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Member, Financial Accounting Standards Foundation

The Announcement date: May 12, 2023 (14:00 JST)

Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (Under Japanese GAAP)

Company name: TOMOEGAWA CO., LTD.
 Listing: Tokyo Stock Exchange
 Securities code: 3878
 URL: <https://www.tomoegawa.co.jp/>
 Representative: Yoshio Inoue, President and Representative Director, Group CEO
 Inquiries: Masaaki Yamaguchi, Director, Senior Managing Executive Officer, Group CFO
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 Scheduled date of annual general meeting of shareholders: June 28, 2023
 Scheduled date to commence dividend payments: June 7, 2023
 Scheduled date to file annual securities report: June 28, 2023
 Preparation of supplementary material on financial results: None
 Holding of financial results briefing: Yes

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2023	34,170	4.2	2,052	3.5	2,151	(6.9)	1,451	(12.1)
March 31, 2022	32,785	6.6	1,982	-	2,310	-	1,650	-

Note: (1) Comprehensive income For the fiscal year ended March 31, 2023: ¥2,202 million [(4.5%)]
 For the fiscal year ended March 31, 2022: ¥2,307 million [201.0%]

Fiscal year ended	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
March 31, 2023	135.11	-	10.6	5.0	6.0
March 31, 2022	152.71	-	13.2	5.5	6.0

Reference: Share of profit (loss) of entities accounted for using equity method
 For the fiscal year ended March 31, 2023: ¥176 million
 For the fiscal year ended March 31, 2022: ¥459 million

Note: (2) The above per share information pertains to Common Stock.

(2) Consolidated financial position

As of	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2023	42,948	18,370	32.7	1,251.36
March 31, 2022	43,574	17,616	30.9	1,113.45

Reference: Equity
 As of March 31, 2023: ¥14,027 million
 As of March 31, 2022: ¥13,479 million

Note: The above per share information pertains to Common Stock.

(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	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2023	1,010	(54)	(1,566)	4,282
March 31, 2022	3,364	(217)	(2,651)	4,737

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2022	-	0.00	-	15.00	15.00	153	9.8	1.5
Fiscal year ended March 31, 2023	-	0.00	-	15.00	15.00	155	11.1	1.3
Fiscal year ending March 31, 2024 (Forecast)	-	0.00	-	15.00	15.00		28.3	

Note: The above "2. Cash dividends" shows dividends for Common stock. For details of dividends for Preferred stock (unlisted), the rights of which are different from those of Common stock issued by the Company, please refer to "Reference: Dividends for Preferred Stock" below.

3. Forecasts of Consolidated financial results for Fiscal Year 2024 (from April 1, 2023 to March 31, 2024)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First Half	17,500	(0.2)	600	(50.2)	600	(55.9)	200	(84.1)	16.87
Full year	36,000	5.4	1,500	(26.9)	1,500	(30.3)	600	(58.7)	53.03

* **Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): /None
- (2) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
- (ii) Changes in accounting policies due to other reasons: None
- (iii) Changes in accounting estimates: None
- (iv) Restatement: None

(3) Number of issued shares (common stock)

- (i) Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2023	10,389,406 shares
As of March 31, 2022	10,389,406 shares

- (ii) Number of treasury shares at the end of the period

As of March 31, 2023	18,354 shares
As of March 31, 2022	169,232 shares

- (iii) Average number of shares outstanding during the period

Fiscal year ended March 31, 2023	10,371,052 shares
Fiscal year ended March 31, 2022	10,149,824 shares

[Reference] Overview of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended								
March 31, 2023	19,204	(0.4)	(245)	-	1,011	96.6	821	10.9
March 31, 2022	19,287	5.0	460	-	514	-	740	-

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
March 31, 2023	74.36	-
March 31, 2022	62.63	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2023	24,774	5,321	21.5	411.88
March 31, 2022	25,966	5,822	22.4	364.25

Reference: Equity

As of March 31, 2023: ¥5,321 million
As of March 31, 2022: ¥5,822 million

* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

(Notes on statements about the future)

The forward-looking statements in this document, including earnings forecasts, are based on information currently available to the Company and certain assumptions that the Company considers reasonable, and are not intended as a promise by the Company that they will be achieved. Actual results may differ materially due to various factors. For the basis of presumption of the forecasted operation results and the notes on its use, refer to “ I . Overview of Operating Results, etc., 4. The Projection of FY 2024 and Dividends payment” on page 8 in the Attachments.

Reference: Dividends for Preferred Stock

The breakdown of dividends per share related to Class-A Preferred stock that have different rights from common stocks is as follows:

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	-	-	-	50.14	50.14
Fiscal year ending March 31, 2023	-	-	-	50.00	50.00
Fiscal year ending March 31, 2024 (Forecast)	-	-	-	50.00	50.00

Note:

- (1) Dividends per share for the fiscal year ended March 31 2022 is rounded down to the nearest one-hundredth of a yen.
- (2) Dividends per share for the fiscal year ended March 31 2022 includes accrued cumulative dividend for the year ended March 31, 2021.

