

The Increasingly Electrified Auto Market and Our Strategies

March 12, 2021



FY2020 Results for the First Three Quarters and Full-year Forecasts

Overview

(FY2020 Results for the First Three Quarters and Full-year Forecasts)

(Million yen)

	Year ended March 2020	Year ending March 2021				
		1Q	2Q	3Q	4 Q forecast	Full year forecast
Net sales	120,577	15,524	21,312	27,670	27,800	92,300
Operating income	764	(3,020)	(782)	1,092	110	(2,600)
Recurring income	406	(2,589)	(561)	1,004	(50)	(2,200)
Net income	(685)	(3,190)	(788)	919	160	(2,900)

- Net sales : Production has been on a recovery trend after bottoming out in 1Q. In 3Q, sales volume in Japan, North America and China recovered to nearly the same level as the previous year.
- Operating income: Due to efforts to reduce costs and improve productivity, the break-even point fell and profitability improved.
- 4Q, full-year : A decrease in sales volume is expected due to the impact of the semiconductor problem. Profit is likely to decline along with the decrease in sales volume.
- Dividends : In line with the upward revision of full-year business forecasts, resumption of the dividend payment (5 yen) is expected.

Die Casting Business

(Million yen)

		Year ended March 2020	Year ending March 2021				
			1Q	2Q	3Q	4 Q forecast	Full year Forecast
Japan	Net sales	59,500	7,232	10,972	13,760	13,100	45,100
	Segment income/loss	(444)	(2,069)	(650)	381	(260)	(2,600)
North America	Net sales	30,633	4,742	3,868	6,262	6,600	21,500
	Segment income/loss	635	(156)	(167)	449	120	250
Asia	Net sales	23,846	2,257	5,346	5,738	6,700	20,000
	Segment income/loss	3	(995)	36	132	280	(550)

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

- 3Q : Sales volume recovered in all segments to nearly the same level as the previous year, resulting in an increase in segment profits.
- 4Q, full-year: Profit is likely to decline along with the decrease in sales volume in Japan due to the impact of the semiconductor problem.

Aluminum Business and Proprietary Products Business

(Million yen)

		Year ended March 2020	Year ending March 2021				
			1Q	2Q	3Q	4 Q forecast	Full year Forecast
Aluminum Business	Net sales	3,993	646	748	1,018	1,100	3,500
	Segment income/loss	169	△41	0	36	5	0
Proprietar y Products Business	Net sales	2,603	644	379	891	290	2,200
	Segment income/loss	277	109	40	126	△20	250

Aluminum Business

- Sales: Sales are on a recovery track from the impact of COVID-19. Net sales for 3Q are about the same level as the previous year.
- Segment income: Recovered from a significant decline in sales to the break-even level after 2Q.

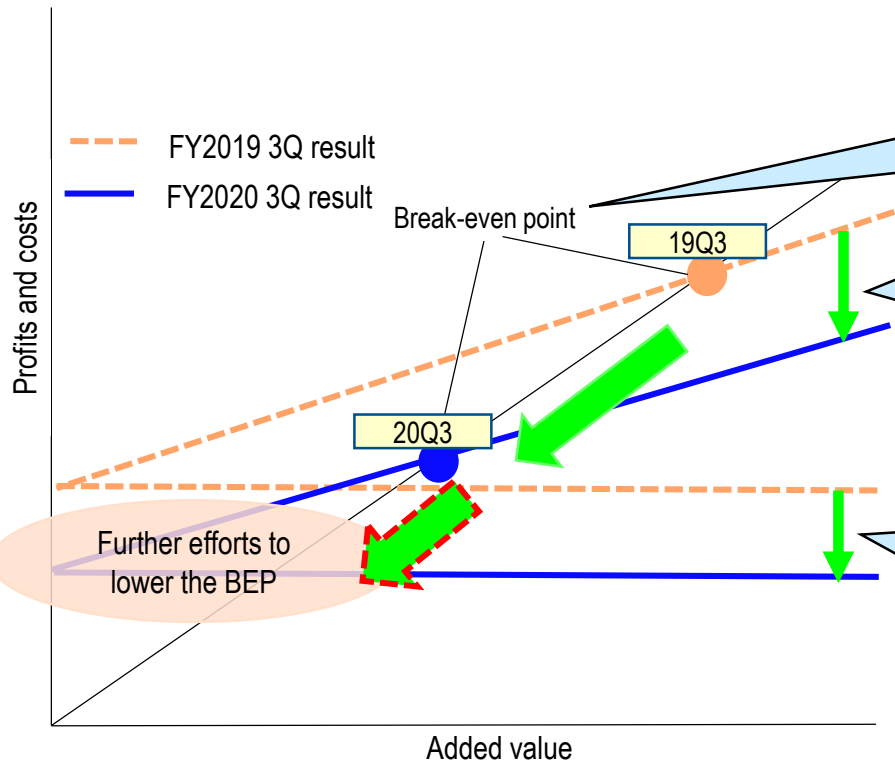
Proprietary Products Business

- Sales: Decreased chiefly due to a year-on-year fall in orders for large projects for clean rooms, etc. A decrease in sales is expected for 4Q due to a time lag in recording.
- Segment income: Despite a decrease in income on a full-year basis, profit at about the same level as the previous year has been secured as a result of cost reduction efforts.

