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

April 26, 2023

Company name: AISAN INDUSTRY CO., LTD.

Stock exchange listing: Tokyo, Nagoya

Code number: 7283

URL: <https://www.aisan-ind.co.jp/>

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Scheduled date of Annual General Meeting of Shareholders: June 13, 2023

Scheduled date of commencing dividend payments: May 29, 2023

Scheduled date of filing securities report: June 13, 2023

Availability of supplementary briefing material on annual financial results: Yes

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

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

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

(1) Consolidated Operating Results

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Millions of yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2023	240,806	24.3	13,632	39.0	14,083	37.3	8,504	24.5
March 31, 2022	193,751	6.8	9,809	97.9	10,255	105.7	6,831	93.7

(Note) Comprehensive income: Fiscal year ended March 31, 2023: ¥12,226 million [(19.9)%]

Fiscal year ended March 31, 2022: ¥15,265 million [151.2%]

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary profit to total assets ratio	Operating profit to net sales ratio
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2023	135.01	134.98	8.4	6.6	5.7
March 31, 2022	108.40	108.34	7.5	5.2	5.1

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

Fiscal year ended March 31, 2022: ¥ – million

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2023	225,762	110,382	47.1	1,688.64
As of March 31, 2022	201,936	100,889	48.0	1,539.63

(Reference) Equity: As of March 31, 2023: ¥106,408 million

As of March 31, 2022: ¥96,944 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 end of period
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
March 31, 2023	20,269	(29,599)	3,536	43,972
March 31, 2022	13,544	(6,955)	(4,128)	48,750

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended March 31, 2022	–	15.00	–	14.00	29.00	1,827	26.8	2.0
March 31, 2023	–	15.00	–	20.00	35.00	2,205	25.9	2.2
Fiscal year ending March 31, 2024 (Forecast)	–	20.00	–	20.00	40.00		29.0	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024 (April 1, 2023 - March 31, 2024)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ended September 30, 2023	137,000	28.9	6,800	24.3	6,800	6.3	4,300	14.5	68.24
Full year	280,000	16.3	14,000	2.7	14,000	(0.6)	8,700	2.3	138.06

* Notes:

(1) Changes in significant subsidiaries during the period under review

(Changes in specified subsidiaries resulting in changes in scope of consolidation) : Yes

New: 1 (Company name: KYOSAN DENSO MANUFACTURING KENTUCKY,LLC)

Exclusion: - (Company name:)

(Note) For details, please see “(5) Notes to Consolidated Financial Statements, 1. Scope of consolidation” on page 12 of the Supplementary Information for more details.

(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: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

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

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

March 31, 2023: 63,086,379 shares

March 31, 2022: 63,073,379 shares

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

March 31, 2023: 72,368 shares

March 31, 2022: 106,908 shares

3) Average number of shares during the period:

Fiscal Year ended March 31, 2023: 62,991,717 shares

Fiscal Year ended March 31, 2022: 63,017,883 shares

(Reference) Summary of Non-consolidated Financial Results

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

(1) Non-consolidated Operating Results

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Net income	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2023	88,973	9.8	3,396	214.5	9,731	41.5	9,245	50.8
March 31, 2022	80,996	(2.6)	1,080	293.3	6,878	136.9	6,129	124.4

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
March 31, 2023	146.77	146.75
March 31, 2022	97.27	97.22

(2) Non-consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2023	151,630	70,182	46.2	1,112.39
As of March 31, 2022	135,423	63,073	46.5	999.99

(Reference) Equity: As of March 31, 2023: ¥70,096 million

As of March 31, 2022: ¥62,965 million

* This report is exempt from the audit procedure by certified public accountant or audit firm.

* Explanation regarding the appropriate use of forecasts, and other additional information

The forecasts included in this document are based on information that the Company has obtained at the time of this disclosure and certain assumptions that the Company considers reasonable. The Company does not guarantee the predicted outcome of the forecasts. Actual results may differ significantly from the forecast due to a variety of factors.

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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 and global economy made steady progress with its social and economic activities returning to normal amid the behavioral restrictions against COVID-19 gradually eased. Meanwhile, the outlook remains uncertain due to global inflation, dramatic fluctuations in the foreign exchange rate, and the lingering Russia/Ukraine conflict.

In the automobile industry as well, some recovery was seen in the number of automobile units produced. However, harsh conditions continued including fluctuating production by automobile manufacturers resulting from the semiconductor supply shortage and supply chain disruption and soaring prices of raw material and energy.

