

# Results Briefing for the First Half of the Year Ending March 31, 2019

November 27, 2018



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- **Topics**

- Overview of Results for First Half of the Fiscal Year Ending March 31, 2019

- Financial Forecasts for the Fiscal Year Ending March 31, 2019

- Status of Improvement in Productivity at US Plant

- For Preparation of 1921 Three-year Plan

# Expansion of Plants to Respond to an Increase in Orders

## Hefei Ahresty Casting



External view of new casting plant

### New casting plant

Completion: March 2018

Area: 5,103 m<sup>2</sup>

### New processing plant

Completion: September 2018

Area: 12,856 m<sup>2</sup>

### Administration building

Completion: October 2018

Area: 3,509 m<sup>2</sup>

## Ahresty Yamagata



Expansion and reconstruction are outlined in red

### First processing plant

Expected completion:

January 2019

Area: 1,250 m<sup>2</sup>

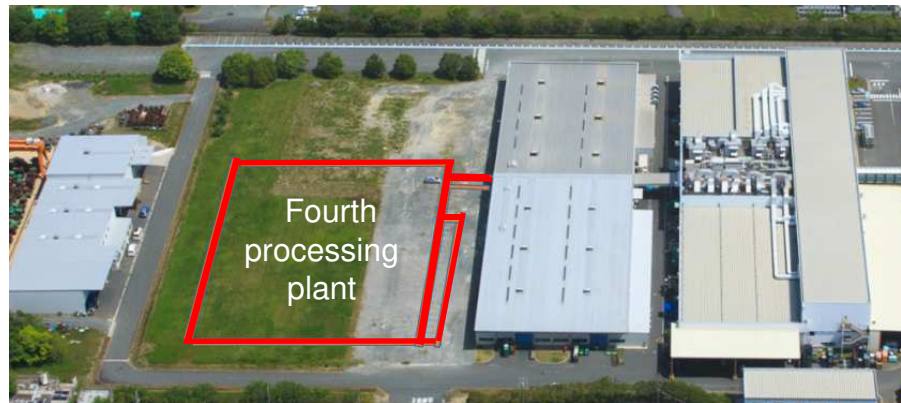
### Melting furnaces

Expected completion:

September 2019

Area: 650 m<sup>2</sup>

## Ahresty Pretech (Toyohashi plant)



### Fourth processing plant

Expected completion:

September 2019

Area: 4,575 m<sup>2</sup>

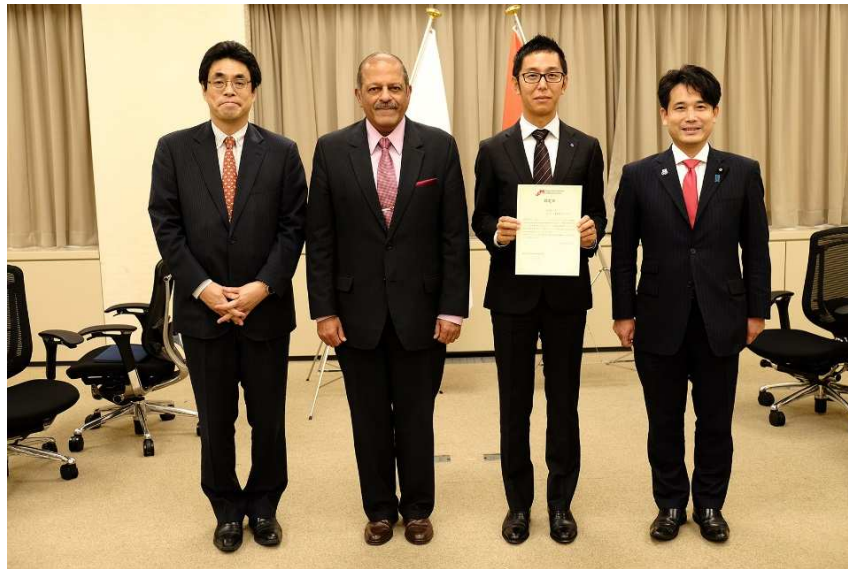
# Certified as a Japan-India Institute for Manufacturing

- Certified by the Ministry of Economy, Trade and Industry as the sixth Japan-India Institute for Manufacturing

Opened Ahresty JIM, a Japan-India Institute for Manufacturing, within Ahresty India in July 2018.

43 students enrolled for the first year.

Sixth certified company following Suzuki Motor Corporation, Toyota Motor Corporation, Daikin Industries, Ltd., Yamaha Motor Co., Ltd. and Hitachi Construction Machinery Co., Ltd.



Students of Ahresty JIM who enrolled for the first year

[JIM: Japan-India Institute for Manufacturing (JIM)]

Part of initiatives implemented based on the “Manufacturing Skill Transfer Promotion Program” signed off by the Ministry of Economy, Trade and Industry and the Ministry of Skill Development and Entrepreneurship of India (MSDE) in November 2016 to train human resources for the development of the manufacturing industry in India.

