

Consolidated Financial Results for the First Half of the Fiscal Year Ending December 31, 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.

August 4, 2022

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 Stock Listing: Tokyo Stock Exchange Stock Code: 6498
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 Date of Financial Statement Filing (Planned): August 8, 2022
 Date of Dividend Payment (Planned): September 16, 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, 2022 – Jun. 30, 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	%
FY2022 December Q2	76,932	21.9	5,599	43.5	6,133	54.9	4,147	101.0
FY2021 December Q2	63,117	—	3,902	—	3,958	—	2,063	—

(Note) Comprehensive Income: FY2022 December Q2 : ¥9,079 million (140.1%)

FY2021 December Q2 : ¥3,781 million (—%)

	Net Income per Share	Net Income per Share (Diluted)
	Yen	Yen
FY2022 December Q2	46.27	46.26
FY2021 December Q2	23.01	—

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

Diluted earnings per share for the first half of 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
FY2022 December Q2	151,677	89,307	58.2	984.37
FY2021 December	143,419	81,253	56.0	896.55

(Reference) Equity: FY2022 December Q2 : ¥88,298 million

FY2021 December : ¥80,369 million

2. Dividends

	Annual Dividend				
	Q1	Q2	Q3	Q4	Total
	Yen	Yen	Yen	Yen	Yen
FY December 2021	—	9.00	—	11.00	20.00
FY December 2022	—	15.00	—	—	—
FY December 2022 (Planned)	—	—	—	16.00	31.00

(Note) Revisions to dividends recently announced: Yes

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
Full year	158,000	16.4	11,300	25.7	11,750	30.9	7,700	55.4	85.87

(Note)

1. Revisions to consolidated financial forecasts recently announced: Yes

※ Annotation

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

Newly consolidated: None

Removed from consolidation: None

(2) Application of special accounting procedures in the preparation of our quarterly consolidated financial statements: Yes

(3) 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: None

4. Redisplay of revisions: None

(4) Number of shares outstanding (Common stock)

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

FY2022 Dec Q2	90,396,511 shares	FY2021 Dec	90,396,511 shares
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2. Treasury stock as of term end:

FY2022 Dec Q2	696,924 shares	FY2021 Dec	753,976 shares
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3. Average during the term:

FY2022 Dec Q2	89,626,690 shares	FY2021 Dec Q2	89,643,220 shares
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* The shares held within the BIP trust accounts are included in term-end treasury stocks. (FY2022 December Q2: 418,587 shares, FY2021 December: 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. (FY2022 December Q2: 470,648 shares, FY2021 December Q2: 477,535 shares)

* 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 August 8, 2022.

1. Qualitative information about the quarterly financial results

(1) Explanation of results of operations

In the global economy for the cumulative consolidated second quarter for the current fiscal year, there was a recovery of economic activities because a rise in vaccinations for COVID-19 resulted in a lift of behavioral and immigration restrictions. But 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 concerns about inflation and, additionally, increased the 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, including a sharp price rise in energy resources and raw materials and a rapid depreciation of the Japanese yen.

For the cumulative consolidated second quarter for the current fiscal year, during such situations, the valve manufacturing business enjoyed the effect of price revisions conducted for the current and previous periods and solidness for semiconductor manufacturing equipment in the Japanese market and enjoyed the effect of the exchange rate and recorded revenue growth mainly for the Americas and ASEAN in overseas markets. 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 21.9% YoY to ¥76,932 million.

Operating income was up 43.5% YoY to ¥5,599 million because of continued solidness for semiconductor manufacturing equipment in the valve manufacturing business and profit growth resulting from revenue growth in the Japanese and overseas markets arising from an economic recovery. Ordinary income was up 54.9% YoY to ¥6,133 million, and quarterly net income attributable to owners of the parent was up 101.0% YoY to ¥4,147 million.

The company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) from the beginning of the consolidated first quarter for the fiscal year. Compared with the conventional method, net sales decreased ¥500 million, cost of sales decreased ¥187 million, selling, general, and administrative expenses decreased ¥158 million, and operating income decreased ¥154 million for the cumulative consolidated second quarter for the current fiscal year. Ordinary income and quarterly net income before income taxes decreased ¥9 million, respectively. The initial balance of retained earnings decreased ¥3 million for the current fiscal year. For more details, please see section 2 “Consolidated Financial Statements and Their Main Notes” (4) “Notes to Consolidated Financial Statements (Changes in Accounting Policies).”

