Translation

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[Delayed]Consolidated Financial Results for the Year Ended December 31, 2022 (Based on Japanese GAAP)

February 13, 2023

Company name: AMITA HOLDINGS Co., Ltd.
Stock exchange listing: Tokyo
Stock code: 2195 URL https://www.amita-hd.co.jp/
Representative: Chairman and Chief Executive Officer Eisuke Kumano
Inquiries: Chief Financial Officer Shinichi Karakama TEL 03-5296-9371
Scheduled date of ordinary general meeting of shareholders: March 23, 2023
Scheduled date to file Securities Report: March 23, 2023
Scheduled date to commence dividend payments: March 24, 2023
Preparation of supplementary material on financial results: Yes
Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended December 31, 2022	4,824	–	609	8.9	715	13.7	531	(16.1)
Year ended December 31, 2021	5,157	11.9	560	93.3	629	115.3	632	62.8

Note: Comprehensive income Year ended December 31, 2022 ¥563 million [(12.8)%]
Year ended December 31, 2021 ¥646 million [68.0%]

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended December 31, 2022	30.29	30.22	30.8	15.5	12.6
Year ended December 31, 2021	36.08	–	55.9	14.4	10.9

Reference: Share of loss (profit) of entities accounted for using equity method
Year ended December 31, 2022 ¥108 million
Year ended December 31, 2021 ¥76 million

Notes: 1. The Company carried out a 5-for-1 stock split of its common shares as of January 1, 2022 and a 3-for-1 stock split of its common shares as of October 1, 2022. Under the assumption that such stock splits were implemented at the beginning of the previous fiscal year, the Company calculates “earnings per share” and “diluted earnings per share.”
2. The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the fiscal year under review, and the figures for the year ended December 31, 2022 are those after applying the accounting standard and relevant ASBJ regulations. Because this will have a significant impact on net sales, the year-on-year percentage change in net sales is not shown.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2022	4,824	2,001	41.4	113.69
As of December 31, 2021	4,427	1,455	32.9	82.97

Reference: Equity As of December 31, 2022 ¥1,995 million
As of December 31, 2021 ¥1,455 million

Notes: 1. The Company carried out a 5-for-1 stock split of its common shares as of January 1, 2022 and a 3-for-1 stock split of its common shares as of October 1, 2022. Under the assumption that such stock splits were implemented at the beginning of the previous fiscal year, the Company calculates “net assets per share.”

2. The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the fiscal year under review, and the figures as of December 31, 2022 are those after applying the accounting standard and relevant ASBJ regulations.

(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
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended December 31, 2022	585	(69)	(142)	1,779
Year ended December 31, 2021	873	(73)	(649)	1,390

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended December 31, 2021	–	0.00	–	30.00	30.00	35	5.5	3.1
Year ended December 31, 2022	–	0.00	–	3.00	3.00	52	9.9	3.1
Year ending December 31, 2023 (Forecast)	–	0.00	–	4.00	4.00		11.3	

Note: The Company carried out a 5-for-1 stock split of its common shares as of January 1, 2022 and a 3-for-1 stock split of its common shares as of October 1, 2022. Regarding the year ended December 31, 2021, the Company states the actual dividend amount before such stock splits. Dividends per share for the year ended December 31, 2021 would amount to ¥2.00 per share with the effect of the stock splits as of January 1, 2022 and October 1, 2022.

Reference: Annual dividends without the effect of the stock splits — Year ended December 31, 2022: ¥45.00; Forecast for the year ending December 31, 2023: ¥60.00

3. Forecast of consolidated financial results for the year ending December 31, 2023 (from January 1, 2023 to December 31, 2023)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	5,283	9.5	774	27.0	887	24.0	620	16.6	35.37

4. Notes

(1) Changes in significant subsidiaries during the year ended December 31, 2022 (changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
Changes in accounting policies due to other reasons: No
Changes in accounting estimates: No
Restatement of prior period financial statements: No

Note: For details, please refer to "3. Consolidated financial statements and primary notes, (5) Notes to consolidated financial statements, (Changes in accounting policies)" on page 14 of the attached document.

(3) Number of issued shares (common shares)

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

As of December 31, 2022	17,551,360 shares	As of December 31, 2021	17,541,360 shares

Number of treasury shares at the end of the period

As of December 31, 2022	3,890 shares	As of December 31, 2021	3,765 shares

Average number of shares during the period

Year ended December 31, 2022	17,538,334 shares	Year ended December 31, 2021	17,538,153 shares

Note: The Company carried out a 5-for-1 stock split of its common shares as of January 1, 2022 and a 3-for-1 stock split of its common shares as of October 1, 2022. Under the assumption that such stock splits were implemented at the beginning of the previous fiscal year, the Company calculates "total number of issued shares at the end of the period," "number of treasury shares at the end of the period," and "average number of shares during the period."

