



\* NOTE

(1) Changes in the State of Material Subsidiaries during the Period: Yes

Newly included: One (Name) Asahi Tec Aluminium (Thailand) Co., Ltd. Excluded: –

(2) Adoption of Special Accounting Methods for the Preparation of Quarterly Consolidated Financial Statements: Yes

Note: For details, please refer to “Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements.”

(3) Changes in Accounting Principles, Changes in Accounting Estimates, and Retrospective Restatements

(a) Changes in accounting principles accompanying the amendment of accounting standards: None

(b) Changes other than those in (a) above: None

(c) Changes in accounting estimates: None

(d) Retrospective restatements: None

(4) Number of Shares Issued (Common shares)

(a) Number of shares issued at the end of the period (including treasury stock)

First Quarter of Fiscal 2018	24,077,510 shares	Fiscal 2017	24,077,510 shares
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(b) Number of treasury stock at the end of the period

First Quarter of Fiscal 2018	595,541 shares	Fiscal 2017	595,417 shares
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(c) Average number of shares issued during the period

First Quarter of Fiscal 2018	23,482,010 shares	First Quarter of Fiscal 2017	23,482,131 shares
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\* These consolidated financial results are not included in the scope of quarterly audits by certified public accountants or audit corporations.

\* Explanation of the Appropriate Use of Performance Forecasts and Other Related Items

(Caution concerning future descriptions etc.)

The above estimate has been compiled based on information available at the time this disclosure was made. The actual earnings are subject to change from the estimated values due to various factors. For assumed conditions underlying the earnings forecast and cautionary statements in using the earnings forecast, please refer to “Explanation Regarding Future Estimate Information Such as Consolidated Financial Performance Estimates.”

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Note: This document has been translated from the original Japanese version for reference purposes only. In the event of any discrepancy between this translated document and the original Japanese version, the original shall prevail.  
The original disclosure in Japanese was released on August 3<sup>rd</sup>, 2018 at 13:30 (GMT+9).  
The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

## 1. Qualitative Information Regarding Results of the First Quarter for Fiscal 2018

### (1) Explanation Regarding Consolidated Operating Results

During the first quarter of the consolidated fiscal year under review, the U.S. and European economies showed moderate expansion while China and emerging countries continued to show signs of a turnaround, helping the global economy record a moderate rebound as a whole, despite growing concerns about trade disputes. The Japanese economy remained on a moderate recovery trend, supported by improvements in employment conditions with robust industrial production and corporate capital spending.

Under these circumstances, the Group steadily implemented the Growth & Change 2018 initiative of the mid-term management plan that is ending this year to achieve sustainable growth and offer great workplaces. In the steel business segment, the Group has completed the construction of the production line and launched test operations with the aim of rolling out TACoil in the coming fall, a new product with higher processing efficiency for bar coils. Furthermore, the Company acquired all the shares issued by ATC Holdings Co., Ltd. (hereinafter, "ATCHD"), a holding company of ASAHI TEC Corporation, thereby converting ATCHD into a wholly owned subsidiary in May 2018. With this share acquisition, the Company aims to build a new platform as required by a global supply system for aluminum wheels in the Automotive & Industrial Machinery Components business.

In the first quarter of the consolidated fiscal year under review, net sales were ¥64,638 million (up 23.1% year on year), with operating profit of ¥2,594 million (up 24.1% year on year) and ordinary profit of ¥2,792 million (up 10.9% year on year), reflecting improvement of sales prices, higher sales in terms of the volume of large-sized wheels for construction and mining, partially offset by a significant cost increase associated with higher prices for sub-materials. As a result, net profit for the quarter attributable to owners of parent came to ¥1,866 million (up 6.4% year on year).

### **Performance by Segment**

#### (Steel Business)

In the electric furnace industry, demand for steel materials remained firm, primarily among construction companies. Meanwhile, the price of steel scrap, a main material, and the prices of auxiliary materials such as alloy iron and electricity costs also escalated, leading to the continued adverse circumstances.

Given these circumstances, the Group achieved net sales of ¥20,988 million (up 29.2% year on year) by taking steps to recover sales prices while aiming for growth in sales volume. In addition to the growth in sales, operating profit decreased to ¥1,068 million (down 2.3% year on year), reflecting higher costs associated with the rising prices for steel scrap and auxiliary materials, despite the cost reduction initiatives.

#### (Automotive & Industrial Machinery Components Business)

In the construction machinery industry, domestic sales of hydraulic shovels experienced a spike in demand accompanying the emission control regulations implemented last year, while growth was seen in global demand centered on China. Meanwhile, demand for mining machinery expanded around the world. In the automotive industry domestic, automobile production in units remained stable as compared to the results of the previous fiscal year owing to brisk exports, while signs of decrease were seen in sales volumes of automotive.

