



Ahresty

Casting Our Eyes  
on the Future

# Ahresty Corporation

Results Briefing for FY2015  
Medium-Term Management Strategy  
Presentation Material



May 27, 2016

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# Topics



# Progress of Plant No. 6 expansion at Ahresty Tochigi

## Increasing capability to realize increased output

- **Completion: September 2015**
- **Expected completion of facilities: November 2016**
  - \* The plant has already commenced operations.
- **Expanded area: 1,143 m<sup>2</sup>**
- **Installed facilities: 2,250-ton die casting machine, machine processing facility, etc.**
- **Capacity: 2,800 t/month ⇒ 3,000 t/month**
  - Planned increase of 200 t/month**



Plant No. 6 exterior



Plant No. 6 interior

## Concept for Plant No. 6 production line

- **Single production line incorporating all processes from casting to finishing**
- **Manpower reduction**
- **Stockpile reduction: reducing excessive stock between processes**
- **Prevention of machine failure**
- **And total production management**

**Realizing the concept for the production line and assisting our customers with stable production and delivery**



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# Overview of results for the fiscal year ended March 31, 2016



## Key Results for FY2015

(Million yen)

	FY2014		FY2015		Change	
<b>Sales</b>	<b>138,727</b>	100%	<b>144,451</b>	100%	<b>5,724</b>	4.1%
<b>Operating income</b>	<b>2,521</b>	1.8%	<b>5,385</b>	3.7%	<b>2,864</b>	113.6%
<b>Recurring income</b>	<b>1,622</b>	1.2%	<b>4,077</b>	2.8%	<b>2,455</b>	151.4%
<b>Net income</b>	<b>1,054</b>	0.8%	<b>3,062</b>	2.1%	<b>2,008</b>	190.3%
<b>EPS</b>	<b>40.85</b>		<b>118.50</b>		<b>77.65</b>	

### Overview

- ✓ **Orders increased in North America thanks to record automobile sales. Orders in Asia and Japan decreased. Consolidated sales increased due in part to exchange rate factors.**
- ✓ **Productivity and profitability increased in the U.S. plant, while profitability increased in the Mexico plant.**  
⇒ **Operating income was ¥5.3 billion (up 113% year on year). EPS was ¥118.5.**

# Die Casting Business

(Million yen)

		FY2014		FY2015		Change	
Japan	Sales	63,226	100%	63,583	100%	357	0.6%
	Segment income (loss)	3,230	5.1%	2,769	4.4%	(461)	(14.3%)
North America	Sales	40,654	100%	45,760	100%	5,106	12.6%
	Segment income (loss)	(1,295)	(3.2%)	1,521	3.3%	2,816	–
Asia	Sales	27,584	100%	27,594	100%	10	0.0%
	Segment income (loss)	662	2.4%	573	2.1%	(89)	(13.5%)

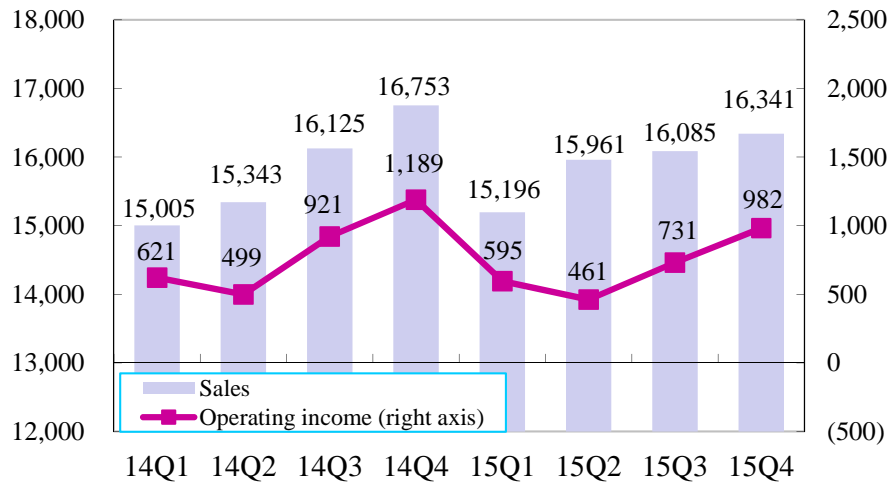
The overseas sales ratio in the Die Casting Business:

✓ FY2014: 51.9% ⇒ FY2015: 53.6%

\* 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)



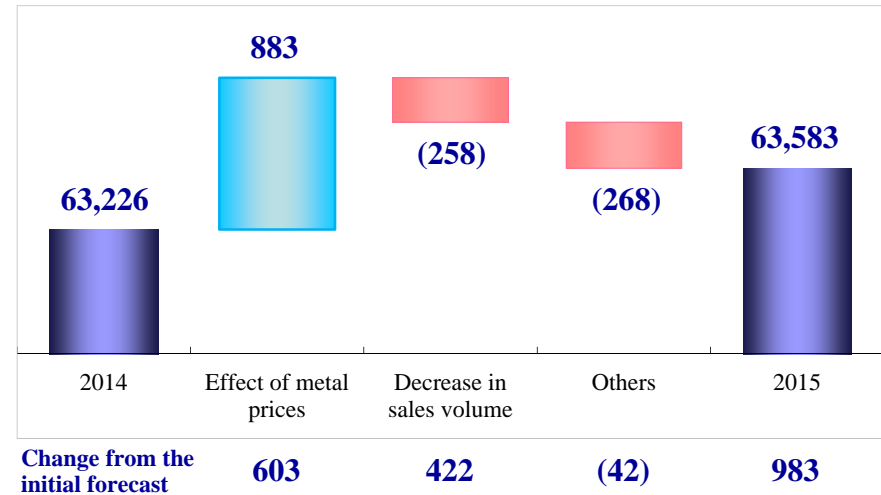
## Sales

- ✓ The consumption tax hike and the increase in the light motor vehicle tax slowed down automobile sales
- ✓ Exports remained buoyant led by North America
- ✓ Favorable metal prices had a positive effect on sales
- ⇒ Sales increased ¥360 million (up 0.6% year on year)

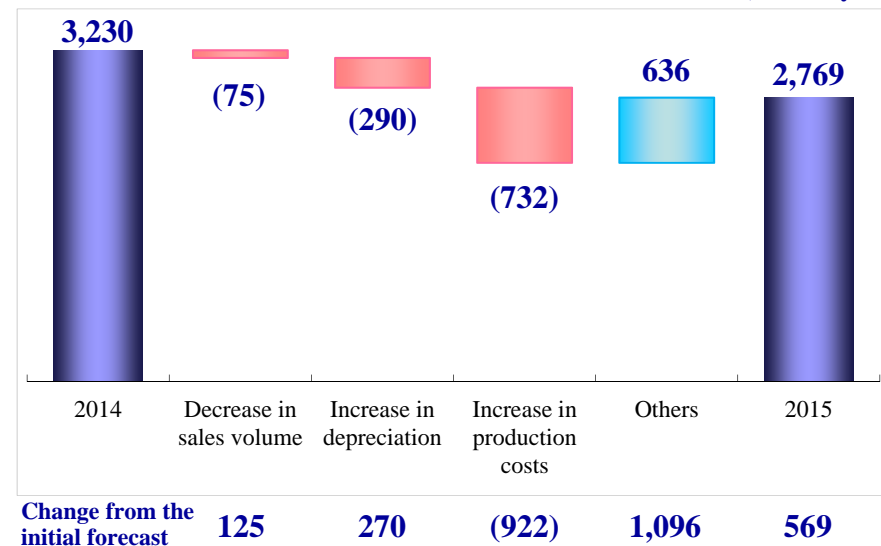
## Segment income

- ✓ Production costs increased due to an increase in depreciation, etc.
- ⇒ Segment income decreased ¥460 million (down 14.3% year on year)

