

Financial Results for the Nine Months Ended December 31, 2021
[Japanese Accounting Standards] (Consolidated)
(Unaudited)

January 31, 2022

NTN Corporation

Security Code: 6472

Listings: Tokyo Stock Exchanges

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Supplementary material of the financial results: Prepared

Investor meeting: Scheduled

1. Consolidated financial results for the nine months ended December 31, 2021
 (April 1, 2021 to December 31, 2021)

(Amounts rounded down to the nearest million yen)

(1) Operating Results (Percentage figures represent a year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Nine months ended December 31, 2021	468,126	17.2	2,542	—	1,778	—	-1,508	—
Nine months ended December 31, 2020	399,552	-19.3	-8,791	—	-10,901	—	-13,284	—

Note: comprehensive income: Nine months ended December 31, 2021 : 10,015 million yen (-%)
 Nine months ended December 31, 2020 : -1,192 million yen (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended December 31, 2021	-2.84	—
Nine months ended December 31, 2020	-25.01	—

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
Nine months ended December 31, 2021	828,241	195,485	21.5
Year ended March 31, 2021	836,563	183,751	20.4

Note: Shareholders' equity Nine months ended December 31, 2021 : 178,163 million yen
 Year ended March 31, 2021 : 170,526 million yen

2. Dividends

(Record date)	Dividends per share				
	at 1st quarter end	at 2nd quarter end	at 3rd quarter end	at fiscal year end	Total
	yen	Yen	yen	yen	yen
Year ended March 31, 2021	—	0.00	—	0.00	0.00
Year ending March 31, 2022	—	0.00	—		
Year ending March 31, 2021 (forecast)				0.00	0.00

Notes: Adjustment from the previously published forecast of dividends: None

3. Forecast of consolidated earnings for the year ending March 31, 2022 (April 1, 2021 to March 31, 2022)

(Percentage figures represent a year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	630,000	11.9	6,000	—	5,000	—	2,000	—	3.77

Notes: Adjustment from the previously published forecast of earnings: none

* Notes to consolidated financial statements

(1) Significant changes in subsidiaries during the period (Scope of consolidation): None

(2) Adoption of accounting method specific to the preparation of consolidated quarterly financial statements: Adopted

(Notes) For further details, refer to “(4) Notes to consolidated financial Statements” (Adoption of accounting method specific to the preparation of quarterly consolidated financial statements) in “2.Consolidated financial statements for the nine months” on page 10 of attached documents.

(3) Changes in accounting principles and accounting estimates and retrospective restatement

- | | |
|---|------|
| 1) Changes in accounting principles due to amendment to accounting standards: | Yes |
| 2) Changes other than above: | None |
| 3) Changes in accounting estimates: | None |
| 4) Retrospective restatement: | None |

(4) Number of shares issued and outstanding (Common stock)

1) Number of shares issued and outstanding at end of the period (treasury stock included):

Nine months ended December 31, 2021:	532,463,527 shares
Year ended March 31, 2021:	532,463,527 shares

2) Number of treasury stock at end of the period:

Nine months ended December 31, 2021:	1,599,016 shares
Year ended March 31, 2021:	1,299,641 shares

3) Average number of shares outstanding during the quarter:

Nine months ended December 31, 2021:	531,017,984 shares
Nine months ended December 31, 2020:	531,158,253 shares

* This quarterly financial results report is exempt from quarterly review.

* Notes

All descriptions about the future of the Company contained herein including earnings forecasts are prepared on the basis of data and information currently in our possession as well as certain assumptions that are deemed reasonable, and therefore are not meant to have us committed to their achievement. Various factors may cause actual results to substantially differ from those described herein. For the forecast above, refer to “(3) Explanation regarding Information on Future Forecast, including Forecast of Consolidated Earnings in 1. Qualitative Information of Consolidated Financial Statements for the Nine Months ended December 31, 2021 on page 4 of attached documents.

[Contents of the Attached Documents]

1. Qualitative Information of Consolidated Financial Statements for the Nine Months ended December 31, 2021	2
(1) Explanation regarding consolidated operating results	2
(2) Explanation regarding consolidated financial position	3
(3) Explanation regarding Information on Future Forecast, including Forecast of Consolidated Earnings	4
2. Consolidated financial statements for the nine months	5
(1) Balance sheets	5
(2) Consolidated statement of operation and consolidated statement of comprehensive income	7
(Consolidated income statements)	7
(Consolidated statement of comprehensive income)	8
(3) Statements of cash flows	10
(4) Notes to consolidated financial statements	10
(Notes to going concern assumption)	10
(Change in accounting method)	10
(Notes to balance sheet)	10
(Consolidated quarterly statements of income)	10
(Notes related to significant changes in shareholder's equity)	11
(Adoption of accounting method specific to the preparation of quarterly consolidated financial statements)	11
(Additional information)	11
(Segment information)	11
(Significant subsequent events)	11
3. Supplementary information	12
(1) Explanatory materials	12

