

# Results Briefing for the Year Ended March 31, 2020

July 3, 2020



# Release of Business Results for the Year Ended March 31, 2020

We are sorry for the inconvenience and worries caused by the delay in release of our business results for fiscal year ended March 2020 due to the impact of the COVID-19 pandemic; under such circumstances, it took us longer than usual to complete the account settlement and auditing processes for our overseas affiliates.

- 
- Overview of the Results for the Fiscal Year Ended March 2020
  - Response to COVID-19
  - Progress in 1921 Medium-Term Management Plan

# Key Results for the Fiscal Year Ended March 2020

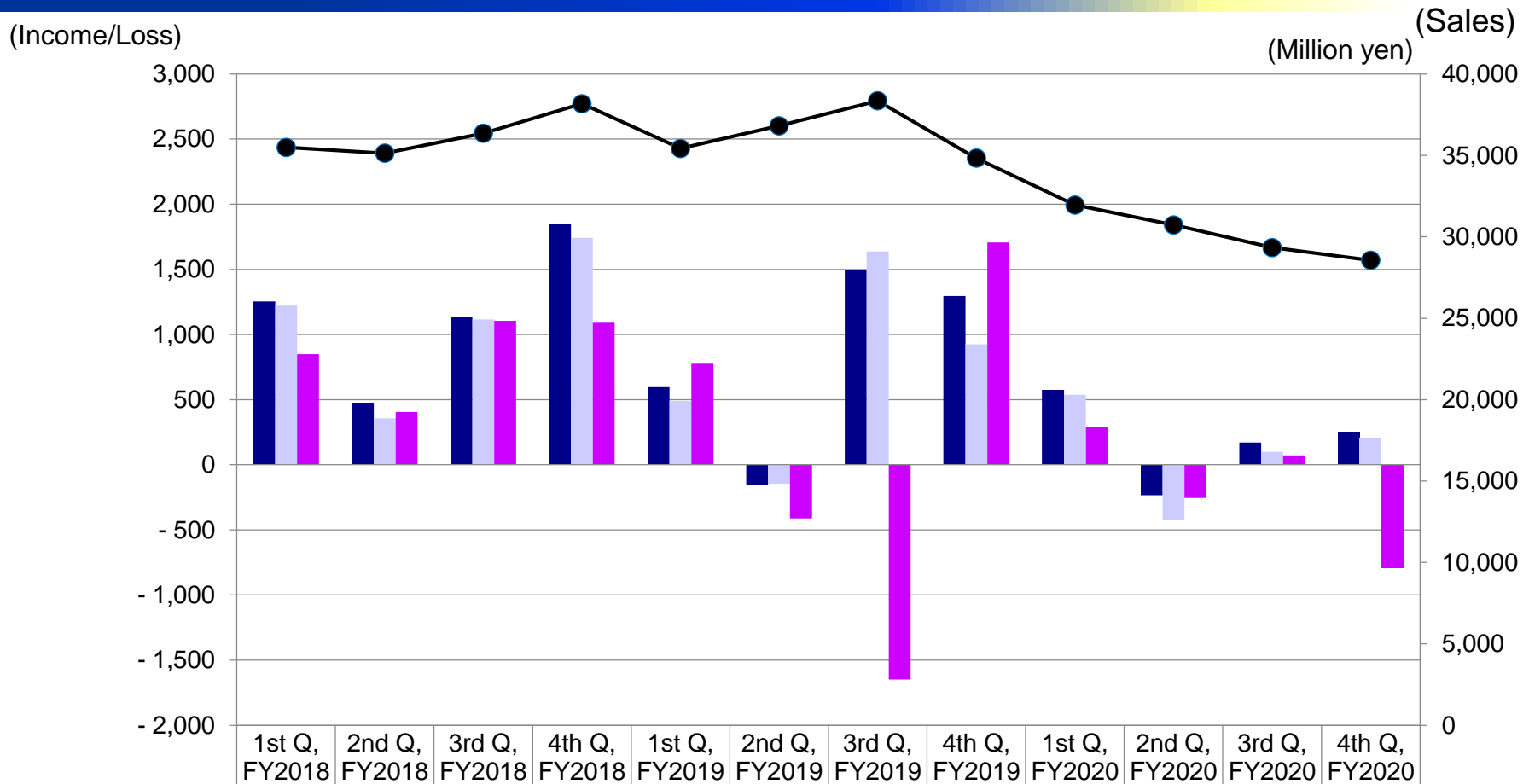
(Million yen)

	Year ended March 2019 Results (profit rate)		Year ended March 2020 Results (profit rate)		YoY changes	
Sales	145,428	—	120,577	—	(24,851)	(17.1%)
Operating income	3,228	2.2%	764	0.6%	(2,464)	(76.3%)
Recurring income	2,905	1.9%	406	0.3%	(2,498)	(86.0%)
Net income	421	0.2%	(685)	—	(1,106)	—

## <Overview>

- Sales: Significantly decreased due to sluggish automobile market in China and India, a decrease in global production volume of car manufacturers, our main customers, and a decline in aluminum market conditions. (The sales decrease includes a decrease of approx. 2 billion yen due to revisions to accounting standards in North America.)
- Operating income / Recurring income: Decreased due to the significant decrease in sales, which could not be covered by improvement in cost reduction, etc.
- Net income: Declined due to recording of reversal of deferred tax assets, etc.

# Overview of the (Quarterly) Consolidated Results



	1st Q, FY2018	2nd Q, FY2018	3rd Q, FY2018	4th Q, FY2018	1st Q, FY2019	2nd Q, FY2019	3rd Q, FY2019	4th Q, FY2019	1st Q, FY2020	2nd Q, FY2020	3rd Q, FY2020	4th Q, FY2020
Operating income/loss	1255	477	1136	1850	596	(158)	1494	1296	576	(235)	171	252
Recurring income/loss	1222	356	1115	1743	490	(147)	1638	924	537	(427)	99	197
Net income/loss	850	405	1105	1090	776	(413)	(1648)	1706	289	(256)	73	(791)
Sales	35494	35136	36359	38178	35429	36821	38351	34827	31953	30727	29339	28558

# Die Casting Business

(Million yen)

		Year ended March 2019 Results (profit rate)		Year ended March 2020 Results (profit rate)		YoY changes	
Japan	Sales	67,998	—	59,500	—	(8,498)	(12.5%)
	Segment income/loss	871	1.2%	(444)	—	(1,315)	—
North America	Sales	39,801	—	30,633	—	(9,167)	(23.0%)
	Segment income/loss	123	0.3%	635	2.0%	511	416.3%
Asia	Sales	29,971	—	23,846	—	(6,125)	(20.4%)
	Segment income/loss	1,841	6.1%	3	—	(1,837)	(99.8%)

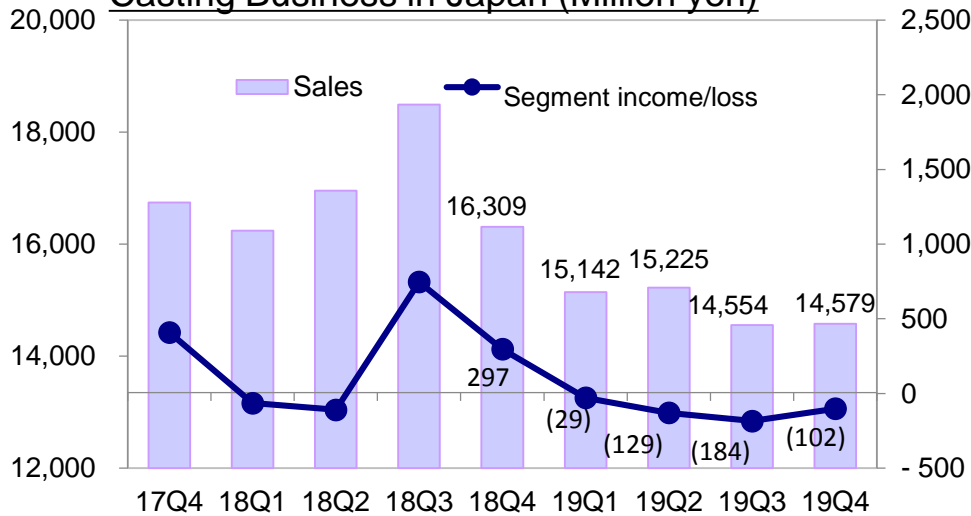
\* The Mexico Plant in the North America segment and two plants in China in the Asia segment settle their accounts in December.

✓ Overseas sales ratio in the Die Casting Business:

Year ended March 2019: 50.6% ⇒ Year ended March 2020: 47.8%

# Die Casting in Japan

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



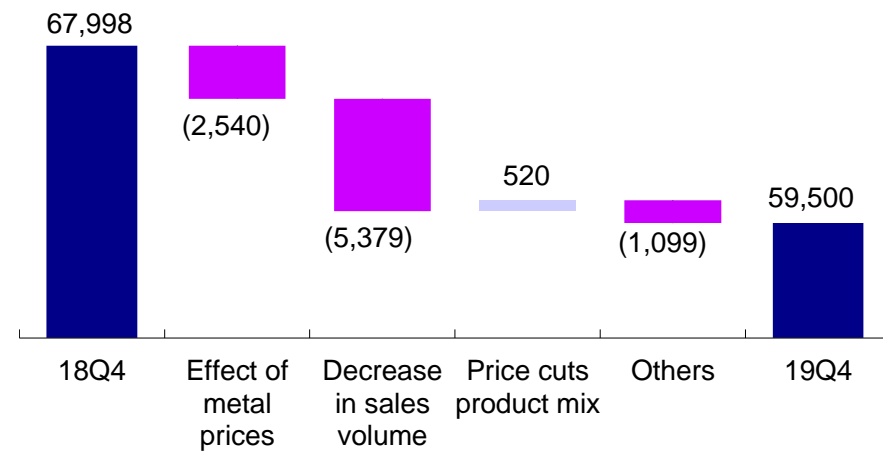
**Sales: Decreased ¥8,490 million (down 12.5% year on year)**

- Sales volume in Japan significantly shrank due to the impact of sluggish car sales continuing in North America and Asia, the main customers.
- Decreased chiefly due to a decline in aluminum market conditions.

