

3. Forecast of consolidated results for year ending March 31, 2020 (From April 1, 2019 to 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
Full year	123,400	(15.1)	900	(72.1)	700	(75.9)	200	(52.5)	7.81

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) above: 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)

As of September 30, 2019 26,076,717

As of March 31, 2019 26,076,717

(ii) Number of treasury stock at end of period

As of September 30, 2019 602,046

As of March 31, 2019 162,347

(iii) Average number of shares (for the first six-month period)

As of September 30, 2019 25,755,771

As of September 30, 2018 25,887,095

* 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 3 of the accompanying materials.

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1. Qualitative Information on Consolidated Operating Results for the First Half

(1) Qualitative Information Concerning Consolidated Operating Results

During the first half of the consolidated fiscal year under review, the Japanese economy maintained an upward trend on the back of an increase in consumer spending driven by last-minute demand before the consumption tax hike, in addition to a mild recovery due to the employment situation which hovered at a high level. In contrast, however, business confidence has been weaker recently, reflecting the deceleration of exports. Overseas, while the U.S. economy maintains its strengths, in Asia, the Chinese economy continues to decelerate and the Indian economy has also slowed down. On the other hand, the business environment surrounding the automobile industry as our main customers face a continued deceleration in car sales due to the impact of prolonged U.S.-China trade friction and the economic uncertainties for the future of the Chinese and Indian economies, together with the impact of changes in policies on car sales in the relevant countries. The sales volume in the Company's die casting business has also been affected by the deceleration of car sales, and has been lower than in the previous year both in Japan and abroad.

As a result, for the first half of the consolidated fiscal year under review, the Company recorded consolidated net sales of ¥62,680 million (down 13.2% year on year), operating income of ¥341 million (down 22.1% year on year), recurring income of ¥110 million (down 67.7% year on year) and net income attributable to owners of parent of ¥33 million (down 90.7% year on year).

To address these situations, the Group will steadily implement measures based on its 1921 Medium-term Management Plan, which started in this year, to improve profitability by raising productivity through cost cutting and reduction of expenses.

Operating results by segment are as follows:

(i) Die Casting Business: Japan

In the Japanese automobile market, the production volume of car manufacturers, our main customers, fell short of that of the previous year due to sluggish sales in North America and Asia, leading to a continued decrease in our order receipts on a year-on-year basis. Net sales came to ¥30,367 million (down 8.5% year on year), partly due to a decline in the condition of the aluminum market. On the profitability side, despite our efforts to reduce manufacturing costs, etc., the segment recorded a loss of ¥158 million (a segment loss of ¥173 million was recorded a year earlier), due to 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 a situation in which the sales share of passenger cars declined while that of small trucks and SUVs continued to expand. While the Company's plant in the United States received brisk orders for components for small trucks, orders from car manufacturers, our main customers, decreased due to the impact of their sluggish sales. Meanwhile, the plant in Mexico also faced decreased orders received due to the impact of weak 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 ¥16,982 million (down 17.2% year on year), partly due to a decline in the conditions of the aluminum market in both countries in North America. On the profitability front, the segment recorded profit of ¥478 million (a segment loss of ¥198 million was recorded a year earlier), 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 for car manufacturers (local manufacturers in particular) had a significant impact on orders received by the Company. Also, in India, car sales, which had remained strong, turned downward and continue to fall significantly short of the level of the previous year, 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.

In addition to the impact of these decreases in car sales in China and India, due to the impacts of a fall in the aluminum prices and foreign exchange, Asian sales fell 22.4% year on year, to ¥11,745 million. In terms of profitability, the segment recorded a loss of ¥320 million (a segment profit of ¥748 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 9.7% year on year, to ¥2,067 million, chiefly due to a lower unit sales price affected by the aluminum market, although sales volume increased slightly on a year-on-year basis. On the profitability side, segment profit soared 147.2% year on year, to ¥107 million, reflecting lower material prices attributable to a fall in the market price of aluminum.