Improving Corporate Structure in Response to Changes in Auto Market

Due to a switch to leaner production systems under the Medium-Term Management Plan from FY2019, the break-even point has fallen. In comparison to the first three quarters of the previous year, in addition to the reduction of fixed costs, higher productivity improved the variable cost rate.

Changes in break-even point from FY2019 3Q to FY2020 3Q



Break-even point: Fell

Though partly affected by the decrease in sales, the break-even point has fallen (improved) due to improved productivity and reduced fixed costs.

Variable cost rate: Improved 4 points

- Productivity improved due to the stabilization of injection and utility operations.
- Incorporated inspection in casting processes, promoted automation and other measures
- Incorporated deburring, which had been outsourced, in in-house processes

Fixed costs: Reduced by approx. 4,900 million yen (of which 1,100 million is associated with COVID-19)

- Reduced labor costs by revising the production system
- Lowered depreciation and amortization by the reduction of investments
- Reduced travel expenses by introducing teleworking, etc.

Establishing lean production systems

[Examples of reducing manpower in production processes]

- ◆ The number of casting machines per operator in charge increased due to equipment improvement and layout change.
- ◆ In-process quality assurance to incorporate inspections in casting processes reduced the number of workers in charge of casting operation.
- ◆ Introduced automatic inspection machines and promoted the utilization of “karakuri” mechanisms.
- ◆ Automated material feeding for aluminum melting furnaces.

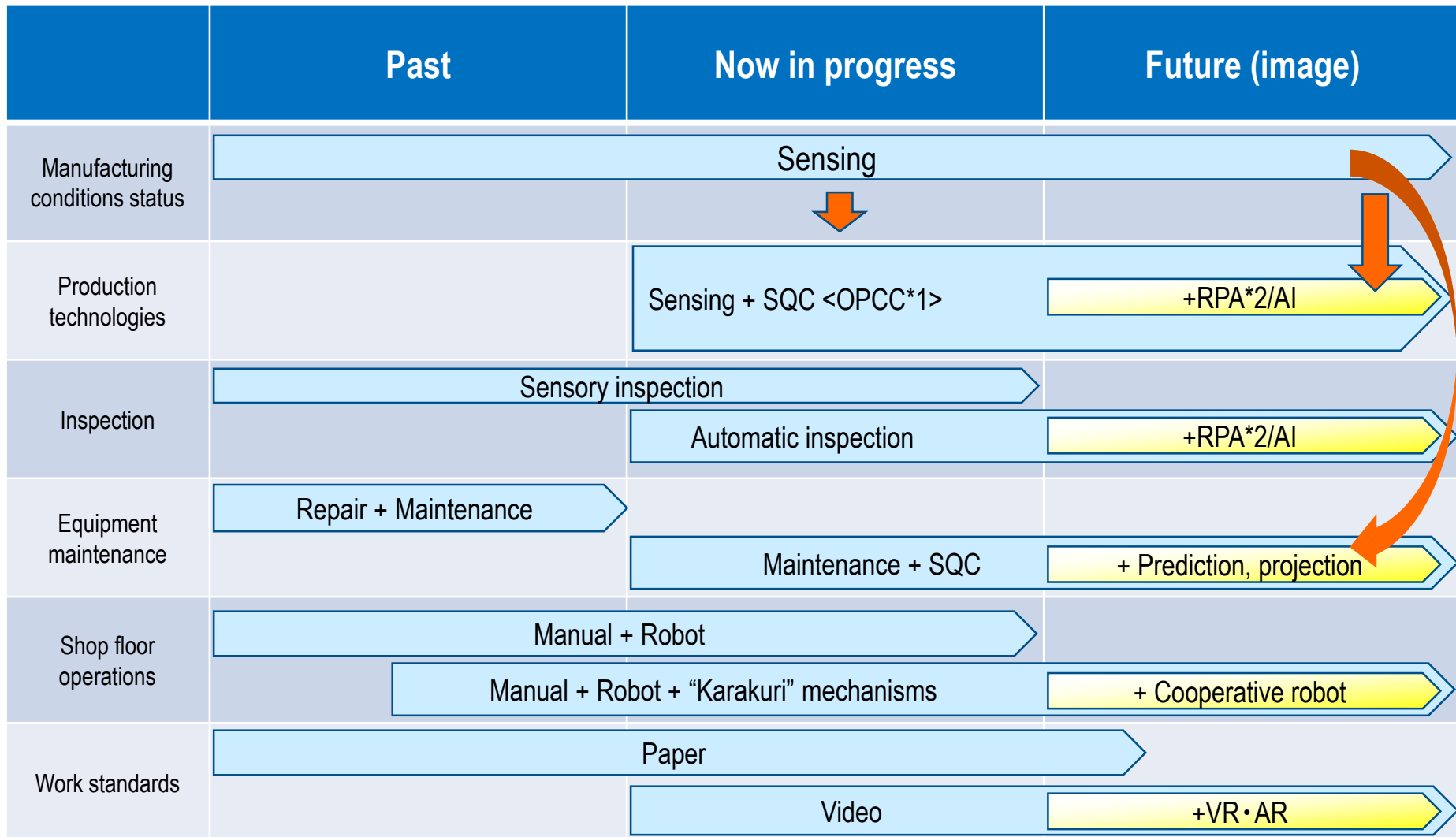
[Examples of Promoting leaner systems by shortening work flows, etc.]