Reference: Overview of non-consolidated financial results

Non-consolidated financial results for the year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)

(1) Non-consolidated operating results

Percentages represent year-on-year changes

	Operating revenue		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended December 31, 2022	760	14.4	17	(47.3)	2	(87.9)	(16)	–
Year ended December 31, 2021	665	23.9	32	223.9	22	–	692	–

	Earnings per share	Diluted earnings per share
	Yen	Yen
Year ended December 31, 2022	(0.92)	(0.91)
Year ended December 31, 2021	39.48	–

Note: The Company carried out a 5-for-1 stock split of its common shares as of January 1, 2022 and a 3-for-1 stock split of its common shares as of October 1, 2022. Under the assumption that such stock splits were implemented at the beginning of the previous fiscal year, the Company calculates "earnings per share" and "diluted earnings per share."

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2022	2,449	1,016	41.3	57.59
As of December 31, 2021	2,586	1,050	40.6	59.88

Reference: Equity As of December 31, 2022 ¥1,010 million

As of December 31, 2021 ¥1,050 million

Note: The Company carried out a 5-for-1 stock split of its common shares as of January 1, 2022 and a 3-for-1 stock split of its common shares as of October 1, 2022. Under the assumption that such stock splits were implemented at the beginning of the previous fiscal year, the Company calculates "net assets per share."

Notes:

1. Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

2. Explanation on proper use of earnings forecast, and other special matters

Earnings forecast and other forward-looking statements in this material are based on data currently available to the Company and certain assumptions that the Company believes are reasonable. The Company gives no assurance that the Company will achieve such forecasts. In addition, actual results may differ significantly from these forecasts due to various factors. For details of the assumptions used in the earnings forecast and a cautionary note regarding their appropriate use, please refer to "1. Overview of operating results and others, (4) Business outlook" on page 3 of the attached document.

(Obtaining supplementary materials on financial results)

The Company plans to hold a financial results meeting for institutional investors and analysts on Friday, February 24, 2023.

The Company also plans to post financial results presentation materials for the meeting on its website promptly after the holding.

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1. Overview of operating results and others

(1) Overview of operating results during the fiscal year under review

During the fiscal year under review, the outlook for the Japanese economy remained uncertain due to various factors, including the impact associated with COVID-19, the prolonged Russian invasion of Ukraine, increasing instability in the global supply chain such as shortages of raw materials and soaring resource prices, and widely fluctuating exchange rates.

Under this economic situation, the AMITA Group (the "Group") developed and launched the Social Systems Design Business to provide integrated assistance to businesses and municipalities in achieving greater corporate and community sustainability under the theme "Redesigning industries and communities" as a "designing a future company" that aims to achieve a sustainable society.

In the area of redesigning industry, we offer total support, from conception to construction and implementation, in proposing initiatives, such as decarbonization, the circular economy, and nature capital, from the perspective of total optimization, centered on the "Cyano Project," which supports the creation and business transformation of recycling-oriented businesses. Driven by expanding needs for recycling-oriented sustainable management, we received new orders from 38 companies in FY2022 (24 companies in FY2021). In addition, although the volume of the domestic closed-loop resource-recycling service declined slightly from last year due to a decrease in manufacturing volume by domestic manufacturers and other factors, the profit margin has been on an upward trend, growing year on year due to improvements in the production process. While raw material procurement risks are becoming more apparent, the need for recycled resources is steadily expanding. In particular, closed-loop resource-recycling of silicon slurry waste liquids has been performing well in response to the increase in the volume of waste due to increased production by domestic semiconductor manufacturers. In the environmental certification assessment service, the number of clients, especially for FSC® CoC certification, has been steadily increasing (approximately 123% compared to last year), and we expect that the needs for certification acquisition will continue to expand as the momentum toward nature positivity grows, including an increase in the number of companies complying with TNFD. In addition, the Malaysian business recorded the largest ever volume of shipments of recycled resources and Ni recycled resources handled, driven by the economic recovery in the country from the spread of COVID-19 and other factors. In addition, the Japan Circular Economy Partnership (J-CEP), for which we serve as the representative organizer, has grown by 16 member companies to 44 since its establishment in 2021. By taking advantage of the MEGURU STATION® described below, we are fostering momentum for the circular economy by demonstrating recycling throughout the supply chain and are discussing the introduction of services, such as selling by weight.

In the area of redesigning communities, we are continuing to demonstrate the realization of a recycling-oriented society based on the MEGURU STATION®, a mutual aid and support community-type resource collection station. At the end of the fiscal year, we opened two stations under the Comprehensive Partnership Agreement with the Town of Tachiarai, Fukuoka Prefecture, and two stations under the Business Partnership Agreement with the City of Kobe, Hyogo Prefecture, to develop services that contribute to resolving the four major regional issues (declining birthrate and aging population, population decrease, shrinking employment, and increasing social security costs). In addition, we are quantifying and visualizing the effects of introducing the system in municipalities by estimating "the effect of participating in MEGURU STATION® to prevent long-term care and the reduction of social security expenses" through joint research with Chiba University.

Another equity-method affiliate, Codo Advisory, Inc., provides support services for the development and assessment of transition strategies toward decarbonization management, as well as educational workshops on climate change. In the six months since our establishment in March 2022, we have supported 10 companies, mainly listed companies in Japan and overseas.

