Analyses of Management and Finances

Analysis of Operating Results

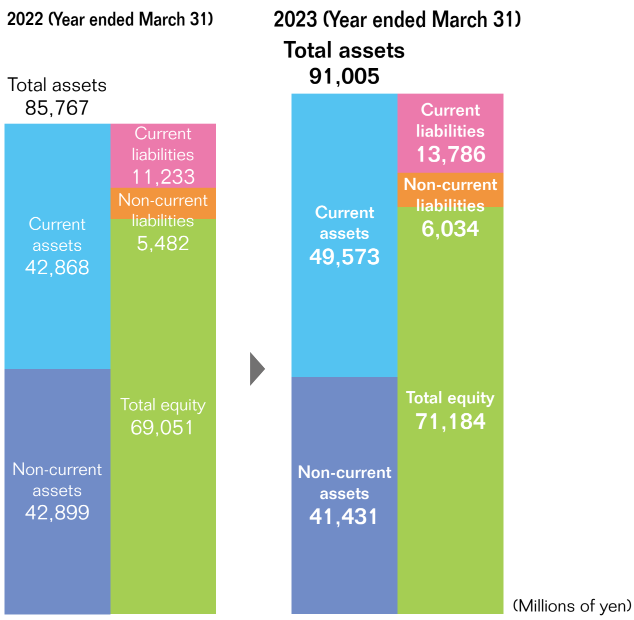
During the fiscal year under review, Japan's economy showed signs of recovery as the movement restrictions to contain COVID-19 were eased, and economic and social activities began to return to normal. On the other hand, raw material prices rose due to the prolonged situation in Ukraine. Furthermore, the economic outlook remains uncertain, with concerns that a downturn in overseas economies, against the backdrop of global monetary tightening and other factors, could put downward pressure on the domestic economy.
In the economies throughout Asia, our main sphere of overseas business, East Asia, mainly China, was affected by the movement restrictions imposed due to the resurgence of COVID-19, while Southeast Asia as a whole saw an easing of the movement restrictions and a sustained economic recovery.
Under such economic conditions, the Group is taking measures according to the basic management policies in the Middle-Range Planning, which is positioned as a period for "Reformation and Challenges" for realizing "VISION 2027."
As a result, in the fiscal year under review, net sales totaled ¥67,047 million (up 16.9% year on year), operating income totaled ¥1,409 million (operating loss of ¥2,308 million in the previous fiscal year), ordinary income totaled ¥2,207 million (ordinary loss of ¥1,856 million in the previous fiscal year), and net income attributable to owners of parent totaled ¥958 million (net loss attributable to owners of parent of ¥621 million in the previous fiscal year).

	2022 (Year ended March 31) (Millions of yen)	2023 (Year ended March 31) (Millions of yen)	Change (Millions of yen)	YoY (%)
Net sales	57,361	67,047	9,685	+16.9
Cost of sales	33,964	38,362	4,398	+13.0
Selling, general and administrative expenses	25,706	27,274	1,568	+6.1
Operating income (loss)	(2,308)	1,409	3,718	–
Non-operating income (loss)	452	798	345	+76.5
Ordinary income (loss)	(1,856)	2,207	4,064	–
Extraordinary income (loss)	1,094	(617)	(1,712)	–
Income (loss) before income taxes	(762)	1,589	2,351	–
Income taxes	72	571	499	+690.0
Net income (loss) attributable to non-controlling interests	(212)	59	272	–
Net income (loss) attributable to owners of parent	(621)	958	1,580	–

