

# **Consolidated Financial Summary Second Quarter of FY2014**

(April 1, 2013 – September 30, 2013)

## **TS TECH Co.,Ltd.**

This document is an English translation of the Japanese language version of the consolidated financial summary that TS TECH Co., Ltd. has produced as reference purpose.

In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.



# Consolidated Financial Summary for the Second Quarter of FY2014 (based on Japanese accounting standards)

October 30, 2013

Company name: TS TECH CO., LTD. Stock exchange listing: Tokyo Stock Exchange  
 Stock code: 7313 URL: <http://www.tstech.co.jp>  
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 Corporate Social Responsibility Department  
 Scheduled date for filing of quarterly securities report: November 11, 2013  
 Scheduled date of commencement of dividend payment: December 2, 2013  
 Preparation of supplementary explanatory material: Yes  
 Quarterly results briefing: Yes (for institutional investors and analysts)

(Amounts of less than one million yen are rounded down to the nearest million yen)

## 1. Consolidated Financial Results for the Second Quarter of FY2014 (April 1, 2013 – September 30, 2013)

### (1) Consolidated Financial Results (Accumulated Total) (% of change from the same period of previous year)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Second quarter of FY2014	216,037	20.7	20,485	86.3	21,809	87.9	12,738	81.5
Second quarter of FY2013	179,035	44.3	10,995	—	11,605	—	7,019	—

(Note) Comprehensive income Second quarter of FY2014 23,335 million yen (303.0%)

Second quarter of FY2013 5,790 million yen (—%)

	Net income per share	Diluted net income per share
	Yen	Yen
Second quarter of FY2014	187.34	—
Second quarter of FY2013	103.23	—

### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Second quarter of FY2014	240,641	156,835	58.2	2,058.27
FY 2013	207,000	137,523	59.2	1,808.75

(Reference) Shareholders' equity: Second quarter of FY2014 139,959 million yen

FY2013 122,992 million yen

## 2. Cash Dividends

	Annual cash dividends				
	End of 1Q	End of 2Q	End of 3Q	End of year	Annual
	Yen	Yen	Yen	Yen	Yen
FY2013	—	14.00	—	20.00	34.00
FY2014	—	24.00	—	—	—
FY2014 (forecast)	—	—	—	24.00	48.00

(Notes) Revision from the most recent announcement of cash dividends forecasts :None

## 3. Consolidated Forecasts for FY2014 (April 1, 2013 - March 31, 2014)

(% of change from the same period of previous year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
FY2014	441,000	22.7	34,500	42.4	37,000	36.0	21,000	33.4	308.82

(Note) Revision from the most recent announcement of consolidated financial forecasts :None

\*. Notes

- (1) Changes in important subsidiaries during the quarter  
(Changes in significant subsidiaries affecting the scope of consolidation during this period) : Yes  
New subsidiaries 1 company ( ) Excluded subsidiaries — companies ( )  
(TST MANUFACTURING DE MEXICO, S. DE R.L. DE C.V.)  
(Note) For details, refer to “2. Matters Concerning Summary (Notes) Information, (1) Changes in Important Subsidiaries during the Current Period” on page 5.

- (2) Application of special accounting treatment for quarterly consolidated financial statements : Yes

- (3) Changes in accounting policies and accounting estimates, or re-statement  
1) Changes in accounting policies associated with the revision of accounting standards, etc. : None  
2) Changes other than 1) : None  
3) Changes in accounting estimates : None  
4) Re-statement : None

- (4) Number of shares issued (common stock)

1) Number of shares issued at the end of the term including treasury stock	2Q of FY2014	68,000,000 shares	FY2013	68,000,000 shares
2) Number of treasury stock at the end of the term	2Q of FY2014	1,709 shares	FY2013	1,709 shares
3) Average number of shares during the term (cumulative)	2Q of FY2014	67,998,291 shares	2Q of FY2013	67,998,355 shares

- (\*Presentation concerning the implementation status for quarterly review procedure)

Quarterly reviews based on the Financial Instruments and Exchange Act are not undertaken for quarterly financial statements at the time this financial summary is disclosed.