Each segment results are as follows:

(i) Valve manufacturing business

External sales in the valve manufacturing business were up 20.0% YoY to ¥59,709 million mainly due to revenue growth for semiconductor manufacturing equipment in Japan and overseas, contribution of 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 38.9% YoY to ¥7,430 million mainly due to increased raw material prices covered by effect of price revisions and effect of revenue growth.

(ii) Brass bar manufacturing business

External sales in the brass bar manufacturing business were up 28.3% YoY to ¥16,352 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 turned into the black mainly due to an increase in the non-adjusted ratio, but it was down 68.6% YoY to ¥144 million mainly due to an increase in the loss on consumption resulting from market prices and an increase in energy costs.

(iii) Others

External sales in Other were up 41.3% YoY to ¥870 million mainly due to increased guests in the hotel business resulting from mitigation of behavioral restrictions, including complete lifting of the quasi-emergency coronavirus measures. Operating income (loss) results showed an operating loss of ¥60 million (versus an operating loss of ¥210 million in the same period of the previous year).

(2) Explanation of financial position

As of June 30, 2022, assets increased ¥8,257 million from December 31, 2021, to ¥151,677 million mainly due to an increase in inventories, notes and accounts receivables, and property, plant, and equipment.

Liabilities were up ¥203 million from December 31, 2021, to ¥62,369 million mainly due to factors that included increased notes and accounts payable and short-term borrowings despite a decrease in income taxes payable and long-term borrowings.

Net assets increased by ¥8,054 million from December 31, 2021, to ¥89,307 million, reflecting such factors as the recording of ¥4,147 million in quarterly net income attributable to owners of the parent and increased translation adjustments despite payments of dividend.

(Cash Flow)

As of June 30, 2022, cash and cash equivalents (hereinafter referred to as “funds”) amounted to ¥25,598 million, down ¥2,060 million compared with December 31, 2021. The state and reasons for the cash flow changes during the cumulative consolidated second quarter of the current fiscal year are outlined below.

(i) Cash flows from operating activities

As a result of factors that included quarterly net income before income taxes and non-controlling interest of 6,100 million, depreciation of ¥3,327 million, an increase of ¥655 million in accounts payable, an increase of ¥544 million in other current liabilities, and the resulting increase of ¥3,350 million in inventories, payment of income taxes of ¥2,765 million, and an increase of ¥1,689 million in notes and accounts receivable and contract assets, cash flows from operating activities resulted in an increase of ¥2,693 million (an increase of ¥3,897 million for the same period of the previous fiscal year).

(ii) Cash flows from investing activities

Cash flows from investing activities resulted in a decrease of ¥3,190 million (decrease of ¥1,860 million for the same period of the previous fiscal year) due to such factors as payments of ¥3,325 million for the purchase of property, plant, and equipment mainly in the valve manufacturing business.

(iii) Cash flows from financing activities

As a result of factors that included payment of ¥1,134 million in long-term borrowings, payment of ¥991 million in dividends, and payment of ¥237 million for redemption of bonds, cash flows from financing activities led to a decrease of ¥2,921 million (a decrease of ¥8,330 million for the same period of the previous fiscal year).

(3) Explanation of forward-looking statements including consolidated financial forecasts

The consolidated financial forecasts and dividend forecasts announced on February 10, 2022, have been revised in consideration of the results for the cumulative period through the second quarter of this consolidated fiscal year.

For details of consolidated financial forecasts and dividend forecasts, please see the “Announcement on differences between financial forecasts and actual results for the cumulative consolidated second quarter for the fiscal year, revisions to full-year consolidated financial forecasts for the current period, dividend from surplus (interim dividend) and revisions to year-end dividend forecasts,” which was announced today.

