

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

November 14, 2018

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, 2018		
Planned date for start of dividend payments	December 3, 2018		
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, 2018 through September 30, 2018)

(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, 2018	72,250	2.3	438	(74.7)	343	(78.2)	363	(71.1)
Six months ended September 30, 2017	70,631	5.5	1,732	(47.9)	1,578	(44.8)	1,255	(39.6)

(Note) Comprehensive income	Six months ended September 30, 2018:	-352 million yen (-%)
	Six months ended September 30, 2017:	1,296 million yen (-%)
(For reference) EBITDA	Six months ended September 30, 2018:	8,848 million yen (-2.7%)
	Six months ended September 30, 2017:	9,090 million yen (-10.9%)

* EBITDA = operating income + depreciation and amortization

	Net income per share	Fully diluted net income per share
	yen	yen
Six months ended September 30, 2018	14.02	13.87
Six months ended September 30, 2017	48.56	48.08

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
As of September 30, 2018	137,095	64,775	47.1
As of March 31, 2018	137,751	65,439	47.4

(For reference) Shareholders' equity 64,587 million yen at September 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	–	10.00			
Year ending March 31, 2019 (projection)			–	12.00	22.00

(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
Full year	149,300	3,100	3,150	2,300	88.80
	2.8	(34.3)	(29.0)	(33.3)	

(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)

26,076,717 shares at September 30, 2018

26,027,720 shares at March 31, 2018

(ii) Number of treasury stock at end of period

161,982 shares at September 30, 2018

160,364 shares at March 31, 2018

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

25,887,095 shares at September 30, 2018

25,858,234 shares at September 30, 2017

(Note) Ahresty Corporation issued 48,997 new shares on July 19, 2018, as restricted stock compensation pursuant to the resolution of a meeting of its Board of Directors held on June 20, 2018.

* 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 Half (3) Qualitative Information Concerning Consolidated Earnings Forecasts" on page 4 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. Overseas, the U.S. economy continued its steady recovery, and in Asia, the Chinese economy showed signs of improvement and the Indian economy also remained generally strong. Nonetheless, economic prospects continue to be uncertain due to concerns over rising fuel prices, damage caused by a string of natural disasters in Japan, the impact of US trade issues on the global economy, and other factors.

In this environment, while net sales increased based largely on an increase in orders received, particularly in the Asian segment, profit was reduced by cost growth factors such as a rise in fuel prices and an increase in depreciation and amortization. In addition, the plant in the United States has been undertaking an improvement project since the beginning of the year and its productivity is shows signs of increasing; however, slow income growth and other factors have caused a decrease in profit.

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.

As a result, the Group recorded consolidated net sales of ¥72,250 million (up 2.3% year on year), consolidated operating income of ¥438 million (down 74.7% year on year), recurring income of ¥343 million (down 78.2% year on year), and net income attributable to owners of parent of ¥363 million (down 71.1% year on year) for the first half of the fiscal year under review.

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. Improved conditions in the aluminum market contributed to 0.3% year-on-year growth in net sales, which totaled ¥33,198 million. The segment result was a loss of ¥173 million (as opposed to segment profit of ¥430 million in the same period of the previous year) due to a fall in sales volume and rising fuel expenses.

(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 and SUV continued to rise. The Company's plant in the United States received brisk orders for components for small trucks and SUV, but its orders fell from the same quarter a year earlier due to the discontinuation of the production of some components last year. Meanwhile at the plant in Mexico, orders received soared after mass production of new components came into full gear. Consequently, net sales in the North American segment reached ¥20,514 million, up 0.2% year on year. The segment recorded a loss of ¥198 million (as opposed to segment profit of ¥214 million in the same period of the previous year), mainly reflecting the delayed contribution of the improvement project at the United States plant to revenues and an increase in depreciation and amortization.

