Consolidated Financial Results (Japanese Accounting Standards) for the Fiscal Year Ended March 31, 2020

June 17, 2020

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Code Number: 5852   URL: https://www.ahresty.co.jp
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Planned date for annual shareholders' meeting: July 22, 2020   Planned date for start of dividend payment: –
Planned date for filing of securities report: July 22, 2020
Supplementary documents for financial results: Yes
Financial results briefing: Yes (for securities analysts and institutional investors)

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

1. Consolidated results for year ended March 2020 (from April 1, 2019 to March 31, 2020)

(1) Consolidated operating results (% shows the year-on-year change)

	Net sales		Operating income		Recurring income		Net income attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Year ended March 2020	120,577	(17.1)	764	(76.3)	406	(86.0)	(685)	–
Year ended March 2019	145,428	0.2	3,228	(31.6)	2,905	(34.5)	421	(87.8)

(Note) Comprehensive income   Year ended March 2020   (3,175)million yen (–%)   Year ended March 2019   (3,574)million yen   (–%)
(Reference) EBITDA   Year ended March 2020   15,093million yen (-21.5%)   Year ended March 2019   19,239million yen   (-1.9%)
* EBITDA = operating income + depreciation and amortization

	Net income per share	Fully diluted net income per share	Return on equity	Return on total assets	Operating profit on sales
	yen	yen	%	%	%
Year ended March 2020	(26.77)	–	(1.2)	0.3	0.6
Year ended March 2019	16.26	16.07	0.7	2.2	2.2

(Reference) Investment gain or loss under equity method   Year ended March 2020   –million yen   Year ended March 2019   –million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
Year ended March 2020	123,054	57,364	46.5	2,244.49
Year ended March 2019	128,222	61,293	47.7	2,357.98

(Reference)
Shareholders' equity   Year ended March 2020   57,177 million yen   Year ended March 2019   61,105 million yen

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Year-end balance of cash and cash equivalents
	million yen	million yen	million yen	million yen
Year ended March 2020	16,474	(17,691)	2,162	3,732
Year ended March 2019	16,018	(14,150)	(1,392)	2,901

2. Dividend payments

	Dividend per share					Total dividend (for year)	Dividend payout ratio (consolidated)	Dividend ratio to net assets (consolidated)
	End of first quarter	End of second quarter	End of third quarter	End of year	For the year			
	yen	yen	yen	yen	yen	million yen	%	%
Year ended March 2019	–	10.00	–	12.00	22.00	570	135.3	0.9
Year ended March 2020	–	8.00	–	0.00	8.00	203	–	0.4
Year ending March 2021 (Forecast)	–	–	–	–	–		–	

(Note) Dividend projection for year ending March 2021 is not determined at present, which will be promptly announced when disclosure of the dividend projection becomes possible.

3. Forecast of consolidated results for year ending March 2021 (from April 1, 2020 to March 31, 2021)
The business forecasts for the year ending March 2021 are announced as undetermined due to the ongoing global outbreak of COVID-19 new coronavirus, which makes it difficult to calculate reasonable figures at this moment. We will pay careful attention to the impact on our business performance and will promptly announce the forecasts when disclosure of reasonable figures becomes possible.

Accounting estimates included in the consolidated financial statements for the year ended March 2020, such as valuation of impairment losses on fixed assets and the collectability of deferred tax assets, are the best possible estimates at this moment made based on certain assumptions, as mentioned on p. 13 of accompanying materials "3. Consolidated Financial Statements and Key Notes (5) Notes (Additional Information) (Accounting Estimates Related to the Spread of COVID-19).

* Notes:

(1) Significant changes to subsidiaries during the current term (changes for a specified subsidiary accompanying a change in the scope of consolidation): None

New: – Exception: –

(2) Changes in accounting principles and changes in or restatement of accounting estimates

(i) Changes in accounting principles associated with revision of accounting standards, etc.: Yes

(ii) Changes in accounting principles other than (i): None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(3) Number of shares outstanding (common stock)

(i) Number of shares outstanding at end of period (including treasury shares)	Year ended March 2020	26,076,717shares	Year ended March 2019	26,076,717shares
(ii) Number of treasury shares at end of period	Year ended March 2020	602,289shares	Year ended March 2019	162,347shares
(iii) Average number of shares	Year ended March 2020	25,615,168shares	Year ended March 2019	25,900,783shares

(Reference) Overview of nonconsolidated results

1. Nonconsolidated results for year ended March 2020 (from April 1, 2019 to March 31, 2020)

(1) Nonconsolidated operating results (% shows the year-on-year change)

	Net sales		Operating income		Recurring income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Year ended March 2020	69,534	(13.1)	(351)	–	(682)	–	(1,505)	–
Year ended March 2019	80,003	1.1	686	(47.7)	1,109	(37.3)	2,135	65.2

	Net income per share	Fully diluted net income per share
	yen	yen
Year ended March 2020	(58.77)	–
Year ended March 2019	82.44	81.49

(2) Nonconsolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
Year ended March 2020	84,482	43,085	50.8	1,683.95
Year ended March 2019	89,051	46,432	51.9	1,784.53

(Reference)

Shareholders' equity Year ended March 2020 42,897 million yen Year ended March 2019 46,244 million yen

* This report on consolidated financial results is placed outside the scope of audits by a certified public accountant or an audit corporation.

