

Fiscal Year ending March 2021 3rd Quarter Results

January 29, 2021



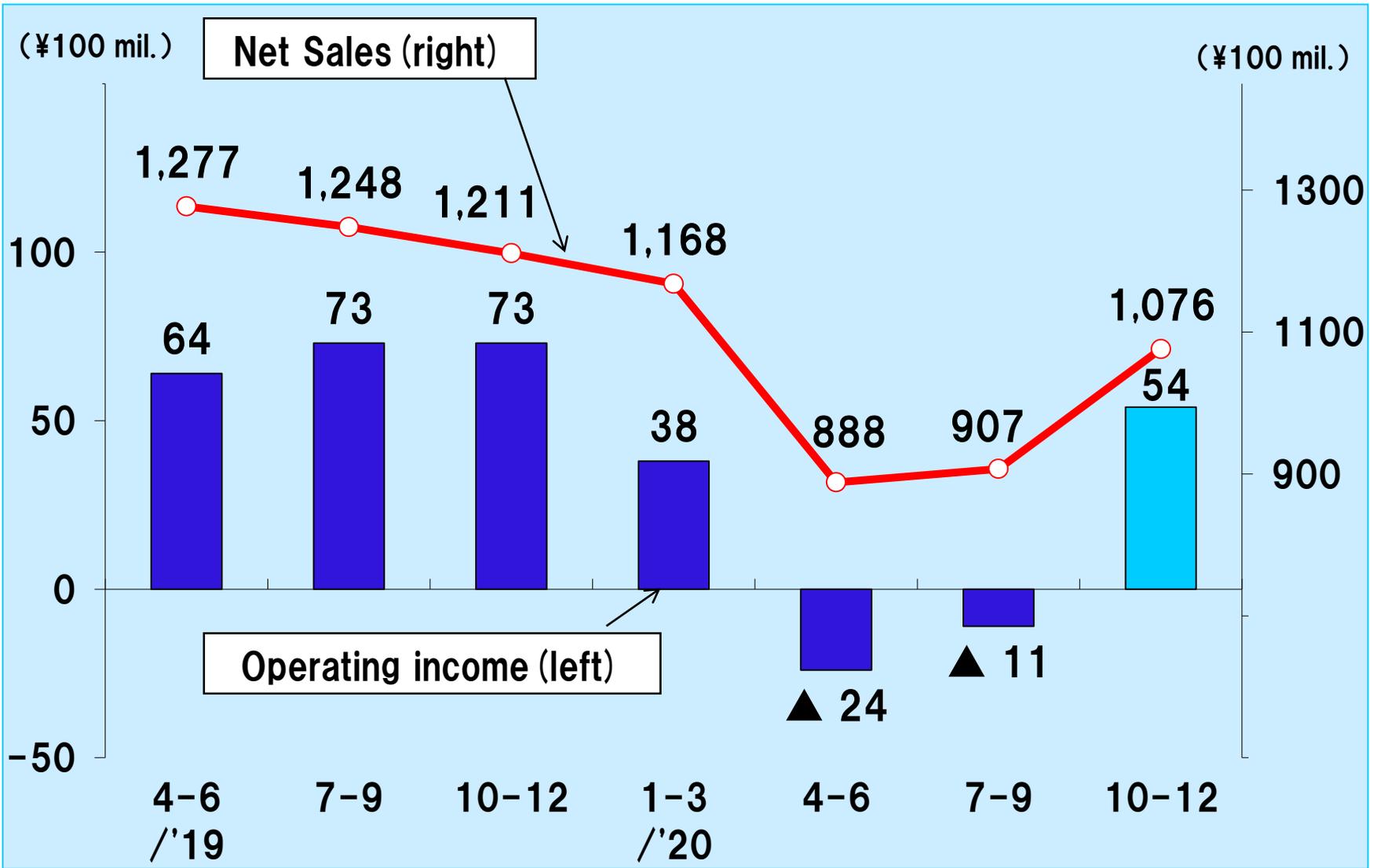
Overview of the FY2020 3rd quarter results

(¥100 mil.)	4-12/2019 Results	4-12/2020 Results	y/y basis
Net Sales	3,736	2,871	△865
Operating income	210	19	△191
Ordinary income	214	41	△173
Net income (※)	162	16	△146

※: Quarter net income that is profit attributable to owners of parent

- Both sales and profits dropped as compared with the same period in the previous year, due to the effects of the COVID-19 pandemic. After hitting bottom in the April to June quarter, sales got on a recovery track in the June to September period, finally turning into the black as a total for the April to December period.