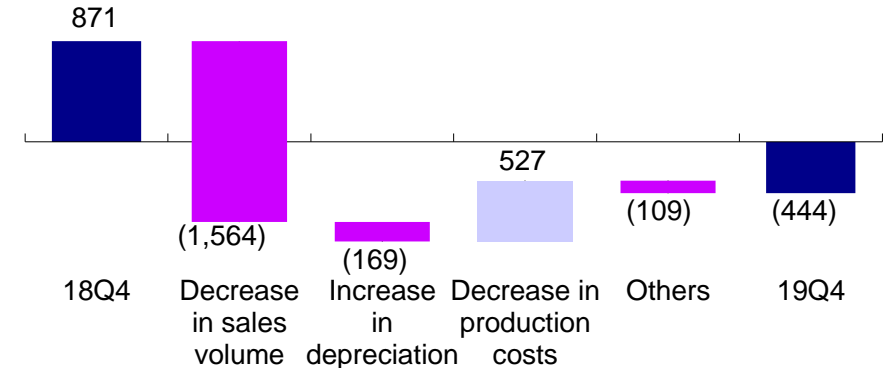
**Segment income: Decreased ¥1,310 million (down year on year)**

- Despite reduction of production costs achieved by cost cutting and improved productivity, which was not enough to compensate for losses due to a decrease in sales volume, resulting in segment deficit.

Factors in change in sales (Million yen)

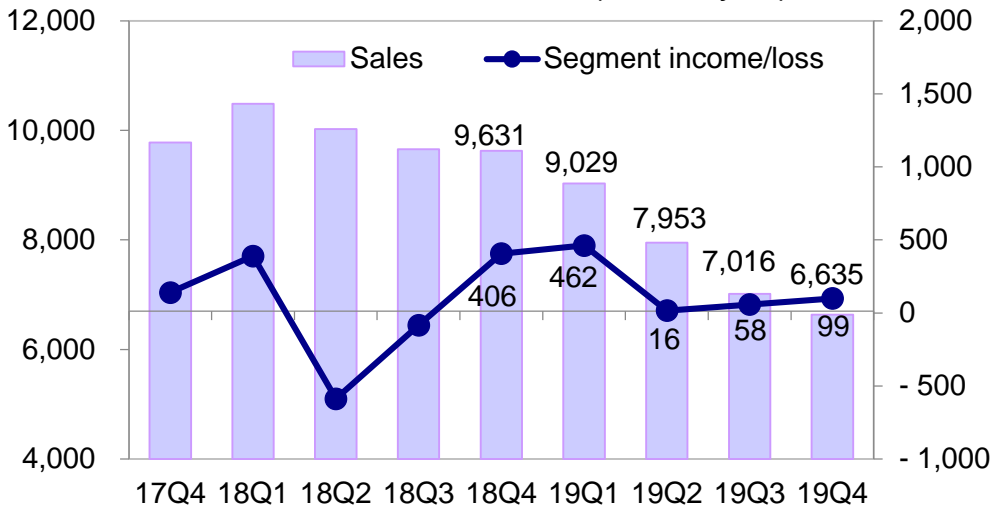


Factors in change in segment income (Million yen)

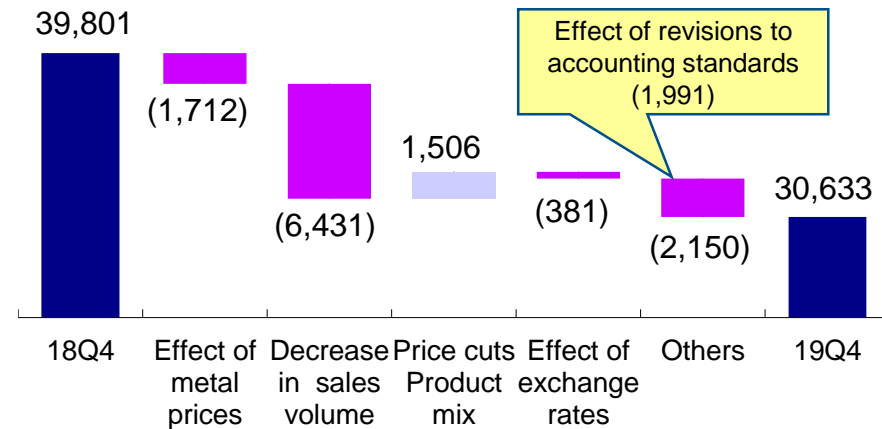


# Die Casting in North America

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



Factors in change in sales (Million yen)



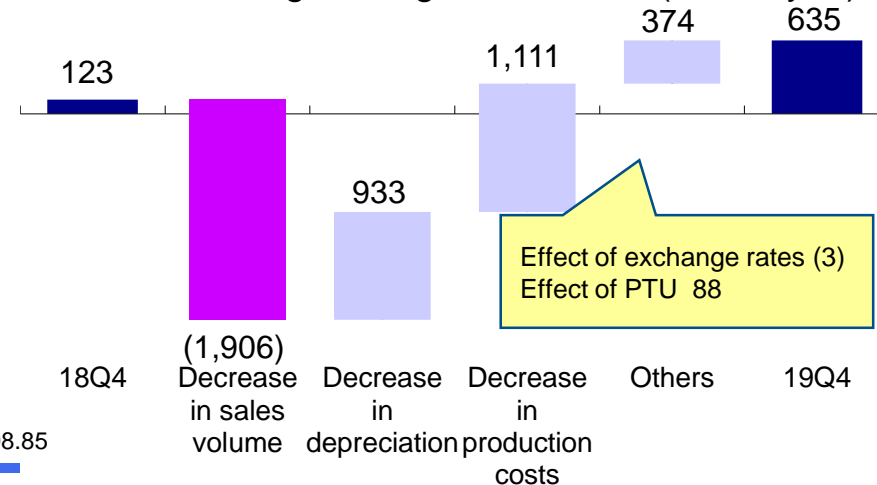
**Sales: Decreased ¥9,160 million (down 23.0% year on year)**

- Decreased due chiefly to decline in sales volume of car manufacturers, including our main customers, and suspension of operation at some customers due to strikes.
- The sales decrease includes the impact of revisions to accounting standards (approx. 2 billion yen) at the US plant.

**Segment income: Increased ¥510 million (up 416.3% year on year)**

- Profit improved despite a significant decrease in sales volume due chiefly to reduction of production costs achieved by improvement of productivity and a decrease in the burden of depreciation and amortization.

Factors in change in segment income (Million yen)



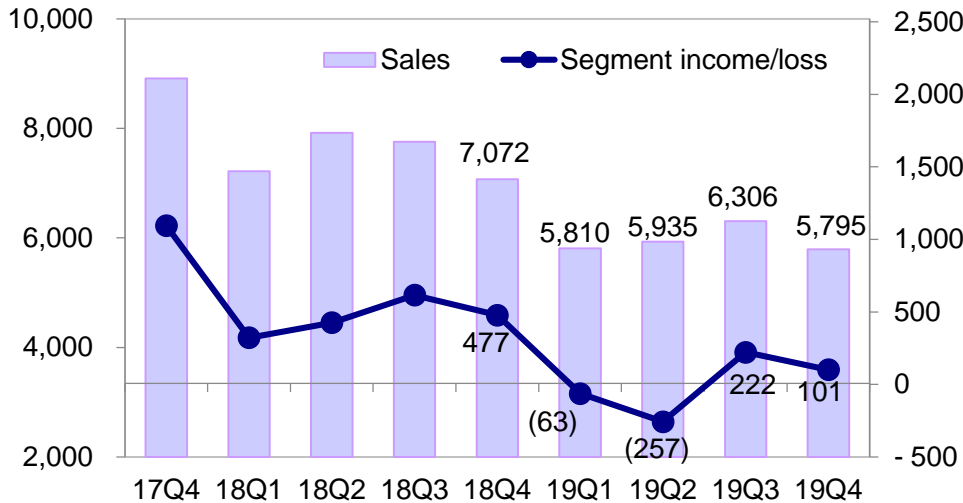
Fiscal year end: March in US; December in Mexico

Exchange rate (18Q4 ⇒ 19Q4): U.S. dollar: ¥110.72 ⇒ 108.10; Mexican peso: ¥110.58 ⇒ 108.85



# Die Casting in Asia

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



**Sales: Decreased ¥6,120 million (down 20.4% year on year)**

- In China, sales continued to decline, reflecting the ongoing slowdown in business of local car manufacturers and the effect of foreign exchange.
- In India, sales volume decreased due to the impact of the tightened lending standards for auto loans and enhanced emissions control, which restrained purchases.

