

(Translation)

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Consolidated Financial Results
FY2022 (Apr. 1, 2022 – Mar. 31, 2023)
[Japanese GAAP]



May 12, 2023

Company name: JAPAN MATERIAL Co., Ltd.
Stock exchange listing: Tokyo and Nagoya Stock Exchanges in Japan
Stock code: 6055
Website: <https://www.j-materials.jp/>
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Scheduled Ordinary General Meeting of Shareholders: June 28, 2023

Scheduled payment date of cash dividends: June 29, 2023

Scheduled filing date of Annual Securities Report: June 28, 2023

Supplemental materials prepared for financial results: None

IR briefing: Yes (for institutional investors and securities analysts in Japanese)

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for FY2022 (Apr. 1, 2022 – Mar. 31, 2023)

1.1 Consolidated operating results (% indicates year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
FY2022	46,534	22.5	11,097	18.9	11,307	16.4	7,904	17.4
FY2021	37,988	7.8	9,330	6.5	9,712	9.2	6,735	9.7

(Note) Comprehensive income: FY2022: ¥8,155 million (15.6%)

FY2021: ¥7,058 million (15.9%)

	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
	¥	¥	%	%	%
FY2022	77.00	—	19.6	23.1	23.8
FY2021	65.63	—	19.5	23.0	24.6

(Reference) Share of profit/loss of entities accounted for using equity method: FY2022: —, FY2021: —

1.2 Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	¥ million	¥ million	%	¥
As of Mar. 31, 2023	52,433	43,541	83.0	424.17
As of Mar. 31, 2022	45,502	37,202	81.8	362.47

(Reference) Equity: FY2022: ¥43,541 million

FY2021: ¥37,202 million

1.3 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
	¥ million	¥ million	¥ million	¥ million
FY2022	4,741	(3,413)	(2,078)	8,287
FY2021	4,453	(3,439)	(1,643)	8,983

2. Dividends

	Annual dividends per share					Total dividends	Payout ratio (consolidated)	Dividends on equity (consolidated)
	Q1-end	Q2-end	Q3-end	Year-end	Total			
	¥	¥	¥	¥	¥	¥ million	%	%
FY2021	—	0.00	—	18.00	18.00	1,847	27.4	5.4
FY2022	—	0.00	—	20.00	20.00	2,053	26.0	5.1
FY2023(forecast)	—	0.00	—	20.00	20.00		42.8	

3. Forecast of Consolidated Financial Results for the FY2023 (Apr. 1, 2023 – Mar. 31, 2024)

(% indicates year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
1st half	21,000	(11.6)	2,600	(57.6)	2,600	(60.0)	1,650	(63.4)	16.07
Full-year	44,000	(5.4)	7,200	(35.1)	7,200	(36.3)	4,800	(39.3)	46.76

* Notes

1. Changes in significant subsidiaries during the period: None

(Changes in specified subsidiaries that caused a change in the scope of consolidation)

Newly added: -

Excluded: -

2. Changes in accounting policies and accounting estimates, and restatements

a. Changes in accounting policies due to revisions in accounting standards, etc.: Yes

b. Changes in accounting policies other than a. above: None

c. Changes in accounting estimates: None

d. Restatements: None

3. Number of shares issued (ordinary shares)

a. Number of shares issued at the end of the period (including treasury shares)

As of Mar. 31, 2023 105,149,520 shares

As of Mar. 31, 2022 105,149,520 shares

b. Number of treasury shares at the end of the period

As of Mar. 31, 2023 2,497,740 shares

As of Mar. 31, 2022 2,512,923 shares

c. Average number of shares issued and outstanding during the period

FY2022 102,647,003 shares

FY2021 102,625,769 shares

Reference: Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the FY2022 (Apr. 1, 2022 - Mar. 31, 2023)

1.1 Non-consolidated operating results

(% indicates year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
FY2022	31,367	28.0	7,480	30.9	9,571	26.7	6,828	30.4
FY2021	24,497	1.6	5,714	(1.3)	7,552	4.6	5,238	3.4

	Basic earnings per share	Diluted earnings per share
	¥	¥
FY2022	66.53	—
FY2021	51.04	—

1.2 Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	¥ million	¥ million	%	¥
As of Mar. 31, 2023	43,346	36,918	85.2	359.64
As of Mar. 31, 2022	38,189	31,897	83.5	310.78

(Reference) Equity: As of Mar. 31, 2023: ¥36,918 million

As of Mar. 31, 2022: ¥31,897 million

* This summary of financial results is not subject to audit by certified public accountants or an audit firm.

