

Financial Results for the Six Months Ended September 30, 2021
[Japanese Accounting Standards] (Consolidated)
(Unaudited)

October 29, 2021

NTN Corporation

Security Code: 6472

Listings: Tokyo Stock Exchanges

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Scheduled submission date of quarterly financial statements: November 4, 2021

Scheduled commencement date of dividend payment: -

Supplementary material of the financial results: Prepared

Investor meeting: Scheduled

1. Consolidated financial results for the six months ended September 30, 2021
(April 1, 2021 to September 30, 2021)

(Amounts rounded down to the nearest million yen)

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

(1) Operating Results

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Six months ended September 30, 2021	305,796	27.8	1,608	—	1,702	—	-1,048	—
Six months ended September 30, 2020	239,221	-28.5	-12,323	—	-13,426	—	-14,413	—

Note: comprehensive income: Six months ended September 30, 2021 : 2,614 million yen (-%)
Six months ended September 30, 2020 : -8,028 million yen (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended September 30, 2021	-1.97	—
Six months ended September 30, 2020	-27.14	—

(2) Financial position

	Total assets	Net assets	Shareholders' equity ratio
	million yen	million yen	%
Six months ended September 30, 2021	826,796	189,465	20.8
Year ended March 31, 2021	836,563	183,751	20.4

Note: Shareholders' equity Six months ended September 30, 2021 : 171,947 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, 2022 (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: Yes
Please refer to "Notice Regarding Difference between Forecast and Actual Results of Consolidated Earnings for the First Half of Fiscal Year Ending March 31, 2022 and Revised Full-year Earnings Forecast" issued on October 29, 2021.

* 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 six months" on page 5 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):

Six months ended September 30, 2021: 532,463,527 shares
Year ended March 31, 2021: 532,463,527 shares

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

Six months ended September 30, 2021: 1,598,874 shares
Year ended March 31, 2021: 1,299,641 shares

3) Average number of shares outstanding during the quarter:

Six months ended September 30, 2021: 531,081,819 shares
Six months ended September 30, 2020: 531,155,544 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.

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1. Qualitative information of consolidated financial statements for six months ended September 30, 2021

(1) Explanation regarding consolidated operating results

Regarding the global economy in the first half of the current fiscal year (from April 1, 2021 to September 30, 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 the Chinese economy, and the economy of other emerging countries in Asia and others continued to recover. On the other hand, the economy in South East Asia countries 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 second quarter drastically increased compared to the same period of the previous fiscal year when the situation was severe and amounted to 305,796 million yen (up 27.8% year on year). Regarding profit and loss, even though there was a rise of the steel price, operating income was 1,608 million yen (loss of 12,323 million yen in the same period of the previous fiscal year), ordinary income was 1,702 million yen (loss of 13,426 million yen in the same period of the previous fiscal year), and profit attributable to owners of parent was 1,048 million yen (loss attributable to owners of parent of 14,413 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 155,530 million yen (up 36.7% year on year). Segment income was 2,025 million yen (loss of 10,682 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 84,231 million yen (up 39.8% year on year). Despite an increase in sales volume and other factors, segment loss was 4,034 million yen (loss of 3,444 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 70,508 million yen (up 32.6% year on year). Despite an increase in sales volume and other factors, segment income was of 1,191 million yen (loss of 3,195 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 68,719 million yen (up 16.9% year on year). Segment income was 6,987 million yen (up 74.8% 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 54,088 million yen (up 26.2% year on year). Operating income was 6,869 million yen (up 202.6% year on year) due to an increase in sales volume and other factors.

(2) Industrial machinery applications

Net sales amounted to 61,090 million yen (up 30.3% year on year) due to increased sales of construction machinery and agricultural machinery. Operating income amounted to 1,385 million yen (operating loss of 1,363 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 190,616 million yen (up 27.5% 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 6,646 million yen (operating loss of 13,230 million yen in the same period of the previous fiscal year) due to more increase in fixed cost and decrease in the production of customers and other factors.

