

Consolidated Financial Results (Japanese Accounting Standards) for the First Quarter of the Fiscal Year Ending March 31, 2019

August 7, 2018

Company Name	Ahresty Corporation	Stock Exchange Listing	Tokyo
Code Number	5852	URL	https://www.ahresty.co.jp
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Filing date of quarterly securities report	August 9, 2018		
Planned date for start of dividend payments	-		
Supplementary documents for quarterly results	Yes		
Quarterly results briefing	None		

(Amounts of less than 1 million yen are rounded off)

1. Business performance (April 1, 2018 through June 30, 2018)

(1) Consolidated operating results (For the three months ended June 30) (% shows change from previous first quarter)

	Net sales		Operating income		Recurring income		Net income attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Three months ended June 30, 2018	35,429	(0.2)	596	(52.5)	490	(59.8)	776	(8.8)
Three months ended June 30, 2017	35,494	3.6	1,255	(46.4)	1,222	(41.5)	850	(45.6)

(Note) Comprehensive income	Three months ended June 30, 2018:	-360 million yen	(-%)		
	Three months ended June 30, 2017:	25 million yen	(-%)		
(For reference) EBITDA	Three months ended June 30, 2018:	4,386 million yen	(-11.5%)		
	Three months ended June 30, 2017:	4,958 million yen	(-14.7%)		
	* EBITDA = operating income + depreciation and amortization				

	Net income per share	Fully diluted net income per share
	yen	yen
Three months ended June 30, 2018	30.00	29.68
Three months ended June 30, 2017	32.91	32.59

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
As of June 30, 2018	136,864	64,716	47.1
As of March 31, 2018	137,751	65,439	47.4

(For reference) Shareholders' equity 64,528 million yen at June 30, 2018
65,251 million yen at March 31, 2018

2. Dividend payments

(Date of record)	Dividend per share				
	End of first quarter	End of second quarter	End of third quarter	End of year	For the year
	yen	yen	yen	yen	yen
Year ended March 31, 2018	-	12.00	-	14.00	26.00
Year ending March 31, 2019	-	-	-	-	-
Year ending March 31, 2019 (projection)	-	12.00	-	14.00	26.00

(Note) Revisions to dividend projection published most recently: No

3. Forecast of consolidated results for year ending March 2019 (April 1, 2018 – March 31, 2019)

(% shows the year-on-year change)

	Net sales		Operating income		Recurring income		Net income attributable to owners of parent		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Interim	74,100	4.9	2,300	32.7	2,000	26.7	1,400	11.5	54.12
Full year	152,000	4.7	5,800	22.9	5,300	19.5	3,600	4.3	139.17

(Note) Revisions to consolidated results forecast published most recently: No

* Notes

(1) Significant changes to subsidiaries during the current term (changes for a specified subsidiary accompanying a change in the scope of consolidation): None

(2) Application of specific accounting treatment to the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting principles and changes or restatement of accounting estimates

(i) Changes in accounting principles associated with revision of accounting standards, etc.: None

(ii) Changes in accounting principles other than (i): None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(4) Number of shares outstanding (Common stock)

(i) Number of shares outstanding at end of period (including treasury stock)

26,027,720 shares at June 30, 2018

26,027,720 shares at March 31, 2018

(ii) Number of treasury stock at end of period

160,496 shares at June 30, 2018

160,364 shares at March 31, 2018

(iii) Average number of shares (Quarterly cumulative period)

25,867,356 shares at June 30, 2018

25,848,678 shares at June 30, 2017

* Quarterly consolidated financial statements are placed outside the scope of quarterly reviews performed by a certified public accountant or an audit corporation.

* Explanation for appropriate use of financial forecasts and other special remarks

This material contains forward-looking statements based on information obtained by the management as of the day of publication, as well as certain assumptions that the management believes to be reasonable. A number of factors could cause actual results to differ materially from expectations. For notes on the use of the results forecasts and assumptions as the basis for the results forecasts, please see "1. Qualitative Information on Consolidated Operating Results, etc. for the First Quarter (3) Qualitative Information Concerning Consolidated Earnings Forecasts" on page 3 of the accompanying materials.