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



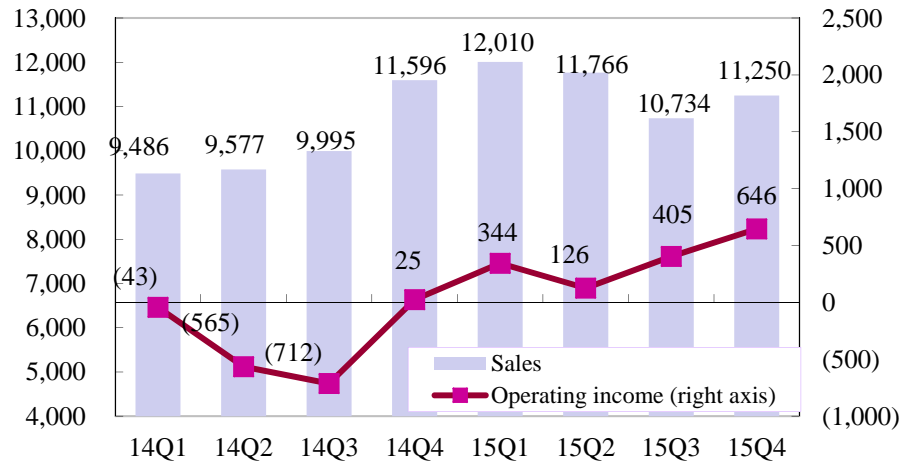
**Factors of change in segment income** (Million yen)





# Die Casting in North America

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



## Sales

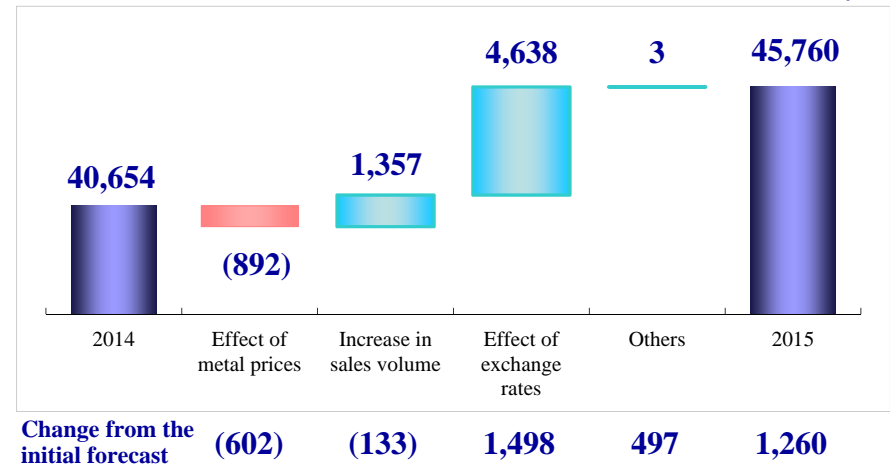
- ✓ Historically high automobile sales
- ✓ Effect of exchange rates (lower yen)
- ⇒ Sales increased ¥5.1 billion (up 12.6% year on year)

## Segment income

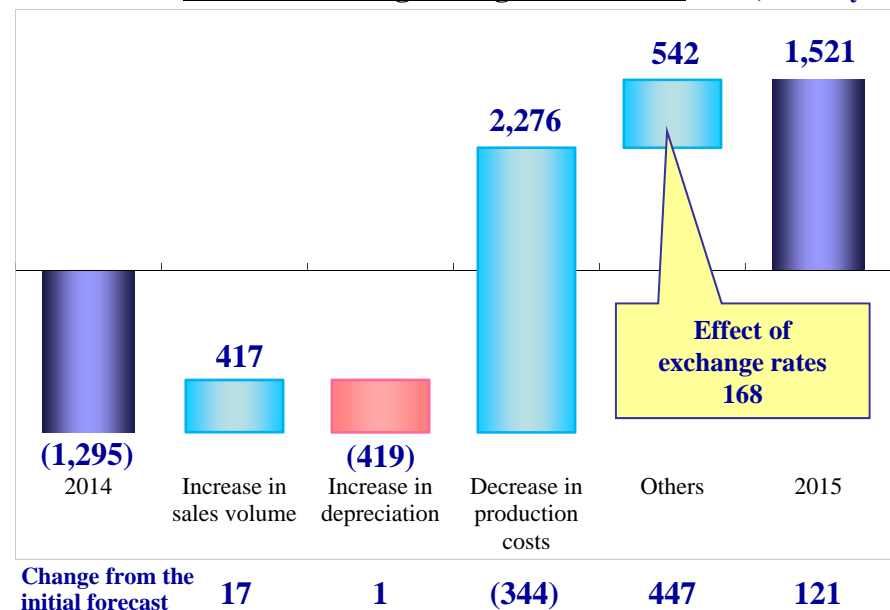
- ✓ U.S. plant: lower production costs due to improved productivity
- ✓ Mexico plant: lower production costs due to improved profitability
- ⇒ Segment income increased ¥2.8 billion

* Fiscal year	Average exchange rate ('15/3 → '16/3)
U.S.: April to March	US dollar 110.03 → 120.01
Mexico: January to December	Mexican peso (US\$) 106.37 → 121.00

