

Financial Review

Long-term Business Performance Trends

Operating Results	FY2018	FY2019	FY2020	FY2021	FY2022
Net sales (Millions of yen)	96,846	103,400	107,280	118,176	145,302
Operating income (Millions of yen)	5,582	7,639	8,283	8,456	12,673
Operating margin (ROS) (%)	5.8%	7.4%	7.7%	7.2%	8.7%
Equity in earnings of affiliates (Millions of yen)	1,925	2,116	2,311	2,073	2,224
Ordinary income (Millions of yen)	8,074	9,735	9,916	12,829	23,570
Net income attributable to owners of parent (Millions of yen)	4,706	6,789	6,618	9,023	16,329

Financial Status	FY2018	FY2019	FY2020	FY2021	FY2022
Total assets (Millions of yen)	132,680	142,660	154,857	169,172	204,604
Net assets (Millions of yen)	97,739	99,260	103,959	109,954	121,995
Equity ratio (%)	67.9	65.9	63.6	61.4	56.4
Interest-bearing liabilities (Millions of yen)	4,007	13,426	20,209	23,077	35,678
D/E ratio (times)	0.05	0.14	0.21	0.22	0.31
Return on Equity (ROE) (%)	5.1	7.4	6.9	8.9	14.9

Indicator per share	FY2018	FY2019	FY2020	FY2021	FY2022
Net income per share (Yen)	37.46	54.1	52.92	72.13	135.45
Net assets per share (Yen)	718.68	750.32	787.01	830.44	960.96
Dividends per share (Yen)	10	11	12	15	22
Dividend payout ratio (%)	26.7	20.3	22.7	20.8	16.2

Other, net	FY2018	FY2019	FY2020	FY2021	FY2022
Capital investment (Millions of yen)	3,110	4,869	6,563	5,930	9,639
Depreciation and amortization (Millions of yen)	2,943	3,102	3,768	4,318	4,837
R&D expenses (Millions of yen)	5,247	4,839	5,107	4,948	5,144

*FY2018: November 2017 to October 2018
 FY2019: November 2018 to October 2019
 FY2020: November 2019 to October 2020
 FY2021: November 2020 to October 2021
 FY2022: November 2021 to October 2022

Consolidated Balance Sheet: Assets

(Unit: Millions of yen)

	As of October 31, 2021	As of October 31, 2022
ASSETS		
Current assets:		
Cash and deposits	19,755	22,300
Notes and accounts receivable-trade	33,902	—
Notes, accounts receivable-trade, and contract assets	—	49,702
Marketable securities	300	—
Merchandise and finished products	32,542	38,411
Work in process	9,554	10,250
Raw materials and supplies	5,748	7,531
Other, net	3,617	4,748
Allowance for doubtful accounts	(214)	(107)
Total current assets	105,203	132,836
Fixed assets:		
Property, plant and equipment:		
Buildings and structures, net	12,848	13,992
Machinery, equipment and vehicles, net	9,293	10,018
Land	12,145	12,389
Construction in progress	1,263	5,006
Other property, plant and equipment, net	1,731	1,739
Total property and equipment	37,281	43,145
Intangible fixed assets:		
Goodwill	4,081	3,419
Other, net	1,558	1,412
Total intangible assets	5,639	4,831
Investments and other assets:		
Investments securities	18,441	21,038
Long-term loans	318	318
Deferred tax assets	918	1,061
Net defined benefit asset	104	77
Other, net	1,398	1,465
Allowance for doubtful accounts	(130)	(166)
Total investments and other assets	21,048	23,793
Total fixed assets	63,968	71,768
Total assets	169,172	204,604

Consolidated Balance Sheet: Liabilities and net assets

(Unit: Millions of yen)