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# Key Results for First Half of the Fiscal Year Ending March 31, 2019

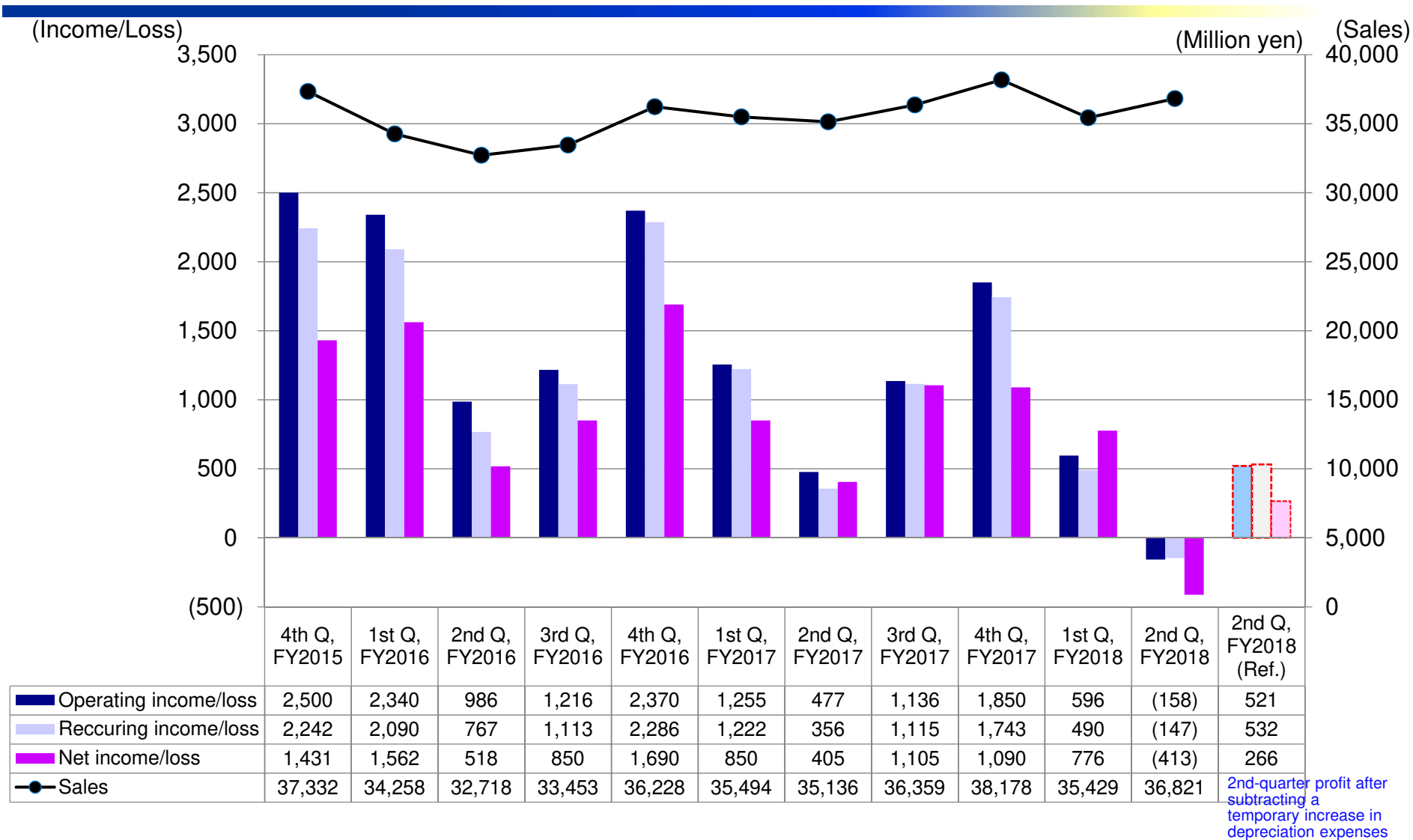
(Million yen)

	First half of year ended March 2018		First half of year ending March 2019		Change	
	Value	%	Value	%	Value	%
Sales	70,631	100.0%	72,250	100.0%	1,619	2.3%
Operating income	1,732	2.5%	438	0.6%	(1,293)	(74.7)%
Recurring income	1,578	2.2%	343	0.5%	(1,234)	(78.2)%
Net income	1,255	1.8%	363	0.5%	(892)	(71.1)%
EPS (yen)	48.56		14.02			

## Overview

- Sales: Rose thanks largely to an increase in orders received, particularly from Asia.
- Operating income: Dropped due to rising fuel prices, slow revenue growth in the US, an increase in depreciation expenses, etc.
- Recurring income: Decreased due to reduced operating income.
- Net income: Fell after the decline in recurring income, although the decline was suppressed chiefly by the gain on sales of investment securities.
- EPS: Decreased 34.54 yen per share due to the decrease in net income.

# Overview of the (Quarterly) Consolidated Results



# Die Casting Business

(Million yen)

		First half of year ended March 2018		First half of year ending March 2019		Change	
<b>Japan</b>	Sales	33,097	100.0%	33,198	100.0%	101	0.3%
	Segment income/loss	430	1.3%	(173)	(0.5%)	(603)	—
<b>North America</b>	Sales	20,470	100.0%	20,514	100.0%	44	0.2%
	Segment income/loss	214	1.0%	(198)	(1.0%)	(412)	—
<b>Asia</b>	Sales	13,920	100.0%	15,143	100.0%	1,223	8.8%
	Segment income/loss	828	5.9%	748	4.9%	(80)	(9.6%)

