

3. Consolidated Financial Forecasts for Fiscal 2020 (April 1, 2020 – March 31, 2021)

(Percentage figures are changes from the same period of the previous fiscal year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Second Quarter of Fiscal 2020 (Cumulative)	105,000	(23.5)	(5,000)	–	(5,000)	–	(5,000)	–	(212.82)
Fiscal 2020	225,000	(14.5)	(4,000)	–	(2,500)	–	(4,000)	–	(170.26)

Note: Whether changes to the latest forecasts for consolidated figures have been made: Yes

For details, refer to “Announcement Regarding the Adjustment of Financial Forecast and Dividends Forecast for Fiscal Year Ending March 31, 2021”

* 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 2020	24,077,510 shares	Fiscal 2019	24,077,510 shares
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(b) Number of treasury stock at the end of the period

First Quarter of Fiscal 2020	583,434 shares	Fiscal 2019	583,315 shares
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(c) Average number of shares issued during the period

First Quarter of Fiscal 2020	23,494,156 shares	First Quarter of Fiscal 2019	23,495,374 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 6.

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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 4th, 2020 at 13:30 (GMT+9).
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1. Qualitative Information Regarding Results of the First Quarter for Fiscal 2020

(1) Explanation Regarding Consolidated Operating Results

During the first quarter of the consolidated fiscal year under review, the global economy suffered a severe downturn caused by restrictions on economic activity imposed in countries around the world in response to the COVID-19 pandemic. Although some economic activities have since restarted, the outlook of the world economy is uncertain amid concerns such as prolonged effects of COVID-19 and the aggravation of the U.S.-China trade friction etc. As in the global economy, the Japanese economy continued to face extremely difficult conditions.

Under these circumstances, the Group has established a company-wide management reform committee and has been continuously striving to modify its production systems to promptly respond to a sharp decrease in demand and reduce costs through emergency measures to improve earnings such as cutting head office expenses. In addition, the Group has worked to secure funds in preparation for sudden changes in its business environment by controlling capital spending and setting commitment lines etc. The Group prioritized raising its earning power and achieving Group synergy, which are key themes in the medium-term management plan, Growth & Change 2021, and accelerated structural reforms through optimization of the Group's production systems in the Automotive & Industrial Machinery Components Business.

The financial results for the first quarter of the fiscal year under review include consolidated net sales of ¥45,974 million (down 34.0% year on year) due to substantially low sales volume in the Automotive & Industrial Machinery Components Business etc., which was severely affected by an economic slowdown both in Japan and overseas. Operating result was a loss of ¥2,290 million (compared to operating profit of ¥1,140 million in the same period of the previous year), and ordinary result was a loss of ¥2,282 million (compared to ordinary profit of ¥1,164 million in the same period of the previous year). Loss attributable to owners of parent was ¥2,238 million (compared to profit attributable to owners of parent of ¥762 million in the same period of the previous year).

Performance by Segment

(Steel Business)

In the electric furnace industry, domestic demand for steel materials declined among both construction and manufacturing companies due to stagnant economic activity caused by the COVID-19 pandemic. Meanwhile, the price of steel scrap, a key raw material, declined year on year.

Given these circumstances, the Group implemented cost reduction through emergency measures to raise earnings and worked to offset the fall in domestic demand by export. The selling prices of steel materials decreased, however, and the difference from the purchasing price of steel scrap decreased. As a result, net sales declined to ¥15,212 million (down 20.2% year on year) and operating profit fell to ¥671 million (down 34.2% year on year).

(Automotive & Industrial Machinery Components Business)

In the automotive industry, production was reduced considerably in many countries due to the COVID-19 pandemic. While signs of recovery appeared in China, production severely declined in Japan and North America. Likewise, in the construction machinery industry, production of hydraulic shovels severely declined except in China, and the production of mining machinery globally remained at a low level.

Given these challenging conditions, the sales volume of all productions, including automobile wheels and parts for the undercarriages of construction machinery, dropped significantly despite progress made in structure reform and cost reduction through emergency measures to improve earnings. As a result, net sales totaled ¥27,927 million (down 40.7% year on year) and operating loss stood at ¥1,826 million (compared to operating profit of ¥1,332 million in the same period of the previous year).

(Power Business)

A challenging business environment continued in the power business due to suppression of coal fueled power generation backed by global warming issues and intensifying price competition. Given these circumstances, the Group worked on the stable supply of electricity, however, net sales came to ¥1,353 million (down 26.5% year on year) owing to a decrease in selling prices. In addition, suspension of operation for regular repair contributed to operating loss, which totaled ¥184 million (compared to operating loss of ¥206 million in the same period of the previous year).

(Others)

The Group operated civil engineering and construction business, real estate leasing including Topy-rec Plaza (Minami-suna, Koto-ku, Tokyo) and a sports club, OSSO, and manufactured and sold synthetic mica and crawler robots. Net sales came to ¥1,481 million (down 8.7% year on year) and operating profit was ¥187 million (down 36.4% year on year) due to a fall in sales from sports club operation and other businesses, which was caused by COVID-19.

(2) Explanation Regarding Financial Position

Total assets at the end of the first quarter of the consolidated fiscal year under review stood at ¥247,232 million, a decrease of ¥7,427 million from the end of the previous consolidated fiscal year. Primary factors for the decrease included a ¥6,947 million decrease in notes and accounts receivable - trade.

Total liabilities were ¥146,088 million, or a decrease of ¥4,770 million compared with the end of the previous consolidated fiscal year. This was caused mainly by a decrease of ¥4,622 million in notes and accounts payable - trade.

