

Consolidated Financial Results for the Fiscal Year Ended December 31, 2022 [Japanese GAAP]



February 10, 2023

Company name: Okura Industrial Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Code number: 4221

URL: <https://www.okr-ind.co.jp/>

Representative: Susumu Kanda, Operating Officer, President, Representative Director

Contact: Yoshitomo Tanaka, Operating Officer, Executive Vice President, Director; Supervision of Corporate Center;
General Manager, Finance and Business Administration Department

Phone: +81-877-56-1111

Scheduled date of general shareholders' meeting: March 23, 2023

Scheduled date of commencing dividend payments: March 24, 2023

Scheduled date of filing securities report: March 23, 2023

Availability of supplementary explanatory materials on annual financial results: Available

Schedule of annual financial results briefing session: Scheduled

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2022 (January 1, 2022 - December 31, 2022)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2022	77,260	–	3,771	–	4,275	–	3,788	–
December 31, 2021	88,420	9.2	5,123	19.5	5,531	22.7	3,417	19.2

(Note) Comprehensive income: Fiscal year ended December 31, 2022: ¥3,889 million [–%]

Fiscal year ended December 31, 2021: ¥4,133 million [25.4%]

Fiscal year ended	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
December 31, 2022	317.45	–	7.0	4.9	4.9
December 31, 2021	286.49	–	6.7	6.6	5.8

(Reference) Equity in earnings of affiliated companies: Fiscal year ended December 31, 2022: ¥– million

Fiscal year ended December 31, 2021: ¥– million

(Note) The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the fiscal year ended December 31, 2022. The amounts for the fiscal year ended December 31, 2022 are those after the said accounting standards have been applied, and changes from the previous corresponding period are not presented.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2022	90,234	55,591	61.6	4,655.71
As of December 31, 2021	85,869	52,524	61.1	4,401.20

(Reference) Equity: As of December 31, 2022: ¥55,570 million

As of December 31, 2021: ¥52,501 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
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
December 31, 2022	3,702	(3,310)	(1,773)	8,448
December 31, 2021	6,345	(2,763)	(3,041)	9,765

2. Dividends

	Annual dividends					Total dividends (annual)	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
December 31, 2021	–	0.00	–	70.00	70.00	835	24.4	1.6
Fiscal year ended	–	0.00	–	85.00	85.00	1,014	26.8	1.8
December 31, 2022								
Fiscal year ending	–	0.00	–	85.00	85.00		29.0	
December 31, 2023 (Forecast)								

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2023 (January 1, 2023 - December 31, 2023)

(% indicates changes from the previous corresponding period.)

	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
First half	39,700	3.6	2,200	0.2	2,350	(7.5)	1,650	(9.9)	138.24
Full year	81,000	4.8	4,500	19.3	4,800	12.3	3,500	(7.6)	293.23

* Notes:

- (1) Changes in significant subsidiaries during the period under review: None
(Changes in specified subsidiaries resulting in changes in scope of consolidation)
- (2) Changes in accounting policies, changes in accounting estimates and retrospective restatement
 - 1) Changes in accounting policies due to the revision of accounting standards: Yes
 - 2) Changes in accounting policies other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (3) Total number of issued shares (common shares)
 - 1) Total number of issued shares at the end of the period (including treasury shares):

December 31, 2022:	12,414,870 shares
December 31, 2021:	12,414,870 shares
 - 2) Total number of treasury shares at the end of the period:

December 31, 2022:	478,949 shares
December 31, 2021:	485,864 shares
 - 3) Average number of shares during the period:

Fiscal year ended December 31, 2022:	11,933,854 shares
Fiscal year ended December 31, 2021:	11,927,442 shares

(Reference) Summary of Non-consolidated Financial Results**1. Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2022 (January 1, 2022 - December 31, 2022)****(1) Non-consolidated Operating Results** (% indicates changes from the previous corresponding period.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
December 31, 2022	48,543	–	2,254	–	3,330	–	3,843	–
December 31, 2021	63,035	12.2	3,720	54.9	4,622	50.5	2,920	37.4

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
December 31, 2022	322.10	–
December 31, 2021	244.84	–

(Note) The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the fiscal year ended December 31, 2022. The amounts for the fiscal year ended December 31, 2022 are those after the said accounting standards have been applied, and changes from the previous corresponding period are not presented.

