

* NOTE

(1) Changes in the State of Material Subsidiaries during the Period: No

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)

Third 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

Third Quarter of Fiscal 2021	776,421 shares	Fiscal 2020	781,625 shares
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(c) Average number of shares issued during the period

Third Quarter of Fiscal 2021	23,298,519 shares	Third Quarter of Fiscal 2020	23,475,762 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 February 4, 2022 at 13:30 (GMT+9).
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1. Qualitative Information Regarding Results of the Third Quarter for Fiscal 2021

(1) Explanation Regarding Consolidated Operating Results

During the first nine months of the fiscal year under review, the global economy continued to face a challenging situation, chiefly due to the impact of new COVID-19 variants. Even so, there were signs of a recovery, especially in the United States, with progress in COVID-19 vaccinations. The Japanese economy also saw signs of improvement in business overall, although they did not result in a full-scale recovery from the downturn caused by the COVID-19 pandemic. The business environment surrounding the Group, meanwhile, remained severe, mainly because of rises in the price of steel scrap and that of coal, a fuel for power generation, and reductions in auto production due to supply shortages of semiconductors, among other factors.

Under these circumstances, the Group decided to consolidate its domestic production facilities of steel wheels for passenger cars, with a view toward the establishment of an optimal production system that has an appropriate supply capacity to meet domestic demand. Also, 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. In addition, it completed the construction of the advanced metal sorting facility and commenced full-scale operation to strengthen the steel recycling business. The facility had been under construction since 2020.

The financial results for the first nine months of the fiscal year under review include consolidated net sales of ¥196,974 million (up 22.3% 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 rising costs due to increases in the price of steel scrap and that of coal, a fuel for power generation, among other factors, the Group posted an operating loss of ¥849 million (compared to an operating loss of ¥2,491 million in the same period of the previous year), and an ordinary loss of ¥672 million (compared to an ordinary loss of ¥1,033 million in the same period of the previous year). The loss attributable to owners of parent was ¥1,490 million (compared to loss attributable to owners of parent of ¥2,165 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. For details, please refer to 2. Quarterly Consolidated Financial Statements and Important Notes (3) Notes Regarding Quarterly Consolidated Financial Results (Changes in Accounting Policies).

Performance by Segment

(Steel Business)

The steel industry continued to face a challenging situation mainly because prices of steel scrap, a principal raw material of steel, and energy continued to rise.

Given these circumstances, the Group worked to improve steel sales prices. Net sales increased to ¥66,129 million (up 23.6% year on year). However, the Group was unable to pass on increased costs attributable to rises in prices of steel scrap and energy to steel sales prices, resulting in an operating loss of ¥323 million (compared to an operating profit of ¥944 million in the same period of the previous year).

(Automotive & Industrial Machinery Components Business)

In the automotive industry, production volume decreased from the level in the same period of the previous year in Japan and the United States due to the impact of the supply shortage of semiconductors, etc. In the construction machinery industry, demand for hydraulic shovels expanded particularly in the United States, Europe and Southeast Asia. Demand for mining machinery remained strong worldwide due to rising resource prices.

Given these conditions, the sales volume of mainly commercial vehicle wheels and parts for the undercarriages of construction machinery increased. As a result, net sales totaled ¥120,042 million (up 23.0% year on year) and operating profit stood at ¥3,815 million (compared to operating loss of ¥787 million in the same period of the previous year).

(Power Business)

The business environment remained challenging in the power business due to a rise in coal prices, a fuel for power generation. Given these circumstances, the Group worked on the stable supply of electricity in line with its business plan but was affected by an increase in cost. As a result, net sales stood at ¥6,348 million (up 15.0% year on year) and the operating loss was ¥1,463 million (compared to an operating profit of ¥175 million in the same period of the previous year).

(Science Business)

The Group manufactures and sells synthetic mica and crawler robots. Synthetic mica was affected chiefly by weak demand for cosmetics in Japan, offsetting a recovery in demand for cosmetics overseas. Reflecting this situation, net sales rose 2.3% year on year, to ¥698 million with an operating loss amounting to ¥163 million (compared to an operating loss of ¥365 million in the same period of the previous fiscal year).

(Leasing Business)

In the leasing business, operating profit was ¥526 million (up 0.2% year on year).

(Others)

The Group operates a civil engineering and construction business, sports club OSSO, and other businesses. Net sales came to ¥3,755 million (up 1.1% year on year) and operating profit was ¥303 million (up 40.9% year on year).

(2) Explanation Regarding Financial Position

Total assets at the end of the third quarter of the consolidated fiscal year under review stood at ¥285,366 million, an increase of ¥20,694 million from the end of the previous consolidated fiscal year. This was mainly due to increases of ¥9,528 million, ¥4,957 million and ¥4,251 million in notes and accounts receivable - trade and contract assets (notes and accounts receivable - trade at the end of the previous consolidated fiscal year), raw materials and supplies, and merchandise and finished goods, respectively.

Total liabilities were ¥174,384 million, an increase of ¥18,098 million compared with the end of the previous consolidated fiscal year. This was caused mainly by increases of ¥6,635 million, ¥6,007 million and ¥5,000 million in electronically recorded obligations - operating, short-term borrowings and straight bonds payable including the current portion of bonds payable.

Total net assets came to ¥110,981 million, an increase of ¥2,596 million from the end of the previous consolidated fiscal year. This was mainly due to an increase of ¥2,190 million in foreign currency translation adjustments.

(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 business environment surrounding the Group is likely to remain difficult going forward, reflecting uncertainties such as restrictions on social and economic activities associated with the spread of COVID-19 variants, a rise in geopolitical risks such as the U.S.-China conflict, increases in prices of energy and raw materials, the impact of the supply shortage of semiconductors and other parts on automotive production in particular, and the globally tight supply of marine container transportation services.

