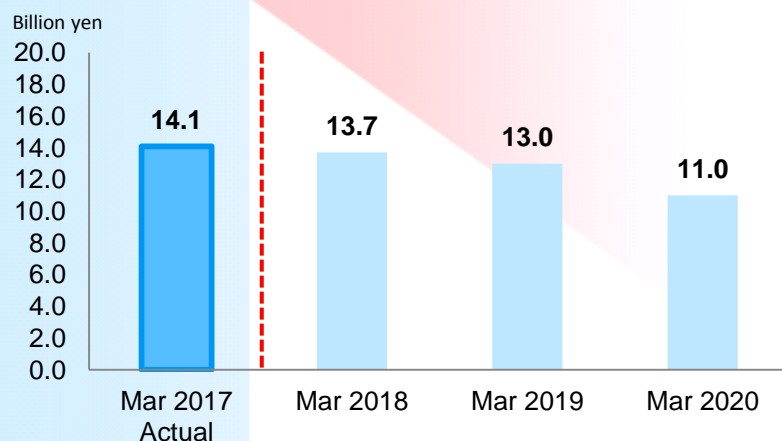
## Sales



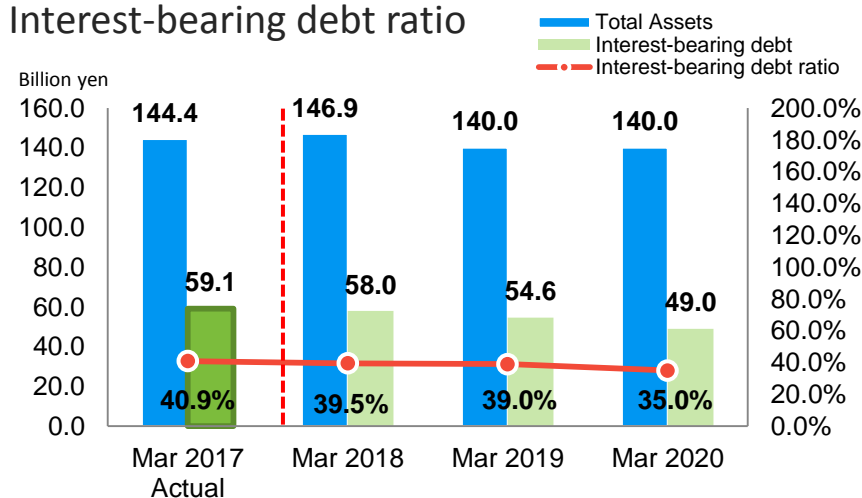
## Operating profit



## Investment plan



## Interest-bearing debt ratio



## Midterm Plan – 2nd year plan vs actual

(Billion yen)

	Midterm plan 2 <sup>nd</sup> year	FY 2019 2Q actual	Rate of progression
<b>Sales</b>	207	115.3	55.7%
<b>Operating profit</b>	9	2.99	33.2%
<b>Investment plan</b>	13	2.94	22.6%
<b>Interest-bearing debts</b>	54.6	52.7	Achieved
<b>Interest-bearing debt ratio</b>	39.0%	36.5%	Achieved

Sales, investment plan, and interest bearing debts/debt ratio targets were progressed as planned. Operating profit result was at 33% against the plan. The operation in NA needs to be improved.

## Challenges in NA region



**Cost increase**  
Labor, Outsourcing and  
associated cost

**Loss increase**  
Scrap/Additional  
inspection

**Lower efficiencies**  
Additional outsourcing

**Deteriorating financial  
statements**

## Activities to improve situation in NA



**Cost reduction**  
In-house production, warehouse cost  
reduction, manpower reduction, etc.

**Loss reduction**  
Improve accuracy of stamped parts, scrap  
reduction, etc.

**Efficiency increase**  
Improve associates' skills, promote  
automation, etc.

Support from HQ is being provided.

The activities are being implemented by HQ and subsidiaries working together.



## External factors that deteriorate improvement outcome

US trade policies : Tariff on imported materials from Canada and Mexico.

Major customers : Changes in model mix

Labor cost : Expense increase due to production increase in Canada

Down

## Activities are mostly on schedule

### 【Cost reduction】

In-house production,  
warehouse cost  
reduction, manpower  
reduction, etc.

