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Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2022 [Japanese GAAP]



May 16, 2022

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 Stock exchange listing: Tokyo Stock Exchange
 Code number: 5367
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 Scheduled date of annual general shareholders' meeting: June 17, 2022
 Scheduled date of commencing dividend payments: June 20, 2022
 Scheduled date of filing securities report: June 20, 2022
 Availability of supplementary explanatory materials on annual financial results: Available
 Schedule of annual financial results briefing session: Not scheduled

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

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (April 1, 2021 - March 31, 2022)

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2022	9,979	15.3	972	167.7	1,028	133.7	672	144.7
March 31, 2021	8,655	(7.2)	363	(45.5)	440	(41.5)	275	(37.7)

	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	%	%	%
Fiscal year ended March 31, 2022	56.29	–	5.8	6.3	9.7
March 31, 2021	23.00	–	2.5	2.8	4.2

(Reference) Equity in earnings of affiliated companies: Fiscal year ended March 31, 2022: ¥ – million
 Fiscal year ended March 31, 2021: ¥ – million

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2022	16,534	11,786	71.3	987.52
As of March 31, 2021	15,930	11,430	71.8	957.64

(Reference) Equity: As of March 31, 2022: ¥11,786 million
 As of March 31, 2021: ¥11,430 million

(3) Non-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 yen	Million yen	Million yen	Million yen
Fiscal year ended March 31, 2022	1,640	(561)	(396)	3,358
March 31, 2021	1,355	(774)	(315)	2,676

2. Dividends

	Annual dividends					Total dividends (annual)	Payout ratio	Ratio of dividends to net assets
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended March 31, 2021	–	3.00	–	5.00	8.00	95	34.8	0.9
Fiscal year ended March 31, 2022	–	8.00	–	12.00	20.00	239	35.5	2.0
Fiscal year ending March 31, 2023 (Forecast)	–	7.00	–	8.00	15.00		35.8	

3. Non-consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 - March 31, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	5,000	3.6	350	(36.0)	360	(37.0)	250	(36.6)	20.95
Full year	10,000	0.2	700	(28.0)	720	(30.0)	500	(25.6)	41.89

* Notes:

(1) 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

(2) Total number of issued and outstanding shares (common shares)

1) Total number of issued and outstanding shares at the end of the year (including treasury shares):

March 31, 2022:	12,135,695 shares
March 31, 2021:	12,135,695 shares

2) Total number of treasury shares at the end of the year:

March 31, 2022:	200,238 shares
March 31, 2021:	200,119 shares

3) Average number of shares during the year:

Year ended March 31, 2022:	11,935,493 shares
Year ended March 31, 2021:	11,935,626 shares

* 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

The financial results forecast and other forward-looking statements herein are based on information that is currently available to the Company and certain assumptions that are deemed reasonable by the Company. Actual results may differ significantly due to various factors. For assumptions used for the financial results forecast and precautions for using the financial results forecast, please refer to “(4) Future Outlook” in “1. Overview of Operating Results, etc.” on page 3 of the Attachments.

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1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Fiscal Year under Review

During the fiscal year under review, there existed circumstances where there was an impact of priority measures to prevent the spread of the novel coronavirus infection (COVID-19) taken following the wider spread of the disease since the beginning of the year, such as stagnant consumption activities and corporate activities restricted to a certain degree. In addition, uncertainties in the future economic outlook and market conditions are increasing to a greater extent against recent robust business performance of the Company, such as hikes in energy-related prices since the latter half of the previous year and further hikes in raw material prices and energy-related prices associated with Russia's incursion into Ukraine since February 2022, and the circumstances remain unpredictable.

Under these circumstances, as a result of favorable market conditions for the electronic components industry, which is the industry of our main customers, net sales of the Company's Ceramics Business increased by 15.4% year on year to 7,620,378 thousand yen. In the Engineering Business, on the other hand, market conditions were favorable as with the case of the Ceramics Business, and net sales increased by 14.9% year on year to 2,358,396 thousand yen. As a result, net sales of the Company's businesses as a whole increased by 15.3% year on year to 9,978,775 thousand yen.