Under these circumstances, the Company's consolidated net sales for the fiscal year under review were ¥240,806 million, an increase of 24.3% year on year. As for profits, operating profit increased 39.0% year on year to ¥13,632 million, ordinary profit increased 37.3% year on year to ¥14,083 million, and profit attributable to owners of parent increased 24.5% year on year to ¥8,504 million.

Results by geographic segment are as follows. Net sales include inter-segment sales.

(Japan)

Net sales increased 9.0% year on year to ¥96,548 million due to foreign exchange rate fluctuations and an increase in sales volume, and operating profit increased 2.2 times year on year to ¥4,009 million due mainly to efforts to improve profitability.

(Asia)

Net sales increased 23.8% year on year to ¥108,769 million due to foreign exchange rate fluctuations and an increase in sales volume, and operating profit increased 29.6% year on year to ¥8,025 million.

(Americas)

Net sales increased 70.4% year on year to ¥43,359 million owing to foreign exchange rate fluctuations and an increase in sales volume, and operating profit increased 15.6% year on year to ¥1,515 million.

(Europe)

Net sales increased 10.0% year on year to ¥12,611 million due to foreign exchange rate fluctuations, but operating loss was ¥159 million (operating profit of ¥354 million in the previous fiscal year) due to the impact of rising expenses.

(Outlook)

Looking ahead, the outlook for the global economy remains uncertain with raw material and energy prices remaining elevated and the Russia/Ukraine conflict persisting. However, we foresee normalization in economic activities after having been depressed under the COVID-19 situation.

In the automobile industry, although there are concerns about the impact of the semiconductor shortage and other factors on automobile production, we expect an increase in revenue mainly due to the acquisition of the fuel pump module business. In addition, although some factors including soaring prices of raw material and energy and higher wages will affect our business performance, we will further promote improvement activities to enhance profitability.

Under these circumstances, the Group's forecast for the fiscal year ending March 31, 2024 is as follows:

- | | |
|---|----------------|
| • Net sales | ¥280.0 billion |
| • Operating profit | ¥14.0 billion |
| • Ordinary profit | ¥14.0 billion |
| • Profit attributable to owners of parent | ¥8.7 billion |

(Assumed exchange rate: US\$1 = ¥130)

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

Total assets at the end of the fiscal year under review amounted to ¥225,762 million, an increase of ¥23,826 million from the end of the previous fiscal year, mainly due to an increase in non-current assets resulting from business acquisitions.

Liabilities increased ¥14,333 million from the end of the previous fiscal year to ¥115,380 million, mainly due to an increase in borrowings.

Net assets increased ¥9,493 million from the end of the previous fiscal year to ¥110,382 million, mainly due to an increase in foreign currency translation adjustment resulting from a weaker yen and an increase in retained earnings.

Cash and cash equivalents at the end of the fiscal year under review amounted to ¥43,972 million, a decrease of ¥4,778 million from the end of the previous fiscal year.

(Cash Flows from Operating Activities)

Net cash provided by operating activities amounted to ¥20,269 million, mainly due to profit before income taxes and depreciation. The cash inflow increased by ¥6,724 million year on year.

(Cash Flows from Investing Activities)

Net cash used in investing activities amounted to ¥29,599 million, mainly due to business acquisitions. The cash outflow increased by ¥22,644 million year on year.

(Cash Flows from Financing Activities)

Net cash provided by financing activities amounted to ¥3,536 million, mainly due to an increase in borrowings. The cash inflow increased by ¥7,665 million year on year.

(3) Basic Policy Concerning Distribution of Earnings and Dividends for the Fiscal Year under Review and the Next Fiscal Year

The Company intends to meet the expectations of its shareholders by maintaining stable dividends and comprehensively taking into consideration its consolidated results and consolidated dividend payout ratio. The Company intends to use internal reserves to further strengthen its corporate structure and for future business development.

For the fiscal year under review, the Company has set a year-end dividend of ¥20 per share (up ¥6 year on year), which, together with the interim dividend of ¥15 per share (unchanged year on year), brings the annual dividend to ¥35 per share (up ¥6 year on year).

(Basic Policy on Shareholder Return During the Period of the Medium-term Management Plan)

The Company intends to meet the expectations of its shareholders by comprehensively taking into account several elements such as active investment for future growth, sustained financial health, and stable shareholder return in accordance with business performance. To this end, we have set a consolidated dividend payout ratio of 30% or more as a guidepost through 2023 to 2025, the period of the Medium-term Management Plan. Besides, the Company will flexibly consider acquisition of treasury shares in view of the stock price level, capital efficiency, and financial results.

Based on the policy above, the Company plans to pay an annual dividend of ¥40 per share for the fiscal year ending March 31, 2024.