### 【Loss reduction】

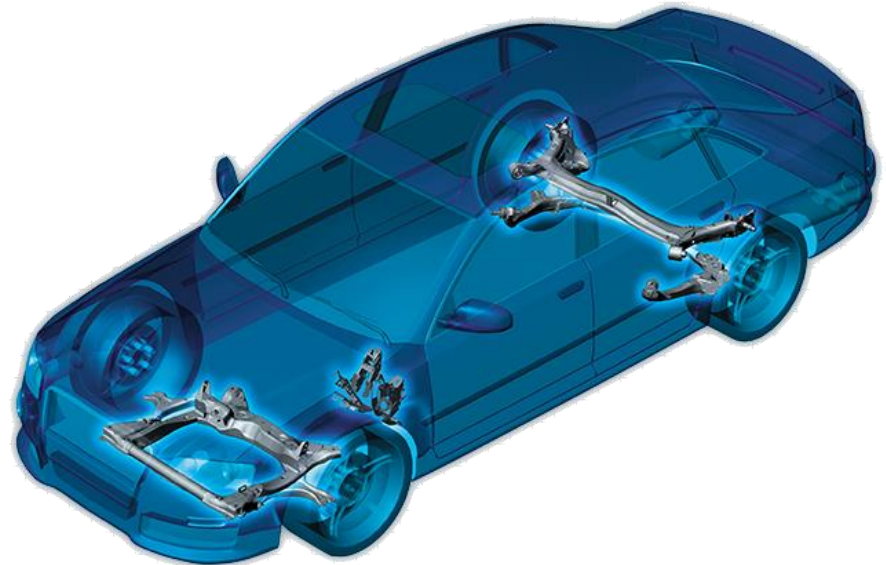
Improve accuracy of  
stamped parts, scrap  
reduction, etc

### 【Efficiency increase】

Improve associates'  
skills, promote  
automation, etc.

## Accelerating the improvement activities

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## Honda

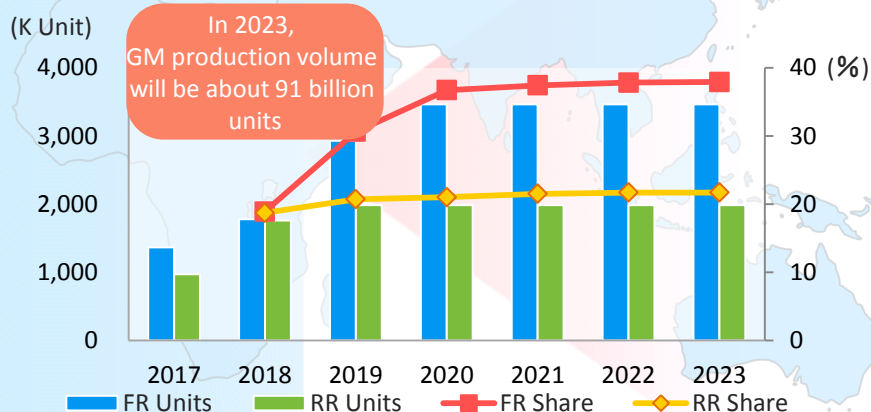
**F-tech supplies the parts to 100% of global models**

We acquire high confidence from customers by achieving weight reduction while strength and rigidity requirements are maintained

### Foreign OEMs

GM: Suspension/mount parts are supplied

In 2018, Global supply share **18.9%/18.7%**  
(FR) (RR)