(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 8.8% year on year, to ¥15,143 million; meanwhile, segment profit declined 9.6% year on year, to ¥748 million, principally owing to customers' cooperation in cost reduction and a rise in depreciation and amortization.

(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 4.9 % year on year, to ¥2,290 million. Despite the Company's efforts to reduce the cost of processing, the cost of raw materials constituting a major part of the cost composition rose in response to the market price of aluminum during the first half under review, which resulted in a fall in segment profit by 62.4% year on year, to ¥43 million.

(v) Proprietary Products Business

In the Proprietary Products business, net sales amounted to ¥1,104 million (up 14.9% year on year), largely attributable to an increase 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 decreased to ¥70 million (down 51.1% year on year) as a result mainly of intensifying price competition.

(2) Qualitative Information Concerning Consolidated Financial Position

(i) Assets, liabilities, and net assets

(Assets)

Assets at the end of the consolidated first half under review decreased ¥656 million from the end of the previous consolidated fiscal year, to ¥137,095 million. Current assets stood at ¥42,656 million, reflecting a decrease of ¥68 million from the end of the previous consolidated fiscal year. Major factors behind this include a decline in trade notes and accounts receivable of ¥1,412 million, and increases in cash and time deposits and inventories of ¥955 million and ¥238 billion respectively. Non-current assets were ¥94,438 million, down by ¥588 million from the end of the preceding fiscal year. This was due chiefly to the shrinkage in tangible fixed assets of ¥1,319 million.

(Liabilities)

Liabilities at the end of the consolidated first half under review rose ¥7 million from the end of the previous consolidated fiscal year, to ¥72,320 million. Current liabilities stood at ¥47,669 million, reflecting a decrease of ¥1,306 million from the end of the previous consolidated fiscal year. Principal factors contributing to this result included a decrease of ¥684 million in notes and accounts payable, a fall of ¥602 million in the current portion of long-term loans, a decline of ¥785 million in accrued income taxes, and a reduction of ¥250 million in bonus allowances, which more than offset an increase of ¥775 million in short-term loans. Long-term liabilities stood at ¥ 24,650 million, up ¥1,314 million from the end of the preceding consolidated fiscal year. Main factors include an increase in long-term loans of ¥1,426 million.

(Net assets)

Net assets at the end of the consolidated first half under review decreased ¥664 million from the end of the previous consolidated fiscal year, to ¥64,775 million. This was attributable primarily to a fall of ¥881 million in foreign currency translation adjustments, which more than offset an increase of ¥142 million in the difference on revaluation of other marketable securities.

As a result, the equity ratio was down from 47.4% at the end of the previous consolidated fiscal year to 47.1%.

(ii) Cash flow

Cash and cash equivalents ("cash") increased ¥955 million from the end of the previous fiscal year during the first half of the fiscal year under review and came to ¥3,586 million at the end of the first half of the fiscal year under review.

The status of each of the cash flow segments and contributing factors for the first half of the fiscal year under review are as follows.

(Cash flows from operating activities)

Cash provided by operating activities increased to ¥7,959 million (compared to cash provided of ¥10,563 million in the same period of the previous year). This was attributable principally to factors such as ¥540 million in income before income taxes and others, ¥8,410 million in depreciation and amortization, a fall of ¥1,605 million in decrease in notes and accounts receivable, which more than offset factors such as a decrease of ¥227 million in bonus allowances, a fall of ¥607 million in notes and accounts payable, and ¥1,218 million in income taxes paid.

(Cash flows from investing activities)

Cash used in investing activities totaled ¥8,128 million (compared to cash used of ¥8,270 million in the same period of the previous year). This was a result chiefly of the expenditures from purchases of tangible fixed assets amounting to ¥8,109 million, which more than offset proceeds from sales of investment securities totaling ¥8,109 million.

