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

February 13, 2023

Company Name:	Ahresty Corporation			Stock Exchange Listing: Tokyo
Code Number:	5852	URL: https://www.ahresty.co.jp		
Representative:	(Title)	President & CEO	(Name) Arata Takahashi	
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Planned date for filing of quarterly securities report:		February 14, 2023	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 three quarters of the year ending March 2023 (from April 1, 2022 to December 31, 2022)

(1) Consolidated operating results (for the nine months ended December 31, 2022) (% represents year-on-year change)

	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 2023	104,379	24.7	(466)	—	(118)	—	(475)	—
First three quarters of year ended March 2022	83,711	29.8	(2,721)	—	(2,367)	—	(6,817)	—

(Note) 1. Comprehensive income: First three quarters of year ending March 2023: 6,151 million yen (—%)
First three quarters of year ended March 2022 (4,024 million yen) (—%)

(Reference) EBITDA: First three quarters of year ending March 2023: 9,155 million yen (+43.3%)
First three quarters of year ended March 2022: 6,390 million yen (-5.6%)

* 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 2023	(18.36)	—
First three quarters of year ended March 2022	(264.49)	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
As of December 31, 2022	140,228	59,512	42.4
As of March 31, 2022	131,302	53,566	40.7

(Reference) Shareholders' equity: As of December 31, 2022: 59,390 million yen As of March 31, 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	Total
	yen	yen	yen	yen	yen
Year ended March 2022	—	5.00	—	5.00	10.00
Year ending March 2023	—	5.00	—		
Year ending March 2023 (Forecast)				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)

(% represents 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	146,100	25.6	1,500	—	1,600	—	1,000	—	38.62

(Note) 1. Revisions to consolidated results forecast published most recently: None

* Notes:

(1) Significant changes to subsidiaries during the fiscal term under review (changes in specified subsidiaries accompanying a change in the scope of consolidation): Yes

New: — (Company name) —; Excluded: 1 (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 Fiscal Term under Review)” 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 policies and changes in or restatement of accounting estimates

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

(ii) Changes in accounting policies 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)	3Q 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	3Q of year ending March 2023	149,670 shares	Year ended March 2022	250,695 shares
(iii) Average number of shares (for first three quarters)	3Q of year ending March 2023	25,906,263 shares	3Q of year ended March 2022	25,775,256 shares

* Quarterly Financial Results are not subject to quarterly reviews performed by a certified public accountant or an audit firm.

* Explanation for appropriate use of earnings forecasts and other special remarks

Earnings forecasts and other forward-looking statements presented herein are based on information currently available to the Company and certain assumptions deemed reasonable by the Company. The actual results may differ significantly due to various factors. For the assumptions underlying the forecasts and notes on the use of earnings forecasts, please see “1. Qualitative Information on Consolidated Operating Results, etc. for the First Three Quarters (3) Explanation of Consolidated Earnings Forecasts and Other Forward-looking Information” on page 3 of the accompanying materials.

Accompanying Materials - Contents

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

(1) Explanation of Operating Results

During the first three quarters of the consolidated fiscal year under review, uncertainty in the world economy increased due mainly to high energy and food prices resulting from the invasion of Ukraine by Russia, tightening labor supply and worsening inflation mainly in the U.S., and the impact of the zero-COVID policy and its lifting in China. Central banks of various countries focused their efforts on tightening their monetary policy to suppress inflation. In the U.S., in particular, the FRB has been continuing to raise the policy interest rate. Regarding the future outlook, the European and U.S. economies are likely to enter a recession due to inflation resulting from high energy and food prices and rising interest rates. The Chinese economy, which is suffering from sluggishness due to the zero-COVID policy, is likely to pick up following the lifting of the zero-COVID policy, albeit at a slow pace due to the continued impact of a slowdown in exports on the back of the spread of infection and the weak European and U.S. economies. In Japan, although high prices and the slowdown in the overseas economy are causes of downward pressure, the Japanese economy is expected to maintain positive growth on the back of a recovery in service consumption as infection concerns recede, and a recovery in demand from inbound tourists due to the easing of quarantine policies.

Under these circumstances, the Ahresty Group has been making continuous efforts to improve production efficiency, such as through 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 the utilization of idle internal facilities to reduce capital investment. During the nine-month period ended December 31, 2022, however, the effects of these efforts could not fully absorb the impact of a decrease in orders resulting from a decline in automobile production due to the shortage in supply of semiconductors worldwide and supply chain disruptions associated with China's zero-COVID policy, as well as an increase in production costs due mainly to soaring energy prices, resulting in the recording of an operating loss. However, the Company's earnings have returned to profit in the third quarter of the consolidated fiscal year under review due to the alleviation of semiconductor shortages and a recovery in automobile production after the lifting of China's lockdown (April to May 2022). We expect this profitability trend to continue.

