Consolidated Financial Results (Japanese Accounting Standards) for the First Quarter of the Fiscal Year Ending March 31, 2022

August 6, 2021

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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 2022 (from April 1, 2021 to June 30, 2021)

(1) Consolidated operating results (for the three months ended June 30, 2021)   (% 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 2022	27,117	74.7	(653)	–	(398)	–	(495)	–
First quarter of year ended March 2021	15,524	(51.4)	(3,020)	–	(2,589)	–	(3,190)	–

(Notes) 1. Comprehensive income: First quarter of year ending March 2022: 1,379 million yen (–%)
First quarter of year ended March 2021: (3,479) million yen (–%)

2. Since the beginning of the first quarter of the consolidated fiscal year under review, the Company has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. The figures for the first quarter of the fiscal year ending March 2022 are the figures after the said accounting standards have been applied.

(Reference) EBITDA: First quarter of year ending March 2022: 2,320 million yen (–%)   First quarter of year ended March 2021: 157 million yen (-96.3%)
* EBITDA = operating income + depreciation and amortization

	Net income per share	Fully diluted net income per share
	yen	yen
First quarter of year ending March 2022	(19.32)	–
First quarter of year ended March 2021	(125.23)	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
First quarter of year ending March 2022	126,617	57,277	45.1
Year ended March 2021	132,223	55,631	41.9

(Reference) Shareholders' equity: First quarter of year ending March 2022: 57,137 million yen   Year ended March 2021: 55,467 million yen

(Note) Since the beginning of the first quarter of the consolidated fiscal year under review, the Company has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. The figures for the first quarter of the fiscal year ending March 2022 are the figures after the said accounting standards have been applied.

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 2021	–	0.00	–	5.00	5.00
Year ending March 2022	–				
Year ending March 2022 (Forecast)		5.00	–	5.00	10.00

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

3. Forecast of consolidated results for year ending March 2022 (from April 1, 2021 to March 31, 2022)

(% 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	52,300	–	(750)	–	(850)	–	(1,000)	–	(39.06)
Full year	110,000	–	1,800	–	1,600	–	600	–	23.44

(Note) 1. Revisions to consolidated results forecast published most recently: No

2. Starting from the beginning of the year ending March 2022, the Company has adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29), etc. Since the consolidated results forecast above presents the figures after the said accounting standards are applied, year-on-year figures are not provided.

* 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.: Yes

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

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(Note) For details, please see “2. Consolidated Quarterly Financial Statements and Key Notes (6) Changes in the Accounting Policy” on page 11 of the accompanying materials.

(4) Number of shares outstanding (Common stock)

(i) Number of shares outstanding at end of period (including treasury shares)

As of June 30, 2021: 26,076,717 shares　As of March 31, 2021: 26,076,717 shares

(ii) Number of treasury shares at end of period

As of June 30, 2021: 369,607 shares　As of March 31, 2021: 410,044 shares

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

1Q of year ending March 2022: 25,672,466 shares　1Q of year ended March 2021: 25,474,428 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 Quarter (3) Qualitative Information Concerning Consolidated Earnings Forecasts” on page 5 of the accompanying materials.

Accompanying Materials - Contents

1. Qualitative Information on Consolidated Operating Results, etc. for the First Quarter 4
   (1) Qualitative Information Concerning Consolidated Operating Results 4
   (2) Qualitative Information Concerning Consolidated Financial Position 5
   (3) Qualitative Information Concerning Consolidated Earnings Forecasts 5
2. Consolidated Quarterly Financial Statements and Key Notes 6
   (1) Quarterly Consolidated Balance Sheet 6
   (2) Quarterly Consolidated Income Statements and Quarterly Consolidated Statements of Comprehensive Income 8
      Quarterly Consolidated Income Statements
         First Quarter 8
      Quarterly Consolidated Statements of Comprehensive Income
         First Quarter 9
   (3) Notes on Going Concern Assumption 10
   (4) Notes for Significant Change in the Amount of Shareholders' Equity 10
   (5) Additional Information 10
   (6) Changes in the Accounting Policy 11
   (7) Segment Information, etc. 12

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 world economy was still in a severe situation due to the impact of the novel coronavirus “COVID-19” pandemic. Although signs of recovery were seen in the United States along with a decrease in the number of infected people, the economy in Europe, India and Southeast Asia remained stagnant, affected mainly by the re-expansion of infections and lockdowns. In Japan, the economy was severely affected by the novel coronavirus pandemic and remained stagnant, suffering a decrease in domestic demand and a slowdown in exports resulting from sluggish economic activities. The future outlook still remains uncertain with factors such as the re-expansion of COVID-19 infections and the shortage of semiconductors, which may continue to affect car production.

