

Consolidated Financial Results for the Fiscal Year December 2022

(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 13, 2023

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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, 2023
 Date of Dividend Payment (Planned): March 13, 2023
 Date of Financial Statement Filing (Planned): March 29, 2023
 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, 2022 – Dec. 31, 2022)

(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 2022	159,914	17.8	11,051	22.9	12,045	34.2	8,549	72.6
FY December 2021	135,790	—	8,990	—	8,975	—	4,954	—

(Note) Comprehensive Income: ¥12,163 million in FY Dec. 2022 (64.7%) ¥7,384 million in FY Dec. 2021 (—%)

	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 2022	95.35	95.32	10.0	8.1	6.9
FY December 2021	55.26	—	6.4	6.3	6.6

(Reference) Gain from investments in subsidiaries and affiliates accounted for by the equity method: FY Dec. 2022: — FY Dec. 2021: —

(Note) The Company changed the fiscal year-end from March to December from FY2020. Accordingly, year-over-year change figures are not presented above.

(Note) Diluted earnings per share for the fiscal year ending December 31, 2021 is not shown in the above table, as there are no residual shares.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Million Yen	Million Yen	%	Yen
FY December 2022	152,569	91,042	59.0	1,002.69
FY December 2021	143,419	81,253	56.0	896.55

(Reference) Equity: ¥89,941 million in FY Dec. 2022 ¥80,369 million in FY Dec. 2021

(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 2022	8,541	(7,471)	(5,567)	24,076
FY December 2021	8,280	(3,236)	(11,527)	27,658

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 2021	—	9.00	—	11.00	20.00	1,802	36.2	2.3
FY December 2022	—	15.00	—	18.00	33.00	2,973	34.6	3.5
FY December 2023 (Planned)	—	16.00	—	17.00	33.00		34.4	

3. Consolidated Financial Forecasts for the Fiscal Year December 2023 (Jan. 1, 2023–Dec. 31, 2023)

(% 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
H1 FY December 2023	79,600	3.5	5,500	(1.8)	5,840	(4.8)	4,100	(1.1)	45.72
FY December 2023	167,000	4.4	11,900	7.7	12,300	2.1	8,600	0.6	95.91

* 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: Yes

2. Other changes: None

3. Changes in accounting estimates: Yes

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 2022	90,396,511 shares	FY December 2021	90,396,511 shares
FY December 2022	697,124 shares	FY December 2021	753,976 shares
FY December 2022	89,663,099 shares	FY December 2021	89,643,016 shares

(Note) The shares held within the BIP trust accounts are included in term-end treasury stocks. (FY December 2022: 418,587 shares, FY December 2021: 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 2022: 444,618 shares, FY December 2021: 477,535 shares)

(Reference) Fiscal Year December 2022 Non-Consolidated Financial Results (Jan. 1, 2022 – Dec. 31, 2022)

(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 2022	69,338	15.5	2,067	(8.6)	4,657	(7.1)	4,120	54.8
FY December 2021	60,041	—	2,262	—	5,015	—	2,662	—

	Net Income per Share	Net Income per Share (Diluted)
	Yen	Yen
FY December 2022	45.95	45.94
FY December 2021	29.70	—

(Note) The Company changed the fiscal year-end from March to December from FY2020. Accordingly, year-over-year change figures are not presented above.

(Note) Diluted earnings per share for the fiscal year ending December 31, 2021 is not shown in the above table, as there are no residual shares.

(2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Million Yen	Million Yen	%	Yen
FY December 2022	107,706	55,645	51.6	620.13
FY December 2021	110,065	53,584	48.7	597.75

(Reference) Equity: ¥55,625 million in FY Dec. 2022 ¥53,584 million in FY Dec. 2021

* 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 15, 2023.

1. Overview of results of operations

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

In the global economy for the current consolidated fiscal year, there was a recovery of economic activities because measures, such as vaccinations for COVID-19, resulted in a lifting of the behavioral and immigration restrictions. Meanwhile, the uncertainty about the prospects was unchanged because the geopolitical risk caused by the zero-COVID policy of China and the Russian invasion of Ukraine led to confusion in the supply chain and deteriorated inflation due to increased prices of energy resources and raw materials. The Japanese economy started to show a recovery trend because a rise in vaccinations for COVID-19 resulted in mitigation of behavioral restrictions, including complete lifting of the quasi-emergency coronavirus measures. But the situation remained severe because of the resumption of the spread of the variant, sharply increased prices for energy resources and raw materials which are associated with geopolitical risks, and a rapid depreciation of the Japanese yen arising from global rate hikes for controlling inflation.

