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Consolidated Financial Results for the Three Months Ended June 30, 2022 [J-GAAP]

August 9, 2022

Name of listed company: OHASHI TECHNICA INC.

Listed exchange: Tokyo Stock Exchange

Securities code: 7628

URL: <https://www.ohashi.co.jp/en/>

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Scheduled date for filing of quarterly securities report: August 10, 2022

Scheduled date of commencing dividend payments: –

Availability of supplementary briefing materials on quarterly financial results: None

Holding of quarterly financial results briefing: None

(Amounts of less than millions of yen are truncated)

1. Consolidated performance for the three months ended June 30, 2022 (April 1, 2022-June 30, 2022)

(1) Consolidated operating results (% of change from the same quarter of the previous year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended June 30, 2022	8,276	(4.3)	557	(26.2)	635	(25.4)	452	(25.2)
Three months ended June 30, 2021	8,653	31.8	754	102.9	852	109.2	604	118.3

Note: Comprehensive income Three months ended June 30, 2022: 1,648 million yen [3.3%]
Three months ended June 30, 2021: 1,595 million yen [-%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2022	33.17	–
Three months ended June 30, 2021	42.64	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2022	44,360	34,347	76.5
As of March 31, 2022	43,352	33,448	76.3

Reference: Equity As of June 30, 2022: 33,921 million yen
As of March 31, 2022: 33,060 million yen

2. Dividends

	Annual dividends				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2022	–	26.00	–	31.00	57.00
Year ending March 31, 2023	–				
Year ending March 31, 2023 (forecast)		28.00	–	29.00	57.00

Note 1. Revision from the most recent announcement of cash dividends forecasts: None

Note 2. Breakdown of year-end dividend for the year ended March 31, 2022

Ordinary dividend: 26.00 yen Commemorative dividend for the Company's 70th anniversary: 5.00 yen

3. Consolidated performance forecast for the year ending March 31, 2023 (April 1, 2022-March 31, 2023)

(Percentages show year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	34,500	6.0	2,500	10.0	2,700	6.4	1,900	6.1	141.12

Note: Revision from the most recent announcement of cash dividends forecasts: None

*Notes

(1) Changes in significant subsidiaries during the period (changes of specified subsidiaries resulting in changes in the scope of consolidation): None

(2) Application of particular accounting procedures to the preparation of quarterly financial statements: None

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to revisions in accounting standards, etc.: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(4) Number of shares issued (common shares)

1) Number of shares issued at the end of the period (including treasury shares):	June 30, 2022:	14,178,960 shares
	March 31, 2022:	14,178,960 shares
2) Number of treasury shares at the end of the period:	June 30, 2022:	664,828 shares
	March 31, 2022:	412,473 shares
3) Average number of shares during the period:	Three months ended June 30, 2022:	13,631,191 shares
	Three months ended June 30, 2021:	14,170,288 shares

* These quarterly consolidated financial results are outside the scope of quarterly review by certified public accountants or an audit firm.

*Guide to appropriate use of performance forecasts and other notes

Notes on forward-looking descriptions, etc.

Forward-looking descriptions including performance forecasts in this document are based on information currently available to the Company and certain assumptions deemed reasonable, and are not a guarantee on their realization.

Actual results, etc. may differ significantly due to various factors. For more notes on the use of performance forecasts, please see “(2) Explanation of consolidated financial results forecast and other forward-looking information” under “1. Qualitative information on quarterly financial results” on page 3 of the attachment.

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1. Qualitative information on quarterly financial results

(1) Explanation of operating results

During the three months ended June 30, 2022, the world economy saw an expansion of production adjustments and production stoppages in various manufacturing industries due to the effects of the Shanghai lockdown, in addition to the supply shortage of semiconductors and other parts that has continued since the previous fiscal year. In addition, due to the worsening international situation in Ukraine and other factors, it is expected to take some time before soaring raw material prices and ocean freight costs are brought under control, and the outlook for the world economy still remains uncertain.

