



Consolidated Financial Results (Japanese Accounting Standards) for the First Quarter of the Fiscal Year Ending March 31, 2021

August 6, 2020

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 Code Number: 5852 URL: <https://www.ahresty.co.jp>
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 Planned date for filing of quarterly securities report: August 7, 2020
 Planned date for start of dividend payment: __

Stock Exchange Listing: Tokyo

Supplementary documents for quarterly results: Yes

Quarterly results briefing: No

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

1. Consolidated results for the first quarter of the year ending March 2021 (from April 1, 2020 to June 30, 2020)

(1) Consolidated operating results (for the three months ended June 30, 2020) (% shows year-on-year change from previous year)

	Net sales		Operating income		Recurring income		Net income attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
First quarter of year ending March 2021	15,524	(51.4)	(3,020)	—	(2,589)	—	(3,190)	—
First quarter of year ended March 2020	31,953	(9.8)	576	(3.4)	537	9.4	289	(62.7)

(Note) Comprehensive income First quarter of year ending March 2021 (3,479) million yen (—%) First quarter of year ended March 2020 664 million yen (—%)

(Reference) EBITDA First quarter of year ending March 2021 157 million yen (-96.3%) First quarter of year ended March 2020 4,202 million yen (-4.2%)

* EBITDA = operating income + depreciation and amortization

	Net income per share	Fully diluted net income per share
	yen	yen
First quarter of year ending March 2021	(125.23)	—
First quarter of year ended March 2020	11.19	11.06

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
First quarter of year ending March 2021	120,201	53,885	44.7
Year ended March 2020	123,054	57,364	46.5

(Reference) Shareholders' equity First quarter of year ending March 2021 53,697 million yen Year ended March 2020 57,177 million yen

2. Dividend payments

	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 2020	—	8.00	—	0.00	8.00
Year ending March 2021	—	—	—	—	—
Year ending March 2021 (projection)	—	0.00	—	0.00	0.00

(Note) Revisions to dividend projection published most recently: Yes

For details, please refer to Notice on Business Forecasts and Dividend Projection for the Year ending March 31, 2020 released today.

3. Forecast of consolidated results for year ending March 2021 (from April 1, 2020 to March 31, 2021)

(% shows the year-on-year change from previous year)

	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
First half	36,300	(42.1)	(4,000)	—	(3,300)	—	(4,200)	—	(164.87)
Full year	87,900	(27.1)	(4,000)	—	(3,450)	—	(4,400)	—	(172.72)

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

For details, please refer to Notice on Business Forecasts and Dividend Projection for the Year ending March 31, 2020 released today.

* 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 shares)

As of June 30, 2020	26,076,717 shares	As of March 31, 2020	26,076,717 shares
As of June 30, 2020	602,289 shares	As of March 31, 2020	602,289 shares
As of June 30, 2020	25,474,428 shares	As of June 30, 2020	25,887,633 shares

(ii) Number of treasury shares at end of period

(iii) Average number of shares (for the first quarter)

* 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

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. 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.

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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 consolidated fiscal year under review, the Japanese economy was severely affected by the COVID-19 new coronavirus pandemic that began in January 2020 and significantly worsened, suffering a decrease in domestic demand and a slowdown in exports resulting from sluggish economic activities. Although economic activities have been gradually recovering since the state of emergency declaration was lifted, the future outlook still remains uncertain. Overseas, 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 slowdowns in growth of the Chinese and Indian economies, together with the spread of COVID-19, which severely limited economic activity in many countries. In response to these rapid changes in the market environment, the Ahresty Group, while implementing measures to prevent the spread of COVID-19 in accordance with the local regulations of each country or region, took various emergency actions, such as full or partial suspension of operations and the revision of work shifts to adjust production systems in line with the substantial decline in sales volume, the utilization of idle internal facilities to reduce capital investment, and the prohibition in principle of business trips and the promotion of web conferencing to reduce costs. Despite these efforts, the severe impact of the rapid and substantial decline in sales volume resulted in a decrease in operating income both in Japan and overseas year on year.

Along with economic activities in various countries, production of our Group has been on a recovery trend after bottoming out in the consolidated first quarter under review, though uncertainties remain in the business environment. Under these circumstances, the Group will accelerate measures based on its 1921 Medium-term Management Plan, which we have promoted since fiscal 2019, to improve profitability by raising productivity through cost cutting and reduction of expenses.

Consequently, for the first quarter of the consolidated fiscal year under review, the Company recorded consolidated net sales of ¥15,524 million (down 51.4% year on year), operating loss of ¥3,020 million (as opposed to operating income of ¥576 million for the first quarter of the previous year), recurring loss of ¥2,589 million (as opposed to operating income of ¥537 million for the first quarter of the previous year) and net loss attributable to owners of parent of ¥3,190 million (as opposed to net income attributable to owners of parent of ¥289 million in the first quarter of the previous year).