1. Qualitative information of consolidated financial statements for the nine months ended December 31, 2021

(1) Explanation regarding consolidated operating results

Regarding the global economy in the third quarter of the current fiscal year (from April 1, 2021 to December 31, 2021), economic conditions remained severe in some areas although there was a significant recovery compared to the same period of the previous fiscal year, when conditions were extremely severe due to the spread of the new coronavirus. As for the Japanese economy, production and capital investment continued to recover. However, due to the effects of the new coronavirus and the semiconductor shortage, the weakness in economy continued. The U.S. economy, the European economy and the economy of other emerging countries in Asia and others continued to recover. On the other hand, the Chinese economy remained severe due to the impact of the re-emergence of the infection and the semiconductor shortage.

Under these business environment, the Company will steadily implement the measures in the New Medium-term Management Plan DRIVE NTN100 Phase 2 which started in April this year, accelerate the transformation of our business structure, strengthen our financial position and organization, and aim to build a business structure that can flexibly respond to changes in the business environment.

Net sales for the third quarter drastically increased compared to the same period of the previous fiscal year when the situation was severe and amounted to 468,126 million yen (up 17.2% year on year). Regarding profit and loss, even though there was a rise of the steel price and increase of fixed cost, operating income was 2,542 million yen (loss of 8,791 million yen in the same period of the previous fiscal year), ordinary income was 1,778 million yen (loss of 10,901 million yen in the same period of the previous fiscal year), and loss attributable to owners of parent was 1,508 million yen (loss attributable to owners of parent of 13,284 million yen in the same period of the previous fiscal year).

Operating results by reporting segment by region were as follows:

(1) Japan

Sales in the aftermarket applications increased in industrial machinery aftermarket applications. Sales in the industrial machinery applications increased in construction machinery and gearboxes, and decreased in aircrafts and railway rolling stocks. Sales in automotive applications increased due to increased customer demand and other factors. As a result, net sales increased significantly compared to the same period of the previous fiscal year when sales drastically decreased due to the effect of the spread of new coronavirus. However, the sales decreased compared to the first forecast due to the semiconductor shortage and amounted to 239,794 million yen (up 27.2% year on year). Segment income was 5,569 million yen (loss of 11,432 million yen in the same period of the previous fiscal year) due to an increase in sales volume and other factors.

(2) Americas

Sales in the aftermarket applications increased in industrial machinery and automotive aftermarket applications. Sales in industrial machinery applications increased in construction machinery and agricultural machinery. Sales in automotive applications also increased due to increased customer demand. As a result, net sales increased significantly compared to the same period of the previous fiscal year when sales drastically decreased due to the effect of the spread of new coronavirus. However, the sales decreased compared to the first forecast due to the semiconductor shortage and the sales amounted to 128,354 million yen (up 26.8% year on year). Despite an increase in sales volume and other factors, segment loss was 6,902 million yen (loss of 3,313 million yen in the same period of the previous fiscal year) due to an increase in fixed cost and the rise of steel price.

(3) Europe

Sales in the aftermarket applications increased in industrial machinery and automotive aftermarket applications. Sales in industrial machinery applications increased in aircrafts and gearboxes and decreased in wind turbines. Sales in automotive applications also increased due to increased customer demand. As a result, net sales increased significantly compared to the same period of the previous fiscal year when sales drastically increased due to the effect of the spread of new coronavirus. However the sales decreased compared to the first forecast due to the semiconductor shortage and amounted to 103,956 million yen (up 15.8% year on year). Despite an increase in sales volume and other factors, segment loss was of 3,720 million yen (loss of 3,091 million yen in the same period of the previous fiscal year) due to an increase in fixed cost and other factors.

(4) Asia and other areas

Sales in the aftermarket applications increased in industrial machinery and automotive aftermarket applications. Sales in industrial machinery applications increased in construction machinery and agricultural machinery but decreased in wind turbines. Sales in automotive applications increased mainly due to increased customer demand. As a result, net sales was increased compared to the same period of the previous fiscal year. However, the sales drastically decreased due to the semiconductor shortage compared to the first forecast and amounted to 108,495 million yen (up 12.5% year on year). Segment income was 10,569 million yen (up 28.8% year on year) due to an increase in sales volume and other factors.

Operating results by business sector were as follows.

(1) Aftermarket applications

Due to an increase in customer demand and other factors, net sales amounted to 82,069 million yen (up 22.9% year on year). Operating income was 10,544 million yen (up 90.4% year on year) due to an increase in sales volume and other factors.

(2) Industrial machinery applications

Net sales amounted to 92,381 million yen (up 28.8% year on year) due to increased sales of construction machinery and gearboxes. Operating income amounted to 2,708 million yen (operating loss of 1,316 million yen in the same period of the previous fiscal year) due to an increase in sales volume and other factor.