(Cash flows from financing activities)

Cash provided by financing activities came to ¥1,258 million (compared to cash used of ¥3,052 million in the same period of the previous year). This was caused in part by factors such as an increase in short-term loans of ¥25,309 million and proceeds from long-term loans of ¥9,284 million, which more than offset factors including a decrease in short-term loans of ¥24,489 million, repayments of long-term loans of ¥8,454 million, and dividends paid of ¥361 million.

(3) Qualitative Information Concerning Consolidated Earnings Forecasts

No change has been made to the consolidated financial forecasts announced on October 19, 2018 for 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 March 31, 2018	As of September 30, 2018
	Amount (million yen)	Amount (million yen)
(Assets)		
Current assets		
Cash and time deposits	2,630	3,586
Trade notes and accounts receivable	24,783	23,214
Electronically recorded monetary claims - operating	2,902	3,057
Merchandise and products	3,232	3,493
Partly finished goods	4,890	4,972
Raw materials and inventories	3,208	3,103
Others	1,090	1,228
Allowance for doubtful accounts	(13)	(1)
Total current assets	42,724	42,656
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	14,805	14,442
Machinery and delivery equipment, net	43,778	42,910
Land	5,425	5,413
Construction in progress	10,556	9,867
Others, net	8,317	8,929
Total tangible fixed assets	82,882	81,563
Intangible fixed assets	1,786	2,014
Investments and other assets		
Investments in securities	8,266	8,478
Others	2,115	2,406
Allowance for doubtful accounts	(24)	(25)
Total investments and other assets	10,357	10,860
Total fixed assets	95,026	94,438
Total assets	137,751	137,095

	As of March 31, 2018	As of September 30, 2018
	Amount (million yen)	Amount (million yen)
(Liabilities)		
Current liabilities		
Notes and accounts payable	13,413	12,674
Electronically recorded obligations-operating	7,882	7,936
Short-term loans	5,307	6,082
Current portion of long-term loans	10,109	9,506
Accrued income taxes	1,032	246
Bonus allowances	2,157	1,906
Directors' bonus allowances	15	-
Provision for product warranties	87	90
Others	8,971	9,225
Total current liabilities	48,976	47,669
Long-term liabilities		
Long-term loans	16,136	17,562
Long-term accounts payable	589	589
Net defined benefit liability	2,867	2,859
Others	3,743	3,639
Total long-term liabilities	23,336	24,650
Total liabilities	72,312	72,320
(Net assets)		
Shareholders' equity		
Common stock	6,939	6,964
Additional paid-in capital	10,180	10,206
Retained earnings	40,272	40,273
Treasury stock	(238)	(239)
Total shareholders' equity	57,153	57,204
Other accumulated comprehensive income		
Difference on revaluation of other marketable securities	4,335	4,478
Foreign currency translation adjustments	4,168	3,287
Remeasurements of defined benefit plans	(406)	(382)
Total other accumulated comprehensive income	8,098	7,383
Share warrants	187	187
Total net assets	65,439	64,775
Total liabilities and net assets	137,751	137,095

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

	Six months ended September 30, 2017	Six months ended September 30, 2018
	Amount (million yen)	Amount (million yen)
Sales	70,631	72,250
Cost of goods sold	62,951	66,067
Gross profit	7,680	6,182
Selling, general and administrative expenses	5,947	5,744
Operating income	1,732	438
Non-operating income		
Interest income	12	46
Dividends received	89	103
Foreign currency exchange gains	3	–
Gain on sales of scraps	57	70
Others	60	74
Total non-operating income	223	295
Non-operating expenses		
Interest expenses	339	294
Foreign currency exchange loss	–	75
Others	37	20
Total non-operating expenses	377	390
Recurring income	1,578	343
Extraordinary gains		
Gain on sales of fixed assets	6	18
Gain on sales of investment securities	–	301
Subsidy income	7	34
Gain on insurance adjustment	51	160
Total extraordinary gains	65	514
Extraordinary losses		
Loss on sales of fixed assets	66	164
Special retirement expenses	55	–
Product warranty expenses	65	–
Expenses for advance loan repayments	–	152
Total extraordinary losses	187	317
Income before income taxes and others	1,456	540
Income taxes and enterprise taxes	1,335	574
Deferred income taxes	(1,134)	(396)
Total income taxes	200	177
Net income	1,255	363
Net income attributable to owners of parent	1,255	363

