

Fiscal Year Ending March 2022 3rd Quarter Results

January 31, 2022



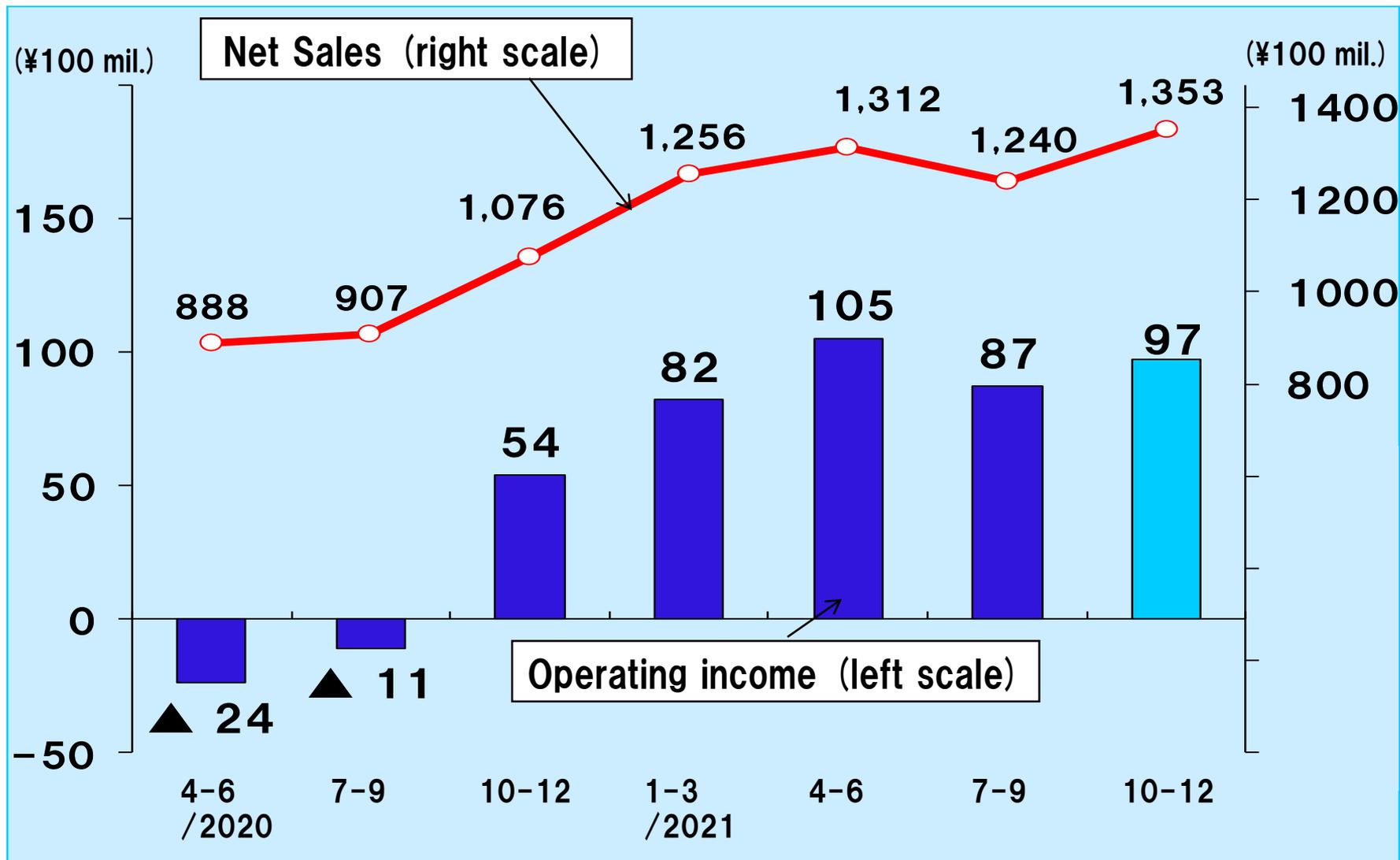
Overview of the Results for the First Three Quarters of FY2021

(¥100 mil.)	4-12/2020 Results	4-12/2021 Results	y/y
Net Sales	2,871	3,905	+1,034
Operating income	19	289	+270
Ordinary income	41	312	+271
Net income (※)	16	222	+206

※: Net income attributable to owners of parent

- The first three quarters (Apr. thru Dec.) of FY2021 saw a significant increase in both sales and profits as compared with the same period in the previous year. This was largely due to sales volume recoveries in various segments that had been hit hard the previous year by the COVID-19 pandemic.
- Semiconductor-related products, among others, led to an improvement in the over-all sales mix, which helped counter the negative effects of unfavorable raw materials market conditions.