- ◆ Process improvement by reviewing flows of carrying work, etc.
- ◆ Cost reduction by incorporating outsourced operations in in-house processes
- ◆ Returning external warehouses by reducing inventory (reduction of rental costs)
- ◆ Manpower saving by the integration of functions of non-production operations among plants



Aluminum melting furnace
(Ahresty Yamagata)

Advancement in the use of information technology in production

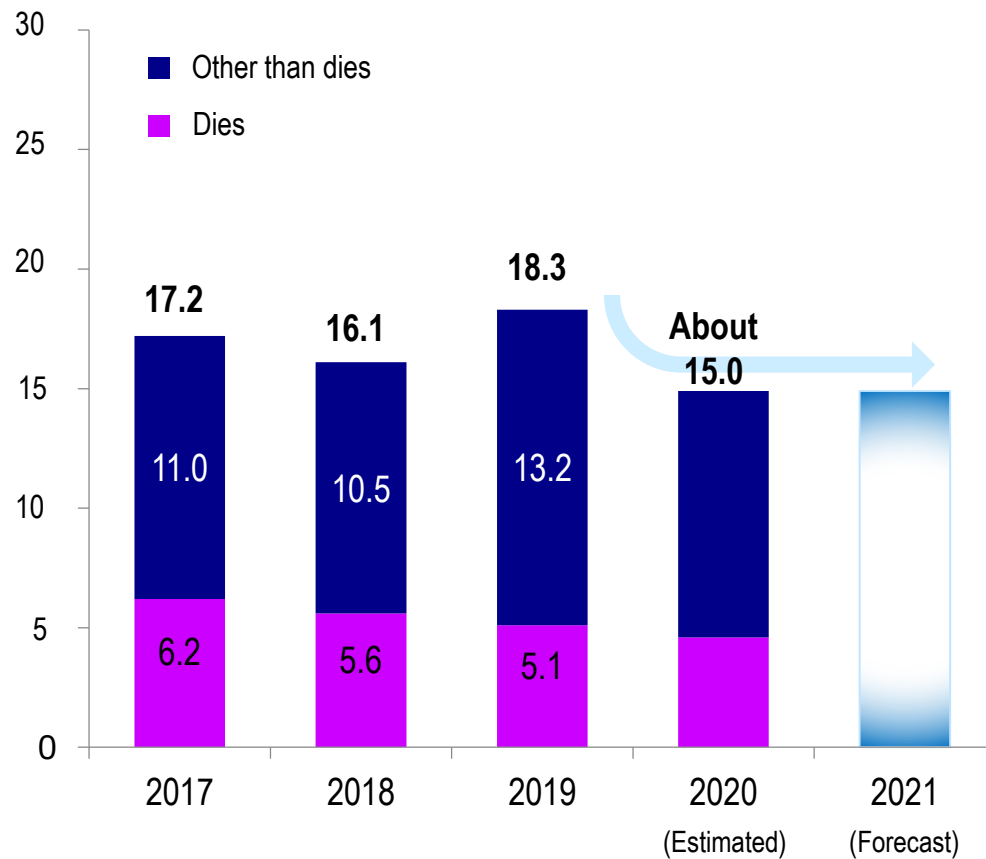


*1: OPCC (Optimal Process Condition Control) means management of optimal manufacturing conditions for good products.