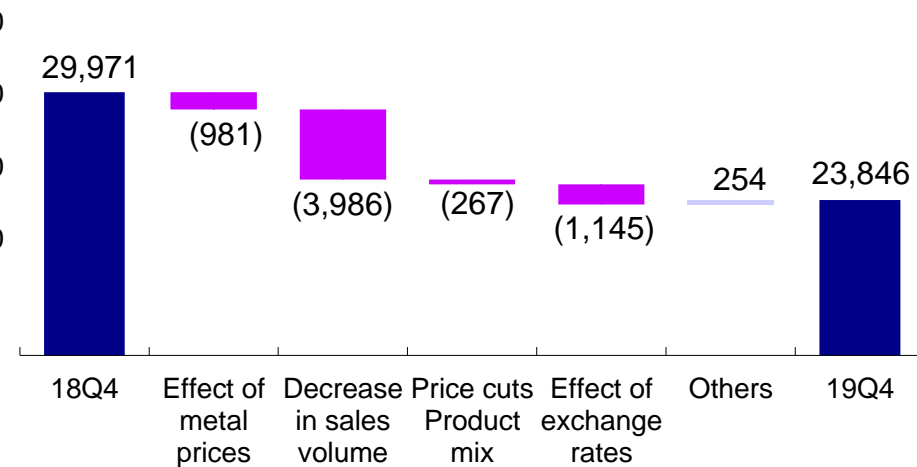
**Segment income: Decreased ¥1,830 million (down 99.8% year on year)**

- Significantly decreased due to the impact of the decrease in sales in China and India.

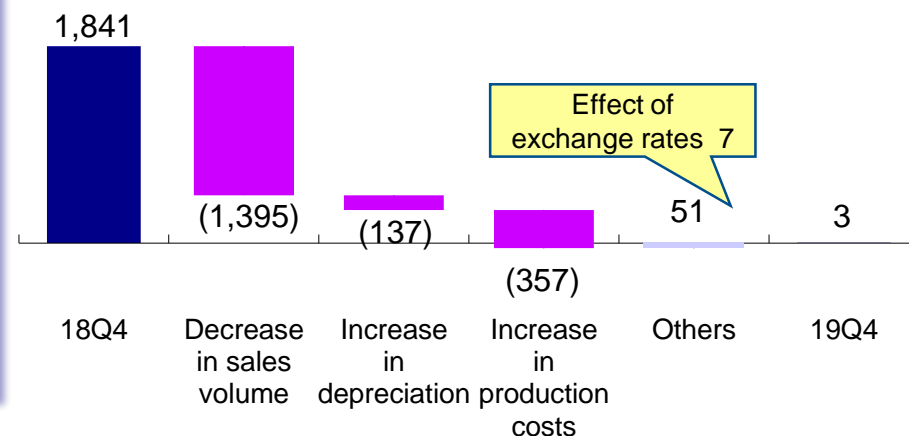
Fiscal year end: December in China; March in India

Exchange rate (18Q4 ⇒ 19Q4): Chinese yuan: ¥ 16.69 ⇒ 15.95; Indian rupee: ₹ 1.59 ⇒ 1.53

Factors in change in sales (Million yen)



Factors in change in segment income (Million yen)



# Aluminum Business and Proprietary Products Business

(Million yen)

		Year ended March 2019 Results (profit rate)		Year ended March 2020 Results (profit rate)		YoY changes	
Aluminum Business	Sales	4,679	—	3,993	—	(686)	(14.7%)
	Segment income/loss	112	2.3%	169	4.2%	57	50.9%
Proprietary Products Business	Sales	2,976	—	2,603	—	(373)	(12.5%)
	Segment income/loss	314	10.5%	277	10.6%	(37)	(11.9%)

## Aluminum Business

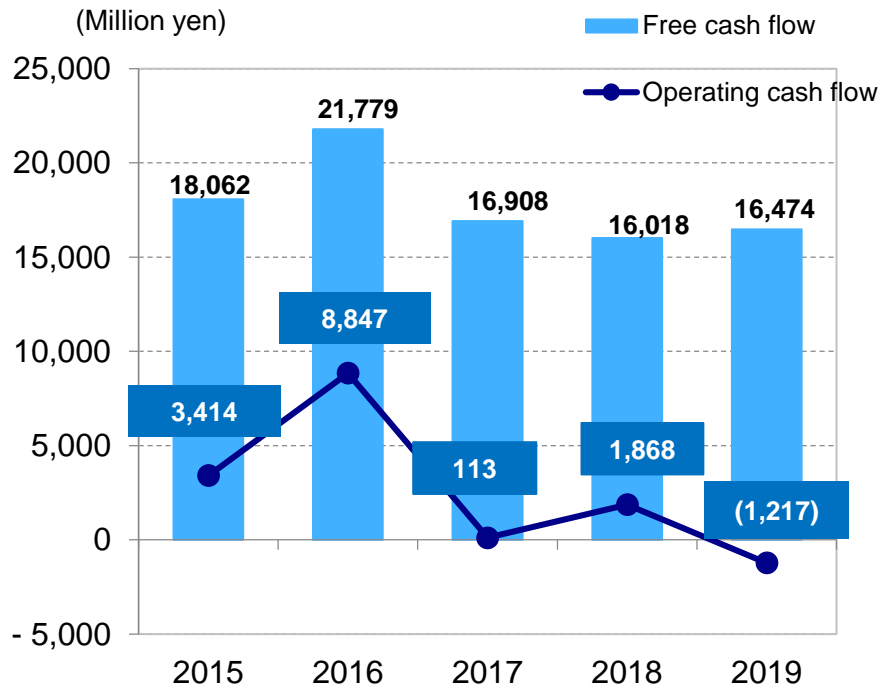
- Sales: Decreased due to a fall in sales unit prices attributable to fluctuations in the aluminum market.
- Segment income: Increased due to a fall in purchase prices of raw materials, which contributed to cost reduction.

## Proprietary Products Business

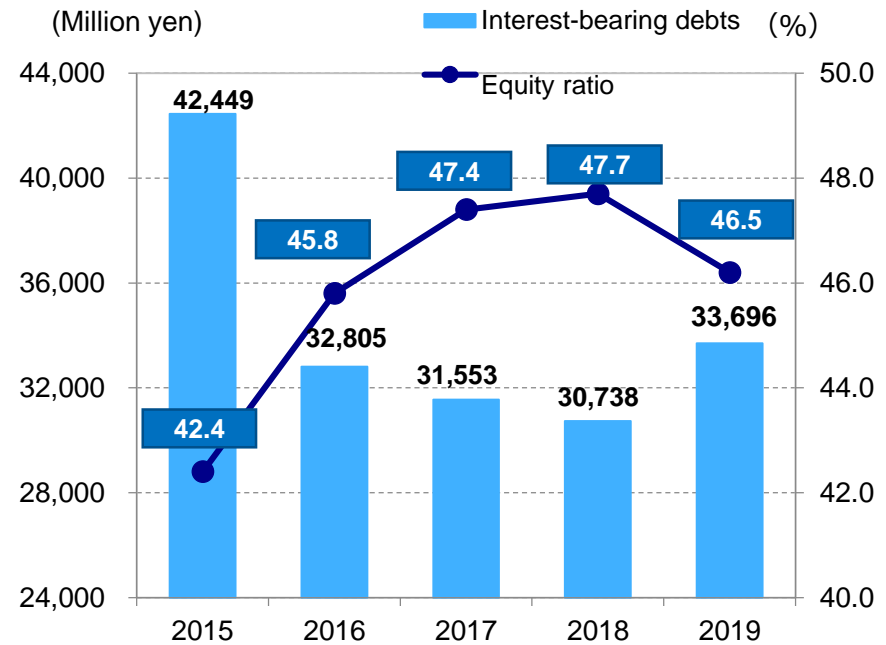
- Sales: Decreased in FY2019 due chiefly to a year-on-year fall in orders for projects for clean rooms in line with the market slowdown.
- Segment income: Decreased due to the fall in orders. Profit rate maintained about the same level as the previous year.

# Financial Performance in the Year Ended March 2020

Operating CF maintained about the same level as year ended March 2019. As a result of an increase in investments in response to new orders, interest-bearing debts increased but equity ratio, DE ratio and other indicators of financial performance remained at healthy levels.



Free cash flow (FCF) = operating CF - investment CF



\* Reference  
 DE ratio (interest-bearing debts / shareholders' equity)  
 FY2018 0.50 FY2019 0.58

# Return to Shareholders

- In view of remaining uncertainties in the business environment, we are terribly sorry that we have decided to pay no year-end dividends for fiscal year ended March 2020.

Dividend per share	Year ended March 2017	Year ended March 2018	Year ended March 2019	Year ended March 2020
(Annual total)	20	26	22	8
Interim dividend	8	12	10	8
Year-end dividend	12	14	12	0
Net income per share (consolidated)	178.77	133.40	16.26	(26.77)
Dividend payout ratio (consolidated)	11.2	19.5	135.3	—

- Reduction of remuneration for directors and officers (from April to September 2020)
  - Full-time Directors: 15 to 40% of executive remuneration
  - Executive Officers: A part of monthly remuneration

\* For the period from October 2019 to March 2020, a part of the executive remuneration was voluntarily returned.

# Release of business forecasts for fiscal year ending March 2021

We have announced our business forecasts and dividend projection for the year ending March 2021 as undetermined due to the ongoing global outbreak of COVID-19 new coronavirus, which makes it difficult to calculate reasonable figures at this moment.

We will pay careful attention to the impact on our business performance and will promptly announce the forecasts when disclosure of reasonable figures becomes possible.

