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Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 [Japanese GAAP]



May 14, 2024

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Code number: 5602

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Scheduled date of annual general meeting of shareholders: June 26, 2024

Scheduled date of commencing dividend payments: June 27, 2024

Scheduled date of filing annual securities report: June 27, 2024

Availability of supplementary explanatory materials on annual financial results: Available

Schedule of annual financial results briefing session: Scheduled (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended								
March 31, 2024	125,925	0.9	7,460	9.1	7,816	13.8	5,470	15.7
March 31, 2023	124,827	17.8	6,840	64.0	6,868	64.3	4,727	62.0

(Note) Comprehensive income: For the fiscal year ended March 31, 2024: ¥11,711 million [86.8%]

For the fiscal year ended March 31, 2023: ¥6,268 million [82.4%]

	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, 2024	452.11	–	7.1	5.3	5.9
March 31, 2023	387.27	–	6.9	4.8	5.5

(Reference) Share of profit (loss) of entities accounted for using equity method:

For the fiscal year ended March 31, 2024: ¥– million

For the fiscal year ended March 31, 2023: ¥– million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2024	151,176	82,730	54.1	6,743.68
As of March 31, 2023	145,164	72,963	49.3	5,865.19

(Reference) Equity: As of March 31, 2024: ¥81,739 million

As of March 31, 2023: ¥71,608 million

(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
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
March 31, 2024	10,278	(2,690)	(8,604)	19,306
March 31, 2023	5,064	(1,741)	(4,495)	20,275

2. Dividends

	Annual dividends					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2023	–	40.00	–	50.00	90.00	1,101	23.2	1.6
Fiscal year ended March 31, 2024	–	50.00	–	120.00	170.00	2,058	37.6	2.7
Fiscal year ending March 31, 2025 (Forecast)	–	104.00	–	104.00	208.00		50.5	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025 (April 1, 2024 to March 31, 2025)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	60,000	0.1	2,500	(32.3)	2,600	(35.5)	2,000	(30.6)	164.94
Full year	124,000	(1.5)	7,000	(6.2)	7,200	(7.9)	5,000	(8.6)	412.25

* Notes:

- (1) Changes in significant subsidiaries during the period under review: None
(Changes in specified subsidiaries resulting in changes in the scope of consolidation)
- (2) Changes in accounting policies, changes in accounting estimates and retrospective restatement
 - 1) Changes in accounting policies due to the revision of accounting standards: None
 - 2) Changes in accounting policies other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (3) Total number of issued shares (common shares)
 - 1) Total number of issued shares at the end of the period (including treasury shares):
March 31, 2024: 12,798,490 shares
March 31, 2023: 13,098,490 shares
 - 2) Total number of treasury shares at the end of the period:
March 31, 2024: 677,656 shares
March 31, 2023: 889,485 shares
 - 3) Average number of shares during the period:
Fiscal year ended March 31, 2024: 12,100,540 shares
Fiscal year ended March 31, 2023: 12,206,206 sharesNote on the total number of issued shares

(Note) The number of treasury shares to be deducted for calculating the total number of treasury shares at the end of the period and the average number of shares during the period includes the Company's shares held by Custody Bank of Japan, Ltd. (Trust E Account) as trust assets under the Board Benefit Trust (BBT).

(Reference) Overview of non-consolidated financial results

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

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (April 1, 2023 to March 31, 2024)

(1) Non-consolidated Operating Results

(% indicates changes from the previous corresponding period.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2024	79,627	(4.6)	4,150	(0.6)	4,670	4.9	3,486	17.1
March 31, 2023	83,486	21.7	4,174	197.7	4,453	164.5	2,978	105.9

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
March 31, 2024	288.12	—
March 31, 2023	244.01	—

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2024	127,981	70,218	54.9	5,793.24
As of March 31, 2023	126,375	63,547	50.3	5,204.99

(Reference) Equity: As of March 31, 2024: ¥70,218 million
As of March 31, 2023: ¥63,547 million

* These financial results are outside the scope of review by certified public accountants or an audit firm.

* Explanation of the proper use of financial results forecasts and other notes

(Cautionary note on forward-looking statements, etc.)

Financial results forecasts and other forward-looking statements provided in this document are based on information currently available to the Company and certain assumptions deemed reasonable, and do not represent any guarantee that the Company will achieve these results. Actual financial results and other aspects of business performance may differ significantly from these forecasts owing to various factors. Please refer to “1. Overview of Operating Results, etc. (4) Future Outlook” on page 4 of the Attachments for conditions forming the basis for financial results forecasts, and notes regarding the use of financial results forecasts.

