

Results Briefing for the Year Ended March 31, 2019

May 30, 2019



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- Overview of Results for FY2018
 - Review of 1618 Three-Year Plan
 - Overview of 1921 Three-Year Plan
 - Forecast for FY2019

Key Results for the Fiscal Year Ended March 31, 2019

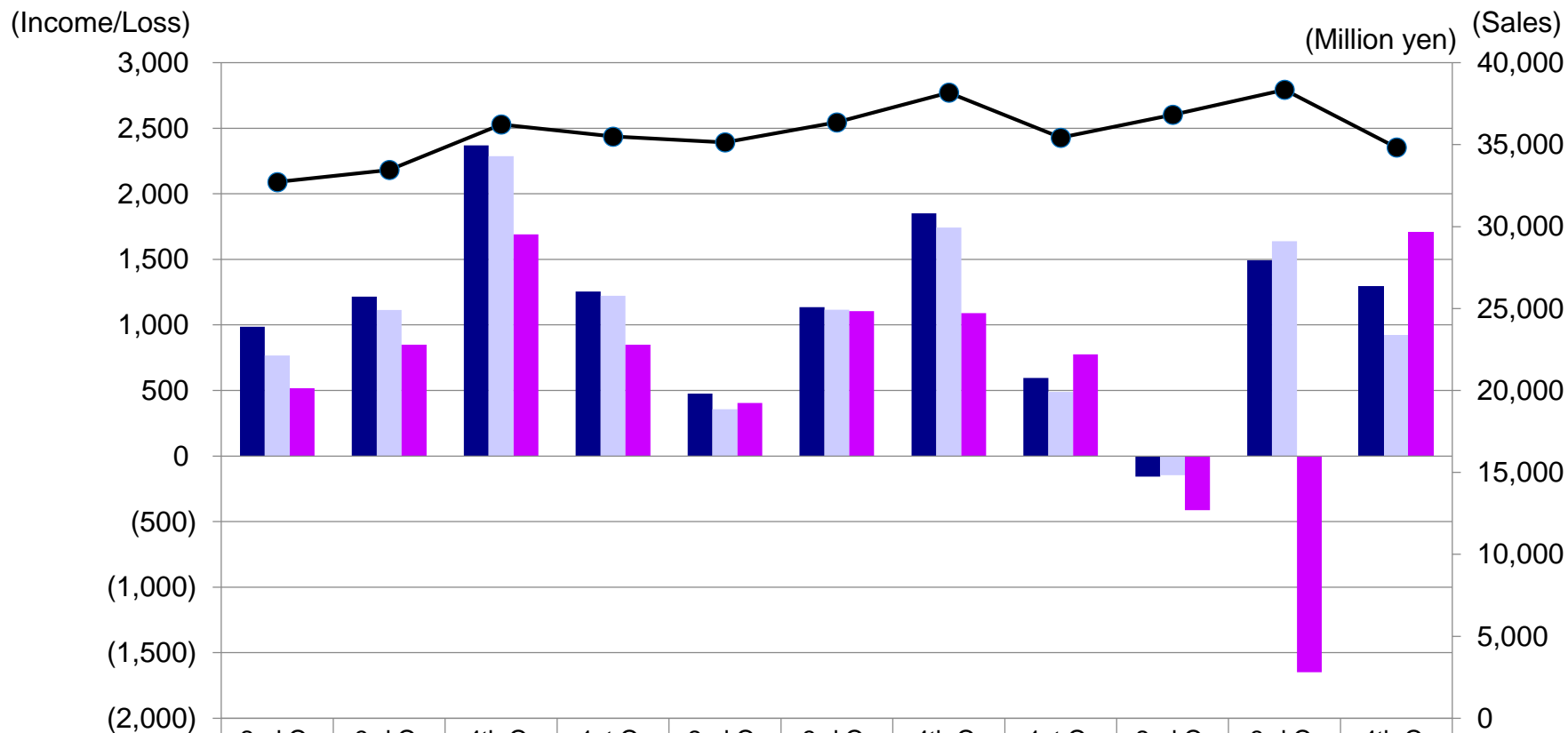
(Million yen)

	Fiscal year ended March 2018 Results (Profit ratios)		Fiscal year ended March 2019			Changes from announced values	
			Announced values	Results (Profit ratios)			
Sales	145,167	-	149,300	145,428	-	(3,871)	(2.6%)
Operating income	4,718	3.3%	3,100	3,228	2.2%	128	4.1%
Recurring income	4,436	3.1%	3,150	2,905	1.9%	(245)	(7.8%)
Net income	3,450	2.4%	200	421	0.2%	221	90.5%
EPS (yen)	133.40		7.72	16.26			

Overview

- Sales: On par with the previous year due to a rise in the metal market, although orders declined in regions other than Asia. In comparison with the plan, sales fell short of the announced value due to the effect of the weakening car market in the second half.
- Operating income/Recurring income: Operating income and recurring income: Decreased from the previous year due to rising fuel costs in the first half, slow revenue growth in the US and a temporary increase in depreciation in Q2, but the income level almost as planned was secured.
- Net income: Declined due to the generation of impairment losses in the US.
- EPS: Decreased 16.26 yen per share due to the decrease in net income.

Overview of the (Quarterly) Consolidated Results



	2nd Q, FY2016	3rd Q, FY2016	4th Q, FY2016	1st Q, FY2017	2nd Q, FY2017	3rd Q, FY2017	4th Q, FY2017	1st Q, FY2018	2nd Q, FY2018*	3rd Q, FY2018	4th Q, FY2018
Operating income/loss	986	1,216	2,370	1,255	477	1,136	1,850	596	(158)	1,494	1,296
Recurring income/loss	767	1,113	2,286	1,222	356	1,115	1,743	490	(147)	1,638	924
Net income/loss	518	850	1,690	850	405	1,105	1,090	776	(413)	(1,648)	1,706
Sales	32,718	33,453	36,228	35,494	35,136	36,359	38,178	35,429	36,821	38,351	34,827

* In Q2 of FY2018, a temporary increase in depreciation had an impact (of (645)).

Die Casting Business

(Million yen)

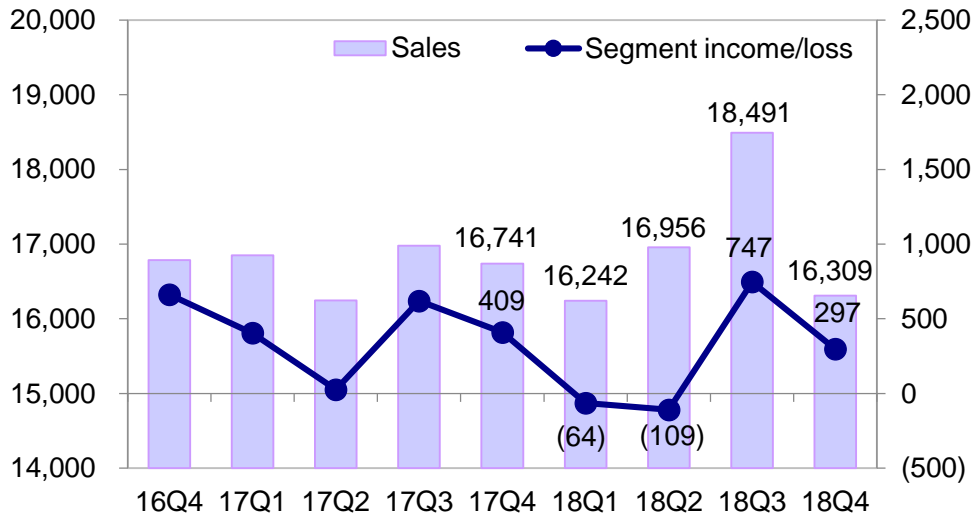
		Fiscal year ended March 2018 Results (Profit ratios)		Fiscal year ended March 2019			Changes from announced values	
				Announced values	Results (Profit ratios)			
Japan	Sales	66,818	-	70,400	67,998	-	(2,401)	(3.4%)
	Segment income/loss	1,458	2.2%	480	871	1.2%	391	81.4%
North America	Sales	39,937	-	40,000	39,801	-	(199)	(0.5%)
	Segment income/loss	291	0.7%	310	123	0.3%	(186)	(60.3%)
Asia	Sales	30,442	-	31,600	29,971	-	(1,628)	(5.2%)
	Segment income/loss	2,378	7.8 %	2,050	1,841	6.1%	(208)	(10.2%)

- ✓ The overseas sales ratio in the Die Casting Business:
Fiscal year ended March 2018: 51.3%
⇒ Fiscal year ending March 2019: 50.6%

* 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)



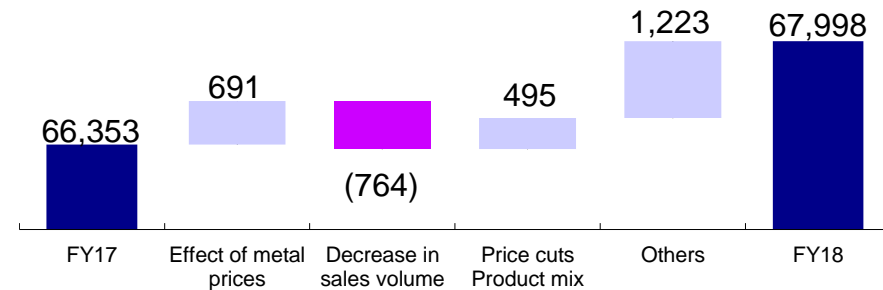
Sales: Increased ¥1,170 million (up 1.8% year on year)

- Sales volumes remained almost flat from the previous year until Q3, but decreased due to the impact of the production adjustments made by some customers.
- Increased due to a rise in the metal market and die sales.

Segment income: Decreased ¥580 million (down 40.3% year on year)

- Declined due to rising fuel costs and an increase in depreciation.
- A fall in orders due to the production adjustment of some products also had an impact.

