

Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 [Japanese GAAP]



May 12, 2022

Company name: Nuturen Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Code number: 5976

URL: <https://www.k-nuturen.co.jp/>

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Scheduled date of the ordinary general meeting of shareholders: June 28, 2022

Scheduled date of commencing dividend payments: June 29, 2022

Scheduled date of filing securities report: June 29, 2022

Availability of supplementary explanatory materials on annual financial results: Available

Schedule of annual financial results briefing session: Scheduled (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (April 1, 2021 - March 31, 2022)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended								
March 31, 2022	53,004	24.5	3,704	302.6	4,418	199.4	2,690	903.4
March 31, 2021	42,567	(12.8)	920	(55.9)	1,475	(28.8)	268	7.0

(Note) Comprehensive income: Fiscal year ended March 31, 2022: ¥5,420 million [301.2%]

Fiscal year ended March 31, 2021: ¥1,351 million [-%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2022	67.45	—	4.6	5.6	7.0
March 31, 2021	6.59	—	0.5	1.9	2.2

(Reference) Equity in earnings of affiliated companies:

Fiscal year ended March 31, 2022: ¥143 million

Fiscal year ended March 31, 2021: ¥118 million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2022	82,003	66,859	72.7	1,494.67
As of March 31, 2021	75,574	62,714	74.4	1,410.69

(Reference) Equity: As of March 31, 2022: ¥59,646 million

As of March 31, 2021: ¥56,233 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 year-end
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
March 31, 2022	6,335	(40)	(1,970)	18,099
March 31, 2021	3,969	(758)	(1,595)	13,309

2. Dividends

	Annual dividends					Total dividends (annual)	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended March 31, 2021	–	5.00	–	9.00	14.00	563	212.4	1.0
Fiscal year ended March 31, 2022	–	13.00	–	17.00	30.00	1,197	44.5	2.1
Fiscal year ending March 31, 2023 (Forecast)	–	15.00	–	15.00	30.00		49.9	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 - March 31, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	29,000	18.9	1,700	(7.1)	1,900	(11.5)	1,100	(18.9)	27.57
Full year	60,000	13.2	3,600	(2.8)	4,200	(4.9)	2,400	(10.8)	60.14

* Notes:

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

Newly included: –

Excluded: –

(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 and outstanding shares (common shares)

1) Total number of issued and outstanding shares at the end of the year (including treasury shares):

March 31, 2022: 40,906,500 shares

March 31, 2021: 43,790,500 shares

2) Total number of treasury shares at the end of the year:

March 31, 2022: 1,000,118 shares

March 31, 2021: 3,928,280 shares

3) Average number of shares during the year:

Year ended March 31, 2022: 39,892,858 shares

Year ended March 31, 2021: 40,686,347 shares

(Note) For the number of shares that form the basis for calculation of basic earnings per share (consolidated), please refer to 3. Consolidated Financial Statements and Primary Notes, (5) Notes to Consolidated Financial Statements, (Per share information) on page 20.

* These consolidated financial results are outside the scope of audit by certified public accountants or an audit firm.

* Explanation of the proper use of financial results forecast and other notes

(Notes on forward-looking statements, etc.)

The forward-looking statements contained in this document are based on judgments made in accordance with information available at the time of the release of this document and include many uncertain factors. Actual results may differ from these forecasts due to changes in business conditions and other factors.

For the assumptions used for the financial results forecast as well as precautions regarding the use of such forecast, please refer to “1. Overview of Operating Results, etc. (4) Future Outlook” on page 4 of the Attachments.

(Access to the materials for the annual financial results briefing session)

The annual financial results briefing session (for institutional investors and analysts) is scheduled for May 25, 2022. Supplementary materials for the financial results (materials for the annual financial results briefing session) will be disclosed via TDnet and on the Company’s website following the briefing session.

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1. Overview of Operating Results, etc.

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

During the fiscal year under review, the Japanese economy gradually began to recover from the economic stagnation due to the novel coronavirus disease (COVID-19). However, the outlook remains uncertain with rampant new mutant viruses, although vaccination rollout has progressed. In addition, stagnant production activities due to tight supply and demand of parts such as semiconductors and soaring steel prices affected corporate activities. Furthermore, Russia's invasion of Ukraine has been causing great turmoil in the world economy.

