

Consolidated Financial Results (Japanese Accounting Standards) for the First Half of the Fiscal Year Ending March 31, 2018

November 8, 2017

Company Name	Ahresty Corporation	Stock Exchange Listing	Tokyo
Code Number	5852	URL	http://www.ahresty.co.jp
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Filing date of quarterly securities report	November 14, 2017		
Planned date for start of dividend payments	December 5, 2017		
Supplementary documents for quarterly results	Yes		
Quarterly results briefing	Yes (for securities analysts and institutional investors)		

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

1. Business performance (April 1, 2017 through September 30, 2017)

(1) Consolidated operating results (For the six months ended September 30) (% shows change from previous first half)

	Net sales		Operating income		Recurring income		Net income attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Six months ended September 30, 2017	70,631	5.5	1,732	(47.9)	1,578	(44.8)	552	(73.8)
Six months ended September 30, 2016	66,976	(7.2)	3,326	82.9	2,857	131.2	2,112	142.2

(Note) Comprehensive income Six months ended September 30, 2017: 433 million yen (–%)

Six months ended September 30, 2016: -4,673 million yen (–%)

	Net income per share	Fully diluted net income per share
	yen	yen
Six months ended September 30, 2017	21.37	21.16
Six months ended September 30, 2016	81.75	81.09

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
As of September 30, 2017	136,481	64,936	47.4
As of March 31, 2017	136,928	64,778	47.2

(For reference) Shareholders' equity 64,749 million yen at September 30, 2017

64,613 million yen at March 31, 2017

2. Dividend payments

	Dividend per share				
(Date of record)	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, 2017	–	8.00	–	12.00	20.00
Year ending March 31, 2018	–	12.00			
Year ending March 31, 2018 (projection)			–	14.00	26.00

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

3. Forecast of consolidated results for year ending March 2018 (April 1, 2017 – March 31, 2018)

(% 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
Full year	144,700	5.9	4,100	(40.7)	3,850	(38.5)	2,050	(58.9)	79.26

(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 September 30, 2017
 - 26,027,720 shares at March 31, 2017
 - (ii) Number of treasury stock at end of period
 - 160,115 shares at September 30, 2017
 - 182,502 shares at March 31, 2017
 - (iii) Average number of shares (Quarterly cumulative period)
 - 25,858,234 shares at September 30, 2017
 - 25,845,981 shares at September 30, 2016

* This financial summary is not subject to the statutory quarterly review.

* 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 Half (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 Half

(1) Qualitative Information Concerning Consolidated Operating Results

During the first half 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.

In this environment, while total net sales for the Group increased based on the growth of orders received, particularly in Japan and other Asian countries, total consolidated profit was reduced by a fall in the earnings of the Japan and U.S. segments despite the profit added by a steady rise in orders received in Asia. The Group will continue to steadily implement measures under its medium-term management plan (2016-2018) that commenced in the last fiscal year and strive to improve its productivity and profitability.

For the first half of the fiscal year under review, the Group recorded consolidated net sales of ¥70,631 million (up 5.5% year on year), consolidated operating income of ¥1,732 million (down 47.9% year on year), recurring income of ¥1,578 million (down 44.8% year on year), and net income attributable to owners of parent of ¥552 million (down 73.8% year on year).

Operating results by segment are as follows:

(i) Die Casting Business: Japan

In Japan, orders received by the Company increased primarily as a result of a rebound from the reduced production at automakers, the Company's main customers, caused by the 2016 Kumamoto earthquakes and strong exports to the North American market. In addition to the increased orders received, improvements in the condition of the aluminum market contributed to 10.5% year-on-year growth in net sales, which totaled ¥33,097 million. The segment profit was reduced by 61.6% year on year, to ¥430 million, largely due to the manufacturing cost reduction at the Tochigi plant that was less than the reduction of selling prices, despite the increase in orders received.

(ii) Die Casting Business: North America

In the North American automotive market, automakers, the Company's key customers, have indicated a slowdown in sales, which had been strong for several years. In the U.S., delays in efforts to improve productivity contributed to a decrease in profit amid a decline in orders received due to downsizing, in addition to this slowdown in the market. Meanwhile, growth in orders received from key customers in Mexico contributed to net sales and profit; a strong Mexican peso and weak U.S. dollar, however, resulted in an increase in employee profit sharing (PTU). Consequently, in the North American segment, net sales decreased 2.9% year on year, to ¥20,470 million, and segment profit fell by 84.3% year on year, to ¥214 million.

(iii) Die Casting Business: Asia

In China, sales of SUVs made by Japanese automakers, the Company's main customers, increased, offsetting a slowdown in sales of compact vehicles caused by a reduction in tax benefits, and orders of related parts received by the Company remained at a high level. In India, the volume of orders received by the Company rose on the back of the ongoing strong performance of the automotive market. In response to this steady increase in orders received, net sales in Asia climbed to ¥13,920 million (up 9.9% year on year). The segment profit rose to ¥828 million (up 43.4% year on year), thanks chiefly to net sales growth in China and India and cost reduction efforts.