*2: RPA (Robotic Process Automation)

Cash-flow management by efficient capital investment

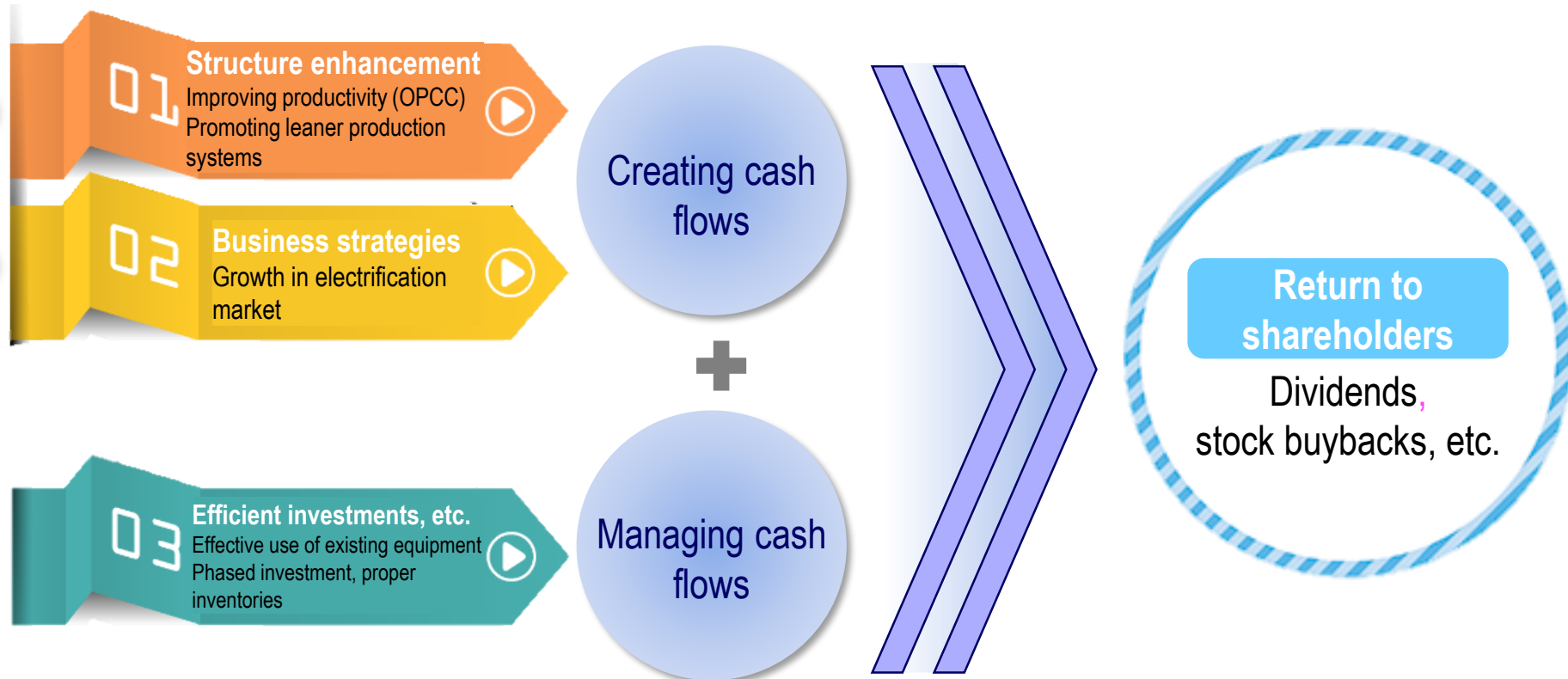
Amount of capital investment (Billion yen)



- The amount for FY2020 was mostly as planned and will remain at the same level for FY2021.
- New investments to increase production, which account for over 60% of the total, will be made in phases along with effective utilization of existing equipment and in view of the amount of orders received.
- Investments other than new investments to increase production will be made for maintenance and improvements, including improvement of productivity.

Capital policy

- ◆ Structure enhancement and business strategies to create cash flows, as well as proper management of cash flows for investment, inventories, etc., to provide returns to shareholders



Major awards

- ◆ SUBARU Corporation “Quality Production Cooperation Award”
- ◆ Nissan Motor Co., Ltd. “Appreciation for Superior Quality”
- ◆ Awarded by Toyota Kirloskar Motor India in 3 segments:
 - ZERO Defect
 - Quality
 - Delivery
- ◆ Suzuki “Overseas Contribution Award”*
- ◆ JATCO Mexico, S.A. de C.V. “Best Performance Award”*
- ◆ Isuzu Motors “Quality Excellence Award”
- ◆ Mitsubishi Motors “Cost Excellence Award”
- ◆ Yamada Manufacturing “Excellence Appreciation Award”

* Awarded by Suzuki and JATCO for the second consecutive year



Response to the Increasingly Electrified Auto Market

Models with our products

HEV **XV (SUBARU)** Block, motor case, main case, extension, etc. — Total 6 parts