Net Sales & Operating Income (Quarterly)



4-12/2021 Changes in Operating Income (y/y)

(¥100 mil.)

4-12/2020 Operating Income		19	
Changes (y/y)	Raw material/ Fuel price	-348	
	Sales volume		+295
	Sales price		+207
	Sales mix		+94
	Variable cost		+51
	Fixed cost	-38	
	Change of settlement period		+9
	Total	-386	+656
4-12/2021 Operating Income		289 (+270)	

Breakdown of changes

Raw materials and fuel prices

- Costs of scrap iron and alloys increased significantly.

Sales volume

- The sales volume numbers increased across all the product groups, including for high-performance and magnetic materials.

Sales price

- Selling prices went up due to base price hikes and the effects of scrap iron and alloy surcharges.
- Operating income fell by 3400 million yen due to the negative impact of the time lag in the sliding-scale pricing system.

Sales mix

- Sales of tool steel recovered and those of semiconductor-related products were strong.
- The conditions for our engineering business remained challenging.

Fixed cost

- Production recovery led to an increase in costs.

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

(¥100 mil.)

		4-12/2020 Results (A)	4-12/2021 Results (B)	Changes (B) - (A)
Specialty Steel	Net Sales	990	1,449	459
	Operating Income	▲21	22	43
High Performance Materials & Magnetic Materials	Net Sales	1,035	1,460	425
	Operating Income	57	211	154
Parts for Automobile & Industrial Equipment	Net Sales	580	694	114
	Operating Income	▲35	43	78
Engineering	Net Sales	147	131	-16
	Operating Income	5	▲10	-15
Trading & Service	Net Sales	119	171	52
	Operating Income	13	23	10
Total	Net Sales	2,871	3,905	1,034
	Operating Income	19	289	270

Sales volume of specialty steel

653 thou.t

951 thou.t

298 thou.t

4-12/2021 Net Sales & Operating Income by Segment

(¥100 mil.)

		FY2021				Full-year forecast (Announced on Oct. 28, 2021)
		1Q (Results)	2Q (Results)	3Q (Results)	Total (Results)	
Specialty Steel	Net Sales	465	467	517	1,449	1,950
	Operating Income	10	5	7	22	29
High Performance Materials & Magnetic Materials	Net Sales	479	469	512	1,460	1,920
	Operating Income	71	68	72	211	232
Parts for Automobile & Industrial Equipment	Net Sales	249	216	229	694	940
	Operating Income	20	11	12	43	38
Engineering	Net Sales	37	50	44	131	185
	Operating Income	▲4	▲3	▲3	▲10	▲15
Trading & Service	Net Sales	82	38	51	171	205
	Operating Income	8	6	9	23	26
Total	Net Sales	1,312	1,240	1,353	3,905	5,200
	Operating Income	105	87	97	289	310

Sales volume of specialty steel

322 thou.t 312 thou.t 317 thou.t 951 thou.t 1,262 thou.t

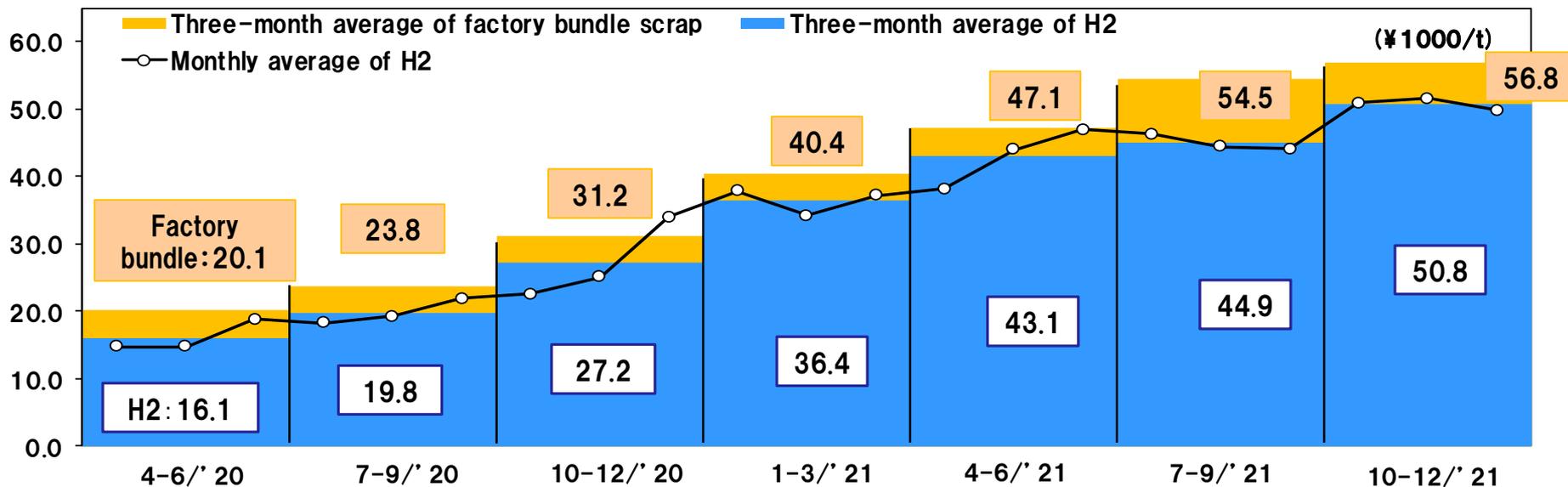
Changes in Operating Income of Major Segments (y/y)

