

Translation

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Summary of Consolidated Financial Results for the Year Ended March 31, 2023 (Based on Japanese GAAP)

May 12, 2023

Company name: PUNCH INDUSTRY CO., LTD.
 Stock exchange listing: Tokyo
 Stock code: 6165 URL <http://www.punch.co.jp/ir/>
 Representative: Chief Executive Officer Tetsuji Morikubo
 Inquiries: Chief Financial Officer Takao Murata TEL 03-5753-3130
 Scheduled date of ordinary general meeting of shareholders: June 22, 2023
 Scheduled date to file Securities Report: June 23, 2023
 Scheduled date to commence dividend payments: June 23, 2023
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2023	42,799	8.7	2,436	(19.9)	2,394	(20.4)	1,390	(31.9)
Year ended March 31, 2022	39,358	21.2	3,041	88.5	3,007	79.4	2,040	327.2

Note: Comprehensive income Year ended March 31, 2023: ¥2,137 million [(45.0%)]

Year ended March 31, 2022: ¥3,889 million [431.6%]

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended March 31, 2023	60.58	60.15	7.9	8.1	5.7
Year ended March 31, 2022	93.36	84.36	14.2	11.2	7.7

Note: Share of profit (loss) of entities accounted for using equity method Year ended March 31, 2023: ¥- million

Year ended March 31, 2022: ¥- million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2023	30,455	19,052	62.4	778.02
As of March 31, 2022	28,774	16,307	56.5	737.40

Note: Equity As of March 31, 2023: ¥19,007 million

As of March 31, 2022: ¥16,264 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2023	2,560	(1,546)	(756)	5,212
Year ended March 31, 2022	2,941	(1,099)	(1,600)	4,669

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2022	—	4.00	—	9.00	13.00	285	13.9	2.0
Year ended March 31, 2023	—	6.50	—	13.00	19.50	465	32.2	2.6
Year ending March 31, 2024 (Forecast)	—	10.00	—	10.30	20.30		62.0	

3. Forecast of consolidated financial results for the year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2023	20,300	(6.3)	810	(47.3)	800	(47.5)	120	(86.8)	4.91
Full year	42,000	(1.9)	2,150	(11.8)	2,100	(12.3)	800	(42.5)	32.75

Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2023

(changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations: No

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

Restatement of prior period financial statements: No

(3) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2023	24,622,400 shares	As of March 31, 2022	22,332,400 shares
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Number of treasury shares at the end of the period

As of March 31, 2023	191,339 shares	As of March 31, 2022	275,868 shares
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Average number of shares during the period

Year ended March 31, 2023	22,947,817 shares	Year ended March 31, 2022	21,858,118 shares
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(Reference) Overview of non-consolidated financial results

Non-consolidated financial results for the year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(1) Non-consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2023	14,777	(2.1)	(55)	—	1,883	(28.1)	1,439	(35.4)
Year ended March 31, 2022	15,092	14.0	45	—	2,618	168.9	2,228	—

	Earnings per share	Diluted earnings per share
	Yen	Yen
Year ended March 31, 2023	62.74	62.29
Year ended March 31, 2022	101.93	92.10

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2023	14,902	7,908	52.9	322.84
As of March 31, 2022	14,235	5,860	41.0	264.54

Reference: Equity As of March 31, 2023: ¥7,887 million

As of March 31, 2022: ¥5,834 million

* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

* Appropriate use of financial forecasts; other special items

(Caution concerning forward-looking statements)

Forward-looking statements provided in this document, including financial forecasts, are based on the information currently available to the Company and certain assumptions considered reasonable. Such statements are included without any guarantee as to their future achievement. Actual results, etc. may differ materially from the forecasts depending on various factors. For the related matters concerning the financial forecasts, please refer to “1. Overview of Operating Results, Etc., (4) Future prospects” on page 3 of the attached material.

(The Financial Results Briefing)

The Company has scheduled an online briefing for institutional investors and analysts on Friday, May 19, 2023.

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1. Overview of Operating Results, Etc.

(1) Overview of operating results for the period

The global economy during the current fiscal year showed signs of an improving trend in economic activity resulting from the progress in the balance of the measures against the novel coronavirus disease (hereinafter COVID-19) and economic activity. On the other hand, in addition to heightened geopolitical risks, the price hikes in raw materials and resources, including energy prices, became even more severe. The outlook remained even more uncertain due to bank failures in the U.S. and financial instability in Europe, in addition to the global shortage of parts and materials.

