

Results Briefing for the First Quarter of the Year Ending March 31, 2018

August 30, 2017



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- Overview of results for first quarter of the fiscal year ending March 31, 2018
 - Forecast for this fiscal year
[Reference]
 - 1618 Medium-Term Management Strategy

Key Results for First Quarter of the Fiscal Year Ending March 31, 2018

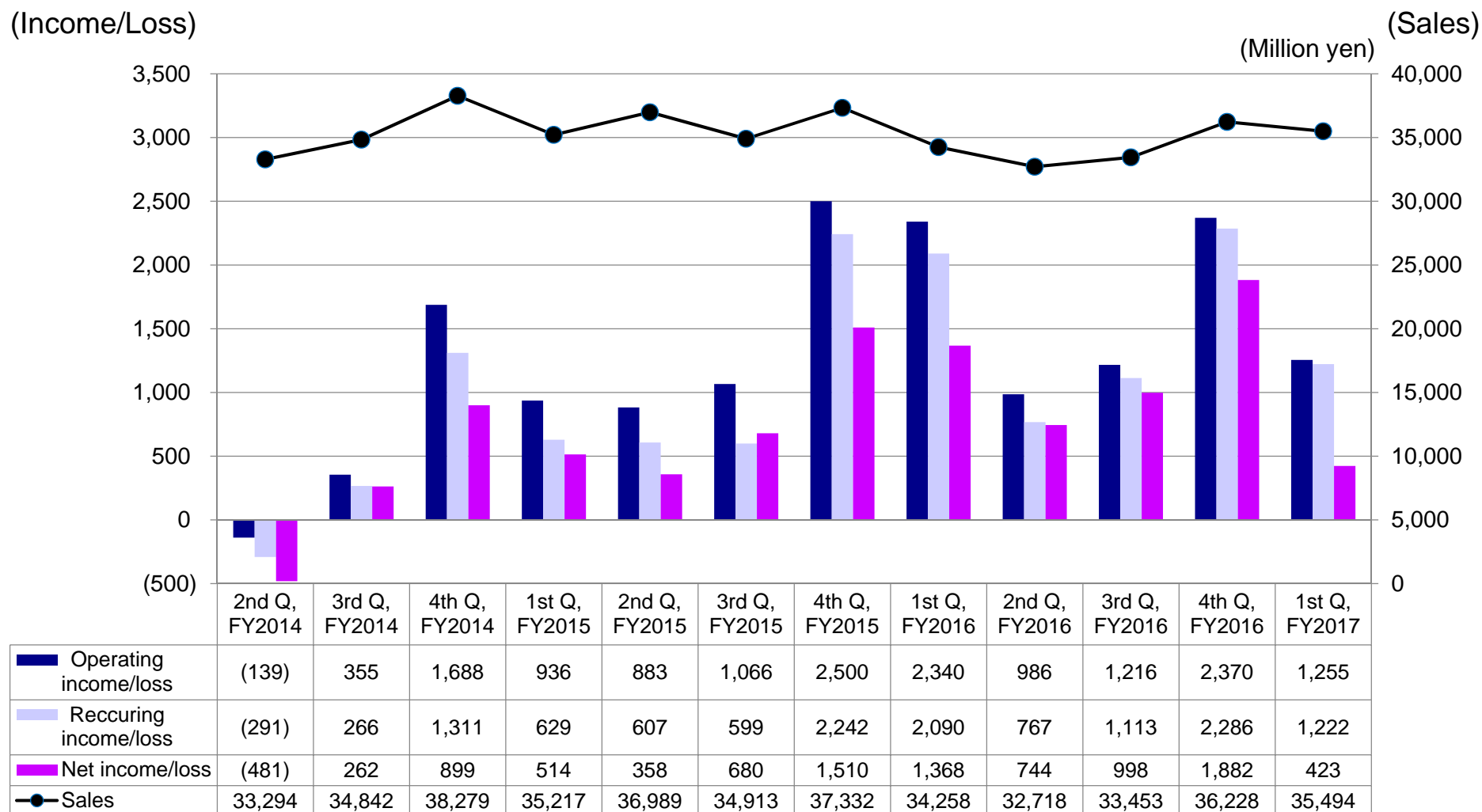
(Million yen)

	First quarter of year ended March 2017		First quarter of year ending March 2018		Change	
Sales	34,258	100.0%	35,494	100.0%	1,236	3.6%
Operating income	2,340	6.8%	1,255	3.5%	(1,085)	(46.4%)
Recurring income	2,090	6.1%	1,222	3.4%	(868)	(41.5%)
Net income	1,368	4.0%	423	1.2%	(945)	(69.1%)
EPS (yen)	52.94		16.38		(36.56)	

Overview

- Sales: Sales grew, thanks largely to an increase in orders received and the effect of changes in the state of the aluminum market.
- Operating income: Decreased primarily as a result of an increase in labor expenses and depreciation expenses and the revision of product prices.
- Recurring income: Decreased due to reduced operating income, higher interest expenses, etc.
- EPS: Decreased 36.56 yen per share due to the decrease in net income.

Overview of the (Quarterly) Consolidated Results



Die Casting Business

(Million yen)

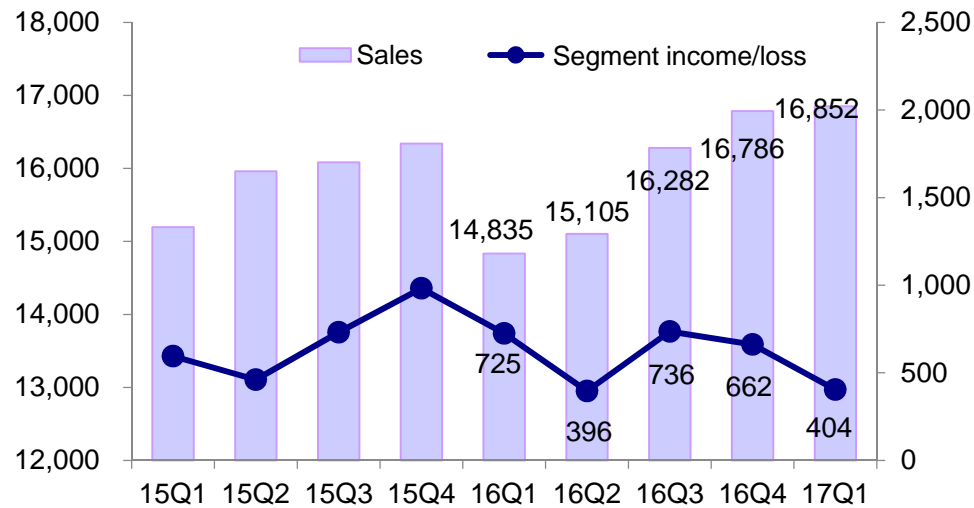
		First quarter of year ended March 2017		First quarter of year ending March 2018		Change	
Japan	Sales	14,835	100.0%	16,852	100.0%	2,017	13.6%
	Segment income/loss	725	4.9%	404	2.4%	(321)	(44.3%)
North America	Sales	11,035	100.0%	10,443	100.0%	(592)	(5.4%)
	Segment income/loss	1,029	9.3%	381	3.6%	(648)	(63.0%)
Asia	Sales	6,432	100.0%	6,655	100.0%	223	3.5%
	Segment income/loss	382	5.9%	364	5.5%	(18)	(4.7%)

- ✓ The overseas sales ratio in the Die Casting Business:
 Q1 of fiscal year ended March 2017: 54.1%
 ⇒ Q1 of fiscal year ending March 2018: 49.6%

* 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)



