



Consolidated Financial Results (Japanese Accounting Standards) for the First Quarter of the Fiscal Year Ending March 31, 2023

August 12, 2022

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 Planned date for filing of quarterly securities report: August 12, 2022 Planned date for start of dividend payment: —

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 2023 (from April 1, 2022 to June 30, 2022)
 (1) Consolidated operating results (for the three months ended June 30, 2022) (% 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 2023	33,113	22.1	(553)	—	(424)	—	(649)	—
First quarter of year ended March 2022	27,117	74.7	(653)	—	(398)	—	(495)	—

(Note) 1. Comprehensive income: First quarter of year ending March 2023: 2,218 million yen (60.8%)
 First quarter of year ended March 2022: 1,379 million yen (—%)

(Reference) EBITDA: First quarter of year ending March 2023: 2,529 million yen (9.0%) First quarter of year ended March 2022: 2,320 million yen (—%)

* EBITDA = operating income + depreciation and amortization

	Net income per share	Fully diluted net income per share
First quarter of year ending March 2023	yen (25.15)	yen —
First quarter of year ended March 2022	yen (19.32)	yen —

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
First quarter of year ending March 2023	million yen 136,292	million yen 55,656	40.8%
Year ended March 2022	million yen 131,302	million yen 53,566	40.7%

(Reference) Shareholders' equity: First quarter of year ending March 2023: 55,534 million yen Year ended March 2022: 53,426 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
Year ended March 2022	yen —	yen 5.00	yen —	yen 5.00	yen 10.00
Year ending March 2023	—	—	—	—	—
Year ending March 2023 (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 2023 (from April 1, 2022 to March 31, 2023)

(% shows 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	65,000	18.9	(500)	—	(650)	—	(700)	—	(27.14)
Full year	141,000	21.2	1,900	—	1,450	—	900	—	34.90

(Note) 1. 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): Yes

New: (Company name) Excluded: 1 company (Company name) Ahresty Pretech Corporation

(Note) For details, please see “2. Consolidated Quarterly Financial Statements and Key Notes (3) Notes (Significant changes to subsidiaries during the current term)” on page 8 of the accompanying materials.

(2) Application of specific accounting treatment to the preparation of quarterly consolidated financial statements:

None

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

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

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

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(Note) For details, please see “2. Consolidated Quarterly Financial Statements and Key Notes (3) Notes (Changes in Accounting Policy)” on page 8 of the accompanying materials.

(4) Number of shares outstanding (Common stock)

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

1Q of year ending March 2023: 26,076,717 shares Year ended March 2022: 26,076,717 shares

(ii) Number of treasury shares at end of period

1Q of year ending March 2023: 227,222 shares Year ended March 2022: 250,695 shares

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

1Q of year ending March 2023: 25,826,273 shares 1Q of year ended March 2022: 25,672,466 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

(Note on forward-looking statements)

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

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1. Qualitative Information on Consolidated Operating Results, etc. for First Quarter

(1) Explanation of Operating Results

During the first quarter of the consolidated fiscal year under review, the world economy as a whole maintained the recovery trend that had begun in the previous fiscal year despite the impact of soaring resource prices and confusion of the supply network, thanks to a recovery in consumption due to easing of the restriction of flow of people and a steady increase in capital investment. On the other hand, high inflation escalated worldwide with soaring prices of nondurable goods, such as energy and food, due to concerns over supplies arising from the Ukraine crisis, and the rise in service prices resulting from the rise in wages due to the tightening supply of labor, mainly in the U.S. It is largely predicted that the world economy will achieve a soft-landing through the policy of raising interest rates to reduce demand and relax supply restrictions. However, attention should be paid to the risk of recession and inflation that may result from confusion of the global supply networks mainly due to labor shortages, energy shortages resulting from the move to end reliance on Russian resources, and China's zero-COVID policy. In Japan, although consumption rallied and overall corporate earnings began to recover following the peaking of the spread of COVID-19, the pace of recovery in production was sluggish in some industry sectors due to the rise in prices of raw materials and restrictions on supply associated with soaring resource prices and the weakening of the yen.