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

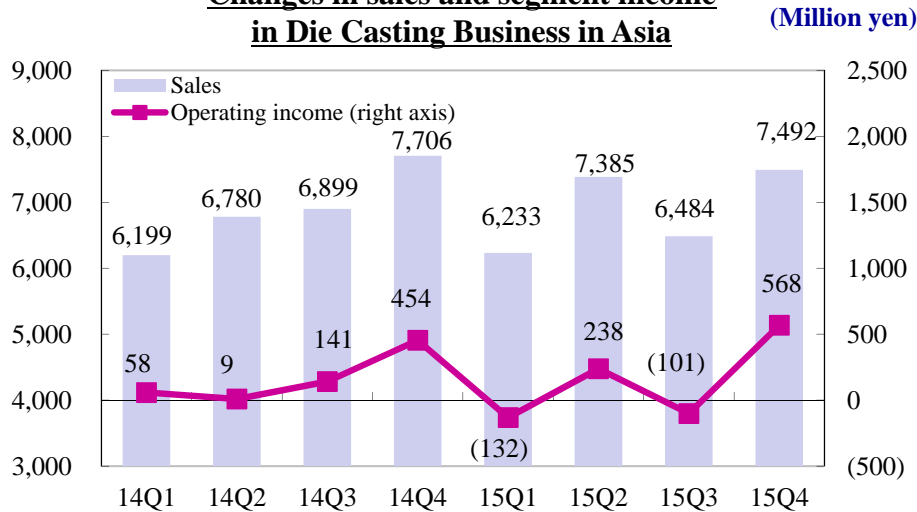


**Factors of change in segment income (Million yen)**



# Die Casting in Asia

**Changes in sales and segment income in Die Casting Business in Asia**



## Sales

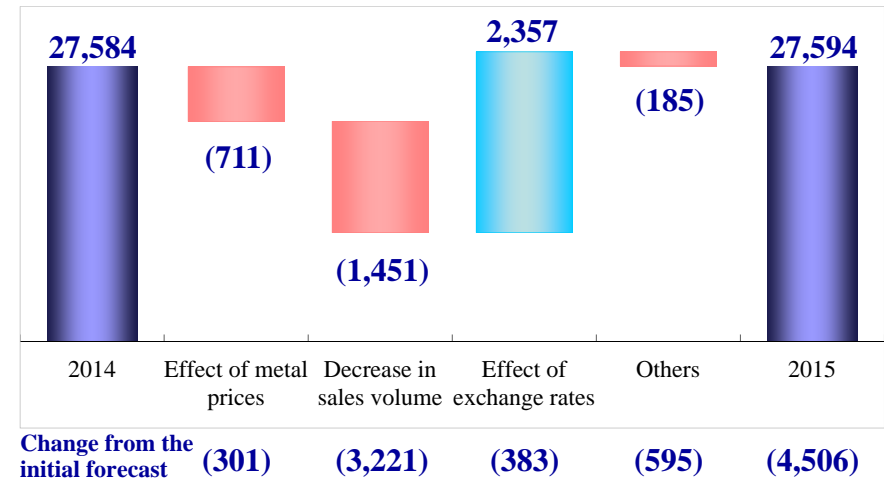
- ✓ **China: lower orders (affected by model-based sales results of Japanese automobile manufacturers)**
- ✓ **India: commencement of volume production of new components**
- ✓ **Effect of exchange rates (lower yen)**
- ⇒ *Sales maintained previous year's levels (up ¥10 million)*

## Segment income

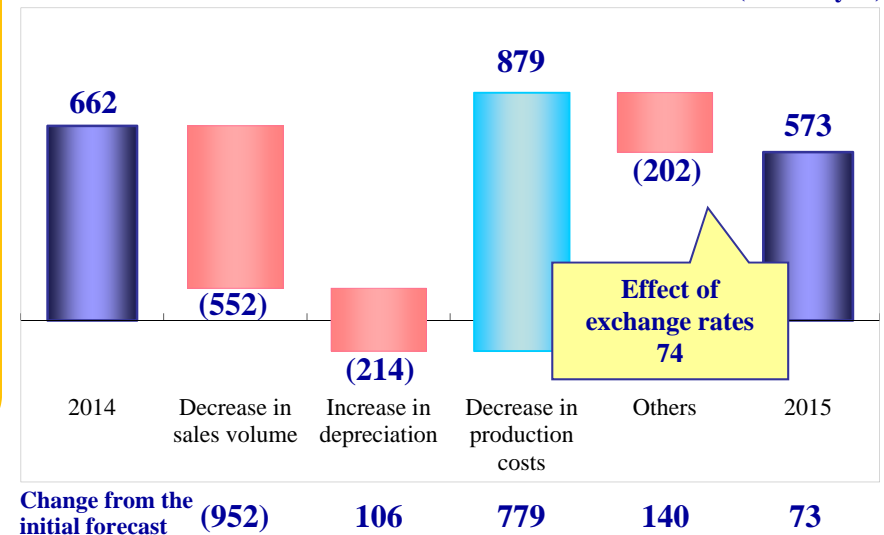
- ✓ **Improved profitability at India Plant**
- ✓ **Effect of cost reduction activities in China**
- ⇒ *Segment income decreased ¥89 million (down 13.5% year on year)*

* Fiscal year	Average exchange rate ('15/3 → '16/3)
China: January to December	Chinese yuan 17.26 → 19.21
India: April to March	Indian rupee 1.81 → 1.84

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



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



# Aluminum Business and Proprietary Products Business

(Million yen)

		FY2014		FY2015		Change	
Aluminum Business	Sales	5,015	100%	4,921	100%	(94)	(1.9%)
	Segment income (loss)	5	0.1%	338	6.9%	333	–
Proprietary Products Business	Sales	2,245	100%	2,590	100%	345	15.4%
	Segment income (loss)	83	3.7%	212	8.2%	129	153.3%

## Aluminum Business

- ✓ Sales: Orders decreased slightly from the previous fiscal year ⇒ **Down ¥94 million (1.9%) year on year**
- ✓ Income: Effect of fluctuations in raw material market prices and cost reduction activities ⇒ **Up ¥333 million year on year**

## Proprietary Products Business

- ✓ Sales: Orders increased for semiconductor-related clean rooms and data centers  
⇒ **Up ¥345 million (15.4%) year on year**
- ✓ Income: Effect of higher sales, etc. ⇒ **Up ¥129 million (153.3%) year on year**

# Balance Sheets

Repaid interest-bearing debts by reducing inventory and controlling investments. Total net assets decreased ¥7 billion.

(Million yen)

	End of FY2014	End of FY2015	Change
<b>Current assets</b>	<b>48,464</b>	<b>44,181</b>	<b>(4,283)</b>
Cash and time deposits	5,885	4,505	(1,380)
Notes and accounts receivable	25,679	26,076	397
Inventories	12,602	10,356	(2,246)
<b>Fixed assets</b>	<b>100,367</b>	<b>97,512</b>	<b>(2,855)</b>
Tangible fixed assets	88,133	85,806	(2,327)
<b>Total assets</b>	<b>148,831</b>	<b>141,694</b>	<b>(7,137)</b>
<b>Total liabilities</b>	<b>86,728</b>	<b>80,233</b>	<b>(6,495)</b>
Notes and accounts payable	20,936	18,118	(2,818)
Long-term and short-term loans	46,838	42,448	(4,390)
<b>Total net assets</b>	<b>62,103</b>	<b>61,460</b>	<b>(643)</b>
<b>Equity ratio</b>	<b>41.7</b>	<b>43.3</b>	<b>1.6</b>

# Cash Flows

Cash flows from operating activities increased due to increases in income before income tax and others and depreciation and amortization. Cash flows from investing activities decreased due to a curb in capital investment. As a result, Free Cash flow became positive.

