OHASHI TECHNICA, INC.
7628 Tokyo Stock Exchange
First Section

12-Sept.-16

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and disclaimers appear
at the end of this document.

FISCO Ltd. Analyst
Yuzuru Sato

Boasting top class profitability in the automotive parts industry, with an operating income margin of approximately 10%

Ohashi Technica, Inc. <7628> (herein, “the Company”) is an independent automotive parts manufacturer that supplies some 20,000 precision machined parts including those for engines, peripheral transmission components and interior and exterior parts, to about 400 Japanese automotive and automotive equipment manufacturers. Its strengths include having built a global supply structure and consulting capabilities that provide optimal proposals that respond to customer needs in terms of quality, cost and other issues, by combining a “factory solution” via Group manufacturing subsidiaries and a “fabless solution” through collaborations with partner companies. Through business model of making value-added proposals, it is achieving a leading rate of return compared within the automotive parts industry, with an operating income margin of approximately 10%.

The forecast for FY3/17 calls for a swing to lower revenues and earnings for the first time in five periods, with net sales of ¥38,500mn (-3.7% y-o-y) and operating income of ¥4,150mn (-7.9% y-o-y). While there are certain elements of instability surrounding domestic automotive manufacturer production, the Company expects to maintain broadly sound results based on new orders and other factors, however continuing yen appreciation will be a negative factor. The assumed exchange rate this period is US$1:¥110.00 (being ¥121.05 in the previous period), with the impact from yen appreciation being approximately ¥2,300mn on sales and around ¥380mn on operating income. Also, it is expected that the Company will fall below plan given that currently yen appreciation is proceeding further.

The Company will establish a new factory at its subsidiary that manufacturers electric power steering parts (herein EPS). It is scheduled to become operational from Spring 2017 at a total investment cost of ¥2,500mn. With the factory becoming operational, stable orders are expected to increase from major customers, with net sales at its manufacturing subsidiary Ohashi Giken, Inc. forecast to expand to ¥5bn in FY3/22 from ¥3.2bn in FY3/16. Further, the Company is also eyeing sales of precision machined parts that utilize the Company’s proprietary solid state bonding technology* also rising ¥500mn y-o-y in FY3/16 to ¥2bn through increased deployment of the Company’s products, and then to ¥3.5-4.0bn in the medium term. It is expected that the Company will going forward continue to grow in excess of the industry average, through its policy of promoting expansion of its share of supply to major customers, armed with superior precision machining technology.

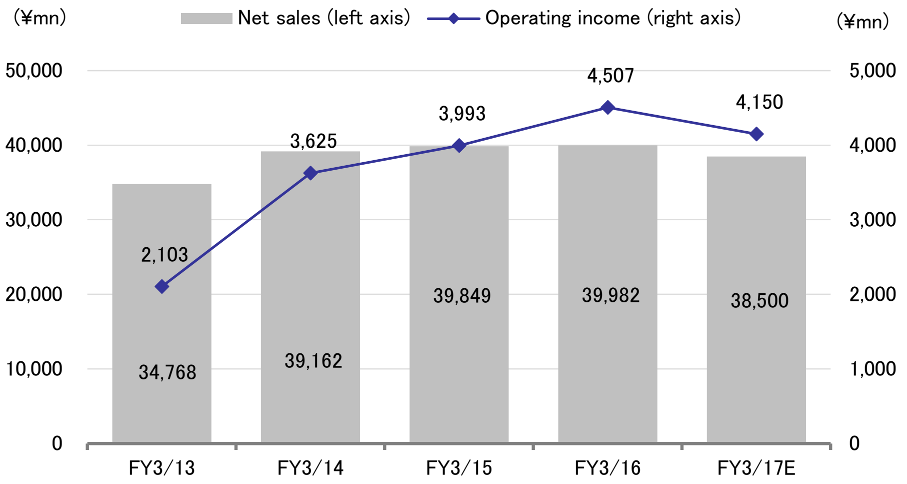
* Solid state bonding technology: it is one type of welding technology for the bonding of parts made of different materials by adding pressure to the part to be processed, and applying pressure and resistance heat by passing an electric current using an electrode. For those areas where the parts must be bonded strongly, such as automotive transmission parts and engine control system parts, a feature of this technology is that it can mass produce parts that can maintain high strength only in the core areas where this strength is necessary through a simple manufacturing process. It is attracting attention as a manufacturing technology able to realize weight and cost reductions while still producing parts that retain the same level of strength as parts produced by conventional methods.

In terms of shareholder returns, the Company has introduced dividends and a shareholder rewards. In respect of dividends the Company feels that a dividend payout ratio level of 20% is a benchmark, and is planning to increase dividends for a fifth consecutive period by ¥2.0 to ¥40.0 per share in FY3/17 (being a payout ratio of 21.6%). In terms of shareholder rewards, the Company presents rice gift certificates to shareholders at end-March and end-September each year. Apart from this, in the future the Company’s policy is to consider shareholder returns, taking into consideration overall return ratios, including initiatives such as its 400,000 share buyback in the previous period.