(2) Non-consolidated Financial Position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
December 31, 2022	90,040	47,665	52.9	3,993.41
December 31, 2021	85,251	44,372	52.0	3,719.72

(Reference) Equity: As of December 31, 2022: ¥47,665 million

As of December 31, 2021: ¥44,372 million

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

*** Explanation of the proper use of financial results forecast and other notes**

Forward-looking statements such as financial results forecast in this document are based on information currently available and certain assumptions that Company regards as reasonable. Actual results may significantly differ from such estimates due to various factors.

For details on the earnings forecasts of the Company, please see “Overview of Operating Results, etc.” on page 2 of the attachments.

Table of Contents - Attachments

1. Overview of Operating Results, etc.	2
(1) Overview of Operating Results for the Period under Review	2
(2) Overview of Financial Position for the Period under Review	4
(3) Overview of Cash Flows for the Period under Review	4
(4) Future Outlook	4
2. Basic Policy on Selection of Accounting Standards	5
3. Consolidated Financial Statements and Principal Notes	6
(1) Consolidated Balance Sheets	6
(2) Consolidated Statements of Income and Comprehensive Income	8
(3) Consolidated Statements of Changes in Equity	10
(4) Consolidated Statements of Cash Flows	12
(5) Notes to Consolidated Financial Statements	13
(Notes on going concern assumption)	13
(Changes in accounting policies)	13
(Additional information)	13
(Segment information, etc.)	14
(Per share information)	18

1. Overview of Operating Results, etc.

The Group has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as the “Revenue Recognition Accounting Standard”), etc. from the beginning of the fiscal year under review. As a result, the accounting treatment for revenue is different from the one used for the previous fiscal year. Accordingly, year-on-year changes (%) are not stated in the descriptions in the Overview of Operating Results for the Period under Review below.

The details of the effects of the application of the Revenue Recognition Accounting Standard, etc. on the financial position and operating results are as described in “3. Consolidated Financial Statements and Principal Notes, (5) Notes to Consolidated Financial Statements, (Changes in accounting policies).”

(1) Overview of Operating Results for the Period under Review

1) Consolidated operating results for the period under review

During the consolidated fiscal year ended December 31, 2022, the Japanese economy was on a mild recovery path mainly due to the impact of increased consumer spending associated with progress toward normalization of economic activity in Japan, despite soaring resource prices largely due to Russia’s incursion into Ukraine and rising costs related to the further depreciation of the yen, on top of the spread of the novel coronavirus (COVID-19). Nevertheless, the economic outlook remains uncertain as it is still difficult to foresee the future, with the impact of the situation in Ukraine and COVID-19 and increasing costs due to rising prices.

Under these circumstances, the Group posted net sales of 77,260 million yen (88,420 million yen for the same period of the previous fiscal year) for the consolidated fiscal year under review, mainly due to progress in the transfer of rising costs chiefly resulting from higher raw material prices to product prices in the Plastic Film Division and an increase in sales volume of particleboard products in the Housing Materials Division. Net sales before the application of the Revenue Recognition Accounting Standard increased as compared with the same period of the previous fiscal year.

In terms of profit, despite an increase in net sales, the impact of the rise in raw material prices, an increase in electricity utility charges, and other factors was felt across all segments. As a result, operating profit amounted to 3,771 million yen (5,123 million yen for the same period of the previous fiscal year) and ordinary profit totaled 4,275 million yen (5,531 million yen for the same period of the previous fiscal year). Meanwhile, profit attributable to owners of parent was 3,788 million yen (3,417 million yen for the same period of the previous fiscal year), mainly due to extraordinary income associated with the transfer of non-current assets, despite the recording of an impairment loss in the Plastic Film Division.

Net sales decreased by 19,530 million yen and operating profit decreased by 42 million yen due to the application of the Revenue Recognition Accounting Standard, etc.

Starting from the beginning of the fiscal year under review, categories for reportable segments have been changed, and accordingly the lumber processing business and residential land development and building construction business, which were previously included in the “Other” segment, are included in the existing “Housing Materials” segment. Comparison and analysis by segment for the fiscal year under review are based on the new segmentation.

Business results by segment are as follows.

[Plastic Film]

The sales volume of food-packaging shrink films and general packaging films decreased, as it also did for industrial-use process films due to the impact of a global semiconductor shortage. As the transfer of the increases in raw material prices, etc. to product prices had progressed, net sales amounted to 51,610 million yen (47,829 million yen for the same period of the previous fiscal year). Net sales before the application of the Revenue Recognition Accounting Standard increased as compared with the same period of the previous fiscal year. However, operating profit was 3,476 million yen (4,267 million yen for the same period of the previous fiscal

year), because although there was progress with the efforts to transfer the rise in raw materials prices to product prices, they were unable to absorb the repeated rises.