2. Basic Policy on Selection of Accounting Standards

In preparation for the future application of IFRS, the Group is considering the strengthening of the Group's accounting basis, the development of standards and the timing of the application.

3. Consolidated Financial Statements and Principal Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	45,602	42,555
Notes and accounts receivable - trade	26,201	30,664
Electronically recorded monetary claims - operating	4,031	4,027
Securities	4,484	3,418
Merchandise and finished goods	7,762	7,820
Work in process	4,126	5,153
Raw materials and supplies	15,616	21,803
Other	4,380	5,916
Allowance for doubtful accounts	(33)	(33)
Total current assets	112,172	121,326
Non-current assets		
Property, plant and equipment		
Buildings and structures	56,014	59,921
Accumulated depreciation	(36,136)	(39,281)
Buildings and structures, net	19,877	20,639
Machinery, equipment and vehicles	151,800	179,585
Accumulated depreciation	(121,179)	(137,248)
Machinery, equipment and vehicles, net	30,620	42,337
Land	7,065	7,121
Construction in progress	3,208	3,682
Other	32,295	40,538
Accumulated depreciation	(28,087)	(34,416)
Other, net	4,207	6,122
Total property, plant and equipment	64,980	79,903
Intangible assets		
Goodwill	-	1,092
Other	899	1,136
Total intangible assets	899	2,229
Investments and other assets		
Investment securities	5,799	5,331
Retirement benefit asset	11,762	10,222
Deferred tax assets	5,350	5,158
Other	1,019	1,637
Allowance for doubtful accounts	(47)	(45)
Total investments and other assets	23,883	22,303
Total non-current assets	89,763	104,436
Total assets	201,936	225,762

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	21,432	27,390
Electronically recorded obligations - operating	3,054	2,733
Short-term borrowings	3,845	2,909
Current portion of bonds payable	10,000	-
Current portion of long-term borrowings	2,339	6,273
Accrued expenses	8,430	9,424
Income taxes payable	879	1,093
Provision for product warranties	2,124	2,949
Provision for bonuses for directors (and other officers)	84	93
Provision for business restructuring	250	176
Other	4,852	5,838
Total current liabilities	57,293	58,881
Non-current liabilities		
Long-term borrowings	25,918	39,646
Deferred tax liabilities	1,436	1,040
Provision for retirement benefits for directors (and other officers)	69	48
Retirement benefit liability	15,430	15,144
Other	899	617
Total non-current liabilities	43,752	56,498
Total liabilities	101,046	115,380
Net assets		
Shareholders' equity		
Share capital	10,708	10,714
Capital surplus	12,667	12,541
Retained earnings	67,281	73,957
Treasury shares	(84)	(56)
Total shareholders' equity	90,573	97,155
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,070	2,745
Foreign currency translation adjustment	237	5,407
Remeasurements of defined benefit plans	3,063	1,099
Total accumulated other comprehensive income	6,371	9,252
Share acquisition rights	107	86
Non-controlling interests	3,836	3,888
Total net assets	100,889	110,382
Total liabilities and net assets	201,936	225,762

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

(Millions of yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Net sales	193,751	240,806
Cost of sales	168,824	208,051
Gross profit	24,927	32,754
Selling, general and administrative expenses		
Packing and transportation costs	1,239	1,854
Salaries and allowances	6,135	7,122
Welfare expenses	1,604	1,891
Provision for bonuses for directors (and other officers)	85	92
Retirement benefit expenses	154	128
Provision for retirement benefits for directors (and other officers)	18	9
Provision for product warranties	268	832
Other	5,611	7,191
Total selling, general and administrative expenses	15,117	19,122
Operating profit	9,809	13,632
Non-operating income		
Interest income	259	185
Dividend income	121	135
Gain on sale of securities	8	29
Gain on sale of non-current assets	21	158
Foreign exchange gains	694	365
Other	188	175
Total non-operating income	1,293	1,050
Non-operating expenses		
Interest expenses	202	225
Loss on sale and retirement of non-current assets	328	295
Loss on liquidation of subsidiaries and associates	207	-
Other	110	78
Total non-operating expenses	847	599
Ordinary profit	10,255	14,083
Extraordinary income		
Gain on reversal of share acquisition rights	44	19
Total extraordinary income	44	19
Extraordinary losses		
Estimated loss on leaked fund of American subsidiary	-	818
Total extraordinary losses	-	818
Profit before income taxes	10,299	13,284
Income taxes - current	2,372	3,269
Income taxes - deferred	555	877
Total income taxes	2,927	4,146
Profit	7,371	9,138
Profit attributable to non-controlling interests	540	633
Profit attributable to owners of parent	6,831	8,504

Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Profit	7,371	9,138
Other comprehensive income		
Valuation difference on available-for-sale securities	186	(325)
Foreign currency translation adjustment	5,923	5,386
Remeasurements of defined benefit plans, net of tax	1,783	(1,972)
Total other comprehensive income	7,893	3,088
Comprehensive income	15,265	12,226
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	14,388	11,384
Comprehensive income attributable to non-controlling interests	877	842

(3) Consolidated Statements of Changes in Equity

For the fiscal year ended March 31, 2022

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	10,684	12,643	62,088	(25)	85,391
Changes during period					
Issuance of new shares	23	23			47
Dividends of surplus			(1,638)		(1,638)
Profit attributable to owners of parent			6,831		6,831
Purchase of treasury shares				(58)	(58)
Disposal of treasury shares					-
Change in ownership interest of parent due to transactions with non-controlling interests					-
Net changes in items other than shareholders' equity					
Total changes during period	23	23	5,192	(58)	5,181
Balance at end of period	10,708	12,667	67,281	(84)	90,573

	Accumulated other comprehensive income				Share acquisition rights	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 beginning of period	2,885	(5,339)	1,268	(1,185)	151	3,415	87,773
Changes during period							
Issuance of new shares							47
Dividends of surplus							(1,638)
Profit attributable to owners of parent							6,831
Purchase of treasury shares							(58)
Disposal of treasury shares							-
Change in ownership interest of parent due to transactions with non-controlling interests							-
Net changes in items other than shareholders' equity	185	5,577	1,794	7,556	(43)	420	7,934
Total changes during period	185	5,577	1,794	7,556	(43)	420	13,116
Balance at end of period	3,070	237	3,063	6,371	107	3,836	100,889

For the fiscal year ended March 31, 2023

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	10,708	12,667	67,281	(84)	90,573
Changes during period					
Issuance of new shares	5	5			10
Dividends of surplus			(1,826)		(1,826)
Profit attributable to owners of parent			8,504		8,504
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares			(1)	27	25
Change in ownership interest of parent due to transactions with non-controlling interests		(131)			(131)
Net changes in items other than shareholders' equity					
Total changes during period	5	(126)	6,676	27	6,582
Balance at end of period	10,714	12,541	73,957	(56)	97,155

	Accumulated other comprehensive income				Share acquisition rights	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 beginning of period	3,070	237	3,063	6,371	107	3,836	100,889
Changes during period							
Issuance of new shares							10
Dividends of surplus							(1,826)
Profit attributable to owners of parent							8,504
Purchase of treasury shares							(0)
Disposal of treasury shares							25
Change in ownership interest of parent due to transactions with non-controlling interests							(131)
Net changes in items other than shareholders' equity	(325)	5,170	(1,964)	2,880	(21)	51	2,910
Total changes during period	(325)	5,170	(1,964)	2,880	(21)	51	9,493
Balance at end of period	2,745	5,407	1,099	9,252	86	3,888	110,382

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	10,299	13,284
Depreciation	10,174	12,994
Amortization of goodwill	-	56
Increase (decrease) in allowance for doubtful accounts	4	(5)
Increase (decrease) in provision for product warranties	128	688
Increase (decrease) in provision for bonuses for directors (and other officers)	4	8
Increase (decrease) in provision for business restructuring	(52)	(97)
Increase (decrease) in retirement benefit liability	(658)	64
Decrease (increase) in retirement benefit asset	(919)	(1,586)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	1	(21)
Interest and dividend income	(381)	(321)
Interest expenses	202	225
Foreign exchange losses (gains)	(419)	106
Loss (gain) on liquidation of subsidiaries and associates	207	-
Loss (gain) on sale and retirement of non-current assets	306	137
Decrease (increase) in trade receivables	954	(986)
Decrease (increase) in inventories	(4,628)	(826)
Increase (decrease) in trade payables	(352)	2,881
Increase (decrease) in accrued expenses	176	159
Other, net	317	(3,592)
Subtotal	15,365	23,168
Interest and dividends received	393	321
Interest paid	(199)	(222)
Income taxes paid	(2,015)	(2,998)
Net cash provided by (used in) operating activities	13,544	20,269
Cash flows from investing activities		
Payments into time deposits	(94)	(358)
Proceeds from withdrawal of time deposits	738	678
Purchase of securities	-	(957)
Purchase of non-current assets	(7,979)	(6,425)
Proceeds from sale of non-current assets	396	793
Payments for acquisition of businesses	-	(16,279)
Purchase of equity of subsidiaries resulting in change in scope of consolidation	-	(198)
Purchase of investment securities	(0)	(0)
Proceeds from sale of investment securities	10	36
Loan advances	(161)	(7,059)
Proceeds from collection of loans receivable	136	170
Other, net	(0)	-
Net cash provided by (used in) investing activities	(6,955)	(29,599)