Factors of change in die casting sales (Million yen)



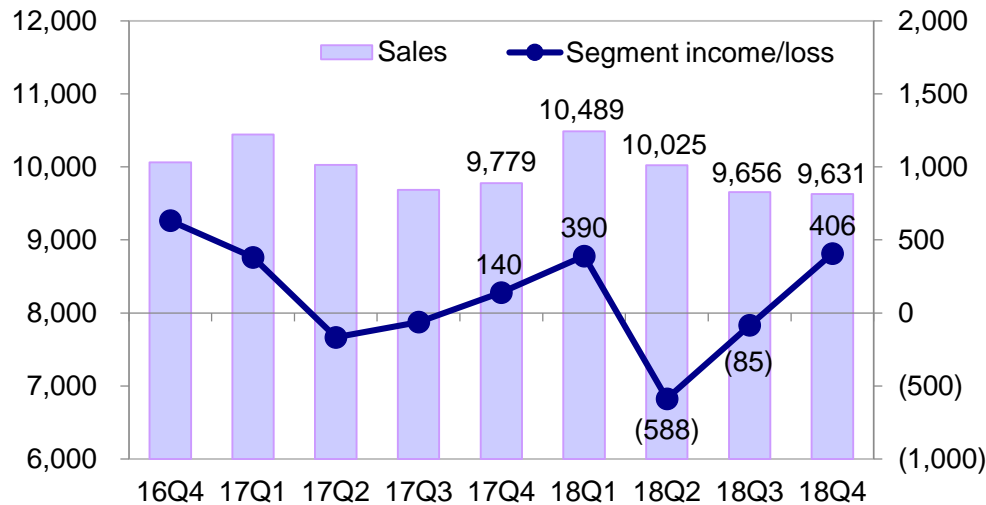
Factors of change in segment income (Million yen)



* The changes in sales and segment income for Q4 of FY2017 disregard the impact of the fiscal year-end change.

Die Casting in North America

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



Sales: Decreased ¥130 million (down 0.3% year on year)

- Sales volumes were almost flat from the previous year in the US. Declined due to the effect of the North American market, despite the full-scale mass production of new components in Mexico.
- Sales were almost unchanged from the previous year due to a rise in the metal market, despite a fall in sale volumes in North America.

Segment income: Decreased ¥160 million (down 57.5% year on year)

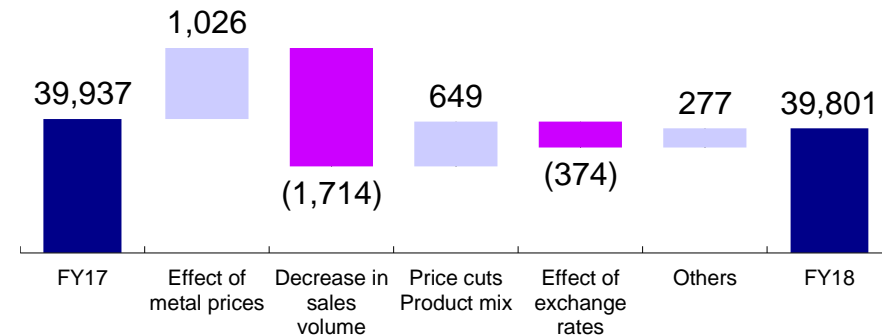
- The impact of falling sales in Mexico was partly offset by the product mix.

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

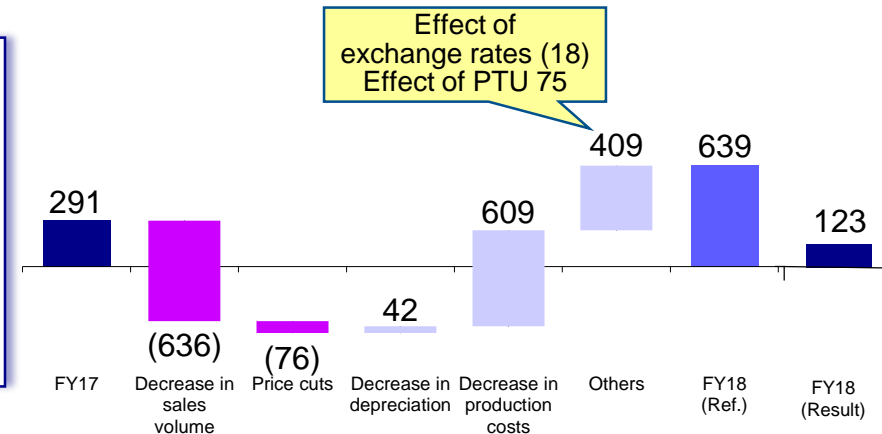
Exchange rate (full year 2017 ⇒ full year 2018):

U.S. dollar: ¥110.83 ⇒ ¥110.72; Mexican peso: ¥112.39 ⇒ ¥110.58

Factors of change in die casting sales (Million yen)



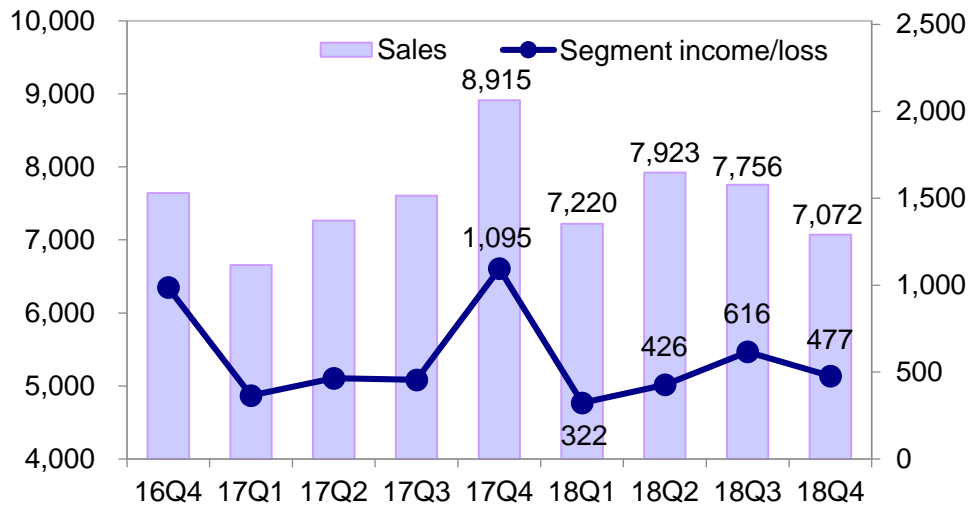
Factors of change in segment income (Million yen)



* [The reference value is the segment income after excluding the temporary increase in depreciation expenses.](#)

Die Casting in Asia

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



Sales: Decreased ¥470 million (down 1.5% year on year)

- Sales volumes declined in the second half due to the deceleration of the Chinese market.
- Sales declined in yen terms due to the impact of exchange rates, although sales increased in India due to the full-scale mass production of new components.
- Sales declined due to the effects of cost reductions and the product mix.

Segment income: Decreased ¥530 million (down 22.6% year on year)

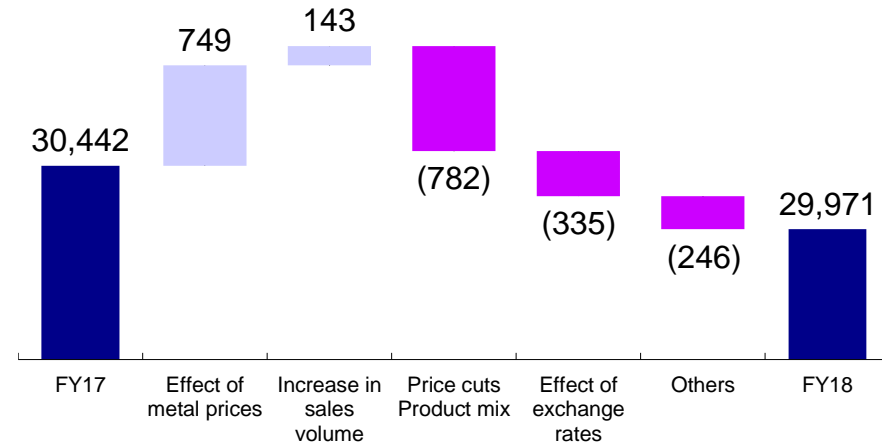
- Declined due to the effect of cost reductions and increasing manufacturing costs.

Fiscal year end: China: December; India: March

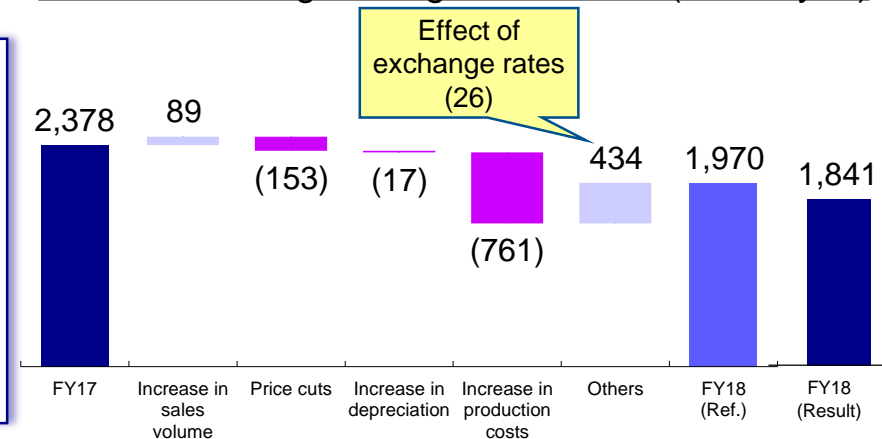
Exchange rate (full year 2017 ⇨ full year 2018):

Chinese yuan: ¥16.64 ⇨ ¥16.69; Indian rupee: ₹1.72 ⇨ ₹1.59

Factors of change in die casting sales (Million yen)



Factors of change in segment income (Million yen)



* The reference value is the segment income after excluding the temporary increase in depreciation expenses.

