

# Ahresty Corporation

## Results Briefing for the Year Ended March 31, 2015



May 29, 2015

This document and comments made in the results briefing include forecasts that the Company has prepared based on data available at the time the document was produced. Actual results may differ materially from the forecasts for a range of reasons.

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- ◆ TOPICS
- ◆ Overview of results for the fiscal year ended March 31, 2015
- ◆ Forecast for the fiscal year ending March 31, 2016
- ◆ 10-Year Vision and the Medium-Term Target

# TOPICS

## ■ 2013

**August** Hefei Ahresty begins delivering mass-produced engine blocks to Dongfeng Motor Company Limited

**September** Ahresty India begins expansion work

**October** Guangzhou Ahresty begins the second phase of plant construction on an adjacent site

The head office is relocated to Toyohashi City, Aichi

## ■ 2014

**March** The company moves to the First Section of the Tokyo Stock Exchange

**April** Ahresty Mexicana begins floor expansion work of the casting plant

**June** Guangzhou Ahresty begins delivering mass-produced products to the Volkswagen Group

**July** Expansion work is completed at Ahresty India

**September** Second phase of plant construction on an adjacent site is completed at Guangzhou Ahresty plans

Floor expansion work of the casting plant is completed at Ahresty Mexicana

**November** Ahresty Wilmington begins expansion work

## ■ 2015

**March** Ahresty Tochigi plans to begin expansion work of the casting plant

**June** Ahresty Wilmington plans to complete the expansion work

**October** Ahresty Tochigi plans to complete the expansion work of the casting plant



## Overview of results for the fiscal year ended March 31, 2015



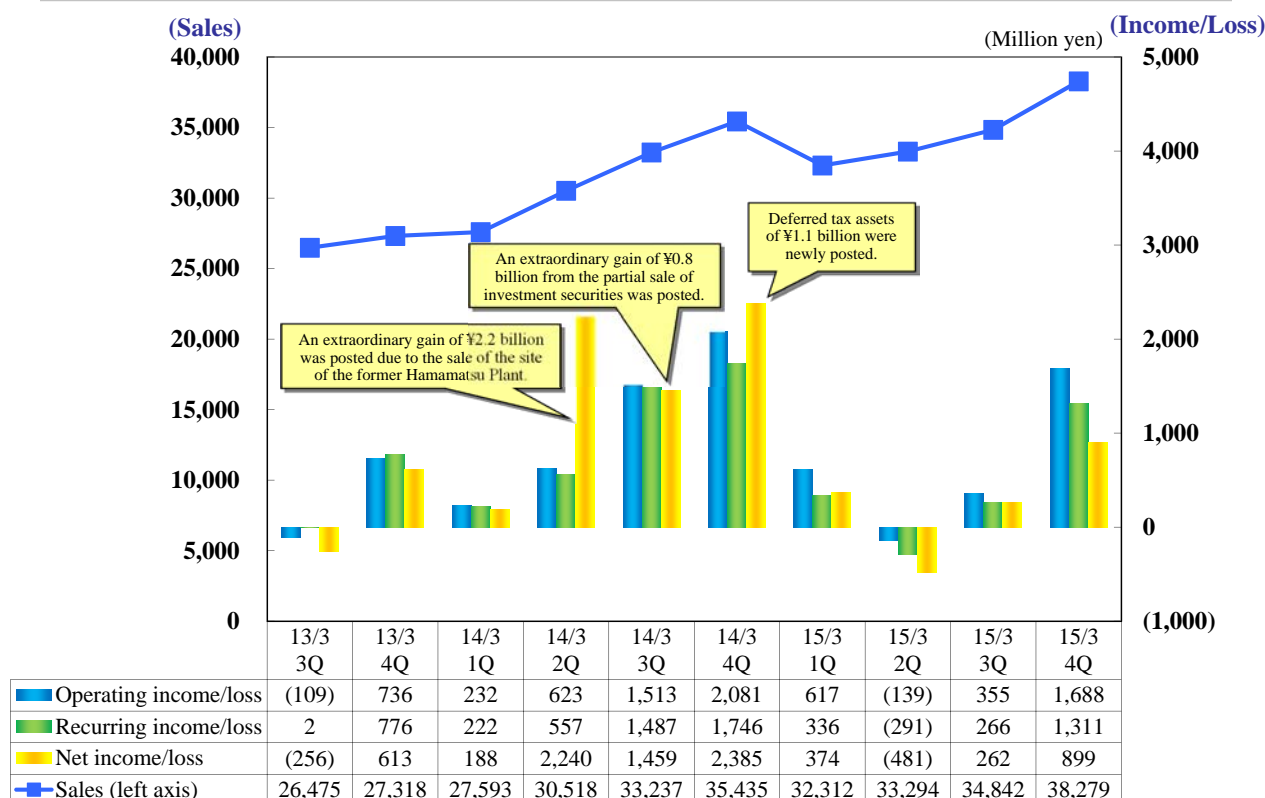
# Key Results for the Fiscal Year Ended March 31, 2015

(Million yen)

	Fiscal year ended March 2014		Fiscal year ended March 2015		Change	
Sales	<b>126,783</b>	100%	<b>138,727</b>	100%	<b>11,944</b>	9.4%
Operating income	<b>4,449</b>	3.5%	<b>2,521</b>	1.8%	<b>(1,928)</b>	(43.3%)
Recurring income	<b>4,012</b>	3.2%	<b>1,622</b>	1.2%	<b>(2,390)</b>	(59.6%)
Net income	<b>6,272</b>	4.9%	<b>1,054</b>	0.7%	<b>(5,218)</b>	(83.2%)
EPS	<b>287.10</b>		<b>40.85</b>		<b>(246.25)</b>	

- ◆ Sales: Domestic sales increased, primarily reflecting the effect of metal prices, although sales volumes declined year on year in reaction to the consumption tax hike. Meanwhile, overseas sales increased, primarily with a rise in orders and the effects of the weakening yen. Overall, sales rose 9.4% year on year, to ¥138.7 billion.
- ◆ Operating income: Despite the effect of higher income mainly in Die Casting in Asia, operating income declined 43.3% year on year, to ¥2.5 billion, due to deteriorating income in Die Casting in North America on the back of lower productivity and lower income in Die Casting in Japan reflecting lower sales volume.
- ◆ Recurring income: Recurring income declined 59.6% year on year, to ¥1,600 million, primarily reflecting a ¥474 million fall in foreign currency exchange gains (a foreign currency exchange loss of ¥50 million in the fiscal year under review) and a ¥200 million increase in interest expenses in non-operating income.
- ◆ Net income: In the same period of the previous fiscal year, a ¥2.28 billion gain on the sale of a fixed asset (a vacant lot of the former Hamamatsu Plant) and a ¥830 million gain on sales of investment securities were posted.

