

Analyses of Management and Finances

Analysis of Operating Results

During the fiscal year under review, Japan's economy saw a slowdown of corporate activity and consumer spending due to renewed declarations of a state of emergency and quasi-emergency measures associated with the renewed spread of COVID-19. The economies throughout Asia, our main sphere of overseas business, generally appear to have cleared the worst period of COVID-19 despite repeated restrictions on movement caused by the spread of the impact of COVID-19. Although there were signs of economic recovery in Japan and overseas due to progress with vaccinations, there is growing uncertainty due to the rapid spread of new variants and the impact of Russia's invasion of Ukraine.

Under such economic conditions, the Group has commenced the 13th Middle-Range Planning (MP-13) positioned as a period for "Reformation and Challenges" for realizing VISION 2027.

In the fiscal year under review, net sales totaled ¥57,361 million (down 9.4% year on year), operating loss totaled ¥2,308 million (operating loss of ¥793 million in the previous fiscal year), ordinary loss totaled ¥1,856 million (ordinary loss of ¥273 million in the previous fiscal year), and loss attributable to owners of parent totaled ¥621 million (profit attributable to owners of parent of ¥860 million in the previous fiscal year).

	2021 (Year ended March 31) (Millions of yen)	2022 (Year ended March 31) (Millions of yen)	Change (Millions of yen)	YoY (%)
Net sales	63,310	57,361	(5,948)	-9.4
Cost of sales	33,882	33,964	81	+0.2
Selling, general and administrative expenses	30,221	25,706	(4,514)	-14.9
Operating loss	(793)	(2,308)	(1,515)	—
Non-operating profit (expenses)	520	452	(67)	-13.1
Ordinary loss	(273)	(1,856)	(1,583)	—
Extraordinary profit (losses)	1,494	1,094	(400)	-26.8
Profit (loss) before income taxes	1,221	(762)	(1,983)	—
Income taxes	496	72	(424)	-85.4
Loss attributable to non-controlling interests	(136)	(212)	(76)	—
Profit (loss) attributable to owners of parent	860	(621)	(1,482)	—

Analysis of Financial Position and Cash Flows

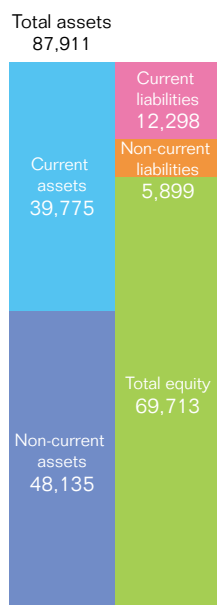
1. Assets, Liabilities and Total Equity

Current assets were ¥42,868 million as of March 31, 2022 (compared to ¥39,775 million from a year earlier). This was mainly due to an increase of ¥3,874 million in cash and deposits. Non-current assets were ¥42,899 million as of March 31, 2022 (compared to ¥48,135 million from a year earlier). This was mainly due to a decrease of ¥3,035 million in investments and other assets due to the sale of investment securities, and a decrease of ¥1,727 million in property, plant and equipment due to depreciation.

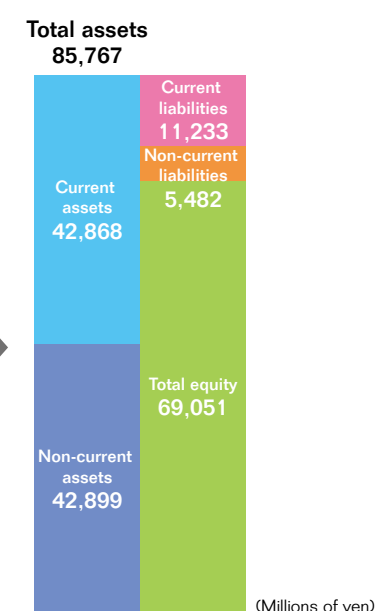
Current liabilities were ¥11,233 million as of March 31, 2022 (compared to ¥12,298 million from a year earlier). This was mainly due to a decrease of ¥3,467 million in short-term borrowings. Non-current liabilities were ¥5,482 million as of March 31, 2022 (compared to ¥5,899 million from a year earlier). This was mainly due to a decrease of ¥535 million in deferred tax liabilities.

Total net assets were ¥69,051 million as of March 31, 2022, down ¥662 million from ¥69,713 million a year earlier. This was mainly due to the valuation difference on available-for-sale securities decreasing by ¥1,477 million due to the sale of investment securities and retained earnings decreasing by ¥2,149 million due to the posting of loss attributable to owners of parent and payment of dividends, despite foreign currency translation adjustment increasing by ¥2,377 million. As a result, shareholders' equity ratio was 73.8% as of March 31, 2022 (compared to 73.1% from a year earlier).

2021 (Year ended March 31)



2022 (Year ended March 31)



(Millions of yen)

2. Status of Cash Flows

Cash and cash equivalents as of March 31, 2022, came to ¥16,015 million, up ¥2,974 million from the end of the previous fiscal year.