(Million yen)

	FY2014	FY2015	Change
<b>Cash flows from operating activities</b>	<b>12,502</b>	<b>18,062</b>	<b>5,560</b>
Income before income taxes and others	1,651	3,760	2,109
Depreciation and amortization	12,956	14,877	1,921
Increase (decrease) in operating capital	840	(1,261)	(2,101)
Others	(2,945)	686	3,631
<b>Cash flows from investing activities</b>	<b>(15,211)</b>	<b>(14,648)</b>	<b>563</b>
Acquisition of tangible and intangible fixed assets	(15,143)	(14,480)	663
Others	(68)	(168)	(100)
<b>Cash flows from financing activities</b>	<b>(538)</b>	<b>(4,372)</b>	<b>(3,834)</b>
Increase (decrease) in short-term loans payable	(1,242)	(1,554)	(312)
Increase (decrease) in long-term loans payable	1,233	(2,261)	(3,494)
Others	(528)	(557)	(29)



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# Forecast for FY2016



# Forecast for FY2016

(Million yen)

	FY2015 Actual		FY2016 Forecast		Change	
<b>Sales</b>	<b>144,451</b>	100%	<b>136,000</b>	100%	<b>(8,451)</b>	(5.9%)
<b>Operating income</b>	<b>5,385</b>	3.7%	<b>5,500</b>	4.0%	<b>114</b>	2.1%
<b>Recurring income</b>	<b>4,077</b>	2.8%	<b>4,700</b>	3.5%	<b>622</b>	15.3%
<b>Net income</b>	<b>3,062</b>	2.1%	<b>3,100</b>	2.3%	<b>37</b>	1.2%

Exchange rate for previous fiscal year (full-year average): US ¥120.01/USD, Mexico ¥121.00/USD, Chinese yuan ¥19.21/RMB, India ¥1.84/IDR

Initial exchange rate assumptions: ¥110/USD, ¥17/RMB, ¥1.7/IDR

## Forecast for FY2016 by Segment

(Million yen)

	FY2015 Actual	FY2016 Forecast	Change	Percentage change
<b>Sales</b>	<b>144,451</b>	<b>136,000</b>	<b>(8,451)</b>	<b>(5.9%)</b>
Die Casting in Japan	63,583	63,900	317	0.5%
Die Casting in North America	45,760	39,400	(6,360)	(13.9%)
Die Casting in Asia	27,594	26,200	(1,394)	(5.1%)
Aluminum	4,921	4,300	(621)	(12.6%)
Proprietary Products	2,590	2,200	(390)	(15.1%)
<b>Operating income</b>	<b>5,385</b>	<b>5,500</b>	<b>114</b>	<b>2.1%</b>
Die Casting in Japan	2,769	2,300	(469)	(16.9%)
Die Casting in North America	1,521	2,200	679	44.6%
Die Casting in Asia	573	700	127	22.2%
Aluminum	338	200	(138)	(40.8%)
Proprietary Products	212	100	(112)	(52.8%)
Eliminations and Corporate	(30)		30	—
<b>Recurring income</b>	<b>4,077</b>	<b>4,700</b>	<b>622</b>	<b>15.3%</b>
<b>Net income</b>	<b>3,062</b>	<b>3,100</b>	<b>37</b>	<b>1.2%</b>

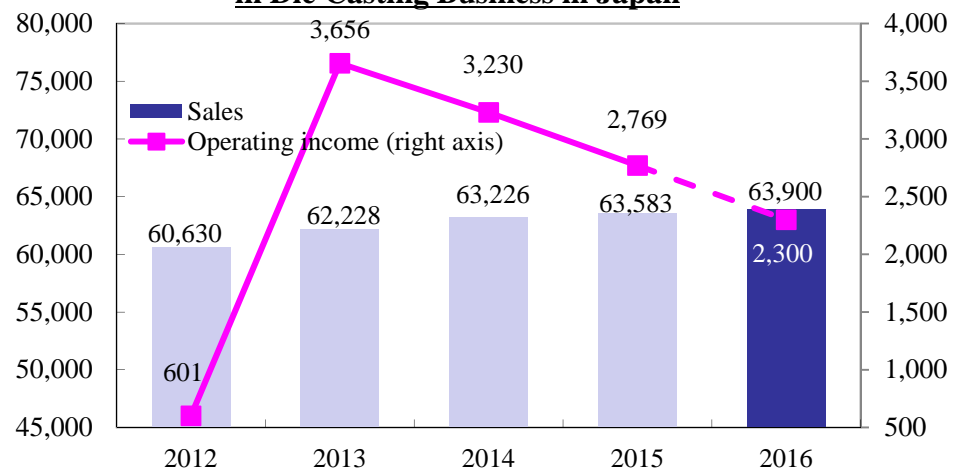
The overseas sales ratio in the Die Casting Business: Fiscal year ended March 2016: 53.6% ⇒ Fiscal year ending March 2017: 50.7%



# Die Casting in Japan

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

(Million yen)

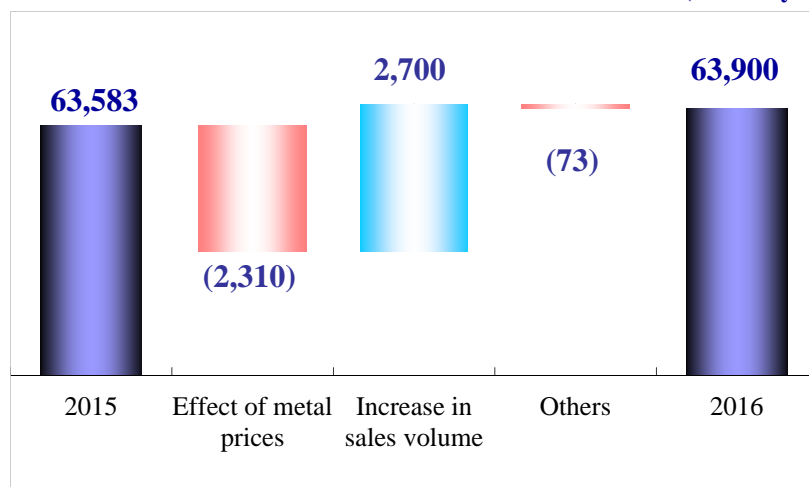


**Sales:** Orders are expected to rise despite slower automobile sales caused by the hike in consumption tax and light motor vehicle tax. Meanwhile, sales are expected to rise only slightly due to the effect of metal prices.

**Income:** Despite an increase in sales volume, increased depreciation and other factors are expected to push down segment income.