In the automotive industry in which OHASHI TECHNICA INC. (the “Company”) and its subsidiaries (collectively, the “Group”) operate business, global production at Japanese automobile manufacturers was lower than the previous year due to continued production adjustments and stoppages, mainly caused by supply shortages of semiconductors and other parts.

Under these circumstances, although the Group strived to strengthen its business foundations and improve management efficiency through expense reductions and other efforts, consolidated net sales decreased year on year due to the significant impact of production adjustments by automobile manufacturers caused by supply shortages of semiconductors and other parts in Japan, despite the positive effect of foreign currency translation resulting from the yen’s depreciation overseas. Consolidated operating profit also decreased year on year due to the significant impact of lower sales in Japan and the continued impact of soaring raw material prices and ocean freight costs.

In the three months ended June 30, 2022, on a consolidated basis, the Company posted net sales of 8,276 million yen (down 4.3% year on year), operating profit of 557 million yen (down 26.2% year on year), ordinary profit of 635 million yen (down 25.4% year on year) and profit attributable to owners of parent of 452 million yen (down 25.2% year on year).

Operating results by segment are as described below. (Segment net sales are net sales to external customers, and segment profit is adjusted with operating profit on the quarterly consolidated statements of income.)

[Japan]

Due to the significant impact of production adjustments at main client manufacturers caused by the shortage of semiconductors and stagnant component supplies from Southeast Asia and China, net sales were 4,085 million yen (down 12.7% year on year). Segment profit was 150 million yen (down 61.6% year on year) due to the continued impact of lower sales and higher raw material prices.

[Americas]

Production at automobile manufacturers of our major clients in the U.S. has been impacted by the worldwide semiconductor supply shortage. However, due to the contribution of new orders and the effect of currency translation resulting from the yen’s depreciation, net sales were 1,791 million yen (up 2.6% year on year). Segment profit was 84 million yen (up 15.6% year on year) mainly due to reductions in procurement costs resulting from the yen’s depreciation, although ocean freight costs remained high.

[China]

Production at automobile manufacturers of our major clients in China has been impacted by the worldwide semiconductor supply shortage. However, due to the contribution of new orders and the effect of currency translation resulting from the yen’s depreciation, net sales were 1,380 million yen (up 8.7% year on year). Segment profit was 180 million yen (down 12.6% year on year) due to higher raw material prices and other factors.

[ASEAN]

Due to the recovery of production at our major clients and the contribution of new orders, net sales were 720 million yen (up 9.0% year on year). Segment profit was 99 million yen (down 22.3% year on year) due to higher raw material prices and other factors.

[Europe]

Production at automobile manufacturers of our major clients in Europe has been impacted by the worldwide semiconductor supply shortage. However, due to the contribution of new orders and the effect of currency translation resulting from the yen’s depreciation, net sales were 298 million yen (up 0.6% year on year). Segment profit was 72 million yen (a segment loss of 7 million yen in the three months ended June 30, 2021) due to improved transaction terms with major clients.

[Taiwan]

OHASHI TECHNICA TAIWAN CO., LTD., which transacts business with companies of the Group only, has no

net sales to external customers.

Although there was a decrease in exports for companies of the Group, segment profit was 12 million yen (a segment loss of 18 million yen in the three months ended June 30, 2021) due to a review of export conditions and other factors.

(2) Explanation of consolidated financial results forecast and other forward-looking information

There is no change to the consolidated financial results forecast for the year ending March 31, 2023 from the forecast in the Consolidated Financial Results for the Year Ended March 31, 2022 published on May 12, 2022.