(Measures for obtaining supplementary explanatory materials on annual financial results and information on annual financial results briefing session)

The Company will hold the annual financial results briefing session for the fiscal year ended March 31, 2024 (for institutional investors and analysts) on Friday, May 31, 2024. The information materials to be used at the session will be posted on the Company's website immediately after the briefing session.

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1. Overview of Operating Results, etc.

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

During the consolidated fiscal year under review, the Japanese economy, despite the effects of exchange rate fluctuations, higher resource prices, and accelerating inflation, was on a moderate recovery path due to more social and economic activities returning to normal and the improved employment and income environment, as COVID-19 was downgraded to a Class V. However, a sense of uncertainty continued to prevail over the future of the economic situation amid the instability of the global situation.

Under these circumstances, the Group has been aiming to expand its business and working to further enhance its corporate value and bolster its management base by continuing to strengthen its cost reduction and sales activities.

For the Group's financial results for the consolidated fiscal year under review, net sales increased by ¥1,097 million year on year to ¥125,925 million, as a result of increased sales in the Lifeline business and Industrial Materials business, despite the decreased sales in the Machinery System business.

For profit and loss, operating profit increased by ¥620 million from the previous consolidated fiscal year to ¥7,460 million, reflecting mainly the effects of cost reduction activities, as well as net sales growth and changes in the sales mix. In addition, ordinary profit increased by ¥947 million from the previous consolidated fiscal year to ¥7,816 million, while profit attributable to owners of parent increased by ¥743 million from the previous consolidated fiscal year to ¥5,470 million primarily due to the recording of gain on sale of investment securities and income taxes, achieving its record highest profit.

Operating results by segment were as follows:

In the Lifeline business, net sales increased by ¥3,560 million from the previous consolidated fiscal year to ¥64,439 million, mainly due to robust sales in the Pipe Systems Division and an increase in sales from large projects in the Valve Systems Division.

Operating profit increased by ¥815 million from the previous consolidated fiscal year to ¥4,494 million, mainly due to the progress in improving costs, as well as revenue growth.

In the Machinery System business, net sales decreased by ¥4,957 million from the previous consolidated fiscal year to ¥29,144 million, mainly due to a decrease in sales of presses and plant projects in the Plant Engineering & Machinery Division in reaction to the concentrated sales in the previous consolidated fiscal year, despite an increase in sales of crushers and parts in the Materials & Machinery Division.

Operating profit decreased by ¥717 million from the previous consolidated fiscal year to ¥1,491 million, mainly reflecting the decline in revenue in the Plant Engineering & Machinery Division.

In the Industrial Materials business, net sales increased by ¥2,495 million from the previous consolidated fiscal year to ¥32,340 million, mainly due to an increase in sales of noise-reduction products and, in addition, an increase in sales of air conditioning equipment resulting from the completion of large scale factory construction projects in the Construction Materials Division, as well as an increase in sales of products for the electric power industry and small-scale hydro power generation in the Plastic Products Division.

Operating profit increased by ¥851 million from the previous consolidated fiscal year to ¥2,255 million, mainly reflecting an increase in the sales ratio of high-value-added products, in addition to revenue growth.

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

(Status of assets, liabilities, and net assets, and comparisons with the previous consolidated fiscal year)

Total assets at the end of the consolidated fiscal year under review were ¥151,176 million, an increase of ¥6,012 million from the end of the previous consolidated fiscal year.

Current assets increased by ¥1,520 million to ¥94,987 million, mainly due to increases of ¥2,166 million in merchandise and finished goods and work in process. Non-current assets increased by ¥4,492 million to ¥56,189 million, mainly due to an increase of ¥6,523 million in investment securities owing to a rise in fair value.

Total liabilities decreased by ¥3,754 million from the end of the previous consolidated fiscal year to ¥68,446 million. Current liabilities decreased by ¥2,868 million to ¥59,442 million, mainly owing to decreases of ¥7,578 million in short-term borrowings and current portion of long-term borrowings, despite increases of ¥4,968 million in notes and accounts payable - trade and electronically recorded obligations - operating. Non-current liabilities decreased by ¥885 million to ¥9,003 million, mainly owing to a decrease of ¥1,886 million in retirement benefit liability, despite an increase of ¥1,013 million in long-term borrowings.

Net assets increased by ¥9,766 million from the end of the previous consolidated fiscal year to ¥82,730 million. This is mainly attributable to an increase of ¥5,470 million in profit attributable to owners of parent and an increase of ¥4,673 million in valuation difference on available-for-sale securities.

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

For the consolidated fiscal year under review, the balance of cash and cash equivalents on a consolidated basis decreased by ¥968 million from the end of the previous consolidated fiscal year to ¥19,306 million.