(Millions of yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Cash flows from financing activities		
Proceeds from short-term borrowings	6,895	2,598
Repayments of short-term borrowings	(10,852)	(3,786)
Proceeds from long-term borrowings	8,500	20,000
Repayments of long-term borrowings	(6,380)	(2,348)
Redemption of bonds	-	(10,000)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	43	9
Purchase of treasury shares	(58)	(0)
Proceeds from sale of treasury shares	-	0
Dividends paid	(1,638)	(1,826)
Dividends paid to non-controlling interests	(201)	(440)
Repayments of lease liabilities	(435)	(227)
Payments for acquisition of interests in subsidiaries from non-controlling interests	-	(442)
Net cash provided by (used in) financing activities	(4,128)	3,536
Effect of exchange rate change on cash and cash equivalents	1,920	1,014
Net increase (decrease) in cash and cash equivalents	4,381	(4,778)
Cash and cash equivalents at beginning of period	44,369	48,750
Cash and cash equivalents at end of period	48,750	43,972

(5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Significant bases for preparing consolidated financial statements)

1. Scope of consolidation

Consolidated subsidiaries: 28 companies

TK Carburettor Co., Ltd., Aikyo Sangyo Co., Ltd., Aisan Computer Services Corp., Nichialloy Co., Ltd., Aisan Kumamoto Co., Ltd., Hyundam Industrial Co., Ltd., Hyundam Tech Co., Ltd., Aisan (Tianjin) Auto Parts Co., Ltd., Aisan (Foshan) Auto Parts Co., Ltd., Aisan Corporation Guangzhou Co., Ltd., Shenyang Xuantan Automobile Parts Co., Ltd., TK Carburettor (Ningbo) Co., Ltd., Hyundam (Zhangjiagang) Automobile Parts Co., Ltd., P.T. Aisan Nasmoco Industri, Aisan Corporation Asia Pacific Limited, Aisan Auto Parts India Pvt. Ltd., Aisan Industry India Pvt. Ltd., Aisan Sales India Pvt. Ltd., IHD Industries Pvt. Ltd., Franklin Precision Industry, Inc., Aisan Corporation of America, Kyosan Denso Manufacturing Kentucky, LLC, Hyundam America Inc., Aisan Autopartes Mexico, S.A. de C.V, Aisan Industry France S.A., Aisan Industry Czech s.r.o., Aisan Corporation Europe NV/SA, Hyundam Slovakia s.r.o.

Aisan Fiem Automotives India Pvt. Ltd. changed its name to Aisan Industry India Pvt. Ltd. on June 24, 2022.

Kyosan Denso Manufacturing Kentucky, LLC (a specified subsidiary) has been included in the scope of consolidation from the three months ended September 30, 2022.

Also, Kyosan Denso Manufacturing Kentucky, LLC changed its name to Aisan Industry Kentucky, LLC on April 1, 2023.

2. Application of equity method

An affiliate not accounted for by the equity method (one company) is not accounted for by the equity method because it does not have a material impact on profit/loss, retained earnings, etc. in the fiscal year under review and its overall impact is insignificant.

3. Fiscal year, etc. of consolidated subsidiaries

Among the subsidiaries, Hyundam Industrial Co., Ltd., Hyundam Tech Co., Ltd., Aisan (Tianjin) Auto Parts Co., Ltd., Aisan (Foshan) Auto Parts Co., Ltd., Aisan Corporation Guangzhou Co., Ltd., Shenyang Xuantan Automobile Parts Co., Ltd., TK Carburettor (Ningbo) Co., Ltd., Hyundam (Zhangjiagang) Automobile Parts Co., Ltd., P.T. Aisan Nasmoco Industri, IHD Industries Pvt. Ltd., Franklin Precision Industry, Inc., Aisan Corporation of America, Hyundam America Inc., Aisan Autopartes Mexico, S.A. de C.V, Aisan Industry France S.A., Aisan Industry Czech s.r.o., Aisan Corporation Europe NV/SA, Hyundam Slovakia s.r.o. have adopted a fiscal year end of December 31, which is different from the consolidated fiscal year end (March 31). However, since the difference in fiscal year ends does not exceed three months, the financial statements of the subsidiaries' fiscal year are used in preparing the consolidated financial statements, and adjustments necessary for consolidation are made for any significant transactions that occurred between the fiscal year end of the subsidiaries and the consolidated fiscal year end.

