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August 7, 2024

Consolidated Financial Results for the Three Months Ended June 30, 2024 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange
 Securities code: 3106
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 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on financial results: None
 Holding of financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
June 30, 2024	35,878	7.6	2,068	112.2	2,909	87.7	1,938	102.5
June 30, 2023	33,338	(2.0)	975	(38.1)	1,550	(38.5)	957	(40.9)

Note: Comprehensive income For the three months ended June 30, 2024: ¥5,974 million [28.0%]
 For the three months ended June 30, 2023: ¥4,668 million [69.8%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended		
June 30, 2024	108.72	–
June 30, 2023	50.89	–

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of			
June 30, 2024	196,455	122,112	61.5
March 31, 2024	192,789	118,074	60.6

Reference: Equity
 As of June 30, 2024: ¥120,868 million
 As of March 31, 2024: ¥116,849 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	–	40.00	–	60.00	100.00
Fiscal year ending March 31, 2025	–				
Fiscal year ending March 31, 2025 (Forecast)		60.00	–	60.00	120.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2024	70,000	(3.7)	3,300	(14.9)	4,200	(7.2)	2,700	7.0	151.78
Full year	154,000	1.8	9,600	4.5	10,800	6.0	7,500	11.3	422.22

Note: Revisions to the forecast of financial results most recently announced: Yes

*** Notes**

- (1) Significant changes in the scope of consolidation during the period: None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: Yes

Note: For the details, please refer to “2. Quarterly consolidated financial statements and significant notes thereto (3) Notes to quarterly consolidated financial statements (Notes to accounting treatment specific to the preparation of quarterly consolidated financial statements)” on page 8 of the attached materials.

- (3) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
- (ii) Changes in accounting policies due to other reasons: None
- (iii) Changes in accounting estimates: None
- (iv) Restatement: None

Note: For the details, please refer to “2. Quarterly consolidated financial statements and significant notes thereto (3) Notes to quarterly consolidated financial statements (Notes on changes in accounting policies)” on page 8 of the attached materials.

- (4) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2024	19,000,000 shares
As of March 31, 2024	19,000,000 shares

- (ii) Number of treasury shares at the end of the period

As of June 30, 2024	1,266,842 shares
As of March 31, 2024	1,059,028 shares

- (iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2024	17,830,583 shares
Three months ended June 30, 2023	18,813,685 shares

Note: The Company has introduced the Board Benefit Trust, a share-based compensation plan for directors, etc. using a trust, and the Company’s shares held by the trust account are included in the number of treasury shares.

- * Review of the Japanese-language originals of the attached quarterly consolidated financial statements by certified public accountants or an audit corporation: None

- * Proper use of earnings forecasts, and other special matters
(Caution regarding forward-looking statements and others)

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Consequently, the statements herein do not constitute assurances regarding the Company’s actual results. Actual financial and other results may differ substantially from the statements herein due to various factors. For matters regarding the above earnings forecasts, please refer to “1. Overview of operating results and others (3) Explanation of consolidated financial forecasts and other forward-looking statements” on page 3 of the attached materials.

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1. Overview of operating results and others

(1) Overview of operating results for the period under review

During the first three months of the fiscal year ending March 31, 2025 (from April 1, 2024 to June 30, 2024), the Japanese economy remained on a moderate recovery trend due to improvement in the income environment as a result of wage increases, growth in demand from inbound tourism, and an increase in exports.

On the other hand, amid concerns regarding geopolitical risks, such as the prolongation of the conflicts in the Middle East and Ukraine, not being eradicated, the outlook continues to remain uncertain mainly due to concerns over the future of the Chinese economy and rising prices of various commodities due to the weakening of the yen.

In this type of environment, the Group has strived to expand business operations of growth and priority businesses such as semiconductor production-related business and functional films, and to enhance the earning capability of core businesses such as textiles and flexible polyurethane foam based on the basic policy of “expand high-profit businesses and strengthen core businesses to achieve sustainable growth” in the medium-term corporate business plan “Progress’ 24” (FY2022–FY2024) that is in its final fiscal year.

As a result, net sales were ¥35.8 billion (up 7.6% YoY), operating profit was ¥2.06 billion (up 112.2% YoY), ordinary profit was ¥2.9 billion (up 87.7% YoY), and profit attributable to owners of parent was ¥1.93 billion (up 102.5% YoY).