- (\*Explanation regarding the appropriate use of forecasts of financial results and other notes)

- The consolidated forecasts presented above are projections made by managers of TS TECH Co., Ltd. (hereinafter the “Company”) on the basis of information available at the time of preparation. For that reason, they involve risks and uncertainties. Accordingly, we request readers of this document to avoid making investment decisions based exclusively on these forecasts. Please bear in mind the possibility for actual results may differ materially from these forecasts, due to various important factors. Readers are asked to proceed to “(3) Explanation of Consolidated Forecasts and Other Future Forecasts” on page 4 for assumptions and other information that form the premise for the operating results forecast above.

- For materials used for the results briefing to be held on October 30, 2013, refer to the following URL under our website (<http://www.tstech.co.jp>).

(IR Library) <http://www.tstech.co.jp/ir/index.html>

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# 1. Qualitative Information Concerning Quarterly Results

## (1) Explanation of Financial Results

During the first half of FY2014 (April 1, 2013 - September 30, 2013), consolidated results were solid, primarily buoyed by the positive impact of exchange rates due to the weaker yen and an increase in order volume from major customers in North America and Asia.

As a result, net sales for the first half of FY2014 amounted to 216,037 million yen on a consolidated basis, an increase of 37,002 million yen (20.7%) from the same period of FY2013.

In terms of profits, operating income rose 9,490 million yen (86.3%) year on year, to 20,485 million yen, reflecting the effects of higher sales and cost reductions and the positive impact of exchange rates. Ordinary income climbed 10,204 million yen (87.9%) to 21,809 million yen, and net income increased 5,719 million yen (81.5%) to 12,738 million yen.

Operating performance by segment is as follows:

(Japan)

(Unit: Million yen)

	First half of FY2013	First half of FY2014	Year-on-year	Changes
Net sales	52,667	45,175	-7,492	-14.2%
Operating income	3,334	3,095	-238	-7.2%

Main factors for year on year change

Net sales Net sales declined, reflecting decreased order volumes from major customers.

Operating income Operating income decreased due to the effect of smaller revenues, despite higher income due to increased royalties from overseas.

(Americas)

(Unit: Million yen)

	First half of FY2013	First half of FY2014	Year-on-year	Changes
Net sales	80,726	106,560	25,834	32.0%
Operating income	4,896	8,592	3,695	75.5%

Main factors for year on year change

Net sales Net sales increased, reflecting the positive impact of exchange rates and an increase in order volumes from major customers.

Operating income Operating income increased due to the positive impact of exchange rates and the effect of higher sales.

(China)

(Unit: Million yen)

	First half of FY2013	First half of FY2014	Year-on-year	Changes
Net sales	38,589	44,161	5,572	14.4%
Operating income	3,355	5,518	2,162	64.4%

Main factors for year on year change

Net sales Net sales increased, reflecting the positive impact of exchange rates, despite a decrease in order volumes from major customers.

Operating income Operating income increased due to the positive impact of exchange rates, the effects of cost reductions, and changes in the makeup of models.

(Asia and Europe)

(Unit: Million yen)

	First half of FY2013	First half of FY2014	Year-on-year	Changes
Net sales	20,988	36,447	15,459	73.7%
Operating income	1,414	5,541	4,127	291.8%

Main factors for year on year change

Net sales Net sales increased, reflecting the normalization of operations for the Group's consolidated subsidiary in Thailand, where operations were suspended until March 2012 due to flooding, and the positive impact of exchange rates.

Operating income Operating income increased due to the effects of higher sales, changes in the makeup of models, and the positive impact of exchange rates.

Sales by business segment are as follows:

(Unit: Million yen)

	First half of FY2013		First half of FY2014		Year-on-year	Changes
		Sales ratio		Sales ratio		
Motorcycles	3,058	1.7%	3,263	1.5%	204	6.7%
Automobiles	174,130	97.3%	210,577	97.5%	36,447	20.9%
(Seats)	154,400	86.3%	186,419	86.3%	32,018	20.7%
(Interior products)	19,729	11.0%	24,158	11.2%	4,428	22.4%
Other businesses	1,846	1.0%	2,196	1.0%	350	19.0%
Total	179,035	100.0%	216,037	100.0%	37,002	20.7%

Main factors for year on year changes

Motorcycle business Net sales increased, reflecting a rise in order volumes from major customers in India.

Automobile business Net sales increased due to the positive impact of exchange rates and higher order volumes from major customers.

## (2) Explanation of Financial Positions

### (Total assets)

Total assets at the end of the second quarter of FY2014 stood at 240,641 million yen, increasing 32,940 million yen from the end of FY2013. These changes primarily reflected a rise in cash and deposits and an increase in notes and accounts receivable-trade, primarily due to increased orders from major customers, as well as a rise in property, plants and equipment, mainly due to investments in new models and the construction of new plants in Thailand.