As a result of the above, net sales for the fiscal year under review were ¥4,824,795 thousand (down ¥332,993 thousand from the previous fiscal year) due to the application of the "Accounting Standard for Revenue Recognition," etc. while the Cyano Project expanded its offerings. Operating profit was ¥609,728 thousand (up 8.9% or ¥49,705 thousand from the previous fiscal year) due to the increase in net sales, excluding the impact of the application of the "Accounting Standard for Revenue Recognition" and other factors. Ordinary profit was ¥715,537 thousand (up 13.7% or ¥86,076 thousand from the previous fiscal year) due to an increase in operating profit and an increase in equity in earnings of affiliates related to the Malaysian business, including a tax deduction under the green investment taxation system in that country. Profit attributable to owners of the parent was ¥531,242 thousand (down 16.1% or ¥101,594 thousand from the previous fiscal year) due to a reduction in tax expenses resulting from the merger of subsidiaries in the previous fiscal year.

The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and others were applied from the beginning of the fiscal year under review. For this reason, we do not report the percentage change in net sales from the fiscal year ended December 31, 2021. For details, please refer to "3. Consolidated financial statements and primary notes, (5) Notes to consolidated financial statements, (Changes in accounting policies)."

Statement by segment is omitted because the Group constitutes a single segment of the Social Systems Design Business.

(2) Overview of financial position during the fiscal year under review

As of the end of the fiscal year under review, current assets increased by ¥423,174 thousand mainly due to increases in cash and deposits, and non-current assets decreased by ¥26,206 thousand due to depreciation and other items. As a result, total assets increased by ¥396,968 thousand from the end of the previous fiscal year to ¥4,824,280 thousand.

With regard to liabilities, current liabilities decreased by ¥43,005 thousand mainly due to the decrease in notes and accounts payable, trade, etc., and non-current liabilities decreased by ¥106,052 thousand mainly due to the repayment of long-term borrowings. As a result, liabilities decreased by ¥149,057 thousand from the end of the previous fiscal year to ¥2,823,230 thousand.

Net assets increased by ¥546,026 thousand from the end of the previous fiscal year to ¥2,001,050 thousand due to recording of profit.

(3) Overview of cash flows for the fiscal year under review

As of the end of the fiscal year under review, cash and cash equivalents (the "fund") increased by ¥389,077 thousand from the end of the previous fiscal year to ¥1,779,633 thousand.

(Cash flows from operating activities)

The fund provided by operating activities amounted to ¥585,083 thousand (net outflow of fund by ¥288,140 thousand YoY). This was due to profit before income taxes of ¥712,138 thousand, depreciation of ¥139,734 thousand, and share of profit of entities accounted for using equity method of ¥108,901 thousand.

(Cash flows from investing activities)

The fund used in investing activities amounted to ¥69,841 thousand (net outflow of fund by ¥4,127 thousand YoY). This decrease was mainly due to purchase of property, plant and equipment of ¥80,507 thousand.

(Cash flows from financing activities)

The fund used in financing activities amounted to ¥142,166 thousand (net inflow of fund by ¥507,355 thousand YoY). This was mainly due to repayment of long-term loans payable of ¥150,000 thousand.

(4) Business outlook

Although production and consumption activities are expected to pick up moderately due to the impact of COVID-19, the outlook for the Japanese economy is expected to remain uncertain due to various effects associated with the prolonged Russian invasion of Ukraine, continuing instability in the global supply chain such as shortages of raw materials and soaring energy and resource prices, the effects of a slowdown in the global economy, particularly in the United States, Europe and China, and the need to keep in mind the risk of natural disasters. On the other hand, the trends of decarbonization and the circular economy, both in Japan and abroad, and for investors, companies, and municipalities to focus on ESG have continued with the addition of a security perspective although there has been a temporary pause due to soaring resource prices, and the need to improve "sustainability" by promoting the circular economy is expected to accelerate in the future.

Under the circumstances of "designing a future company," the Group will continue to develop and deploy products to establish a "Social Systems Design Business" to improve the sustainability and relationships of society under the theme "Redesigning industries and communities." In November 2022, we announced our business vision for the year 2030 in the form of the "Ecosystem Society Concept 2030" (hereinafter referred to as "the Concept"). To achieve the Concept, we are actively promoting the spin-off of a subsidiary (for details, please refer to “3. Consolidated financial statements and primary notes, (5) Notes to consolidated financial statements, (Significant subsequent events)”) and the establishment of a new subsidiary (AMIDAO CORPORATION), as well as strategic partnerships with companies in different industries, including NTT Communications and Sumitomo Mitsui Trust Bank, Limited, in order to enhance organizational mobility, quality of services, and value creation capabilities. In 2023, the final year of the three-year “Market Creation Challenge Period” that started in 2021, we will continue to focus on the development and deployment of services that support sustainable corporate management and regional operations. We will also promote strategic partnerships with companies and expand collaboration with citizens, municipalities, universities, and government agencies through co-creation-type consortiums, such as J-CEP. We hope to realize the “Phase 2: Business Expansion” starting in 2024 and beyond that to realize the Concept.