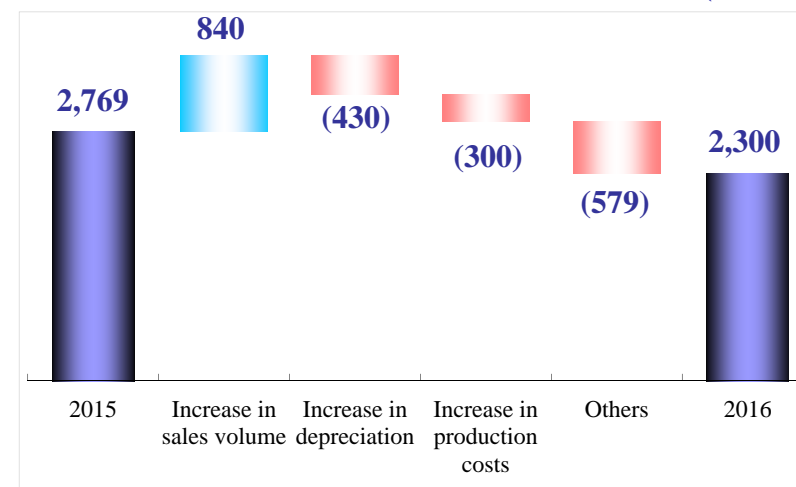
**Factors of change estimated for sales**

(Million yen)



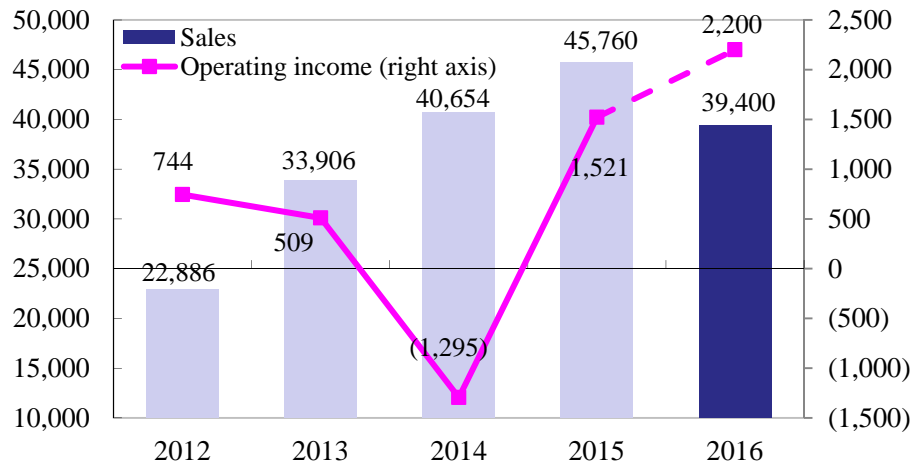
**Factors of change estimated for segment income**

(Million yen)



# Die Casting in North America

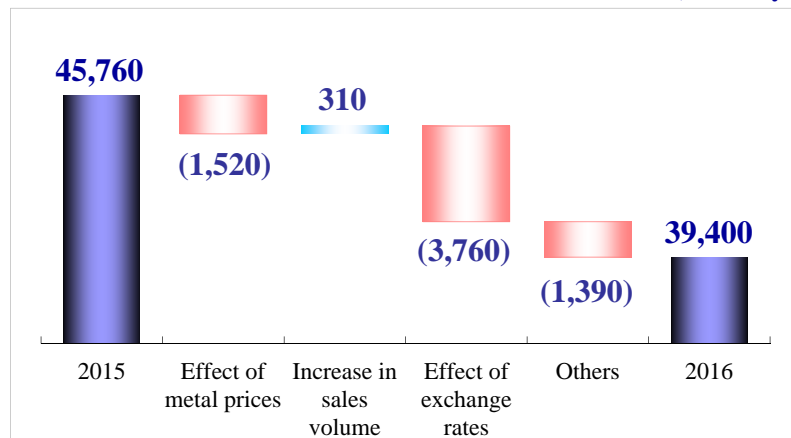
**Changes in sales and segment income in Die Casting Business in North America** (Million yen)



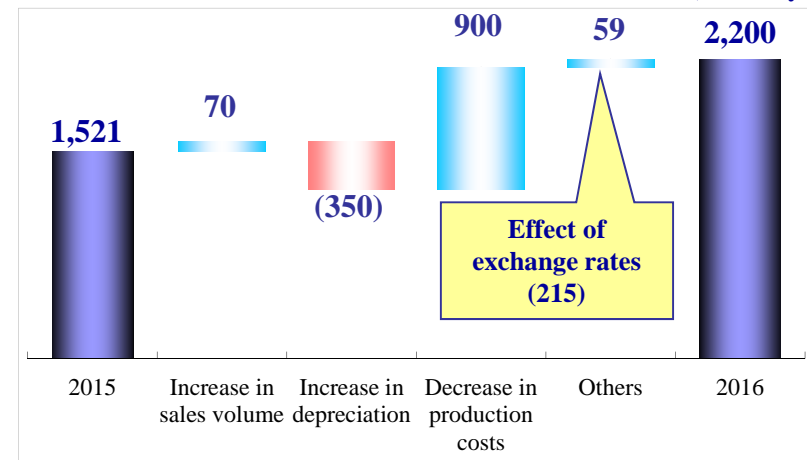
**Sales:** Orders are expected to rise only slightly due to the effects of downsizing in the U.S. and a decrease in orders from certain customers in Mexico. Sales are expected to decrease due to the effect of metal prices and exchange rates (higher yen).

**Income:** Production costs are expected to decrease thanks to improved profitability in the U.S. and Mexico, leading to increased income.

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

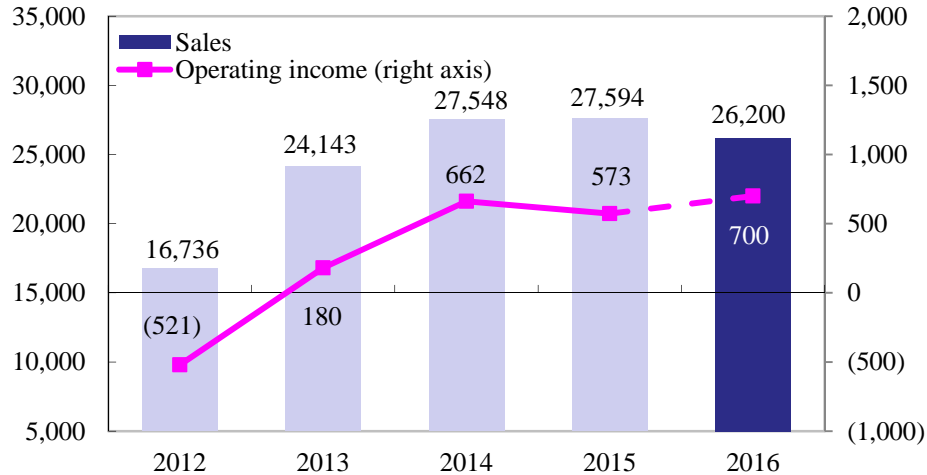


**Factors of change estimated for segment income** (Million yen)



# Die Casting in Asia

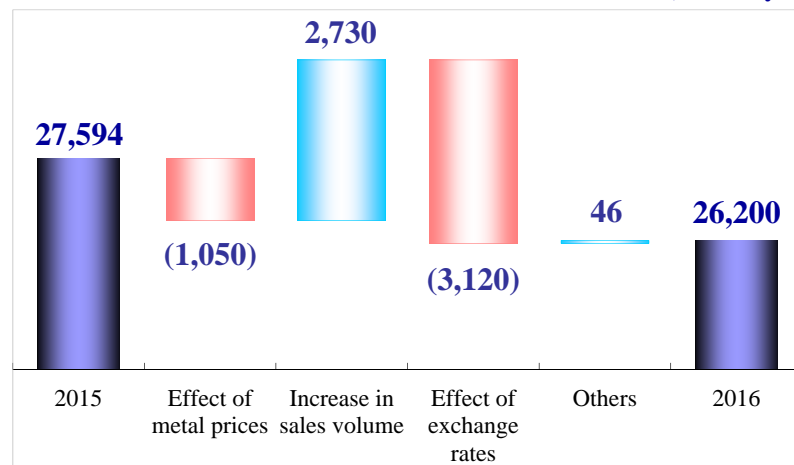
**Changes in sales and segment income in Die Casting Business in Asia** (Million yen)