2. Quarterly consolidated financial statements and principal notes

(1) Quarterly consolidated balance sheets

(Thousand yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	20,209,010	20,338,702
Notes and accounts receivable - trade, and contract assets	6,514,852	6,849,613
Merchandise and finished goods	5,874,528	6,172,632
Work in process	585,706	622,396
Raw materials and supplies	789,212	883,817
Other	634,632	515,181
Allowance for doubtful accounts	(6,986)	(7,849)
Total current assets	34,600,956	35,374,494
Non-current assets		
Property, plant and equipment		
Buildings and structures	5,114,731	5,281,404
Accumulated depreciation	(2,638,692)	(2,781,136)
Buildings and structures, net	2,476,039	2,500,267
Machinery, equipment and vehicles	8,677,350	9,134,425
Accumulated depreciation	(7,198,719)	(7,592,658)
Machinery, equipment and vehicles, net	1,478,630	1,541,766
Tools, furniture and fixtures	3,706,101	3,763,988
Accumulated depreciation	(3,338,823)	(3,395,680)
Tools, furniture and fixtures, net	367,278	368,307
Land	1,392,174	1,423,705
Construction in progress	375,833	501,827
Total property, plant and equipment	6,089,955	6,335,874
Intangible assets		
Software	127,986	115,649
Other	53,244	56,040
Total intangible assets	181,231	171,689
Investments and other assets		
Investment securities	1,712,029	1,701,425
Deferred tax assets	280,483	288,635
Other	489,434	490,603
Allowance for doubtful accounts	(1,600)	(1,800)
Total investments and other assets	2,480,347	2,478,864
Total non-current assets	8,751,534	8,986,428
Total assets	43,352,490	44,360,923

(Thousand yen)

	As of March 31, 2022	As of June 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,864,862	3,114,830
Electronically recorded obligations - operating	4,805,599	4,717,921
Income taxes payable	387,358	198,250
Provision for bonuses	180,878	132,022
Provision for bonuses for directors (and other officers)	44,100	14,600
Other	864,813	1,053,653
Total current liabilities	9,147,612	9,231,279
Non-current liabilities		
Deferred tax liabilities	621	4,414
Retirement benefit liability	615,864	619,086
Other	139,824	159,071
Total non-current liabilities	756,311	782,572
Total liabilities	9,903,923	10,013,851
Net assets		
Shareholders' equity		
Share capital	1,825,671	1,825,671
Capital surplus	1,611,240	1,611,240
Retained earnings	28,398,043	28,422,989
Treasury shares	(567,932)	(890,750)
Total shareholders' equity	31,267,022	30,969,150
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	293,984	277,281
Foreign currency translation adjustment	1,464,438	2,641,529
Remeasurements of defined benefit plans	34,981	33,963
Total accumulated other comprehensive income	1,793,404	2,952,774
Non-controlling interests	388,139	425,146
Total net assets	33,448,566	34,347,071
Total liabilities and net assets	43,352,490	44,360,923

(2) Quarterly consolidated statements of income and comprehensive income

Quarterly consolidated statements of income for the three months ended June 30, 2022

(Thousand yen)

	For the three months ended June 30, 2021	For the three months ended June 30, 2022
Net sales	8,653,157	8,276,907
Cost of sales	6,561,732	6,289,393
Gross profit	2,091,425	1,987,514
Selling, general and administrative expenses	1,336,587	1,430,278
Operating profit	754,837	557,235
Non-operating income		
Interest income	9,475	8,148
Dividend income	15,822	17,606
Share of profit of entities accounted for using equity method	14,177	12,125
Foreign exchange gains	6,522	4,094
Gain on sale of scraps	13,925	18,073
Subsidy income	45,727	17,679
Other	5,541	4,802
Total non-operating income	111,193	82,530
Non-operating expenses		
Interest expenses	1,780	2,433
Business commencement expenses	11,866	—
Commission for purchase of treasury shares	285	967
Other	68	571
Total non-operating expenses	14,001	3,972
Ordinary profit	852,029	635,793
Extraordinary income		
Gain on sale of non-current assets	1,594	311
Total extraordinary income	1,594	311
Extraordinary losses		
Loss on retirement of non-current assets	73	672
Total extraordinary losses	73	672
Profit before income taxes	853,549	635,433
Income taxes - current	260,088	171,734
Income taxes - deferred	(20,522)	4,739
Total income taxes	239,565	176,474
Profit	613,983	458,959
Profit attributable to non-controlling interests	9,747	6,789
Profit attributable to owners of parent	604,236	452,169