Given these conditions, the Group achieved net sales of ¥39,910 million (up 21.6% year on year), reflecting a greater number of components sold, including parts for the undercarriages of construction machinery and a higher sales volume of very large wheels for mining. Another contributor to the growth in net sales was related to the acquisition of Ring Techs Co., Ltd., which came to be reflected as a wholly-owned subsidiary in the consolidated accounts in February 2018. Operating profit for the quarter increased to ¥2,185 million (up 24.1% year on year), reflecting successful cost reduction measures including the control of fixed costs while seeking to expand sales in terms of volume.

#### (Power Business)

The group endeavored to maintain the stable supply of electricity in line with its business plan. The Group achieved net sales of ¥2,008 million (up 5.6% year on year) and operating profit of ¥117 million (up 240.3% year on year), primarily reflecting electricity sale price rises.

#### (Others)

The Group succeeded in expanding overseas and domestic sales of synthetic mica used in cosmetics and other products, and has accelerated efforts to expand the areas of application for the Crawler Robot, a multi-directional mobile robot, for agricultures and logistics. Moreover, the Group engages in indoor and outdoor sign systems, civil engineering and construction, leasing of real estate such as Topy-Rec Plaza (Minami-Suna, Koto-ku, Tokyo) and the operation of the sports club OSSO. Due to the sales increase of synthetic mica, Net sales for the quarter came to ¥1,731 million (up 14.5% year on year), with operating profit of ¥423 million (up 24.4% year on year).

(2) Explanation Regarding Financial Status

Total assets at the end of the first quarter of the consolidated fiscal year under review stood at ¥278,971 million, an increase of ¥30,869 million from the end of the previous consolidated fiscal year.

Primary reasons for the increase are related to a ¥6,430 million increase in cash and deposits, a ¥3,583 million increase in notes/accounts receivable, a ¥5,146 million increase in merchandise and finished goods, a ¥6,454 million increase in tangible fixed assets, and a ¥4,857 million increase in investments and other assets.

Total liabilities were ¥169,016 million, or an increase of ¥30,774 million compared with the end of the previous consolidated fiscal year. This was mainly due to an increase of ¥22,894 million in short-term loans payable.

Total net assets came to ¥109,955 million, or an increase of ¥95 million from the end of the previous consolidated fiscal year.

Primary reasons for the increase are related to a ¥453 million increase in retained earnings, a ¥448 million increase in unrealized gains on available-for-sale securities, a ¥1,042 million decrease in the forex translation adjustment account, and a ¥219 million increase in non-controlling interest.

(3) Explanation Regarding Future Estimate Information Such as Consolidated Financial Performance Estimates

It is expected that the global economy will continue to make a steady recovery. The Japanese economy is also expected to continue recovering moderately going forward thanks to improvements in employment/income conditions and the government economic policy, among other factors.

It seems, however, that the business conditions surrounding the Group are expected to remain uncertain and unforeseeable, particularly in view of the ongoing trade disputes mainly in the U.S. and the outlook for China economies.

Therefore, the full-year consolidated financial forecast remains unchanged from the forecast announced on May 10, 2018. These forecasts are based on information available at the time this document was published, and thus the actual results may differ materially from the forecast due to a variety of factors.

## 2. Quarterly Consolidated Financial Statements and Important Notes

### (1) Quarterly Consolidated Balance Sheets

(Million yen)

	Previous Consolidated Accounting Term (March 31, 2018)	First Quarter Consolidated Accounting Term (June 30, 2018)
<b>Assets</b>		
Current assets		
Cash and deposits	23,179	29,610
Notes and accounts receivable - trade	53,253	56,837
Merchandise and finished goods	17,572	22,718
Work in process	5,503	6,622
Raw materials and supplies	12,452	13,114
Other	6,600	5,841
Allowance for doubtful accounts	(65)	(89)
Total current assets	118,495	134,654
Non-current assets		
Property, plant and equipment		
Buildings and structures	85,948	90,797
Accumulated depreciation	(57,633)	(61,436)
Buildings and structures, net	28,315	29,361
Machinery, equipment and vehicles	186,638	196,193
Accumulated depreciation	(145,132)	(153,319)
Machinery, equipment and vehicles, net	41,506	42,874
Land	15,897	17,475
Leased assets	3,493	4,183
Accumulated depreciation	(2,172)	(2,621)
Leased assets, net	1,320	1,561
Construction in progress	3,871	5,607
Other	38,586	42,268
Accumulated depreciation	(37,290)	(40,486)
Other, net	1,295	1,781
Total property, plant and equipment	92,206	98,661
Intangible assets		
Goodwill	–	3,224
Other	3,078	3,253
Total intangible assets	3,078	6,477
Investments and other assets		
Investment securities	29,351	30,040
Long-term loans receivable	469	470
Deferred tax assets	1,342	1,431
Net defined benefit asset	365	377
Other	2,852	6,916
Allowance for doubtful accounts	(60)	(57)
Total investments and other assets	34,321	39,178
Total non-current assets	129,606	144,317
<b>Total assets</b>	<b>248,102</b>	<b>278,971</b>

