

Consolidated Financial Results for the Fiscal Year December 2021 (Japanese Accounting Standards)

This document has been prepared as a guide for non-Japanese investors and contains forward-looking statements that are based on managements' estimates, assumptions and projections at the time of publication. A number of factors could cause actual results to differ materially from expectations. This document is a translation of excerpts taken from the Japanese language original. All numbers are rounded down to the nearest until in accordance with standard Japanese practice. Please be advised that the Company cannot accept responsibility for investment decisions made based on the information contained in this report.

February 10, 2022

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 Stock Listing: Tokyo Stock Exchange Stock Code: 6498
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 Date of General Meeting of Shareholders (Planned): March 29, 2022
 Date of Dividend Payment (Planned): March 11, 2022
 Date of Financial Statement Filing (Planned): March 29, 2022
 Availability of Financial Results Supplementary Presentation Materials: Yes
 Financial Results Presentation Meeting: Yes (For institutional investors and analysts)

(Figures of less than one million yen are rounded down to the nearest decimal)

1. Consolidated Financial Results (Jan. 1, 2021 – Dec. 31, 2021)

(1) Consolidated Operating Results

(% figures represent year-over-year change)

	Net Sales		Operating Income		Ordinary Income		Net Income attributable to owners of the parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY December 2021	135,790	-	8,990	-	8,975	-	4,954	-
FY December 2020	84,245	-	3,751	-	3,169	-	2,113	-

(Note) Comprehensive Income: ¥7,384 million in FY Dec. 2021 (-%) ¥1,468 million in FY Dec. 2020 (-%)

	Net Income per Share	Net Income per Share (Diluted)	Return on Equity	Ratio of Ordinary Income to Total Assets	Ratio of Operating Income to Net Sales
	Yen	Yen	%	%	%
FY December 2021	55.26	—	6.4	6.3	6.6
FY December 2020	23.38	—	2.8	2.3	4.5

(Reference) Gain from investments in subsidiaries and affiliates accounted for by the equity method: FY Dec. 2021: — FY Dec. 2020: —

(Note) At the 106th Annual General Meeting of Shareholders held on June 29, 2020, the company changed our fiscal year-end from March 31 to December 31 in fiscal 2020, based the approval of the Partial Change in the Articles of Incorporation. Similar changes were made for consolidated subsidiaries whose fiscal year ends in March.

The fiscal year ended December 31, 2020, the transitional period for the change in the fiscal year-end, is the nine-month period from April 1, 2020 to December 31, 2020. Accordingly, year-on-year changes are not presented.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Million Yen	Million Yen	%	Yen
FY December 2021	143,419	81,253	56.0	896.55
FY December 2020	140,681	75,167	52.8	828.76

(Reference) Equity: ¥80,369 million in FY Dec. 2021 ¥74,292 million in FY Dec. 2020

(3) Consolidated Cash Flows

	Net Cash Provided by Operating Activities	Net Cash Used in Investing Activities	Net Cash Provided by (Used in) Financing Activities	Cash and Cash Equivalents at End of Fiscal Year
	Million Yen	Million Yen	Million Yen	Million Yen
FY December 2021	8,280	(3,236)	(11,527)	27,658
FY December 2020	10,024	(2,379)	7,497	33,364

2. Dividends

	Annual Dividend					Total Dividends from Surplus (Annual)	Payout Ratio (Consolidated)	Dividends to Net Assets Ratio (Consolidated)
	1Q	2Q	3Q	4Q	Total			
	Yen	Yen	Yen	Yen	Yen	Million Yen	%	%
FY December 2020	—	5.00	—	4.00	9.00	811	38.5	1.1
FY December 2021	—	9.00	—	11.00	20.00	1,802	36.2	2.3
FY December 2022 (Planned)	—	11.00	—	14.00	25.00		35.6	

3. Consolidated Financial Forecasts for the Fiscal Year December 2022 (Jan. 1, 2022–Dec. 31, 2022)

(% figures represent year-over-year change)

	Net Sales		Operating Income		Ordinary Income		Net Income attributable to owners of the parent		Net Income per Share
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Yen
2H FY December 2022	69,400	10.0	4,280	9.7	4,145	4.7	2,700	30.8	30.12
FY December 2022	143,000	5.3	10,000	11.2	9,700	8.1	6,300	27.2	70.28

(Reference)

Adjusted year-on-year change of Consolidated Financial Results for the Fiscal Year December 2021 (Jan. 1, 2021–Dec. 31, 2021)

(% figures represent year-over-year change)

	Net Sales		Operating Income		Ordinary Income		Net Income attributable to owners of the parent	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
FY December 2021	135,790	17.9	8,990	68.7	8,975	67.1	4,954	47.2

The percentages shown above (adjusted year-on-year change) are the rates of increase or decrease based on the FY2020 consolidated results adjusted for the 12-month period (January 1, 2020 to December 31, 2020) and compared with the FY2021 consolidated results forecasts. Consolidated financial results for FY2020, adjusted for 12 months (January 1, 2020 to December 31, 2020), are not subject to audit procedures.