(3) Automotive applications

Net sales increased compared to the same period of the previous fiscal year when many customers stopped the operation due to the effect of the new coronavirus and amounted to 293,675 million yen (up 12.5% year on year). However, the customer's production decreased more than expected due to the semiconductor shortage. Despite an increase in sales volume, operating loss was 10,710 million yen (operating loss of 13,012 million yen in the same period of the previous fiscal year) due to more increase in fixed cost, decrease in the production of customers, and other factors.

(2) Explanation regarding consolidated financial position

(Assets, Liabilities, and Net assets)

Total current assets decreased 7,918 million yen (down 1.6 %) from the previous fiscal year and ended to 477,838 million yen. This was due mainly to an decrease of 33,784 million yen in cash and cash equivalents, an increase of 15,019 million yen in raw materials and increase of 9,381 million yen in supplies finished goods and purchased goods. Total fixed assets decreased 404 million yen (down 0.1 %) from the previous fiscal year and ended to 350,402 million yen. This was due mainly to decrease of 3,382 million yen in investment securities, decrease of 2,323 million yen in property, plant and equipment and increase of 4,352 million yen in intangible fixed assets. As a result, total assets decreased 8,322 million yen (down 1.0 %) from the previous fiscal year and ended to 828,241 million yen.

Total current liabilities increased 4,787 million yen (up 1.6 %) from the previous fiscal year and ended to 297,133 million yen. This was due principally to increase of 6,798 million yen in accrued expense and others, increase of 2,700 million yen in short-term loans, decrease of 3,179 million yen in notes and accounts payable-trade and 1,809 million yen in electronically recorded monetary claims. Fixed liabilities decreased 24,845 million yen (down 6.9 %) from the previous fiscal year and ended to 335,621 million yen, due principally to a decrease of 26,990 million yen in long-term loans. As a result, total liabilities decreased 20,057 million yen (down 3.1 %) from the previous fiscal year and ended to 632,755 million yen.

Total net assets decreased 11,734 million yen (up 6.4 %) from the previous fiscal year ended to 195,485 million yen. This was mainly due to an increase of 9,003 million yen in foreign currency translation adjustments, increase of 4,098 million yen in non-controlling shareholders' equity and decrease of 1,508 million yen in retained earnings.

(Cash flows)

Net cash provided by operating activities was 4,232 million yen (14,718 million yen in the same period of the previous fiscal year, down 77.7%). This was mainly due to 27,901 million yen of depreciation and amortization, a decrease of 7,733 million yen in trade receivables, an increase of 25,416 million yen in inventories and decrease of 6,381 million yen in trade payable.

Net cash used in investing activities was 9,130 million yen (11,930 million yen in the same period of the previous fiscal year, down 56.6%). This was mainly due to the expense of 11,474 million yen in acquisition of tangible assets.

Net cash used in financing activities was 30,796 million yen (proceeds of 21,458 million yen in the same period of the previous fiscal year). This was mainly due to the expense of 37,813 million yen in long-term loans.

After adding an increase of 1,698 million yen of translation adjustments, cash and cash equivalents at the end of the third quarter of the fiscal year under review was 113,253 million yen, a decrease of 33,996 million yen (down 23.1%) from the end of the previous consolidated fiscal year.

(3) Explanation regarding Information on Future Forecast, including Forecast of Consolidated Earnings

The Company has made no modification to the consolidated earnings forecast announced on October 29, 2021.

2. Consolidated financial statements for the nine months

(1) Balance sheets

(In million yen)

	As of March 31, 2021	As of December 31, 2021
Assets		
Current assets		
Cash and bank deposits	154,969	121,185
Notes and accounts receivable-trade	116,604	110,781
Electronically-recorded monetary claims	4,996	6,317
Finished goods & purchased goods	91,848	101,229
Work in process	48,600	54,478
Raw materials and supplies	36,397	51,416
Short-term loans receivable	68	45
Other	33,282	33,445
Allowance for doubtful accounts	-1,011	-1,059
Total current assets	485,756	477,838
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	87,314	86,537
Machinery, equipment and vehicles, net	112,164	116,721
Other, net	60,965	54,861
Total property, plant and equipment	260,443	258,120
Intangible fixed assets		
Goodwill	—	2,036
Other	40,363	42,678
Total intangible fixed assets	40,363	44,715
Investments and other assets		
Investment securities	43,836	40,454
Deferred tax assets	2,437	2,278
Other	3,938	5,033
Allowance for doubtful accounts	-213	-199
Total investments and other assets	49,999	47,566
Total fixed assets	350,806	350,402
Total assets	836,563	828,241

(In million yen)

