

* 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: Yes

(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 2021	24,077,510 shares	Fiscal 2020	24,077,510 shares
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(b) Number of treasury stock at the end of the period

First Quarter of Fiscal 2021	781,919 shares	Fiscal 2020	781,625 shares
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(c) Average number of shares issued during the period

First Quarter of Fiscal 2021	23,295,707 shares	First Quarter of Fiscal 2020	23,494,156 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 5.

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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, 2021 at 13:30 (GMT+9).
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1. 1. Qualitative Information Regarding Results of the First Quarter for Fiscal 2021

(1) Explanation Regarding Consolidated Operating Results

During the first quarter of the consolidated fiscal year under review, the global economy continued to face a difficult environment due to the COVID-19 pandemic. However, as vaccinations progressed, there were signs of recovery in the U.S., Europe, and other regions, although the recovery in economic activities varied by country and region. The Japanese economy saw improvements in exports and industrial production and showed signs of a recovery overall, despite the continued restrictions on economic activity mainly due to the third declaration of a state of emergency in four prefectures in April 2021.

Under these circumstances, the Group worked to ensure a stable supply of products, while continuing to take measures to prevent the spread of COVID-19, in response to a significant increase in demand for automobiles and construction machinery as the global economy picked up. In addition, we continued to reduce fixed costs, which we implemented as part of emergency measures to bolster its earnings strength in the previous fiscal year, and established the Sales Division in April this year under the direct control of management to strengthen our sales capabilities. Moreover, we have steadily implemented various measures in line with our medium-term business plan "Growth & Change 2021," such as by promoting the development and sales expansion of unique products that meet the needs of our customers and society. The financial results for the first quarter of the fiscal year under review include consolidated net sales of ¥55,737 million (up 21.2% year on year) due to the recovery in demand in the Automotive & Industrial Machinery Components Business and an improvement in steel sales prices in response to a rise in steel scrap prices. However, given the impact of a sharp rise in the price of coal, the fuel for power generation, we posted an operating loss of ¥874 million (compared to an operating loss of ¥2,290 million in the same period of the previous year), and the ordinary loss of ¥796 million (compared to an ordinary loss of ¥2,282 million in the same period of the previous year). The loss attributable to owners of parent was ¥1,112 million (compared to loss attributable to owners of parent of ¥2,238 million in the same period of the previous year).

The Group has applied Accounting Standards for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29 issued on March 31, 2020) since the beginning of the first quarter of the consolidated fiscal year under review.

Performance by Segment

(Steel Business)

In the steel industry, demand for steel materials of construction and manufacturing companies remained strong. On the other hand, the electric furnace industry continued to face a challenging situation as the price of steel scrap, the main raw material of steel, continued to rise sharply from the second half of the previous fiscal year, reflecting a sharp increase in demand for steel in China, which had recovered from the COVID-19 pandemic.

Given these circumstances, the Group worked to improve steel sales prices and focused on sales to the construction industry, and volume increased year on year. However, due to changes in accounting principles and other factors, net sales decreased to ¥15,077 million (down 0.9% year on year). Despite our efforts to improve steel sales prices, we were unable to pass on increased costs due to higher steel scrap prices to steel sales prices, resulting in an operating loss of ¥493 million (compared to an operating profit of ¥671 million in the same period of the previous year).

(Automotive & Industrial Machinery Components Business)

In the automotive industry, despite the impact of semiconductor shortage and other factors, demand increased worldwide, especially in China, and production volume was significantly higher than in the same period of the previous year. In the construction machinery industry, demand for hydraulic shovels expanded mainly in the United States and Southeast Asia. As for mining machinery, demand remained strong due to rising resource prices.

Given these conditions, the sales volume of mainly automobile wheels and parts for the undercarriages of construction machinery increased. As a result, net sales totaled ¥37,831 million (up 35.5% year on year) and operating profit stood at ¥979 million (compared to operating loss of ¥1,826 million in the same period of the previous year).

(Power Business)

The business environment remained challenging in the power business due mainly to the suppression of coal fueled power generation backed by global warming issues and rising prices of coal, a fuel for power generation.

