

* Others

- (1) Change in important subsidiaries during the period : None
 (Changes in certain specified subsidiaries resulting in revised scope of consolidation)
 Addition — company (Company name)
 Excluded — company (Company name)
- (2) Adoptions of simplified accounting methods and accounting methods particular to the presentation of quarterly financial statements : None
- (3) Changes in accounting principles, changes in accounting estimates and restatement
- (i) Changes in accounting principles associated with revisions to accounting standards and other regulations : None
- (ii) Changes in accounting principles due to other reasons : None
- (iii) Changes in accounting estimates : None
- (iv) Restatement : None

(4) Shares outstanding (common shares)

(i) Number of shares outstanding (including treasury shares)	As of December 31, 2022	14,451,920	As of March 31, 2022	14,451,920
(ii) Number of treasury shares	As of December 31, 2022	212,630	As of March 31, 2022	212,610
(iii) Average number of shares outstanding (cumulative, consolidated at the end of the 3rd quarter)	As of December 31, 2022	14,239,302	Nine months ended December 31, 2021	11,974,394

(Note) The number of treasury shares as of March 31, 2022 and December 31, 2022 includes the Company's shares of 23,300 shares and 23,300 shares that are held by the trust account, respectively.

* Quarterly financial results are not subject to quarterly review procedures by certified public accountants or audit firms.

* Explanation on proper use of financial forecasts and other special notes

- The financial forecast and other forward-looking statements contained in this document are based on information currently available to the Company and certain assumptions deemed to be reasonable. Actual results may differ significantly due to various factors.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the nine months ended December 31, 2022, the Japanese economy has been recovering moderately thanks to the easing of movement restrictions caused by COVID-19, but the outlook remains uncertain due to a rise in resource prices resulting from the prolonged situation in Ukraine and price fluctuations associated with volatile FX rate due to the BOJ's monetary policy different to its counterparts in Europe and the United States.

Under these circumstances, at the Group we have pursued a variety of initiatives aimed at adding value for the success of our customers by using our core technologies of coating, slitting, and polishing, which is our strengths and foundation, based on our management policies of "Add value to the product business with an engineering approach," "Change from the OEM business to Engineering Services," and "Improve the management base to respond to rapid changes and diversity."

For the nine months ended December 31, 2022, the Group posted net sales of 7,753 million yen (down 1.4% year-on-year), operating income of 249 million yen (down 81.6% year-on-year), ordinary income of 488 million yen (down 64.2% year-on-year), and profit attributable to owners of parent of 186 million yen (down 83.1% year-on-year).

Results by segment are as follows:

· Product Business

In the Product Business, net sales were 6,081 million yen (up 6.7% year-on-year), and segment profit was 601 million yen (down 24.0% year-on-year). Sales increased but profit decreased as sales of hard disk drives and fiber-optics-related products declined due to a restraint in investment in data centers worldwide and a slump in the electronic-device-related market while sales of general abrasive products for automobiles and steel-related products remained stable.

· OEM Business

OEM Business posted net sales of 1,672 million yen (down 22.6% year-on-year), and segment loss of 351 million yen (segment profit of 564 million yen in the same period of the previous year). Sales dropped due to a decrease in orders affected by inventory adjustments and production changes of customers, and increased fixed costs, mainly office maintenance costs, reduced profit.

(2) Explanation of Financial Position

(Assets)

Total assets as of December 31, 2022 amounted to 15,872 million yen, an increase of 1,266 million yen from March 31, 2022. This was mainly due to increases of 324 million yen in cash and deposits, 271 million yen in work in process, 599 million yen in other current assets, and 3,209 million yen in property, plant and equipment, and decreases of 318 million yen in accounts receivable - trade, 2,755 million yen in advance payments, and 194 million yen in deferred tax assets.

(Liabilities)

Liabilities as of December 31, 2022 stood at 7,753 million yen, an increase of 1,238 million yen from March 31, 2022. Major factors were increases of 1,069 million yen in short-term borrowings, 236 million yen in accounts payable - other, and 856 million yen in long-term borrowings, and decrease factors included 104 million yen in notes and accounts payable-trade, 275 million yen in income taxes payable, 200 million yen in advances received, 129 million yen in provision for bonuses, and 194 million yen in lease liabilities.

(Net assets)

Net assets as of December 31, 2022 increased 27 million yen from March 31, 2022 to 8,118 million yen. The main factors included the recording of 186 million yen of profit attributable to owners of parent, an increase of 55 million yen in foreign currency translation adjustments, and a decrease of 213 million yen in retained earnings due to the payment of dividends.