	As of March 31, 2021	As of December 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable-trade	55,468	52,289
Electronically-recorded monetary claims	62,815	61,006
Short-term loans	121,836	124,536
Accrued income taxes	2,125	2,414
Accrued bonuses for directors and statutory auditors	36	24
Other	50,064	56,862
Total current liabilities	292,346	297,133
Long-term liabilities		
Bonds	80,000	80,000
Long-term loans	220,967	193,977
Reserve for product defect compensation	1,082	398
Liabilities for retirement benefits	39,920	40,900
Other	18,495	20,346
Total long-term liabilities	360,466	335,621
Total liabilities	652,812	632,755
Net assets		
Shareholders' equity		
Common stock	54,346	54,346
Additional paid-in capital	67,970	67,970
Retained earnings	52,786	51,278
Treasury stock	-782	-866
Total shareholders' equity	174,321	172,729
Accumulated other comprehensive income		
Net unrealized holding gain on other securities	8,646	8,304
Translation adjustments	-6,865	2,138
Accrued retirement benefits adjustments	-5,575	-5,009
Total accumulated other comprehensive income	-3,794	5,433
Non-controlling shareholders' equity	13,224	17,322
Total net assets	183,751	195,485
Total liabilities and net assets	836,563	828,241

(2) Consolidated statement of operation and consolidated statement of comprehensive income
(Consolidated income statements)

(In million yen)

	Nine months ended December 31, 2020 <small>(April 1, 2020 – December 31, 2020)</small>	Nine months ended December 31, 2021 <small>(April 1, 2021 – December 31, 2021)</small>
Net sales	399,552	468,126
Cost of sales	343,043	391,421
Gross profit	56,509	76,704
Selling, general and administrative expenses	65,300	74,162
Operating income/loss (-)	-8,791	2,542
Non-operating income		
Interest income	668	648
Dividend income	550	590
Equity in earnings of unconsolidated subsidiaries	—	925
Foreign exchange gains	1,317	—
Other	1,904	2,465
Total non-operating income	4,441	4,629
Non-operating expenses		
Interest expenses	2,504	3,234
Equity in loss of non-consolidated subsidiaries	8	—
Foreign exchange losses	—	357
Derivative transaction losses	1,526	—
Other	2,512	1,800
Total non-operating expenses	6,551	5,393
Ordinary income/loss (-)	-10,901	1,778
Extraordinary income		
Gain on sale of tangible fixed assets	—	* ¹ 3,803
Proceeds from subsidy	* ² 4,784	—
Total extraordinary income	4,784	3,803
Extraordinary losses		
Loss related to Anti-Monopoly Act	* ³ 999	* ³ 2,928
Special factory operating loss	* ⁴ 3,331	—
Total extraordinary losses	4,330	2,928
Income/loss (-) before income taxes and equity in earnings of affiliated companies	-10,446	2,652
Income and other taxes	1,741	2,789
Net income/loss (-)	-12,188	-137
Profit attributable to non-controlling shareholders	1,096	1,370
Profit/loss (-) attributable to owners of parent	-13,284	-1,508

(Consolidated statement of comprehensive income)

(In million yen)

	Nine months ended December 31, 2020 <small>(April 1, 2020 – December 31, 2020)</small>	Nine months ended December 31, 2021 <small>(April 1, 2021 – December 31, 2021)</small>
Net income/loss (-)	-12,188	-137
Other comprehensive income		
Net unrealized holding gain on other securities	5,521	-355
Translation adjustments	5,269	8,709
Accrued retirement benefits adjustments	894	571
Equity in equity-method affiliates	-689	1,227
Total other comprehensive income	10,996	10,152
Comprehensive income	-1,192	10,015
(breakdown)		
Comprehensive income attributable to owners of parent company	-2,758	7,719
Comprehensive income related to non-controlling shareholders	1,565	2,295

(3) Statements of cash flows

(In million yen)