Under these circumstances, the Group has been enhancing its corporate value by promoting the basic policies set forth in its 15th medium-term management plan "Change!! New NETUREN 2023" (a plan covering the three years from April 2021 to March 2024). The basic policies of the 15th medium-term management plan are as follows:

- (1) Establishing a profit base by further strengthening the competitiveness of core businesses and introducing new technologies, new products, and new businesses to the market;
- (2) Improving our information development capabilities by promoting digitalization through the establishment of the N-DX (NETUREN Digital Transformation) system;
- (3) Placing the SDGs at the center of management, promoting CO2 reduction, and contributing to the creation of a sustainable society; and
- (4) Producing human resources who can strengthen the Group's sales and marketing capabilities globally.

In addition, the Group has done its utmost to secure orders and further promoted the cost reduction measures that have been developed under the circumstances of the spread of COVID-19.

As a result, net sales for the fiscal year under review were ¥53,004 million (up 24.5% year on year), operating income was ¥3,704 million (up 302.6% year on year), ordinary income was ¥4,418 million (up 199.4% year on year) and profit attributable to owners of parent was ¥2,690 million (up 903.4% year on year).

The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and other standards have been applied from the beginning of the fiscal year under review. For details, please refer to 3. Consolidated Financial Statements and Primary Notes, (5) Notes to Consolidated Financial Statements, (Changes in accounting policies).

Results by business segment are as follows.

1) Specialty Steel and Wire Products Division

Net sales of civil engineering and construction-related products increased year on year due to strong construction demand, etc.

Net sales of automobiles-related products increased year on year following recovery from the global market slowdown in the automotive industry.

Net sales of construction equipment-related products increased year on year, mainly due to increased sales volume in Japan.

As a result, net sales were ¥31,205 million (up 27.2% year on year) and operating income was ¥1,317 million (up 92.2% year on year).

2) Induction Heating Division

Net sales of induction heat treatment-related services increased year on year due to the recovery in orders from industries such as machine tools and construction machinery.

Net sales of induction heating equipment and related services increased year on year because demand in capital investment remained on a recovery trend.

As a result, net sales were ¥21,666 million (up 21.1% year on year) and operating income was ¥2,327 million (up 1,267.7% year on year).

3) Others

This segment covers activities such as real estate leasing business that are not included in the reportable segments.

Rental properties owned by the Company are stably contributing to the Company's business performance, albeit on a small scale.

As a result, net sales were ¥132 million (up 1.2% year on year), and operating income was ¥54 million (down 5.7% year on year).

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

Total assets at the end of the fiscal year under review were ¥82,003 million (up 8.5% year on year). This was mainly due to increases in cash and deposits and trade receivables, despite a decrease in non-current assets.

Total liabilities at the end of the fiscal year under review were ¥15,144 million (up 17.8% year on year). This was mainly due to increases in trade payables and income taxes payable and decreases in borrowings.

Net assets at the end of the fiscal year under review were ¥66,859 million (up 6.6% year on year). This was mainly due to an increase in retained earnings as a result of improved profit and an increase in foreign currency translation adjustment.

As a result, the equity ratio as of the end of the fiscal year under review stood at 72.7%.

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

The balance of cash and cash equivalents (hereinafter, "cash") at the end of the fiscal year under review was ¥18,099 million (an increase of ¥4,790 million from the end of the previous fiscal year), the breakdown of which is as follows.

(Cash Flows from Operating Activities)

Net cash provided by operating activities amounted to ¥6,335 million (¥3,969 million in net cash provided in the previous fiscal year).

This was mainly due to the recording of profit before income taxes of ¥4,467 million, and an increase in trade payables of ¥1,303 million.

(Cash Flows from Investing Activities)

Net cash used in investing activities was ¥40 million (¥758 million in net cash used in the previous fiscal year).

This was mainly due to proceeds from sales and redemption of investment securities of ¥556 million, despite purchase of property, plant and equipment of ¥983 million.

(Cash Flows from Financing Activities)

Net cash used in financing activities was ¥1,970 million (¥1,595 million in net cash used in the previous fiscal year).

This was mainly due to Repayments of long-term borrowings of ¥541 million, and dividends paid of ¥877 million.