* Explanation for appropriate use of financial forecasts and other special remarks

The forecasts presented herein are based on information currently available and certain assumptions deemed reasonable by the Company, and actual results may differ significantly from these forecasts due to various factors. For notes on the use of the results forecasts and assumptions as the basis for the results forecasts, please see "1. Outline of Operating Results, etc. (3) Future Outlook" on page 4 of the accompanying materials.

Accompanying Materials - Contents

1. Outline of Operating Results, etc.

(1) Outline of Operating Results for the Fiscal Year under Review

(Operating results)

During the fiscal year under review, the world economy initially maintained a steady growth as a whole due to the solid employment situation mainly in advanced countries. However, in addition to concerns about uncertainty in US-China trade friction, the global outbreak of COVID-19 starting in January 2020 caused a sharp decline in the latter half of the year. The Japanese economy was also strongly affected by these factors and had to suffer a decrease in external demand and a slowdown in exports. Moreover, a decrease in domestic demand due to the series of natural disasters that hit various areas in Japan and the impact of the COVID-19 new coronavirus pandemic at the end of the fiscal year significantly worsened the domestic economy.

The business environment surrounding the automobile industry, which is our main customer, faced a significant deceleration in car sales due to the impact of prolonged U.S.-China trade friction on the world economy and the economic uncertainties for the future of the Chinese and Indian economies, together with the spread of COVID-19 in the fourth quarter that affected our die casting business sites other than China and Mexico, where the fiscal year ends in December. The sales volume in the Company's die casting business was also affected by this significant deceleration of car sales and was lower than that in the previous year both in Japan and abroad.

As a result, the Group recorded consolidated net sales of ¥120,577 million (down 17.1% year on year), operating income of ¥764 million (down 76.3% year on year), and recurring income of ¥406 million (down 86.0% year on year). Also, due to tax expenses as a result of reversal of deferred tax assets and other factors, net loss attributable to owners of parent turned out to be ¥685 million (previous year marked net income of ¥421 million).

Under these severe situations, the Group is determined to steadily implement measures based on its 1921 Medium-term Management Plan, which started this fiscal year, to improve profitability by raising productivity through cost cutting and reduction of expenses. To tackle the rapid decrease in sales volume due to the impact of the spread of COVID-19, the Group will reform its production systems in response to changes in sales volume, control capital investment, reduce costs, and implement other necessary urgent measures to improve profitability.

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 a slowdown in domestic demand and a decrease in exports for North America and Southeast Asia, which affected our business, leading to a decrease in orders received. Net sales came to ¥59,500 million (down 12.5% 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 ¥444 million (a segment profit of ¥871 million was recorded a year earlier) due to the significant impact of the decrease in net sales.

(ii) Die Casting Business: North America

In the North American automobile market, the production volume of car manufacturers continued to be slightly short of that of a year earlier. However, mainly due to the impact of the spread of COVID-19 at the end of the fiscal year, the vehicle production volume ended up significantly lower than the previous year. At the Company's plant in the United States, sales volume substantially decreased due to the impact of this market slowdown and strikes associated with the suspension of operation at some of our customers. Meanwhile, the plant in Mexico also faced a decrease in sales due to the impact of weak sales recorded by car manufacturers, the Company's main customers. Consequently, net sales in the North American segment stood at ¥30,633 million (down 23.0% 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, despite the impact of the decrease in sales volume, the segment recorded profit of ¥635 million (up 416.3% year on year), mainly reflecting a decrease in the burden of depreciation and amortization.

(iii) Die Casting Business: Asia

In China, while overall car sales continued to decrease, a decline in sales of Chinese local car manufacturers in particular had a significant impact on orders received by the Company. Meanwhile, in India, affected by the tightened lending standards for auto loans and enhanced emissions control, which restrained purchases, car sales continued to fall short of that of the previous year, leading to a significant decrease in our orders received. In addition to the impact of these decreases in car sales in China and India, due to the impacts of a fall in aluminum prices, Asian sales fell 20.4% year on year to ¥23,846 million. In terms of profitability, the segment recorded a profit of ¥3 million (down 99.8% year on year) due to the significant impact of the decrease in net sales.