### (Liabilities)

Total liabilities at the end of the second quarter of FY2014 amounted to 83,805 million yen, increasing 13,628 million yen from the end of FY2013. The increase resulted primarily from a rise in notes and accounts payable-trade.

### (Net assets)

Net assets at the end of the second quarter of FY2014 were 156,835 million yen, up 19,311 million yen from the end of FY2013. The increase was chiefly due to a drop in the negative balance of foreign currency translation adjustments and an increase in retained earnings.

## (3) Qualitative Information Concerning Consolidated Forecasts

Taking into account consolidated operating results for the first half of FY2014 as well as trends in orders from major customers and exchange rates in the second half, etc., the Group has revised its full-year consolidated results forecasts and cash dividend forecast announced on April 26, 2013, as published in the “Notice of Revisions to Results Forecasts and Cash Dividend Forecast” announced on October 29, 2013.

Full-year consolidated results forecasts for the fiscal year ending March 31, 2014 (Unit: Million yen)

Net sales	441,000	(up 22.7% year on year)
Operating income	34,500	(up 42.4% year on year)
Ordinary income	37,000	(up 36.0% year on year)
Net income	21,000	(up 33.4% year on year)

The forecasts assume average exchange rates for the second half of 95 yen per 1 USD and 15.7 yen per 1 CNY.

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Year-end cash dividend forecast in the fiscal year ending March 31, 2014

Dividend per share	24 yen
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The annual cash dividend is expected to be 48 yen, combined with the interim cash dividend of 24 yen.

## 2. Matters Concerning Summary (Notes) Information

### (1) Changes in Important Subsidiaries during the Current Period

The company decided to include TST MANUFACTURING DE MEXICO, S. DE R.L. DE C.V, a company established during the first quarter, in the scope of consolidation from the first quarter.

### (2) Application of Special Accounting Treatment for Quarterly Consolidated Financial Statements

(Calculation of tax expense)

Tax expense is calculated by rationally estimating the effective tax rate for income before income taxes for the fiscal year, including the first half of FY2014, following the application of tax effect accounting, and multiplying quarterly income before income taxes by the estimated effective tax rate.

### (3) Changes in Accounting Policies, Accounting Estimates, or Re-statement

Not applicable.



### 3. Quarterly Consolidated Financial Statements

#### (1) Quarterly Consolidated Balance Sheets

(Unit: Million yen)

	FY2013 (As of March 31, 2013)	Second quarter of FY2014 (As of September 30, 2013)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	58,269	69,466
Notes and accounts receivable-trade	48,806	61,846
Merchandise and finished goods	2,251	2,812
Work in process	1,978	2,141
Raw materials and supplies	18,256	17,069
Other	7,046	8,460
Allowance for doubtful accounts	-21	-19
<b>Total current assets</b>	136,587	161,777
<b>Noncurrent assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures, net	18,317	19,582
Machinery, equipment and vehicles, net	12,430	12,811
Other, net	18,121	22,973
<b>Total property, plant and equipment</b>	48,869	55,368
<b>Intangible assets</b>	1,259	1,543
<b>Investments and other assets</b>	20,984	21,952
<b>Total noncurrent assets</b>	71,113	78,863
<b>Total assets</b>	207,700	240,641
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	40,330	52,187
Short-term loans payable	2,049	1,684
Long-term loans scheduled for payment within one year	2,572	2,316
Income taxes payable	1,716	2,314
Provision for bonuses	2,366	2,597
Provision	110	66
Other	13,042	14,409
<b>Total current liabilities</b>	62,188	75,576
<b>Noncurrent liabilities</b>		
Long-term loans payable	210	96
Provision	621	840
Other	7,156	7,293
<b>Total noncurrent liabilities</b>	7,988	8,229
<b>Total liabilities</b>	70,176	83,805

(Unit: Million yen)

	FY2013 (As of March 31, 2013)	Second quarter of FY2014 (As of September 30, 2013)
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	4,700	4,700
Capital surplus	5,163	5,163
Retained earnings	113,122	124,412
Treasury stock	-3	-3
<b>Total shareholders' equity</b>	122,982	134,272
<b>Valuation and translation adjustments</b>		
Valuation difference on available-for-sale securities	8,191	8,815
Foreign currency translation adjustment	-8,181	-3,128
<b>Total valuation and translation adjustments</b>	9	5,687
<b>Minority interests</b>	14,531	16,876
<b>Total net assets</b>	137,523	156,835
<b>Total liabilities and net assets</b>	207,700	240,641