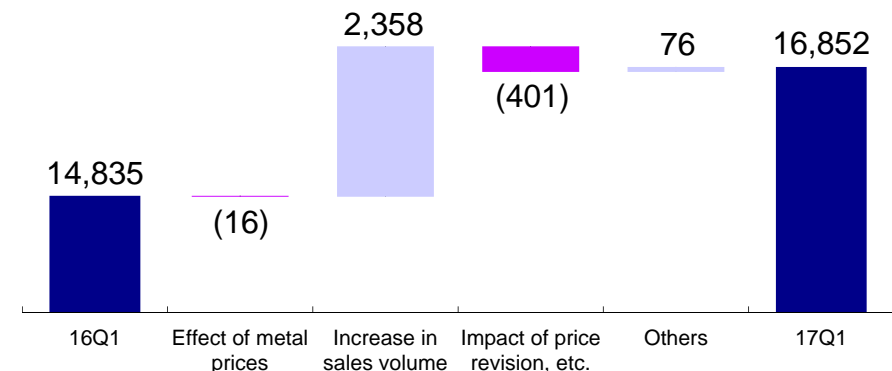
Sales: Increased ¥2,000 million (up 13.6% year on year)

- Orders received increased based on strong exports of key customers.
- Recovery from the 2016 Kumamoto earthquakes

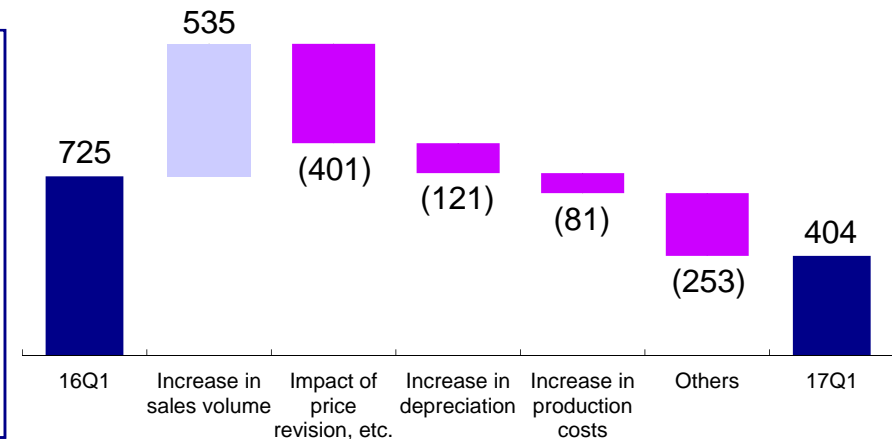
**Segment income: Decreased ¥320 million
(down 44.3% year on year)**

- Profit decreased due partly to the impact of revised prices despite a rise in sales volume.
- Depreciation, labor, and other expenses also increased.

Factors of change in die casting sales (Million yen)

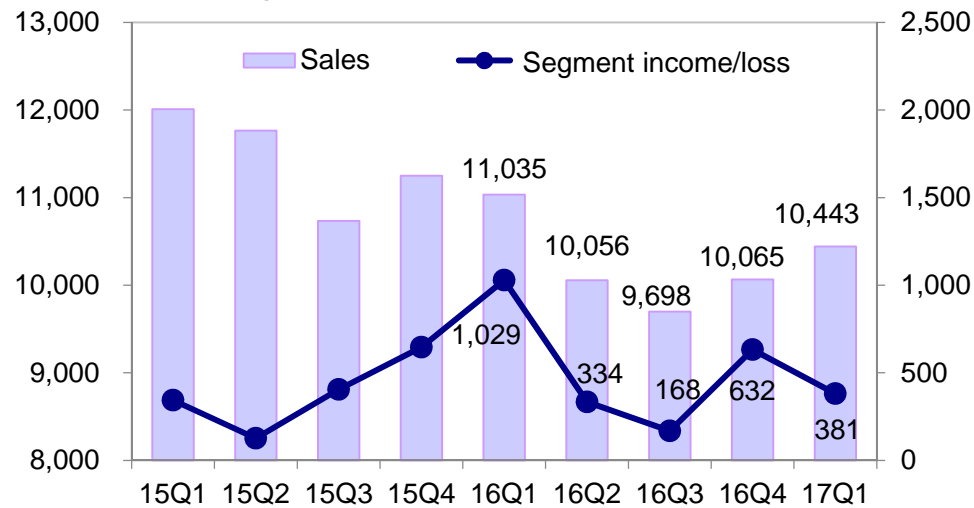


Factors of change in segment income (Million yen)



Die Casting in North America

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



Sales: Decreased ¥590 million (down 5.4% year on year)

- Orders received decreased in the U.S. in response to downsizing.
- Orders received generally increased in Mexico.

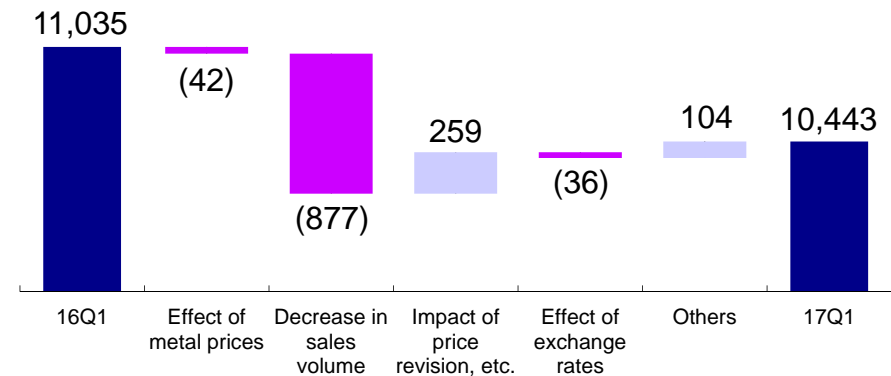
Segment income: Decreased ¥640 million (down 63.0% year on year)

- U.S.: The sales volume fell and the Company is working to increase its productivity.
- Mexico: The Company recognized profit based on stable production (PTU in Mexico was recognized due to changes in accounting standards).

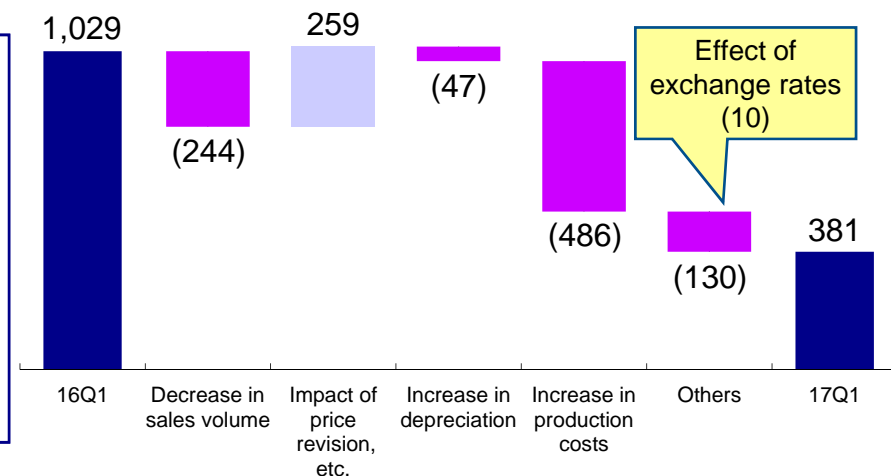
Fiscal year end: U.S.: March; Mexico: December

Exchange rate ('16Q1 ⇨ '17Q1): U.S. dollar: ¥109.58 ⇨ ¥111.61; Mexican peso: ¥116.44 ⇨ ¥113.75

Factors of change in die casting sales (Million yen)

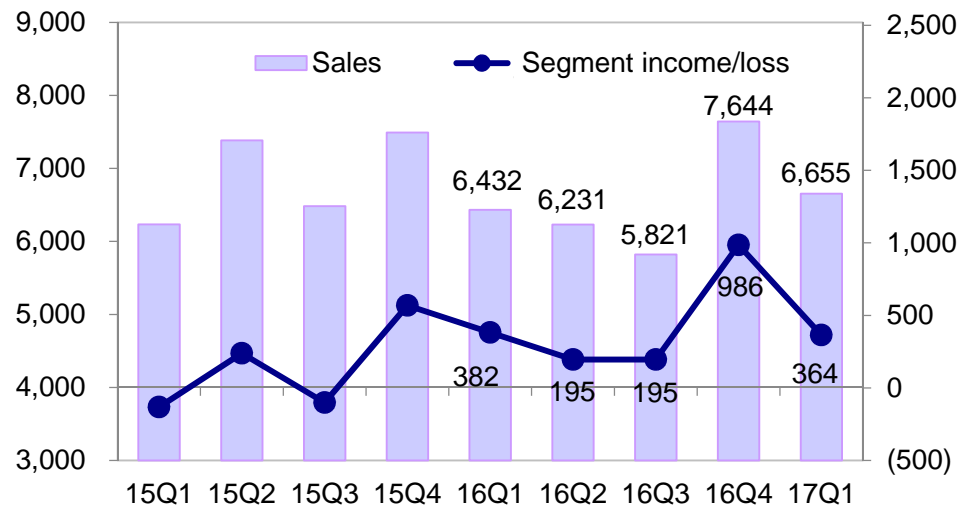


Factors of change in segment income (Million yen)



Die Casting in Asia

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



Sales: Increased ¥220 million (up 3.5% year on year)

- Orders received in China rose thanks to increased production of SUVs.
- Sales in India also grew based on a higher volume of orders received.

