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Consolidated Financial Results for the Year Ended March 31, 2023 [Japanese GAAP]

May 10, 2023

Company name: TERAOKA SEISAKUSHO CO.,LTD.

Stock exchange listing: Tokyo

Code number: 4987

URL: <https://www.teraokatape.co.jp>

Representative: Kenichi Tsuji

Representative Director & President

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Director

Phone: 03-3491-1141

Scheduled date of Annual General Meeting of Shareholders: June 22, 2023

Scheduled date of commencing dividend payments: June 23, 2023

Scheduled date of filing annual securities report: June 23, 2023

Availability of supplementary briefing material on annual financial results: Yes

Schedule of annual financial results briefing session: No

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (April 01, 2022 to March 31, 2023)

(1) Consolidated Operating Results

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit (loss)		Ordinary profit (loss)		Profit (loss) attributable to shareholders of the parent company	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2023	19,317	(14.2)	(1,690)	-	(1,421)	-	(3,607)	-
March 31, 2022	22,515	3.9	134	4.7	370	50.7	162	78.8

(Note) Comprehensive income: Fiscal year ended March 31, 2023: ¥ (3,178) million [-%]
Fiscal year ended March 31, 2022: ¥ 398 million [(69.6) %]

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary profit to total assets ratio	Operating profit to net sales ratio
Fiscal year ended March 31, 2023	Yen (142.39)	Yen -	% (13.2)	% (4.1)	% (8.8)
March 31, 2022	6.42	-	0.6	1.0	0.6

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended March 31, 2023: ¥ - million
Fiscal year ended March 31, 2022: ¥ - million

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
As of March 31, 2023	Million yen 32,630	Million yen 25,708	% 78.8	Yen 1,014.86
March 31, 2022	37,443	29,089	77.7	1,148.34

(Reference) Equity: As of March 31, 2023: ¥ 25,708 million
As of March 31, 2022: ¥ 29,089 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
Fiscal year ended March 31, 2023	Million yen 725	Million yen (742)	Million yen (266)	Million yen 4,640
March 31, 2022	(57)	(3,187)	109	4,813

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
March 31, 2022	-	5.00	-	5.00	10.00	253	155.7	0.9
March 31, 2023	-	3.00	-	3.00	6.00	151	-	0.6
Fiscal year ending								
March 31, 2024 (Forecast)	-	5.00	-	5.00	10.00		-	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024 (April 01, 2023 to March 31, 2024)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen	
First half	9,900	4.2	100	-	140	-	270	-		10.66
Full year	21,000	8.7	250	-	330	-	590	-		23.29

* Notes:

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): None

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: Yes

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

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

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

March 31, 2023: 26,687,955 shares

March 31, 2022: 26,687,955 shares

2) Number of treasury shares at the end of the period:

March 31, 2023: 1,356,004 shares

March 31, 2022: 1,355,908 shares

3) Average number of shares outstanding during the period:

Fiscal Year ended March 31, 2023: 25,331,988 shares

Fiscal Year ended March 31, 2022: 25,332,253 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (April 01, 2022 to March 31, 2023)

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

	Net sales		Operating profit (loss)		Ordinary profit (loss)		Net income (loss)	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended								
March 31, 2023	18,572	(15.9)	(1,186)	-	(846)	-	(7,232)	-
March 31, 2022	22,076	3.6	455	20.8	756	29.8	555	18.1

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal year ended		
March 31, 2023	(285.49)	-
March 31, 2022	21.94	-

(2) Non-consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of				
March 31, 2023	27,151	21,449	79.0	846.75
March 31, 2022	35,889	28,731	80.1	1,134.18

(Reference) Equity: As of March 31, 2023: ¥ 21,449 million
As of March 31, 2022: ¥ 28,731 million

Table of Contents - Attachments

1. Overview of Operating Results, etc.	2
(1) Overview of Operating Results for the Fiscal Year under Review	2
(2) Overview of Financial Position for the Fiscal Year under Review	3
(3) Overview of Cash Flows for the Fiscal Year under Review	3
(4) Future Outlook	3
2. Basic Policy on Selection of Accounting Standards	4
3. Consolidated Financial Statements and Principal Notes	5
(1) Consolidated Balance Sheets	5
(2) Consolidated Statements of Income and Comprehensive Income	7
(3) Consolidated Statements of Changes in Net Assets	9
(4) Consolidated Statements of Cash Flows	11
(5) Notes to Consolidated Financial Statements	12
(Notes on going concern assumption)	12
(Changes in accounting policies)	12
(Segment information, etc.)	12
(Per share information)	12
(Significant subsequent events)	12