Aluminum Business and Proprietary Products Business

(Million yen)

		Fiscal year ended March 2018 Results (Profit ratios)		Fiscal year ended March 2019			Changes from announced values	
				Announced values	Results (Profit ratios)			
Aluminum Business	Sales	4,597	-	4,600	4,679	-	79	1.7%
	Segment income/loss	213	4.6%	140	112	2.3%	(28)	(20.0%)
Proprietary Products Business	Sales	3,371	-	2,700	2,976	-	276	10.2%
	Segment income/loss	392	11.6%	120	314	10.5%	194	161.7%

Aluminum Business

- Sales: Increased from the previous year thanks to changes in the state of the aluminum market, despite a fall in sales volumes (up 1.8% year on year) .
- Segment income: Declined due to the impact of raw material prices attributable to a rise in the metal market (down 47.5% year on year).

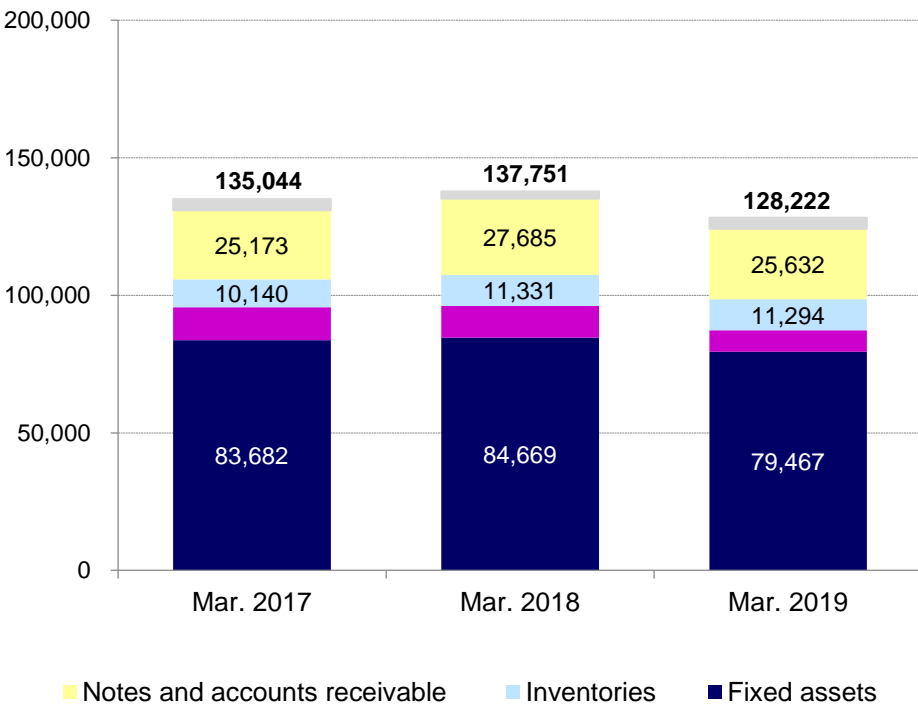
Proprietary Products Business

- Sales: Higher sales than planned were secured amid a year-on-year fall in orders for projects for clean rooms in the first half (down 11.7% year on year).
- Segment income: A smaller decrease in income due to the securing of higher orders than planned (down 19.8% year on year).

Consolidated Balance Sheet

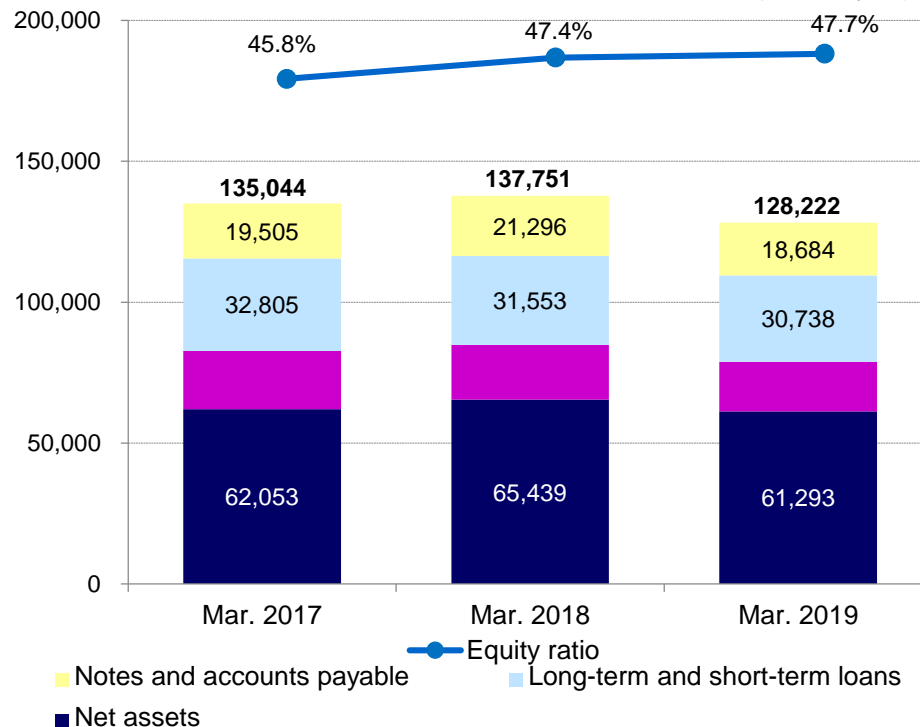
Assets

(Million yen)



Liabilities

(Million yen)



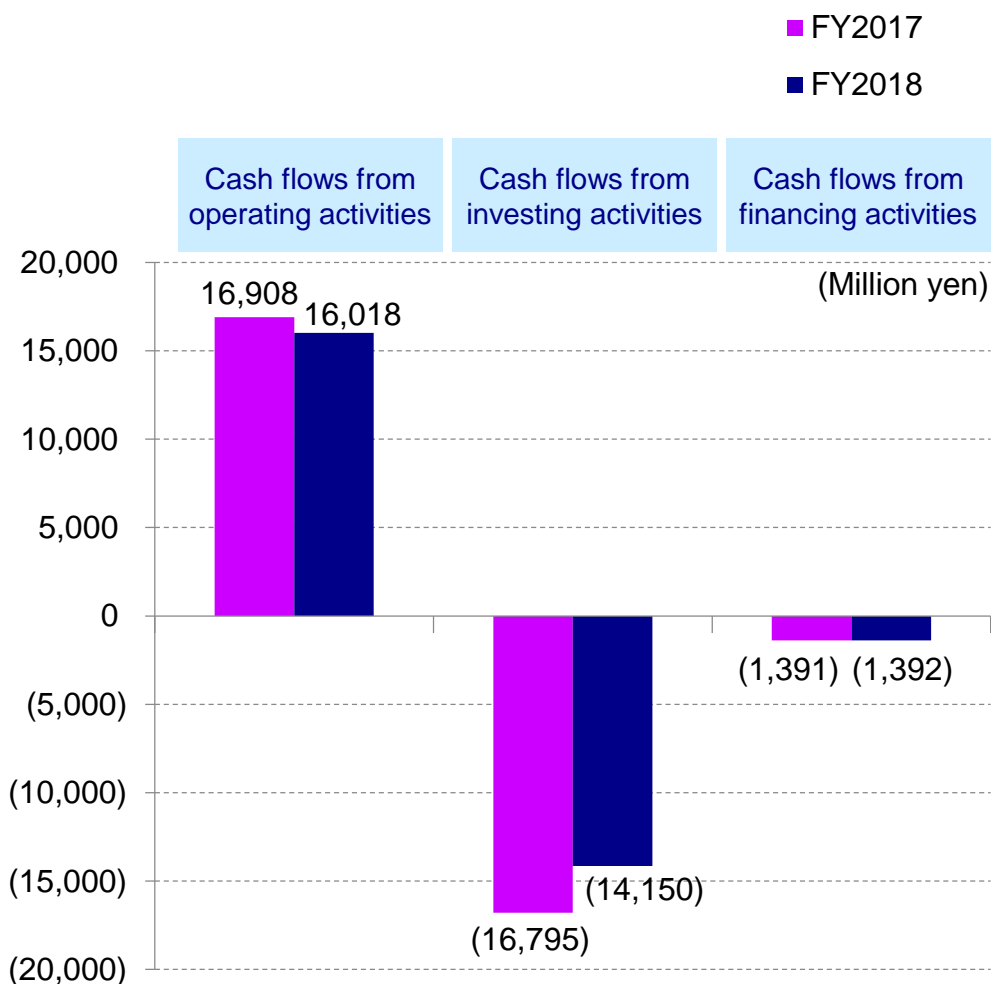
> Changes from March 31, 2018

Assets: ¥2.4 bn → Actual change: Decrease of 7.1 bn
 Current assets: Decrease of ¥0.4 bn
 (Assets decreased slightly, mainly due to a decline in notes and accounts receivable despite an increase in cash and deposits)
 Fixed assets: Decrease of ¥9.0 bn
 (Tangible fixed assets: decreased mainly due to an impairment loss recorded in the United States.
 Investment securities: declined due to partial disposal.)