Results by segment are as follows.

(Textiles)

Yarns experienced decreased revenue as orders for underwear in Japan were weak although there was a recovery trend in orders at a Thai subsidiary.

Fabrics experienced increased revenue as orders of casual clothing materials were solid at Thai and Chinese subsidiaries.

Textile products (sewn products, etc.) experienced increased revenue as orders for both uniforms and casual clothing were solid, and sales increased for the “Smartfit” management system that helps to mitigate risks in hot environments.

As a result, net sales were ¥12.4 billion (up 6.4% YoY) with operating profit of ¥0.08 billion (operating loss of ¥0.37 billion in the same period of the previous fiscal year).

(Chemical Products)

Flexible polyurethane foam for automotive interior experienced increased revenue due to steady orders in Japan, along with a recovery in automobile production and other factors, as well as due to carrying out the price pass-through from increased costs resulting from price hikes in raw materials and fuels, despite the weak sales at Chinese subsidiaries.

Functional resin products experienced increased revenue due to a recovery in orders for high-performance plastic products for semiconductor production in line and an increase in orders for functional films for solar cells.

Housing construction products experienced increased revenue due to an increase in orders for precast concrete products for apartment complexes, despite weak sales of heat-insulating materials.

Nonwoven fabrics experienced revenue at around the same level year on year.

As a result, net sales were ¥16.0 billion (up 13.6% YoY) with operating profit of ¥1.08 billion (up 54.6% YoY).

(Advanced Technology)

Electronics businesses experienced increased revenue due to strong sales for chemical concentration meters and other products for the semiconductor industry, as well as large-scale projects at a subsidiary for silicon wafer cleaning equipment.

Engineering businesses experienced increased revenue due to steady sales for exhaust gas treatment facilities and other products, despite weak sales for chemical supply systems for the semiconductor industry.

Biomedical businesses experienced revenue at around the same level year on year due to solid sales of mixer/deaerator models and other products.

As a result, net sales were ¥4.2 billion (down 4.7% YoY) due to the impact of the transfer in the previous fiscal year of all the shares of a subsidiary that was engaged in manufacturing and sales of machine tools, etc., while operating profit was ¥0.5 billion (up 170.2% YoY).

(Food and Services)

Freeze-dried foods experienced revenue at around the same level year on year as sales were weak for molding soup while sales were steady for instant noodle ingredients and other products.

Hotels and their related services experienced increased revenue due to steady performance related to accommodations and restaurants resulting from the impact of strong domestic travel and demand from inbound tourism.

As a result, net sales were ¥2.2 billion (up 3.8% YoY) with operating profit of ¥0.07 billion (down 22.3% YoY).

(Real Estate)

Real estate leasing experienced revenue at around the same level year on year with net sales of ¥0.9 billion (down 0.6% YoY) and operating profit of ¥0.62 billion (down 0.2% YoY).

(2) Overview of financial position for the period under review

(Assets, liabilities and net assets)

Total assets at the end of the first quarter of the fiscal year ending March 31, 2025 increased by ¥3.6 billion from the end of the previous fiscal year to ¥196.4 billion mainly due to an increase in investment securities following a rise in share prices, although notes and accounts receivable - trade, and contract assets decreased.

Liabilities decreased by ¥0.3 billion from the end of the previous fiscal year to ¥74.3 billion mainly due to decreases in income taxes payable and notes and accounts payable - trade, although there was an increase in deferred tax liabilities, which are included in “other” under non-current liabilities.

Net assets increased by ¥4.0 billion from the end of the previous fiscal year to ¥122.1 billion mainly due to an increase in valuation difference on available-for-sale securities.

As a result of the above, the equity-to-asset ratio was 61.5%, up 0.9 percentage points.

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

Regarding the consolidated financial forecasts for the second quarter (cumulative) (April 1, 2024 to September 30, 2024) and the full year (April 1, 2024 to March 31, 2025), based on recent trends in financial results, we have revised our financial forecasts announced on May 13, 2024.