Net sales decreased by 68 million yen due to the application of the Revenue Recognition Accounting Standard.

[New Materials]

Although optical film products for large LCD panels were affected by inventory adjustments due to the sudden decline of the market, functional material films for automobiles and other applications remained solid, resulting in net sales of 10,854 million yen (28,524 million yen for the same period of the previous fiscal year). Operating profit was 1,342 million yen (2,373 million yen for the same period of the previous fiscal year) due to the increase in electricity utility charges and a decline in the sales volume of optical film products, despite efforts to improve productivity for the precision coating business.

Net sales decreased by 19,264 million yen due to the application of the Revenue Recognition Accounting Standard.

[Housing Materials]

Due to factors including an increase in sales volume of particleboard products thanks to efforts to acquire new customers and expand sales to existing customers, as well as sales promotion efforts for the environmentally-friendly “comori” form, the sale of which began in the previous fiscal year, net sales amounted to 13,341 million yen (10,891 million yen for the same period of the previous fiscal year). Net sales before the application of the Revenue Recognition Accounting Standard increased as compared with the same period of the previous fiscal year. Operating profit was 862 million yen (591 million yen for the same period of the previous fiscal year) due in part to the increase in net sales and the continued stable production of particleboards, despite the ongoing impact of the rising raw material prices.

Net sales decreased by 178 million yen due to the application of the Revenue Recognition Accounting Standard.

[Other]

Although the hotel business continued to suffer the impact of COVID-19 from the previous fiscal year, sales partially recovered thanks to the effect of programs to support local tourism businesses, including discounts for prefectural residents, and the information processing system development business remained robust. As a result, overall net sales of other businesses were 1,454 million yen (1,175 million yen for the same period of the previous fiscal year). Net sales before the application of the Revenue Recognition Accounting Standard increased as compared with the same period of the previous fiscal year. Operating profit amounted to 365 million yen (166 million yen for the same period of the previous fiscal year) due in part to the increase in net sales and reduction of fixed costs.

Net sales decreased by 19 million yen due to the application of the Revenue Recognition Accounting Standard.

2) Non-consolidated business results for the period under review

Net sales for the fiscal year under review totaled 48,543 million yen (63,035 million yen for the same period of the previous fiscal year). This was mainly due to progress in the transfer of rising costs chiefly resulting from higher raw material prices to product prices in the Plastic Film Division and the increase in sales volume of particleboard products in the Housing Materials Division. Net sales before the application of the Revenue Recognition Accounting Standard increased as compared with the same period of the previous fiscal year. In terms of profit, despite the increase in net sales, due to the impact of the rise in raw material prices, the increase in electricity utility charges, and other factors across all segments, operating profit was 2,254 million yen (3,720 million yen for the same period of the previous fiscal year) and ordinary profit was 3,330 million yen (4,622 million yen for the same period of the previous fiscal year). Profit was 3,843 million yen (2,920 million yen for the same period of the previous fiscal year), mainly due to the recording of extraordinary income associated with the transfer of non-current assets.

Net sales and operating profit decreased by 19,434 million yen and 16 million yen, respectively, due to the application of the Revenue Recognition Accounting Standard.

(2) Overview of Financial Position for the Period under Review

Assets, liabilities and net assets

Total assets at the end of the consolidated fiscal year under review increased by 4,364 million yen compared to the end of the previous consolidated fiscal year, to 90,234 million yen. This was mainly due to an increase in trade receivables of 2,436 million yen, an increase in inventories of 1,813 million yen, a decrease in cash and deposits of 1,317 million yen, and an increase in other current assets of 748 million yen.

On the other hand, liabilities increased by 1,297 million yen compared to the end of the previous fiscal year, to 34,643 million yen, mainly due to an increase in trade payables of 1,977 million yen, a decrease in borrowings of 936 million yen, and an increase in accounts payable - other of 346 million yen.

Net assets increased by 3,066 million yen from the end of the previous fiscal year to 55,591 million yen, mainly due to an increase in retained earnings of 2,953 million yen and an increase in valuation difference on available-for-sale securities of 270 million yen.

As a result of the above, the equity ratio increased by 0.4 percentage points from the end of the previous fiscal year to 61.6%.