Factors influencing cash flows during the term are as follows.

▶ Cash Flows from Operating Activities

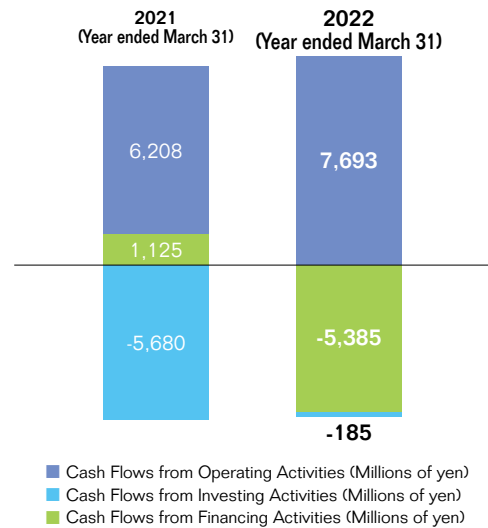
Net cash provided by operating activities was ¥7,693 million (compared to ¥6,208 million provided from a year earlier). This was mainly due to increases caused by increases of ¥5,337 million in depreciation and ¥1,743 million in trade payables, and a decrease of ¥964 million in inventories.

▶ Cash Flows from Investing Activities

Net cash used in investing activities was ¥185 million (compared to ¥5,680 million used from a year earlier). This was mainly due to increase in proceeds from sale and redemption of investment securities of ¥2,462 million and decreases resulting from purchase of property, plant and equipment of ¥1,741 million and a net increase in time deposits of ¥586 million.

▶ Cash Flows from Financing Activities

Net cash used in financing activities was ¥5,385 million (compared to ¥1,125 million provided from a year earlier). This was mainly due to decreases resulting from short-term borrowings decreasing by ¥3,476 million and dividends paid of ¥1,525 million.



Capital Policy

The Group has two main funding requirements: operation funding requirements and capital investment funding.

The main requirements for operation funding are the supply of raw materials for manufacturing the Group's products, as well as operating expenses such as manufacturing expenses, and selling, general and administrative expenses. For capital investment funding, the main requirements are the purchase of non-current assets such as buildings and machinery associated with the acquisition of production facilities.

1. Financial policy

The Group's financial policy is to maintain a solid balance sheet and appropriate liquid assets for its business activities, and capital is used primarily to fund operations and for capital investments, and prioritizes the use of internal reserves in principle, with any shortfalls covered by loans from financial institutions. If a domestic subsidiary lacks necessary funds, the shortfall is covered by a loan from the parent company, while demand for short-term funds from overseas subsidiaries is met by local-currency-based short-term loans taken out by the Group's main

representative office in the region. The Group regards any additional funds in hand as cash reserves for business investment, and places the utmost priority on ensuring their liquidity and security. In this uncertain situation caused by the spread of COVID-19 and other factors, we have set commitment lines with financial institutions, and built a system that can constantly secure funds of over three months' worth of monthly sales in order to prepare for unforeseen funding.

2. Facilities

1) Overview of capital investments

The Group maintains a basic policy of making capital investments in facilities to manufacture products that sustain a competitive advantage. Total capital investments were ¥1,970 million as of March 31, 2022, down ¥6,009 million (75.3%) from a year earlier.

A breakdown by segment is as follows.

Segment name	FY2021 (Millions of yen)	YoY change (%)
Japan	1,331	-82.1
Indonesia	466	82.6
Other overseas	171	-38.2
Total	1,970	-75.3

2) New important facilities

The Group determines its plans for capital investments while comprehensively taking into consideration investment efficiency and other factors. In principle, each consolidated company separately determines its capital investment plan. However, the Group makes adjustments mainly to the reporting companies when determining the plan.

As of March 31, 2022, there were no plans for new important facilities excluding the new establishment for routine renewal of facilities.

3. Dividend policy

As for shareholder returns, the Company has a basic capital policy of implementing stable and continuous returns through dividends (numerical target: consolidated payout ratio of 40% or more excluding special elements), and determines dividends based on the policy of aiming for continuous increases in dividends with comprehensive consideration for factors such as free cash flow, investment plans and securing liquidity. Furthermore, we keep the improvement of capital efficiency in mind. As such, in addition to enhancing shareholder returns and proactive business investments, we will also consider the purchase of treasury shares depending on a number of factors, including economic conditions, company assets, free cash flow and

stock price trends.

With regard to dividends for the fiscal year under review, although the profit attributable to owners of parent was a loss of ¥621 million, the Company paid a dividend of ¥36 per share as a result of consideration according to the aforementioned policy.

Resolution date	Total amount of dividends (Millions of yen)	Dividends per share (Yen)
October 29, 2021 Resolution of the Board of Directors	809	18.00
June 24, 2022 Ordinary General Meeting of Shareholders	809	18.00