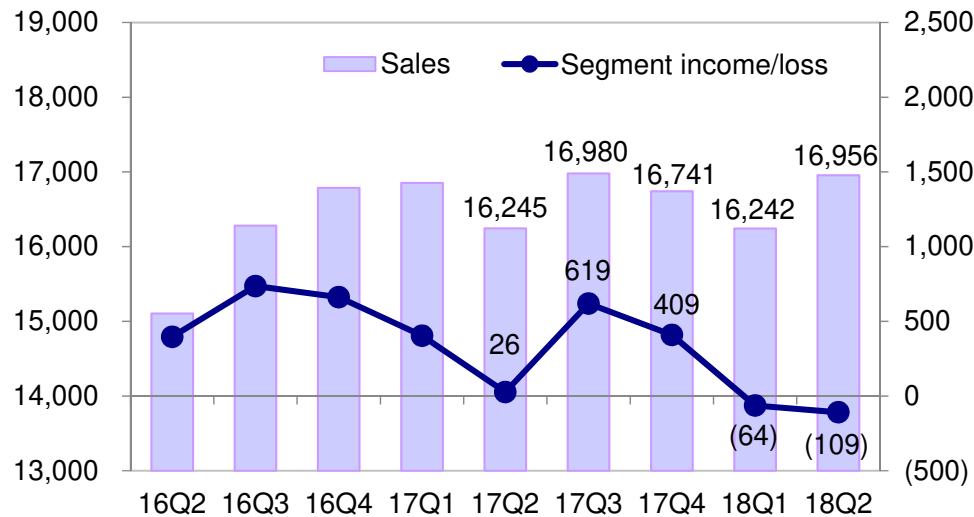
- ✓ The overseas sales ratio in the Die Casting Business:  
 Q2 of fiscal year ended March 2018: 50.9%  
 ⇒ Q2 of fiscal year ending March 2019: 51.8%

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



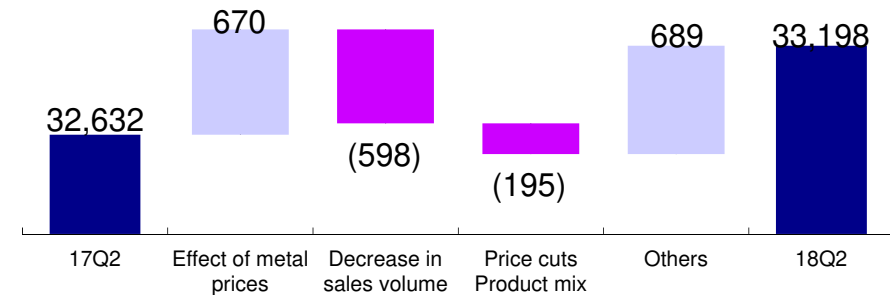
# Die Casting in Japan

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



- Sales: Increased ¥100 million (up 0.3% year on year)
- Sales volumes of certain products of major customers for North America decreased.
  - Net sales grew, chiefly as a result of improved conditions in the aluminum market.
- Segment income: Decreased ¥600 million (down 140.2% year on year)
- Declined due to a fall in sales volume and the impact of cost reduction.
  - Factors such as rising fuel expenses also caused a decline in revenue.

Factors of change in die casting sales (Million yen)



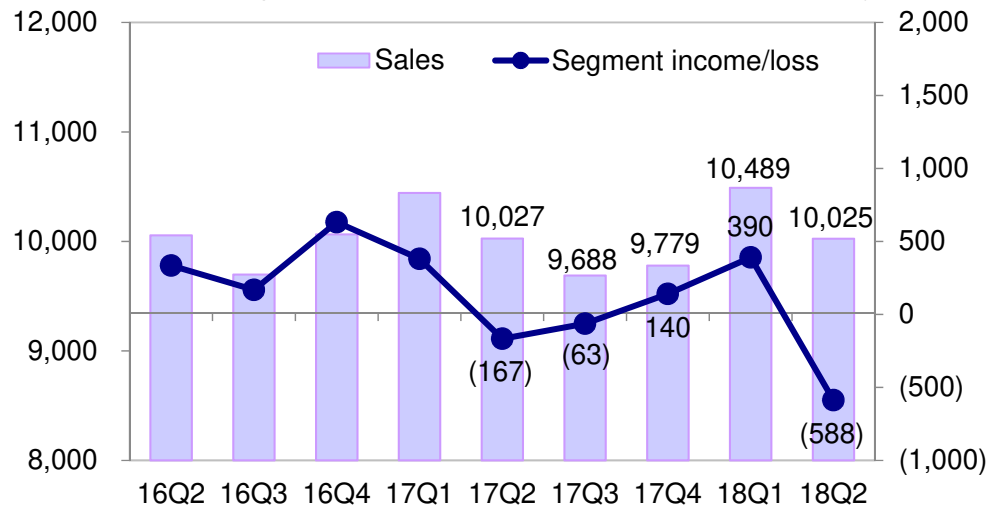
Factors of change in segment income (Million yen)



\* The changes in sales and segment income for Q2 of FY2017 disregard the impact of the fiscal year-end change.