(3) Overview of Cash Flows for the Period under Review

Cash and cash equivalents (hereinafter referred to as “cash”) on a consolidated basis at the end of the fiscal year under review decreased by 1,317 million yen compared to the end of the previous fiscal year, to 8,448 million yen.

The status of each cash flow and their factors during the fiscal year under review are as follows.

(Cash Flows from Operating Activities)

Net cash provided by operating activities amounted to 3,702 million yen.

This was mainly due to cash inflows from profit before income taxes of 5,278 million yen and depreciation of 4,252 million yen, and cash outflows from an increase in trade receivables of 2,431 million yen and an increase in inventories of 1,805 million yen.

(Cash Flows from Investing Activities)

Net cash used in investing activities amounted to 3,310 million yen.

This was mainly due to a cash outflow from the purchase of property, plant and equipment, such as manufacturing equipment.

(Cash Flows from Financing Activities)

Net cash used in financing activities amounted to 1,773 million yen.

This was mainly due to cash outflows from a decrease in borrowings of 940 million yen and dividends paid of 831 million yen.

(4) Future Outlook

The Group’s forecast for the next fiscal year is for net sales of 81.0 billion yen, up by 4.8% year-on-year, mainly due to progress in the transfer of rising costs to product prices in the Plastic Film Division. In terms of profit, we forecast operating profit of 4.5 billion yen, up by 19.3% year-on-year, due to the increase in net sales, ordinary profit of 4.8 billion yen, up by 12.3% year-on-year, and profit attributable to owners of parent of 3.5 billion yen, down by 7.6% year-on-year, as we do not expect to post extraordinary income of the amount comparable to that recorded in the previous fiscal year.

2. Basic Policy on Selection of Accounting Standards

The Group's policy, for the time being, is to prepare consolidated financial statements under Japanese GAAP, taking into consideration the comparability of consolidated financial statements from period to period and from company to company.

With regard to the adoption of IFRS, the Group's policy is to respond appropriately in consideration of various domestic and international circumstances.

3. Consolidated Financial Statements and Principal Notes

(1) Consolidated Balance Sheets

(Million yen)

	As of December 31, 2021	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	9,765	8,448
Notes receivable - trade	4,271	3,324
Accounts receivable - trade	16,823	17,473
Electronically recorded monetary claims - operating	5,592	8,325
Merchandise and finished goods	4,429	5,694
Work in process	1,085	1,263
Raw materials and supplies	4,251	4,611
Real estate for sale	196	206
Other	543	1,292
Allowance for doubtful accounts	(0)	(0)
Total current assets	46,959	50,640
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	12,736	11,981
Machinery, equipment and vehicles, net	8,591	7,415
Land	5,795	6,276
Construction in progress	885	2,868
Other, net	495	428
Total property, plant and equipment	28,505	28,970
Intangible assets	720	642
Investments and other assets		
Investment securities	8,696	9,141
Deferred tax assets	389	234
Other	597	605
Allowance for doubtful accounts	(0)	—
Total investments and other assets	9,684	9,981
Total non-current assets	38,910	39,594
Total assets	85,869	90,234

(Million yen)

	As of December 31, 2021	As of December 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	16,236	18,213
Short-term borrowings	1,914	1,549
Current portion of long-term borrowings	570	483
Accounts payable - other	3,959	4,306
Income taxes payable	1,068	797
Other	4,221	4,159
Total current liabilities	27,971	29,509
Non-current liabilities		
Long-term borrowings	827	343
Deferred tax liabilities	0	0
Retirement benefit liability	3,632	3,968
Other	914	821
Total non-current liabilities	5,374	5,133
Total liabilities	33,345	34,643
Net assets		
Shareholders' equity		
Share capital	8,619	8,619
Capital surplus	9,070	9,071
Retained earnings	32,140	35,094
Treasury shares	(841)	(829)
Total shareholders' equity	48,989	51,956
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,237	3,507
Foreign currency translation adjustment	202	220
Remeasurements of defined benefit plans	72	(114)
Total accumulated other comprehensive income	3,512	3,613
Non-controlling interests	22	20
Total net assets	52,524	55,591
Total liabilities and net assets	85,869	90,234

(2) Consolidated Statements of Income and Comprehensive Income
 Consolidated Statements of Income

(Million yen)