(v) Proprietary Products Business

In the Proprietary Products business, net sales increased 37.4% year on year to ¥1,517 million, mainly reflecting an increase in orders for projects of the main customers, namely a clean room at a semiconductor-related company and a data center at a telecommunications company. On the profitability front, the segment profit increased 62.2% year on year to ¥113 million, chiefly due to the impact of increased orders.

(2) Qualitative Information Concerning a Consolidated Financial Position

(i) Assets, liabilities and net assets

(Assets)

Total assets at the end of the consolidated first half under review decreased ¥3,107 million from the end of the previous consolidated fiscal year, to ¥125,114 million. Current assets stood at ¥37,632 million, a decrease of ¥4,634 million from the end of the previous consolidated fiscal year. Major factors behind this include a decline in trade notes and accounts receivable of ¥3,346 million. Non-current assets were ¥87,481 million, down ¥1,527 million from the end of the preceding fiscal year. This was due chiefly to the increase of ¥1,474 million in tangible fixed assets.

(Liabilities)

Total liabilities at the end of the consolidated first half under review fell ¥1,197 million from the end of the previous consolidated fiscal year, to ¥65,730 million. Current liabilities stood at ¥44,600 million, reflecting a decrease of ¥1,889 million from the end of the previous consolidated fiscal year. The principal factors contributing to this result included an increase of ¥2,117 million in short-term loans payable, in contrast to decreases of ¥2,185 million in notes and accounts payable, ¥1,155 million in the current portion of long-term loans, and ¥716 million in accrued income taxes.

Long-term liabilities stood at ¥21,130 million, up ¥691 million from the end of the preceding consolidated fiscal year. The main factors included an increase of ¥597 million in long-term loans payable.

(Net assets)

Net assets at the end of the consolidated first half under review decreased ¥1,909 million from the end of the previous consolidated fiscal year, to ¥59,383 million. This was attributable primarily to decreases of ¥342 million in retained earnings and ¥1,320 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 47.3%.

(ii) Cash flow

Cash and cash equivalents (“cash”) decreased ¥170 million during the first half of the fiscal year under review from the end of the previous consolidated fiscal year, coming to ¥2,730 million at the end of the first half of the consolidated fiscal year under review.

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

(Cash flows from operating activities)

Net cash provided by operating activities was ¥7,741 million (compared to ¥7,959 million in cash provided in the same period of the previous year). This was attributable principally to factors such as ¥7,232 million in depreciation and amortization, a decrease of ¥2,998 million in notes and accounts receivable, and a decrease of ¥1,185 million in inventories, which more than offset factors such as a decrease of ¥423 million in allowances for bonuses, a decrease of ¥2,114 million in notes and accounts payable, and a decrease of ¥1,195 million in income taxes paid.

(Cash flows from investing activities)

Net cash used in investing activities totaled ¥9,167 million (compared to ¥8,128 million in cash used in the same period of the previous year). This was chiefly a result of expenditures from purchases of tangible fixed assets amounting to ¥9,213 million.

(Cash flows from financing activities)

Net cash provided by financing activities came to ¥1,193 million (compared to ¥1,258 million in cash provided in the same period of the previous year). This was caused in part by factors such as increases due to the proceeds from short-term loans of ¥35,761 million and long-term loans of ¥5,376 million, which more than offset factors including decreases due to the repayment of short-term loans of ¥33,536 million and long-term debt of ¥5,697 million, the purchase of the Company’s own shares amounting to ¥300 million, and ¥309 million for dividends paid.