(¥100 mil.)

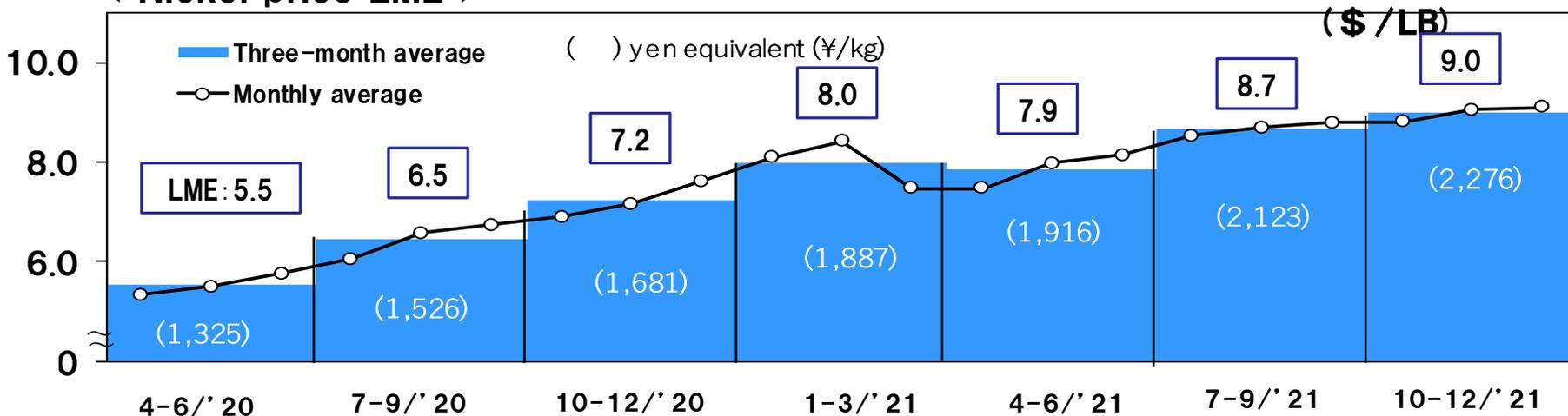
Segment			Specialty Steel	High Performance Materials & Magnetic Materials	Parts for Automobile & Industrial Equipment	Engineering	
4-12/2020 Operating Income			▲21	57	▲35	5	
Changes (y/y)	Operating Income / Loss	Raw material/ Fuel price	-248	-81	-19		
		Sales volume		+109	+137	+49	
		Sales price		+136	+60	+11	
		Sales mix		+53	+31	+17	
		Variable cost		+21	+21	+9	
		Fixed cost	-29	-15		+6	
		Change of settlement period		+1	+1	+5	
		Total	-277	+320	-96	+250	-19
4-12/2021 Operating Income			22 (+43)	211 (+154)	43 (+78)	▲10 (-15)	

Market Trend of Raw Materials (Scrap Steel and Nickel)

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



< Nickel price LME >



4-12/2021 Market Trend

	Unit	4-9/2021 Results	10-12/2021 Results (Difference from premise announced on Oct. 28, 2021)
Scrap steel Upper:H2 Lower:Factory bundle	¥thou./t	44.0 50.8	50.8 (-3.2) 56.8 (-3.2)
Nickel (LME)	\$/LB	8.3	9.0 (±0.0)
Crude oil (Dubai)	\$/B	68.3	76.7 (+6.7)
Exchange rate (TTM)	¥/\$	110.8	114.7 (-0.3)

4-12/2021 Ordinary Income and Net Income

(¥100 mil.)