As for profit and loss, segment profit in the Ceramics Business increased by 165.7% year on year to 892,372 thousand yen thanks to the improved factory utilization rates in response to strong performance in orders received. Also, in the Engineering Business, segment profit increased by 193.3% year on year to 79,796 thousand yen, owing to a significant effect of a revenue increase, in addition to effects of fixed cost reductions resulted from reorganization, etc. carried out in the previous fiscal year. As a result of the above, operating profit increased by 167.7% year on year to 972,169 thousand yen, ordinary profit increased by 133.7% year on year to 1,027,914 thousand yen, and profit increased by 144.7% year on year to 671,884 thousand yen, recording a significant increase in both revenue and profit.

As a result, with regard to the Company's targets for return on equity (ROE) of 8% or higher and basic earnings per share (EPS) of 65 yen or more, the actual results for the fiscal year under review were ROE of 5.8% and EPS of 56.29 yen, falling short of both targets. Going forward, the Company will continue to strive to manage capital efficiently, improve profitability, and achieve the targets.

(2) Overview of Financial Position for the Fiscal Year under Review

Regarding the financial position at the end of the fiscal year under review, total assets increased by 3.8% compared to the end of the previous fiscal year to 16,533,730 thousand yen. As for the breakdown, current assets increased by 14.0% compared to the end of the previous fiscal year to 9,606,685 thousand yen and non-current assets decreased by 7.7% compared to the end of the previous fiscal year to 6,927,044 thousand yen. The increase in current assets is mainly due to increases in electronically recorded monetary claims - operating and accounts receivable - trade owing to a revenue increase, as well as an increase in cash and deposits. The decrease in non-current assets is mainly due to depreciation of property, plant and equipment and a drop in prices of investment securities.

On the other hand, liabilities increased by 5.5% compared to the end of the previous fiscal year to 4,747,269 thousand yen. As for the breakdown, current liabilities increased by 18.0% compared to the end of the previous fiscal year to 3,668,272 thousand yen and non-current liabilities decreased by 22.5% compared to the end of the previous fiscal year to 1,078,997 thousand yen. The increase in current liabilities is mainly due to an increase in accounts payable - trade associated with an increase in purchase. The decrease in non-current liabilities is mainly due to repayment of long-term borrowings.

Finally, net assets increased by 3.1% compared to the end of the previous fiscal year to 11,786,460 thousand yen. As for the breakdown, retained earnings increased by 6.2% compared to the end of the previous fiscal year to 8,800,288 thousand yen and valuation and translation adjustments decreased by 23.3% compared to the end of the previous fiscal year to 527,657 thousand yen. The increase in retained earnings is due to an increase in retained earnings brought forward from accumulated retained earnings in the fiscal year under review. The decrease in valuation and translation adjustments is due to a decrease in valuation difference on available-for-sale securities resulting from a drop in stock prices.

(3) Overview of Cash Flows for the Fiscal Year under Review

	Previous Fiscal Year (Thousand yen)	Fiscal Year under Review (Thousand yen)	YoY Change (Thousand yen)
Net cash provided by (used in) operating activities	1,354,827	1,639,569	284,741
Net cash provided by (used in) investing activities	(773,570)	(561,298)	212,272
Net cash provided by (used in) financing activities	(315,381)	(396,858)	(81,476)
Cash and cash equivalents at end of period	2,676,471	3,357,885	681,413
Borrowings at end of period	1,652,912	1,413,020	(239,892)

Cash and cash equivalents at the end of the fiscal year under review increased by 681,413 thousand yen (25.5%) compared to the end of the previous fiscal year to 3,357,885 thousand yen.

In terms of cash flows from operating activities, profit before income taxes increased by 573,130 thousand yen (131.2%) year on year to 1,010,133 thousand yen due to strong performance of the electronic components industry despite certain restrictions on the business caused by COVID-19. Meanwhile, an outflow from reversal of provision for retirement benefits for directors (and other officers) increased by 96,429 thousand yen year on year to 82,597 thousand yen (an inflow of 13,832 thousand yen for the previous fiscal year). In addition, an outflow from income taxes paid increased by 79,954 thousand yen (93.9%) year on year to 165,081 thousand yen. As a result, net cash provided by operating activities increased by 284,741 thousand yen (21.0%) year on year to 1,639,569 thousand yen.

In terms of cash flows from investing activities, although the Company continued investments designed to rationalize production, due to an impact of the fact that facility renewals have finished their rounds, an outflow from purchase of property, plant and equipment decreased by 369,638 thousand yen (41.1%) year on year to 530,071 thousand yen. On the other hand, there was no redemption of investment securities as seen in the previous fiscal year. As a result, net cash used in investing activities decreased by 212,272 thousand yen (27.4%) year on year to 561,298 thousand yen.