Net Sales & Operating Income (Quarterly)



Changes in Operating Income (y/y)

(¥100 mil.)

4-12/2019 Operating Income		210	
Changes (y/y)	Raw material/ Fuel price		+133
	Sales volume	-203	
	Sales price	-100	
	Sales mix	-78	
	Variable cost	-14	
	Fixed cost		+71
	Total	-395	+204
4-12/2020 Operating Income		19 (-191)	

Breakdown of changes

Raw materials and fuel market price

- Costs of all items declined, including scrap iron, alloys and energy.

Sales volume

- Demand declined substantially, including from the automobile-related industry, one of our major sources of customers. The number of orders is recovering moderately after hitting bottom during the April to June quarter.

Sales price

- Selling prices went down due to the effects of scrap iron and alloy surcharges.
- Operating income decreased 2.2 billion yen due to the effects of the sliding scale pricing system.

Sales mix

- Sales of semiconductor-related products recovered while the sales volumes of tool steel and open-die forgings dropped. Our engineering business also posted a substantial decline in profit.

Fixed costs

- There are still some factors remaining that could take a bad turn, such as depreciation expenses, although thorough cost-cutting efforts were carried out throughout the company to reduce SGA expenses.

Net Sales & Operating Income by Segment (y/y)

(¥100 mil.)

		4-12/2019 Results (A)	4-12/2020 Results (B)	y/y basis (B) - (A)
Specialty Steel	Net Sales	1,417	990	-427
	Operating Income	53	▲ 21	-74
High Performance Materials & Magnetic Materials	Net Sales	1,261	1,035	-226
	Operating Income	105	57	-48
Parts for Automobile & Industrial Equipment	Net Sales	741	580	-161
	Operating Income	5	▲ 35	-40
Engineering	Net Sales	193	147	-46
	Operating Income	26	5	-21
Trading & Service	Net Sales	124	119	-5
	Operating Income	21	13	-8
Total	Net Sales	3,736	2,871	-865
	Operating Income	210	19	-191

Sales volume of specialty steel

919 thou.t

653 thou.t

-266 thou.t

Changes in Operating Income of Major Segments (y/y)

(¥100 mil.)

Segment			Specialty Steel	High Performance Materials & Magnetic Materials	Parts for Automobile & Industrial Equipment	Engineering
4-12/2019 Operating Income			53	105	5	26
Changes (y/y)	Operating Income / Loss	Raw material/ Fuel price	+92	+27	+14	
		Sales volume	-66	-84	-53	
		Sales price	-87	-9	-4	
		Sales mix	-49	+13	-13	-21
		Variable cost	-8	-5	-1	
		Fixed cost	+44	+10	+17	
		Total	-210	+50	+31	-21
		4-12/2020 Operating Income			▲21 (-74)	57 (-48)

Net Sales & Operating Income by Segment (Quarterly)

(¥100. mil.)