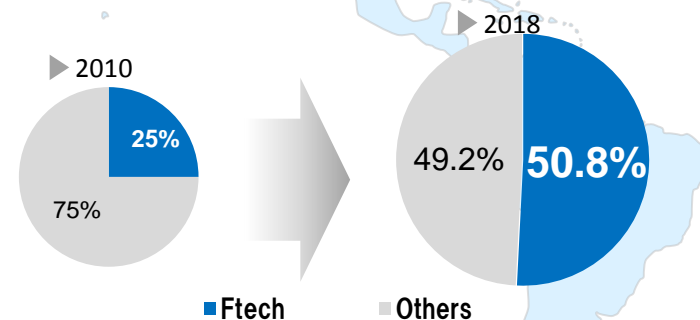
Mainly Suspension, Mount Parts

-New business from new customers/Production start-

### Japanese OEMs

Nissan: Control parts are supplied

In 2018, Global supply share **50.8%**

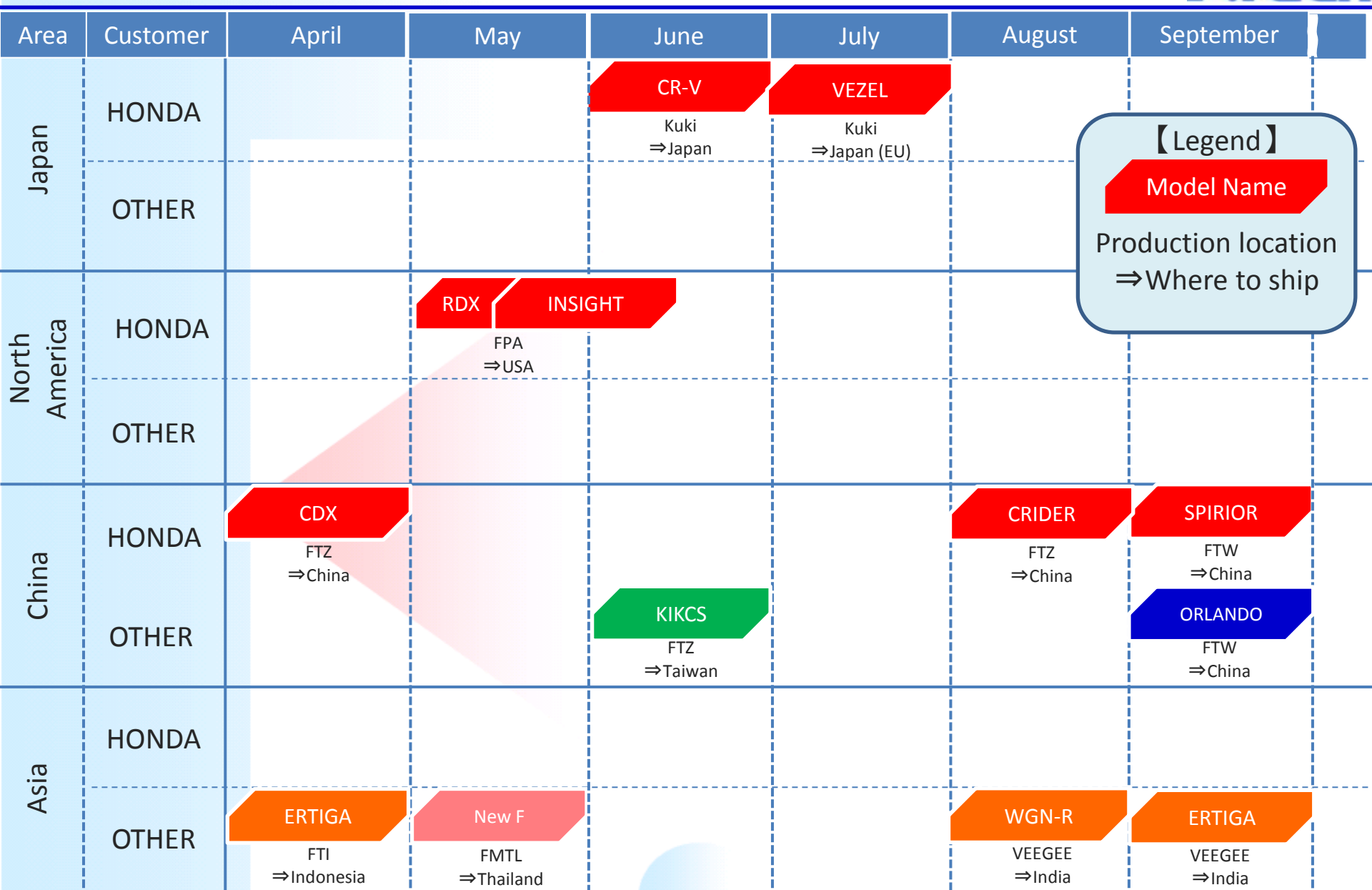


Mainly Control parts

- Acquire business also from Mitsubishi, Suzuki -

By responding to customers' requirements appropriately, we continuously obtain business from both foreign and Japanese OEMs including new business opportunities.

# Business Status – New model startups in the 1<sup>st</sup> half of FY 2019





# Business Status — New model startups in the 1<sup>st</sup> half of FY 2019

## CR-V

SOP : June 2018  
 Location : Japan (Kuki)  
 Products : Suspension parts  
 Mount parts  
 Pedal control parts

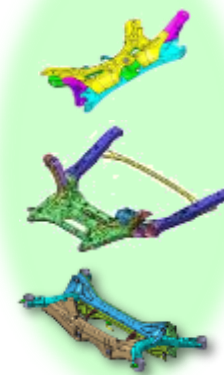
## CRIDER, SPIRIOR

SOP : Sep. 2018  
 Location : China (FTZ)  
 China (FTW)  
 Products : Suspension parts  
 Mount parts

