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February 8, 2023

Consolidated Financial Results for the Nine Months Ended December 31, 2022 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange
 Securities code: 3106
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 Scheduled date to file quarterly securities report: February 14, 2023
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: None
 Holding of quarterly financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

(1) Consolidated operating results (cumulative)

(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	%
Nine months ended								
December 31, 2022	113,876	19.1	6,485	24.0	8,097	28.7	5,602	32.0
December 31, 2021	95,582	–	5,230	–	6,294	–	4,244	–

Note: Comprehensive income For the nine months ended December 31, 2022: ¥8,324 million [142.6%]
 For the nine months ended December 31, 2021: ¥3,431 million [–%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2022	289.71	–
December 31, 2021	211.77	–

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
December 31, 2022	181,374	101,649	55.1
March 31, 2022	167,285	97,415	57.4

Reference: Equity
 As of December 31, 2022: ¥99,989 million
 As of March 31, 2022: ¥96,016 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	–	0.00	–	70.00	70.00
Fiscal year ending March 31, 2023	–	35.00	–		
Fiscal year ending March 31, 2023 (Forecast)				35.00	70.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Forecast of consolidated financial results for the year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	153,000	15.7	7,400	(1.7)	8,700	(1.0)	6,000	7.1	312.22

Note: Revisions to the forecast of financial results most recently announced: None

* **Notes**

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

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: Yes

Note: For the details, please refer to “(Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements) in (3) Notes to quarterly consolidated financial statements in 2. Quarterly consolidated financial statements and significant notes thereto” on page 8 of the attached materials.

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

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: None

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(4) Number of issued shares (common shares)

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

As of December 31, 2022	20,000,000 shares
As of March 31, 2022	20,756,228 shares

(ii) Number of treasury shares at the end of the period

As of December 31, 2022	1,185,977 shares
As of March 31, 2022	971,652 shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Nine months ended December 31, 2022	19,338,311 shares
Nine months ended December 31, 2021	20,043,229 shares

Note: The Company has introduced the Board Benefit Trust, a share-based compensation plan for directors, etc. using a trust, and the Company’s shares held by the trust account are included in the number of treasury shares.

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

(Caution regarding forward-looking statements and others)

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Consequently, the statements herein do not constitute assurances regarding the Company’s actual results. Actual financial and other results may differ substantially from the statements herein due to various factors. For matters regarding the above earnings forecasts, please refer to “(3) Explanation of consolidated financial forecasts and other forward-looking statements” of “1. Qualitative information regarding financial results for the nine months ended December 31, 2022” on page 3 of the attached materials.

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1. Qualitative information regarding financial results for the nine months ended December 31, 2022

(1) Explanation of operating results

During the first nine months of the fiscal year ending March 31, 2023 (from April 1, 2022 to December 31, 2022), the Japanese economy picked up moderately in part due to restrictions on activity having been relaxed under a “living-with-corona” scenario. However, this did not culminate in a full-scale economic recovery partially given effects of cost increases due to surging prices of raw materials and other resources along with depreciation of the yen, and also given effects of supply shortages particularly with respect to certain semiconductors and electronic components.

In this type of environment, based on the basic policy of “expand high-profit businesses and strengthen core businesses to achieve sustainable growth” in the medium-term corporate business plan “Progress '24” that came into effect in April 2022, the Group has focused on expanding sales for high-performance plastic products for semiconductor production, capturing casual clothing demand, as well as expanding sales for high-performance and high value-added textiles materials with our unique technologies as we worked toward a recovery in results in our core textile business. Furthermore, to respond to higher raw material, etc., the Group has passed on increased costs to our selling prices and worked to reduce costs to improve profits.

As a result, net sales for the period under review were ¥113.8 billion (up 19.1% YoY), operating profit was ¥6.48 billion (up 24.0% YoY), ordinary profit was ¥8.09 billion (up 28.7% YoY), and profit attributable to owners of parent was ¥5.6 billion (up 32.0% YoY).

Results by segment are as follows.

(Textiles)

Yarns experienced increased revenue both from domestic and overseas subsidiaries due to steady sales of high-performance products that we produce with our unique technologies.

Fabrics experienced increased revenue due to recovery in orders of casual clothing materials, mainly in overseas subsidiaries, as well as steady sales in uniform materials.

Textile products (Sewn products, etc.) experienced increased revenue from increased orders of casual wear.

In addition, we made steady progress with profitability improvement measures that we have been pursuing up until now.

As a result, net sales were ¥43.3 billion (up 37.8% YoY) with operating profit of ¥0.69 billion (operating loss of ¥0.27 billion in the same period of the previous fiscal year).