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1. Qualitative Information on Consolidated Operating Results, etc. for the First Quarter

(1) Qualitative Information Concerning Consolidated Operating Results

During the first quarter of the fiscal year under review, the Japanese economy remained on a gradual recovery path as consumer spending and capital expenditure picked up and corporate earnings and the employment situation improved. The global economy, in general, has slowly been recovering. The U.S. economy, for instance, continued its steady recovery, and in Asia, the Chinese economy improved thanks partly to the government's policies and the Indian economy indicated a moderate recovery mainly on the strength of domestic demand.

Under these circumstances, the Group saw growth in orders, mainly in the Asian segment, while it observed a decline in orders and a resulting slide in sales in the Japanese segment due to the impact of the fiscal year-end change for five consolidated subsidiaries that was carried out in the previous consolidated fiscal year and the shrinkage of car exports to the North American market. On a consolidated basis, net sales for the quarter under review were nearly at the same level as in the same period a year earlier. Operating income dropped after the income decline in the Japan segment, whereas quarterly net income attributable to owners of parent remained almost unchanged from the level for the first quarter of the previous fiscal year, with the help of the gain on sales of investment securities posted.

The Group will steadily implement measures under the medium-term management plan (2016-2018), in which the current fiscal year is the final one, and endeavor to increase productivity and profitability.

Operating results by segment are as follows:

(i) Die Casting Business: Japan

In the Japanese automobile market, domestic sales remained largely flat year on year. Car manufacturers, as the Company's main customers, partly reduced their production for exports in response to the shrinkage in demand for passenger cars in North America. That led to a decrease in orders received from the same period a year earlier. Net sales stood at ¥16,242 million, down 3.6% year on year, and a segment loss of ¥64 million was posted (although segment profit of ¥404 million was attained for the same period a year earlier).

(ii) Die Casting Business: North America

In the North American automobile market, car manufacturers as the Company's major customers saw their sales peak out. While the sales share of passenger cars fell, that of small trucks grew at a striking pace. The Company's plant in the United States received brisk orders for components for small trucks, but its orders fell from the same quarter a year earlier due to the discontinuation of the production of some components last year. The Company is continuing its improvement project activities to recover productivity. In Mexico, orders received soared after the mass production of new components came into full gear. Consequently, net sales in the North American segment reached ¥10,489 million, up 0.4% year on year. Segment profit surged 2.5%, to ¥390 million.

(iii) Die Casting Business: Asia

In China, Japanese car manufacturers as the Company's main customers saw sales expand chiefly in sport utility vehicles (SUVs), and the Company received bullish orders for related components. In India, where the car market is growing, the Company obtained an increasing number of orders. Amid the growth in orders and the rise in the aluminum markets in the two countries, Asian sales grew 8.5% year on year, to ¥7,220 million, while segment profit was down 11.4% year on year, to ¥322 million, as a result of the response to customers' wishes for price adjustments

(iv) Aluminum Business

In the Aluminum business, while the sales volume decreased year on year, the condition of the aluminum market helped increase net sales by 7.2% year on year, to ¥1,186 million. Although the Company continued its cost reduction activities, soaring raw material prices heightened the cost. Segment profit dived 54.6% year on year, to ¥25 million.

(v) Proprietary Products Business

In the Proprietary Products business, construction was postponed to the second quarter for part of the clean room projects for semiconductor-related companies as the Company's main customers and part of the data center projects for telecommunication operators. This resulted in a net sales decline of 33.4% year on year, to ¥289 million yen, and in segment loss of ¥15 million (although segment profit of ¥53 million was posted for the same quarter in the preceding fiscal year).

(2) Qualitative Information Concerning Consolidated Financial Position

Assets at the end of the consolidated first quarter under review decreased ¥887 million from the end of the previous consolidated fiscal year, to ¥136,864 million. Current assets stood at ¥42,613 million, reflecting a decrease of ¥111 million from the end of the previous consolidated fiscal year. Major factors behind this include a decline in trade notes and accounts receivable of ¥2,039 million, and increases in cash and time deposits and inventories of ¥1,186 million and ¥563 billion respectively. Non-current assets were ¥94,250 million, down by ¥776 million from the end of the preceding fiscal year. This was due chiefly to the shrinkage in tangible fixed assets of ¥1,122 million.