* Notes for proper use of forecasts and other remarks

Forecasts contain forward-looking statements based on estimates made as of the day of release of these materials. Actual results may differ materially depending on a number of factors including but not limited to potential risks and uncertainties. Please refer to page 4 “1.4 Future Outlook” for forecast assumptions and notes on usage.

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1. Overview of Operating Results

1.1 Operating Results

During the fiscal year ended March 31, 2023 (hereinafter the “current fiscal year”), as activity restrictions due to the COVID-19 pandemic were eased, the Japanese economy made gradual progress in returning to normalcy in the economic activity. However, the outlook still remains uncertain due to surging prices of resources and energy and fluctuation of exchange rates caused by the continuing situation surrounding Russia and Ukraine.

In the industry to which the JAPAN MATERIAL Group (hereinafter the “Group”) belongs, the semiconductor supply-demand balance loosened as demand for data centers started to slow down in the latter half of the nine months ended December 31, 2022, as well as due to a decline in demand for some consumer electronics products such as smartphones, computers, and televisions.

Under such circumstances, in the Group’s Electronics business, the divisions engaged in the manufacture of specialty gas supply equipment and the design and construction of supply piping (hereinafter the “initial divisions”), which are driven by capital investment of customers, performed well while capital investments were partly postponed at semiconductor plants, the main customers.

The divisions engaged in the sales and management of specialty gases and the provision of technical services (hereinafter the “operations divisions”), which are driven by production activity, also remained strong, led by the sales and management of specialty gases and the semiconductor manufacturing equipment maintenance service while there was an impact of a decline in production at semiconductor plants, the main customers.

Sales of digital signage-related products remained strong for the Graphics Solution business.

In the Solar Power business, we currently operate three solar power plants in Mie Prefecture that are running smoothly.

As a result, net sales for the current fiscal year were ¥46,534 million (up 22.5% year-on-year), with operating profit of ¥11,097 million (up 18.9% year-on-year), ordinary profit of ¥11,307 million (up 16.4% year-on-year), and profit attributable to owners of parent of ¥7,904 million (up 17.4% year-on-year).

Financial results by segments are follows:

1.1.1 Electronics business

Despite being partly impacted by a decline in production at semiconductor plants, the main customers, in the fourth quarter of the current fiscal year, sales remained strong in the operations business, mainly thanks to an increase in sale of specialty gas, manufacture and sale of parts for the maintenance of manufacturing equipment, on the back of our customers constructing new buildings within their semiconductor plants and their production activities being consistent until the third quarter of the current fiscal year. Also contributed to the solid performance was the expansion of the Total Facility Management (TFM) service, one of the Company’s strong features, which led to increases in the sales and management of specialty gases with a stable revenue base and the provision of technical services.

While capital investments were partly postponed at semiconductor plants, our main customers, sales of the initial divisions also remained solid due to the capital investment being continued until the third quarter of the current fiscal year.

As a result, net sales were ¥ 44,991 million (up 23.1% year-on-year) with segment profit of ¥ 12,282 million (up 20.2% year-on-year).

* Total Facility Management (TFM) service

The Group is a total solutions group engaged in the infrastructure business relating to the supply of ultrapure water and specialty chemicals, as well as specialty gases, which are vital to the production process in semiconductor and LCD plants. The Group covers a comprehensive range of operations by the initial divisions and the operations divisions. The initial divisions are engaged in the development and manufacture of specialty gas supply equipment and the design and construction of supply piping from the specialty gas supply equipment to customers’ manufacturing equipment. The operations divisions are engaged in the sales and management of specialty gases and the provision of technical services to other relevant business.

1.1.2 Graphics Solution business

Sales of digital signage-related products remained solid for the Graphics Solution business despite the circumstances in which sales activities were restricted and customers voluntarily refrained from holding events to prevent the spread of COVID-19.

