



\* 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” on page 8 of the attached documents.

(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 shares)

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

Third Quarter of Fiscal 2018	581,613 shares	Fiscal 2017	595,417 shares
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(c) Average number of shares issued during the period (cumulative)

Third Quarter of Fiscal 2018	23,489,048 shares	Third Quarter of Fiscal 2017	23,482,707 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” on page 3 of the attached documents.

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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 February 1<sup>st</sup>, 2019 at 13:30 (GMT+9).  
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## 1. Qualitative Information Regarding Results of the Third Quarter for Fiscal 2018

### (1) Explanation Regarding Consolidated Operating Results

During the first nine months of the fiscal year under review, the global economy has shown a gradual recovery as a whole due to the continuous economic expansion in the U.S. and a recovery trend in emerging countries remained. The outlooks of the global economy are, however, uncertain under the concern over the impact of the US-China trade dispute, and increasing signs of an economic slowdown in China

The Japanese economy has continued a moderate recovery, reflecting capital spending that maintained its upward trend, as well as improved employment conditions.

Under these circumstances, the Group made steady progress toward the final targets set out in the Growth & Change 2018 initiative of the mid-term management plan, based on the concept of achieving sustainable growth and offering great workplaces. In the Industrial Machinery Components business, the Group built new steel belt assembly lines at PT. Topy Undercarriage Indonesia in response to growing demand for construction machinery in Southeast Asia. The facility commenced operation in November 2018.

With regard to the Group's financial results for the first nine months of the fiscal year under review, net sales came to ¥212,531 million (up 25.6% year on year), mainly reflecting the sale of a greater number of components including parts for the undercarriages of construction machinery and the effects of the acquisition of Ring Techs Co., Ltd. and Asahi Tec Corporation as consolidated subsidiaries. However, operating profit, ordinary profit and profit attributable to owners of parent decreased to ¥5,302 million (down 18.2% year on year), ¥5,557 million (down 19.6% year on year) and ¥3,793 million (down 19.4% year on year), due to temporary effect of the accident that caused damage to a facility in the steel-making shop of Toyohashi Works on October 25<sup>th</sup>, 2018.

### Performance by Segment

#### (Steel Business)

In the electric furnace industry, demand for steel materials remained firm, primarily among construction companies. Meanwhile, harsh conditions persisted in terms of costs due to the continued surge of prices for sub-materials including electrode and alloy iron, although prices for steel scrap, a key raw material, began to decline in the third quarter of fiscal year 2018.

Given these circumstances, the Group achieved net sales of ¥59,488 million (up 16.5% year on year) by the rationalization of sales prices. Operating profit, however, decreased to ¥540 million (down 71.2% year on year) due to the accident that caused damage to a facility at the steel-making shop

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

In the construction machinery industry, the global demand of hydraulic shovels continued to grow, mainly in China and North America. Global demand for mining machinery also remained solid. In the automotive industry, the number of automobiles produced in Japan remained almost unchanged from the same period of the previous year.

Given these conditions, the Group achieved net sales of ¥140,269 million (up 32.1% year on year), with operating profit of ¥6,956 million (up 8.5% year on year) largely due to its steady efforts to meet demand for parts for the undercarriages of construction machinery and very large wheels for mining and the effect resulting from the inclusion of newly consolidated subsidiaries, despite the factors of the decline in profits due to increased material costs and the temporary expense from corporate acquisition.

#### (Power Business)

The Group endeavored in the stable supply of electricity in line with its business plan. The Group achieved net sales of ¥7,506 million (up 7.1% year on year). Operating profit, however, was ¥687 million (down 3.0% year on year).

