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## Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 [Japanese GAAP]

May 11, 2022

Company name: NIHON TOKUSHU TORYO CO., LTD.  
 Stock exchange listing: Tokyo Stock Exchange  
 Code number: 4619  
 URL: <https://www.nttoryo.co.jp>  
 Representative: Hiroshi Onda, President, COO  
 Contact: Yosuke Rikitake, Corporate Officer, General Manager of Financial & Accounting Division and General Manager of General Administration Division, Operation Planning & Coordination Group  
 Phone: +81-3-3913-6134  
 Scheduled date of ordinary general shareholders meeting: June 22, 2022  
 Scheduled date of commencing dividend payments: June 23, 2022  
 Scheduled date of filing annual securities report: June 22, 2022  
 Availability of supplementary explanatory materials on annual financial results: No  
 Schedule of annual financial results briefing session: Yes (for analysts and institutional investors)

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

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

(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, 2022	54,779	14.1	1,482	72.6	2,625	9.2	1,300	(0.1)
March 31, 2021	48,004	(16.1)	858	(69.6)	2,403	(44.1)	1,301	(43.9)

Note: Comprehensive income Fiscal year ended March 31, 2022: ¥3,614 million [6.4%]

Fiscal year ended March 31, 2021: ¥3,396 million [49.7%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2022	59.90	—	3.0	3.4	2.7
March 31, 2021	59.27	—	3.1	3.3	1.8

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

Fiscal year ended March 31, 2022: ¥369 million

Fiscal year ended March 31, 2021: ¥923 million

### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2022	79,792	49,725	55.5	2,038.07
As of March 31, 2021	75,502	47,154	56.4	1,961.12

Reference: Equity As of March 31, 2022: ¥44,266 million

As of March 31, 2021: ¥42,566 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, 2022	5,019	(1,266)	(1,699)	8,931
March 31, 2021	3,085	(5,636)	1,059	6,518

### 2. Dividends

	Annual dividends per share					Total dividends (annual)	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
March 31, 2021	–	17.00	–	21.00	38.00	833	64.1	2.0
March 31, 2022	–	18.00	–	22.00	40.00	872	66.8	2.0
March 31, 2023 (forecast)	–	20.00	–	22.00	42.00		28.5	

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

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
First half	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	28,600	14.0	850	499.3	1,800	131.1	1,000	746.8	46.05
	61,000	11.4	3,000	102.4	4,800	82.8	3,200	146.0	147.36

#### \* Notes:

- (1) Changes in significant subsidiaries during the period under review: No  
(Changes in specified subsidiaries resulting in changes in scope of consolidation)  
Newly included: – (Company name: –)  
Excluded: – (Company name: –)
- (2) Changes in accounting policies, changes in accounting estimates and retrospective restatement
  - 1) Changes in accounting policies due to the revision of accounting standards: Yes
  - 2) Changes in accounting policies other than 1) above: No
  - 3) Changes in accounting estimates: No
  - 4) Retrospective restatement: No

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

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

March 31, 2022:	23,611,200 shares
March 31, 2021:	23,611,200 shares

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

March 31, 2022:	1,891,100 shares
March 31, 2021:	1,905,857 shares

3) Average number of shares during the period:

Year ended March 31, 2022:	21,714,840 shares
Year ended March 31, 2021:	21,960,512 shares

**(Reference) Summary of Non-consolidated Financial Results**

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

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

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2022	38,217	3.8	(481)	–	1,759	32.4	1,720	25.6
March 31, 2021	36,832	(17.0)	(614)	–	1,329	(37.1)	1,369	(16.3)

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
March 31, 2022	78.89	–
March 31, 2021	62.10	–

(2) Non-consolidated Financial Position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
March 31, 2022	55,642	32,373	58.2	1,484.15
March 31, 2021	54,345	31,674	58.3	1,453.25

(Reference) Equity: As of March 31, 2022: ¥32,373 million

As of March 31, 2021: ¥31,674 million

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

\* Explanation of the proper use of financial results forecast and other notes

(Cautionary statement regarding forward-looking statements, etc.)