For the details, please refer to the “Notification on Revisions to Financial Forecasts” (in Japanese only) separately disclosed today.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	16,156	15,494
Notes and accounts receivable - trade, and contract assets	32,432	30,836
Electronically recorded monetary claims - operating	7,664	7,272
Merchandise and finished goods	15,474	13,864
Work in process	6,505	7,587
Raw materials and supplies	7,732	8,869
Other	3,400	4,068
Allowance for doubtful accounts	(47)	(41)
Total current assets	89,320	87,950
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	21,438	21,197
Other, net	23,208	22,943
Total property, plant and equipment	44,646	44,140
Intangible assets	1,717	1,754
Investments and other assets		
Investment securities	53,409	58,933
Other	3,932	3,922
Allowance for doubtful accounts	(238)	(245)
Total investments and other assets	57,104	62,610
Total non-current assets	103,469	108,505
Total assets	192,789	196,455
Liabilities		
Current liabilities		
Notes and accounts payable - trade	18,598	17,263
Electronically recorded obligations - operating	3,939	3,997
Short-term borrowings	9,331	*3 10,495
Income taxes payable	2,548	1,025
Provision for bonuses	1,444	547
Other	8,194	8,449
Total current liabilities	44,055	41,779
Non-current liabilities		
Long-term borrowings	2,313	2,746
Provision for retirement benefits for directors (and other officers)	213	151
Provision for share-based payments	178	186
Retirement benefit liability	12,188	12,076
Other	15,764	17,402
Total non-current liabilities	30,659	32,563
Total liabilities	74,714	74,343

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Net assets		
Shareholders' equity		
Share capital	22,040	22,040
Capital surplus	15,237	15,237
Retained earnings	64,164	65,016
Treasury shares	(2,654)	(3,488)
Total shareholders' equity	98,788	98,806
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	25,054	28,883
Deferred gains or losses on hedges	49	83
Foreign currency translation adjustment	(6,982)	(6,842)
Remeasurements of defined benefit plans	(60)	(63)
Total accumulated other comprehensive income	18,061	22,061
Non-controlling interests	1,225	1,243
Total net assets	118,074	122,112
Total liabilities and net assets	192,789	196,455

(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income**Quarterly consolidated statement of income (cumulative)**

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Net sales	33,338	35,878
Cost of sales	27,189	28,619
Gross profit	6,149	7,259
Selling, general and administrative expenses	5,174	5,190
Operating profit	975	2,068
Non-operating income		
Interest income	22	32
Dividend income	590	700
Share of profit of entities accounted for using equity method	7	8
Other	166	239
Total non-operating income	788	980
Non-operating expenses		
Interest expenses	85	82
Other	128	57
Total non-operating expenses	213	139
Ordinary profit	1,550	2,909
Extraordinary income		
Gain on sale of investment securities	100	–
Total extraordinary income	100	–
Extraordinary losses		
Loss on disposal of non-current assets	106	–
Loss on sale of investment securities	6	–
Total extraordinary losses	112	–
Profit before income taxes	1,537	2,909
Income taxes	609	945
Profit	928	1,964
Profit (loss) attributable to non-controlling interests	(28)	25
Profit attributable to owners of parent	957	1,938

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Profit	928	1,964
Other comprehensive income		
Valuation difference on available-for-sale securities	3,237	3,824
Deferred gains or losses on hedges	153	34
Foreign currency translation adjustment	332	147
Remeasurements of defined benefit plans, net of tax	2	(2)
Share of other comprehensive income of entities accounted for using equity method	13	7
Total other comprehensive income	3,739	4,010
Comprehensive income	4,668	5,974
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,653	5,938
Comprehensive income attributable to non-controlling interests	14	36

(3) Notes to quarterly consolidated financial statements

(Notes on changes in accounting policies)

(Application of the “Accounting Standard for Current Income Taxes” and other relevant ASBJ regulations)

The Company has applied the “Accounting Standard for Current Income Taxes” (Accounting Standards Board of Japan (ASBJ) Statement No. 27, October 28, 2022; the “Revised Accounting Standard of 2022”) and other relevant ASBJ regulations from the beginning of the first quarter of the fiscal year ending March 31, 2025.

Revisions to categories for recording current income taxes (taxation on other comprehensive income) conform to the transitional treatment in the proviso of Paragraph 20-3 of the Revised Accounting Standard of 2022 and to the transitional treatment in the proviso of Paragraph 65-2 (2) of the “Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022; the “Revised Application Guidance of 2022”). There is no impact on the quarterly consolidated financial statements as a result of this change in the accounting policy.