(iv) Aluminum Business

In the Aluminum business, net sales decreased 14.7% year on year to ¥3,993 million due to a lower unit sales price affected by the decline in the aluminum market price, although sales volume maintained about the same level of sales in weight as that of the previous year. On the profitability side, segment profit increased 50.9% year on year to ¥169 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 decreased 12.5% year on year to ¥2,603 million, mainly reflecting a decrease in orders for projects of the Company's main customers, namely a clean room at a semiconductor-related company and a data center at a telecommunications company. On the profitability front, segment profit decreased 11.9% year on year to ¥277 million chiefly due to the impact of decreased orders.

(2) Outline of Financial Position for the Fiscal Year under Review

(i) Assets, liabilities and net assets

(Assets)

Total assets at the end of the consolidated fiscal year under review decreased ¥5,167 million from the end of the previous consolidated fiscal year to ¥123,054 million. Current assets stood at ¥35,247 million, a decrease of ¥7,020 million from the end of the previous consolidated fiscal year. This was mainly due to a decline in trade notes and accounts receivable of ¥5,311 million despite an increase of ¥139 million in cash and time deposits. Non-current assets were ¥87,806 million, up ¥1,852 million from the end of the preceding fiscal year. This was due chiefly to the increase of ¥2,993 million in tangible fixed assets despite a decrease of ¥1,664 million in investment securities.

(Liabilities)

Liabilities at the end of the consolidated fiscal year under review decreased ¥1,239 million from the end of the previous consolidated fiscal year to ¥65,689 million. Current liabilities stood at ¥43,390 million, reflecting a decrease of ¥3,099 million from the end of the previous consolidated fiscal year. The principal factors contributing to this result included an increase of ¥4,532 million in short-term loans payable, in contrast to decreases of ¥3,405 million in notes and accounts payable and ¥2,448 million in the current portion of long-term loans. Long-term liabilities stood at ¥22,298 million, up ¥1,860 million from the end of the previous consolidated fiscal year. The main factors included an increase of ¥874 million in long-term loans payable and an increase of ¥561 million in deferred tax liabilities.

(Net assets)

Total assets at the end of the consolidated fiscal year under review decreased ¥3,928 million from the end of the previous consolidated fiscal year to ¥57,364 million. This was attributable primarily to decreases of ¥1,089 million in difference on revaluation of other marketable securities and ¥1,437 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 46.5%.

(ii) Cash flows

Cash and cash equivalents (“cash”) increased ¥831 million from the end of the previous fiscal year during the consolidated fiscal year under review, coming to ¥3,732 million.

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

(Cash flows from operating activities)

Net cash provided by operating activities totaled ¥16,474 million (net cash provided of ¥16,018 million in the previous fiscal year). This result was mainly due to factors to increase cash such as income before income taxes and others of ¥586 million, a decrease in notes and accounts receivable of ¥4,827 million, depreciation and amortization of ¥14,329 million, and impairment losses of ¥60 million, as well as factors to decrease cash such as a decrease in notes and accounts payable of ¥3,284 million and income taxes paid of ¥1,501 million.

(Cash flows from investing activities)

Net cash used in investing activities was ¥17,691 million (net cash used of ¥14,150 million in the previous fiscal year). This was chiefly due to factors to increase cash such as income from withdrawal of time deposits of ¥1,078 million and factors to decrease cash such as expenditures from purchases of tangible fixed assets of ¥18,374 million and payments into time deposits of ¥462 million.

(Cash flows from financing activities)

Net cash provided by financing activities was ¥2,162 million (net cash used of ¥1,392 million in the previous fiscal year). This result was primarily due to factors to increase cash such as proceeds from short-term loans of ¥67,362 million and proceeds from long-term loans of ¥9,094 million, as well as factors to decrease cash such as payments of short-term debt of ¥62,761 million, payments of long-term debt of ¥10,503 million, and dividends paid of ¥513 million.

(Reference) Transition of index related to cash flows

	Year ended March 2016	Year ended March 2017	Year ended March 2018	Year ended March 2019	Year ended March 2020
Equity ratio (%)	42.4	45.8	47.4	47.7	46.5
Market value-based equity ratio (%)	13.6	21.8	17.7	12.8	7.3
Ratio of interest-bearing debt to cash flows (%)	235.0	150.6	186.6	191.9	204.5
Interest coverage ratio	14.4	25.0	26.0	29.4	38.2

Equity ratio: Shareholders' equity / Total assets

Market value-based equity ratio: Market capitalization / Total assets

Ratio of interest-bearing debt to cash flows: Interest-bearing debt / Cash flows

Interest coverage ratio: Cash flows / Interest paid

(Notes) 1. Each indicator is calculated based on consolidated figures.
2. Market capitalization is calculated based on the number of shares issued excluding treasury stock.
3. Cash flows mean cash provided from operating activities.
4. Interest-bearing debt denotes all liabilities bearing interest recorded in the consolidated balance sheet except lease obligations.