# Die Casting in North America

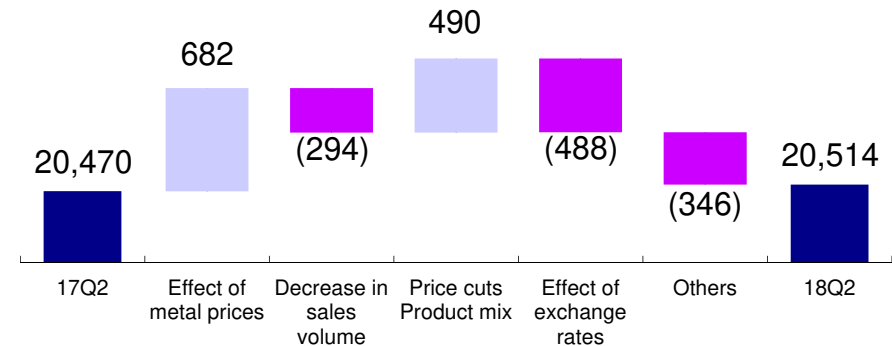
Changes in sales and segment income in Die Casting Business in North America (Million yen)



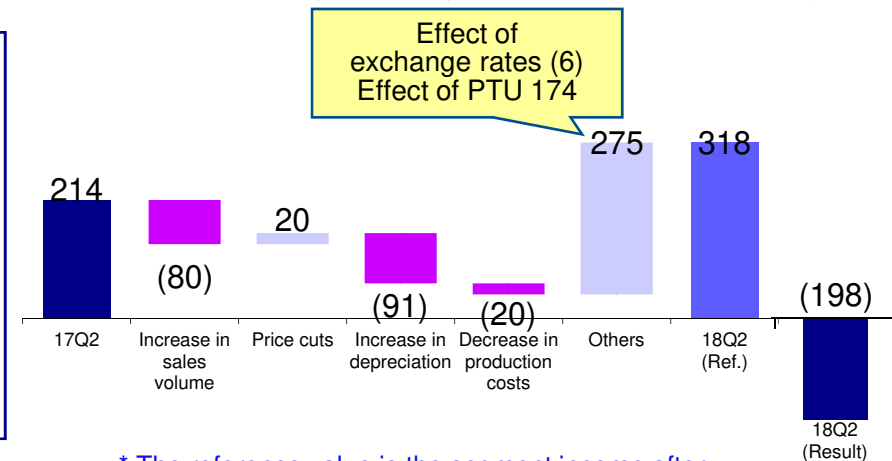
- Sales: Increased ¥40 million (up 0.2% year on year)
- Decrease in orders received after the discontinuation of the production of some products in the United States
  - Order received increased in Mexico thanks to the start of full-scale mass production of new components.
- Segment income: Decreased ¥410 million (down 192.5% year on year)
- Productivity in the United States in the course of improvement amid the sales slide
  - Decreased due partly to a temporary increase in depreciation expenses.

Fiscal year end: U.S.: March; Mexico: December  
 Exchange rate (17Q2 ⇨ 18Q2): U.S. dollar: ¥111.42 ⇨ ¥110.07; Mexican peso: ¥112.75 ⇨ ¥109.17

Factors of change in die casting sales (Million yen)



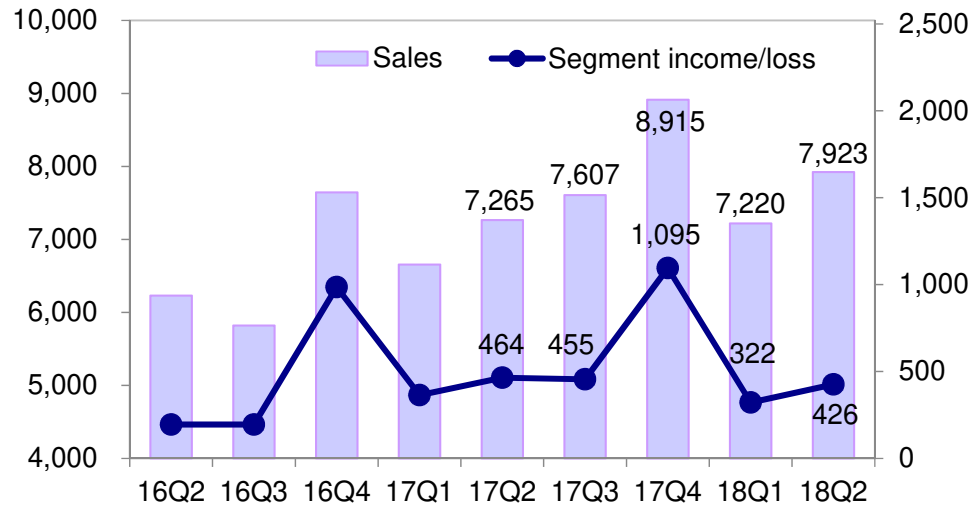
Factors of change in segment income (Million yen)



\* 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: Increased ¥1,220 million (up 8.8% year on year)

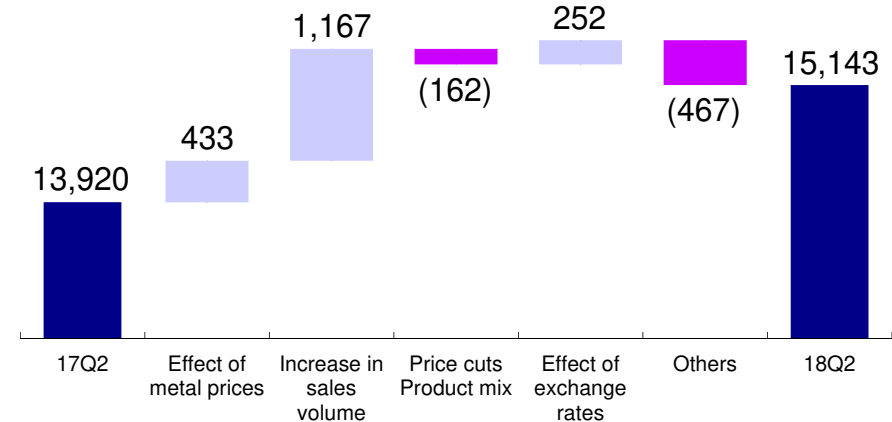
- Rose in conjunction with major customers' strong sales of SUVs and other cars in China
- Increase in orders received following the expansion of the car market in India

