

Translation

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

**[Delayed] Consolidated Financial Results
for the Year Ended December 31, 2023
(Based on Japanese GAAP)**

February 13, 2024

Company name: AMITA HOLDINGS CO., LTD.
 Stock exchange listing: Tokyo
 Stock code: 2195 URL <https://www.amita-hd.co.jp/>
 Representative: Chairman and Chief Visionary Officer KUMANO Eisuke
 President and Chief Integrated Operations
 Inquiries: SUETSUGU Takahide TEL 075-277-0378
 Officer
 Scheduled date of ordinary general meeting of shareholders: March 22, 2024
 Scheduled date to file Securities Report: March 22, 2024
 Scheduled date to commence dividend payments: March 25, 2024
 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, 2023 (from January 1, 2023 to December 31, 2023)

(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, 2023	4,536	(6.0)	472	(22.6)	530	(25.8)	308	(42.0)
Year ended December 31, 2022	4,824	-	609	8.9	715	13.7	531	(16.1)

Note: Comprehensive income Year ended December 31, 2023 ¥312 million [(44.6)%]
 Year ended December 31, 2022 ¥563 million [(12.8)%]

	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, 2023	17.57	-	14.5	9.7	10.4
Year ended December 31, 2022	30.29	30.22	30.8	15.5	12.6

Reference: Share of loss (profit) of entities accounted for using equity method

Year ended December 31, 2023 ¥64 million
 Year ended December 31, 2022 ¥108 million

Notes: 1. Diluted earnings per share for the year ended December 31, 2023, is omitted, because there are no potentially dilutive shares that have dilutive effects although there are potentially dilutive shares.

2. The Company carried out a 3-for-1 stock split of its common shares as of October 1, 2022. Under the assumption that such stock split was implemented at the beginning of the previous fiscal year, the Company calculates “earnings per share” and “diluted earnings per share.”

(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, 2023	6,175	2,266	36.6	128.77
As of December 31, 2022	4,824	2,001	41.4	113.69

Reference: Equity As of December 31, 2023 ¥2,260 million
 As of December 31, 2022 ¥1,995 million

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

(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, 2023	725	(441)	754	2,829
Year ended December 31, 2022	585	(69)	(142)	1,779

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, 2022	–	0.00	–	3.00	3.00	52	9.9	3.1
Year ended December 31, 2023	–	0.00	–	4.00	4.00	70	22.8	3.3
Year ending December 31, 2024 (Forecast)	–	0.00	–	4.00	4.00		18.9	

3. Forecast of consolidated financial results for the year ending December 31, 2024 (from January 1, 2024 to December 31, 2024)

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	4,809	6.0	540	14.6	599	12.8	371	20.4	21.16

4. Notes

(1) Changes in significant subsidiaries during the year ended December 31, 2023

(changes in specified subsidiaries resulting in the change in scope of consolidation):

Yes

Newly included:

1 company (AMITA CORPORATION)

Note: For details, please refer to “3. Consolidated financial statements and primary notes, (5) Notes to consolidated financial statements, (Changes in significant subsidiaries during the fiscal year ended December 31, 2023)” on page 14 of the attached document.

(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, 2023	17,556,360 shares	As of December 31, 2022	17,551,360 shares
-------------------------	-------------------	-------------------------	-------------------

Number of treasury shares at the end of the period

As of December 31, 2023	3,890 shares	As of December 31, 2022	3,890 shares
-------------------------	--------------	-------------------------	--------------

Average number of shares during the period

Year ended December 31, 2023	17,552,085 shares	Year ended December 31, 2022	17,538,334 shares
------------------------------	-------------------	------------------------------	-------------------

Note: The Company carried out a 3-for-1 stock split of its common shares as of October 1, 2022. Under the assumption that such stock split was 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, 2023 (from January 1, 2023 to December 31, 2023)

(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, 2023	1,097	44.2	142	729.9	115	–	90	–
Year ended December 31, 2022	760	14.4	17	(47.3)	2	(87.9)	(16)	–