As a result, net sales were ¥1,336 million (up 9.0% year-on-year) with segment profit of ¥230 million (up 23.3% year-on-year)

1.1.3 Solar Power business

We currently operate three solar power plants in Mie Prefecture and sales and profit remained strong.

As a result, net sales were ¥205 million (up 3.2% year-on-year) with segment profit of ¥109 million (up 21.6% year-on-year).

1.2 Financial Position

(Assets)

Total assets at the end of the current fiscal year amounted to ¥52,433 million, up ¥6,931 million from the end of the previous fiscal year. This was mainly due to increases in raw materials and supplies of ¥2,028 million, notes and accounts receivable – trade, and contract assets of ¥1,758 million yen, merchandise and finished goods of ¥1,403 million, construction in progress of ¥1,265 million and building and structures of ¥710 million which were partially offset by decreases in lease receivables and investments in leases of ¥1,024 million and work in process of ¥567 million.

(Liabilities)

Total liabilities at the end of the current fiscal year amounted to ¥8,891 million, up ¥592 million from the end of the previous fiscal year. This was mainly due to increase in account payable – other of ¥587 million, income taxes payable of ¥552 million and long-term prepaid expenses included in other non-current liabilities of ¥550 million which were partially offset by decrease in notes and accounts payable- trade of ¥1,070 million.

(Net assets)

Total net assets at the end of the current fiscal year amounted to ¥43,541 million, up ¥6,339 million from the end of the previous fiscal year. This was mainly due to an increase in retained earnings of ¥6,056 million due to the recording of profit attributable to owners of parent of ¥7,904 million despite a decrease caused by the dividend payment of ¥1,847 million.

1.3 Cash Flows

Cash and cash equivalents (hereinafter “net cash”) at the end of the current fiscal year amounted to ¥8,287 million, down ¥695 million or down 7.7% from the end of the previous fiscal year.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥4,741 million, up 6.5% year-on-year. The cash inflow factors include profit before income taxes of ¥11,214 million, which were partially offset by the cash outflow factors such as income taxes paid of ¥2,942 million, inventories of ¥2,822 million and trade receivable of ¥1,810 million.

(Cash flows from investing activities)

Net cash used in investing activities was ¥3,413 million, down 0.8% year-on-year. The cash inflow factors include withdrawal of time deposits of ¥1,486 million, which were partially offset by the cash outflow factors such as purchase of property, plant and equipment of ¥2,815 million and payments into time deposits of ¥2,045 million.

(Cash flows from financing activities)

Net cash used in financing activities was ¥2,078 million, up 26.5% year-on-year. The cash outflows factors include dividends paid of ¥1,847 million.

(Reference) Cash flow indicators

	As of Mar. 31, 2019	As of Mar. 31, 2020	As of Mar. 31, 2021	As of Mar. 31, 2022	As of Mar. 31, 2023
Equity ratio (%)	66.9	78.0	81.5	81.8	83.0
Equity ratio based on fair value (%)	407.2	419.0	345.1	392.5	461.6
Interest-bearing debt to cash flow ratio (%)	119.6	10.2	12.4	19.6	12.2
Interest coverage ratio (times)	294.5	1,055.9	1,108.2	698.9	657.7

Equity ratio: $\text{Equity} / \text{Total assets}$

Equity ratio based on fair value: $\text{Market capitalization} / \text{Total assets}$

Interest-bearing debt to cash flow ratio: $\text{Interest-bearing debt} / \text{Cash flows}$

Interest coverage ratio: $\text{Cash flows} / \text{Interest payment}$

(Notes) a. Each indicator is calculated using financial figures on a consolidated basis.

b. Market capitalization is calculated based on the number of shares issued and outstanding, excluding treasury shares.

c. The amount of cash flows is equal to net cash provided by operating activities in the consolidated statements of cash flows. The amount of interest-bearing debt is equal to the total amount of liabilities on the consolidated balance sheets that incur interest charges. The amount of interest payment is equal to that of interest paid on the consolidated statements of cash flows.

1.4 Future Outlook

With regard to the Japanese economy, as the legal status of COVID-19 was downgraded to Class 5 on May 8, 2023, personal spending is expected to recover in response to a substantial relaxation of restrictions related to infection preventive measures and a consequent increase in opportunities for going out. However, the economic outlook is expected to remain uncertain due to surging prices of resources and raw materials caused by the continuing situation surrounding Russia and Ukraine as well as price hikes resulting from exchange rate fluctuations.