As a result, the equity ratio at the end of the third quarter under review was 51.1%.

(3) Explanation of Consolidated Financial Forecasts and Other Forward-Looking Information

The Company revised its consolidated financial forecast for the fiscal year ending March 31, 2023 announced on November 14, 2022 as follows.

The inventory adjustments and production changes in the electronic device market, such as PCs and tablets, which have been remarkable since the third quarter of the fiscal year under review, are continuing, and investment in data centers is expected to continue to be restrained. Due to the impact of such external environments, sales of high-tech products and the OEM Business are expected to fall below the previous forecast.

As changes in the sales structure, including sales of these products, and steep rises in raw materials, energy, labor costs, and logistics costs have worsened profit margins, operating income, ordinary income, and profit attributable to owners of parent are expected to be lower than previously announced forecasts.

	Net Sales	Operating Income	Ordinary Income	Profit attributable to owners of parent	Net Income Per Share
Previous forecast (A)	Millions of yen 10,000	Millions of yen 500	Millions of yen 900	Millions of yen 700	Yen 49.16
Performance for the full year (B)	9,500	(100)	0	0	0.00
Difference (B – A)	(500)	(600)	(900)	(700)	-
Difference %	(5.0)	(120.0)	(100.0)	(100.0)	-
(Reference) Results for the previous fiscal year (fiscal year ended March 31, 2022)	10,449	1,467	1,613	1,550	124.89

This estimate is based on information available to us as of the date of publication. Actual results may differ from these forecasts due to various factors.

The Company made a similar announcement in “Notice Concerning Revisions to the Financial Forecast for the Fiscal Year Ending March 31, 2023” released today (February 13, 2023).

2. Consolidated Financial Statements and Key Notes

(1) Consolidated Balance Sheet

(Thousands of yen)

	End of previous fiscal year (March 31, 2022)	End of third quarter of current fiscal year (December 31, 2022)
Assets		
Current assets		
Cash and deposits	2,394,382	2,718,889
Notes receivable - trade	309,907	327,012
Accounts receivable - trade	1,789,097	1,470,304
Electronically recorded monetary claims - operating	216,222	290,869
Merchandise and finished goods	789,147	740,170
Work in process	1,365,509	1,636,652
Raw materials and supplies	582,096	678,314
Advance payments	2,755,980	—
Other	412,225	1,011,817
Allowance for doubtful accounts	(2,943)	(2,864)
Total current assets	10,611,626	8,871,165
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,899,229	6,972,364
Machinery, equipment and vehicles	3,232,820	3,307,350
Tools, furniture and fixtures	378,283	435,898
Land	859,156	2,019,286
Leased assets	835,496	770,211
Construction in progress	391,626	369,148
Accumulated depreciation	(7,246,189)	(7,314,670)
Total property, plant and equipment	3,350,423	6,559,589
Intangible assets		
Goodwill	80,978	67,481
Software	9,755	2,900
Telephone subscription right	377	377
Total intangible assets	91,111	70,760
Investments and other assets		
Investment securities	55,000	55,000
Shares of subsidiaries and associates	—	38,102
Retirement benefit asset	224,480	183,370
Deferred tax assets	201,601	7,344
Other	72,363	87,315
Total investments and other assets	553,445	371,132
Total non-current assets	3,994,979	7,001,482
Total assets	14,606,606	15,872,647

(Thousands of yen)

	End of previous fiscal year (March 31, 2022)	End of third quarter of current fiscal year (December 31, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	756,521	651,889
Short-term borrowings	400,000	1,469,000
Current portion of bonds payable	100,000	27,500
Current portion of long-term borrowings	1,005,392	1,072,759
Lease liabilities	88,588	62,262
Accounts payable - other	418,090	654,723
Income taxes payable	308,831	33,735
Advances received	237,350	36,382
Provision for bonuses	237,754	108,138
Provision for loss on liquidation of subsidiaries and associates	92,109	46,655
Other	357,938	412,060
Total current liabilities	4,002,578	4,575,108
Non-current liabilities		
Bonds payable	42,500	15,000
Long-term borrowings	2,173,056	3,029,381
Lease liabilities	280,828	112,399
Deferred tax liabilities	919	12,249
Other	15,436	9,691
Total non-current liabilities	2,512,740	3,178,722
Total liabilities	6,515,318	7,753,830
Net assets		
Shareholders' equity		
Share capital	3,379,569	3,379,569
Capital surplus	2,925,782	2,925,782
Retained earnings	1,705,371	1,677,466
Treasury shares	(104,219)	(104,230)
Total shareholders' equity	7,906,504	7,878,588
Accumulated other comprehensive income		
Foreign currency translation adjustment	184,783	240,229
Total accumulated other comprehensive income	184,783	240,229
Total net assets	8,091,287	8,118,817
Total liabilities and net assets	14,606,606	15,872,647