Under these circumstances, the Ahresty Group took various actions to improve production efficiency, such as flexible adjustment of the number of operating days and personnel placement according to fluctuations in the volume of sales for automobile companies in different countries and regions, and utilization of idle internal facilities to reduce capital investment. However, during the consolidated fiscal year under review, the effects of these efforts could not fully absorb the impact of the decline in automobile production due to the shortage in the supply of semiconductors and parts worldwide and an increase in production costs due mainly to soaring energy prices, resulting in the recording of an operating loss.

From the consolidated fiscal year under review, the Ahresty Group started its 10-year Business Plan, a long-term management plan toward fiscal 2030, and the 2224 Medium-Term Management Plan, the milestone plan for the first three years of the 10-year Business Plan. Under the 2224 Medium-Term Management Plan, in response to changes in the external environment, such as the acceleration of electrification of automobiles and moves toward carbon neutrality, we set "establishing low-cost, highly productive MONOZUKURI," "reducing CO₂ emissions in production," and "shifting the business portfolio to predominantly parts for electric vehicles" as the pillars of our strategy. Based on these pillars, we will make efforts to secure net sales, improve productivity, and enhance earnings strength.

Consequently, for the first quarter of the consolidated fiscal year under review, the Group recorded net sales of ¥33,113 million (up 22.1% year on year), operating loss of ¥553 million (operating loss of ¥653 million for the first quarter of the previous year), recurring loss of ¥424 million (recurring loss of ¥398 million for the first quarter of the previous year) and net loss attributable to owners of parent of ¥649 million (net loss attributable to owners of parent of ¥495 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—affected by production adjustments by car manufacturers, our major customers, mainly due to confusion of supply networks resulting from the shortage of semiconductors and the zero-COVID policy in China—the volume of orders received by the Company decreased year on year. However, due to the impact of an increase linked to aluminum market prices, net sales rose by 5.7% year on year to ¥13,016 million. On the profitability side, the segment recorded a loss of ¥554 million (a segment loss of ¥326 million was recorded a year earlier) due to the impact of the rise in various costs, such as secondary materials, energy and logistics, in addition to the decrease in orders received.

(ii) Die Casting Business: North America

In the automobile market in North America, car manufacturers decreased production at their production sites in the North America region due to the global shortage of semiconductors, which resulted in a significant decrease year on year in our orders received. However, the rapid fall in the yen's exchange rate boosted net sales to ¥8,357 million (up 15.4% year on year). On the profitability side, although the effects of structural reform and cost reduction activities were seen, the segment recorded a loss of ¥441 million (a segment loss of ¥115 million was recorded a year earlier) due to the decrease in orders received, as well as an increase in production costs associated with rises in labor costs and energy prices.

(iii) Die Casting Business: Asia

In the automobile market in Asia, partly due to the effects of the reduction of automobile-related taxes and fees in China, signs of recovery in the volume of car sales began to be seen. Orders received by our plants in China, which settle their accounts in December (the first quarter under review is from January to March), continued to recover thanks also to the launch of new products, resulting in net sales of ¥8,473 million (up 54.7% year on year). On the profitability side, despite the impact of the rise in energy prices, etc., the segment recorded a profit of ¥340 million (a segment loss of ¥353 million was recorded a year earlier) due to the recovery in orders received.

(iv) Aluminum Business

In the Aluminum Business, despite the impact of the decrease in production by car manufacturers mainly due to the shortage of semiconductors, soaring aluminum prices and an increase in sales weight (2.1% year on year) boosted net sales 58.2% year on year to ¥2,100 million. On the profitability side, the segment recorded a profit of ¥82 million (up 22.2% year on year) mainly due to the increase in net sales associated with the soaring aluminum prices and cost reduction efforts.

(v) Proprietary Products Business

In the Proprietary Products Business, net sales increased 54.5% year on year to ¥1,165 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, the segment achieved a stable profit of ¥90 million (up 37.7% year on year), in spite of the impact of fluctuations caused by individual projects.