Under such situations, for the current consolidated fiscal year, there were the effects of price revisions, which were made in the previous and current periods, and continued strength of semiconductor manufacturing equipment in the domestic market in the valve manufacturing business. Also, at overseas markets in the business, there were the effects of the exchange rate and revenue growth for the Americas and ASEAN. The brass bar manufacturing business recorded revenue growth due to higher sale prices accompanying rising raw-material prices and an increase in sales volumes. As a result, total net sales were up 17.8% YoY to ¥159,914 million.

Operating income was up 22.9% YoY to ¥11,051 million because of continued solidity for semiconductor manufacturing equipment in the valve manufacturing business and profit growth resulting from revenue growth in the Japanese and overseas markets arising from the economic recovery. Ordinary income was 34.2% YoY to ¥12,045 million because of exchange gains arising from the yen depreciation, and net income attributable to owners of the parent was up 72.6% YoY to ¥8,549 million.

The company applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) from the beginning of the current consolidated fiscal year. Compared with the conventional method, net sales decreased ¥1,025 million; cost of sales decreased ¥408 million; selling, general, and administrative expenses decreased ¥311 million; and operating income decreased ¥305 million for the current consolidated fiscal year. Ordinary income and net income before income taxes increased ¥0 million, respectively. The initial balance of retained earnings decreased ¥3 million for the current fiscal year.

Each segment results are as follows:

- Valve manufacturing business

External sales in the valve manufacturing business were up 17.3% YoY to ¥125,189 million mainly due to revenue growth for semiconductor manufacturing equipment in Japan and overseas, the contribution from the effect of price revisions in the Japanese market, and the effect of the exchange rate and revenue growth for the Americas and ASEAN in overseas markets.

Operating income was up 23.9% YoY to ¥14,980 million mainly due to increased raw material prices covered by effect of price revisions and effect of revenue growth.

- Brass bar manufacturing business

External sales in the brass bar manufacturing business were up 18.8% YoY to ¥32,513 million due to increased sale unit prices accompanying the rising market prices of raw materials, which affected the market prices of products, and growth in sales volume.

Operating income was down 66.6% YoY to ¥222 million due to decreased sale unit prices accompanying rapidly decreasing market prices of raw materials during the period and increased cost of energy.

- Others

External sales in Others were up 32.6% YoY to ¥2,212 million mainly due to increased guests in the hotel business resulting from the mitigation of behavioral restrictions, including complete lifting of the quasi-emergency coronavirus measures. Operating income totaled ¥68 million (vs. an operating loss of ¥243 million in the previous year) mainly due to increased sales.

(2) Overview of financial position for the current period

Assets stood at ¥152,569 million, up ¥9,149 million from the end of the previous consolidated fiscal year, at the end of this consolidated fiscal year due to growth in inventories; property, plant, and equipment; notes, accounts receivable-trade, and contract assets despite decreased cash and deposits for payment of long-term borrowings.

Liabilities were down ¥639 million from the end of the previous consolidated fiscal year to ¥61,526 million due to factors that included decreased long-term borrowings resulting from their payment despite an increase in notes and accounts payable – trade.

Net assets increased by ¥9,789 million from December 31, 2021, to ¥91,042 million, reflecting such factors as the recording of ¥8,549 million in net income attributable to owners of the parent and increased translation adjustments despite payments of dividend.

(3) Overview of cash flows for the current period

As of December 31, 2022, cash and cash equivalents (hereinafter referred to as “funds”) amounted to ¥24,076 million, down ¥3,582 million compared with December 31, 2021.

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

- Cash flows from operating activities

With net income before income taxes and non-controlling interests of ¥12,004 million, depreciation of ¥6,809 million, an increase of ¥313 million in accounts payable, an increase of ¥4,594 million in inventories, payment of income taxes of ¥4,554 million, and an increase of ¥2,787 million in notes and accounts receivable and contract assets, cash flows from operating activities resulted in an increase of ¥8,541 million.

- Cash flows from investing activities

Cash flows from investing activities resulted in a decrease of ¥7,471 million due to such factors as payments of ¥7,024 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 payment of ¥10,474 million for redemption of bonds, payment of ¥2,343 million in dividends, and payment of ¥2,315 million in long-term borrowings despite of proceeds of ¥9,939 million from issuance of bonds, cash flows from financing activities led to a decrease of ¥5,567 million.

(Reference) Developments in indicators related to cash flows

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Equity ratio (%)	52.8	56.0	59.0
Equity ratio based on market value (%)	40.0	44.5	46.4
Interest-bearing debts/cash flow ratio (%)	492.3	479.5	449.4
Interest coverage ratio (multiple)	57.0	31.4	33.7

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

The business environment surrounding the Company group has changed faster than ever before. The spread of COVID-19 changed lifestyles and work styles, and it is now necessary to make an effort to realize a sustainable society, including decarbonization due to global warming.