Segment income: Decreased ¥80 million (down 9.6% year on year)

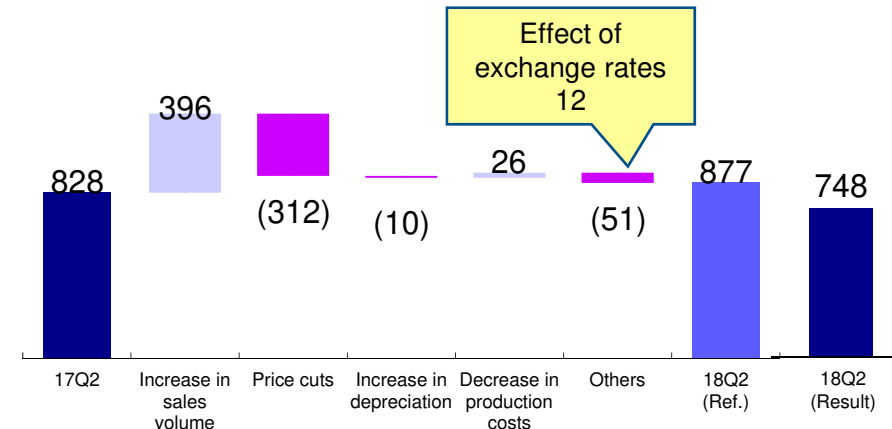
- Fell due to factors such as the impact of cost cutting in China and a temporary increase in depreciation expenses.

Fiscal year end: China: December; India: March  
Exchange rate (17Q2 ⇒ 18Q2): Chinese yuan: ¥16.42 ⇒ ¥17.05; Indian rupee: ₹1.73 ⇒ ₹1.61

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)

		First half of year ended March 2018		First half of year ending March 2019		Change	
<b>Aluminum Business</b>	Sales	2,182	100.0%	2,290	100.0%	108	4.9%
	Segment income/loss	115	5.3%	43	1.9%	(72)	(62.4%)
<b>Proprietary Products Business</b>	Sales	961	100.0%	1,104	100.0%	143	14.9%
	Segment income/loss	143	14.9%	70	6.3%	(73)	(51.1%)

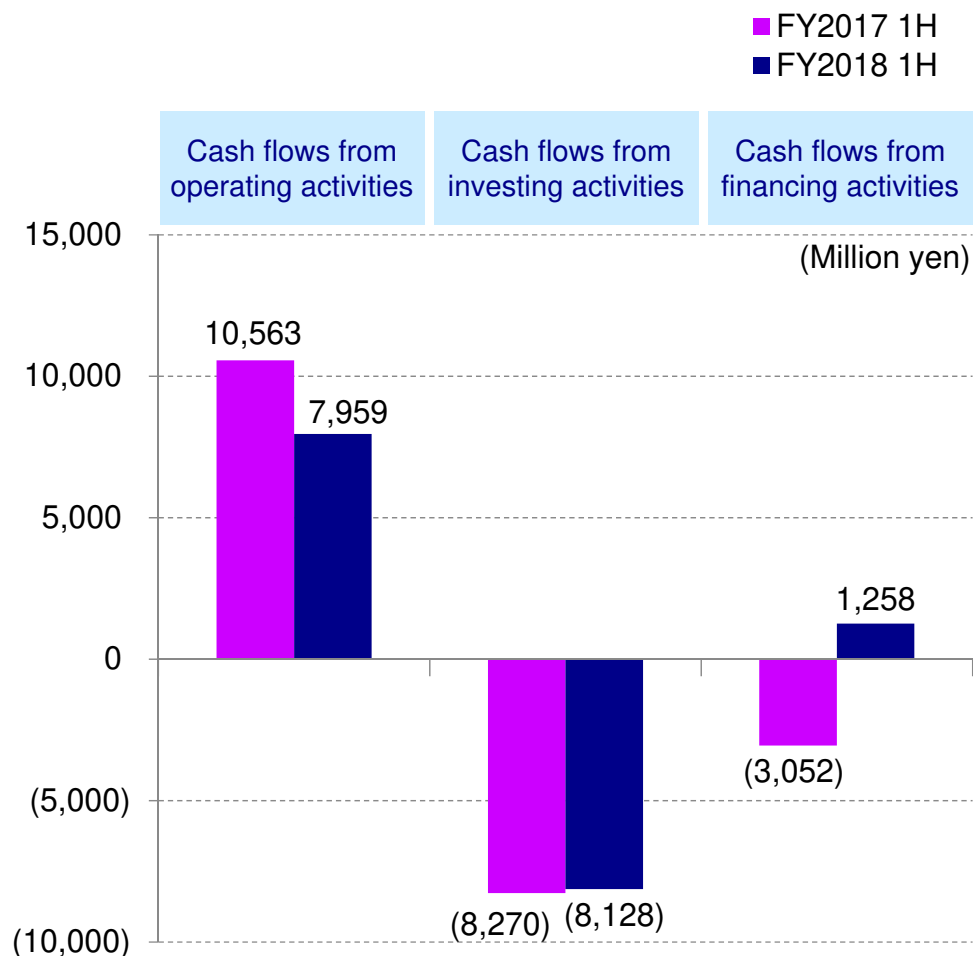
## Aluminum Business

- Sales: Increased thanks to changes in the state of the aluminum market (up 4.9% year on year).
- Segment income: Down due mainly to soaring raw material prices (down 62.4% year on year).