In the consolidated fiscal year under review, the Ahresty Group embarked on its 10-year Business Plan, a long-term management plan toward fiscal 2030, and the 22–24 Medium-Term Management Plan, the milestone plan for the first three years of the 10-year Business Plan. Under the 22–24 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 CO_2 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 are making efforts to secure net sales, improve productivity, and enhance earnings strength.

Consequently, for the first three quarters of the consolidated fiscal year under review, the Group recorded consolidated net sales of ¥104,379 million (up 24.7% year on year), operating loss of ¥466 million (an operating loss of ¥2,721 million was recorded a year earlier), recurring loss of ¥118 million (a recurring loss of ¥2,367 million was recorded a year earlier) and net loss attributable to owners of parent of ¥475 million (a net loss attributable to owners of parent of ¥6,817 million was recorded a year earlier).

Operating results by segment are as follows:

(i) Die Casting Business: Japan

In the Japanese automobile market, while automobile production has continued to decrease due to the supply shortage of components such as semiconductors, our net sales increased to ¥43,986 million (up 15.9% year on year) due to the recovery trend in the volume of orders compared to the same quarter of the previous year and the rise in aluminum market prices. In terms of profitability, segment profit amounted to ¥163 million (a segment loss of ¥1,306 million was recorded a year earlier) due to factors including a recovery in orders received, efforts to improve production efficiency and reduce costs, and the rise in raw material prices passed on to selling prices, despite the impact of the rise in various costs, such as energy and logistics. On a quarterly basis, while the first quarter saw a substantial decline in profit, affected by production adjustments by car manufacturers on the back of supply chain disruptions resulting from the lockdown in China, the second and third quarters saw an increase in profit due to the recovery in the volume of orders.

(ii) Die Casting Business: North America

In the automobile market in North America, the continued supply chain disruptions due to the shortage of semiconductors and the impact of a temporary fluctuation in the order volume resulted in a year-on-year decrease in orders received at our Mexico plant, which settles its accounts in December (its third quarter is from July to September). However, our net sales rose to ¥26,809 million (up 28.8% year on year) due to a gradual recovery in orders received at our U.S. plant, as well as the rise in aluminum market prices and the depreciation of the yen. In terms of profitability, although the effects of structural reform and cost reduction activities were seen, the segment recorded a loss of ¥926 million (a segment loss of ¥1,048 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 energy and labor costs.

(iii) Die Casting Business: Asia

In the automobile market in Asia, amid signs of recovery in the volume of car sales partly due to the effects of a significant reduction of automobile-related taxes and fees in China, orders received by our plants in China, which settle their accounts in December, decreased temporarily due to the impact of the lockdown in Shanghai because of COVID-19, but gradually recovered in the third quarter (from July to September). Due also to a rise in aluminum market prices, net sales rose to ¥24,981 million (up 36.7% year on year). In terms of profitability, we recorded a segment profit of ¥23 million (a segment loss of ¥765 million was recorded a year earlier) due to the recovery in order volume.

(iv) Aluminum Business

In the Aluminum Business, sales weight increased by 3.0% year on year. In value terms, net sales rose to ¥6,027 million (up 37.5% year on year) on the back of a rise in aluminum market prices. In terms of profitability, we recorded a segment profit of ¥235 million (up 16.9% year on year) thanks to the increase in net sales following the rise in aluminum prices, and cost reduction efforts.

(v) Proprietary Products Business

In the Proprietary Products Business, net sales increased 13.0% year on year to ¥2,574 million, reflecting an increase in orders for projects of main customers, such as a clean room for a semiconductor-related company. In terms of profitability, segment profit ended at ¥157 million (down 15.1% year on year). The segment achieved a stable profit, though profitability varied among individual projects.

(2) Explanation of Financial Position

(i) Assets, liabilities and net assets

(Assets)

Total assets at the end of the consolidated third quarter under review increased by ¥8,926 million from the end of the previous consolidated fiscal year, to ¥140,228 million. Current assets stood at ¥58,336 million, an increase of ¥4,917 million from the end of the previous consolidated fiscal year. This was mainly due to increases of ¥3,682 million in trade receivables and ¥2,573 million in inventories, which offset a decrease of ¥1,718 million in cash and deposits. Fixed assets were ¥81,891 million, up ¥4,008 million from the end of the previous consolidated fiscal year. This was due chiefly to an increase of ¥3,706 million in tangible fixed assets.

