

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

February 14, 2019

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	February 14, 2019		
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 December 31, 2018)

(1) Consolidated operating results (For the nine months ended December 31) (% shows change from previous first three quarters)

	Net sales		Operating income		Recurring income		Net income attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Nine months ended December 31, 2018	110,601	3.4	1,932	(32.6)	1,981	(26.4)	(1,285)	-
Nine months ended December 31, 2017	106,989	6.5	2,868	(36.9)	2,693	(32.2)	2,360	(19.5)

(Note) Comprehensive income
 Nine months ended December 31, 2018: -3,187 million yen (-%)
 Nine months ended December 31, 2017: 3,737 million yen (-%)
 (For reference) EBITDA
 Nine months ended December 31, 2018: 14,284 million yen (-2.1%)
 Nine months ended December 31, 2017: 13,986 million yen (-5.5%)

* EBITDA = operating income + depreciation and amortization

	Net income per share	Fully diluted net income per share
	yen	yen
Nine months ended December 31, 2018	(49.63)	-
Nine months ended December 31, 2017	91.26	90.34

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
As of December 31, 2018	132,945	61,680	46.3
As of March 31, 2018	137,751	65,439	47.4

(For reference) Shareholders' equity
 61,493 million yen at December 31, 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	200	7.72
	2.8	(34.3)	(29.0)	(94.2)	

(Note) Revisions to consolidated results forecast published most recently: Yes

* 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 December 31, 2018

26,027,720 shares at March 31, 2018

(ii) Number of treasury stock at end of period

162,257 shares at December 31, 2018

160,364 shares at March 31, 2018

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

25,896,322 shares at December 31, 2018

25,861,367 shares at December 31, 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 Three Quarters (3) Qualitative Information Concerning Consolidated Earnings Forecasts" on page 3 of the accompanying materials.

Accompanying Materials — Contents

1. Qualitative Information on Consolidated Operating Results, etc. for the First Three Quarters	2
(1) Qualitative Information Concerning Consolidated Operating Results	2
(2) Qualitative Information Concerning Consolidated Financial Position	3
(3) Qualitative Information Concerning Consolidated Earnings Forecasts	3
2. Consolidated Quarterly Financial Statements and Key Notes	4
(1) Quarterly Consolidated Balance Sheet	4
(2) Quarterly Consolidated Income Statements and Quarterly Consolidated Statements of Comprehensive Income	6
Quarterly Consolidated Income Statements First Three Quarters	6
Quarterly Consolidated Statements of Comprehensive Income First Three Quarters	7
(3) Notes on Going Concern Assumptions	8
(4) Notes for Significant Change in the Amount of Shareholders' Equity	8
(5) Segment Information	8
(6) Significant Events after the Reporting Period	9

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

(1) Qualitative Information Concerning Consolidated Operating Results

During the first three quarters 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, although the Chinese economy slowed, the Indian economy remained generally strong. Nonetheless, economic prospects have been increasingly uncertain due to concerns over the impact of rising fuel prices, U.S. trade issues, economic slowdown in China and other issues with the global economy.

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 last year and its productivity is showing signs of increasing; however, slow income growth led to the posting of impairment loss, among other factors, resulting in 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 successfully increase productivity and profitability under the medium-term management plan (2019-2021), which will start from the following fiscal year.

As a result, the Group recorded consolidated net sales of ¥110,601 million (up 3.4% year on year), consolidated operating income of ¥1,932 million (down 32.6% year on year), recurring income of ¥1,981 million (down 26.4% year on year), and net loss attributable to owners of parent of ¥1,285 million (as opposed to net profit attributable to owners of parent of ¥2,360 million in the same quarter of the previous year) for the first three quarters of the fiscal year under review.

Operating results by segment are as follows:

(i) Die Casting Business: Japan

In the Japanese automobile market, both domestic sales and production for exports remained at almost the same level as that of the previous year. Orders received increased in the quarter under review, resulting in almost the same total orders as those of the same quarter of the previous year. Improved conditions in the aluminum market contributed to 3.2% year-on-year growth in net sales, which totaled ¥51,689 million. Segment profit decreased by 45.2% year on year, to ¥574 million, mainly due to the impact of rising fuel expenses and increased depreciation expenses. However, the recent profit for October to December improved from the last quarter due to the impact of the sales increase.

(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, which covered the impact of termination of production for some components in the previous year, resulting in the same amount of orders as in the previous year. Meanwhile, at the plant in Mexico, orders received increased after mass production of new components came into full gear, but the quarter under review saw impacts of the decrease in orders for components for passenger cars in the North American market. As a result, despite a fall in orders in the entire North America segment, net sales came to ¥30,170 million (as opposed to ¥30,158 million in the same quarter of the previous year), partly due to the improved conditions in the aluminum market. The segment recorded a loss of ¥283 million (as opposed to segment profit of ¥151 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, the Company's main customers, saw strong sales chiefly in SUVs, and orders received by the Company for related parts, including new one, increased. In India, where the car market is growing, the Company obtained a significantly increasing number of orders. Amid the growth in orders and the rise in the aluminum markets in the two countries, Asian sales grew 6.4% year on year, to ¥22,899 million. Segment profit increased 7.7% year on year, to ¥1,382 million, principally due to the effect of profit increase resulting from increased sales.