(3) Future Outlook

Due to the spread of COVID-19 new coronavirus, economic activities have been slowed down by the stay-at-home order issued in many countries around the world. Under this situation, automobile demand is expected to decline significantly for the time being. Although some countries have resumed economic activities, concern for the spread of this infectious disease remains, and government requests and the operation status at customers' businesses are still uncertain in many countries.

Under these circumstances, it is difficult to predict the status of recovery in demand, and we have therefore determined that it is impossible to reasonably estimate the future results of the Group at this moment. Thus, we announce our forecasts for consolidated business results for the year ending March 2021 as undetermined.

We will continue our Group-wide efforts to prevent infection while working to further reform our production systems, control capital investment, reduce costs, and implement other necessary measures to improve profitability.

We will promptly announce the consolidated results forecasts when disclosure of reasonable figures becomes possible.

(4) Basic Policy on Profit Distribution and Dividends for Current and Next Fiscal Years

The Company views the continuing increase of corporate value as the most important return to shareholders. The Company's basic policy on dividends is to provide appropriate returns while bolstering the financial structure and the management base for business development in the medium and long terms. We pay dividends, taking into consideration the amount of investment necessary for medium- and long-term growth, the payout ratio, and consolidated results.

In principle, we pay dividends twice a year (interim dividend and year-end dividend). The Board of Directors is in charge of determining dividend of surplus. Based on this policy, the Company decided to pay dividends of ¥8 per share (no year-end dividend) for the fiscal year under review.

Due to the impact of the COVID-19 pandemic, production in the automobile industry, a major customer of our Group, has been rapidly declining globally, which inevitably has a significant impact on our business. To minimize this impact, we have been implementing all possible measures. However, in view of remaining uncertainties in the business environment, we are terribly sorry that we have decided to pay no year-end dividends for fiscal year ended March 2020.

Dividends from surplus for the fiscal year under review are as follows:

Date of resolution	Total dividend (million yen)	Dividend per share (yen)
Board of Directors' meeting on November 7, 2019	203	8
Board of Directors' meeting on May 14, 2020	–	0

Dividends in the next fiscal year are announced as undetermined due to the spread of COVID-19, which makes it difficult to calculate reasonable figures at this moment. We will promptly disclose our decision on dividend payment as soon as reasonable calculation becomes possible.

2. Basic Concept for Choice of Accounting Standards

The Ahresty Group intends to prepare its consolidated financial statements according to Japan's standards at present, considering the comparability of the consolidated financial statements in terms of period and between companies.

Meanwhile, as for the application of the IFRS, it is intended to take appropriate actions in consideration of the various conditions in Japan and abroad.

3. Consolidated Financial Statements and Key Notes

(1) Consolidated Balance Sheet

(Million yen)

	Previous consolidated fiscal year (March 31, 2019)	Consolidated fiscal year under review (March 31, 2020)
(Assets)		
Current assets		
Cash and time deposits	4,028	4,167
Trade notes and accounts receivable	22,382	17,922
Electronically recorded monetary claims – operating	3,249	2,398
Merchandise and products	3,463	3,115
Partly finished goods	4,760	3,603
Raw materials and inventories	3,070	2,810
Others	1,363	1,385
Allowance for doubtful accounts	(50)	(154)
Total current assets	42,267	35,247
Fixed assets		
Tangible fixed assets		
Buildings and structures	30,624	31,565
Accumulated depreciation and impairment loss	(15,808)	(16,698)
Buildings and structures, net	14,816	14,867
Machinery and delivery equipment	130,943	134,597
Accumulated depreciation and impairment loss	(91,512)	(95,652)
Machinery and delivery equipment, net	39,430	38,944
Tools, furniture and fixtures	49,981	50,214
Accumulated depreciation and impairment loss	(41,573)	(42,384)
Tools, furniture and fixtures, net	8,408	7,830
Land	5,461	5,622
Lease assets	421	1,046
Accumulated depreciation and impairment loss	(121)	(303)
Lease assets, net	300	742
Construction in progress	8,982	12,384
Total tangible fixed assets	77,399	80,392
Intangible fixed assets	2,067	2,032
Investments and other assets		
Investments in securities	4,232	2,568
Deferred tax assets	1,762	2,280
Others	515	553
Allowance for doubtful accounts	(24)	(21)
Total investments and other assets	6,486	5,380
Total fixed assets	85,954	87,806
Total assets	128,222	123,054