Quarterly consolidated statements of comprehensive income for the three months ended June 30, 2022

(Thousand yen)

	For the three months ended June 30, 2021	For the three months ended June 30, 2022
Profit	613,983	458,959
Other comprehensive income		
Valuation difference on available-for-sale securities	36,272	(17,464)
Foreign currency translation adjustment	946,681	1,207,308
Remeasurements of defined benefit plans, net of tax	(1,512)	(1,018)
Share of other comprehensive income of entities accounted for using equity method	167	761
Total other comprehensive income	981,609	1,189,587
Comprehensive income	1,595,593	1,648,546
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,564,084	1,611,539
Comprehensive income attributable to non-controlling interests	31,509	37,007

(3) Notes to quarterly consolidated financial statements

Notes on going concern assumption

Not applicable.

Notes in case of significant changes in shareholders' equity

The Company acquired 252,200 shares of treasury stock based on the resolution made at the meeting of the Board of Directors held on November 10, 2021. As a result, treasury stock increased by 322,817 thousand yen in the three months ended June 30, 2022, and stood at 890,750 thousand yen as of June 30, 2022.

Additional information

(Impact of COVID-19 on accounting estimates)

As described in "Accounting Estimates" under "5. Financial Information, Notes" in the Annual Securities Report for the previous fiscal year, there are no material changes in assumptions relating to the spread of COVID-19 in the three months ended June 30, 2022.

However, if the spread of COVID-19 in the future causes changes that significantly impact the Group's business, it may affect estimates of impairment loss on non-current assets, recoverability of deferred tax assets, and so forth.

Segment information, etc.

Segment information

I. For the three months ended June 30, 2021

1. Information on amounts of net sales and profit (loss) by reportable segment

(Thousand yen)

	Reportable segments							Adjustments (Note) 1	Consolidated (Note) 2
	Japan	Americas	China	ASEAN	Europe	Taiwan	Total		
Net sales									
Net sales to external customers	4,679,659	1,745,800	1,270,064	661,094	296,538	–	8,653,157	–	8,653,157
Inter-segment sales or transfers	767,126	3,226	25,410	6,695	–	237,991	1,040,449	(1,040,449)	–
Total	5,446,785	1,749,026	1,295,475	667,789	296,538	237,991	9,693,606	(1,040,449)	8,653,157
Segment profit (loss)	392,342	72,691	206,797	127,999	(7,099)	(18,803)	773,927	(19,090)	754,837

Notes: 1. Adjustment of segment profit (loss) of (19,090) thousand yen consists of inter-segment eliminations.

2. Segment profit (loss) is adjusted with operating profit in the quarterly consolidated financial statements.

2. Information on impairment loss on non-current assets or goodwill, etc. by reportable segment

Not applicable.

II. For the three months ended June 30, 2022

1. Information on amounts of net sales and profit (loss) by reportable segment

(Thousand yen)

	Reportable segments							Adjustments (Note) 1	Consolidated (Note) 2
	Japan	Americas	China	ASEAN	Europe	Taiwan	Total		
Net sales									
Net sales to external customers	4,085,345	1,791,983	1,380,532	720,782	298,263	–	8,276,907	–	8,276,907
Inter-segment sales or transfers	501,016	815	27,326	43,182	–	200,003	772,344	(772,344)	–
Total	4,586,362	1,792,798	1,407,858	763,965	298,263	200,003	9,049,251	(772,344)	8,276,907
Segment profit	150,480	84,000	180,672	99,402	72,272	12,378	599,205	(41,970)	557,235

Notes: 1. Adjustment of segment profit of (41,970) thousand yen consists of inter-segment eliminations.

2. Segment profit is adjusted with operating profit in the quarterly consolidated financial statements.

2. Information on impairment loss on non-current assets or goodwill, etc. by reportable segment

Not applicable.

Significant subsequent events

Not applicable.