1. Overview of Operating Results, etc.

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

With regard to the Japanese economy in the fiscal year ended March 31, 2023, despite the gradual recovery of personal consumption, the environment surrounding the manufacturing industry was very severe due to a significant increase in raw material and fuel costs against the backdrop of rising resource prices and the rapid depreciation of the yen. The Short-Term Economic Survey of Enterprises in Japan (Tankan) conducted by the Bank of Japan for March showed that the diffusion index (DI) of sentiment regarding business conditions among large companies in the manufacturing industry deteriorated for five consecutive terms, down by 6 percentage points from the previous survey. Business confidence in the basic materials sector was low due to the rising raw material prices, among others, and outlook became increasingly uncertain.

Meanwhile, turning our attention to the global economy, in the US and Europe, while consumer spending was firm, high inflation weighed on economic recovery, as exemplified by high resource and raw material prices resulting from the prolonged Russian invasion of Ukraine. In China, where the government reversed its zero-COVID policy, the real GDP grew by 4.5% year on year in the three months to March for the first time in a year, but the environment surrounding the manufacturing industry there also was very severe as consumption of durable goods such as automobiles, consumer electronics, and telecommunications equipment remained slow in contrast to the growing consumption of services.

Within the context of this economic environment, the Group focused on boosting sales to correct the undershooting of the plan up to the third quarter. However, net sales declined significantly year on year, as sales of tapes remained sluggish due to a further slowdown since January 2023 in demand in the Chinese market, one of our target sales markets, as well as lower production of automobiles and electronic components.

With regards to profits, we improved profitability through price hikes and cost reductions, mainly in selling, general and administrative expenses, but the profit situation proved extremely challenging, mainly due to the clearance of long-term non-moving inventory we carried out in the fourth quarter ended March 31, in addition to rising resource prices, the depreciating yen, the ensuing rise in raw material prices and further increases in fuel costs.

The Group also determined that it would be difficult to recover the book value of the non-current assets of PT. TERAOKA SEISAKUSHO INDONESIA (hereinafter "PTI"), and recorded an impairment loss of 2,437 million yen on non-current assets as an extraordinary loss. PTI was established in 2011 and began operations in 2012 as the Group's first overseas factory fully equipped for integrated production, with the aim of exploring emerging markets with strong demand including ASEAN markets as well as hedging the risk of a strong yen, which then was at the level of 80 yen to the US dollar. However, in light of changes in the external environment in recent years including the yen's rapid weakening and the declining global market share of Japanese electronics manufacturers, the Group determined that it would be difficult to achieve its initial objectives and thus recorded the impairment loss as mentioned above. This decision was made based on conservative and careful consideration of future business plans not to defer latent risks to our future growth. PTI will still continue to be strategically utilized as a production base of high importance within the Group, including for hedging foreign exchange risks.

As a result, net sales for the fiscal year under review were 19,317 million yen (down 14.2% year on year). Operating loss was 1,690 million yen (operating profit of 134 million yen in the same period of the previous fiscal year). Ordinary loss was 1,421 million yen (ordinary profit of 370 million yen in the same period of the previous fiscal year) despite foreign exchange gains from monetary claims denominated in foreign currencies of 162 million yen recorded under non-operating income. Loss attributable to shareholders of the parent company was 3,607 million (profit attributable to shareholders of the parent company of 162 million yen in the same period of the previous fiscal year) due to the recording of the impairment loss on non-current assets of PTI despite the recording of gain on sale of non-current assets of 150 million yen, which was conducted as part of effective utilization of our real estate and replacement of assets.

The Group engages in the manufacture and sale of adhesive tapes. Net sales by product category are as presented below.

(Packing tapes)

Sales at home improvement stores were sluggish due to conservative spending by consumers in light of the rising cost of living. As a result, the category's net sales were 2,668 million yen (down 9.2% year on year).

(Electrical insulation and electronic equipment tapes)

Unfavorable market conditions in China and an associated decline in exports to China, as well as to inventory adjustments for lower production of automobiles and electronic components resulted in sluggish sales of electronic equipment tapes. As a result, the category's net sales were 9,401 million yen (down 22.9% year on year).

(Other industrial tapes)

Although office mail order sales and sales of polyethylene cloth tapes for construction and civil engineering increased year on year, due to a decrease in sales of tapes for manufacturing processes, the category's net sales were 7,248 million yen (down 1.8% year on year).