## Overview of the (Quarterly) Consolidated Results



# Die Casting Business

(Million yen)

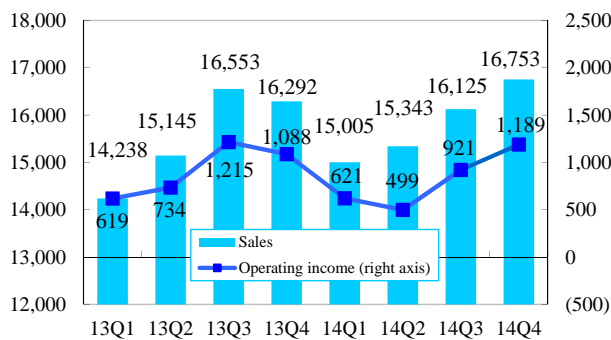
		Fiscal year ended March 2014		Fiscal year ended March 2015		Change	
Japan	Sales	62,228	100%	63,226	100%	998	1.6%
	Segment income (loss)	3,656	5.9%	3,230	5.1%	(426)	(11.6%)
North America	Sales	33,906	100%	40,654	100%	6,748	19.9%
	Segment income (loss)	509	1.5%	(1,295)	(3.2%)	(1,804)	-
Asia	Sales	24,143	100%	27,584	100%	3,441	14.3%
	Segment income (loss)	180	0.7%	662	2.4%	482	268.1%

The overseas sales ratio in the Die Casting Business: Fiscal year ended March 2014: 48.3%  
 ⇒ First half of fiscal year ended March 2015: 51.4%  
 ⇒ Fiscal year ended March 2015: 51.9%

\* An explanation of the factors behind changes in segment results begins on the next page.

## Die Casting in Japan

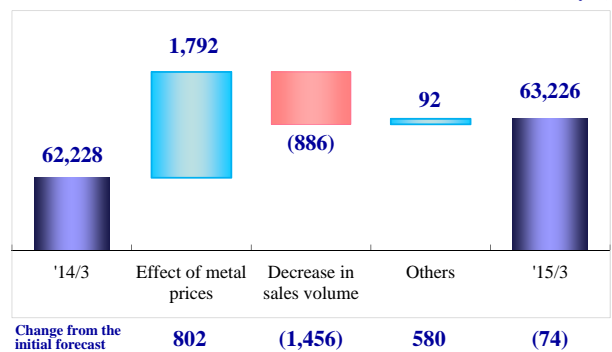
Changes in sales and segment income in Die Casting Business in Japan (Million yen)



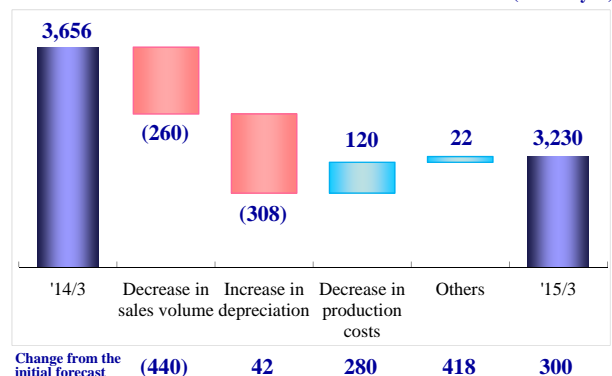
Sales increased year on year, partly reflecting the effect of metal prices, despite a lower sales volume on the back of a fall in demand (from the second half of the previous fiscal year) as a reaction to the consumption tax hike. The sales volume has increased every quarter.

Segment income declined 11.6% year on year, primarily reflecting the effects of a decline in sales volume and an increase in depreciation. In the second half, income improved due to an increase in sales volume from the level in the first half.

Factors of change in die casting sales (Million yen)

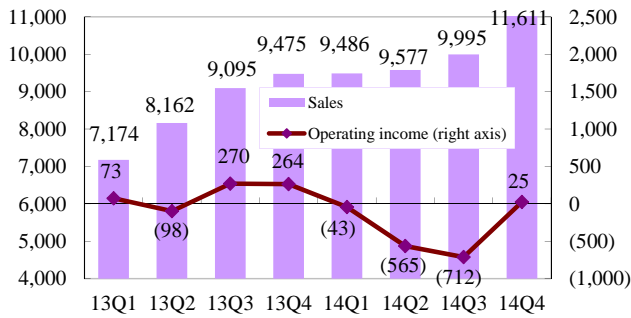


Factors of change in segment income (Million yen)



# Die Casting in North America

**Changes in sales and segment income in Die Casting Business in North America (Million yen)**



**U.S.:** Although sales rose, reflecting an increase in orders due to strong auto sales and exchange rate factors under the weaker yen, income declined due to a fall in productivity associated with a delay in response to a production hike and an increase in expenses. Given the effects of improvement activities in the second half, operations became profitable on a single month basis in March.

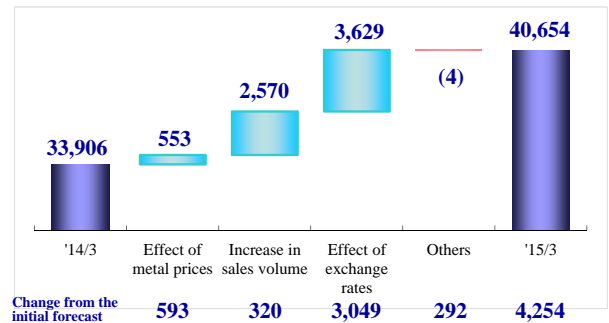
**Mexico:** Sales increased due to a rise in orders combined with exchange rate factors. Income improved as manufacturing costs declined.