	As of October 31, 2021	As of October 31, 2022
LIABILITIES		
Current liabilities:		
Notes and accounts payable-trade	16,710	20,985
Short-term loan payable	6,089	22,653
Accounts payable-other	7,051	8,678
Income taxes payable	2,842	4,765
Provision for bonuses	1,628	1,713
Provision for environmental measures	280	394
Other, net	1,031	3,680
Total current liabilities	35,630	62,868
Long-term liabilities:		
Long-term loan payable	16,303	12,280
Deferred tax liabilities	1,603	1,398
Provision for directors' retirement benefits	414	488
Provision for environmental measures	164	210
Net defined benefit liability	4,130	4,394
Asset retirement obligations	41	42
Other, net	934	929
Total long-term liabilities	23,587	19,741
Total liabilities	59,218	82,609
NET ASSETS		
Shareholders' equity		
Share capital	4,534	4,534
Capital surplus	37,370	37,403
Retained earnings	72,710	86,649
Treasury stock, at cost	(5,334)	(9,370)
Total Shareholders' equity	109,281	119,216
Accumulated other comprehensive income		
Valuation differences on available-for-sale securities	1,320	1,485
Foreign currency translation adjustments	(6,728)	(5,121)
Remeasurements of defined benefit plans	17	(112)
Total accumulated other comprehensive loss	(5,392)	(3,748)
Non-controlling interests	6,065	6,527
Total net assets	109,954	121,995
Total liabilities and net assets	169,172	204,604

Consolidated Statements of Income

(Unit: Millions of yen)

	Year ended October 31, 2021	Year ended October 31, 2022
Net sales	118,176	145,302
Cost of sales	89,133	111,101
Gross profits	29,043	34,201
Selling, general and administrative expenses	20,587	21,529
Operating income	8,456	12,673
Non-operating income:		
Interest income	23	50
Dividend income	231	169
Reversal of allowance for doubtful accounts	3	73
Equity in earnings of affiliates	2,073	2,224
Foreign exchange gains	1,900	8,470
Other, net	352	164
Total non-operating income	4,583	11,149
Non-operating expenses:		
Interest expenses	141	180
Non-deductible consumption tax	34	28
Other, net	35	44
Total non-operating expenses	210	251
Ordinary income	12,829	23,570
Extraordinary income:		
Gain on disposal of fixed assets	119	114
Gain on sales of investment securities	236	—
Subsidy income	—	178
Insurance income	6	112
Gain on extinguishment of tie-in shares	44	—
Total extraordinary income	406	404
Extraordinary loss:		
Loss on disposal of fixed assets	353	228
Loss on reduction of fixed assets	—	43
Impairment losses	49	—
Loss on sales of investment securities	0	—
Loss on valuation of investment securities	—	6
Loss on sales of golf club membership	1	—
Loss on valuation of golf club membership	6	—
Environmental expenses	406	461
Loss on disaster	—	117
Total extraordinary loss	815	856
Income before income taxes and non-controlling interests	12,419	23,119
Income taxes-current	3,884	6,701
Income taxes-deferred	(697)	(291)
Total income taxes	3,187	6,411
Net income	9,232	16,709
Net income attributable to non-controlling interests	209	379
Net income attributable to owners of parent	9,023	16,329

Consolidated Statements of Changes in Net Assets

Year ended October 31, 2021

(Unit: Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury stock, at cost	Total Shareholders' equity	Valuation differences on available-for-sale securities	Foreign currency translation adjustments	Remeasurement of defined benefit plans	Total accumulated other comprehensive loss		
Balance at the end of the previous period	4,534	37,081	65,314	(5,374)	101,555	1,110	(4,114)	(137)	(3,142)	5,545	103,959
Cumulative impact from changes in accounting policy					—					—	—
Balance at the end of the previous period reflecting changes in accounting policy	4,534	37,081	65,314	(5,374)	101,555	1,110	(4,114)	(137)	(3,142)	5,545	103,959
Changes during the period											
Cash dividends			(1,626)		(1,626)						(1,626)
Net income attributable to owners of parent			9,023		9,023						9,023
Purchase of treasury stock				(2)	(2)						(2)
Disposal of treasury stock		7		42	50						50
Increase (decrease) in capital surplus due to change in equity in consolidated subsidiaries		281			281						281
Changes to items other than shareholders' equity during the period, net						210	(2,614)	154	(2,250)	520	(1,731)
Total changes during the period	—	289	7,397	40	7,725	210	(2,614)	154	(2,250)	520	5,995
Balance at the end of the period	4,534	37,370	72,710	(5,334)	109,281	1,320	(6,728)	17	(5,392)	6,065	109,954

