

ADVANEX INC.
Flash Report(Consolidated Basis) --Summary
Results for fiscal year ended March 31, 2024



May 10, 2024

Company name: ADVANEX INC.

Code number: 5998

Representative: Eitaro Asada, Chairman & President

Inquiries: Tetsuya Yoshihara, Executive Director & CFO

Date of the General Meeting of the Shareholders: June 27, 2024

Expected date of payment for dividends: June 28, 2024

Filing date of securities report: June 28, 2024

Supplementary explanation material for financial results

Holding of presentation meeting for financial results

Stock listings: Tokyo Stock Exchange

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Yes

Yes

(Figures less than ¥1 million have been omitted.)

1. Performance

(1) Operating results

Years ended March 31

Percentages indicate year-on-year increase (decrease).

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2024	26,549	7.8	365	497.2	832	42.2	268	347.0
2023	24,628	13.4	61	(58.7)	585	65.1	60	-

Note: Comprehensive income(millions of yen): Mar. 2024: 1,118 227.7% Mar.2023: 341 (47.6)%

	Net income per share	Net income per share after dilution	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
2024	65.46	65.37	3.5	3.0	1.4
2023	14.64	14.62	0.9	2.3	0.2

(2) Consolidated Financial position

At March 31

(Figures less than ¥1 million have been omitted.)

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
2024	28,457	8,289	29.1	2,016.53
2023	26,470	7,221	27.2	1,755.96

(Reference) Total shareholders' equity: March 31, 2024: ¥8,281 million, March 31, 2023: ¥7,213 million

(3) Cash flows

Years ended March 31

(Figures less than ¥1 million have been omitted.)

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
2024	2,034	(640)	(457)	3,981
2023	271	(1,599)	1,455	2,773

2. Dividends

Years ended March 31

Record date	Dividends per share				
	First quarter -end dividends	Second quarter -end dividends	Third quarter -end dividends	Year-end dividends	Total
	Yen	Yen	Yen	Yen	Yen
2023	---	---	---	12.00	12.00
2024	---	---	---	20.00	20.00
2025 (Forecast)	---	--	---	20.00	20.00

Note: The expected dividend amount has not been decided.

Record date	Total amount of dividends (for the entire fiscal year)	Payout ratio (consolidated)	Dividends-to-net assets ratio (consolidated)
	Millions of yen	%	%
2023	49	82.0	0.7
2024	82	30.6	1.1
2025 (Forecast)		30.6	

3. Forecasts for the Fiscal Year Ended March 31, 2025

Percentages indicate year-on-year increase (decrease).

Fiscal year	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
	26,000	(2.1)	300	(18.0)	200	(76.0)

Fiscal year	Net income (loss)		Net income (loss) per share
	Millions of yen	%	Yen
	300	11.6	73.04

4. Other

1. Significant changes in subsidiaries during the subject fiscal year (Transfer of particular subsidiaries following a change in the scope of consolidation): No
2. Changes in accounting principles, procedures, presentations, etc.
 - a. Changes associated with revision of accounting standards, etc: No
 - b. Changes other than a.: No
 - c. Changes in accounting estimates: No
 - d. Restatement: No
3. Number of shares outstanding (Common stock)

Number of shares outstanding at fiscal year-end(including treasury stock):

2024: 4,153,370 shares 2023: 4,153,370 shares

Number of shares of treasury stock at fiscal year-end:

2024: 46,761 shares 2023: 45,562 shares

Average Number of outstanding at term-end:

2024: 4,107,279 shares 2023: 4,108,076 shares

(Reference) FLASH REPORT (NON-CONSOLIDATED BASIS)

(1) Operating results

Years ended March 31

Percentages indicate year-on-year increase (decrease).