Under such circumstances, material prices continue to remain high. Although the timing is uncertain, the slackening of semiconductor supply and demand is expected to gradually improve in the future. The Group is striving to develop its business to respond to customer requirements; the initial divisions respond to customers' capital investment and the operations divisions respond to customers' production activities. Accordingly, for the next fiscal year ending March 31, 2024, we expect net sales of ¥44,000 million, down 5.4% year-on-year, operating profit of ¥7,200 million, down 35.1% year-on-year, ordinary profit of ¥7,200 million, down 36.3% year-on-year, and profit attributable to owners of parent of ¥4,800 million, down 39.3% year-on-year.

Outlook by segment is as follows:

1.4.1 Electronics business

In the operations divisions, we will actively recruit engineers, develop and secure them within the Group to meet customer demands, thereby expanding our business areas. We will also strive to differentiate us from our competitors by leveraging the Total Facility Management (TFM) service, which is the Group's strength, and to strengthen our stable revenue base by delivering value higher than our customers expect. In the initial divisions, as we expect our main customers to continue to make capital investment, we will ensure to receive orders from them through proactive sales activities.

1.4.2 Graphics Solution business

We will offer total solutions encompassing the production of product content and the building of systems to a wider range of customers in the digital signage field. We will also strive to increase sales through proactive sales activities, promoting products for digital signage, such as contactless interactive signage, and graphics products, such as video processors.

Under our management philosophy of "Always Safety First", we will continue to contribute to the development of a sustainably society, deepen cooperation with our stakeholders to achieve further growth, and strengthen our environmental, social, and governance initiatives from the perspective of the SDGs.

2. Basic Approach to Selection of Accounting Standards

The Group's policy for the time being is to prepare the consolidated financial statements in accordance with Japanese GAAP, considering the potential to compare the consolidated financial statements between periods and between companies.

The Group will adopt International Financial Reporting Standards (IFRS) in a timely manner, considering the domestic and overseas circumstances.

3. Consolidated Financial Statements and Major Notes

3.1 Consolidated Balance Sheets

(Yen in thousands)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	9,863,817	9,839,091
Notes and accounts receivable - trade, and contract assets	15,584,694	17,343,052
Lease receivables and investments in leases	972,582	855,158
Merchandise and finished goods	1,270,742	2,674,013
Work in process	1,605,243	1,037,686
Raw materials and supplies	2,031,232	4,059,365
Other	2,037,796	2,687,649
Allowance for doubtful accounts	-	(62,019)
Total current assets	33,366,109	38,433,997
Non-current assets		
Property, plant and equipment		
Buildings and structures	7,136,075	8,198,327
Accumulated depreciation	(1,574,050)	(1,926,071)
Buildings and structures, net	5,562,025	6,272,256
Machinery, equipment and vehicles	2,111,739	2,220,980
Accumulated depreciation	(1,438,829)	(1,624,800)
Machinery, equipment and vehicles, net	672,909	596,180
Tools, furniture and fixtures	1,246,635	1,334,813
Accumulated depreciation	(918,730)	(1,008,375)
Tools, furniture and fixtures, net	327,905	326,438
Land	2,120,589	2,334,338
Leased assets	495,663	338,768
Accumulated depreciation	(184,931)	(95,665)
Leased assets, net	310,731	243,103
Construction in progress	176,932	1,442,509
Total property, plant and equipment	9,171,094	11,214,825
Intangible assets	43,955	43,700
Investments and other assets		
Investment securities	180,880	172,408
Lease receivables and investment assets	1,927,255	1,020,676
Guarantee deposits	102,994	106,259
Deferred tax assets	575,480	751,627
Other	289,880	1,073,438
Allowance for doubtful accounts	(155,532)	(383,144)
Total investments and other assets	2,920,959	2,741,267
Total non-current assets	12,136,009	13,999,792
Total assets	45,502,119	52,433,789