HEV **CR-V (HONDA)** IPU frame, transfer case, transfer holder

HEV **FIT (HONDA)** L side cover, upper cover, lower case, etc. — Total 7 parts

HEV **YARIS CROSS (TOYOTA)** Crankcase, base plate

PHEV **OUTLANDER (MITSUBISHI)** Front frame, generator frame

PHEV **ECLIPSE CROSS (MITSUBISHI)** Block, chain case

PHEV **RAV4 PHV (TOYOTA)** Inverter case, converter case

EV **Mustang Mach-E (FORD)** Inverter case

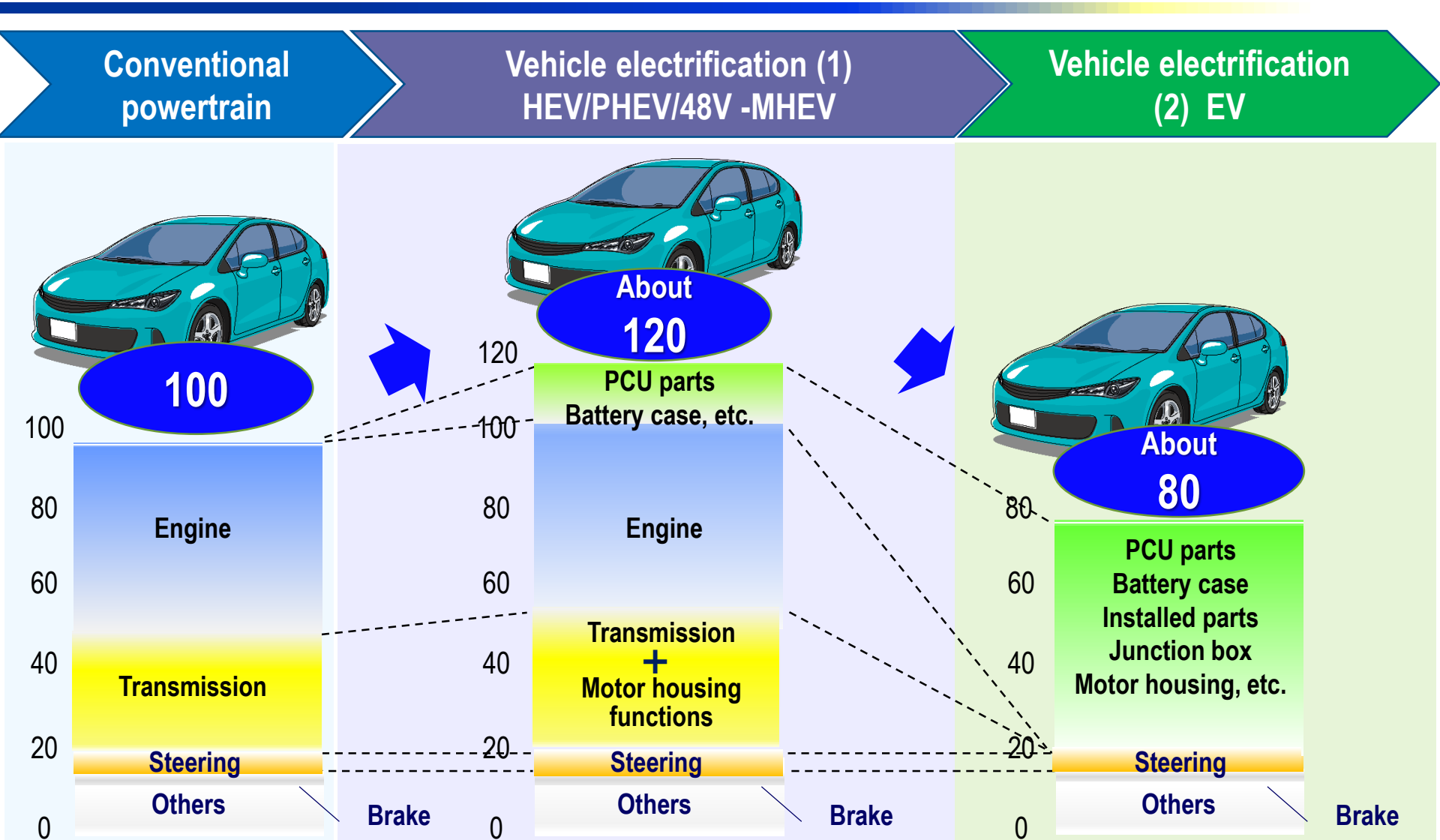
FCV **CLARITY (HONDA)** VCU case, PCU case

FCV **MIRAI (TOYOTA)** Converter case, reactor cooler case



Toyota new MIRAI

Changes in the quantity of die-cast used per vehicle



Engine: Engine block, lower block, oil pan, head cover, front cover, cam carrier, etc.