## ERTIGA, WGN-R

SOP : April, June, Aug. 2018  
 Location : Indonesia (FTI)  
 India (VEEGEE)  
 Products : Pedal control parts

Mount parts



Suspension parts



Pedal parts

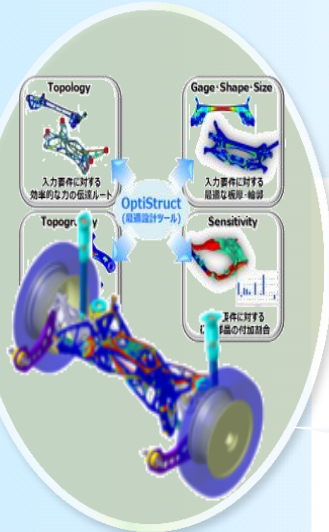


We had mass production startups of major products that have been awarded by meeting the customer's requirements, and the parts for new models acquired by active sales activities.



## < Ftech's unique development technology >

Achieving optimum design by  
integrating existing know-hows  
and simulation technologies



OPTISTRUCT  
(Optimum Design Tool)

LINER ANALYSIS

Crush : Abaqus

NV : NASTRAN

Sus Characteristic : ADAMS

Improving  
design accuracy

Achieving the design  
including following aspects

- Product performance  
(strength, rigidity, vibration)
- Production area  
(Stamping, Weld, Paint)

Further  
weight reduction

Space beam analysis



Balancing strength, rigidity,  
and crash performance  
with weight reduction

Improving  
development speed

- Minimize prototype
- Improve design  
accuracy



Reducing development  
period by 2 months

## Collaboration with material manufacturers

### -Material evolution-

Expanding the grades(Ultra high tensile steel)

590/780 ⇒ 980/1180

Product specification/shape based on the materials and processes

- Crash performance
- Rigidity(Steering stability/Noise vibration)
- Strength leading to optimum structure
- Processing technology
  - Forming method
  - CAE/Prediction technology
  - Material knowledge
  - Evaluation indicator

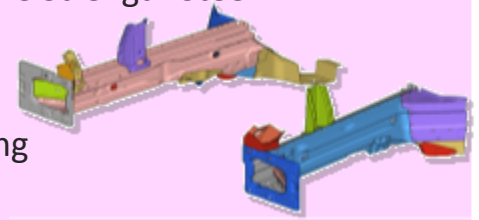
## Body frame parts

### ◆Material

- Steel : Mainly High Tensile Strength Steel (780~980Mpa class)

### ◆Welding

- Mainly Resistance welding (Spot/Projection Weld)



## Collaboration with Body manufactures

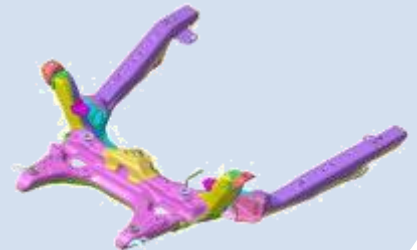
## Chassis Suspension parts

### ◆Material

- Steel : Mainly Thicker Steel (270~590Mpa class)