Although income in North America deteriorated, with the effects of income improvement project activities in the United States, income has bottomed out and is recovering.

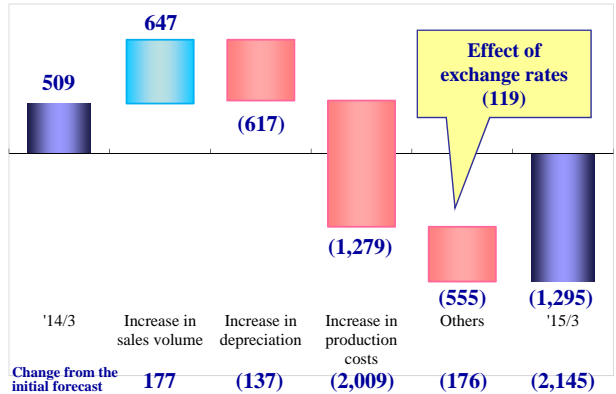
Average exchange rate ('14/3 → '15/3)  
 US dollar 99.99 → 110.03  
 Mexican peso (US\$) 97.11 → 106.37

\* U.S.: April – March  
 Mexico: January – December

**Factors of change in die casting sales (Million yen)**



**Factors of change in segment income (Million yen)**



# Improved Productivity in North America (U.S. Plant)

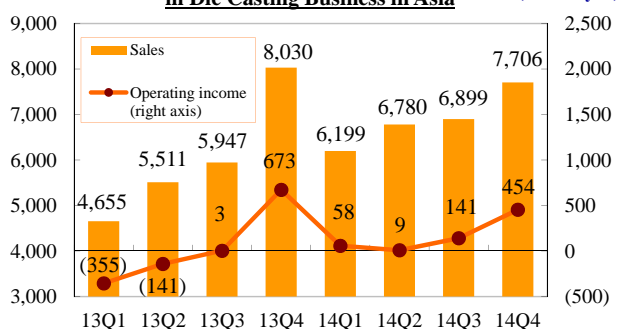
Undertake remedial measures for individual problems of major products (10 products with a large impact on both casting and processing).

- Improve productivity by going back to a normal five-day operation.
  - Despite variations in individual progress, overall, productivity is improving just about as planned, and although there are certain products with a processing schedule of seven days, the ratio of five-day operations increased. Along with this, workforce have been reduced as planned.
  - Product delivery expenses were cut significantly to the normal level with discounts on specified flights.
- Provide training to improve workers' skills.
- Implement equipment maintenance in a planned manner and cultivate engineers including trainers.
  - Cultivated engineers according to the plan (progressing nearly as planned).
  - Carried out equipment maintenance in a planned manner during the Christmas holiday, etc.
- Set up two new casting machines and made improvements to the traffic line (made extensions to the building)
  - To make a contribution in the fiscal year ending March 2016.
  - The building extension has almost been completed (to be completed in June) and certain equipment is now being installed.

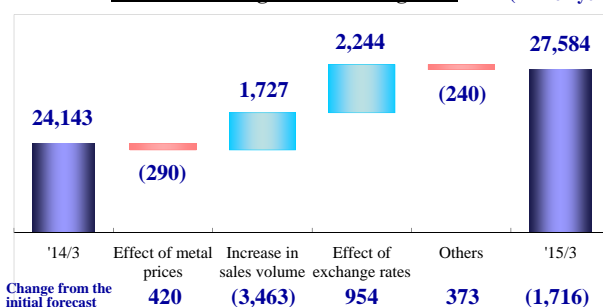
With the progress of improvement project activities almost on schedule, operations became profitable on a single month basis in March. Project activities ended at the end of March (ordinary improvement activities have been taken since April to achieve a further improvement in productivity).

# Die Casting in Asia

**Changes in sales and segment income in Die Casting Business in Asia** (Million yen)



**Factors of change in die casting sales** (Million yen)



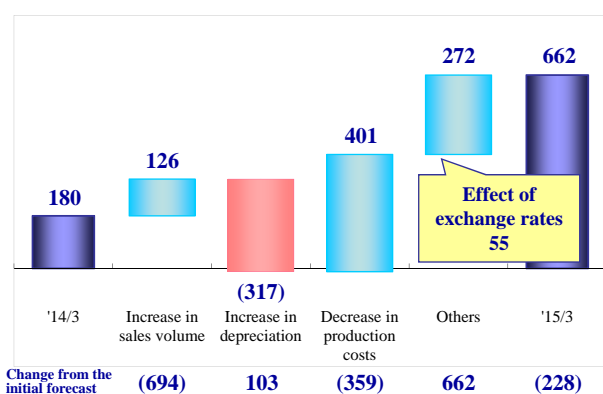
**China:** As auto production declined due to a deteriorated relationship between Japan and China was returning to the level it had attained before, sales increased year on year, although sales fell significantly below the initial forecast (sales were lower year on year in Guangzhou). Hefei Ahresty in the fourth year of its operation continued to make a profit since the fourth quarter of the previous fiscal year. Income increased year on year mainly due to the effect of manufacturing cost reductions.

**India:** Sales were below the initial forecast and the sales volume remained unchanged year on year. Given these results, the burden of fixed costs became larger and income deteriorated from the previous fiscal year. Earnings improved in Asia.

\* China: January – December  
India: April – March

Average exchange rate ('14/3 → '15/3)  
Chinese yuan 15.80 → 17.26  
Indian rupee 1.67 → 1.81

**Factors of change in segment income** (Million yen)



# Aluminum Business and Proprietary Products Business

(Million yen)

		Fiscal year ended March 2014	Fiscal year ended March 2015	Change	
<b>Aluminum Business</b>	Sales	4,657 100%	5,015 100%	358	7.7%
	Segment income (loss)	(6) (0.1%)	5 0.1%	11	–
<b>Proprietary Products Business</b>	Sales	1,848 100%	2,245 100%	397	21.5%
	Segment income (loss)	66 3.6%	83 3.7%	17	25.5%

**Aluminum Business:**

Sales rose 7.7% year on year attributable to a rise in sales unit prices, although order volume remained flat year on year.