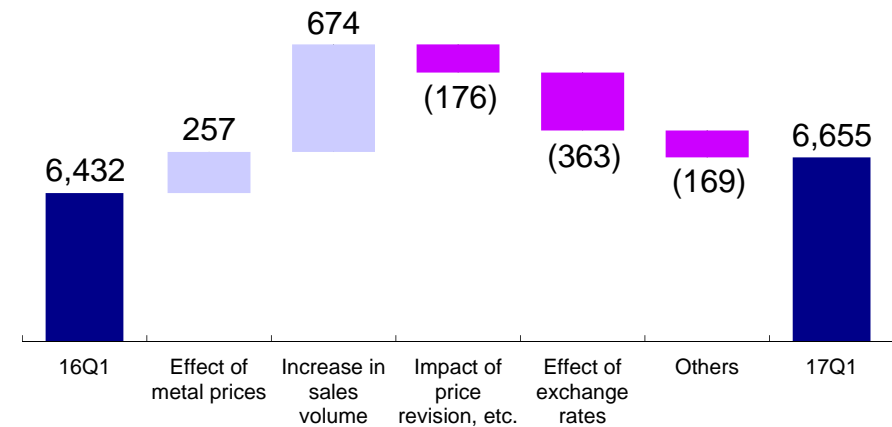
Segment income: Decreased ¥10 million (down 4.7% year on year)

- Growth in orders received in China and India contributed to profit.
- Higher productivity in China also facilitated profit growth.

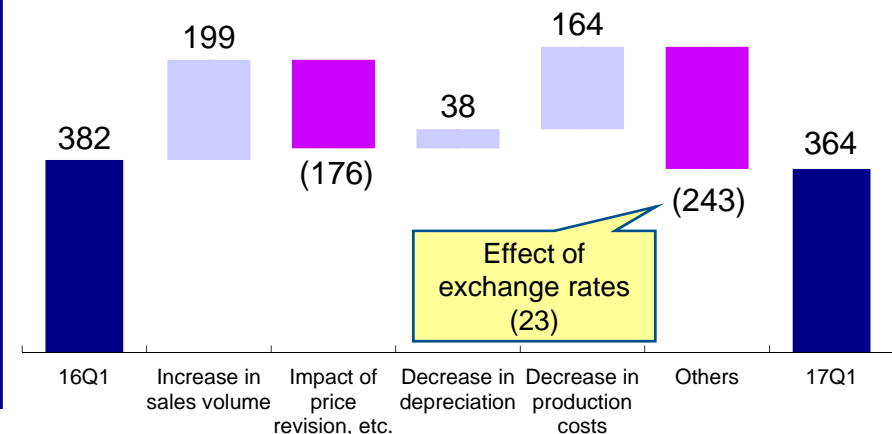
Fiscal year end: China: December; India: March

Exchange rate (16Q1 ⇒ 17Q1): Chinese yuan: ¥17.77 ⇒ ¥16.51; Indian rupee: ¥1.64 ⇒ ¥1.73

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)

		First quarter of year ended March 2017		First quarter of year ending March 2018		Change	
Aluminum Business	Sales	1,123	100.0%	1,107	100.0%	(16)	(1.5%)
	Segment income/loss	90	8.0%	56	5.1%	(34)	(37.2%)
Proprietary Products Business	Sales	831	100.0%	435	100.0%	(396)	(47.7%)
	Segment income/loss	59	7.1%	53	12.2%	(6)	(11.5%)

Aluminum Business

- Sales: Declined due to lower selling prices as a result of changes in the state of the aluminum market (down 1.5% year on year).
- Segment income: Decreased due primarily to rising fuel expenses despite the effect of cost reduction efforts (down 37.2% year on year).

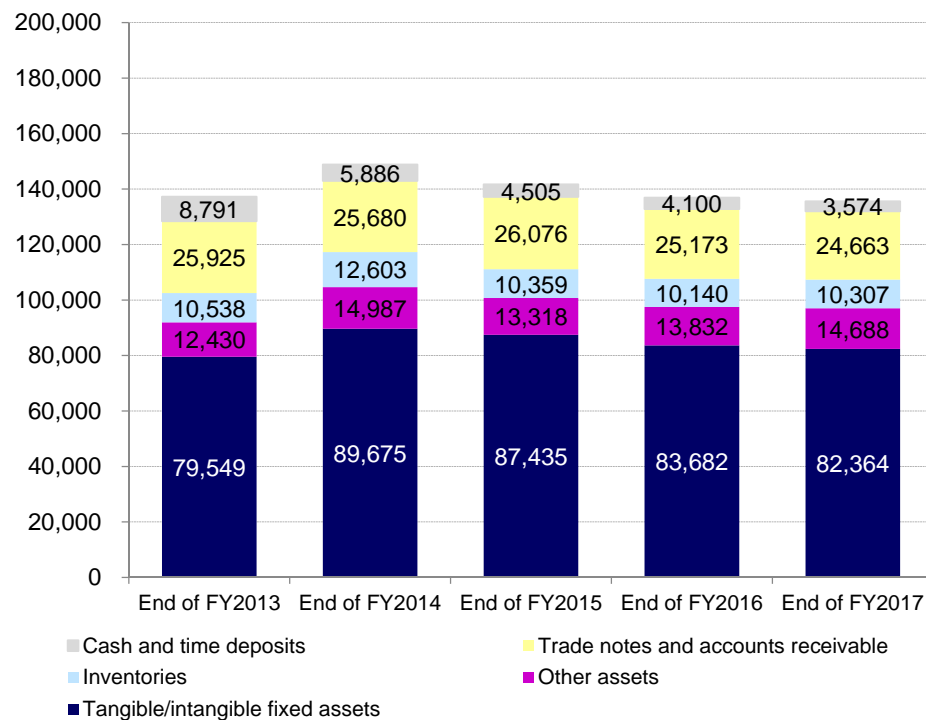
Proprietary Products Business

- Sales: Orders for projects for clean rooms and computer rooms decreased, resulting in decreased sales (down 47.7% year on year).
- Segment income: Income fell due to the impact of a decrease in sales. (down 11.5% year on year).