The forward-looking statements in this document, including the financial results forecast, are based on information currently available to the Company and certain assumptions that the Company considers reasonable, and the Company does not promise that it will achieve such results. Actual results may differ significantly due to various factors. Please refer to “1. Overview of Operating Results, etc. (4) Future Outlook” on page 3 of the attached materials for the assumptions used in forecasting financial results and precautionary statements regarding the use of financial results forecasts.

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## **1. Overview of Operating Results, etc.**

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

In the fiscal year ended March 31, 2022 (the “fiscal year under review”), the Japanese economy showed signs of a gradual recovery as the normalization of economic activities gradually developed due to progress in vaccination against COVID-19. However, there are strong concerns about the re-spread of infectious diseases caused by new variants of COVID-19, and the outlook for the economy remained even more uncertain due to soaring raw material prices, global semiconductor shortages, and supply chain stagnation, in addition to the impact of the situation in Ukraine on the economy.

Under these circumstances, NIHON TOKUSHU TORYO CO., LTD. (the “Company”) and its subsidiaries (collectively, the “Group”) have been striving to enhance its corporate value by focusing on strengthening its revenue base, developing new technologies and products, and promoting sustainability management, as set forth in the basic strategies of the new medium-term management plan, while taking thorough measures to prevent the spread of COVID-19.

As a result, in the fiscal year under review, net sales totaled 54,779 million yen (up 14.1% year on year), a significant recovery from the previous year.

On the profit front, operating profit was 1,482 million yen (up 72.6% year on year) due to the recovery in net sales and the promotion of cost reduction activities and expense reduction measures, despite the impact of soaring raw material prices and other factors. Ordinary profit totaled 2,625 million yen (up 9.2% year on year) due to the impact of share of profit of entities accounted for using equity method and foreign exchange fluctuations, and profit attributable to owners of the parent totaled 1,300 million yen (down 0.1% year on year).

Performance by reportable segment is as follows (sales for each segment exclude inter-segment net sales).

#### **Paints & coatings-related business**

With domestic demand on the road to recovery, sales of paints for buildings and structures, especially waterproofing materials, our main product line, remained steady. In particular, construction-related sales, such as large-scale renovation work for condominiums, increased by 81.5% year on year, contributing significantly to the increase in both sales and profit. In addition, amid the impact of soaring raw material prices, the Company thoroughly implemented cost reduction activities and cost-cutting measures, and reviewed the selling prices of some products.

As a result, net sales for the paints & coatings-related segment totaled 19,351 million yen (up 30.3% year on year), while segment profit totaled 373 million yen (up 87.0% year on year).

#### **Automotive products-related business**

Although the outlook remained uncertain due to the global shortage of semiconductors and supply chain disruptions, including the impact of COVID-19, among automobile manufacturers, which are the Company’s major customers, sales increased mainly in sound-absorbing, sound-insulation materials due to a certain level of demand recovery. In this segment, the Company has also promoted multifaceted cost reduction activities and expense reduction measures in order to build an efficient production system amid the impact of soaring raw material prices.

As a result, net sales for the automotive products-related segment totaled 35,412 million yen (up 6.8% year on year), while segment profit totaled 1,100 million yen (up 69.2% year on year).

#### **Other business**

Net sales of the insurance agency business totaled 15 million yen (down 0.3% year on year).

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

### **Total assets**

The Company's total assets as of the end of the fiscal year under review increased by 4,289 million yen year on year to 79,792 million yen. This was primarily due to an increase in cash and deposits of 2,412 million yen, a decrease in notes and accounts receivable – trade of 11,093 million yen, an increase in accounts receivable – trade of 10,272 million yen, an increase in contract assets of 2,737 million yen, an increase in work in process of 992 million yen, and a decrease in property, plant and equipment of 1,947 million yen. As described in “3. Consolidated Financial Statements and Principal Notes (5) Notes to Consolidated Financial Statements (Changes in accounting policies),” due to the adoption of the Revenue Recognition Accounting Standard, etc. “notes and accounts receivable - trade,” which were presented under “current assets” in the consolidated balance sheets for the previous fiscal year, are separately presented in “notes receivable - trade,” “accounts receivable – trade,” and “contract assets” in the consolidated balance sheets from the fiscal year under review.