> Changes from March 31, 2018

Liabilities: Decrease of ¥5.4 bn, mainly due to declines of ¥0.8 bn and ¥2.6 bn in borrowings and accounts payable, respectively.
 Net assets: Decrease of approximately ¥4.1 bn due to the posting of an impairment loss and the sale of investment securities.
 Equity ratio: 47.7%, an increase of 0.3 percentage points

Consolidated Cash Flows



Cash flow factors for FY2018

- **Cash flows from operating activities**

<u>Income before income taxes and others:</u>	1.7 bn
<u>Depreciation and amortization</u>	16.0 bn
<u>Impairment losses</u>	+3.2 bn
<u>Gain on sales of investment securities</u>	
	-2.1 bn
<u>Decrease in notes and accounts receivable</u>	+1.5 bn
<u>Increase in notes and accounts payable</u>	
	-2.3 bn
- **Cash flows from investing activities**

<u>Purchases of tangible fixed assets</u>	15.5 bn
	(FY2017 16.6 bn)
<u>Proceeds from sales of investment securities</u>	2.9 bn
- **Cash flows from financing activities**

<u>Decrease in long-term and short-term loans</u>	
(March 31, 2018: 31.5 bn	
→ March 31, 2019: 30.7 bn)	

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Basic Policy of the 1618 Medium-Term Management Plan

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 of over 200 billion yen

1618 Medium-Term Management Plan

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

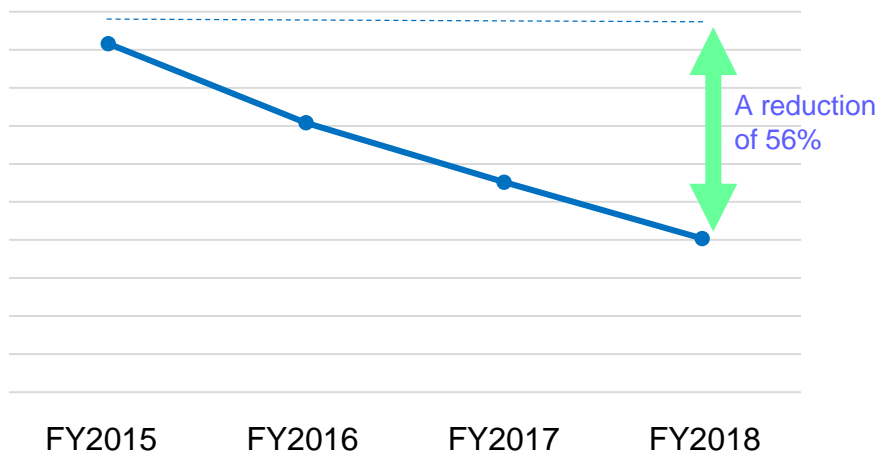
Activities for Becoming the Most Reliable Supplier In the Eyes of Our Customers

- ❑ Our die casting plants reduced the total number of complaints regarding quality by 56% from the FY2015 level.
- ❑ As a result, we received quality-related awards from our main customers and succeeded in enhancing their trust in us.

The initiative contributed to the decreased number of quality complaints in three years (a decrease of 56% at all plants). In particular, the U.S. plant succeeded in reducing the number of complaints by 70% from the FY2015 level, thereby helping stabilize production and improve productivity.

We received quality-related awards from our main customers in FY2018, including Suzuki, Maruti Suzuki India Limited, Shenyang Aerospace Mitsubishi Motors Engine Manufacturing Co., Ltd., JATCO Ltd. and Toyota Industries Corporation.

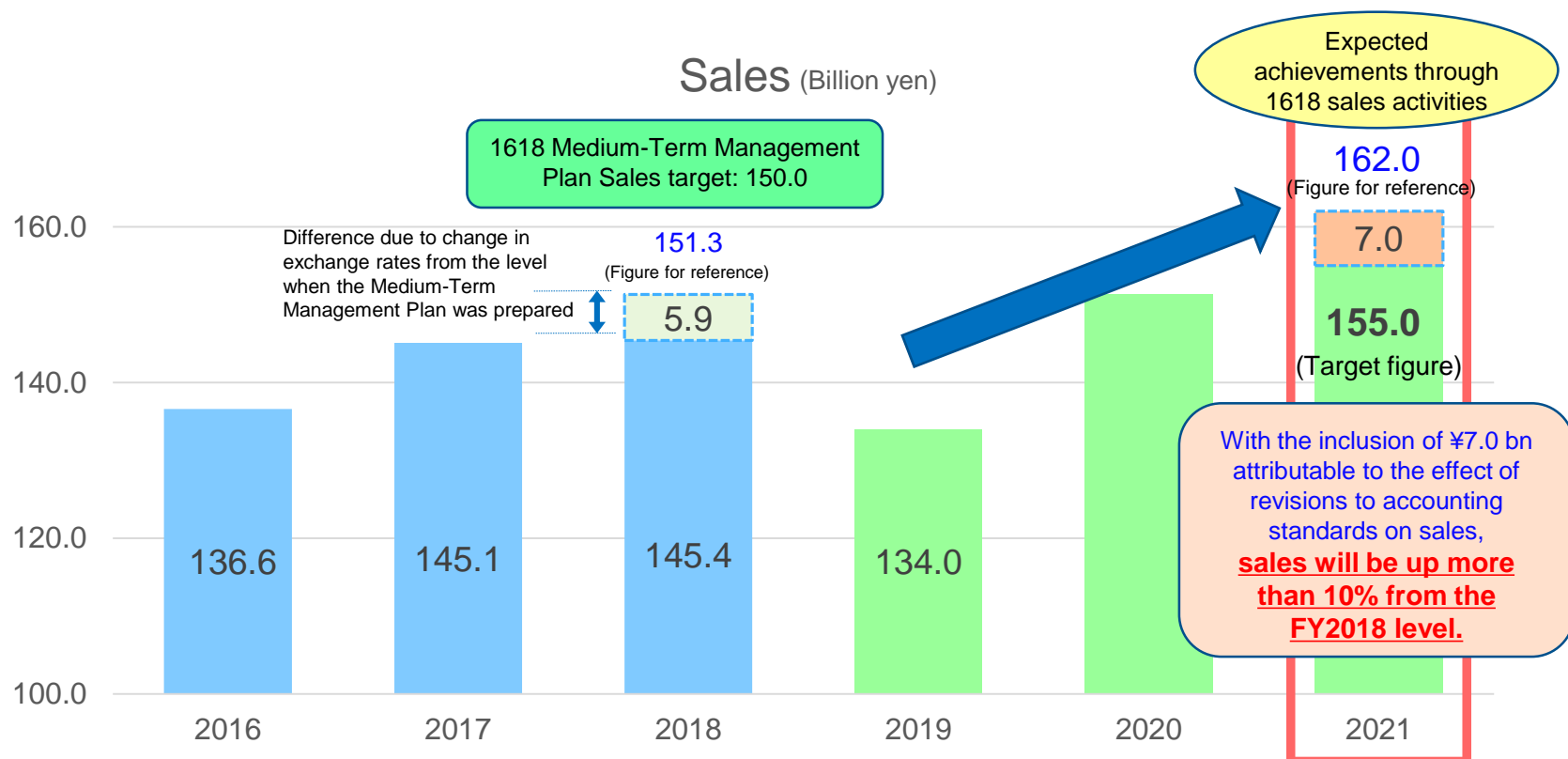
Number of complaints



Increase in Orders Received Due to Sales Activities

(Activities that contribute to automotive weight reductions on a global basis)

- Received orders for components for electric parts as well as those for engines and transmissions.
- Sales are expected to increase by more than 10% in FY2021 compared to the FY2018 level.



Expansion of Plants in Response to Increased Orders

Hefei Ahresty Casting



External view of new casting plant

New casting plant
Completion: March 2018
Area: 5,103 m²

New processing plant
Completion:
September 2018
Area: 12,856 m²

Administration building
Completion: October 2018
Area: 3,509 m²

Ahresty Yamagata



Expansion and reconstruction are outlined in red

First processing plant
Completion:
January 2019
Area: 1,250 m²

Melting furnaces
Expected completion:
September 2019
Area: 650 m²

Ahresty Pretech (Toyohashi plant)



Fourth processing plant
Expected completion:
September 2019
Area: 4,575 m²

Development of Human Resources

- ❑ Completed the review of the education system and textbooks and moved on to the stage of providing the same level of education and training on a global basis.
- ❑ Made progress in providing the same level training for on-site managers and supervisors both in Japan and abroad.

Establishment of the global RST learning system

Development of individuals who are willing to master manufacturing techniques

Strengthening of human resources development efforts by applying the improved education system

Enhancement of employees' motivation

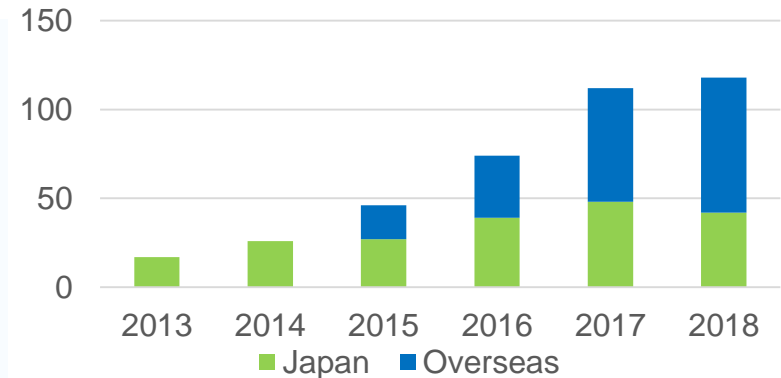
Increase in the level of employees' knowledge and capabilities



(Achievements of the 1618 plan)

- ◆ Application of globally unified curricula
Lectures were provided not only in Japan but also at six facilities overseas.
(The number of employees who attended lectures stood at 2,008 in FY2008.)
- ◆ Training programs were established for on-site managers and supervisors both in Japan and abroad.