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I. Overview of Operating Results, etc.

Figures in Million Yen, unless otherwise noted

1. Overview of Operating Results of This Fiscal Year

(1) Review of operating results

• Net sales and Income

from April 1, 2022 through March 31, 2023

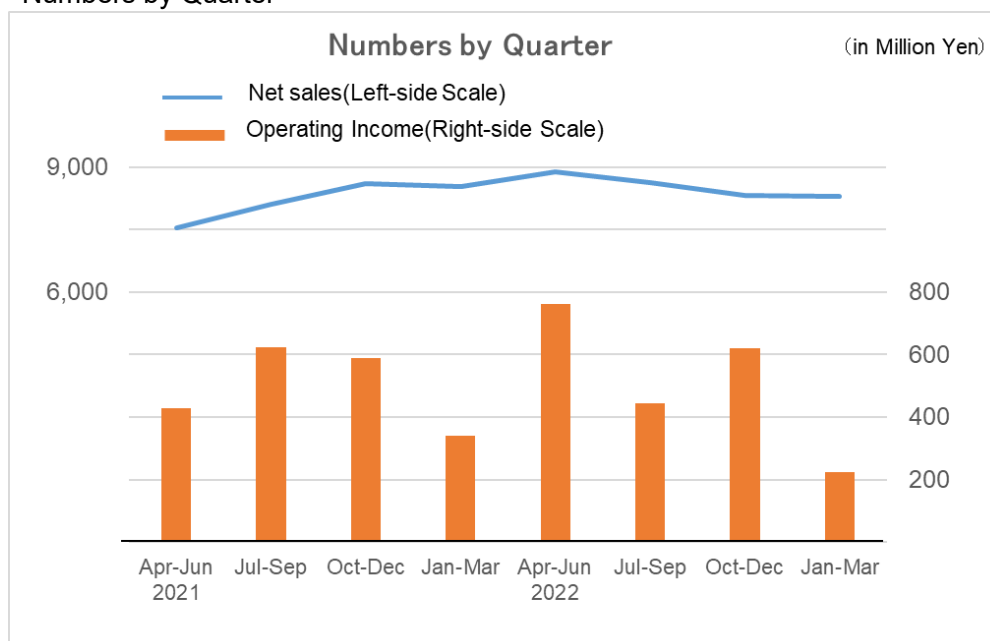
	Net sales	Operating Income	Ordinary Income	(Note1) Net Income	(Note1, 2) Net Income Per Share
FY 2023 ended on March 31, 2023	34,170	2,052	2,151	1,451	135.11Yen
Converted into Million U.S. dollars (Note3)	252.2	15.1	15.9	10.7	US\$1.00
FY 2022 ended on March 31, 2022	32,785	1,982	2,310	1,650	152.71Yen
Change to FY 2023 from FY 2022	1,384	69	▲159	▲199	▲17.60Yen
Percent Change from FY 2022 numbers	4.2%	3.5%	▲6.9%	▲12.1%	-
Initial projection for FY 2023	33,500	1,000	1,100	1,000	-
Most recent FY 2023 projection released on April 21, 2023	34,100	2,000	2,100	1,400	-
Change from FY 2023 Initial Projection	670	1,052	1,051	451	-
Change from FY 2023 Most recent Projection	70	52	51	51	-

Note1: "Net Income" in this paper is "Net Income attributable to owners of parent" in current accounting standards

Note2: The above per share information pertains to Common Stock

Note3: U.S. dollar amounts are converted from Yen, for convenience only, at the rate of US\$1.00 = ¥135.51

• Numbers by Quarter



• Observation of whole FY 2023 (April 2022 to March 2023)

During Fiscal Year (FY) 2023, market conditions for semiconductor-related businesses, which had been strong toward the middle of the period, rapidly deteriorated. Nevertheless, the toner business remained strong, and the Yen depreciation through mid-November boosted overseas-related sales. As a result, our full FY sales numbers reached ¥34,170 million, up ¥1,384 million or +4.2% from the previous FY sales.

As for the profit, our consolidated Operating Income was ¥2,052 million, up ¥69 million or +3.5% from last FY number. Following the adjustment in the display-related market from the second quarter, semiconductor market conditions also began to adjust in the latter half of the period, resulting in a deterioration of profit and loss in the Electronic Materials segment. In addition to raw material price hikes, the increase in LNG for power generation and steam production at our plants and purchased electricity rates continued through December and remained high thereafter. Against these factors of decrease in profit, we thoroughly added the cost increase to the selling price in each business segment, and this was supplemented by the positive effect of increased income from overseas-related sales, mainly in the toner business.

The consolidated Ordinary Income is ¥2,151 million, down ¥159 million or ▲6.9% from that of last FY, due to the decrease in the equity gain from an affiliated company that handles processing of optical film used for displays.

Net Income is ¥1,451 million, down ¥199 million or ▲12.1% from that of last FY, mainly due to the increase in the gain from the sales of the land and buildings of the US toner factory, which ceased operations in September 2020, in the First Quarter of current FY and the gain on sales of investment securities, nevertheless there was also an extraordinary loss associated with the proactive disposal of underutilized or idle facilities in order to further improve productivity toward the end of the period.

