Research
Service
Technology

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

November 30, 2017

Ahresty Corporation

- Error in Consolidated Financial Statements, Etc.
- Topics
- Overview of Results for First Half of the Fiscal Year Ending March 31, 2018
- Financial Forecasts for the Fiscal Year Ending March 31, 2018
- Status of Improvements at US Plant and Tochigi Plant

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Error in Consolidated Financial Statements, Etc.

Difference in recognition of tax effect accounting in financial statements of Ahresty Mexicana

International accounting standards included no clear policy on the Mexican Peso (MXN) to United States Dollar (USD) conversion rate to be applied in the calculation of taxes for accounting purposes, and the rate as of the acquisition date was applied. Since application of the rate as of the balance sheet date is generally considered appropriate, past figures were revised retroactively based on the rate applied this time.

* This is a problem unique to Ahresty Mexicana, which is the only entity where the local currency and the functional currency are different.

Impact

Net assets
-2,700 million yen (for fiscal year ended March 31, 2017: 64,700 million yen → 62,000 million yen)

Net income
700 million yen (for first half of fiscal year ending March 31, 2018: 550 million yen → 1,250 million yen)

Fiscal year	Conversion rate		(1) Depreciation and amortization (value for accounting purposes)	(2) Depreciation and amortization (value for tax purposes)	(3) Difference [(2) – (3)]	Tax effect (3)×30%	Yen equivalent of tax effect	Impact
Ended March 31, 2017	Before application	Value for accounting purposes: A Value for tax purposes: A	USD164 million	USD208 million	USD44 million	USD14 million	JPY1,700 million	–
Ended March 31, 2017	After application	Value for accounting purposes: A Value for tax purposes: B-1	USD164 million	USD131 million	USD-33 million	USD-10 million	JPY-1,000 million	**JPY-2,700 million**
Ended September 30, 2017	After application	Value for accounting purposes: A Value for tax purposes: B-2	USD161 million	USD154 million	USD-7 million	USD-2 million	JPY-300 million	**JPY+700 million**

A: Rate as of acquisition date USD1＝MXN10.4　B-1:Rate as of balance sheet date (March 31, 2017) USD 1＝ MXN 20.7
B-2: Rate as of balance sheet date (September 30, 2017) USD1＝MXN18.0

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Error in Consolidated Financial Statements, Etc.

Example of correction (Case of weak Mexican Peso)

Management using two types of fixed asset registers (one for accounting purposes and one for tax purposes)

Weakening Peso

USD1 = MXN10
(rate as of acquisition date)

↓

USD1 = MXN20
(rate as of balance sheet date)

Before application

Register denominated in MXN
(MXN→USD conversion)

Fixed asset register
(for accounting purposes)
USD150

Conversion at rate as of acquisition date

Fixed asset register
(for tax purposes)
USD200

Conversion at rate as of acquisition date

Tax effect accounting
Register difference of
50×30% = 15

Tax effect
(impact on financial results)

PL Net income
+15

BS Retained earnings
+15

Difference due to exchange rate fluctuation
-30

After application

Register denominated in MXN
(MXN→USD conversion)

Fixed asset register
(for accounting purposes)
USD150

Conversion at rate as of acquisition date

Fixed asset register
(for tax purposes)
USD100

Conversion at rate as of balance sheet date

Tax effect accounting
Register difference of
-50×30% = -15

Tax effect
(impact on financial results)

PL Net income
-15

BS Retained earnings
-15

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Hefei Ahresty: Start of Expansion Work in July 2017

New orders received for engine blocks, etc. in China (local manufacturers)

[On completion in July 2018 (tentative)]

- Plant area — Land: 67,400 m^2
  - Building: 46,136 m^2

* Including planned expansion

- Casting plant: 5,004 m^2
- Processing plant: 12,856 m^2
- Administration building: 3,509 m^2

- No. of die cast machines: 15

Expansion is outlined in red

■ **As of September 2017**

(Plant area)	Land:	48,420 m^2
	Building:	24,767 m^2
(No. of die cast machines)		14

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

(Million yen)

	First half of year ended March 2017		First half of year ending March 2018		Change	
Sales	66,976	100.0%	70,631	100.0%	3,654	5.5%
Operating income	3,326	5.0%	1,732	2.5%	(1,593)	(47.9%)
Recurring income	2,857	4.3%	1,578	2.2%	(1,279)	(44.8%)
Net income	2,080	3.1%	1,255	1,7%	(825)	(39.6%)
EPS (yen)	80.48		48.56			

Overview

- Sales: Sales grew thanks largely to an increase in orders received and an improvement in the state of the aluminum market.
- Operating income: Decreased primarily as a result of a slow increase in productivity at the U.S. and Tochigi plants and the revision of product prices.
- Recurring income: Decreased due to reduced operating income.
- Net income: Decreased due to reduced recurring income and an increase in tax payments caused by fluctuations in the Mexican peso exchange rate.
- EPS: Decreased 31.92 yen per share due to the decrease in net income.