(2) Explanation regarding consolidated financial position

(Assets, Liabilities, and Net assets)

Current assets decreased 9,372 million yen (down 1.9%) from the previous consolidated fiscal year and ended to 476,384 million yen. This was mainly due to decrease of 20,799 million yen in cash and bank deposits, decrease of 11,607 million yen in notes and accounts receivable-trade, increase of 10,254 million yen in raw materials and supplies, increase of 7,897 million yen in finished goods & purchased goods and increase of 6,510 million yen in work in process. Fixed assets decreased 395 million yen (down 0.1 %) from the previous consolidated fiscal year and amounted to 350,411 million yen. This was mainly due to decrease of 2,913 million yen in investment securities, decrease of 1,577 million yen in tangible asset, increase of 3,877 million yen in intangible asset. As a result, total assets decreased 9,767 million yen (down 1.2%) from the previous consolidated fiscal year and amounted to 826,796 million yen.

Current liabilities increased 3,168 million yen (up 1.1%) from the previous consolidated fiscal year and amounted to 295,514 million yen. This was mainly due to an increase of 5,054 million yen in accrued expenses and other increase, decrease of 1,675 million yen of notes and accounts payable-trade. Long-term liabilities decreased 18,650 million yen (down 5.2 %) from the previous consolidated fiscal year and amounted to 341,816 million yen. This was mainly due to a decrease of 20,601 million yen in long-term loans. As a result, total liabilities decreased 15,482 million yen (down 2.4%) from the previous consolidated fiscal year and amounted to 637,330 million yen.

Total net assets increased 5,714 million yen (up 3.1%) from the previous consolidated fiscal year and amounted to 189,465 million yen. This was mainly due to an increase of 4,293 million yen in holding gains or loss on securities.

(Cash flows)

Net cash provided by operating activities was 10,129 million yen (expense of 12,450 million yen in the same period of the previous fiscal year). This was mainly due to proceeds of 18,459 million yen of depreciation and amortization, a decrease of 12,541 million yen in trade receivables, an increase of 22,816 million yen in inventories.

Net cash used in investing activities was 9,023 million yen (6,278 million yen in the same period of the previous fiscal year, down 41.0%). This was mainly due to the expense of 7,260 million yen in acquisition of tangible asset and the expense of 2,748 million yen in acquisition of intangible asset.

Net cash used in financing activities was 22,784 million yen (proceeds of 35,911 million yen in the same period of the previous fiscal year). This was mainly due to the expense of 25,654 million yen in long-term loans.

After adding a decrease of 91 million yen of translation adjustments, cash and cash equivalents at the end of the first half of the fiscal year under review was 125,479 million yen, a decrease of 21,769 million yen (down 14.8%) from the end of the previous consolidated fiscal year.

2. Consolidated financial statements for the six months
(1) Balance sheets

(In million yen)

	As of March 31, 2021	As of September 30, 2021
Assets		
Current assets		
Cash and bank deposits	154,969	134,170
Notes and accounts receivable-trade	116,604	104,997
Electronically-recorded monetary claims	4,996	5,319
Finished goods & purchased goods	91,848	99,745
Work in process	48,600	55,110
Raw materials and supplies	36,397	46,651
Short-term loans receivable	68	52
Other	33,282	31,395
Allowance for doubtful accounts	-1,011	-1,058
Total current assets	485,756	476,384
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	87,314	86,449
Machinery, equipment and vehicles, net	112,164	115,159
Other, net	60,965	57,257
Total property, plant and equipment	260,443	258,866
Intangible fixed assets		
Goodwill	—	2,090
Other	40,363	42,149
Total intangible fixed assets	40,363	44,240
Investments and other assets		
Investment securities	43,836	40,923
Deferred tax assets	2,437	2,048
Other	3,938	4,536
Allowance for doubtful accounts	-213	-203
Total investments and other assets	49,999	47,304
Total fixed assets	350,806	350,411
Total assets	836,563	826,796