Net cash provided by operating activities amounted to ¥10,278 million. This is mainly attributable to the recording of profit before income taxes of ¥7,944 million, and changes in non-cash items such as depreciation, current assets such as trade receivables and inventories, and current liabilities such as trade payables.

Net cash used in investing activities amounted to ¥2,690 million. This is mainly attributable to the purchase of property, plant and equipment, and intangible assets.

Net cash used in financing activities amounted to ¥8,604 million. This is mainly attributable to changes in short-term borrowings and long-term borrowings and dividends paid.

(Reference) Trends in Cash Flow Indicators

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Equity ratio (%)	43.1	47.6	47.5	49.3	54.1
Equity ratio based on market value (%)	18.5	17.1	14.7	18.3	34.4
Ratio of interest-bearing debt to cash flow (%)	4.3	3.8	8.6	4.1	1.4
Interest coverage ratio (times)	38.5	39.3	18.3	33.1	72.7

(Note)

1) Each indicator has been calculated in the following manner.

- Equity ratio: Equity / Total assets
- Equity ratio based on market value: Market capitalization / Total assets
- Ratio of interest-bearing debt to cash flow: Interest-bearing debt / Operating cash flows
- Interest coverage ratio: Operating cash flows / Interest paid

2) The indicators are calculated on a consolidated basis.

3) Market capitalization is calculated by multiplying the closing stock price at the end of the period by the number of shares issued and outstanding at the end of the period.

4) Operating cash flows represent the cash flows from operating activities stated on the consolidated statements of

cash flows. Interest-bearing debt represents all liabilities posted on the consolidated balance sheets that are subject to interest payments. Interest paid represents the amount of interest paid in the consolidated statements of cash flows.

(4) Future Outlook

The Group has formulated a new three-year mid-term business plan, which has started in fiscal 2024. The plan is aimed at realizing the Group's 2030 Company Vision, a corporate group capable of continuing to contribute to society in the future based on the spirit of "Yonpo yoshi," adding "good for the future" to the philosophy of "Sampo yoshi," which means "good for the seller," "good for the buyer," and "good for the society." Under the plan, we will also strive to promote management with emphasis on capital cost and sustainability and meet the expectations of all stakeholders.

The Group has positioned fiscal 2024 to 2026, the period of the plan, as a preparatory period for transformation and growth toward its 2030 Company Vision. During this period, the Group will promote growth by enhancing profitability of stable profit business and making proactive investments in growth driving business, strive to take actions proactively to realize management which puts emphasis on capital cost and stock prices, and continue to promote ESG management.

As for the consolidated financial results for the fiscal year ending March 31, 2025, in the public sector demand segment related to public works such as the Lifeline business, demand is expected to decline reflecting the decline in purchasing power on the market due to the continued effects of rising prices, including materials and equipment prices and labor costs, despite the presence of latent demand. Furthermore, in the private sector demand segment including the Machinery System business, while we can expect a recovery from investment restraint, we anticipate soaring raw material, energy and transportation costs and rising labor costs, as well as a decrease in sales of high-value-added projects. In light of these circumstances, for the full-year consolidated financial results for fiscal 2024, we forecast net sales of ¥124,000 million and operating profit of ¥7,000 million.