Effective from the fiscal year ending March 31, 2024, Aisan (Tianjin) Auto Parts Co., Ltd., Aisan (Foshan) Auto Parts Co., Ltd., Aisan Corporation Guangzhou Co., Ltd., P.T. Aisan Nasmoco Industri, Franklin Precision Industry, Inc., Aisan Corporation of America, Aisan Autopartes Mexico, S.A. de C.V, Aisan Industry Czech s.r.o., Aisan Corporation Europe NV/SA have changed their fiscal year end from December 31 to March 31.

(Changes in accounting policies)

(Application of US FASB Accounting Standards Codification (ASC) No. 842 "Leases")

The Company's foreign subsidiaries that adopt United States Generally Accepted Accounting Principles (US GAAP) have applied the United States Financial Accounting Standards Board (FASB) ASC No. 842 "Leases" from the beginning of the three months ended June 30, 2022. As a result, the Company, in principle, now records all lease transactions in which these foreign subsidiaries are the borrowers as assets and liabilities on the consolidated balance sheets. In applying this accounting standard, the cumulative effect of adopting this accounting standard has been recognized at the date of adoption, as permitted by transitional provisions.

The impact on the consolidated financial statements for the fiscal year under review is immaterial.

(Segment information, etc.)

[Segment information]

1. Overview of reportable segments

The Group's reportable segments are components of the Group for which independent financial information is available and which are subject to periodic review by the Board of Directors and other management decision-making bodies to determine the allocation of management resources and evaluate their performance.

The Group manufactures and sells automobile parts, such as fuel pump modules, throttle bodies, and canisters, mainly to domestic and overseas automobile manufacturers. The parts are mainly manufactured and sold in Japan by the Company and overseas by local subsidiaries in each country.

Each local subsidiary is an independent management unit and conducts business activities in its respective region.

Therefore, the Group consists of geographic segments based on manufacturing and sales, and has four reportable segments: "Japan," "Asia" (mainly Korea, China, Indonesia, and India), "Americas" (the United States and Mexico), and "Europe" (Czech Republic, France, and Belgium). The "Japan" segment is mainly engaged in the manufacture and sale of automobile parts, automobile transportation, civil engineering and construction, and the development and sale of computer systems and programs.

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

The accounting policies of the reported geographic segments are the same as those used to prepare the consolidated financial statements.

3. Information on net sales and profit (loss), assets, and other items by reportable segment

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

(Millions of yen)

	Reportable segment				Total	Adjustment (Note 1)	Amount recorded in the consolidated financial statements (Note 2)
	Japan	Asia	Americas	Europe			
Net sales							
(1) Net sales to outside customers	70,445	86,540	25,367	11,398	193,751	—	193,751
(2) Inter-segment net sales or transfers	18,104	1,311	72	63	19,551	(19,551)	—
Total	88,550	87,851	25,439	11,461	213,303	(19,551)	193,751
Segment income	1,838	6,195	1,311	354	9,699	110	9,809
Segment assets	76,649	69,716	19,938	9,623	175,927	26,008	201,936
Others							
Depreciation	4,089	4,183	1,792	563	10,628	(454)	10,174
Amortization of goodwill	—	—	—	—	—	—	—
Increase in property, plant and equipment and intangible assets	4,310	3,361	1,598	221	9,491	(42)	9,449

(Notes) 1. Adjustment consists of the following:

- (1) The ¥110 million adjustment to segment income is mainly an adjustment for unrealized inter-segment profits.
 - (2) The ¥26,008 million adjustment to segment assets consists of ¥36,516 million in general corporate assets, such as cash and deposits and investment securities of the Company and negative ¥10,508 million in elimination of inter-segment transactions.
 - (3) The negative ¥454 million adjustment to depreciation is due to realization of unrealized gains/losses on non-current assets.
 - (4) The negative ¥42 million adjustment to increase in property, plant and equipment and intangible assets is due to elimination of unrealized gains/losses on non-current assets.
2. Segment income is adjusted with operating profit in the consolidated statements of income.