(Reference) Trends in cash flow-related indicators

	Fiscal years ended March 31				
	2018	2019	2020	2021	2022
Equity ratio	72.8	72.2	73.8	74.4	72.7
Equity ratio based on market value	54.4	45.1	37.7	32.1	28.8
Interest-bearing debt to cash flow ratio	0.3	0.8	0.5	0.7	0.3
Interest coverage ratio	170.6	109.7	167.5	107.4	145.4

(Notes) 1. Calculation method of each indicator

- 1) Equity ratio: $\text{Equity} / \text{total assets}$
 - 2) Equity ratio based on market value: $\text{Total market value of shares (closing price of stock} \times \text{total number of issued and outstanding shares)} / \text{total assets}$
 - 3) Interest-bearing debt to cash flow ratio: $\text{Interest-bearing debt} / \text{cash flow from operating activities}$
 - 4) Interest coverage ratio: $\text{Cash flow from operating activities} / \text{interest payments}$
2. Total market value of shares is calculated based on the number of issued and outstanding shares excluding treasury shares. Cash flow from operating activities is net cash provided by (used in) operating activities on the Consolidated Statements of Cash Flows. Interest-bearing debt refers to borrowings recorded on the Consolidated Balance Sheets. The amount of interest payments is the amount of interest expenses recorded on the Consolidated Statements of Income and Comprehensive Income.

(4) Future Outlook

It is expected that economic trends in Japan and overseas will remain on a gradual recovery track. However, it is difficult to foresee the impact of COVID-19 on the economy in the future with no time frame for the end of the disease in sight, and lockdowns in some cities in China has begun to disrupt production and logistics.

Additionally, there are still concerns about production stagnation due to a shortage of parts such as semiconductors, cost increases due to soaring material costs such as steel materials, electricity costs and logistic costs. Furthermore, the turmoil in the world economy over the situation in Ukraine has spurred soaring resource and energy prices, deteriorating the business environment of companies. Since it is expected that it will take some time for these concerns to be resolved, we anticipate that the unpredictable situation will continue for some time and that the business performance of the Group will be affected.

Under these circumstances, the Group will do its utmost to secure orders and further promote cost reduction measures and the transfer of the cost increase, such as material cost, to the selling price. Through these efforts, we forecast consolidated net sales of ¥60,000 million, operating income of ¥3,600 million, ordinary income of ¥4,200 million, and profit attributable to owners of parent of ¥2,400 million for the fiscal year ending March 31, 2023.

In addition, the Group will enhance our corporate value by promoting the basic policies set forth in its 15th medium-term management plan “Change!! New NETUREN 2023” (a plan covering the three years from April 2021 to March 2024).

These forecasts are based on information presently available and include many uncertain factors. Actual results may differ from these forecasts due to changes in business conditions and other factors.

(5) Basic Policy on Profit Distribution and Dividends for the Current and Next Fiscal Years

Dividends for the fiscal year ended March 31, 2022

In addition to its policy of maintaining stable dividends, the Company has a basic policy to distribute profits in accordance with its business performance and to make decisions on dividends, considering the business environment and financial conditions surrounding the Group.

As a general rule, the minimum amount of “stable dividends” is a dividend on equity (DOE) rate of 1.5%, and as for “distributing profits in accordance with business performance,” the target is a consolidated payout ratio of at least 40%.

In the past, although the minimum amount of “stable dividends” was ¥10 per year, we have changed it from the current fiscal year with the aim of strengthening the profit structure to secure earnings, further enhancing shareholder returns, and continuously improving the return on assets (ROA) and return on equity (ROE) (Announced on November 5, 2021). In this way, we will meet the expectations of our shareholders and become an attractive company in which shareholders will hold our shares over the medium to long term.

With regard to the year-end dividend (ordinary dividend) for the fiscal year ended March 31, 2022, we propose a year-end dividend of ¥17 per share, taking into consideration consolidated business results and other factors comprehensively based on the above dividend policy.

As a result, the total annual dividend, including the interim dividend of ¥13, will be ¥30.

Dividends for the fiscal year ending March 31, 2023

For the fiscal year ending March 31, 2023, there are uncertainties such as the impact of COVID-19 on our business performance. We, however, plan to pay an interim dividend of ¥15 per share and a year-end dividend of ¥15 per share, for a total annual dividend of ¥30 per share, based on our financial results forecast and our stance of focusing on returning profits to shareholders.