Net cash used in financing activities increased by 81,476 thousand yen (25.8%) year on year to 396,858 thousand yen as the Company did not procure long-term borrowings.

(4) Future Outlook

During the fiscal year under review, both revenue and profit increased year on year, as orders were received steadily mainly in the electronic components industry, which is the industry of Company's main customers, despite certain restrictions on corporate activities due to the spread of COVID-19. Meanwhile, energy-related prices and raw material prices have further increased due to surging raw material prices and energy-related price hikes since the latter half of the previous year and the issue of the situation in Ukraine since February 2022, which is expected to have an impact on performance of the electronic components industry, which is the industry of Company's main customers, to some degree. The environment in which the Company receive orders is also expected to be affected. Accordingly, the Company has judged that it is unavoidable to revise financial results forecast figures for FY2022 described in the new Medium-Term Management Plan "CONNECT 25" announced in November 2021, the previous year, downward. As for the details of the revision, the forecast for net sales remains the same, while the forecast in terms of profits is lowered, taking into consideration various price hikes mentioned above.

Against that background, the Company is currently promoting "recycle and reuse" to reduce the amount of raw materials used, among others, with an eye on continued efforts to improve production efficiency and future environmental issues. Through the initiative, the Company strives to reduce costs and contribute to future decarbonized society, and thereby enhances corporate value and achieves sustainable growth.

(5) Significant Events, etc. on Going Concern Assumption Not applicable.

2. Basic Policy on Selection of Accounting Standards

Since the Company's business is currently almost limited to Japan, with no overseas operations and subsidiaries, the Company has decided to adopt Japanese generally accepted accounting principles (GAAP) for the time being. However, the Company will consider adopting International Financial Reporting Standards (IFRS) going forward depending on the future trends in the ratio of foreign shareholders and the adoption of IFRS by other companies in the same industry.

3. Non-consolidated Financial Statements and Principal Notes

(1) Non-consolidated Balance Sheets

(Thousand yen)

	As of March 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	2,676,471	3,357,885
Notes receivable - trade	492,602	487,858
Electronically recorded monetary claims - operating	580,989	783,950
Accounts receivable - trade	1,882,159	2,185,131
Contract assets	-	1,353
Merchandise	60,059	59,574
Finished goods	1,246,648	1,035,252
Raw materials	166,503	181,501
Work in process	1,111,677	1,296,821
Supplies	172,384	181,101
Suspense payments	2,061	11,013
Accounts receivable - other	1,314	4,755
Deposits paid	10,021	-
Prepaid expenses	21,315	20,484
Advance payments	50	-
Total current assets	8,424,258	9,606,685
Non-current assets		
Property, plant and equipment		
Buildings	5,278,200	5,352,253
Accumulated depreciation	(2,767,208)	(2,936,006)
Buildings, net	2,510,991	2,416,247
Structures	281,641	306,829
Accumulated depreciation	(159,255)	(171,892)
Structures, net	122,385	134,936
Machinery and equipment	8,320,305	8,428,396
Accumulated depreciation	(6,828,649)	(7,163,423)
Machinery and equipment, net	1,491,656	1,264,972
Vehicles	68,680	59,174
Accumulated depreciation	(62,753)	(55,681)
Vehicles, net	5,926	3,492
Tools, furniture and fixtures	1,394,216	1,408,801
Accumulated depreciation	(1,240,737)	(1,295,092)
Tools, furniture and fixtures, net	153,478	113,709
Land	944,780	904,808
Construction in progress	12,292	17,440
Leased assets	7,506	7,506
Accumulated depreciation	(2,885)	(4,386)
Leased assets, net	4,620	3,119
Total property, plant and equipment	5,246,133	4,858,727
Intangible assets		
Software	116,190	91,450
Software in progress	31,580	93,615
Telephone subscription right	4,132	4,132
Total intangible assets	151,902	189,198

(Thousand yen)

