



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

February 8, 2021

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 quarterly securities report:
 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 three quarters of the year ending March 2021 (from April 1, 2020 to December 31, 2020)

(1) Consolidated operating results (for nine months ended December 31, 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 three quarters of year ending March 2021	64,506	(29.9)	(2,710)	—	(2,146)	—	(3,059)	—
First three quarters of year ended March 2020	92,019	(16.8)	512	(73.5)	209	(89.4)	106	—

(Note)

Comprehensive First three quarters of year ending March 2021 (2,939) million yen (—%) First three quarters of year ended March 2020 (2,018) million yen (—%)
 income

(Reference) EBITDA First three quarters of year ending March 2021 6,769 million yen (-39.9%) First three quarters of year ended March 2020 11,258 million yen (-21.2%)

* EBITDA = operating income + depreciation and amortization

	Net income per share	Fully diluted net income per share
	yen	yen
First three quarters of year ending March 2021	(119.63)	—
First three quarters of year ended March 2020	4.17	4.12

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
As of December 31, 2020	126,991	54,481	42.8
As of March 31, 2020	123,054	57,364	46.5

(Reference) Shareholders' equity As of December 31, 2020 54,316 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	yen	yen	yen	yen
Year ended March 31, 2020	—	8.00	—	0.00	8.00
Year ending March 2021	—	0.00	—		
Year ending March 2021 (projection)				5.00	5.00

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

For details, please refer to the Notice on Revisions to Business Forecasts and Revisions to Dividend Projection 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)

	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	92,300	(23.5)	(2,600)	—	(2,200)	—	(2,900)	—	(113.38)

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

For details, please refer to the Notice on Revisions to Business Forecasts and Revisions to Dividend Projection 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 those stated in (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 December 31, 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 December 31, 2020	409,984 shares	As of March 31, 2020	602,289 shares
(iii) Average number of shares (for the first nine-month period)	As of December 31, 2020	25,577,955 shares	As of December 31, 2019	25,661,728 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 Three Quarters (3) Qualitative Information Concerning Consolidated Earnings Forecasts” on page 6 of the accompanying materials.

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1. Qualitative Information on Consolidated Operating Results, etc. for the First Three Quarters

(1) Qualitative Information Concerning Consolidated Operating Results

During the first three quarters of the consolidated fiscal year under review, the Japanese economy was severely affected by the novel coronavirus “COVID-19” pandemic and deteriorated significantly, suffering a decrease in domestic demand and a slowdown in exports resulting from sluggish economic activities. Although economic activities have been recovering gradually after bottoming out in the first quarter, the future outlook still remains uncertain with factors such as the re-expansion of COVID-19 infections and the shortage of semiconductors, which may affect car production. 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 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 third quarter, our sales volume in Japan, North America and China recovered to nearly the same level as the previous year. As a result of the acceleration of measures based on the 1921 Medium-term Management Plan, which promoted cost cutting and raising productivity and thereby improved profitability, our operating income also returned to the black.

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 three quarters of the consolidated fiscal year under review, the Company recorded consolidated net sales of ¥64,506 million (down 29.9% year on year), operating loss of ¥2,710 million (as opposed to operating income of ¥512 million for the first three quarters of the previous year), recurring loss of ¥2,146 million (as opposed to recurring income of ¥209 million for the first three quarters of the previous year) and net loss attributable to owners of parent of ¥3,059 million (as opposed to net income attributable to owners of parent of ¥106 million in the first three quarters of the previous year).

Operating results by segment are as follows:

(i) Die Casting Business: Japan

In the Japanese automobile market, during the first half of the fiscal year under review, car manufacturers, our main customers, and many other customers had to suspend operations 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 and the business is on a recovery track, net sales came to ¥31,964 million (down 28.8% 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 ¥2.338 million (a segment loss of ¥342 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 operations at our major customers due to the spread of COVID-19 significantly reduced orders received by the Company.

In the U.S., major customers shut down operations one after another in response to the spread of COVID-19, forcing our U.S. plant to temporarily adjust production. At present, however, we are on a recovery track, regaining our sales volume.

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 operations.

Compounded by a significant decline in the conditions of the aluminum market, net sales came to ¥14,872 million (down 38.0% year on year). On the profitability side, the segment recorded a profit of ¥126 million (down 76.4% year on year) 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 of

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 operations by car manufacturers, our main customers. However, signs of a gradual recovery from the first quarter have been seen, and now net sales have reached the same level as the previous year.