Consolidated Balance Sheets

■ Assets

(Million yen)



➤ Changes from March 31, 2017

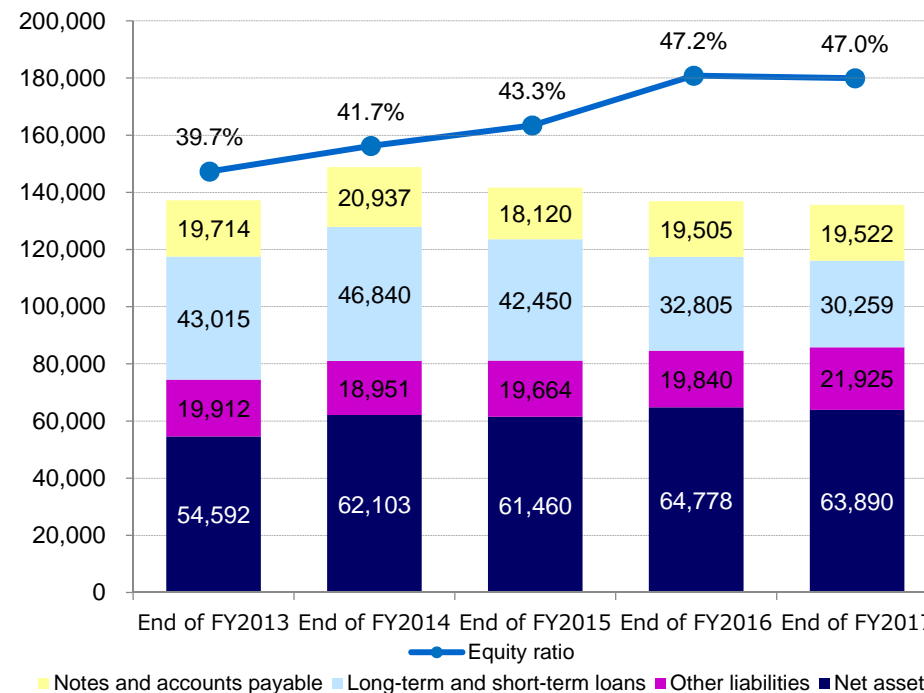
Effect of exchange rates: Decrease of ¥1.9bn => Net change: Increase of ¥0.6bn

Current assets: Net increase of ¥0.2bn (increase in fixed asset tax and prepaid payment of the estimated amount of labor insurance premiums)

Fixed assets: Net increase of ¥0.4bn (reappraisal of securities, increase in long-term deferred tax assets)

■ Liabilities

(Million yen)



➤ Changes from March 31, 2017

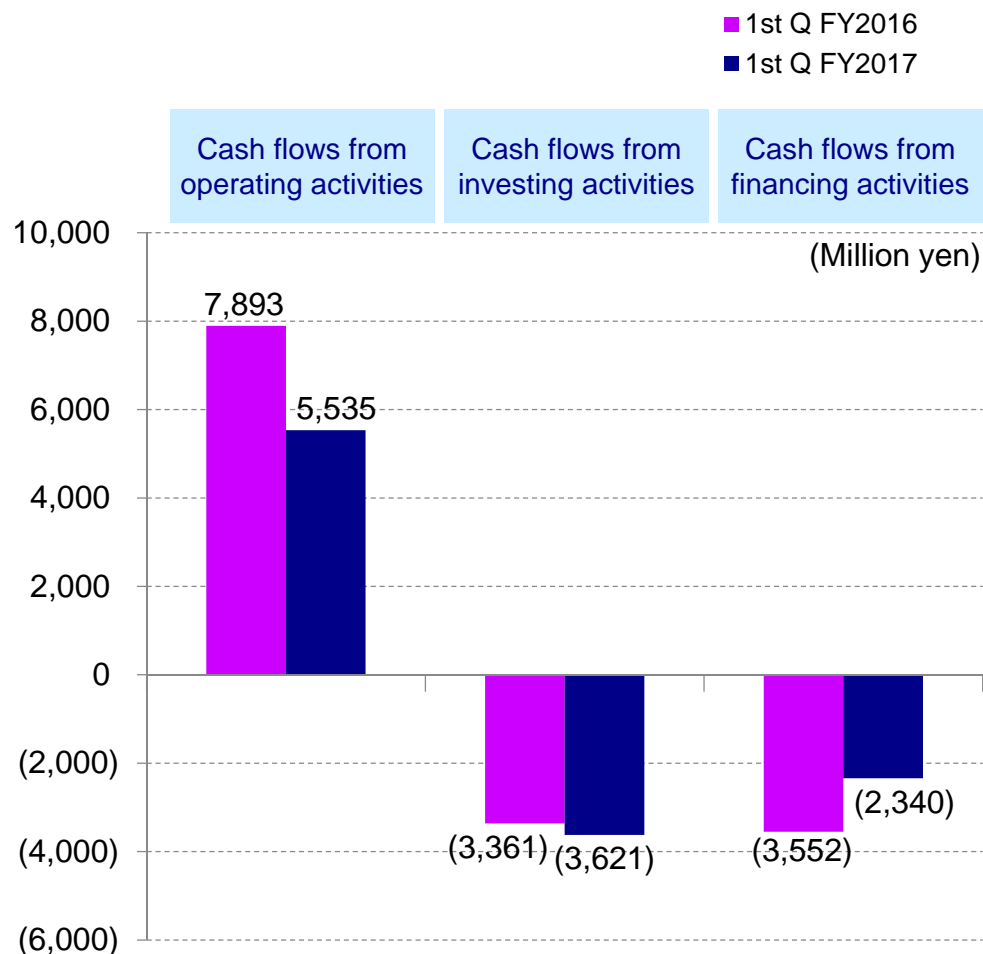
Liabilities: Effect of exchange rates: decrease of ¥0.8bn => Net change: Increase of ¥0.4bn

Net increase of ¥1.9bn in current liabilities, net decrease of ¥1.5bn in long-term liabilities (decrease in long-term and short-term interest-bearing debt)

Net assets: Net decrease of ¥0.2bn due to the decrease of ¥0.9bn of mainly net income, and foreign currency translation adjustments, etc. of ¥-1.1bn

Equity ratio: 47.0%, down 0.2 points

Consolidated Cash Flows



Factors for change from the previous fiscal year

- Cash flows from operating activities -2.3 billion
 - Income before income taxes and others -1.0 billion
 - Decrease (increase) in notes and accounts receivable -1.9 billion
 - Increase/decrease in trade payables +1.1 billion
- Cash flows from investing activities -0.2 billion
 - Increase in capital expenditures in North America/Asia
- Cash flows from financing activities +1.2 billion
 - Decrease in short-term debt borrowing and repayment

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Forecast for FY2017

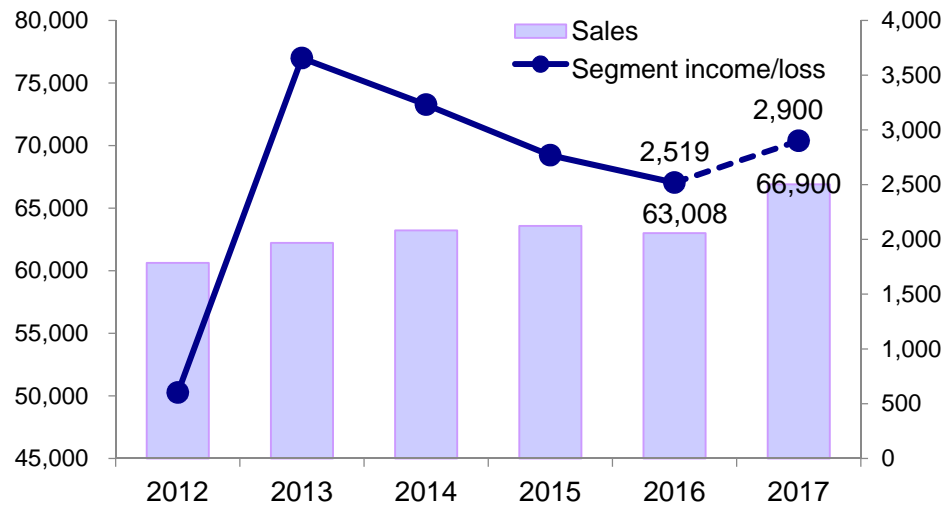
(Million yen)

	FY2016 Actual		FY2017 Forecast		Change	
Sales	136,657	100.0%	142,000	100.0%	5,343	3.9%
Operating income	6,912	5.1%	7,000	4.9%	88	1.3%
Recurring income	6,256	4.6%	6,400	4.5%	144	2.3%
Net income	4,992	3.7%	4,400	3.1%	(592)	(11.9%)