(Million yen)

	Previous Consolidated Accounting Term (March 31, 2018)	First Quarter Consolidated Accounting Term (June 30, 2018)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	26,324	31,632
Electronically recorded obligations - operating	17,694	19,569
Short-term loans payable	17,356	40,251
Current portion of bonds	5,000	5,000
Lease obligations	582	789
Income taxes payable	1,715	1,016
Other	14,218	19,423
<b>Total current liabilities</b>	<b>82,891</b>	<b>117,682</b>
<b>Non-current liabilities</b>		
Bonds payable	20,800	15,800
Long-term loans payable	17,940	16,626
Lease obligations	875	1,265
Deferred tax liabilities	494	1,342
Provision for corporate officers' retirement benefits	158	115
Provision for officers' stock benefits	28	52
Provision for directors' retirement benefits	42	33
Reserve for repairs	248	276
Net defined benefit liability	11,249	12,118
Asset retirement obligations	276	277
Other	3,238	3,425
<b>Total non-current liabilities</b>	<b>55,351</b>	<b>51,333</b>
<b>Total liabilities</b>	<b>138,242</b>	<b>169,016</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	20,983	20,983
Capital surplus	18,652	18,652
Retained earnings	63,302	63,756
Treasury shares	(1,734)	(1,735)
<b>Total shareholders' equity</b>	<b>101,203</b>	<b>101,657</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	7,970	8,418
Deferred gains or losses on hedges	(9)	(3)
Foreign currency translation adjustment	31	(1,010)
Remeasurements of defined benefit plans	(235)	(224)
<b>Total accumulated other comprehensive income</b>	<b>7,756</b>	<b>7,178</b>
<b>Non-controlling interests</b>	<b>899</b>	<b>1,118</b>
<b>Total net assets</b>	<b>109,859</b>	<b>109,955</b>
<b>Total liabilities and net assets</b>	<b>248,102</b>	<b>278,971</b>

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income  
(Quarterly Consolidated Statements of Income)  
(First Quarter Consolidated Cumulative Accounting Term)

(Million yen)

	Previous First Quarter Consolidated Cumulative Accounting Term (April 1, 2017 - June 30, 2017)	First Quarter Consolidated Cumulative Accounting Term (April 1, 2018 - June 30, 2018)
Net sales	52,489	64,638
Cost of sales	43,349	55,021
Gross profit	9,139	9,616
Selling, general and administrative expenses	7,049	7,022
Operating profit	2,090	2,594
Non-operating income		
Interest income	15	16
Dividends income	355	372
Foreign exchange gains	310	54
Share of profit of entities accounted for using equity method	134	32
Other	36	63
Total non-operating income	853	540
Non-operating expenses		
Interest expenses	174	147
Valuation losses on forward exchange contracts	78	84
Other	172	110
Total non-operating expenses	425	342
Ordinary profit	2,518	2,792
Extraordinary income		
Gain on sales of non-current assets	11	1
Gain on sales of investment securities	51	–
Total extraordinary income	62	1
Extraordinary losses		
Loss on sales of non-current assets	127	1
Loss on retirement of non-current assets	87	36
Total extraordinary losses	214	37
Profit before income taxes	2,366	2,755
Income taxes	582	853
Profit	1,783	1,901
Profit attributable to non-controlling interests	29	34
Profit attributable to owners of parent	1,753	1,866

(Quarterly Consolidated Statements of Comprehensive Income)  
(First Quarter Consolidated Cumulative Accounting Term)

(Million yen)

	Previous First Quarter Consolidated Cumulative Accounting Term (April 1, 2017 - June 30, 2017)	First Quarter Consolidated Cumulative Accounting Term (April 1, 2018 - June 30, 2018)
Profit	1,783	1,901
Other comprehensive income		
Valuation difference on available-for-sale securities	190	454
Deferred gains or losses on hedges	7	5
Foreign currency translation adjustment	(577)	(1,078)
Remeasurements of defined benefit plans, net of tax	73	10
Share of other comprehensive income of associates accounted for using equity method	20	(6)
Total other comprehensive income	(286)	(612)
Comprehensive income	1,497	1,288
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,474	1,289
Comprehensive income attributable to non-controlling interests	23	(1)

(3) Notes Regarding Quarterly Consolidated Financial Results

(Note Related to Going-Concern Assumption)

None

(Note on Significant Changes in the Amount of Shareholders' Equity)

None

(Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements)

Tax expenses were calculated by multiplying the rationally estimated effective tax rate after applying tax effect accounting to profit before income taxes for the consolidated fiscal year, which includes the current first quarter under review, by profit before income taxes for the first quarter.