Segment income came to ¥5 million, mainly reflecting lower costs.

**Proprietary Products Business:**

Sales rose 21.5% from a year earlier, given increased orders from the Company's main customers, such as telecommunication companies for their data centers and semiconductor manufacturers for their clean rooms.

Segment income rose 25.5%, reflecting higher sales.



# Overview of Results

## Balance Sheets

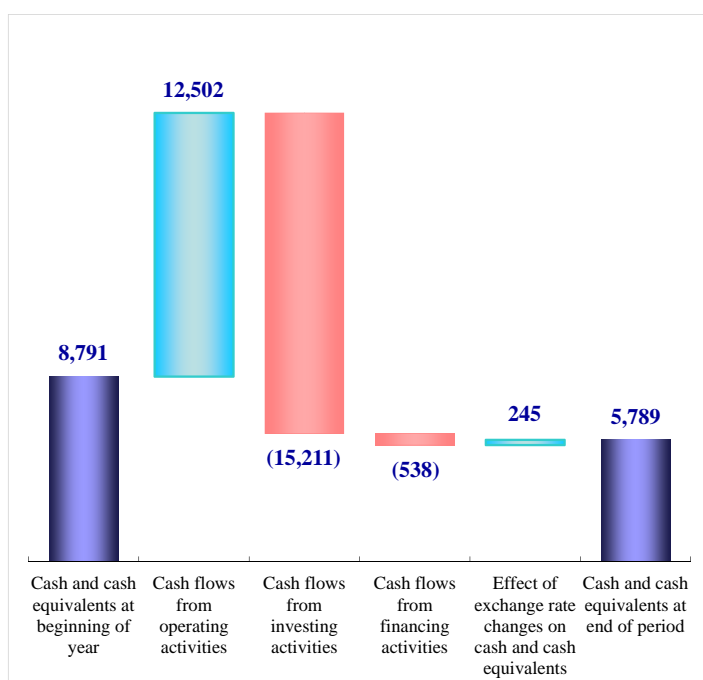
(Million yen)

	Fiscal year ended March 2014	Fiscal year ended March 2015	Change
<b>Current assets</b>	<b>48,920</b>	<b>48,464</b>	<b>(456)</b>
Cash and time deposits	8,791	5,885	(2,906)
Notes and accounts receivable	25,924	25,679	(245)
Inventories	10,536	12,602	2,066
<b>Fixed assets</b>	<b>88,313</b>	<b>100,367</b>	<b>12,054</b>
Tangible fixed assets	78,208	88,133	9,925
<b>Total assets</b>	<b>137,233</b>	<b>148,831</b>	<b>11,598</b>
<b>Total liabilities</b>	<b>82,641</b>	<b>86,728</b>	<b>4,087</b>
Notes and accounts payable	19,714	20,936	1,222
Long-term and short-term loans	43,014	46,838	3,824
<b>Total net assets</b>	<b>54,592</b>	<b>62,103</b>	<b>7,511</b>
<b>Equity ratio</b>	<b>39.7</b>	<b>41.7</b>	<b>2.0</b>

- ◆ Cash and time deposits, which had temporarily increased due to capital increase, declined.
- ◆ Notes and accounts receivable declined due to a fall in sales in Guangzhou Ahresty.
- ◆ Tangible fixed assets increased, reflecting capital expenditures overseas and exchange rate factors.
- ◆ Exchange rate factors in the change of total assets were ¥11.3 billion.
- ◆ Loans payable increased due to exchange rate factors (¥4.0 billion)
- ◆ Total net assets rose as a result of an increase in foreign currency translation adjustment.

## Cash Flows

(Million yen)



<b>Cash flows from operating activities</b>	<b>12,502</b>
Income before income taxes and others	1,651
Depreciation and amortization	12,956
Decrease (increase) in notes and accounts receivable	1,555
Decrease (increase) in inventories	(1,143)
Increase (decrease) in notes and accounts payable	428
Increase (decrease) in accrued consumption taxes and others	(252)
Income taxes paid	(2,144)
Others	(549)
<b>Cash flows from investing activities</b>	<b>(15,211)</b>
Expenditures from purchases of tangible fixed assets	(15,143)
Proceeds from sales of tangible fixed assets	205
Others	(273)
<b>Cash flows from financing activities</b>	<b>(538)</b>
Increase (decrease) in short-term loans payable	(1,242)
Increase (decrease) in long-term loans payable	1,233
Dividends paid	(308)
Others	(220)

- ◆ Capital expenditures larger than cash flows from operating activities were conducted mainly overseas.
- ◆ The shortfall was covered by a fall in cash and time deposits (which had temporarily increased due to a capital increase through public offering conducted in March 2014).

# Forecast for the fiscal year ending March 31, 2016



## Forecast for the Fiscal Year Ending March 31, 2016

(Million yen)

	Fiscal year ended March 2015		Forecast for fiscal year ending March 2016		Change	
Sales	<b>138,727</b>	100%	<b>146,200</b>	100%	<b>7,473</b>	7.3%
Operating income	<b>2,521</b>	1.8%	<b>4,250</b>	2.9%	<b>1,729</b>	68.6%
Recurring income	<b>1,622</b>	1.2%	<b>3,300</b>	2.3%	<b>1,678</b>	103.4%
Net income	<b>1,054</b>	0.8%	<b>2,000</b>	1.4%	<b>946</b>	89.6%
EPS	<b>40.85</b>		<b>77.45</b>		<b>36.60</b>	