- 
- Overview of the Results for the Fiscal Year Ended March 2020
  - **Response to COVID-19**
  - Progress in 1921 Medium-Term Management Plan

# Measures to Prevent the Spread of COVID-19

- Implement thorough measures to prevent infection based on instructions and policies of local governments and municipalities

## Major measures to prevent infection

- ✓ Always using masks and wearing face guards and goggles at plants and workplaces
- ✓ Making sure to take temperature upon arrival at work
- ✓ Keeping social distance
- ✓ Conducting periodic sanitization
- ✓ Preparing and distributing manuals for prevention of infection in accordance with local regulations of respective countries
- ✓ Restricting use of public means of transportation when on business
- ✓ Promoting web conferencing, avoiding holding large-group meetings, etc.
- ✓ Introducing teleworking, staggered commuting hours, etc.

Taking an employee's temperature upon arrival at a plant (overseas)



# Operation Status at Each Site (as of June 30)

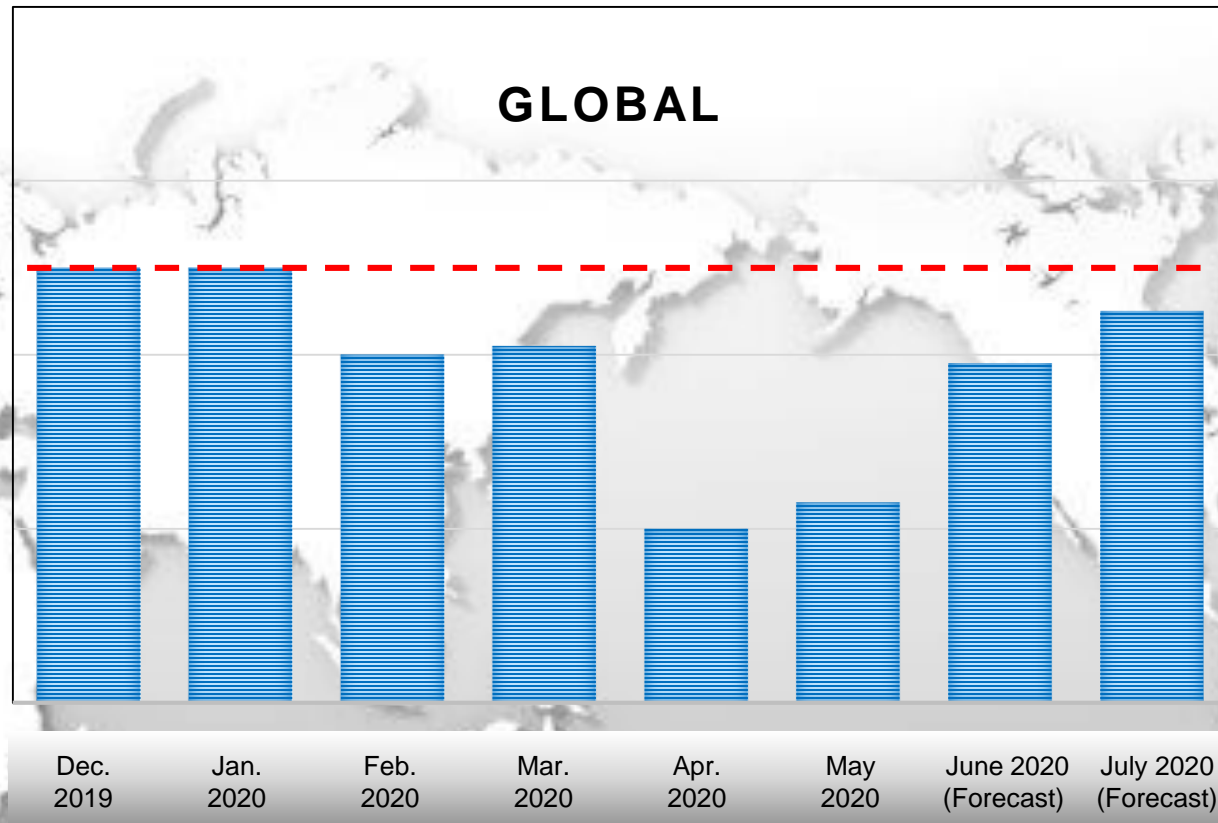
All of our production sites resumed operations by June and are operating according to production plans based on local customer orders. Since the COVID-19 infection is still spreading in some areas, thorough measures to prevent infection have been implemented at each site to ensure stable operation.

	Operation status						
	Feb.	Mar.	April	May	June		
Japan						<ul style="list-style-type: none"> <li>• Since mid-April, operating according to the production conditions of customers</li> <li>• Each plant continues to decide suspension of operation based on the production volume.</li> </ul>	
North America	US						<ul style="list-style-type: none"> <li>• In the US, orders began to recover in mid-May and operation is increasing.</li> <li>• In Mexico, operation was resumed in late May after obtaining operation permission.</li> </ul>
	Mexico						
Asia	China						<ul style="list-style-type: none"> <li>• China has resumed operation in phases since mid-February and has reached about the same production volume as the level of the previous year.</li> <li>• India has resumed operation since June and is operating in phases according to the status of local customer orders.</li> </ul>
	India						



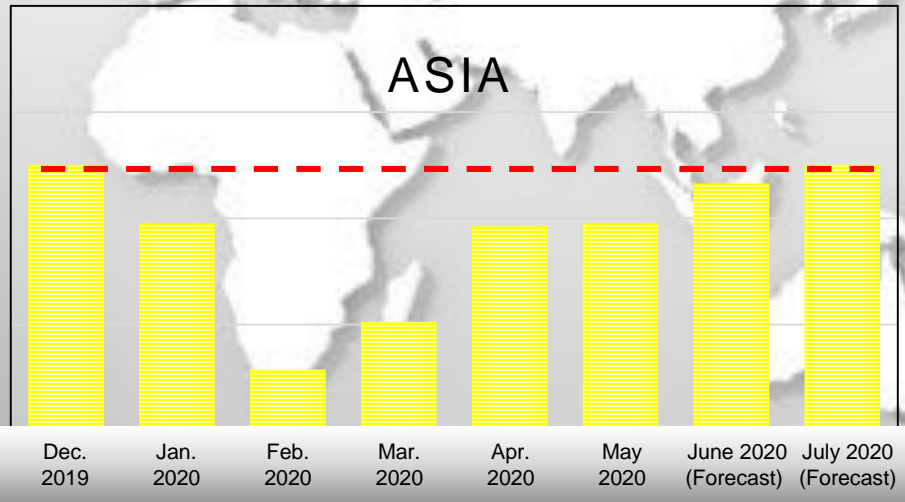
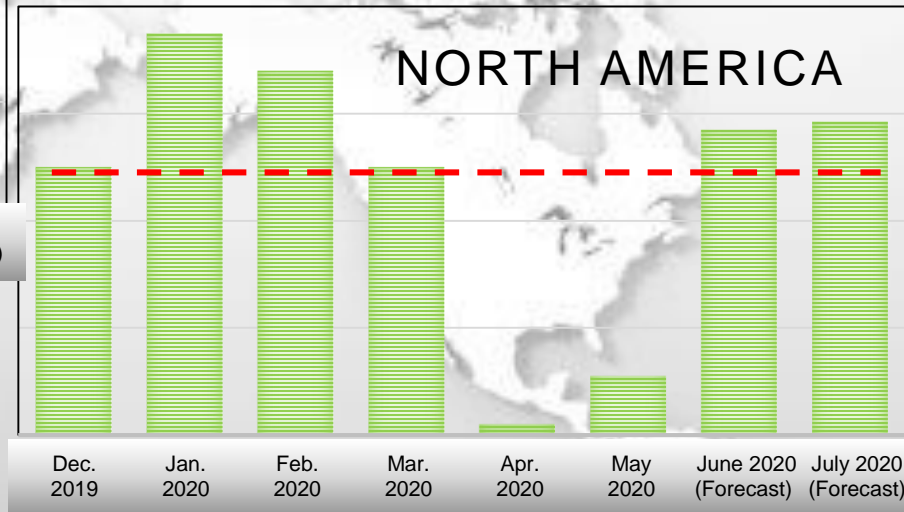
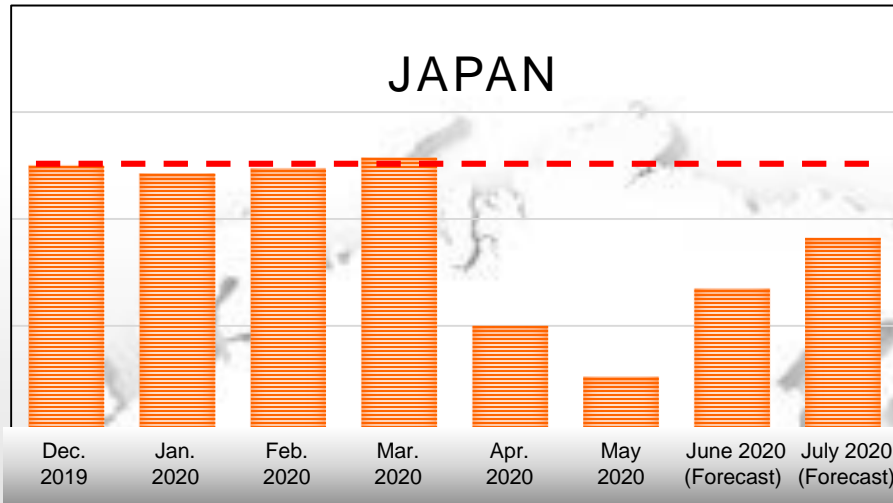
# Global Sales in Weight

■ Global sales are on a recovery track after hitting bottom in April and May.