In the area of redesigning industry, we will strengthen our support for strategies to transition to sustainable corporate management (i.e., the Transition Strategy Business). Specifically, through the “Cyano Project,” which supports the creation of recycling-oriented businesses and business transformation (i.e., transition strategies) to enhance the sustainability of corporate management, we will develop integrated support through each solution from policy formulation to systemization, including offensive ESG management consulting and environmental BPO (AMITA Smart Eco, circular materials business, and defensive ESG management consulting). In doing so, we will work with Codo Advisory, Inc., which provides strategic support for transitioning to decarbonization management, existing and new strategic partnerships, and J-CEP to enhance the value of our offerings. For environmental certification assessment services, which are in a growth phase, we will strengthen our organizational structure to meet growing needs. In Malaysia and other overseas markets, in addition to stabilizing and promoting the recycling business at our own plants, we will also develop markets with a view to providing businesses that are being developed and deployed in Japan, such as the creation of a recycling-oriented society.

The domestic closed-loop resource-recycling service will be upgraded from a recycling business that manufactures substitutes for natural resources to a circular materials business that provides comprehensive solutions for sustainable procurement and resource utilization. Specifically, we will enhance our agility in business innovation through the development and functional enhancement of new circulating resources and technologies, such as coal substitute fuels that contribute to CO2 reduction, as well as proactive alliances with partner companies. We will also make new capital investments in the recycling of waste silicon slurry, which is in a growth phase, to increase our manufacturing capacity by 1.5 times from 2024 onward.

In redesigning communities, the Group will focus on building and demonstrating service prototypes and establishing business models. Specifically, we have completed the development of a model for “MEGURU STATION ®,” which we have been developing as a core service, and plan to develop it into a business model that will enable us to integrate and solve local, corporate and social issues by reducing environmental costs, implementing mutual assistance mechanisms, utilizing consumption trends and resource information, and conducting hypothesis testing in multiple regions, including Tachiarai Town in Fukuoka Prefecture and Kobe City in Hyogo Prefecture. In doing so, it is necessary to visualize the traceability and user contributions to prove the safety of resources, so we will collaborate with AMIDAO CORPORATION, which designs and develops the token economy using web3-related technologies (= ecosystem co-creation business).

Furthermore, as a management foundation to support the “Social Systems Design Business,” we will continue to work on building a framework for the amplification of quality management resources, including the restructuring of our corporate culture (improvement of the operation of new target management methods, the challenge of a 32-hour work week, strengthening human resource development, etc.) and measures to strengthen relationships with stakeholders and increase social recognition, etc.

Regarding the consolidated results for the year ending December 31, 2023, as a result, the Group forecasts net sales of ¥5,283 million (up 9.5% or ¥458 million YoY), operating profit of ¥774 million (up 27.0% or ¥164 million YoY), ordinary profit of ¥887 million (up 24.0% or ¥171 million YoY), and profit attributable to owners of parent of ¥620 million (up 16.8% or ¥89 million). The impact of COVID-19 will be insignificant. The Group will pursue these measures above and proactively engage in creating a “Ecosystem Society” in tandem with other sustainability-oriented companies and municipalities.

2. Basic approach to the selection of accounting standards

The Group applies Japanese accounting standards for ensuring the comparability with other Japanese companies in the same industry.

3. Consolidated financial statements and primary notes

(1) Consolidated balance sheets

(Thousands of yen)

	As of December 31, 2021	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	1,390,556	1,779,633
Notes and accounts receivable - trade	703,114	744,972
Merchandise and finished goods	34,754	32,989
Work in process	27,635	18,498
Raw materials and supplies	4,289	10,844
Other	186,172	182,759
Allowance for doubtful accounts	(70)	(70)
Total current assets	2,346,453	2,769,627
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	432,483	391,446
Machinery, equipment and vehicles, net	360,730	320,266
Land	792,290	752,187
Construction in progress	–	17,325
Other, net	48,225	65,717
Total property, plant and equipment	1,633,730	1,546,942
Intangible assets	25,900	36,966
Investments and other assets		
Investment securities	167,124	281,722
Deferred tax assets	115,214	35,136
Other	138,888	153,885
Total investments and other assets	421,227	470,743
Total non-current assets	2,080,858	2,054,652
Total assets	4,427,311	4,824,280

(Thousands of yen)

	As of December 31, 2021	As of December 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	353,579	293,290
Current portion of long-term borrowings	150,000	170,000
Lease liabilities	22,121	16,267
Accounts payable - other	193,409	170,395
Income taxes payable	29,158	101,504
Provision for bonuses	98,388	76,848
Advances received	164,289	151,151
Deposits received	211,798	211,958
Other	89,266	77,590
Total current liabilities	1,312,011	1,269,005
Non-current liabilities		
Long-term borrowings	1,200,000	1,082,562
Lease liabilities	27,470	21,450
Retirement benefit liability	330,986	349,349
Asset retirement obligations	101,639	100,681
Other	180	180
Total non-current liabilities	1,660,276	1,554,224
Total liabilities	2,972,287	2,823,230
Net assets		
Shareholders’ equity		
Share capital	474,920	480,680
Capital surplus	244,683	250,443
Retained earnings	728,972	1,225,139
Treasury shares	(375)	(482)
Total shareholders’ equity	1,448,200	1,955,781
Accumulated other comprehensive income		
Foreign currency translation adjustment	6,823	39,219
Total accumulated other comprehensive income	6,823	39,219
Share acquisition rights	–	6,049
Total net assets	1,455,024	2,001,050
Total liabilities and net assets	4,427,311	4,824,280

