



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

November 11, 2020
Stock Exchange Listing: Tokyo

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 Planned date for filing of quarterly securities report: November 12, 2020 Planned date for start of dividend payment: —

Supplementary documents for quarterly results: Yes

Quarterly results briefing: Yes (for securities analysts and institutional investors)

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

1. Consolidated results for the first half of the year ending March 2021 (from April 1, 2020 to September 30, 2020)
 (1) Consolidated operating results (for the six 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 half of year ending March 2021	36,836	(41.2)	(3,802)	—	(3,150)	—	(3,978)	—
First half of year ended March 2020	62,680	(13.2)	341	(22.1)	110	(67.7)	33	(90.7)

(Note) Comprehensive income First half of year ending March 2021 (4,126) million yen (—) First half of year ended March 2020 (1,360) million yen (—%)

(Reference) EBITDA First half of year ending March 2021 2,316 million yen (-69.4%) First half of year ended March 2020 7,574 million yen (-14.4%)

* EBITDA = operating income + depreciation and amortization

	Net income per share		Fully diluted net income per share	
	yen		yen	
First half of year ending March 2021	(155.80)		—	
First half of year ended March 2020	1.31		1.30	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
As of September 30, 2020	122,903	53,294	43.2
As of March 31, 2020	123,054	57,364	46.5

(Reference) Shareholders' equity As of September 30, 2020 53,130 million yen As of March 31, 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				
Year ended March 2020	—	8.00	—	0.00	8.00
Year ending March 2021	—	0.00			
Year ending March 2021 (projection)			—	0.00	0.00

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

3. Forecast of consolidated results for year ending March 2021 (from April 1, 2020 to March 31, 2021)
 (% 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	87,900	(27.1)	(4,000)	—	(3,450)	—	(4,400)	—	(172.72)

(Note) Revisions to consolidated results forecast published most recently: No

* Notes:

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

(2) Application of specific accounting treatment to the preparation of quarterly consolidated financial statements: None

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

(i) Changes in accounting principles associated with revision of accounting standards, etc.: None

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

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(4) Number of shares outstanding (Common stock)

(i) Number of shares outstanding at end of period (including treasury shares)	As of September 30, 2020	26,076,717 shares	As of March 31, 2020	26,076,717 shares
(ii) Number of treasury shares at end of period	As of September 30, 2020	409,984 shares	As of March 31, 2020	602,289 shares
(iii) Average number of shares (for the first six-month period)	As of September 30, 2020	25,533,323 shares	As of September 30, 2019	25,755,771 shares

* 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 Half (3) Explanation of Consolidated Earnings Forecasts and Other Information for Future Outlook” on page 6 of the accompanying materials.

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I. Qualitative Information on Consolidated Operating Results, etc. 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 was severely affected by the novel coronavirus “COVID-19” pandemic and significantly deteriorated, suffering a decrease in domestic demand and a slowdown in exports resulting from sluggish economic activities. Although economic activities have been gradually recovering after bottoming out in the first quarter, 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 operation and revision of work shifts to adjust production systems in line with the substantial decrease in sales volume, 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 the recording of operating loss both in Japan and overseas though the figures were better than the initial plan.

In response to the resumption of economic activities in many countries, though the pace of recovery in car sales varies among countries and customers, production of the Group has been on a recovery trend after bottoming out in the first quarter. In the three months of the second quarter, our sales volume in China recovered to the same level as the previous year while operating income returned to the black. Also with sales volume in Japan gradually recovering, we see improvement both in net sales and operating income from the first quarter.

Although uncertainties remain in the business environment, the Ahresty Group will accelerate measures based on its 1921 Medium-term Management Plan, which we have promoted since fiscal 2019, to improve profitability by cost cutting and raising productivity.

Consequently, for the first half of the consolidated fiscal year under review, the Company recorded consolidated net sales of ¥36,836 million (down 41.2% year on year), operating loss of ¥3,802 million (as opposed to operating income of ¥341 million for the first half of the previous year), recurring loss of ¥3,150 million (as opposed to recurring income of ¥110 million for the first half of the previous year) and net loss attributable to owners of parent of ¥3,978 million (as opposed to net income attributable to owners of parent of ¥33 million in the first half 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. Although we are gradually regaining orders, net sales came to ¥18,204 million (down 40.1% year on year), partly due to the decline in the conditions of the aluminum market. On the profitability side, the segment recorded a loss of ¥2,719 million (a segment loss of ¥158 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 reduced the 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 US, resulting in a significant decrease in orders we received.