## Proprietary Products Business

- Sales: Orders for projects for clean rooms, data centers of telecommunications carriers, etc. increased (up 14.9% year on year).
- Segment income: Decreased year on year due primarily to competition for orders (down 51.1% year on year).

# Consolidated Cash Flows



Factors behind increase/decrease in cash flows in first half of fiscal year ending March 31, 2019

- **Cash flows from operating activities**
  - Income before income taxes and others 0.5 bn
  - Depreciation and amortization 8.4 bn
  - Decrease in notes and accounts receivable +1.6 bn
  - Decrease in notes and accounts payable -0.6 bn
- **Cash flows from investing activities**
  - Increase in capital expenditure in North America and Asia
- **Cash flows from financing activities**
  - Increase in long-term and short-term loans  
(March 31, 2018: 31.5 bn → September 30, 2018: 33.1 bn)

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# Forecast for FY2018

(Million yen)

	FY2017		FY2018 Initial plan (May 11)		FY2018 Revised plan (October 19)		Change compared to initial plan	
Sales	145,167	100%	152,000	100%	149,300	100%	(2,700)	(1.8%)
Operating income	4,718	3.3%	5,800	3.8%	3,100	2.1%	(2,700)	(46.6%)
Recurring income	4,436	3.1%	5,300	3.5%	3,150	2.1%	(2,150)	(40.6%)
Net income	3,450	2.4%	3,600	2.4%	2,300	1.5%	(1,300)	(36.1%)
EPS	133.40		139.17		88.80		—	
Dividend (yen)	26.00		26.00		22.00			

Exchange rates assumed in the initial plan (May 11): ¥110/USD; ¥16.0/RMB; ¥1.75/IDR

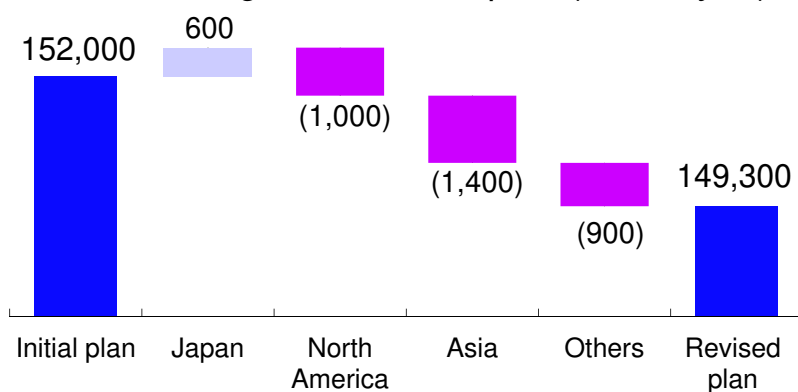
Exchange rates assumed in the revised plan (October 19): ¥107/USD; ¥16.0/RMB; ¥1.60/IDR

# FY2018 Financial Forecasts for Die Casting Business

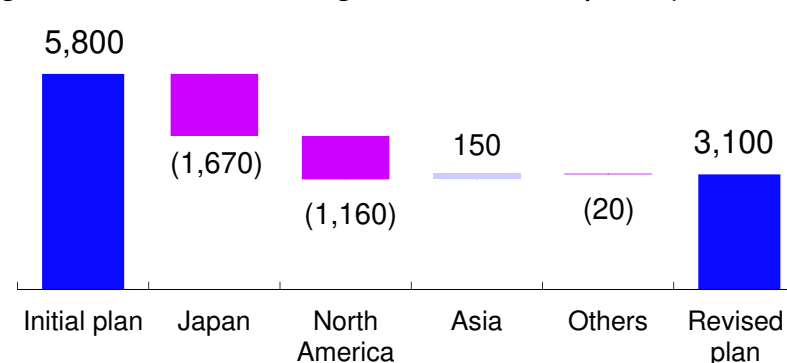
(Million yen)

		FY2018 1H		FY2018 2H		FY2018 Full-Year	
		1H Result	Change compared to initial plan	Revised plan	Change compared to initial plan	Revised plan	Change compared to initial plan
<b>Japan</b>	Sales	33,198	98	37,200	500	70,400	600
	Segment income/loss	(173)	(713)	650	(960)	480	(1,670)
<b>North America</b>	Sales	20,514	(736)	19,490	(260)	40,000	(1,000)
	Segment income/loss	(198)	(1,068)	510	(90)	310	(1,160)
<b>Asia</b>	Sales	15,143	(457)	16,460	(940)	31,600	(1,400)
	Segment income/loss	748	(2)	1,300	150	2,050	150

Sales: changes from initial plan (million yen)

