

* NOTE

(1) Changes in the State of Material Subsidiaries during the Period: None

Newly included: – (Name) – Excluded: – (Name) –

(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 2019	24,077,510 shares	Fiscal 2018	24,077,510 shares
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(b) Number of treasury stock at the end of the period

First Quarter of Fiscal 2019	582,240 shares	Fiscal 2018	582,007 shares
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(c) Average number of shares issued during the period

First Quarter of Fiscal 2019	23,495,374 shares	First Quarter of Fiscal 2018	23,482,010 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 2nd, 2019 at 13:30 (GMT+9).
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1. Qualitative Information Regarding Results of the First Quarter for Fiscal 2019

(1) Explanation Regarding Consolidated Operating Results

During the first quarter of the consolidated fiscal year under review, the U.S. economy continued to expand. However, the global economy remained uncertain, partly reflecting the economic slowdown in China mainly attributable to intensifying U.S. - China trade tensions as well as the repercussions thereof. The Japanese economy became stagnant due to weakness observed mainly in exports and production, although moderate recovery continued against the backdrop of improvements in employment and income.

Under these circumstances, the Group has instituted the Growth & Challenge 2021 initiative, or the final phase in the series of the Growth & Challenge mid-term management initiatives that it has been implementing since 2012, with the goal of achieving global “Growth” and “Change” to achieve a highly profitable business structure. It is already in the process of implementing a range of initiatives with a focus on the priority initiatives, namely, the (i) increase in earnings power, (ii) manifestation of the Group synergies, (iii) enhancement of strategic products, (iv) taking on the challenge of innovation, and (v) further strengthening of the management foundation.

In terms of consolidated financial results for the first quarter of the fiscal year under review, net sales increased to ¥69,631 million yen (up 7.7% year on year), because of the effects of new consolidation which was generated by the fact that the Group started to include ASAHI TECH corporation, an automobile aluminum wheel manufacturer that was converted into a wholly-owned subsidiary in May of the previous year. However, mainly due to a decrease in the sales volume of parts for the undercarriages of construction machinery, operating profit, ordinary profit and profit attributable to owners of parent declined to ¥1,140 million (down 56.1% year on year), ¥1,164 million (down 58.3% year on year) and ¥762 million (down 59.2% year on year), respectively.

Performance by Segment

(Steel Business)

In the electric furnace industry, demand for steel materials declined among both construction and manufacturing companies. In addition, harsh conditions persisted in terms of costs mainly due to sustained high prices for auxiliary materials such as electrode and alloy iron, although the price of steel scrap, a main material, fell.

Given these circumstances, the Group continued to implement a range of measures including cost reductions while simultaneously striving to maintain proper sales prices, which resulted in the expansion of differences between steel scrap prices and sales prices. However, mainly due to a lower sales volume, net sales and operating profit decreased to ¥19,052 million (down 9.2% year on year) and ¥1,020 million (down 4.5% year on year), respectively.

(Automotive & Industrial Machinery Components Business)

The automotive and construction machinery industries were affected by the unstable condition of the global economy. In the automotive industry, the number of automobiles produced remained almost unchanged year on year in Japan, but it declined in North America and China. In the construction industry, sales of hydraulic shovels decreased among Japanese manufacturers in China and Southeast Asia, and on top of that, signs of inventory adjustments were also observed. Meanwhile, demand for mining machinery fell in Southeast Asia, among other regions.

Given these conditions, the Group achieved net sales of ¥47,115 million (up 18.1% year on year), due to the effect of new consolidation of including ASAHI TEC Corporation, an aluminum wheel manufacturer, in its consolidated financial results. However, operating profit decreased to ¥1,332 million (down 39.0% year on year), primarily due to a decrease in the sales volume of parts for the undercarriages of construction machinery and wheels for mining machinery.

(Power Business)

The Group endeavored to maintain the stable supply of electricity in line with its business plan. Net sales came to ¥1,842 million (down 8.3% year on year). Even so, the segment recorded an operating loss of ¥206 million, due to a rise in the price of coal, fuel for power generation, as well as regular maintenance, which is conducted at power stations in the first quarter every year.

(Others)

Net sales came to ¥1,621 million (down 6.3% year on year) and operating profit decreased to 294 million (down 30.5% year on year), mainly due to the poor performance of the civil engineering/construction business.

In conjunction with initiatives for new businesses, the Group moved forward with preparations for the commencement of the mass production of synthetic mica used in cosmetics and other products by leveraging expanded and reinforced facilities, while also focusing on the expansion of overseas and domestic sales. As for the Crawler Robot, it worked on preparations for full-scale production and sales organization improvement measures with respect to the crawler mechanism for back/forth and left/right movement.

(2) Explanation Regarding Financial Position

Total assets at the end of the first quarter of the consolidated fiscal year under review stood at ¥280,187 million, a decrease of ¥4,011 million from the end of the previous consolidated fiscal year. This was mainly due to decreases of ¥4,551 million and ¥1,753 million in notes and accounts receivable-trade and cash and deposits, respectively, and an increase of ¥1,362 million in property, plant and equipment.

Total liabilities were ¥167,799 million, or a decrease of ¥4,036 million compared with the end of the previous consolidated fiscal year. This was mainly caused by a decrease of ¥5,000 million in bonds payable.

Total net assets came to ¥112,387 million, or an increase of ¥25 million from the end of the previous consolidated fiscal year. Primary factors for the growth included increases of ¥707 million and ¥121 million foreign currency translation adjustment and valuation difference on available-for-sale securities, respectively and a decrease of ¥886 million in retained earnings.