* Annotation

(1) Changes in significant subsidiaries (Changes in subsidiaries affecting the scope of consolidation): None

Newly consolidated: None

Removed from consolidation: None

(2) Changes in accounting methods, procedures and presentations concerning preparation of consolidated financial statements

1. Changes accompanying revisions in accounting standards: None

2. Other changes: None

3. Changes in accounting estimates: None

4. Redisplay of revisions: None

(3) Number of shares outstanding (Common stock)

1. Shares issued as of term end (including treasury stock):

2. Treasury stock as of term end:

3. Average during the term:

FY December 2021	90,396,511 shares	FY December 2020	90,396,511 shares
FY December 2021	753,976 shares	FY December 2020	753,057 shares
FY December 2021	89,643,016 shares	FY December 2020	90,397,812 shares

(Note) The shares held within the BIP trust accounts are included in term-end treasury stocks. (FY December 2021: 477,535 shares, FY December 2020: 477,535 shares)

Furthermore, the shares held within the BIP trust accounts are included in treasury stocks that are deducted in the calculation of the average number of shares for the period. (FY December 2021: 477,535 shares, FY December 2020: 493,594 shares)

(Reference) Fiscal Year December 2021 Non-Consolidated Financial Results (Jan. 1, 2021 – Dec. 31, 2021)

(1) Non-Consolidated Operating Results

(% figures represent year-over-year change)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY December 2021	60,041	-	2,262	-	5,015	-	2,662	-
FY December 2020	41,786	-	755	-	1,868	-	1,436	-

	Net Income per Share	Net Income per Share (Diluted)
	Yen	Yen
FY December 2021	29.70	—
FY December 2020	15.89	—

(Note) The company changed our fiscal year-end from March 31 to December 31 in fiscal 2020. The fiscal year ended December 31, 2020, the transitional period for the change in the fiscal year-end, is the nine-month period from April 1, 2020 to December 31, 2020. Accordingly, year-on-year changes are not presented.

(2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Million Yen	Million Yen	%	Yen
FY December 2021	110,065	53,584	48.7	597.75
FY December 2020	110,478	51,878	47.0	578.72

(Reference) Equity: ¥53,584 million in FY Dec. 2021 ¥51,878 million in FY Dec. 2020

(Reference)

Adjusted year-on-year change of Non-Consolidated Financial Forecasts for the Fiscal Year December 2021 (Jan. 1, 2021–Dec. 31, 2021)

(% figures represent year-over-year change)

	Net Sales		Operating Income		Ordinary Income		Net Income attributable to owners of the parent	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
FY December 2021	60,041	3.9	2,262	70.2	5,015	99.6	2,662	95.7

The percentages shown above (adjusted year-on-year change) are the rates of increase or decrease based on the FY2020 non-consolidated results adjusted for the 12-month period (January 1, 2020 to December 31, 2020) and compared with the FY2021 non-consolidated results forecasts. Non-consolidated financial results for FY2020, adjusted for 12 months (January 1, 2020 to December 31, 2020), are not subject to audit procedures.

* This document is not subject to audit procedures.

* Explanations regarding the appropriate uses of our earnings projections and other information:

The future prospects of the business results, etc., described in this document are based on currently available information and certain premises that are judged to be rational at the time of writing, and are not intended as a guarantee that the Company will achieve these targets. Actual performance and other results may differ significantly due to various factors.

Investor presentation materials relating to our financial results are expected to be published on our corporate website on or after February 16, 2022.

1. Overview of results of operations

Beginning with the previous consolidated fiscal year (FY 2020), the Company has shifted the end of its fiscal period from March 31 to December 31. Because of this change, the previous consolidated fiscal year was the nine-month period from April 1 through December 31, 2020.

As a result, in comparison with the previous consolidated fiscal year, a comparison was conducted with (unaudited) reference figures calculated for the twelve-month period from January 1, 2020, through December 31, 2020, as the same period of the previous year.

(1) Overview of results of operations for the current period

(Reference: compared with the same period of the previous fiscal year)

(Units: Millions of yen)

	The same period of the previous fiscal year	Current consolidated fiscal year	Changes	Percent change (%)
Net sales	115,138	135,790	20,651	17.9
Operating income	5,328	8,990	3,662	68.7
Ordinary income	5,372	8,975	3,602	67.1
Net income attributable to owners of the parent	3,366	4,954	1,588	47.2

During the current consolidated fiscal year, the global economy continued to be impacted by restrictions on economic activities in various countries due to COVID-19. Despite expectations of an economic recovery with increasing vaccinations, the prospects remained uncertain due to new concerns, such as the spread of variants. Severe conditions continued in the Japanese economy as well, as vaccinations progressed while measures for the reissuing of a state of emergency and the impact of an extension of measures to stop the spread of the virus led to restrictions on economic activities.

Under such an environment, for the current consolidated fiscal year, the valve manufacturing business achieved revenue growth because of the strength in products for semiconductor manufacturing facilities, as well as the effects of price revisions implemented in response to the rising prices of raw materials and an accompanying last-minute surge in demand. The brass bar manufacturing business also recorded revenue growth due to higher sale prices accompanying rising raw-material prices and to the increase in sales volumes. As a result, total net sales were up 17.9% YoY to ¥135,790 million.

A look at profit and loss shows that as a result of high profits in the valve manufacturing business due to revenue growth and in the brass bar manufacturing business due to both revenue growth and productivity improvements, operating income was up 68.7% YoY to ¥8,990 million. Ordinary income was up 67.1% YoY to ¥8,975 million, and net income attributable to owners of the parent was up 47.2% YoY to ¥4,954 million.