(Yen in thousands)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,658,962	2,588,669
Short-term borrowings	134,262	—
Accounts payable - other	428,943	1,016,221
Accrued expenses	376,134	408,966
Income taxes payable	1,493,419	2,046,071
Provision for bonuses	602,907	639,429
Other	350,128	432,665
Total current liabilities	7,044,758	7,132,023
Non-current liabilities		
Lease liabilities	575,004	412,243
Retirement benefit liability	589,567	708,447
Asset retirement obligations	27,389	30,926
Other	62,985	608,164
Total non-current liabilities	1,254,947	1,759,781
Total liabilities	8,299,705	8,891,805
Net assets		
Shareholders' equity		
Share capital	1,317,815	1,317,815
Capital surplus	1,618,109	1,643,180
Retained earnings	35,090,894	41,147,686
Treasury shares	(1,060,135)	(1,053,767)
Total shareholders' equity	36,966,683	43,054,914
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(555)	7,493
Foreign currency translation adjustment	237,030	505,616
Remeasurements of defined benefit plans	(743)	(26,040)
Total accumulated other comprehensive income	235,730	487,070
Total net assets	37,202,413	43,541,984
Total liabilities and net assets	45,502,119	52,433,789

3.2 Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(Yen in thousands)

	From Apr. 1, 2021 to Mar. 31, 2022	From Apr. 1, 2022 to Mar. 31, 2023
Net sales	37,988,674	46,534,083
Cost of sales	25,777,282	31,535,716
Gross profit	12,211,391	14,998,366
Selling, general and administrative expenses	2,880,826	3,900,575
Operating profit	9,330,565	11,097,791
Non-operating income		
Interest income	5,418	13,503
Dividend income	4,953	10,248
Foreign exchange gains	151,642	163,736
Rental income	16,221	20,445
Subsidy income	202,220	20,798
Other	11,190	14,671
Total non-operating income	391,647	243,402
Non-operating expenses		
Interest expenses	6,372	7,209
Rental expenses on real estate	2,954	2,920
Provision of allowance for doubtful accounts	—	23,111
Other	338	525
Total non-operating expenses	9,665	33,765
Ordinary profit	9,712,548	11,307,428
Extraordinary income		
Gain on sale of non-current assets	10,329	9
Total extraordinary income	10,329	9
Extraordinary losses		
Retirement benefit expenses	121,338	—
Loss on sale and retirement of non-current assets	9,061	72,479
Loss on valuation of shares of subsidiaries	—	19,999
Total extraordinary losses	130,400	92,479
Profit before income taxes	9,592,477	11,214,958
Income taxes - current	2,869,846	3,466,809
Income taxes - deferred	(12,712)	(156,102)
Total income taxes	2,857,133	3,310,707
Profit	6,735,343	7,904,250
Profit attributable to owners of parent	6,735,343	7,904,250

Consolidated Statements of Comprehensive Income

(Yen in thousands of yen)

	From Apr. 1, 2021 to Mar. 31, 2022	From Apr. 1, 2022 to Mar. 31, 2023
Profit	6,735,343	7,904,250
Other comprehensive income		
Valuation difference on available-for-sale securities	2,271	8,049
Foreign currency translation adjustment	317,754	268,586
Remeasurements of defined benefit plans, net of tax	2,655	(25,296)
Total other comprehensive income	322,682	251,339
Comprehensive income	7,058,026	8,155,590
Comprehensive income attributable to:		
owners of parent	7,058,026	8,155,590
non-controlling interests	—	—

3.3 Consolidated Statements of Changes in Equity

Previous fiscal year (From Apr. 1, 2021 to Mar. 31, 2022)

(Yen in thousands)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,317,815	1,598,482	29,997,485	(1,066,672)	31,847,110
Changes during period					
Dividends of surplus			(1,641,935)		(1,641,935)
Profit attributable to owners of parent			6,735,343		6,735,343
Acquisition of treasury stock				(86)	(86)
Disposal of treasury stock		19,627		6,623	26,250
Net changes in items other than shareholders' equity					
Total changes during period	—	19,627	5,093,408	6,536	5,119,573
Balance at end of period	1,317,815	1,618,109	35,090,894	(1,060,135)	(36,966,683)