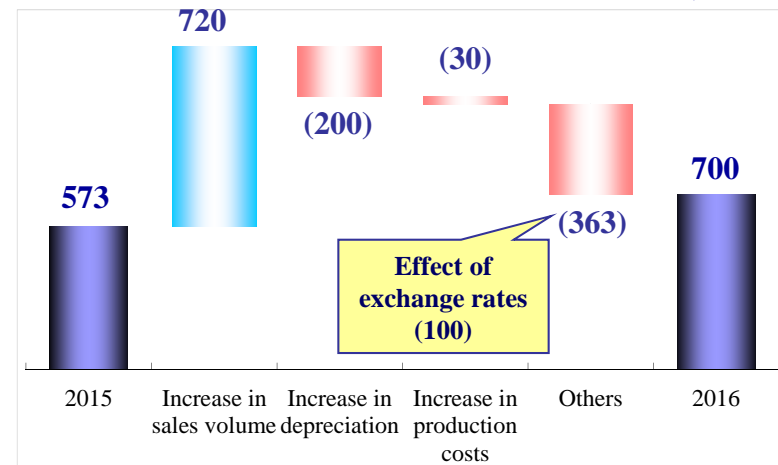
**Sales:** While the previous fiscal year saw the impact of model-based sales results of Japanese automobile manufacturers in China, sales are recovering steadily, and orders are expected to increase. India also expects increased orders. Meanwhile, sales are expected to decrease due to effect of metal prices and exchange rates (higher yen).

**Income:** Despite being affected by depreciation and exchange rates, income is expected to increase thanks to an increase in sales volume.

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

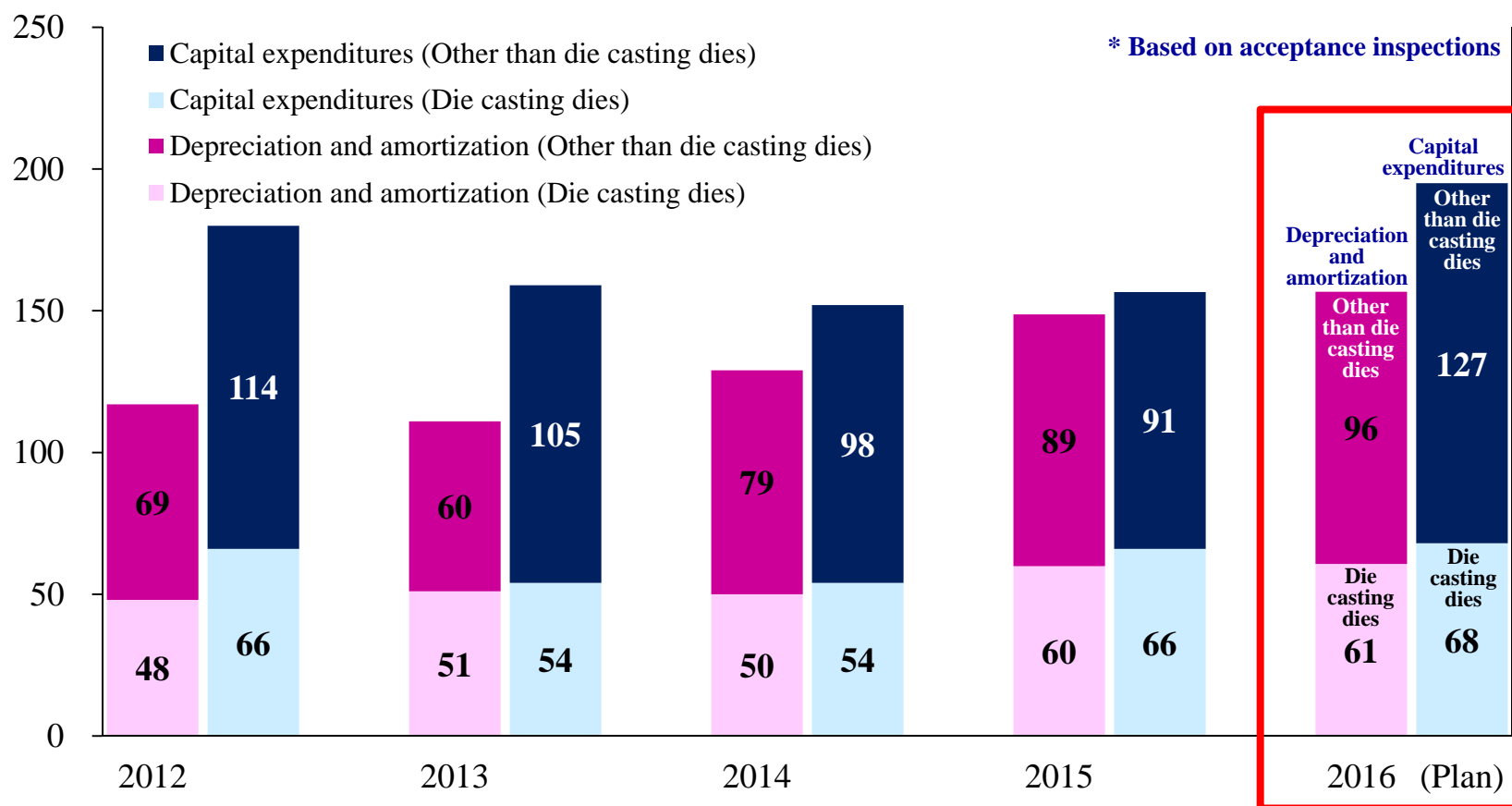


**Factors of change estimated for segment income** (Million yen)



# Trends of Capital Expenditures and Depreciation and Amortization

(100 million yen)



\* FY2016

**Investment areas Die casting:** investment mainly for maintaining capacity and improving efficiency

**Processing:** investment mainly for expanding capacity at overseas plants and offices

**Total capital expenditure:** ¥19.5 billion (Other than die casting dies: ¥12.7 billion; Die casting dies: ¥6.8 billion)

# Dividends

(Yen)	FY2012	FY2013	FY2014	FY2015	FY2016 Plan
<b>Dividend per share</b>					
(Annual dividend)	3	14	12	14	16
Interim dividend	3	8	6	6	8
Year-end dividend	—	6	6	8	8
Net income (loss) per share (consolidated)	(7.76)	287.10	40.85	118.50	119.94
Payout ratio (consolidated)	—	4.9%	29.4%	11.8%	13.3%

- ◆ For the fiscal year ended March 2016, the results planned at the start of the term were achieved. The year-end dividend was therefore increased by ¥2, resulting in an annual dividend of ¥14.
- ◆ For the fiscal year ending March 2017, we intend to pay an annual dividend of ¥16.
- ◆ We will promote the fair return of profit while taking into account the management resources and payout ratio necessary for medium- and long-term growth.