In such an environment, the Group has set the following statement as the Company's "ideal state" in its three-year mid-term business plan "Value Creation (VC) 2024" that had started in April 2022: always being the "customer's first choice" with automation and labor-saving demand as the new growth engine. To address the unachieved issues of the previous mid-term business plan and to increase corporate value, the Company has identified "Expansion of new and existing businesses," "Strengthening the production system," and "Strengthening R&D" as the three priority initiatives, and pursues "DX promotion," "Financial strategy," and "Sustainability" to strengthen the management foundations that will support the pursuit of the initiatives. In October 2022, the Company acquired all shares of ASCE CO., LTD., which is engaged in FA equipment design and manufacturing, and made it a subsidiary, thereby working to "expand new and existing businesses." Additionally, in January 2023, the Company reviewed its basic capital and shareholder return policies as its "financial strategy."

Turning to operating results, sales in all regions surpassed those of the previous year due to the foreign exchange effects of a weaker yen in addition to handling both COVID-19 and economic activity. Regarding the fiscal year ends for the Group, the Company, Pintech, and India Punch's fiscal year ends are March. On the other hand, the other group companies, except for these companies, fiscal year ends are mainly December, and the results from January to December 2022 will be the consolidated financial results for the fiscal year under review.

Net sales amounted to ¥14,104 million (up 0.6% year on year) for Japan; ¥23,451 million (up 11.9% year on year) for China; ¥1,966 million (up 13.0% year on year) for Southeast Asia; and ¥3,277 million (up 24.1% year on year) for Europe and the United States. This brought consolidated net sales to ¥42,799 million (up 8.7% year on year).

By industry, the results were ¥18,082 million (up 10.0% year on year) for automobile; ¥7,866 million (down 2.2% year on year) for electronic devices & semiconductors; ¥4,312 million (up 2.9% year on year) for consumer electronics & precision equipment; and ¥12,538 million (up 17.4% year on year) for other.

As for profits, there were some events, including the effects of worsening cost ratio due to higher purchase costs, etc., which exceeded price pass-through to products; and deterioration in the profitability of overseas subsidiaries due to exchange rate fluctuations. Operating profit was ¥2,436 million (down 19.9% year on year); ordinary profit was ¥2,394 million (down 20.4% year on year); and profit attributable to owners of parent was ¥1,390 million (down 31.9% year on year).

As for capital efficiency, return on equity (ROE) was 7.9% (14.2% in the previous year) and return on invested capital (ROIC) was 8.1% (11.4% in the previous year). Both were below the target (10% or higher).

(2) Overview of financial position for the period

Assets

Total assets as of the end of the current fiscal year amounted to ¥30,455 million, an increase of ¥1,681 million compared with the end of the previous fiscal year. This was mainly due to an increase of trade receivables and inventories.

Liabilities

Total liabilities amounted to ¥11,403 million, a decrease of ¥1,063 million compared with the end of the previous fiscal year. This was mainly due to a decrease of borrowings.

Net Assets

Total net assets amounted to ¥19,052 million, an increase of ¥2,745 million compared with the end of the previous fiscal year. This was mainly due to an increase of retained earnings as a result of recording profit attributable to owners of parent and an increase of foreign currency translation adjustment.

(3) Overview of cash flows for the period

Cash and cash equivalents as of the end of the current fiscal year increased by ¥543 million compared to the end of the previous fiscal year and amounted to ¥5,212 million.

Cash flows from operating activities

Net cash provided by operating activities for the current fiscal year amounted to ¥2,560 million (compared to ¥2,941 million provided for the previous fiscal year).

This was mainly due to profit before income taxes of ¥2,075 million and non-cash items such as impairment losses of ¥297 million and depreciation of ¥1,130 million, as well as a decrease of accounts payable - other, and accrued expenses by ¥276 million and income taxes paid of ¥736 million.

Cash flows from investing activities

Net cash used in investing activities for the current fiscal year amounted to ¥1,546 million (compared to ¥1,099 million used for the previous fiscal year).

This was mainly due to purchase of property, plant and equipment of ¥1,138 million.

Cash flows from financing activities

Net cash used in financing activities for the current fiscal year amounted to ¥756 million (compared to ¥1,600 million used for the previous fiscal year.)