Each segment results are as follows:

(Units: Millions of yen)

	External sales				Operating income (loss)			
	The same period of the previous fiscal year	Current consolidated fiscal year	Changes	Percent change (%)	The same period of the previous fiscal year	Current consolidated fiscal year	Changes	Percent change (%)
Valve manufacturing business	95,335	106,754	11,419	12.0	9,306	12,088	2,781	29.9
Brass bar manufacturing business	18,102	27,366	9,263	51.2	(184)	665	850	—
Others	1,699	1,668	(30)	(1.8)	(344)	(243)	101	—
Adjustments	—	—	—	—	(3,449)	(3,519)	(70)	—
Total	115,138	135,790	20,651	17.9	5,328	8,990	3,662	68.7

- Valve manufacturing business

External sales in the valve manufacturing business were up in the Japanese market due to strong performance in the semiconductor manufacturing equipment sector, as well as the effects of price revisions implemented in response to the rising prices of raw materials and an accompanying last-minute surge in demand. External sales in the overseas markets were down in the European markets, while up in the Chinese and Americas markets, centered on semiconductor manufacturing equipment. As a result, external sales were up 12.0% YoY to ¥106,754 million.

Operating income was up 29.9% YoY to ¥12,088 million partially due to increased income from the growth in sales in the semiconductor manufacturing equipment sector and the effects of cost reductions.

- Brass bar manufacturing business

External sales in the brass bar manufacturing business were up 51.2% YoY to ¥27,366 million due to increased sale prices accompanying the rising market prices of raw materials, which affected the market prices of products, and growth in sales volume.

Operating income totaled ¥665 million (vs. an operating loss of ¥184 million in the same period of the previous year) due to increased revenue and increased profits resulting from productivity improvements.

- Others

A look at other external sales shows that sales in the hotel business were down 1.8% YoY to ¥1,668 million due to such factors as decreased numbers of guests as a result of the reissue of a state of emergency in response to COVID-19. Operating loss amounted to ¥243 million (vs. an operating loss of ¥344 million in the same period of the previous year).

(2) Overview of financial position for the current period

Assets stood at ¥143,419 million, up ¥2,737 million from the end of the previous consolidated fiscal year, at the end of this consolidated fiscal year due to growth in notes and accounts receivable and inventories despite decreased cash and deposits for payment of short-term borrowings.

Liabilities were down ¥3,348 million from the end of the previous consolidated fiscal year to ¥62,166 million due to factors that included decreased short-term borrowings resulting from their payment despite an increase in notes and accounts payable – trade.

Net assets increased by ¥6,086 million from the end of the previous consolidated fiscal year to ¥81,253 million, reflecting such factors as the recording of ¥4,954 million in net income attributable to owners of the parent and increased translation adjustments.

(3) Overview of cash flows for the current period

As of December 31, 2021, cash and cash equivalents (hereinafter referred to as “funds”) amounted to ¥27,658 million, down ¥5,706 million compared with December 31, 2020.

The state and the reasons for the cash flow changes during the current consolidated fiscal year are outlined below.

The previous consolidated fiscal year, an irregular period due to the change in the fiscal period, was the nine-month period. Therefore, the comparison in cash flows with the previous consolidated fiscal year is not stated.

- Cash flows from operating activities

As a result of factors that included net income before income taxes and non-controlling interest of 7,705 million, depreciation of ¥6,685 million, an increase of ¥1,976 million in accounts payable, and the resulting increases of ¥5,357 million in notes and accounts receivable and ¥3,740 million in inventories, cash flows from operating activities resulted in an increase of ¥8,280 million.

- Cash flows from investing activities

Cash flows from investing activities resulted in a decrease of ¥3,236 million due to such factors as payments of ¥3,478 million for the purchase of property, plant, and equipment, mainly in the valve manufacturing business.

- Cash flows from financing activities

As a result of factors that included a net decrease of ¥8,934 million in short/long-term borrowings and payment of ¥1,171 million in dividends, cash flows from financing activities led to a decrease of ¥11,527 million.

(Reference) Developments in indicators related to cash flows

	Fiscal year ended March 31, 2020	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2021
Equity ratio (%)	56.0	52.8	56.0
Equity ratio based on market value (%)	44.6	40.0	44.5
Interest-bearing debts/cash flow ratio (%)	293.7	492.3	479.5
Interest coverage ratio (multiple)	44.6	57.0	31.4

Equity ratio: equity capital/total assets

Equity ratio based on market value: market capitalization/total assets

Interest-bearing debts/cash flow ratio: interest-bearing debts/cash flows

Interest coverage ratio: cash flows/interest payments

(Note) 1. All values are based on consolidated financial values.

2. Market capitalization is based on outstanding shares excluding treasury stock.

3. Cash flows represent operating cash flow.

4. Interest-bearing debts include all debts with payments of interests among debts posted on the consolidated balance sheet.

5. The fiscal year ended December 2020 is the nine-month period due to the change in the fiscal period.

Therefore, interest-bearing debts/cash flow ratio and interest coverage ratio represent values based on cash flows and interest payments for nine months.

(4) Future outlook

With regard to the business environment surrounding our group, the global slowdown caused by the COVID-19 crisis got away from the worst period due to the spread of vaccinations though the outlook remains very uncertain for the short period during the resurgent infection risk of the variant of COVID-19. Customers keep a cautious stance on capital investment. On the other hand, the social trend of digitalization and decarbonization has accelerated in the medium- and long-term, and investment is expected to expand in growth areas that include semiconductors and clean energy.

Under such a business environment with high uncertainty, the Company commemorated the 70th anniversary of its foundation in 2021. For seeking a further leap forward, the Company reviewed its return to the basics and amended the corporate philosophy as presented in the KITZ Statements of the Corporate Mission, in addition, established the Long-Term Management Vision as the ideal for the group to be achieved in 2030 and the new Medium Term Management Plan 2024 (FY 2022–FY 2024) and announced them on the date hereof.