Year ended October 31, 2022

(Unit: Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury stock, at cost	Total Shareholders' equity	Valuation differences on available-for-sale securities	Foreign currency translation adjustments	Remeasurement of defined benefit plans	Total accumulated other comprehensive loss		
Balance at the end of the previous period	4,534	37,370	72,710	(5,334)	109,281	1,320	(6,728)	17	(5,392)	6,065	109,954
Cumulative impact from changes in accounting policy			(179)		(179)					—	(179)
Balance at the end of the previous period reflecting changes in accounting policy	4,534	37,370	72,532	(5,334)	109,102	1,320	(6,728)	17	(5,392)	6,065	109,775
Changes during the period											
Cash dividends			(2,212)		(2,212)						(2,212)
Net income attributable to owners of parent			16,329		16,329						16,329
Purchase of treasury stock				(4,082)	(4,082)						(4,082)
Disposal of treasury stock		(0)		46	46						46
Increase (decrease) in capital surplus due to change in equity in consolidated subsidiaries		33			33						33
Changes to items other than shareholders' equity during the period, net						165	1,607	(129)	1,644	462	2,106
Total changes during the period	—	33	14,117	(4,036)	10,114	165	1,607	(129)	1,644	462	12,220
Balance at the end of the period	4,534	37,403	86,649	(9,370)	119,216	1,485	(5,121)	(112)	(3,748)	6,527	121,995

Consolidated Statements of Cash Flows

(Unit: Millions of yen)

	Year ended October 31, 2021	Year ended October 31, 2022
Net cash provided by operating activities		
Income before income taxes and non-controlling interests	12,419	23,119
Depreciation and amortization	3,687	4,175
Amortization of goodwill	631	662
Increase (decrease) in allowance for doubtful accounts	126	(91)
Increase in provision for bonuses	82	82
Increase in provision for environmental measures	17	161
Increase (decrease) in net defined benefit asset and liability	36	104
Increase (decrease) in provision for directors' retirement benefits	(229)	75
Interest and dividend income	(254)	(218)
Equity in earnings of affiliates	(2,073)	(2,224)
Interest expenses	141	180
Foreign exchange gains	(873)	(5,382)
Subsidy income	—	(178)
Loss on disposal of property, plant and equipment	234	114
Loss on reduction of fixed assets	—	43
Impairment losses	49	—
Gain on sales of investment securities	(236)	—
Loss on valuation of investment securities	—	6
Increase in notes and accounts receivable	(4,971)	(13,382)
Increase in inventories	(4,576)	(5,636)
Increase (decrease) in notes and accounts payable	315	(1,073)
Other, net	1,387	2,326
Sub total	5,913	2,861
Interest and dividend income received	785	952
Interest expenses paid	(135)	(183)
Income taxes paid	(2,090)	(4,790)
Income taxes refund	5	1
Net cash provided by operating activities	4,478	(1,159)
Net cash used in investing activities		
Decrease in time deposits, net	355	102
Proceeds from redemption of securities	—	300
Purchase of property, plant and equipment	(6,627)	(7,817)
Proceeds from sale of property, plant and equipment	129	180
Purchase of intangible assets	(314)	(164)
Purchase of investments in securities	(5)	(365)
Proceeds from sales of investments in securities	2,470	—
Payments of loans receivable	(629)	(324)
Payments of loans receivable	661	123
Purchase of insurance funds	(103)	(75)
Proceeds from maturity of insurance funds	198	176
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,186)	—
Subsidies received	—	178
Other, net	(260)	(138)
Net cash used in investing activities	(5,311)	(7,823)
Net cash used in financing activities		
Increase (decrease) in short-term bank loans, net	(6,304)	16,553
Proceeds from long-term loans payable	11,032	—
Repayment of long-term loans payable	(2,433)	(4,307)
Net increase in treasury stock	(2)	(4,082)
Cash dividends paid	(1,620)	(2,206)
Cash dividends paid to non-controlling interests	(41)	(119)
Other, net	(192)	(224)
Net cash used in financing activities	439	5,615
Effect of exchange rate changes on cash and cash equivalents	1,076	6,014
Net increase in cash and cash equivalents	681	2,647
Cash and cash equivalents at beginning of year	18,706	19,424
Increase in cash and cash equivalents resulting from merger	37	—
Cash and cash equivalents at end of year	19,424	22,071