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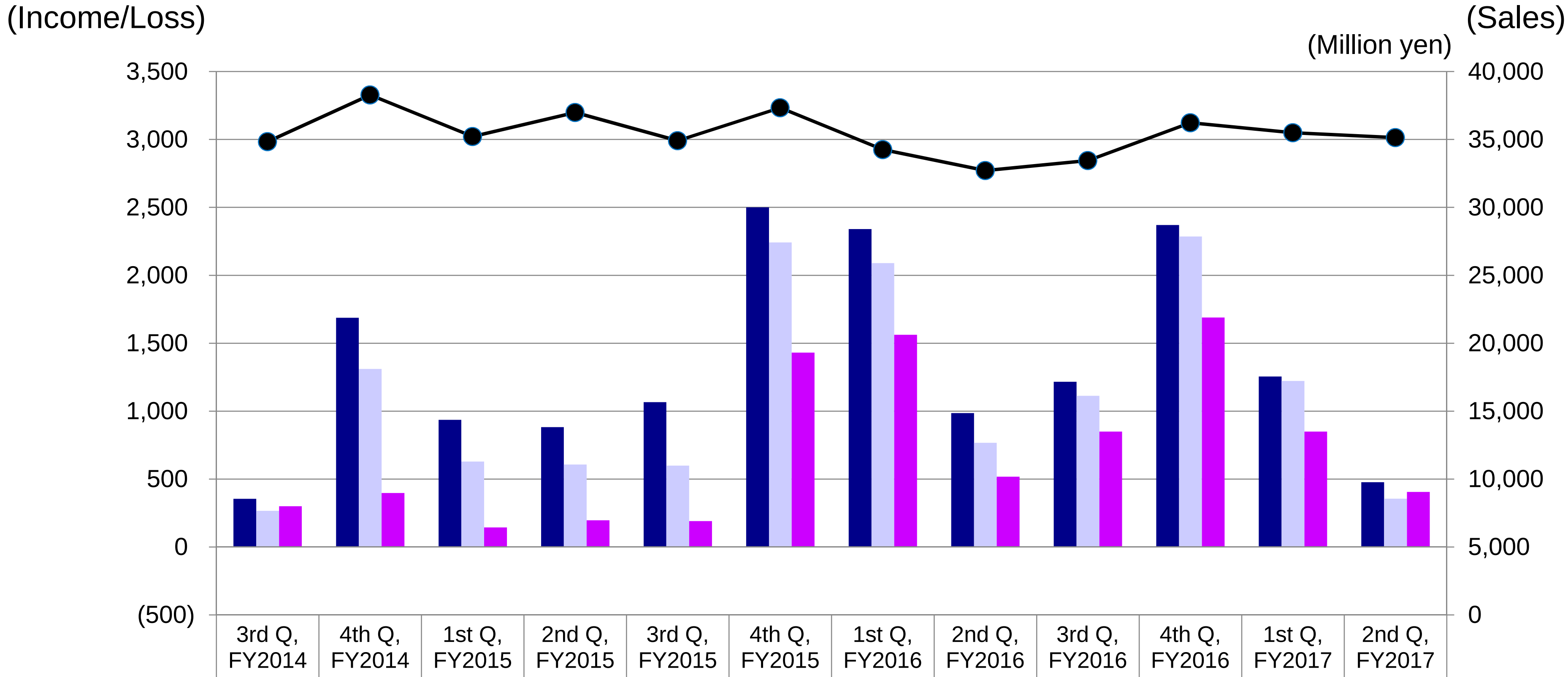
Overview of the (Quarterly) Consolidated Results



	3rd Q, FY2014	4th Q, FY2014	1st Q, FY2015	2nd Q, FY2015	3rd Q, FY2015	4th Q, FY2015	1st Q, FY2016	2nd Q, FY2016	3rd Q, FY2016	4th Q, FY2016	1st Q, FY2017	2nd Q, FY2017
Operating income/loss	355	1,688	936	883	1,066	2,500	2,340	986	1,216	2,370	1,255	477
Reccuring income/loss	266	1,311	629	607	599	2,242	2,090	767	1,113	2,286	1,222	356
Net income/loss	300	398	144	197	191	1,431	1,562	518	850	1,690	850	405
Sales	34,842	38,279	35,217	36,989	34,913	37,332	34,258	32,718	33,453	36,228	35,494	35,136

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Die Casting Business

(Million yen)

		First half of year ended March 2017		First half of year ending March 2018		Change	
Japan	Sales	29,940	100.0%	33,097	100.0%	3,156	10.5%
	Segment income/loss	1,121	3.7%	430	1.3%	(691)	(61.6%)
North America	Sales	21,091	100.0%	20,470	100.0%	(620)	(2.9%)
	Segment income/loss	1,363	6.5%	214	1.0%	(1,149)	(84.3%)
Asia	Sales	12,663	100.0%	13,920	100.0%	1,256	9.9%
	Segment income/loss	577	4.6%	828	5.9%	250	43.4%

✓ The overseas sales ratio in the Die Casting Business:
Q2 of fiscal year ended March 2017: 53.0%
⇨ Q2 of fiscal year ending March 2018: 51.0%