	Net sales		Operating income		Ordinary income (loss)		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2024	9,985	2.2	120	(31.0)	544	(5.6)	(374)	-
2023	9,769	0.2	175	(35.6)	577	(18.0)	(1,260)	-

	Net income per share	Net income per share after dilution
	Yen	Yen
2024	(91.06)	-
2023	(306.79)	-

(2) Financial position

At March 31

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
2024	18,086	1,008	5.5	243.53
2023	17,353	1,443	8.3	349.33

(Reference) Total shareholders' equity: March 31, 2024 ¥1,000 million, March 31, 2023: ¥1,434 million

Notes

- Audit procedures for financial statements under the Financial Instruments and Exchange Law are not completed at the time of disclosure of this Brief Report of Financial Results.

• The business forecasts presented in this report are based on information available to the management at the time of preparation, and are subject to a number of risks and uncertainties. Actual results may differ materially from those projected due to a wide range of factors.

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1. Overview of Business Performance and Financial Position

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

In the fiscal year under review, the global economy recovered moderately on the whole, despite concerns about the effects of persistently high interest rates accompanying continued inflation in each country and the sluggish Chinese economy. The automotive industry, which is our main market, is generally on a recovery trend due to solid demand and the easing of semiconductor shortages, despite signs of strength and weakness in each of the manufacturers and models that are equipped with some of our products.

Under these circumstances, in the fiscal year under review, net sales increased 7.8% year on year to ¥26,549 million, operating income increased 497.2% year on year to ¥365 million, ordinary income increased 42.2% year on year to ¥832 million, and profit attributable to owners of parent increased 347.0% year on year to ¥268 million.

Results by business segment are as follows.

[Japan]

Sales of OA equipment and consumer electronics were sluggish, while sales of automotive applications recovered due to a easing shortage of semiconductors. As a result, net sales increased 3.2% year on year to ¥8,867 million. Segment income decreased 31.6% to ¥113 million, mainly due to an increase in personnel expenses, despite progress in passing on higher utility and other costs to costs.

[Americas]

Net sales increased 45.7% year on year to ¥4,231 million due to the start-up of production for automobiles and medical care at plants in the United States and Mexico. Segment loss was ¥455 million (compared with a loss of ¥1,041 million in the previous fiscal year), which reduced the loss, despite an increase in fixed costs and other expenses due to the appreciation of the Mexican peso, as the profitability of the U.S. plant improved.

[Europe]

Net sales increased 5.8% to ¥3,111 million due to a recovery in sales to healthcare and unfavorable foreign exchange rates. Segment income decreased 38.6% to ¥230 million due to higher personnel and energy costs.

[Asia]

Net sales increased 1.4% year on year to ¥10,339 million due to the impact of exchange rates and a rebound in sales to the automotive sector, despite weak sales to OA equipment and household electrical appliances. Segment income decreased 14.2% to ¥464 million due to higher personnel and energy costs.

(2) Overview of Financial Position

1. Assets

Total assets at the end of the fiscal year under review increased 1,987 million yen from the end of the previous fiscal year, to 28,457 million yen.

In the Assets section, total current assets increased ¥1,959 million to ¥14,976 million. The main factors were increases of 1,377 million yen in cash and deposits, 144 million yen in notes and accounts receivable-trade, and 351 million yen in inventories. Total non-current assets increased 27 million to 13,481 million.

2. Liabilities

In the Liabilities section, total liabilities were 20,168 million yen, an increase of 919 million yen from the end of the previous fiscal year.

This was mainly due to increases of 193 million yen in notes and accounts payable-trade, 62 million yen in electronic debt, 326 million yen in other current liabilities, and 221 million yen in loans payable.

3. Net assets

Net assets totaled 8,289 million yen, up 1,067 million yen from the end of the previous fiscal year. The main reason was an increase in net income attributable to the parent company of 2 speculations of 68 million and an increase of 771 million in translation adjustment.

As a result, the equity ratio was 29.1% (27.2% at the end of the previous fiscal year).

(3) The status of Cash flows

Cash and cash equivalents (hereinafter referred to as "cash") at the end of the fiscal year under review increased by 1.207 billion yen from the end of the previous fiscal year to 3,981 million yen. Cash flows for each category and factors affecting cash flows are as follows.