		FY2020				Full-year forecast (Announced on Oct. 30th)
		1Q (Results)	2Q (Results)	3Q (Results)	Total (Results)	
Specialty Steel	Net Sales	288	310	392	990	1,350
	Operating Income	▲ 19	▲ 11	9	▲ 21	▲ 45
High Performance Materials & Magnetic Materials	Net Sales	329	319	387	1,035	1,420
	Operating Income	12	10	35	57	87
Parts for Automobile & Industrial Equipment	Net Sales	175	186	219	580	790
	Operating Income	▲ 24	▲ 17	6	▲ 35	▲ 41
Engineering	Net Sales	40	63	44	147	200
	Operating Income	2	3	▲ 0	5	5
Trading and Service	Net Sales	56	29	34	119	140
	Operating Income	5	4	4	13	14
Total	Net Sales	888	907	1,076	2,871	3,900
	Operating Income	▲ 24	▲ 11	54	19	20

Sales volume of specialty steel

174 thou.t

204 thou.t

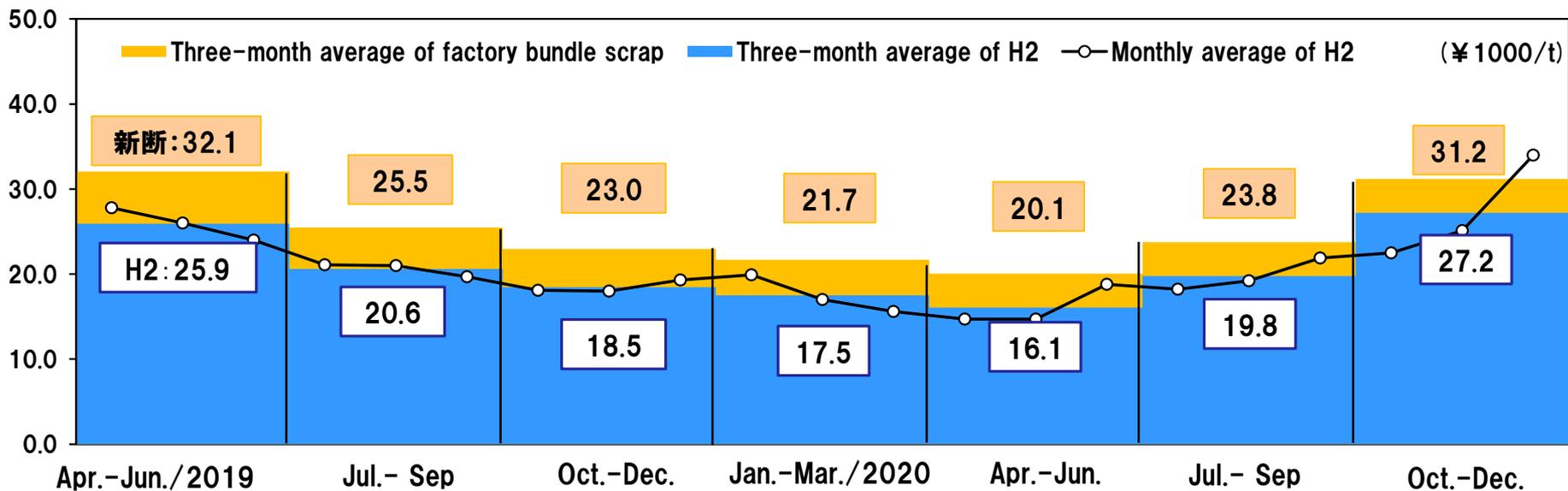
275 thou.t

653 thou.t

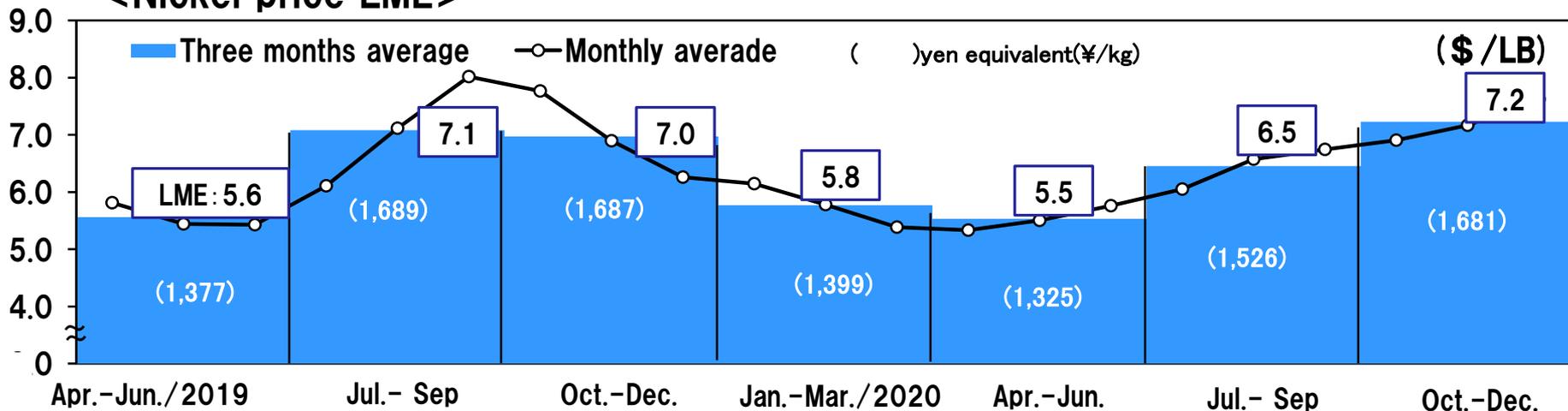
922 thou.t

Market Trend of Raw Materials(Scrap Steel and Nickel)

< H2 and Factory bundle scrap prices in Chubu area, Japan >



< Nickel price LME >



3Q/FY2020 Market Trend

	UNIT	FH of FY2020 Results	3Q/FY2020 Results (Difference from premise announced on Oct. 30, 2020)
Scrap steel Upper:H2 Lower:Factory bundle	¥thou./T	17.9	27.2 (+4.2)
		21.9	31.2 (+4.2)
Nickel (LME)	\$/LB	6.0	7.2 (+0.7)
Crude oil (Dubai)	\$/B	38.3	44.0 (+4.0)
Exchange rate (TTM)	¥/\$	107.9	105.5 (+0.5)

■ 3Q/FY2020 Ordinary Income and Net Income

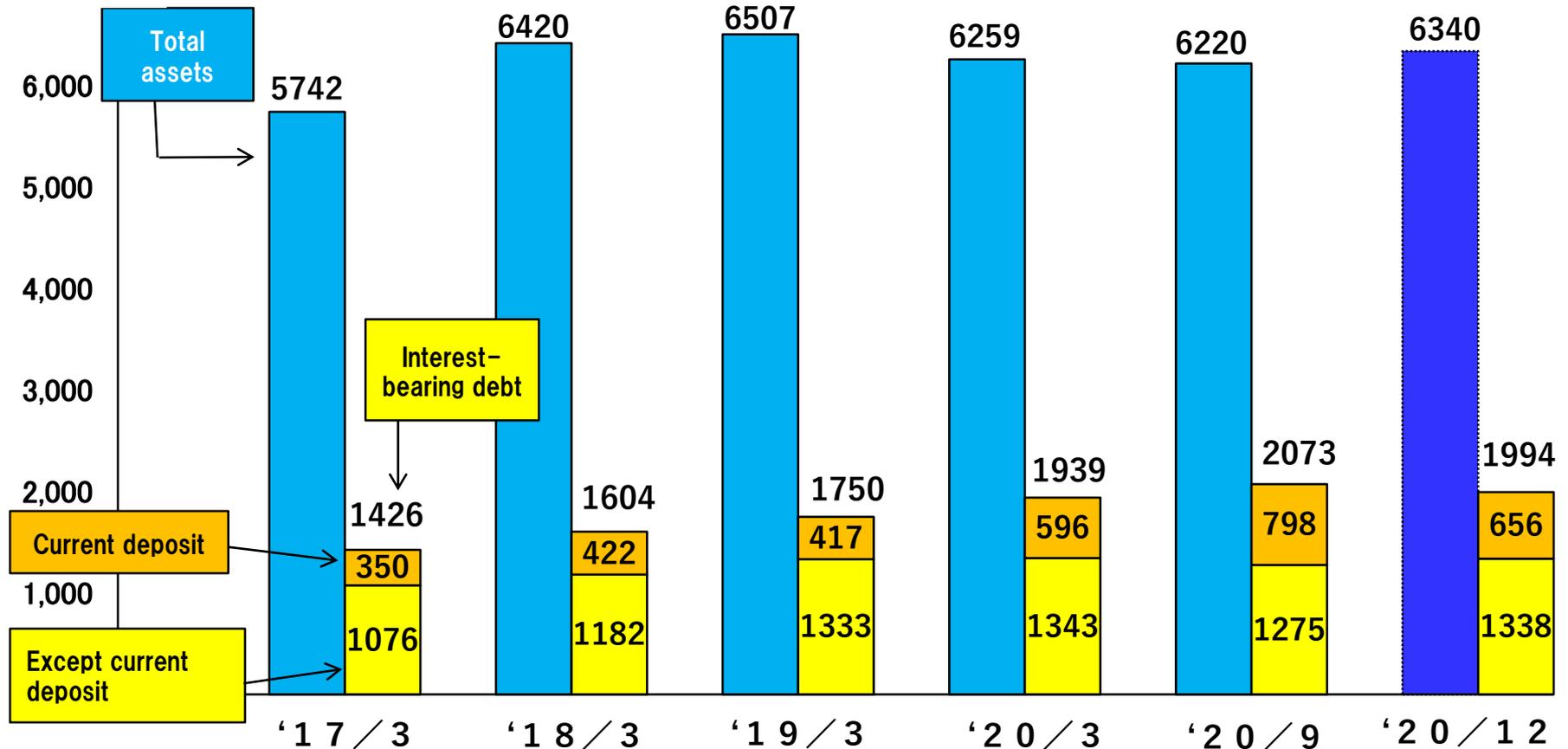
(¥100 mil.)