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

It is expected that the global economy will slow down, chiefly due to the intensification of the U.S.-China trade tensions and slowdown of the Chinese economy. There are also concerns over the slowdown of the Japanese economy mainly due to a decline in overseas demand and a rise in the consumption tax rate. Accordingly, the Group will need to keep a close eye on its operating environment.

Therefore, the full-year consolidated financial forecast remains unchanged from the forecast announced on May 10, 2019. 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, 2019)	First Quarter Consolidated Accounting Term (June 30, 2019)
Assets		
Current assets		
Cash and deposits	29,671	27,917
Notes and accounts receivable - trade	59,818	55,267
Merchandise and finished goods	22,327	23,252
Work in process	7,413	8,231
Raw materials and supplies	15,169	14,928
Other	7,417	6,730
Allowance for doubtful accounts	(66)	(66)
Total current assets	141,751	136,261
Non-current assets		
Property, plant and equipment		
Buildings and structures	93,166	93,574
Accumulated depreciation	(62,636)	(63,244)
Buildings and structures, net	30,530	30,329
Machinery, equipment and vehicles	204,197	206,142
Accumulated depreciation	(157,286)	(159,193)
Machinery, equipment and vehicles, net	46,911	46,949
Land	15,287	15,370
Leased assets	5,089	5,100
Accumulated depreciation	(3,290)	(3,224)
Leased assets, net	1,799	1,875
Construction in progress	3,696	5,001
Other	42,392	42,786
Accumulated depreciation	(40,630)	(40,964)
Other, net	1,761	1,822
Total property, plant and equipment	99,986	101,348
Intangible assets		
Other	5,160	4,988
Total intangible assets	5,160	4,988
Investments and other assets		
Investment securities	27,093	27,320
Long-term loans receivable	478	486
Deferred tax assets	2,340	2,249
Net defined benefit asset	345	345
Other	7,100	7,239
Allowance for doubtful accounts	(58)	(53)
Total investments and other assets	37,300	37,587
Total non-current assets	142,447	143,925
Total assets	284,198	280,187

(Million yen)

	Previous Consolidated Accounting Term (March 31, 2019)	First Quarter Consolidated Accounting Term (June 30, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	31,880	29,916
Electronically recorded obligations - operating	20,268	18,834
Short-term loans payable	19,414	27,306
Current portion of bonds	5,000	5,000
Lease obligations	878	817
Income taxes payable	2,170	428
Other	18,293	18,066
Total current liabilities	97,907	100,369
Non-current liabilities		
Bonds payable	22,800	17,800
Long-term loans payable	32,461	30,985
Lease obligations	888	732
Deferred tax liabilities	1,093	1,115
Provision for corporate officers' retirement benefits	162	178
Provision for officers' stock benefits	21	39
Provision for directors' retirement benefits	41	49
Reserve for repairs	371	208
Net defined benefit liability	12,617	12,846
Asset retirement obligations	373	370
Other	3,096	3,104
Total non-current liabilities	73,929	67,429
Total liabilities	171,836	167,799
Net assets		
Shareholders' equity		
Capital stock	20,983	20,983
Capital surplus	18,606	18,606
Retained earnings	68,532	67,646
Treasury shares	(1,708)	(1,709)
Total shareholders' equity	106,413	105,527
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,284	6,406
Deferred gains or losses on hedges	(5)	(8)
Foreign currency translation adjustment	(1,023)	(315)
Remeasurements of defined benefit plans	(365)	(328)
Total accumulated other comprehensive income	4,890	5,753
Non-controlling interests	1,057	1,107
Total net assets	112,362	112,387
Total liabilities and net assets	284,198	280,187

(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, 2018 – June 30, 2018)	First Quarter Consolidated Cumulative Accounting Term (April 1, 2019 – June 30, 2019)
Net sales	64,638	69,631
Cost of sales	55,021	60,018
Gross profit	9,616	9,613
Selling, general and administrative expenses	7,022	8,473
Operating profit	2,594	1,140
Non-operating income		
Interest income	16	22
Dividends income	372	374
Foreign exchange gains	54	–
Share of profit of entities accounted for using equity method	32	120
Other	63	144
Total non-operating income	540	661
Non-operating expenses		
Interest expenses	147	154
Foreign exchange losses	–	341
Valuation losses on forward exchange contracts	84	–
Other	110	140
Total non-operating expenses	342	636
Ordinary profit	2,792	1,164
Extraordinary income		
Gain on sales of non-current assets	1	11
Total extraordinary income	1	11
Extraordinary losses		
Loss on sales of non-current assets	1	0
Loss on retirement of non-current assets	36	17
Total extraordinary losses	37	17
Profit before income taxes	2,755	1,158
Income taxes	853	371
Profit	1,901	787
Profit attributable to non-controlling interests	34	25
Profit attributable to owners of parent	1,866	762

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

(Million yen)

	Previous First Quarter Consolidated Cumulative Accounting Term (April 1, 2018 – June 30, 2018)	First Quarter Consolidated Cumulative Accounting Term (April 1, 2019 – June 30, 2019)
Profit	1,901	787
Other comprehensive income		
Valuation difference on available-for-sale securities	454	142
Deferred gains or losses on hedges	5	(3)
Foreign currency translation adjustment	(1,078)	639
Remeasurements of defined benefit plans, net of tax	10	36
Share of other comprehensive income of associates accounted for using equity method	(6)	71
Total other comprehensive income	(612)	887
Comprehensive income	1,288	1,674
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,289	1,625
Comprehensive income attributable to non-controlling interests	(1)	49

(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.