	For the fiscal year ended December 31, 2021	For the fiscal year ended December 31, 2022
Net sales	88,420	77,260
Cost of sales	73,912	63,944
Gross profit	14,508	13,316
Selling, general and administrative expenses		
Sales commission	52	76
Transportation and storage costs	2,732	2,743
Salaries	2,087	2,091
Bonuses	651	588
Remuneration for directors (and other officers)	322	330
Retirement benefit expenses	136	115
Depreciation	199	198
Research and development expenses	1,047	1,179
Provision of allowance for doubtful accounts	(0)	(0)
Other	2,156	2,220
Total selling, general and administrative expenses	9,384	9,544
Operating profit	5,123	3,771
Non-operating income		
Interest income	0	7
Dividend income	206	294
Foreign exchange gains	65	103
Subsidy income	141	27
Miscellaneous income	134	143
Total non-operating income	548	576
Non-operating expenses		
Interest expenses	84	21
Commission expenses	25	29
Miscellaneous losses	30	22
Total non-operating expenses	140	73
Ordinary profit	5,531	4,275
Extraordinary income		
Gain on sale of non-current assets	334	1,542
Gain on sale of investment securities	13	—
Total extraordinary income	348	1,542
Extraordinary losses		
Loss on sale and retirement of non-current assets	173	108
Impairment losses	750	429
Loss on sale of investment securities	18	—
Extra retirement payments	0	1
Total extraordinary losses	943	539
Profit before income taxes	4,937	5,278
Income taxes - current	1,598	1,406
Income taxes - deferred	(78)	85
Total income taxes	1,519	1,492
Profit	3,417	3,785
Profit (loss) attributable to non-controlling interests	0	(2)
Profit attributable to owners of parent	3,417	3,788

Consolidated Statements of Comprehensive Income

(Million yen)

	For the fiscal year ended December 31, 2021	For the fiscal year ended December 31, 2022
Profit	3,417	3,785
Other comprehensive income		
Valuation difference on available-for-sale securities	543	270
Foreign currency translation adjustment	43	19
Remeasurements of defined benefit plans, net of tax	129	(187)
Total other comprehensive income	716	103
Comprehensive income	4,133	3,889
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,130	3,890
Comprehensive income attributable to non-controlling interests	3	(1)

(3) Consolidated Statements of Changes in Equity

Fiscal year ended December 31, 2021 (from January 1, 2021 to December 31, 2021)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	8,619	9,068	29,439	(850)	46,276
Changes during period					
Dividends of surplus			(715)		(715)
Profit attributable to owners of parent			3,417		3,417
Purchase of treasury shares				(2)	(2)
Disposal of treasury shares				11	11
Gain of treasury stock disposal		2			2
Net changes in items other than shareholders' equity					
Total changes during period	—	2	2,701	9	2,713
Balance at end of period	8,619	9,070	32,140	(841)	48,989

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	2,694	161	(56)	2,798	18	49,094
Changes during period						
Dividends of surplus						(715)
Profit attributable to owners of parent						3,417
Purchase of treasury shares						(2)
Disposal of treasury shares						11
Gain of treasury stock disposal						2
Net changes in items other than shareholders' equity	543	40	129	713	3	716
Total changes during period	543	40	129	713	3	3,429
Balance at end of period	3,237	202	72	3,512	22	52,524

Fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	8,619	9,070	32,140	(841)	48,989
Changes during period					
Dividends of surplus			(835)		(835)
Profit attributable to owners of parent			3,788		3,788
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares				12	12
Gain of treasury stock disposal		1			1
Net changes in items other than shareholders' equity					
Total changes during period	—	1	2,953	11	2,966
Balance at end of period	8,619	9,071	35,094	(829)	51,956

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	3,237	202	72	3,512	22	52,524
Changes during period						
Dividends of surplus						(835)
Profit attributable to owners of parent						3,788
Purchase of treasury shares						(1)
Disposal of treasury shares						12
Gain of treasury stock disposal						1
Net changes in items other than shareholders' equity	270	18	(187)	101	(1)	100
Total changes during period	270	18	(187)	101	(1)	3,066
Balance at end of period	3,507	220	(114)	3,613	20	55,591