In the valve manufacturing business, the medium- and long-term target markets will be divided into eight markets for resource allocations with differences in volume to each of the markets. Additionally, the earnings structure will be transformed through a shift of resources to growth and new areas backed by digitalization and decarbonization as the foundation is placed on the core businesses. The business will be operated on the basis of the four axes of the group strategy: global product strategy, area business strategy, creation of group synergy and strengthening of contacts with users.

In the brass bar manufacturing business, the Company will progress entries into and sales expansion in existing areas, as well as growth areas, including automobiles and semiconductors, and additionally increase earnings strength by strengthening sales expansion of processed goods due to a review of supply chain and by continuously reducing costs.

In others, to secure earnings during COVID-19, the Company will increase as many repeat customers as possible by offering sensation and comfortable times to customers in the hotel business.

With regard to management capital serving as the basis for the business strategy, in the organization and human resources, the Company will seek a business transformation that increases experience value for both customers and employees by strengthening the value chain (development, manufacturing and sales, and back-office functions) within the group with the power of digital under the theme, reduction in operation ratio and a shift to value added operations for business process innovation and DX (digital transformation) project. In addition, the Company will further strengthen the management base by continuously assessing employee engagement to verify the effect of individual organizational personnel measures on employee engagement while indicating the strengthening of measures based upon the ESG perspective in sustainability management. Furthermore, the Company will also implement capital cost-aware management and a financial strategy and capital policy that reflects positive growth investment.

As result of these measures, net sales, operating income, ordinary income, and net income attributable to owners of the parent are expected to be ¥143,000 million, ¥10,000 million, ¥9,700 million, and ¥6,300 million, respectively, for the following consolidated fiscal year.

(5) Basic policy for profit allocation and dividend for the current and following periods

The Company positions dividends as an important material issue, considering it as a return of profits to shareholders. The Company would like to pay dividends with consideration to present developments of business results and an increasing internal reserve to satisfy financing needs for payment of borrowings and redemption of bonds, in addition to funds for capital spending, development investments, or M&A for future business expansion while sufficiently paying attention to continuity and stability of dividends.

The Company establishes the basic policy of semiannual dividends from a surplus, interim dividends, and year-end dividends. The articles of incorporation provide that the matters stipulated in Article 459, Paragraph 1, items of the Companies Act including dividends from surplus shall be determined by a resolution not at the general meeting of shareholders but by the board of directors unless otherwise stipulated by laws and regulations.

In the Fourth Medium-Term Management Plan, the desirable level of consolidated payout ratio will be set at around 35% of net income attributable to owners of the parent, up 10% from the conventional level of around 25%, to further expand the return of profits to shareholders through dividends.

The Company will pay year-end dividend of ¥11 per share for the current fiscal year, taking into account the above policy, etc. Consequently, the annual dividend will be ¥20 per share, including an interim dividend (¥9 per share), for the current fiscal year, and the consolidated payout ratio will be 36.2%. There was no purchase of treasury stock, excluding purchases of fractional shares, in the current fiscal year.

The annual dividend is expected to be ¥25 for the following fiscal year based on net income attributable to owners of the parent in the consolidated earnings forecast.

2. Basic view on adoption of accounting standards

The Company group adopts Japanese accounting standards, taking into account the comparability between consolidated financial statements over time and among companies. It will examine application of IFRS (International Financial Reporting Standards), taking into account the request for increasing global comparability and developments in adoption of IFRS of other Japanese companies.

3. Consolidated Financial Statements and Their Main Notes

(1) Consolidated Balance Sheets

(Units: Millions of yen)

	Previous consolidated fiscal year (December 31, 2020)	Current consolidated fiscal year (December 31, 2021)
Assets		
Current assets		
Cash in hand and in banks	33,720	27,943
Notes, accounts receivable-trade	16,209	19,826
Electronically recorded monetary claims	8,017	10,205
Merchandise and finished goods	9,238	11,545
Work in process	5,593	6,505
Raw materials and supplies	7,405	8,757
Other	1,706	2,010
Less: Allowance for doubtful accounts	(127)	(173)
Total current assets	81,765	86,621
Fixed assets		
Property, plant and equipment		
Buildings and structures	29,581	29,743
Accumulated depreciation	(18,794)	(19,489)
Buildings and structures, net	10,786	10,253
Machinery, equipment, and vehicles	53,853	55,768
Accumulated depreciation	(40,686)	(43,161)
Machinery, equipment, and vehicles, net	13,166	12,606
Tool, furniture, and fixtures	16,621	16,954
Accumulated depreciation	(11,317)	(11,680)
Tool, furniture, and fixtures, net	5,303	5,273
Land	10,249	9,686
Construction in progress	1,677	2,734
Others	2,225	2,451
Accumulated depreciation	(1,106)	(1,570)
Other, net	1,119	881
Total property, plant and equipment	42,303	41,436
Intangible assets		
Goodwill	395	319
Others	5,816	4,270
Total intangible assets	6,211	4,590
Investments and other assets		
Investment securities	6,465	6,757
Retirement benefit assets	497	526
Deferred tax assets	774	1,322
Others	2,665	2,167
Less: Allowance for doubtful accounts	(2)	(2)
Total investments and other assets	10,401	10,772
Total fixed assets	58,916	56,798
Total assets	140,681	143,419

(Units: Millions of yen)