(iv) Aluminum Business

In the Aluminum business, while the sales volume decreased year on year, net sales increased by 0.8% year on year, to ¥3,458 million, because of a higher unit price in the first half of this fiscal year than the previous fiscal year. In terms of

profit, 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 high market price of aluminum during the first half under review, which resulted in a fall in segment profit by 58.4% year on year, to ¥72 million.

(v) Proprietary Products Business

In the Proprietary Products business, net sales amounted to ¥2,383 million (up 32.9% 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 ¥232 million (down 9.0% year on year) as a result mainly of intensifying price competition. However, recent profit for October to December improved from the last quarter due to the impact of increased orders.

(2) Qualitative Information Concerning Consolidated Financial Position

(i) Assets, liabilities, and net assets

(Assets)

Assets at the end of the consolidated first three quarters under review decreased ¥4,806 million from the end of the previous consolidated fiscal year, to ¥132,945 million. Current assets stood at ¥43,624 million, an increase of ¥899 million from the end of the previous consolidated fiscal year. Major factors behind this include an increase of ¥1,651 million in cash and time deposits and a rise of ¥725 million in inventories, despite a decrease of ¥1,573 million in trade notes and accounts receivable. Non-current assets were ¥89,320 million, down by ¥5,706 million from the end of the preceding fiscal year. This was due chiefly to the shrinkage in tangible fixed assets of ¥5,075 million.

(Liabilities)

Liabilities at the end of the consolidated first three quarters under review fell ¥1,048 million from the end of the previous consolidated fiscal year, to ¥71,264 million. Current liabilities stood at ¥49,460 million, reflecting an increase of ¥484 million from the end of the previous consolidated fiscal year. Principal factors contributing to this result included an increase of ¥2,017 million in short-term loans and a rise of ¥178 million in the current portion of long-term loans, which more than offset the decrease of ¥197 million in notes and accounts payable, fall of ¥826 million in accrued income taxes and decline of ¥831 million in bonus allowances. Long-term liabilities stood at ¥21,803 million, down ¥1,532 million from the end of the preceding consolidated fiscal year. Main factors include a decrease in long-term loans of ¥916 million.

(Net assets)

Net assets at the end of the consolidated first three quarters under review decreased ¥3,758 million from the end of the previous consolidated fiscal year, to ¥61,680 million. This was primarily attributable to a fall of ¥1,906 million in retained earnings, a decrease of ¥953 million in difference on revaluation of other marketable securities and a decline of ¥983 million in foreign currency translation adjustments mainly due to net loss attributable to owners of parent.

As a result, the equity ratio was down from 47.4% at the end of the previous consolidated fiscal year to 46.3%.

(3) Qualitative Information Concerning Consolidated Earnings Forecasts

The Company has revised the consolidated financial forecasts announced on October 19, 2018. For details, refer to the release, "Notice Concerning Posting of Extraordinary Losses and Extraordinary Gains and Revision of Full-Year Results Forecasts," dated February 14, 2019.

2. Consolidated Quarterly Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheet

	As of March 31, 2018	As of December 31, 2018
	Amount (million yen)	Amount (million yen)
(Assets)		
Current assets		
Cash and time deposits	2,630	4,282
Trade notes and accounts receivable	24,783	22,196
Electronically recorded monetary claims - operating	2,902	3,914
Merchandise and products	3,232	3,662
Partly finished goods	4,890	5,142
Raw materials and inventories	3,208	3,251
Others	1,090	1,175
Allowance for doubtful accounts	(13)	(1)
Total current assets	42,724	43,624
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	14,805	13,760
Machinery and delivery equipment, net	43,778	40,931
Land	5,425	5,436
Construction in progress	10,556	9,137
Others, net	8,317	8,539
Total tangible fixed assets	82,882	77,807
Intangible fixed assets	1,786	2,096
Investments and other assets		
Investments in securities	8,266	6,912
Others	2,115	2,529
Allowance for doubtful accounts	(24)	(24)
Total investments and other assets	10,357	9,417
Total fixed assets	95,026	89,320
Total assets	137,751	132,945