\* Percentage of sales weight compared to the level of last December before the COVID-19 pandemic

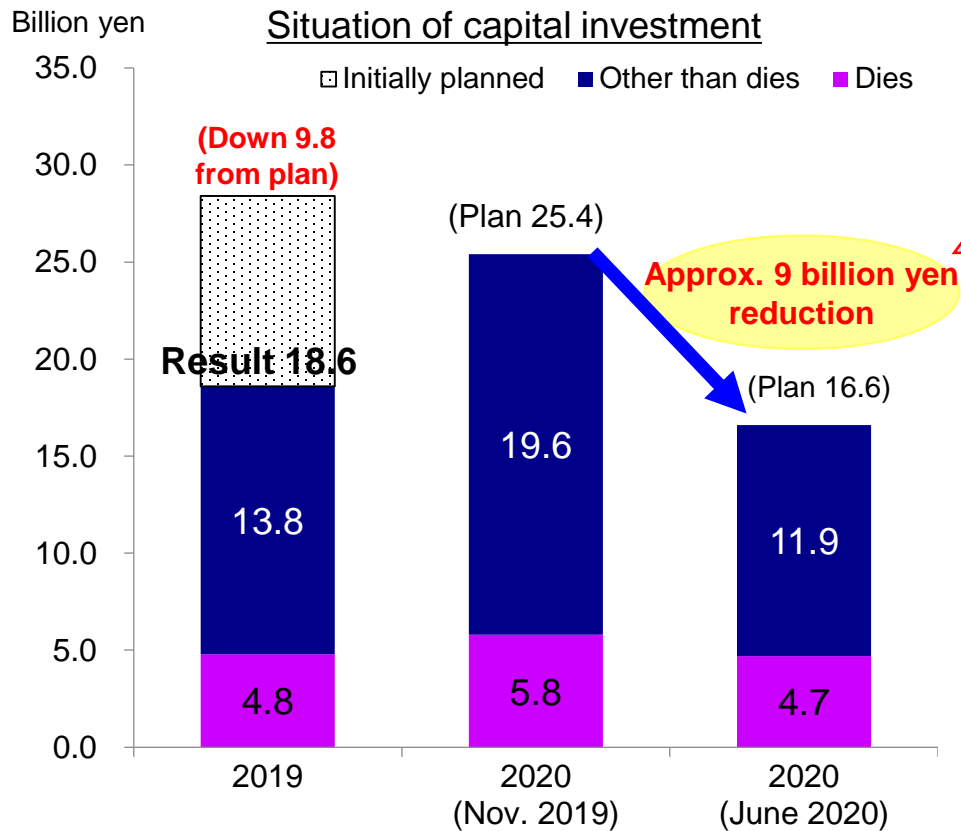
# Sales Weight by Segment



\* Percentage of sales weight compared to the level of last December before the COVID-19 pandemic

# FY2020 Capital Investment Forecasts

In response to changes in the market environment due to the spread of COVID-19, the amount of capital investment planned for FY2020 was substantially reduced.



- Reviewing priorities and timing of investments
- Reducing the amount of investment by improving productivity
- Utilizing idle facilities inside the Company

Securing funds available in hand through fundamental review of capital investment and other expenditures and cooperation with financial institutions

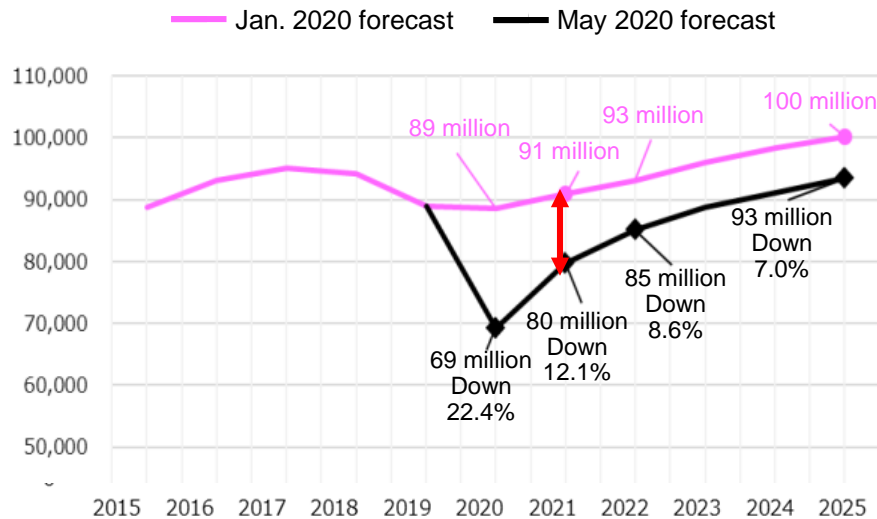
- As of March 31, 2020

Cash and deposits: 4.1 billion yen  
 (Balance as of May 31: 8.5 billion yen)  
 Investments in securities: 2.5 billion yen

# Impact of COVID-19 on Vehicle Production Volume

(IHS May 20 forecast)

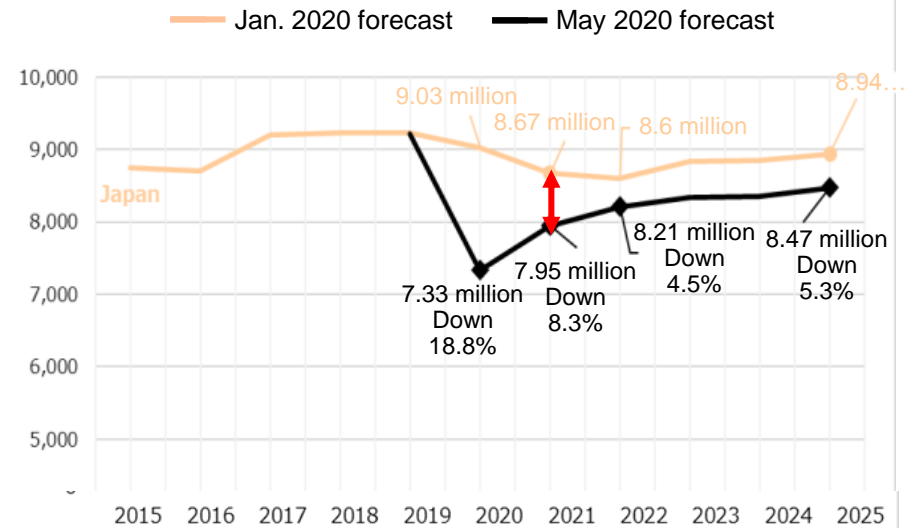
## Global vehicle production volume



### Jan. 2020 forecast → Impact of COVID-19

2021: 91 million units → 80 million units Down 11 million units  
 2025: 100 million units → 93 million units Down 4.7 million units

## Vehicle production volume in Japan

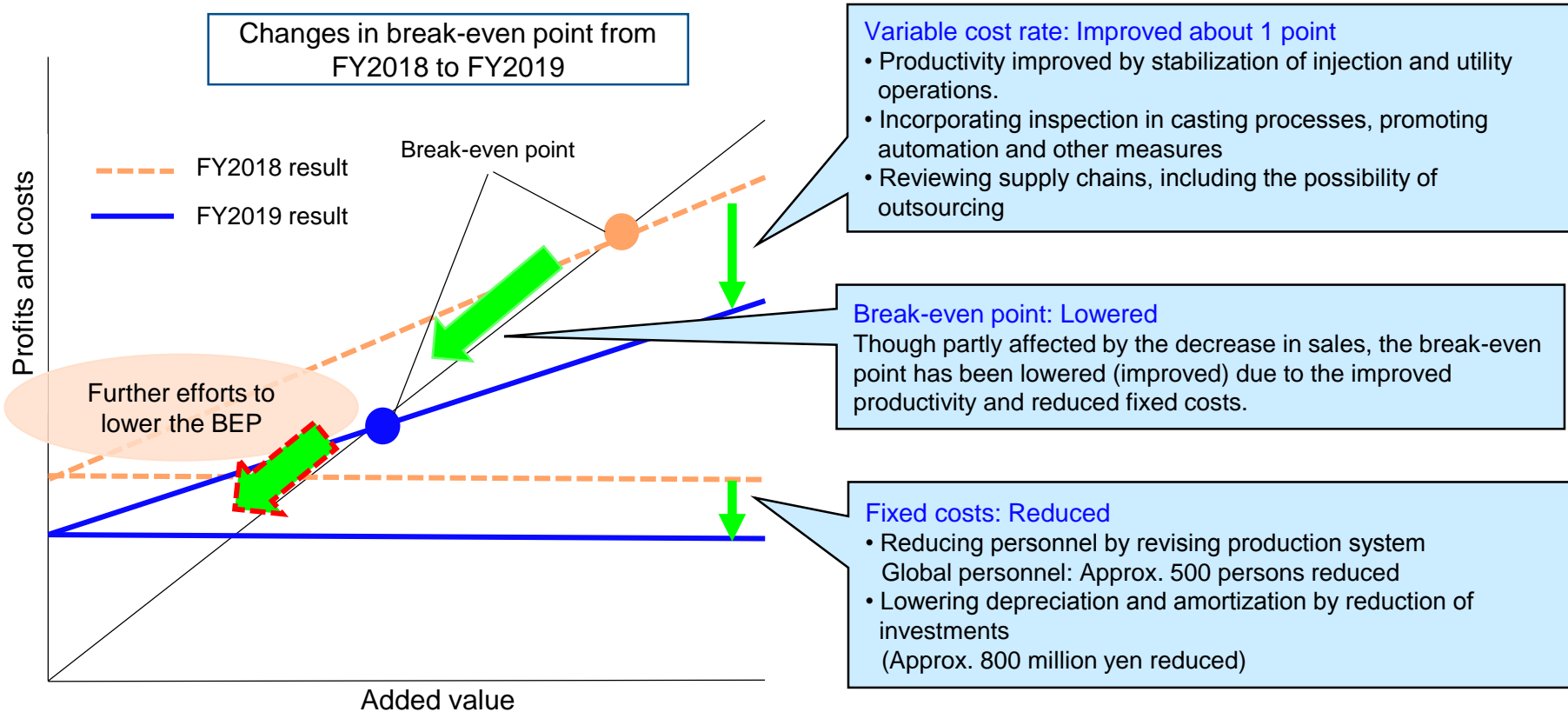


### Jan. 2020 forecast → Impact of COVID-19

2021: 8.67 million units → 7.95 million units Down 720,000 units  
 2025: 8.94 million units → 8.47 million units Down 470,000 units

# Improving Corporate Structure in Response to Changes in Auto Market

Promoting a switch to leaner production systems under the Medium-Term Management Plan from FY2019, with a lower break-even point. In FY2020 and ahead, further promoting efforts to establish a leaner corporate structure.