Operating income	2 8 9
Non-operating income / loss	2 3
Ordinary income	3 1 2
Extraordinary income / loss	2 7
Income taxes (*)	▲ 1 1 7
Net income (Net income attributable to owners of parent)	2 2 2

➤ Extraordinary income/loss

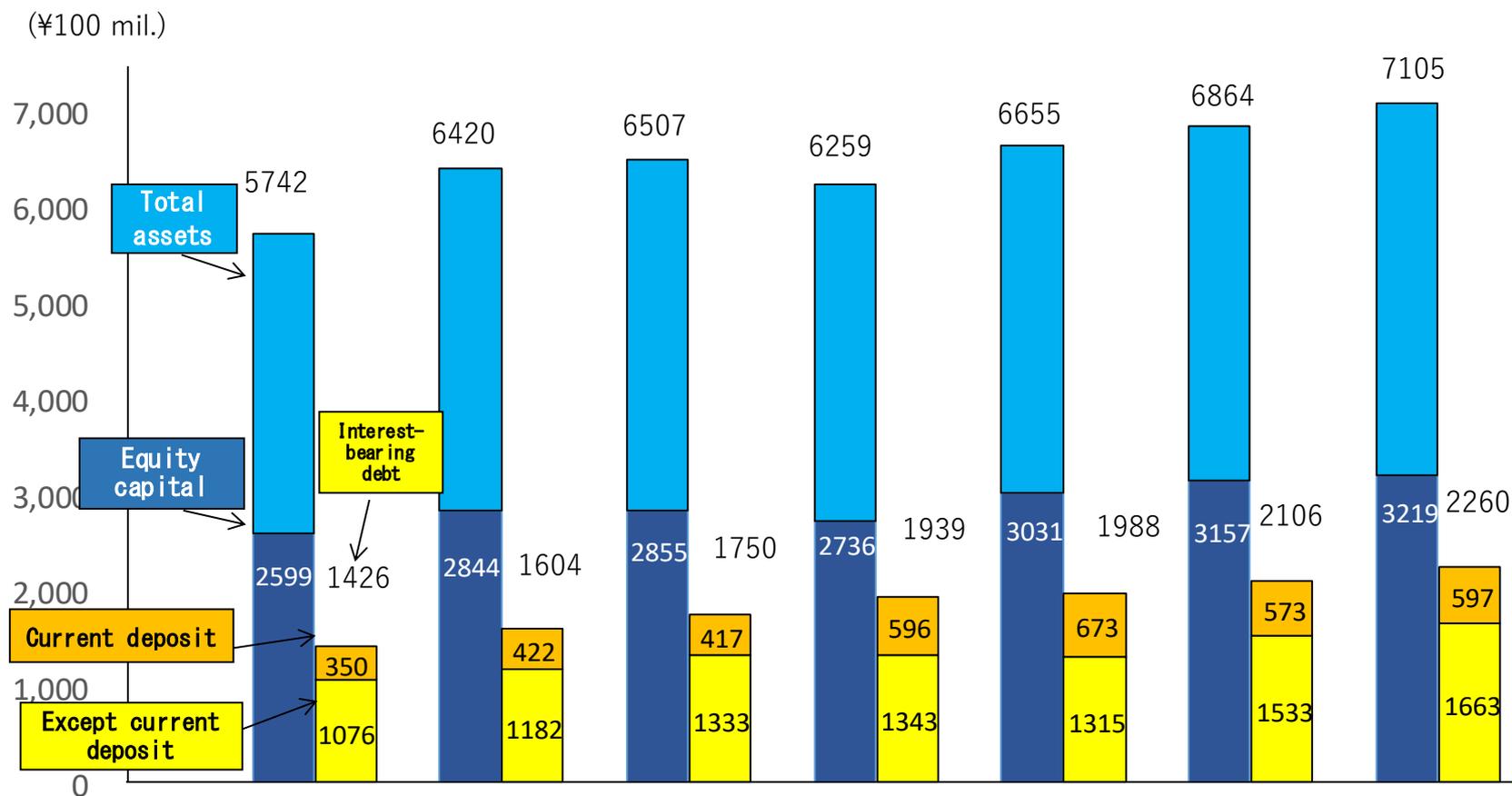
Gain on sale of investment securities +54

Impairment loss ▲23

Other ▲4

(*) 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



	3/2017	3/2018	3/2019	3/2020	3/2021	9/2021	12/2021
ROA	4.8%	5.9%	5.3%	3.8%	2.0%	6.1%	6.0%
ROE	6.7%	8.8%	7.4%	3.9%	1.6%	8.3%	9.5%
D/E	0.55	0.56	0.61	0.71	0.66	0.67	0.70

Full-Year Outlook for the Fiscal Year Ending March 2022

FY2021 Changes in Operating Income (Previous vs. Current Forecasts)

(¥100 mil.)