(Million yen)

	Previous consolidated fiscal year (March 31, 2019)	Consolidated fiscal year under review (March 31, 2020)
(Liabilities)		
Current liabilities		
Notes and accounts payable	11,162	9,284
Electronically recorded obligations – operating	7,522	5,994
Short-term loans	5,740	10,273
Current portion of long-term loans	10,199	7,750
Accrued income taxes	872	304
Bonus allowances	2,143	1,848
Provision for product warranties	70	46
Others	8,779	7,889
Total current liabilities	46,490	43,390
Long-term liabilities		
Long-term loans	14,798	15,672
Long-term accounts payable	154	327
Deferred tax liabilities	1,872	2,434
Net defined benefit liability	2,949	2,709
Others	663	1,154
Total long-term liabilities	20,438	22,298
Total liabilities	66,928	65,689
(Net assets)		
Shareholders’ equity		
Common stock	6,964	6,964
Additional paid-in capital	10,206	10,206
Retained earnings	40,071	38,806
Treasury stock	(239)	(412)
Total shareholders’ equity	57,002	55,564
Other accumulated comprehensive income		
Difference on revaluation of other marketable securities	2,015	926
Foreign currency translation adjustments	2,484	1,047
Remeasurements of defined benefit plans	(397)	(360)
Total other accumulated comprehensive income	4,102	1,612
Share warrants	187	187
Total net assets	61,293	57,364
Total liabilities and net assets	128,222	123,054

(2) Consolidated Income Statements and Statements of Comprehensive Income

(Consolidated Income Statements)

(Million yen)

	Previous consolidated fiscal year (April 1, 2018 to March 31, 2019)	Consolidated fiscal year under review (April 1, 2019 to March 31, 2020)
Net sales	145,428	120,577
Cost of goods sold	130,613	108,536
Gross profit	14,814	12,040
Selling, general and administrative expenses		
Transportation expenses	1,948	1,720
Salaries and bonuses	3,290	3,401
Retirement and severance expenses	199	201
Provision for bonuses	354	324
Depreciation and amortization	312	387
Research and development expenses	561	550
Other expenses	4,918	4,691
Total selling, general and administrative expenses	11,586	11,276
Operating income	3,228	764
Non-operating income		
Interest income	102	108
Dividends received	205	114
Gain on sales of scraps	156	97
Others	107	87
Total non-operating income	571	409
Non-operating expenses		
Interest expenses	531	462
Foreign currency exchange loss	292	203
Others	71	101
Total non-operating expenses	894	766
Recurring income	2,905	406
Extraordinary gains		
Gain on sales of fixed assets	64	23
Gain on sales of investment securities	2,194	54
Subsidy income	134	347
Gain on revision of retirement benefit plans	–	152
Gain on insurance adjustment	207	–
Total extraordinary gains	2,600	577
Extraordinary losses		
Loss on sales of fixed assets	311	266
Impairment loss	3,293	60
Loss on revision of retirement benefit plans	–	71
Expenses for advance loan repayments	154	–
Total extraordinary losses	3,760	398
Income before income taxes and others	1,745	586
Income taxes and enterprise taxes	1,722	754
Deferred income taxes	(397)	516
Total income taxes	1,324	1,271
Net income (loss)	421	(685)
Net income (loss) attributable to owners of parent	421	(685)

(Consolidated Statements of Comprehensive Income)

(Million yen)

	Previous consolidated fiscal year (April 1, 2018 to March 31, 2019)	Consolidated fiscal year under review (April 1, 2019 to March 31, 2020)
Net income (loss)	421	(685)
Other comprehensive income		
Difference on revaluation of other marketable securities	(2,320)	(1,089)
Foreign currency translation adjustments	(1,684)	(1,437)
Remeasurements of defined benefit plans, net of tax	8	36
Total other comprehensive income	(3,995)	(2,490)
Comprehensive income	(3,574)	(3,175)
Comprehensive income attributable to:		
Owners of parent	(3,574)	(3,175)
Non-controlling interests	–	–

(3) Consolidated Statement of Changes in Net Assets

Previous consolidated fiscal year (April 1, 2018 to March 31, 2019)

(Million yen)

	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current fiscal year	6,939	10,180	40,272	(238)	57,153
Changes					
Issuance of new shares	25	25			50
Cash dividend from retained earnings			(621)		(621)
Net income attributable to owners of parent			421		421
Purchase of own shares				(0)	(0)
Changes (net) in non-shareholders' equity items					
Total changes	25	25	(200)	(0)	(150)
Balance at end of current fiscal year	6,964	10,206	40,071	(239)	57,002