(Reference) Sales performance

(Million yen)

Adhesive tape business by category	For the fiscal year ended March 31, 2022		For the fiscal year ended March 31, 2023		Year-on-year change	
	Net sales	Composition ratio	Net sales	Composition ratio	Net sales change	Percentage change
Packing tapes	[268] 2,937	13.0%	[180] 2,668	13.8%	(269)	(9.2%)
Electrical insulation and electronic equipment tapes	[6,063] 12,199	54.2%	[5,317] 9,401	48.7%	(2,798)	(22.9%)
Other industrial tapes	[344] 7,378	32.8%	[208] 7,248	37.5%	(130)	(1.8%)
Total	[6,675] 22,515	100.0%	[5,706] 19,317	100.0%	(3,197)	(14.2%)

(Note) Figures in brackets [] indicate overseas net sales.

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

Total assets at the end of the fiscal year under review were 32,630 million yen, down 12.9% from the end of the previous fiscal year.

Current assets were 16,170 million yen, down 11.2% from the end of the previous fiscal year. This was primarily due to a decrease in trade receivables.

Non-current assets were 16,460 million yen, down 14.5% from the end of the previous fiscal year. This was primarily due to the recording of the impairment loss on non-current assets of PTI.

Total liabilities at the end of the fiscal year under review were 6,922 million yen, down 17.1% from the end of the previous fiscal year.

Current liabilities were 5,060 million yen, down 20.2% from the end of the previous fiscal year. This was primarily due to a decrease in liabilities related to facilities.

Non-current liabilities were 1,861 million yen, down 7.5% from the end of the previous fiscal year. This was primarily due to a decrease in deferred tax liabilities.

Total net assets at the end of the fiscal year under review were 25,708 million yen, down 11.6% from the end of the previous fiscal year. This was primarily due to the recording of loss attributable to shareholders of the parent company and dividends of surplus.

As a result of the above, the capital adequacy ratio was 78.8%. (77.7% at the end of the previous fiscal year).

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

Cash and cash equivalents (hereinafter "cash") at the end of the fiscal year under review were 4,640 million yen, down 173 million yen from the end of the previous fiscal year.

(Cash flows from operating activities)

Net cash provided by operating activities was 725 million yen (57 million yen used in the previous fiscal year). This was primarily due to the collection of trade receivables.

(Cash flows from investing activities)

Net cash used in investing activities was 742 million yen (3,187 million yen used in the previous fiscal year). This was primarily due to purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities was 266 million yen (109 million yen provided in the previous fiscal year). This was primarily due to the payment of dividends.

(4) Future Outlook

The domestic and global economies going forward are expected to remain in their current, uncertain states due to concerns over soaring resource prices caused by the prolonged Russian invasion of Ukraine, ongoing global inflation and sudden exchange rate fluctuations while resumption of economic activities accelerates with the subsidence of the COVID-19 pandemic.

Regarding the consolidated full-year financial results forecast for the fiscal year ending March 31, 2024, the Company expects to record net sales of 21,000 million yen, operating profit of 250 million yen, ordinary profit of 330 million yen, and net profit attributable to shareholders of the parent company of 590 million yen.

We intend to revise the quantitative targets of the third medium-term business plan announced in May 2021. The details will be announced by around the end of May.

2. Basic Policy on Selection of Accounting Standards

Taking into consideration the comparability between consolidated financial statement periods and comparability between businesses, the policy of the Group is to prepare financial statements in accordance with the generally accepted accounting principles in Japan for the time being.

Concerning the application of the International Financial Reporting Standards, the Group's policy is to take into consideration all domestic and international circumstances going forward and respond accordingly.

Consolidated Financial Statements

Consolidated Balance Sheets

(Million yen)

	As of March 31,2022	As of March 31,2023
Assets		
Current assets		
Cash and deposits	5,470	4,820
Notes receivable - trade	1,450	1,188
Electronically recorded monetary claims - operating	1,426	1,684
Accounts receivable - trade	4,176	2,753
Merchandise and finished goods	2,470	2,327
Work in process	1,322	1,585
Raw materials and supplies	1,165	1,469
Other	728	348
Allowance for doubtful accounts	(9)	(7)
Total current assets	18,202	16,170
Non-current assets		
Property, plant and equipment		
Buildings and structures	14,735	15,048
Accumulated depreciation	(9,132)	(11,025)
Buildings and structures, net	5,603	4,022
Machinery, equipment and vehicles	23,008	23,063
Accumulated depreciation	(18,646)	(20,230)
Machinery, equipment and vehicles, net	4,361	2,832
Land	4,098	4,108
Leased assets	269	269
Accumulated depreciation	(94)	(112)
Leased assets, net	175	157
Construction in progress	177	464
Other	2,303	2,388
Accumulated depreciation	(1,865)	(2,013)
Other, net	438	374
Total property, plant and equipment	14,854	11,960
Intangible assets	397	323
Investments and other assets		
Investment securities	2,870	3,055
Deferred tax assets	5	-
Retirement benefit asset	979	947
Other	133	173
Total investments and other assets	3,988	4,176
Total non-current assets	19,240	16,460
Total assets	37,443	32,630