	Accumulated other comprehensive income				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	(2,827)	(80,724)	(3,399)	(86,951)	31,760,158
Changes during period					
Dividends of surplus					(1,641,935)
Profit attributable to owners of parent					6,735,343
Acquisition of treasury stock					(86)
Disposal of treasury stock					26,250
Net changes in items other than shareholders' equity	2,271	317,754	2,655	322,682	322,682
Total changes during period	2,271	317,754	2,655	322,682	5,442,255
Balance at end of period	(555)	237,030	(743)	235,730	37,202,413

Current fiscal year (From Apr. 1, 2022 to Mar. 31, 2023)

(Yen in thousands)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,317,815	1,618,109	35,090,894	(1,060,135)	36,966,683
Changes during period					
Dividends of surplus			(1,847,458)		(1,847,458)
Profit attributable to owners of parent			7,904,250		7,904,250
Acquisition of treasury stock		(1,610)		(593)	(2,203)
Disposal of treasury stock		26,682		6,961	33,643
Net changes in items other than shareholders' equity					
Total changes during period	—	25,071	6,056,791	6,368	6,088,231
Balance at end of period	1,317,815	1,643,180	41,147,686	(1,053,767)	43,054,914

	Accumulated other comprehensive income				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	(555)	237,030	(743)	235,730	37,202,413
Changes during period					
Dividends of surplus					(1,847,458)
Profit attributable to owners of parent					7,904,250
Acquisition of treasury stock					(2,203)
Disposal of treasury stock					33,643
Net changes in items other than shareholders' equity	8,049	268,586	(25,296)	251,339	251,339
Total changes during period	8,049	268,586	(25,296)	251,339	6,339,571
Balance at end of period	7,493	505,616	(26,040)	487,070	43,541,984

3.4 Consolidated Statements of Cash Flows

(Yen in thousands of yen)

	From Apr. 1, 2021 to Mar. 31, 2022	From Apr. 1, 2022 to Mar. 31, 2023
Cash flows from operating activities		
Profit before income taxes	9,592,477	11,214,958
Depreciation	602,036	710,111
Increase (decrease) in allowance for doubtful accounts	(23,522)	283,267
Increase (decrease) in provision for bonuses	(80,540)	36,522
Increase (decrease) in retirement benefit liability	201,593	82,638
Interest and dividend income	(10,372)	(23,751)
Interest expenses	6,372	7,209
Foreign exchange losses (gains)	2,625	22,906
Loss (gain) on sale and retirement of non-current assets	(1,267)	72,470
Decrease (increase) in trade receivables	(1,444,612)	(1,810,051)
Decrease (increase) in inventories	(1,662,091)	(2,822,202)
Net decrease (increase) in lease receivables and investments in leases	1,040,127	968,839
Decrease (increase) in guarantee deposits	176,740	16,469
Increase (decrease) in trade payables	1,105,208	(1,159,275)
Decrease (increase) in advance payments to suppliers	(1,594,850)	(557,477)
Other, net	(272,498)	633,746
Subtotal	7,637,424	7,676,380
Interest and dividends received	10,887	14,422
Interest paid	(6,372)	(7,209)
Income taxes paid	(3,188,268)	(2,942,255)
Net cash provided by (used in) operating activities	4,453,672	4,741,338
Cash flows from investing activities		
Payments into time deposits	(1,424,673)	(2,045,040)
Proceeds from withdrawal of time deposits	1,350,264	1,486,140
Purchase of property, plant and equipment	(3,331,637)	(2,815,449)
Purchase of intangible assets	(6,307)	(9,280)
Other, net	(27,193)	(29,518)
Net cash provided by (used in) investing activities	(3,439,547)	(3,413,148)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	69,436	(152,658)
Dividends paid	(1,641,935)	(1,847,458)
Other, net	(71,167)	(78,777)
Net cash provided by (used in) financing activities	(1,643,665)	(2,078,894)
Effect of exchange rate change on cash and cash equivalents	98,109	54,922
Net increase (decrease) in cash and cash equivalents	(531,432)	(695,781)
Cash and cash equivalents at beginning of period	9,514,588	8,983,156
Cash and cash equivalents at end of period	8,983,156	8,287,375

3.5 Notes to Consolidated Financial Statements

(Going Concern Assumption)

Not applicable.