	Other accumulated comprehensive income				Share warrants	Total net assets
	Difference on revaluation of other marketable securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total other accumulated comprehensive income		
Balance at beginning of current fiscal year	4,335	4,168	(406)	8,098	187	65,439
Changes						
Issuance of new shares						50
Cash dividend from retained earnings						(621)
Net income attributable to owners of parent						421
Purchase of own shares						(0)
Changes (net) in non-shareholders' equity items	(2,320)	(1,684)	8	(3,995)		(3,995)
Total changes	(2,320)	(1,684)	8	(3,995)	–	(4,146)
Balance at end of current fiscal year	2,015	2,484	(397)	4,102	187	61,293

Consolidated fiscal year under review (April 1, 2019 to March 31, 2020)

(Million yen)

	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current fiscal year	6,964	10,206	40,071	(239)	57,002
Changes					
Cash dividend from retained earnings			(514)		(514)
Net income (loss) attributable to owners of parent			(685)		(685)
Purchase of own shares				(300)	(300)
Disposal of treasury stock			(64)	127	62
Changes (net) in non-shareholders' equity items					
Total changes	–	–	(1,265)	(172)	(1,438)
Balance at end of current fiscal year	6,964	10,206	38,806	(412)	55,564

	Other accumulated comprehensive income				Share warrants	Total net assets
	Difference on revaluation of other marketable securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total other accumulated comprehensive income		
Balance at beginning of current fiscal year	2,015	2,484	(397)	4,102	187	61,293
Changes						
Cash dividend from retained earnings						(514)
Net income (loss) attributable to owners of parent						(685)
Purchase of own shares						(300)
Disposal of treasury stock						62
Changes (net) in non-shareholders' equity items	(1,089)	(1,437)	36	(2,490)		(2,490)
Total changes	(1,089)	(1,437)	36	(2,490)	–	(3,928)
Balance at end of current fiscal year	926	1,047	(360)	1,612	187	57,364

(4) Consolidated Statement of Cash Flows

(Million yen)

	Previous consolidated fiscal year (April 1, 2018 to March 31, 2019)	Consolidated fiscal year under review (April 1, 2019 to March 31, 2020)
Cash flows from operating activities		
Income before income taxes and others	1,745	586
Depreciation and amortization	16,011	14,329
Impairment loss	3,293	60
Increase (decrease) in bonus allowances	18	(279)
Increase (decrease) in provision for product warranties	(17)	(22)
Increase (decrease) in net defined benefit liability	91	(116)
Interest and dividend income	(307)	(223)
Interest expenses	531	462
Loss (gain) on sales and retirement of tangible fixed assets	247	234
Loss (gain) on sales of investment securities	(2,194)	(54)
Subsidy income	(134)	(347)
Gain on insurance adjustment	(207)	–
Expenses for advance loan repayments	154	–
Loss (gain) on revision of retirement benefit plans	–	(80)
Decrease (increase) in notes and accounts receivable	1,586	4,827
Decrease (increase) in inventories	(17)	1,619
Increase (decrease) in notes and accounts payable	(2,382)	(3,284)
Increase (decrease) in accrued expenses	(33)	(383)
Increase (decrease) in accrued consumption taxes and others	292	(312)
Increase (decrease) in long-term accounts payable - other	(434)	173
Others	287	157
Subtotal	18,531	17,346
Interest and dividends received	256	165
Interest paid	(544)	(431)
Income taxes paid	(2,594)	(1,501)
Income taxes refund	76	363
Expenses for advance loan repayments paid	(154)	–
Proceeds from subsidy income	214	531
Proceeds from insurance income	233	–
Cash flows from operating activities	16,018	16,474
Cash flows from investing activities		
Payments into time deposits	(1,113)	(462)
Proceeds from withdrawal of time deposits	–	1,078
Expenditures from purchases of tangible fixed assets	(15,490)	(18,374)
Proceeds from sales of tangible fixed assets	107	120
Proceeds from sales of investment securities	2,901	159
Others	(555)	(212)
Cash flows from investing activities	(14,150)	(17,691)
Cash flows from financing activities		
Proceeds from short-term loans	60,861	67,362
Repayment of short-term loans	(60,380)	(62,761)
Proceeds from long-term debt	14,318	9,094
Repayment of long-term debt	(15,510)	(10,503)
Purchase of own shares	(0)	(300)
Dividends paid	(619)	(513)
Others	(62)	(215)
Cash flows from financing activities	(1,392)	2,162
Effect of exchange rate changes on cash and cash equivalents	(205)	(113)
Net increase (decrease) in cash and cash equivalents	270	831
Cash and cash equivalents at beginning of year	2,630	2,901
Cash and cash equivalents at end of period	2,901	3,732

(5) Notes

(Notes on Going Concern Assumptions)

Not applicable.