(2) Consolidated statements of income and consolidated statements of comprehensive income

Consolidated statements of income

(Thousands of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Net sales	5,157,789	4,824,795
Cost of sales	3,156,286	2,687,253
Gross profit	2,001,502	2,137,542
Selling, general and administrative expenses	1,441,479	1,527,814
Operating profit	560,023	609,728
Non-operating income		
Interest income	108	112
Share of profit of entities accounted for using equity method	76,868	108,901
Foreign exchange gains	–	5,825
Other	25,052	13,666
Total non-operating income	102,028	128,505
Non-operating expenses		
Interest expenses	23,497	16,540
Share acquisition rights issuance costs	–	2,640
Foreign exchange losses	4,987	–
Other	4,105	3,515
Total non-operating expenses	32,589	22,696
Ordinary profit	629,461	715,537
Extraordinary income		
Gain on sale of non-current assets	22,273	2,821
Other	1,500	–
Total extraordinary income	23,773	2,821
Extraordinary losses		
Loss on valuation of shares of subsidiaries and associates	–	725
Impairment losses	51,657	–
Loss on sale and retirement of non-current assets	15,838	5,495
Total extraordinary losses	67,496	6,220
Profit before income taxes	585,738	712,138
Income taxes - current	23,967	100,818
Income taxes - deferred	(71,065)	80,078
Total income taxes	(47,097)	180,896
Profit	632,836	531,242
Profit attributable to owners of parent	632,836	531,242

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Profit	632,836	531,242
Other comprehensive income		
Foreign currency translation adjustment	1,061	2,548
Share of other comprehensive income of entities accounted for using equity method	12,170	29,847
Total other comprehensive income	13,231	32,395
Comprehensive income	646,068	563,637
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	646,068	563,637

(3) Consolidated statements of changes in equity

Fiscal year ended December 31, 2021

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	474,920	244,683	96,135	(245)	815,493
Changes during period					
Profit attributable to owners of parent			632,836		632,836
Purchase of treasury shares				(130)	(130)
Net changes in items other than shareholders' equity					
Total changes during period	–	–	632,836	(130)	632,706
Balance at end of period	474,920	244,683	728,972	(375)	1,448,200

	Accumulated other comprehensive income		Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of period	(6,407)	(6,407)	809,085
Changes during period			
Profit attributable to owners of parent			632,836
Purchase of treasury shares			(130)
Net changes in items other than shareholders' equity	13,231	13,231	13,231
Total changes during period	13,231	13,231	645,938
Balance at end of period	6,823	6,823	1,455,024

Fiscal year ended December 31, 2022

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	474,920	244,683	728,972	(375)	1,448,200
Changes during period					
Issuance of new shares - exercise of share acquisition rights	5,760	5,760			11,520
Dividends of surplus			(35,075)		(35,075)
Profit attributable to owners of parent			531,242		531,242
Purchase of treasury shares				(106)	(106)
Net changes in items other than shareholders' equity					
Total changes during period	5,760	5,760	496,166	(106)	507,581
Balance at end of period	480,680	250,443	1,225,139	(482)	1,955,781

	Accumulated other comprehensive income		Share acquisition rights	Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	6,823	6,823	–	1,455,024
Changes during period				
Issuance of new shares - exercise of share acquisition rights				11,520
Dividends of surplus				(35,075)
Profit attributable to owners of parent				531,242
Purchase of treasury shares				(106)
Net changes in items other than shareholders' equity	32,395	32,395	6,049	38,445
Total changes during period	32,395	32,395	6,049	546,026
Balance at end of period	39,219	39,219	6,049	2,001,050

(4) Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Cash flows from operating activities		
Profit before income taxes	585,738	712,138
Depreciation	143,833	139,734
Impairment losses	51,657	–
Loss on valuation of shares of subsidiaries and associates	–	725
Loss (gain) on sale and retirement of non-current assets	(6,434)	4,049
Increase (decrease) in provision for bonuses	(1,106)	(21,540)
Increase (decrease) in retirement benefit liability	21,869	18,363
Interest and dividend income	(108)	(112)
Interest expenses	23,497	16,540
Foreign exchange losses (gains)	(4,214)	(13,391)
Share of loss (profit) of entities accounted for using equity method	(76,868)	(108,901)
Share acquisition rights issuance costs	–	2,640
Decrease (increase) in trade receivables	(11,629)	(41,857)
Decrease (increase) in inventories	(2,845)	4,347
Increase (decrease) in trade payables	26,507	(60,289)
Increase (decrease) in advances received	(12,526)	(13,137)
Increase (decrease) in deposits received	31,750	157
Other, net	8,428	(50,905)
Subtotal	777,549	588,559
Interest and dividends received	28,644	48,373
Interest paid	(20,968)	(17,230)
Income taxes paid	–	(34,619)
Income taxes refund	87,998	–
Net cash provided by (used in) operating activities	873,224	585,083
Cash flows from investing activities		
Purchase of property, plant and equipment	(68,465)	(80,507)
Proceeds from sale of property, plant and equipment	6,073	58,383
Purchase of intangible assets	(4,977)	(21,855)
Purchase of investment securities	–	(25,000)
Proceeds from cancellation of insurance funds	716	7,059
Other, net	(7,316)	(7,922)
Net cash provided by (used in) investing activities	(73,969)	(69,841)
Cash flows from financing activities		
Repayments of short-term borrowings	(400,000)	–
Proceeds from long-term borrowings	–	52,562
Repayments of long-term borrowings	(150,000)	(150,000)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	–	11,490
Proceeds from issuance of share acquisition rights	–	3,440
Dividends paid	–	(33,841)
Other, net	(99,522)	(25,817)
Net cash provided by (used in) financing activities	(649,522)	(142,166)