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 November 5, 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 December 31, 2021
Assets		
Current assets		
Cash and deposits	24,477	24,157
Notes and accounts receivable - trade	51,109	—
Notes and accounts receivable - trade, and contract assets	—	60,638
Merchandise and finished goods	20,926	25,178
Work in process	4,902	6,206
Raw materials and supplies	14,574	19,532
Other	6,427	7,223
Allowance for doubtful accounts	△58	△64
Total current assets	122,360	142,872
Non-current assets		
Property, plant and equipment		
Buildings and structures	93,281	94,626
Accumulated depreciation	△64,517	△65,875
Buildings and structures, net	28,763	28,751
Machinery, equipment and vehicles	213,046	217,854
Accumulated depreciation	△168,097	△171,666
Machinery, equipment and vehicles, net	44,949	46,187
Land	15,279	15,176
Leased assets	2,584	2,214
Accumulated depreciation	△1,461	△1,326
Leased assets, net	1,122	888
Construction in progress	6,051	2,835
Other	44,073	41,372
Accumulated depreciation	△42,148	△39,225
Other, net	1,924	2,147
Total property, plant and equipment	98,091	95,985
Intangible assets		
Other	3,890	3,390
Total intangible assets	3,890	3,390
Investments and other assets		
Investment securities	29,257	32,094
Long-term loans receivable	206	208
Deferred tax assets	1,634	1,692
Retirement benefit asset	386	386
Other	8,892	8,777
Allowance for doubtful accounts	△47	△41
Total investments and other assets	40,329	43,118
Total non-current assets	142,311	142,493
Total assets	264,672	285,366

(Millions of yen)

	As of March 31, 2021	As of December 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	27,009	29,078
Electronically recorded obligations - operating	13,215	19,850
Short-term borrowings	23,982	29,990
Current portion of bonds payable	5,300	300
Lease obligations	232	151
Income taxes payable	923	576
Provision For Business Structure Reform	—	352
Other	13,539	13,043
Total current liabilities	84,201	93,343
Non-current liabilities		
Bonds payable	27,000	37,000
Long-term borrowings	24,793	23,959
Lease obligations	367	248
Deferred tax liabilities	5,736	6,684
Provision for corporate officers' retirement benefits	211	177
Provision for share awards for directors (and other officers)	36	23
Provision for retirement benefits for directors (and other officers)	60	23
Reserve for repairs	398	290
Retirement benefit liability	10,782	10,787
Asset retirement obligations	358	345
Other	2,339	1,499
Total non-current liabilities	72,084	81,041
Total liabilities	156,286	174,384
Net assets		
Shareholders' equity		
Share capital	20,983	20,983
Capital surplus	18,606	18,606
Retained earnings	62,023	60,237
Treasury shares	△1,943	△1,932
Total shareholders' equity	99,669	97,895
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,443	11,528
Deferred gains or losses on hedges	12	13
Foreign currency translation adjustment	△2,266	△75
Remeasurements of defined benefit plans	568	597
Total accumulated other comprehensive income	7,758	12,063
Non-controlling interests	957	1,022
Total net assets	108,385	110,981
Total liabilities and net assets	264,672	285,366

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

(Millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Net sales	161,030	196,974
Cost of sales	141,548	173,830
Gross profit	19,482	23,143
Selling, general and administrative expenses	21,974	23,993
Operating loss	△2,491	△849
Non-operating income		
Interest income	106	99
Dividend income	657	724
Foreign exchange gains	—	461
Share of profit of entities accounted for using equity method	1,283	—
Subsidies for employment adjustment	529	92
Other	258	240
Total non-operating income	2,836	1,618
Non-operating expenses		
Interest expenses	381	358
Foreign exchange losses	604	—
Share of loss of entities accounted for using equity method	—	705
Other	392	378
Total non-operating expenses	1,378	1,441
Ordinary loss	△1,033	△672
Extraordinary income		
Gain on sale of non-current assets	54	36
Gain on sale of investment securities	19	6
Gain on reversal of provision incurred from business combination	—	791
Total extraordinary income	74	834
Extraordinary losses		
Loss on sale of non-current assets	4	4
Loss on retirement of non-current assets	128	166
Business structural reform expenses	—	352
Other	—	6
Total extraordinary losses	133	529
Loss before income taxes	△1,092	△367
Income taxes	1,081	1,072
Loss	△2,174	△1,439
Profit (loss) attributable to non-controlling interests	△9	50
Loss attributable to owners of parent	△2,165	△1,490

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

(Millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Loss	△2,174	△1,439
Other comprehensive income		
Valuation difference on available-for-sale securities	3,360	2,046
Deferred gains or losses on hedges	△5	1
Foreign currency translation adjustment	△1,062	1,672
Remeasurements of defined benefit plans, net of tax	33	28
Share of other comprehensive income of entities accounted for using equity method	△39	603
Total other comprehensive income	2,285	4,352
Comprehensive income	111	2,912
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	200	2,815
Comprehensive income attributable to non- controlling interests	△89	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 third quarter under review, by profit before income taxes for the third quarter.

(Changes in Accounting Policies)

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

The Group has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. since the beginning of the first quarter of the fiscal year under review and recognizes 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 is transferred to a customer.

As a result, for the first nine months of the consolidated fiscal year under review, net sales and cost of sales decreased by ¥17,848 million and ¥17,853 million, respectively. The operating loss, ordinary loss and loss before income taxes each declined by ¥4 million. 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.