FY2021 Operating Income (Previous Forecast)		310	
Changes (forecast)	Raw material/ Fuel price		+10
	Sales volume		+20
	Sales price	-9	
	Sales mix		+15
	Variable cost		+3
	Fixed cost		+1
	Total	-9	+49
FY2021 Operating Income (Current Forecast)		350 (+40)	

Breakdown of changes

Raw materials and fuel price

- Scrap iron prices will stay lower than previously forecasted. However, energy costs will be on the rise.

Sales volume

- SUS steel and high alloy sales volumes will increase.

Sales price

- Selling prices will be reduced as the raw materials prices are expected to go down. However, greater base price hikes will be achieved than were originally planned for.
- Operating income is expected to increase by 200 million yen due to reduced impact from the time lag in the sliding scale pricing system.

Sales mix

- Each segment will see an improvement in its sales mix. This is especially true for high-performance materials that are in great demand for semiconductor-related products.

Variable and Fixed costs

- Cost-cutting efforts are going ahead faster than planned.

FY2021 Changes in Operating Income (y/y)

(¥100 mil.)

FY2020 Operating Income (Results)		101	
Changes (y/y)	Raw material/ Fuel price	-506	
	Sales volume		+285
	Sales price		+336
	Sales mix		+123
	Variable cost		+53
	Fixed cost	-51	
	Change of settlement period		+9
	Total	-557	+806
FY2021 Operating Income (Forecast)		350 (+249)	

Breakdown of changes

Raw materials and fuel price

- Costs of scrap iron and alloys will increase substantially.

Sales volume

- Sales volume numbers will increase across all product groups in association with the recovery of production in the automobile industry.

Sales price

- Selling prices will go up due to the effects of scrap iron and alloy surcharges.
- Operating income will decrease 1700 million yen due to the negative effects of the time lag in the sliding scale pricing system.

Sales mix

- Sales of semiconductor-related products will increase and those of tool steel and open die forgings recover.
- Severe market conditions will continue for our engineering business.

Fixed cost

- Costs will increase due to production recoveries.

■ Premises of Profit Planning for FY2021 (Market Trend)

	Unit	10-12/2021 Results (Difference from premise announced on Oct. 28, 2021)	1-3/2022 Forecast (Difference from premise announced on Oct. 28, 2021)
Scrap steel Upper:H2 Lower:Factory bundle	¥thou./t	50.8 (-3.2) 56.8 (-3.2)	47.5 (-6.5) 52.0 (-8.0)
Nickel (LME)	\$/LB	9.0 (±0.0)	9.0 (±0.0)
Crude oil (Dubai)	\$/B	76.7 (+6.7)	75.0 (+5.0)
Exchange rate (TTM)	¥/\$	114.7 (-0.3)	113.0 (-2.0)

FY2021 Ordinary Income and Net Income (Forecast)

(¥100 mil.)

Operating income	3 5 0
Non-operating income / loss	2 0
Ordinary income	3 7 0
Extraordinary income / loss	2 7
Income taxes (*)	▲ 1 3 7
Net income (Net income attributable to owners of parent)	2 6 0

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

FY2021 Dividend Per Share

	FY2020		FY2021	
	Interim	Year-end	Interim	Year-end (forecast)
Ordinary income (¥100 mil.)	▲ 2 1	1 2 6	2 0 6	3 7 0
Net income * (¥100 mil.)	▲ 2 3	4 5	1 2 8	2 6 0
Dividend per share (¥/share)	1 0 . 0	3 5 . 0 (End of term: 25.0)	8 0 . 0	1 8 0 . 0 (End of term: 100.0)
Payout ratio (%)	—	3 3 . 0	2 6 . 6	2 9 . 5

* Net income attributable to owners of parent

We will use a dividend payout ratio of 30% as a guide according to the mid-term management policy for FY2023.

(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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