### **Liabilities**

Total liabilities increased by 1,719 million yen year on year to 30,066 million yen. This was primarily due to an increase in notes and accounts payable - trade of 1,485 million yen.

### **Net assets**

Net assets increased by 2,570 million yen year on year to 49,725 million yen. This was primarily due to an increase in retained earnings of 482 million yen, an increase in foreign currency translation adjustment of 1,339 million yen, and an increase in non-controlling interests of 870 million yen. The equity ratio decreased by 0.9% to 55.5%.

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

Cash and cash equivalents (hereafter referred to as “funds”) at the end of the fiscal year under review increased by 2,412 million yen to 8,931 million yen.

Funds from operating activities resulted in an inflow of 5,019 million yen (up 1,934 million yen year on year). This was primarily due to the recording of profit before income taxes of 3,074 million yen, an increase in trade receivables of 1,505 million yen, an increase in trade payables of 1,296 million yen, interest and dividends received of 1,426 million yen, and income taxes paid of 800 million yen.

Funds from investing activities resulted in an outflow of 1,266 million yen (down 4,369 million yen year on year). This was primarily due to purchase of property, plant and equipment and intangible assets of 2,240 million yen and proceeds from sale of investment securities of 533 million yen.

Funds from financing activities resulted in an outflow of 1,699 million yen (up 2,758 million yen year on year). This was primarily due to proceeds from long-term borrowings of 1,000 million yen, repayments of long-term borrowings of 1,552 million yen, and dividends paid of 847 million yen.

## (4) Future Outlook

With regard to the outlook for the future, while there are expectations for normalization of economic activities and a self-sustaining recovery of the economy amid the ongoing global outbreak of COVID-19, the timing when COVID-19 will be contained is still uncertain. Economic trends are also expected to remain uncertain, as there is an increasing risk of further rises in raw material prices affected by the situation in Ukraine, stagnation in supply chains, and the global shortage of semiconductors, which will put downward pressure on corporate earnings.

In the Company's paints & coatings-related business, the business environment is expected to remain challenging due to further intensifying market competition amid a certain degree of ongoing weakness in corporate earnings and personal consumption as well as the impact of COVID-19, combined with cost increases due to soaring raw material prices and other factors.

In the automotive products-related business, although the future outlook remains uncertain, a steady recovery in customer demand is expected through the second half of the fiscal year ending March 31, 2023 due to an increase in automobile production volume. On the other hand, there is an urgent need to address cost-increasing factors, such as soaring raw material prices, and to strengthen and stabilize the supply chain.

In addition, in recent years, there has been a strong demand in both businesses to place greater emphasis on sustainable growth, including addressing environmental challenges to become carbon neutral.

In view of this business environment, based on the basic strategies set forth in the new medium-term management plan, the Group will strive to build a stable revenue base that can withstand changes in the

external environment and establish an efficient business structure that can respond appropriately to changes.

In addition, the Company will further enhance the management foundation for sustainable growth by promoting sustainability management focusing on “sustainability,” including strengthening the development of new technologies and new products focusing on functionality, weight reduction, and environmental responsiveness, which are the Company’s strengths.

The Company’s performance forecasts for the fiscal year ending March 31, 2023 estimate that net sales will reach 61,000 million yen (up 11.4% year on year) based on demand forecasts for each business segment. On the profit front, the Company takes into account developments in raw material prices and foreign exchange trends and progress of various initiatives designed to improve productivity, and currently forecasts operating profit of 3,000 million yen (up 102.4% year on year), ordinary profit of 4,800 million yen (up 82.8% year on year), and profit attributable to owners of the parent of 3,200 million yen (up 146.0% year on year).

The outlook for business performance by reportable segment is as follows.