(2) Explanation of Financial Position

(Assets)

Total assets at the end of the consolidated first quarter under review increased by ¥4,990 million from the end of the previous consolidated fiscal year, to ¥136,292 million. Current assets stood at ¥55,811 million, an increase of ¥2,392 million from the end of the previous consolidated fiscal year. This was mainly due to increases of ¥1,509 million in trade notes and accounts receivable and ¥622 million in inventories. Fixed assets were ¥80,480 million, up ¥2,597 million from the end of the previous consolidated fiscal year. This was due chiefly to an increase of ¥2,569 million in tangible fixed assets.

(Liabilities)

Liabilities at the end of the consolidated first quarter under review increased by ¥2,900 million from the end of the previous consolidated fiscal year to ¥80,636 million. Current liabilities stood at ¥57,175 million, an increase of ¥3,913 million from the end of the previous consolidated fiscal year. This was mainly due to increases of ¥2,089 million in the current portion of long-term loans, ¥246 million in accrued income taxes, ¥444 million in bonus allowances, ¥437 million in accrued expenses, and ¥408 million in obligations for equipment. Long-term liabilities stood at ¥23,461 million, a decrease of ¥1,013 million from the end of the previous consolidated fiscal year. This was mainly due to a decrease of ¥1,009 million in long-term loans payable.

(Net assets)

Net assets at the end of the consolidated first quarter under review increased by ¥2,089 million from the end of the previous consolidated fiscal year, to ¥55,656 million. This was attributable primarily to an increase of ¥2,946 million in foreign currency translation adjustments despite a decrease of ¥778 million in retained earnings.

As a result, the equity ratio was up from 40.69% at the end of the previous consolidated fiscal year to 40.75%.

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

No changes have been made to the consolidated financial forecasts for the first half and the full year announced on May 18, 2022.

2. Consolidated Quarterly Financial Statements and Key Notes
(1) Quarterly Consolidated Balance Sheet

(Million yen)

	Previous consolidated fiscal year (March 31, 2022)	Consolidated first quarter under review (June 30, 2022)
(Assets)		
Current assets		
Cash and time deposits	9,356	9,509
Trade notes and accounts receivable, and contract assets	26,631	27,384
Electronically recorded monetary claims – operating	3,207	3,963
Merchandise and products	4,228	4,838
Partly finished goods	5,450	5,064
Raw materials and inventories	3,234	3,632
Others	1,459	1,579
Allowance for doubtful accounts	(148)	(161)
Total current assets	53,419	55,811
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	14,190	14,567
Machinery and delivery equipment, net	38,018	39,185
Land	5,454	5,497
Construction in progress	7,387	8,246
Others, net	7,277	7,401
Total tangible fixed assets	72,328	74,898
Intangible fixed assets	1,783	1,795
Investments and other assets		
Investment securities	1,281	1,136
Others	2,505	2,667
Allowance for doubtful accounts	(16)	(16)
Total investments and other assets	3,770	3,787
Total fixed assets	77,883	80,480
Total assets	131,302	136,292
(Liabilities)		
Current liabilities		
Notes and accounts payable	11,557	11,716
Electronically recorded obligations – operating	8,125	7,988
Short-term loans	16,714	16,913
Current portion of long-term loans	8,381	10,471
Accrued income taxes	84	330
Bonus allowances	1,559	2,003
Provision for product warranties	46	50
Others	6,793	7,698
Total current liabilities	53,261	57,175
Long-term liabilities		
Long-term loans	17,821	16,811
Long-term accounts payable	170	169
Retirement benefit liability	2,918	2,933
Others	3,564	3,546
Total long-term liabilities	24,474	23,461
Total liabilities	77,736	80,636

(Million yen)

	Previous consolidated fiscal year (March 31, 2022)	Consolidated first quarter under review (June 30, 2022)
(Net assets)		
Shareholders' equity		
Common stock	6,964	6,964
Additional paid-in capital	10,206	10,206
Retained earnings	30,834	30,055
Treasury stock	(166)	(147)
Total shareholders' equity	47,837	47,077
Other accumulated comprehensive income		
Difference on revaluation of other marketable securities	549	448
Foreign currency translation adjustments	5,593	8,539
Remeasurements of defined benefit plans	(555)	(531)
Total other accumulated comprehensive income	5,588	8,456
Share warrants	140	121
Total net assets	53,566	55,656
Total liabilities and net assets	131,302	136,292