Analysis of Financial Position and Cash Flows

1. Assets, Liabilities and Total Equity

Total current assets were ¥49,573 million as of March 31, 2023, up ¥6,705 million from a year earlier. This was mainly due to increases of ¥1,968 million in notes and accounts receivable – trade and ¥3,233 million in merchandise and finished goods.
Non-current assets were ¥41,431 million as of March 31, 2023, down ¥1,468 million from a year earlier. This was mainly due to a decrease of ¥2,202 million in property, plant and equipment due to depreciation.
Current liabilities were ¥13,786 million as of March 31, 2023, up ¥2,552 million from a year earlier. This was mainly due to increases of ¥444 million in notes and accounts payable - trade, ¥492 million in accounts payable - other, and ¥994 million in other.
Non-current liabilities were ¥6,034 million as of March 31, 2023, up ¥552 million from a year earlier. This was mainly due to an increase of ¥337 million in deferred tax liabilities.
Total net assets were ¥71,184 million as of March 31, 2023, up ¥2,132 million from a year earlier. This was mainly due to an increase of ¥1,854 million in foreign currency translation adjustment.
As a result, shareholders' equity ratio was 71.6% as of March 31, 2023 (compared to 73.8% from a year earlier).



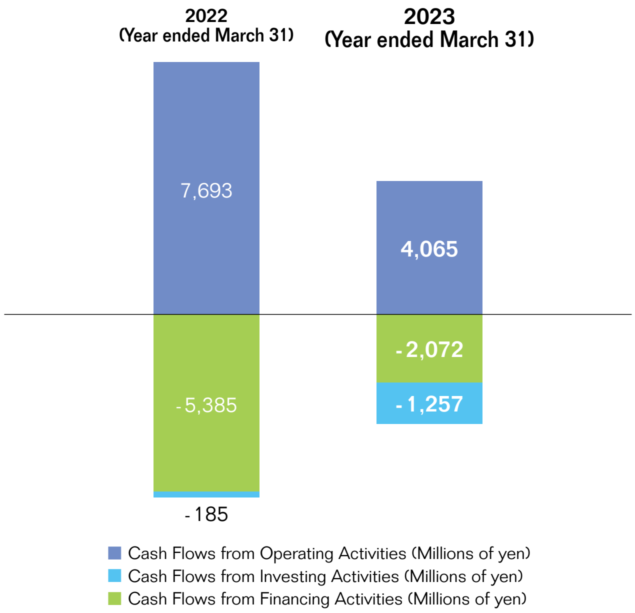
2. Status of Cash Flows

Cash and cash equivalents as of March 31, 2023 came to ¥17,481 million, up ¥1,466 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 ¥4,065 million (compared to ¥7,693 million provided from a year earlier). It mainly consisted of increases resulting from income before income taxes of ¥1,589 million and depreciation of ¥4,988 million, and a decrease resulting from ¥2,943 million increase in inventories.

▶ **Cash Flows from Investing Activities**
Net cash used in investing activities was ¥1,257 million (compared to ¥185 million used from a year earlier). It mainly consisted of a decrease resulting from purchase of property, plant and equipment of ¥1,200 million.

▶ **Cash Flows from Financing Activities**
Net cash used in financing activities was ¥2,072 million (compared to ¥5,385 million used from a year earlier). It mainly consisted of a decrease resulting from dividends paid of ¥1,667 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.
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 ¥1,433 million as of March 31, 2023, down ¥536 million (27.2%) from a year earlier.
A breakdown by segment is as follows.

Segment name	2023 (Millions of yen)	YoY change (%)
Japan	606	-54.4
Indonesia	503	7.9
Other overseas	323	88.0
Total	**1,433**	**-27.2**

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, 2023, there were no plans for new important facilities excluding the new establishment for routine renewal of facilities.

3. Dividend policy

The Company regards the return of profits to shareholders as an important management issue. While keeping the improvement of capital efficiency in mind, we will comprehensively consider a number of factors, including free cash flow, investment plans, securing liquidity and economic conditions. We have a basic policy of implementing stable and continuous returns through dividends (numerical target: consolidated payout ratio of 40% or more excluding special elements). We allocate internal reserves to strategic investments aimed at boosting corporate value, including investment in facilities to expand existing business operations, overseas investment and research and development investment. Furthermore, we will consider purchasing treasury shares to implement flexible capital policies based on the changes in the business environment.
The dividends of surplus for the fiscal year under review were as follows.

Resolution date	Total amount of dividends (Millions of yen)	Dividends per share (Yen)
November 2, 2022 Resolution of the Board of Directors	854	19.00
June 23, 2023 Resolution of the Ordinary General Meeting of Shareholders	854	19.00