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

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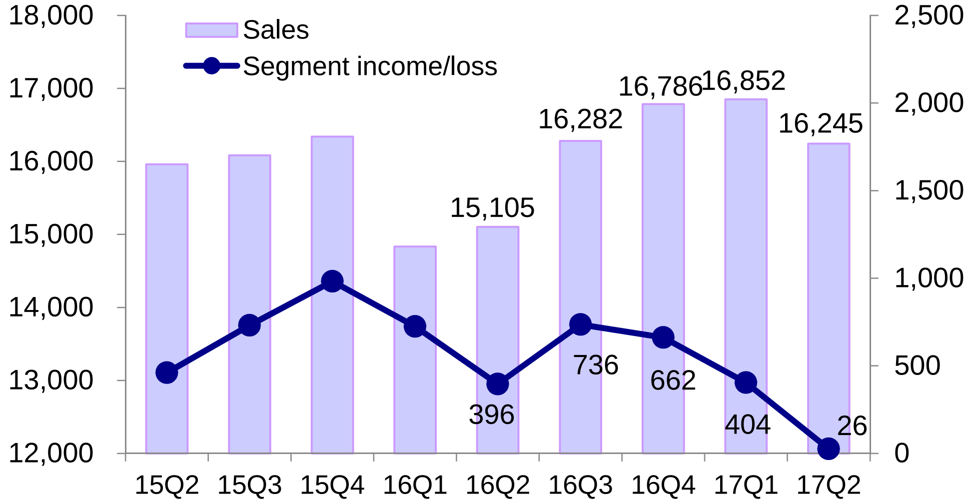
Die Casting in Japan

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



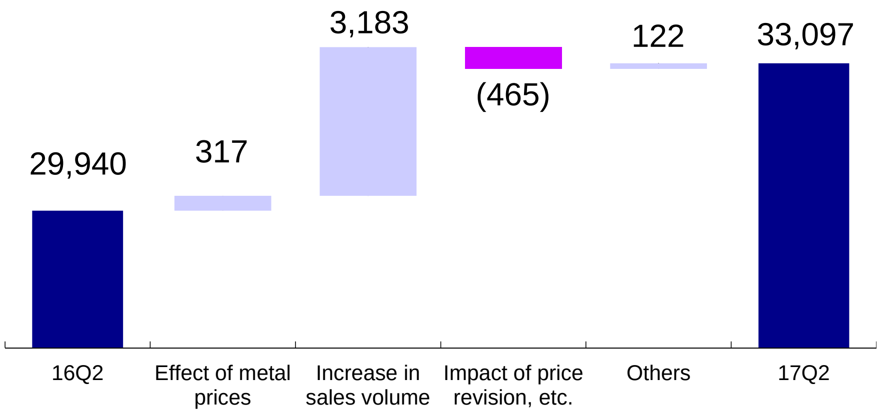
Sales: Increased ¥3,150 million (up 10.5% year on year)

- Orders received increased based on strong exports of key customers.

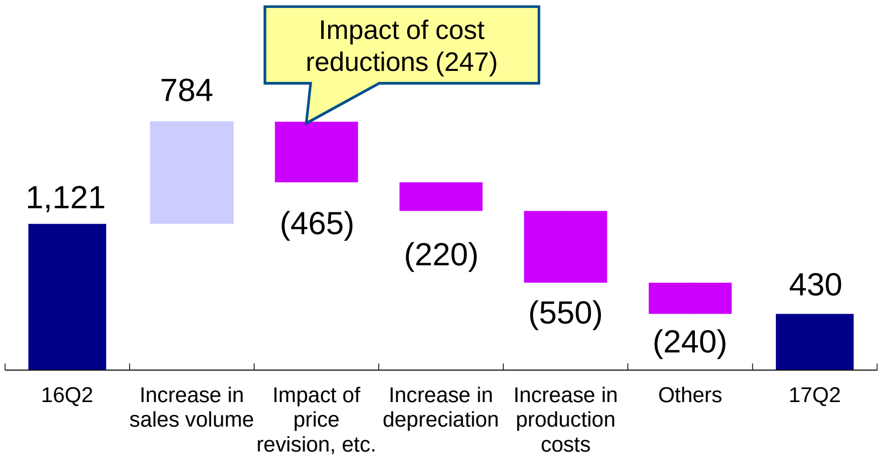
Segment income: Decreased ¥690 million (down 61.6% year on year)

- Profit decreased due partly to the impact of revised prices despite a rise in sales volume.
- Labor and fuel expenses increased.
- The reduction of manufacturing costs at the Tochigi plant was delayed.