	Previous consolidated fiscal year (December 31, 2020)	Current consolidated fiscal year (December 31, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,693	8,037
Current portion of corporate bonds	474	10,474
Short-term borrowings	6,979	816
Current portion of long-term borrowings	2,733	2,284
Income taxes payable	316	2,474
Consumption taxes payable	704	135
Accrued bonuses to employees	1,321	2,575
Accrued bonuses to directors	104	192
Others	5,004	5,948
Total current liabilities	23,332	32,939
Long-term liabilities		
Corporate bonds	31,192	20,717
Long-term borrowings	6,888	4,575
Deferred tax liabilities	867	828
Accrued retirement benefits to directors	263	230
Accrued stock-based benefits to directors and officers	182	233
Retirement benefit liabilities	699	737
Asset retirement obligations	417	421
Others	1,671	1,480
Total long-term liabilities	42,182	29,226
Total liabilities	65,514	62,166
Net assets		
Shareholders' equity		
Common stock	21,207	21,207
Capital surplus	5,726	5,726
Retained earnings	47,925	51,708
Treasury stock	(491)	(492)
Total shareholders' equity	74,367	78,149
Accumulated other comprehensive income		
Net unrealized gains on other securities	1,478	1,678
Deferred gains or losses on hedges	(1)	—
Translation adjustments	(1,683)	368
Cumulative adjustments related to retirement benefits	132	172
Total accumulated other comprehensive income	(74)	2,219
Non-controlling interests	874	884
Total net assets	75,167	81,253
Total liabilities and net assets	140,681	143,419

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

(Units: Millions of yen)

	Previous consolidated fiscal year (April 1, 2020 to December 31, 2020)	Current consolidated fiscal year (January 1, 2021 to December 31, 2021)
Net sales	84,245	135,790
Cost of sales	62,284	101,328
Gross profit	21,961	34,461
Selling, general and administrative expenses	18,209	25,470
Operating income	3,751	8,990
Non-operating income		
Interest income	22	33
Dividend income	155	164
Exchange gains	—	84
Insurance income	28	167
Subsidy income	196	161
Miscellaneous income	233	320
Total non-operating income	636	931
Non-operating expenses		
Interest expenses	212	269
Sales discount	220	313
Loss on sales of notes receivable-trade	36	55
Exchange losses	387	—
Losses on valuation of derivatives	212	209
Miscellaneous loss	148	98
Total non-operating expenses	1,217	946
Ordinary income	3,169	8,975
Extraordinary income		
Gains on sales of property, plant and equipment	44	70
Gains on sales of investment securities	164	—
Gains on sales of investment real estate	1	32
Others	27	0
Total extraordinary income	237	102
Extraordinary loss		
Loss on sales or disposal of property, plant, and equipment	87	117
Impairment loss	21	1,223
Loss from the temporary closing	35	—
Others	22	31
Total extraordinary loss	167	1,372
Net income before income taxes and non-controlling interests	3,239	7,705
Income taxes-current	888	3,279
Income taxes-deferred	224	(665)
Total income taxes	1,112	2,614
Net income	2,126	5,091
Net income attributable to non-controlling interests	12	136
Net income attributable to owners of the parent	2,113	4,954

(Consolidated Statements of Comprehensive Income)

(Units: Millions of yen)

	Previous consolidated fiscal year (April 1, 2020 to December 31, 2020)	Current consolidated fiscal year (January 1, 2021 to December 31, 2021)
Net income	2,126	5,091
Other comprehensive income		
Net unrealized gains on other securities	621	200
Deferred gains or losses on hedges	(6)	1
Translation adjustments	(1,408)	2,051
Remeasurements of retirement benefits	135	40
Total other comprehensive income	(657)	2,293
Comprehensive income	1,468	7,384
(Breakdown)		
Comprehensive income attributable to owners of the parent	1,496	7,248
Comprehensive income attributable to non-controlling interests	(28)	136

(3) Consolidated Statements of Changes in Net Assets

Previous consolidated fiscal year (April 1, 2020 to December 31, 2020)

(Units: Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of period	21,207	5,674	54,404	(6,254)	75,032
Changes of items during the period					
Dividend from surplus			(1,377)		(1,377)
Net income attributable to owners of the parent			2,113		2,113
Changes in surplus of overseas consolidated subsidiaries resulting from the change in the fiscal period			284		284
Acquisition of treasury stock				(1,756)	(1,756)
Sales of treasury stock				19	19
Cancellation of treasury stock		(0)	(7,499)	7,499	—
Changes in ownership interest of parent due to transactions with non-controlling interests		51			51
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	51	(6,479)	5,762	(664)
Balance at the end of period	21,207	5,726	47,925	(491)	74,367

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized gains on other securities	Deferred gains or losses on hedges	Translation adjustments	Cumulative adjustments related to retirement benefits	Total accumulated other comprehensive income		
Balance at the beginning of period	856	5	(316)	(3)	542	1,304	76,879
Changes of items during the period							
Dividend from surplus							(1,377)
Net income attributable to owners of the parent							2,113
Changes in surplus of overseas consolidated subsidiaries resulting from the change in the fiscal period							284
Acquisition of treasury stock							(1,756)
Sales of treasury stock							19
Cancellation of treasury stock							—
Changes in ownership interest of parent due to transactions with non-controlling interests							51
Net changes of items other than shareholders' equity	621	(6)	(1,367)	135	(617)	(430)	(1,047)
Total changes of items during the period	621	(6)	(1,367)	135	(617)	(430)	(1,711)
Balance at the end of period	1,478	(1)	(1,683)	132	(74)	874	75,167

Current consolidated fiscal year (January 1, 2021 to December 31, 2021)

(Units: Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of period	21,207	5,726	47,925	(491)	74,367
Changes of items during the period					
Dividend from surplus			(1,171)		(1,171)
Net income attributable to owners of the parent			4,954		4,954
Acquisition of treasury stock				(0)	(0)
Sales of treasury stock		(0)		0	0
Transfer of loss on sales of treasury stock		0	(0)		—
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	3,782	(0)	3,781
Balance at the end of period	21,207	5,726	51,708	(492)	78,149