In addition, for revisions related to the review of the treatment in consolidated financial statements when a gain or loss on sale arising from the sale of shares of subsidiaries, etc. among consolidated companies is deferred for tax purposes, the Company has applied the Revised Application Guidance of 2022 from the beginning of the first quarter of the fiscal year ending March 31, 2025. This change in the accounting policy has been applied retrospectively. Therefore, the new accounting policy was reflected in the consolidated financial statements for the same period of the previous fiscal year and for the previous fiscal year. There is no impact on the consolidated financial statements for the same period of the previous fiscal year or for the previous fiscal year as a result of this change in the accounting policy.

(Notes to accounting treatment specific to the preparation of quarterly consolidated financial statements)

(Calculation of cost of tax)

The effective tax rate after applying the accounting effect of taxes on profit before taxes for the fiscal year including the quarter under review is reasonably estimated, and profit before taxes is multiplied by the estimated effective tax rate to calculate cost of tax. However, if the calculation of the cost of tax using the estimated effective tax rate results in significantly unreasonable results, the effective statutory tax rate is used.

(Notes on segment information, etc.)**[Segment information]**

I Three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

Information on the amounts of sales and profit or loss by reportable segment

(Millions of yen)

	Reportable segments						Adjustments (Note 1)	Amount recorded in the quarterly consolidated statement of income (Note 2)
	Textiles	Chemical Products	Advanced Technology	Food and Services	Real Estate	Total		
Sales								
Sales to outside customers	11,675	14,124	4,422	2,179	936	33,338	–	33,338
Intersegment sales or transfers	15	9	85	11	109	233	(233)	–
Total	11,690	14,133	4,508	2,191	1,046	33,571	(233)	33,338
Segment profit (loss)	(373)	700	187	97	623	1,235	(260)	975

- (Notes) 1. The segment profit or loss adjustment of negative ¥260 million includes company-wide expenses of negative ¥257 million and other adjustments of negative ¥2 million. Company-wide expenses are mainly R&D expenses not attributable to the reportable segment.
2. Segment profit or loss is adjusted with operating profit in the quarterly consolidated statement of income.

II Three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

Information on the amounts of sales and profit or loss by reportable segment

(Millions of yen)

	Reportable segments						Adjustments (Note 1)	Amount recorded in the quarterly consolidated statement of income (Note 2)
	Textiles	Chemical Products	Advanced Technology	Food and Services	Real Estate	Total		
Sales								
Sales to outside customers	12,418	16,051	4,214	2,262	931	35,878	–	35,878
Intersegment sales or transfers	12	12	50	11	109	196	(196)	–
Total	12,431	16,063	4,265	2,274	1,040	36,075	(196)	35,878
Segment profit	88	1,082	507	76	621	2,376	(307)	2,068

- (Notes) 1. The segment profit adjustment of negative ¥307 million includes company-wide expenses of negative ¥310 million and other adjustments of ¥3 million. Company-wide expenses are mainly R&D expenses not attributable to the reportable segment.
2. Segment profit is adjusted with operating profit in the quarterly consolidated statement of income.

(Notes on revenue recognition)

Information on disaggregation of revenue from contracts with customers

[Breakdown by type of goods or services]

Three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

(Millions of yen)

	Reportable segments					Total
	Textiles	Chemical Products	Advanced Technology	Food and Services	Real Estate	
Yarns	4,070	–	–	–	–	4,070
Fabrics	5,942	–	–	–	–	5,942
Textile products (Sewn products, etc.)	3,125	–	–	–	–	3,125
Flexible polyurethane foam	–	4,921	–	–	–	4,921
Functional resin products	–	5,716	–	–	–	5,716
Housing construction products	–	2,353	–	–	–	2,353
Electronics businesses	–	–	2,346	–	–	2,346
Engineering businesses	–	–	1,098	–	–	1,098
Freeze-dried foods	–	–	–	1,546	–	1,546
Services	–	–	–	645	–	645
Others	–	2,179	1,220	–	–	3,399
Intersegment sales	(1,462)	(1,045)	(243)	(11)	–	(2,762)
Revenue from contracts with customers	11,675	14,124	4,422	2,179	–	32,401
Other revenue	–	–	–	–	936	936
Sales to outside customers	11,675	14,124	4,422	2,179	936	33,338

Three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

(Millions of yen)