In response to these circumstances, 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 actions, such as production adjustment by controlling operations and revising work shifts according to 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. In response to the resumption of economic activities in many countries, car sales have been on a recovery trend though the pace of recovery varies among countries and customers. However, due to the impact of a shortage of semiconductors on car production, the Group received fewer orders than in the fourth quarter of the previous consolidated fiscal year. In terms of profit, an operating loss was recorded due to an increase in procurement costs caused by the rise in raw material prices.

Although concerns remain about the shortage of semiconductors and the rising prices of raw materials, the Ahresty Group will accelerate measures based on its 1921 Medium-term Management Plan, which we have promoted since fiscal 2019, to improve profitability and enhance our corporate structure by cutting costs and raising productivity.

Consequently, for the first quarter of the consolidated fiscal year under review, the Group recorded consolidated net sales of ¥27,117 million (up 74.7% year on year), operating loss of ¥653 million (operating loss of ¥3,020 million for the first quarter of the previous year), recurring loss of ¥398 million (recurring loss of ¥2,589 million for the first quarter of the previous year) and net loss attributable to owners of parent of ¥495 million (net loss attributable to owners of parent of ¥3,190 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, during the previous fiscal year, production adjustments due to the impact of the spread of COVID-19 resulted in a significant decrease in net sales. This year, however, along with the resumption of economic activities in many countries, car manufacturers, our main customers, have been putting their global car sales back on a recovery track. In line with this trend, we achieved a significant year-on-year increase in orders received, boosting our net sales to ¥12,315 million (up 70.3% year on year). On the profitability side, despite an increase in orders received, the segment recorded a loss of ¥326 million (a segment loss of ¥2,069 million was recorded a year earlier) due mainly to the rise in aluminum prices, which resulted in an increase in procurement costs.

(ii) Die Casting Business: North America

In the automobile market in North America, during the previous fiscal year, production adjustments due to the impact of the spread of COVID-19 resulted in a significant decrease in net sales. This year, however, sales of new cars have been on a recovery track despite production adjustments due to the shortage of semiconductors. In line with this trend, orders received by the Company significantly recovered from the first quarter of the previous fiscal year, resulting in an increase in net sales to ¥7,241 million (up 52.7% year on year). On the profitability side, despite the increase in orders received, the segment recorded a loss of ¥115 million (a segment loss of ¥156 million was recorded a year earlier) due mainly to the rise in aluminum prices, which resulted in an increase in procurement costs.

(iii) Die Casting Business: Asia

The plants in China recorded a significant decrease in net sales for the previous fiscal year as a result of production adjustments due to the impact of the spread of COVID-19. This year, however, production of our main customers recovered along with the resumption of economic activities, which resulted in a significant increase in the number of orders received by the Company.

In India, net sales also declined significantly during the previous fiscal year due mainly to plant lockdowns caused by the spread of COVID-19. This year, however, production of our main customers has recovered despite the ongoing impact of the pandemic, resulting in a significant increase in the number of orders received by the Company.

As a result, net sales came to ¥5,478 million (up 142.6% year on year). On the profitability side, despite the recovery in orders received, the segment recorded a loss of ¥353 million (a segment loss of ¥995 million was recorded a year earlier) due mainly to the rise in aluminum prices, which resulted in an increase in procurement costs.

(iv) Aluminum Business

The Aluminum business recovered from the impact of the production decrease due to the spread of COVID-19 although the impact of the production decrease due to the shortage of semiconductors continues. As a result, sales weight increased by 57.9% year on year, boosting net sales 105.4% year on year to ¥1,328 million. On the profitability side, the segment recorded a profit of ¥67 million (a segment loss of ¥40 million was recorded a year earlier) due mainly to the impact of the increase in net sales.