	Net sales		Segment profit	
		YoY change		YoY change
Paints & coatings-related business	17,500	(9.6)%	200	(46.5)%
Automotive products-related business	43,500	22.8%	2,800	154.3%

(Million yen)

With respect to the revision of market classification on Tokyo Stock Exchange, Inc. in April 2022, the Company has chosen to list its shares on the Prime Market. As of the transition reference date (June 30, 2021), the Company did not meet the criteria for “tradable shares market capitalization” on the Prime Market, so the Company has set the period through the fiscal year ending March 31, 2025 as the planning period, and is promoting various efforts to improve market capitalization and the ratio of tradable shares.

The Company will focus on achieving the goals of the medium-term management plan, which ends in the fiscal year ending March 31, 2025, while striving to sustainably enhance the Company’s corporate value and comply with the criteria for maintaining the Company’s listing.

#### (5) Basic Policy on Profit Allocation and Dividends for the Current and Following Fiscal Years

We pursue the substantial return of profit to our shareholders by strengthening profitability and maintaining a sound financial condition focused on cash flow, which has been positioned as an important management task of the Company.

On the other hand, the management environment surrounding the business of the Group is experiencing major changes such as price competition as well as intensifying competition in development of high value-added paints with environmental and other measures, automobile technological innovation including electrification, and advancement of globalization in automobile production. To maintain competitiveness and improve profitability in the future, we must aggressively and continually make R&D and capital investment for new products and technologies, investment in overseas businesses for globally enhancing technical and productive abilities, and furthermore, investment in human resources who will serve as the foundation of the above.

Accordingly, based on the medium- to long-term management plan, with a focus placed on maintaining stable dividends and increasing internal funds for strategic investment described above, the distribution of profits is decided in comprehensive consideration of factors such as financial condition, profit levels, and the payout ratio as the Company’s basic policy. Based on the above policy, we plan to pay a year-end dividend of 22 yen per share for the fiscal year under review. As a result, the annual dividend per share, including an interim dividend of 18 yen, will be 40 yen per share.

For the fiscal year ending March 31, 2023, we expect to pay an annual dividend of 42 yen per share, including an interim dividend of 20 yen per share and a year-end dividend of 22 yen.

## 2. Basic Policy on Selection of Accounting Standards

The Group intends to prepare consolidated financial statements based on Japanese accounting standards for the time being to facilitate comparability between periods and with other companies. However, going forward, the Company will consider applying international accounting standards depending on various circumstances inside and outside Japan.

### 3. Consolidated Financial Statements and Principal Notes

#### (1) Consolidated Balance Sheets

(Million yen)

	As of March 31, 2021	As of March 31, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	6,535	8,948
Notes and accounts receivable - trade	11,093	—
Notes receivable - trade	—	792
Electronically recorded monetary claims -operating	3,102	2,987
Accounts receivable - trade	—	10,662
Contract assets	—	2,347
Merchandise and finished goods	1,392	1,824
Work in process	417	1,409
Raw materials and supplies	1,179	1,431
Income taxes refund receivable	167	—
Other	1,529	1,456
Allowance for doubtful accounts	(4)	(3)
Total current assets	25,414	31,857
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	8,855	10,028
Machinery, equipment and vehicles, net	8,751	8,481
Land	4,710	4,703
Construction in progress	2,509	483
Other, net	2,192	1,374
Total property, plant and equipment	27,018	25,071
Intangible assets		
Other	1,244	1,265
Total intangible assets	1,244	1,265
Investments and other assets		
Investment securities	18,762	18,255
Long-term loans receivable	1,410	1,504
Deferred tax assets	129	99
Other	1,571	1,793
Allowance for doubtful accounts	(50)	(55)
Total investments and other assets	21,824	21,597
Total non-current assets	50,087	47,934
Total assets	75,502	79,792



(Million yen)