(Changes in the Accounting Policy)

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

From the beginning 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 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.

(Additional Information)

(Accounting Estimates Related to the Spread of COVID-19)

Due to the global COVID-19 pandemic, an event that has broad impact on our economic and corporate activities, significant decline in automobile demand is expected worldwide.

As for the Group's accounting estimates, such as valuation of impairment losses on fixed assets and the collectability of deferred tax assets, since it is difficult at this moment to predict how this infectious disease will spread and when it will end, we have made the best possible estimates in view of the present status of orders received at each site, based on the assumption that the serious damage from the disease will continue until about September 2020 and the impact thereof will last for a while during the remaining period of the fiscal year ending March 2021. As a result, for the consolidated fiscal year under review, we have recorded an impairment loss of 60 million yen and reduced deferred tax assets by 2,028 million yen.

Please note that the above assumption is subject to a high degree of uncertainty. The impact of COVID-19 may affect the Group's business performance and financial condition more seriously if it is prolonged or aggravated in the future.

(Partial revision of retirement benefit plans)

For some of our consolidated subsidiaries, during the consolidated fiscal year under review, accounting treatment was employed in line with the transfer of the retirement lump-sum payment plan to the defined contribution pension plan as well as the introduction of a point system for the defined benefit pension plan.

For the accounting treatment in line with the transfer of plans, etc., "Guidance on Accounting for Transfer between Retirement Benefit Plans" (ASBJ Guidance No. 1, December 16, 2016) and "Practical Solutions on Accounting for Transfer between Retirement Benefit Plans" (Practical Solutions No. 2, February 7, 2007) are applied.

As a result, the Consolidated Balance Sheet for the fiscal year under review records increases of ¥66 million in accounts payable and ¥265 million in long-term accounts payable, which are included in "Others" of current liabilities, and ¥234 million in net defined benefit assets included in "Others" of investments and other assets, and a decrease of ¥177 million in net defined benefit liability. Also, the Consolidated Income Statements for the consolidated fiscal year under review records ¥152 million of "gain on revision of retirement benefit plans" as an extraordinary gain and ¥71 million of "loss on revision of retirement benefit plans" as an extraordinary loss.

(Segment Information, etc.)

Segment information

1. Overview of reported segments

The reported segments of the Company are those units for which separate financial information can be obtained among the constituent units of the Company and for which the Board of Directors of the Company regularly carries out examinations to determine the allocation of management resources and assess the business performance.

The Company manages the Die Casting Business, the Aluminum Business, and the Proprietary Products Business.

In the Die Casting Business, the Company develops comprehensive strategies by regions, Japan, North America, and Asia, and is engaged in business activities accordingly.

As a result, the Company has five reported segments: Die Casting Business: Japan, Die Casting Business: North America, Die Casting Business: Asia, Aluminum Business, and Proprietary Products Business.

In the Die Casting Business, the Company is mainly engaged in manufacturing and sales of auto parts, general engine parts, industrial machinery parts, and dies in Japan, North America and Asia. In the Aluminum Business, the Company is engaged in smelting and sales of aluminum alloy ingots. In the Proprietary Products Business, it sells access floors and its accessories.

2. Methods for calculating net sales, profits or losses, assets, liabilities, and amounts for other items by reported segment

The methods of accounting treatment for the reported segments are the same as provided in the "material matters that serve as the basis for preparation of consolidated financial statements."

Profits in the reported segments are figures based on operating income.

Intersegment sales and transfers are based on current market values.

3. Information related to net sales, profits or losses, assets, liabilities, and amounts for other items by reported segment

Previous consolidated fiscal year (April 1, 2018 to March 31, 2019)

(Million yen)

	Reported segments					Total
	Die Casting Business			Aluminum Business	Proprietary Products Business	
	Japan	North America	Asia			
Net sales						
Customers	67,998	39,801	29,971	4,679	2,976	145,428
Intersegment	3,701	10	1,915	4,525	6	10,158
Total	71,699	39,811	31,887	9,204	2,982	155,587
Segment profit	871	123	1,841	112	314	3,263
Segment assets	54,834	32,954	37,943	3,019	2,194	130,946
Other items						
Depreciation and amortization	5,925	6,052	4,183	44	4	16,209
Impairment loss	289	3,012	–	–	–	3,302
Increase in tangible fixed assets and intangible fixed assets	6,788	3,858	5,787	67	26	16,528

Consolidated fiscal year under review (April 1, 2019 to March 31, 2020)

(Million yen)