(iv) Aluminum Business

In the Aluminum business, the volume of sales increased year on year and the condition of the aluminum market improved, which resulted in a 1.8% year-on-year increase in net sales, to ¥2,182 million. The segment recorded a profit of ¥115 million (down 21.8% year on year), mainly reflecting the impact of rising fuel expenses despite the Company's cost reduction efforts.

(v) Proprietary Products Business

In the Proprietary Products business, net sales amounted to ¥961 million (down 15.6% year on year), which was largely attributable to a decrease in orders received for clean rooms from semiconductor-related companies, the Company's main customers, and for data centers from telecommunications companies. The segment profit grew to ¥143 million (up 109.3% year on year), mainly as a result of cost reduction efforts.

(2) Qualitative Information Concerning Consolidated Financial Position

Assets at the end of the consolidated first half under review decreased ¥447 million from the end of the previous consolidated fiscal year, to ¥136,481 million. Major factors were a decrease of ¥895 million in cash and cash deposits, a fall of ¥909 million in tangible fixed assets due to the impact of foreign currency translation from the rising yen, and an increase of ¥1,005 million in investments in securities due to a rise in the value of shares held.

Liabilities at the end of the consolidated first half under review fell ¥604 million from the end of the previous consolidated fiscal year, to ¥71,544 million. Principal factors contributing to this result included a decrease of ¥3,188 million in loans payable, an increase of ¥890 million in notes and accounts payable, growth of ¥430 million in accrued income taxes, and a rise of ¥494 million in bonus allowances.

Net assets at the end of the consolidated first half under review increased ¥157 million from the end of the previous consolidated fiscal year, to ¥64,936 million. Major factors included a rise of ¥221 million in retained earnings, mainly reflecting net income attributable to owners of parent, growth of ¥688 million in difference on revaluation of other marketable securities, and a decrease of ¥836 million in foreign currency translation adjustment as a result of the appreciation of the yen. As a result, the equity ratio rose from 47.2% at the end of the previous consolidated fiscal year, to 47.4%.

(3) Qualitative Information Concerning Consolidated Earnings Forecasts

No change has been made to the consolidated financial forecasts announced on October 25, 2017 for the consolidated full-year forecasts for the fiscal year ending March 31, 2018.

2. Consolidated Quarterly Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheet

	As of March 31, 2017	As of September 30, 2017
	Amount (million yen)	Amount (million yen)
(Assets)		
Current assets		
Cash and time deposits	4,100	3,204
Trade notes and accounts receivable	23,015	22,313
Electronically recorded monetary claims - operating	2,158	2,318
Merchandise and products	2,801	2,979
Partly finished goods	3,994	3,606
Raw materials and inventories	3,344	3,463
Others	2,862	3,450
Allowance for doubtful accounts	(1)	(12)
Total current assets	42,275	41,324
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	15,455	14,959
Machinery and delivery equipment, net	45,480	44,389
Land	5,199	5,202
Construction in progress	8,051	8,021
Others, net	7,960	8,664
Total tangible fixed assets	82,146	81,237
Intangible fixed assets	1,535	1,663
Investments and other assets		
Investments in securities	7,363	8,369
Others	3,606	3,911
Allowance for doubtful accounts	(0)	(25)
Total investments and other assets	10,970	12,255
Total fixed assets	94,652	95,156
Total assets	136,928	136,481

	As of March 31, 2017	As of September 30, 2017
	Amount (million yen)	Amount (million yen)
(Liabilities)		
Current liabilities		
Notes and accounts payable	12,903	13,347
Electronically recorded obligations-operating	6,601	7,049
Short-term loans	837	443
Current portion of long-term loans	10,608	10,596
Accrued income taxes	899	1,330
Bonus allowances	1,644	2,139
Directors' bonus allowances	30	—
Provision for product warranties	73	136
Others	8,277	8,723
Total current liabilities	41,877	43,766
Long-term liabilities		
Long-term loans	21,359	18,577
Long-term accounts payable	1,066	1,031
Net defined benefit liability	2,919	2,930
Others	4,926	5,238
Total long-term liabilities	30,271	27,778
Total liabilities	72,149	71,544
(Net assets)		
Shareholders' equity		
Common stock	6,939	6,939
Additional paid-in capital	10,180	10,180
Retained earnings	40,041	40,262
Treasury stock	(272)	(238)
Total shareholders' equity	56,889	57,144
Other accumulated comprehensive income		
Difference on revaluation of other marketable securities	3,728	4,417
Foreign currency translation adjustments	4,474	3,638
Remeasurements of defined benefit plans	(479)	(451)
Total other accumulated comprehensive income	7,724	7,604
Share warrants	165	187
Total net assets	64,778	64,936
Total liabilities and net assets	136,928	136,481