In such a situation, the Company group revised the corporate philosophy “KITZ’ Statement of Corporate Mission” in February 2022 and formulated and internally and externally released the long-term management vision “Beyond New Heights 2030 - Change the Flow” and the medium-term management plan. We operate the business by progressing a shift of resources from the present core market to growth and new fields by setting the social problems of “digitalization” and “decarbonization” as growth fields while changing the earnings structure through strategic investments. Therefore, we put the focus of management on the medium- to long-term increase in the profitability of invested capital and perform target control using as the major KPI (Key Performance Indicator) ROE externally and ROIC (Return on Invested Capital) internally. Also, for ESG, we also make an effort to meet social requests.

In the valve manufacturing business, we will divide the target market into eight markets and position Building & facilities, Petrochemicals, Water treatment, and Machinery & equipment, which the Company group is good at, as core markets and further strengthen their base to build an established foundation. On the other hand, we will position the growth and new areas of Semiconductor equipment, Semiconductor materials (filters) and Fine chemicals, and Hydrogen & clean energy as growth markets to actively allocate resources and change the earnings structure.

In the brass bar manufacturing business, we seek an increase in profitability by making capital investments for cutting material costs while increasing sales of high value-added products in growth markets.

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

For the financial strategy and capital policy, we seek an increase in enterprise value by putting the focus of management on middle- to long- term increases in the profitability of invested capital and performing target control by setting as the major KPI as ROE externally and ROIC internally. On the other hand, we make strategic investments toward future growth and increases in ROE and raise funds as required.

As result of these measures, net sales, operating income, ordinary income, and net income attributable to owners of the parent are expected to be ¥167,000 million, ¥11,900 million, ¥12,300 million, and ¥8,600 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 for the present developments of business results and an increasing internal reserve to satisfy financing needs for funds for capital spending, development investments and M&A for future business expansion, payment of borrowings, and redemption of bonds while sufficiently paying attention to the continuity and stability of dividends.

We set around 35% of net income attributable to owners of the parent as the desirable level of the consolidated payout ratio, taking into account the above intention.

The dividend is basically paid twice annually at the middle and end of the period. To flexibly pay dividends from the surplus to shareholders, the board of directors serves as a decision-making body for the dividend from the surplus.

Additionally, for the purpose of an increase in capital efficiency and flexible execution of the capital policy, we will timely acquire treasury stock, taking into account developments in the stock markets and the prices of our stock and cash on hand, after consideration of the amount of investment required for medium- to long- term growth.

The Company will pay a year-end dividend of ¥18 per share for the current fiscal year, taking into account the above policy etc. Consequently, the annual dividend will be ¥33 per share, including an interim dividend (¥15 per share), for the current fiscal year, and the consolidated payout ratio will be 34.6%.

The annual dividend is expected to be ¥33 per share 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 the 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, 2021)	Current consolidated fiscal year (December 31, 2022)
Assets		
Current assets		
Cash in hand and in banks	27,943	24,370
Notes, accounts receivable-trade	19,826	—
Notes, accounts receivable-trade and contract assets	—	22,400
Electronically recorded monetary claims	10,205	11,139
Merchandise and finished goods	11,545	13,765
Work in process	6,505	7,542
Raw materials and supplies	8,757	11,699
Others	2,010	2,431
Less: Allowance for doubtful accounts	(173)	(171)
Total current assets	86,621	93,177
Fixed assets		
Property, plant, and equipment		
Buildings and structures	29,743	32,746
Accumulated depreciation	(19,489)	(20,666)
Buildings and structures, net	10,253	12,079
Machinery, equipment, and vehicles	55,768	58,306
Accumulated depreciation	(43,161)	(45,913)
Machinery, equipment, and vehicles, net	12,606	12,393
Tool, furniture, and fixtures	16,954	18,214
Accumulated depreciation	(11,680)	(12,612)
Tool, furniture, and fixtures, net	5,273	5,601
Land	9,686	9,910
Construction in progress	2,734	3,616
Others	2,451	3,586
Accumulated depreciation	(1,570)	(1,988)
Other, net	881	1,598
Total property, plant, and equipment	41,436	45,200
Intangible assets		
Goodwill	319	301
Others	4,270	2,863
Total intangible assets	4,590	3,164
Investments and other assets		
Investment securities	6,757	7,120
Retirement benefit assets	526	192
Deferred tax assets	1,322	1,409
Others	2,167	2,305
Less: Allowance for doubtful accounts	(2)	(2)
Total investments and other assets	10,772	11,027
Total fixed assets	56,798	59,392
Total assets	143,419	152,569

(Units: Millions of yen)