Operating results by segment are as follows:

(i) Die Casting Business: Japan

In the Japanese automobile market, car manufacturers, our main customers, and many other customers had to suspend operation or adjust production due to the impact of the spread of COVID-19. This affected the Company, leading to a substantial decrease in orders received. Net sales came to ¥7,232 million (down 52.2% year on year), partly due to the continuing decline in the conditions of the aluminum market. On the profitability side, the segment recorded a loss of ¥2,069 million (a segment loss of ¥29 million was recorded a year earlier) due mainly to the impact of the decrease in orders received.

(ii) Die Casting Business: North America

In the automobile market in North America, suspension of operation at our major customers due to the spread of COVID-19 significantly affected orders received by the Company.

At our U.S. plant, major customers suspended operations one after another in response to the ongoing spread of the disease in the U.S., resulting in a significant decrease in orders received.

Meanwhile, the plant in Mexico, which settles its accounts in December, also faced a decrease in orders due to the impact of weak sales recorded by car manufacturers, the Company's main customers, together with the impact of the spread of COVID-19 starting from March.

Net sales came to ¥4,742 million (down 47.5% year on year), due mainly to a significant decline in the condition of the aluminum market. On the profitability side, the segment recorded a loss of ¥156 million (a segment profit of ¥462 million was recorded a year earlier) due mainly to the impact of the decrease in orders received.

(iii) Die Casting Business: Asia

The plants in China, which settle their accounts in December, recorded a significant decline in both sales and production for automobiles due to the impact of the spread of COVID-19, associated with the lockdowns of some cities, the issuance of stay-at-home orders and suspension of operation by car manufacturers, our main customers.

Our operation in India was also affected by the spread of COVID-19. The Indian government locked down the entire country to prevent infection, which forced our plant in India to suspend operation, resulting in a significant decline in orders received.

As a result, net sales came to ¥2,257 million (down 61.1% year on year). On the profitability side, the segment recorded a loss of ¥995 million (a segment loss of ¥63 million was recorded a year earlier) due mainly to the impact of the decrease in orders received.

(iv) Aluminum Business

In the Aluminum business, sales weight decreased by 30.8% year on year due to the impact of the spread of COVID-19 infection. Reflecting also a lower unit sales price affected by the aluminum market, net sales decreased 37.0% year on year to ¥646 million. On the profitability side, the segment recorded a loss of ¥40 million (a segment profit of ¥67 million was recorded a year earlier) due mainly to the impact of the decrease in net sales.

(v) Proprietary Products Business

In the Proprietary Products business, net sales decreased 31.8% year on year to ¥644 million, mainly reflecting a decrease 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 side, the segment profit increased 124.7% year on year to ¥108 million, chiefly due to reduction of selling, general and administrative expenses.

(2) Qualitative Information Concerning Consolidated Financial Position

Total assets at the end of the consolidated first quarter under review decreased ¥2,852 million from the end of the previous consolidated fiscal year, to ¥120,201 million. Current assets stood at ¥33,709 million, a decrease of ¥1,537 million from the end of the previous consolidated fiscal year. This was mainly due to a decline in trade notes and accounts receivable of ¥7,399 million despite an increase of ¥5,212 million in cash and time deposits. Fixed assets were ¥86,491 million, down ¥1,315 million from the end of the preceding fiscal year. This was due chiefly to a decrease of ¥1,872 million in tangible fixed assets.

Liabilities at the end of the consolidated first quarter under review increased ¥626 million from the end of the previous consolidated fiscal year to ¥66,315 million. Current liabilities stood at ¥41,585 million, a decrease of ¥1,805 million from the end of the previous consolidated fiscal year. The principal factors contributing to this result included an increase of ¥5,246 million in short-term loans payable, in contrast to decreases of ¥5,046 million in notes and accounts payable and ¥843 million in the current portion of long-term loans. Long-term liabilities stood at ¥24,730 million, up ¥2,431 million from the end of the preceding consolidated fiscal year. The main factors included an increase of ¥2,003 million in long-term loans payable.

Net assets at the end of the consolidated first quarter under review decreased ¥3,479 million from the end of the previous consolidated fiscal year, to ¥53,885 million. This was attributable primarily to a decrease of ¥3,190 million in retained earnings.

As a result, the equity ratio was down from 46.5% at the end of the previous consolidated fiscal year to 44.7%.