Total net assets came to ¥101,143 million, or a decrease of ¥2,656 million from the end of the previous consolidated fiscal year. This was mainly due to a decrease of ¥2,238 million in retained earnings.

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

Currently, economic activity is gradually resuming in China, the U.S., Europe, and other regions, while the outlook for the global economy is uncertain amid concerns such as the prolongation of COVID-19 and escalating tension between the U.S. and China. In Japan, economic activity has partially resumed; however, the Group expects that a considerable amount of time will be required for the economy to be fully normalized.

The Group has yet to establish consolidated financial forecasts for the fiscal year ending March 2021 due to the difficulty in reasonably calculating the forecasts as a result of COVID-19. It has decided, however, to announce forecasts by calculating them based on information currently available to the Group. For details, refer to the “Announcement Regarding the Adjustment of Financial Forecast and Dividends Forecast for Fiscal Year Ending March 31, 2021” released on August 4, 2020.

2. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
Assets		
Current assets		
Cash and deposits	23,811	22,164
Notes and accounts receivable - trade	44,764	37,817
Merchandise and finished goods	20,708	20,531
Work in process	5,529	5,835
Raw materials and supplies	14,018	14,275
Other	6,271	6,873
Allowance for doubtful accounts	△28	△28
Total current assets	115,074	107,469
Non-current assets		
Property, plant and equipment		
Buildings and structures	92,392	92,332
Accumulated depreciation	△62,551	△63,000
Buildings and structures, net	29,841	29,331
Machinery, equipment and vehicles	209,235	209,478
Accumulated depreciation	△162,259	△163,412
Machinery, equipment and vehicles, net	46,976	46,065
Land	15,256	15,208
Leased assets	5,141	5,094
Accumulated depreciation	△3,625	△3,761
Leased assets, net	1,515	1,333
Construction in progress	4,778	5,531
Other	43,460	43,603
Accumulated depreciation	△41,383	△41,526
Other, net	2,076	2,076
Total property, plant and equipment	100,445	99,547
Intangible assets		
Other	4,637	4,416
Total intangible assets	4,637	4,416
Investments and other assets		
Investment securities	24,774	26,083
Long-term loans receivable	479	479
Deferred tax assets	1,360	1,463
Retirement benefit asset	295	295
Other	7,642	7,531
Allowance for doubtful accounts	△50	△54
Total investments and other assets	34,500	35,798
Total non-current assets	139,584	139,762
Total assets	254,659	247,232

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	24,562	19,940
Electronically recorded obligations - operating	12,687	11,507
Short-term borrowings	15,495	23,734
Current portion of bonds payable	5,500	5,500
Lease obligations	433	335
Income taxes payable	502	317
Other	14,872	14,504
Total current liabilities	74,053	75,839
Non-current liabilities		
Bonds payable	27,300	22,300
Long-term borrowings	28,486	26,630
Lease obligations	572	513
Deferred tax liabilities	4,649	4,942
Provision for corporate officers' retirement benefits	175	194
Provision for share-based remuneration for directors (and other officers)	39	45
Provision for retirement benefits for directors (and other officers)	46	25
Reserve for repairs	290	327
Retirement benefit liability	12,285	12,453
Asset retirement obligations	355	357
Other	2,602	2,458
Total non-current liabilities	76,805	70,248
Total liabilities	150,858	146,088
Net assets		
Shareholders' equity		
Share capital	20,983	20,983
Capital surplus	18,606	18,606
Retained earnings	61,444	59,205
Treasury shares	△1,711	△1,711
Total shareholders' equity	99,323	97,083
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,440	6,346
Deferred gains or losses on hedges	△5	△4
Foreign currency translation adjustment	△1,401	△2,640
Remeasurements of defined benefit plans	△625	△612
Total accumulated other comprehensive income	3,409	3,088
Non-controlling interests	1,068	971
Total net assets	103,800	101,143
Total liabilities and net assets	254,659	247,232

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

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Net sales	69,631	45,974
Cost of sales	60,018	41,257
Gross profit	9,613	4,716
Selling, general and administrative expenses	8,473	7,006
Operating profit (loss)	1,140	△2,290
Non-operating income		
Interest income	22	25
Dividend income	374	345
Share of profit of entities accounted for using equity method	120	104
Other	144	167
Total non-operating income	661	642
Non-operating expenses		
Interest expenses	154	128
Foreign exchange losses	341	321
Other	140	185
Total non-operating expenses	636	635
Ordinary profit (loss)	1,164	△2,282
Extraordinary income		
Gain on sales of non-current assets	11	0
Gain on sales of investment securities	—	1
Total extraordinary income	11	1
Extraordinary losses		
Loss on sales of non-current assets	0	0
Loss on retirement of non-current assets	17	45
Total extraordinary losses	17	45
Profit (loss) before income taxes	1,158	△2,326
Income taxes	371	△98
Profit (loss)	787	△2,228
Profit attributable to non-controlling interests	25	10
Profit (loss) attributable to owners of parent	762	△2,238

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

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Profit (loss)	787	△2,228
Other comprehensive income		
Valuation difference on available-for-sale securities	142	907
Deferred gains or losses on hedges	△3	1
Foreign currency translation adjustment	639	△1,222
Remeasurements of defined benefit plans, net of tax	36	12
Share of other comprehensive income of entities accounted for using equity method	71	△127
Total other comprehensive income	887	△428
Comprehensive income	1,674	△2,656
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,625	△2,559
Comprehensive income attributable to non- controlling interests	49	△97

(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.