- ◆ Sales: In Japan, domestic production is expected to increase in certain quarters, given the weak yen, but a full-scale recovery in demand after the consumption tax hike is likely to be delayed. Overseas, sales are expected to increase in North America due to an increase in sales volume and exchange rate effects while, in Asia, although there are concerns over the sales volume trend in China, sales in China overall are expected to increase due to an increase in sales volume and exchange rate effects. As a result, consolidated sales are forecast to increase ¥7.4 billion year on year.
  - ◆ Operating income: In Japan, income is likely to fall, chiefly reflecting lower sales volume, and, in Asia, income is expected to decrease on the back of the expectation that the sales volume is likely to fall below production capacity, while income in North America is expected to improve. As a result, consolidated operating income is forecast to increase ¥1.7 billion year on year.
  - ◆ Recurring income: Recurring income is expected to increase as a result of an increase in operating income.
  - ◆ Net income: Net income is expected to increase as a result of an increase in recurring income.
- Exchange rate assumptions: ¥115/US dollar, ¥19/Chinese yuan, ¥1.9/Indian rupee



# Forecast for the Fiscal Year Ending March 31, 2016

(Million yen)

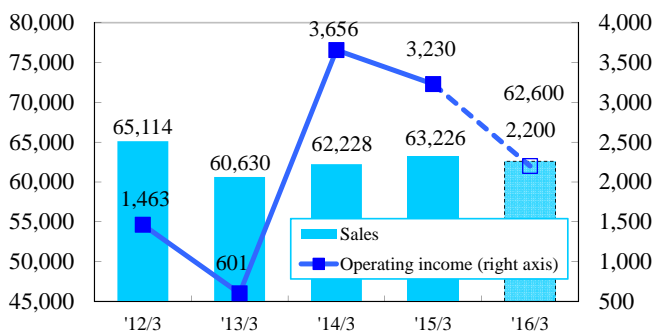
	Fiscal year ended March 2015	Forecast for fiscal year ending March 2016	Change	Percentage change
<b>Sales</b>	<b>138,727</b>	<b>146,200</b>	<b>7,473</b>	<b>7.3%</b>
Die Casting in Japan	63,226	62,600	(626)	(1.0%)
Die Casting in North America	40,654	44,500	3,846	9.5%
Die Casting in Asia	27,584	32,100	4,516	16.4%
Aluminum	5,015	5,200	185	3.7%
Proprietary Products	2,245	1,800	(445)	(19.8%)
<b>Operating income</b>	<b>2,521</b>	<b>4,250</b>	<b>1,729</b>	<b>68.6%</b>
Die Casting in Japan	3,230	2,200	(1,030)	(31.9%)
Die Casting in North America	(1,295)	1,400	2,695	–
Die Casting in Asia	662	500	(162)	(24.5%)
Aluminum	5	100	95	–
Proprietary Products	83	50	(33)	(39.8%)
Eliminations and Corporate	(165)	–	165	–
<b>Recurring income</b>	<b>1,622</b>	<b>3,300</b>	<b>1,678</b>	<b>103.4%</b>
<b>Net income</b>	<b>1,054</b>	<b>2,000</b>	<b>946</b>	<b>89.6%</b>

The overseas sales ratio in the Die Casting Business: Fiscal year ended March 2015: 51.9%  
⇒ Fiscal year ending March 2016: 55.0%

## Die Casting in Japan

Changes in sales and segment income  
in Die Casting Business in Japan

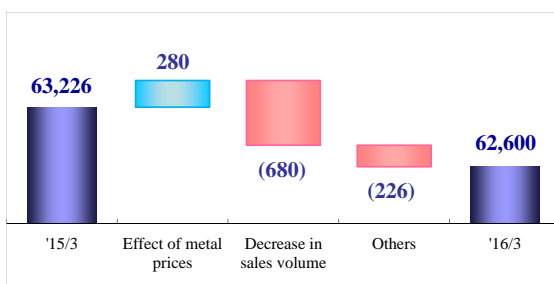
(Million yen)



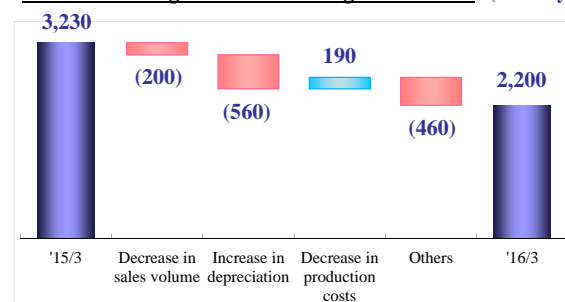
**Sales:** Domestic production is expected to increase in certain quarters, given the weak yen, but a full-scale recovery in demand after the consumption tax hike is likely to be delayed. Consequently, sales are projected to fall.

**Income:** Income is expected to fall, mainly due to the effects of lower sales, an increase in depreciation and a smaller income from die casting dies, costs of which are recovered with payments in installments.

Factors of change estimated for sales (Million yen)

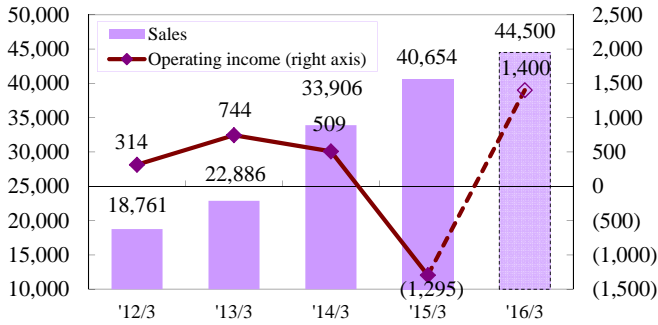


Factors of change estimated for segment income (Million yen)



# Die Casting in North America

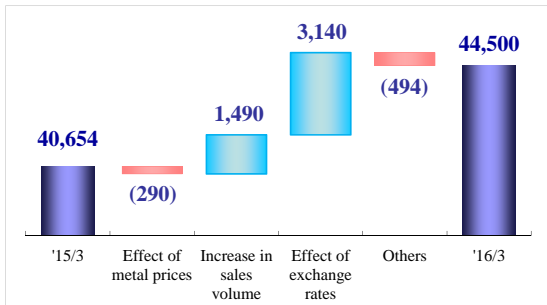
**Changes in sales and segment income in Die Casting Business in North America** (Million yen)



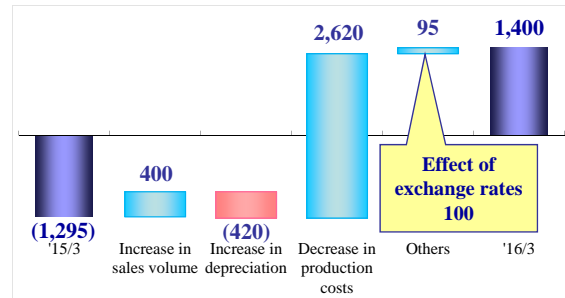
**Sales:** Reflecting an increase in sales volume, albeit smaller growth compared with the previous fiscal year, and the effects of foreign exchange rates, sales are expected to rise.