(2) Consolidated Income Statements & Comprehensive Income

First nine-month period

(Thousands of yen)

	First nine-month period of previous fiscal year (April 1, 2021 to December 31, 2021)	First nine-month period of current year (April 1, 2022 to December 31, 2022)
Net sales	7,862,023	7,753,207
Cost of sales	4,283,860	5,001,187
Gross profit	3,578,162	2,752,019
Selling, general and administrative expenses	2,223,039	2,502,099
Operating Income	1,355,123	249,920
Non-operating income		
Interest income	3,761	4,730
Dividend income	360	360
Rental income	—	124,118
Foreign exchange gains	48,826	208,510
Miscellaneous income	6,981	19,298
Total non-operating income	59,929	357,017
Non-operating expenses		
Interest expenses	38,511	53,843
Commission expenses	13,142	24,839
Rental expenses	—	38,660
Guarantee commission	956	427
Other	402	893
Total non-operating expenses	53,014	118,664
Ordinary Income	1,362,038	488,273
Extraordinary income		
Gain on sale of non-current assets	—	3,891
Total extraordinary income	—	3,891
Extraordinary losses		
Loss on sale of non-current assets	136	30,133
Loss on retirement of non-current assets	19,739	4,792
Total extraordinary losses	19,875	34,925
Profit before income taxes	1,342,163	457,238
Income taxes - current	220,046	65,357
Income taxes - deferred	20,645	205,846
Total income taxes	240,692	271,203
Profit	1,101,470	186,034
Profit attributable to		
Profit attributable to owners of parent	1,101,470	186,034
Profit attributable to non-controlling interests	—	—
Other comprehensive income		
Foreign currency translation adjustment	49,678	55,445
Total other comprehensive income	49,678	55,445
Comprehensive income	1,151,148	241,480
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,151,148	241,480
Comprehensive income attributable to non-controlling interests	—	—

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumptions)

Not applicable.

(Notes on Significant Changes in the Amount of Shareholders' Equity)

Not applicable.

(Segment Information, etc.)

[Segment Information]

I First nine-month period of previous fiscal year (April 1, 2021 to December 31, 2021)

Information on the amount of net sales and income or loss by reportable segment and information on the breakdown of profit

(Thousands of yen)

	Reportable segment			Amount reported on consolidated income statements & comprehensive income
	Product Business	OEM Business	Full year	
Net Sales				
Japan	2,698,589	1,727,466	4,426,055	4,426,055
Asia	2,157,669	15,363	2,173,032	2,173,032
North America	718,881	418,005	1,136,886	1,136,886
Europe	118,674	—	118,674	118,674
Other regions	7,373	—	7,373	7,373
Revenue from contracts with customers	5,701,188	2,160,834	7,862,023	7,862,023
Sales to external customers	5,701,188	2,160,834	7,862,023	7,862,023
Intersegment sales or transfers	—	—	—	—
Total	5,701,188	2,160,834	7,862,023	7,862,023
Segment profit	790,865	564,257	1,355,123	1,355,123

(Note) The total amount of segment profit is consistent with operating income in consolidated income statements and comprehensive income.

II First nine-month period of current fiscal year (April 1, 2022 to December 31, 2022)

Information on the amount of net sales and income or loss by reportable segment and information on the breakdown of profit

(Thousands of yen)

	Reportable segment			Amount reported on consolidated income statements & comprehensive income
	Product Business	OEM Business	Full year	
Net Sales				
Japan	2,579,127	1,645,687	4,224,815	4,224,815
Asia	2,613,376	10,488	2,623,865	2,623,865
North America	711,371	11,725	723,097	723,097
Europe	170,289	4,185	174,475	174,475
Other regions	6,953	—	6,953	6,953
Revenue from contracts with customers	6,081,118	1,672,088	7,753,207	7,753,207
Sales to external customers	6,081,118	1,672,088	7,753,207	7,753,207
Intersegment sales or transfers	—	—	—	—
Total	6,081,118	1,672,088	7,753,207	7,753,207
Segment profit or loss	601,091	(351,171)	249,920	249,920

(Note) The total amount of segment profit or loss is consistent with operating income in consolidated income statements and comprehensive income.