- 
- Overview of the Results for the Fiscal Year Ended March 2020
  - Response to COVID-19
  - **Progress in 1921 Medium-Term Management Plan**

# 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

Winning absolute customers' trust 2025

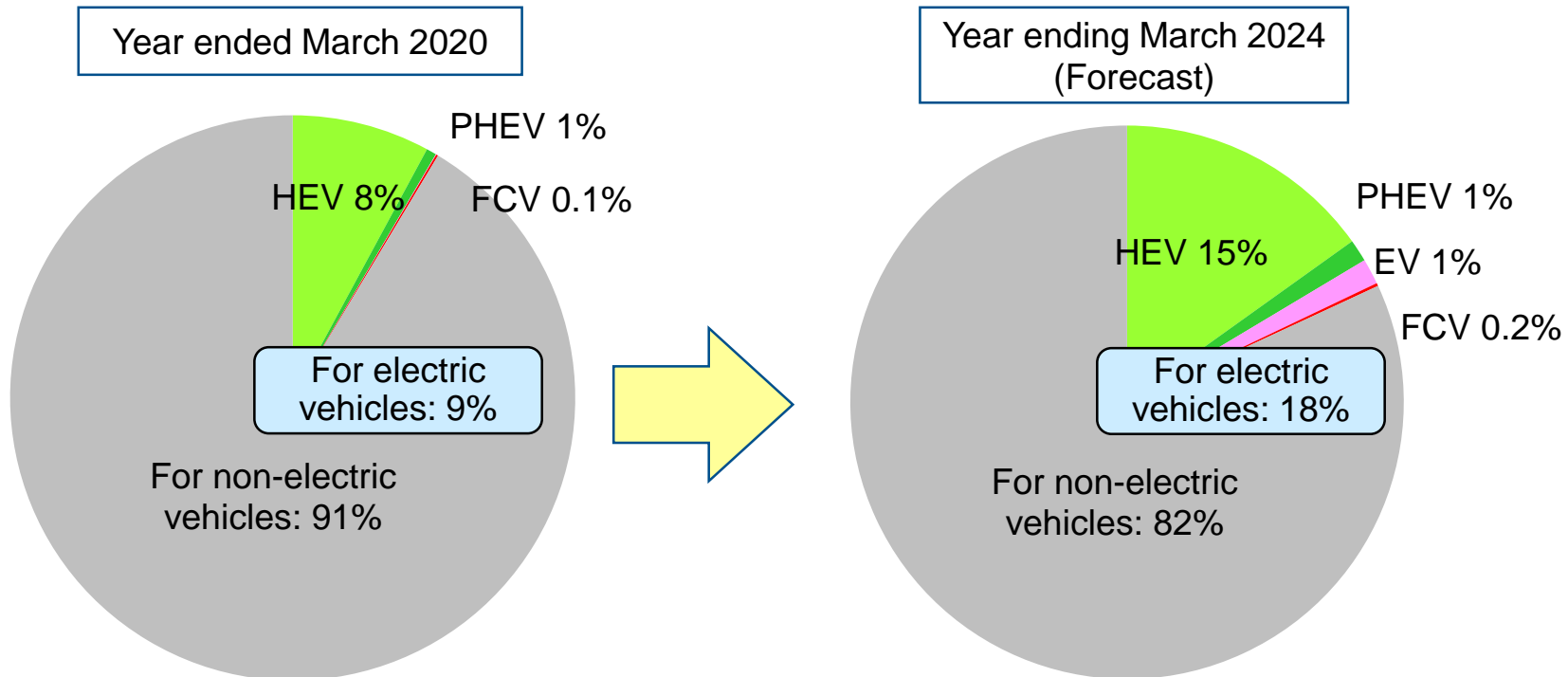
# Implement business strategies with an eye on the future automotive market

## Efforts to increase orders for parts for electric vehicles

### Orders increased, contributing to the future sales increase

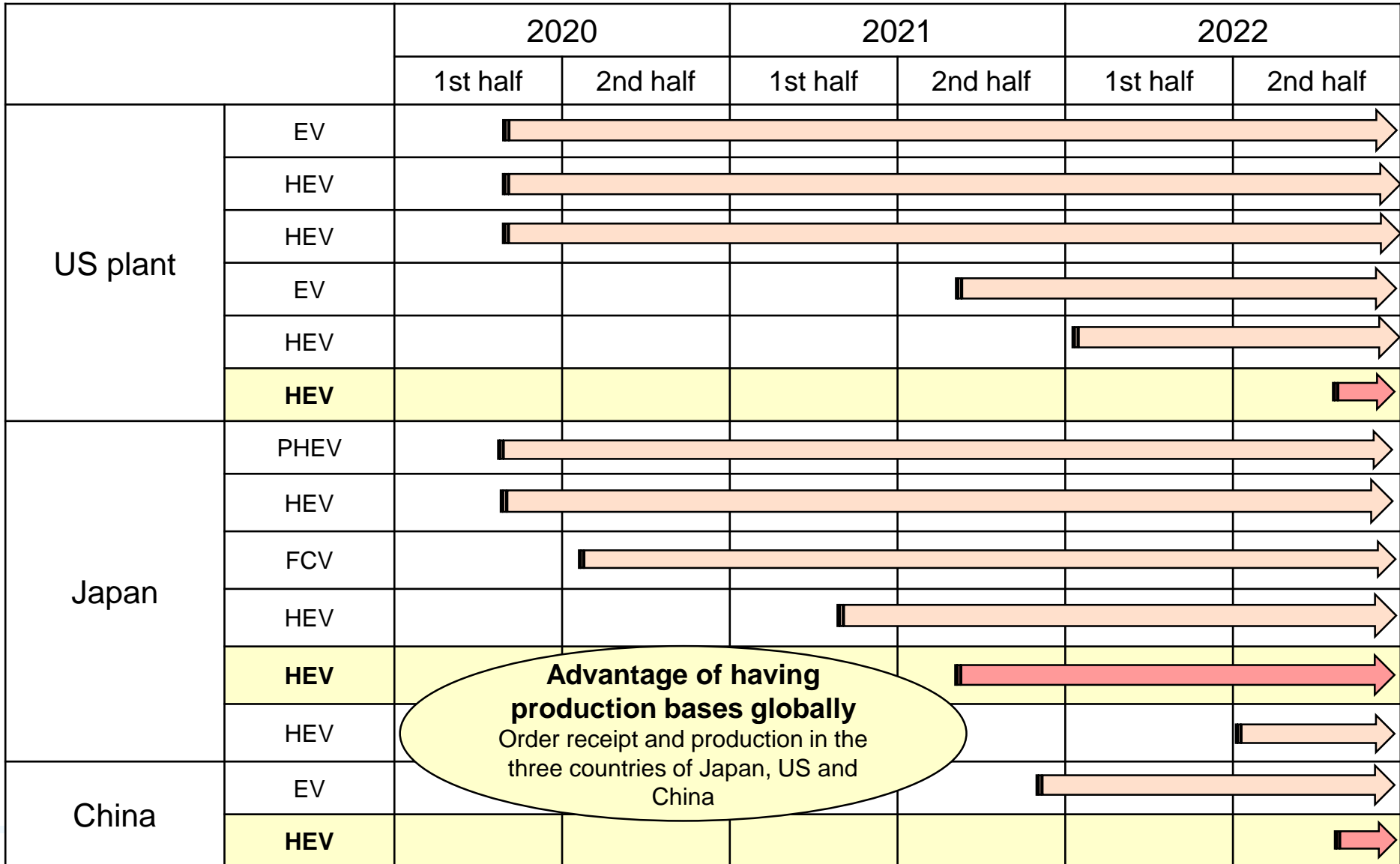
Result

Sales share of parts for electric vehicles: FY2019 9%  $\Rightarrow$  FY2023 18% expected





# Progress in launch of parts for electric vehicles



**Advantage of having production bases globally**  
 Order receipt and production in the three countries of Japan, US and China