**Income:** Income is expected to make a V-shape recovery with a recovery in income at the U.S. plant on the back of its productivity improvements and the effects of higher sales and an improvement in productivity at the Mexico Plant, offsetting higher depreciation.

**Factors of change estimated for sales** (Million yen)

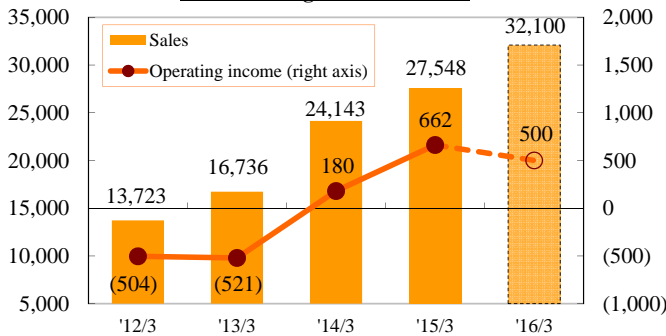


**Factors of change estimated for segment income** (Million yen)



# Die Casting in Asia

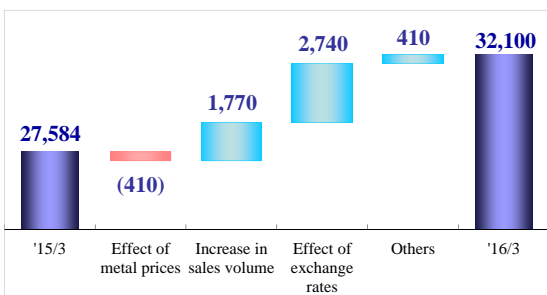
**Changes in sales and segment income in Die Casting Business in Asia** (Million yen)



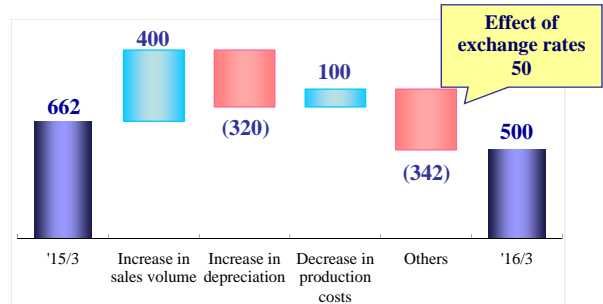
**Sales:** Given an increase in sales volume, despite failing to reach the production capacity level, and the effects of foreign exchange rates, sales in both China and India are expected to rise.

**Income:** Despite the effects of higher sales, mainly reflecting higher depreciation, income is likely to fall. In India, primarily due to an improvement in profitability on the back of the effects of higher sales and other factors, losses are expected to be reduced.

**Factors of change estimated for sales** (Million yen)



**Factors of change estimated for segment income** (Million yen)



## Dividends

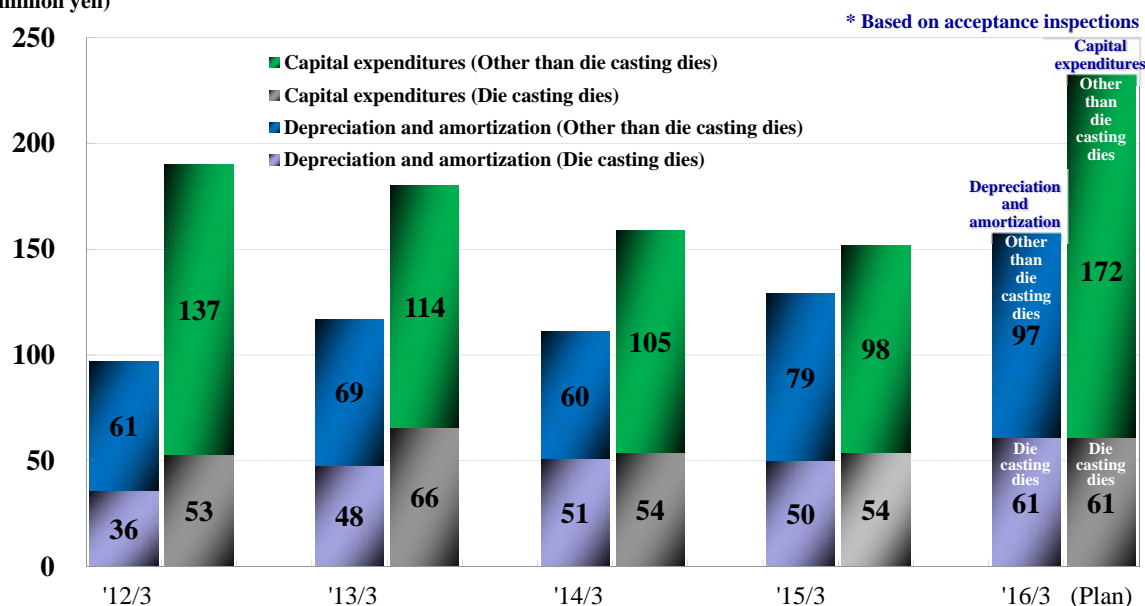
(Yen)	FY ended March 2012	FY ended March 2013	FY ended March 2014	FY ended March 2015	FY ending March 2015 Plan
Dividend per share					
(Annual dividend)	6	3	14	12	12
Interim dividend	3	3	8	6	6
Year-end dividend	3	-	6	6	6
Net income (loss) per share (consolidated)	65.87	(7.76)	287.10	40.85	77.45
Payout ratio (consolidated)	9.1%	-	4.9%	29.4%	15.5%

- ◆ In the fiscal year ended March 31, 2015, although results planned at the beginning of the term were not achieved, the annual dividend of ¥12 was paid, as forecasted at the beginning of the term.
- ◆ In the fiscal year ending March 31, 2016, we intend to pay an annual dividend of ¥12. (Targeting a payout ratio of around 15% in the near future)
- ◆ While paying attention to the payout ratio, the distribution of management resources is promoted by taking future growth into account.