	As of March 31, 2021	As of March 31, 2022
Investments and other assets		
Investment securities	1,960,768	1,754,621
Long-term prepaid expenses	3,979	2,634
Prepaid pension costs	91,815	87,472
Leasehold and guarantee deposits	34,706	34,372
Business insurance funds	16,636	18
Total investments and other assets	2,107,907	1,879,119
Total non-current assets	7,505,943	6,927,044
Total assets	15,930,202	16,533,730
Liabilities		
Current liabilities		
Electronically recorded obligations - operating	339,932	434,796
Accounts payable - trade	1,078,143	1,524,689
Short-term borrowings	400,000	400,000
Current portion of long-term borrowings	248,392	256,892
Electronically recorded obligations - non-operating	253,360	52,318
Accounts payable - other	311,215	279,966
Income taxes payable	94,200	171,067
Accrued consumption taxes	126,629	228,015
Accrued expenses	432	714
Advances received	3,957	-
Deposits received	20,625	17,516
Contract liabilities	-	6,109
Provision for bonuses	218,200	266,300
Provision for bonuses for directors (and other officers)	12,091	28,385
Lease liabilities	1,501	1,501
Total current liabilities	3,108,682	3,668,272
Non-current liabilities		
Long-term borrowings	1,004,520	756,128
Provision for retirement benefits for directors (and other officers)	177,619	95,022
Long-term guarantee deposits	67,575	67,577
Asset retirement obligations	42,573	60,992
Deferred tax liabilities	96,145	97,658
Lease liabilities	3,119	1,618
Total non-current liabilities	1,391,553	1,078,997
Total liabilities	4,500,236	4,747,269

(Thousand yen)

	As of March 31, 2021	As of March 31, 2022
Net assets		
Shareholders' equity		
Share capital	1,320,740	1,320,740
Capital surplus		
Legal capital surplus	1,088,420	1,088,420
Other capital surplus	137,017	137,017
Total capital surplus	1,225,438	1,225,438
Retained earnings		
Legal retained earnings	205,810	205,810
Other retained earnings		
General reserve	5,100,000	5,100,000
Retained earnings brought forward	2,977,755	3,494,478
Total other retained earnings	8,077,755	8,594,478
Total retained earnings	8,283,565	8,800,288
Treasury shares	(87,585)	(87,665)
Total shareholders' equity	10,742,159	11,258,802
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	687,806	527,657
Total valuation and translation adjustments	687,806	527,657
Total net assets	11,429,965	11,786,460
Total liabilities and net assets	15,930,202	16,533,730

(2) Non-consolidated Statements of Income

(Thousand yen)

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Net sales		
Net sales of finished goods	6,601,428	7,620,378
Net sales of goods	2,053,159	2,358,396
Total net sales	8,654,588	9,978,775
Cost of sales	7,021,660	7,644,827
Gross profit	1,632,928	2,333,947
Selling, general and administrative expenses	1,269,826	1,361,778
Operating profit	363,101	972,169
Non-operating income		
Interest income	1,549	1,169
Interest on securities	670	-
Dividend income	45,190	51,396
Rental income	8,632	7,082
Subsidies for employment adjustment	37,071	-
Other	18,751	12,008
Total non-operating income	111,864	71,657
Non-operating expenses		
Interest expenses	10,871	9,379
Commitment fees	20,813	5,795
Other	3,481	736
Total non-operating expenses	35,166	15,911
Ordinary profit	439,799	1,027,914
Extraordinary losses		
Loss on abandonment of non-current assets	2,796	1,008
Loss on sale of non-current assets	-	16,772
Total extraordinary losses	2,796	17,780
Profit before income taxes	437,003	1,010,133
Income taxes - current	168,000	291,000
Income taxes - deferred	(5,571)	47,249
Total income taxes	162,428	338,249
Profit	274,575	671,884

(3) Non-consolidated Statements of Changes in Equity

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Thousand yen)

	Shareholders' equity			
	Share capital	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
Balance at beginning of period	1,320,740	1,088,420	137,017	1,225,438
Changes during period				
Dividends of surplus				
Profit				
Purchase of treasury shares				
Net changes in items other than shareholders' equity				
Total changes during period	-	-	-	-
Balance at end of period	1,320,740	1,088,420	137,017	1,225,438

	Shareholders' equity					
	Retained earnings				Treasury shares	Total shareholders' equity
	Legal retained earnings	Other retained earnings		Total retained earnings		
		General reserve	Retained earnings brought forward			
Balance at beginning of period	205,810	5,100,000	2,870,280	8,176,090	(87,498)	10,634,770
Changes during period						
Dividends of surplus			(167,099)	(167,099)		(167,099)
Profit			274,575	274,575		274,575
Purchase of treasury shares					(86)	(86)
Net changes in items other than shareholders' equity						
Total changes during period	-	-	107,475	107,475	(86)	107,388
Balance at end of period	205,810	5,100,000	2,977,755	8,283,565	(87,585)	10,742,159