This was mainly due to net decrease of short-term borrowings of ¥667 million, repayments of long-term borrowings of ¥798 million, and proceeds from issuance of shares of ¥918 million.

(4) Future prospects

Market conditions are in a downtrend against the backdrop of heightened global geopolitical risks, surging raw material and resource prices, and parts shortages. The Company recognizes that a reasonable amount of time is needed to move toward a cycle of economic expansion. In addition, the Company continues to face price increases for purchased goods and increases in utilities and other costs. It is also expected to incur impairment losses in its Japan operations. As a result, the Company has been forced to delay its mid-term business plan, “VC2024,” significantly.

After incorporating the above deterioration in the business environment, the Company forecasts net sales of ¥42,000 million (a decrease of 1.9% year on year); operating profit of ¥2,150 million (a decrease of 11.8% year on year); ordinary profit of ¥2,100 million (a decrease of 12.3% year on year); and profit attributable to owners of parent of ¥800 million (a decrease of 42.5% year on year).

Capital efficiency is also expected to deteriorate from the previous year, with return on equity (ROE) and return on invested capital (ROIC) forecasted to be 4.2% and 6.9%, respectively.

In addition to recovering from the delays to date, the Company believes that it is necessary to brush up its plan, including a new growth strategy for the future. The Company will concentrate its management resources on brushing up “VC2024” and its implementation, and will make every effort to recover its business performance rapidly.

The details of the brush-up of “VC2024” will be disclosed as soon as they are determined.

The foregoing forecast of financial results have been prepared based on information currently obtainable by the Company as of the publication date of this document, and actual financial performance may differ from the forecast values due to various factors that arise.

2. Basic Policy Regarding Selection of Accounting Standards

The Group prepares its consolidated financial statements based on Japanese GAAP. The Company is considering the voluntary adoption of International Financial Reporting Standards (IFRS), but the adoption date is yet to be determined. The appropriate decision will be made by taking into account the coming state of affairs in Japan and the globe.

3. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated balance sheets

	(Thousands of yen)	
	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	4,816,271	5,212,840
Notes receivable - trade	2,043,258	1,745,722
Accounts receivable - trade	9,191,812	9,632,805
Merchandise and finished goods	2,408,754	2,851,464
Work in process	813,141	658,304
Raw materials and supplies	1,569,159	1,531,566
Other	485,384	484,910
Allowance for doubtful accounts	(48,002)	(39,625)
Total current assets	21,279,780	22,077,989
Non-current assets		
Property, plant and equipment		
Buildings and structures	5,905,167	6,157,577
Accumulated depreciation	(4,140,358)	(4,386,200)
Buildings and structures, net	1,764,809	1,771,377
Machinery, equipment and vehicles	16,310,582	17,405,829
Accumulated depreciation	(12,703,869)	(13,513,007)
Machinery, equipment and vehicles, net	3,606,712	3,892,822
Tools, furniture and fixtures	2,514,054	2,732,280
Accumulated depreciation	(2,081,516)	(2,273,126)
Tools, furniture and fixtures, net	432,538	459,154
Land	778,847	829,852
Construction in progress	168,440	161,203
Other	392,570	466,171
Accumulated depreciation	(131,311)	(265,868)
Other, net	261,259	200,303
Total property, plant and equipment	7,012,607	7,314,714
Intangible assets		
Goodwill	–	466,570
Other	177,903	228,902
Total intangible assets	177,903	695,473
Investments and other assets		
Deferred tax assets	118,693	201,750
Other	198,737	202,263
Allowance for doubtful accounts	(13,623)	(36,214)
Total investments and other assets	303,807	367,799
Total non-current assets	7,494,318	8,377,987
Total assets	28,774,098	30,455,976

(Thousands of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,738,725	2,667,392
Electronically recorded obligations - operating	1,078,059	999,425
Short-term borrowings	1,774,655	1,300,590
Current portion of bonds payable	–	10,000
Current portion of long-term borrowings	710,978	728,838
Income taxes payable	384,126	396,959
Provision for bonuses	400,265	379,197
Provision for directors' bonuses	17,183	–
Other	2,897,059	2,698,358
Total current liabilities	10,001,052	9,180,761
Non-current liabilities		
Long-term borrowings	907,890	675,657
Retirement benefit liability	1,145,220	1,243,685
Other	412,726	303,303
Total non-current liabilities	2,465,836	2,222,646
Total liabilities	12,466,888	11,403,407
Net assets		
Shareholders' equity		
Share capital	2,944,776	3,406,477
Capital surplus	2,512,189	2,967,666
Retained earnings	9,057,592	10,101,571
Treasury shares	(136,301)	(94,544)
Total shareholders' equity	14,378,256	16,381,171
Accumulated other comprehensive income		
Foreign currency translation adjustment	1,962,065	2,737,825
Remeasurements of defined benefit plans	(75,761)	(111,203)
Total accumulated other comprehensive income	1,886,303	2,626,622
Share acquisition rights	26,130	20,863
Non-controlling interests	16,518	23,911
Total net assets	16,307,209	19,052,569
Total liabilities and net assets	28,774,098	30,455,976