Check Point

- Achieving four consecutive periods of increased revenues and earnings in FY3/16
- Promoting growth via “securing its position as a supplier capable of global distribution”
- Expecting five consecutive periods of increased dividends in FY3/17, with a rise of ¥2 to ¥40

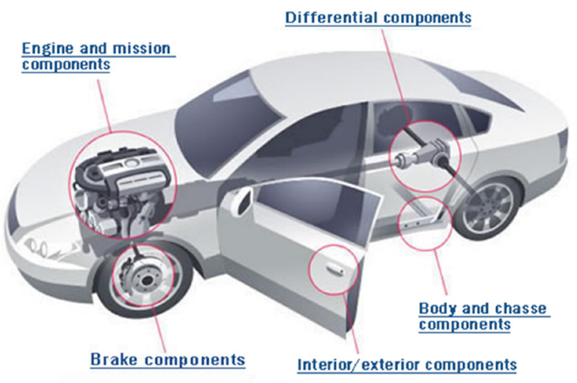
Consolidated results trends



Operational Overview

A "fabless & factory" operating structure is a key characteristic

As an independent automotive parts manufacturer, approximately 99% of the Company's sales are from precision machined automotive parts. It supplies approximately 20,000 types of precision machined parts for use in everything from engines and transmission parts to brake parts, body and chassis parts, and related internal and external items. In addition, around 20% of its sales are from products manufactured at its subsidiaries in Japan and overseas (factory solution), while the remaining approximately 80% are from collaborations with its approximately 300 partner companies (fabless solution). A key characteristic is the way the Company has developed a "fabless & factory" business structure for sales to customers.



Broad line-up of machining technologies

- Head part forming
- Forging
- Stamping
- Casting
- Grinding
- Resin molding
- Bonding technology
- Composite processing technology

The Company's strength is that it is able to quickly grasp the broad variety of needs at its corporate customers that are generated during the new vehicle development and model change stages, and undertake consulting-style sales, providing proposals that can contribute to its customers' VA and VE activities; by selecting the supplier that can deliver optimal quality and costings from amongst its own manufacturing subsidiaries and partner companies. The Company's operating income margin of approximately 10% ranks in the top class within the automotive parts industry. The reason for this high level may be considered to be that the comprehensive value of its services, which combine this sort of high value-added sales initiatives and delivery structure, is highly regarded by customers.

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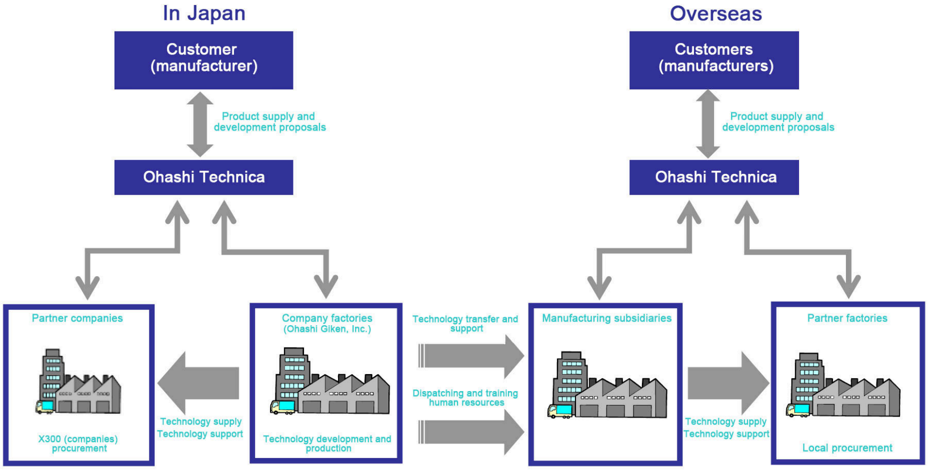
Diagram of Fabless & Factory Business Structure



The Company has developed operations through its domestic production subsidiary, six overseas production subsidiaries (one in the United States, three in China, and two in Thailand) and eight overseas sales companies (one in the United States, three in China, one in Thailand, one in Mexico, one in the United Kingdom, and one in Taiwan). Within them, the Taiwanese subsidiary was newly established in April 2015 and functions as a procurement facility, mainly procuring products from local Taiwanese companies for the sales companies in Europe and the United States. Previously, its sales companies in the United Kingdom and the United States procured products directly from Taiwanese companies, but as transaction volumes increased, this sales subsidiary was established in Taiwan to unify the point-of-contact with these companies. It commenced operations from the fall of 2015, and has delivered economies of scale in joint purchasing and quality inspections. In addition, in November 2014 TK Co., Ltd. was added to the Company's Group as an equity method affiliate (with a 36.3% holding). TK is the joint developer of solid state bonding technology (also jointly filing for a patent for this technology), and is manufacturing precision machined parts using this technology.