	Nine months ended December 31, 2020 <small>(April 1, 2020 – December 31, 2020)</small>	Nine months ended December 31, 2021 <small>(April 1, 2021 – December 31, 2021)</small>
Net cash provided by operating activities		
Income/loss (-) before income taxes and equity in earnings of affiliated companies	-10,446	2,652
Depreciation and amortization	26,274	27,901
Goodwill depreciation	—	107
Proceeds from subsidy	-4,784	—
Special factory operating loss	3,331	—
Loss related to Anti-Monopoly Act	999	2,928
Increase/decrease (-) in allowance for doubtful accounts	-120	14
Increase/decrease (-) in accrued retirement benefits for directors and statutory auditor	33	-12
Increase/decrease (-) in reserve for product defect compensation	-107	-688
Increase/decrease (-) in liabilities in retirement benefits	1,416	1,605
Interest and dividend income	-1,219	-1,238
Interest expenses	2,504	3,234
Foreign currency translation adjustments / foreign exchange losses/gains (-)	-1,707	295
Loss or gain (-) on derivative transactions	1,526	-631
Equity in earnings (-) /loss of non-consolidated subsidiaries	8	-925
Gain (-) or loss on sale of tangible fixed assets	—	-3,803
Decrease (-) / increase in trade receivables	-1,758	7,733
Decrease (-) / increase in inventories	13,844	-25,416
Increase/decrease (-) in trade payables	-14,104	-6,381
Other	4,776	3,528
Subtotal	20,464	10,906
Interest and dividend income received	1,543	1,507
Interest paid	-2,516	-2,955
Subsidies received	4,509	—
Payment of special factory operating loss	-2,241	—
Loss related to Anti-Monopoly Act	-990	-3,121
Income taxes paid	-1,817	-2,103
Net cash provided by operating activities	18,950	4,232
Net cash used in investing activities		
Increase in time deposits	-1,622	-1,019
Decrease in time deposits	971	1,329
Purchases of property, plant and equipment	-17,120	-11,474
Proceeds from sale of property, plant and equipment	—	4,710
Purchase of intangible fixed assets	-6,205	-4,597
Proceeds from purchase of subsidiaries' stock resulting in change in scope of consolidation	—	1,200
Decrease/increase (-) in short-term loans receivable, net	2,636	24
Other	278	696
Net cash used in investing activities	-21,060	-9,130
Net cash provided by financing activities		
Increase/decrease (-) in short-term loans, net	-5,479	-2,018
Proceeds from long-term loans	56,337	12,172
Repayment of long-term loans	-29,237	-37,813
Repayment of lease payable	-1,196	-1,551
Proceeds from sale and leaseback	2,271	—
Other	-1,238	-1,585
Net cash provided by financing activities	21,458	-30,796
Effect of exchange rate changes on cash and cash equivalents	1,086	1,698
Increase/decrease (-) in cash and cash equivalents	20,434	-33,996
Cash and cash equivalents at beginning of the year	71,165	147,249
Cash and cash equivalents, at end of the quarter	91,600	113,253

(4) Notes to consolidated financial statements

(Notes to Going Concern Assumption)

None

(Changes in accounting policies)

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

The Company applied "Accounting Standard for Revenue Recognition, etc.," (ASBJ Statement No. 29, March 31, 2020; hereafter "Revenue Recognition Accounting Standard") from the beginning of the first quarter of the current fiscal year and recognizes the revenue at the amount expected to be received in exchange when control of the promised goods or services is transferred to the customer.

The application of the Revenue Recognition Accounting Standard follows the transitional treatment prescribed in the proviso to paragraph 84 of the revenue recognition accounting standard but it has no impact on the opening balance of retained earnings. As a result of this application, net sales and cost of sales for the third quarter of the current fiscal year decreased by 3,322 million yen compared with the previous method, but operating income, ordinary income, and income/loss before income taxes and equity in earnings of affiliated companies were not affected.

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

The Company applied "Application of Accounting Standard for Measurement of Fair Value, etc. (ASBJ Statement No. 30, July 4, 2019) from the beginning of the first quarter of the current fiscal year and applied the new accounting standard prospectively with the transitional treatment prescribed in Paragraph 19 of the Accounting Standard for Measurement of Fair Value and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019.) There is no impact on the quarterly consolidated financial statements.

(Notes to Balance Sheet)

1. Contingency liabilities

(Guarantee etc.)

The Company provides the following debt guarantees for loans from financial institutions of companies other than consolidated subsidiaries.

	Year ended March 31, 2021	Nine months ended December 31, 2021
PT. Astra NTN Driveshaft Indonesia	448 million yen	711 million yen

(Lawsuits, etc.)

- (1) A lawsuit has been filed against the Company and its two consolidated subsidiaries in Europe before the France Tribunal de Commerce de Lyon by Renault S.A. and its group companies, which are 15 in total (hereafter, "Renault"), seeking compensation of 66.7 million euros (provisional amount) for damages. In December 2020, Renault changed the claiming amount for damages to 32.5 million euros (provisional amount). This lawsuit was filed by Renault alleging that they suffered damages in connection with the infringement of the European competition laws, which was subject of the decision adopted by the European Commission dated March 19, 2014.
- (2) The NTN Group may be subject to claims for compensation for damages in connection with the violation of competition laws and continue to address these claims. However, it is currently difficult to make reasonable estimates of the future possible effects on the results of operations and financial position of the NTN Group.

(Consolidated quarterly statements of income)

- *1 3,803 million yen in gains from sale of tangible fixed assets was recorded as an extraordinary income in the third quarter of the consolidated fiscal year under review. This was the income of 3,729 million yen of land and building of headquarters and 73 million yen of others.
- *2 4,784 million yen in proceeds from subsidy was recorded as an extraordinary income in the third quarter of the previous consolidated fiscal year under review. This was the income such as subsidies for employment adjustment during the suspension of operations in the Company and its consolidated subsidiaries due to the spread of the new coronavirus.
- *3 The Company has negotiated the compensation of damages with a part of customers in association with

investigations by the authorities about competition laws. We considered the effects to our business by the long-term negotiation and reached the conclusion to pay the settlement amount to make the benefits for both parties by amicably and early resolution. With regard to these settlements, the Company recorded 2,928 million yen in the current consolidated fiscal year ended December 31, 2021 and 999 million yen in the previous consolidated fiscal year ended December 31, 2020 as Loss related to Anti-Monopoly Act in Extraordinary Losses.