Given these circumstances, the Group worked on the stable supply of electricity in line with its business plan. As a result, net sales stood at ¥1,414 million (up 4.5% year on year) and operating loss was ¥429 million (compared to operating loss of ¥184 million in the same period of the previous year).

(Science Business)

The Group manufactures and sells synthetic mica and crawler robots. Sales of mica for cosmetics and other products decreased in line with a decline in demand for cosmetics due to the spread of COVID-19. As a result, net sales fell 25.1% year on year to ¥213 million, and operating loss amounted to ¥81 million (compared to an operating loss of ¥13 million in the same period of the previous fiscal year.)

(Leasing Business)

In the leasing business, operating profit was ¥173 million (down 0.3% year on year).

(Others)

The Group operates a civil engineering and construction business, sports club OSSO, and other businesses. Net sales came to ¥1,199 million (up 0.3% year on year) and operating profit was ¥26 million (down 0.4% year on year).

(2) Explanation Regarding Financial Position

Total assets at the end of the first quarter of the consolidated fiscal year under review stood at ¥271,501 million, representing an increase of ¥6,829 million from the end of the previous consolidated fiscal year. Primary factors for the increase included increases of ¥3,938 million in inventories of raw materials and supplies, and ¥1,457 million in investment securities.

Total liabilities were ¥161,432 million, representing an increase of ¥5,145 million compared with the end of the previous consolidated fiscal year. This was caused mainly by an increase of ¥7,735 million in short-term loans payable.

Total net assets came to ¥110,069 million, representing an increase of ¥1,683 million from the end of the previous consolidated fiscal year. This was mainly due to an increase of ¥1,967 million in foreign currency translation adjustment.

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

While the global economy is expected to recover from the downturn in economic activities, the Group's operating environment is likely to remain uncertain due to concerns including the impact of the U.S.-China conflict and the semiconductor shortage on automotive production and the globally tight supply of marine container transportation services, in addition to restrictions on social and economic activities reflecting the resurgence of COVID-19 mutated strains.

The consolidated financial forecasts for the fiscal year ending March 31, 2022 (April 1, 2021 to March 31, 2022) have not been changed from those announced on May 11, 2021. This decision has been made based on information available to the Group as of the date of issuance of this release. The actual results may vary from the forecast due to various factors that will arise in the future.

2. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2021	As of June 30, 2021
Assets		
Current assets		
Cash and deposits	24,477	25,583
Notes and accounts receivable - trade	51,109	—
Notes and accounts receivable - trade, and contract assets	—	50,983
Merchandise and finished goods	20,926	22,294
Work in process	4,902	5,596
Raw materials and supplies	14,574	16,451
Other	6,427	6,756
Allowance for doubtful accounts	△58	△59
Total current assets	122,360	127,605
Non-current assets		
Property, plant and equipment		
Buildings and structures	93,281	94,490
Accumulated depreciation	△64,517	△65,356
Buildings and structures, net	28,763	29,134
Machinery, equipment and vehicles	213,046	216,582
Accumulated depreciation	△168,097	△170,004
Machinery, equipment and vehicles, net	44,949	46,577
Land	15,279	15,278
Leased assets	2,584	2,620
Accumulated depreciation	△1,461	△1,572
Leased assets, net	1,122	1,047
Construction in progress	6,051	3,910
Other	44,073	44,295
Accumulated depreciation	△42,148	△42,287
Other, net	1,924	2,007
Total property, plant and equipment	98,091	97,954
Intangible assets		
Other	3,890	3,714
Total intangible assets	3,890	3,714
Investments and other assets		
Investment securities	29,257	30,714
Long-term loans receivable	206	205
Deferred tax assets	1,634	1,810
Retirement benefit asset	386	386
Other	8,892	9,154
Allowance for doubtful accounts	△47	△44
Total investments and other assets	40,329	42,226
Total non-current assets	142,311	143,896
Total assets	264,672	271,501

(Millions of yen)