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

	(Thousands of yen)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net sales	39,358,634	42,799,503
Cost of sales	27,913,724	31,168,808
Gross profit	11,444,910	11,630,695
Selling, general and administrative expenses	8,403,308	9,194,171
Operating profit	3,041,601	2,436,524
Non-operating income		
Interest income	53,047	61,334
Gain on sale of scraps	27,879	40,564
Subsidy income	4,418	27,533
Other	45,084	39,386
Total non-operating income	130,430	168,820
Non-operating expenses		
Interest expenses	53,909	62,091
Foreign exchange losses	73,225	106,011
Other	37,243	43,159
Total non-operating expenses	164,378	211,262
Ordinary profit	3,007,653	2,394,081
Extraordinary income		
Gain on sale of non-current assets	6,035	16,139
Total extraordinary income	6,035	16,139
Extraordinary losses		
Loss on sale and retirement of non-current assets	5,953	36,903
Impairment losses	159,926	297,924
Total extraordinary losses	165,880	334,827
Profit before income taxes	2,847,808	2,075,393
Income taxes - current	805,177	732,547
Income taxes - deferred	(2,994)	(54,209)
Total income taxes	802,183	678,338
Net profit	2,045,624	1,397,055
Profit attributable to non-controlling interests	4,899	6,880
Profit attributable to owners of parent	2,040,725	1,390,174

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net profit	2,045,624	1,397,055
Other comprehensive income		
Foreign currency translation adjustment	1,843,452	776,271
Remeasurements of defined benefit plans, net of tax	544	(35,441)
Total other comprehensive income	1,843,996	740,830
Comprehensive income	3,889,621	2,137,885
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,883,489	2,130,492
Comprehensive income attributable to non-controlling interests	6,132	7,392

(3) Consolidated statements of changes in equity

Fiscal year ended March 31, 2022

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,897,732	2,590,646	7,016,866	(149,905)	12,355,340
Changes during period					
Issuance of new shares	47,044	47,044			94,088
Dividends of surplus		(131,013)			(131,013)
Profit attributable to owners of parent			2,040,725		2,040,725
Disposal of treasury shares		5,511		13,603	19,115
Net changes in items other than shareholders' equity					
Total changes during period	47,044	(78,457)	2,040,725	13,603	2,022,915
Balance at end of period	2,944,776	2,512,189	9,057,592	(136,301)	14,378,256

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	119,846	(76,306)	43,540	26,970	10,386	12,436,237
Changes during period						
Issuance of new shares						94,088
Dividends of surplus						(131,013)
Profit attributable to owners of parent						2,040,725
Disposal of treasury shares						19,115
Net changes in items other than shareholders' equity	1,842,218	544	1,842,763	(839)	6,132	1,848,056
Total changes during period	1,842,218	544	1,842,763	(839)	6,132	3,870,972
Balance at end of period	1,962,065	(75,761)	1,886,303	26,130	16,518	16,307,209

Fiscal year ended March 31, 2023

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,944,776	2,512,189	9,057,592	(136,301)	14,378,256
Changes during period					
Issuance of new shares	461,701	461,701			923,402
Dividends of surplus			(346,194)		(346,194)
Profit attributable to owners of parent			1,390,174		1,390,174
Disposal of treasury shares		(6,223)		41,757	35,533
Net changes in items other than shareholders' equity					
Total changes during period	461,701	455,477	1,043,979	41,757	2,002,915
Balance at end of period	3,406,477	2,967,666	10,101,571	(94,544)	16,381,171