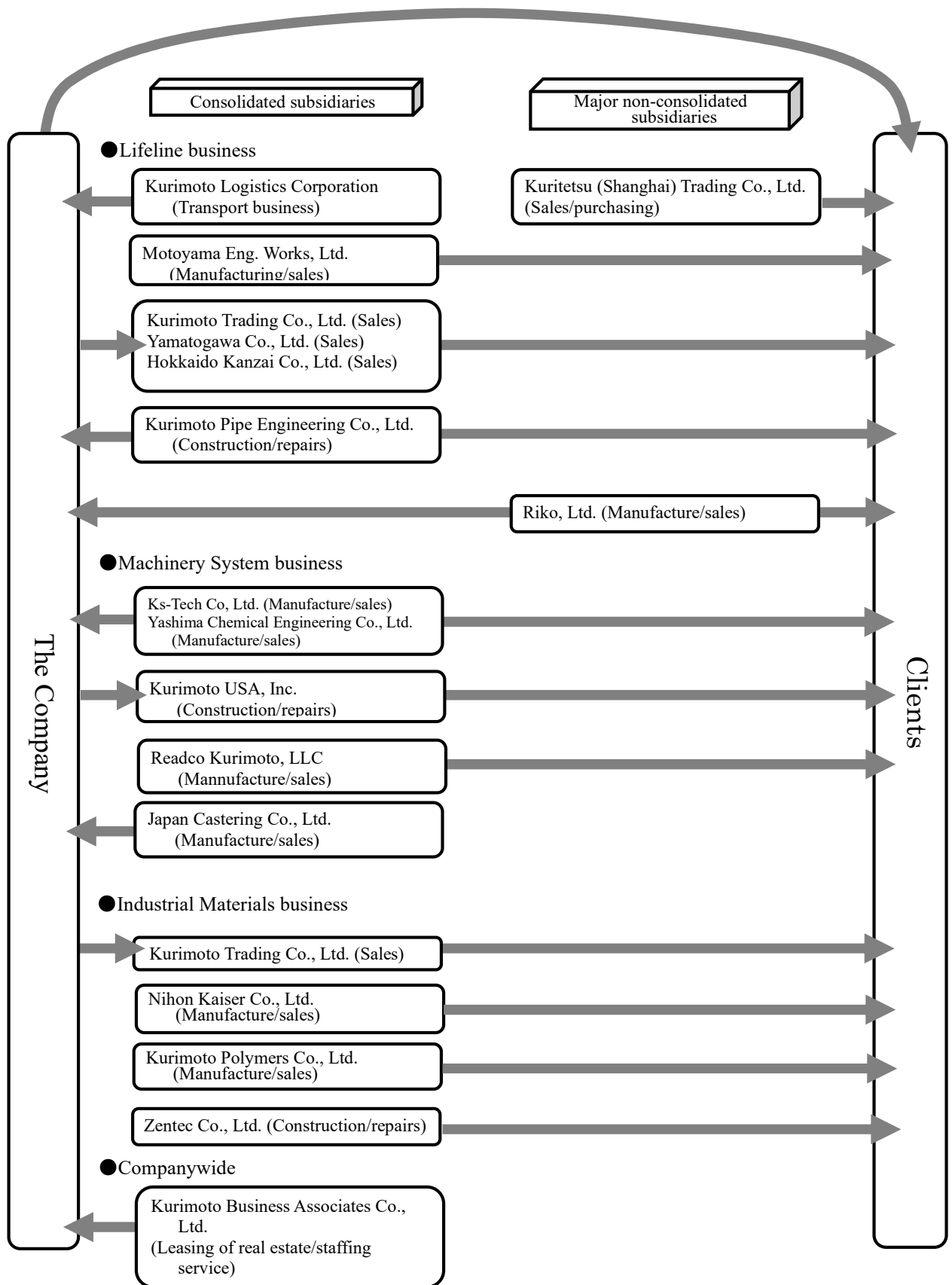
2. Status of the Corporate Group

The Group, comprising the Company and 20 subsidiaries, is engaged in business activities that mainly consist of the manufacture and sales of products of the Lifeline business, the Machinery System business, and the Industrial Materials business.

The Group's businesses are positioned in the following manner:

Lifeline business:	The manufacture and sales of products primarily by the Company but certain products are sold through its consolidated subsidiaries of Kurimoto Trading Co., Ltd. and Yamatogawa Co., Ltd., and Hokkaido Kanzai Co., Ltd. as the distributors
Machinery System business:	The manufacture and sales of products primarily by the Company
Industrial Materials business:	The manufacture and sales of products primarily by the Company but certain products are sold through its consolidated subsidiary Kurimoto Trading Co., Ltd. as the distributor

A chart detailing the business structure is as follows.



(Note) The three non-consolidated subsidiaries have been omitted due to their immateriality.

3. Basic Policy on the Selection of Accounting Standards

For the time being, the Group's policy is to prepare the consolidated financial statements in accordance with Japanese GAAP, taking into consideration the comparability of the consolidated financial statements over time.

The Group will respond appropriately to the adoption of the International Financial Reporting Standards, taking into consideration various circumstances both in Japan and overseas.

4. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Million yen)

	As of March 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	20,334	19,368
Notes and accounts receivable - trade, and contract assets	40,149	38,172
Electronically recorded monetary claims - operating	10,467	12,940
Merchandise and finished goods	11,338	11,699
Work in process	6,246	8,053
Raw materials and supplies	3,804	3,659
Other	1,253	1,137
Allowance for doubtful accounts	(127)	(42)
Total current assets	93,466	94,987
Non-current assets		
Property, plant and equipment		
Buildings and structures	28,961	29,718
Accumulated depreciation	(20,561)	(21,075)
Buildings and structures, net	8,400	8,643
Machinery, equipment and vehicles	57,703	58,260
Accumulated depreciation	(49,234)	(50,253)
Machinery, equipment and vehicles, net	8,468	8,007
Tools, furniture and fixtures	10,577	10,747
Accumulated depreciation	(9,671)	(9,804)
Tools, furniture and fixtures, net	906	943
Land	13,846	13,926
Leased assets	1,100	1,131
Accumulated depreciation	(217)	(230)
Leased assets, net	882	900
Construction in progress	790	1,000
Total property, plant and equipment	33,295	33,421
Intangible assets		
Other	1,443	1,182
Total intangible assets	1,443	1,182
Investments and other assets		
Investment securities	12,347	18,870
Deferred tax assets	3,177	616
Other	1,661	2,260
Allowance for doubtful accounts	(227)	(162)
Total investments and other assets	16,958	21,585
Total non-current assets	51,697	56,189
Total assets	145,164	151,176