(Liabilities)

Liabilities at the end of the consolidated third quarter under review increased by ¥2,979 million from the end of the previous consolidated fiscal year to ¥80,715 million. Current liabilities stood at ¥57,373 million, an increase of ¥4,111 million from the end of the previous consolidated fiscal year. The principal factors contributing to this result included a decrease of ¥1,738 million in short-term borrowings, in contrast to increases of ¥2,628 million in trade payables, ¥2,324 million in the current portion of long-term loans, ¥367 million in obligations for equipment, and ¥842 million in accounts payable–other. Long-term liabilities stood at ¥23,342 million, down ¥1,131 million from the end of the preceding consolidated fiscal year. The main factors included a decrease of ¥1,155 million in long-term borrowings.

(Net assets)

Net assets at the end of the consolidated third quarter under review increased ¥5,946 million from the end of the previous consolidated fiscal year, to ¥59,512 million. This was attributable primarily to an increase of ¥6,621 million in foreign currency translation adjustments, offsetting a decrease of ¥770 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 42.35%.

(3) Explanation of Consolidated Earnings Forecasts and Other Forward-looking Information

There are no changes to the full-year earnings forecasts for the fiscal year ending March 2023 released on November 14, 2022.

2. Consolidated Quarterly Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheet

(Million yen)

	Previous fiscal year (As of March 31, 2022)	First three quarters under review (As of December 31, 2022)
(Assets)		
Current assets		
Cash and deposits	9,356	7,638
Notes and accounts receivable – trade, and contract assets	26,631	27,960
Electronically recorded monetary claims – operating	3,207	5,561
Merchandise and finished goods	4,228	5,915
Work in process	5,450	5,979
Raw materials and supplies	3,234	3,592
Others	1,459	1,869
Allowance for doubtful accounts	(148)	(180)
Total current assets	53,419	58,336
Fixed assets		
Tangible fixed assets		
Buildings and structures, net	14,190	14,577
Machinery, equipment and vehicles, net	38,018	40,227
Land	5,454	5,527
Construction in progress	7,387	7,367
Other, net	7,277	8,334
Total tangible fixed assets	72,328	76,034
Intangible fixed assets	1,783	1,756
Investments and other assets		
Investment securities	1,281	1,183
Other	2,505	2,933
Allowance for doubtful accounts	(16)	(16)
Total investments and other assets	3,770	4,100
Total fixed assets	77,883	81,891
Total assets	131,302	140,228
(Liabilities)		
Current liabilities		
Notes and accounts payable – trade	11,557	13,012
Electronically recorded obligations – operating	8,125	9,298
Short-term borrowings	16,714	14,975
Current portion of long-term borrowings	8,381	10,706
Income taxes payable	84	208
Provision for bonuses	1,559	973
Provision for product warranties	46	43
Other	6,793	8,153
Total current liabilities	53,261	57,373
Long-term liabilities		
Long-term borrowings	17,821	16,665
Long-term accounts payable – other	170	167
Retirement benefit liability	2,918	2,977
Other	3,564	3,531
Total long-term liabilities	24,474	23,342
Total liabilities	77,736	80,715

(Million yen)

	Previous fiscal year (As of March 31, 2022)	First three quarters under review (As of December 31, 2022)
(Net assets)		
Shareholders' equity		
Share capital	6,964	6,964
Capital surplus	10,206	10,206
Retained earnings	30,834	30,063
Treasury shares	(166)	(58)
Total shareholders' equity	47,837	47,175
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	549	484
Foreign currency translation adjustments	5,593	12,215
Remeasurements of defined benefit plans	(555)	(484)
Total accumulated other comprehensive income	5,588	12,215
Share warrants	140	121
Total net assets	53,566	59,512
Total liabilities and net assets	131,302	140,228

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

(Quarterly Consolidated Income Statement)

(First three quarters)

(Million yen)

	Nine months ended December 31, 2021 (April 1, 2021 to December 31, 2021)	Nine months ended December 31, 2022 (April 1, 2022 to December 31, 2022)
Net sales	83,711	104,379
Cost of goods sold	78,771	97,056
Gross profit	4,940	7,322
Selling, general and administrative expenses	7,662	7,789
Operating income (loss)	(2,721)	(466)
Non-operating income		
Interest income	45	34
Dividends received	103	44
Foreign exchange gains	210	463
Gain on sale of scraps	144	180
Employment adjustment subsidies	196	127
Other	66	47
Total non-operating income	767	898
Non-operating expenses		
Interest expenses	379	509
Other	33	42
Total non-operating expenses	412	551
Recurring income (loss)	(2,367)	(118)
Extraordinary gains		
Gain on sale of fixed assets	11	75
Subsidy income	159	113
Total extraordinary gains	170	189
Extraordinary losses		
Loss on sale and retirement of fixed assets	109	158
Impairment loss	4,210	—
Total extraordinary losses	4,320	158
Income (loss) before income taxes and others	(6,517)	(88)
Income taxes and enterprise taxes	284	412
Deferred income taxes	15	(25)
Total income taxes	300	387
Net income (loss)	(6,817)	(475)
Net income (loss) attributable to owners of parent	(6,817)	(475)