FY2020 3rd quarter operating income	1 9
Non-operating income / loss	2 2
Ordinary income	4 1
Extraordinary income / loss	1
Income taxes(*)	▲ 2 6
FY2020 3rd quarter net income (Quarter net income that is profit attributable to owners of parent)	1 6

(*) Income taxes, income taxes deferred (including deferred tax assets), and net income attributable to non-controlling interests

Total Assets, Interest-bearing Debt, D/E Ratio

(¥100 mil.)



	3/2017	3/2018	3/2019	3/2020	9/2020	12/2020
ROA	4.8%	5.9%	5.3%	3.8%	(-0.7%)	0.9%
D/E	0.55	0.56	0.61	0.71	0.75	0.69

Full-year outlook for the fiscal year ending March 2021

Net Sales & Operating Income by Segment (Difference from the forecast on Oct. 30)

(¥100. mil.)

		FY2020 Last forecast (10/30/'20)	FY2020 Review this time (1/29/'21)	Difference from last time
Specialty Steel	Net Sales	1,350	1,394	44
	Operating Income	▲ 45	▲ 40	5
High Performance Materials & Magnetic Materials	Net Sales	1,420	1,450	30
	Operating Income	87	105	18
Parts for Automobile & Industrial Equipment	Net Sales	790	809	19
	Operating Income	▲ 41	▲ 27	14
Engineering	Net Sales	200	199	-1
	Operating Income	5	7	2
Trading and Service	Net Sales	140	148	8
	Operating Income	14	15	1
Total	Net Sales	3,900	4,000	100
	Operating Income	20	60	40

Sales volume of specialty steel **922 thou.t** **956 thou.t** **34 thou.t**

Specialty steel: Profits increased 500 million yen more than estimated due to the recovery of sales volumes in several sectors, including the automobile industry, and a reduction in fixed costs, in spite of a surge in scrap iron prices.

High-performance materials: Profits went up more than expected due to the recovery in sales volumes in products, including SUS. Reductions in fixed costs also contributed to improved profits.