(Million yen)

	As of March 31, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	15,353	14,036
Electronically recorded obligations - operating	14,257	20,543
Short-term borrowings	19,850	12,290
Current portion of long-term borrowings	696	678
Lease liabilities	65	49
Income taxes payable	2,231	1,387
Accrued expenses	2,073	1,998
Advances received	1,830	2,219
Provision for bonuses	2,767	3,124
Provision for loss on construction contracts	477	485
Other provisions	8	11
Other	2,698	2,618
Total current liabilities	62,311	59,442
Non-current liabilities		
Long-term borrowings	118	1,131
Lease liabilities	830	887
Provision for environmental measures	13	1
Retirement benefit liability	8,347	6,461
Asset retirement obligations	324	325
Other	254	196
Total non-current liabilities	9,889	9,003
Total liabilities	72,200	68,446
Net assets		
Shareholders' equity		
Share capital	31,186	31,186
Capital surplus	6,873	6,895
Retained earnings	30,828	34,520
Treasury shares	(1,778)	(1,483)
Total shareholders' equity	67,109	71,119
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,212	8,886
Deferred gains or losses on hedges	0	-
Foreign currency translation adjustment	198	292
Remeasurements of defined benefit plans	87	1,440
Total accumulated other comprehensive income	4,498	10,619
Non-controlling interests	1,355	991
Total net assets	72,963	82,730
Total liabilities and net assets	145,164	151,176

(2) Consolidated Statements of Income and Comprehensive Income
Consolidated Statements of Income

(Million yen)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Net sales	124,827	125,925
Cost of sales	95,477	94,465
Gross profit	29,349	31,459
Selling, general and administrative expenses	22,509	23,998
Operating profit	6,840	7,460
Non-operating income		
Interest income	2	3
Dividend income	413	460
Insurance claim income	31	150
Other	306	336
Total non-operating income	754	951
Non-operating expenses		
Interest expenses	152	141
Provision of allowance for doubtful accounts for subsidiaries and associates	163	-
Fixed asset retirement expenses	172	106
Arrangement fee	-	130
Other	238	217
Total non-operating expenses	727	596
Ordinary profit	6,868	7,816
Extraordinary income		
Gain on sale of investment securities	95	111
Gain on capital reduction with compensation of subsidiaries and affiliates	-	18
Other	1	2
Total extraordinary income	96	132
Extraordinary losses		
Impairment losses	28	-
Loss on valuation of shares of subsidiaries and associates	49	-
Loss on valuation of investment securities	-	2
Loss on valuation of golf club membership	2	0
Other	5	0
Total extraordinary losses	86	3
Profit before income taxes	6,879	7,944
Income taxes - current	2,490	2,359
Income taxes - deferred	(436)	(5)
Total income taxes	2,054	2,354
Profit	4,824	5,590
Profit attributable to non-controlling interests	97	119
Profit attributable to owners of parent	4,727	5,470

Consolidated Statements of Comprehensive Income

(Million yen)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Profit	4,824	5,590
Other comprehensive income		
Valuation difference on available-for-sale securities	956	4,673
Deferred gains or losses on hedges	(0)	(0)
Foreign currency translation adjustment	153	93
Remeasurements of defined benefit plans, net of tax	335	1,354
Total other comprehensive income	1,444	6,121
Comprehensive income	6,268	11,711
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,171	11,591
Comprehensive income attributable to non-controlling interests	97	120

(3) Consolidated Statements of Changes in Equity

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	31,186	6,873	27,029	(1,802)	63,287
Changes during period					
Dividends of surplus			(916)		(916)
Profit attributable to owners of parent			4,727		4,727
Purchase of treasury shares				(56)	(56)
Disposal of treasury shares		(12)		80	67
Cancellation of treasury shares					-
Transfer from retained earnings to capital surplus		12	(12)		-
Change in ownership interest of parent due to transactions with non-controlling interests					-
Net changes in items other than shareholders' equity					
Total changes during period	-	-	3,798	23	3,821
Balance at end of period	31,186	6,873	30,828	(1,778)	67,109