	Previous consolidated fiscal year (December 31, 2021)	Current consolidated fiscal year (December 31, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,037	8,975
Current portion of corporate bonds	10,474	312
Short-term borrowings	816	856
Current portion of long-term borrowings	2,284	1,985
Income taxes payable	2,474	1,356
Consumption taxes payable	135	220
Accrued bonuses to employees	2,575	2,872
Accrued bonuses to directors and officers	192	252
Others	5,948	6,503
Total current liabilities	32,939	23,335
Long-term liabilities		
Corporate bonds	20,717	30,405
Long-term borrowings	4,575	3,361
Deferred tax liabilities	828	826
Accrued retirement benefits to directors and officers	230	271
Accrued stock-based benefits to directors and officers	233	197
Retirement benefit liabilities	737	744
Asset retirement obligations	421	500
Others	1,480	1,884
Total long-term liabilities	29,226	38,190
Total liabilities	62,166	61,526
Net assets		
Shareholders' equity		
Common stock	21,207	21,207
Capital surplus	5,726	5,729
Retained earnings	51,708	57,911
Treasury stock	(492)	(460)
Total shareholders' equity	78,149	84,387
Accumulated other comprehensive income		
Net unrealized gains on other securities	1,678	1,916
Translation adjustments	368	3,716
Cumulative adjustments related to retirement benefits	172	(79)
Total accumulated other comprehensive income	2,219	5,553
Equity warrants	—	20
Non-controlling interests	884	1,081
Total net assets	81,253	91,042
Total liabilities and net assets	143,419	152,569

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

(Units: Millions of yen)

	Previous consolidated fiscal year (January 1, 2021 to December 31, 2021)	Current consolidated fiscal year (January 1, 2022 to December 31, 2022)
Net sales	135,790	159,914
Cost of sales	101,328	121,094
Gross profit	34,461	38,819
Selling, general and administrative expenses	25,470	27,768
Operating income	8,990	11,051
Non-operating income		
Interest income	33	64
Dividend income	164	214
Exchange gains	84	387
Subsidy income	161	239
Miscellaneous income	487	625
Total non-operating income	931	1,532
Non-operating expenses		
Interest expenses	269	254
Sales discount	313	—
Loss on sales of notes receivable-trade	55	75
Bond issuance expenses	—	60
Miscellaneous loss	308	147
Total non-operating expenses	946	538
Ordinary income	8,975	12,045
Extraordinary income		
Gains on sales of property, plant, and equipment	70	46
Gains on sales of investment real estate	32	—
Others	0	0
Total extraordinary income	102	46
Extraordinary loss		
Loss on sales or disposal of property, plant, and equipment	117	77
Impairment loss	1,223	—
Others	31	9
Total extraordinary loss	1,372	87
Net income before income taxes and non-controlling interests	7,705	12,004
Income taxes-current	3,279	3,353
Income taxes-deferred	(665)	(77)
Total income taxes	2,614	3,275
Net income	5,091	8,729
Net income attributable to non-controlling interests	136	179
Net income attributable to owners of the parent	4,954	8,549

(Consolidated Statements of Comprehensive Income)

(Units: Millions of yen)

	Previous consolidated fiscal year (January 1, 2021 to December 31, 2021)	Current consolidated fiscal year (January 1, 2022 to December 31, 2022)
Net income	5,091	8,729
Other comprehensive income		
Net unrealized gains on other securities	200	237
Deferred gains or losses on hedges	1	—
Translation adjustments	2,051	3,447
Remeasurements of retirement benefits	40	(251)
Total other comprehensive income	2,293	3,433
Comprehensive income	7,384	12,163
(Breakdown)		
Comprehensive income attributable to owners of the parent	7,248	11,884
Comprehensive income attributable to non-controlling interests	136	279

(3) Consolidated Statements of Changes in Net Assets

Previous 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

Current consolidated fiscal year (January 1, 2022, to December 31, 2022)

(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	51,708	(492)	78,149
Cumulative effects of changes in accounting policies			(3)		(3)
Balance at the beginning of the current period reflecting changes in accounting policies	21,207	5,726	51,704	(492)	78,145
Changes of items during the period					
Dividend from surplus			(2,343)		(2,343)
Net income attributable to owners of the parent			8,549		8,549
Acquisition of treasury stock				(45)	(45)
Sales of treasury stock				35	35
Restricted stock compensation		2		42	44
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	2	6,206	32	6,241
Balance at the end of period	21,207	5,729	57,911	(460)	84,387