2. Consolidated Financial Statements and Their Main Notes

(1) Consolidated Balance Sheets

(Units: Millions of yen)

	Previous consolidated fiscal year (December 31, 2021)	Second quarter of the current consolidated fiscal year (June 30, 2022)
Assets		
Current assets		
Cash in hand and in banks	27,943	25,714
Notes, accounts receivable-trade	19,826	—
Notes, accounts receivable-trade and contract assets	—	22,788
Electronically recorded monetary claims	10,205	10,146
Merchandise and finished goods	11,545	13,282
Work in process	6,505	7,815
Raw materials and supplies	8,757	11,297
Other	2,010	2,652
Less: Allowance for doubtful accounts	(173)	(208)
Total current assets	86,621	93,488
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	10,253	11,890
Machinery, equipment, and vehicles, net	12,606	12,754
Land	9,686	9,938
Other, net	8,889	9,037
Total property, plant and equipment	41,436	43,621
Intangible assets		
Goodwill	319	361
Others	4,270	3,551
Total intangible assets	4,590	3,913
Investments and other assets	10,772	10,653
Total fixed assets	56,798	58,188
Total assets	143,419	151,677

(Units: Millions of yen)

	Previous consolidated fiscal year (December 31, 2021)	Second quarter of the current consolidated fiscal year (June 30, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,037	9,647
Current portion of corporate bonds	10,474	10,437
Short-term borrowings	816	1,096
Current portion of long-term borrowings	2,284	2,055
Income taxes payable	2,474	1,620
Accrued bonuses to employees	2,575	2,582
Accrued bonuses to directors and officers	192	128
Others	6,083	6,312
Total current liabilities	32,939	33,881
Long-term liabilities		
Corporate bonds	20,717	20,517
Long-term borrowings	4,575	3,740
Accrued retirement benefits to directors and officers	230	249
Accrued stock-based benefits to directors and officers	233	197
Retirement benefit liabilities	737	803
Asset retirement obligations	421	430
Others	2,309	2,548
Total long-term liabilities	29,226	28,487
Total liabilities	62,166	62,369
Net assets		
Shareholders' equity		
Common stock	21,207	21,207
Capital surplus	5,726	5,726
Retained earnings	51,708	54,840
Treasury stock	(492)	(460)
Total shareholders' equity	78,149	81,314
Accumulated other comprehensive income		
Net unrealized gains on other securities	1,678	1,641
Translation adjustments	368	5,191
Cumulative adjustments related to retirement benefits	172	151
Total accumulated other comprehensive income	2,219	6,984
Equity warrants	—	8
Non-controlling interests	884	1,000
Total net assets	81,253	89,307
Total liabilities and net assets	143,419	151,677

(2) Consolidated Statements of Income and Comprehensive Income
(Consolidated Statements of Income)
(Cumulative consolidated second quarter for the fiscal year)

(Units: Millions of yen)

	Cumulative consolidated second quarter for the previous fiscal year (January 1, 2021 to June 30, 2021)	Cumulative consolidated second quarter for the current fiscal year (January 1, 2022 to June 30, 2022)
Net sales	63,117	76,932
Cost of sales	47,010	58,087
Gross profit	16,107	18,845
Selling, general and administrative expenses	12,205	13,246
Operating income	3,902	5,599
Non-operating income		
Interest income	15	27
Dividend income	80	100
Exchange gains	65	238
Insurance income	151	125
Others	249	300
Total non-operating income	563	792
Non-operating expenses		
Interest expenses	140	119
Sales discount	147	—
Others	218	138
Total non-operating expenses	506	258
Ordinary income	3,958	6,133
Extraordinary income		
Gains on sales of property, plant and equipment	6	1
Others	2	—
Total extraordinary income	9	1
Extraordinary loss		
Loss on sales or disposal of property, plant and equipment	15	31
Impairment loss	334	—
Others	3	2
Total extraordinary loss	353	34
Net income before income taxes and non-controlling interests	3,614	6,100
Income taxes	1,487	1,896
Net income	2,126	4,203
Net income attributable to non-controlling interests	62	56
Net income attributable to owners of the parent	2,063	4,147

(Consolidated Statements of Comprehensive Income)
(Cumulative consolidated second quarter for the fiscal year)

(Units: Millions of yen)