Changes in the number of on-site managers and supervisors who underwent training programs



Management Targets of 1618 Medium-Term Management Plan

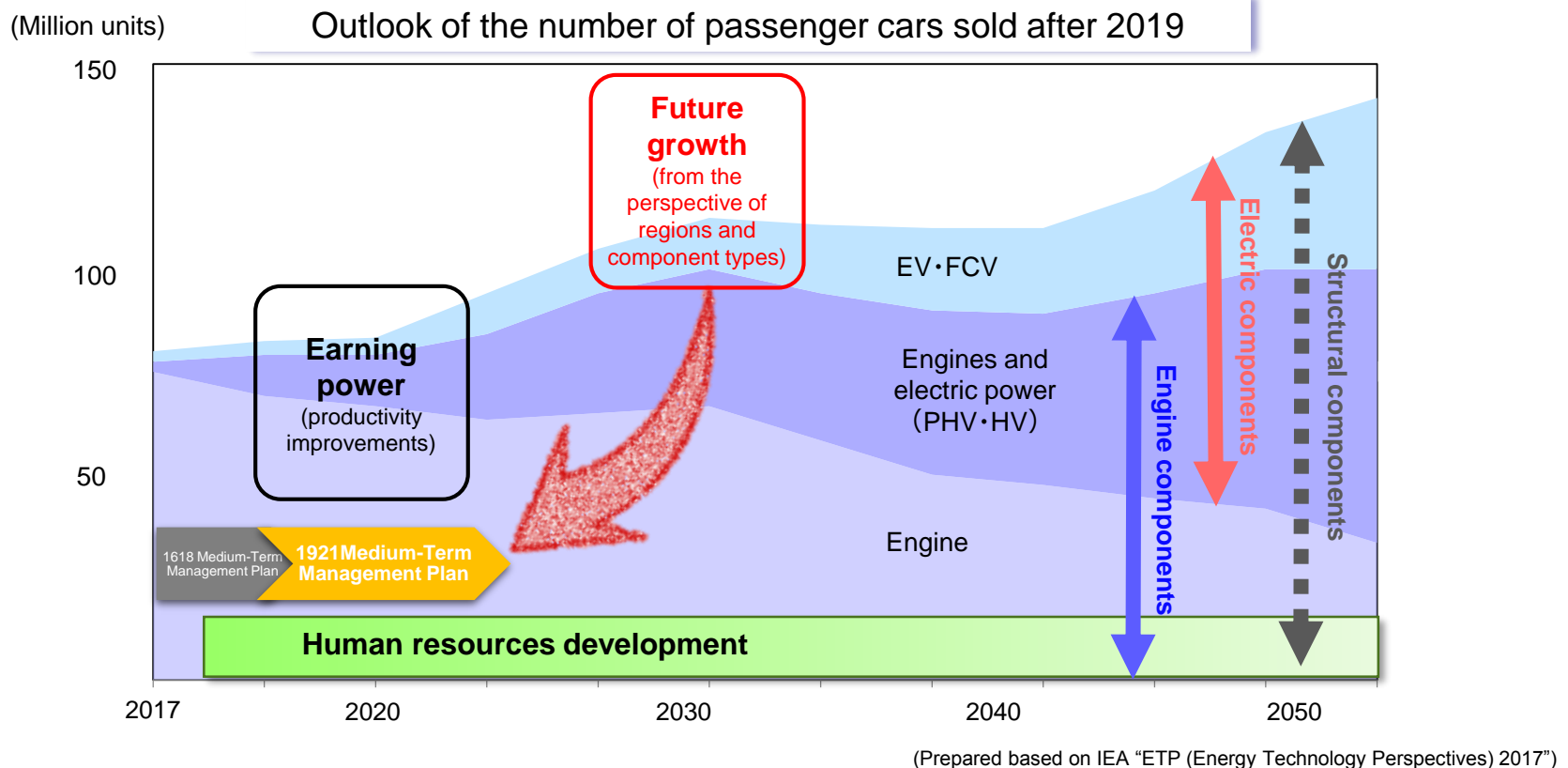
- ❑ Achieved the sales target set forth in the Medium-Term Management Plan with sales of 151.3 bn excluding the negative impact of exchange rates.
- ❑ Profitability did not improve to the degree that it offset discounts in product prices and increases in personnel/fuel costs, among other factors. In particular, the the profit did not reach the targeted level because it took longer than expected to improve the productivity of the U.S. plant and the effect from impairment losses.

	FY2015 (Result)	FY2016 (Result)	FY2017 (Result)	FY2018 (Result)	1618 Medium-Term Management Plan
Sales	144.4	136.6	145.1	145.4	150.0
Ratio of operating income to sales	3.7%	5.1%	3.3%	2.2%	5.5%
Return on assets (ROA)	1.4%	3.4%	2.5%	0.3%	3.0%
Return on equity (ROE)	3.3%	7.6%	5.4%	0.7%	7.0%

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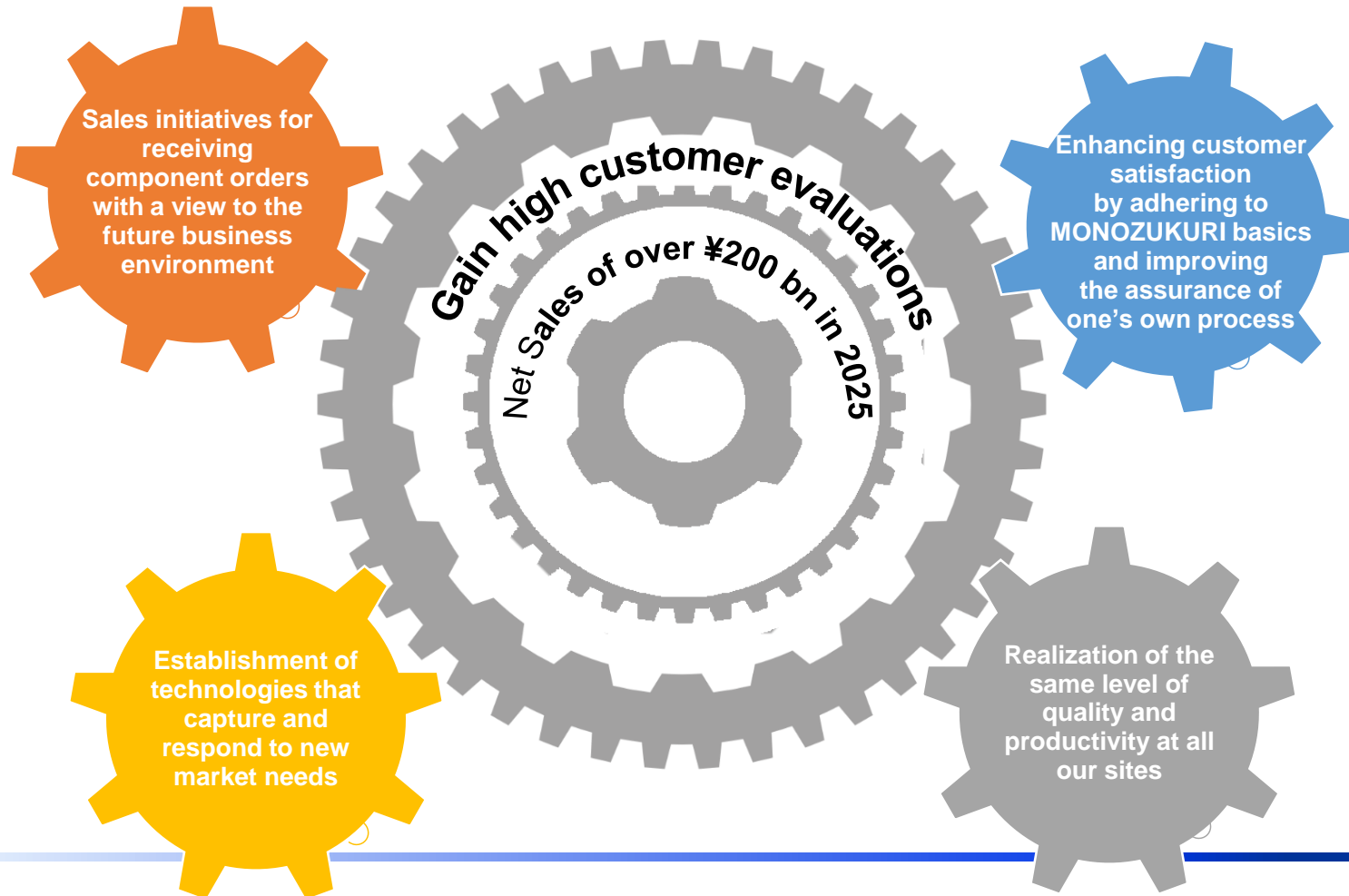
Basic Policy for 1921 Medium-Term Management Plan

- Implement business strategies with an eye on the future automotive market
- Enhance earnings strength by improving productivity and quality
- Develop human resources that underpin corporate growth

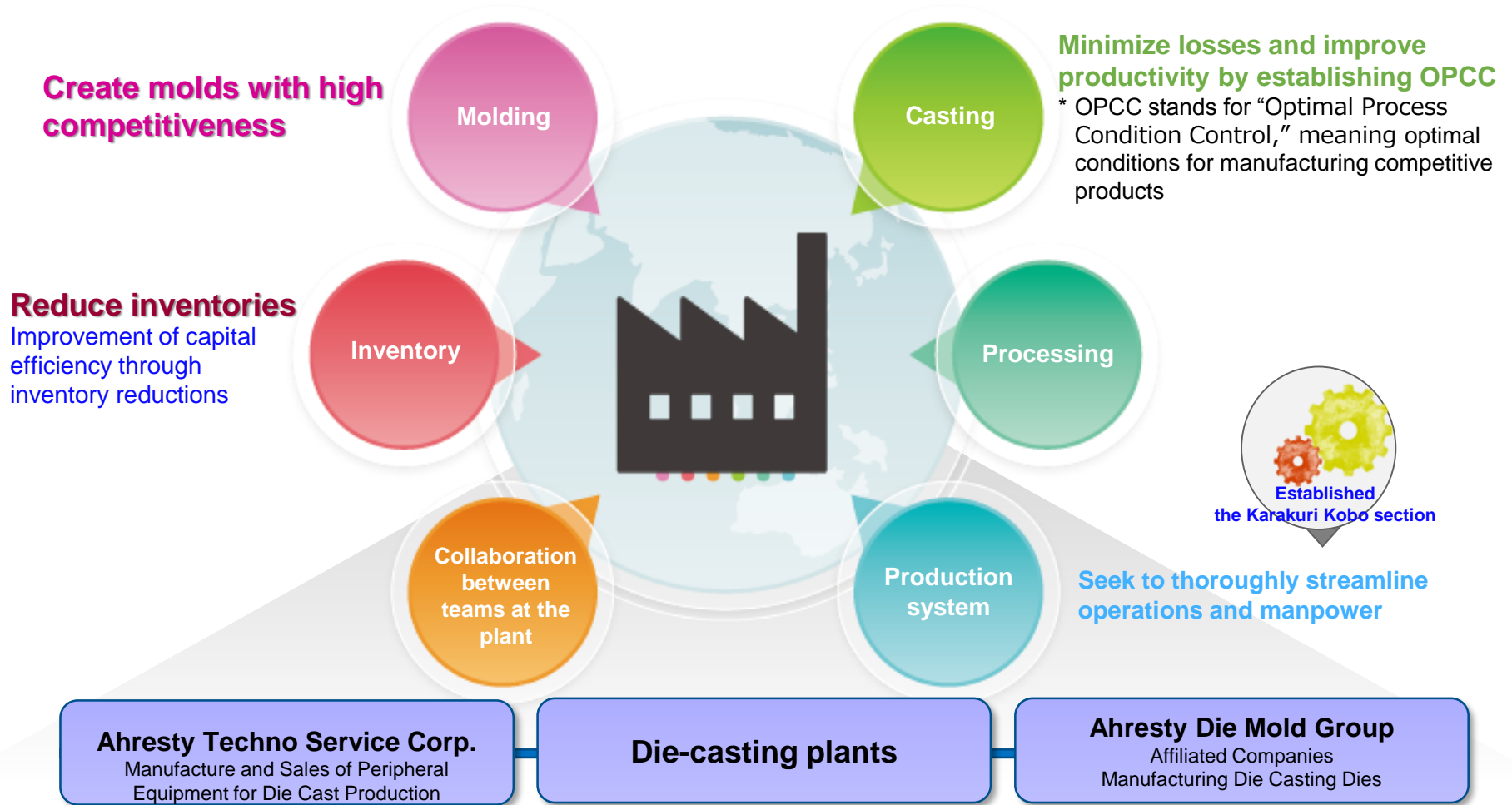


Implement Business Strategies with an Eye on the Future Automotive Market

- Clear sales targets and achieve sales of over 200 billion yen in 2025
- Gain high customer evaluations



Enhance Earnings Strength by Improving Productivity and Quality



Promote these with a full, group-wide effort.