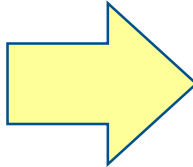
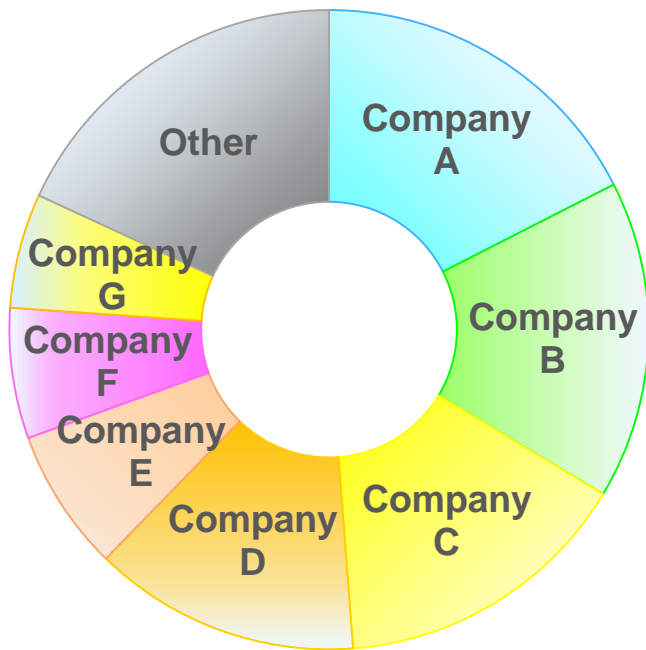
# Expanding customer base

In progress

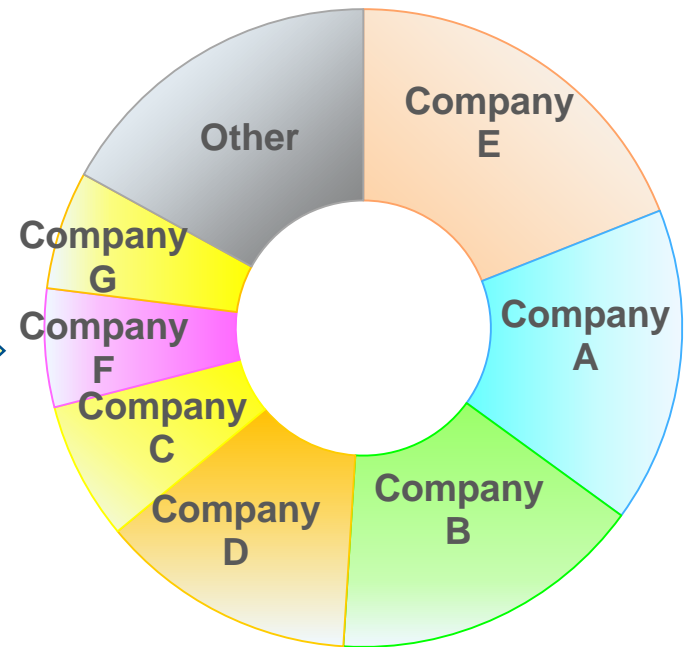
## Expanding our customer base under the “region × parts” strategy

In response to voices of customers, who are increasingly willing to play a role in our strategy as partners, we promote our sales activities to achieve growth together with our customers.

Year ended March 2020



Year ending March 2024 (Forecast)

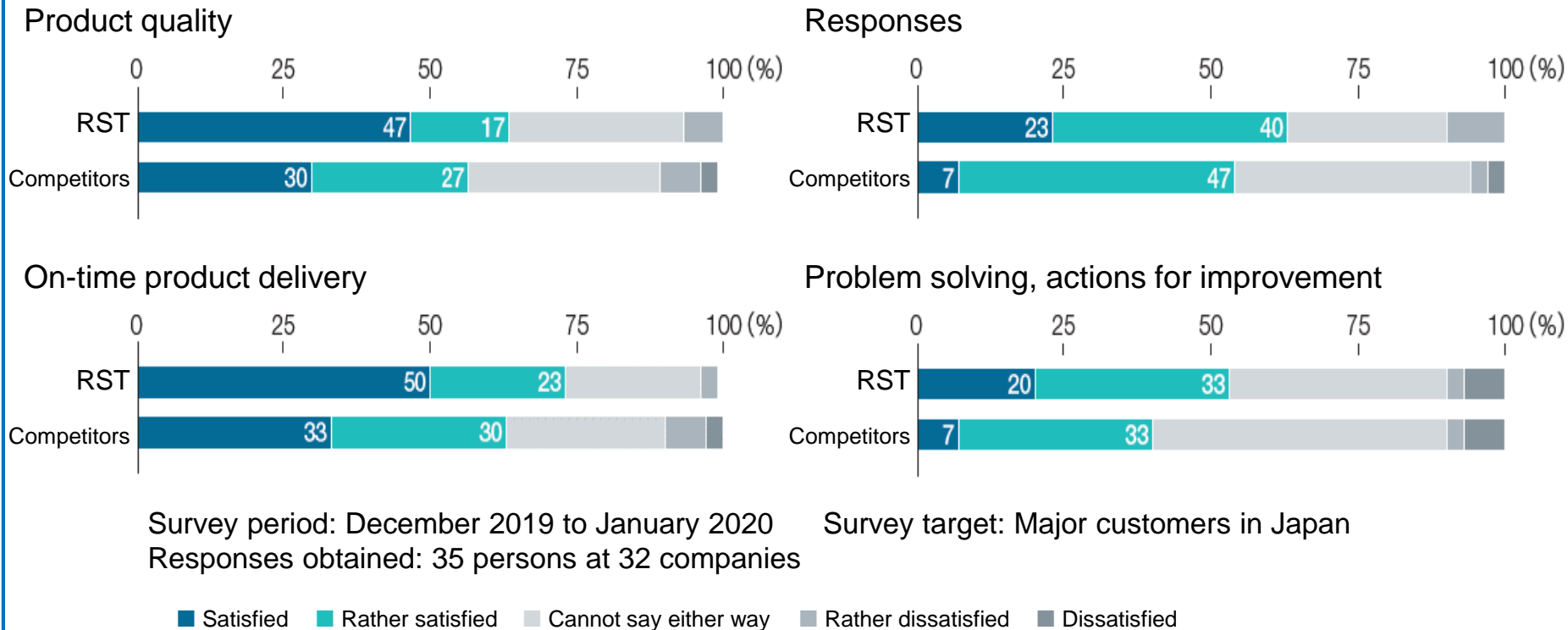


# Implement business strategies with an eye on the future automotive market

## Achieving high customer evaluation (1)

### FY2019 Customer Satisfaction Survey (excerpts)

In progress



# Implement business strategies with an eye on the future automotive market

## Achieving high customer evaluation (2)

Result

### Major awards in FY2019

- ◆ Aisin AW Co., Ltd. “Overseas Support Contribution Award”
- ◆ Toyota Industries Corporation “Special Award”
- ◆ GAC Toyota Engine Co., Ltd. “Quality Cooperation Award”
- ◆ JATCO Mexico, S.A. de C.V. **“Best Performance Award”  
for the 2nd consecutive year**
- ◆ Suzuki Motor Corporation **“Overseas Contribution Award”  
for the 2nd consecutive year**
- ◆ Maruti Suzuki India Limited **“Overall Performance”  
for the 3rd consecutive year**
- ◆ Honda Transmission Mfg. “Challenging Spirit Award”



# Enhance earnings strength by improving productivity and quality

## Improving productivity and quality by realization of OPCC

### Pursuing optimal manufacturing conditions by using statistical quality management

In progress

<Factors>

<Allocate 2D codes>

<Store/analyze data>

Materials



Equipment

(Casting machines, utilities)



Casting conditions



Dies



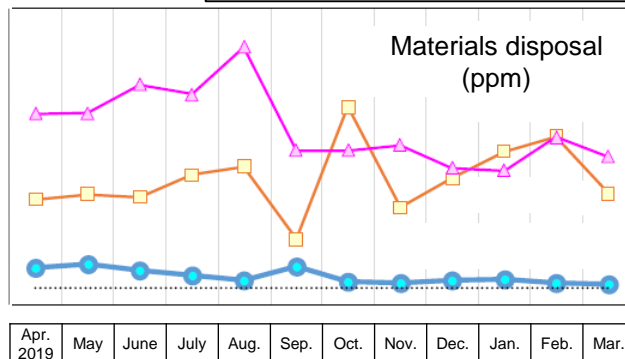
Linking measured manufacturing parameter values to quality levels



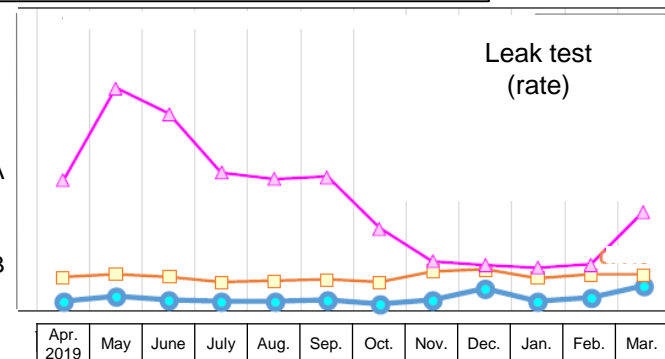
- Design of experiments
- Statistical approach

Improved productivity and quality

### Comparison of the quality of equivalent engine blocks with competitors



- Ahresty
- ▲ Competitor A
- Competitor B



\* OPCC (Optimal Process Condition Control) means management of optimal manufacturing conditions for good products.