II For the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Millions of yen)

	Reportable segment				Total	Adjustment (Note 1)	Amount recorded in the consolidated financial statements (Note 2)
	Japan	Asia	Americas	Europe			
Net sales							
(1) Net sales to outside customers	77,368	107,576	43,308	12,553	240,806	—	240,806
(2) Inter-segment net sales or transfers	19,180	1,193	51	57	20,482	(20,482)	—
Total	96,548	108,769	43,359	12,611	261,288	(20,482)	240,806
Segment income (loss)	4,009	8,025	1,515	(159)	13,391	240	13,632
Segment assets	94,239	76,909	36,941	10,313	218,404	7,358	225,762
Others							
Depreciation	5,587	4,668	2,543	611	13,410	(416)	12,994
Amortization of goodwill	40	15	—	—	56	—	56
Increase in property, plant and equipment and intangible assets	14,850	4,795	6,634	88	26,369	(69)	26,299

(Notes) 1. Adjustment consists of the following:

- (1) The ¥240 million adjustment to segment income (loss) is mainly an adjustment for unrealized inter-segment profits.
 - (2) The ¥7,358 million adjustment to segment assets consists of ¥25,719 million in general corporate assets, such as cash and deposits and investment securities of the Company and negative ¥18,361 million in elimination of inter-segment transactions.
 - (3) The negative ¥416 million adjustment to depreciation is due to realization of unrealized gains/losses on non-current assets.
 - (4) The negative ¥69 million adjustment to increase in property, plant and equipment and intangible assets is due to elimination of unrealized gains/losses on non-current assets.
2. Segment profit is adjusted with operating profit in the consolidated statements of income.

(Per share information)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Net assets per share	¥1,539.63	¥1,688.64
Basic earnings per share	¥108.40	¥135.01
Diluted earnings per share	¥108.34	¥134.98

(Note) Basis for calculation

(1) Net assets per share

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Total net assets (Million yen)	100,889	110,382
Amount excluded from total net assets (Million yen)	3,944	3,974
[Share acquisition rights (Million yen)]	[107]	[86]
[Non-controlling interests (Million yen)]	[3,836]	[3,888]
Net assets attributable to common shares at end of period (Million yen)	96,944	106,408
Number of common shares outstanding at end of period calculated under “Net assets per share” (Thousand shares)	62,966	63,014

(2) Basic earnings per share and diluted earnings per share

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Basic earnings per share		
Profit attributable to owners of parent (Million yen)	6,831	8,504
Amount not attributable to common shareholders (Million yen)	—	—
Profit attributable to owners of parent relating to common shares (Million yen)	6,831	8,504
Average number of common shares outstanding during the period (Thousand shares)	63,017	62,991
Diluted earnings per share		
Adjustment for profit attributable to owners of parent (Million yen)	—	—
Increase in number of common shares (Thousand shares)	34	9
[Share acquisition rights (Thousand shares)]	[34]	[9]
Overview of residual shares not included in the calculation of diluted earnings per share due to their non-dilutive effect	Share acquisition rights: 2 types (Resolution on June 13, 2017: 1,970 rights Resolution on June 13, 2018: 2,220 rights)	Share acquisition rights: 2 types (Resolution on June 13, 2017: 1,910 rights Resolution on June 13, 2018: 2,160 rights)

(Significant subsequent events)

Not applicable.

4. Non-consolidated Financial Statements

(1) Non-consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	26,319	17,991
Electronically recorded monetary claims - operating	3,603	3,686
Accounts receivable - trade	14,128	15,987
Securities	4,484	2,484
Finished goods	1,919	1,517
Work in process	2,736	3,627
Raw materials and supplies	873	295
Advance payments to suppliers	2,665	2,677
Prepaid expenses	54	70
Other	4,058	5,262
Total current assets	60,845	53,601
Non-current assets		
Property, plant and equipment		
Buildings	8,338	8,364
Structures	794	749
Machinery and equipment	6,912	14,619
Car and industrial vehicle	38	52
Tools, furniture and fixtures	829	1,535
Land	5,749	5,787
Leased assets	114	90
Construction in progress	552	997
Total property, plant and equipment	23,329	32,198
Intangible assets		
Leasehold interests in land	28	28
Software	318	366
Goodwill	-	655
Leased assets	26	10
Other	18	179
Total intangible assets	390	1,240
Investments and other assets		
Investment securities	4,532	4,231
Investments in subsidiaries and affiliates	34,966	39,787
Long-term loans receivable	44	7,099
Long-term prepaid expenses	143	128
Deferred tax assets	5,426	6,001
Prepaid pension costs	5,672	7,269
Other	103	101
Allowance for doubtful accounts	(30)	(28)
Total investments and other assets	50,859	64,590
Total non-current assets	74,578	98,029
Total assets	135,423	151,630