2. Basic Policy on Selection of Accounting Standards

The Group’s policy for the time being is to prepare consolidated financial statements in accordance with accounting principles generally accepted in Japan (Japanese GAAP), taking into consideration the comparability of consolidated financial statements from period to period and from company to company.

With regard to the adoption of International Financial Reporting Standards (IFRS), the Group’s policy is to respond appropriately in consideration of various domestic and international circumstances.

3. Consolidated Financial Statements and Primary Notes
(1) Consolidated Balance Sheets

(Million yen)

	As of March 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	14,675	19,213
Notes and accounts receivable – trade	10,717	—
Notes and accounts receivable - trade, and contract assets	—	12,696
Electronically recorded monetary claims	3,640	2,954
Securities	383	338
Finished goods	885	1,170
Work in process	1,570	1,781
Raw materials and supplies	2,217	2,847
Other	1,430	1,773
Allowance for doubtful accounts	(41)	(52)
Total current assets	35,478	42,723
Non-current assets		
Property, plant and equipment		
Buildings and structures	21,498	21,938
Accumulated depreciation	(12,971)	(13,643)
Buildings and structures, net	8,527	8,295
Machinery, equipment and vehicles	50,040	51,147
Accumulated depreciation	(40,703)	(42,597)
Machinery, equipment and vehicles, net	9,337	8,549
Land	9,866	9,848
Leased assets	162	617
Accumulated depreciation	(94)	(141)
Leased assets, net	67	475
Construction in progress	1,081	627
Other	2,481	2,595
Accumulated depreciation	(2,199)	(2,324)
Other, net	281	271
Total property, plant and equipment	29,163	28,067
Intangible assets		
Leasehold interests in land	639	669
Goodwill	4	—
Other	141	108
Total intangible assets	785	778
Investments and other assets		
Investment securities	8,686	8,737
Long-term loans receivable	28	20
Retirement benefit asset	86	71
Deferred tax assets	126	135
Other	1,300	1,547
Allowance for doubtful accounts	(79)	(79)
Total investments and other assets	10,147	10,434
Total non-current assets	40,096	39,280
Total assets	75,574	82,003

(Million yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable – trade	2,793	3,755
Electronically recorded obligations – operating	3,008	3,451
Short-term borrowings	1,486	1,412
Lease obligations	30	69
Income taxes payable	268	974
Provision for bonuses	699	708
Provision for bonuses for directors (and other officers)	12	41
Other	2,091	2,611
Total current liabilities	10,391	13,026
Non-current liabilities		
Long-term borrowings	1,268	738
Provision for share awards for directors (and other officers)	3	7
Lease obligations	170	429
Deferred tax liabilities	389	335
Retirement benefit liability	562	450
Other	75	156
Total non-current liabilities	2,469	2,117
Total liabilities	12,860	15,144
Net assets		
Shareholders' equity		
Share capital	6,418	6,418
Capital surplus	4,698	2,407
Retained earnings	47,415	49,174
Treasury shares	(3,106)	(790)
Total shareholders' equity	55,425	57,209
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,141	1,327
Foreign currency translation adjustment	(452)	959
Remeasurements of defined benefit plans	118	150
Total accumulated other comprehensive income	807	2,436
Non-controlling interests	6,481	7,212
Total net assets	62,714	66,859
Total liabilities and net assets	75,574	82,003

(2) Consolidated Statements of Income and Comprehensive Income
Consolidated Statements of Income

(Million yen)

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Net sales	42,567	53,004
Cost of sales	34,474	41,712
Gross profit	8,092	11,292
Selling, general and administrative expenses		
Selling expense	2,367	2,631
General and administrative expenses	4,804	4,956
Total selling, general and administrative expenses	7,172	7,588
Operating income	920	3,704
Non-operating income		
Interest income	74	71
Dividend income	87	96
Financial aid	92	29
Subsidy income	43	18
Insurance claim and dividend income	29	46
Share of profit of entities accounted for using equity method	118	143
Gain on sales of scraps	86	177
Foreign exchange gains	40	139
Other	45	59
Total non-operating income	617	782
Non-operating expenses		
Interest expenses	36	43
Depreciation of inactive non-current assets	10	6
Other	14	18
Total non-operating expenses	61	68
Ordinary income	1,475	4,418
Extraordinary income		
Gain on sales of non-current assets	97	22
Gain on sales of investment securities	530	214
Insurance claim income	45	1
Subsidy income	15	72
Other	—	12
Total extraordinary income	688	322
Extraordinary losses		
Loss on sales of non-current assets	1	0
Loss on retirement of non-current assets	29	13
Impairment loss	772	241
Loss on sales of investment securities	152	—
Other	9	17
Total extraordinary losses	965	273