List of Subsidiaries

Company name	Country	Investment ratio	Business description	Details
(consolidated subsidiary)				
Ohashi Giken, Inc.	Japan	100.0%	Automotive – manufacturing	Precision cold forming stamping parts, precision cold forming heading parts, precision machining and grinding parts
Ohashi Logistics, Inc.	Japan	100.0%	Logistics	Logistics contractor for the Company
OHASHI TECHNICA U.S.A.	United States	100.0%	Automotive – sales	Sales of automotive parts
OHASHI TECHNICA U.S.A. MANUFACTURING	United States	100.0%	Automotive –	Nuts, collars and pins, specialty parts
OHASHI TECHNICA MEXICO	Mexico	100.0%	Automotive – sales	Sales of automotive parts
Ohashi Technica Precision Parts (Shanghai)	China	100.0%	Automotive – sales	Sales of automotive parts
Ohashi Technica Precision Parts (Guangzhou)	China	100.0%	Automotive – manufacturing	Nuts, collars and pins, specialty parts
Ohashi Nakahyo Precision Parts (Guangzhou)	China	70.0%	Automotive – manufacturing and sales	Precision stamping parts
Ohashi Technica (Shanghai)	China	100.0%	Other – manufacturing and sales	Hinges for mobile phones, hinges for mobile gaming devices
Ohashi Technica (Thailand)	Thailand	100.0%	Automotive – manufacturing and sales	Precision machining and grinding parts
Ohashi Sato (Thailand)	Thailand	60.0%	Automotive – manufacturing	Nuts, collars and pins, specialty parts
Ohashi Technica UK	The United Kingdom	100.0%	Automotive – sales	Sales of automotive parts
Ohashi Technica Taiwan	Taiwan	100.0%	Automotive – procurement	Nuts, collars and pins, specialty parts
(Equity method affiliates)				
TK	Japan	36.3%	Automotive – manufacturing and sales	Covering all categories of automotive parts

Source: Company materials

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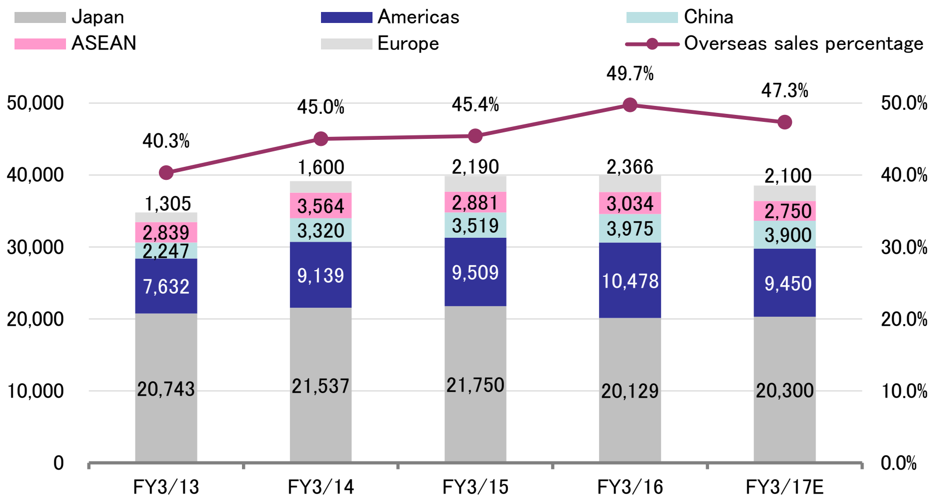
The percentage of overseas sales is gradually increasing each year, reaching 49.7% in FY3/16. Within this, the Americas was 26.2%, followed by China with 9.9%, ASEAN with 7.6%, and Europe with 5.9%. Also, approximately one-fourth of overseas sales are from products exported from Japan, with the remainder being from products manufactured by local subsidiaries or supplied by overseas partner companies. Additionally, the Company's customers are approximately 400 Japanese affiliated automotive and automotive equipment manufacturers, with no significant changes over the last several years in its top ranking customers. The Company has utilized its strength as an independent manufacturer and developed trading relationships, without a bias any one particular customer.

Sales by region



The 10 top ranking major customers within Japan

Rank	FY3/12	FY3/13	FY3/14	FY3/15	FY3/16
1	Hino Motors, Limited	Hino Motors, Limited	Hino Motors, Limited	Hino Motors, Limited	Hino Motors, Limited
2	DENSO CORPORATION	DENSO CORPORATION	DENSO CORPORATION	Honda Motor Co., Ltd.	Honda Motor Co., Ltd.
3	Honda Motor Co., Ltd.	Honda Motor Co., Ltd.	Honda Motor Co., Ltd.	DENSO CORPORATION	Isuzu Motors Limited
4	Nissan Motor Co., Ltd.	Nissan Motor Co., Ltd.	Toyota Motor Corporation	Isuzu Motors Limited	DENSO CORPORATION
5	Mitsubishi Fuso Truck and Bus Corporation	Toyota Motor Corporation	Isuzu Motors Limited	Toyota Motor Corporation	Toyota Motor Corporation
6	Aisin Seiki Co., Ltd.	Aisin Seiki Co., Ltd.	Nissan Motor Co., Ltd.	Takebe Co., Ltd.	Takebe Co., Ltd.
7	Toyota Motor Corporation	Isuzu Motors Limited	Mitsubishi Fuso Truck and Bus Corporation	Nissan Motor Co., Ltd.	Nissan Motor Co., Ltd.
8	Isuzu Motors Limited	Mitsubishi Fuso Truck and Bus Corporation	Takebe Co., Ltd.	Mitsubishi Fuso Truck and Bus Corporation	Mitsubishi Fuso Truck and Bus Corporation
9	Hitachi Automotive Systems, Ltd.	Takebe Co., Ltd.	Aisin Seiki Co., Ltd.	Aisin Seiki Co., Ltd.	TS TECH Co., Ltd.
10	Takebe Co., Ltd.	Hitachi Automotive Systems, Ltd.	Hitachi Automotive Systems, Ltd.	Mitsubishi Electric Corporation	Mitsubishi Electric Corporation

