

Consolidated Financial Results (Japanese Accounting Standards) for the First Quarter of the Fiscal Year Ending March 31, 2020

August 5, 2019

Company Name	Ahresty Corporation	Stock Exchange Listing	Tokyo
Code Number	5852	URL	https://www.ahresty.co.jp
Representative	President & CEO Arata Takahashi		
Contact for inquiries	Executive Officer, Chief of General Administrative Command	Tsuruo Tsuji	TEL 03-6369-8660
Filing date of quarterly securities report	August 6, 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, 2019 – June 30, 2019)

(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, 2019	31,953	(9.8)	576	(3.4)	537	9.4	289	(62.7)
Three months ended June 30, 2018	35,429	(0.2)	596	(52.5)	490	(59.8)	776	(8.8)

(Note) Comprehensive income	Three months ended June 30, 2019:	664 million yen	(-%)
	Three months ended June 30, 2018:	-360 million yen	(-%)
(For reference) EBITDA	Three months ended June 30, 2019:	4,202 million yen	(-4.2%)
	Three months ended June 30, 2018:	4,386 million yen	(-11.5%)
	* EBITDA = operating income + depreciation and amortization		

	Net income per share	Fully diluted net income per share
	yen	yen
Three months ended June 30, 2019	11.19	11.06
Three months ended June 30, 2018	30.00	29.68

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
As of June 30, 2019	127,146	61,579	48.3
As of March 31, 2019	128,222	61,293	47.7

(For reference) Shareholders' equity 61,391 million yen at June 30, 2019
61,105 million yen at March 31, 2019

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, 2019	-	10.00	-	12.00	22.00
Year ending March 31, 2020	-				
Year ending March 31, 2020 (projection)		10.00	-	12.00	22.00

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

3. Forecast of consolidated results for year ending March 2020 (April 1, 2019 – March 31, 2020)

(% 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	65,800	(8.9)	700	59.6	600	74.6	400	10.2	15.44
Full year	134,000	(7.9)	2,700	(16.4)	2,500	(13.9)	1,700	303.7	65.60

(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 June 30, 2019

26,076,717 shares at March 31, 2019

(ii) Number of treasury stock at end of period

289,568 shares at June 30, 2019

162,347 shares at March 31, 2019

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

25,887,633 shares at June 30, 2019

25,867,356 shares at June 30, 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 Quarter (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 Quarter	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 Quarter	6
Quarterly Consolidated Statements of Comprehensive Income First Quarter	7
(3) Notes on Going Concern Assumptions	8
(4) Notes for Significant Change in the Amount of Shareholders' Equity.....	8
(5) Changes in the Accounting Policy	8
(6) Segment Information.....	9

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 continued its moderate recovery as consumer spending picked up and the employment level remained high against the backdrop of rising capital expenditure. However, business sentiment has shown slight weakness recently due to the impact of the slowdown of exports. Overseas, the Chinese economy, which had been slowing down, decelerated further in Asia, and the Indian economy was also on a declining trend, although the U.S. economy remained firm. Meanwhile, the business outlook is still uncertain, given the impact of the U.S.-China trade tensions on the global economy as well as concerns over the future of the Chinese and Indian economies, among other factors.

The Group began to execute its 1921 Medium-Term Management Plan (from 2019 to 2021). Based on this plan, it will continue implementing measures steadily while simultaneously working on improving productivity and profitability.

In terms of the consolidated financial results for the first quarter under review, the Group recorded consolidated net sales of ¥31,953 million (down 9.8% year on year), operating income of ¥576 million (down 3.4% year on year), recurring income of ¥537 million (up 9.4% year on year), and net income attributable to owners of parent of ¥289 million (down 62.7% year on year).

Operating results by segment are as follows:

(i) Die Casting Business: Japan

In the Japanese automobile market, domestic sales and production for exports remained largely flat year on year. The Company recorded a decrease in orders received from the level in the same period of the previous year because some customers continued to make production adjustments that they had commenced a year earlier. Net sales came to ¥15,142 million (down 6.8% year on year), partly due to a decline in the condition of the aluminum market. On the profitability side, the segment recorded a loss of ¥29 million (a segment loss of 64 million was recorded a year earlier), mainly due to the impact of a drop in orders received.

(ii) Die Casting Business: North America

In the North American automobile market, production and sales of vehicles remained almost unchanged from the previous year, reflecting the situation in which the sales share of passenger cars declined while that of small trucks and SUVs continued to expand. Orders received by the Company's plant in the United States also remained largely at the year-ago level, reflecting continuous brisk orders for components for small trucks. Meanwhile, at the plant in Mexico, orders decreased due to the impact of sluggish sales in the North American market recorded by car manufacturers, the Company's main customers, which offset an increase in orders after the mass production of new components commenced on a full-scale basis. Consequently, net sales in the North American segment stood at ¥9,029 million (down 13.9% year on year). On the profitability front, the segment recorded profit of ¥462 million (up 18.4% year on year), mainly reflecting a decrease in the burden of depreciation and amortization at the U.S. plant.