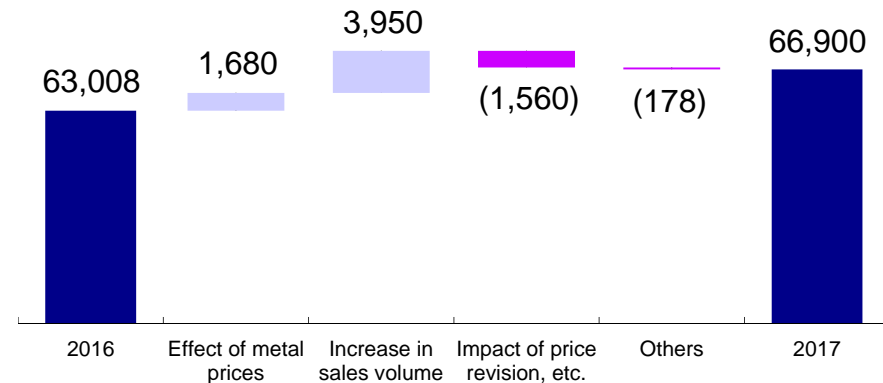
Exchange rate for FY2016 (full-year average): US ¥109.18/USD, Mexico ¥110.30/USD, Chinese yuan ¥16.56/RMB, India ¥1.63/IDR
 Exchange rate for FY2017 assumptions: ¥110/USD, ¥16.0/RMB, ¥1.6/IDR

Die Casting in Japan

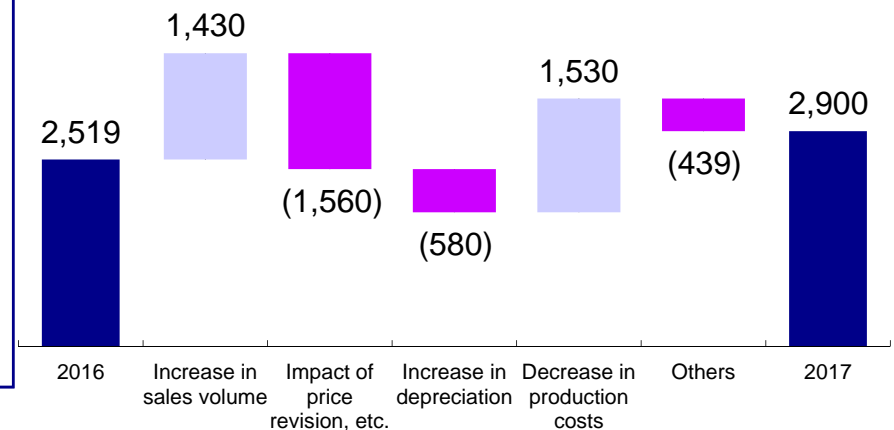
Changes in sales and segment income
in Die Casting Business in Japan (Million yen)



Factors of change estimated for sales (Million yen)



Factors of change estimated for segment income (Million yen)



Sales: ¥66.9 billion (up 6.2% year on year)

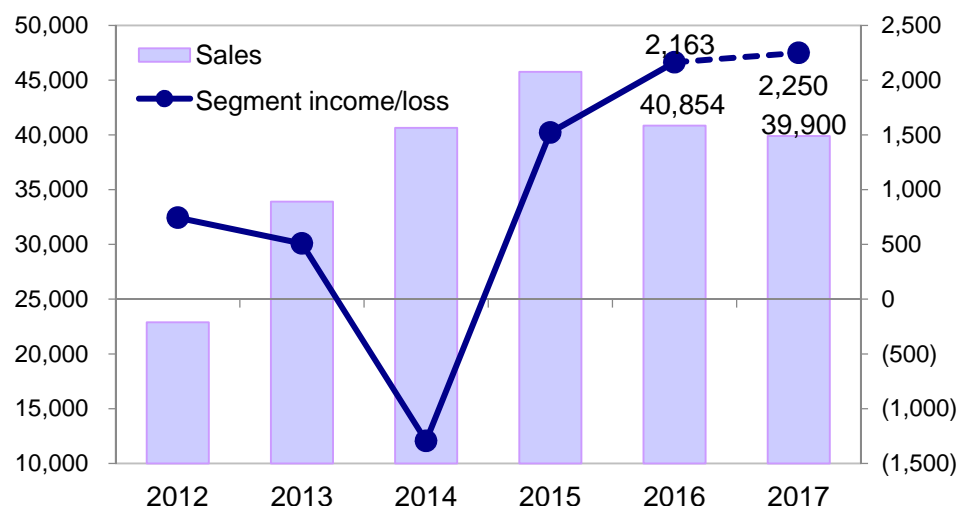
- The sales volume is likely to be above the level of the previous fiscal year.
- Metal prices are expected to rise further from the level of the previous fiscal year.

Segment income/loss: ¥2.9 billion (up 15.1% year on year)

- Income is expected to increase, given the positive impact of an increase in volume and cost cutting.

Die Casting in North America

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



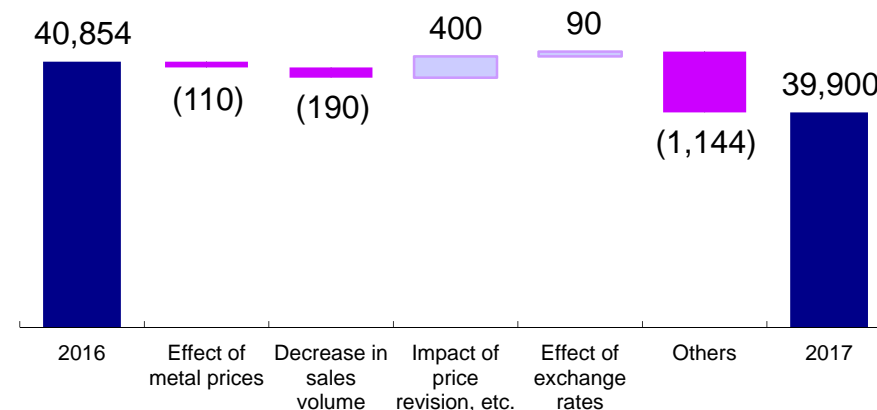
Sales: ¥39.9 billion (down 2.3% year on year)

- Sales were down slightly due to the decreased sales volume.
- The sales of die casting dies and others are likely to decrease from the results for the previous fiscal year.

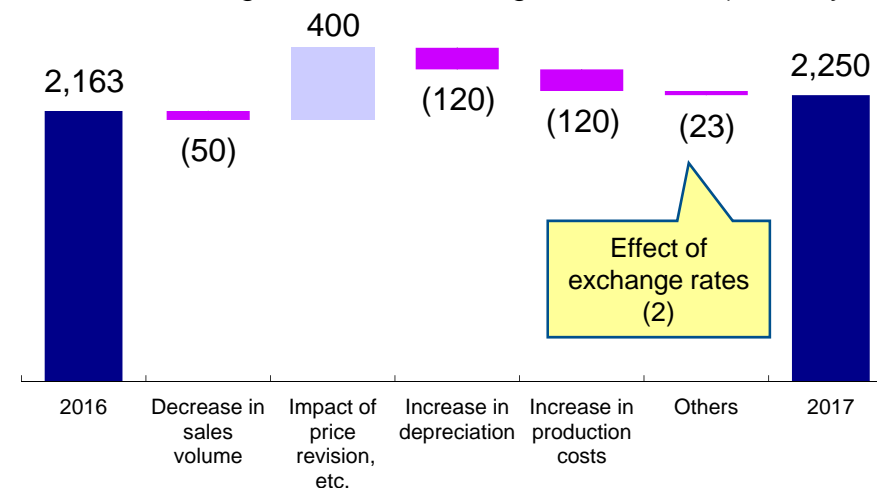
Segment income/loss: ¥2.25 billion (up 4.0% year on year)

- Income is expected to increase, due in part to a change in the product mix.