	Reported segments					Total
	Die Casting Business			Aluminum Business	Proprietary Products Business	
	Japan	North America	Asia			
Net sales						
Customers	59,500	30,633	23,846	3,993	2,603	120,577
Intersegment	3,005	13	1,411	3,100	2	7,533
Total	62,505	30,647	25,258	7,093	2,605	128,111
Segment profit (loss)	(444)	635	3	169	277	642
Segment assets	53,773	29,478	38,291	2,388	1,282	125,215
Other items						
Depreciation and amortization	5,500	5,013	3,918	46	10	14,490
Impairment loss	39	–	20	–	–	60
Increase in tangible fixed assets and intangible fixed assets	9,249	4,370	5,701	55	–	19,377

4. Total amount in reported segments, difference from the amount posted in consolidated financial statements and important details of the difference (Difference adjustment)

(Million yen)

Net sales	Previous consolidated fiscal year	Consolidated fiscal year under review
Total in reported segments	155,587	128,111
Elimination of intersegment transactions	(10,158)	(7,533)
Net sales in the consolidated financial statement	145,428	120,577

(Million yen)

Profit	Previous consolidated fiscal year	Consolidated fiscal year under review
Total in reported segments	3,263	642
Elimination of intersegment transactions	(35)	122
Operating income in the consolidated financial statement	3,228	764

(Million yen)

Assets	Previous consolidated fiscal year	Consolidated fiscal year under review
Total in reported segments	130,946	125,215
Elimination of intersegment transactions	(5,339)	(4,709)
Company-wide assets	2,615	2,548
Total assets in the consolidated financial statement	128,222	123,054

(Million yen)

Other items	Total in reported segments		Adjustment		Amount recorded in consolidated financial statements	
	Previous consolidated fiscal year	Consolidated fiscal year under review	Previous consolidated fiscal year	Consolidated fiscal year under review	Previous consolidated fiscal year	Consolidated fiscal year under review
Depreciation and amortization	16,209	14,490	(198)	(160)	16,011	14,329
Impairment loss	3,302	60	(9)	–	3,293	60
Increase in tangible fixed assets and intangible fixed assets	16,528	19,377	(206)	(141)	16,322	19,235

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

Previous consolidated fiscal year (April 1, 2018 to March 31, 2019)

For some of the business assets of Higashimatsuyama Plant in the Die Casting Business of Japan, from which the initially anticipated revenues became no longer able to be expected due to a fall in the utilization rate, the Company reduced their book value to a recoverable amount and posted the reductions as an impairment loss of 280 million yen.

For Ahresty Wilmington Corporation in the Die Casting Business North America segment, an impairment test was conducted in accordance with the US accounting standards because of its delay in earnings recovery. As a result, the book value of the business assets it owns was written down to the recoverable amount and recorded as an impairment loss of 3,012 million yen.

Consolidated fiscal year under review (April 1, 2019 to March 31, 2020)

For Higashimatsuyama Plant in the Die Casting Business of Japan, impairment loss was recorded in the previous year due to the decline in profitability. During the fiscal year under review, efforts were made to improve profitability through reform of the production system. However, as a result of the delay in recovery of revenues due to a slowdown in domestic demand, the Company reduced their book value of some of its business assets with no prospect for profits to a recoverable amount and posted the reductions as an impairment loss of 39 million yen for the fiscal year under review, again.

For Hefei Ahresty Casting Co., Ltd. in the Die Casting Business Asia segment, an impairment test was conducted in accordance with the international accounting standards because of its sluggish performance compared to the initial plan. As a result, the book value of the business assets it owns was written down to the recoverable amount and recorded as an impairment loss of 20 million yen.

(Per Share Information)

	Previous consolidated fiscal year (April 1, 2018 to March 31, 2019)	Consolidated fiscal year under review (April 1, 2019 to March 31, 2020)
Net assets per share	2,357.98	2,244.49
Net income (loss) per share	16.26	(26.77)
Fully diluted net income per share	16.07	–

(Notes) 1. For fully diluted net income per share, no figure is recorded for the fiscal year under review as it is net loss per share, although latent shares exist.

2. The basis of the calculation of net income (loss) per share and diluted net income per share are as follows:

	Previous consolidated fiscal year (April 1, 2018 to March 31, 2019)	Consolidated fiscal year under review (April 1, 2019 to March 31, 2020)
Net income (loss) per share		
Net income (loss) attributable to owners of parent (million yen)	421	(685)
Amount that does not belong to ordinary shareholders (million yen)	–	–
Net income (loss) attributable to owners of parent (related to common shares) (million yen)	421	(685)
Average number of shares during the period	25,900,783	25,615,168
Fully diluted net income per share		
Net income attributable to owners of parent (million yen)	–	–
Increase in number of common shares	304,130	–
Outline of latent shares without dilution effect not taken into account for calculation of diluted net income per share	———	———

(Important Subsequent Events)

Not applicable.