	Earnings per share	Diluted earnings per share
	Yen	Yen
Year ended December 31, 2023	5.17	–
Year ended December 31, 2022	(0.92)	–

Note: The Company carried out a 3-for-1 stock split of its common shares as of October 1, 2022. Under the assumption that such stock split was 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, 2023	3,560	1,060	29.6	60.07
As of December 31, 2022	2,449	1,016	41.3	57.59

Reference: Equity As of December 31, 2023 ¥1,054 million
As of December 31, 2022 ¥1,010 million

Note: The Company carried out a 3-for-1 stock split of its common shares as of October 1, 2022. Under the assumption that such stock split was 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 4 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 Thursday, February 22, 2024.

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

Table of Contents**Index**

1. Overview of operating results and others.....	2
(1) Overview of operating results during the fiscal year under review	2
(2) Overview of financial position during the fiscal year under review.....	3
(3) Overview of cash flows for the fiscal year under review	3
(4) Business outlook.....	4
2. Basic approach to the selection of accounting standards	6
3. Consolidated financial statements and primary notes	7
(1) Consolidated balance sheets	7
(2) Consolidated statements of income and consolidated statements of comprehensive income	9
Consolidated statements of income	9
Consolidated statements of comprehensive income	10
(3) Consolidated statements of changes in equity	11
(4) Consolidated statements of cash flows	13
(5) Notes to consolidated financial statements.....	14
(Notes on going concern assumption)	14
(Changes in significant subsidiaries during the fiscal year ended December 31, 2023)	14
(Changes in accounting policies).....	14
(Additional information)	14
(Consolidated balance sheet relationships).....	14
(Segment information).....	14
(Per share information).....	15
(Significant subsequent events)	16

1. Overview of operating results and others

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

During the fiscal year under review, business conditions in the Japanese economy gradually improved as a result of the significant easing of restrictions related to COVID-19, a recovery in consumption activity, including demand from inbound tourism, and other factors, despite the rising prices. Conversely, global supply chain instability and social uncertainty remain, in the form of the sustained depreciation of the yen, which is linked to monetary policy, the deceleration of the global economy, the prolongation of the situation in Ukraine and the emergence of military conflict in the Middle East, and soaring prices for raw materials and resources, which have in turn led to price increases in Japan for food, daily goods, and other products. Under this economic situation, the AMITA Group (the “Group”) developed and launched the Social Systems Design Business to provide comprehensive support to businesses and municipalities in achieving greater corporate and community sustainability under the “Ecosystem Social Concept 2030” (announced in November 2022), our business vision for 2030, with the aim to achieve a sustainable society. As the basis for this, we have pursued organizational reforms, worked to enhance organizational mobility, quality of services, and value creation capabilities and actively promoted strategic partnerships with companies in different industries.

In the Transition Strategy Business Area, interest in sustainability from a long-term perspective is gathering momentum and has led to continued high levels of inquiries regarding the “Cyano Project,” which comprehensively supports the creation and business transformation of recycling-oriented businesses, from companies aiming to transform their existing businesses. However, with repeated outbreaks of abnormal weather and the intensification of global supply chain instability, in the short term companies are increasingly putting a priority on business activities that have a direct impact in terms of near-term results and evaluations. As a result, decisions on ESG measures and schedules for business discussions are being pushed back, and this has led to our orders falling behind plan. In response to these circumstances, we strengthened marketing initiatives aimed at raising our order rates, as well as developing and providing such products as solutions to address disclosure of information related to natural risks that occur in the course of corporate activity (an area that is increasingly attracting attention, and which is associated with the Taskforce on Nature-related Financial Disclosures, or TNFD), and the Factory Support Package, which seeks to help production sites enhance their sustainability. Consequently, orders in the fourth quarter and beyond have begun to improve. In the environmental certification assessment service, orders from new customers, especially for FSC® CoC certification, have been increasing steadily, and performance has been strong. ICT and BPO services for environmental management operations continued to perform well in response to the growing needs of client companies due to personnel shortages and other factors.