(iii) Die Casting Business: Asia

In China, with car sales indicating a downturn since the second half of the previous year, a decline in sales occurring to car manufacturers (local manufacturers in particular) had a significant impact on orders received by the Company. Meanwhile, in India, car sales, which had remained strong mainly due to changes in a range of systems applied to the ownership and purchase of vehicles and a backlash against restrained purchases before the introduction of environmental control initiatives, continued to decrease on a year-on-year basis, and this had an impact on orders received by the Company. Reflecting the impact of these decreases in car sales in China and India, Asian sales fell 19.5% year on year, to ¥5,810 million. In terms of profitability, the segment recorded a loss of ¥63 million (a segment profit of ¥322 million was attained a year earlier), mainly due to the impact of the decline in sales.

(iv) Aluminum Business

In the Aluminum business, net sales decreased 13.6% year on year, to ¥1.025 billion, chiefly because of a decline in sales from the level a year before and lower unit sales prices. On the profitability side, segment profit soared 163.0% year on year, to ¥67 million yen, reflecting lower material prices attributable to a fall in the market price of aluminum, among other factors.

(v) Proprietary Products Business

In the Proprietary Products business, net sales jumped 226.1% year on year, to 945 million yen, mainly reflecting an

increase in orders for projects of main customers, namely a clean room at a semiconductor-related company and a data center at a telecommunication company. On the profitability front, the segment recorded a profit of ¥48 million (a segment loss of ¥15 million was incurred a year earlier), chiefly due to the impact of increased orders.

(2) Qualitative Information Concerning Consolidated Financial Position

Assets at the end of the consolidated first quarter under review decreased ¥1,075 million from the end of the previous consolidated fiscal year, to ¥127,146 million. Current assets stood at ¥40,224 million, reflecting a decrease of ¥2,043 million from the end of the previous consolidated fiscal year. The main factors behind this included a decline of ¥2,726 million in trade notes and accounts receivable. Non-current assets were ¥86,921 million, up by ¥967 million from the end of the preceding fiscal year. This was primarily due to increases of ¥734 million in tangible fixed assets, ¥86 million in deferred tax assets and ¥120 million in investments in securities.

Liabilities at the end of the consolidated first quarter under review fell ¥1,362 million from the end of the previous consolidated fiscal year, to ¥65,566 million. Current liabilities stood at ¥46,576 million, reflecting an increase of ¥86 million from the end of the previous consolidated fiscal year. Principal factors behind this included decreases of ¥1,560 million in notes and accounts payable and ¥682 million in the current portion of long-term loans, offset by an increase of ¥2,245 million in short-term loans. Long-term liabilities stood at ¥18,990 million, down ¥1,448 million from the end of the preceding consolidated fiscal year. This was mainly due to a decline of ¥1,542 million in long-term loans.

Net assets at the end of the consolidated first quarter under review increased ¥286 million from the end of the previous consolidated fiscal year, to ¥61,579 million. Major factors included increases of ¥79 million in difference on revaluation of other marketable securities and ¥281 million in foreign currency translation adjustments.

As a result, the equity ratio was down from 47.7% at the end of the previous consolidated fiscal year to 48.3%.

(3) Qualitative Information Concerning Consolidated Earnings Forecasts

No change has been made to the consolidated financial forecasts announced on May 15, 2019 for the first half of the fiscal year ending March 31, 2020 or the consolidated full-year forecasts for the fiscal year ending March 31, 2020.

2. Consolidated Quarterly Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheet

	As of March 31, 2019	As of June 30, 2019
	Amount (million yen)	Amount (million yen)
(Assets)		
Current assets		
Cash and time deposits	4,028	4,270
Trade notes and accounts receivable	22,382	19,937
Electronically recorded monetary claims - operating	3,249	2,968
Merchandise and products	3,463	3,087
Partly finished goods	4,760	5,222
Raw materials and inventories	3,070	2,896
Others	1,363	1,892
Allowance for doubtful accounts	(50)	(51)
Total current assets	42,267	40,224
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	14,816	14,733
Machinery and delivery equipment, net	39,430	40,154
Land	5,461	5,455
Construction in progress	8,982	8,893
Others, net	8,709	8,897
Total tangible fixed assets	77,399	78,134
Intangible fixed assets	2,067	2,096
Investments and other assets		
Investments in securities	4,232	4,353
Others	2,278	2,361
Allowance for doubtful accounts	(24)	(23)
Total investments and other assets	6,486	6,690
Total fixed assets	85,954	86,921
Total assets	128,222	127,146