Our plant in Mexico, which settles its accounts in December, also faced a significant decrease in orders received due to weak sales recorded by car manufacturers, the Company’s main customers, together with the impact of a lockdown imposed by the government as a measure to prevent the spread of COVID-19, which forced our plant to suspend operation as well.

Also with a significant decline in the condition of the aluminum market, net sales came to ¥8,610 million (down 49.3% year on year). On the profitability side, the segment recorded a loss of ¥323 million (a segment profit of ¥478 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 in the first quarter (January to March), associated with the lockdowns of some cities, the issuance of stay-at-home orders and suspension of operation by car manufacturers, our main customers. However, signs of a gradual recovery from the first quarter have been seen and net sales for the second quarter (April to June)

reached the same level as the previous year.

Meanwhile, our operation in India was severely 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 ¥7,603 million (down 35.3% year on year). On the profitability side, the segment recorded a loss of ¥959 million (a segment loss of ¥320 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 32.0% year on year due to the impact of the spread of COVID-19 infection. Also, reflecting a lower unit sales price affected by the aluminum market, net sales decreased 32.6% year on year to ¥1,394 million. On the profitability side, the segment recorded a loss of ¥41 million (a segment profit of ¥107 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 32.6% year on year to ¥1,023 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 30.6% year on year to ¥148 million, chiefly due to reduction of selling, general and administrative expenses.

(2) Qualitative Information Concerning Consolidated Financial Position

(i) Assets, liabilities and net assets

(Assets)

Total assets at the end of the consolidated first half under review decreased ¥150 million from the end of the previous consolidated fiscal year, to ¥122,903 million. Current assets stood at ¥36,949 million, an increase of ¥1,702 million from the end of the previous consolidated fiscal year. This was mainly due to an increase of ¥4,567 million in cash and time deposits despite a decline in trade notes and accounts receivable of ¥2,513 million. Non-current assets were ¥85,954 million, down ¥1,852 million from the end of the preceding fiscal year. This was due chiefly to a decrease of ¥2,715 million in tangible fixed assets.

(Liabilities)

Liabilities at the end of the consolidated first half under review increased ¥3,919 million from the end of the previous consolidated fiscal year to ¥69,609 million. Current liabilities stood at ¥42,925 million, reflecting a decrease of ¥465 million from the end of the previous consolidated fiscal year. The principal factors contributing to this result included an increase of ¥6,200 million in short-term loans payable, in contrast to decreases of ¥4,435 million in notes and accounts payable, ¥1,511 million in obligations for equipment, and ¥374 million in the current portion of long-term loans. Long-term liabilities stood at ¥26,683 million, up ¥4,385 million from the end of the preceding consolidated fiscal year. The main factors included an increase of ¥4,265 million in long-term loans payable.

(Net assets)

Net assets at the end of the consolidated first half under review decreased ¥4,070 million from the end of the previous consolidated fiscal year, to ¥53,294 million. This was attributable primarily to decreases of ¥4,032 million in retained earnings and ¥970 million in foreign currency translation adjustments despite an increase of ¥758 million in difference on revaluation of other marketable securities.

As a result, the equity ratio was down from 46.5% at the end of the previous consolidated fiscal year to 43.2%.

(ii) Cash flows

Cash and cash equivalents (“cash”) increased ¥4,469 million during the first half of the consolidated fiscal year under review from the end of the previous consolidated fiscal year, coming to ¥8,201 million.

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 totaled ¥625 million (net cash provided of ¥7,741 million in the same period of the previous year). This result was mainly due to factors to increase cash such as depreciation and amortization of ¥6,118 million and a decrease in notes and accounts receivable of ¥2,423 million, as well as factors to decrease cash such as loss before income

taxes and others of ¥3,728 million and a decrease in notes and accounts payable of ¥4,330 million.

(Cash flows from investing activities)

Net cash used in investing activities was ¥6,368 million (net cash used of ¥9,167 million in the same period of the previous year). This was chiefly due to factors to decrease cash such as expenditures from purchases of tangible fixed assets of ¥6,157 million.