As for the three months of the fourth quarter (January-March 2023), sales declined due to continued adjustments in the semiconductor-related business and a decrease in orders received in the toner business, which had been strong until the third quarter, due to inventory adjustments of some products, mainly for major customers. In addition, the negative impact of rising procurement prices for raw materials and fuel on profit and loss was delayed and materialized via inventories, and the toner business experienced a decline in profit due to the concentrated implementation of facility modifications, maintenance and repair work during this period, which was not possible during the busy season.

During FY 2023, as disclosed on March 13, 2023, TOMOEGAWA is working to improve its financial soundness by acquiring and retiring a portion of its preferred stock, thereby reducing the burden of preferred dividend payments.

(2) Consolidated operating results by segment

• Segment figures

		FY 2022	FY 2023	Change to FY 2023 from FY 2022	Percent Change from FY 2022 numbers
Toner	Net sales	12,303	13,531	1,228	10.0%
	Operating Income	1,198	2,093	894	74.7%
Electronic Materials	Net sales	6,121	5,634	▲487	▲8.0%
	Operating Income	970	186	▲783	▲80.8%
Functional Sheet	Net sales	10,195	10,769	574	5.6%
	Operating Income	▲162	▲72	89	-
Security Media	Net sales	3,928	3,985	56	1.4%
	Operating Income	257	224	▲33	▲12.9%
New Business Development	Net sales	97	54	▲43	▲44.7%
	Operating Income	▲438	▲499	▲61	-

• Overview of segment

< Toner >

As for the Toner Segment, Net sales were ¥13,531 million, up ¥1,228 million or +10.0% from that of last FY, and Segment (operating) income was ¥2,093 million, up ¥894 million or +74.7% from that of last FY.

While the demand for some products declined, market demand trends remained strong and orders remained firm. Yen depreciation trend in the foreign exchange market also provided boost to the sales. In terms of profit, despite the Segment was affected by the sharp rise in procurement prices of raw materials and fuels, and the intensive implementation of facility remodeling, maintenance and repair work toward the end of current FY, income increased due to higher selling prices and the overseas-related sales resulting from the depreciation of the yen.

By prioritized production of high-margin toners and introduction of raw material from new suppliers, we have resolved the negative impact on sales and profit from the toner raw material procurement difficulties caused by one suppliers' situation, which was a concern at the beginning of current FY.

< Electronic Materials >

As for the Electronic Materials Segment, Net sales were ¥5,634 million, down ¥487 million or ▲8.0% from that of last FY, and Segment (operating) income was ¥186 million, down ¥783 million or ▲80.8% from that of last FY.

The sales declined due to a drop in demand as the semiconductor and electronic materials markets, which had been strong until the middle of the period, rapidly entered an adjustment phase, and the optical film-related business experienced a sales decline due to the conclusion of one-time special demand projects in the previous year. Profits decreased from that of last FY, due to the decrease in sales in the optical film-related business and the decrease in sales due to deteriorating market conditions in semiconductor-related business.

< Functional Sheet >

As for the Functional Sheet Segment, Net sales were ¥10,769 million, up ¥574 million or +5.6% from that of last FY, and Segment (operating) loss was ¥72 million (loss of ¥162 million in last FY).

While the existing business continued to shrink, the business focused on expanding sales of some products with strong demand, including products of its subsidiaries, and proceeded with some price revisions, resulting in current FY sales increase from that of last FY. Profits were affected by higher procurement prices for raw materials and fuel, but the deficit was reduced compared to Last FY, mainly thanks to the effects of structural reforms implemented in December 2019 and March 2022, including the shutdown of two large paper-manufacturing facilities.

< Security Media >

As for the Security Media Segment, Net sales were ¥3,985 million, up ¥56 million or +1.4% from that of last FY, and Segment (operating) income was ¥224 million, down ¥33 million or ▲12.9% from that of last FY.

Although demand for passbooks and other products continued to decline, sales of card-related products expanded and sales of ledger sheets increased. Profits were affected by the sharp rise in energy prices and the disposal of some inventories.

< New Business Development >

As for the New Business Development Segment, Net sales were ¥54 million, down ¥43 million or ▲44.7% from that of last FY, and Segment (operating) loss was ¥499 million (loss of ¥438 million in last FY).

Despite development and sales efforts centered on iCas-related products, sales fell short of plans due to delays in the development schedule of some products.