Factors of change in die casting sales (Million yen)

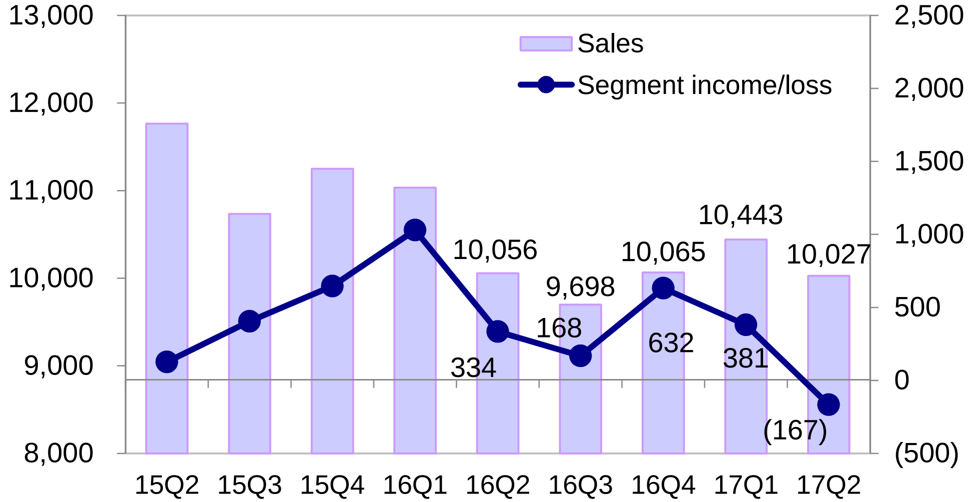


Factors of change in segment income (Million yen)

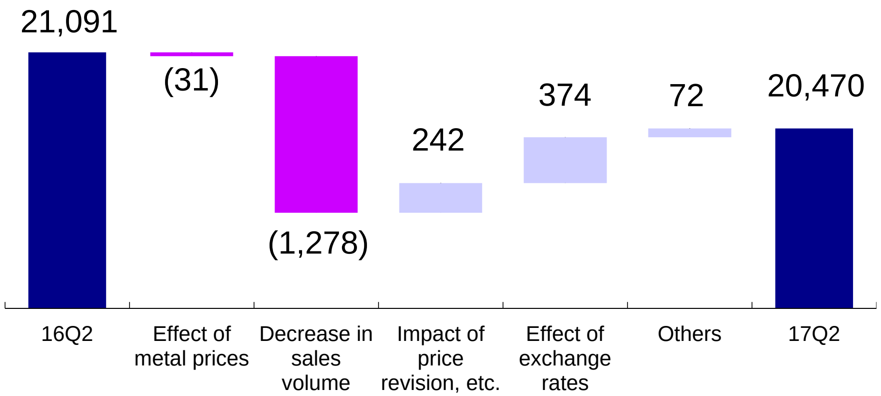


Die Casting in North America

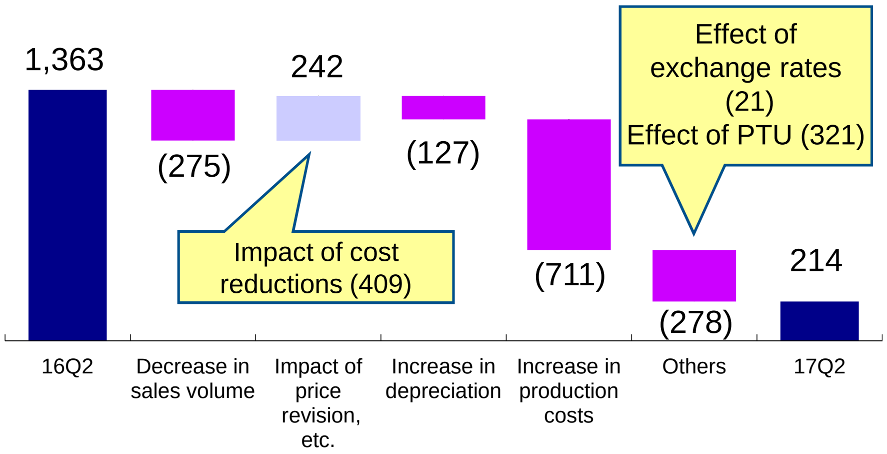
Changes in sales and segment income
in Die Casting Business in North America (Million yen)



Factors of change in die casting sales (Million yen)



Factors of change in segment income (Million yen)



Sales: Decreased ¥620 million (down 2.9% year on year)

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

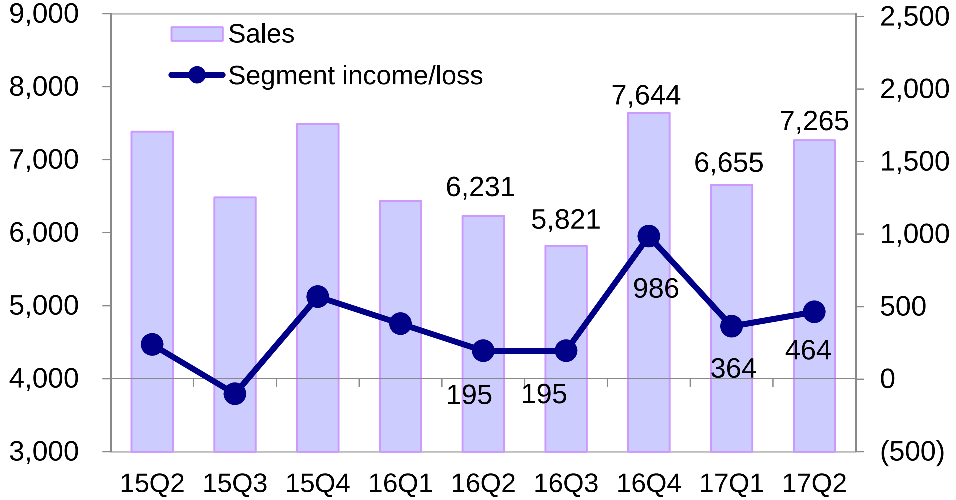
Segment income: Decreased ¥1,140 million
(down 84.3% year on year)