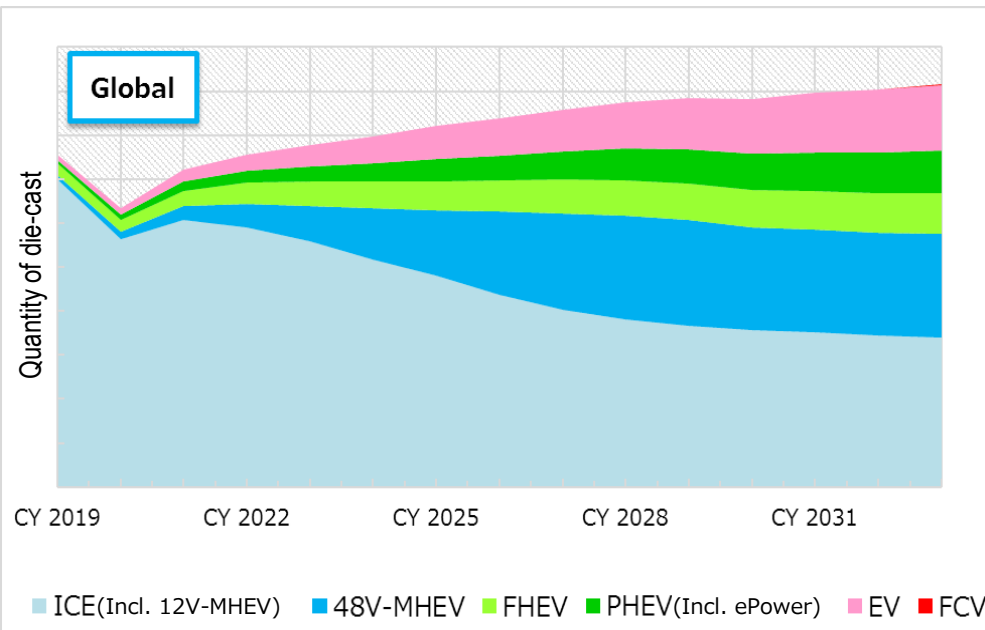
Transmission: Transmission case, clutch, housing, valve body, side cover, transfer, defroster, etc.

Changes in global demand for die-cast products

(except parts for vehicle body)

[Global]

- ✓ Demand for die-cast products will continue to grow.
- ✓ EV will create new business fields.
- ✓ Demand for parts for vehicles with internal combustion engines (ICE, HEV, etc.) will also remain at a certain level.



EV:

Expansion into new business fields.

⇒ Take advantage of experience and knowledge in mass production of parts for electric vehicles to maintain/enhance competitiveness

HEV·PHEV·FCV:

Continue as existing business fields

⇒ Reinforce existing customer base

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Changes in demand for die-cast products (China, India)

Aim at further growth with products and technology strategies appropriate for market expansion and electrification speed.

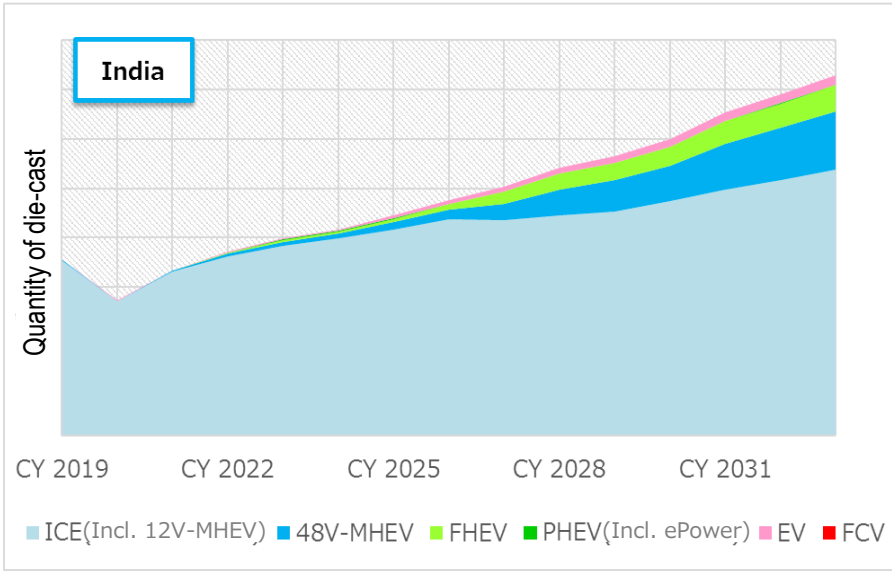
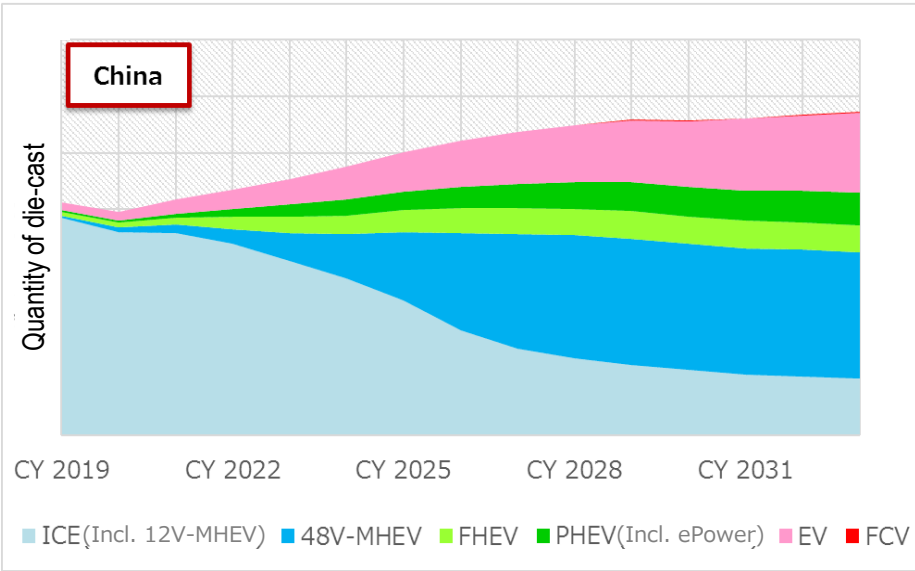
Aim at multi-locational advancement in growth markets including 3 sites (2 in China and 1 in India).