(Changes in Accounting Policies)

Application of the Implementation Guidance on Accounting Standard for Fair Value Measurement

We began applying the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No.31, June 17, 2021) at the beginning of the fiscal year under review, and now have the policy of applying a new accounting policy stipulated by this accounting standard to future periods in accordance with the transitional handling provided in Paragraph 27-2 of the "Accounting Standard for Financial Instruments. Note that this has no impact on the consolidated financial statements.

(Segment Information, etc.)

[Segment Information]

3.5.1 Overview of reportable segments

a. Decision procedures for reportable segments

The Group's reportable segments are the business units for which the Group is able to obtain respective financial information separately in order for the Board of Directors to conduct periodic review to determine the distribution of management resources and evaluate their business results.

The Group has business divisions categorized by the sale of products and by the type of services, develops comprehensive strategies to market products and services in Japan and abroad, and conducts operations based on the strategies.

b. Types of products and services handled in each reportable segment

The Group's reportable segments are the business units for which the Group is able to obtain respective financial information separately in order for the Board of Directors to conduct periodic review to determine the distribution of management resources and evaluate their business results.

The Group has business divisions categorized by the sale of products and by the type of services, develops comprehensive strategies to market products and services in Japan and abroad, and conducts operations based on the strategies.

3.5.2 Method of calculating the amounts of net sales, profit or loss, assets, liabilities, and other items by reportable segment

Methods of accounting procedures for the reportable business segments are generally the same as those described in "Significant Matters on the Basis of Preparation of the Consolidated Financial Statements."

The amounts of reportable segment profit or loss is based on operating profit or loss. The amounts of inter-segment sales or transfers are determined based on current market prices.

3.5.3 Information on the amounts of net sales, profit or loss, assets, liabilities, and other items by reportable segment

Previous fiscal year (From Apr. 1, 2021 to Mar. 31, 2022)

(Yen in thousands)

	Reportable segments			Total
	Electronics	Graphics Solution	Solar Power	
Net sales				
To external customers	36,563,062	1,226,495	199,116	37,988,674
Inter-segment sales or transfers	–	–	–	–
Total	36,563,062	1,226,495	199,116	37,988,674
Segment profit	10,221,421	187,131	89,746	10,498,299
Segment assets	35,147,640	756,610	887,035	36,791,286
Other items				
Depreciation	430,521	11,290	79,545	521,357
Increase in property, plant and equipment and intangible assets	3,381,039	14,385	–	3,395,424

Current fiscal year (From Apr. 1, 2022 to Mar. 31, 2023)

(Yen in thousands)

	Reportable segments			Total
	Electronics	Graphics Solution	Solar Power	
Net sales				
To external customers	44,991,656	1,336,964	205,461	46,534,083
Inter-segment sales or transfers	–	–	–	–
Total	44,991,656	1,336,964	205,461	46,534,083
Segment profit	12,282,979	230,726	109,100	12,622,807
Segment assets	43,509,854	860,358	837,744	45,207,958
Other items				
Depreciation	548,386	7,511	70,422	626,320
Increase in property, plant and equipment and intangible assets	2,533,434	2,057	–	2,535,491

3.5.4 Differences between total amounts of reportable segments and amounts presented on the consolidated financial statements, and details of the differences (reconciliations)

(Yen in thousands)

Net sales	From Apr. 1, 2021 to Mar. 31, 2022	From Apr. 1, 2022 to Mar. 31, 2023
Reportable segment total	37,988,674	46,534,083
Elimination of inter-segment transactions	–	–
Net sales on the consolidated financial statements	37,988,674	46,534,083

(Yen in thousands)

Profit	From Apr. 1, 2021 to Mar. 31, 2022	From Apr. 1, 2022 to Mar. 31, 2023
Reportable segment total	10,498,299	12,622,807
Corporate expenses (Note)	(1,172,698)	(1,534,570)
Other	4,965	9,554
Operating profit on the consolidated financial statements	9,330,565	11,097,791

(Note) Corporate expenses mainly consist of general and administrative expenses not allocated to any reportable segments.