(Thousands of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Effect of exchange rate change on cash and cash equivalents	5,073	16,002
Net increase (decrease) in cash and cash equivalents	154,806	389,077
Cash and cash equivalents at beginning of period	1,235,749	1,390,556
Cash and cash equivalents at end of period	1,390,556	1,779,633

(5) Notes to consolidated financial statements

(Notes on going concern assumption)

Not applicable.

(Changes in accounting policies)

(Application of Accounting Standards for Revenue Recognition and Its Implementation Guidance)

Effective from the beginning of the fiscal year under review, the Company adopted the Accounting Standards for Revenue Recognition (ASBJ Statement No. 29 of March 31, 2020. Hereafter referred to as “Revenue Recognition Accounting Standard.”) and other standards to recognize revenue in the amount expected to be received in exchange for promised goods or services when control of those goods or services passes to the customer. As a result, the Company and its consolidated subsidiaries have changed the method of recognizing as revenue the amount of compensation or commission to which the Company and its consolidated subsidiaries expect to be entitled in exchange for arranging or acting as agent or intermediary when the Company and its consolidated subsidiaries do not have control over the waste, whereas previously, when the waste subject to recycling operations (direct delivery transaction) were valuable materials, revenue was recognized at the total consideration received from the source.

The application of the Accounting Standard for Revenue Recognition and its implementation guidance is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the start of the fiscal year ended December 31, 2022, was added to or subtracted from the opening balance of retained earnings of the fiscal year ended December 31, 2022, and thus the new accounting policy was applied from such opening balance without affecting the opening balance.

As a result, net sales and cost of sales decreased by ¥505,770 thousand in the fiscal year under review, but there is no impact on operating profit, ordinary profit, and profit before income taxes and minority interests.

In accordance with the transitional treatment stipulated in Paragraph 89-3 of the Accounting Standard for Revenue Recognition, the notes to “Revenue Recognition” for the previous fiscal year are not described.

(Application 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) and relevant ASBJ regulations from the beginning of the fiscal year ended December 31, 2022, and it has applied the new accounting policy provided for by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional measures provided for in paragraph 19 of the Accounting Standard For Fair Value Measurement, and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). This has no impact on the consolidated financial statements.

(Additional information)

(Accounting estimates relating to the effect of COVID-19)

Based on the information available at the point of preparing consolidated financial statements, the Group judges that the spread of COVID-19 will not significantly impact the accounting estimates for the impairment of non-current assets and recoverability of deferred tax assets as of the end of the fiscal year under review.

However, COVID-19 may significantly impact the consolidated financial statements on and after the next fiscal year after the Group reviews its judgment taking into account the changes in future situations.

(Consolidated balance sheet relationships)

Notes and accounts receivable - trade, arising from contracts with customers are as follows.

(Thousands of yen)

	Fiscal year ended December 31, 2022
Notes receivable - trade	29,736
Accounts receivable - trade	715,236

(Segment information)

The statement is omitted because the Group constitutes a single segment, or the Social Systems Design Business.

(Per share information)

(Yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Net assets per share	82.97	113.69
Earnings per share	36.08	30.29
Diluted earnings per share	–	30.22

Notes: 1. The Company carried out a 5-for-1 stock split of its common shares as of January 1, 2022 and carried out a 3-for-1 stock split of its common shares as of October 1, 2022. Accordingly, under the assumption that such stock split was implemented at the beginning of the previous fiscal year, the Company calculates "net assets per share," "earnings per share" and "diluted earnings per share."

2. The statement of diluted earnings per share for the previous fiscal year is omitted because there is no potential share.

3. The basis for calculating earnings per share and diluted earnings per share is as follows:

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Earnings per share		
Profit attributable to owners of parent (Thousands of yen)	632,836	531,242
Amount not attributable to common shareholders (Thousands of yen)	–	–
Profit attributable to owners of parent relating to common shares (Thousands of yen)	632,836	531,242
Average number of common shares during the period (Shares)	17,538,153	17,538,334
Diluted earnings per share		
Adjustment of profit attributable to owners of parent (Thousands of yen)	–	–
Increase in common shares (Shares)	–	39,249
(Of which, share acquisition rights (Shares))	–	(39,249)
Summary of potential shares not included in the calculation of diluted earnings per share due to the absence of dilutive effects	–	–

Note: The statement of diluted earnings per share for the previous fiscal year is omitted because there is no potential share.