	Reportable segments					Total
	Textiles	Chemical Products	Advanced Technology	Food and Services	Real Estate	
Yarns	3,886	–	–	–	–	3,886
Fabrics	6,070	–	–	–	–	6,070
Textile products (Sewn products, etc.)	3,586	–	–	–	–	3,586
Flexible polyurethane foam	–	5,600	–	–	–	5,600
Functional resin products	–	7,016	–	–	–	7,016
Housing construction products	–	2,453	–	–	–	2,453
Electronics businesses	–	–	2,751	–	–	2,751
Engineering businesses	–	–	1,182	–	–	1,182
Freeze-dried foods	–	–	–	1,552	–	1,552
Services	–	–	–	721	–	721
Others	–	2,156	536	–	–	2,693
Intersegment sales	(1,125)	(1,175)	(255)	(11)	–	(2,569)
Revenue from contracts with customers	12,418	16,051	4,214	2,262	–	34,946
Other revenue	–	–	–	–	931	931
Sales to outside customers	12,418	16,051	4,214	2,262	931	35,878

(Notes on significant changes in the amount of shareholders' equity)

(Purchase of treasury shares)

At the board of directors meeting held on December 19, 2023, the Company resolved to acquire treasury shares based on the provisions in Article 156 of the Companies Act, applied by replacing the provisions of Article 165, Paragraph 3 of the same Act, and is proceeding with the acquisition of treasury shares through market purchases including the Tokyo Stock Exchange Trading Network System - Off-Auction Own Share Repurchase Trading (ToSTNeT-3) from December 20, 2023 to December 19, 2024, with up to a total of 1,700 thousand shares to be acquired and up to a total acquisition value of ¥4.0 billion. Consequently, treasury shares increased by ¥840 million (211 thousand shares) during the three months ended June 30, 2024.

As a result, treasury shares were ¥3,488 million as of June 30, 2024.

(Notes on premise of going concern)

Not applicable.

(Notes on quarterly consolidated balance sheet)

1. Guarantee obligations

The Company guarantees the borrowing by the following corporations from financial institutions, etc.

(Millions of yen)

As of March 31, 2024		As of June 30, 2024	
Ishii Memorial Aizen-en Social Welfare Corporation		Ishii Memorial Aizen-en Social Welfare Corporation	
(Joint and several suretyship)	98	(Joint and several suretyship)	65

2. Contingent liabilities

On June 30, 2022, a fire broke out at the logistics facility Ami No. 2 Logistics Center of SBS Flec Co., Ltd. (location: 6-1 Hoshinosato, Ami-machi, Inashiki-gun, Ibaraki) at which the Company's Chemical Products Division had conducted heat-insulating work. The fire was extinguished on July 5, 2022. Regarding this fire accident, SBS Flec Co., Ltd. filed a lawsuit on September 6, 2023 for around ¥4.4 billion in damages against three companies related to the fire including the Company (hereinafter the "Lawsuit").

The Company has evaluated the details of the claims in the Lawsuit and is responding as appropriate through our attorneys.

On December 19, 2022, SBS Flec Co., Ltd.'s parent company SBS Holdings, Inc. announced regarding the fire accident that it had received an insurance payment of ¥5,236 million for the fixed assets burnt and damaged by the fire, and it is possible that the insurance company could file a claim for recovery. Furthermore, related to the fire accident, for around ¥1.1 billion initially estimated for the demolition costs for the Ami No. 2 Logistics Center, we received a notification from the relevant companies that around ¥0.68 billion in costs had been incurred at the end of April 2023. Depending on the future proceedings of the Lawsuit and the results of discussion, the Company could incur damages.

(Additional information)

We believe that the incurrence of damages to the Company related to the Lawsuit, etc. as well as the impact on earnings will become clear as a result of the future proceedings of the Lawsuit and the results of discussion, and the details and amounts of any damages to the Company from the fire accident have not been determined at this point in time. The Company will announce any specific impact on earnings in the future as soon as it becomes clear.

*3. The Company has entered into commitment line agreements with five transacting banks to efficiently procure working capital. The unused balances, etc. under the commitment line agreements are as follows:

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Total amount of commitment lines	7,400	7,400
Balance of borrowings outstanding	–	1,998
Unused balance	7,400	5,402

(Notes on quarterly consolidated statement of cash flows)

Quarterly consolidated statement of cash flows is not prepared for the three months ended June 30, 2024.

Depreciation (including amortization of intangible assets) for three months ended June 30, 2024 is as follows:

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Depreciation	1,215	1,278