Factors of change estimated for sales (Million yen)

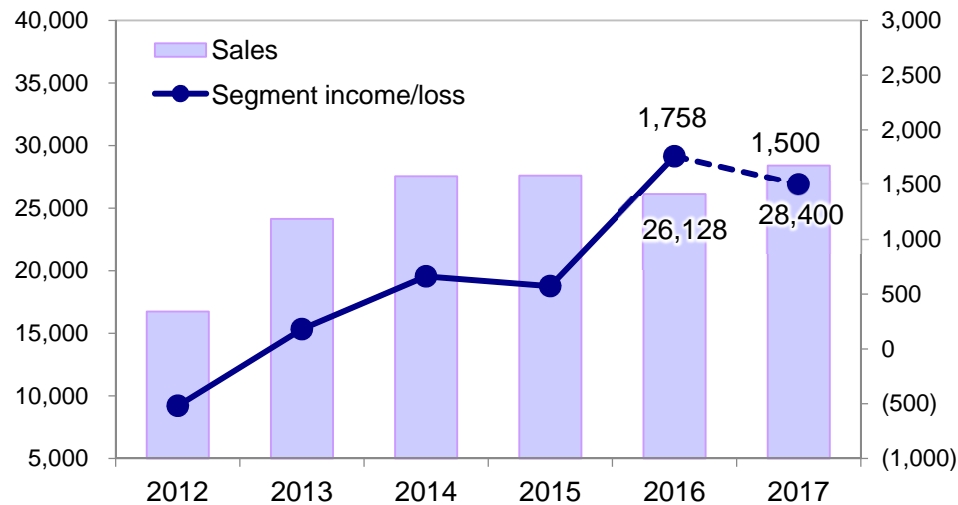


Factors of change estimated for segment income (Million yen)



Die Casting in Asia

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



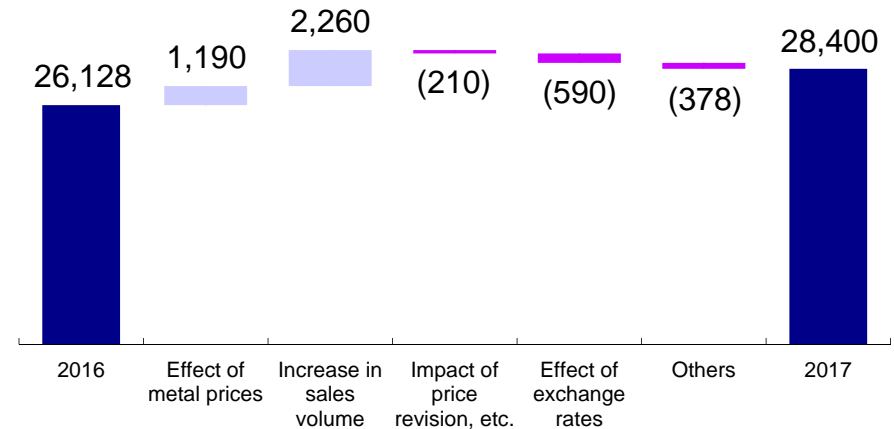
Sales: ¥28.4 billion (up 8.7% year on year)

- The sales volume is likely to exceed the level of results for the previous fiscal year.
- Metal prices are forecast to increase further than the level of results for the previous fiscal year.
- Impact of a stronger yen

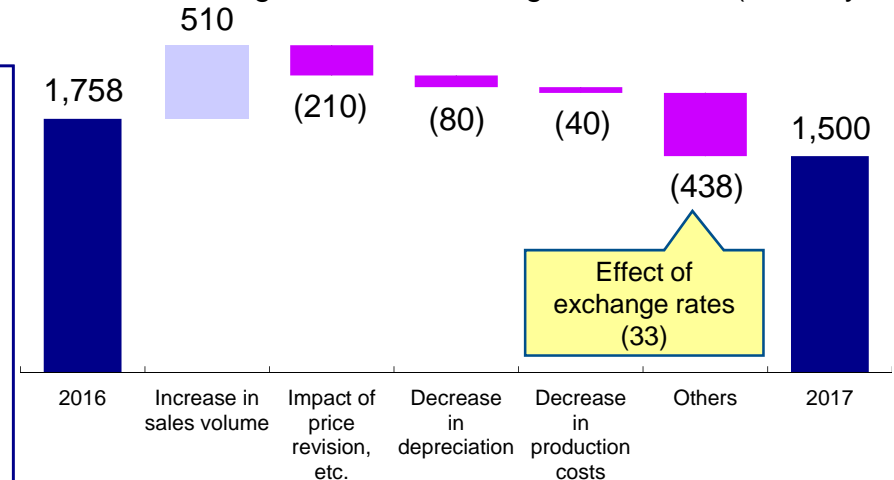
Segment income/loss: ¥1.5 billion (down 14.7% year on year)

- Income is expected to decrease, mainly due to a change in the added value unit price.

Factors of change estimated for sales (Million yen)



Factors of change estimated for segment income (Million yen)



Aluminum Business and Proprietary Products Business

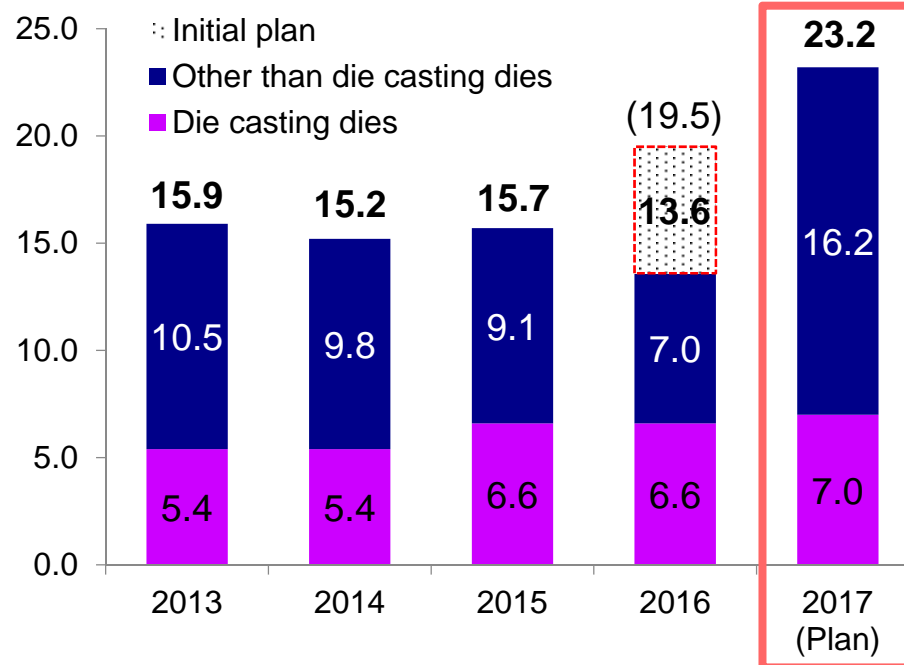
(Million yen)

		FY2016 Actual	FY2017 Forecast	Change	
Aluminum Business	Sales	4,402	4,600	198	4.5%
	Segment income/loss	274	250	(24)	(2.8%)
Proprietary Products Business	Sales	2,263	2,200	(63)	(8.8%)
	Segment income/loss	155	100	(55)	(35.5%)