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized gains on other securities	Deferred gains or losses on hedges	Translation adjustments	Cumulative adjustments related to retirement benefits	Total accumulated other comprehensive income		
Balance at the beginning of period	1,478	(1)	(1,683)	132	(74)	874	75,167
Changes of items during the period							
Dividend from surplus							(1,171)
Net income attributable to owners of the parent							4,954
Acquisition of treasury stock							(0)
Sales of treasury stock							0
Transfer of loss on sales of treasury stock							—
Net changes of items other than shareholders' equity	200	1	2,052	40	2,294	10	2,304
Total changes of items during the period	200	1	2,052	40	2,294	10	6,086
Balance at the end of period	1,678	—	368	172	2,219	884	81,253

(4) Consolidated Statements of Cash Flows

(Units: Millions of yen)

	Previous consolidated fiscal year (April 1, 2020 to December 31, 2020)	Current consolidated fiscal year (January 1, 2021 to December 31, 2021)
Cash flows from operating activities		
Net income before income taxes and non-controlling interests	3,239	7,705
Depreciation	4,954	6,685
Amortization of goodwill	66	82
Foreign exchange (gains) losses	(75)	230
(Gains) losses on sales of investment securities	(163)	—
Increase (decrease) in allowance for doubtful accounts	(16)	45
Increase (decrease) in accrued bonuses to employees	(771)	1,219
Increase (decrease) in retirement benefit liabilities	(61)	142
Increase (decrease) in accrued retirement benefits to directors	(95)	(34)
Increase (decrease) in accrued stock-based benefits to directors and officers	6	50
Increase (decrease) in accrued bonuses to directors	(42)	87
Interest income and dividend income	(177)	(198)
Interest expenses	212	269
(Gains) Losses on sales or disposal of property, plant, and equipment	42	47
Impairment loss	21	1,223
(Increase) decrease in notes and accounts receivable	2,384	(5,357)
(Increase) decrease in inventories	1,709	(3,740)
(Increase) decrease in other current assets	211	(243)
Increase (decrease) in accounts payable	(1,071)	1,976
Increase (decrease) in other current liabilities	638	(575)
Others	69	(151)
Subtotal	11,082	9,464
Interest and dividend income received	180	196
Interest expenses paid	(176)	(263)
Income taxes paid	(1,062)	(1,116)
Cash flows from operating activities	10,024	8,280
Cash flows from investing activities		
Payments for purchase of property, plant and equipment	(2,876)	(3,478)
Proceeds from sales of property, plant and equipment	119	237
Payments for purchase of intangible assets	(226)	(220)
Payments for purchase of investments in securities	(55)	(23)
Proceeds from sale of investments in securities	208	—
(Increase) decrease in time deposits, net	424	112
Others	27	136
Cash flows from investing activities	(2,379)	(3,236)

(Units: Millions of yen)

	Previous consolidated fiscal year (April 1, 2020 to December 31, 2020)	Current consolidated fiscal year (January 1, 2021 to December 31, 2021)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings, net	389	(6,165)
Proceeds from long-term borrowings	2,002	11
Repayment of long-term borrowings	(1,569)	(2,780)
Proceeds from issuance of bonds	9,932	—
Payments for redemption of bonds	(237)	(474)
Cash dividends paid	(1,377)	(1,171)
Proceeds from sales of treasury stock	19	0
Payments for acquisition of treasury stock	(1,756)	(0)
Cash dividends paid to non-controlling interests	(5)	(112)
(Increase) decrease in money held in trust for acquisition of treasury stock	755	—
Others	(655)	(834)
Cash flows from financing activities	7,497	(11,527)
Effect of exchange rate changes on cash and cash equivalents	164	777
Net increase (decrease) in cash and cash equivalents	15,308	(5,706)
Cash and cash equivalents at the beginning of the period	17,920	33,364
Net increase (decrease) in cash and cash equivalents due to the change in the fiscal period	136	—
Cash and cash equivalents at the end of the period	33,364	27,658

(5) Notes to Consolidated Financial Statements

(Notes regarding Going Concern Assumptions)

None

(Segment Information, etc.)

[Segment Information]

1. Overview of reporting segments

Reporting segments of the Company group are those whose financial information is separately available among constitutional units of our group and which the Company' board of directors periodically examine to determine allocation of management resources and evaluate business results.

The Company group makes the domestic and overseas comprehensive strategy by product and service to conduct business activities, and it operates valve manufacturing business, brass bar manufacturing business and hotel and restaurant business.

Therefore, the Company group is composed from business segments by product and service, and valve manufacturing business and brass bar manufacturing business are reporting segments.

Valve manufacturing business manufactures and sells bronze valves, steel valves, other valve-related products, and filter-related products and their accessories. Brass bar manufacturing business manufactures and sells brass bars and their fabricated items.

2. Calculation methods for sales, income or loss, assets, liabilities and other items by reporting segment

The accounting methods for reporting business segments are the same as methods for preparation of consolidated financial statements.

Income of reporting segments is a value based on operating income. Sales and transfer-intersegment are based on actual market value.