Source: Company materials

Results Trends

FY3/16 achieved four consecutive periods of increased revenues and earnings

(1) FY3/16 consolidated results

In FY3/16 net sales rose 0.3% y-o-y to ¥39,982mn, operating income rose 12.9% y-o-y to ¥4,507mn, ordinary income rose 9.6% y-o-y to ¥4,576mn and net income attributable to owners of parent rose 9.8% y-o-y to ¥2,976mn. This marked the fourth consecutive fiscal period of higher sales and profits and the third consecutive period of records highs in operating income, ordinary income, and net income.

Despite domestic automotive manufacturing seeing sluggish performance, with the number of automobiles manufactured declining 4.2% y-o-y to 9.18mn, and domestic sales declining 7.5% y-o-y, the Company was able to maintain sales growth, albeit modest, achieving 9.7% growth in overseas sales due to new orders and the impact from yen depreciation (a ¥1,816mn factor towards increased revenues). Further, due to improvement in procurement costs and manufacturing costs there was improvement in the gross margin, and as a result of a review of sales structures, and tackling efficiency enhancement in the head office management and logistics departments, the operating income margin rose 1.3 percentage point y-o-y to 11.3%, which marked a record high since consolidated results have been disclosed (FY3/99).

FY3/16 consolidated results

(Units: ¥mn)

	FY3/15		FY3/16				
	Actual results	% sales	Company target	Actual results	% sales	y-o-y	vs Target
Net sales	39,849	-	41,000	39,982	-	0.3%	-2.5%
Gross profits	9,497	23.8%	-	10,142	25.4%	6.8%	-
SG&A expenses	5,504	13.8%	-	5,634	14.1%	2.4%	-
Operating income	3,993	10.0%	4,200	4,507	11.3%	12.9%	7.3%
Ordinary income	4,176	10.5%	4,300	4,576	11.4%	9.6%	6.4%
Net income attributable to owners of parent	2,710	6.8%	2,800	2,976	7.4%	9.8%	6.3%

Exchange rate (fiscal period average, vs yen)

	FY3/15	FY3/16		
	Actual results	Company forecast	Actual results	y-o-y
U.S. dollar	105.85	115.00	121.05	14.4%
Chinese yuan	17.23	18.50	19.44	12.8%
Thai baht	3.26	3.50	3.54	8.6%
U.K. pound	174.21	175.00	185.10	6.3%
Mexican peso	7.96	8.00	7.65	-3.9%

Looking at sales by region, domestically there was a 7.5% decline y-o-y to ¥20,129mn, while overseas sales all rose, with those to the Americas rising 10.2% y-o-y to ¥10,478mn, to China rising 13.0% y-o-y to ¥3,975mn, to ASEAN rising 5.3% y-o-y to ¥3,034mn, and to Europe rising 8.0% y-o-y to ¥2,366mn. In respect of China, while the first half was sluggish, the introduction of lower tax measures for small cars from October 2015 was a tailwind, leading to a recovery in the second half.

Looking at operating income trends by region, domestically there was a 10.0% decline y-o-y to ¥1,833mn due to the impact of lower revenues, while overseas again there were gains across the board as a result of improvements in procurement and manufacturing costs, and the impact of yen depreciation. Looking at a breakdown, the Americas rose 40.2% y-o-y to ¥1,368mn, China rose 14.1% y-o-y to ¥576mn, ASEAN by 34.5% y-o-y to ¥465mn, and Europe by 55.0% y-o-y to ¥324mn. In respect of the Taiwanese subsidiary established in April 2015, a loss of ¥13mn was recorded as a result of pre-operational and other expenses.

(2) Fiscal status

At the end of March 2016 total assets were up ¥403mn y-o-y to ¥35,295mn. Within this, current assets rose ¥1,699mn during the same period to ¥28,484mn in line with increases in cash and deposits, while fixed assets declined ¥1,295mn y-o-y to ¥6,810mn in line with ongoing depreciation of existing assets and declines in long-term deposits.

At the same time, liabilities declined ¥767mn y-o-y to ¥10,377mn due to declines in accounts payable and accrued tax payables. Further, despite the treasury share buyback and declines in foreign currency translation adjustments, net assets rose ¥1,171mn to ¥24,917mn as a result of increases in retained earnings. The shareholders' equity ratio rose 2.8 percentage points to 69.7% as the company promoted strengthening of its financial base.