- U.S.: Decreased due to a decline in sales and a slow increase in productivity
- Mexico: an increase in profit from sales growth was offset by higher fuel expenses, etc. (PTU has been recognized since the first quarter due to changes in accounting standards)

Fiscal year end: U.S.: March; Mexico: December
Exchange rate ('16Q2 ⇨ '17Q2): U.S. dollar: ¥106.73 ⇨ ¥111.42; Mexican peso: ¥113.05 ⇨ ¥112.75

Die Casting in Asia

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



Sales: Increased ¥1,250 million (up 9.9% 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.

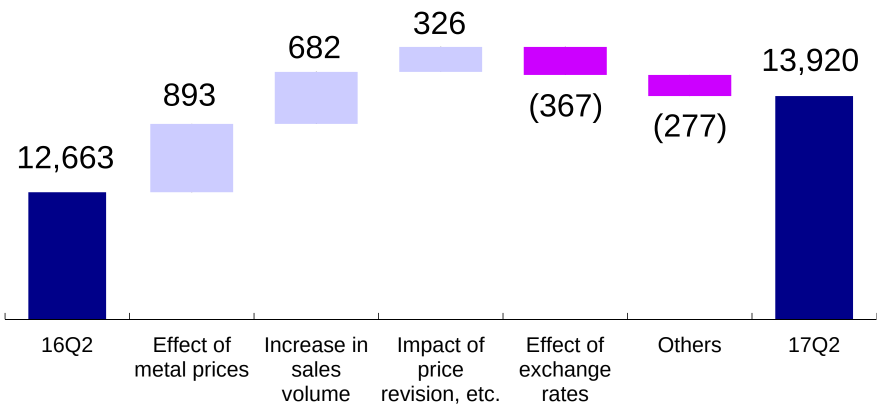
Segment income: Increased ¥250 million (up 43.5% year on year)

- Growth in orders received in China and India resulted in increased profit.
- Higher productivity in China also facilitated profit growth.

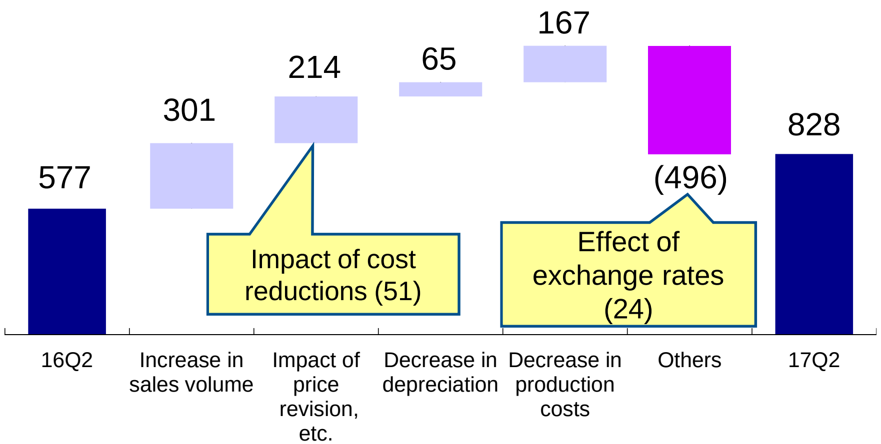
Fiscal year end: China: December; India: March

Exchange rate (16Q2 ⇨ 17Q2): Chinese yuan: ¥17.22 ⇨ ¥16.42; Indian rupee: ¥1.60 ⇨ ¥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 half of year ended March 2017		First half of year ending March 2018		Change	
Aluminum Business	Sales	2,143	100.0%	2,182	100.0%	39	1.8%
	Segment income/loss	148	6.9%	115	5.3%	(32)	(21.8%)
Proprietary Products Business	Sales	1,138	100.0%	961	100.0%	(177)	(15.6%)
	Segment income/loss	68	6.0%	143	14.9%	75	109.3%

Aluminum Business
- Sales: Increased thanks to changes in the state of the aluminum market (up 1.8% year on year).
- Segment income: Decreased due primarily to rising fuel expenses (down 22.3% year on year).

Proprietary Products Business
- Sales: Orders for projects for clean rooms and computer rooms decreased, resulting in decreased sales (down 15.6% year on year).
- Segment income: Rose chiefly as a result of cost reduction efforts (up 110.2% year on year).