3. Information concerning reporting segment sales, income or loss, assets, liabilities and other items

Previous consolidated fiscal year (April 1, 2020, to December 31, 2020)

(Units: Millions of yen)

	Valve manufacturing business	Brass bar manufacturing business	Others (Note 1)	Adjustments (Notes 2, 4)	Amount reported on consolidated financial statements (Note 3)
Net sales					
Sales-outside customers	70,129	12,952	1,163	—	84,245
Sales and transfer-intersegment	85	1,101	19	(1,207)	—
Total	70,214	14,054	1,183	(1,207)	84,245
Segment income (loss)	6,708	(146)	(254)	(2,555)	3,751
Segment assets (Note 4)	—	—	—	140,681	140,681
Other items					
Depreciation	4,041	791	76	38	4,948
Amortization of goodwill	59	7	—	—	66

Current consolidated fiscal year (January 1, 2021, to December 31, 2021)

(Units: Millions of yen)

	Valve manufacturing business	Brass bar manufacturing business	Others (Note 1)	Adjustments (Notes 2, 4)	Amount reported on consolidated financial statements (Note 3)
Net sales					
Sales-outside customers	106,754	27,366	1,668	—	135,790
Sales and transfer-intersegment	222	2,494	26	(2,743)	—
Total	106,977	29,860	1,695	(2,743)	135,790
Segment income (loss)	12,088	665	(243)	(3,519)	8,990
Segment assets (Note 4)	—	—	—	143,419	143,419
Other items					
Depreciation	5,461	1,063	107	51	6,682
Amortization of goodwill	82	—	—	—	82

(Note) 1. The “other” category is a business segment that is not included in the reporting segments. This category mainly comprises the hotel and restaurant businesses.

2. Details of adjustments are as follows.

Segment income (Units: Millions of yen)

	Previous consolidated fiscal year	Current consolidated fiscal year
Elimination of transactions between segments	(8)	(23)
Corporate expenses*	(2,546)	(3,496)
Total	(2,555)	(3,519)

Depreciation (Units: Millions of yen)

	Previous consolidated fiscal year	Current consolidated fiscal year
Corporate expenses*	38	51
Total	38	51

*Corporate expenses are mainly expenses for head office general affairs, personnel, accounting, corporate planning, and other departments and include maintenance costs for the head office building located in the Makuhari area of Chiba City.

3. Segment income or loss is adjusted to match operating income in the consolidated statements of income.

4. Segment assets represents only total amount because companies (parent company and consolidated subsidiaries) are management categories.

5. Amount of segment liabilities is not regularly provided to or used at the board of directors of the Company.

(Per share information)

Previous consolidated fiscal year (April 1, 2020 to December 31, 2020)	Current consolidated fiscal year (January 1, 2021 to December 31, 2021)
Net assets per share 828.76 yen	Net assets per share 896.55 yen
Net income per share 23.38 yen	Net income per share 55.26 yen

(Note) 1. Diluted net income per share is not stated because of no dilutive shares.

2. The basis for calculation of net income per share is as follows.

Item	Previous consolidated fiscal year (April 1, 2020 to December 31, 2020)	Current consolidated fiscal year (January 1, 2021 to December 31, 2021)
(Net income per share)		
Net income attributable to owners of the parent (Millions of yen)	2,113	4,954
Amount not attributable to common shareholders (Millions of yen)	—	—
Net income attributable to owners of the parent related to common stock (Millions of yen)	2,113	4,954
Average number of shares outstanding during the period (shares)	90,397,812	89,643,016

3. The Company's shares held by the executive compensation BIP trust are included in treasury stock, which is deducted from the total shares issued at the end of period in calculating net asset per share. (Previous consolidated fiscal year: 477,535 shares, current consolidated fiscal year: 477,535 shares)

They are also included in treasury stock, which is deducted in calculating the average number of shares outstanding during the period to calculate net income per share. (Previous consolidated fiscal year: 493,594 shares, current consolidated fiscal year: 477,535 shares)

(Significant subsequent events)

None

4. Unconsolidated Financial Statements

(1) Balance Sheets

(Units: Millions of yen)

	Previous fiscal year (December 31, 2020)	Current fiscal year (December 31, 2021)
Assets		
Current assets		
Cash in hand and in banks	23,870	19,114
Notes receivable-trade	759	371
Electronically recorded monetary claims	5,328	6,489
Accounts receivable-trade	6,692	8,703
Merchandise and finished goods	2,734	3,408
Work in process	2,402	2,374
Raw materials and supplies	1,442	1,501
Short-term loans receivable	5,435	6,931
Others	1,044	1,771
Less: Allowance for doubtful accounts	(2)	(2)
Total current assets	49,707	50,664
Fixed assets		
Property, plant and equipment		
Buildings	2,515	2,438
Structures	391	362
Machinery and equipment	3,775	3,501
Tool, furniture, and fixtures	4,476	4,352
Land	3,758	3,316
Construction in progress	888	1,797
Others	116	110
Total property, plant and equipment	15,921	15,878
Intangible assets	5,304	3,836
Investments and other assets		
Investment securities	4,473	4,778
Investment in subsidiaries and associates	28,574	29,173
Long-term loans receivable	6,776	3,603
Deferred tax assets	191	487
Others	1,968	1,642
Less: Allowance for doubtful accounts	(2,442)	—
Total investments and other assets	39,544	39,685
Total fixed assets	60,770	59,400
Total assets	110,478	110,065

(Units: Millions of yen)