(Cash flows from financing activities)

Net cash provided by financing activities totaled ¥10,241 million (net cash provided of ¥1,193 million in the same period of the previous year). This result was primarily due to factors to increase cash such as proceeds from short-term loans of ¥43,558 million and long-term loans of ¥8,715 million, in comparison to factors to decrease cash such as expenditures for repayments of short-term loans of ¥37,257 million and long-term debt of ¥4,630 million.

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

Our net sales, operating income and other results for the first half of the consolidated fiscal year under review exceeded the forecasts and our business performance is mostly on a recovery track. However, with uncertainties remaining in the economic trends for the second half and beyond, no changes have been made to the financial forecasts announced on August 6, 2020 for the consolidated full-year forecasts for the fiscal year ending March 31, 2021.

2. Consolidated Quarterly Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheet

(Million yen)

	As of March 31, 2020	As of September 30, 2020
(Assets)		
Current assets		
Cash and time deposits	4,167	8,734
Trade notes and accounts receivable	17,922	16,021
Electronically recorded monetary claims – operating	2,398	1,785
Merchandise and products	3,115	2,896
Partly finished goods	3,603	3,604
Raw materials and inventories	2,810	2,462
Others	1,385	1,583
Allowance for doubtful accounts	(154)	(139)
Total current assets	35,247	36,949
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	14,867	14,520
Machinery and delivery equipment, net	38,944	38,397
Land	5,622	5,612
Construction in progress	12,384	10,533
Others, net	8,573	8,615
Total tangible fixed assets	80,392	77,677
Intangible fixed assets	2,032	1,930
Investments and other assets		
Investments in securities	2,568	3,663
Others	2,834	2,703
Allowance for doubtful accounts	(21)	(20)
Total investments and other assets	5,380	6,345
Total fixed assets	87,806	85,954
Total assets	123,054	122,903
(Liabilities)		
Current liabilities		
Notes and accounts payable	9,284	7,255
Electronically recorded obligations – operating	5,994	3,588
Short-term loans	10,273	16,474
Current portion of long-term loans	7,750	7,376
Accrued income taxes	304	200
Bonus allowances	1,848	1,331
Provision for product warranties	46	65
Others	7,889	6,635
Total current liabilities	43,390	42,925
Long-term liabilities		
Long-term loans	15,672	19,938
Long-term accounts payable	327	311
Net defined benefit liability	2,709	2,649
Others	3,588	3,783
Total long-term liabilities	22,298	26,683
Total liabilities	65,689	69,609

(Million yen)

	As of March 31, 2020	As of September 30, 2020
(Net assets)		
Shareholders' equity		
Common stock	6,964	6,964
Additional paid-in capital	10,206	10,206
Retained earnings	38,806	34,774
Treasury stock	(412)	(278)
Total shareholders' equity	55,564	51,666
Other accumulated comprehensive income		
Difference on revaluation of other marketable securities	926	1,684
Foreign currency translation adjustments	1,047	76
Remeasurements of defined benefit plans	(360)	(296)
Total other accumulated comprehensive income	1,612	1,464
Share warrants	187	164
Total net assets	57,364	53,294
Total liabilities and net assets	123,054	122,903

(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, 2019 (April 1, 2019 to September 30, 2019)	Six months ended September 30, 2020 (April 1, 2020 to September 30, 2020)
Net sales	62,680	36,836
Cost of goods sold	56,723	36,309
Gross profit	5,956	526
Selling, general and administrative expenses	5,615	4,328
Operating income (or loss)	341	(3,802)
Non-operating income		
Interest income	59	38
Dividends received	52	36
Foreign currency exchange gains	—	3
Gain on sales of scraps	57	25
Employment adjustment subsidies	—	746
Others	35	58
Total non-operating income	204	909
Non-operating expenses		
Interest expenses	244	224
Foreign currency exchange loss	155	—
Others	36	33
Total non-operating expenses	435	257
Recurring income (or loss)	110	(3,150)
Extraordinary gains		
Gain on sales of fixed assets	20	6
Subsidy income	100	73
Total extraordinary gains	120	79
Extraordinary losses		
Loss on sales of fixed assets	112	67
Loss related to COVID-19	—	590
Total extraordinary losses	112	657
Income (loss) before income taxes and others	119	(3,728)
Income taxes and enterprise taxes	375	73
Deferred income taxes	(289)	176
Total income taxes	85	249
Net income (loss)	33	(3,978)
Net income (loss) attributable to owners of parent	33	(3,978)