## (2) Quarterly Consolidated Statements of Income and Comprehensive Income

## Quarterly Consolidated Statements of Income

## Consolidated First Half

(Unit: Million yen)

	Second quarter of FY2013 (April 1, 2012 – September 30, 2012)	Second quarter of FY2014 (April 1, 2013 – September 30, 2013)
<b>Net sales</b>	179,035	216,037
<b>Cost of sales</b>	155,918	181,084
<b>Gross profit</b>	23,116	34,953
<b>Selling, general and administrative expenses</b>		
Packing and transportation expenses	1,773	2,057
Salaries and allowances	4,841	5,903
Other	5,506	6,506
<b>Total selling, general and administrative expenses</b>	12,120	14,467
<b>Operating income (loss)</b>	10,995	20,485
<b>Non-operating income</b>		
Interest income	425	523
Dividends income	156	174
Land and house rent received	105	95
Foreign exchange gains	—	209
Equity in earnings of affiliates	208	235
Other	166	197
<b>Total non-operating income</b>	1,063	1,436
<b>Non-operating expenses</b>		
Interest expenses	100	97
Foreign exchange losses	347	—
Other	6	15
<b>Total non-operating expenses</b>	454	112
<b>Ordinary income (loss)</b>	11,605	21,809
<b>Extraordinary income</b>		
Gain on sales of noncurrent assets	20	75
Insurance income	7	—
Compensation income	17	—
Other	4	—
<b>Total extraordinary income</b>	49	75
<b>Extraordinary loss</b>		
Loss on sales of noncurrent assets	22	25
Loss on retirement of noncurrent assets	64	222
Impairment loss	7	26
Loss on disaster	366	—
Other	30	0
<b>Total extraordinary loss</b>	491	274
<b>Income (loss) before income taxes</b>	11,163	21,609
<b>Income taxes-current</b>	3,089	5,969
<b>Total Income taxes</b>	3,089	5,969
<b>Income before minority interests</b>	8,073	15,639
<b>Minority interests in income</b>	1,054	2,901

**Net income**

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7,019

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12,738

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Quarterly Consolidated Statements of Comprehensive Income

Consolidated First Half

(Unit: Million yen)

	Second quarter of FY2013 (April 1, 2012 – September 30, 2012)	Second quarter of FY2014 (April 1, 2013 – September 30, 2013)
<b>Income before minority interests</b>	8,073	15,639
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	-1,965	633
Foreign currency translation adjustment	-352	6,937
Share of other comprehensive income of associates accounted for using equity method	35	123
Other comprehensive income	-2,282	7,695
<b>Comprehensive income</b>	5,790	23,335
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parents	4,505	18,415
Comprehensive income attributable to minority interests	1,285	4,919

## (3) Quarterly Consolidated Statements of Cash Flows

(Million yen)

	Second quarter of FY2013 (April 1, 2012 – September 30, 2012)	Second quarter of FY2014 (April 1, 2013 – September 30, 2013)
<b>Net cash provided by (used in) operating activities</b>		
Income (loss) before income taxes	11,163	21,609
Depreciation and amortization	3,555	4,259
Impairment loss	7	26
Increase (decrease) in provision	88	365
Interest and dividends income	-582	-697
Interest expenses	100	97
Equity in (earnings) losses of affiliates	-208	-235
Loss (gain) on sales of property, plant and equipment	2	-49
Loss on retirement of property, plant and equipment	64	222
Insurance income	-7	—
Compensation income	-17	—
Loss on disaster	366	—
Decrease (increase) in notes and accounts receivable-trade	606	-8,388
Decrease (increase) in inventories	-381	1,754
Increase (decrease) in notes and accounts payable-trade	-1,021	8,023
Other	907	520
<b>Subtotal</b>	<b>14,643</b>	<b>27,507</b>
Interest and dividends income received	606	705
Interest expenses paid	-102	-98
Income taxes (paid) refund	-4,387	-5,581
Proceeds from insurance income	270	—
Proceeds from compensation	17	—
Payments for loss on disaster	-75	—
<b>Net cash provided by (used in) operating activities</b>	<b>10,972</b>	<b>22,534</b>
<b>Net cash provided by (used in) investing activities</b>		
Payments into time deposits	-3,077	-4,042
Proceeds from withdrawal of time deposits	2,310	2,916
Purchase of property, plant and equipment	-4,110	-9,495
Proceeds from sales of property, plant and equipment	46	93
Purchase of investments in subsidiaries	—	-1,261
Other	-282	-1,069
<b>Net cash provided by (used in) investing activities</b>	<b>-5,113</b>	<b>-12,858</b>
<b>Net cash provided by (used in) financing activities</b>		
Net increase (decrease) in short-term loans payable	-2,082	-415
Cash dividends paid	-815	-1,359
Cash dividends paid to minority shareholders	-2,114	-1,556
Other	-408	-743
<b>Net cash provided by (used in) financing activities</b>	<b>-5,422</b>	<b>-4,075</b>
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>-3</b>	<b>4,033</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>434</b>	<b>9,632</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>43,394</b>	<b>53,348</b>
<b>Cash and cash equivalents at end of period</b>	<b>43,829</b>	<b>62,981</b>