Net cash provided by operating activities increased by ¥2,034 million (compared with net cash provided by operating activities of ¥279 million in the previous fiscal year). Major cash inflows included income before income taxes and minority interests of 619 million yen, cash reserves of 1,576 million yen due to depreciation and amortization, and an increase in notes and accounts payable-trade of 343 million yen. Major cash outflows included interest paid of 354 million yen and income taxes paid of 333 million yen.

Net cash used in investing activities decreased ¥640 million (compared with ¥1,599 million used in investing activities in the previous fiscal year). Major items included purchases of property, plant and equipment of 481 million yen and purchases of intangible assets of 118 million yen.

Net cash used in financing activities decreased 457 million yen from 1,447 million yen in the previous fiscal year. This was mainly attributable to a decrease of 143 million yen in loans

payable and two miscellaneous 63 million yen in lease payments.

(4) Outlook for the coming fiscal year

In the fiscal year ending March 2025, the outlook is uncertain due to concerns over the effects of the slowdown in China's economy not only on Japan but also on the global economy, that interest rates will remain high due to continued inflation, and geopolitical risks such as conflicts in the Middle East and Ukraine.

In this business environment, we are cautious about our forecasts for the next fiscal year. Net sales are expected to be ¥26 billion (down 2.1% year on year), operating income is expected to be ¥300 million (down 18.0%), ordinary income is expected to be ¥200 million (down 76.0%), and profit attributable to owners of parent is expected to be ¥300 million (up 11.6%).

2. Basic Concept Regarding Selection of Accounting Standards

Taking into account the comparability of consolidated financial statements among companies, our policy for the time being is to prepare consolidated financial statements under Japanese GAAP.

In the future, we intend to consider the application of IFRS based on the trends in the application of the International Financial Reporting Standards (IFRS) in Japan.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2024	As of March 31, 2023
ASSETS		
Current assets:		
Cash and time deposits	5,225,710	3,847,767
Trade notes and accounts receivable	4,806,095	4,661,843
Finished goods	1,960,173	1,501,243
Work in process	833,902	776,907
Raw materials and stored items	1,504,821	1,668,989
Other current assets	677,945	591,480
Allowance for doubtful accounts	(32,023)	(31,503)
Total current assets	14,976,625	13,016,728
Fixed assets:		
Tangible fixed assets		
Buildings and structures	10,564,811	10,204,399
Accumulated depreciation	(6,257,172)	(5,828,449)
Buildings and structures, net	4,307,638	4,375,950
Machinery and equipment	18,504,082	17,121,218
Accumulated depreciation	(13,777,563)	(12,363,214)
Machinery and equipment, net	4,726,518	4,758,003
Land	1,715,825	1,642,776
Leased assets	2,159,340	1,987,594
Accumulated depreciation	(1,021,129)	(760,691)
Leased assets, net	1,138,211	1,226,903
Construction in progress	345,230	236,868
Others	2,613,478	2,453,828
Accumulated depreciation	(2,347,460)	(2,169,686)
Other, net	266,017	284,142
Total tangible fixed assets	12,499,441	12,524,644
Intangible fixed assets		
Software	110,935	45,289
Leased assets	2,586	11,699
Others	70,435	92,210
Total intangible fixed assets	183,957	149,198
Investments and other assets		
Investment in securities	102,109	111,901
Deferred income tax	47,647	37,937
Real estate for investment	519,350	491,912
Accumulated depreciation	(156,655)	(134,165)