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Consolidated balance sheet

(Units: ¥mn)

	FY3/15	FY3/16	Change	
Current assets	26,785	28,484	+1,699	
Cash and deposits	12,510	15,352	+2,841	Transfer of ¥600mn in earnings gains and long-term deposits
Inventories	5,755	5,128	-626	Due to lower year-end sales
Fixed assets	8,105	6,810	-1,295	Declines in long-term deposits, tangible fixed assets
Tangible fixed assets	5,158	4,560	-598	
Total assets	34,891	35,295	+403	
Liabilities	11,145	10,377	-767	Declines in accounts payable, accrued tax payables etc.
Interest-bearing debt	-	-		
Net assets	23,745	24,917	+1,171	
Retained earnings	17,859	20,256	+2,397	Due to increased earnings
Treasury shares	-901	-1,327	-425	¥499mn, 400,000 share buyback
Foreign currency translation adjustments	2,320	1,779	-541	Due to progressive yen appreciation
Total liabilities and net assets	34,891	35,295	+403	

Future Outlook

Will FY6/17 earnings decline due to further yen appreciation?

FY3/17 results outlook

FY3/17 consolidated results anticipate decreased revenues and earnings, with net sales down 3.7% y-o-y to ¥38,500mn, operating income down 7.9% y-o-y to ¥4,150mn, ordinary income down 9.3% y-o-y to ¥4,150mn and net income attributable to owners of parent down 7.6% y-o-y to ¥2,750mn. While results are expected to perform soundly on a main-business basis, with, amongst other things orders for new vehicle models for the Company also, amidst production plans for major Japanese automotive manufacturers showing a single-digit rise year-on-year, ongoing yen appreciation is the factor behind lower revenues and earnings.

Apart from premising a 9.1% rate of yen appreciation versus the U.S. dollar to ¥110.00 (compared with ¥121.05 in the previous period), the Company also assumes a 10-19% level of yen appreciation versus other currencies also, with it expected that this will reduce net sales by around ¥2,300mn and operating income in the order of ¥380mn. However, currently yen appreciation for all currencies is trending greater than planned, and it is felt that, if the same exchange rate levels continue going forward also, it will cause a further shortfall in net sales of around ¥700-800mn.

FY3/17 consolidated results outlook

(Unit: ¥mn)

	FY3/16		FY3/17E		
	Actual results	% sales	Target	% sales	y-o-y
Net sales	39,982	-	38,500	-	-3.7%
Operating income	4,507	11.3%	4,150	10.8%	-7.9%
Ordinary income	4,576	11.4%	4,150	10.8%	-9.3%
Net income attributable to owners of parent	2,976	7.4%	2,750	7.1%	-7.6%

Exchange rate (fiscal period average, vs yen)

	FY3/16	FY3/17E	y-o-y	End-July rate
U.S. dollar	121.05	110.00	-9.1%	102.05
Chinese yuan	19.44	17.00	-12.6%	15.37
Thai baht	3.54	3.15	-11.0%	2.93
U.K. pound	185.10	158.00	-14.6%	135.01
Mexican peso	7.65	6.20	-19.0%	5.44
Taiwan dollar	3.81	3.40	-10.8%	3.21

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Results outlook by region

(Units: ¥mn)

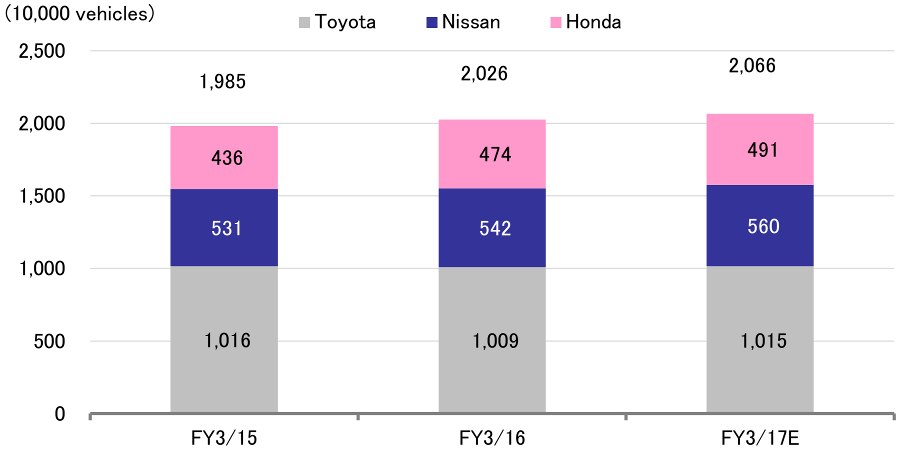
	Net sales			Operating income			Operating income margin	
	FY3/16	FY3/17E	y-o-y	FY3/16	FY3/17E	y-o-y	FY3/16	FY3/17E
Japan	20,129	20,300	+0.9%	1,833	1,765	-3.7%	9.1%	8.7%
Americas	10,478	9,450	-9.8%	1,368	1,200	-12.3%	13.1%	12.7%
China	3,975	3,900	-1.9%	576	585	+1.5%	14.5%	15.0%
ASEAN	3,034	2,750	-9.4%	465	410	-11.8%	15.3%	14.9%
Europe	2,366	2,100	-11.2%	324	230	-29.0%	13.7%	11.0%
Taiwan	-	-	-	-13	30	-	-	-
(consolidated adjustments)	-	-	-	-45	-70	-	-	-
Total	39,982	38,500	-3.7%	4,507	4,150	-7.9%	11.3%	10.8%

Looking by region, domestic sales are expected to rise 0.9% y-o-y to ¥20,300mn, while operating income will decline by 3.7% y-o-y to ¥1,765mn. Despite a harsh operating environment, with continuing lackluster performance in domestic light vehicle production, the Company expects modest revenue growth through new order acquisition. On the other hand, from a profit perspective, the Company expects decreased earnings as a result of factors such as increased recruitment and core systems renewal expenses aimed at the future, as well as increases in rent due to the relocation of its headquarters.