(v) Proprietary Products Business

In the Proprietary Products business, net sales increased 17.1% year on year to ¥754 million, mainly reflecting an increase in orders for projects of the main customers, namely a clean room at a semiconductor-related company and a data center at a telecommunications company. On the profitability side, segment profit declined 39.6% year on year to ¥65 million due mainly to intensifying price competition.

(2) Qualitative Information Concerning Consolidated Financial Position

(Assets)

Total assets at the end of the consolidated first quarter under review decreased ¥5,605 million from the end of the previous consolidated fiscal year, to ¥126,617 million. Current assets stood at ¥41,862 million, a decrease of ¥3,521 million from the end of the previous consolidated fiscal year. This was mainly due to a decrease of ¥8,102 million in cash and time deposits despite increases of ¥2,429 million in trade notes and accounts receivable and ¥1,424 million in inventories. Fixed assets were ¥84,755 million, down ¥2,084 million from the end of the preceding fiscal year. This was due chiefly to a decrease of ¥1,807 million in tangible fixed assets.

(Liabilities)

Liabilities at the end of the consolidated first quarter under review fell ¥7,251 million from the end of the previous consolidated fiscal year, to ¥69,340 million. Current liabilities stood at ¥44,209 million, a decrease of ¥6,530 million from the end of the previous consolidated fiscal year. This was mainly due to a decrease of ¥7,317 million in short-term loans payable. Long-term liabilities stood at ¥25,131 million, a decrease of ¥720 million from the end of the previous consolidated fiscal year. This was mainly due to a decrease of ¥862 million in long-term loans payable.

(Net assets)

Net assets at the end of the consolidated first quarter under review increased ¥1,645 million from the end of the previous consolidated fiscal year, to ¥57,277 million. This was attributable primarily to an increase of ¥2,100 million in foreign currency translation adjustments despite a decrease of ¥233 million in retained earnings.

As a result, the equity ratio was up from 41.9% at the end of the previous consolidated fiscal year to 45.1%.

(3) Qualitative Information Concerning Consolidated Earnings Forecasts

No changes have been made to the consolidated financial forecasts for the first half and the full year announced on May 18, 2021.

2. Consolidated Quarterly Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheet

(Million yen)

	Previous consolidated fiscal year (March 31, 2021)	Consolidated first quarter under review (June 30, 2021)
(Assets)		
Current assets		
Cash and time deposits	12,249	4,146
Trade notes and accounts receivable	20,647	–
Trade notes and accounts receivable, and contract assets	–	22,382
Electronically recorded monetary claims – operating	2,431	3,125
Merchandise and products	3,026	3,002
Partly finished goods	3,673	5,205
Raw materials and inventories	2,453	2,370
Others	1,062	1,795
Allowance for doubtful accounts	(160)	(165)
Total current assets	45,384	41,862
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	14,233	14,366
Machinery and delivery equipment, net	37,254	37,319
Land	5,615	5,628
Construction in progress	12,295	11,565
Others, net	7,891	6,602
Total tangible fixed assets	77,290	75,482
Intangible fixed assets	1,872	1,891
Investments and other assets		
Investment securities	4,346	4,131
Others	3,353	3,271
Allowance for doubtful accounts	(21)	(21)
Total investments and other assets	7,677	7,380
Total fixed assets	86,839	84,755
Total assets	132,223	126,617
(Liabilities)		
Current liabilities		
Notes and accounts payable	9,458	8,941
Electronically recorded obligations – operating	4,677	5,773
Short-term loans	19,232	11,915
Current portion of long-term loans	8,065	8,270
Accrued income taxes	279	194
Bonus allowances	1,573	2,092
Provision for product warranties	78	40
Others	7,374	6,979
Total current liabilities	50,739	44,209
Long-term liabilities		
Long-term loans	18,623	17,760
Long-term accounts payable	238	235
Retirement benefit liability	2,858	2,960
Others	4,130	4,174
Total long-term liabilities	25,852	25,131
Total liabilities	76,591	69,340

(Million yen)