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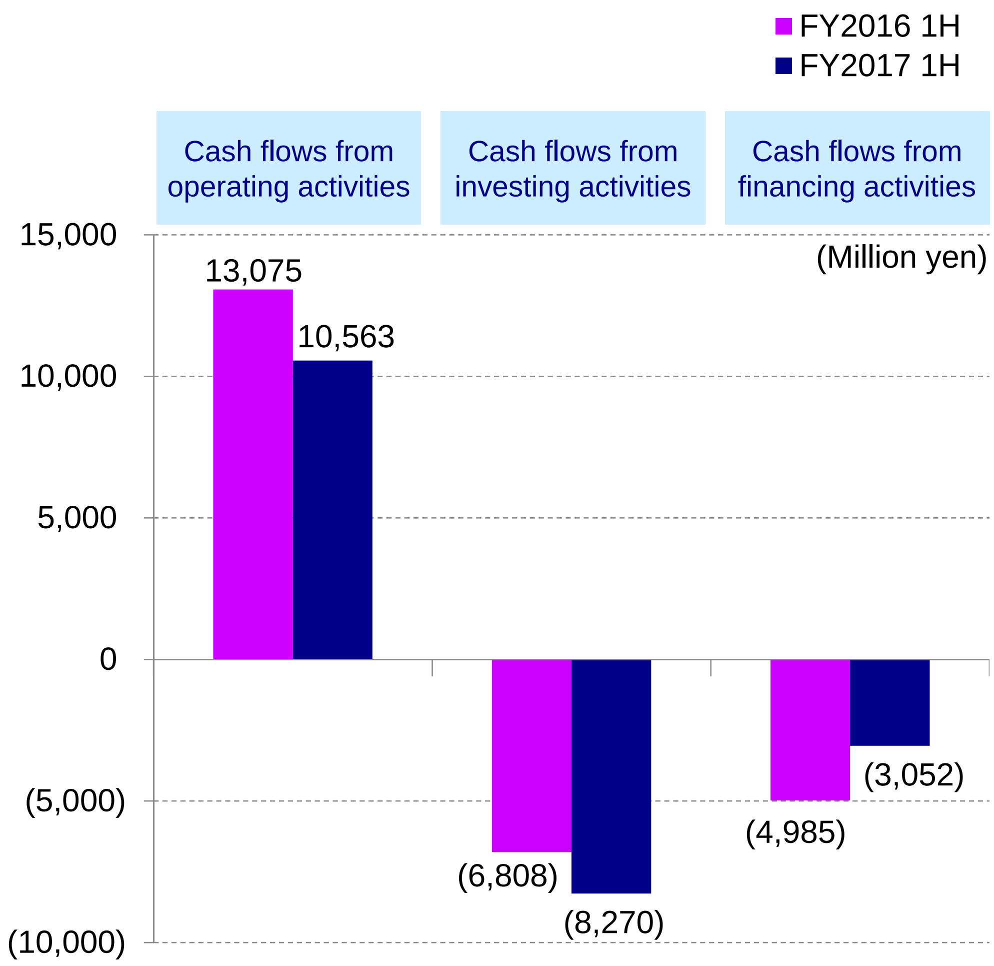
Consolidated Cash Flows



Factors behind increase/decrease in cash flows in first half of fiscal year ending March 31, 2018

- Cash flows from operating activities
  Income before income taxes and others 1.4 billion
  Depreciation and amortization 7.3 billion
  Decrease in notes and accounts receivable 0.3 billion
  Increase in trade payables 0.9 billion
- Cash flows from investing activities
  Increase in capital expenditures in North America/Asia
- Cash flows from financing activities
  Decrease in long-term and short-term debt
  (March 31, 2017: 32.8 billion → September 30, 2017: 29.6 billion)

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Forecast for FY2017

(Million yen)

	FY2016		FY2017 Initial plan (May 11)		FY2017 Revised plan (October 25)		Change compared to initial plan	
Sales	136,657	100%	142,000	100%	144,700	100%	2,700	1.9%
Operating income	6,912	5.1%	7,000	4.9%	4,100	2.8%	(2,900)	(41.4%)
Recurring income	6,256	4.6%	6,400	4.5%	3,850	2.7%	(2,550)	(39.8%)
Net income	4,620	3.3%	4,400	3.1%	2,050	1.4%	(2,350)	(53.4%)
EPS (yen)	178.77		170.24		79.26		–	

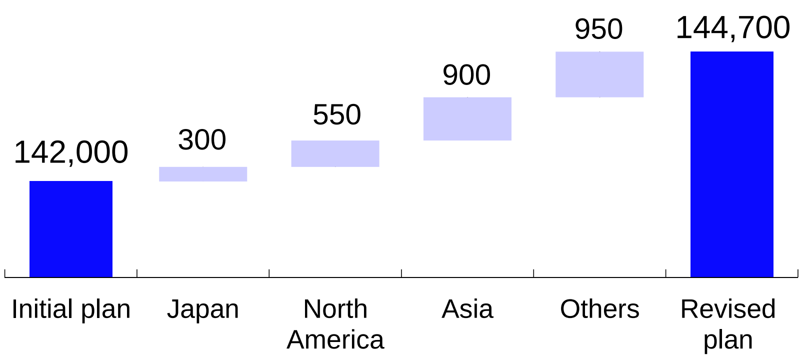
Exchange rates assumed in the initial plan (May 11): ¥110/USD; ¥16.0/RMB; ¥1.6/IDR
Exchange rates assumed in the revised plan (October 25): ¥110/USD; ¥16.0/RMB; ¥1.6/IDR