	Cumulative consolidated second quarter for the previous fiscal year (January 1, 2021 to June 30, 2021)	Cumulative consolidated second quarter for the current fiscal year (January 1, 2022 to June 30, 2022)
Net income	2,126	4,203
Other comprehensive income		
Net unrealized gains on other securities	58	(37)
Deferred gains or losses on hedges	1	—
Translation adjustments	1,612	4,934
Remeasurements of retirement benefits	(16)	(21)
Total other comprehensive income	1,654	4,875
Comprehensive income	3,781	9,079
(Breakdown)		
Comprehensive income attributable to owners of the parent	3,713	8,911
Comprehensive income attributable to non-controlling interests	67	167

(3) Consolidated Statements of Cash Flows

(Units: Millions of yen)

	Cumulative consolidated second quarter for the previous fiscal year (January 1, 2021 to June 30, 2021)	Cumulative consolidated second quarter for the current fiscal year (January 1, 2022 to June 30, 2022)
Cash flows from operating activities		
Net income before income taxes and non-controlling interests	3,614	6,100
Depreciation	3,287	3,327
Increase (decrease) in accrued bonuses to employees	826	(33)
Increase (decrease) in retirement benefit liabilities	23	1
Interest income and dividend income	(96)	(127)
Interest expenses	140	119
(Increase) decrease in notes and accounts receivable	(2,561)	—
(Increase) decrease in notes and accounts receivable and contract assets	—	(1,689)
(Increase) decrease in inventories	(2,289)	(3,350)
(Increase) decrease in other current assets	(358)	(522)
Increase (decrease) in accounts payable	1,932	655
Increase (decrease) in other current liabilities	(445)	544
Others	407	426
Subtotal	4,480	5,451
Interest and dividend income received	98	133
Interest expenses paid	(140)	(126)
Income taxes paid	(541)	(2,765)
Cash flows from operating activities	3,897	2,693
Cash flows from investing activities		
Payments for purchase of property, plant and equipment	(1,998)	(3,325)
Proceeds from sales of property, plant and equipment	10	2
Payments for purchase of intangible assets	(125)	(188)
Payments for purchase of investments in securities	(6)	(10)
(Increase) decrease in time deposits, net	110	191
Others	149	139
Cash flows from investing activities	(1,860)	(3,190)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings, net	(5,982)	178
Proceeds from long-term borrowings	11	67
Repayment of long-term borrowings	(1,202)	(1,134)
Payments for redemption of bonds	(237)	(237)
Cash dividends paid	(360)	(991)
Payments for acquisition of treasury stock	(0)	(45)
Others	(559)	(759)
Cash flows from financing activities	(8,330)	(2,921)
Effect of exchange rate changes on cash and cash equivalents	540	1,357
Net increase (decrease) in cash and cash equivalents	(5,753)	(2,060)
Cash and cash equivalents at the beginning of the period	33,364	27,658
Cash and cash equivalents at the end of the period	27,611	25,598

(4) Notes to Consolidated Financial Statements

(Notes regarding Going Concern Assumptions)

None

(Notes on remarkable changes in shareholders' equity)

None

(Application of accounting treatment peculiar to preparation of the quarterly consolidated financial statements)

Tax expenses were calculated by reasonably estimating an effective tax rate after application of tax effect accounting for net income before income taxes for the consolidated fiscal year, including the current consolidated second quarter, and then multiplying quarterly net income before income taxes by the estimated effective tax rate.

However, we adopt the method using the statutory income tax rate where the use of the estimated effective tax rate for calculation of tax expenses would result in a remarkable lack of reasonability.

(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 consolidated first quarter 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 case that 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 cost of sales and selling, general, and administrative expenses and sales discount was recorded as non-operating expenses. This has been changed to the method that 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 that 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 that 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 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 case that 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 are 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 beginning of the consolidated first quarter for the fiscal year, its cumulative effect is added to or deducted from retained earnings at the beginning of the consolidated first quarter for the 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 consolidated first quarter for the 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 consolidated first quarter for the 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 consolidated first quarter for the fiscal year.

As a result of this, for the cumulative consolidated second quarter for the current fiscal year, net sales decreased ¥500 million, cost of sales decreased ¥187 million, selling, general, and administrative expenses decreased ¥158 million, and operating income decreased ¥154 million. Ordinary income and net income before income taxes and non-controlling interests decreased ¥9 million, respectively. The initial balance of retained earnings decreased ¥3 million for the current fiscal year.