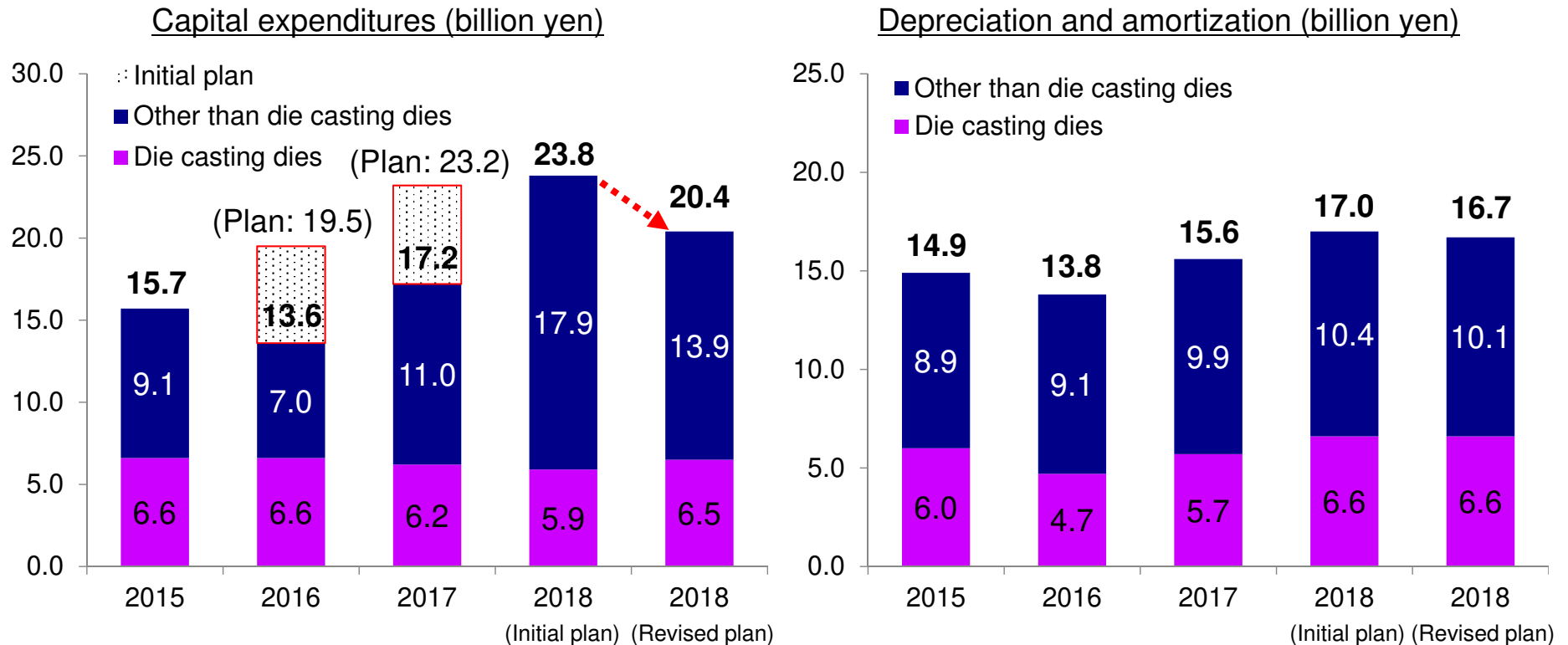


Segment income: changes from initial plan (million yen)





# Trends of Capital Expenditures and Depreciation and Amortization



## Revisions to the capital expenditure plans for FY2018

- Outline: Revisions to parts of the capital expenditure plans mainly for North America and China, chiefly due to the postponement of investment timing
- Capital expenditures: Total 20.4 billion yen (capital expenditures for general facilities: 13.9 billion yen, capital expenditures for die casting dies: 6.5 billion yen)

\* The forecast of depreciation and amortization for FY2018 does not reflect a tentative increase in depreciation and amortization.

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# Status of Improvement in Productivity at US Plant

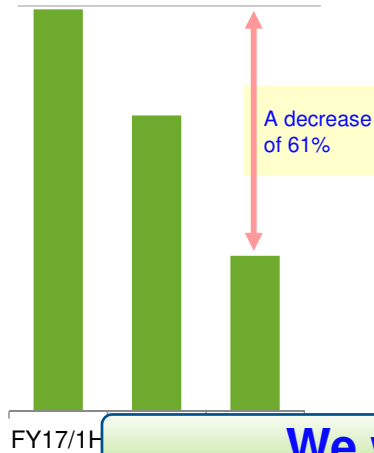
## Measures

- Completed the standard operation training program for all operators.
- Prepared documents for operation standards for each processing line and conducted the monitoring and evaluation of operations with respect to the relevant assignments.
- Succeeded in reducing the number of complaints by sharing information on failures by way of posting on boards installed on the factory floor.
- Succeeded in improving productivity for many of the products covered by the project (improved 33% for some products).
- Increased the number of staff members recruited through staffing agencies with respect to certain assignments, in addition to recruitments through Ahresty.
- Reviewed the leadership training program for supervisors and the orientation provided to new employees when they join the company.

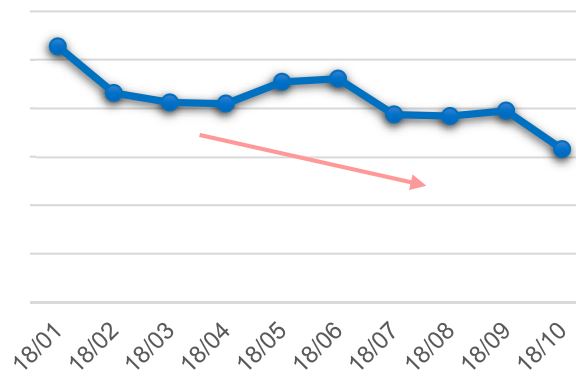
## Challenges

- Difficulty securing and retaining human resources due to historically low unemployment rates.