FY2017 Financial Forecasts for Die Casting Business

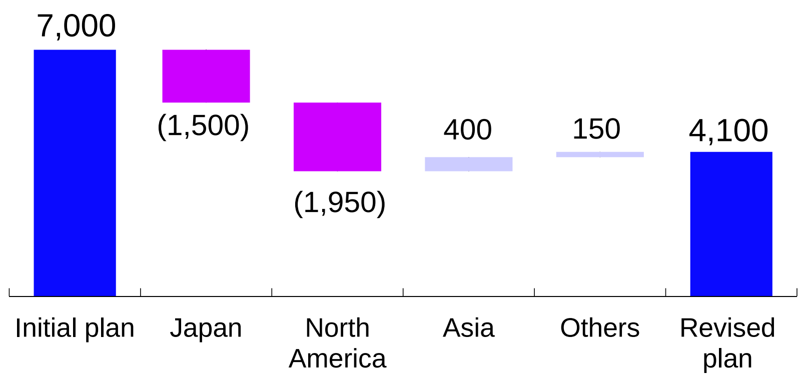
(Million yen)

		FY2017 1H		FY2017 2H		FY2017 Full-Year	
		1H Result	Change compared to initial plan	Revised plan	Change compared to initial plan	Revised plan	Change compared to initial plan
Japan	Sales	33,097	697	34,100	(400)	67,200	300
	Segment income/loss	430	(670)	970	(830)	1,400	(1,500)
North America	Sales	20,470	(230)	20,000	800	40,450	550
	Segment income/loss	214	(1,136)	90	(810)	300	(1,950)
Asia	Sales	13,920	220	15,400	700	29,300	900
	Segment income/loss	828	78	1,050	320	1,900	400

Sales: changes from initial plan (million yen)



Segment income: changes from initial plan (million yen)



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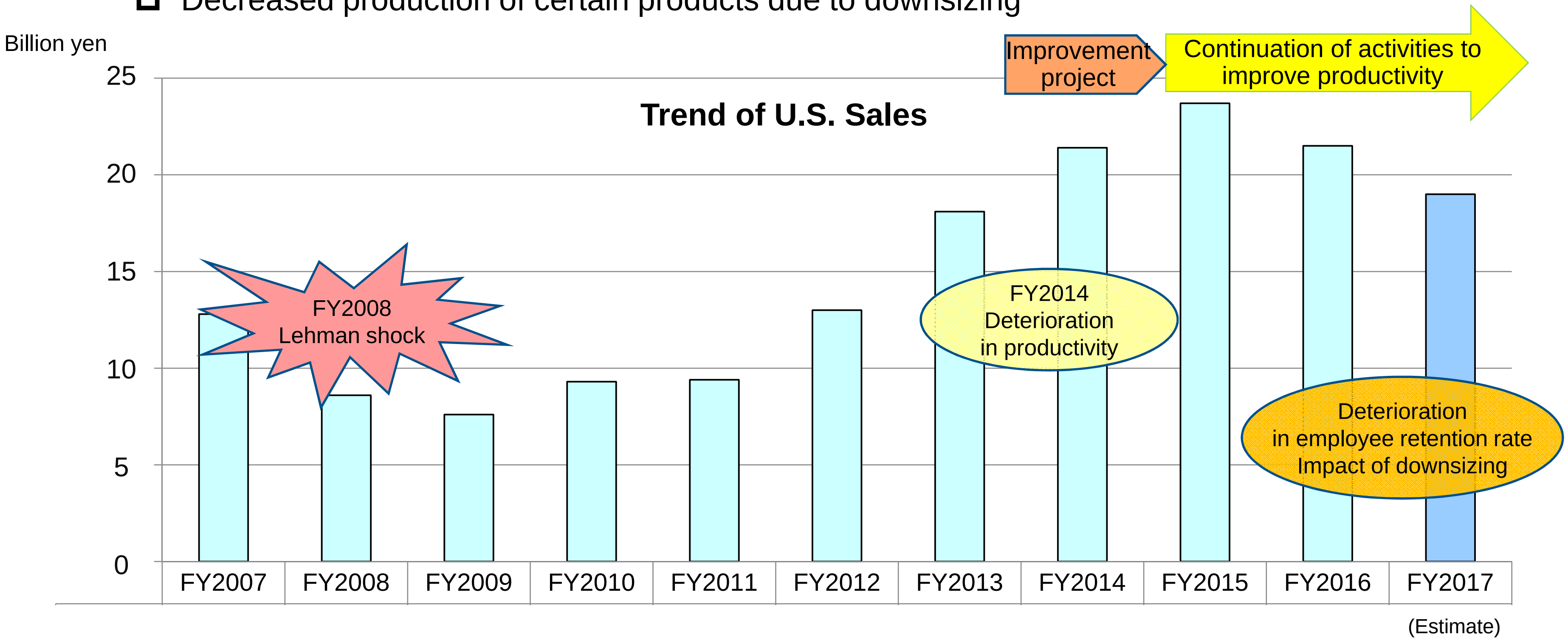
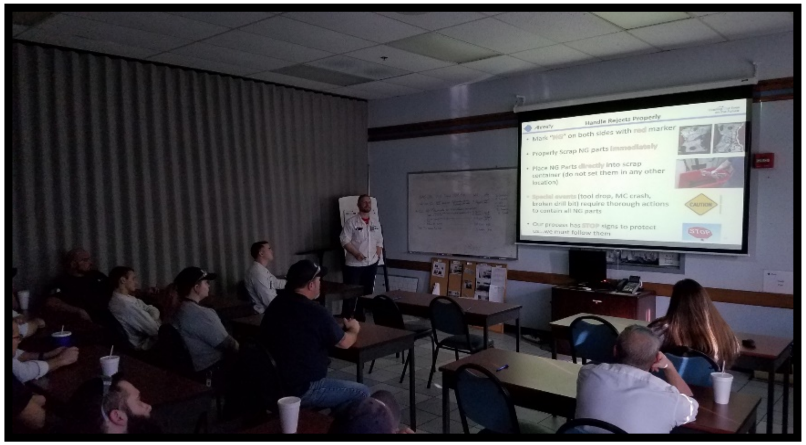
Status of Improvement in Productivity at US Plant