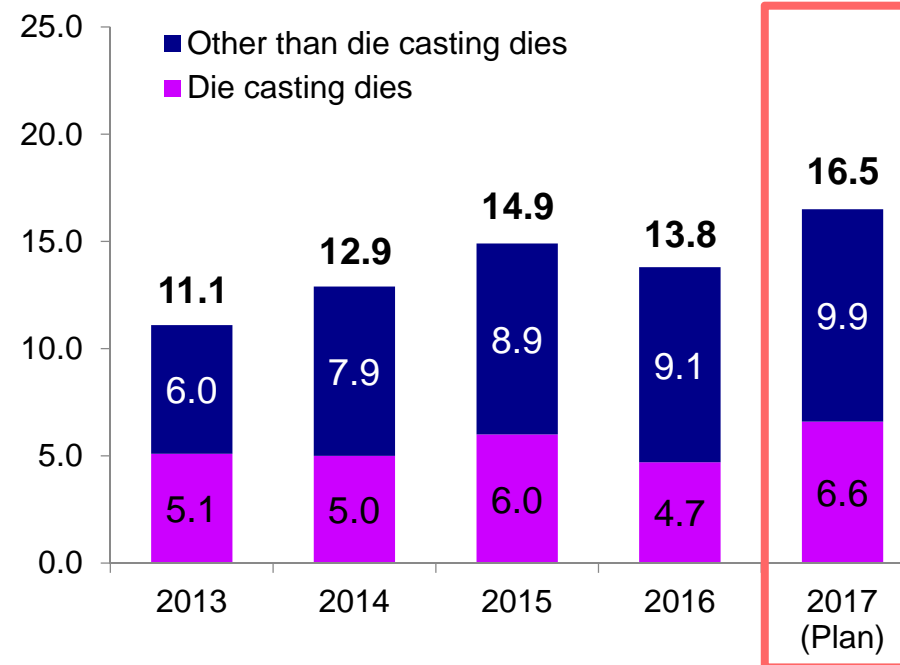
- In the Proprietary Products Business, orders for clean rooms and computer rooms from semiconductor-related companies are expected to decrease.

Trends of Capital Expenditures and Depreciation and Amortization

Capital expenditures (Billion yen)



Depreciation and amortization (Billion yen)



FY2017

- 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: ¥23.2 billion (Other than die casting dies: ¥16.2 billion; Die casting dies: ¥7.0 billion)

* Decrease due to the review and postponement of capital expenditures due to customer convenience, etc. for FY2016 (initial plan of ¥19.5bn -> actuals of ¥13.6bn)

Dividends

Dividend per share	FY2013	FY2014	FY2015	FY2016	FY2017 Plan
(Annual dividend)	14	12	14	20	26
Interim dividend	8	6	6	8	12
Year-end dividend	6	6	8	12	14
Net income (loss) per share (consolidated)	287.10	40.85	118.50	193.15	170.24
Payout ratio (consolidated)	4.9%	29.4%	11.8%	10.4%	15.3%

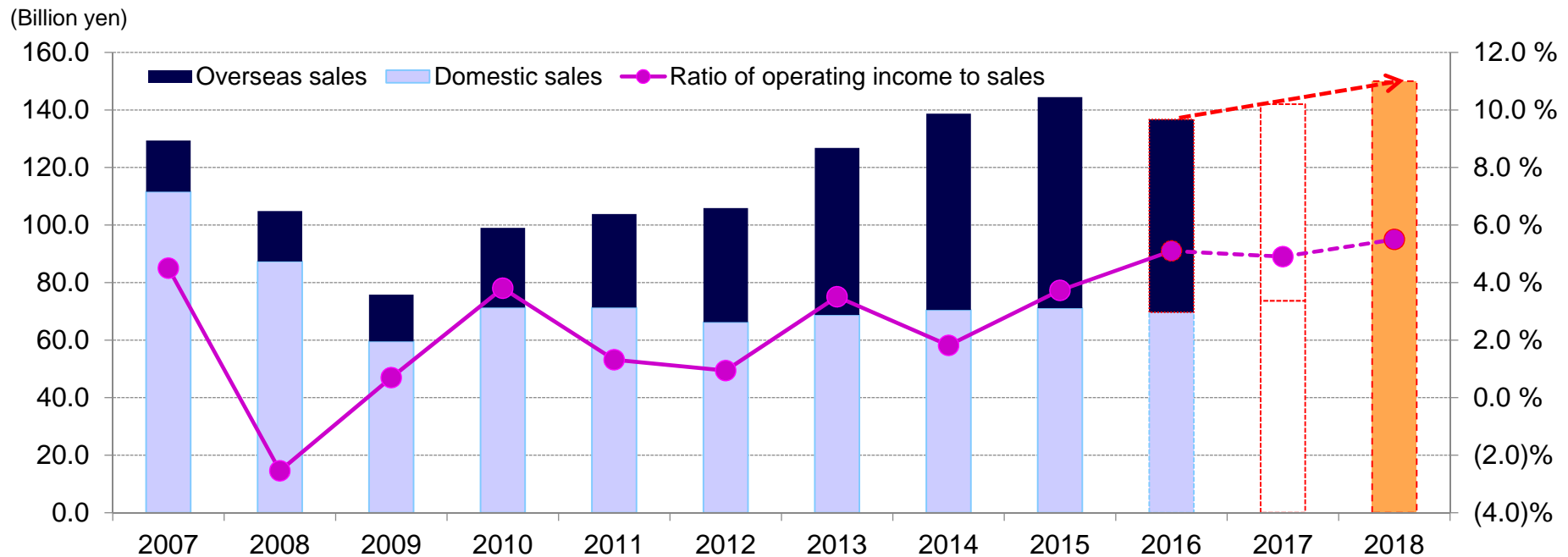
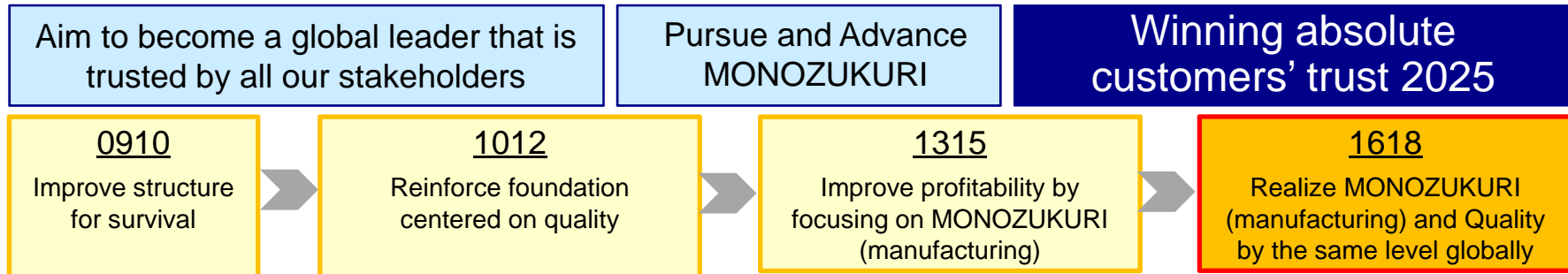
- For FY2016, the results planned at the start of the term were achieved. The interim and year-end dividends were therefore increased by ¥2 and ¥4 respectively, resulting in an annual dividend of ¥20.
- For FY2017, we intend to pay an annual dividend of ¥26.
- We will focus on the fair return of profit while taking into account the management resources and payout ratio necessary for medium- and long-term growth.

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- Overview of results for first quarter of the fiscal year ending March 31, 2018
 - Forecast for this fiscal year

[Reference]

- 1618 Medium-Term Management Strategy

10-year Vision and Changes in Our Medium-Term Management Strategy



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

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

(2) Pursue MONOZUKURI (manufacturing)