(Million yen)

	As of March 31,2022	As of March 31,2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,250	1,047
Electronically recorded obligations - operating	2,456	2,563
Short-term borrowings	60	21
Lease liabilities	19	19
Income taxes payable	159	40
Accrued expenses	485	365
Other	1,909	1,002
Total current liabilities	6,341	5,060
Non-current liabilities		
Long-term borrowings	724	703
Lease liabilities	171	151
Deferred tax liabilities	407	291
Provision for repairs	1	6
Retirement benefit liability	77	64
Asset retirement obligations	508	512
Long-term accounts payable - other	56	56
Other	65	74
Total non-current liabilities	2,012	1,861
Total liabilities	8,353	6,922
Net assets		
Shareholders' equity		
Share capital	5,057	5,057
Capital surplus	4,643	4,643
Retained earnings	17,632	13,822
Treasury shares	(462)	(462)
Total shareholders' equity	26,870	23,060
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,098	1,252
Foreign currency translation adjustment	622	1,012
Remeasurements of defined benefit plans	497	383
Total accumulated other comprehensive income	2,219	2,647
Total net assets	29,089	25,708
Total liabilities and net assets	37,443	32,630

Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Million yen)

	For the fiscal year ended March 31,2022	For the fiscal year ended March 31,2023
Net sales	22,515	19,317
Cost of sales	17,704	16,505
Gross profit	4,810	2,812
Selling, general and administrative expenses	4,675	4,502
Operating profit (loss)	134	(1,690)
Non-operating income		
Interest income	2	8
Dividend income	72	83
Foreign exchange gains	435	345
Real estate lease revenue	14	63
Other	82	69
Total non-operating income	606	569
Non-operating expenses		
Interest expenses	3	7
Rental expenses on real estate	25	46
Commission expenses	259	182
Other	83	63
Total non-operating expenses	371	301
Ordinary profit (loss)	370	(1,421)
Extraordinary income		
Gain on sale of investment securities	3	3
Gain on sale of non-current assets	-	150
Total extraordinary income	3	154
Extraordinary losses		
Impairment losses	-	2,437
Total extraordinary losses	-	2,437
Profit (loss) before income taxes	373	(3,704)
Income taxes - current	184	21
Income taxes - deferred	26	(118)
Total income taxes	211	(97)
Profit (loss)	162	(3,607)
Profit (loss) attributable to non-controlling interests	-	-
Profit (loss) attributable to shareholders of the parent company	162	(3,607)

Consolidated Statements of Comprehensive Income

(Million yen)

	For the fiscal year ended March 31,2022	For the fiscal year ended March 31,2023
Profit (loss)	162	(3,607)
Other comprehensive income		
Valuation difference on available-for-sale securities	(41)	153
Foreign currency translation adjustment	360	389
Remeasurements of defined benefit plans, net of tax	(83)	(114)
Total other comprehensive income	235	428
Comprehensive income	398	(3,178)
Comprehensive income attributable to		
Comprehensive income attributable to shareholders of the parent company	398	(3,178)
Comprehensive income attributable to shareholders of the parent company	-	-

Consolidated Statements of Changes in Net Assets

For the fiscal year ended March 31,2022

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	5,057	4,643	17,824	(462)	27,062
Changes during period					
Dividends of surplus			(354)		(354)
Profit (loss) attributable to shareholders of the parent company			162		162
Purchase of treasury shares				(0)	(0)
Net changes in items other than shareholders' equity					
Total changes during period	-	-	(191)	(0)	(192)
Balance at end of period	5,057	4,643	17,632	(462)	26,870

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	1,140	262	581	1,983	29,046
Changes during period					
Dividends of surplus					(354)
Profit (loss) attributable to shareholders of the parent company					162
Purchase of treasury shares					(0)
Net changes in items other than shareholders' equity	(41)	360	(83)	235	235
Total changes during period	(41)	360	(83)	235	43
Balance at end of period	1,098	622	497	2,219	29,089