	As of March 31, 2024	As of March 31, 2023
Real estate for investment, net	362,695	357,746
Others	285,714	272,586
Allowance for doubtful accounts	(245)	(245)
Total investments and other assets	797,921	779,926
Total fixed assets	13,481,321	13,453,770
Total assets	28,457,946	26,470,498
LIABILITIES		
Current liabilities:		
Trade notes and accounts payable	3,499,749	3,243,825
Short-term borrowings	4,739,303	4,235,499
Long-term borrowings due within one year	2,480,699	3,015,364
Lease obligations	229,441	255,585
Accrued income taxes	109,730	138,868
Contract Liability	99,674	71,843
Allowance for bonus	285,753	138,788
Other current liabilities	1,527,495	1,201,366
Total current liabilities	12,971,847	12,301,142
Long-term liabilities:		
Long-term borrowings	4,544,507	4,291,775
Lease obligations	1,021,551	1,047,944
Deferred tax liabilities	364,396	317,793
Asset retirement obligations	56,445	55,231
Liabilities for Retirement Benefits	1,121,267	1,128,049
Other long-term liabilities	88,226	106,804
Total long-term liabilities	7,196,395	6,947,598
Total liabilities	20,168,243	19,248,740
NET ASSETS		
Shareholders' equity		
Common stock	100,000	1,000,000
Capital surplus	1,150,000	250,000
Retained earnings	5,302,982	5,083,407
Treasury stock	(79,773)	(78,557)
Total shareholders' equity	6,473,208	6,254,849
Accumulated other comprehensive income		
Valuation gain (loss) on other securities	(21,050)	(10,676)
Foreign exchange adjustment	1,724,740	953,207
Accumulated adjustment for Retirement Benefits	104,210	15,782
Total accumulated other comprehensive income	1,807,900	958,313
Subscription rights to shares	8,594	8,594
Total net assets	8,289,703	7,221,757

	As of March 31, 2024	As of March 31, 2023
Total liabilities and net assets	28,457,946	26,470,498

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

(Thousands of yen)

	Year ended March 31, 2024	Year ended March 31, 2023
Net sales	26,549,467	24,628,999
Cost of sales	20,753,343	19,508,157
Gross income	5,796,123	5,120,842
Selling, general and administrative expenses		
Delivery	579,551	660,245
Salary	2,367,339	2,220,873
Reserves for bonuses allowance	62,597	19,941
Retirement benefit expenses	98,272	85,044
Depreciation and amortization	115,153	102,438
Others	2,207,260	1,971,024
Total selling, general and administrative expenses	5,430,175	5,059,567
Operating income	365,948	61,274
Non-operating income		
Interests	48,517	26,696
Dividends income	513	-
Rental fees	117,434	112,038
Foreign exchange gains	664,359	416,465
Subsidy income	13,720	14,023
Subsidy income 2	5,989	46,199
Gain on forgiveness of debts	-	187,782
Others	42,479	63,476
Total non-operating income	893,013	866,683
Non-operating expenses		
Interests	350,924	258,838
Compensation expenses	4,263	9,741
Rent cost of real estate	13,726	13,284
Others	57,178	60,234
Total non-operating expenses	426,093	342,098
Ordinary income or loss	832,868	585,859

	Year ended March 31, 2024	Year ended March 31, 2023
Extraordinary income		
Gain on sales of noncurrent assets	9,955	9,844
Gain on bad debts recoverd	21,660	
Total extraordinary income	31,615	9,844
Extraordinary loss		
Loss on sales of noncurrent assets	1,939	2,092
Loss on disposal of noncurrent assets	62,561	3,356
Impairment loss	100,319	
Loss on business reorganization	-	67,094
Loss on transfer of business	-	27,657
Loss on disaster	3,083	
Coronavirus infection-related loss	-	44,166
Special retirement expense	52,839	
Bad debt expense	23,956	
Total extraordinary loss	244,700	144,367
Income or Loss before income taxes and minority Interests	619,782	451,336
Income, local and enterprise taxes	310,886	343,714
Adjustment for income taxes	40,027	47,478
Total income taxes	350,914	391,193
Loss before minority interests	268,868	60,143
Net income or loss	268,868	60,143

(Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	Year ended March 31, 2024	Year ended March 31, 2023
Loss before minority interests	268,868	60,143
Other comprehensive income		
Valuation difference on available-for-sale securities	(10,374)	(36,397)
Foreign currency translation adjustment	771,533	321,120
Remeasurements of defined benefit plans	88,428	(3,571)
Accumulated other comprehensive income	849,586	281,152
Comprehensive income	1,118,455	341,295
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,118,455	341,295