(3) Explanation of Consolidated Earnings Forecasts and Other Information for Future Outlook

We announced the consolidated business forecasts and dividend projection for the year ending March 2021 as undetermined due to the global outbreak of the COVID-19 new coronavirus, which made it difficult to calculate reasonable figures at that time. However, as economic activities are being gradually resumed with the state of emergency being lifted and government regulations eased in various overseas countries where our Group operates, the Company has determined the forecasts based on the information and projections currently available and has decided to release them.

For details, please refer to Notice on Business Forecasts and Dividend Projection for the Year ending March 31, 2020 released today (August 6, 2020).

Please note that these forecasts have been prepared based on information and projections available as of the date of release of this material, and actual results may differ significantly from these forecasts due to various factors in the future.

2. Consolidated Quarterly Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheet

(Million yen)

	As of March 31, 2020	As of June 30, 2020
(Assets)		
Current assets		
Cash and time deposits	4,167	9,379
Trade notes and accounts receivable	17,922	10,906
Electronically recorded monetary claims – operating	2,398	2,014
Merchandise and products	3,115	3,155
Partly finished goods	3,603	4,091
Raw materials and inventories	2,810	2,392
Others	1,385	1,905
Allowance for doubtful accounts	(154)	(135)
Total current assets	35,247	33,709
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	14,867	14,626
Machinery and delivery equipment, net	38,944	39,245
Land	5,622	5,609
Construction in progress	12,384	10,485
Others, net	8,573	8,553
Total tangible fixed assets	80,392	78,520
Intangible fixed assets	2,032	1,979
Investments and other assets		
Investments in securities	2,568	3,230
Others	2,834	2,782
Allowance for doubtful accounts	(21)	(21)
Total investments and other assets	5,380	5,991
Total fixed assets	87,806	86,491
Total assets	123,054	120,201
(Liabilities)		
Current liabilities		
Notes and accounts payable	9,284	5,531
Electronically recorded obligations – operating	5,994	4,700
Short-term loans	10,273	15,519
Current portion of long-term loans	7,750	6,907
Accrued income taxes	304	175
Bonus allowances	1,848	2,090
Provision for product warranties	46	36
Others	7,889	6,624
Total current liabilities	43,390	41,585
Long-term liabilities		
Long-term loans	15,672	17,675
Long-term accounts payable	327	321
Net defined benefit liability	2,709	2,672
Others	3,588	4,061
Total long-term liabilities	22,298	24,730
Total liabilities	65,689	66,315

(Million yen)

	As of March 31, 2020	As of June 30, 2020
(Net assets)		
Shareholders' equity		
Common stock	6,964	6,964
Additional paid-in capital	10,206	10,206
Retained earnings	38,806	35,616
Treasury stock	(412)	(412)
Total shareholders' equity	55,564	52,374
Other accumulated comprehensive income		
Difference on revaluation of other marketable securities	926	1,384
Foreign currency translation adjustments	1,047	266
Remeasurements of defined benefit plans	(360)	(328)
Total other accumulated comprehensive income	1,612	1,323
Share warrants	187	187
Total net assets	57,364	53,885
Total liabilities and net assets	123,054	120,201

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

(Million yen)

	Three months ended June 30, 2019 (April 1, 2019 to June 30, 2019)	Three months ended June 30, 2020 (April 1, 2020 to June 30, 2020)
Net sales	31,953	15,524
Cost of goods sold	28,521	16,351
Gross profit (or loss)	3,431	(827)
Selling, general and administrative expenses	2,855	2,192
Operating income (or loss)	576	(3,020)
Non-operating income		
Interest income	28	20
Dividends received	49	35
Foreign currency exchange gains	—	104
Gain on sales of scraps	30	11
Employment adjustment subsidies	—	360
Others	16	23
Total non-operating income	125	555
Non-operating expenses		
Interest expenses	113	104
Foreign currency exchange loss	37	—
Others	13	20
Total non-operating expenses	164	124
Recurring income (or loss)	537	(2,589)
Extraordinary gains		
Gain on sales of fixed assets	0	0
Subsidy income	42	33
Total extraordinary gains	42	34
Extraordinary losses		
Loss on sales of fixed assets	58	10
Loss related to COVID-19	—	40
Total extraordinary losses	58	50
Income (loss) before income taxes and others	521	(2,606)
Income taxes and enterprise taxes	426	70
Deferred income taxes	(194)	513
Total income taxes	232	583
Net income (loss)	289	(3,190)
Net income (loss) attributable to owners of parent	289	(3,190)

Quarterly Consolidated Statements of Comprehensive Income
(First Quarter)

(Million yen)

	Three months ended June 30, 2019 (April 1, 2019 to June 30, 2019)	Three months ended June 30, 2020 (April 1, 2020 to June 30, 2020)
Net income (loss)	289	(3,190)
Other comprehensive income		
Difference on revaluation of other marketable securities	79	458
Foreign currency translation adjustments	281	(780)
Remeasurements of defined benefit plans, net of tax	13	32
Total other comprehensive income	374	(289)
Comprehensive income	664	(3,479)
Comprehensive income attributable to:		
Owners of parent	664	(3,479)
Non-controlling interests	—	—

(3) Notes on Going Concern Assumptions

Not applicable.