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# 1618 Medium-Term Management Strategy



# Looking Back at the 1315 Medium-Term Management Strategy

## Results and review of the 1315 Medium-Term Management Strategy; points for improvement in the next Medium-Term Management Strategy

### Pursuit and sharing of the best MONOZUKURI (manufacturing)

Rebuild manufacturing that integrates actual sites with design.  
Realize identical quality/productivity at all locations.

We have promoted the integration of actual sites with design in building manufacturing, and are seeing improved productivity in both domestic and overseas locations. We now need to work to create a globally unified system.

### Development of human resources supporting MONOZUKURI (manufacturing)

Cultivate people with skills backed by practical experience.  
Cultivate technologists who can take action based on the principle of five *gens* (*genba* for on site, *genbutsu* for actual thing, *genjitsu* for reality, *genri* for theory and *gensoku* for rule).

We have been able to train technologists both in Japan and overseas due to measures such as courses based on professional education systems, education for improving workers' practices, and exchange meetings between domestic and overseas technologists.

### Development of technologies utilized on the MONOZUKURI (manufacturing) shop-floor

Implement measures based on a technological road map in to thoroughly investigate manufacturing.  
Cultivating markets other than the powertrain.

We have implemented measures based on the technological roadmap mostly as planned. We are seeing an accumulation of technology related to improving productivity and those contributing to automobile weight reduction.

### Pursuit of healthy profits

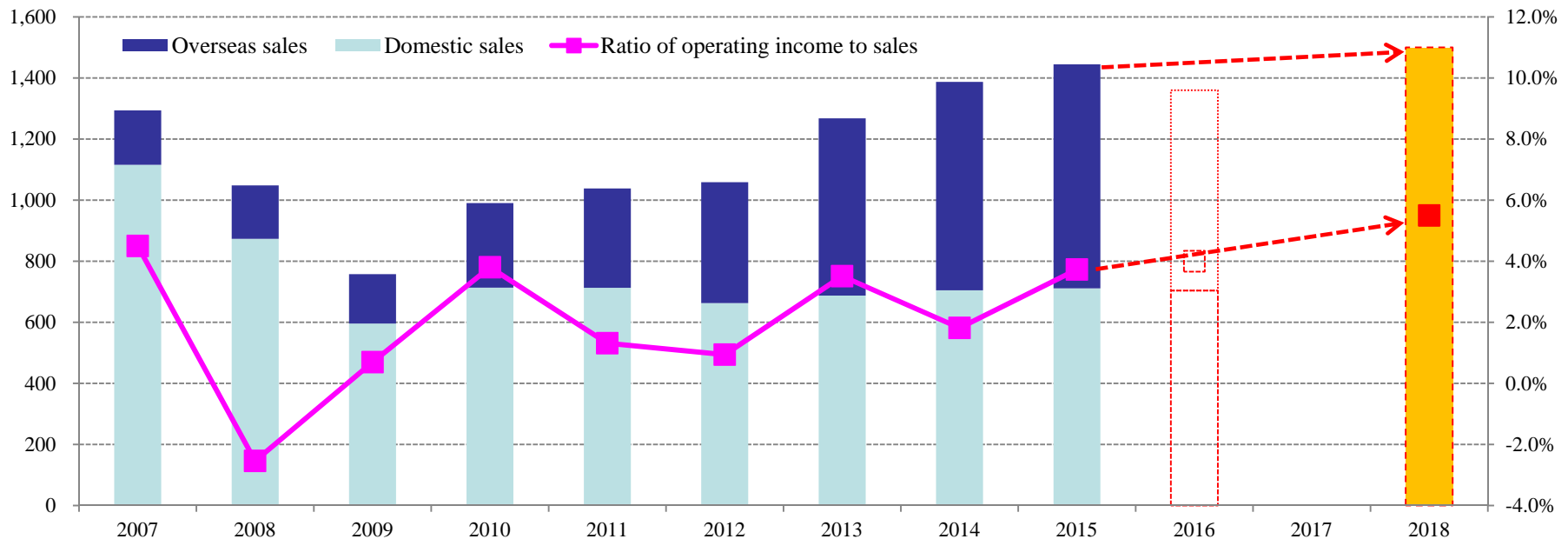
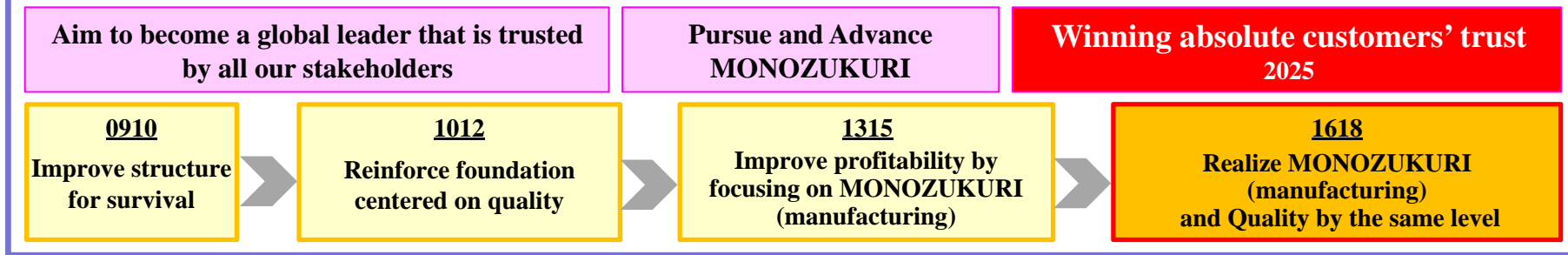
Realize sustainable corporate growth and develop in growth markets. Realize work efficiency as well as a processing facility concept with high investment efficiency. Improving the level of earnings management through the visualization of costs.

We are seeing improved profitability due to measures for managing MONOZUKURI and profit. The key is to improve management in order to further stabilize profitability.

**We aim to practice the RST Way, promote MONOZUKURI (manufacturing) and HITOZUKURI (developing our human resources) globally, and achieve stable profit.**

# Progress to Date and Direction for the 1618 Medium-Term Management Strategy

## 10-year vision and changes in our Medium-Term Management Strategy



**Global expansion of the die casting business due to increased demand for die casting caused by an increase in automobile demand and weight reduction of automobiles.**

**The 1618 Medium-Term Management Strategy will implement the measures included in its predecessor (1315) at a global level, aiming to improve MONOZUKURI (manufacturing), HITOZUKURI (development of human resources), and profitability.**