In the Circular Materials Business Area, while raw material procurement risks are becoming more apparent due to instability in global supply chains, the need for alternative resources is also steadily expanding against the background of accelerating moves towards carbon neutrality. However, factors such as the sluggishness in manufacturing industry caused by labor shortages, soaring resource prices, and so on are having an impact on handling volumes of alternative resources offered by the Group. Faced by this situation, we have implemented initiatives aimed at boosting profitability, such as those related to the manufacture and sale of coal substitutes that contribute to carbon neutrality and nature positivity, to achieving more appropriate recycling prices, and to improving productivity at manufacturing plants. Although the volume of closed-loop resource-recycling of silicon slurry waste liquids has declined due to production in the semiconductor industry undergoing a phase of adjustment, this sector is expected to recover going forward and we are therefore moving forward with preparations to strengthen our production structure. In addition, we saw a decrease in the volume of Ni recycled resources handled as valuable materials overseas, which is an intensely competitive environment, and there were reductions in the volume of nonferrous materials handled following production cutbacks at some resource user firms. In October 2022, the resource manufacturing operations of the former Kawasaki Resource Recycling Plant were taken over by the Kawasaki Plant of Sanyu Plant Service Co., Ltd. In this connection, the recording of net sales and cost of sales for that transaction was changed from gross to net.

In the overseas business in Malaysia, although handling volume declined temporarily due to production cutbacks by client companies, local demand for alternative resources is increasing, leading to a recovery in handling volume for existing projects. Together with the acquisition of new clients, this resulted in a year-on-year increase in handling volume. In Indonesia, we are accelerating a feasibility study on the manufacturing and supply of alternative fuels and materials derived from industrial and municipal waste to the cement industry, based on the Memorandum of Understanding (MoU) we signed with PT Indocement Tunggal Prakarsa Tbk., a major Indonesian cement company.

In terms of activities related to the construction of the MEGURU PLATFORM for achieving an ecosystem society, we pushed ahead with initiatives for widespread deployment of MEGURU STATION®, a resource-collection site that promotes mutually supportive engagement among community residents, in Tachiarai Town in Fukuoka Prefecture, Kobe City, Buzen City in Fukuoka Prefecture, as well as for building a model in Kakegawa City in Shizuoka Prefecture. In addition, we continued our work with Toray Industries, Inc. to build and deploy a circular model for plastics based on MEGURU STATION®, for which we were selected by the Cabinet Office for the third phase of the Cross-ministerial Strategic Innovation Program (SIP), in July 2023.

In the area of building partnerships and co-creation-type business models, at the Japan Circular Economy Partnership (J-CEP), for which we serve as the representative organizer, we investigated specific projects to conduct in collaboration with companies from other industries in relation to the circular economy, including demonstrating the use of recycled PET bottle caps and product traceability. In November, we concluded a Memorandum of Understanding (MoU) on collaboration in waste management services with Sumitomo Mitsui Finance and Leasing Co., Ltd., and investigated collaboration aimed at enhancing waste management system services from sales to operations, the expansion of waste management BPO services provided by AMITA CORPORATION, and the joint development and provision of new services tailored to meet future needs. In December, AMITA CORPORATION became the first member of the Associate Consultant Program of BSI Group Japan K.K., which as a certification assessment body has one of the most extensive track records in Japan, to be accredited in the circular economy field, and will promote the expansion of consulting services to facilitate the transition by corporations to sustainable management.

As a result of the above, net sales for the fiscal year under review were ¥4,536,499 thousand (down 6.0% or ¥288,296 thousand from the previous fiscal year) due mainly to the change from gross to net recording of transactions at the former Kawasaki Resource Recycling Plant, the slowdown in Cyano Project orders, and declines in overseas valuable material transactions and in the volume of nonferrous materials handled. Operating profit recorded ¥472,160 thousand (down 22.6%, or ¥137,568 thousand from the previous fiscal year) due to decreased net sales and increased selling, general and administrative expenses. Ordinary profit was ¥530,844 thousand (down 25.8% or ¥184,693 thousand from the previous fiscal year), having been affected by the decrease in operating profit, as well as by such factors as a decline in equity in earnings of affiliates related to the Malaysian business, which was caused by the disappearance of tax deductions applied in the previous fiscal year under the green investment taxation system in Malaysia. Profit attributable to owners of the parent was ¥308,345 thousand (down 42.0% or ¥222,896 thousand from the previous fiscal year), due to the decline in ordinary profit and other factors.