(Yen in thousands)

Assets	From Apr. 1, 2021 to Mar. 31, 2022	From Apr. 1, 2022 to Mar. 31, 2023
Reportable segment total	36,791,286	45,207,958
Corporate assets (Note)	8,710,832	7,225,831
Total assets on the consolidated financial statements	45,502,119	52,433,789

(Note) Corporate assets mainly consist of the Company's surplus funds (cash and deposits, etc.) and assets related to administrative divisions, which are not allocated to any reportable segments.

(Yen in thousands)

Other items	Reportable segment total		Adjustments		Amounts presented on the consolidated financial statements	
	From Apr. 1, 2021 to Mar. 31, 2022	From Apr. 1, 2022 to Mar. 31, 2023	From Apr. 1, 2021 to Mar. 31, 2022	From Apr. 1, 2022 to Mar. 31, 2023	From Apr. 1, 2021 to Mar. 31, 2022	From Apr. 1, 2022 to Mar. 31, 2023
Depreciation	521,357	626,320	80,678	83,790	602,036	710,111
Increase in property, plant and equipment and intangible assets	3,395,424	2,535,491	210,522	275,003	3,605,947	2,810,495

(Note) The adjustments of depreciation are the amounts incurred in administrative divisions of the headquarters. The adjustments of increase in property, plant and equipment and intangible assets are the cost of such assets in administrative divisions of the headquarters.

(Summary of Revenue Recognition)

Previous fiscal year (From Apr. 1, 2021 to Mar. 31, 2022)

	Reportable Segments			Total
	Electronics	Graphics Solution	Solar Power	
Manufacture of specialty gas supply equipment	1,693,344	–	–	1,693,344
Design and construction of supply piping	11,618,675	–	–	11,618,675
Sales and management of specialty gases	11,778,019	–	–	11,778,019
Technical services	10,255,047	–	–	10,255,047
Sale of graphic boards	–	1,226,495	–	1,226,495
Solar power	–	–	199,116	199,116
Other	99,975	–	–	99,975
Profit from contracts with customers	35,445,061	1,226,495	199,116	36,870,673
Other profit	1,118,000	–	–	1,118,000
Net sales to external customers	36,563,062	1,226,495	199,116	37,988,674

Current fiscal year (From Apr. 1, 2022 to Mar. 31, 2023)

	Reportable Segments			Total
	Electronics	Graphics Solution	Solar Power	
Manufacture of specialty gas supply equipment	1,556,230	–	–	1,556,230
Design and construction of supply piping	15,272,776	–	–	15,272,776
Sales and management of specialty gases	15,346,376	–	–	15,346,376
Technical services	11,684,363	–	–	11,684,363
Sale of graphic boards	–	1,336,964	–	1,336,964
Solar power	–	–	205,461	205,461
Other	152,101	–	–	152,101
Profit from contracts with customers	44,011,848	1,336,964	205,461	45,554,275
Other profit	979,808	–	–	979,808
Net sales to external customers	44,991,656	1,336,964	205,461	46,534,083

(Per-share Information)

	From Apr. 1, 2021 to Mar. 31, 2022	From Apr. 1, 2022 to Mar. 31, 2023
Net assets per share	362.47 yen	424.17 yen
Basic earnings per share	65.63 yen	77.00 yen

(Notes) a. Diluted earnings per share is not presented because the Company has no potential shares.

b. The basis for calculation of basic earnings per share is as follows:

	From Apr. 1, 2021 to Mar. 31, 2022	From Apr. 1, 2022 to Mar. 31, 2023
Basic earnings per share		
Profit attributable to owners of parent (yen in thousands)	6,735,343	7,904,250
Amount not attributable to ordinary shareholders (yen in thousands)	–	–
Profit attributable to ordinary shareholders of parent (yen in thousands)	6,735,343	7,904,250
Average number of ordinary shares issued and outstanding during the period (shares)	102,625,769	102,647,003

c. The basis for calculation of net assets per share is as follows:

	As of Mar. 31, 2022	As of Mar. 31, 2023
Total net assets (yen in thousands)	37,202,413	43,541,984
Amount deducted from total net assets (yen in thousands)	–	–
Amount of net assets related to ordinary shares at the end of the period (yen in thousands)	37,202,413	43,541,984
Number of ordinary shares used to calculate net assets per share at the end of the period (shares)	102,636,597	102,651,780

(Subsequent Events)

Not applicable.