Liabilities at the end of the consolidated first quarter under review fell ¥164 million from the end of the previous consolidated fiscal year, to ¥72,148 million. Current liabilities stood at ¥48,305 million, reflecting a decrease of ¥671 million from the end of the previous consolidated fiscal year. The principal factors behind this include plunges in notes and accounts payable and short-term loans of ¥677 million and ¥1,939 million, respectively, and increases in current portion of long-term loans, in bonus allowances and in construction fees payable included in *other* of ¥620 million, ¥700 million and ¥517 million, respectively. Long-term liabilities stood at ¥ 23,843 million, up ¥506 million from the end of the preceding consolidated fiscal year. Main factors include a shrinkage in long-term deferred tax liabilities as part of long-term liabilities of ¥419 million yen and an increase in long-term loans of ¥909 million.

Net assets at the end of the consolidated first quarter under review decreased ¥723 million from the end of the previous consolidated fiscal year, to ¥64,716 million. Principal factors include an increase in retained earnings of ¥413 million based chiefly on quarterly net income attributable to owners of parent and a decrease in foreign currency translation adjustments of ¥925 million. As a result, the equity ratio was down from 47.4% at the end of the previous consolidated fiscal year to 47.1%.

(3) Qualitative Information Concerning Consolidated Earnings Forecasts

No change has been made to the consolidated financial forecasts announced on May 11, 2018 for the first half of the fiscal year ending March 31, 2019 or the consolidated full-year forecasts for the fiscal year ending March 31, 2019.

2. Consolidated Quarterly Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheet

	As of	As of
	March 31, 2018	June 30, 2018
	Amount (million yen)	Amount (million yen)
(Assets)		
Current assets		
Cash and time deposits	2,630	3,817
Trade notes and accounts receivable	24,783	22,583
Electronically recorded monetary claims - operating	2,902	3,061
Merchandise and products	3,232	3,591
Partly finished goods	4,890	5,146
Raw materials and inventories	3,208	3,156
Others	1,090	1,257
Allowance for doubtful accounts	(13)	(1)
Total current assets	42,724	42,613
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	14,805	14,452
Machinery and delivery equipment, net	43,778	42,921
Land	5,425	5,409
Construction in progress	10,556	10,517
Others, net	8,317	8,458
Total tangible fixed assets	82,882	81,759
Intangible fixed assets	1,786	1,985
Investments and other assets		
Investments in securities	8,266	7,942
Others	2,115	2,589
Allowance for doubtful accounts	(24)	(25)
Total investments and other assets	10,357	10,505
Total fixed assets	95,026	94,250
Total assets	137,751	136,864

	As of March 31, 2018	As of June 30, 2018
	Amount (million yen)	Amount (million yen)
(Liabilities)		
Current liabilities		
Notes and accounts payable	13,413	12,569
Electronically recorded obligations-operating	7,882	8,048
Short-term loans	5,307	3,368
Current portion of long-term loans	10,109	10,729
Accrued income taxes	1,032	1,187
Bonus allowances	2,157	2,858
Directors' bonus allowances	15	-
Provision for product warranties	87	86
Others	8,971	9,455
Total current liabilities	48,976	48,305
Long-term liabilities		
Long-term loans	16,136	17,046
Long-term accounts payable	589	588
Net defined benefit liability	2,867	2,901
Others	3,743	3,306
Total long-term liabilities	23,336	23,843
Total liabilities	72,312	72,148
(Net assets)		
Shareholders' equity		
Common stock	6,939	6,939
Additional paid-in capital	10,180	10,180
Retained earnings	40,272	40,686
Treasury stock	(238)	(238)
Total shareholders' equity	57,153	57,567
Other accumulated comprehensive income		
Difference on revaluation of other marketable securities	4,335	4,112
Foreign currency translation adjustments	4,168	3,243
Remeasurements of defined benefit plans	(406)	(394)
Total other accumulated comprehensive income	8,098	6,961
Share warrants	187	187
Total net assets	65,439	64,716
Total liabilities and net assets	137,751	136,864

(2) Quarterly Consolidated Income Statements and Quarterly Consolidated Statements of Comprehensive Income
Quarterly Consolidated Income Statements.
First Quarter