- *4 During the third quarter of the fiscal year under review, we recorded 3,331 million yen of special factory operating loss as extraordinary losses. This was the amount of fixed cost during the shutdown of the Company and its subsidiaries due to the impact of the worldwide spread of the new coronavirus.

(Notes Related to Significant Changes in Shareholder's Equity)

None

(Adoption of Accounting Method Specific to the Preparation of Quarterly Consolidated Financial Statements)

(Calculation of tax expenses)

Regarding tax expenses, we estimate a reasonable effective tax rate after adopting tax effect accounting for income before income taxes of the full fiscal year including the nine months ended December 31, 2021. By multiplying the effective tax rate with quarterly income before income taxes, we calculate the tax expenses. However, in cases where calculating tax expenses using a reasonably estimated effective tax rate yields a result that is notably lacking rationality, then, tax expenses are calculated by using the statutory effective tax rate.

(Additional Information)

(Application of Tax Effect Accounting in Relation to the Transition from the Consolidated Tax Payment System to the Group Taxation System)

In the Company and some of its domestic consolidated subsidiaries, we do not applied the provisions of paragraph 44 of the Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, February 16, 2018) on the items which were reviewed in the transition to the group taxation system established in the Act for Partial Revision of the Income Tax Act, etc. (Act No. 8, 2020) and the non-consolidated taxation system in conjunction with the transition to the group taxation system in accordance with paragraph 3 of the Treatment of Application of Tax Effect Accounting Related to Transition from Consolidated Taxation System to Group-wide Accounting System (Practical Issues Task Force No. 39, March 31, 2020). Also, the amount of deferred tax assets and liabilities is based on the provisions of the tax law before the revision.

(Accounting Estimates Regarding New Coronavirus Infection)

There is no significant change in the assumptions regarding the impact of the spread of the new coronavirus infections, which was included in the additional information in the previous consolidated financial year's securities report.

(Segment Information)

I. Nine months ended December 31, 2020 (April 1, 2020 – December 31, 2020)

1. Information related to sales, income or losses, assets, liabilities and other items for individual reporting segments

(In million yen)

	Reporting segment					Adjustments (Note)1	Balance sheet amount
	Japan	Americas	Europe	Asia and other areas	Total		
Net sales							
Sales to external customers	119,539	100,645	88,324	91,042	399,552	—	399,552
Inter-segment sales or transfers	69,027	574	1,452	5,420	76,475	(76,475)	—
Total	188,566	101,220	89,777	96,463	476,028	(76,475)	399,552
Segment income (Operating income/ loss(-))	-11,432	-3,313	-3,091	8,204	-9,632	841	-8,791

Notes: 1. "Adjustments" refers to elimination of all inter-segment transactions.

2. Major countries or regions in each segment:

Americas: U.S., Canada, South and Central America

Europe: Germany, France, United Kingdom, and others

Asia and other areas: China, Thailand, India, and others

II. Nine months ended December 31, 2021 (April 1, 2021 – December 31, 2021)

1. Information related to sales, income or losses, assets, liabilities and other items for individual reporting segments

(In million yen)

	Reporting segment					Adjustments (Note)1	Balance sheet amount
	Japan	Americas	Europe	Asia and other areas	Total		
Net sales							
Sales to external customers	137,908	127,582	100,901	101,733	468,126	—	468,126
Inter-segment sales or transfers	101,886	771	3,055	6,762	112,474	(112,474)	—
Total	239,794	128,354	103,956	108,495	580,600	(112,474)	468,126
Segment income (Operating income/ loss(-))	5,569	-6,902	-3,720	10,569	5,516	(2,974)	2,542

Notes: 1. "Adjustments" refers to elimination of all inter-segment transactions.

2. Major countries or regions in each segment:

Americas: U.S., Canada, South and Central America

Europe: Germany, France, United Kingdom, and others

Asia and other areas: China, Thailand, India, and others

2. Information on impairment loss of fixed assets, goodwill, etc. by reporting segment

(Important difference of the amount of goodwill)

In the "Japan" segment, the amount of goodwill was tentatively calculated for the business combination with Taira Forging Co., Ltd. that took place at the end of the first quarter of the current fiscal year because the allocation of acquisition costs had not been completed. However, as the allocation of acquisition costs was completed in the second quarter of the current fiscal year and the provisional accounting treatment was finalized, the amount of goodwill has changed from 1,667 million yen, which was provisionally calculated, to 2,143 million yen.