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Profit before income taxes	1,198	4,467
Income taxes – current	482	1,245
Income taxes – deferred	100	96
Total income taxes	583	1,342
Profit	615	3,125
Profit attributable to:		
Profit attributable to owners of parent	268	2,690
Profit attributable to non-controlling interests	347	434
Other comprehensive income		
Valuation difference on available-for-sale securities	643	(524)
Foreign currency translation adjustment	(98)	1,921
Remeasurements of defined benefit plans, net of tax	177	31
Share of other comprehensive income of entities accounted for using equity method	13	867
Total other comprehensive income	735	2,295
Comprehensive income	1,351	5,420
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	1,006	4,319
Comprehensive income attributable to non-controlling interests	344	1,101

(3) Consolidated Statements of Changes in Equity

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at March 31, 2020	6,418	4,714	47,718	(2,641)	56,209
Cumulative effects of changes in accounting policies					–
Restated balance	6,418	4,714	47,718	(2,641)	56,209
Changes of items during period					
Dividends of surplus			(571)		(571)
Profit attributable to owners of parent			268		268
Purchase of treasury shares				(506)	(506)
Disposal of treasury shares		(15)		41	25
Cancellation of treasury shares					–
Net changes in items other than shareholders' equity					
Total changes of items during period	–	(15)	(303)	(464)	(784)
Balance at March 31, 2021	6,418	4,698	47,415	(3,106)	55,425

	Accumulated other comprehensive income				Non-controlling interests	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 March 31, 2020	495	(367)	(58)	69	6,493	62,772
Cumulative effects of changes in accounting policies						–
Restated balance	495	(367)	(58)	69	6,493	62,772
Changes of items during period						
Dividends of surplus						(571)
Profit attributable to owners of parent						268
Purchase of treasury shares						(506)
Disposal of treasury shares						25
Cancellation of treasury shares						–
Net changes in items other than shareholders' equity	646	(84)	177	738	(12)	725
Total changes of items during period	646	(84)	177	738	(12)	(58)
Balance at March 31, 2021	1,141	(452)	118	807	6,481	62,714

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at March 31, 2021	6,418	4,698	47,415	(3,106)	55,425
Cumulative effects of changes in accounting policies			(53)		(53)
Restated balance	6,418	4,698	47,361	(3,106)	55,371
Changes of items during period					
Dividends of surplus			(877)		(877)
Profit attributable to owners of parent			2,690		2,690
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		(9)		35	25
Cancellation of treasury shares		(2,280)		2,280	—
Net changes in items other than shareholders' equity					
Total changes of items during period	—	(2,290)	1,813	2,315	1,838
Balance at March 31, 2022	6,418	2,407	49,174	(790)	57,209

	Accumulated other comprehensive income				Non-controlling interests	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 March 31, 2021	1,141	(452)	118	807	6,481	62,714
Cumulative effects of changes in accounting policies						(53)
Restated balance	1,141	(452)	118	807	6,481	62,660
Changes of items during period						
Dividends of surplus						(877)
Profit attributable to owners of parent						2,690
Purchase of treasury shares						(0)
Disposal of treasury shares						25
Cancellation of treasury shares						—
Net changes in items other than shareholders' equity	185	1,411	31	1,629	731	2,360
Total changes of items during period	185	1,411	31	1,629	731	4,198
Balance at March 31, 2022	1,327	959	150	2,436	7,212	66,859