(4) Consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended December 31, 2021	For the fiscal year ended December 31, 2022
Cash flows from operating activities		
Profit before income taxes	4,937	5,278
Impairment losses	750	429
Depreciation	4,502	4,252
Increase (decrease) in allowance for doubtful accounts	(0)	(0)
Increase (decrease) in retirement benefit liability	34	62
Interest and dividend income	(207)	(302)
Interest expenses	84	21
Foreign exchange losses (gains)	(55)	(66)
Loss (gain) on sale of investment securities	5	—
Loss (gain) on sale and retirement of non-current assets	(248)	(1,504)
Decrease (increase) in trade receivables	(1,344)	(2,431)
Decrease (increase) in inventories	(1,860)	(1,805)
Increase (decrease) in trade payables	977	1,972
Other, net	18	(820)
Subtotal	7,594	5,086
Interest and dividends received	207	299
Interest paid	(83)	(21)
Income taxes paid	(1,371)	(1,661)
Net cash provided by (used in) operating activities	6,345	3,702
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,498)	(5,120)
Proceeds from sale of property, plant and equipment	705	1,957
Proceeds from governmental subsidy income	121	19
Purchase of investment securities	(11)	(21)
Proceeds from sale of investment securities	58	—
Proceeds from collection of loans receivable	2	1
Other, net	(140)	(145)
Net cash provided by (used in) investing activities	(2,763)	(3,310)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(1,410)	(369)
Proceeds from long-term borrowings	80	—
Repayments of long-term borrowings	(996)	(570)
Purchase of treasury shares	(2)	(1)
Dividends paid	(712)	(831)
Net cash provided by (used in) financing activities	(3,041)	(1,773)
Effect of exchange rate change on cash and cash equivalents	44	63
Net increase (decrease) in cash and cash equivalents	586	(1,317)
Cash and cash equivalents at beginning of period	9,179	9,765
Cash and cash equivalents at end of period	9,765	8,448

(5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Changes in accounting policies)

[Application of the Accounting Standard for Revenue Recognition, etc.]

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as the “Revenue Recognition Accounting Standard”), etc. from the beginning of the fiscal year under review. The Company recognizes revenue when control of promised goods or services is transferred to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for the goods or services.

The main changes resulting from the application are as follows:

- The Company changed an amount of revenue to be recognized for a buy-sell transaction, in which the Company purchases raw materials, etc. from a customer and processes them and then sells the product to the customer, from the total amount of consideration which includes the purchase price of the raw materials, etc. to the net amount.
- The Company changed an amount of revenue to be recognized for a transaction in which the role of the Group in provision of merchandise to a customer falls under the category of agent, from the total amount of consideration received from the customer to the net amount.

In the application of the Revenue Recognition Accounting Standard, etc., the Company follows the transitional treatment stipulated in the proviso in Paragraph 84 of the Revenue Recognition Accounting Standard. There is no impact on retained earnings at the beginning of the fiscal year under review owing to this application.

“Notes and accounts receivable - trade,” which was presented under “current assets” in the consolidated balance sheets for the previous fiscal year, is included in “notes receivable - trade” and “accounts receivable - trade” from the fiscal year under review. Accordingly, the consolidated balance sheets for the previous fiscal year have been reclassified.

As a result, for the fiscal year under review, net sales decreased by 19,530 million yen, cost of sales decreased by 19,488 million yen, and operating profit decreased by 42 million yen, compared to before the application of the Revenue Recognition Accounting Standard, etc.

[Application of the Accounting Standard for Fair Value Measurement, etc.]

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as the “Fair Value Measurement Accounting Standard”), etc. from the beginning of the fiscal year under review, applying new accounting policies defined in the Fair Value Measurement Accounting Standard, etc. over the future in accordance with the transitional treatment as provided for in Paragraph 19 of the Fair Value Measurement Accounting Standard and in Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). The application has no impact on the Company’s consolidated financial statements.

(Additional information)

[Application of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System]

The Company and its consolidated subsidiaries in Japan will transition from the consolidated taxation system to the group tax sharing system from the consolidated fiscal year ending December 31, 2023; provided, however, for items for which transition to the group tax sharing system created in the Act for Partial Amendment to the Income Tax Act, etc. (Act No. 8 of 2020) was made and for which the non-consolidated taxation system was reviewed in step with transition to the group taxation system, the provisions in Paragraph 44 of the Implementation Guidance on Tax Effect

Accounting (Accounting Standards Board of Japan (ASBJ) Guidance No. 28, February 16, 2018) will not be applied based on the treatment in Paragraph 3 of the Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System (ASBJ Practical Issues Task Force (PITF) No. 39, March 31, 2020), and the amounts of deferred tax assets and deferred tax liabilities are based on the provisions of the Income Tax Act before amendment.

From the beginning of the fiscal year ending December 31, 2023, the Company will apply the Practical Solution on the Accounting and Disclosure under the Group Tax Sharing System (ASBJ PITF No. 42, August 12, 2021), which provides the treatment of accounting and disclosure of income taxes, local income taxes, and tax effect accounting when the group tax sharing system is applied.