(In million yen)

	As of March 31, 2021	As of September 30, 2021
Liabilities		
Current liabilities		
Notes and accounts payable-trade	55,468	53,793
Electronically-recorded monetary claims	62,815	62,153
Short-term loans	121,836	122,051
Accrued income taxes	2,125	2,379
Accrued bonuses for directors and statutory auditors	36	17
Other	50,064	55,118
Total current liabilities	292,346	295,514
Long-term liabilities		
Bonds	80,000	80,000
Long-term loans	220,967	200,366
Reserve for product defect compensation	1,082	390
Liabilities for retirement benefits	39,920	40,767
Other	18,495	20,291
Total long-term liabilities	360,466	341,816
Total liabilities	652,812	637,330
Net assets		
Shareholders' equity		
Common stock	54,346	54,346
Additional paid-in capital	67,970	67,970
Retained earnings	52,786	51,738
Treasury stock	-782	-866
Total shareholders' equity	174,321	173,189
Accumulated other comprehensive income		
Net unrealized holding gain on other securities	8,646	8,650
Translation adjustments	-6,865	-4,763
Accrued retirement benefits adjustments	-5,575	-5,128
Total accumulated other comprehensive income	-3,794	-1,241
Non-controlling shareholders' equity	13,224	17,517
Total net assets	183,751	189,465
Total liabilities and net assets	836,563	826,796

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

(In million yen)

	Six months ended September 30, 2020 (April 1, 2020 – September 30, 2020)	Six months ended September 30, 2021 (April 1, 2021 – September 30, 2021)
Net sales	239,221	305,796
Cost of sales	209,156	254,825
Gross profit	30,064	50,970
Selling, general and administrative expenses	42,387	49,362
Operating income/loss (-)	-12,323	1,608
Non-operating income		
Interest income	403	435
Dividend income	360	390
Equity in earnings of unconsolidated subsidiaries	—	497
Derivative transaction gains	—	956
Foreign exchange gains	780	—
Other	1,557	1,525
Total non-operating income	3,102	3,805
Non-operating expenses		
Interest expenses	1,660	2,187
Equity in loss of non-consolidated subsidiaries	80	—
Foreign exchange losses	—	465
Derivative transaction losses	1,286	—
Other	1,178	1,058
Total non-operating expenses	4,205	3,711
Ordinary income/loss (-)	-13,426	1,702
Extraordinary income		
Proceeds from subsidy	1 3,936	—
Total extraordinary income	3,936	—
Extraordinary losses		
Special factory operating loss	2 3,328	—
Loss related to Anti-Monopoly Act	3 76	3 98
Total extraordinary losses	3,404	98
Income/loss (-) before income taxes and equity in earnings of affiliated companies	-12,894	1,603
Income and other taxes	881	1,881
Net income/loss (-)	-13,775	-277
Profit attributable to non-controlling shareholders	637	770
Profit/loss (-) attributable to owners of parent	-14,413	-1,048

(Consolidated statement of comprehensive income)

(In million yen)

	Six months ended September 30, 2020 <small>(April 1, 2020 – September 30, 2020)</small>	Six months ended September 30, 2021 <small>(April 1, 2021 – September 30, 2021)</small>
Net income/loss (-)	-13,775	-277
Other comprehensive income		
Net unrealized holding gain on other securities	3,263	8
Translation adjustments	3,169	1,446
Accrued retirement benefits adjustments	555	456
Equity in equity-method affiliates	-1,241	980
Total other comprehensive income	5,747	2,891
Comprehensive income	-8,028	2,614
(breakdown)		
Comprehensive income attributable to owners of parent company	-8,894	1,504
Comprehensive income related to non-controlling shareholders	865	1,110

(3) Statements of cash flows

(In million yen)