## Trends of Capital Expenditures and Depreciation and Amortization

- ◆ Capital investment is planned in order to expand the capacity of the domestic and overseas die casting business

(100 million yen)



\* Because there is a delay in capital expenditures that were planned in the fiscal year ended March 2015 and capital expenditures in Japan will be increased while capital expenditures in overseas die casting bases will continue, capital expenditures are planned to be increased greatly in the fiscal year ending March 31, 2016.

# 10-Year Vision and the Medium-Term Target ( for the fiscal year ending March 31, 2017)

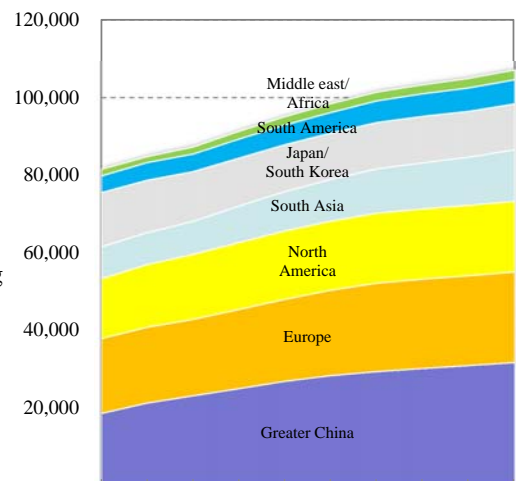


## Business Environment Surrounding the Company

### Expand the overseas business by capturing the trends of globalization and outsourcing.

- Global automobile production is rising, centered on emerging nations.
  - ✓ Production will increase by more than 20 million units. (An increase in demand equivalent to approximately twice the production volumes in Japan)
- Trends of increasing outsourcing
  - ✓ While automobile production volumes are increasing, because of the priority orders of capital expenditures among automakers, die casting will be outsourced.
  - ✓ Processing up to machine processing is outsourced. Mass production of Nissan engine blocks in China
- There are not many global die casting makers.
  - ✓ The Company's position: One of the leading companies in the industry for its business scale, technological capabilities and development capabilities

Units (1,000 units)



CY 2012 CY 2014 CY 2016 CY 2018 CY 2020  
Forecast global production volume of light vehicles  
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## The Company's Strength

### ➤ Technological capabilities and the global production base network

The Company is capable of supplying complex large-scale products (for example, engine blocks and mission cases) both in Japan and overseas.

### ➤ Comprehensive technological development capabilities from die casting design to die casting production

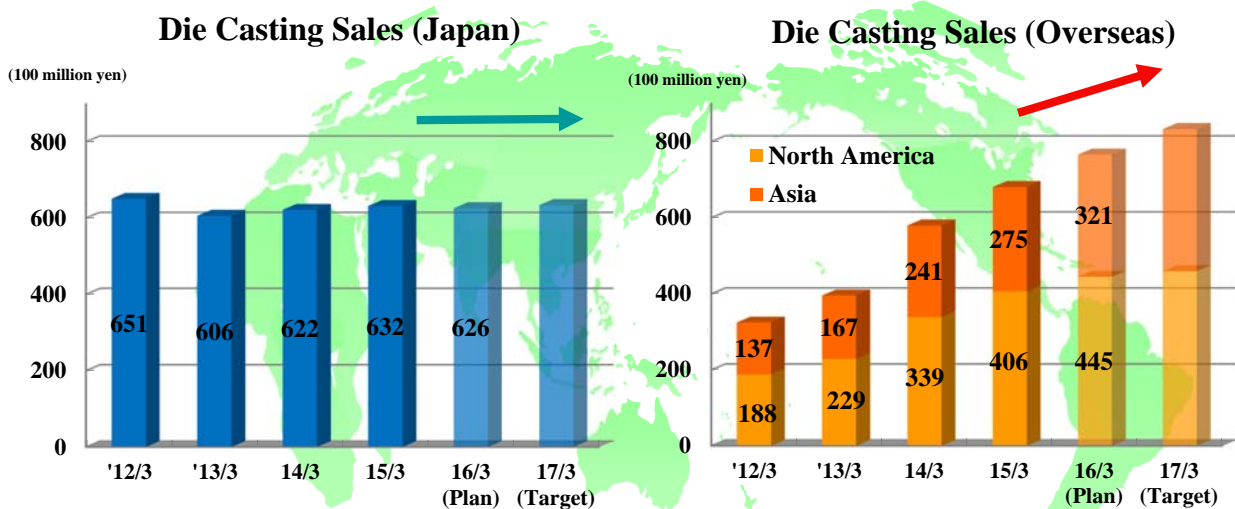
The Company is capable of creating quality, productivity, etc. for customers from the development stage.

### ➤ Comprehensive one-stop production structure

The Company is capable of responding to all requirements, including raw material production, die casing dies production, casting and machine processing.

## Trends in Die Casting Business Sales

### Further Expansion of Overseas Sales



■ Based on the new 10-year Vision, we aim to achieve sustainable growth by winning customers' absolute trust and generating steady results.