# Enhance earnings strength by improving productivity and quality

## Establishing lean production systems

In progress

[Reducing manpower in production processes]

- ◆ In-process quality assurance to incorporate inspections in casting processes
- ◆ Introducing automatic inspection machines, utilizing “karakuri” mechanisms
- ◆ Equipment improvement to increase the number of casting machines per operator in charge

[Synchronizing processes, shortening work flows]

- ◆ Process improvement by reviewing flows of carrying work, etc.
- ◆ Manpower reduction by synchronizing processes for finishing and processing

[Streamlining headquarters and non-production operations]

- ◆ Integration of non-production operations among plants, streamlining of headquarters operations



Automatic appearance inspection of cast parts (Ahresty Tochigi)



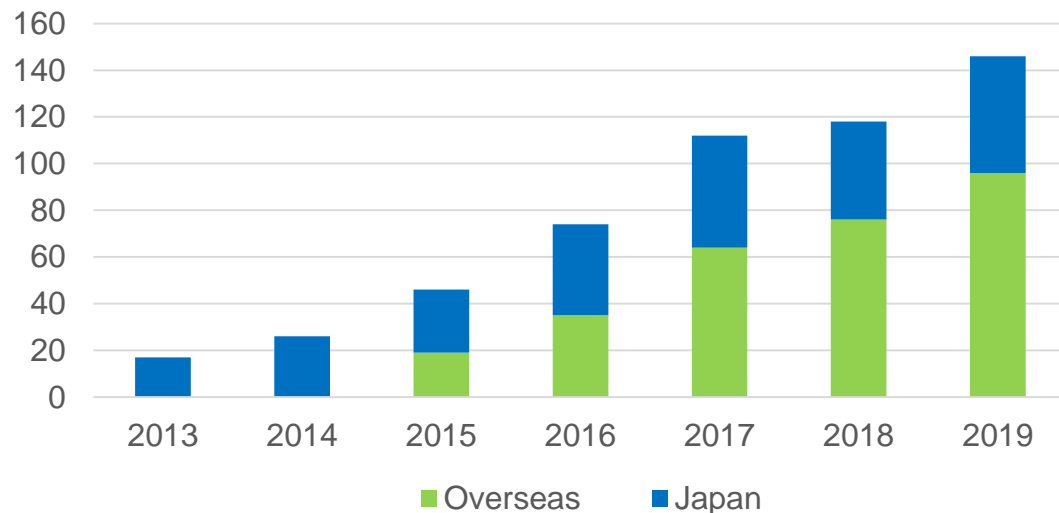
Automatic appearance inspection of processed parts (Ahresty Pretech)

# Develop human resources that underpin corporate growth

## Promoting global education and training

Result

### Number of on-site managers and supervisors receiving educational programs



### Deploying global curriculums

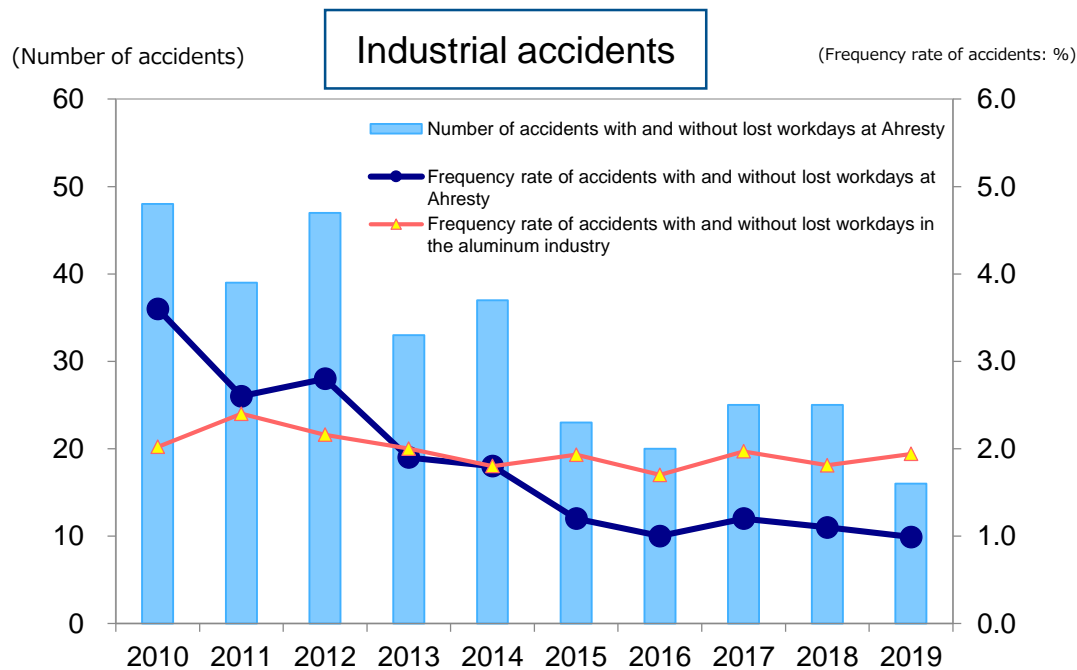
- ✓ Opened new courses on electric vehicles and automated driving related to CASE
- ✓ Education/training programs are offered at 7 overseas sites, with one site added in FY2019.

# Creating comfortable workplace

In progress

## Establishing a safe environment with lighter workload

- ✓ Improving operations with heavy workload
  - Reduction of operations using hammers: 74 cases
  - Reduction of operations handling heavy materials: 198 cases
- ✓ Improving the sensory temperature in summer and winter
  - Below 28°C in summer, 10°C or above in winter
- ✓ Improving noise



\* Frequency rate = Number of industrial accidents × 1,000,000 ÷ Total work hours

\* Source: Japan Aluminium Association "Cases of Industrial Accidents November 2019"



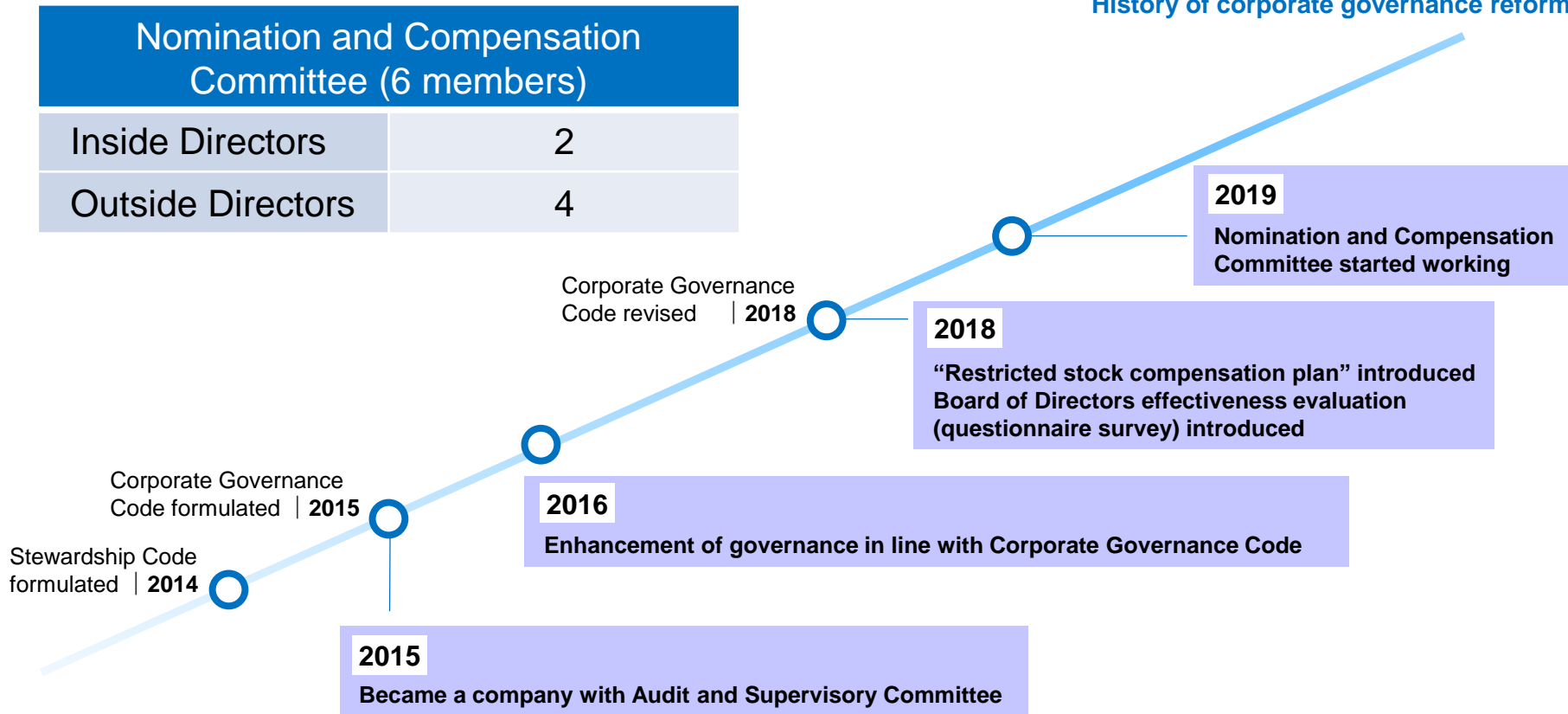
# Efforts to Enhance Corporate Governance

In progress

## ■ Setting up the Nomination and Compensation Committee

Holding discussions on appointment/dismissal of directors, remunerations, and requirements for director candidates

History of corporate governance reform



# Efforts to Achieve SDGs

In progress

## ■ Setting up the Sustainability Meeting

- ◆ Achieve sustainable growth by solving social issues through business activities
- ◆ Promote Group-wide organizational actions for SDGs

## ■ Priority tasks

Tasks that may significantly contribute to solving social issues and are also closely related to businesses of Ahresty



### **Contributing to weight reduction of vehicles with our aluminum die-cast products**

⇒ Mitigating the impact of climate change by reducing CO2 emissions



### **Reducing use of fossil fuels by improving production efficiency**

⇒ Improving energy efficiency



# Casting Our Eyes on the Future

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URL: <https://www.ahresty.co.jp/en>**

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.