	Previous fiscal year (December 31, 2020)	Current fiscal year (December 31, 2021)
Liabilities		
Current liabilities		
Accounts payable-trade	3,428	5,795
Current portion of corporate bonds	474	10,474
Short-term borrowings	12,228	7,238
Current portion of long-term borrowings	1,654	1,422
Income taxes payable	—	1,766
Accrued bonuses to employees	482	1,196
Accrued bonuses to directors	19	45
Others	2,479	2,600
Total current liabilities	20,767	30,540
Long-term liabilities		
Corporate bonds	31,192	20,717
Long-term borrowings	5,174	3,752
Accrued stock-based benefits to directors and officers	182	233
Others	1,281	1,236
Total long-term liabilities	37,831	25,940
Total liabilities	58,599	56,481
Net assets		
Shareholders' equity		
Common stock	21,207	21,207
Capital surplus		
Capital reserve	5,715	5,715
Total capital surplus	5,715	5,715
Retained earnings		
Other retained earnings		
Retained earnings brought forward	24,001	25,492
Total retained earnings	24,001	25,492
Treasury stock	(491)	(492)
Total shareholders' equity	50,431	51,922
Valuation and translation adjustments		
Net unrealized gains on other securities	1,448	1,661
Deferred gains or losses on hedges	(1)	—
Total valuation and translation adjustments	1,446	1,661
Total net assets	51,878	53,584
Total liabilities and net assets	110,478	110,065

(2) Statements of Income

(Units: Millions of yen)

	Previous fiscal year (April 1, 2020 to December 31, 2020)	Current fiscal year (January 1, 2021 to December 31, 2021)
Net sales	41,786	60,041
Cost of sales	31,268	44,573
Gross profit	10,518	15,467
Selling, general and administrative expenses	9,763	13,204
Operating income	755	2,262
Non-operating income		
Interest income and dividend income	1,565	3,051
Insurance income	19	100
Exchange gains	14	—
Miscellaneous income	111	177
Total non-operating income	1,711	3,330
Non-operating expenses		
Interest expenses	162	211
Sales discount	123	168
Exchange losses	—	114
Miscellaneous loss	313	82
Total non-operating expenses	598	577
Ordinary income	1,868	5,015
Extraordinary income		
Gains on sales of property, plant and equipment	0	60
Gains on sales of investment securities	164	—
Gains on sales of investment real estate	1	32
Total extraordinary income	165	92
Extraordinary loss		
Loss on sales or disposal of property, plant, and equipment	22	74
Impairment loss	21	747
Loss on revaluation of investment securities	0	—
Loss on revaluation of investment in subsidiaries and associates	228	—
Loss on waiver of claims to subsidiaries and associates	—	1,058
Others	13	19
Total extraordinary loss	286	1,900
Net income before income taxes	1,746	3,207
Income taxes-current	118	914
Income taxes-deferred	191	(370)
Total income taxes	309	544
Net income	1,436	2,662

(3) Statements of Changes in Net Assets

Previous fiscal year (April 1, 2020 to December 31, 2020)

(Units: Millions of yen)

	Shareholders' equity					
	Common stock	Capital surplus		Retained earnings	Treasury stock	Total shareholders' equity
		Capital reserve	Other capital surplus	Other retained earnings Retained earnings brought forward		
Balance at the beginning of period	21,207	5,715	0	31,442	(6,254)	52,110
Changes of items during the period						
Dividend from surplus				(1,377)		(1,377)
Net income				1,436		1,436
Acquisition of treasury stock					(1,756)	(1,756)
Sales of treasury stock					19	19
Cancellation of treasury stock			(0)	(7,499)	7,499	—
Net changes of items other than shareholders' equity						
Total changes of items during the period	—	—	(0)	(7,440)	5,762	(1,678)
Balance at the end of period	21,207	5,715	—	24,001	(491)	50,431

	Valuation and translation adjustments			Total net assets
	Net unrealized gains on other securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at the beginning of period	847	5	852	52,962
Changes of items during the period				
Dividend from surplus				(1,377)
Net income				1,436
Acquisition of treasury stock				(1,756)
Sales of treasury stock				19
Cancellation of treasury stock				—
Net changes of items other than shareholders' equity	600	(6)	594	594
Total changes of items during the period	600	(6)	594	(1,084)
Balance at the end of period	1,448	(1)	1,446	51,878

Current fiscal year (January 1, 2021 to December 31, 2021)

(Units: Millions of yen)

	Shareholders' equity					
	Common stock	Capital surplus		Retained earnings	Treasury stock	Total shareholders' equity
		Capital reserve	Other capital surplus	Other retained earnings		
				Retained earnings brought forward		
Balance at the beginning of period	21,207	5,715	—	24,001	(491)	50,431
Changes of items during the period						
Dividend from surplus				(1,171)		(1,171)
Net income				2,662		2,662
Acquisition of treasury stock					(0)	(0)
Sales of treasury stock			(0)		0	0
Transfer of loss on sales of treasury stock			0	(0)		—
Net changes of items other than shareholders' equity						
Total changes of items during the period	—	—	—	1,491	(0)	1,490
Balance at the end of period	21,207	5,715	—	25,492	(492)	51,922

	Valuation and translation adjustments			Total net assets
	Net unrealized gains on other securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at the beginning of period	1,448	(1)	1,446	51,878
Changes of items during the period				
Dividend from surplus				(1,171)
Net income				2,662
Acquisition of treasury stock				(0)
Sales of treasury stock				0
Transfer of loss on sales of treasury stock				—
Net changes of items other than shareholders' equity	213	1	214	214
Total changes of items during the period	213	1	214	1,705
Balance at the end of period	1,661	—	1,661	53,584

5. Other

(1) Change in director (scheduled on March 29, 2022)

Director to be retired

Current director Toshiaki Natori

(Note) Director Toshiaki Natori retired as Vice President and Executive Officer on December 31, 2021 and became Director and Chairman of KITZ SCT CORPORATION on January 1, 2022.

(2) Other

None