(Significant Subsequent Events)

None

3. Supplementary information

(1) Explanatory materials

(in million yen)

		FY2020						FY2021				
		1Q	2Q	3Q	Nine months total	4Q	Full year	1Q	2Q	3Q	Nine months total	
Consolidated operating results (Lower: Net sales ratio)	Net sales	91,929	147,292	160,330	399,552	163,294	562,847	156,623	149,172	162,329	468,126	
		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
	Operating income	-9,715	-2,607	3,531	-8,791	5,652	-3,138	1,654	-46	934	2,542	
		-10.6%	-1.8%	2.2%	-2.2%	3.5%	-0.6%	1.1%	-0.0%	0.6%	0.5%	
	Ordinary income	-9,799	-3,627	2,525	-10,901	5,158	-5,742	2,554	-852	76	1,778	
	-10.7%	-2.5%	1.6%	-2.7%	3.2%	-1.0%	1.6%	-0.6%	0.0%	0.4%		
	Extraordinary loss	-1,591	2,123	-77	454	4,031	4,486	—	-98	972	874	
		-1.7%	1.4%	-0.0%	0.1%	2.5%	0.8%	—	-0.1%	0.6%	0.2%	
	Profit attributable to owners of parent	-12,126	-2,286	1,128	-13,284	1,643	-11,641	1,184	-2,232	-459	-1,508	
		-13.2%	-1.6%	0.7%	-3.3%	1.0%	-2.1%	0.8%	-1.5%	-0.3%	-0.3%	
Net sales by region (Lower: Net sales ratio)	Japan	28,537	40,481	46,621	115,641	47,172	162,814	44,492	41,876	47,072	133,441	
		31.0%	27.5%	29.1%	28.9%	28.9%	28.9%	28.4%	28.1%	29.0%	28.5%	
	Americas	19,203	41,625	41,366	102,194	42,237	144,431	42,707	42,595	44,895	130,198	
		20.9%	28.3%	25.8%	25.6%	25.9%	25.7%	27.3%	28.6%	27.7%	27.8%	
	Europe	18,148	30,088	33,353	81,590	35,644	117,235	33,305	28,790	29,608	91,704	
	19.7%	20.4%	20.8%	20.4%	21.8%	20.8%	21.3%	19.3%	18.2%	19.6%		
	Asia and other areas	26,039	35,096	38,990	100,126	38,239	138,365	36,118	35,909	40,753	112,781	
		28.3%	23.8%	24.3%	25.1%	23.4%	24.6%	23.1%	24.1%	25.1%	24.1%	
	Total	91,929	147,292	160,330	399,552	163,294	562,847	156,623	149,172	162,329	468,126	
		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
Net sales / Operating income by location	Japan	Net sales	52,409	61,350	74,806	188,566	78,404	266,971	80,006	75,524	84,263	239,794
		Operating income	-5,137	-5,544	-750	-11,432	639	-10,792	1,512	512	3,544	5,569
		Operating margin	-9.8%	-9.0%	-1.0%	-6.1%	0.8%	-4.0%	1.9%	0.7%	4.2%	2.3%
	Americas	Net sales	18,970	41,272	40,977	101,220	41,713	142,934	42,216	42,015	44,122	128,354
		Operating income	-2,929	-514	130	-3,313	509	-2,803	-1,238	-2,795	-2,867	-6,902
		Operating margin	-15.4%	-1.2%	0.3%	-3.3%	1.2%	-2.0%	-2.9%	-6.7%	-6.5%	-5.4%
	Europe	Net sales	19,908	33,277	36,590	89,777	39,420	129,197	37,496	33,011	33,448	103,956
		Operating income	-2,980	-215	103	-3,091	663	-2,427	-304	-886	-2,528	-3,720
		Operating margin	-15.0%	-0.6%	0.3%	-3.4%	1.7%	-1.9%	-0.8%	-2.7%	-7.6%	-3.6%
	Asia and other areas	Net sales	25,126	33,653	37,683	96,463	36,956	133,419	34,234	34,485	39,775	108,495
		Operating income	1,188	2,809	4,206	8,204	4,101	12,305	3,941	3,046	3,581	10,569
		Operating margin	4.7%	8.3%	11.2%	8.5%	11.1%	9.2%	11.5%	8.8%	9.0%	9.7%
	Deletion	Net sales	-24,486	-22,262	-29,726	-76,475	-33,200	-109,676	-37,330	-35,864	-39,279	-112,474
		Operating income	143	857	-158	841	-262	579	-2,256	77	-795	-2,974
	Total	Net sales	91,929	147,292	160,330	399,552	163,294	562,847	156,623	149,172	162,329	468,126
Operating income		-9,715	-2,607	3,531	-8,791	5,652	-3,138	1,654	-46	934	2,542	
Operating margin		-10.6%	-1.8%	2.2%	-2.2%	3.5%	-0.6%	1.1%	-0.0%	0.6%	0.5%	

(in million yen)