Looking at an overseas breakdown by region, sales in the Americas are expected to decline 9.8% y-o-y to ¥9,450mn while operating income is projected to decrease 12.3% y-o-y to ¥1,200mn. In China, sales are expected to decline 1.9% y-o-y to ¥3,900mn and operating income to fall by 1.5% y-o-y to ¥585mn. In ASEAN, sales are expected to decline 9.4% y-o-y to ¥2,750mn and operating income decrease 11.8% y-o-y to ¥410mn. In Europe, sales are expected to decline 11.2% y-o-y to ¥2,100mn and operating income to decrease 29.0% y-o-y to ¥230mn. In each case the decrease in revenues is due to the impact of yen appreciation, while on a local currency basis, there are increased revenues. Further, Taiwan is expected to become profitable and record operating income of ¥30mn (versus a loss of ¥13mn in the previous period) in line with the expansion in procurement volumes.

The FY3/17 sales targets of the three major Japanese automaker groups, which are the Company's main customers, are 20.66mn units, which is a 2.0% increase y-o-y Despite current circumstances domestically and in the ASEAN region being slightly sluggish, sales in China, Europe and the United States are performing soundly, with it expected that overall it will proceed basically in line with the plans.

Trends in sales of three major Japanese automaker groups



Source: Publicly disclosed numbers by each group

Plans for ¥3.2bn in capital investment

(2) Capital investment plan

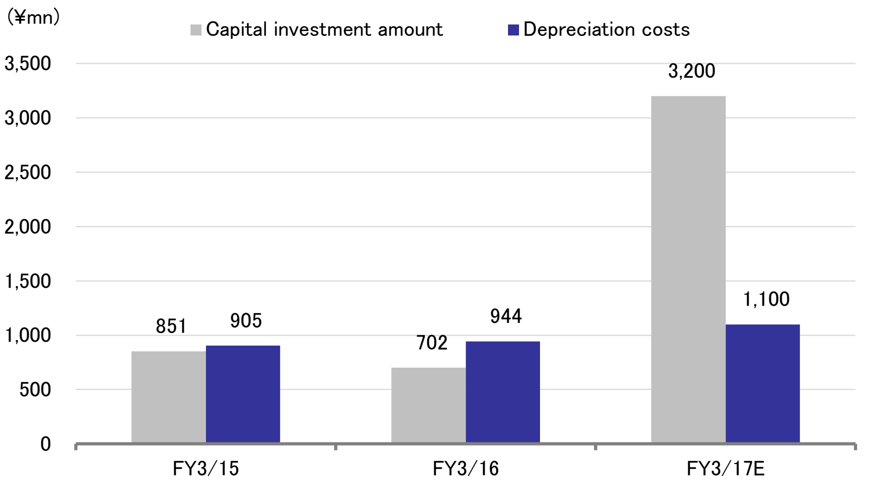
The Company is planning ¥3,200mn in capital investments in FY3/17. Within this, ¥2,700mn are included for the construction of a new factory by domestic subsidiary Ohashi Giken, while overseas ¥500mn will be mainly for machinery and equipment, as well as investment in molds at each manufacturing base.

Ohashi Giken has acquired 26,400 sqm of land in the Suzukashi Central Industrial Site in Suzuka City, Mie Prefecture, with the plan being to complete a 6,600 sqm factory in Phase 1 by the spring of 2017. At the new factory the Company plans to achieve increased production for EPS components for which orders are expected to expand going forward. It is also planned that there will be a phased shift of production at the existing factory (in Tokai City, Aichi Prefecture) also to the new factory. Firstly, it is planned that supply will commence for Toyota Motor Corporation <7203>, with an eye to supply for Honda Motor Co., Ltd. <7267> in the future also, which has an assembly plant in Suzuka City. The amount of capital investment in FY3/17, including the land cost, is ¥2,500mn, and it is planned that the production volumes will expand up to approximately 6,000 tons per annum in FY3/22. Net sales at Ohashi Giken are expected to increase from ¥3.2bn in FY3/16 to ¥5.0bn in FY3/22, with the majority of this coming from the amount increased production at the new factory.

The Company can produce shaft sleeves, sleeve yokes and bolt yokes with complex shapes for EPS components through its proprietary cold forming forging technology.* Recently, orders have increased for parts that require high levels of precision and are difficult to manufacture, such as serration parts (saw tooth shaped), with it felt that in building the new factory the Company will seek to expand its operational scale.

* Cold forming forging: one type of metal forming process. The processing method of "forging" at normal temperatures is called "cold forming forging" (forging performed at high temperatures is called "hot forming forging"). The advantages of cold forming forging are that the processing time is reduced, it makes possible integrated processing, and is able to significantly cut costs through improved yield and a reduced number of parts.