(Quarterly Consolidated Statement of Comprehensive Income)

(First three quarters)

(Million yen)

	Nine months ended December 31, 2021 (April 1, 2021 to December 31, 2021)	Nine months ended December 31, 2022 (April 1, 2022 to December 31, 2022)
Net income (loss)	(6,817)	(475)
Other comprehensive income		
Valuation difference on available-for-sale securities	(104)	(65)
Foreign currency translation adjustments	2,926	6,621
Remeasurements of defined benefit plans	(29)	70
Total accumulated other comprehensive income	2,792	6,627
Comprehensive income	(4,024)	6,151
(Comprehensive income attributable to:)		
Owners of parent	(4,024)	6,151
Non-controlling interests	―	―

(3) Notes

(Notes on Going Concern Assumption)

Not applicable

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

(Disposal of treasury shares)

The Company resolved at its Board of Directors' meeting held on June 28, 2022, to dispose of its treasury shares for delivery as stock compensation, and disposed of the shares during the nine-month period of the fiscal year under review. As a result, treasury shares decreased by ¥89 million (138,203 shares).

(Significant Changes to Subsidiaries during the Fiscal Term under Review)

In 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 first quarter.

(Additional Information)

(Application of the Practical Solution for 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 the disclosure of national and local corporate income taxes and tax effect accounting, Ahresty adheres to the "Practical Solution for 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 are 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 Accounting Standard for Fair Value Measurement, etc.)

The Implementation Guidance on the 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 the Accounting Standard for Fair Value Measurement, Ahresty has decided to apply the new accounting policies set forth in the Implementation Guidance on the 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. Nine months ended December 31, 2021 (April 1, 2021 to December 31, 2021)

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

(Million yen)

	Reported segment					Total
	Die Casting Business			Aluminum Business	Proprietary Products Business	
	Japan	North America	Asia			
Net sales Revenue from contracts with customers	37,964	20,813	18,274	4,382	2,277	83,711
Sales to customers	37,964	20,813	18,274	4,382	2,277	83,711
Intersegment sales	1,762	4	866	1,584	13	4,232
Total	39,727	20,817	19,141	5,967	2,291	87,943
Segment income (loss)	(1,306)	(1,048)	(765)	201	185	(2,732)

2. Difference between the total amount of income or loss of reported segments and the amount on the quarterly consolidated income statement, and the main specifics thereof (Difference adjustment)

(Million yen)

Profit	Amount
Reported segments total	(2,732)
Elimination of intersegment transactions	10
Operating income (loss) on the quarterly consolidated income statement	(2,721)

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

(Significant impairment losses on fixed assets)

Ahresty Die Mold Hamamatsu Corporation and Ahresty Die Mold Tochigi Corporation of the Die Casting Business in Japan have reduced the book value of certain business assets that can no longer be expected to generate the initially anticipated earnings due to a decline in utilization rates, etc., to the recoverable amount, and recorded the amount as an impairment loss. The recorded amount of such impairment losses was ¥371 million for the first three quarters of the consolidated fiscal year under review.

Ahresty Wilmington Corporation of the Die Casting Business in North America has implemented an impairment test in accordance with U.S. accounting standards due to a delay in earnings improvements. As a result, it has reduced the book value of the business assets it owns to the recoverable amount and recorded the amount as an impairment loss. The recorded amount of such impairment loss was ¥3,777 million for the first three quarters of the consolidated fiscal year under review.

Hefei Ahresty Casting Co., Ltd. of the Die Casting Business in Asia has reduced the book value of the assets that have been decided to be disposed of to the recoverable amount, and recorded the amount of decrease as an impairment loss. The recorded amount of such impairment loss was ¥61 million for the first three quarters of the consolidated fiscal year under review.

II. Nine months ended December 31, 2022 (April 1, 2022 to December 31, 2022)

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

(Million yen)

	Reported segment					Total
	Die Casting Business			Aluminum Business	Proprietary Products Business	
	Japan	North America	Asia			
Net sales Revenue from contracts with customers	43,986	26,809	24,981	6,027	2,574	104,379
Sales to customers	43,986	26,809	24,981	6,027	2,574	104,379
Intersegment sales	2,126	14	1,739	1,272	25	5,178
Total	46,112	26,824	26,721	7,300	2,599	109,558
Segment income (loss)	163	(926)	23	235	157	(345)

2. Difference between the total amount of income or loss of reported segments and the amount on the quarterly consolidated income statement, and the main specifics thereof (Difference adjustment)

(Million yen)

Profit	Amount
Reported segments total	(345)
Elimination of intersegment transactions	(120)
Operating income (loss) on the quarterly consolidated income statement	(466)

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

Not applicable