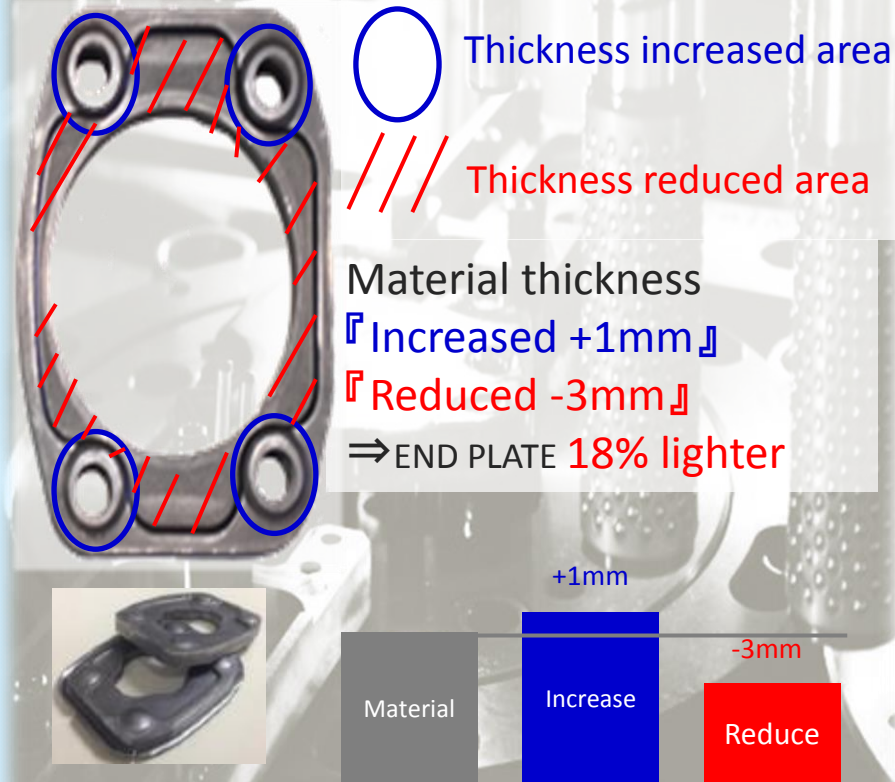
### ◆Welding

- Mainly Mig welding (With projection welding)



We integrate both companies' Know-How, and challenge to new business field to survive.

## Ultra precision plastic processing technology



"Super Monodzukuri Award 2018"  
hosted by Nikkan Kogyo Shimbun,  
Ltd.

Mobility Related Parts Award



## Dissimilar material welding - steel and aluminum - by applying FSW technology



The world's first  
4 new technologies

- Dissimilar metal welding technology
  - Anti rust technology
  - FSW system
  - Non-destructive test system
- ⇒ Achieved following results  
for FR SUBFRAME

Weight reduction -25%  
Power saving -50%  
Driving performance +20%



60<sup>th</sup>  
The Okochi  
Memorial  
Engineering Award



## - Nikkei IR Fair -

Date : Aug 31 – Sep 1, 2018

Location : Tokyo Big Sight



## - Individual Investors Meeting -

Date : Oct 24, 2018

Location : Soka City Cultural Hall



## - Plant Tour for Institutional Investors -

Date : Sep 28, 2018

Location : Haga Technical Center



Date : Oct 12, 2018

Location : Kameyama Plant



## - Automotive Engineering Expo -

Date: July 11-13, 2018

Location: Portmesse Nagoya

# of visitors: 41,306

Booth exhibit,  
CFRTP application technology, FSW dissimilar  
material welding, Inverse torsion, Differential thickness  
crash torsion, etc.

Many visitors were attracted  
by advanced RR AXLE



## - 9th Light weight Technology expo -

Date: January 16-18, 2019

Location: Tokyo Bigsight

Plan to set up  
a booth

Visibility with the public (Year on year)

34%  $\Rightarrow$  58%  
24%UP!!

(Ftech's data)

We demonstrate Ftech's R&D technologies to OEM manufacturers.



October 11, 2018: Invited to speak at "Energy Efficiency Nation Partnership awards 2018" hosted by Ministry of Environment and Water resources, Singapore



Global Ftech  
**ENERGY**  
Management System



<Reference>

June 2016: Energy Management Insight Award

January 2017: Energy Conservation Grand Prize

Chairman Prize of the Energy Conservation Center

January 2017: Honda Award for excellence (Environment)  
Honda Green Competition Global Award for Excellence

Japan Award for Excellence

## Forest fostering

Environment education for employees  
to improve environment conservation awareness

Saitama



Workshop for Kids



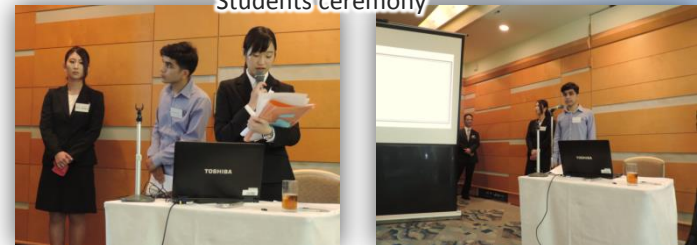
As a "Saitama forest fostering supporter", we  
contribute to the societies through our forest  
fostering activities

## Scholarship foundation

In April 2017, F-Tech Scholarship  
started to provide fund.  
44 students from 32 colleges in Tokyo  
area have received.



Students ceremony



We support to develop human resources who active  
around the world through scholarship payment.



## Supply relief goods

We would like to express our heartfelt sympathy to everyone who has been affected by this disaster

Rain storm hit western Japan in July 2018

Sent to: Disaster management HQ,  
Soja city, Okayama prefecture.

Item: Canned bread

Quantity: 792 cans



Haga Technical Center



Relief item (Canned bread)



Thank-you note from  
Mayor of Soja city

We provided people who were affected with emergency food, which we had stocked based on our past experience, through disaster management HQ.

# Thank you for your attention



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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