(Significant subsequent events)

(Establishment of subsidiary)

At a meeting of the Board of Directors held on November 25, 2022, the Company resolved to establish a subsidiary as follows, and the subsidiary was established on January 5, 2023.

1. Purpose of Establishment of Subsidiary

The year 2022 is also known as the first year of web3, and the web3 movement, known as the "Decentralized Internet," is accelerating both domestically and internationally. In the past, information was collected and disseminated via web platforms, but with web3, it has become possible to use blockchain technology to manage data between users, provide content between individuals, sell digital data, and transfer money, without the need for an administrator to be present. Currently, there is a movement in Japan to take advantage of these characteristics to issue their own tokens and form their own economic sphere or community (token economy).

We believe that the creation of an eco-system society is necessary to achieve our Group's mission of "a sustainable society: a society in which natural capital and relational capital increases as development progresses. "In an eco-system society, it is necessary to simultaneously solve social issues and foster a sense of ownership and community, and we believe that the application of web3-related technologies will be effective. The new subsidiary, AMIDAO CORPORATION, will design and develop a token economy that contributes to the above by applying web3-related technologies.

In addition, creative human resources who share the same values and vision, as well as digital human resources in areas such as infrastructure and application development, are indispensable to respond to changes in the business environment that are accelerating and becoming more complex and to build an eco-system society. The new subsidiary, AMIDAO CORPORATION, will serve as a mechanism for gathering and co-creating high-quality human resources and management resources, and will create a place for independent and decentralized co-creation for each project.

2. Outline of the subsidiary to be established

(1) Name	AMIDAO CORPORATION (English: AMIDAO CORPORATION)	
(2) Location	535 Akinono-cho, Oshikoji-agaru-Karasuma-dori, Nakagyo-ku, Kyoto,	
(3) Title and name of representative	Eisuke Kumano, Chairman and CEO (Co-Ecosystem Organizer) Atsushi Hayashi, Director and CDO (Co-DAO Optimizer) Kenichi Okada, Director	
(4) Business profile	・Designing and developing business models, apps, and tools that contribute to establishing an ecosystem society ・Facilitating and promoting a scheme that uses carbon-credit tokens to achieve zero emission and carbon neutrality in office buildings and commercial complexes	
(5) Capital stock	¥10 million	
(6) Date of establishment	January 5, 2023	
(7) Total number of issued shares	1,000 shares	
(8) Shareholding ratio with major shareholders	AMITA HOLDINGS Co., Ltd. 100%.	
(9) Fiscal year	From January 1 to the end of December	
(10) Relationship between the parties, etc.	Capital relationships	Established as a wholly owned subsidiary of the Company
	Personal relations	Directors of the Company serve concurrently
	Business relations	A business consignment agreement has been concluded between the Company and the said company for the purpose of consigning business management operations of the said company.

(Change of trade name of a consolidated subsidiary and establishment of a subsidiary through a simplified incorporation-type company split)

At a meeting of the Board of Directors held on November 10, 2022, the Company resolved to change the trade name of AMITA CORPORATION, a wholly owned subsidiary of the Company, to “AMITA CIRCULAR CORPORATION” effective January 1, 2023, to transfer part of the business of AMITA CORPORATION to a newly established company by means of a company split (simple incorporation-type company split), and to make the newly established company a wholly owned subsidiary of the Company, and completed these procedures.

1. Change of trade name of subsidiary

(1) Outline of subsidiary

(1) Name	AMITA CORPORATION
(2) Location	3-6-7, Kanda kajicho, Chiyoda-ku, Tokyo
(3) Title and name of representative	Takahide Suetsugu, Representative Director
(4) Business profile	Promote the achievement of a sustainable society by developing a Social Systems Design Business that provides comprehensive support from vision formulation to implementation support to improve the sustainability of companies and municipalities.
(5) Capital stock	¥100 million
(6) Date of establishment	April 1, 1977
(7) Shareholding ratio with major shareholders	AMITA HOLDINGS Co., Ltd. 100%.
(8) Fiscal year end	December 31

(2) Reason for trade name change

The trade name is being changed in accordance with “2. Company split of a subsidiary (simplified incorporation-type company split)” described below, for the purpose of specializing in the manufacture of circular materials, which contribute to the circular economy, including resource circulation.

(3) New trade name

AMITA CIRCULAR CORPORATION

(English: AMITA CIRCULAR CORPORATION)

(4) Date of trade name change

January 1, 2023

2. Company split of a subsidiary (simplified incorporation-type company split)

(1) Purpose of company split

As a “designing a future company” that contributes to the realization of “a sustainable society: a society in which natural capital and relational capital increases as development progresses. “through the provision of “a recycling-based social system,” the Group is engaged in the development and provision of “Social Systems Design Business” that integrally supports sustainable corporate management and regional operations under the theme of “Redesigning industries and communities,” utilizing its high-quality network and platform of people, resources, and information in the sustainability field cultivated over 45 years.

Since the spread of COVID-19, the outlook remains uncertain due to the effects of Russia’s invasion of Ukraine, increased instability in the global supply chain such as raw material shortages and soaring resource prices, as well as increased foreign exchange risks.

Under these circumstances, we have resolved to split a consolidated subsidiary for the following reasons.