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

	Six months ended September 30, 2016	Six months ended September 30, 2017
	Amount (million yen)	Amount (million yen)
Sales	66,976	70,631
Cost of goods sold	58,230	62,951
Gross profit	8,745	7,680
Selling, general and administrative expenses	5,419	5,947
Operating income	3,326	1,732
Non-operating income		
Interest income	14	12
Dividends received	86	89
Foreign currency exchange gains	—	3
Gain on sales of scraps	73	57
Others	105	60
Total non-operating income	279	223
Non-operating expenses		
Interest expenses	473	339
Foreign currency exchange loss	225	—
Others	49	37
Total non-operating expenses	748	377
Recurring income	2,857	1,578
Extraordinary gains		
Gain on sales of fixed assets	3	6
Subsidy income	49	7
Gain on insurance adjustment	—	51
Total extraordinary gains	53	65
Extraordinary losses		
Loss on sales of fixed assets	61	66
Impairment loss	23	—
Special retirement expenses	—	55
Product warranty expenses	—	65
Total extraordinary losses	84	187
Income before income taxes and others	2,826	1,456
Income taxes and enterprise taxes	802	1,335
Deferred income taxes	(89)	(431)
Total income taxes	713	903
Net income	2,112	552
Net income attributable to owners of parent	2,112	552

Quarterly Consolidated Statements of Comprehensive Income
First Half

	Six months ended September 30, 2016	Six months ended September 30, 2017
	Amount (million yen)	Amount (million yen)
Net income	2,112	552
Other comprehensive income		
Difference on revaluation of other marketable securities	(82)	688
Foreign currency translation adjustments	(6,738)	(836)
Remeasurements of defined benefit plans, net of tax	35	28
Total other comprehensive income	(6,786)	(119)
Comprehensive income	(4,673)	433
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(4,673)	433
Comprehensive income attributable to non-controlling interests	—	—

(3) Quarterly Consolidated Statement of Cash Flows

	Six months ended September 30, 2016	Six months ended September 30, 2017
	Amount (million yen)	Amount (million yen)
Cash flows from operating activities		
Income before income taxes and others	2,826	1,456
Depreciation and amortization	6,876	7,358
Impairment loss	23	–
Increase (decrease) in allowances for bonuses	(102)	502
Increase (decrease) in provision for product warranties	(14)	63
Increase (decrease) in net defined benefit liability	85	49
Interest and dividend income	(101)	(101)
Interest expenses	473	339
Loss (gain) on sales and retirement of tangible fixed assets	57	58
Subsidy income	(49)	(7)
Gain on insurance claim	–	(51)
Extra retirement payment	–	55
Decrease (increase) in notes and accounts receivable	3,175	369
Decrease (increase) in inventories	(447)	62
Increase (decrease) in notes and accounts payable	199	972
Increase (decrease) in accrued expenses	18	136
Increase (decrease) in accrued consumption taxes and others	343	153
Others	373	369
Subtotal	13,738	11,786
Interest and dividends received	101	101
Interest paid	(467)	(344)
Income taxes paid	(655)	(1,053)
Income taxes refunded	314	18
Proceeds from subsidy	45	3
Proceeds from insurance income	–	51
Net cash provided by (used in) operating activities	13,075	10,563
Cash flows from investing activities		
Expenditures from purchases of tangible fixed assets	(6,691)	(8,088)
Proceeds from sales of tangible fixed assets	3	92
Others	(119)	(273)
Net cash provided by (used in) investing activities	(6,808)	(8,270)
Cash flows from financing activities		
Proceeds from short-term loans	11,716	2,893
Repayment of short-term loans	(12,786)	(3,276)
Proceeds from long-term debt	1,969	3,200
Repayment of long-term debt	(5,563)	(5,443)
Dividends paid	(206)	(309)
Others	(114)	(116)
Net cash provided by (used in) financing activities	(4,985)	(3,052)
Effect of exchange rate changes on cash and cash equivalents	(534)	(137)
Net increase (decrease) in cash and cash equivalents	747	(895)
Cash and cash equivalents at beginning of year	4,505	4,100
Cash and cash equivalents at end of period	5,253	3,204

(4) Notes on Going Concern Assumptions

Not applicable.

(5) Notes for Significant Change in the Amount of Shareholders' Equity

Not applicable.

(6) Segment Information

Segment information

I. Six months ended September 30, 2016 (from April 1, 2016 to September 30, 2016)

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	29,940	21,091	12,663	2,143	1,138	66,976
Intersegment	1,661	4	900	1,914	—	4,481
Total	31,601	21,095	13,564	4,058	1,138	71,458
Segment profit	1,121	1,363	577	148	68	3,280

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	3,280
Elimination of intersegment transactions	46
Operating income in the quarterly consolidated statement of income	3,326

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

In Die Casting Business: Japan, the book value of assets to be disposed of was reduced to the recoverable value, and the reduction was posted as an impairment loss in extraordinary losses. The impairment loss in the first half under review was ¥23 million.

II. Six months ended September 30, 2017 (from April 1, 2017 to September 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	33,097	20,470	13,920	2,182	961	70,631
Intersegment	2,178	1	805	2,235	7	5,228
Total	35,275	20,472	14,725	4,417	968	75,859
Segment profit	430	214	828	115	143	1,733

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	1,733
Elimination of intersegment transactions	(0)
Operating income in the quarterly consolidated statement of income	1,732

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

Not applicable.