(4) Consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Cash flows from operating activities:		
Profit before income taxes	1,198	4,467
Depreciation	3,034	2,954
Impairment loss	772	241
Amortization of goodwill	124	4
Increase (decrease) in allowance for doubtful accounts	21	7
Increase (decrease) in provision for bonuses	91	8
Decrease (increase) in retirement benefit asset	5	17
Increase (decrease) in retirement benefit liability	(121)	(66)
Interest and dividend income	(162)	(167)
Interest expenses	36	43
Foreign exchange losses (gains)	(87)	(184)
Share of loss (profit) of entities accounted for using equity method	(118)	(143)
Loss (gain) on sales of property, plant and equipment	(95)	(6)
Loss (gain) on disposal of property, plant and equipment	29	13
Loss (gain) on sales of intangible assets	—	(15)
Loss (gain) on sales of investment securities	(377)	(214)
Decrease (increase) in trade receivables	98	(903)
Decrease (increase) in inventories	(103)	(907)
Increase (decrease) in trade payables	(241)	1,303
Increase (decrease) in accrued consumption taxes	49	178
Other, net	36	119
Subtotal	4,193	6,751
Interest and dividend income received	174	203
Interest paid	(36)	(47)
Income taxes (paid) refund	(361)	(571)
Net cash provided by (used in) operating activities	3,969	6,335
Cash flows from investing activities:		
Payments into time deposits	(2,540)	(1,432)
Proceeds from withdrawal of time deposits	2,156	1,832
Purchase of securities	—	(48)
Purchase of property, plant and equipment	(1,408)	(983)
Proceeds from sales of property, plant and equipment	127	106
Purchase of intangible assets	(19)	(23)
Proceeds from sales of intangible assets	—	52
Purchase of investment securities	(12)	(4)
Proceeds from sales and redemption of investment securities	1,000	556
Loan advances	(10)	(5)
Collection of loans receivable	12	14
Purchase of long-term prepaid expenses	(47)	(80)
Other, net	(18)	(24)
Net cash provided by (used in) investing activities	(758)	(40)

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Cash flows from financing activities:		
Proceeds from short-term borrowings	1,374	1,688
Repayments of short-term borrowings	(1,258)	(1,788)
Proceeds from long-term borrowings	170	10
Repayments of long-term borrowings	(539)	(541)
Purchase of treasury shares	(506)	(0)
Dividends paid	(571)	(877)
Dividends paid to non-controlling interests	(357)	(370)
Other, net	92	(90)
Net cash provided by (used in) financing activities	(1,595)	(1,970)
Effect of exchange rate change on cash and cash equivalents	(4)	465
Net increase (decrease) in cash and cash equivalents	1,611	4,790
Cash and cash equivalents at beginning of period	11,697	13,309
Cash and cash equivalents at end of period	13,309	18,099

(5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Changes in accounting policies)

(Adoption of Accounting Standard for Revenue Recognition, etc.)

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter “Revenue Recognition Standard”) and other standards from the beginning of the fiscal year under review. The Company recognizes revenue when control of a promised good or service is transferred to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services.

The main changes due to the adoption of Revenue Recognition Standard, etc., is as follows.

(1) Revenue recognition for buy-sell transactions

For some buy-sell transactions that fall under the repurchase agreement, net sales and cost of sales were previously recorded at the time of resale to the charged suppliers. However, the Company changed to a method of recognizing only the amount equivalent to the processing fee at net amount as revenue.

(2) Revenue recognition for products that require installation

For products for which the Group is obliged to install in the contract with the customers, in some transactions, revenue for the product part was recognized when it was inspected by the customer, and revenue for the service part was recognized when the installation was completed in the past. As a result of examining the identification of performance obligations and the time when they are satisfied based on the Revenue Recognition Standard, etc., it was judged that the performance obligations are satisfied when the customers gain control over the product upon completion of product installation, and revenue for both the product and service parts are recognized.

The Company applies the Revenue Recognition Standard, etc. in accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the Revenue Recognition Standard. The cumulative impact of retrospectively applying the new accounting policies to prior periods is adjusted to retained earnings at the beginning of the fiscal year under review, with the new accounting policies applied from the beginning balance. However, the Company applies the method provided for in Paragraph 86 of the Revenue Recognition Standard, and does not apply the new accounting policies retrospectively to contracts for which substantially all revenue amounts had been recognized prior to the beginning of the fiscal year under review in accordance with the previous treatment. In addition, applying the method stipulated in proviso (1) to Paragraph 86 of the Revenue Recognition Standard, contract modifications that occurred prior to the beginning of the fiscal year under review were accounted for based on the terms of the contract after reflecting all contract modifications, with the cumulative impact adjusted to retained earnings at the beginning of the fiscal year under review.