(3) Consolidated Statements of Cash Flows

(Thousands of yen)

	Year ended March 31, 2024	Year ended March 31, 2023
Cash flows from operating activities		
Income(Loss) before income taxes and minority interests	619,782	451,336
Depreciation and amortization	1,576,671	1,485,963
Impairment loss	100,319	-
Amortization of goodwill	-	-
Increase (decrease) in allowance for doubtful accounts	(3,835)	(1,363)
Increase (decrease) in allowance for bonuses	135,866	(151,382)
Increase (decrease) in liabilities for Retirement Benefits	63,757	(46,596)
Interest and dividends receivable	(49,030)	(26,696)
Interest payable	350,924	258,838
Foreign exchange losses (gains)	(721,300)	(494,319)
(Gain) loss on sale of fixed assets	(8,015)	(7,751)
(Gain) loss on disposal of fixed assets	62,561	3,356
Decrease (increase) in notes and accounts receivable-trade	56,057	(119,569)
Decrease (increase) in inventories	(4,275)	221,686
Increase (decrease) in notes and accounts payable	343,113	(603,793)
Others	146,708	(108,191)
Subtotal	2,669,306	861,516
Proceeds from interest and dividend receivable	53,208	24,010
Payment of interests	(354,783)	(252,874)
Payment of income taxes	(333,523)	(361,113)
Net cash provided by operating activities	2,034,207	271,539

(Thousands of yen)

	Year ended March 31, 2024	Year ended March 31, 2023
Cash flows from investing activities		
Payments on purchase of tangible fixed assets	(481,287)	(1,148,395)
Proceeds from sales of tangible fixed assets	3,582	1,494
Payments on purchase of intangible fixed assets	(118,935)	(61,118)
Proceeds from sales of intangible assets	27,167	1,025
Payments on purchase of investment securities	(600)	(600)
Payments on paying in time deposits	(150,383)	(547,544)
Proceeds from withdrawal of time deposits	80,560	143,761
Other expenses	(4,632)	(553)
Others incomes	4,112	12,699
Net cash used in investing activities	(640,416)	(1,599,230)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	333,035	2,831,821
Proceeds from long-term borrowings	3,001,410	2,179,240
Repayments on long-term borrowings	(3,477,949)	(3,276,371)
Purchase of treasury stocks	(1,216)	(791)
Cash dividends paid	(49,377)	(48,881)
Proceeds from disposal of treasury shares	-	-
Others	(263,271)	(229,629)
Net cash used in financing activities	(457,369)	1,455,386
Effect of exchange rate changes on cash and cash equivalents	271,160	103,255
Net increase (decrease) in cash and cash equivalents	1,207,582	230,950
Cash and cash equivalents at the beginning of year	2,773,951	2,543,000
Cash and cash equivalents at the end of year	3,981,533	2,773,951

(4) Segment Information

1. Information related to sales and profit or loss amounts by reporting segment

Year ended March 31, 2024

(Thousands of yen)

	Japan	Americas	Europe	Ajia	Total
Net sales:					
Net sales to third parties	8,867,528	4,231,271	3,111,512	10,339,153	26,549,467
Intra-group net sales and transfers	1,117,614	2,019	115,490	212,532	1,447,656
Total sales	9,985,143	4,233,290	3,227,003	10,551,685	27,997,123
Segment income (loss)	113,147	(455,559)	230,413	464,974	352,975
Segment assets	20,505,062	5,902,358	3,358,877	12,560,819	42,327,118
Segment liability	17,082,522	8,561,122	842,836	3,184,820	29,671,301
Others					
Depreciation	517,653	327,405	222,413	512,758	1,580,231
amortization of goodwill	-	-	-	-	-
Net increase in tangible and intangible fixed assets	322,153	95,674	63,721	166,815	648,364

Year ended March 31, 2023

(Thousands of yen)