Trends in capital investment and depreciation costs



Promoting growth via securing its position as a supplier possessing global supply capabilities

(3) Growth strategies

Going forward also, the Company's strategy is to promote growth by further strengthening its "fabless & factory solution," and securing its position as a supplier possessing global supply capabilities. In particular, in addition to strengthening its domestic and overseas proprietary production capabilities, the Company is engaged in initiatives such as consideration on expanding its overseas operational bases, strengthening relationships with major procurement partners, and developing new production technologies. In respect of expanding overseas operational bases, with a return to yen appreciation, the Company's policy is to prioritize engaging in strengthening capabilities at existing facilities, including also production capabilities.

Further, among highly anticipated future products, it is hoped that there will be expansion in demand for precision machined parts utilizing the Company's proprietarily developed solid state bonding technology. Transmission products which have succeeded in combining this technology which contributes to reduction in vehicle weight and costs and precision press processing technology have been adopted by major automakers, and with supply commencing from FY3/17, as their usage is steadily expanding. Sales of products utilizing solid state bonding technology expanded from ¥1,500mn in FY3/15 to ¥2,000mn in FY3/16, and are forecast to expand and be in the order of ¥3,500-4,000mn in two years' time. In respect of these products, while they are mass produced at equity method affiliated TK, the Company's policy is to also promote their development overseas in the future.

There is no change in respect of customers being targeted to date, with major Japanese automakers forming the core. This is because there is significant room to grow just by expanding market share at existing customers. Also, in respect of its operating income margin, which is at levels exceeding 10%, going forward also it is expected to rise yet further if sales volumes expand due to decreases in the SG&A ratio.

Moreover, in respect of its M&A strategy, while the Company will consider as targets companies that may be expected to deliver synergistic benefits such as strengthening production capabilities and technological capabilities, or expanding sales channels, for the time being cases where the Company engages in capital participation aimed at strengthening relationships with partner companies may be considered.

Comparison with Industry Peers and the Shareholder Return Policy

Expecting five periods of consecutive increased dividends, rising ¥2 to ¥40 in FY3/17

(1) Comparison with industry peers

We undertook a comparison to its peers in relation to profitability and share price indicators. While there are no companies that have developed a "fabless & factory" business model like the Company, we have selected as comparison targets nine companies that are manufacturers mainly handling electrical components around engines and are medium-sized players in terms of corporate scale.

List of share price indicators for medium-sized automotive engine part manufacturers

Code	Market	Name	Capitalization (¥mn)	Share price (¥)	Shares issued	Expected PER (times)	PBR (times)	Forecast ROE (%)	Forecast ROA (%)	Forecast dividend yield (%)	Forecast operating income margin (%)
7628	TSE First Section	Ohashi Technica	18,474	1,242	14,874,489	6.7	0.75	11.2	11.8	3.2%	10.8%
6461	TSE First Section	NIPPON PISTON RING CO., LTD.	12,083	1,470	8,219,977	6.7	0.42	6.2	3.9	4.4%	4.9%
6319	TSE First Section	SNT Corporation	13,985	539	25,946,265	16.5	0.49	3.0	3.7	2.6%	8.1%
7299	TSE Second Section	FUJI OOZX Inc.	7,149	348	20,544,248	10.2	0.30	3.0	3.5	3.4%	5.3%
7235	TSE Second Section	Tokyo Radiator Mfg Co., Ltd.	6,460	449	14,388,052	5.4	0.34	6.4	5.6	2.2%	5.9%
7264	JASDAQ	Muro Corporation	6,929	1,120	6,186,266	4.8	0.57	11.9	10.3	2.9%	10.2%
5994	TSE Second Section	Fine Sinter Co., Ltd.	8,100	368	22,009,709	7.4	0.55	7.5	5.1	3.5%	5.6%
7271	TSE First Section	YASUNAGA CORPORATION	5,826	487	11,963,362	58.3	0.57	1.0	1.4	1.8%	1.4%
6467	JASDAQ	NICHIDAI CORPORATION	4,127	456	9,051,297	7.2	0.44	6.1	5.5	4.4%	6.2%
7214	TSE First Section	GMB Corporation	4,862	933	5,211,411	6.9	0.25	3.6	2.3	4.3%	2.2%
10 company average value			69,522			8.2	0.42	4.7	4.0	3.3%	4.7%

Note: Share prices are closing prices as of July 29, 2016. Share numbers are calculated using the number of shares issued as of the most recent period end (excluding treasury shares).
Forecasts are the Company's target values for this period. ROE and ROA are calculated using the previous period-end's shareholders' equity and total assets.