	Six months ended September 30, 2020 <small>(April 1, 2020 – September 30, 2020)</small>	Six months ended September 30, 2021 <small>(April 1, 2021 – September 30, 2021)</small>
Net cash provided by operating activities		
Income/loss (-) before income taxes and equity in earnings of affiliated companies	-12,894	1,603
Depreciation and amortization	17,182	18,459
Goodwill depreciation	—	53
Proceeds from subsidy	-3,936	—
Special factory operating loss	3,328	—
Loss related to Anti-Monopoly Act	76	98
Increase/decrease (-) in allowance for doubtful accounts	-32	29
Increase/decrease (-) in accrued retirement benefits for directors and statutory auditor:	25	-19
Increase/decrease (-) in reserve for product defect compensation	-125	-689
Increase/decrease (-) in liabilities in retirement benefits	-88	1,344
Interest and dividend income	-764	-825
Interest expenses	1,660	2,187
Foreign currency translation adjustments / foreign exchange losses/gains (-)	-1,285	519
Loss or gain (-) on derivative transactions	1,286	-956
Equity in earnings (-) /loss of non-consolidated subsidiaries	80	-497
Decrease (-) / increase in trade receivables	1,235	12,541
Decrease (-) / increase in inventories	9,308	-22,816
Increase/decrease (-) in trade payables	-32,846	-3,114
Other	5,720	4,346
Subtotal	-12,068	12,264
Interest and dividend income received	1,123	1,110
Interest paid	-1,612	-2,184
Subsidies received	3,346	—
Payment of special factory operating loss	-2,466	—
Loss related to Anti-Monopoly Act	-76	-192
Income taxes paid	-695	-868
Net cash provided by operating activities	-12,450	10,129
Net cash used in investing activities		
Increase in time deposits	-1,598	-988
Decrease in time deposits	305	237
Purchases of property, plant and equipment	-12,966	-7,260
Purchase of intangible fixed assets	-3,865	-2,748
Proceeds from purchase of subsidiaries' stock resulting in change in scope of consolidation	—	1,200
Decrease/increase (-) in short-term loans receivable, net	2,602	16
Other	221	519
Net cash used in investing activities	-15,301	-9,023
Net cash provided by financing activities		
Increase/decrease (-) in short-term loans, net	-623	-2,903
Proceeds from long-term loans	52,395	6,967
Repayment of long-term loans	-17,339	-25,654
Repayment of lease payable	-734	-988
Proceeds from sale and leaseback	2,288	—
Other	5	-205
Net cash provided by financing activities	35,991	-22,784
Effect of exchange rate changes on cash and cash equivalents	307	-91
Increase/decrease (-) in cash and cash equivalents	8,546	-21,769
Cash and cash equivalents at beginning of the year	71,165	147,249
Cash and cash equivalents, at end of the quarter	79,711	125,479

(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 first half of the current fiscal year decreased by 1,925 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	Six months ended September 30, 2021
PT. Astra NTN Driveshaft Indonesia	448 million yen	633 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). In addition, a lawsuit has been filed against the Company and its two consolidated subsidiaries in Europe before the United Kingdom Commercial Court by Fiat Chrysler Automobiles N.V. and its group companies, which are seven in total (hereafter, “FCA”), seeking compensation for damages. This lawsuit was transferred to the United Kingdom Competition Appeal Tribunal on July 14, 2020.

These lawsuits were filed by Renault and FCA 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.