	Japan	Americas	Europe	Ajia	Total
Net sales:					
Net sales to third parties	8,592,496	2,904,276	2,939,912	10,192,314	24,628,999
Intra-group net sales and transfers	1,176,792	2,316	275,103	205,903	1,660,116
Total sales	9,769,289	2,906,593	3,215,016	10,398,217	26,289,116
Segment income (loss)	165,438	(1,041,572)	375,302	541,652	40,822
Segment assets	19,046,648	4,967,354	2,905,314	11,256,167	38,175,485
Segment liability	15,946,165	6,823,955	790,296	3,014,881	26,575,299
Others					
Depreciation	536,350	272,639	193,198	497,705	1,499,894
Amortization of goodwill	-	-	-	-	-
Net increase in tangible and intangible fixed assets	668,857	367,895	190,955	248,199	1,475,908

4. Non-Consolidated Financial Statements

(1) Condensed Non-Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2024	As of March 31, 2023
ASSETS		
Current assets		
Cash and deposits	630,021	504,099
Notes receivable-trade	94,784	89,147
Accounts receivable-trade	1,845,942	2,067,420
Merchandise and finished goods	400,980	371,431
Work in process	388,710	322,630
Raw materials and supplies	311,533	390,608
Prepaid expenses	38,786	39,341
Accounts receivable-other	111,343	129,885
Current portion of long-term loans receivable from subsidiaries and affiliates	3,093,679	2,391,759
other assets	244,556	196,418
Total Current assets	7,160,338	6,502,744
Noncurrent assets		
Property, plant and equipment		
Buildings	6,880,898	6,883,843
Accumulated depreciation	(4,475,488)	(4,327,630)
Buildings, net	2,405,409	2,556,213
Structures	279,019	279,019
Accumulated depreciation	(179,564)	(161,857)
Structures, net	99,455	117,162
Machinery and equipment	5,018,800	5,095,252
Accumulated depreciation	(4,397,122)	(4,335,631)
Machinery and equipment, net	621,677	759,621
Vehicles	10,121	10,121
Accumulated depreciation	(10,121)	(10,121)
Vehicles, net	0	0
Tools, furniture and fixtures	1,119,329	1,078,256
Accumulated depreciation	(1,057,917)	(1,005,883)
Tools, furniture and fixtures, net	61,412	72,372
Land	818,296	818,296
Lease assets	870,502	817,463
Accumulated depreciation	(384,275)	(271,439)
Lease assets, net	486,227	546,024
Construction in progress	165,231	75,378
Total Property, plant and equipment	4,657,710	4,945,068

Intangible assets		
Software	44,998	27,321
Software in progress	4,211	39,015
Lease asset	2,586	11,699
Telephone subscription right	13,384	13,384
Total Intangible assets	65,180	91,419
Investments and other assets		
Investment securities	92,109	101,901
Stocks of subsidiaries and affiliates	2,880,299	2,881,178
Investments in capital	50	50
Investments in capital of subsidiaries and affiliates	646,684	646,684
Claims provable in bankruptcy, claims provable in rehabilitation and other	245	245
Long-term loans receivable from subsidiaries and affiliates	3,904,505	2,729,132
Long-term prepaid expenses	3,552	7,035
Deferred tax asset	42,406	81,782
Real estate for investment	286,999	286,999
Lease and guarantee deposits	48,024	48,358
Other	29,960	29,960
Allowance for doubtful accounts	(1,731,939)	(999,348)
Total Investments and other assets	6,202,897	5,813,981
Total Noncurrent assets	10,925,788	10,850,469
Total Net assets	18,086,126	17,353,214
Liabilities		
Current liabilities		
Notes payable-trade	2,091	3,173
Accounts payable-trade	2,023,419	1,930,825
Short-term loans payable	6,166,226	5,183,363
Current portion of long-term loans payable	2,438,138	2,980,266
Accounts payable-other	126,113	112,557
Lease obligations	129,315	124,709
Accrued expenses	515,726	349,759
Income taxes payable	7,958	24,920
Contract liability		
Deposits received	28,732	13,329
Provision for bonuses	123,605	-
Notes payable-facilities	-	15,840