(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, 2021 (April 1, 2021 to June 30, 2021)	Three months ended June 30, 2022 (April 1, 2022 to June 30, 2022)
Net sales	27,117	33,113
Cost of goods sold	25,208	31,096
Gross profit	1,908	2,017
Selling, general and administrative expenses	2,561	2,570
Operating income (or loss)	(653)	(553)
Non-operating income		
Interest income	12	9
Dividends received	52	23
Foreign currency exchange gain	207	111
Gain on sales of scraps	41	67
Employment adjustment subsidies	56	61
Others	9	10
Total non-operating income	381	284
Non-operating expenses		
Interest expenses	115	152
Others	11	2
Total non-operating expenses	127	155
Recurring income (or loss)	(398)	(424)
Extraordinary gains		
Gain on sales of fixed assets	0	21
Subsidy income	106	23
Total extraordinary gains	107	45
Extraordinary losses		
Loss on sale and retirement of fixed assets	13	35
Total extraordinary losses	13	35
Income (loss) before income taxes and others	(304)	(414)
Income taxes and enterprise taxes	291	291
Deferred income taxes	(100)	(56)
Total income taxes	191	234
Net income (loss)	(495)	(649)
Net income (loss) attributable to owners of parent	(495)	(649)

Quarterly Consolidated Statement of Comprehensive Income
(First Quarter)

(Million yen)

	Three months ended June 30, 2021 (April 1, 2021 to June 30, 2021)	Three months ended June 30, 2022 (April 1, 2022 to June 30, 2022)
Net income (loss)	(495)	(649)
Other comprehensive income		
Difference on revaluation of other marketable securities	(149)	(101)
Foreign currency translation adjustments	2,100	2,945
Remeasurements of defined benefit plans	(75)	23
Total other comprehensive income	1,875	2,868
Comprehensive income	1,379	2,218
Comprehensive income attributable to:		
Owners of parent	1,379	2,218
Non-controlling interests	—	—

(3) Notes

(Notes on Going Concern Assumption)

Not applicable.

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

Not applicable.

(Significant changes to subsidiaries during the current term)

During the first quarter of the consolidated fiscal year under review, the Company absorbed Ahresty Pretech Corporation, a specified subsidiary of the Company, on April 1, 2022. As a result, Ahresty Pretech Corporation is no longer a specified subsidiary of the Company and therefore has been excluded from the scope of consolidation since the beginning of the consolidated first quarter under review.

(Additional Information)

(Application of the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System)

Starting from the beginning of the first quarter of the consolidated fiscal year under review, the group tax sharing system has been applied to the Company and its domestic subsidiaries instead of the consolidated taxation system. Accordingly, regarding the accounting treatment and disclosure of national and local corporate income taxes and tax effect accounting, Ahresty follows the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ Practical Solution No. 42, August 12, 2021). Pursuant to Paragraph 32 (1) of Practical Solution No. 42, we consider that there is no impact from changes in the accounting policy associated with the application of Practical Solution No. 42.

(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 in the securities report for the previous consolidated fiscal year.

(Changes in Accounting Policy)

(Application of the Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021) has 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 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, Ahresty has decided to apply the new accounting policies set forth by the Implementation Guidance on Accounting Standard for Fair Value Measurement in the future. This has no impact on our Consolidated Quarterly Financial Statements.

(Segment Information, etc.)

Segment Information

I. 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 quarterly consolidated statement of income	(653)

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

Not applicable.

II. Three months ended June 30, 2022 (April 1, 2022 to June 30, 2022)

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	13,016	8,357	8,473	2,100	1,165	33,113
Customers	13,016	8,357	8,473	2,100	1,165	33,113
Intersegment	607	—	772	314	2	1,696
Total	13,624	8,357	9,245	2,415	1,167	34,810
Segment profit (or loss)	(554)	(441)	340	82	90	(482)

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	(482)
Elimination of intersegment transactions	(70)
Operating income (or loss) in quarterly consolidated statement of income	(553)

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

Not applicable.