	Previous consolidated fiscal year (March 31, 2021)	Consolidated first quarter under review (June 30, 2021)
(Net assets)		
Shareholders' equity		
Common stock	6,964	6,964
Additional paid-in capital	10,206	10,206
Retained earnings	35,909	35,675
Treasury stock	(278)	(250)
Total shareholders' equity	52,801	52,595
Other accumulated comprehensive income		
Difference on revaluation of other marketable securities	2,146	1,997
Foreign currency translation adjustments	982	3,083
Remeasurements of defined benefit plans	(462)	(538)
Total other accumulated comprehensive income	2,666	4,541
Share warrants	164	140
Total net assets	55,631	57,277
Total liabilities and net assets	132,223	126,617

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

Quarterly Consolidated Income Statement

(First Quarter)

(Million yen)

	Three months ended June 30, 2020 (April 1, 2020 to June 30, 2020)	Three months ended June 30, 2021 (April 1, 2021 to June 30, 2021)
Net sales	15,524	27,117
Cost of goods sold	16,351	25,208
Gross profit (or loss)	(827)	1,908
Selling, general and administrative expenses	2,192	2,561
Operating income (or loss)	(3,020)	(653)
Non-operating income		
Interest income	20	12
Dividends received	35	52
Foreign currency exchange gain	104	207
Gain on sales of scraps	11	41
Employment adjustment subsidies	360	56
Others	23	9
Total non-operating income	555	381
Non-operating expenses		
Interest expenses	104	115
Others	20	11
Total non-operating expenses	124	127
Recurring income (or loss)	(2,589)	(398)
Extraordinary gains		
Gain on sales of fixed assets	0	0
Subsidy income	33	106
Total extraordinary gains	34	107
Extraordinary losses		
Loss on sale and retirement of fixed assets	10	13
Loss related to COVID-19	40	–
Total extraordinary losses	50	13
Income (loss) before income taxes and others	(2,606)	(304)
Income taxes and enterprise taxes	70	291
Deferred income taxes	513	(100)
Total income taxes	583	191
Net income (loss)	(3,190)	(495)
Net income (loss) attributable to owners of parent	(3,190)	(495)

Quarterly Consolidated Statement of Comprehensive Income

(First Quarter)

(Million yen)

	Three months ended June 30, 2020 (April 1, 2020 to June 30, 2020)	Three months ended June 30, 2021 (April 1, 2021 to June 30, 2021)
Net income (loss)	(3,190)	(495)
Other comprehensive income		
Difference on revaluation of other marketable securities	458	(149)
Foreign currency translation adjustments	(780)	2,100
Remeasurements of defined benefit plans	32	(75)
Total other comprehensive income	(289)	1,875
Comprehensive income	(3,479)	1,379
Comprehensive income attributable to:		
Owners of parent	(3,479)	1,379
Non-controlling interests	–	–

(3) Notes on Going Concern Assumption

Not applicable.

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

Not applicable.

(5) Additional Information

(Application of Tax Effect Accounting pertaining to transition from the consolidated taxation system to the group tax sharing system)

Ahresty and its consolidated subsidiaries in Japan have calculated the amounts of deferred tax assets and deferred tax liabilities according to the provisions of the tax acts before amendment based on the treatment of Paragraph 3 of "Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (ASBJ Practical Solutions No. 39, March 31, 2020) instead of applying the provision of Paragraph 44 of "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018), regarding transition to the group tax sharing system established in "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 8 of 2020) and items for which the non-consolidated taxation system has been reviewed in line with transition to the group tax sharing system.

(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) Changes in the Accounting Policy

(Application of the Accounting Standard for Revenue Recognition, etc.)

Since the beginning of the first quarter of the consolidated fiscal year under review, the Company has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. According to this standard, upon the transfer of control over the promised goods or services to customers, revenue is recognized in the amount that is expected to be received in exchange for such goods or services. Major changes associated with this application are as follows:

(1) Revenue recognition concerning charged supply parts

The die-cast products the Ahresty Group manufactures and sells under contracts with customers include products made by casting or assembling parts that were supplied by customers for a charge (hereinafter referred to as "charged supply parts"). Conventionally, the purchase prices of charged supply parts were recorded as "Cost of goods sold" and the selling prices including said purchase prices were recognized as revenue. However, as a result of examination of the calculation of transaction prices in accordance with the Accounting Standard for Revenue Recognition, etc., the Ahresty Group has decided to deduct the purchase price of each of the charged supply parts included in its selling price from the transaction price since the charged supply parts that Ahresty had purchased are the same as the charged supply parts incorporated in the die-cast products that Ahresty manufactured.