Other	102,526	51,813
Total current liabilities	11,663,855	10,790,556
Noncurrent liabilities		
Long-term loans payable	3,938,938	3,594,729
Provision for retirement benefits	978,851	937,387
Long-term accounts payable-other	82,121	101,434
Lease obligations	375,671	447,522
Asset retirement obligations	38,000	38,000
Total noncurrent liabilities	5,413,582	5,119,074
Total liabilities	17,077,438	15,909,631
Net assets		
Shareholders' equity		
Capital stock	1,000,000	100,000
Capital surplus		
Legal capital surplus	250,000	250,000
Amount of capital surplus	1,125,000	
Total capital surplus	1,150,000	250,000
Retained earnings		
Other retained earnings		
Retained earnings brought forward	(149,080)	274,222
Total retained earnings	(149,080)	274,222
Treasury stock	(79,773)	(78,557)
Total shareholders' equity	1,021,145	1,445,664
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(21,050)	(10,676)
Total Valuation and translation adjustments	(21,050)	(10,676)
Subscription rights to shares	8,594	8,594
Total net assets	1,008,688	1,443,582
Total liabilities and net assets	18,086,126	17,353,214

(2) Condensed Non-Consolidated Statements of Income

(Thousands of yen)

	Year ended March 31, 2024	Year ended March 31, 2023
Net sales	9,985,143	9,769,289
Cost of sales		
Beginning finished goods	371,431	407,591
Cost of products manufactured	7,755,511	7,510,961
Total	8,126,943	7,918,553
Ending finished goods	400,980	371,431
Cost of finished goods sold	7,725,963	7,547,121
Total cost of sales	7,725,963	7,547,121
Gross profit	2,259,180	2,222,168
Selling, general and administrative expenses		
Commission fee	169,069	175,129
Shipment expenses	400,997	407,775
Advertising expenses	7,087	6,598
Promotion expenses	7,846	6,214
Entertainment expenses	8,902	7,186
Directors' compensations	118,196	140,063
Employees' salaries and allowances	686,432	632,741
Provision for bonuses	37,487	-
Provision for retirement benefits	54,466	46,857
Legal welfare expenses	128,518	111,595
Welfare expenses	27,119	26,741
Other salaries	38,955	31,436
Traveling and transportation expenses	60,441	46,501
Communication expenses	20,167	20,660
Insurance expenses	17,771	18,098
Rent expenses	83,461	87,176
Office supplies expenses	11,274	11,954
Repair expenses	20,129	18,896
Taxes and dues	8,813	47,768
Education and training expenses	8,304	9,159
Research and development expenses	106,799	81,528
Depreciation	22,152	20,176
Miscellaneous expenses	94,050	92,857

Total selling, general and administrative expenses	2,138,446	2,047,117
Operating income (loss)	120,734	175,050
Non-operating income		
Interest income	144,850	67,989
Dividends income	198,622	259,725
Rent income	9,029	10,085
Foreign exchange gains	379,728	224,004
Subsidy income	13,720	14,023
Subsidy income 2	2,947	8,296
Miscellaneous income	10,007	26,061
Total non-operating income	758,906	610,186
Non-operating expenses		
Depreciation	-	-
Interest expenses	319,685	186,232
Compensation expenses	2,076	7,610
Miscellaneous loss	13,172	14,299
Total non-operating expenses	334,934	208,142
Ordinary income	544,705	577,095
Extraordinary income		
Gain on sales of noncurrent assets	52	3,014
Gain on extinguishment of tie-in shares	-	-
Total extraordinary income	52	3,014
Extraordinary loss		
Loss on disposal of non-current assets	1,304	-
Loss on disposal of non-current assets	57,631	1,621
Loss on valuation of stocks of subsidiaries and	879	728,514
Loss on litigation	-	-
Provision of allowance for doubtful accounts	732,591	999,102
Total extraordinary loss	792,407	1,729,238
Income before income taxes	(247,649)	(1,149,129)
Income taxes-current	86,966	72,069
Income taxes-deferred	39,393	39,115
Total income taxes	126,359	111,184
Net income	(374,009)	(1,260,314)