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes payable - trade	15	8
Electronically recorded obligations - operating	2,519	2,165
Accounts payable - trade	7,780	8,466
Short-term borrowings from subsidiaries and associates	2,559	2,231
Current portion of bonds payable	10,000	-
Current portion of long-term borrowings	2,111	6,000
Lease liabilities	78	59
Accounts payable - other	821	914
Accrued expenses	5,726	6,440
Income taxes payable	164	256
Deposits received	113	112
Provision for product warranties	977	1,161
Provision for bonuses for directors (and other officers)	50	65
Other	660	787
Total current liabilities	33,581	28,671
Non-current liabilities		
Long-term borrowings	25,500	39,500
Lease liabilities	89	62
Provision for retirement benefits	13,135	13,175
Asset retirement obligations	34	34
Other	8	4
Total non-current liabilities	38,769	52,776
Total liabilities	72,350	81,448
Net assets		
Shareholders' equity		
Share capital	10,708	10,714
Capital surplus		
Legal capital surplus	12,710	12,716
Total capital surplus	12,710	12,716
Retained earnings		
Legal retained earnings	1,468	1,468
Other retained earnings		
General reserve	16,110	16,110
Retained earnings brought forward	19,005	26,423
Total retained earnings	36,584	44,001
Treasury shares	(84)	(56)
Total shareholders' equity	59,919	67,375
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	3,046	2,721
Total valuation and translation adjustments	3,046	2,721
Share acquisition rights	107	86
Total net assets	63,073	70,182
Total liabilities and net assets	135,423	151,630

(2) Non-consolidated Statements of Income

(Millions of yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Net sales	80,996	88,973
Cost of sales	73,036	77,378
Gross profit	7,959	11,594
Selling, general and administrative expenses	6,879	8,198
Operating profit	1,080	3,396
Non-operating income		
Interest and dividend income	5,294	5,574
Foreign exchange gains	447	535
Other	354	427
Total non-operating income	6,096	6,536
Non-operating expenses		
Interest expenses	52	78
Loss on sale and retirement of non-current assets	223	91
Other	22	32
Total non-operating expenses	298	201
Ordinary profit	6,878	9,731
Extraordinary income		
Gain on reversal of share acquisition rights	44	19
Total extraordinary income	44	19
Profit before income taxes	6,922	9,751
Income taxes - current	362	645
Income taxes - deferred	430	(139)
Total income taxes	793	506
Profit	6,129	9,245

(3) Non-consolidated Statements of Changes in Equity

For the fiscal year ended March 31, 2022

(Millions of yen)

	Shareholders' equity						
	Share capital	Capital surplus		Retained earnings			
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
					General reserve	Retained earnings brought forward	
Balance at beginning of period	10,684	12,686	12,686	1,468	16,110	14,514	32,093
Changes during period							
Issuance of new shares	23	23	23				
Dividends of surplus						(1,638)	(1,638)
Profit						6,129	6,129
Purchase of treasury shares							
Disposal of treasury shares							
Net changes in items other than shareholders' equity							
Total changes during period	23	23	23	-	-	4,491	4,491
Balance at end of period	10,708	12,710	12,710	1,468	16,110	19,005	36,584

	Shareholders' equity		Valuation and translation adjustments		Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of period	(25)	55,439	2,866	2,866	151	58,457
Changes during period						
Issuance of new shares		47				47
Dividends of surplus		(1,638)				(1,638)
Profit		6,129				6,129
Purchase of treasury shares	(58)	(58)				(58)
Disposal of treasury shares		-				-
Net changes in items other than shareholders' equity			179	179	(43)	136
Total changes during period	(58)	4,480	179	179	(43)	4,616
Balance at end of period	(84)	59,919	3,046	3,046	107	63,073

For the fiscal year ended March 31, 2023

(Millions of yen)

	Shareholders' equity						
	Share capital	Capital surplus		Retained earnings			
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
					General reserve	Retained earnings brought forward	
Balance at beginning of period	10,708	12,710	12,710	1,468	16,110	19,005	36,584
Changes during period							
Issuance of new shares	5	5	5				
Dividends of surplus						(1,826)	(1,826)
Profit						9,245	9,245
Purchase of treasury shares							
Disposal of treasury shares						(1)	(1)
Net changes in items other than shareholders' equity							
Total changes during period	5	5	5			7,417	7,417
Balance at end of period	10,714	12,716	12,716	1,468	16,110	26,423	44,001

	Shareholders' equity		Valuation and translation adjustments		Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of period	(84)	59,919	3,046	3,046	107	63,073
Changes during period						
Issuance of new shares		10				10
Dividends of surplus		(1,826)				(1,826)
Profit		9,245				9,245
Purchase of treasury shares	(0)	(0)				(0)
Disposal of treasury shares	27	25				25
Net changes in items other than shareholders' equity			(325)	(325)	(21)	(346)
Total changes during period	27	7,455	(325)	(325)	(21)	7,108
Balance at end of period	(56)	67,375	2,721	2,721	86	70,182