[Chinese market]

- ✓ Continue to expand as the world's largest auto market
- ✓ EV expansion accelerated by government policies

[Indian market]

- ✓ Growth market with population rivaling China
- ✓ Due to electric power and infrastructure conditions, ICE-vehicles, including HVs, account for over 90%



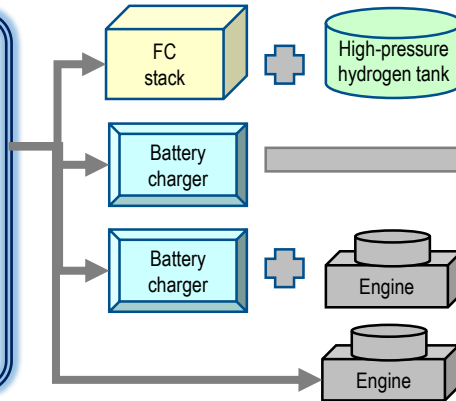
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Response to electrification in existing/ new business fields

Core technologies and parts for electric vehicles

Core technologies for electric vehicles

- Motors
 - Batteries
 - Power control units
- HEV technologies in which Japanese OEMs have an advantage



Existing business fields

- Converter cases
- Reactor cooler case

FCV

EV

US and EU OEMs are leading

PHEV

Fields in which Japanese OEMs have an advantage

HEV

Existing business fields

- Inverter cases
- Converter cases
- Power control units

- eAxle parts
- Battery parts

Business fields expected to grow

Pay attention to changes in OEM business models

Automated driving

Connected

MaaS

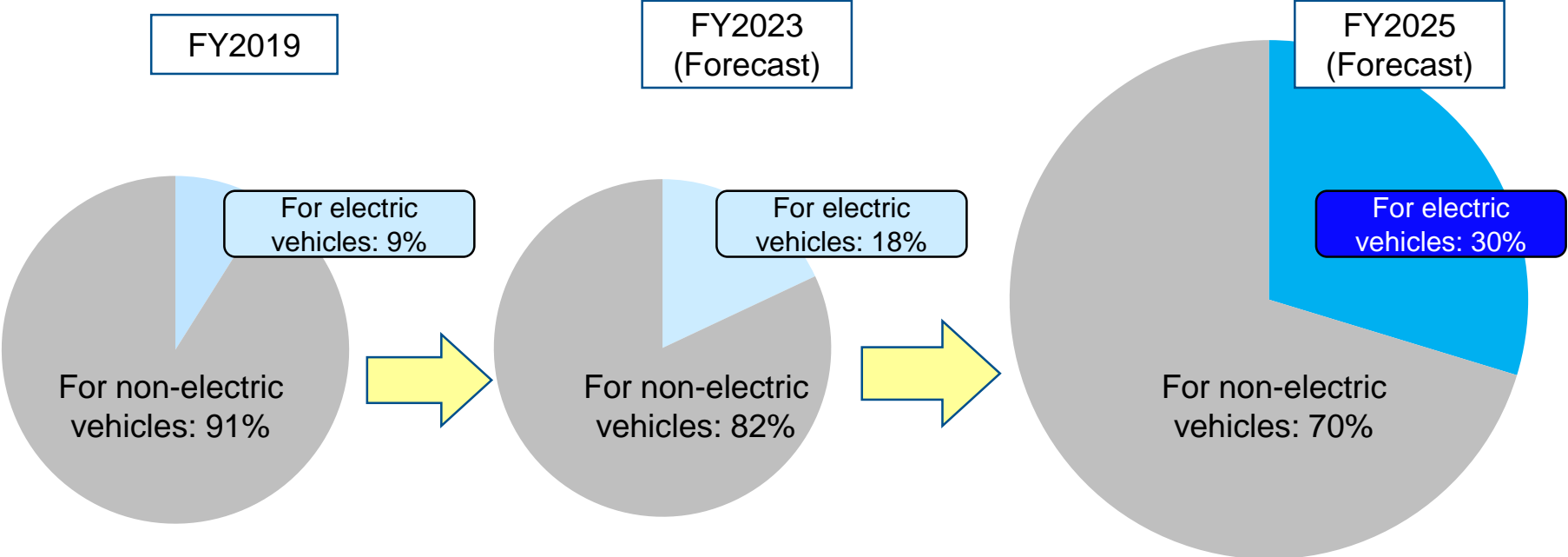
- 1) PCU: No significant change due to EV expansion. Maintain/enhance competitiveness by using experience/knowledge from current mass production.
- 2) Batteries and motors: Basic functions are the same in EV. Through HEV products, promote technical exchange with customers to enhance understanding of functions, and create competitive items.