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	1,962,065	(75,761)	1,886,303	26,130	16,518	16,307,209
Changes during period						
Issuance of new shares						923,402
Dividends of surplus						(346,194)
Profit attributable to owners of parent						1,390,174
Disposal of treasury shares						35,533
Net changes in items other than shareholders' equity	775,759	(35,441)	740,318	(5,267)	7,392	742,444
Total changes during period	775,759	(35,441)	740,318	(5,267)	7,392	2,745,359
Balance at end of period	2,737,825	(111,203)	2,626,622	20,863	23,911	19,052,569

(4) Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	2,847,808	2,075,393
Depreciation	971,746	1,130,489
Impairment losses	159,926	297,924
Amortization of goodwill	–	24,556
Increase (decrease) in retirement benefit liability	61,324	47,045
Increase (decrease) in provision for bonuses	128,343	(21,996)
Increase (decrease) in provision for bonuses for directors (and other officers)	17,183	(17,183)
Increase (decrease) in allowance for doubtful accounts	(16,968)	11,905
Interest and dividend income	(53,047)	(61,334)
Interest expenses	53,909	62,091
Foreign exchange losses (gains)	699	73,682
Loss (gain) on sale and retirement of non-current assets	(81)	20,717
Decrease (increase) in trade receivables	(286,768)	463,624
Decrease (increase) in inventories	(417,353)	82,994
Increase (decrease) in trade payables	25,882	(565,596)
Increase (decrease) in accounts payable - other, and accrued expenses	168,135	(276,227)
Subsidy income	(4,418)	(27,533)
Other, net	26,783	(58,898)
Subtotal	3,683,106	3,261,652
Interest and dividends received	53,047	61,334
Interest paid	(66,319)	(53,802)
Subsidies received	4,418	27,533
Income taxes paid	(732,778)	(736,335)
Net cash provided by (used in) operating activities	2,941,474	2,560,382
Cash flows from investing activities		
Net decrease (increase) in time deposits	(17,212)	147,090
Purchase of property, plant and equipment	(999,260)	(1,138,726)
Proceeds from sale of property, plant and equipment	10,997	12,454
Purchase of intangible assets	(73,376)	(148,124)
Proceeds from sale of intangible assets	–	11
Proceeds from collection of long-term loans receivable	9,948	7,409
Long-term loan advances	(4,650)	(4,000)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(457,472)
Payments of leasehold and guarantee deposits	(50,164)	(9,253)
Proceeds from refund of leasehold and guarantee deposits	24,157	43,625
Other, net	–	350
Net cash provided by (used in) investing activities	(1,099,559)	(1,546,635)

	(Thousands of yen)	
	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(411,874)	(667,745)
Proceeds from long-term borrowings	345,060	367,170
Repayments of long-term borrowings	(1,326,368)	(798,683)
Repayments of installment payables	(81,889)	(83,705)
Repayments of lease liabilities	(94,166)	(140,316)
Proceeds from issuance of share acquisition rights	5,750	–
Redemption of bonds	–	(5,000)
Proceeds from issuance of shares	93,605	918,135
Dividends paid	(131,013)	(346,194)
Other, net	6	–
Net cash provided by (used in) financing activities	(1,600,888)	(756,340)
Effect of exchange rate change on cash and cash equivalents	466,019	286,252
Net increase (decrease) in cash and cash equivalents	707,045	543,659
Cash and cash equivalents at beginning of period	3,962,135	4,669,180
Cash and cash equivalents at end of period	4,669,180	5,212,840

(5) Notes on consolidated financial statements

Notes related to the going concern assumption

There is nothing to report.

Segment information, etc.

[Segment Information]

This information is omitted because the Group has only one segment, the parts of molds and dies business.

[Related Information]

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

1. Information by Finished Goods or Service

This information is omitted because the Group's net sales to external customers in one category of finished goods or service exceeds 90% of net sales on the consolidated statement of income.

2. Information by Region

(1) Net sales

(Thousands of yen)

Japan	China	Other	Total
14,020,213	20,956,488	4,381,932	39,358,634

Note: Sales are categorized by country or region based on the customer's location.

(2) Property, plant and equipment

(Thousands of yen)

Japan	China	Other	Total
1,341,296	5,056,548	614,762	7,012,607

3. Information by Major Customer

Information by major customer is omitted because, compared to net sales to all external customers, net sales to a specific customer does not amount to 10% of the net sales on the consolidated statement of income.

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

1. Information by Finished Goods or Service

This information is omitted because the Group's net sales to external customers in one category of finished goods or service exceeds 90% of net sales on the consolidated statement of income.