2. Overview of Financial Position of This Fiscal Year

• Financial Position

March 31, 2023

	Total assets	Net assets	Equity-to-asset ratio	(Note1) Net assets Per Share
End of FY 2023, March 31, 2023	42,948	18,370	32.7%	1,251.36Yen
Converted into Million U.S. dollars (Note2)	321.6	137.6	-	US\$9.37
End of FY 2022, March 31, 2022	43,574	17,616	30.9%	1,113.45Yen

Note1: The above per share information pertains to Common Stock

Note2: U.S. dollar amounts are converted from Yen, for convenience only, at the rate of US\$1.00 = ¥133.54

• Explanation regarding Financial Position

Total assets amounted to ¥42,948 million at the end of current FY, down ¥626 million from the end of last FY. Current assets totaled ¥21,537 million, up ¥143 million from the end of last FY. This was mainly due to an increase in inventories of finished goods and others, despite a decrease in Cash and deposits notes and accounts receivable compared to the end of last FY. Non-current assets totaled ¥21,410 million, a decrease of ¥769 million from the end of last FY. This was mainly due to the sales of idle facilities and a decrease in property, plant and equipment value by depreciation over time.

Total liabilities amounted to ¥24,577 million, down ¥1,380 million from the end of last FY. Current liabilities totaled ¥16,078 million, up ¥1,235 million from the end of last FY. This was mainly due to an increase in short-term borrowings and current portion of long-term borrowings, despite a decrease in notes and accounts payable. Non-current liabilities totaled ¥8,498 million, down ¥2,615 million from the end of last FY, mainly due to the repayment of long-term borrowings. Interest-bearing debt increased ¥58 million from the end of last FY to ¥12,713 million.

Net assets amounted to ¥18,370 million, up ¥753 million from the end of last FY. This was thanks to the recording of net Income attributable to owners of parent and a decrease in treasury shares resulting from the conversion of a consolidated subsidiary into a wholly owned subsidiary through a share exchange, furthermore a increase in remeasurements of defined benefit plans and foreign currency translation adjustments due to exchange rate fluctuations, despite a decrease in capital surplus by partial redemption of Class A preferred stock.

3. Overview of Cash Flows for This Fiscal year

• Cash Flow

March 31, 2023

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
FY 2023 ended on March 31, 2023	1,010	(54)	(1,566)	4,282
Converted into Million U.S. dollars (Note)	7.5	(0.4)	(11.6)	32.1
FY 2022 ended on March 31, 2022	3,364	(217)	(2,651)	4,737
Change to FY 2023 from FY 2022	(2,353)	162	1,084	(454)

Note: U.S. dollar amounts are converted from Yen, for convenience only, at the rate of US\$1.00 = ¥135.51 as for Cash flow and ¥133.54 as for Cash and cash equivalents at end of period

• Explanation regarding Cash Flow

Cash and cash equivalents (net cash) amounted to ¥4,282 million at the end of current FY, down ¥454 million from the end of last FY.

Net cash from operating activities for current FY was ¥1,010 million, down ¥2,353 million from last FY. The main inflow factors were profit before income taxes of ¥2,377 million and depreciation (¥1,619 million), while the outflow factors included an increase in inventories (¥720 million), a decrease in trade payable (¥1,125 million), and income tax paid (¥1,001 million).

Net cash used in investing activities for current FY was ¥54 million, down ¥162 million from last FY. The main inflow factors were proceeds from sale of property, plant and equipment (¥580 million) and investment securities (¥302 million), while the outflow factors included purchase of property, plant and equipment (¥885 million).

Net cash used in financing activities for current FY was ¥1,566 million, down ¥1,084 million from last FY. The main inflow factors were net increase in short-term borrowings (¥1,465 million) and proceed from long-term borrowings (¥750 million), while the outflow factors included repayments of long-term borrowings (¥2,144 million) and purchase of treasury shares by partial redemption of Class A preferred stock (¥1,132 million).

[Reference] The trends in the Group's cash flow indicators are shown below.

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Equity-to-asset ratio (%)	25.8	20.6	28.3	30.9	32.7
Market-based equity-to-asset ratio (%)	26.2	17.2	20.9	19.9	16.5
Interest bearing debt to cash flow ratio (annual)	9.7	-	3.4	3.8	12.6
Interest coverage ratio (times)	5.7	-	18.0	19.9	5.0

Note: Equity-to-asset ratio: Equity / Total assets

Market-based equity-to-asset ratio: Market cap / Total assets

Interest bearing debt to cash flow ratio: Interest bearing debt / Operating cash flow
Interest coverage ratio: Operating cash flow / Interest

- * Each of these indicators are calculated from consolidated financial figures.
- * Market cap is calculated by multiplying year-end closing price by year-end issued shares (excluding treasury shares).
- * Cash flows from operating activities from the consolidated cash flow statement are used for operating cash flow.
- * Interest-bearing debts represent all debts on the consolidated financial position for which interest is paid.
- * Interest bearing debt to cash flow ratio and Interest coverage ratio for FY 2020 are not shown due to negative operating cash flow.

4. The Projection of FY 2024 and Dividends payment

- Forecast of Current Fiscal Year, which will end on March 31, 2024

Forecast released	Net sales	Operating Income	Ordinary Income	Net Income	Net Income Per Share
First Half	17,500	600	600	200	16.87Yen
Whole fiscal year	36,000	1,500	1,500	600	53.03Yen

TOMOEGAWA Group's current priority is on the accomplishment of new "5 year Medium-Term Management Plan" that started from FY 2022 and will end in FY 2026. Under that plan, re-evaluation of business portfolio and structural reform are being conducted to improve our financial structure.