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	230,394	230,394	10,865,165
Changes during period			
Dividends of surplus			(167,099)
Profit			274,575
Purchase of treasury shares			(86)
Net changes in items other than shareholders' equity	457,412	457,412	457,412
Total changes during period	457,412	457,412	564,800
Balance at end of period	687,806	687,806	11,429,965

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Thousand yen)

	Shareholders' equity			
	Share capital	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
Balance at beginning of period	1,320,740	1,088,420	137,017	1,225,438
Changes during period				
Dividends of surplus				
Profit				
Purchase of treasury shares				
Net changes in items other than shareholders' equity				
Total changes during period	-	-	-	-
Balance at end of period	1,320,740	1,088,420	137,017	1,225,438

	Shareholders' equity					
	Retained earnings				Treasury shares	Total shareholders' equity
	Legal retained earnings	Other retained earnings		Total retained earnings		
		General reserve	Retained earnings brought forward			
Balance at beginning of period	205,810	5,100,000	2,977,755	8,283,565	(87,585)	10,742,159
Changes during period						
Dividends of surplus			(155,161)	(155,161)		(155,161)
Profit			671,884	671,884		671,884
Purchase of treasury shares					(79)	(79)
Net changes in items other than shareholders' equity						
Total changes during period	-	-	516,723	516,723	(79)	516,643
Balance at end of period	205,810	5,100,000	3,494,478	8,800,288	(87,665)	11,258,802

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	687,806	687,806	11,429,965
Changes during period			
Dividends of surplus			(155,161)
Profit			671,884
Purchase of treasury shares			(79)
Net changes in items other than shareholders' equity	(160,148)	(160,148)	(160,148)
Total changes during period	(160,148)	(160,148)	356,494
Balance at end of period	527,657	527,657	11,786,460

(4) Non-consolidated Statements of Cash Flows

(Thousand yen)

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Cash flows from operating activities		
Profit before income taxes	437,003	1,010,133
Depreciation	720,614	683,430
Interest and dividend income	(47,409)	(52,566)
Interest expenses	10,871	9,379
Loss (gain) on sale of investment securities	(2,659)	(1,172)
Decrease (increase) in prepaid pension costs	(56,750)	4,343
Increase (decrease) in provision for retirement benefits for directors (and other officers)	13,832	(82,597)
Loss on abandonment of non-current assets	2,796	1,008
Subsidy income	(37,071)	-
Increase (decrease) in provision for product compensation	(10,921)	-
Decrease (increase) in trade receivables	124,188	(502,543)
Decrease (increase) in inventories	8,272	3,021
Decrease (increase) in other assets	7,557	(28,410)
Increase (decrease) in trade payables	32,285	541,409
Increase (decrease) in accrued consumption taxes	172,117	44,437
Loss (gain) on sale of non-current assets	-	16,772
Increase (decrease) in other liabilities	(8,187)	114,233
Subtotal	1,366,539	1,760,879
Interest and dividends received	47,409	52,566
Interest paid	(11,065)	(8,794)
Income taxes paid	(85,126)	(165,081)
Subsidies received	37,071	-
Net cash provided by (used in) operating activities	1,354,827	1,639,569
Cash flows from investing activities		
Purchase of property, plant and equipment	(899,710)	(530,071)
Proceeds from sale of property, plant and equipment	-	28,351
Purchase of investment securities	(1,992)	(418)
Proceeds from sale of investment securities	9,972	1,853
Proceeds from redemption of investment securities	200,000	-
Purchase of intangible assets	(82,019)	(87,987)
Decrease (increase) in investments and other assets	179	26,973
Net cash provided by (used in) investing activities	(773,570)	(561,298)
Cash flows from financing activities		
Proceeds from short-term borrowings	400,000	-
Repayments of short-term borrowings	(400,000)	-
Proceeds from long-term borrowings	100,000	-
Repayments of long-term borrowings	(246,392)	(239,892)
Purchase of treasury shares	(86)	(79)
Repayments of lease liabilities	(1,501)	(1,501)
Dividends paid	(167,401)	(155,385)
Net cash provided by (used in) financing activities	(315,381)	(396,858)
Net increase (decrease) in cash and cash equivalents	265,875	681,413
Cash and cash equivalents at beginning of period	2,410,596	2,676,471
Cash and cash equivalents at end of period	2,676,471	3,357,885

(5) Notes to the Non-consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Changes in accounting policies)

1. 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 “Revenue Recognition Standard”), etc. from the beginning of the fiscal year under review, and has decided to recognize revenue in the amount expected to be received in exchange for a promised good or service when the control of the good or service is transferred to the relevant customer.