	Three months ended June 30, 2017	Three months ended June 30, 2018
	Amount (million yen)	Amount (million yen)
Sales	35,494	35,429
Cost of goods sold	31,129	31,978
Gross profit	4,365	3,451
Selling, general and administrative expenses	3,110	2,854
Operating income	1,255	596
Non-operating income		
Interest income	5	21
Dividends received	61	72
Foreign currency exchange gains	30	–
Gain on sales of scraps	26	32
Others	33	28
Total non-operating income	156	154
Non-operating expenses		
Interest expenses	177	160
Foreign currency exchange loss	–	87
Others	12	12
Total non-operating expenses	189	260
Recurring income	1,222	490
Extraordinary gains		
Gain on sales of fixed assets	3	7
Gain on sales of investment securities	–	301
Subsidy income	5	10
Gain on insurance adjustment	48	–
Total extraordinary gains	57	318
Extraordinary losses		
Loss on sales of fixed assets	42	33
Product warranty expenses	162	–
Expenses for advance loan repayments	–	152
Total extraordinary losses	204	186
Income before income taxes and others	1,075	623
Income taxes and enterprise taxes	1,168	637
Deferred income taxes	(943)	(790)
Total income taxes	224	(152)
Net income	850	776
Net income attributable to owners of parent	850	776

Quarterly Consolidated Statements of Comprehensive Income
 First Quarter

	Three months ended June 30, 2017	Three months ended June 30, 2018
	Amount (million yen)	Amount (million yen)
Net income	850	776
Other comprehensive income		
Difference on revaluation of other marketable securities	109	(223)
Foreign currency translation adjustments	(948)	(925)
Remeasurements of defined benefit plans, net of tax	14	11
Total other comprehensive income	(824)	(1,136)
Comprehensive income	25	(360)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	25	(360)
Comprehensive income attributable to non-controlling interests	—	—

(3) Notes

Notes on Going Concern Assumptions

Not applicable.

Notes for Significant Change in the Amount of Shareholders' Equity

Not applicable.

Additional Information

(Application of the Partial Amendment to Accounting Standards for Tax Effect Accounting and Others)

The Partial Amendment to Accounting Standards for Tax Effect Accounting (Statement No. 28 issued by the Accounting Standards Board of Japan on February 16, 2018) and others began to apply at the beginning of the first quarter of the consolidated fiscal year under review. Accordingly, deferred tax assets are stated in the category of investments and other assets, and deferred tax liabilities are stated in the category of long-term liabilities.

The consolidated balance sheet for the previous fiscal year therefore displays deferred tax assets and deferred tax liabilities in a manner in which those of the same taxpayer are offset against each other. As a result, deferred tax assets in investments and other assets rose ¥251 million, while deferred tax assets in current assets and deferred tax liabilities in long-term liabilities decreased by ¥1,498 million and ¥1,246 million, respectively. For these reasons, total assets declined by ¥1,246 million.

Segment Information

Segment information

I. Three months ended June 30, 2017 (from April 1, 2017 to June 30, 2017)

1. Information on sales and income or losses by reported segment

(Million yen)

	Reported segments					Total
	Die Casting Business			Aluminum Business	Proprietary Products Business	
	Japan	North America	Asia			
Sales						
Customers	16,852	10,443	6,655	1,107	435	35,494
Intersegment	1,246	–	365	1,109	7	2,728
Total	18,099	10,443	7,021	2,216	442	38,222
Segment profit	404	381	364	56	53	1,259

2. Total amount in reported segments, difference from the amount posted in quarterly consolidated statement of income and important details in the difference (Difference adjustment)

(Million yen)

Profit	Amount
Total profit in reported segments	1,259
Elimination of intersegment transactions	(4)
Operating income in the quarterly consolidated statement of income	1,255

3. Impairment losses in fixed assets or goodwill by reported segment

Not applicable.

II. Three months ended June 30, 2018 (from April 1, 2018 to June 30, 2018)

1. Information on sales and income or losses by reported segment

(Million yen)

	Reported segments					Total
	Die Casting Business			Aluminum Business	Proprietary Products Business	
	Japan	North America	Asia			
Sales						
Customers	16,242	10,489	7,220	1,186	289	35,429
Intersegment	968	1	535	1,327	1	2,834
Total	17,211	10,490	7,756	2,513	291	38,263
Segment profit	(64)	390	322	25	(15)	659

2. Total amount in reported segments, difference from the amount posted in quarterly consolidated statement of income and important details in the difference (Difference adjustment)

(Million yen)

Profit	Amount
Total profit in reported segments	659
Elimination of intersegment transactions	(62)
Operating income in the quarterly consolidated statement of income	596

3. Impairment losses in fixed assets or goodwill by reported segment

Not applicable.