In FY 2023, the second year of the Medium-Term Management Plan, we were able to significantly exceed the initial plan and achieve consolidated operating income of 2 billion yen, which was planned for the final year of the Medium-Term Management Plan (FY 2026).

This was due to better-than-expected earnings improvement from structural reforms, the Toner business continuing its strong performance from FY 2022 and the positive effect of yen depreciation on earnings, and the Semi-conductor-related business performing well until the middle of the year.

Based on these results, we are currently reviewing the numerical targets in particular of the Medium-Term Management Plan.

In the next fiscal year (FY 2024), the third year of the medium-term management plan, the Toner business, which has driven the company's performance to date, is expected to be affected by continued inventory adjustments of some products for major customers and intensified price competition. Under these circumstances, the company will review its product mix and shift to higher-margin products.

In addition, for the Semi-conductor and Display-related business [previously the Electronic Materials business*], especially in the Semi-conductor-related business, we expect the adjustment phase that began in mid-FY 2023 to continue for some time, and the contribution of related new products will be delayed about a year longer than initially expected.

On the other hand, in the Functional Sheet business, we will focus on expanding sales of various functional sheets, which have been growing especially since the second half of the FY 2023.

In terms of profit, despite the expected increase in sales, we anticipate a temporary cost increase of ¥700 million, including upfront expenses related to the launch of new products, mainly for semiconductor manufacturing equipment, and the impact of aggressive investments in human resources and the promotion of operational efficiency through the use of DX.

Based on the above, for the next fiscal year (FY 2024), we aim to achieve sales of 36 billion yen, operating income of 1.5 billion yen, ordinary income of 1.5 billion yen, and net income of 600 million yen due to the absence of extraordinary gains from the sale of assets in the previous year. Even in this case, we plan to exceed the initial projections in the 8th Mid-Term Management Plan.

As for capital policy, the company's first priority is to secure a net asset ratio of 40% or more, while aiming for early redemption of the remaining 1 billion yen in preferred stock, and we will make ¥15 per share dividend payment under the policy that honors steady and continuous dividend payment.

For the revision of the 8th Medium-Term Management Plan, please refer to the "Notice of Revision of the Mid-Term Management Plan (Japanese document only)" which is scheduled to be disclosed after the resolution of the Board of Directors' meeting to be held on May 19, 2023.

Please refer to the numerical aspects of the plan, especially the target of 40 billion yen in consolidated net sales and 3.5 billion yen in operating income for the final year (fiscal year ending March 31, 2026), together with an overview of various initiatives to achieve sustainable growth and enhance corporate value over the medium to long term.

(*) The Group plans to change the names of its reportable segments from the next fiscal year (Q1 of the fiscal year ending March 31, 2024). For an outline of this change, please refer to the "Notice Concerning Revision of Medium-Term Management Plan (Japanese document only)" scheduled to be released on May 19, 2023.

Your continuous support of TOMOEGAWA will be greatly appreciated.

II. Basic Rationale for Selection of Accounting Standards

TOMOEGAWA Group currently adopts Japanese accounting standards for its financial reporting in view of comparability between fiscal years on financial statements and comparability with other companies. Regarding the adoption of International Financial Reporting Standards, the Group will respond appropriately in consideration of circumstances in and outside Japan.

III. Consolidated Financial Statements and Major Explanatory Notes Thereto

1. Consolidated balance sheet

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	4,825	4,353
Notes receivable - trade	475	511
Electronically recorded monetary claims - operating	691	726
Accounts receivable - trade	5,911	5,320
Finished goods	6,168	6,837
Work in process	66	61
Raw materials and supplies	2,169	2,310
Other	1,106	1,430
Allowance for doubtful accounts	△21	△13
Total current assets	21,394	21,537
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,708	4,475
Machinery, equipment and vehicles, net	3,980	3,628
Land	5,469	5,398
Leased assets, net	728	637
Construction in progress	401	347
Afforestation tree	633	632
Other, net	379	412
Total property, plant and equipment	16,302	15,533
Intangible assets		
Goodwill	48	38
Software	246	223
Other	141	129
Total intangible assets	436	391
Investments and other assets		
Investment securities	5,029	5,012
Deferred tax assets	138	138
Other	347	408
Allowance for doubtful accounts	△73	△74
Total investments and other assets	5,441	5,485
Total non-current assets	22,180	21,410
Total assets	43,574	42,948

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,326	5,222
Short-term borrowings	2,798	4,289
Current portion of long-term borrowings	1,882	2,433
Income taxes payable	358	146
Provision for bonuses	492	518
Other	2,983	3,468
Total current liabilities	14,843	16,078
Non-current liabilities		
Long-term borrowings	7,228	5,339
Lease liabilities	583	474
Deferred tax liabilities	892	854
Retirement benefit liability	1,946	1,446
Provision for retirement benefits for directors (and other officers)	286	309
Other	178	75
Total non-current liabilities	11,114	8,498
Total liabilities	25,957	24,577
Net assets		
Shareholders' equity		
Share capital	2,122	2,122
Capital surplus	3,249	2,033
Retained earnings	6,999	8,197
Treasury shares	△288	△31
Total shareholders' equity	12,083	12,322
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	289	241
Foreign currency translation adjustment	390	492
Remeasurements of defined benefit plans	716	971
Total accumulated other comprehensive income	1,396	1,705
Non-controlling interests	4,136	4,342
Total net assets	17,616	18,370
Total liabilities and net assets	43,574	42,948

2. Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net sales	32,785	34,170
Cost of sales	26,027	26,637
Gross profit	6,758	7,532
Selling, general and administrative expenses		
Transportation costs	768	777
Salaries and allowances	1,333	1,467
Provision for bonuses	105	115
Retirement benefit expenses	31	39
Provision for retirement benefits for directors (and other officers)	29	31
Depreciation	103	107
Research and development expenses	582	931
Other	1,820	2,010
Total selling, general and administrative expenses	4,775	5,480
Operating profit	1,982	2,052
Non-operating income		
Interest income	4	10
Dividend income	72	81
Foreign exchange gains	9	—
Subsidies for employment adjustment	51	—
Share of profit of entities accounted for using equity method	459	176
Other	155	157
Total non-operating income	753	425
Non-operating expenses		
Interest expenses	168	195
Foreign exchange losses	—	32
Financial fee	84	32
Idle-assets expense	70	5
Other	101	60
Total non-operating expenses	425	326
Ordinary profit	2,310	2,151
Extraordinary income		
Gain on sale of non-current assets	7	474
Gain on sale of investment securities	23	226
Gain on sale of shares of subsidiaries and associates	54	—
Gain on transfer of registered trademarks	200	—
Total extraordinary income	284	701
Extraordinary losses		
Loss on retirement of non-current assets	24	122
Impairment losses	29	353
Other	2	0
Total extraordinary losses	57	475
Profit before income taxes	2,537	2,377

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Income taxes - current	502	568
Income taxes - deferred	130	△37
Total income taxes	632	531
Profit	1,905	1,845
Profit attributable to		
Profit attributable to owners of parent	1,650	1,451
Profit attributable to non-controlling interests	254	394
Other comprehensive income		
Valuation difference on available-for-sale securities	△1	△24
Foreign currency translation adjustment	667	126
Remeasurements of defined benefit plans, net of tax	△262	255
Total other comprehensive income	402	356
Comprehensive income	2,307	2,202
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,885	1,760
Comprehensive income attributable to non-controlling interests	421	441

3. Consolidated Statements of Changes in Net Assets
 Previous fiscal year (From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,122	5,470	3,122	△377	10,338
Changes during period					
Transfer from capital surplus to retained earnings		△2,226	2,226		—
Profit (loss) attributable to owners of parent			1,650		1,650
Purchase of treasury shares				△0	△0
Change in shares of parent held by subsidiaries		6		88	95
Net changes in items other than shareholders' equity					
Total changes during period	—	△2,220	3,876	88	1,745
Balance at end of period	2,122	3,249	6,999	△288	12,083

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	288	△107	979	1,160	3,814	15,313
Changes during period						
Transfer from capital surplus to retained earnings				—		—
Profit (loss) attributable to owners of parent				—		1,650
Purchase of treasury shares				—		△0
Change in shares of parent held by subsidiaries				—		95
Net changes in items other than shareholders' equity	0	498	△262	235	321	557
Total changes during period	0	498	△262	235	321	2,302
Balance at end of period	289	390	716	1,396	4,136	17,616

Current fiscal year (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	2,122	3,249	6,999	△288	12,083
Changes during period					
Dividends of surplus			△253		△253
Profit attributable to owners of parent			1,451		1,451
Changes by share exchanges		△84		257	172
Purchase of treasury shares				△1,132	△1,132
Cancellation of treasury shares		△1,132		1,132	—
Net changes in items other than shareholders' equity					
Total changes during period	—	△1,216	1,197	257	238
Balance at end of period	2,122	2,033	8,197	△31	12,322

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	289	390	716	1,396	4,136	17,616
Changes during period						
Dividends of surplus				—		△253
Profit attributable to owners of parent				—		1,451
Changes by share exchanges				—		172
Purchase of treasury shares				—		△1,132
Cancellation of treasury shares				—		—
Net changes in items other than shareholders' equity	△47	102	255	309	205	515
Total changes during period	△47	102	255	309	205	753
Balance at end of period	241	492	971	1,705	4,342	18,370

4. Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	2,537	2,377
Depreciation	1,717	1,619
Impairment losses	29	353
Increase (decrease) in provision for retirement benefits for directors (and other officers)	8	22
Increase (decrease) in retirement benefit liability	△122	△244
Interest and dividend income	△76	△91
Interest expenses	168	195
Share of loss (profit) of entities accounted for using equity method	△459	△176
Loss on retirement of non-current assets	24	122
Loss (gain) on sale of non-current assets	△4	△474
Gain on transfer of registered trademarks	△200	—
Loss (gain) on sale of investment securities	△23	△226
Loss (gain) on sale of shares of subsidiaries and associates	△54	—
Decrease (increase) in trade receivables	△144	603
Decrease (increase) in inventories	△1,177	△720
Increase (decrease) in trade payables	1,321	△1,125
Other, net	158	△236
Subtotal	3,704	1,996
Interest and dividends received	121	182
Interest paid	△168	△200
Income taxes paid	△285	△1,001
Income taxes refund	39	—
Other, net	△48	34
Net cash provided by (used in) operating activities	3,364	1,010
Cash flows from investing activities		
Payments into time deposits	△60	△62
Proceeds from withdrawal of time deposits	45	82
Purchase of property, plant and equipment	△919	△885
Payments for retirement of property, plant and equipment	△10	△9
Proceeds from sale of property, plant and equipment	6	580
Proceeds from sale of investment securities	29	302
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	550	—
Proceeds from transfer of registered trademarks	200	—
Other, net	△58	△63
Net cash provided by (used in) investing activities	△217	△54
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	△2,674	1,465
Proceeds from long-term borrowings	4,711	750
Repayments of long-term borrowings	△4,629	△2,144
Proceeds from issuance of shares	△25	—

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Proceeds from sale of shares of parent held by subsidiaries	223	—
Purchase of treasury shares	0	△1,132
Dividends paid	0	△253
Dividends paid to non-controlling interests	△5	△41
Other, net	△250	△210
Net cash provided by (used in) financing activities	△2,651	△1,566
Effect of exchange rate change on cash and cash equivalents	253	156
Net increase (decrease) in cash and cash equivalents	748	△454
Cash and cash equivalents at beginning of period	3,988	4,737
Cash and cash equivalents at end of period	4,737	4,282

5. Explanatory Notes to Consolidated Financial Statements (Notes on Going Concern Assumption)

None.

(Segment Information)

1. Reportable Segment Overview

The Company's group reportable segments are those for which financial information that is separate from the Group as a whole is available. The Board of Directors and Representative Director, President (CEO) reviews these segments regularly in order to determine allocation of management resources and evaluate performance.

The Group classifies its businesses by product area into the Toner Business, Electronic Materials Business, Functional Sheet Business, Security Media Business, and New Business Developed based on similarities in product content and economic characteristics, and formulates comprehensive domestic and overseas strategies and develops business activities. Accordingly, the Group has five reportable segments: "Toner Segment", "Electronic Materials Segment", "Functional Sheet Segment", "Security Media Segment", and "New Business Development Segment".

Toner Business produces and sells chemical products (toner), while the Electronic Materials Business produces and sells FPD-related products and semiconductor-related products. The Functional Sheet Business produces and sells papermaking-related products, functional sheet-related products, and coated paper-related products. Security Media Business produces, processes, and sells securities, cards, forms, and magnetic recording-related products, as well as information processing-related business. In the "New Business Development," the Group develops and sells new products by integrating its basic and underlying technologies.

2. Net sales and Income by Reportable Segment and Method of Calculating Amount of Assets and Others

The method of accounting for the reportable segments is in line with the accounting policies adopted to prepare the consolidated financial statements.

Income in the reportable segments is based on operating income.

Inter-segment income and transfers are based on prevailing market prices.

3. Information on Net sales, Income, Assets and Others per Reportable Segment and Profit Disaggregation

Previous fiscal year (From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reportable segments						(Note 1) Other	Total	(Note 2) Reconciling items	(Note 3) Per consolidated financial statements
	Toner	Electron ic Material	Function al Sheet	Security Media	New Business Developm ent	Reportab le segments				
Net sales										
Japan	2,390	3,774	9,589	3,928	97	19,781	69	19,850	—	19,850
China (including Hong Kong)	4,093	235	107	—	—	4,435	—	4,435	—	4,435
Other Asia	1,097	2,044	422	—	—	3,564	—	3,564	—	3,564
Europe	3,641	2	7	—	—	3,651	—	3,651	—	3,651
North America	782	65	68	—	—	915	—	915	—	915
Other	298	—	—	—	—	298	—	298	—	298
Revenue from contracts with customers	12,303	6,121	10,195	3,928	97	32,646	69	32,715	—	32,715
Other revenue	—	—	—	—	—	—	69	69	—	69
Revenues from external customers	12,303	6,121	10,195	3,928	97	32,646	139	32,785	—	32,785
Transactions with other segments	—	—	904	49	—	954	682	1,636	(1,636)	—
Net sales	12,303	6,121	11,099	3,978	97	33,600	821	34,421	(1,636)	32,785
Operating profit (loss)	1,198	970	(162)	257	(438)	1,825	113	1,939	43	1,982
Assets	10,267	6,143	10,652	6,328	45	33,436	180	33,616	9,957	43,574
Other items										
Depreciation	560	463	363	229	—	1,617	28	1,645	72	1,717
Amortization of goodwill	12	—	—	—	—	12	—	12	—	12
Increase in property, plant and equipment and intangible assets	371	221	264	195	—	1,053	9	1,062	72	1,135

Notes:

- The "Other" classification is for business segments not included in a reportable segment and includes logistics services, etc.
- Adjustments are as follows:
 - Segment income in the above adjustment ¥43 million represents eliminations for inter-segment transactions.
 - Adjustments to segment assets were ¥9,957 million represents company-wide assets that cannot be allocated to reportable segments. The main items of company-wide assets are surplus assets under management (cash and deposits), long-term investment funds (investment securities, etc.), and assets, etc. related to administrative divisions.