2. Information by Region

(1) Net sales

(Thousands of yen)

Japan	China	Other	Total
14,104,143	23,451,296	5,244,063	42,799,503

Note: Sales are categorized by country or region based on the customer's location.

(2) Property, plant and equipment

(Thousands of yen)

Japan	China	Other	Total
1,422,486	5,268,923	623,304	7,314,714

3. Information by Major Customer

Information by major customer is omitted because, compared to net sales to all external customers, net sales to a specific customer does not amount to 10% of the net sales on the consolidated statement of income.

[Information on Impairment Losses on Non-Current Assets by Reporting Segment]

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

Consolidated impairment losses on non-current assets recorded in the current fiscal year amounted to ¥159,926 thousand. The information is not presented by reporting segment because the Group has only one segment, the parts of molds and dies business.

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

Consolidated impairment losses on non-current assets recorded in the current fiscal year amounted to ¥297,924 thousand. The information is not presented by reporting segment because the Group has only one segment, the parts of molds and dies business.

[Information on Amortization and Unamortized Balance of Goodwill by Reporting Segment]

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

There is nothing to report.

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

Consolidated amortized goodwill and unamortized balance of goodwill recorded in the current fiscal year amounted to ¥24,556 thousand and ¥466,570 thousand, respectively. The information is not presented by reporting segment because the Group has only one segment, the parts of molds and dies business.

[Information on Gain on Bargain Purchase by Reporting Segment]

There is nothing to report.

Business Combination

Business Combination through Acquisition

At a meeting of the Board of Directors held on October 19, 2022, the Company resolved to acquire all shares of ASCE CO., LTD., a company engaged in FA equipment design and manufacturing, to make it a subsidiary. The Company made it a subsidiary by acquiring its shares on October 26, 2022.

(1) Overview of the Business Combination

(i) Name and business of the acquired company

Name of the acquired company: ASCE CO., LTD.

Business: FA equipment design and manufacturing

(ii) Principal purpose of the business combination

The Group performs the following initiatives: formulating a mid-term business plan, “VC2024,” for the three-year period from FY2022 to FY2024; setting always being the “customer’s first choice” as the Company’s “ideal state” with automation and labor-saving demand as the new growth engine; and setting three priority management issues, “Expansion of new and existing businesses,” “Strengthening the production system,” and “Strengthening R&D.”

As part of the Company’s initiatives for “Expansion of new and existing businesses,” which is one of its priority management issues, the Company has decided to acquire all shares of ASCE CO., LTD. as a measure to realize “expansion of sales of custom-made products in the FA field.”

By acquiring shares of ASCE CO., LTD., which has strengths in in-house development of FA equipment for food processing, automotive parts, electronic devices, and medical-related products, etc., the Company believes that synergies will be generated through the effective utilization of sales channels and technological exchange between the two companies, leading to the achievement of the management goal of “VC2024” and the enhancement of the Group’s medium- to long-term corporate value.

(iii) Date of the business combination

October 26, 2022 (deemed acquisition date October 1, 2022)

(iv) Legal form of the business combination

Share acquisition

(v) Name of the company after the business combination

No change

(vi) Ratio of voting rights acquired

100%

(vii) Grounds for deciding on the company to be acquired

By acquiring the shares in exchange for cash

(viii) Period of the acquired company’s business results included in the consolidated financial statements

From October 1, 2022 to March 31, 2023

(2) Acquisition Cost and Consideration of Acquired Company by Item

Consideration for acquisition Cash: ¥550,000 thousand

(3) Amount of Major Acquisition-related Expenses

Advisory service fees, etc. ¥52,108 thousand

(4) Amount of Goodwill Generated, Grounds for Generation, Amortization Method, and Amortization Period

(i) Amount of goodwill

¥491,127 thousand

Regarding amount of goodwill, the allocation of the acquisition cost was not completed and was accounted for on a provisional basis in the third quarter of the fiscal year under review. However, it was finalized at the end of the fourth quarter of the fiscal year under review. No adjustments were

made to the amount of goodwill.

(ii) Grounds for generation

This was generated due to the excess earning power expected from future business development.