■ AMITA CIRCULAR CORPORATION

We will upgrade from the production of recycled resources, a substitute for natural resources, to the production of circular materials that have been proven to contribute to the reduction of CO2 emissions and the restoration of ecosystem services the more they are used. In order to increase the speed of this sophistication, we will create an organization specializing in the circular materials business to enhance the agility of business innovation, including the development of new circulating resources and circulating technologies and active alliances with partner companies.

■ AMITA CORPORATION

With the rapidly growing need for strategies to transition to sustainable corporate and regional management, it is important to develop services that anticipate social needs and upgrade solution capabilities. By establishing a new company that specializes in supporting the planning of transition strategies and integration of the implementation phase, we will enhance our ability to respond to rapid changes in the times and create value on an ongoing basis. In addition, by increasing our organizational mobility, we will be able to quickly develop our business in overseas markets, which are more uncertain than in Japan.

(2) Outline of company split

(i) Method of company split

This is a simple incorporation-type company split in which AMITA CORPORATION (The corporate name was changed to AMITA CIRCULAR CORPORATION on January 1, 2023. Hereafter referred to as the "split company.") is split and its consulting services, certification business and ICT business (Hereafter referred to as the "Target Business.") are transferred to the newly established company.

(ii) Schedule of company split

(1) Board of Directors of the Company	November 10, 2022
(2) Board of Directors' approval of the new company split plan (split company)	November 10, 2022
(3) Effective date of the corporate split (date of incorporation of the new company)	January 5, 2023

Note: In accordance with the provisions for a simplified incorporation-type company split stipulated in Article 805 of the Companies Act, the split will be conducted without obtaining the approval of the general meeting of shareholders regarding the incorporation-type company split plan at the split company.

(iii) Details of allotment related to the company split

The newly established company will issue 5,000 common shares upon company split, all of which will be allocated to the split company. At the same time, the split company will deliver the shares allocated to it to the Company, the wholly-owning parent company, as a dividend of surplus.

(iv) Decrease in capital stock, etc. due to company split

There is no reduction in the capital stock of the split company due to the company split.

(v) Rights and obligations to be succeeded to by the newly established company

The newly established company will succeed to the assets, liabilities, and other rights and obligations of the split company related to the Target Business as of the effective date. Succession to the debt shall be by way of assumption of indemnified debt.

(vi) Prospect of debt fulfillment

The Company has determined that there is no problem with the prospects for performance by the newly established company of the obligations to be incurred as a result of the company split.

(3) Overview of companies involved in the company split

(i) Split company

(1) Name	AMITA CORPORATION (Company name changed to AMITA CIRCULAR CORPORATION on January 1, 2023)
(2) Location	3-6-7, Kanda kajicho, Chiyoda-ku, Tokyo
(3) Title and name of representative	Takahide Suetsugu, Representative Director (Representative Director changed to Kenji Tsuchimoto as of January 1, 2023)
(4) Business profile	Promote the achievement of a sustainable society by developing a Social Systems Design Business that provides comprehensive support from vision formulation to implementation support to improve the sustainability of companies and municipalities. (Changed to the Circular Materials business on January 1, 2023)
(5) Capital stock	¥100 million
(6) Date of establishment	April 1, 1977
(7) Shareholding ratio with major shareholders	AMITA HOLDINGS Co., Ltd. 100%.
(8) Fiscal year end	December 31

(ii) Newly established company

<table>
<tr><td>(1) Name</td><td colspan="2">AMITA CORPORATION</td></tr>
<tr><td>(2) Location</td><td colspan="2">3-6-7, Kanda kajicho, Chiyoda-ku, Tokyo</td></tr>
<tr><td>(3) Title and name of representative</td><td colspan="2">Shinichi Tabei, President</td></tr>
<tr><td>(4) Business profile</td><td colspan="2">Transition Strategy Business</td></tr>
<tr><td>(5) Capital stock</td><td colspan="2">¥50 million</td></tr>
<tr><td>(6) Date of establishment</td><td colspan="2">January 5, 2023</td></tr>
<tr><td>(7) Total number of issued shares</td><td colspan="2">5,000 shares</td></tr>
<tr><td>(8) Shareholding ratio with major shareholders</td><td colspan="2">AMITA HOLDINGS Co., Ltd. 100%.</td></tr>
<tr><td>(9) Fiscal year end</td><td colspan="2">December 31</td></tr>
<tr><td rowspan="3">(10) Relationship between the parties, etc.</td><td>Capital relationships</td><td>Established as a wholly owned subsidiary of the Company</td></tr>
<tr><td>Personal relations</td><td>Director of the split company concurrently serves as director of the newly established split company</td></tr>
<tr><td>Business relations</td><td>A business consignment agreement has been concluded between the Company and the said company for the purpose of consigning business management operations of the said company.</td></tr>
</table>

(4) Description of the business of the division to be split off or taken over

consulting services business, certification business and ICT business

(5) Situation after the said reorganization

Please refer to "2. Company split of a subsidiary (simplified incorporation-type company split), (3) Overview of companies involved in the company split" above for the status after the company split.

(6) Impact on Business Performance

Since all of the companies involved in the company split are wholly owned subsidiaries of the Company, the impact on our group's consolidated financial results is negligible.