Develop Human Resources That Underpin Corporate Growth

- Create workplaces where employees can work safely and comfortably in a healthy mental and physical state.
- Develop a corporate culture in which employees can take pride in their work and find their work rewarding.

Initiatives for creating workplaces that are safe and employee-friendly

Create workplaces where workload levels are low

Develop comfortable working conditions

Eliminate work-related accidents and injuries

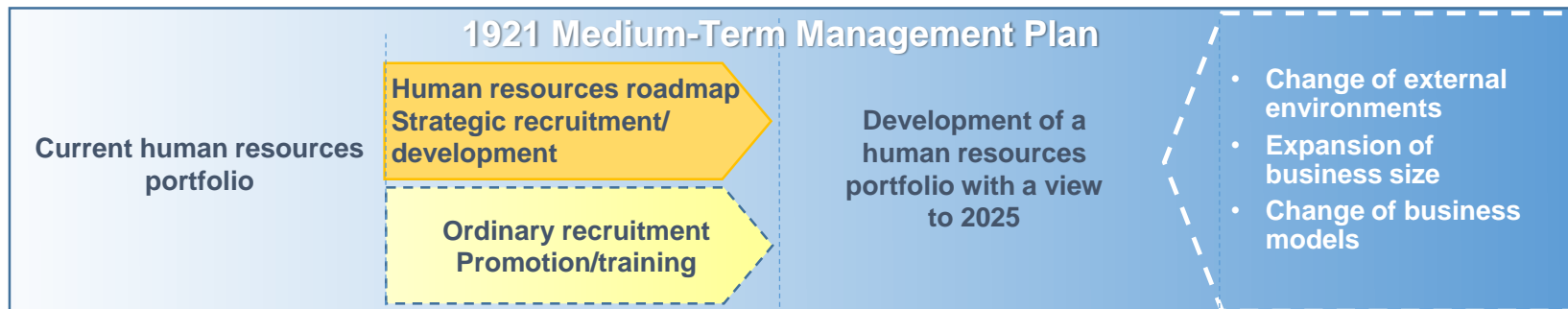
Strategic development of human resources

2018

2019

2021

2025



Targets of 1921 Medium-Term Management Plan

	FY2018 (Result)	FY2019 (Plan)	1921 Medium-Term Management Plan (Targets)
Sales	¥145.4 bn.	¥134.0 bn.	¥155.0 bn.
Operating income margin	2.2%	2.0%	5.0%
Return on assets (ROA)	0.3%	—	3.5%
Return on equity (ROE)	0.7%	—	8.0%



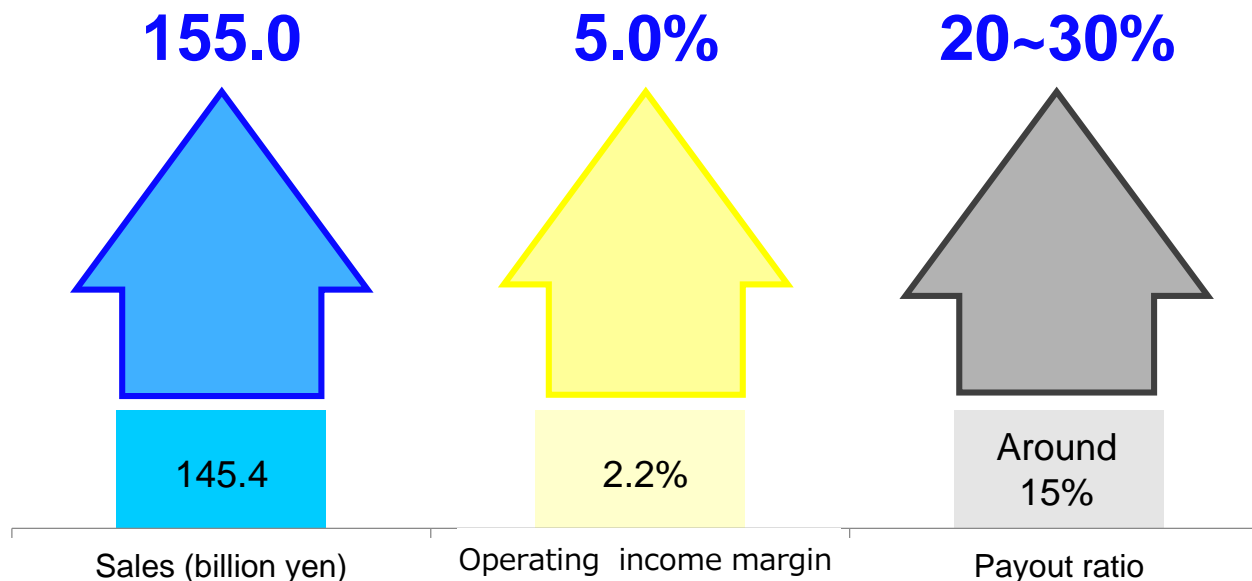
Strengthen financial conditions and management bases for medium- to long-term business development and corporate growth

Implement the fair return of profit

Delivery a Fair Return of Profit

- We will continue to implement the fair return of profit while keeping in mind the goal of increasing sales by approximately 10% over the FY2018 level and achieving an operating income margin of 5% over the three-year period.
- We will work to secure management advantages by enhancing profitability while simultaneously maintaining sound financial conditions.
- We will enhance shareholder returns by increasing the payout ratio, which had been 15% conventionally.

Growth × Profitability × Payout ratio



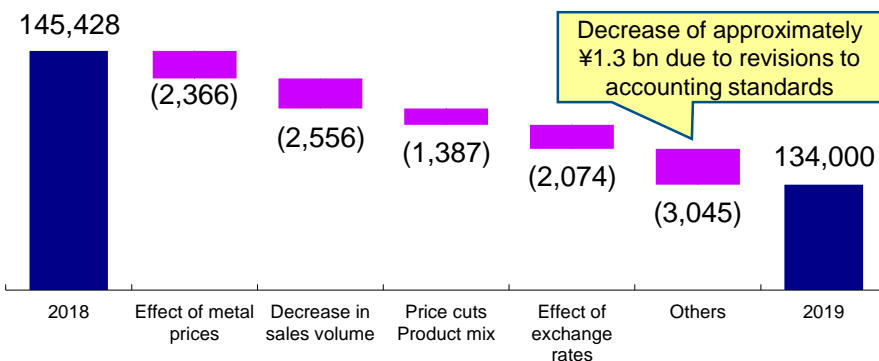
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Forecast for FY2019

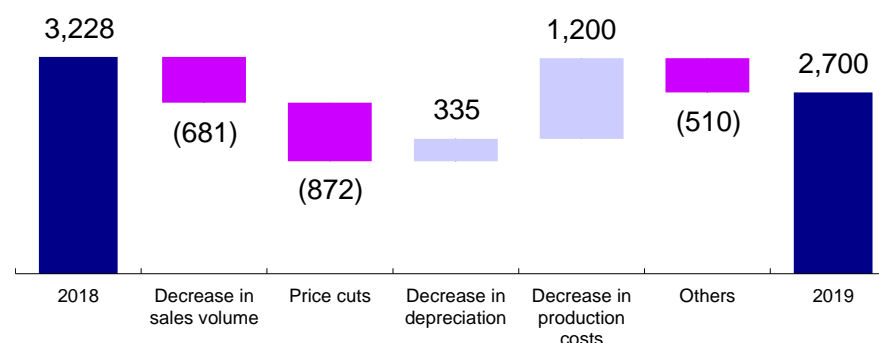
(Million yen)

	FY2018 (Profit margin)		FY2019 Plan (profit margin)		YoY Change	
Sales	145,428	—	134,000	—	(11,428)	(7.9%)
Operating income	3,228	(2.2%)	2,700	(2.0%)	(528)	(16.4%)
Recurring income	2,905	(1.9%)	2,500	(1.8%)	(405)	(13.9%)
Net income	421	(0.2%)	1,700	(1.2%)	1,278	303.7%
EPS (yen)	16.26		65.60			

Factors of change in sales (Million yen)



Factors of change in operating income (Million yen)