(iii) Amortization method and period

Straight-line amortization over 10 years

(5) Amounts of the Assets Acquired and Liabilities Assumed on the Date of the Business Combination and Major Breakdown Thereof

Current assets	¥234,441 thousand
Non-current assets	¥76,416 thousand
Total assets	¥310,857 thousand
Current liabilities	¥93,484 thousand
Non-current liabilities	¥158,500 thousand
Total liabilities	¥251,984 thousand

(6) Estimated Amount and Calculation Method of the Impact on the Consolidated Statements of Income for the Fiscal Year under Review Assuming That the Business Combination Had Been Completed on the Beginning Date of the Fiscal Year (Non-audit Information)

The description is omitted due to lack of materiality.

Per share information

(Yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net assets per share	737.40	778.02
Earnings per share	93.36	60.58
Diluted earnings per share	84.36	60.15

Note: 1 The calculations for the earnings per share and the diluted earnings per share are based on the following.

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Earnings per share		
Profit attributable to owners of parent (thousand yen)	2,040,725	1,390,174
Profit not attributable to common shareholders (thousand yen)	–	–
Profit attributable to owners of parent pertaining to common shares (thousand yen)	2,040,725	1,390,174
Average number of common shares during the period (thousand shares)	21,858	22,947
Diluted earnings per share		
Adjustments to profit attributable to owners of parent (thousand yen)	–	–
Number of increased common shares (thousand shares)	2,332	165
[Share acquisition rights (thousand shares)]	[2,332]	[165]
Overview of dilutive shares not included in calculating diluted earnings per share due to no dilutive effect	–	–

Significant events after the reporting period

There is nothing to report.

4. Non-consolidated Financial Statements and Significant Notes Thereto

(1) Non-consolidated balance sheets

	(Thousands of yen)	
	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	259,786	857,630
Notes receivable - trade	665,123	630,502
Accounts receivable - trade	2,289,892	2,069,043
Merchandise and finished goods	734,626	768,538
Work in process	115,821	95,977
Raw materials and supplies	266,997	252,279
Prepaid expenses	53,088	66,698
Accounts receivable from subsidiaries and associates - other	2,455,899	2,056,956
Other	87,429	124,332
Allowance for doubtful accounts	(1,975)	(776)
Total current assets	6,926,689	6,921,181
Non-current assets		
Property, plant and equipment		
Buildings	471,854	478,600
Structures	0	0
Machinery and equipment	0	0
Vehicles	0	0
Tools, furniture and fixtures	0	0
Land	639,951	639,951
Total property, plant and equipment	1,111,808	1,118,554
Intangible assets		
Total intangible assets	-	-
Investments and other assets		
Investment securities	386	386
Shares of subsidiaries and associates	2,045,665	2,647,773
Investments in capital	6,295	5,995
Investments in capital of subsidiaries and associates	3,995,672	3,995,672
Long-term loans receivable	1,603	-
Distressed receivables	1,865	2,510
Long-term loans receivable from subsidiaries and associates	2,141,825	2,270,010
Long-term loans receivable from employees	9,819	7,927
Prepaid pension costs	67,503	40,595
Other	71,824	71,408
Allowance for doubtful accounts	(2,145,778)	(2,179,462)
Total investments and other assets	6,196,683	6,862,816
Total non-current assets	7,308,491	7,981,370
Total assets	14,235,180	14,902,552

	(Thousands of yen)	
	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes payable - trade	23,499	137,722
Electronically recorded obligations - operating	1,078,059	999,425
Accounts payable - trade	999,738	790,173
Short-term borrowings	1,774,655	1,300,590
Current portion of long-term borrowings	700,970	705,660
Accounts payable - other	722,535	585,680
Accrued expenses	110,054	95,906
Income taxes payable	305,430	250,279
Deposits received	22,260	23,212
Provision for bonuses	374,010	332,494
Provision for directors' bonuses	17,183	-
Other	148,091	74,375
Total current liabilities	6,276,488	5,295,520
Non-current liabilities		
Long-term borrowings	883,744	534,189
Deferred tax liabilities	184	140
Provision for retirement benefits	1,019,124	1,039,748
Asset retirement obligations	114,093	115,988
Other	80,651	8,871
Total non-current liabilities	2,097,799	1,698,936
Total liabilities	8,374,287	6,994,457
Net assets		
Shareholders' equity		
Share capital	2,944,776	3,406,477
Capital surplus		
Legal capital surplus	491,240	952,941
Other capital surplus	2,020,948	2,014,725
Total capital surplus	2,512,189	2,967,666
Retained earnings		
Legal retained earnings	63,970	98,589
Other retained earnings		
General reserve	210,000	210,000
Retained earnings brought forward	240,128	1,299,041
Total retained earnings	514,098	1,607,631
Treasury shares	(136,301)	(94,544)
Total shareholders' equity	5,834,762	7,887,231
Share acquisition rights	26,130	20,863
Total net assets	5,860,893	7,908,094
Total liabilities and net assets	14,235,180	14,902,552