(Notes related to quarterly consolidated statement)

- *1 3,936 million yen in proceeds from subsidy was recorded as an extraordinary income in the first half of the 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.
- *2 During the first half of the fiscal year under review, we recorded 3,328 million yen of special factory operating loss as extraordinary loss. This was the amount of fixed cost during the shutdown of the Company and its subsidiaries by obeying instruction and request from each country's government due to the effect of the worldwide spread of the new coronavirus. (Notes to balance sheet)
- *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 98 million yen in the current consolidated fiscal year ended September 30, 2021 and 76 million yen in the previous consolidated fiscal year ended September 30, 2020 as Loss related to Anti-Monopoly Act in Extraordinary Losses

(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 six months ended September 30, 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. Six months ended September 30, 2020 (April 1, 2020 – September 30, 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	71,610	59,834	52,385	55,390	239,221	—	239,221
Inter-segment sales or transfers	42,149	408	801	3,389	46,748	(46,748)	—
Total	113,760	60,242	53,186	58,780	285,970	(46,748)	239,221
Segment income (Operating income/loss(-))	-10,682	-3,444	-3,195	3,998	-13,323	1,000	-12,323

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. Six months ended September 30, 2021 (April 1, 2021 – September 30, 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	89,180	83,740	68,235	64,639	305,796	—	305,796
Inter-segment sales or transfers	66,350	491	2,273	4,080	73,194	(73,194)	—
Total	155,530	84,231	70,508	68,719	378,991	(73,194)	305,796
Segment income (Operating income/loss(-))	2,025	-4,034	-1,191	6,987	3,786	(2,178)	1,608

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 segment of Japan, the company acquired additionally the stock of the Taira Forging Co., Ltd., the equity-method affiliates of the company and made it a subsidiary. The increase of the goodwill due to this change was 1,667 million yen. The amount of goodwill is the estimated amount because the distribution of the acquisition of original prices is not completed in the first quarter under review.

(Significant Subsequent Events)

None

3. Supplementary information

(1) Explanatory materials

(in million yen)

		FY2019		FY2020		FY2021	
		1st Half	Full year	1st Half	Full year	1st Half	
Consolidated operating results (Lower: Net sales ratio)	Net Sales	334,692	651,956	239,221	562,847	305,796	
		100.0%	100.0%	100.0%	100.0%	100.0%	
	Operating income	4,684	7,517	-12,323	-3,138	1,608	
		1.4%	1.2%	-5.2%	-0.6%	0.5%	
	Ordinary income	2,833	-1,698	-13,426	-5,742	1,702	
		0.8%	-0.3%	-5.6%	-1.0%	0.6%	
	Extraordinary loss	-687	-32,251	532	4,486	-98	
		-0.2%	-4.9%	0.2%	0.8%	-0.0%	
	Profit attributable to owners of parent	1,134	-43,992	-14,413	-11,641	-1,048	
		0.3%	-6.7%	-6.0%	-2.1%	-0.3%	
Net sales by region (Lower: Net sales ratio)	Japan	100,161	198,100	69,019	162,814	86,369	
		29.9%	30.4%	28.9%	28.9%	28.2%	
	Americas	90,625	174,308	60,828	144,431	85,302	
		27.1%	26.7%	25.4%	25.7%	27.9%	
	Europe	72,208	140,839	48,237	117,235	62,096	
		21.6%	21.6%	20.2%	20.8%	20.3%	
	Asia and other areas	71,696	138,707	61,136	138,365	72,027	
		21.4%	21.3%	25.6%	24.6%	23.6%	
	Total	334,692	651,956	239,221	562,847	305,796	
		100.0%	100.0%	100.0%	100.0%	100.0%	
Net sales / Operating income by location	Japan	Net sales	169,908	332,517	113,760	266,971	155,530
		Operating income	13	2,138	-10,682	-10,792	2,025
		Operating margin	0.0%	0.6%	-9.4%	-4.0%	1.3%
	Americas	Net sales	88,837	171,072	60,242	142,934	84,231
		Operating income	-2,011	-6,438	-3,444	-2,803	-4,034
		Operating margin	-2.3%	-3.8%	-5.7%	-2.0%	-4.8%
	Europe	Net sales	79,679	155,651	53,186	129,197	70,508
		Operating income	-108	413	-3,195	-2,427	-1,191
		Operating margin	-0.1%	0.3%	-6.0%	-1.9%	-1.7%
	Asia and other areas	Net sales	70,120	134,929	58,780	133,419	68,719
		Operating income	6,409	11,418	3,998	12,305	6,987
		Operating margin	9.1%	8.5%	6.8%	9.2%	10.2%
	Deletion	Net sales	-73,853	-142,214	-46,748	-109,676	-73,194
		Operating income	380	-14	1,000	579	-2,178
	Total	Net sales	334,692	651,956	239,221	562,847	305,796
		Operating income	4,684	7,517	-12,323	-3,138	1,608
		Operating margin	1.4%	1.2%	-5.2%	-0.6%	0.5%