Parts for automobile: The open-die forging war forced us to engage in a hard battle. However, automobile parts profits increased more than expected, mainly due to a recovery in the sales volume of die forgings and other items, as well as a reduction in fixed costs.

Net Sales & Operating Income by Segment (Last quarter difference)

(¥100 mil.)

		3Q (Results)	4Q (Results)	Changes
Specialty Steel	Net Sales	392	404	+ 12
	Operating Income	9	▲ 19	▲ 28
High Performance Materials & Magnetic Materials	Net Sales	387	415	+ 28
	Operating Income	35	48	+ 13
Parts for Automobile & Industrial Equipment	Net Sales	219	229	+ 10
	Operating Income	6	8	+ 2
Engineering	Net Sales	44	52	+ 8
	Operating Income	▲ 0	2	+ 2
Trading and Service	Net Sales	34	29	▲ 5
	Operating Income	4	2	▲ 2
Total	Net Sales	1,076	1,129	+ 53
	Operating Income	54	41	▲ 13

Sales volume of specialty steel

275 thou.t

303 thou.t

28 thou.t

Specialty steel:

Sales volumes will increase strongly, including for automobile-related products. However, profits will drop due to a surge in scrap iron prices and the effects of the review of the calculation of the projected retirement benefits obligation (a decrease of 1.5 billion yen).

High performance materials: Profits will increase due to the recovery of the sales volumes of SUS and high alloys.

Parts for automobile:
valves.

Profits will turn upward due to an increase in the sales volumes of die forgings and engine

Changes in Operating Income (Compared to the previous year)

(¥100 mil.)

FY2019	
Operating Income	
Changes (y/y)	Raw material /Fuel price
	Sales volume
	Sales price
	Sales mix
	Variable cost
	Fixed cost
	Total
FY2020	
Operating Income	

248	
	+121
-184	
-109	
-92	
-4	
	+80
-389	+201
60	
(-188)	

Breakdown of changes

Raw materials and fuel price

- The market conditions for alloys, steel materials and energies will improve.

Sales volume

- Demand for specialty steel will increase in the second half of the year up to the level recorded for the same period during the previous year. Demand for SUS will also recover fully, starting in this term's fourth.

Sales price

- Selling prices will go down due to the effects of scrap iron and alloy surfaces.
- Operating income will decrease by 4.2 billion yen due to the effects of the sliding scale pricing system (0.9 billion yen in the first half and 3.3 billion yen in the second half).

Sales mix

- Sales of semiconductor-related products will be strong. Sales of tool steel hit bottom in the October to December quarter.
- Sales of open die forgings and profits of engineering business will be weak.
- The review of the calculation of projected retirement benefits will result in a decrease of 1.5 billion yen in operating income.

Fixed costs

- Cost-cutting efforts will be continued as is in the first half.

FY2020 Market Trend

	UNIT	10-12/2020 Results (Difference from premise announced on Oct. 30)	1-3/2021 Forecast (Difference from premise announced on Oct. 30)
Scrap steel Upper:H2 Lower:Factory bundle	¥thou./T	27.2 (+4.2) 31.2 (+4.2)	38.5 (+15.5) 42.5 (+15.5)
Nickel (LME)	\$/LB	7.2 (+0.7)	8.0 (+1.5)
Crude oil (Dubai)	\$/B	44.0 (+4.0)	50.0 (+10.0)
Exchange rate (TTM)	¥/\$	105.5 (+0.5)	105.0 (±0)

FY2020 Ordinary Income and Net Income (Forecast)

(¥100 mil.)

Operating income	6 0
Non-operating income / loss	1 5
Ordinary income	7 5
Extraordinary income / loss	0
Income taxes (*)	▲ 4 0
Net income (Net income that is profit attributable to owners of parent)	3 5

(*) Income taxes, income taxes deferred (including deferred tax assets), and net income attributable to non-controlling interests

(Note)

Figures such as the business forecasts described in this document are based on specific assumptions which are predictable under the present state.

However, changes in circumstances could lead to different business outcomes, so blind reliance on this data as decision criterion is not recommended.

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