Meanwhile, our operations in India were 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 operations, resulting in a significant decline in orders received.

As a result, net sales came to ¥13,341 million (down 26.1% year on year). On the profitability side, the segment recorded a loss of ¥827 million (a segment loss of ¥98 million was recorded a year earlier) due mainly to the impact of the decrease in orders received.

(iv) Aluminum Business

In the Aluminum business, although the business was on a recovery track in the period from October to December, cumulative sales weight decreased by 16.3% year on year due to the impact of the spread of COVID-19 infection. As a result, net sales decreased 21.7% year on year to ¥2,412 million. On the profitability side, the segment recorded a loss of ¥5 million (a segment income of ¥135 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 2.6% year on year to ¥1,914 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 59.8% year on year to ¥275 million, chiefly due to reductions in 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 third quarter under review increased ¥3,937 million from the end of the previous consolidated fiscal year, to ¥126,991 million. Current assets stood at ¥41,391 million, an increase of ¥6,144 million from the end of the previous consolidated fiscal year. This was mainly due to increases of ¥6,341 million in cash and time deposits and ¥750 million in trade notes and accounts receivable, despite a decline in inventories of ¥853 million. Fixed assets were ¥85,599 million, down ¥2,206 million from the end of the preceding fiscal year. This was due chiefly to an increase of ¥1,380 million in investments in securities despite a decrease of ¥3,406 million in tangible fixed assets.

(Liabilities)

Liabilities at the end of the consolidated third quarter under review increased ¥6,821 million from the end of the previous consolidated fiscal year to ¥72,510 million. Current liabilities stood at ¥47,204 million, reflecting an increase of ¥3,813 million from the end of the previous consolidated fiscal year. The principal factors contributing to this result included an increase of ¥8,380 million in short-term loans payable, in contrast to decreases of ¥2,260 million in notes and accounts payable and ¥1,880 million in obligations for equipment. Long-term liabilities stood at ¥25,306 million, up ¥3,007 million from the end of the preceding consolidated fiscal year. The main factors included an increase of ¥2,803 million in long-term loans payable.

(Net assets)

Net assets at the end of the consolidated third quarter under review decreased ¥2,883 million from the end of the previous consolidated fiscal year, to ¥54,481 million. This was attributable primarily to a decrease of ¥3,114 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 42.8%.

(3) Qualitative Information Concerning Consolidated Earnings Forecasts

In view of recent trends in business performance, the Company has revised its consolidated full-year business forecasts released on August 6, 2020. For details, please refer to Notice on Revisions to Business Forecasts and Revisions to Dividend Projection released today (February 8, 2021).

2. Consolidated Quarterly Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheet

(Million yen)

	As of March 31, 2020	As of December 31, 2020
(Assets)		
Current assets		
Cash and time deposits	4,167	10,508
Trade notes and accounts receivable	17,922	18,300
Electronically recorded monetary claims – operating	2,398	2,770
Merchandise and products	3,115	2,749
Partly finished goods	3,603	3,418
Raw materials and inventories	2,810	2,507
Others	1,385	1,278
Allowance for doubtful accounts	(154)	(142)
Total current assets	35,247	41,391
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	14,867	14,261
Machinery and delivery equipment, net	38,944	37,373
Land	5,622	5,598
Construction in progress	12,384	11,461
Others, net	8,573	8,292
Total tangible fixed assets	80,392	76,986
Intangible fixed assets	2,032	1,870
Investments and other assets		
Investments in securities	2,568	3,949
Others	2,834	2,814
Allowance for doubtful accounts	(21)	(20)
Total investments and other assets	5,380	6,742
Total fixed assets	87,806	85,599
Total assets	123,054	126,991
(Liabilities)		
Current liabilities		
Notes and accounts payable	9,284	8,472
Electronically recorded obligations – operating	5,994	4,546
Short-term loans	10,273	18,654
Current portion of long-term loans	7,750	7,254
Accrued income taxes	304	269
Bonus allowances	1,848	864
Provision for product warranties	46	39
Others	7,889	7,103
Total current liabilities	43,390	47,204
Long-term liabilities		
Long-term loans	15,672	18,476
Long-term accounts payable	327	300
Net defined benefit liability	2,709	2,676
Others	3,588	3,853
Total long-term liabilities	22,298	25,306
Total liabilities	65,689	72,510

(Million yen)