(3) Qualitative Information Concerning Consolidated Earnings Forecasts

No changes have been made to the consolidated financial forecasts announced on October 17, 2019 for 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

(Million yen)

	As of March 31, 2019	As of September 30, 2019
(Assets)		
Current assets		
Cash and time deposits	4,028	3,801
Trade notes and accounts receivable	22,382	19,423
Electronically recorded monetary claims – operating	3,249	2,861
Merchandise and products	3,463	2,966
Partly finished goods	4,760	4,165
Raw materials and inventories	3,070	2,822
Others	1,363	1,640
Allowance for doubtful accounts	(50)	(49)
Total current assets	42,267	37,632
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	14,816	15,059
Machinery and delivery equipment, net	39,430	38,725
Land	5,461	5,627
Construction in progress	8,982	11,125
Others, net	8,709	8,336
Total tangible fixed assets	77,399	78,874
Intangible fixed assets	2,067	2,044
Investments and other assets		
Investments in securities	4,232	4,115
Others	2,278	2,470
Allowance for doubtful accounts	(24)	(23)
Total investments and other assets	6,486	6,562
Total fixed assets	85,954	87,481
Total assets	128,222	125,114
(Liabilities)		
Current liabilities		
Notes and accounts payable	11,162	9,962
Electronically recorded obligations-operating	7,522	6,537
Short-term loans	5,740	7,857
Current portion of long-term loans	10,199	9,043
Accrued income taxes	872	156
Bonus allowances	2,143	1,708
Provision for product warranties	70	72
Others	8,779	9,262
Total current liabilities	46,490	44,600
Long-term liabilities		
Long-term loans	14,798	15,396
Long-term accounts payable	154	129
Net defined benefit liability	2,949	2,992
Others	2,535	2,612
Total long-term liabilities	20,438	21,130
Total liabilities	66,928	65,730

(Million yen)

	As of March 31, 2019	As of September 30, 2019
(Net assets)		
Shareholders' equity		
Common stock	6,964	6,964
Additional paid-in capital	10,206	10,206
Retained earnings	40,071	39,729
Treasury stock	(239)	(411)
Total shareholders' equity	57,002	56,488
Other accumulated comprehensive income		
Difference on revaluation of other marketable securities	2,015	1,930
Foreign currency translation adjustments	2,484	1,164
Remeasurements of defined benefit plans	(397)	(387)
Total other accumulated comprehensive income	4,102	2,707
Share warrants	187	187
Total net assets	61,293	59,383
Total liabilities and net assets	128,222	125,114

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

Quarterly Consolidated Income Statements

(First Half)

(Million yen)

	Six months ended September 30, 2018 (April 1, 2018 to September 30, 2018)	Six months ended September 30, 2019 (April 1, 2019 to September 30, 2019)
Net sales	72,250	62,680
Cost of goods sold	66,067	56,723
Gross profit	6,182	5,956
Selling, general and administrative expenses	5,744	5,615
Operating income	438	341
Non-operating income		
Interest income	46	59
Dividends received	103	52
Gain on sales of scraps	70	57
Others	74	35
Total non-operating income	295	204
Non-operating expenses		
Interest expenses	294	244
Foreign currency exchange loss	75	155
Others	20	36
Total non-operating expenses	390	435
Recurring income	343	110
Extraordinary gains		
Gain on sales of fixed assets	18	20
Gain on sales of investment securities	301	—
Subsidy income	34	100
Gain on insurance adjustment	160	—
Total extraordinary gains	514	120
Extraordinary losses		
Loss on sales of fixed assets	164	112
Expenses for advance loan repayments	152	—
Total extraordinary losses	317	112
Income before income taxes and others	540	119
Income taxes and enterprise taxes	574	375
Deferred income taxes	(396)	(289)
Total income taxes	177	85
Net income	363	33
Net income attributable to owners of parent	363	33

Quarterly Consolidated Statements of Comprehensive Income
(First Half)

(Million yen)

	Six months ended September 30, 2018 (April 1, 2018 to September 30, 2018)	Six months ended September 30, 2019 (April 1, 2019 to September 30, 2019)
Net income	363	33
Other comprehensive income		
Difference on revaluation of other marketable securities	142	(84)
Foreign currency translation adjustments	(881)	(1,320)
Remeasurements of defined benefit plans, net of tax	23	10
Total other comprehensive income	(715)	(1,394)
Comprehensive income	(352)	(1,360)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(352)	(1,360)
Comprehensive income attributable to non-controlling interests	—	—

(3) Quarterly Consolidated Statement of Cash Flows

(Million yen)