Accordingly, the Company changed the method of revenue recognition for buy-sell transactions which fall under the category of buy-back contract from the previous one in which net sales and cost of sales are recorded when materials are supplied for a fee to the one in which only amounts equivalent to processing fees are recognized on a net basis.

The application of the Revenue Recognition Standard, etc. is in accordance with the transitional treatment provided for in the proviso of Paragraph 84 of the Revenue Recognition Standard, and the cumulative effects retroactively applying the new accounting policies prior to the beginning of the fiscal year under review are added to or subtracted from retained earnings at the beginning of the fiscal year under review. The new accounting policies are applied from the said beginning balance of retained earnings, but there is no impact on such balance.

In addition, the Company adopts the method provided for in Paragraph 86 of the Revenue Recognition Standard, and does not apply the new accounting policies retroactively to contracts for which almost all of the revenues had been recognized in accordance with the previous treatment method before the beginning of the fiscal year under review.

There is no resulting impact on the profits and losses for the fiscal year under review.

As a result of the application of the Revenue Recognition Standard, etc., “accounts receivable - trade” which was presented under “current assets” in the Non-consolidated Balance Sheets for the previous fiscal year is presented as “accounts receivable - trade” and “contract assets” starting from the fiscal year under review, while “advances received” which was presented under “current liabilities” is presented as “contract liabilities” starting from the fiscal year under review.

2. Application of 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 “Fair Value Measurement Standard”), etc. from the beginning of the fiscal year under review and decided to prospectively apply the new accounting policies set forth in the Fair Value Measurement Standard, etc. in accordance with the transitional treatment provided for in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the “Accounting Standards for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019).”

There is no resulting impact on the Non-consolidated Financial Statements.

(Significant accounting estimates)

1. Valuation of inventories

(1) Amount recorded in the Non-consolidated Financial Statements for the fiscal year under review

Finished goods: 1,035,252 thousand yen

Work in process: 1,296,821 thousand yen

(2) Calculation method for amounts recorded in the Non-consolidated Financial Statements for the fiscal year under review

Inventories are valued using the book value write-down method based on the decreased profitability and using the lower of either the acquisition cost or the net realizable value at the end of the fiscal year under review. Loss on valuation in the fiscal year under review was 12,660 thousand yen.

(3) Major assumptions used in the calculation of the amounts recorded in the Non-consolidated Financial Statements for the fiscal year under review

The Company may conduct a certain amount of forecast production depending on the status of customer needs, and dispose of long-held inventories as appropriate taking into consideration potential future use and other factors. The net realizable value of inventories is calculated based on the most recent sales results, etc., as it is affected by the diverse status of customer needs and changes in the economic environment.

- (4) Impact on the Non-consolidated Financial Statements for the following fiscal year
Additional loss on valuation of inventories may be recorded in the event of future changes in customer needs or the economic environment.

2. Deferred tax assets

- (1) Amount recorded in the Non-consolidated Financial Statements for the fiscal year under review
Deferred tax liabilities: 97,658 thousand yen
(Note) Deferred tax assets and deferred tax liabilities are presented as offsetting each other.
- (2) Calculation method for amounts recorded in the Non-consolidated Financial Statements for the fiscal year under review

The amount of deferred tax assets is reduced by recording valuation allowances if the assets are not considered to be recoverable according to estimates of available future taxable income.

- (3) Major assumptions used in the calculation of the amounts recorded in the Non-consolidated Financial Statements for the fiscal year under review

The Company makes estimates concerning the recoverability, etc. of deferred tax assets based on the Medium-Term Management Plan and records deferred tax assets based on the estimates for future taxable income.

(Additional information)

With regard to the impact of the spread of COVID-19, although it is difficult to predict such matters as when COVID-19 will come to an end in the future, the Company makes estimates for the recoverability, etc. of deferred tax assets on the assumption that economic activity will gradually be restored and the spread of the disease will head toward an end.

However, as the impact of the spread of COVID-19 carries a high level of uncertainty, if a prolonged period is required until the end of the disease, it may affect the Company's financial position and operating results.