	As of March 31, 2019	As of June 30, 2019
	Amount (million yen)	Amount (million yen)
(Liabilities)		
Current liabilities		
Notes and accounts payable	11,162	10,374
Electronically recorded obligations-operating	7,522	6,749
Short-term loans	5,740	7,986
Current portion of long-term loans	10,199	9,516
Accrued income taxes	872	308
Bonus allowances	2,143	2,662
Provision for product warranties	70	65
Others	8,779	8,913
Total current liabilities	46,490	46,576
Long-term liabilities		
Long-term loans	14,798	13,255
Long-term accounts payable	154	143
Net defined benefit liability	2,949	2,972
Others	2,535	2,618
Total long-term liabilities	20,438	18,990
Total liabilities	66,928	65,566
(Net assets)		
Shareholders' equity		
Common stock	6,964	6,964
Additional paid-in capital	10,206	10,206
Retained earnings	40,071	40,050
Treasury stock	(239)	(306)
Total shareholders' equity	57,002	56,914
Other accumulated comprehensive income		
Difference on revaluation of other marketable securities	2,015	2,095
Foreign currency translation adjustments	2,484	2,766
Remeasurements of defined benefit plans	(397)	(384)
Total other accumulated comprehensive income	4,102	4,477
Share warrants	187	187
Total net assets	61,293	61,579
Total liabilities and net assets	128,222	127,146

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

	Three months ended June 30, 2018	Three months ended June 30, 2019
	Amount (million yen)	Amount (million yen)
Sales	35,429	31,953
Cost of goods sold	31,978	28,521
Gross profit	3,451	3,431
Selling, general and administrative expenses	2,854	2,855
Operating income	596	576
Non-operating income		
Interest income	21	28
Dividends received	72	49
Gain on sales of scraps	32	30
Others	28	16
Total non-operating income	154	125
Non-operating expenses		
Interest expenses	160	113
Foreign currency exchange loss	87	37
Others	12	13
Total non-operating expenses	260	164
Recurring income	490	537
Extraordinary gains		
Gain on sales of fixed assets	7	0
Gain on sales of investment securities	301	–
Subsidy income	10	42
Total extraordinary gains	318	42
Extraordinary losses		
Loss on sales of fixed assets	33	58
Expenses for advance loan repayments	152	–
Total extraordinary losses	186	58
Income before income taxes and others	623	521
Income taxes and enterprise taxes	637	426
Deferred income taxes	(790)	(194)
Total income taxes	(152)	232
Net income	776	289
Net income attributable to owners of parent	776	289

Quarterly Consolidated Statements of Comprehensive Income
 First Quarter

	Three months ended June 30, 2018	Three months ended June 30, 2019
	Amount (million yen)	Amount (million yen)
Net income	776	289
Other comprehensive income		
Difference on revaluation of other marketable securities	(223)	79
Foreign currency translation adjustments	(925)	281
Remeasurements of defined benefit plans, net of tax	11	13
Total other comprehensive income	(1,136)	374
Comprehensive income	(360)	664
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(360)	664
Comprehensive income attributable to non-controlling interests	—	—

(3) Notes on Going Concern Assumptions

Notes on Going Concern Assumptions

Not applicable.

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

Not applicable.

(5) Changes in the Accounting Policy

(Application of ASU No. 2014-09 (Revenue from contracts with customers))

From the beginning of the first quarter under review, the U.S. subsidiary, to which the U.S. standards are applied, started to adopt ASU No, 2014-09 (Revenue from contracts with customers). According to this, upon the transfer of the promised goods or services to customers, revenue is recognized in an amount that reflects the consideration to which the subsidiary expects to be entitled in exchange for such goods or services.

The impact of application of the standards on the Group's financial conditions and operating performance is insignificant.

(Application of IFRS 16 (Leases))

From the beginning of the first quarter under review, the Group started to apply IFRS 16 (Leases) to its group companies excluding the Company and its domestic subsidiaries that adopt the Japanese standard and the U.S. subsidiary to which the U.S. standards are applied. As a result, all leases will be recognized as assets or liabilities by borrowers, in principle.

The impact of application of the standards on the Group's financial conditions and operating performance is insignificant.

(6) Segment Information

Segment information

I. 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 (or loss)	(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.

II. Three months ended June 30, 2019 (from April 1, 2019 to June 30, 2019)

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	15,142	9,029	5,810	1,025	945	31,953
Intersegment	809	2	295	944	0	2,051
Total	15,951	9,031	6,105	1,970	945	34,005
Segment profit (or loss)	(29)	462	(63)	67	48	485

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	485
Elimination of intersegment transactions	90
Operating income in the quarterly consolidated statement of income	576

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

Not applicable.