# Basic Policy of the 1618 Medium-Term Management Strategy

Ahresty 10-Year Vision

**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

## 1618 Medium-Term Management Strategy

**Become the most reliable supplier of large products requiring high precision, in the eyes of our customers**

**Pursue MONOZUKURI (manufacturing)**

**Build up a Corporation taking pride in our work**

**Enhance profitability**

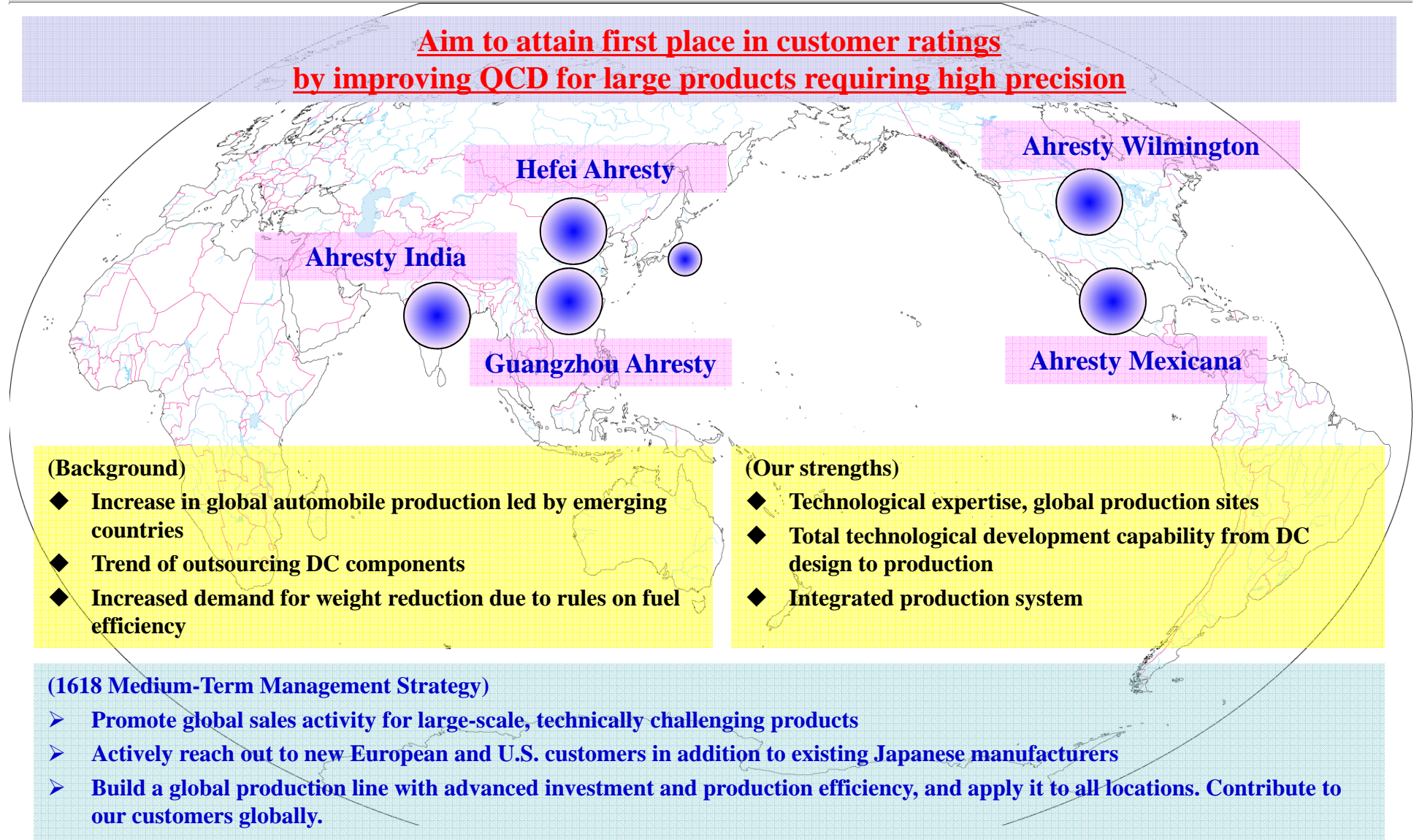
**Pursue comprehensive risk management**

### ● Business environment ●

- Increased demand for automobiles, mainly in emerging countries - Demand recovering in developed countries
- Increased adoption of aluminum die casting for weight reduction
- Decrease in domestic automobile sales due to the declining birthrate and aging population

# Become the most reliable supplier of large products requiring high precision, in the eyes of our customers

**Aim to attain first place in customer ratings**  
**by improving QCD for large products requiring high precision**



## (Background)

- ◆ Increase in global automobile production led by emerging countries
- ◆ Trend of outsourcing DC components
- ◆ Increased demand for weight reduction due to rules on fuel efficiency

## (Our strengths)

- ◆ Technological expertise, global production sites
- ◆ Total technological development capability from DC design to production
- ◆ Integrated production system

## (1618 Medium-Term Management Strategy)

- Promote global sales activity for large-scale, technically challenging products
- Actively reach out to new European and U.S. customers in addition to existing Japanese manufacturers
- Build a global production line with advanced investment and production efficiency, and apply it to all locations. Contribute to our customers globally.

# Pursue MONOZUKURI



## (Background)

Global demand for high-level QCD due to increased automobile production worldwide, increased outsourcing, and weight reduction of components.

### Reform and standardization of global operations

Build a globally unified process and system for increasing added value based on the objective/goal of the business (product, service) or function (Q, C, D, etc.)

#### Establishing a process for MONOZUKURI (manufacturing) based on global standards

Create a globally unified system through constant actions for improving productivity based on analysis of manufacturing conditions, and apply the results to other locations.

#### Providing a quality guarantee to gain ultimate trust from customers

Build a system to enable each division and production process to ensure high quality. Constantly carry out actions to improve quality.

#### Realizing the technological roadmap

Resolve technological issues based on the technological roadmap, and apply the results to other products and locations.

#### Thorough implementation of production cost reduction activities

Reduce production costs by further improving productivity and reducing the basic manufacturing unit through increased efficiency and streamlining.

# Build up a Corporation taking pride in our work

**Create a corporate culture for all employees to practice RST Way and cultivate human resources**

**Cultivating a corporate culture that can practice the RST Way**

**Developing human resources that excel in MONOZUKURI (manufacturing)**

## **RST Way**

**“Honesty” “Initiative” “Speed” “Growth” “Challenge”**

● **Cultivating an open corporate culture in which people can practice the RST Way**

- ✓ **Improve employees' motivation**
- ✓ **Develop good relations between employees**
- ✓ **Fast and accurate information sharing**

**Establishment of a communication style**

**Rewards system, Evaluation system, Supporting female employees**

**Renewing internal publicity and management training**

**Enhancing human resources development through the review and implementation of the education system**

● **Enhancing the Global RST Academy**

**Pursue MONOZUKURI**

- ✓ **Create a curriculum for pursuing MONOZUKURI**
- ✓ **Build the same educational environment for domestic and overseas locations**

**Increasing employees' motivation**

**Employees with increased knowledge and skill**

***Spread of the Ahresty Production Way***

# Enhance profitability

## Management goals for the 1618 Medium-Term Management Strategy

<b>Sales</b> <b>150.0 billion yen</b>	<b>Ratio of operating income to sales</b> <b>5.5%</b>
<b>ROA</b> <b>3.0%</b>	<b>ROE</b> <b>7.0%</b>

**Reduce the cost of manufacturing through initiative to enhance MONOZUKURI (manufacturing) and enhance the quality of earnings management**

Enhance our financial footing and management foundation for medium- to long-term development and growth

Fair return of profit



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# 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.