	As of March 31, 2021	As of March 31, 2022
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	7,164	8,649
Electronically recorded obligations - operating	3,250	3,376
Short-term borrowings	5,608	5,617
Lease liabilities	6	6
Income taxes payable	238	601
Provision for bonuses for directors (and other officers)	102	72
Other	3,405	3,949
Total current liabilities	19,775	22,273
Non-current liabilities		
Long-term borrowings	3,667	3,209
Lease liabilities	12	17
Retirement benefit liability	3,520	3,313
Deferred tax liabilities	1,260	1,147
Other	111	105
Total non-current liabilities	8,571	7,792
Total liabilities	28,347	30,066
<b>Net assets</b>		
Shareholders' equity		
Share capital	4,753	4,753
Capital surplus	4,190	4,194
Retained earnings	30,064	30,547
Treasury shares	(1,119)	(1,112)
Total shareholders' equity	37,888	38,383
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,149	4,989
Foreign currency translation adjustment	(636)	702
Remeasurements of defined benefit plans	165	191
Total accumulated other comprehensive income	4,677	5,883
Non-controlling interests	4,588	5,458
Total net assets	47,154	49,725
Total liabilities and net assets	75,502	79,792

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

(Million yen)

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Net sales	48,004	54,779
Cost of sales	38,263	44,298
Gross profit	9,741	10,480
Selling, general and administrative expenses	8,882	8,998
Operating profit	858	1,482
Non-operating income		
Interest income	88	88
Dividend income	200	206
Subsidies for employment adjustment	140	72
Foreign exchange gains	—	285
Rental income from real estate	51	53
Share of profit of entities accounted for using equity method	923	369
Other	247	146
Total non-operating income	1,651	1,222
Non-operating expenses		
Interest expenses	72	56
Loss on cancellation of leasehold contracts	12	—
Other	21	23
Total non-operating expenses	106	79
Ordinary profit	2,403	2,625
Extraordinary income		
Gain on sale of non-current assets	7	294
Insurance claim income	3	14
Gain on sale of investment securities	378	239
Total extraordinary income	388	547
Extraordinary losses		
Loss on disposal of non-current assets	71	98
Loss on sale of investment securities	0	—
Total extraordinary losses	71	98
Profit before income taxes	2,720	3,074
Income taxes - current	724	1,133
Income taxes - deferred	143	(45)
Total income taxes	868	1,088
Profit	1,852	1,986
Profit attributable to non-controlling interests	551	685
Profit attributable to owners of parent	1,301	1,300

## Consolidated Statements of Comprehensive Income

(Million yen)

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Profit	1,852	1,986
Other comprehensive income		
Valuation difference on available-for-sale securities	1,798	(159)
Foreign currency translation adjustment	(41)	849
Remeasurements of defined benefit plans, net of tax	207	22
Share of other comprehensive income of entities accounted for using equity method	(421)	915
Total other comprehensive income	1,543	1,627
Comprehensive income	3,396	3,614
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,874	2,506
Comprehensive income attributable to non-controlling interests	521	1,107

(3) Consolidated Statements of Changes in Net Assets  
For the fiscal year ended March 31, 2021

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	4,753	4,237	29,602	(748)	37,845
Cumulative effects of changes in accounting policies					—
Restated balance	4,753	4,237	29,602	(748)	37,845
Changes during period					
Dividends of surplus			(839)		(839)
Change in ownership interest of parent due to transactions with non-controlling interests		(46)			(46)
Profit attributable to owners of parent			1,301		1,301
Purchase of treasury shares				(371)	(371)
Disposal of treasury shares					—
Net changes in items other than shareholders' equity					—
Total changes during period	—	(46)	461	(371)	43
Balance at end of period	4,753	4,190	30,064	(1,119)	37,888

	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	3,333	(185)	(43)	3,104	4,112	45,062
Cumulative effects of changes in accounting policies						—
Restated balance	3,333	(185)	(43)	3,104	4,112	45,062
Changes during period						
Dividends of surplus				—		(839)
Change in ownership interest of parent due to transactions with non-controlling interests				—		(46)
Profit attributable to owners of parent				—		1,301
Purchase of treasury shares				—		(371)
Disposal of treasury shares				—		—
Net changes in items other than shareholders' equity	1,816	(451)	208	1,573	475	2,048
Total changes during period	1,816	(451)	208	1,573	475	2,091
Balance at end of period	5,149	(636)	165	4,677	4,588	47,154