- Factors behind deterioration in productivity at US Plant
  - Still in process of recovering from disruption caused by plant expansion in FY2014 and start-up of new products
  - Deterioration in the employee retention rate due to tight labor market conditions resulting from a strong US economy
  - Decreased production of certain products due to downsizing



Status of Improvement in Productivity at US Plant

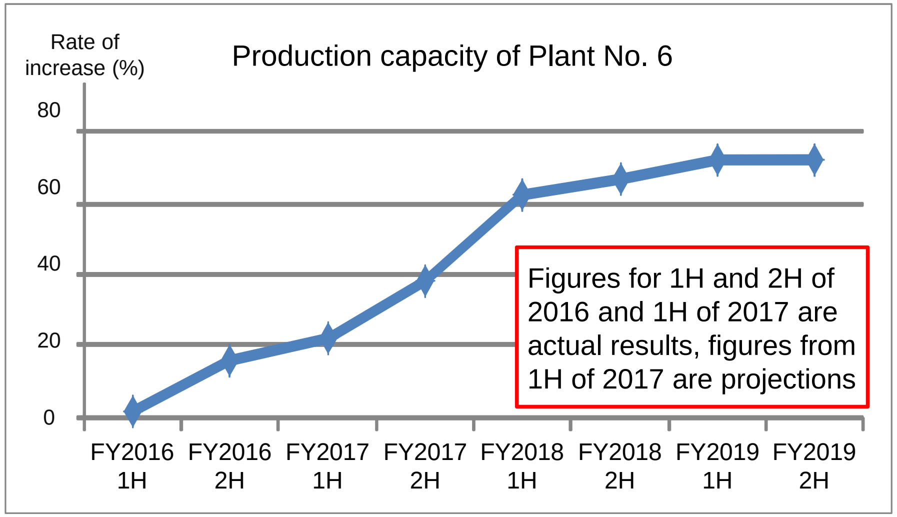
Measures	Concrete initiatives
Strengthening of organization and management structure	- Dispatch of senior management with extensive overseas experience and manufacturing expertise - Strengthening of personnel management - Reinforcement of support staff from Japan
Activities to improve quality and productivity	- Establishment of evaluation system to increase quality improvement activities - Promotion of group improvement activities in teams (QC activities) - Improvement of production lines through support staff from Japan
Improvement activities in terms of equipment	- Preparation of back-up processes in the event of replacement or suspension of certain equipment - Expansion of equipment in line with increased products
Training of employees and engineers	- Measures to improve motivation by holding regular meetings to report improvements in productivity - Use of outside lecturers to learn data analysis methods, etc. - Review of training curriculum for new employees



Status of Improvement in Productivity at Tochigi Plant

- Measures to address delayed improvement in productivity of Plant No. 6 which went into operation in March 2016
  - Improvement in terms of technology led by the former Chief, Manufacturing Command
  - Implementation of unified improvement activities by the Tochigi Plant and the Technical Center
  - Reduction of labor costs through the introduction of AGV (automated guided vehicles), etc.
  - Improvement of production capacity through the installation of additional die cast machines in line with the increase in orders received

Production capacity of Plant Block No. 6 (line integrating 4 die cast machines, deburring and T5 processing)



Casting Our Eyes on the Future

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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.