#### (Others)

The Group worked to expand overseas and domestic sales of synthetic mica used in cosmetics and other products. It also sought to improve sales organizations for crawler robots, while at the same time accelerating the development of a crawler mechanism for back/forth and left/right movement to cater to the needs of a range of businesses such as those in the agriculture and distribution industries. The Group also saw strong performance overall in other businesses, which included indoor and outdoor sign systems, civil engineering and construction, the leasing of real estate such as Topy-Rec Plaza (Minami-Suna, Koto-ku, Tokyo), and the operation of the sports club OSSO. As a result, net sales came to ¥5,266 million (up 8.5% year on year), with operating profit of ¥1,160 million (up 10.1% year on year).

(2) Explanation Regarding Financial Status

Total assets at the end of the third quarter of the consolidated fiscal year under review stood at ¥279,897 million, an increase of ¥31,795 million from the end of the previous consolidated fiscal year. Primary factors for the increase include a ¥10,852 million increase in property, plant and equipment, a ¥7,541 million increase in inventories, a ¥4,238 million in investments, a ¥3,564 million increase in notes and accounts receivable-trade, a ¥2,906 million increase in cash and deposits, and a ¥2,407 million increase in intangible assets.

Liabilities were ¥169,884 million, or an increase of ¥31,641 million compared with the end of the previous consolidated fiscal year. This was caused mainly by an increase of ¥11,048 million in long-term loans payable, an increase of ¥10,369 million in short-term loans payable, and an increase of ¥9,470 million in accounts payable.

Net assets came to ¥110,013 million, or an increase of ¥153 million from the end of the previous consolidated fiscal year. This was attributable primarily to an increase of ¥1,909 million in retained earnings and a decrease of ¥1,770 million in valuation difference on available-for-sale securities.

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

The Japanese economy is expected to remain on a moderate recovery path going forward, chiefly due to improvements in employment/income conditions and the implementation of economic measures by the government. However, in light of uncertain factors such as the growing seriousness of trade issues mainly in the United States and China and economic trends in China, the business conditions surrounding the Group are expected to remain uncertain and unpredictable.

In consideration of the impact of the accident in the steel-making shop and trends in recent financial results, the Group has reviewed the consolidated financial forecast for the fiscal year ending March 31, 2019 (April 1, 2018 – March 31, 2019) that was announced on May 10, 2018, and assumes net sales, operating profit, ordinary profit and profit attributable to owners of parent to ¥288,000 million, ¥8,000 million, ¥9,500 million and ¥6,800 million, respectively.

In addition, the operations at the steel making shop resumed on November 19<sup>th</sup> on 2018, and the production is in the normal condition at the present.

## 2. Quarterly Consolidated Financial Statements and Important Notes

### (1) Quarterly Consolidated Balance Sheets

(Million yen)

	Previous Consolidated Accounting Term (March 31, 2018)	Third Quarter Consolidated Accounting Term (December 31, 2018)
<b>Assets</b>		
Current assets		
Cash and deposits	23,179	26,086
Notes and accounts receivable - trade	53,253	56,818
Merchandise and finished goods	17,572	22,296
Work in process	5,503	6,041
Raw materials and supplies	12,452	14,731
Other	6,600	8,902
Allowance for doubtful accounts	(65)	(66)
Total current assets	118,495	134,809
Non-current assets		
Property, plant and equipment		
Buildings and structures	85,948	92,415
Accumulated depreciation	(57,633)	(62,557)
Buildings and structures, net	28,315	29,858
Machinery, equipment and vehicles	186,638	202,655
Accumulated depreciation	(145,132)	(156,224)
Machinery, equipment and vehicles, net	41,506	46,431
Land	15,897	17,502
Leased assets	3,493	4,862
Accumulated depreciation	(2,172)	(2,965)
Leased assets, net	1,320	1,896
Construction in progress	3,871	5,572
Other	38,586	42,748
Accumulated depreciation	(37,290)	(40,949)
Other, net	1,295	1,799
Total property, plant and equipment	92,206	103,059
Intangible assets		
Goodwill	–	2,273
Other	3,078	3,212
Total intangible assets	3,078	5,486
Investments and other assets		
Investment securities	29,351	26,933
Long-term loans receivable	469	490
Deferred tax assets	1,342	1,914
Net defined benefit asset	365	314
Other	2,852	6,947
Allowance for doubtful accounts	(60)	(58)
Total investments and other assets	34,321	36,542
Total non-current assets	129,606	145,088
Total assets	248,102	279,897