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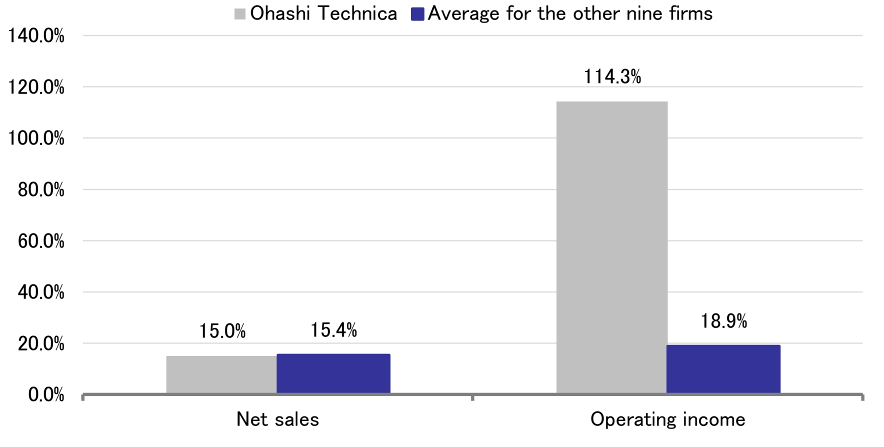
OHASHI TECHNICA, INC.
7628 Tokyo Stock Exchange First Section

12-Sept.-16

Firstly, in expected PER, compared to the 10 company average is 8.2 times, the Company's is 6.7 times, a level slightly below the average. Conversely, in respect of the PBR (price-to-book-value ratio), compared to the average of 0.42 times, the Company's is 0.75 times, exceeding the average. In addition to its ROE (return on equity) of 11.2% significantly exceeding the average of 4.7%, from other measures such as its ordinary income ratio of 10.8% also exceeding the average of 4.7%, it is felt that the Company's high degree of capital efficiency and profitability are highly regarding.

By developing operations that utilize the Company's own fabless & factory business model, value-added proposal format consultative sales techniques, its strength as an independent player, and other factors, it continues to grow at levels above the industry average. Looking at revenue and earnings growth rates from FY3/13 to FY3/16, net sales have increased by the same level as the other nine companies at 15.0%, however, in respect of operating income, the Company's has doubled with an increase of 114.3%, significantly exceeding the other nine companies, highlighting the high level of profitability and management efficiency. In respect of FY3/17, despite a temporary decline in results due to yen appreciation, it is expected that the Company will return to growth in revenue and earnings again from FY3/18.

Revenue and earnings growth rates for the most recent three periods (FY3/13–FY3/16)



(2) Shareholder Returns

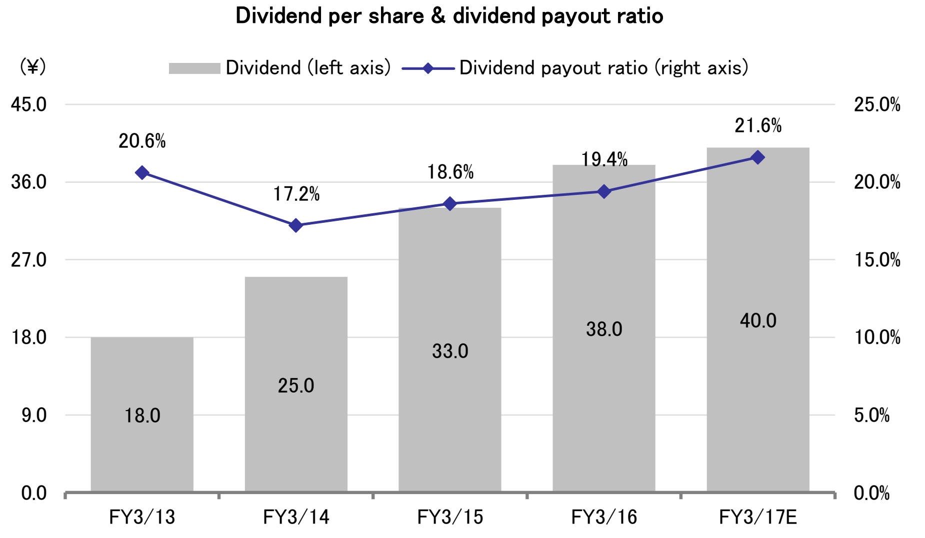
For its shareholder return policy, the Company has introduced a shareholder rewards program, in addition to paying dividends. While based on delivering stable dividends, its policy is to increase the dividend to reflect improved results, aiming for a benchmark dividend payout ratio of around 20%. In FY3/17, it plans to increase dividends per share for a fifth consecutive period by ¥2.0 to ¥40.0 (a payout ratio of 21.6%).

The Company also provides shareholder rewards for shareholders holding more than 100 shares, presenting in accordance with the number of shares with gifts of rice certificates twice a year (for shareholders of record at end-March and end-September). It presents shareholders with one gift certificate (1kg at a value of ¥440) for each 100 shares held, but a feature of its rewards program is its focus on developing long-term shareholders by providing an additional certificate to shareholders who have continuously held their shares for more than three years. Therefore, shareholders who have held 100 shares for more than three years will receive a total return on investment of around 4.6% based on the current share price (¥1,242 as of July 29).

Additionally, in aiming to improve its corporate value the Company has positioned ROE (return on equity) and DOE (dividend on equity) as important management indicators. It is working to improve these indicators and as a part of these efforts has demonstrated a flexible share buyback policy.

We encourage readers to review our complete legal statement on “Disclaimer” page.

■ Comparison with Industry Peers and the Shareholder Return Policy



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