(in million yen)

			FY2019		FY2020		FY2021	
			1st Half	Full year	1st Half	Full year	1st Half	
Net sales / Operating income by business applications	Aftermarket	Net sales	55,997	109,428	42,863	91,492	54,088	
		Operating income	6,661	12,750	2,270	8,904	6,869	
		Operating margin	11.9%	11.7%	5.3%	9.7%	12.7%	
	Industrial machinery	Net sales	53,951	105,210	46,874	101,853	61,090	
		Operating income	-1,081	-1,863	-1,363	354	1,385	
		Operating margin	-2.0%	-1.8%	-2.9%	0.3%	2.3%	
	Automotive	Net sales	224,742	437,317	149,483	369,501	190,616	
		Operating income	-895	-3,369	-13,230	-12,397	-6,646	
		Operating margin	-0.4%	-0.8%	-8.9%	-3.4%	-3.5%	
	Total	Net sales	334,692	651,956	239,221	562,847	305,796	
		Operating income	4,684	7,517	-12,323	-3,138	1,608	
		Operating margin	1.4%	1.2%	-5.2%	-0.6%	0.5%	
Capital expenditures /Depreciation and amortization	Capital expenditures		33,835	57,675	13,509	23,817	8,098	
	Depreciation and amortization	Domestic	6,521	13,424	5,989	12,875	7,064	
		Overseas	11,799	23,882	11,193	22,602	11,394	
	Total		18,321	37,306	17,182	35,478	18,459	
R&D expenditures			10,249	19,961	8,537	17,485	8,651	
Ratio of R&D expenditures to net sales			3.1%	3.1%	3.6%	3.1%	2.8%	
Inventories			192,909	182,923	174,993	176,847	201,507	
Inventory turnover ratio (times)			3.5	3.6	2.7	3.2	3.0	
Interest- bearing debts	Loans		318,754	332,416	367,138	342,803	322,418	
	Bonds		30,000	30,000	30,000	80,000	80,000	
	Total		348,754	362,416	397,138	422,803	402,418	
Major management indicators	Ordinary income ratio to total assets		0.7%	-0.2%	-3.6%	-0.7%	0.4%	
	Return on assets (ROA)		0.3%	-5.5%	-3.8%	-1.5%	-0.3%	
	Return on equity (ROE)		1.0%	-22.8%	-19.0%	-7.1%	-1.2%	
	Shareholder's equity ratio		26.3%	20.6%	19.6%	20.4%	20.8%	
	Net assets per share (yen)		406.74	294.00	277.24	321.04	323.90	
	Net income per share (yen)		2.14	-82.83	-27.14	-21.92	-1.97	
Employees	Domestic	(persons)	8,830	8,718	8,833	8,735	8,737	
	Overseas	(persons)	15,902	15,481	14,712	14,557	14,502	
	Total	(persons)	24,732	24,199	23,545	23,292	23,239	
Exchange rates	Average	Dollar	(yen)	108.61	108.73	106.85	106.01	109.76
		Euro	(yen)	121.43	120.84	121.23	123.66	130.84
	At term end	Dollar	(yen)	107.99	107.85	105.66	110.36	111.97
		Euro	(yen)	118.16	119.13	124.06	129.32	129.85