Because of the application of the Accounting Standard for Revenue Recognition, the company decided to present 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 consolidated first quarter for the 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 cumulative consolidated second quarter for the previous fiscal year, in (increase) decrease in notes and accounts receivable and contract assets from the cumulative consolidated first quarter for the fiscal year. According to the transitional treatment set forth in the Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification is conducted for the previous consolidated fiscal year and the cumulative second quarter for the previous fiscal year based on the new presentation methods.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The company decided to apply the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) from the beginning of the consolidated first quarter and 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 quarterly consolidated financial statements.

(Segment Information)

I. Cumulative consolidated second quarter of the previous fiscal year. (January 1, 2021, to June 30, 2021)

1. Information concerning reporting segment sales and earnings/losses

(Units: Millions of yen)

	Valve manufacturing business	Brass bar manufacturing business	Others (Note 1)	Adjustments (Note 2)	Amount on the quarterly consolidated statement of income (Note 3)
Net sales					
Sales-outside customers	49,757	12,743	616	—	63,117
Sales and transfer-intersegment	95	1,183	11	(1,290)	—
Total	49,853	13,927	627	(1,290)	63,117
Segment income (loss)	5,348	460	(210)	(1,696)	3,902

(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. Adjustments in segment income or loss of (¥1,696 million) include elimination of transactions between segments of (¥20 million) and corporate expenses not allocated to reporting segments of (¥1,676 million). 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.

2. Information concerning Impairment Loss on Fixed Assets or Goodwill by Reportable Segment

None

II. Cumulative consolidated second quarter of the current fiscal year. (January 1, 2022, to June 30, 2022)

1. Information concerning reporting segment sales and earnings/losses

(Units: Millions of yen)

	Valve manufacturing business	Brass bar manufacturing business	Others (Note 1)	Adjustments (Note 2)	Amount on the quarterly consolidated statement of income (Note 3)
Net sales					
Sales-outside customers	59,709	16,352	870	—	76,932
Sales and transfer-intersegment	137	1,155	37	(1,330)	—
Total	59,846	17,507	908	(1,330)	76,932
Segment income (loss)	7,430	144	(60)	(1,915)	5,599

(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. Adjustments in segment income or loss of (¥1,915 million) include elimination of transactions between segments of (¥31 million) and corporate expenses not allocated to reporting segments of (¥1,883 million). Corporate expenses are mainly expenses for head office human resources, general affairs, accounting and finance center, 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.

2. Information concerning Impairment Loss on Fixed Assets or Goodwill by Reportable Segment

None

3. Matters regarding changes in reporting segments

As stated in the “Changes in Accounting Policies,” the company has applied the Accounting Standard for Revenue Recognition from the beginning of the consolidated first quarter 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 ¥261 million and segment income by ¥140 million in the valve manufacturing business, decreased net sales by ¥181 million and segment income by ¥14 million in the brass bar manufacturing business, and decreased net sales by ¥57 million in the “other” category for the cumulative consolidated second quarter for the current fiscal year.

(Significant subsequent events)

The company adopted the comprehensive resolution on issuance of unsecured domestic straight corporate bonds (Sustainability-Linked bonds) at the board of directors’ meeting held on August 4, 2022. The overview of the resolution is as follows.

Unsecured domestic straight corporate bonds

(1) Total amount of issue	Upper limit: ¥10,000 million It is allowed to issue the bonds several times within the amount.
(2) Planned period of issue	From September 1, 2022, to the last day of October 2022
(3) Amount of each corporate bonds offered	¥100 million
(4) Interest rate on corporate bonds offered	1.00% or less per year
(5) Amount paid	¥100 in cash per ¥100 of corporate bonds
(6) Time of maturity	5 years
(7) Redemption method	Bullet maturity amortization It shall be allowed to conduct redemption by purchase.
(8) Security	The bonds are not secured nor guaranteed.
(9) Financial covenant	The negative pledge clause (inter-bond <i>pari passu</i> clause) is established.
(10) Use of funds	Funds for redemption of corporate bonds
(11) Other	Decision on total amount, interest rate, date of payment, and other terms and conditions necessary for issuance of corporate bonds offered shall be left to the discretion of the president and CEO with the above-mentioned range. The president and CEO shall report the details of the decision at the first board of directors’ meeting held after the decision.