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

Not applicable.

(5) Additional Information

(Application of a consolidated taxation system)

Since the beginning of the first quarter of the consolidated fiscal year under review, a consolidated taxation system has been applied to the Company and its domestic subsidiaries.

(Accounting estimates related to the spread of COVID-19)

There have been no significant changes to assumptions including the timing of the end of the spread of COVID-19 and accounting estimates provided on the securities report for the previous consolidated fiscal year.

(6) Segment Information, etc.

Segment information

I. Three months ended June 30, 2019 (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			
Net 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 the quarterly consolidated statement of income and important details of the difference (Difference adjustment)

(Million yen)

Profit	Amount
Total 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.

II. Three months ended June 30, 2020 (April 1, 2020 to June 30, 2020)

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	7,232	4,742	2,257	646	644	15,524
Intersegment	390	0	232	207	0	831
Total	7,623	4,742	2,490	853	645	16,355
Segment profit (or loss)	(2,069)	(156)	(995)	(40)	108	(3,154)

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 in reported segments	(3,154)
Elimination of intersegment transactions	133
Operating loss in the quarterly consolidated statement of income	(3,020)

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

(7) Important Subsequent Events

(Disposal of treasury stock for the delivery as stock compensation)

The Company resolved at its Board of Directors' meeting held on July 22, 2020 to dispose of treasury shares for the delivery as stock compensation ("the disposal of treasury stock").

1. Overview of the disposal

- | | |
|---|--|
| (1) Deadline for disposal: | August 7, 2020 |
| (2) Type and number of shares to be disposed of: | 156,541 shares of common stock of the Company |
| (3) Disposal value: | 359 yen per share |
| (4) Total disposal amount: | 56 million yen |
| (5) Title and number of persons eligible for the allotment,
and the number of shares to be allotted: | Directors (excluding directors who are members of the Audit and Supervisory Committee) 5 persons 133,172 shares
Directors who are members of the Audit and Supervisory Committee (excluding Independent Directors) 1 person 6,657 shares
Executive Officers: 4 persons 16,712 shares |
| (6) Others: | Not applicable |

2. Purpose and reason for the disposal

The Company resolved at its Board of Directors' meeting held on May 30, 2018 to introduce a restricted stock compensation plan ("the Plan") for the purpose of providing its Directors (excluding Independent Directors, "eligible Directors") and executive officers with an incentive to continuously improve the corporate value of Ahresty, facilitating their sense of shared values with shareholders and establishing greater linkage with medium- to long-term performance goals.

Under the Plan, at the Board of Directors' meeting held on July 22, 2020, the Company provided its eligible Directors and executive officers with monetary compensation receivables, and the eligible Directors and executive officers invested all the said monetary compensation receivables as their contribution in kind, thereby accepting the common shares to be allotted by the Company through the disposal of treasury stock.

3. Overview of the Plan

Eligible Directors and executive officers will invest all the monetary compensation receivables provided by the Company under the Plan as their contribution in kind, thereby accepting the issuance or disposal of common shares of the Company. The total number of common shares to be issued or disposed of by the Company for the eligible Directors shall be not more than 240,000 shares per year, and the per-share amount to be paid in shall be the closing price of the Company's common stock at the Tokyo Stock Exchange on the business day prior to the date of the Board of Directors' resolution (if no transactions occur on the day, the closing price of the most recent day of transaction).

For issuance or disposal of the Company's common stock under the Plan, the Company and the eligible Directors and executive officers shall enter into a restricted stock allotment agreement ("the Allotment Agreement"), which should include provisions to the effect that (i) the eligible Directors and executive officers shall not transfer, create a security interest in, or dispose of in any other way the common shares allotted to them under the Allotment Agreement for a specific period of time, and (ii) the Company shall acquire the said common shares free of charge if certain grounds arise.

On this occasion, according to the resolution made at the Board of Directors' meeting held on July 22, 2020, with the aim of promoting competent executive personnel taking into consideration the business performance of the Company, the degree of contribution by each eligible Director and executive officer, their scope of responsibilities and various other circumstances, and for the purpose of further raising the motivation of the eligible Directors and executive officers, it was decided to grant monetary compensation receivables of 56 million yen in total for 156,541 shares of common stock.