Furthermore, “notes and accounts receivable - trade,” which was presented under “current assets” in the consolidated balance sheets of the previous fiscal year, has been included under “notes and accounts receivable - trade, and contract assets” from the fiscal year under review. However, in accordance with the transitional treatment set forth in Paragraph 89-2 of the Revenue Recognition Standard, figures for the previous fiscal year have not been reclassified based on the new presentation method.

As a result of this change, compared with the figures before the application of the Revenue Recognition Standard, etc., net sales increased by ¥10 million, cost of sales decreased by ¥61 million, and operating income, ordinary income, and profit before income taxes increased by ¥72 million, respectively for the fiscal year under review. In addition, the beginning balance of retained earnings decreased by ¥53 million.

In the consolidated statements of cash flows for the fiscal year under review, profit before income taxes increased by ¥72 million.

The cumulative impact of this change has been reflected on net assets at the beginning of the fiscal year under review. As a result, the beginning balance of retained earnings decreased by ¥53 million in the consolidated statements of changes in equity.

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

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter “Fair Value Measurement Standard”) and other standards from the beginning of the fiscal year under review, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc. in accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). This does not affect the consolidated financial statements.

(Segment information, etc.)

[Segment information]

1 Overview of reportable segments

The Company's reportable segments are components within the Company for which discrete financial information is available and are regularly reviewed by the Company's Board of Directors for the purpose of determining the allocation of management resources and evaluating performance.

The Company adopted a business division system centered on two business divisions, the "Specialty Steel and Wire Products Division" and "Induction Heating Division." Each business division cooperates with organizations such as the Administrative Headquarters and the Business Planning and Development Headquarters and formulates comprehensive strategies for domestic and overseas businesses in relation to the products and services it handles and carries out business activities accordingly. In addition, our affiliated companies operate their businesses under each business division.

Therefore, the Group is comprised of segments that are classified according to products and services based on its business divisions. The two reportable segments of the Group are "Specialty Steel and Wire Products Division" and "Induction Heating Division."

"Specialty Steel and Wire Products Division" manufactures PC steel bars, deformed PC steel bars and shear reinforcement for civil engineering and construction, high-strength spring steel wire (ITW) mainly used for suspension springs for automobiles and two-wheeled vehicles, and automotive parts and construction machine parts, etc. "Induction Heating Division" is not only engaged in induction heat treatment service of critical safety parts for automobiles and machining equipment, etc., but also manufactures induction heating equipment for each industrial field.

2 Calculation methods of net sales, profit (loss), assets, liabilities and other items by reportable segment

Reportable segment profit consists of figures based on operating income (after amortization of goodwill). Inter-segment net sales and transfers are based on market price.

3 Notes to the changes in reportable segments, etc.

As described in the changes in accounting policies, the Company has applied the Revenue Recognition Standard, etc. and changed the way of accounting methods for revenue recognition since the beginning of the fiscal year under review. The calculation method for profit or loss in the business segments also changed accordingly.

Consequently, net sales of the Specialty Steel and Wire Products Division for the fiscal year under review decreased by ¥356 million compared to that under the previous method. This does not affect the segment profit. Net sales of the "Induction Heating Division" increased by ¥366 million and the segment profit increased by ¥72 million.

4 Information on the amount of net sales, profit (loss), assets, liabilities and other items by reportable segment
For the fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Million yen)

	Reportable segment			Other (Note)	Total
	Specialty Steel and Wire Products Division	Induction Heating Division	Total		
Net Sales					
Net sales to external customers	24,537	17,898	42,435	131	42,567
Inter-segment net sales or transfers	-	26	26	-	26
Total	24,537	17,924	42,462	131	42,593
Segment profit	685	170	855	57	913
Segment assets	28,076	27,168	55,245	1,766	57,011
Other items					
Depreciation	1,282	1,746	3,028	13	3,041
Increase in property, plant and equipment and intangible assets	347	987	1,335	27	1,362

(Note) The “Other” category represents business segments that are not included in the reportable segments, and covers activities such as real estate leasing business.