			FY2020					FY2021				
			1Q	2Q	3Q	Nine months total	4Q	Full year	1Q	2Q	3Q	Nine months total
Net sales / Operating income by business application	Aftermarket	Net sales	19,552	23,311	23,895	66,758	24,733	91,492	26,981	27,107	27,980	82,069
		Operating income	755	1,515	3,266	5,537	3,366	8,904	3,415	3,453	3,675	10,544
		Operating margin	3.9%	6.5%	13.7%	8.3%	13.6%	9.7%	12.7%	12.7%	13.1%	12.8%
	Industrial machinery	Net sales	22,637	24,236	24,874	71,748	30,104	101,853	30,701	30,388	31,290	92,381
		Operating income	-853	-510	47	-1,316	1,671	354	465	919	1,323	2,708
		Operating margin	-3.8%	-2.1%	0.2%	-1.8%	5.6%	0.3%	1.5%	3.0%	4.2%	2.9%
	Automotive	Net sales	49,739	99,744	111,560	261,044	108,457	369,501	98,941	91,675	103,058	293,675
		Operating income	-9,618	-3,612	218	-13,012	614	-12,397	-2,226	-4,419	-4,064	-10,710
		Operating margin	-19.3%	-3.6%	0.2%	-5.0%	0.6%	-3.4%	-2.3%	-4.8%	-3.9%	-3.6%
	Total	Net sales	91,929	147,292	160,330	399,552	163,294	562,847	156,623	149,172	162,329	468,126
		Operating income	-9,715	-2,607	3,532	-8,791	5,652	-3,138	1,654	-46	934	2,542
		Operating margin	-10.6%	-1.8%	2.2%	-2.2%	3.5%	-0.6%	1.1%	-0.0%	0.6%	0.5%
Capital expenditures / Depreciation and amortization	Capital expenditures		7,346	6,163	3,526	17,036	6,781	23,817	4,105	3,993	4,194	12,293
	Depreciation and amortization	Domestic	2,769	3,220	3,431	9,421	3,454	12,875	3,456	3,608	3,569	10,634
		Overseas	5,523	5,669	5,659	16,853	5,749	22,602	5,584	5,810	5,872	17,267
	Total		8,293	8,889	9,091	26,274	9,204	35,478	9,040	9,418	9,442	27,901
R&D expenditures			4,471	4,066	4,231	12,769	4,716	17,485	4,502	4,149	4,426	13,078
Ratio of R&D expenditures to net sales			4.9%	2.8%	2.6%	3.2%	2.9%	3.1%	2.9%	2.8%	2.7%	2.8%
Inventories			192,786	174,993	171,207	171,207	176,847	176,847	191,351	201,507	207,123	207,123
Inventory turnover ratio (times)			1.9	3.4	3.7	3.1	3.7	3.2	3.3	3.0	3.1	3.0
Interest-bearing debts	Loans		361,478	367,138	353,965	353,965	342,803	342,803	328,714	322,418	318,513	318,513
	Bonds		30,000	30,000	30,000	30,000	80,000	80,000	80,000	80,000	80,000	80,000
	Total		391,478	397,138	383,965	383,965	422,803	422,803	408,714	402,418	398,513	398,513
Major management indicators	Ordinary income ratio to total assets		-5.2%	-1.9%	1.3%	-1.9%	2.6%	-0.7%	1.2%	-0.4%	0.0%	0.3%
	Return on assets (ROA)		-6.4%	-1.2%	0.6%	-2.3%	0.8%	-1.5%	0.6%	-1.1%	-0.2%	-0.2%
	Return on equity (ROE)		-31.9%	-6.2%	3.0%	-11.4%	4.1%	-7.1%	2.7%	-5.2%	-1.1%	-1.2%
	Shareholder's equity ratio		19.7%	19.6%	20.1%	20.1%	20.4%	20.4%	20.8%	20.8%	21.5%	21.5%
	Net assets per share (yen)		278.27	277.24	288.79	288.79	321.04	321.04	328.44	323.90	335.61	335.61
	Net income per share (yen)		-22.83	-4.31	2.13	-25.01	3.09	-21.92	2.23	-4.21	-0.87	-2.84
Employees	Domestic (persons)		8,878	8,833	8,823	8,823	8,735	8,735	8,837	8,737	8,694	8,694
	Overseas (persons)		14,943	14,712	14,690	14,690	14,557	14,557	14,485	14,502	14,494	14,494
	Total (persons)		23,821	23,545	23,513	23,513	23,292	23,292	23,322	23,239	23,188	23,188
Exchange rates At term end	Average	Dollar (yen)	107.53	106.16	104.50	106.06	105.83	106.01	109.44	110.08	113.67	111.06
		Euro (yen)	118.37	124.09	124.54	122.33	127.63	123.66	131.89	129.79	130.04	130.57
	At term end	Dollar (yen)	107.58	105.66	103.19	103.19	110.36	110.36	110.58	111.97	115.10	115.10
		Euro (yen)	120.93	124.06	126.92	126.92	129.32	129.32	131.55	129.85	130.35	130.35