(Million yen)

	Previous Consolidated Accounting Term (March 31, 2018)	Third Quarter Consolidated Accounting Term (December 31, 2018)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	26,324	31,962
Electronically recorded obligations - operating	17,694	21,526
Short-term loans payable	17,356	27,725
Current portion of bonds	5,000	5,000
Lease obligations	582	839
Income taxes payable	1,715	783
Other	14,218	19,089
Total current liabilities	82,891	106,926
Non-current liabilities		
Bonds payable	20,800	15,800
Long-term loans payable	17,940	28,989
Lease obligations	875	941
Deferred tax liabilities	494	838
Provision for corporate officers' retirement benefits	158	144
Provision for officers' stock benefits	28	21
Provision for directors' retirement benefits	42	38
Reserve for repairs	248	333
Net defined benefit liability	11,249	12,320
Asset retirement obligations	276	323
Other	3,238	3,205
Total non-current liabilities	55,351	62,957
Total liabilities	138,242	169,884
<b>Net assets</b>		
Shareholders' equity		
Capital stock	20,983	20,983
Capital surplus	18,652	18,652
Retained earnings	63,302	65,212
Treasury shares	(1,734)	(1,708)
Total shareholders' equity	101,203	103,140
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,970	6,199
Deferred gains or losses on hedges	(9)	(10)
Foreign currency translation adjustment	31	(291)
Remeasurements of defined benefit plans	(235)	(185)
Total accumulated other comprehensive income	7,756	5,712
Non-controlling interests	899	1,160
Total net assets	109,859	110,013
Total liabilities and net assets	248,102	279,897

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

(Million yen)

	Previous Third Quarter Consolidated Cumulative Accounting Term (April 1, 2017 - December 31, 2017)	Third Quarter Consolidated Cumulative Accounting Term (April 1, 2018 - December 31, 2018)
Net sales	169,170	212,531
Cost of sales	141,053	181,336
Gross profit	28,116	31,194
Selling, general and administrative expenses	21,630	25,892
Operating profit	6,486	5,302
Non-operating income		
Interest income	53	77
Dividends income	682	710
Foreign exchange gains	359	-
Share of profit of entities accounted for using equity method	169	326
Other	195	272
Total non-operating income	1,460	1,387
Non-operating expenses		
Interest expenses	481	501
Other	555	630
Total non-operating expenses	1,037	1,132
Ordinary profit	6,909	5,557
Extraordinary income		
Gain on sales of non-current assets	15	3
Gain on sales of investment securities	51	0
Total extraordinary income	67	3
Extraordinary losses		
Loss on sales of non-current assets	127	6
Loss on retirement of non-current assets	193	206
Other	8	1
Total extraordinary losses	328	213
Profit before income taxes	6,647	5,346
Income taxes	1,867	1,444
Profit	4,779	3,901
Profit attributable to non-controlling interests	74	108
Profit attributable to owners of parent	4,704	3,793

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

(Million yen)

	Previous Third Quarter Consolidated Cumulative Accounting Term (April 1, 2017 - December 31, 2017)	Third Quarter Consolidated Cumulative Accounting Term (April 1, 2018 - December 31, 2018)
Profit	4,779	3,901
Other comprehensive income		
Valuation difference on available-for-sale securities	3,236	(1,682)
Deferred gains or losses on hedges	5	(0)
Foreign currency translation adjustment	(199)	(255)
Remeasurements of defined benefit plans, net of tax	220	50
Share of other comprehensive income of associates accounted for using equity method	26	(188)
Total other comprehensive income	3,289	(2,076)
Comprehensive income	8,068	1,824
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,992	1,750
Comprehensive income attributable to non-controlling interests	76	74

(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 third quarter under review, by profit before income taxes for the third quarter.