For the fiscal year ended March 31, 2022

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	4,753	4,190	30,064	(1,119)	37,888
Cumulative effects of changes in accounting policies			32		32
Restated balance	4,753	4,190	30,097	(1,119)	37,921
Changes during period					
Dividends of surplus			(850)		(850)
Change in ownership interest of parent due to transactions with non-controlling interests					—
Profit attributable to owners of parent			1,300		1,300
Purchase of treasury shares				(2)	(2)
Disposal of treasury shares		3		10	14
Net changes in items other than shareholders' equity					—
Total changes during period	—	3	450	7	461
Balance at end of period	4,753	4,194	30,547	(1,112)	38,383

	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	5,149	(636)	165	4,677	4,588	47,154
Cumulative effects of changes in accounting policies						32
Restated balance	5,149	(636)	165	4,677	4,588	47,186
Changes during period						
Dividends of surplus				—		(850)
Change in ownership interest of parent due to transactions with non-controlling interests				—		—
Profit attributable to owners of parent				—		1,300
Purchase of treasury shares				—		(2)
Disposal of treasury shares				—		14
Net changes in items other than shareholders' equity	(160)	1,339	26	1,206	870	2,076
Total changes during period	(160)	1,339	26	1,206	870	2,538
Balance at end of period	4,989	702	191	5,883	5,458	49,725

## (4) Consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
<b>Cash flows from operating activities</b>		
Profit before income taxes	2,720	3,074
Depreciation	3,654	3,198
Increase (decrease) in retirement benefit liability	(96)	(166)
Increase (decrease) in allowance for doubtful accounts	4	4
Interest and dividend income	(288)	(294)
Interest expenses	72	56
Share of loss (profit) of entities accounted for using equity method	(923)	(369)
Loss (gain) on sale of non-current assets	(7)	(293)
Loss (gain) on disposal of non-current assets	71	97
Loss (gain) on sale of investment securities	(378)	(239)
Insurance claim income	(3)	(14)
Decrease (increase) in trade receivables	(670)	(1,505)
Decrease (increase) in inventories	60	(615)
Increase (decrease) in trade payables	(168)	1,296
Other, net	(1,031)	35
Subtotal	3,015	4,265
Interest and dividends received	1,135	1,426
Interest paid	(101)	(54)
Proceeds from insurance income	3	14
Income taxes paid	(976)	(800)
Income taxes refund	8	168
Net cash provided by (used in) operating activities	3,085	5,019
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment and intangible assets	(5,155)	(2,240)
Proceeds from sale of property, plant and equipment and intangible assets	13	311
Purchase of investment securities	(8)	(9)
Proceeds from sale of investment securities	482	533
Loan advances	(1,058)	(5)
Proceeds from collection of loans receivable	154	43
Other, net	(63)	100
Net cash provided by (used in) investing activities	(5,636)	(1,266)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	3,899	29
Proceeds from long-term borrowings	100	1,000
Repayments of long-term borrowings	(1,603)	(1,552)
Purchase of treasury shares	(369)	(0)
Dividends paid	(839)	(847)
Dividends paid to non-controlling interests	(18)	(325)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(62)	—
Other, net	(47)	(2)
Net cash provided by (used in) financing activities	1,059	(1,699)
Effect of exchange rate change on cash and cash equivalents	45	358
Net increase (decrease) in cash and cash equivalents	(1,446)	2,412
Cash and cash equivalents at beginning of period	7,964	6,518
Cash and cash equivalents at end of period	6,518	8,931

## (5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Changes in accounting policies)

(Application of Revenue Recognition Accounting Standard)

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter “Revenue Recognition Accounting Standard”) and other standards from the beginning of the fiscal year under review. The Company recognizes revenue when control of a promised good or service is transferred to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services.

The major effects of the adoption of this accounting standard on the consolidated financial statements for the fiscal year under review are as follows.

- Mold transactions

For mold-related costs that are recovered from customers over a certain period of time, the Company previously recorded net sales and cost of sales according to the relevant period, but has changed to recording net sales and cost of sales at a single point in time when specific requirements are met.