For the fiscal year ended March 31,2023

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	5,057	4,643	17,632	(462)	26,870
Changes during period					
Dividends of surplus			(202)		(202)
Profit (loss) attributable to shareholders of the parent company			(3,607)		(3,607)
Purchase of treasury shares				(0)	(0)
Net changes in items other than shareholders' equity					
Total changes during period	-	-	(3,809)	(0)	(3,809)
Balance at end of period	5,057	4,643	13,822	(462)	23,060

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	1,098	622	497	2,219	29,089
Changes during period					
Dividends of surplus					(202)
Profit (loss) attributable to shareholders of the parent company					(3,607)
Purchase of treasury shares					(0)
Net changes in items other than shareholders' equity	153	389	(114)	428	428
Total changes during period	153	389	(114)	428	(3,381)
Balance at end of period	1,252	1,012	383	2,647	25,708

Consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended March 31,2022	For the fiscal year ended March 31,2023
Cash flows from operating activities		
Profit (loss) before income taxes	373	(3,704)
Depreciation	1,086	1,389
Impairment losses	-	2,437
Loss on retirement of non-current assets	6	2
Loss (gain) on sale of investment securities	(3)	(3)
Loss (gain) on sale of non-current assets	-	(150)
Increase (decrease) in allowance for doubtful accounts	0	(2)
Increase (decrease) in provision for environmental measures	(74)	-
Increase (decrease) in retirement benefit liability	(158)	(182)
Interest and dividend income	(74)	(91)
Interest expenses	3	7
Foreign exchange losses (gains)	(263)	(264)
Decrease (increase) in trade receivables	28	1,462
Decrease (increase) in inventories	(621)	(320)
Increase (decrease) in trade payables	(65)	(136)
Increase/decrease in consumption taxes payable/consumption taxes refund receivable	(338)	432
Other, net	95	(23)
Subtotal	(5)	852
Interest and dividends received	74	91
Interest paid	(3)	(7)
Income taxes refund (paid)	(123)	(210)
Net cash provided by (used in) operating activities	(57)	725
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,986)	(1,479)
Payments for retirement of property, plant and equipment	(1)	-
Proceeds from sale of property, plant and equipment	-	162
Proceeds from earnest related sales of property, plant and equipment	18	-
Purchase of intangible assets	(321)	(0)
Purchase of investment securities	(4)	(4)
Proceeds from sale of investment securities	17	35
Decrease (increase) in time deposits	89	544
Net cash provided by (used in) investing activities	(3,187)	(742)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(82)	(23)
Proceeds from long-term borrowings	570	-
Repayments of long-term borrowings	(3)	(21)
Dividends paid	(354)	(202)
Purchase of treasury shares	(0)	(0)
Other, net	(19)	(19)
Net cash provided by (used in) financing activities	109	(266)
Effect of exchange rate change on cash and cash equivalents	168	109
Net increase (decrease) in cash and cash equivalents	(2,967)	(173)
Cash and cash equivalents at beginning of period	7,780	4,813
Cash and cash equivalents at end of period	4,813	4,640

(5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Changes in accounting policies)

(Application of the Accounting Standard for Fair Value Measurement and Other Standards)

The Company has applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021; hereinafter “Fair Value Measurement Guidance”) from the beginning of the fiscal year under review, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Guidance in accordance with the transitional treatment provided in Paragraph 27-2 of the Fair Value Measurement Guidance. This did not affect the consolidated financial statements.

(Segment information, etc.)

As the Group’s business consists of a single segment, manufacture and sale of adhesive tapes, segment information is omitted.

(Per share information)

Net assets per share, and basic earnings per share with the basis for calculation are as follows.

	As of March 31, 2022	As of March 31, 2023
(1) Net assets per share	¥ 1,148.34	¥ 1,014.86

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
(2) Basic earnings (loss) per share	¥6.42	(¥142.39)
(Calculation basis)		
Profit (loss) attributable to shareholders of the parent company on consolidated statements of income (Million yen)	162	(3,607)
Profit not attributable to common shareholders (Million yen)	–	–
Profit (loss) attributable to shareholders of the parent company related to common stock (Million yen)	162	(3,607)
Average number of shares of common stock during the period (Shares)	25,332,253	25,331,988

(Note) Diluted profit per share is not presented because there are no potential shares.

(Significant subsequent events)

Not applicable.