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Re-measurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	3,256	1	44	(247)	3,054	1,277	67,619
Changes during period							
Dividends of surplus							(916)
Profit attributable to owners of parent							4,727
Purchase of treasury shares							(56)
Disposal of treasury shares							67
Cancellation of treasury shares							-
Transfer from retained earnings to capital surplus							-
Change in ownership interest of parent due to transactions with non-controlling interests							-
Net changes in items other than shareholders' equity	956	(0)	153	335	1,444	77	1,521
Total changes during period	956	(0)	153	335	1,444	77	5,343
Balance at end of period	4,212	0	198	87	4,498	1,355	72,963

Fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	31,186	6,873	30,828	(1,778)	67,109
Changes during period					
Dividends of surplus			(1,213)		(1,213)
Profit attributable to owners of parent			5,470		5,470
Purchase of treasury shares				(700)	(700)
Disposal of treasury shares		94		336	431
Cancellation of treasury shares		(659)		659	-
Transfer from retained earnings to capital surplus		564	(564)		-
Change in ownership interest of parent due to transactions with non-controlling interests		22			22
Net changes in items other than shareholders' equity					
Total changes during period	-	22	3,692	295	4,010
Balance at end of period	31,186	6,895	34,520	(1,483)	71,119

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Re-measurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	4,212	0	198	87	4,498	1,355	72,963
Changes during period							
Dividends of surplus							(1,213)
Profit attributable to owners of parent							5,470
Purchase of treasury shares							(700)
Disposal of treasury shares							431
Cancellation of treasury shares							-
Transfer from retained earnings to capital surplus							-
Change in ownership interest of parent due to transactions with non-controlling interests							22
Net changes in items other than shareholders' equity	4,673	(0)	93	1,353	6,120	(364)	5,756
Total changes during period	4,673	(0)	93	1,353	6,120	(364)	9,766
Balance at end of period	8,886	-	292	1,440	10,619	991	82,730

(4) Consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Cash flows from operating activities		
Profit before income taxes	6,879	7,944
Depreciation	2,930	2,951
Impairment losses	28	-
Increase (decrease) in allowance for doubtful accounts	143	(149)
Interest and dividend income	(416)	(464)
Interest expenses	152	141
Decrease (increase) in trade receivables	(6,925)	(82)
Decrease (increase) in inventories	587	(2,019)
Increase (decrease) in trade payables	693	4,713
Increase (decrease) in retirement benefit liability	(0)	65
Loss (gain) on sale of short-term and long-term investment securities	(95)	(111)
Loss (gain) on valuation of short-term and long-term investment securities	49	2
Loss (gain) on sale of property, plant and equipment and intangible assets	(4)	0
Loss on retirement of property, plant and equipment and intangible assets	45	28
Other, net	1,515	78
Subtotal	5,584	13,100
Interest and dividends received	399	437
Interest paid	(152)	(141)
Income taxes paid	(766)	(3,118)
Net cash provided by (used in) operating activities	5,064	10,278
Cash flows from investing activities		
Purchase of short-term and long-term investment securities	(4)	(2)
Proceeds from sale of short-term and long-term investment securities	634	158
Purchase of property, plant and equipment and intangible assets	(2,379)	(2,380)
Proceeds from sale of property, plant and equipment and intangible assets	14	28
Loan advances	-	(0)
Proceeds from collection of loans receivable	35	74
Decrease (increase) in time deposits	-	(500)
Proceeds from sale of shares of subsidiaries and associates	-	0
Proceeds from paid capital reduction of subsidiaries and associates	-	88
Other, net	(41)	(158)
Net cash provided by (used in) investing activities	(1,741)	(2,690)

(Million yen)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(2,400)	(7,560)
Proceeds from long-term borrowings	100	1,700
Repayments of long-term borrowings	(1,222)	(705)
Repayments of lease liabilities	(37)	(79)
Dividends paid	(915)	(1,211)
Dividends paid to non-controlling interests	(19)	(24)
Purchase of treasury shares	(0)	(700)
Proceeds from sale of treasury shares	-	414
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	-	(438)
Net cash provided by (used in) financing activities	(4,495)	(8,604)
Effect of exchange rate change on cash and cash equivalents	147	48
Net increase (decrease) in cash and cash equivalents	(1,024)	(968)
Cash and cash equivalents at beginning of period	21,299	20,275
Cash and cash equivalents at end of period	20,275	19,306

(5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

There is no relevant information.

(Changes in accounting policies)

There is no relevant information.

(Segment information, etc.)

[Segment Information]

1. Summary of Reportable Segments

The reportable segments of the Company are units of the Company for which separate financial information is available, and which are periodically monitored by the Board of Directors to determine the allocation of management resources and evaluate the performance results.