- Consideration paid to customers

Sales rebates, which are consideration paid to customers, were previously treated as selling, general and administrative expenses, but are now reduced from the transaction price.

- Repurchase agreement

For the paid-in transactions in which the Group is the supplier, we used to recognize the extinguishment of the paid-in supplies, but we have changed the method to not recognize the extinguishment of such supplies when we are obligated to repurchase the supplied goods. In addition, we previously recognized the consideration received from the suppliers as revenue, but have changed to a method whereby such revenue is not recognized. Furthermore, for transactions in which the Group receives payment from a supplier, we previously recognized net sales and cost of sales upon selling back to the supplier, but have changed to recognizing only the amount equivalent to the processing fee as revenue on a net amount basis.

- Agency transactions

For transactions in which the Group’s role in the sale to a customer is that of an agent, we previously recognized as revenue the gross consideration received from the customer, but have changed to recognizing revenue as the net amount of such gross consideration minus the amount paid to the third party.

The Company applies the Revenue Recognition Accounting Standard, etc., in accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative impact of retrospectively applying the new accounting policies to prior periods is adjusted to retained earnings at the beginning of the fiscal year under review, with the new accounting policies applied from the beginning balance.

The cumulative impact of this change has been reflected on net assets at the beginning of the fiscal year under review. As a result, the beginning balance of retained earnings increased by 32 million yen. In addition, compared with the figures before the application of the Revenue Recognition Accounting Standard, etc., net sales increased by 371 million yen, cost of sales decreased by 95 million yen, selling, general and administrative expenses decreased by 65 million yen, and operating profit, ordinary profit, and profit before income taxes increased by 533 million yen.

Due to the adoption of the Revenue Recognition Accounting Standard, “notes and accounts receivable - trade,” which were presented under “current assets” in the consolidated balance sheets for the previous fiscal year, are presented in “notes receivable - trade,” “accounts receivable – trade,” and “contract assets” in the consolidated balance sheets from the fiscal year under review. In accordance with the transitional treatment set forth in Paragraph 89-2 of the Revenue Recognition Accounting Standard, figures for the previous fiscal year have not been reclassified based on the new presentation method.

(Application of Fair Value Measurement Standard)

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter “Fair Value Measurement Standard”) and other standards from the beginning of the fiscal year under review, and will prospectively apply the new accounting policies stipulated by the Fair

Value Measurement Standard, etc., in accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). This does not affect the consolidated financial statements.

(Segment information)

1. Overview of reportable segments

The Company’s reportable segments are components of the Company for which segregated financial information is available, and are subject to regular review by the Board of Directors to determine how to allocate management resources and evaluate performance.

The Company has established the Paints & Coatings Group and the Automotive Products Group at its head office, and formulates comprehensive domestic and overseas strategies for the products and services it handles with the two groups operating business activities in cooperation with subsidiaries and affiliates in their respective business domains.

As such, the Company comprises individual product and service segments based on each group, and has two reportable segments, the paints & coatings-related business and the automotive products-related business.

The paints & coatings-related business covers primarily the manufacture and sale of paints and coatings, as well as contract construction work. The automotive products-related business focuses largely on the manufacture and sales of automotive parts, such as soundproofing materials and anti-corrosive coatings for automobiles.

2. Method for calculating the monetary totals for net sales, profit or loss, assets or liabilities, and other items by reportable segment

The accounting method used for reportable business segments are generally the same as those used in the preparation of the consolidated financial statements. Segment profit is based on operating profit. Inter-segment net sales and transfers are based on prevailing market prices.