Develop technologies to create demand/improve productivity

Future changes in product portfolio

■ Share of parts for electric vehicles in sales:

FY2019 9% ⇒ FY2025 around 30%



* Electric vehicles: Vehicles that use electricity as an energy source and are powered by an electric motor; namely, HEVs, PHEVs, FCVs and EVs.

Efforts to Achieve the SDGs

Efforts to Achieve the SDGs

■ Priority tasks

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

Starting from FY2021, set KPIs to promote initiatives.



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

⇒ Mitigating the impact of climate change by reducing CO2 emissions



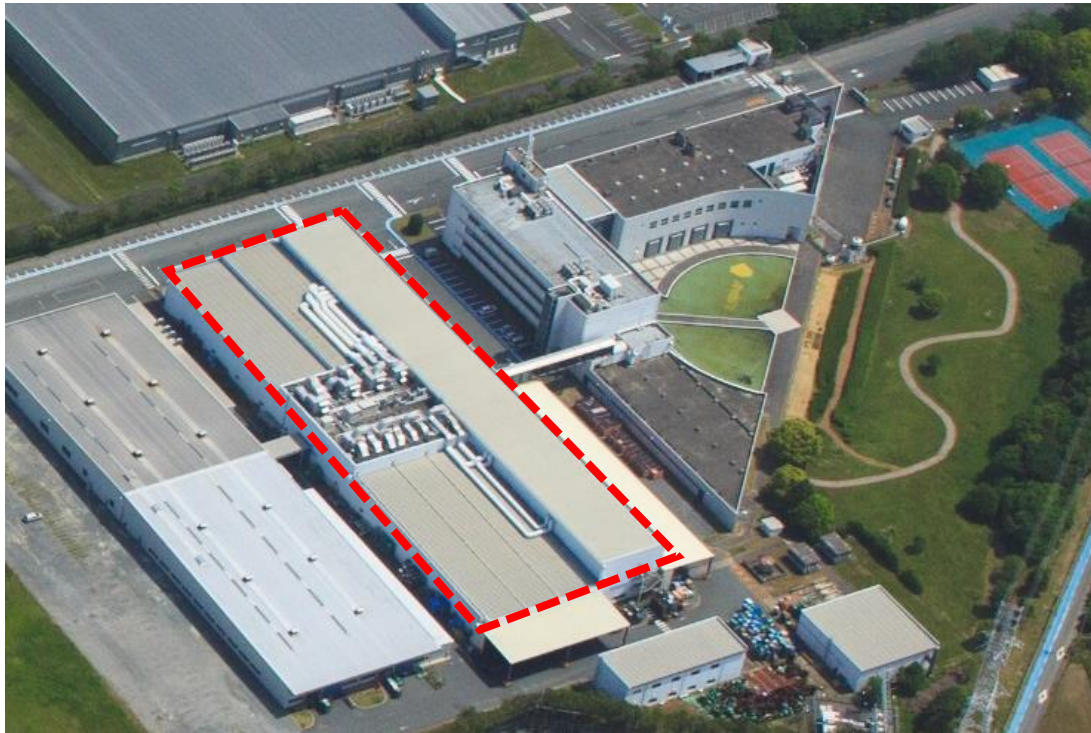
Reducing use of fossil fuels by improving production efficiency

⇒ Improving energy efficiency

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

Toward “carbon-neutral”

- ◆ Clarify SDGs-related investments in the capital investment plan
- ◆ Introduce solar power generation to Ahresty Pretech Toyohashi No.1 Plant (operations to start in March 2021)



Red-framed area: Solar panels installed at Ahresty Pretech Toyohashi No.1 Plant

Formulating long-term visions

Corporate Philosophy: Research Service Technology

Our aspirations toward the 100th anniversary

Diversity

Globalization

SDGs
ESG



Milestone

Milestone

Milestone

10-Year Vision

10-Year Vision

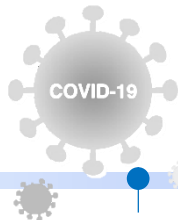
10-Year Vision

3-Year Medium-Term Management Plan

16-18

19-21

22-24



2021



CASE

EV

2030



Global environment
Carbon-neutral

2040



Casting Our Eyes
on the Future

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