	As of March 31, 2018	As of December 31, 2018
	Amount (million yen)	Amount (million yen)
(Liabilities)		
Current liabilities		
Notes and accounts payable	13,413	12,712
Electronically recorded obligations-operating	7,882	8,385
Short-term loans	5,307	7,325
Current portion of long-term loans	10,109	10,287
Accrued income taxes	1,032	205
Bonus allowances	2,157	1,326
Directors' bonus allowances	15	-
Provision for product warranties	87	81
Others	8,971	9,136
Total current liabilities	48,976	49,460
Long-term liabilities		
Long-term loans	16,136	15,220
Long-term accounts payable	589	585
Net defined benefit liability	2,867	2,875
Others	3,743	3,122
Total long-term liabilities	23,336	21,803
Total liabilities	72,312	71,264
(Net assets)		
Shareholders' equity		
Common stock	6,939	6,964
Additional paid-in capital	10,180	10,206
Retained earnings	40,272	38,365
Treasury stock	(238)	(239)
Total shareholders' equity	57,153	55,296
Other accumulated comprehensive income		
Difference on revaluation of other marketable securities	4,335	3,382
Foreign currency translation adjustments	4,168	3,184
Remeasurements of defined benefit plans	(406)	(370)
Total other accumulated comprehensive income	8,098	6,196
Share warrants	187	187
Total net assets	65,439	61,680
Total liabilities and net assets	137,751	132,945

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

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
	Amount (million yen)	Amount (million yen)
Sales	106,989	110,601
Cost of goods sold	95,282	99,986
Gross profit	11,707	10,615
Selling, general and administrative expenses	8,838	8,682
Operating income	2,868	1,932
Non-operating income		
Interest income	20	73
Dividends received	159	183
Foreign currency exchange gains	14	22
Gain on sales of scraps	83	109
Others	97	111
Total non-operating income	374	499
Non-operating expenses		
Interest expenses	492	413
Others	57	38
Total non-operating expenses	549	451
Recurring income	2,693	1,981
Extraordinary gains		
Gain on sales of fixed assets	10	59
Gain on sales of investment securities	-	301
Subsidy income	9	65
Gain on insurance adjustment	51	160
Total extraordinary gains	72	586
Extraordinary losses		
Loss on sales of fixed assets	90	260
Impairment loss	-	3,015
Special retirement expenses	55	-
Product warranty expenses	17	-
Expenses for advance loan repayments	-	153
Total extraordinary losses	164	3,430
Income (loss) before income taxes and others	2,601	(862)
Income taxes and enterprise taxes	1,270	874
Deferred income taxes	(1,028)	(452)
Total income taxes	241	422
Net income (loss)	2,360	(1,285)
Net income (loss) attributable to owners of parent	2,360	(1,285)

Quarterly Consolidated Statements of Comprehensive Income
 First Three Quarters

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
	Amount (million yen)	Amount (million yen)
Net income (loss)	2,360	(1,285)
Other comprehensive income		
Difference on revaluation of other marketable securities	1,153	(953)
Foreign currency translation adjustments	181	(983)
Remeasurements of defined benefit plans, net of tax	42	35
Total other comprehensive income	1,377	(1,901)
Comprehensive income	3,737	(3,187)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,737	(3,187)
Comprehensive income attributable to non-controlling interests	-	-

(3) Notes on Going Concern Assumptions

Not applicable.

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

Not applicable.

(5) Segment information

Segment information

I. Nine months ended December 31, 2017 (from April 1, 2017 to December 31, 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	50,077	30,158	21,527	3,432	1,792	106,989
Intersegment	3,249	1	1,337	3,522	11	8,122
Total	53,326	30,160	22,865	6,954	1,804	115,112
Segment profit	1,049	151	1,283	173	255	2,912

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	2,912
Elimination of intersegment transactions	(44)
Operating income in the quarterly consolidated statement of income	2,868

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

Not applicable.

II. Nine months ended December 31, 2018 (from April 1, 2018 to December 31, 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	51,689	30,170	22,899	3,458	2,383	110,601
Intersegment	2,895	8	1,675	3,804	5	8,389
Total	54,585	30,179	24,575	7,263	2,388	118,991
Segment profit (loss)	574	(283)	1,382	72	232	1,978

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	1,978
Elimination of intersegment transactions	(45)
Operating income in the quarterly consolidated statement of income	1,932

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

The Company conducted an impairment test on Ahresty Wilmington Corporation included in the Die Casting Business of North America according to the U.S. Generally Accepted Accounting Principles because of a delay in improvement of its profitability. As a result, the Company reduced the book value of the business assets owned by the said company to a recoverable amount and posted an impairment loss of 3,015 million yen for the first nine months of the fiscal year under review.

(6) Significant Events after the Reporting Period

(Sale of investment securities)

In order to increase the efficiency of assets owned by the Company and enhance its financial strength, the Company sold part of its investment securities (four issues of listed shares) on February 12 and 13, 2019, and accordingly will post a gain on sales of investment securities of 1,040 million yen under extraordinary gains in the settlement of accounts for the fourth quarter of the fiscal year ending March 31, 2019, on a consolidated basis.