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

Fiscal year ended March 31, 2021

(Million yen)

	Reportable segment			Other (Note 1)	Total	Adjustment (Note 2)	Consolidation (Note 3)
	Paints & coatings- related	Automotive products- related	Total				
Net sales							
Net sales to outside customers	14,846	33,143	47,989	15	48,004	-	48,004
Inter-segment net sales or transfers	3	-	3	-	3	(3)	-
<b>Total</b>	<b>14,849</b>	<b>33,143</b>	<b>47,993</b>	<b>15</b>	<b>48,008</b>	<b>(3)</b>	<b>48,004</b>
Segment profit	199	650	850	8	858	-	858
Segment assets	10,674	48,804	59,479	57	59,537	15,964	75,502
Other items							
Depreciation	254	3,398	3,653	-	3,653	-	3,653
Share of profit of entities accounted for using equity method	26	897	923	-	923	-	923
Investment in entities accounted for using equity method	265	9,590	9,856	-	9,856	-	9,856
Increase in property, plant and equipment and intangible assets	368	3,872	4,240	-	4,240	115	4,356

- Notes:
1. "Other" represents businesses not included in reportable segments, namely, the insurance agency business.
  2. "Adjustment" consists of the following.  
Adjustment of segment assets of 15,964 million yen and the increase in property, plant and equipment and intangible assets of 115 million yen comprise company-wide assets not allocated to individual reportable segments. Company-wide assets consist mainly of the Company's surplus funds (cash and cash equivalents, etc.), funds for longer-term investments and loans (investment securities, etc.) and assets relating to the Company's management departments.
  3. Segment profit is adjusted with operating profit on the consolidated statements of income.

Fiscal year ended March 31, 2022

(Million yen)

	Reportable segment			Others (Note 1)	Total	Adjustment (Note 2)	Consolidation (Note 3)
	Paints & coatings- related	Automotive products- related	Total				
Net sales							
Net sales to outside customers	19,351	35,412	54,763	15	54,779	-	54,779
Inter-segment net sales or transfers	3	-	3	-	3	(3)	-
Total	19,355	35,412	54,767	15	54,782	(3)	54,779
Segment profit	373	1,100	1,474	7	1,482	-	1,482
Segment assets	12,713	50,836	63,550	61	63,611	16,180	79,792
Other items							
Depreciation	272	2,923	3,196	-	3,196	-	3,196
Share of profit of entities accounted for using equity method	57	312	369	-	369	-	369
Investment in entities accounted for using equity method	318	9,783	10,101	-	10,101	-	10,101
Increase in property, plant and equipment and intangible assets	473	1,811	2,284	-	2,284	16	2,301

- Notes:
1. "Other" represents businesses not included in reportable segments, namely, the insurance agency business.
  2. "Adjustment" consists of the following.  
Adjustment of segment assets of 16,180 million yen and the increase in property, plant and equipment and intangible assets of 16 million yen comprise company-wide assets not allocated to individual reportable segments. Company-wide assets consist mainly of the Company's surplus funds (cash and cash equivalents, etc.), funds for longer-term investments and loans (investment securities, etc.) and assets relating to the Company's management departments.
  3. Segment profit is adjusted with operating profit on the consolidated statements of income.

(Per share information)

	Fiscal year ended March 31, 2021		Fiscal year ended March 31, 2022
Net assets per share (Yen)	1,961.12	Net assets per share (Yen)	2,038.07
Basic earnings per share	59.27	Basic earnings per share	59.90
Diluted earnings per share is not presented because there were no potential shares.		Diluted earnings per share is not presented because there were no potential shares.	

Note: Basis of calculation

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

	As of March 31, 2021	As of March 31, 2022
Total of net assets section (Million yen)	47,154	49,725
Amount deducted from the total of net assets (Million yen)	4,588	5,458
[of which, share acquisition rights]	-	-
[of which, amount attributable to non-controlling shareholders]	[4,588]	[5,458]
Net assets pertaining to common shares (Million yen)	42,566	44,266
Number of common shares used to calculate net assets per share (Thousand shares)	21,705	21,720

2. The basis for calculating earnings per share is as follows.

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Basic earnings per share (Yen)		
Profit attributable to owners of parent (Million yen)	1,301	1,300
Amount not attributable to common shareholders (Million yen)	-	-
Profit attributable to owners of parent relating to common shares (Million yen)	1,301	1,300
Average number of common shares during the period (Thousand shares)	21,960	21,714
Diluted earnings per share (Yen)	-	-

(Significant subsequent events)

Not applicable.