	As of March 31, 2020	As of December 31, 2020
(Net assets)		
Shareholders' equity		
Common stock	6,964	6,964
Additional paid-in capital	10,206	10,206
Retained earnings	38,806	35,692
Treasury stock	(412)	(278)
Total shareholders' equity	55,564	52,584
Other accumulated comprehensive income		
Difference on revaluation of other marketable securities	926	1,868
Foreign currency translation adjustments	1,047	181
Remeasurements of defined benefit plans	(360)	(318)
Total other accumulated comprehensive income	1,612	1,732
Share warrants	187	164
Total net assets	57,364	54,481
Total liabilities and net assets	123,054	126,991

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

Quarterly Consolidated Income Statements
(First Three Quarters)

(Million yen)

	Nine months ended December 31, 2019 (April 1, 2019 to December 31, 2019)	Nine months ended December 31, 2020 (April 1, 2020 to December 31, 2020)
Net sales	92,019	64,506
Cost of goods sold	83,101	60,540
Gross profit	8,918	3,965
Selling, general and administrative expenses	8,406	6,676
Operating income (or loss)	512	(2,710)
Non-operating income		
Interest income	86	50
Dividends received	101	73
Gain on sales of scraps	77	52
Employment adjustment subsidies	—	834
Others	61	78
Total non-operating income	327	1,088
Non-operating expenses		
Interest expenses	359	346
Foreign currency exchange loss	189	120
Others	81	57
Total non-operating expenses	630	523
Recurring income (or loss)	209	(2,146)
Extraordinary gains		
Gain on sales of fixed assets	22	9
Gain on sales of investment securities	54	—
Subsidy income	159	91
Gain on revision of retirement benefit plans	155	—
Total extraordinary gains	391	100
Extraordinary losses		
Loss on sales of fixed assets	126	151
Loss on revision of retirement benefit plans	75	—
Loss related to COVID-19	—	590
Total extraordinary losses	201	741
Income (loss) before income taxes and others	399	(2,787)
Income taxes and enterprise taxes	424	118
Deferred income taxes	(132)	154
Total income taxes	292	272
Net income (loss)	106	(3,059)
Net income (loss) attributable to owners of parent	106	(3,059)

Quarterly Consolidated Statements of Comprehensive Income
(First Three Quarters)

(Million yen)

	Nine months ended December 31, 2019 (April 1, 2019 to December 31, 2019)	Nine months ended December 31, 2020 (April 1, 2020 to December 31, 2020)
Net income (loss)	106	(3,059)
Other comprehensive income		
Difference on revaluation of other marketable securities	(89)	942
Foreign currency translation adjustments	(2,059)	(865)
Remeasurements of defined benefit plans, net of tax	23	42
Total other comprehensive income	(2,125)	120
Comprehensive income	(2,018)	(2,939)
Comprehensive income attributable to:		
Owners of parent	(2,018)	(2,939)
Non-controlling interests	—	—

(3) Notes on Going Concern Assumptions

Not applicable.

(4) 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 nine-month period of the fiscal year under review. As a result, treasury stock decreased by ¥107 million (156,541 shares).

(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. Nine months ended December 31, 2019 (April 1, 2019 to December 31, 2019)

1. Information on sales and income or losses by reported segment

(Million yen)

(million yen)

	Reported segments					Total
	Die Casting Business			Aluminum Business	Proprietary Products Business	
	Japan	North America	Asia			
Net sales						
Customers	44,921	23,998	18,051	3,081	1,966	92,019
Intersegment	2,409	11	1,101	2,443	1	5,967
Total	47,330	24,010	19,153	5,524	1,967	97,987
Segment profit (or loss)	(342)	536	(98)	135	172	403

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

(Million yen)

Profit	Amount
Total in reported segments	403
Elimination of intersegment transactions	109
Operating income in the quarterly consolidated income statements	512

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

Not applicable.

II. Nine months ended December 31, 2020 (April 1, 2020 to December 31, 2020)

1. Information on sales and income or losses by reported segment

(Million yen)

(million yen)

	Reported segments					Total
	Die Casting Business			Aluminum Business	Proprietary Products Business	
	Japan	North America	Asia			
Net sales						
Customers	31,964	14,872	13,341	2,412	1,914	64,506
Intersegment	1,530	0	588	1,483	2	3,605
Total	33,494	14,873	13,929	3,895	1,917	68,111
Segment profit (or loss)	(2,338)	126	(827)	(5)	275	(2,768)

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

(Million yen)

Profit	Amount
Total in reported segments	(2,768)
Elimination of intersegment transactions	58
Operating loss in the quarterly consolidated income statements	(2,710)

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

Not applicable.