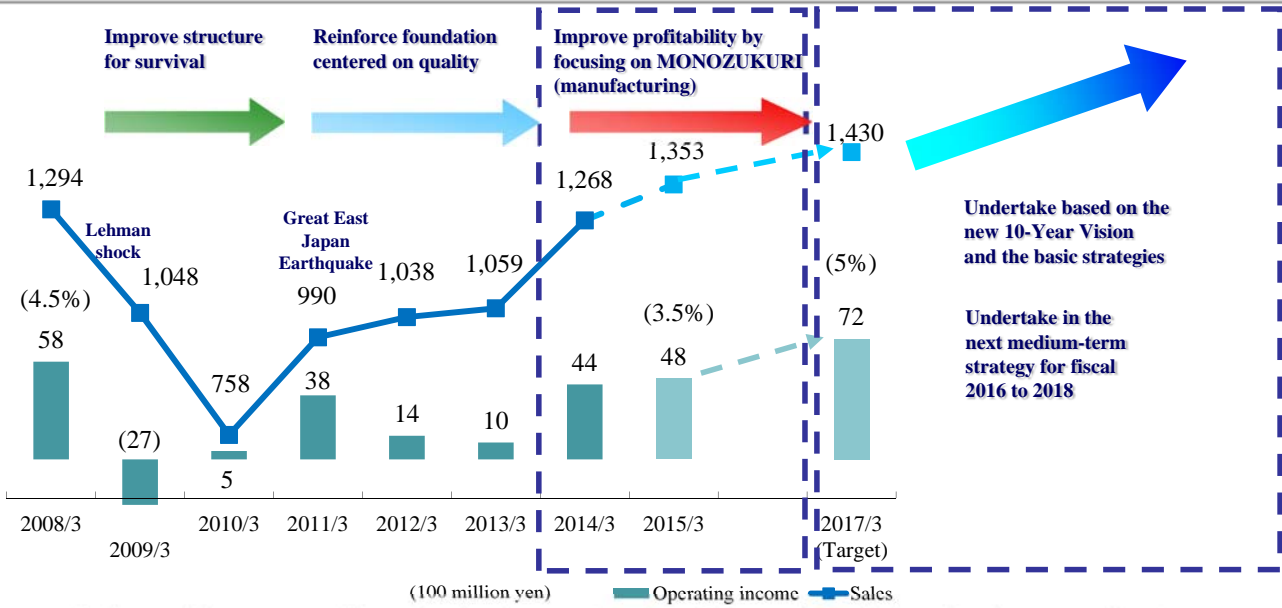
■ Japan: Domestic demand is due to decrease in the medium and long terms, but to achieve a certain level of sales and income through proactive sales activities.

■ North America: Increase profitability by investing in capacity expansion to respond to higher demand.

■ Asia: Strive to move into the black in India by improving productivity; and increase profitability in China by responding to expanding demand.



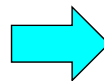
# Past changes and medium-and-long term direction



- ✓ Expand the overseas die casting business centered on China and North America, by responding to stronger global demand
- ✓ Promote the 1315 Medium-Term Strategy with focus on MONOZUKURI (manufacturing) (Adopting part of the basic strategies of the new 10-year Vision)
- ✓ The medium-term strategy based on the new 10-Year Vision and the basic strategies will be undertaken in earnest in the next medium-term strategy for fiscal 2016 to 2018.

# 10-Year Vision

version of the year  
2012



version of the year  
2015

Global Top Die Casting Company

**"Pursue and Advance MONOZUKURI"**



**Winning  
absolute customers' trust 2025**

**Our aspirations**

Become the most reliable supplier in the eyes of our customers

Contribute to the weight reduction of automobiles globally

Achieve sales target over 200 billion yen

**By firmly focusing on its own operations and responding to customers' trust and expectations, the Company aims to achieve sustainable growth.**



# 1315 Medium-Term Strategy

## FY2013 - 2015 Medium-Term Management Strategy

Category	Items for implementation
<b>Pursuit and sharing of the best MONOZUKURI (manufacturing)</b>	Rebuild manufacturing that integrates actual sites with design; realize identical quality/productivity at all locations; implement measures aimed at improving productivity, etc.
<b>Development of technologies utilized on the MONOZUKURI shop-floor</b>	Implement measures based on a technological road map in to thoroughly investigate manufacturing; implement measures aimed at cultivating markets other than the powertrain
<b>Development of human resources supporting MONOZUKURI</b>	Cultivate people with skills backed by practical experience; implement measures that cultivated technologists who can take action based on the principle of five <i>gens</i> ( <i>genba</i> for on site, <i>genbutsu</i> for actual thing, <i>genjitsu</i> for reality, <i>genri</i> for theory and <i>gensoku</i> for rule)
<b>Pursuit of healthy profits</b>	Realize sustainable corporate growth through improved profitability and develop in growth markets; realize work efficiency as well as a processing facility concept with high investment efficiency; implement measures aimed at improving the level of earnings management through the visualization of costs related to processes and divisions

There are no major changes in the implementation items above, but part of the basic strategies of the new 10-year Vision has been adopted.

Basic strategies based on the new 10-year Vision will be carried out in the next Medium-Term Management Plan (2016-2018).

## Numerical Targets for the Fiscal Year Ending in March 2017

	Fiscal year ended March 2015	Forecast for fiscal year ending March 2016	Initial target (Fiscal year ending March 2017) Announced on May 9, 2014	Revised target (Fiscal year ending March 2017) Announced on May 8, 2015
<b>Sales</b>	<b>¥138.7 billion</b>	<b>¥146.2 billion</b>	<b>¥143.0 billion</b>	<b>¥154.0 billion</b>
<b>Operating income ratio</b>	<b>1.8%</b>	<b>2.9%</b>	<b>5.0%</b>	<b>5.0%</b>
<b>ROA</b> (Return on Assets)	<b>0.7%</b>	<b>—</b>	<b>3.0 %</b>	<b>3.0%</b>
<b>ROE</b> (Return on Equity)	<b>1.8%</b>	<b>—</b>	<b>7.0%</b>	<b>7.0%</b>

The sales target has been changed.



Ahresty

Casting Our Eyes  
on the Future

# Ahresty Corporation

Aiming to become a leader in research and  
development, service, and technology



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This document and what has been said in the results briefing include forecasts that the Company has made based on data available when the document was prepared.  
Actual results could be different from the forecasts for a range of reasons.