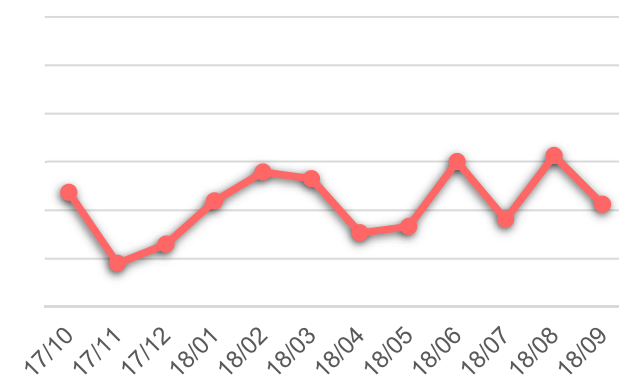
**Significant decrease in the number of customer complaints**



**Trends of absenteeism in the United States**



**Trends of turnover rates in the United States**

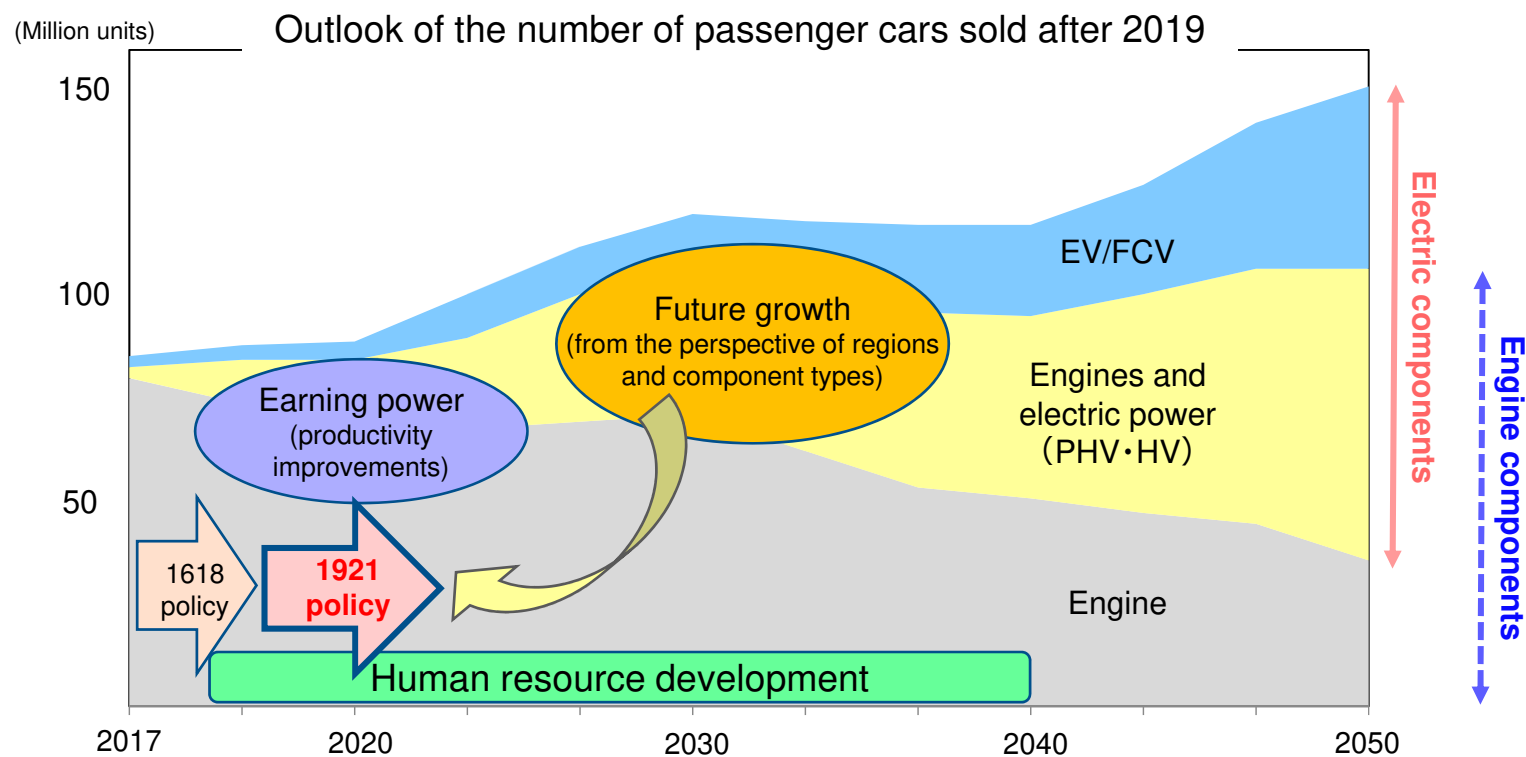


**We will continue to improve the US operation.**

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# For Preparation of 1921 Three-year Plan

- Enhance earnings strength by improving productivity and quality
- Implement growth strategies with an eye on future automobile markets (from the perspective of regions and component types)
- Develop human resources to support MONOZUKURI efforts



(Prepared based on IEA "ETP (Energy Technology Perspectives) 2017")



# Casting Our Eyes on the Future

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