The divisions of the Company have been arranged according to product, and each division pursues business activities by formulating comprehensive domestic and overseas strategies for the product under its purview.

Therefore, the Company comprises segments based on business divisions, and in which related businesses have been grouped. The Company has three reportable segments of the “Lifeline business,” the “Machinery System business,” and the “Industrial Materials business.”

The “Lifeline business” manufactures ductile iron pipes, fittings, accessories and various types of valves, in addition to carrying out ancillary work. The “Machinery System business” manufactures various types of industrial machines (mixers, kneaders, press machines), special cast iron, and cast steel, in addition to carrying out ancillary work and various plant engineering work. The “Industrial Materials business” manufactures various types of ducts, polycon FRP pipes, and various types of synthetic resin products, in addition to carrying out ancillary work.

2. Calculation method of net sales, income or loss, assets, liabilities, and other items by reportable segment

The accounting treatment of reported business segments is consistent with the accounting policies applied to the preparation of the consolidated financial statements.

Profit of the reportable segments is based on operating profit.

Inter-segment revenue or transfers is determined by taking into consideration market prices.

3. Information on net sales, income or loss, assets, liabilities, and other items by reportable segment
Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

(Million yen)

	Reportable segment			Total	Adjustment (Note 1)	Amount recorded in Consolidated Statements of Income (Note 2)
	Lifeline business	Machinery System business	Industrial Materials business			
Net sales						
Net sales to outside customers	60,879	34,102	29,845	124,827	—	124,827
Inter-segment net sales or transfers	137	85	42	265	(265)	—
Total	61,017	34,187	29,888	125,092	(265)	124,827
Segment profit	3,679	2,208	1,404	7,292	(451)	6,840
Segment assets	58,315	27,747	26,303	112,365	32,798	145,164
Other items						
Depreciation	1,278	536	579	2,393	537	2,930
Increase in property, plant and equipment and intangible assets	1,572	1,441	267	3,281	162	3,444

(Notes) 1. Adjustment of segment profit of ¥(451) million includes ¥20 million for inter-segment transaction eliminations, ¥(656) million for allocation difference of selling, general and administrative expenses, and experimentation and research expenses borne by each reportable segment, and ¥184 million for inventory adjustments.

Adjustment of segment assets of ¥32,798 million includes ¥(7,445) million for the elimination of inter-segment transactions, and ¥40,243 million for a working capital surplus, investment securities, and land, etc., which are corporate assets and not attributable to any specific reportable segment.

Adjustment of depreciation of ¥537 million and adjustment of increases in property, plant and equipment and intangible assets of ¥162 million are basic research-related assets that are not attributable to any specific reportable segment and assets that belong to headquarters, etc.

2. Adjustments are made to reconcile segment profit to operating profit reported on the consolidated statements of income.

Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)

(Million yen)

	Reportable segment			Total	Adjustment (Note 1)	Amount recorded in Consolidated Statements of Income (Note 2)
	Lifeline business	Machinery System business	Industrial Materials business			
Net sales						
Net sales to outside customers	64,439	29,144	32,340	125,925	—	125,925
Inter-segment net sales or transfers	126	87	17	230	(230)	—
Total	64,565	29,231	32,358	126,156	(230)	125,925
Segment profit	4,494	1,491	2,255	8,242	(781)	7,460
Segment assets	62,754	25,960	28,772	117,487	33,688	151,176
Other items						
Depreciation	1,217	602	586	2,407	544	2,951
Increase in property, plant and equipment and intangible assets	1,329	520	676	2,526	262	2,788

(Notes) 1. Adjustment of segment profit of ¥(781) million includes ¥25 million for inter-segment transaction eliminations, ¥(604) million for allocation difference of selling, general and administrative expenses, and experimentation and research expenses borne by each reportable segment, and ¥(203) million for inventory adjustments.

Adjustment of segment assets of ¥33,688 million includes ¥(8,674) million for the elimination of inter-segment transactions, and ¥42,363 million for a working capital surplus, investment securities, and land, etc., which are corporate assets and not attributable to any specific reportable segment.

Adjustment of depreciation of ¥544 million and adjustment of increases in property, plant and equipment and intangible assets of ¥262 million are basic research-related assets that are not attributable to any specific reportable segment and assets that belong to headquarters, etc.

2. Adjustments are made to reconcile segment profit to operating profit reported on the consolidated statements of income.

[Information on impairment losses on non-current assets by reportable segment]

Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

(Million yen)

	Lifeline business	Machinery System business	Industrial Materials business	Corporate and eliminations	Total
Impairment losses	28	-	-	-	28

Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)

There is no relevant information.