	Six months ended September 30, 2018 (April 1, 2018 to September 30, 2018)	Six months ended September 30, 2019 (April 1, 2019 to September 30, 2019)
Cash flows from operating activities		
Income before income taxes and others	540	119
Depreciation and amortization	8,410	7,232
Increase (decrease) in allowances for bonuses	(227)	(423)
Increase (decrease) in provision for product warranties	2	4
Increase in net defined benefit liabilities	25	55
Interest and dividend income	(150)	(112)
Interest expenses	294	244
Loss (gain) on sale and retirement of tangible fixed assets	146	92
Loss (gain) on sale of investment securities	(301)	—
Subsidy income	(34)	(100)
Gain on insurance claims	(160)	—
Expenses for advance loan repayments	152	—
Decrease (increase) in notes and accounts receivable	1,605	2,998
Decrease (increase) in inventories	(238)	1,185
Increase (decrease) in notes and accounts payable	(607)	(2,114)
Increase (decrease) in accrued expenses	174	38
Increase (decrease) in accrued consumption taxes and others	86	(343)
Others	(610)	(9)
Subtotal	9,109	8,865
Interest and dividends received	129	68
Interest paid	(300)	(221)
Income taxes paid	(1,218)	(1,195)
Income taxes refunded	75	155
Expenses for advance loan repayments paid	(152)	—
Proceeds from subsidies	155	69
Proceeds from insurance income	160	—
Net cash provided by (used in) operating activities	7,959	7,741
Cash flows from investing activities		
Expenditures from purchase of tangible fixed assets	(8,109)	(9,213)
Proceeds from sale of tangible fixed assets	26	145
Proceeds from sale of investment securities	305	0
Others	(349)	(100)
Net cash provided by (used in) investing activities	(8,128)	(9,167)
Cash flows from financing activities		
Proceeds from short-term loans	25,309	35,761
Repayment of short-term loans	(24,489)	(33,536)
Proceeds from long-term debt	9,284	5,376
Repayment of long-term debt	(8,454)	(5,697)
Purchase of own shares	(0)	(300)
Dividends paid	(361)	(309)
Others	(30)	(102)
Net cash provided by (used in) financing activities	1,258	1,193
Effect of exchange rate changes on cash and cash equivalents	(133)	62
Net increase (decrease) in cash and cash equivalents	955	(170)
Cash and cash equivalents at beginning of year	2,630	2,901
Cash and cash equivalents at end of period	3,586	2,730

(4) Notes on Going Concern Assumptions

Not applicable.

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

(Purchase of own shares)

The Company resolved at its Board of Directors' meeting held on May 27, 2019 to purchase its own shares, and purchased its own shares during the six-month period of the consolidated fiscal year under review. As a result, treasury stock increased by ¥299 million (551,700 shares).

(Disposition of treasury stock)

The Company resolved at its Board of Directors' meeting held on June 19, 2019 to dispose of treasury shares for the delivery as stock compensation, and disposed of them during the six-month period of the fiscal year under review. As a result, treasury stock decreased by ¥127 million (120,734 shares).

(6) Changes in the Accounting Policy

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

From the beginning of the first quarter of the consolidated fiscal year 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 of the consolidated fiscal year under review, the Group started to apply IFRS 16 (Leases) to the 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.

(7) Segment Information, etc.

Segment information

I. 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			
Net 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 (or loss)	(173)	(198)	748	43	70	490

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

II. Six months ended September 30, 2019 (from April 1, 2019 to September 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			
Net sales						
Customers	30,367	16,982	11,745	2,067	1,517	62,680
Intersegment	1,635	3	701	1,769	1	4,110
Total	32,002	16,985	12,446	3,836	1,519	66,790
Segment profit (or loss)	(158)	478	(320)	107	113	220

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

(Million yen)

Profit	Amount
Total profit in reported segments	220
Elimination of intersegment transactions	120
Operating income in the quarterly consolidated statement of income	341

3. Impairment losses in fixed assets or goodwill by reported segment
Not applicable