	As of March 31, 2021	As of June 30, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	27,009	27,956
Electronically recorded obligations - operating	13,215	14,138
Short-term borrowings	23,982	31,717
Current portion of bonds payable	5,300	300
Lease obligations	232	206
Income taxes payable	923	480
Other	13,539	15,040
Total current liabilities	84,201	89,839
Non-current liabilities		
Bonds payable	27,000	27,000
Long-term borrowings	24,793	23,879
Lease obligations	367	333
Deferred tax liabilities	5,736	6,298
Provision for corporate officers' retirement benefits	211	151
Provision for share awards for directors (and other officers)	36	36
Provision for retirement benefits for directors (and other officers)	60	19
Reserve for repairs	398	223
Retirement benefit liability	10,782	10,970
Asset retirement obligations	358	344
Other	2,339	2,335
Total non-current liabilities	72,084	71,593
Total liabilities	156,286	161,432
Net assets		
Shareholders' equity		
Share capital	20,983	20,983
Capital surplus	18,606	18,606
Retained earnings	62,023	60,615
Treasury shares	△1,943	△1,944
Total shareholders' equity	99,669	98,261
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,443	10,497
Deferred gains or losses on hedges	12	1
Foreign currency translation adjustment	△2,266	△299
Remeasurements of defined benefit plans	568	577
Total accumulated other comprehensive income	7,758	10,777
Non-controlling interests	957	1,029
Total net assets	108,385	110,069
Total liabilities and net assets	264,672	271,501

(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, 2020	Three months ended June 30, 2021
Net sales	45,974	55,737
Cost of sales	41,257	48,658
Gross profit	4,716	7,078
Selling, general and administrative expenses	7,006	7,953
Operating loss	△2,290	△874
Non-operating income		
Interest income	25	22
Dividend income	345	353
Share of profit of entities accounted for using equity method	104	—
Other	167	96
Total non-operating income	642	472
Non-operating expenses		
Interest expenses	128	118
Foreign exchange losses	321	—
Share of loss of entities accounted for using equity method	—	176
Other	185	98
Total non-operating expenses	635	393
Ordinary loss	△2,282	△796
Extraordinary income		
Gain on sale of non-current assets	0	0
Gain on sale of investment securities	1	—
Total extraordinary income	1	0
Extraordinary losses		
Loss on sale of non-current assets	0	3
Loss on retirement of non-current assets	45	28
Total extraordinary losses	45	31
Loss before income taxes	△2,326	△826
Income taxes	△98	261
Loss	△2,228	△1,088
Profit attributable to non-controlling interests	10	23
Loss attributable to owners of parent	△2,238	△1,112

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

(Millions of yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
Loss	△2,228	△1,088
Other comprehensive income		
Valuation difference on available-for-sale securities	907	1,048
Deferred gains or losses on hedges	1	△10
Foreign currency translation adjustment	△1,222	1,624
Remeasurements of defined benefit plans, net of tax	12	9
Share of other comprehensive income of entities accounted for using equity method	△127	397
Total other comprehensive income	△428	3,068
Comprehensive income	△2,656	1,979
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	△2,559	1,907
Comprehensive income attributable to non- controlling interests	△97	71

(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.

(Changes in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Group has decided to apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first quarter of the consolidated fiscal year under review and recognize revenue from goods or services which the Group promised to provide at an amount expected to be received in exchange for the goods or services at the time when control over the promised goods or services has been transferred to a customer.

As a result, for the first quarter of the consolidated fiscal year under review, net sales and cost of sales decreased by ¥12,806 million and ¥12,772 million, respectively. Also, operating loss, ordinary loss and loss before income taxes increased by ¥33 million, respectively. In addition, the balance of retained earnings at the beginning of the period increased by ¥171 million.

Because the Accounting Standard for Revenue Recognition, etc. has been applied, "Notes and accounts receivable - trade," which was included in "Current assets" in the consolidated balance sheets for the previous fiscal year, began to be included in "Notes, accounts receivable-trade and contract assets" from the first quarter of the consolidated fiscal year under review.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Group has applied "Accounting Standard for Fair Value Measurement" (ASBJ Statement No.30, July 4, 2019), etc. from the beginning of the first quarter of the consolidated fiscal year under review. In accordance with the transitional treatment set forth in Article 19 of Accounting Standard for Fair Value Measurement and Article 44-2 of "Accounting Standard for Financial Instruments" (ASBJ Statement No.10, July 4, 2019), the Group has applied prospectively a new accounting policy prescribed by Accounting Standard for Fair Value Measurement, etc. This has no effect on the quarterly consolidated financial statements.