(Chemical Products)

Flexible polyurethane foam experienced an overall increase in revenue due to the recovery in sales for automotive interior at domestic and Chinese subsidiaries despite the impact of semiconductor shortages and effects of supply chain disruptions as a result of China persisting with its zero-COVID policy, as well as from steady orders at our Brazilian subsidiary.

Functional resin products experienced increased revenue amidst favorable performance from high-performance plastic products for semiconductor production along with recovery in orders from functional films for automobiles.

Housing construction products experienced increased revenue due to steady sales of exterior materials and heat-insulating materials.

Nonwoven fabrics experienced recovery in orders involving applications for automotive filters.

As a result, net sales were ¥44.9 billion (up 17.8% YoY) with operating profit of ¥2.73 billion (up 26.4% YoY).

(Advanced Technology)

Electronics businesses experienced decreased revenue due to difficulty in procuring parts for film thickness meters and FA-related devices at our subsidiaries as a result of the disrupted global supply chain and due to sluggish sales of AFVI systems for HDI/Flex PCB, despite a large-scale project at a subsidiary for silicon wafer cleaning equipment.

Engineering businesses experienced decreased revenue with few biomass plant-related facilities and large-scale plant-related projects.

Biomedical businesses experienced increased revenue mainly due to steady overseas sales of mixer/deaerator and machine tools experienced increased revenue due to solid performance both domestically and in China.

As a result, net sales were ¥15.8 billion (down 6.0% YoY) with operating profit of ¥1.48 billion (down 18.6% YoY).

(Food and Services)

Freeze-dried foods experienced increased revenue with strong sales of molding soup due to demand for in-home foods.

Hotels and their related services experienced increased revenue due to relaxed restrictions on activity and support for the tourism business.

As a result, net sales were ¥6.9 billion (up 10.8% YoY) with operating profit of ¥0.39 billion (up 100.2% YoY).

(Real Estate)

Due to changes in certain leasing terms, real estate leasing recorded net sales of ¥2.7 billion (down 2.4% YoY) with operating profit of ¥1.92 billion (down 7.9% YoY).

(2) Explanation of financial position

(Assets, liabilities and net assets)

Total assets at the end of the third quarter of the fiscal year ending March 31, 2023 increased by ¥14.0 billion from the end of the previous fiscal year to ¥181.3 billion mainly due to increases in inventories and trade receivables, although cash and deposits decreased.

Liabilities increased by ¥9.8 billion from the end of the previous fiscal year to ¥79.7 billion mainly due to an increase in short-term borrowings.

Net assets increased by ¥4.2 billion from the end of the previous fiscal year to ¥101.6 billion mainly due to increases in retained earnings and foreign currency translation adjustment.

As a result of the above, the equity-to-asset ratio was 55.1%, down by 2.3 percentage points.

(3) Explanation of consolidated financial forecasts and other forward-looking statements

At this point in time, there are no changes in consolidated earnings forecasts announced on November 10, 2022 for the full year (April 1, 2022 to March 31, 2023).

Furthermore, regarding the fire accident (“Notification on the Possibility of the Occurrence of Damages to the Company” released on July 27, 2022) that occurred on June 30, 2022, which is described in “Notes on quarterly consolidated balance sheet (Contingent liabilities),” although there is a possibility that the Company may incur additional damages, the impact of such damages has not been determined at this point in time, and is therefore not taken into account in these consolidated financial forecasts.

The Company will announce any specific impact on earnings in the future as soon as it becomes clear.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	14,116	11,403
Notes and accounts receivable - trade, and contract assets	35,513	40,971
Merchandise and finished goods	12,133	15,584
Work in process	7,587	10,466
Raw materials and supplies	5,751	8,325
Other	3,340	4,642
Allowance for doubtful accounts	(44)	(49)
Total current assets	78,397	91,344
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	23,642	23,353
Other, net	26,043	26,300
Total property, plant and equipment	49,686	49,654
Intangible assets	1,378	1,456
Investments and other assets		
Investment securities	33,975	35,149
Other	4,060	4,017
Allowance for doubtful accounts	(212)	(248)
Total investments and other assets	37,823	38,918
Total non-current assets	88,888	90,029
Total assets	167,285	181,374
Liabilities		
Current liabilities		
Notes and accounts payable - trade	22,419	23,235
Short-term borrowings	8,864	17,647
Income taxes payable	1,630	1,105
Provision for bonuses	1,478	592
Other	8,369	10,264
Total current liabilities	42,761	52,846
Non-current liabilities		
Long-term borrowings	3,499	3,112
Provision for retirement benefits for directors (and other officers)	207	218
Provision for share-based compensation	74	116
Retirement benefit liability	12,963	12,968
Other	10,363	10,461
Total non-current liabilities	27,109	26,878
Total liabilities	69,870	79,724