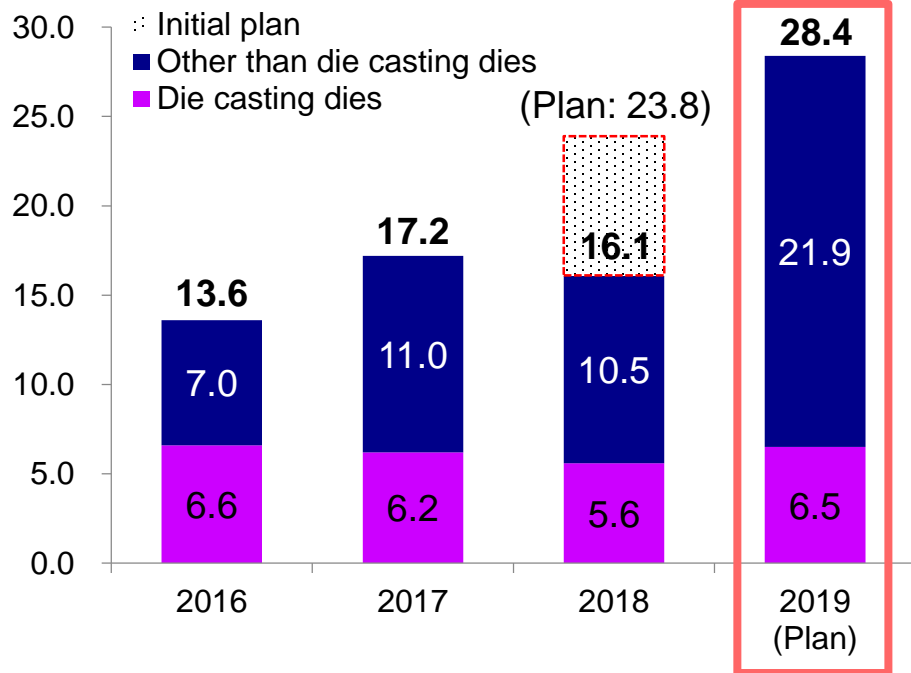
Exchange rate for FY2018 (full-year averages): ¥110.72/USD, Mexico ¥110.58/MXN, Chinese yuan: ¥16.69/RMB, India ¥1.59/IDR
 Exchange rate for FY2019 assumptions: ¥107.0/USD, ¥16.0/RMB, ¥1.50/IDR

Trends of Capital Expenditures and Depreciation and Amortization

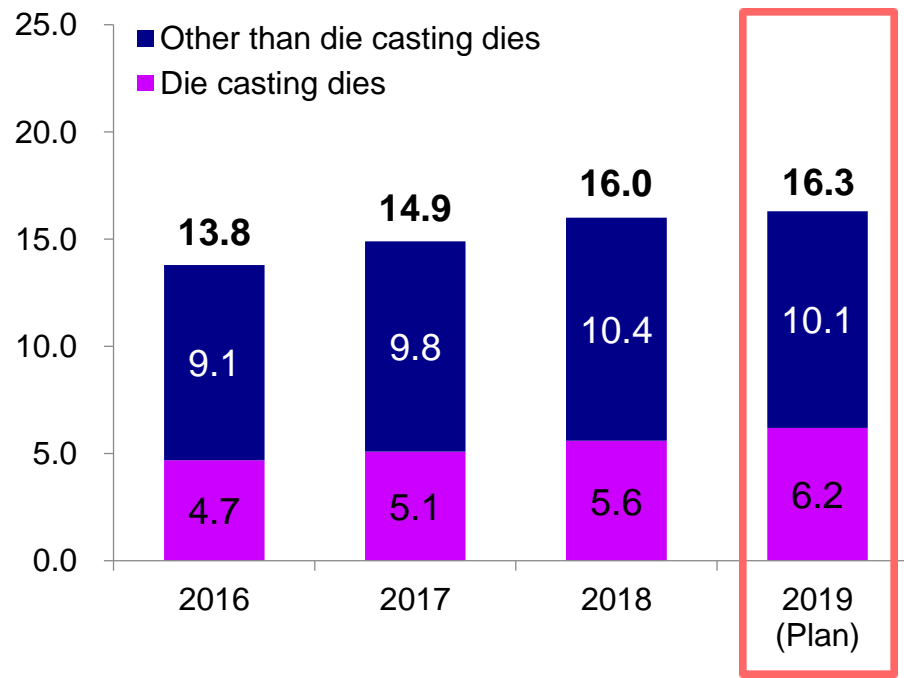
FY2019

- 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: ¥28.4 billion (Other than die casting dies: ¥21.9 billion; Die casting dies: ¥6.5 billion)

Capital expenditures (billion yen)



Depreciation and amortization (billion yen)



Dividends

- In FY2018, with the initial plan revised downward, the interim and year-end dividends were each decreased by ¥2 from the initial plan, which resulted in an annual dividend of ¥22.
- For FY2019, we intend to pay an annual dividend of ¥22.
- 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.
- We conducted the acquisition of treasury stock (total number of shares acquired: 580,000; total value: 300 million yen).

Dividend per share	FY2016	FY2017	FY2018	FY2019 Plan
(Annual dividend)	20	26	22	22
Interim dividend	8	12	10	10
Year-end dividend	12	14	12	12
Net income (loss) per share (consolidated)	178.77	133.40	16.26	65.60
Payout ratio (consolidated)	11.2	19.5	135.3	33.5

■ **APPENDIXES**
(Full-year results forecasts for FY2019 by segment)

FY2019 Die Casting Business

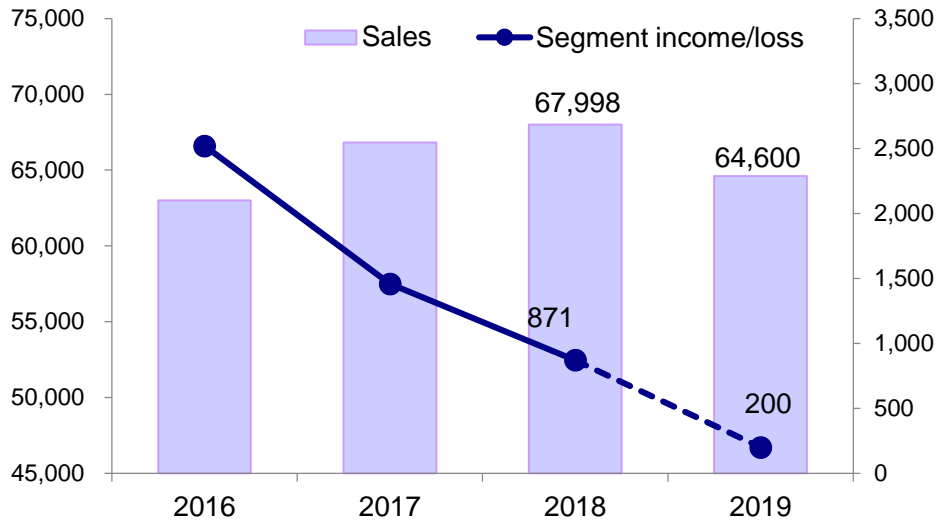
(Million yen)

		FY2018 (Profit margin)		FY2019 Plan (profit margin)		YoY Change	
Japan	Sales	67,998	—	64,600	—	(3,398)	(5.0%)
	Segment income/loss	871	(1.2%)	200	(0.3%)	(671)	(77.1%)
North America	Sales	39,801	—	34,000	—	(5,801)	(14.6%)
	Segment income/loss	123	(0.3%)	1,000	(2.9%)	877	713.0%
Asia	Sales	29,971	—	28,500	—	(1,471)	(5.0%)
	Segment income/loss	1,841	(6.1%)	1,200	(4.2%)	(641)	(34.9%)

✓ The overseas sales ratio in the Die Casting Business:
FY2018: 50.6% ⇒ FY2019: 49.2%

Die Casting in Japan

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



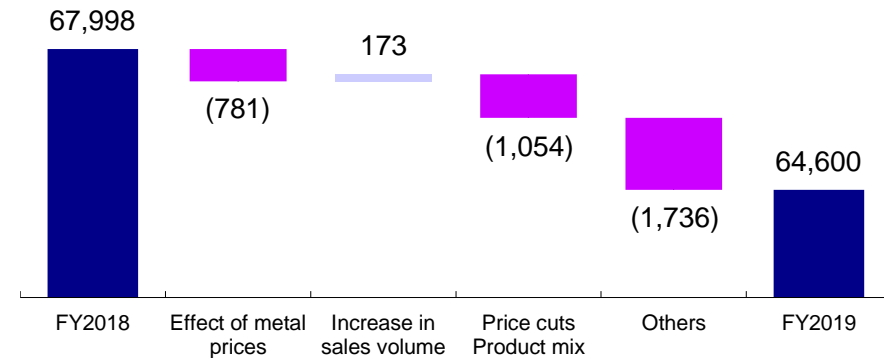
Sales: Decreased ¥3,390 million (down 5.0% year on year)

- Orders received rose slightly.
- Metal prices are expected to fall from the FY2018 level.

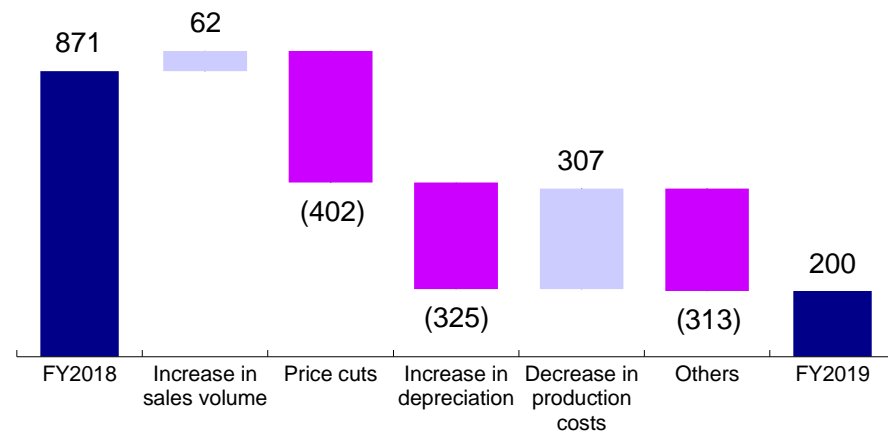
Segment income: Decreased ¥670 million (down 77.1% year on year)

- Price cuts and an increase in depreciation
- Cost reductions mainly due to improved productivity at the Tochichi plant and other facilities

Factors of change in die casting sales (Million yen)