In line with the above change, for inventory of charged supply parts, which was conventionally recorded as "Inventories," the amount of the consideration paid in exchange for the charged supply parts is recognized as a financial asset and recorded in "Others" of "Current assets."

(2) Revenue recognition concerning sales of die-casting dies to customers under installment contracts

For die-casting dies, etc. that the Ahresty Group sells to customers, there are two types of contracts: one is for one-time payment of the consideration and the other is for payment in installments. For die-casting dies, etc. for which the consideration is collected in installments, revenue was conventionally recognized as the amount of the consideration divided and allocated over the period from the beginning of mass production of the die-cast products using the said dies, etc. to the completion of the payment. Regarding these die-casting dies, etc. for which the consideration is collected in installments, we examined as to when the performance obligation is satisfied in accordance with the Accounting Standard for Revenue Recognition, etc. As a result, we have determined that customers have obtained the benefit from the said dies, etc. at the time of the beginning of mass production of the die-cast products using the dies, etc., and therefore the customers obtain control of the dies, etc. while the Ahresty Group satisfies its performance obligation at that point. Based on this judgment, we have decided to recognize as revenue the full amount of consideration when mass production of die-cast products using said dies, etc. begins.

Accordingly, the die-casting dies, etc. for which consideration is collected in installments, which were conventionally recorded as "Fixed assets," are included in "Inventories" until mass production starts.

Application of the Accounting Standard for Revenue Recognition, etc. is subject to the transitional treatment provided for in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the consolidated first quarter under review, was added to or subtracted from the beginning balance of retained earnings of the first quarter under review, and thus the new accounting policy was applied from the beginning balance.

As a result, net sales for the first three months of the consolidated fiscal year under review decreased by ¥1,368 million, with the cost of goods sold decreasing by ¥1,362 million. Operating loss, recurring loss, and loss before income taxes and others increased by ¥6 million each. In addition, the beginning balance of retained earnings increased by ¥394 million.

Due to the application of the Accounting Standard for Revenue Recognition, "Trade notes and accounts receivable," which were included in "Current assets" in the consolidated balance sheets for the previous fiscal year, are included in "Trade notes and accounts receivable, and contract assets" from the consolidated first quarter under review. In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous consolidated fiscal year have not been restated according to the new method of presentation. Furthermore, in accordance with the transitional treatment prescribed in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), information on the breakdown of revenue from contracts with customers for the first quarter of the previous consolidated fiscal year is not provided.

(Application of the Accounting Standard for Fair Value Measurement, etc.)

The Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019), etc. have been applied since the beginning of the first quarter of the consolidated fiscal year under review. In accordance with the transitional treatment prescribed in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), Ahresty has decided to apply the new accounting policies set forth by the Accounting Standard for Fair Value Measurement, etc. in the future. These changes had no impact on our Consolidated Quarterly Financial Statements.

(7) Segment Information, etc.

Segment information

I. 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 income (or loss) in the quarterly consolidated statement of income	(3,020)

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

Not applicable.

II. Three months ended June 30, 2021 (April 1, 2021 to June 30, 2021)

1. Information on sales and income or losses by reported segment, and information on the breakdown of revenue

(Million yen)

	Reported segments					Total
	Die Casting Business			Aluminum Business	Proprietary Products Business	
	Japan	North America	Asia			
Net sales						
Revenue from contracts with customers	12,315	7,241	5,478	1,328	754	27,117
Customers	12,315	7,241	5,478	1,328	754	27,117
Intersegment	495	–	186	600	6	1,289
Total	12,811	7,241	5,665	1,928	760	28,407
Segment profit (or loss)	(326)	(115)	(353)	67	65	(662)

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	(662)
Elimination of intersegment transactions	9
Operating income (or loss) in the quarterly consolidated statement of income	(653)

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

Not applicable.