(Segment information, etc.)

[Segment information]

1. Overview of reportable segments

The Group's reportable segments are the constituent units of the Group for which separate financial information is available and which are subject to periodic review by the Board of Directors in order to determine the allocation of management resources and evaluate business performance.

The Group conducts its business activities according to the products and services it handles, and has three reportable segments: Plastic Film, New Materials, and Housing Materials businesses.

The Plastic Film segment produces and sells polyethylene film, polypropylene film, and other synthetic resin products; the New Materials segment produces and sells optical functional film and other LCD-related materials; and the Housing Materials segment produces and sells particleboard, processed boards, and other building materials.

2. Matters concerning changes in reportable segments, etc.

"Housing Materials" has commenced new businesses and launched new products in cooperation with the lumber processing business and residential land development and building construction business. During the previous fiscal year, sales of the products put on the market increased steadily, and the collaboration between these businesses has been deepening. In light of this, from the fiscal year under review, the lumber processing business and residential land development and building construction business, which were previously included in the "Other" segment, are included in the existing "Housing Materials" segment.

The segment information stated for the fiscal year ended December 31, 2021 has been created using the new segmentation and is stated in "4. Information for the amount of net sales, profit or loss, assets, liabilities and other items by reportable segment" for the fiscal year ended December 31, 2021.

In addition, as stated in "Changes in accounting policies," the Company has applied the Revenue Recognition Accounting Standard, etc. from the beginning of the fiscal year under review and changed the accounting method for revenue recognition. The measurement method for the profit or loss by business segment has been changed accordingly.

As a result of this change, for the fiscal year under review, net sales decreased by 68 million yen and segment profit decreased by 39 million yen in the "Plastic Film," net sales decreased by 19,264 million yen in the "New Materials," net sales decreased by 178 million yen and segment profit decreased by 2 million yen in the "Housing Materials," and net sales decreased by 19 million yen in "Other," as compared with the previous method.

3. Calculation method for the amount of net sales, profit or loss, assets, liabilities and other items by reportable segment

The accounting method for the reported business segments is the same as the accounting method used in the preparation of the consolidated financial statements.

Profit (loss) in reportable segments is based on operating profit (loss).

Inter-segment net sales are based on generally accepted transaction values.

4. Information for the amount of net sales, profit or loss, assets, liabilities and other items by reportable segment
For the fiscal year ended December 31, 2021 (January 1, 2021 to December 31, 2021)

(Million yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded in consolidated financial statements (Note 3)
	Plastic Film	New Materials	Housing Materials	Total				
Net sales								
Net sales to outside customers	47,829	28,524	10,891	87,245	1,175	88,420	—	88,420
Inter-segment net sales or transfers	3	—	50	53	748	802	(802)	—
Total	47,832	28,524	10,941	87,298	1,924	89,223	(802)	88,420
Segment profit	4,267	2,373	591	7,233	166	7,400	(2,276)	5,123
Segment assets	43,831	14,295	9,861	67,988	1,883	69,872	15,997	85,869
Other items								
Depreciation	2,466	1,076	452	3,994	290	4,284	217	4,502
Increase in property, plant and equipment and intangible assets	2,561	1,131	295	3,988	108	4,097	576	4,673

- (Notes) 1. The “Other” category is a business segment that is not included in the reportable segments and includes the hotel business, information processing system development business, and real estate leasing business.
2. The segment profit adjustment of negative 2,276 million yen includes negative 1 million yen in eliminations of inter-segment transactions and negative 2,275 million yen in corporate expenses that are not allocated to each reportable segment. Corporate expenses mainly consist of general and administrative expenses that do not belong to any reportable segment.
3. Segment profit is adjusted with operating profit in the consolidated statements of income.

For the fiscal year ended December 31, 2022 (January 1, 2022 to December 31, 2022)

(Million yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded in consolidated financial statements (Note 3)
	Plastic Film	New Materials	Housing Materials	Total				
Net sales								
Net sales to outside customers	51,610	10,854	13,341	75,806	1,454	77,260	—	77,260
Inter-segment net sales or transfers	4	—	32	36	807	844	(844)	—
Total	51,614	10,854	13,373	75,843	2,261	78,104	(844)	77,260
Segment profit	3,476	1,342	862	5,680	365	6,046	(2,274)	3,771
Segment assets	45,772	16,328	11,170	73,270	1,812	75,083	15,150	90,234
Other items								
Depreciation	2,267	946	429	3,643	281	3,925	327	4,252
Increase in property, plant and equipment and intangible assets	2,147	1,905	407	4,460	179	4,640	884	5,524

- (Notes) 1. The “Other” category is a business segment that is not included in the reportable segments and includes the hotel business, information processing system development business, and real estate leasing business.