	Accumulated other comprehensive income				Equity warrants	Non-controlling interest	Total net assets
	Net unrealized gains on other securities	Translation adjustments	Cumulative adjustments related to retirement benefits	Total accumulated other comprehensive income			
Balance at the beginning of period	1,678	368	172	2,219	—	884	81,253
Cumulative effects of changes in accounting policies							(3)
Balance at the beginning of the current period reflecting changes in accounting policies	1,678	368	172	2,219	—	884	81,250
Changes of items during the period							
Dividend from surplus							(2,343)
Net income attributable to owners of the parent							8,549
Acquisition of treasury stock							(45)
Sales of treasury stock							35
Restricted stock compensation							44
Net changes of items other than shareholders' equity	237	3,347	(251)	3,334	20	197	3,551
Total changes of items during the period	237	3,347	(251)	3,334	20	197	9,792
Balance at the end of period	1,916	3,716	(79)	5,553	20	1,081	91,042

(4) Consolidated Statements of Cash Flows

(Units: Millions of yen)

	Previous consolidated fiscal year (January 1, 2021 to December 31, 2021)	Current consolidated fiscal year (January 1, 2022 to December 31, 2022)
Cash flows from operating activities		
Net income before income taxes and non-controlling interests	7,705	12,004
Depreciation	6,685	6,809
Amortization of goodwill	82	117
Foreign exchange (gains) losses	230	281
Increase (decrease) in allowance for doubtful accounts	45	(19)
Increase (decrease) in accrued bonuses to employees	1,219	269
Increase (decrease) in retirement benefit liabilities	142	4
Increase (decrease) in accrued retirement benefits to directors and officers	(34)	35
Increase (decrease) in accrued stock-based benefits to directors and officers	50	(35)
Increase (decrease) in accrued bonuses to directors and officers	87	57
Interest income and dividend income	(198)	(278)
Interest expenses	269	254
(Gains) Losses on sales or disposal of property, plant, and equipment	47	31
Impairment loss	1,223	—
(Increase) decrease in notes and accounts receivable	(5,357)	—
(Increase) decrease in notes and accounts receivable and contract assets	—	(2,787)
(Increase) decrease in inventories	(3,740)	(4,594)
(Increase) decrease in other current assets	(243)	(52)
Increase (decrease) in accounts payable	1,976	313
Increase (decrease) in other current liabilities	(575)	530
Others	(151)	125
Subtotal	9,464	13,066
Interest and dividend income received	196	283
Interest expenses paid	(263)	(253)
Income taxes paid	(1,116)	(4,554)
Cash flows from operating activities	8,280	8,541
Cash flows from investing activities		
Payments for purchase of property, plant, and equipment	(3,478)	(7,024)
Proceeds from sales of property, plant, and equipment	237	87
Payments for purchase of intangible assets	(220)	(389)
Payments for purchase of investments in securities	(23)	(29)
(Increase) decrease in time deposits, net	112	9
Others	136	(124)
Cash flows from investing activities	(3,236)	(7,471)

(Units: Millions of yen)

	Previous consolidated fiscal year (January 1, 2021 to December 31, 2021)	Current consolidated fiscal year (January 1, 2022 to December 31, 2022)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings, net	(6,165)	(53)
Proceeds from long-term borrowings	11	800
Repayment of long-term borrowings	(2,780)	(2,315)
Proceeds from issuance of bonds	—	9,939
Payments for redemption of bonds	(474)	(10,474)
Cash dividends paid	(1,171)	(2,343)
Proceeds from sales of treasury stock	0	35
Payments for acquisition of treasury stock	(0)	(45)
Cash dividends paid to non-controlling interests	(112)	(31)
Others	(834)	(1,079)
Cash flows from financing activities	(11,527)	(5,567)
Effect of exchange rate changes on cash and cash equivalents	777	914
Net increase (decrease) in cash and cash equivalents	(5,706)	(3,582)
Cash and cash equivalents at the beginning of the period	33,364	27,658
Cash and cash equivalents at the end of the period	27,658	24,076

(5) Notes to Consolidated Financial Statements

(Notes regarding Going Concern Assumptions)

None

(Changes in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition)

The company decided to apply the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) from the beginning of the current consolidated fiscal year and to recognize revenues at an amount expected to receive in exchange for contracted goods or services at the time when the control of the goods or services is transferred to customers. In the event the period is an ordinary one from the time of shipment of goods or products to the time of a transfer to customers of control of the goods or products at the sale of the goods or products in Japan, the company applies the alternative treatment set forth in the Paragraph 98 of Accounting Standard for Revenue Recognition and recognizes revenues at the time of shipment.

The following shows major changes arising from application of the Accounting Standard for Revenue Recognition.

(1) Revenue recognition of the consideration paid to customers

Conventionally, a part of expenses was recorded as the cost of sales and selling, general, and administrative expenses, and the sales discount was recorded as non-operating expenses. This has been changed to the method wherein the relevant expenses and sales discounts are deducted from net sales as the consideration paid to customers.