- (4) Impact on the Non-consolidated Financial Statements for the following fiscal year
Since the recoverability of deferred tax assets depends on estimates of future taxable income, changes in the conditions and assumptions on which such estimates are based may result in a reduction of deferred tax assets and the recognition of tax expense.

(Segment information, etc.)

1. Overview of reportable segments

The Company's reportable segments are components of the Company for which separate financial information is available and which are subject to periodic review by the Board of Directors for the purpose of allocating management resources and evaluating performance.

The Company's business is broadly classified into the Ceramics Business and the Engineering Business.

The Ceramics Business manufactures and sells industrial ceramic products at the Company, Sakai Plant, and Higashiyama Plant. Most of the Company's products are consumables, such as ceramic tools, fixtures, and machine parts used in the production processes of end-user manufacturers of electronic components, foods, chemicals, paints, and other products.

The Engineering Business does not have a manufacturing plant, but purchases and sells heating equipment, measuring equipment, etc. as products.

2. Method of calculating net sales, profit (loss), assets, liabilities and other items by reportable segment

The accounting method for reported business segments is generally the same as that described in "Significant accounting policies."

Profit by reportable segment is based on operating profit.

3. Information on net sales, profit (loss), assets, liabilities and other items by reportable segment

For the previous fiscal year (April 1, 2020 to March 31, 2021)

(Thousand yen)

	Reportable segment			Adjustment	Amount recorded in Non-consolidated Financial Statements
	Ceramics Business	Engineering Business	Total		
Net sales					
Net sales to outside customers	6,601,428	2,053,159	8,654,588	-	8,654,588
Inter-segment net sales or transfers	-	-	-	-	-
Total	6,601,428	2,053,159	8,654,588	-	8,654,588
Segment profit	335,891	27,209	363,101	-	363,101
Segment assets	10,819,318	2,210,157	13,029,475	2,900,726	15,930,202
Other items					
Depreciation	711,278	9,336	720,614	-	720,614
Increase in property, plant and equipment, and intangible assets	936,563	5,409	941,972	-	941,972

(Notes) 1. The adjustment in segment assets of 2,900,726 thousand yen represents corporate assets that are not allocated to each reportable segment.

2. Amounts of segment liabilities are not stated as they are not regularly provided to the Company's highest decision-making body.

For the fiscal year under review (from April 1, 2021 to March 31, 2022)

(Thousand yen)

	Reportable segment			Adjustment	Amount recorded in Non-consolidated Financial Statements
	Ceramics Business	Engineering Business	Total		
Net sales					
Net sales to outside customers	7,620,378	2,358,396	9,978,775	-	9,978,775
Inter-segment net sales or transfers	-	-	-	-	-
Total	7,620,378	2,358,396	9,978,775	-	9,978,775
Segment profit	892,372	79,796	972,169	-	972,169
Segment assets	11,350,767	1,623,897	12,974,664	3,559,065	16,533,730
Other items					
Depreciation	676,212	7,217	683,430	-	683,430
Increase in property, plant and equipment, and intangible assets	356,500	5,010	361,510	-	361,510

(Notes) 1. The adjustment in segment assets of 3,559,065 thousand yen represents corporate assets that are not allocated to each reportable segment.

2. Amounts of segment liabilities are not stated as they are not regularly provided to the Company's highest decision-making body.

(Equity in earnings (losses) of affiliates if equity method is applied)

Not applicable.

(Per share information)

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Net assets per share (yen)	957.64	987.52
Basic earnings per share (yen)	23.00	56.29

(Notes) 1. The basis for calculating basic earnings per share and diluted earnings per share is as follows.

2. Diluted earnings per share are not stated because there are no dilutive shares.

Item	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Basic earnings per share		
Profit (Thousand yen)	274,575	671,884
Amount not attributable to common shareholders (Thousand yen)	-	-
Profit relating to common shares (Thousand yen)	274,575	671,884
Average number of common shares outstanding during the period (Shares)	11,935,626	11,935,493

3. The basis for calculating net assets per share is as follows.

Item	As of March 31, 2021	As of March 31, 2022
Total net assets (Thousand yen)	11,429,965	11,786,460
Net assets relating to common shares at the end of the year (Thousand yen)	11,429,965	11,786,460
Number of common shares at the end of the year used to calculate net assets per share (Shares)	11,935,576	11,935,457

(Significant subsequent events)

Not applicable.