(3) Build up a Corporation taking pride in our work

(4) Enhance profitability

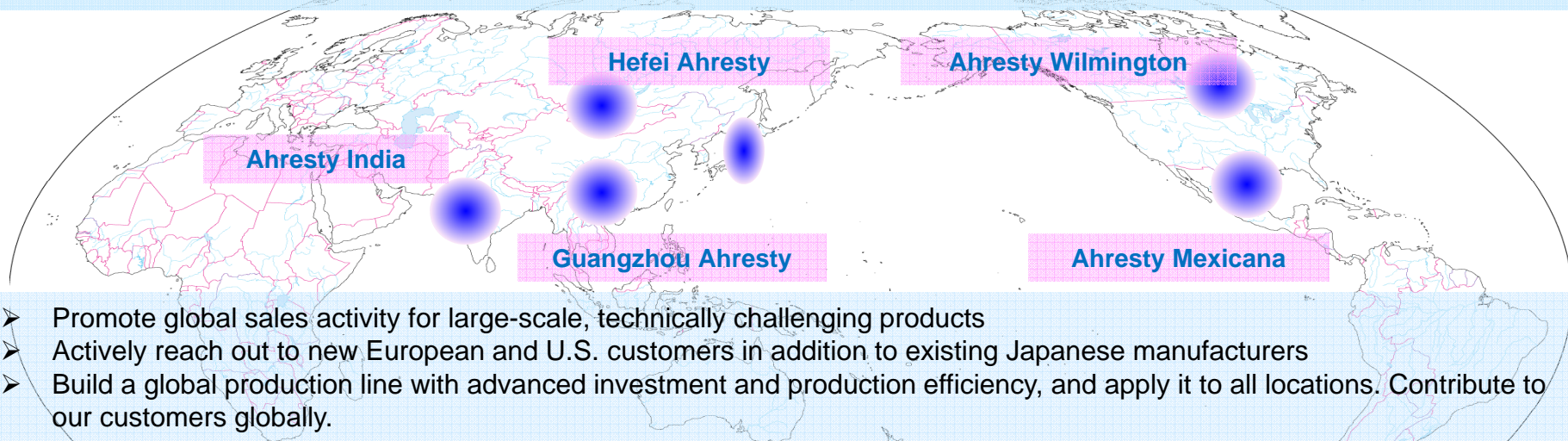
(5) Pursue comprehensive risk management

Progress of the 1618 Medium-Term Management Strategy

- Under the basic policy of pursuing MONOZUKURI (manufacturing) and establishing Ahresty Production Way, proceed with the five core strategies.
- Raise the level through activities to unify the system globally and ensure MONOZUKURI of the same quality.
- Conduct of PDCA control at a meeting for the evaluation of the policy (4 times in Japan, 9 times overseas (3 times in each of North America, China, India/Thailand))

(1) 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



(Progress)

- ◆ Strengthen sales in North America and China: establishment of the North America office, increase of salespersons in China and North America, start of contact with European and North American manufacturers
- ◆ Construction of the line exclusively for blocks for SUBARU at the Tochigi Plant
- ◆ Allocation of a team dedicated to meet needs for lighter car bodies and suspension
- ◆ Overall Excellence Award received from Maruti Suzuki (India); award for excellent quality received from Hino Motors, Ltd.; award for excellent supplier received from Shenyang Aerospace Mitsubishi Motors Engine Manufacturing Co., Ltd. (Hefei); award for quality received from Toyota Motor Corporation; ZERO PPM award (India)

(1) Become the Most Reliable Supplier of Large Products requiring High Precision, in the Eyes of Our Customers

New production line based on this concept: Ahresty Tochigi 6th Plant operations commence

- Area of extension: 1,143 m²
- Facilities: 2250-ton die-casting machine facilities for machine processing, etc.
- Production capacity: 2,800 ton/month
⇒ 3,000 ton/month
Increase of 200 ton/month



Appearance of the 6th Plant

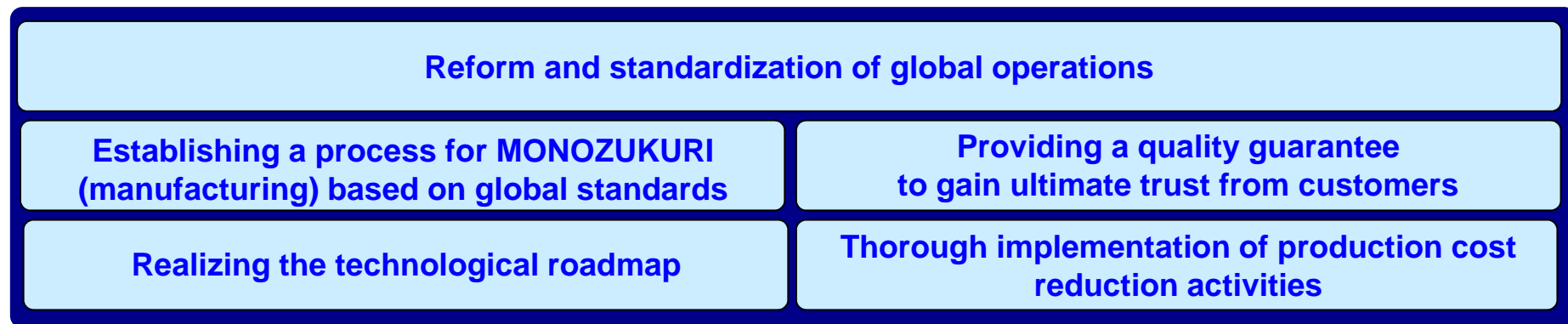
Concept of the production line of the 6th Plant

- Synchronized line: One integrated line for multiple processes from casting to finished products
- Automation
- Reduction of inventory: Reduce unnecessary inventory between the processes
- Prevention of equipment failure
- Management of other conditions for production



Interior of the 6th Plant

(2) Pursue MONOZUKURI (manufacturing)



(Progress)

1. Monitoring and management of the optimal manufacturing conditions for casting and processing
 2. Establishment of the quality assurance system through level enhancement activities
 3. Promotion of the solution of issues and the accumulation of technologies according to the technological roadmap
 4. Promotion of cost reduction by loss reduction and basic unit control
- ◆ Deployment and application of efforts for quality assurance through level enhancement activities
→ Reduce the number of complaints
 - ◆ Hold a meeting for an evaluation of the policy (once every three months in Japan, once every four months overseas)
 - ◆ Hold the Global Kaizen Meeting.

(2) Pursue MONOZUKURI (manufacturing)

Global Kaizen Meeting

Global growth

To make the technology level of each site equal and of the same quality

Hold a meeting once a year, including overseas sites



October 2016 A total of 48 employees including 16 from the overseas sites participated, reporting a case and exchanging opinions actively under the theme of “Casting **OPCC**.”

■ **OPCC**

Abbreviation of Optimal Process Condition Control

(3) Build Up a Corporation Taking Pride in Our Work

Cultivating a corporate culture
that can practice the RST Way

RST Way

"Conscientious" "Proactive" "Speedy" "Learning" "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

(Progress)

- ◆ Initiatives for the Way were intensified from the previous year, spreading among divisions.
- ◆ Regular meetings of the persons in charge of promoting the Way and information sharing
- ◆ Award of RST Way; creation of Ahresty Award
- ◆ Establishment of the committee for the stimulation of communication, activities of the committee
- ◆ Issue of a whole-company newspaper; issue of an in-house newsletter and global report

Developing human resources that excel in
MONOZUKURI (manufacturing)

RST Production Way

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

(Enhancement of Global RST learning)

Increasing employees' motivation

Employees with increased knowledge and skill

(Progress)

- ◆ Expansion of the RST Academy in Japan into the overseas offices
- ◆ Establishment of an education system and curriculum; Development of textbooks
- ◆ Provision of education and training of trainers
- ◆ Gold award given by India's QC association

(3) Build Up a Corporation Taking Pride in Our Work

Global RST learning (RST school)


To **pass down the know-how of MONOZUKURI** (manufacturing) that has been accumulated since the foundation of the company, all employees receive **education at an equivalent level** on a global scale.

It is recommended that all employees take the necessary training and education in order to understand the importance of the standard by experiencing it through exercises.



(4) Enhance Profitability

Management goals for the 1618 Medium-Term Management Strategy

	FY2016 (Actual)	FY2017 (Forecast)		1618 Medium-Term Management Strategy (Target)
Sales	1,366	1,420		1,500
Ratio of operating income to sales	5.1%	4.9%		5.5%
ROA	3.6%	—		3.0%
ROE	7.9%	—		7.0%

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

Fair return of profit

(5) Pursue Comprehensive Risk Management

Identify/evaluate the expected risk, prevent risk from occurring, and take efforts to minimize the impact



(Progress)

FY2016 Plant in Japan: Implementation of BCP training in consideration of lessons from the Kumamoto Earthquake
Plant overseas: Formulation of BCP in response to the risks of each country/region
FY2017 Enhancement of BCP and implementation of training
→ Ongoing review of BCP

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.