(2) Revenue recognition of agency transactions

For transactions where a role in providing customers with goods or services is applicable to the agent, revenues were conventionally recognized at the total amount of the consideration received mainly from customers. This has been changed to the method where revenues are recognized at the amount received from customers after deduction of the amount paid to suppliers.

(3) Revenue recognition of construction contracts

Conventionally, the completed contract method was applied to construction contracts. For construction contracts satisfying the performance obligation over a certain period, however, this has been changed to the method where the degree of progress is estimated for satisfaction of the performance obligation, and revenues are recognized over a certain period based on the relevant degree of progress.

The degree of progress for satisfaction of the performance obligation is estimated based on the ratio of cost incurred to estimated gross cost (input method). For construction contracts with a short contract term, revenues are not recognized over a certain period, but they are recognized at the time of complete satisfaction of the performance obligation.

(4) Revenue recognition for buy-sell transactions

Conventionally, goods supplied for compensation were recognized as extinction. In the event the obligation is assumed to buy back supplied goods, this has been changed to the method where the extinction of supplied goods is not recognized.

The Accounting Standard for Revenue Recognition is applied according to the transitional treatment set forth in the provision of Paragraph 84 of the Accounting Standard for Revenue Recognition. In the case of retrospectively applying the new accounting policies before the current consolidated fiscal year, its cumulative effect is added to or deducted from retained earnings at the beginning of the current consolidated fiscal year and then the new accounting policies are applied to the relevant initial balance. New accounting policies are not retrospectively applied to contracts whose revenues are recognized before the beginning of the current consolidated fiscal year according to the conventional treatment by applying the method set forth in Paragraph 86 of the Accounting Standard for Revenue Recognition. For modifications to contracts that were made before the beginning of the current consolidated fiscal year by applying the method set forth in the supplementary provision (1) of Paragraph 86 of the Accounting Standard for Revenue Recognition, accounting treatment was based on contract terms and conditions after reflection of all modifications to contracts, and its cumulative effect was added to or deducted from retained earnings at the beginning of the current consolidated fiscal year.

Additionally, the company presents notes, accounts receivable-trade, which were presented in current assets of the consolidated balance sheet for the previous fiscal year, in notes, accounts receivable-trade, and contract assets from the current consolidated fiscal year. The company also decided to present (increase) a decrease in notes and accounts receivable, which were presented in cash flows from operating activities in the consolidated statement of cashflow for the previous consolidated fiscal year, in the (increase) decrease in notes and accounts receivable and contract assets from the current consolidated fiscal year. According to the transitional treatment set forth in the Paragraph 89-2 of the Accounting Standard for Revenue Recognition, however, no reclassification is conducted for the previous consolidated fiscal year based on the new presentation methods.

As a result of this, notes, accounts receivable-trade, and contract assets increased ¥13 million, merchandise and finished goods increased ¥64 million, work in process decreased ¥8 million, raw materials and supplies increased ¥136 million, and other of current liabilities increased ¥205 million in the consolidated balance sheet for the current consolidated fiscal year compared to before application of the Accounting Standard for Revenue Recognition. In the consolidated statements of income for the current consolidated fiscal year, net sales decreased ¥1,025 million; cost of sales decreased ¥408 million; selling, general, and administrative expenses decreased ¥311 million; and operating income decreased ¥305 million. Ordinary income and net income before income taxes and non-controlling interests increased ¥0 million, respectively.

There was insignificant impact on the consolidated statement of cashflow for the current consolidated fiscal year.

The balance at the beginning of the period of retained earnings decreased ¥3 million in the consolidated statement of changes in net assets because of reflection of cumulative effects in net assets at the beginning of the current consolidated fiscal year.

The impact on per share information is presented in the relevant portions.

(Application of Accounting Standard for Fair Value Measurement)

The company decided to apply the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) from the beginning of the current consolidated fiscal year and to apply new accounting policies set forth in the Accounting Standard for Fair Value Measurement into the future according to the transitional treatments set forth in the Paragraph 19 of the Accounting Standard for Fair Value Measurement and the Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). This has no impact on the consolidated financial statements.

(Changes in Accounting Estimates)

According to the decision about relocation of the headquarters, the Company shortened the useful life of fixed assets not expected to be used after the relocation in the current consolidated fiscal year and changed it in the future. Also, for asset retirement obligations related to the obligation to restore site to its original condition based on the lease agreement of real estate before the relocation, estimates of the cost of restoring sites to the original condition and expected useful life were changed.

These changes reduced operating income, ordinary income, and net income before income taxes and non-controlling interests for the current consolidated fiscal year by ¥19 million.