(Per share information)

	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)
Net assets per share	5,865.19 yen	6,743.68 yen
Basic earnings per share	387.27 yen	452.11 yen

(Notes) 1. Diluted profit per share is omitted, as there were no outstanding dilutive shares.

2. For the purpose of calculating net assets per share, the number of treasury shares of the Company held by Custody Bank of Japan, Ltd. (Trust E Account), in conjunction with the adoption of the Board Benefit Trust (BBT), which are reported as treasury shares under shareholders' equity, is included in the number of treasury shares to be deducted from the total number of issued shares at the end of the fiscal year, and for the purpose of calculating basic earnings per share, is included in the number of treasury shares to be deducted in the calculation of the average number of shares during the period.

For the purpose of calculating net assets per share, the number of shares at the end of the fiscal year of such treasury shares deducted was 42,822 shares as of March 31, 2022, and 32,475 shares as of March 31, 2023, and for the purpose of calculating basic earnings per share, the average number during the period of such treasury shares deducted was 25,959 shares in the fiscal year ended March 31, 2022, and 37,552 shares in the fiscal year ended March 31, 2023.

3. The basis of the calculation of basic earnings per share is as follows.

	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)	Fiscal year ended March 31, 2024 (From April 1, 2023 to March 31, 2024)
Profit attributable to owners of parent (Million yen)	4,727	5,470
Amount not attributable to common shareholders (Million yen)	-	-
Profit attributable to owners of parent related to common stock (Million yen)	4,727	5,470
Average number of shares of common stock during the period (shares)	12,206,206	12,100,540

4. The basis of the calculation of net assets per share is as follows.

	As of March 31, 2023	As of March 31, 2024
Total net assets (Million yen)	72,963	82,730
Amount to be deducted from total net assets (Million yen)	1,355	991
(of which non-controlling interests (Million yen))	(1,355)	(991)
Net assets at the end of the period related to common stock (Million yen)	71,608	81,739
Number of shares of common stock at the end of the period used to calculate net assets per share (shares)	12,209,005	12,120,834

(Significant subsequent events)

(Business combination through acquisition)

At a meeting of the Board of Directors held on February 8, 2024, the Company resolved to acquire all of shares of SANKYO MACHINERY, LTD., making it a subsidiary of the Company. The Company executed the share transfer agreement with Matsui co., Ltd., which is a parent company of SANKYO MACHINERY, LTD., on February 9, 2024 and acquired all shares on April 2, 2024.

1. Overview of business combination

(1) Name and details of business of acquiree

Name: SANKYO MACHINERY, LTD.
Nature of business: Asphalt and concrete crushing plants
Crushing plants, environment related equipment, facilities for improved soil, and conveyer equipment
Design, manufacturing and installation of various plants and machinery

(2) Main reason for business combination

Domestic demand for aggregate is gradually declining with its peak in the 1990s due to a drop in infrastructure demand caused by falling population and with a shift toward infrastructure stock management. Meanwhile, the volume of dismantling concrete structures has been ever increasing, mainly in the central areas of big cities, due to aging concrete structures built during the period of high economic growth, causing social issues such as generating a huge volume of concrete waste material. Therefore, utilization of concrete related construction waste for concrete aggregate is expected to be accelerated in the future.

SANKYO MACHINERY, LTD. has component technologies, such as plants for recycling asphalt and concrete and related equipment and facilities, necessary for the recycled aggregate field, which is indispensable for a circular-based society in the future. As it is compatible with the Company, which has been expanding its crushing engineering business over the years, centered on aggregate with crushed stone, the Company believes that the business combination can create synergies by leveraging the strength of both companies.

In addition, the Company believes that the expansion of its business domains into the recycled aggregate field will transform of its business portfolio, which has been concentrated on the crushed stone field so far and further strengthen its business foundation for the crusher business, leading to the enhancement of the Group's corporate value. Furthermore, the Company will contribute to reducing CO₂ emissions by promoting the recycling business in the future.

(3) Date of business combination

April 2, 2024

(4) Legal form of business combination

Share acquisition

(5) Name of entity after business combination

No change

(6) Acquired ratio of voting rights

100%

(7) Main factor determining acquirer

Due to the Company's acquisition of shares with cash consideration

2. Acquisition cost of acquiree and the breakdown of consideration for the acquisition by type

Consideration for the acquisition: ¥515 million (cash)

Acquisition cost: ¥515 million

3. Content and amount of main acquisition-related costs

Not applicable.

4. Amount, reason, and method and period of amortization with respect to goodwill generated

Not determined at this time.

5. Amount and breakdown of main assets acquired and liabilities assumed on the date of business combination

Not determined at this time.