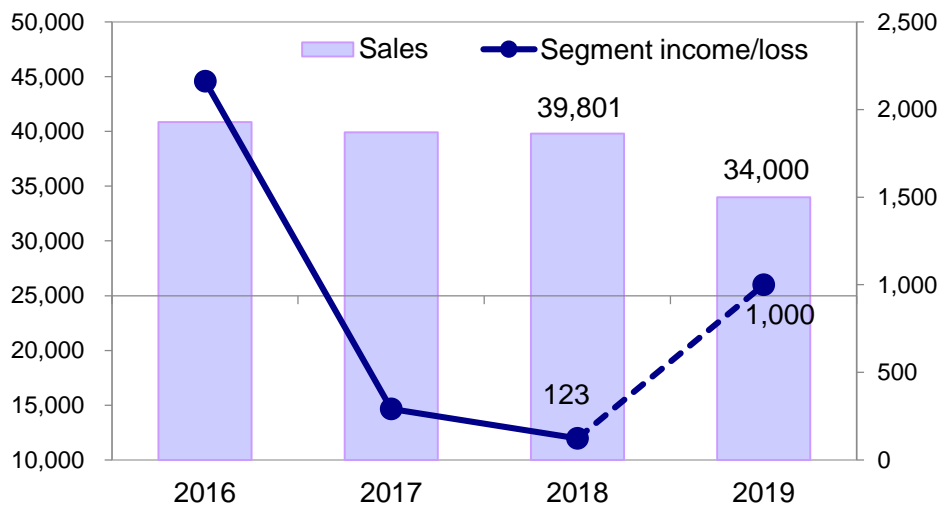


Factors of change in segment income (Million yen)



Die Casting in North America

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



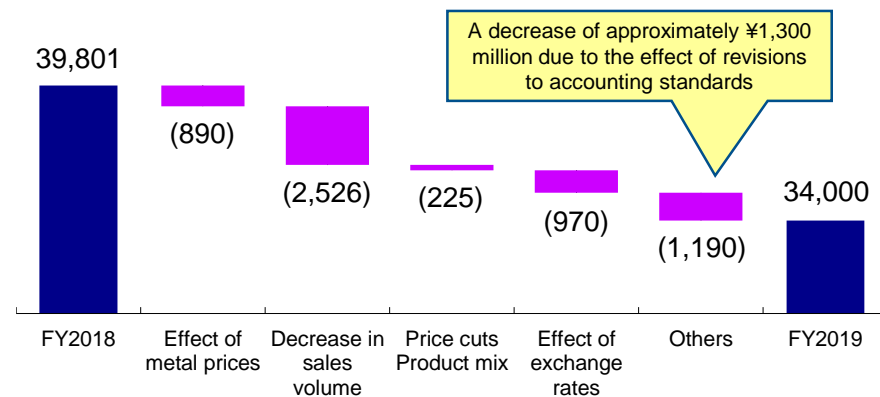
Sales: Decreased ¥5,800 million (down 14.6% year on year)

- Orders received decreased in both the U.S. and Mexico.
- Metal prices are expected to fall from the FY2018 level.
- Decrease due to the effect of revisions to accounting standards.

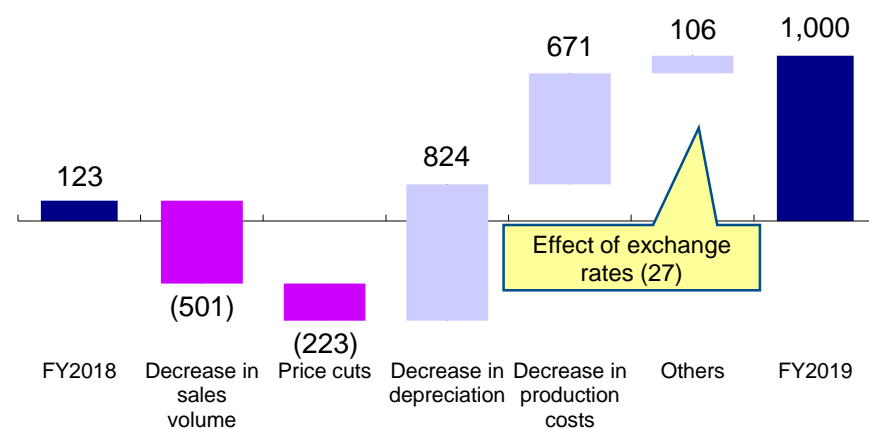
Segment income: Increased ¥870 million (up 713.0% year on year)

- Significant decline in sales
- An increase in profit thanks to cost reductions achieved through improved productivity and other measures

Factors of change in die casting sales (Million yen)



Factors of change in segment income (Million yen)

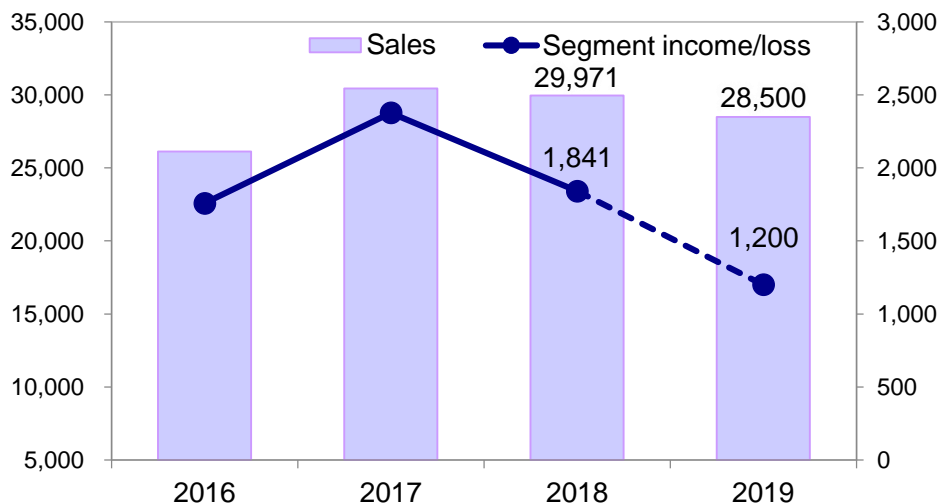


Fiscal year end: U.S.: March; Mexico: December

Exchange rate (FY2018 ⇒ FY2019 plan): U.S. dollar: ¥110.72 ⇒ ¥107; Mexican peso: ¥110.58 ⇒ ¥107

Die Casting in Asia

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



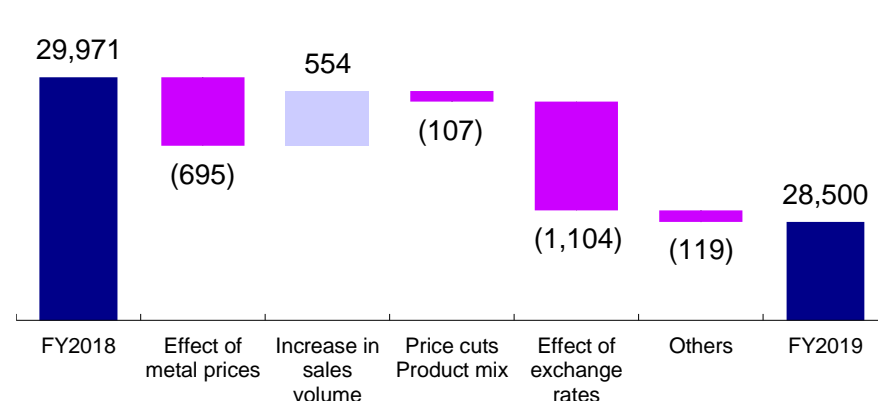
Sales: Decreased ¥1,470 million (down 5.0% year on year)

- Orders received increased in both China and India.
- Metal prices and the impact of exchange rates are factors in the decrease.

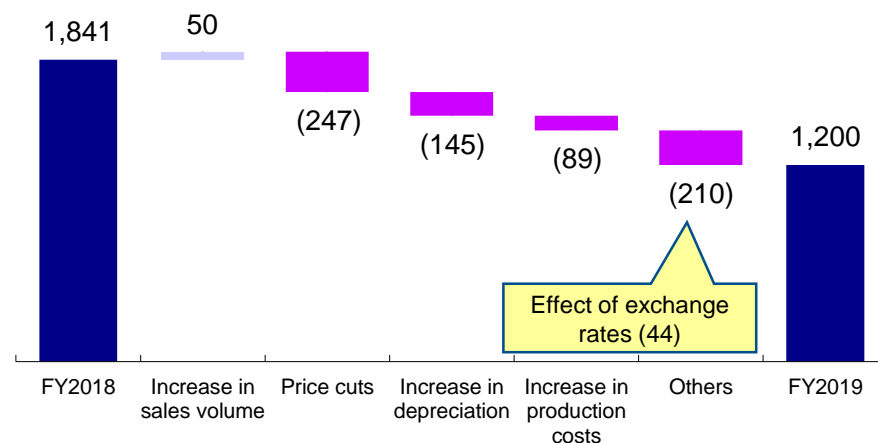
Segment income: Decreased ¥640 million (down 34.9% year on year)

- A slight increase due to sales in China and India
- A decrease in profit, mainly due to the impact of price cuts and an increase in depreciation

Factors of change in die casting sales (Million yen)



Factors of change in segment income (Million yen)



Fiscal year end: China: December; India: March

Exchange rate (FY2018 ⇒ FY2019 plan): Chinese yuan: ¥16.69 ⇒ ¥16.0; Indian rupee: ₹1.59 ⇒ ₹1.50

FY2019

Aluminum Business and Proprietary Products Business

(Million yen)

		FY2018 (Profit margin)		FY2019 Plan (profit margin)		YoY Change	
Aluminum Business	Sales	4,679	—	4,400	—	(279)	(6.0%)
	Segment income/loss	112	(2.3%)	200	(4.5%)	88	78.5%
Proprietary Products Business	Sales	2,976	—	2,500	—	(476)	(16.0%)
	Segment income/loss	314	(10.5%)	100	(4.0%)	(214)	(68.2%)

- Income is expected to rise in the Aluminum Business due to the impact of declining metal prices.
- Income is expected to fall in the Proprietary Products Business, mainly due to a decrease in orders received.



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.