Quarterly Consolidated Statements of Comprehensive Income
 First Half

	Six months ended September 30, 2017	Six months ended September 30, 2018
	Amount (million yen)	Amount (million yen)
Net income	1,255	363
Other comprehensive income		
Difference on revaluation of other marketable securities	688	142
Foreign currency translation adjustments	(675)	(881)
Remeasurements of defined benefit plans, net of tax	28	23
Total other comprehensive income	40	(715)
Comprehensive income	1,296	(352)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,296	(352)
Comprehensive income attributable to non-controlling interests	—	—

(3) Quarterly Consolidated Statement of Cash Flows

	Six months ended September 30, 2017	Six months ended September 30, 2018
	Amount (million yen)	Amount (million yen)
Cash flows from operating activities		
Income before income taxes and others	1,456	540
Depreciation and amortization	7,358	8,410
Increase (decrease) in allowances for bonuses	502	(227)
Increase (decrease) in provision for product warranties	63	2
Increase (decrease) in net defined benefit liability	49	25
Interest and dividend income	(101)	(150)
Interest expenses	339	294
Loss (gain) on sales and retirement of tangible fixed assets	58	146
Loss (gain) on sales of investment securities	–	(301)
Subsidy income	(7)	(34)
Gain on insurance claim	(51)	(160)
Expenses for advance loan repayments	–	152
Extra retirement payment	55	–
Decrease (increase) in notes and accounts receivable	369	1,605
Decrease (increase) in inventories	62	(238)
Increase (decrease) in notes and accounts payable	972	(607)
Increase (decrease) in accrued expenses	136	174
Increase (decrease) in accrued consumption taxes and others	153	86
Others	369	(610)
Subtotal	11,786	9,109
Interest and dividends received	101	129
Interest paid	(344)	(300)
Income taxes paid	(1,053)	(1,218)
Income taxes refunded	18	75
Expenses for advance loan repayments paid	–	(152)
Proceeds from subsidy	3	155
Proceeds from insurance income	51	160
Net cash provided by (used in) operating activities	10,563	7,959
Cash flows from investing activities		
Expenditures from purchases of tangible fixed assets	(8,088)	(8,109)
Proceeds from sales of tangible fixed assets	92	26
Proceeds from sales of investment securities	–	305
Others	(273)	(349)
Net cash provided by (used in) investing activities	(8,270)	(8,128)
Cash flows from financing activities		
Proceeds from short-term loans	2,893	25,309
Repayment of short-term loans	(3,276)	(24,489)
Proceeds from long-term debt	3,200	9,284
Repayment of long-term debt	(5,443)	(8,454)
Dividends paid	(309)	(361)
Others	(116)	(30)
Net cash provided by (used in) financing activities	(3,052)	1,258
Effect of exchange rate changes on cash and cash equivalents	(137)	(133)
Net increase (decrease) in cash and cash equivalents	(895)	955
Cash and cash equivalents at beginning of year	4,100	2,630
Cash and cash equivalents at end of period	3,204	3,586

(4) 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. 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.

II. Six months ended September 30, 2018 (from April 1, 2018 to September 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	33,198	20,514	15,143	2,290	1,104	72,250
Intersegment	1,824	2	1,122	2,512	4	5,466
Total	35,022	20,516	16,266	4,802	1,108	77,717
Segment profit (loss)	(173)	(198)	748	43	70	490

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	490
Elimination of intersegment transactions	(52)
Operating income in the quarterly consolidated statement of income	438

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

Not applicable.