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Net assets		
Shareholders' equity		
Share capital	22,040	22,040
Capital surplus	15,210	15,210
Retained earnings	59,293	61,222
Treasury shares	(2,082)	(2,476)
Total shareholders' equity	94,461	95,996
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,410	11,618
Deferred gains or losses on hedges	52	(126)
Foreign currency translation adjustment	(8,637)	(7,257)
Remeasurements of defined benefit plans	(270)	(241)
Total accumulated other comprehensive income	1,555	3,992
Non-controlling interests	1,398	1,660
Total net assets	97,415	101,649
Total liabilities and net assets	167,285	181,374

(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income**Quarterly consolidated statement of income (cumulative)**

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Net sales	95,582	113,876
Cost of sales	75,683	91,960
Gross profit	19,898	21,915
Selling, general and administrative expenses	14,668	15,430
Operating profit	5,230	6,485
Non-operating income		
Interest income	11	51
Dividend income	955	1,151
Share of profit of entities accounted for using equity method	–	28
Foreign exchange gains	181	707
Other	318	246
Total non-operating income	1,466	2,185
Non-operating expenses		
Interest expenses	138	243
Share of loss of entities accounted for using equity method	26	–
Expenses on inactive noncurrent assets	135	154
Other	102	175
Total non-operating expenses	403	573
Ordinary profit	6,294	8,097
Extraordinary income		
Gain on sale of investment securities	402	431
Gain on sale of non-current assets	124	6
Total extraordinary income	526	438
Extraordinary losses		
Losses on fire disaster	–	293
Loss on disposal of non-current assets	7	163
Loss on sale of investment securities	–	0
Loss on valuation of shares of subsidiaries and associates	217	–
Factory transfer expenses	134	–
Business restructuring expenses	120	–
Total extraordinary losses	480	456
Profit before income taxes	6,340	8,079
Income taxes	2,138	2,347
Profit	4,201	5,731
Profit (loss) attributable to non-controlling interests	(43)	129
Profit attributable to owners of parent	4,244	5,602

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Profit	4,201	5,731
Other comprehensive income		
Valuation difference on available-for-sale securities	(873)	1,207
Deferred gains or losses on hedges	(9)	(179)
Foreign currency translation adjustment	17	1,500
Remeasurements of defined benefit plans, net of tax	113	28
Share of other comprehensive income of entities accounted for using equity method	(18)	35
Total other comprehensive income	(770)	2,592
Comprehensive income	3,431	8,324
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,495	8,039
Comprehensive income attributable to non-controlling interests	(64)	284

(3) Notes to quarterly consolidated financial statements

(Notes on premise of going concern)

Not applicable.

(Notes on quarterly consolidated balance sheet)

(Contingent liabilities)

On June 30, 2022, a fire broke out at the logistics facility Ami No. 2 Logistics Center of SBS Flec Co., Ltd. (location: 6-1 Hoshinosato, Ami-machi, Inashiki-gun, Ibaraki) at which the Company's Chemical Products Division had conducted heat-insulating work. The fire was extinguished on July 5, 2022.

During the first nine months of the fiscal year ending March 31, 2023, the Company recorded losses on fire disaster under extraordinary losses of ¥293 million to account for the Company's contribution as discussed and determined among the relevant companies at behest of SBS Flec Co., Ltd. and other expenses. The aforementioned disbursement is provisional given that proportional liability with respect to the fire and the overall amount of damages attributable to the fire have yet to be determined at this point in time. As such, the Company may incur additional damages pursuant to factors such as the overall amount of damages, which is to be determined based on findings of the currently ongoing investigation by fire authorities into the cause of the fire and also based on results of discussions with concerned parties.

(Notes on significant changes in the amount of shareholders' equity)

1. Purchase of treasury shares

Based on the resolution at the board of directors meeting held on May 12, 2022, the Company acquired 969,800 treasury shares. As a result, treasury shares increased by ¥1,999 million during the first nine months of the fiscal year ending March 31, 2023.

2. Cancellation of treasury shares

Based on the resolution at the board of directors meeting held on May 12, 2022, the Company canceled 756,228 treasury shares on May 23, 2022. This led to a decrease in retained earnings and treasury shares by ¥1,607 million each during the period under review.

As a result, treasury shares were ¥2,476 million at the end of the third quarter of the fiscal year ending March 31, 2023.

(Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements)

(Calculation of cost of tax)

The effective tax rate after applying the accounting effect of taxes on profit before taxes for the consolidated fiscal year including the quarter under review is reasonably estimated, and profit before taxes is multiplied by the estimated effective tax rate to calculate cost of tax. However, if the calculation of the cost of tax using the estimated effective tax rate results in significantly unreasonable results, the effective statutory tax rate is used.

(Additional information)

(Fire accident)

Regarding the fire accident described in "Notes on quarterly consolidated balance sheet (Contingent liabilities)," the cause of the fire is still under investigation by fire authorities and we have not yet determined the details and the amount of additional damage to the Company resulting from the fire at this point in time. The Company will announce any specific impact on earnings in the future as soon as it becomes clear.