(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 examines to determine the allocation of management resources and to evaluate business results.

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

The valve manufacturing business manufactures and sells bronze valves, steel valves, other valve-related products, as well as filter-related products and their accessories. The 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 the reporting segments is a value based on operating income. Sales and transfer-intersegment are based on actual market value.

(Application of Accounting Standard for Revenue Recognition)

As stated in the "Changes in Accounting Policies," the company has applied the Accounting Standard for Revenue Recognition from the beginning of the current consolidated fiscal year and changed the accounting treatment method for revenue recognition. The calculation methods for sales and income by business segment have similarly been changed. Compared with the conventional methods, the change decreased net sales by ¥524 million and segment income by ¥279 million in the valve manufacturing business, decreased net sales by ¥350 million and segment income by ¥26 million in the brass bar manufacturing business, and decreased net sales by ¥150 million in the others category for the current consolidated fiscal year.

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

Previous 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

Current consolidated fiscal year (January 1, 2022, to December 31, 2022)

(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	125,189	32,513	2,212	—	159,914
Sales and transfer-intersegment	231	2,055	69	(2,356)	—
Total	125,420	34,568	2,281	(2,356)	159,914
Segment income (loss)	14,980	222	68	(4,219)	11,051
Segment assets (Note 4)	—	—	—	152,569	152,569
Other items					
Depreciation	5,579	978	66	182	6,807
Amortization of goodwill	117	—	—	—	117

(Note) 1. The Others 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	(23)	(52)
Corporate expenses*	(3,496)	(4,167)
Total	(3,519)	(4,219)

Depreciation

(Units: Millions of yen)

	Previous consolidated fiscal year	Current consolidated fiscal year
Corporate expenses*	51	182
Total	51	182

*Corporate expenses are mainly expenses for head office human resources, general affairs, accounting and finance, 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 by the board of directors of the Company.

(Per share information)

Item	Previous consolidated fiscal year (January 1, 2021 to December 31, 2021)	Current consolidated fiscal year (January 1, 2022 to December 31, 2022)
Net assets per share	896.55 yen	1,002.69 yen
Net income per share	55.26 yen	95.35 yen
Diluted net income per share	- yen	95.32 yen

(Note) 1. Diluted net income per share for the previous consolidated fiscal year is not stated because of no dilutive shares.

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

Item	Previous consolidated fiscal year (January 1, 2021 to December 31, 2021)	Current consolidated fiscal year (January 1, 2022 to December 31, 2022)
(Net income per share)		
Net income attributable to owners of the parent (Millions of yen)	4,954	8,549
Amount not attributable to common shareholders (Millions of yen)	—	—
Net income attributable to owners of the parent related to common stock (Millions of yen)	4,954	8,549
Average number of common shares outstanding during the period (shares)	89,643,016	89,663,099
(Diluted net income per share)		
Adjustment in net income attributable to owners of the parent (Millions of yen)	—	—
Increase in common shares (shares)	—	25,467
(of this, equity warrants (shares))	—	25,467
Summary of dilutive shares not reflected in the calculation of diluted net income per share due to no dilutive effect	—	

3. The Company's shares held by the executive compensation BIP trust are included in the 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: 418,587 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: 477,535 shares, current consolidated fiscal year: 444,618 shares)

4. As stated in "Changes in Accounting Policies", the company applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) according to the transitional treatment set forth in the provision of Paragraph 84 of the Accounting Standard for Revenue Recognition. As a result, there was insignificant impact on per share information for the current consolidated fiscal year.

(Significant subsequent events)

None

4. Unconsolidated Financial Statements

(1) Balance Sheets

(Units: Millions of yen)

	Previous fiscal year (December 31, 2021)	Current fiscal year (December 31, 2022)
Assets		
Current assets		
Cash in hand and in banks	19,114	13,823
Notes receivable-trade	371	465
Electronically recorded monetary claims	6,489	6,748
Accounts receivable-trade	8,703	8,999
Contract assets	—	614
Merchandise and finished goods	3,408	3,917
Work in process	2,374	2,609
Raw materials and supplies	1,501	1,901
Short-term loans receivable	6,931	7,926
Others	1,771	1,834
Less: Allowance for doubtful accounts	(2)	(2)
Total current assets	50,664	48,838
Fixed assets		
Property, plant, and equipment		
Buildings	2,438	3,956
Structures	362	468
Machinery and equipment	3,501	3,274
Tool, furniture, and fixtures	4,352	4,612
Land	3,316	3,315
Construction in progress	1,797	425
Others	110	277
Total property, plant, and equipment	15,878	16,331
Intangible assets	3,836	2,412
Investments and other assets		
Investment securities	4,778	5,114
Investment in subsidiaries and associates	29,173	29,054
Long-term loans receivable	3,603	3,676
Deferred tax assets	487	481
Others	1,642	1,795
Total investments and other assets	39,685	40,123
Total fixed assets	59,400	58,867
Total assets	110,065	107,706