(2) Non-consolidated statements of income

(Thousands of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net sales	15,092,217	14,777,332
Cost of sales	11,051,260	10,832,090
Gross profit	4,040,957	3,945,241
Selling, general and administrative expenses	3,995,128	4,001,158
Operating profit (loss)	45,828	(55,917)
Non-operating income		
Interest income	22,358	51,393
Dividend income	2,794,456	2,230,630
Other	20,754	40,694
Total non-operating income	2,837,569	2,322,718
Non-operating expenses		
Interest expenses	37,122	59,542
Foreign exchange losses	-	105,529
Provision of allowance for doubtful accounts	201,471	190,665
Other	26,289	27,404
Total non-operating expenses	264,883	383,141
Ordinary profit	2,618,514	1,883,659
Extraordinary income		
Gain on sale of non-current assets	1,774	29
Reversal of allowance for doubtful accounts	91,016	157,576
Total extraordinary income	92,790	157,605
Extraordinary losses		
Loss on sale and retirement of non-current assets	488	18,888
Impairment losses	159,926	297,924
Total extraordinary losses	160,414	316,812
Profit before income taxes	2,550,890	1,724,453
Income taxes - current	322,828	284,770
Income taxes - deferred	(6)	(44)
Total income taxes	322,822	284,726
Net profit	2,228,068	1,439,727

(3) Non-consolidated statements of changes in equity

Fiscal year ended March 31, 2022

(Thousands of yen)

	Shareholders' equity							
	Share capital	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
						General reserve	Retained earnings brought forward	
Balance at beginning of period	2,897,732	431,094	2,159,551	2,590,646	63,970	210,000	(1,987,939)	(1,713,969)
Changes during period								
Issuance of new shares	47,044	47,044		47,044				
Dividends of surplus		13,101	(144,114)	(131,013)				
Net profit							2,228,068	2,228,068
Disposal of treasury shares			5,511	5,511				
Net changes in items other than shareholders' equity								
Total changes during period	47,044	60,145	(138,603)	(78,457)	–	–	2,228,068	2,228,068
Balance at end of period	2,944,776	491,240	2,020,948	2,512,189	63,970	210,000	240,128	514,098

	Shareholders' equity		Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity		
Balance at beginning of period	(149,905)	3,624,504	26,970	3,651,474
Changes during period				
Issuance of new shares		94,088		94,088
Dividends of surplus		(131,013)		(131,013)
Net profit		2,228,068		2,228,068
Disposal of treasury shares	13,603	19,115		19,115
Net changes in items other than shareholders' equity			(839)	(839)
Total changes during period	13,603	2,210,258	(839)	2,209,418
Balance at end of period	(136,301)	5,834,762	26,130	5,860,893

Fiscal year ended March 31, 2023

(Thousands of yen)

	Shareholders' equity							
	Share capital	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
						General reserve	Retained earnings brought forward	
Balance at beginning of period	2,944,776	491,240	2,020,948	2,512,189	63,970	210,000	240,128	514,098
Changes during period								
Issuance of new shares	461,701	461,701		461,701				
Dividends of surplus					34,619		(380,813)	(346,194)
Net profit							1,439,727	1,439,727
Disposal of treasury shares			(6,223)	(6,223)				
Net changes in items other than shareholders' equity								
Total changes during period	461,701	461,701	(6,223)	455,477	34,619	—	1,058,913	1,093,532
Balance at end of period	3,406,477	952,941	2,014,725	2,967,666	98,589	210,000	1,299,041	1,607,631

	Shareholders' equity		Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity		
Balance at beginning of period	(136,301)	5,834,762	26,130	5,860,893
Changes during period				
Issuance of new shares		923,402		923,402
Dividends of surplus		(346,194)		(346,194)
Net profit		1,439,727		1,439,727
Disposal of treasury shares	41,757	35,533		35,533
Net changes in items other than shareholders' equity			(5,267)	(5,267)
Total changes during period	41,757	2,052,468	(5,267)	2,047,201
Balance at end of period	(94,544)	7,887,231	20,863	7,908,094