(Impact of COVID-19)

There were no significant changes to the impact of COVID-19 described in the financial statements for the fiscal year ended March 31, 2022 (Additional information).

(Segment information)

I Nine months ended December 31, 2021 (from April 1, 2021 to December 31, 2021)

Information on the amounts of sales and profit or loss by reportable segment

(Millions of yen)

	Reportable segments						Adjustments (Note 1)	Amount recorded in the quarterly consolidated statement of income (Note 2)
	Textiles	Chemical Products	Advanced Technology	Food and Services	Real Estate	Total		
Sales								
Sales to outside customers	31,500	38,140	16,808	6,270	2,861	95,582	–	95,582
Intersegment sales or transfers	32	62	300	28	374	798	(798)	–
Total	31,532	38,203	17,109	6,298	3,236	96,380	(798)	95,582
Segment profit (loss)	(277)	2,164	1,828	197	2,093	6,005	(775)	5,230

(Notes) 1. The segment profit or loss adjustment of negative ¥775 million includes company-wide expenses of negative ¥765 million and other adjustments of negative ¥9 million. Company-wide expenses are mainly R&D expenses not attributable to the reportable segment.

2. Segment profit or loss is adjusted with operating profit in the quarterly consolidated statement of income.

II Nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

Information on the amounts of sales and profit or loss by reportable segment

(Millions of yen)

	Reportable segments						Adjustments (Note 1)	Amount recorded in the quarterly consolidated statement of income (Note 2)
	Textiles	Chemical Products	Advanced Technology	Food and Services	Real Estate	Total		
Sales								
Sales to outside customers	43,394	44,935	15,806	6,946	2,793	113,876	–	113,876
Intersegment sales or transfers	31	74	221	31	329	689	(689)	–
Total	43,426	45,010	16,028	6,977	3,123	114,566	(689)	113,876
Segment profit	692	2,735	1,488	395	1,928	7,240	(755)	6,485

(Notes) 1. The segment profit adjustment of negative ¥755 million includes company-wide expenses of negative ¥759 million and other adjustments of ¥4 million. Company-wide expenses are mainly R&D expenses not attributable to the reportable segment.

2. Segment profit is adjusted with operating profit in the quarterly consolidated statement of income.

(Relationship to revenue recognition)

Information on disaggregation of revenue from contracts with customers

[Breakdown by type of goods or services]

Nine months ended December 31, 2021 (from April 1, 2021 to December 31, 2021)

(Millions of yen)

	Reportable segments					Total
	Textiles	Chemical Products	Advanced Technology	Food and Services	Real Estate	
Yarns	10,267	—	—	—	—	10,267
Fabrics	15,007	—	—	—	—	15,007
Textile products (Sewn products, etc.)	10,114	—	—	—	—	10,114
Flexible polyurethane foam	—	12,725	—	—	—	12,725
Functional resin products	—	15,186	—	—	—	15,186
Housing construction products	—	6,485	—	—	—	6,485
Electronics businesses	—	—	8,562	—	—	8,562
Engineering businesses	—	—	4,937	—	—	4,937
Freeze-dried foods	—	—	—	5,059	—	5,059
Services	—	—	—	1,238	—	1,238
Others	—	6,622	4,520	—	—	11,142
Intersegment sales	(3,889)	(2,879)	(1,210)	(28)	—	(8,007)
Revenue from contracts with customers	31,500	38,140	16,808	6,270	—	92,720
Other revenue	—	—	—	—	2,861	2,861
Sales to outside customers	31,500	38,140	16,808	6,270	2,861	95,582

Nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

(Millions of yen)

	Reportable segments					Total
	Textiles	Chemical Products	Advanced Technology	Food and Services	Real Estate	
Yarns	14,056	—	—	—	—	14,056
Fabrics	19,413	—	—	—	—	19,413
Textile products (Sewn products, etc.)	15,477	—	—	—	—	15,477
Flexible polyurethane foam	—	15,860	—	—	—	15,860
Functional resin products	—	17,497	—	—	—	17,497
Housing construction products	—	8,039	—	—	—	8,039
Electronics businesses	—	—	8,313	—	—	8,313
Engineering businesses	—	—	3,444	—	—	3,444
Freeze-dried foods	—	—	—	5,184	—	5,184
Services	—	—	—	1,793	—	1,793
Others	—	6,669	4,985	—	—	11,655
Intersegment sales	(5,554)	(3,130)	(937)	(31)	—	(9,653)
Revenue from contracts with customers	43,394	44,935	15,806	6,946	—	111,082
Other revenue	—	—	—	—	2,793	2,793
Sales to outside customers	43,394	44,935	15,806	6,946	2,793	113,876