Quarterly Consolidated Statements of Comprehensive Income
(First Half)

(Million yen)

	Six months ended September 30, 2019 (April 1, 2019 to September 30, 2019)	Six months ended September 30, 2020 (April 1, 2020 to September 30, 2020)
Net income (loss)	33	(3,978)
Other comprehensive income		
Difference on revaluation of other marketable securities	(84)	758
Foreign currency translation adjustments	(1,320)	(970)
Remeasurements of defined benefit plans, net of tax	10	63
Total other comprehensive income	(1,394)	(148)
Comprehensive income	(1,360)	(4,126)
Comprehensive income attributable to:		
Owners of parent	(1,360)	(4,126)
Non-controlling interests	—	—

(3) Quarterly Consolidated Statement of Cash Flows

(Million yen)

	Six months ended September 30, 2019 (April 1, 2019 to September 30, 2019)	Six months ended September 30, 2020 (April 1, 2020 to September 30, 2020)
Cash flows from operating activities		
Income (loss) before income taxes and others	119	(3,728)
Depreciation and amortization	7,232	6,118
Increase (decrease) in bonus allowances	(423)	(506)
Increase (decrease) in provision for product warranties	4	19
Increase (decrease) in net defined benefit liability	55	5
Interest and dividend income	(112)	(75)
Interest expenses	244	224
Loss (gain) on sales and retirement of tangible fixed assets	92	60
Subsidy income	(100)	(73)
Employment adjustment subsidies	—	(746)
Loss related to COVID-19	—	590
Decrease (increase) in notes and accounts receivable	2,998	2,423
Decrease (increase) in inventories	1,185	493
Increase (decrease) in notes and accounts payable	(2,114)	(4,330)
Increase (decrease) in accrued expenses	38	(48)
Increase (decrease) in accrued consumption taxes and others	(343)	286
Others	(9)	(579)
Subtotal	8,865	133
Interest and dividends received	68	129
Interest paid	(221)	(229)
Income taxes paid	(1,195)	(323)
Income taxes refund	155	268
Proceeds from subsidy income	69	648
Net cash provided by (used in) operating activities	7,741	625
Cash flows from investing activities		
Payments into time deposits	—	(100)
Expenditures from purchases of tangible fixed assets	(9,213)	(6,157)
Proceeds from sales of tangible fixed assets	145	19
Proceeds from sales of investment securities	0	—
Others	(100)	(130)
Net cash provided by (used in) investing activities	(9,167)	(6,368)
Cash flows from financing activities		
Proceeds from short-term loans	35,761	43,558
Repayment of short-term loans	(33,536)	(37,257)
Proceeds from long-term debt	5,376	8,715
Repayment of long-term debt	(5,697)	(4,630)
Purchase of own shares	(300)	—
Dividends paid	(309)	(0)
Others	(102)	(144)
Net cash provided by (used in) financing activities	1,193	10,241
Effect of exchange rate changes on cash and cash equivalents	62	(29)
Net increase (decrease) in cash and cash equivalents	(170)	4,469
Cash and cash equivalents at beginning of year	2,901	3,732
Cash and cash equivalents at end of period	2,730	8,201

(4) Notes on Going Concern Assumptions

Not applicable.

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

(Disposal of treasury stock)

The Company resolved at its Board of Directors' meeting held on July 22, 2020 to dispose of treasury shares for 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 ¥107 million (156,541 shares).

(6) 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 impact from the spread of COVID-19 and accounting estimates provided on the securities report for the previous consolidated fiscal year.

(7) Segment Information, etc.

Segment information

I. Six months ended September 30, 2019 (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 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.

II. Six months ended September 30, 2020 (April 1, 2020 to September 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	18,204	8,610	7,603	1,394	1,023	36,836
Intersegment	920	0	408	763	1	2,094
Total	19,124	8,610	8,012	2,157	1,024	38,930
Segment profit (or loss)	(2,719)	(323)	(959)	(41)	148	(3,894)

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	(3,894)
Elimination of intersegment transactions	92
Operating loss in the quarterly consolidated statement of income	(3,802)

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

Not applicable.