(4) Notes Concerning Quarterly Consolidated Financial Statements

(Notes Concerning Going Concern Assumption)

Not applicable

(Notes Concerning Going Significant Changes in the Amount of Shareholders' Equity)

Not applicable

(Segment information)

First half of FY2013 (April 1, 2012 – September 30, 2012)

1. Information about net sales, profits or losses according to reporting segments

(Unit: Million yen)

	Reporting segments					Adjustments (Note) 1	Amounts stated in quarterly P/L (Note) 2
	Japan	Americas	China	Asia and Europe	Total		
Net sales							
Sales to customers	40,794	80,726	36,530	20,984	179,035	—	179,035
Interarea transfer	11,873	—	2,058	3	13,936	-13,936	—
Total	52,667	80,726	38,589	20,988	192,971	-13,936	179,035
Segment profits (losses)	3,334	4,896	3,355	1,414	13,001	-2,005	10,995

(Notes) 1. Adjustments of -2,005 million yen for segment profits (losses) include a deduction of 247 million yen for transactions among segments, and operating expenses of -2,046 million yen associated with the administration division of the headquarters of the parent company, which could not be allocated.

2. Segment profits are adjusted for operating income in the quarterly consolidated statements of income.

2 Information about impairment loss of noncurrent assets or goodwill according to reporting segments

(Significant impairment loss on noncurrent assets)

The Company fully wrote off the carrying value of idle assets in the Americas segment that were not expected to be used in the future and were difficult to sell and recorded its write-down under extraordinary loss as an impairment loss of noncurrent assets of 7 million yen.

First half of FY2014 (April 1, 2013 – September 30, 2013)

1. Information about net sales, profits and losses according to reporting segments

(Unit: Million yen)

	Reporting segments					Adjustments (Note) 1	Amounts stated in quarterly P/L (Note) 2
	Japan	Americas	China	Asia and Europe	Total		
Net sales							
Sales to customers	31,944	106,484	41,438	36,169	216,037	—	216,037
Inter-area transfer	13,230	76	2,722	277	16,307	-16,307	—
Total	45,175	106,560	44,161	36,447	232,344	-16,307	216,037
Segment profits	3,095	8,592	5,518	5,541	22,747	-2,261	20,485

- (Notes) 1. Adjustments of -2,261 million yen for segment profits include a deduction of 294 million yen for transactions among segments, and operating expenses of -2,131 million yen associated with the administration division of the headquarters of the parent company, which could not be allocated.
2. Segment profits are adjusted for operating income in the quarterly consolidated statements of income.

2 Information about impairment loss of noncurrent assets or goodwill according to reporting segments  
(Significant impairment loss on noncurrent assets)

The Company fully wrote off the carrying value of idle assets in the Japan and Americas segments to the extent of the recoverable value, and recorded its write-down under extraordinary loss as an impairment loss. The impairment loss stood at 7 million yen in the Japan segment and 18 million yen in the Americas segment for the current period under review.

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(Significant change in goodwill value)

TS TECH AMERICAS, INC., a consolidated subsidiary, acquired equity in TS TECH DO BRASIL LTDA., which was held by other companies, during the first quarter. As a result, the company posted goodwill of 202 million yen in the Americas segment.