(Units: Millions of yen)

	Previous fiscal year (December 31, 2021)	Current fiscal year (December 31, 2022)
Liabilities		
Current liabilities		
Accounts payable-trade	5,795	5,960
Current portion of corporate bonds	10,474	312
Short-term borrowings	7,238	5,894
Current portion of long-term borrowings	1,422	1,224
Income taxes payable	1,766	670
Accrued bonuses to employees	1,196	1,333
Accrued bonuses to directors and officers	45	76
Others	2,600	2,064
Total current liabilities	30,540	17,536
Long-term liabilities		
Corporate bonds	20,717	30,405
Long-term borrowings	3,752	2,527
Accrued stock-based benefits to directors and officers	233	197
Others	1,236	1,393
Total long-term liabilities	25,940	34,524
Total liabilities	56,481	52,060
Net assets		
Shareholders' equity		
Common stock	21,207	21,207
Capital surplus		
Capital reserve	5,715	5,715
Other capital surplus	—	2
Total capital surplus	5,715	5,717
Retained earnings		
Other retained earnings		
Retained earnings brought forward	25,492	27,276
Total retained earnings	25,492	27,276
Treasury stock	(492)	(460)
Total shareholders' equity	51,922	53,741
Valuation and translation adjustments		
Net unrealized gains on other securities	1,661	1,884
Total valuation and translation adjustments	1,661	1,884
Equity warrants	—	20
Total net assets	53,584	55,645
Total liabilities and net assets	110,065	107,706

(2) Statements of Income

(Units: Millions of yen)

	Previous fiscal year (January 1, 2021 to December 31, 2021)	Current fiscal year (January 1, 2022 to December 31, 2022)
Net sales	60,041	69,338
Cost of sales	44,573	53,616
Gross profit	15,467	15,722
Selling, general and administrative expenses	13,204	13,654
Operating income	2,262	2,067
Non-operating income		
Interest income and dividend income	3,051	2,907
Insurance income	100	101
Miscellaneous income	177	109
Total non-operating income	3,330	3,118
Non-operating expenses		
Interest expenses	211	228
Sales discount	168	—
Bond issuance expenses	—	60
Exchange losses	114	131
Miscellaneous loss	82	108
Total non-operating expenses	577	529
Ordinary income	5,015	4,657
Extraordinary income		
Gains on sales of property, plant, and equipment	60	2
Gains on sales of investment real estate	32	—
Gains on extinguishment of tie-in shares	—	146
Total extraordinary income	92	149
Extraordinary loss		
Loss on sales or disposal of property, plant, and equipment	74	24
Impairment loss	747	—
Loss on waiver of claims to subsidiaries and associates	1,058	—
Others	19	3
Total extraordinary loss	1,900	27
Net income before income taxes	3,207	4,779
Income taxes-current	914	740
Income taxes-deferred	(370)	(82)
Total income taxes	544	658
Net income	2,662	4,120

(3) Statements of Changes in Net Assets

Previous 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

Current fiscal year (January 1, 2022, to December 31, 2022)

(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	—	25,492	(492)	51,922
Cumulative effects of changes in accounting policies				6		6
Balance at the beginning of the current period reflecting changes in accounting policies	21,207	5,715	—	25,498	(492)	51,928
Changes of items during the period						
Dividend from surplus				(2,343)		(2,343)
Net income				4,120		4,120
Acquisition of treasury stock					(45)	(45)
Sales of treasury stock					35	35
Restricted stock compensation			2		42	44
Net changes of items other than shareholders' equity						
Total changes of items during the period	—	—	2	1,777	32	1,812
Balance at the end of period	21,207	5,715	2	27,276	(460)	53,741

	Valuation and translation adjustments		Equity warrants	Total net assets
	Net unrealized gains on other securities	Total valuation and translation adjustments		
Balance at the beginning of period	1,661	1,661	—	53,584
Cumulative effects of changes in accounting policies				6
Balance at the beginning of the current period reflecting changes in accounting policies	1,661	1,661	—	53,590
Changes of items during the period				
Dividend from surplus				(2,343)
Net income				4,120
Acquisition of treasury stock				(45)
Sales of treasury stock				35
Restricted stock compensation				44
Net changes of items other than shareholders' equity	222	222	20	242
Total changes of items during the period	222	222	20	2,054
Balance at the end of period	1,884	1,884	20	55,645

5. Other

(1) Change in director (scheduled on March 29, 2023)

None

(2) Other

None