For the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Million yen)

	Reportable segment			Other (Note)	Total
	Specialty Steel and Wire Products Division	Induction Heating Division	Total		
Net Sales					
Net sales to external customers	31,205	21,666	52,872	132	53,004
Inter-segment net sales or transfers	-	39	39	-	39
Total	31,205	21,705	52,911	132	53,044
Segment profit	1,317	2,327	3,644	54	3,698
Segment assets	30,205	27,556	57,761	1,686	59,448
Other items					
Depreciation	1,325	1,614	2,939	14	2,954
Increase in property, plant and equipment and intangible assets	813	484	1,298	20	1,318

(Note) The “Other” category represents business segments that are not included in the reportable segments, and covers activities such as real estate leasing business.

- 5 Difference between the total amount of reportable segments and the amount recorded in the consolidated financial statements as well as main components of the differences (items in relation to adjustment of differences)

(Million yen)

Net Sales	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Total amount of reportable segment	42,462	52,911
Net sales in “Other” category	131	132
Elimination of intersegment transactions	(26)	(39)
Net sales in consolidated financial statements	42,567	53,004

(Million yen)

Profit	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Total amount of reportable segment	855	3,644
Profit in “Other” category	57	54
Elimination of intersegment transactions	7	5
Operating income in consolidated financial statements	920	3,704

(Million yen)

Assets	As of March 31, 2021	As of March 31, 2022
Total amount of reportable segment	55,245	57,761
Assets in “Other” category	1,766	1,686
Corporate assets (Note)	18,595	22,579
Elimination of intersegment transactions	(31)	(25)
Total assets in consolidated financial statements	75,574	82,003

(Note) Corporate assets mainly consisted of cash and deposits by the parent company, long-term investment funds (investment securities), and assets which belong to the administrative departments of the Company.

(Million yen)

Other items	Total amount of reportable segment		Other		Adjustment		Amount recorded in consolidated financial statements	
	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Depreciation	3,028	2,939	13	14	(7)	0	3,034	2,954
Increase in property, plant and equipment and intangible assets	1,335	1,298	27	20	64	58	1,426	1,377

(Note) The adjustment amounts for increase in property, plant and equipment and intangible assets mainly consist of the amount of capital expenditure related to the administrative departments that do not belong to the reportable segments.

[Information on impairment loss on non-current assets by reportable segment]
For the fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Million yen)

	Reportable segment			Other (Note)	Total
	Specialty Steel and Wire Products Division	Induction Heating Division	Total		
Impairment loss	-	772	772	-	772

(Note) The “Other” category represents business segments that are not included in the reportable segments, and covers activities such as real estate leasing business.

For the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Million yen)

	Reportable segment			Other (Note)	Total
	Specialty Steel and Wire Products Division	Induction Heating Division	Total		
Impairment loss	-	241	241	-	241

(Note) The “Other” category represents business segments that are not included in the reportable segments, and covers activities such as real estate leasing business.

[Information on amortization of goodwill and balance of unamortized goodwill by reportable segment]
For the fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Million yen)

	Reportable segment			Other (Note)	Total
	Specialty Steel and Wire Products Division	Induction Heating Division	Total		
Amortization for the current period	-	124	124	-	124
Balance at end of period	-	4	4	-	4

(Note) The “Other” category represents business segments that are not included in the reportable segments, and covers activities such as real estate leasing business.

For the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Million yen)

	Reportable segment			Other (Note)	Total
	Specialty Steel and Wire Products Division	Induction Heating Division	Total		
Amortization for the current period	-	4	4	-	4
Balance at end of period	-	-	-	-	-

(Note) The “Other” category represents business segments that are not included in the reportable segments, and covers activities such as real estate leasing business.

(Per share information)

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Net assets per share	¥1,410.69	¥1,494.67
Basic earnings per share	¥6.59	¥67.45

(Notes) 1. Diluted earnings per share are not provided, as there are no dilutive shares.

2. The basis for calculation of basic earnings per share is as follows:

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Basic earnings per share		
Profit attributable to owners of parent (Million yen)	268	2,690
Amount not attributed to common shareholders (Million yen)	-	-
Profit attributable to owners of parent related to common shares (Million yen)	268	2,690
Average number of shares outstanding during the fiscal year (Shares)	40,686,347	39,892,858

(Significant subsequent events)

Not applicable.