

Analyses of Management and Finances

Analysis of Operating Results

During the fiscal year under review, the Japanese economy showed signs of moderate recovery, as COVID-19 was downgraded to Category 5 under the Infectious Disease Control Law, and personal consumption began to pick up amid further normalization of socioeconomic activities. Meanwhile, the economic outlook remains uncertain, with concerns that a downturn in overseas economies, against the backdrop of global monetary tightening measures and concerns about the outlook for the Chinese economy, could put downward pressure on the domestic economy. In the economies throughout Asia, our main sphere of overseas business, the economies of Southeast Asia in particular were generally firm, although economic recovery in China appears to have stalled and there are concerns about

the future. Under such economic conditions, the Group took measures according to the basic management policies in the Middle-Range Planning, which was positioned as a period for “Reformation and Challenges” for realizing its ideal vision by 2027, “VISION2027”.

As a result, net sales totaled ¥73,233 million (up 9.2% year on year). This was mainly due to strong sales in other overseas segments. Operating income totaled ¥2,020 million (up 43.3% year on year). This was mainly due to an increase in gross income in the Other overseas segment. Ordinary income totaled ¥2,981 million (up 35.1% year on year), and net income attributable to owners of parent totaled ¥2,601 million (up 171.4% year on year).

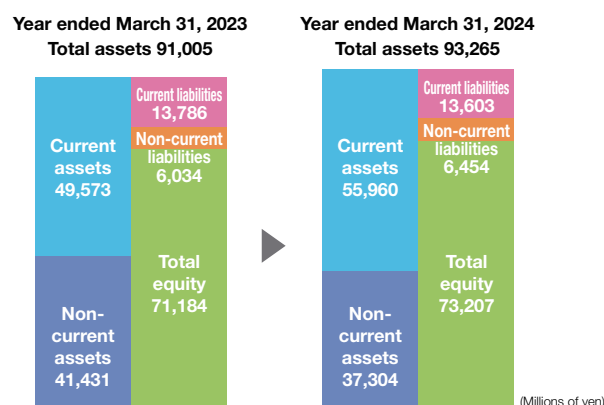
Item	2023 (Year ended March 31) (Millions of yen)	2024 (Year ended March 31) (Millions of yen)	Increase/decrease (Millions of yen)	YoY change (%)
Net sales	67,047	73,233	6,186	+9.2%
Cost of sales	38,362	41,703	3,340	+8.7%
Selling, general and administrative expenses	27,274	29,509	2,235	+8.2%
Operating income (loss)	1,409	2,020	610	+43.3%
Non-operating income (loss)	798	961	163	+20.4%
Ordinary income (loss)	2,207	2,981	773	+35.1%
Extraordinary income (loss)	(617)	891	1,509	-
Income (loss) before income taxes	1,589	3,872	2,283	+143.6%
Income taxes	571	1,108	537	+94.0%
Net income (loss) attributable to non-controlling interests	59	162	103	+173.0%
Net income (loss) attributable to owners of parent	958	2,601	1,642	+171.4%

Analysis of Financial Position and Cash Flows

1. Assets, Liabilities and Total Equity

Total current assets were ¥55,960 million as of March 31, 2024, up ¥6,387 million from a year earlier. This was mainly due to increases of ¥5,487 million cash and deposits. Non-current assets were ¥37,304 million as of March 31, 2024, down ¥4,126 million from a year earlier. This was mainly due to a decrease of ¥1,434 million in property, plant and equipment due to depreciation, and a decrease of ¥1,725 million in investment securities due to being sold off. Current liabilities were ¥13,603 million as of March 31, 2024, down ¥182 million from a year earlier. This was mainly due to a decrease of ¥641 million in accounts payable - other. Non-current liabilities were ¥6,454 million as of March 31, 2024, up ¥419 million from a year earlier. This was mainly due to an increase of ¥694 million in retirement benefit liabilities. Total net assets were ¥73,207 million as of March 31, 2024, up ¥2,023 million from a year earlier. This was mainly due to an increase of ¥1,652 million in foreign currency translation adjustment.

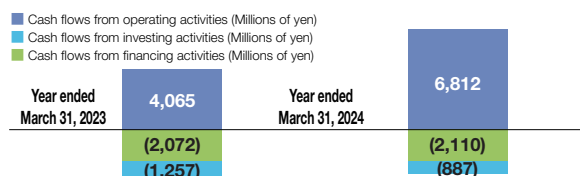
As a result, shareholders' equity ratio was 71.3% as of March 31, 2023 (compared to 71.6% from a year earlier).



2. Status of Cash Flows

Cash and cash equivalents as of March 31, 2024 came to ¥22,006 million, up ¥4,524 million from the end of the previous fiscal year.

Factors influencing cash flows during the term are as follows.



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. Capital is used primarily to fund operations, business investments and shareholder returns, and in principle prioritizes the use of internal reserves sourced from cash flows from sales activities, with any shortfalls funded by loans from financial institutions. If a domestic subsidiary lacks necessary funds, the shortfall is covered by a loan from the parent company.

The Group regards any additional funds in hand as cash reserves mainly for funding, and ensures their liquidity and security. We have also 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 ¥1,593 million as of March 31, 2024, up ¥159 million (11.2%) from a year earlier.

A breakdown by segment is as follows.

Segment name	2024 (Millions of yen)	YoY change (%)
Japan	484	(20.2)
Indonesia	862	71.2
Other overseas	246	(23.6)
Total	1,593	11.2

► Cash flows from operating activities

Net cash provided by operating activities was ¥6,812 million (compared to ¥4,065 million provided from a year earlier). It mainly consisted of increases resulting from income before income taxes of ¥3,872 million and depreciation of ¥4,415 million, and a decrease resulting from ¥645 million in business restructuring expenses paid and ¥651 million in income before income taxes.

► Cash flows from investing activities

Net cash used in investing activities was ¥887 million (compared to ¥1,257 million used from a year earlier). It mainly consisted of a decrease resulting from payments into time deposits of ¥5,855 million and purchase of property plant and equipment of ¥1,451 million, and an increase resulting from proceeds from withdrawal of time deposits of ¥5,127 million and proceeds from sale and redemption of investment securities of ¥1,543 million.

► Cash Flows from Financing Activities

Net cash used in financing activities was ¥2,110 million (compared to ¥2,072 million used from a year earlier). It mainly consisted of a decrease resulting from dividends paid of ¥1,754 million.

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. 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). While always keeping the improvement of capital efficiency in mind, we will comprehensively consider a number of factors, including FCF, investment plans, securing liquidity and economic conditions. 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 comprehensively consider a number of factors for 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)
Tuesday, October 31, 2023 Resolution of the Board of Directors	899	20.00
Friday, June 21, 2024 Resolution of the Ordinary General Meeting of Shareholders	899	20.00