2. The segment profit adjustment of negative 2,274 million yen includes negative 7 million yen in eliminations of inter-segment transactions and negative 2,267 million yen in corporate expenses that are not allocated to each reportable segment. Corporate expenses mainly consist of general and administrative expenses that do not belong to any reportable segment.
3. Segment profit is adjusted with operating profit in the consolidated statements of income.

[Related information]

For the fiscal year ended December 31, 2021 (January 1, 2021 to December 31, 2021)

1 Information by products and services

This information has been omitted because the same information is disclosed in segment information.

2 Information by region

(1) Net sales

This information is omitted because net sales to external customers in Japan account for more than 90% of net sales in the consolidated statements of income.

(2) Property, plant and equipment

This information is omitted because the amount of property, plant and equipment located in Japan accounts for more than 90% of the property, plant and equipment on the consolidated balance sheets.

3 Information by principal customers

(Million yen)

Name	Net sales	Relevant segment names
Sumitomo Chemical Company, Limited	17,854	Plastic Film, New Materials

For the fiscal year ended December 31, 2022 (January 1, 2022 to December 31, 2022)

1 Information by products and services

This information has been omitted because the same information is disclosed in segment information.

2 Information by region

(1) Net sales

This information is omitted because net sales to external customers in Japan account for more than 90% of net sales in the consolidated statements of income.

(2) Property, plant and equipment

This information is omitted because the amount of property, plant and equipment located in Japan accounts for more than 90% of the property, plant and equipment on the consolidated balance sheets.

3 Information by principal customers

Information by principal customers is not shown because no outside customer accounts for 10% or more of net sales in the consolidated statements of income.

Due to the application of the Revenue Recognition Accounting Standard, etc., Sumitomo Chemical Company, Limited, whose information was stated in the previous fiscal year, now accounts for less than 10% of net sales in the consolidated statements of income.

[Information on impairment loss on non-current assets by reportable segment]

For the fiscal year ended December 31, 2021 (January 1, 2021 to December 31, 2021)

(Million yen)

	Reportable segment				Other (Note)	Corporate / Eliminations	Total
	Plastic Film	New Materials	Housing Materials	Total			
Impairment loss	—	750	—	750	—	—	750

(Note) The “Other” category is a business segment that is not included in the reportable segments and includes the hotel business, information processing system development business, and real estate leasing business.

For the fiscal year ended December 31, 2022 (January 1, 2022 to December 31, 2022)

(Million yen)

	Reportable segment				Other (Note)	Corporate / Eliminations	Total
	Plastic Film	New Materials	Housing Materials	Total			
Impairment loss	429	—	—	429	—	—	429

(Note) The “Other” category is a business segment that is not included in the reportable segments and includes the hotel business, information processing system development business, and real estate leasing business.

[Information on amortization of goodwill and unamortized balance by reportable segment]

Not applicable.

[Information on gain on negative goodwill by reportable segment]

Not applicable.

(Per share information)

	For the fiscal year ended December 31, 2021	For the fiscal year ended December 31, 2022
Net assets per share	¥4,401.20	¥4,655.71
Basic earnings per share	¥286.49	¥317.45

(Notes) 1. Diluted earnings per share is not shown because there are no potential shares.

2. The basis for the calculation of net assets per share is as follows.

	As of December 31, 2021	As of December 31, 2022
Net assets	¥52,524 million	¥55,591 million
Deduction from net assets	¥22 million	¥20 million
[Non-controlling interests]	[¥22 million]	[¥20 million]
Net assets for common shareholders at end of fiscal year	¥52,501 million	¥55,570 million
Number of common shares used to calculate net assets per share	11,929 thousand shares	11,935 thousand shares

3. The basis for the calculation of basic earnings per share is as follows.

	For the fiscal year ended December 31, 2021	For the fiscal year ended December 31, 2022
Basic earnings per share		
Profit attributable to owners of parent	¥3,417 million	¥3,788 million
Amount not attributable to common shareholders	—	—
Profit attributable to owners of parent attributable to common shares	¥3,417 million	¥3,788 million
Average number of common shares outstanding during the fiscal year	11,927 thousand shares	11,933 thousand shares