- (3) ¥72 million for adjustment for depreciation consists of general management expenses that is not attributed to each reported Segment.
- (4) ¥72 million for adjustment for the increase in property, plant and equipment and intangible assets consists of capital expenditures mainly in company-wide common divisions at the Company.
3. Segment income is reconciled to operating income presented in the Consolidated Statements of Income and Consolidated Statements of Comprehensive Income.

Current fiscal year (From April 1, 2022 to March 31, 2023)

(Millions of yen)

	Reportable segments						(Note 1) Other	Total	(Note 2) Reconciling items	(Note 3) Per consolidated financial statements
	Toner	Electron ic Material	Function al Sheet	Security Media	New Business Developm ent	Reportab le segments				
Net sales										
Japan	2,078	3,312	9,764	3,985	54	19,195	126	19,321	—	19,321
China (including Hong Kong)	4,407	262	127	—	—	4,798	—	4,798	—	4,798
Other Asia	1,601	2,030	709	—	—	4,341	—	4,341	—	4,341
Europe	4,124	2	3	—	—	4,130	—	4,130	—	4,130
North America	966	26	164	—	—	1,156	—	1,156	—	1,156
Other	351	—	—	—	—	351	—	351	—	351
Revenue from contracts with customers	13,531	5,634	10,769	3,985	54	33,974	126	34,100	—	34,100
Other revenue	—	—	—	—	—	—	69	69	—	69
Revenues from external customers	13,531	5,634	10,769	3,985	54	33,974	196	34,170	—	34,170
Transactions with other segments	—	—	796	134	—	931	608	1,539	△1,539	—
Net sales	13,531	5,634	11,565	4,120	54	34,905	804	35,710	△1,539	34,170
Operating profit (loss)	2,093	186	△72	224	△499	1,931	84	2,016	36	2,052
Assets	10,517	5,728	10,791	6,193	22	33,253	200	33,453	9,494	42,948
Other items										
Depreciation	513	446	355	208	—	1,524	30	1,555	64	1,619
Amortization of goodwill	14	—	—	—	—	14	—	14	—	14
Increase in property, plant and equipment and intangible assets	281	313	376	98	—	1,069	13	1,082	140	1,223

Notes:

- The “Other” classification is for business segments not included in a reportable segment and includes logistics services, etc.
- Adjustments are as follows:

- (1) Segment income in the above adjustment ¥36 million represents eliminations for inter-segment transactions.
 - (2) Adjustments to segment assets were ¥9,494 million represents company-wide assets that cannot be allocated to reportable segments. The main items of company-wide assets are surplus assets under management (cash and deposits), long-term investment funds (investment securities, etc.), and assets, etc. related to administrative divisions.
 - (3) ¥64 million for adjustment for depreciation consists of general management expenses that is not attributed to each reported Segment.
 - (4) ¥140 million for adjustment for the increase in property, plant and equipment and intangible assets consists of capital expenditures mainly in company-wide common divisions at the Company.
3. Segment income is reconciled to operating income presented in the Consolidated Statements of Income and Consolidated Statements of Comprehensive Income.

(Per Share Information)

	As of March 31, 2022	As of March 31, 2023
Net assets per share	1,113.45 Yen	1,251.36 Yen
Net income per share	152.71 Yen	135.11 Yen

(Notes) 1. Because there was no potential common stock, the amount for diluted net income per share is omitted.

2. Net income per share is calculated based on the following:

	As of March 31, 2022	As of March 31, 2023
Net income attributable to owners of parent (Millions of yen)	1,650	1,451
Amount not attributable to common stockholders (Millions of yen)	100	50
Of which: Dividends for Preferred Stock (Millions of yen)	100	50
Net income attributable to common stock (Millions of yen)	1,549	1,401
Average number of common stock outstanding during the fiscal year (Shares)	10,149,824	10,371,052

3. Net assets per share is calculated based on the following:

	As of March 31, 2022	As of March 31, 2023
Net assets (Millions of yen)	17,616	18,370
Amount deducted from net assets (Millions of yen)	6,237	5,392
Of which: Non-controlling interests (Millions of yen)	(4,136)	(4,342)
Of which: Preferred stock paid-in amount (Millions of yen)	(2,000)	(1,000)
Of which: Accrued cumulative dividend for Preferred Stock (Millions of yen)	(100)	(50)
Net assets attributable to common stock at the fiscal year-end (Millions of yen)	11,379	12,977
Number of common stock outstanding at the fiscal year-end used for the calculation of net assets per share (Shares)	10,220,174	10,371,052

(Significant Subsequent Events)

None.