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 ¥1,068,776 thousand due mainly to increases in cash and deposits, and non-current assets rose by ¥282,651 thousand due partly to the recording of construction in progress (*recycling facilities at the Kitakyushu Resource Recycling Plant). As a result, total assets increased by ¥1,351,428 thousand from the end of the previous fiscal year to ¥6,175,708 thousand.

With regard to liabilities, current liabilities increased by ¥366,939 thousand mainly due to increases in advances received and deposits received, and non-current liabilities increased by ¥719,333 thousand mainly due to an increase in long-term borrowings. As a result, liabilities increased by ¥1,086,273 thousand from the end of the previous fiscal year to ¥3,909,503 thousand.

Net assets increased by ¥265,154 thousand from the end of the previous fiscal year to ¥2,266,204 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 ¥1,049,946 thousand from the end of the previous fiscal year to ¥2,829,579 thousand.

(Cash flows from operating activities)

The fund provided by operating activities amounted to ¥725,473 thousand (net inflow of fund by ¥140,390 thousand YoY). This was due to profit before income taxes of ¥503,570 thousand, depreciation of ¥145,013 thousand, increase in advances received of ¥127,241 thousand, and income taxes paid of ¥150,282 thousand.

(Cash flows from investing activities)

The fund used in investing activities amounted to ¥441,033 thousand (net outflow of fund by ¥371,191 thousand YoY). This decrease was mainly due to purchase of property, plant and equipment of ¥326,367 thousand.

(Cash flows from financing activities)

The fund provided by financing activities amounted to ¥754,430 thousand (net inflow of fund by ¥896,596 thousand YoY). This was mainly due to proceeds from long-term borrowings of ¥1,002,937 thousand.

(4) Business outlook

Going forward, the outlook for the Japanese economy is expected to remain uncertain, with the international situation becoming even more unstable due to the stalemate in the war between Russia and Ukraine and the lack of visibility regarding military conflict in the Middle East. Moreover, we must also bear in mind the continuation of global supply chain instability, including geopolitical risks associated with raw material procurement and soaring prices for raw materials and resources, as well as the impact of the deceleration of the global economy centered on the United States and China, and the risk of abnormal weather and natural disasters, not to mention shifts in monetary policy and increasingly volatile political trends both in Japan and overseas. With the rapid rise of generative AI as a new technology, we believe that work styles and values are at a major inflection point. As an initiative aimed at reducing greenhouse gases in FY2030 by 46% compared to the FY2013 level in order to achieve carbon neutrality by 2050, the Japanese government is expected to issue GX (Green Transformation) Economy Transition Bonds in February 2024 for promoting decarbonization investments, and to issue around ¥20 trillion in total over the next ten years. As shown by such initiatives as the increasingly active GX League (a space for companies that aim to take on the GX challenge and achieve sustainable growth to cooperate with companies implementing similar initiatives, in collaboration with the government and academia), the trend towards decarbonization and a circular economy both in Japan and overseas, and the focus on ESG among investors, companies, and central and local governments, is expected to accelerate going forward. According to the Ministry of Economy, Trade and Industry, the global market for products related to the circular economy is forecast to reach \$4.5 trillion by 2030, and \$25 trillion in 2050, with the market in Japan seen growing from ¥50 trillion in 2020, to ¥80 trillion in 2030, and to ¥120 trillion in 2050. Overseas, the promotion of the circular economy in the ASEAN region that includes Malaysia and Indonesia is forecast to give rise to a market of around \$420 billion, a trend that we believe will act as a tailwind for the Group.

Under these circumstances, as a “designing a future company,” the Group will continue to develop and expand products aimed at establishing the Social Systems Design Business in order to enhance the sustainability and engagement of society, in preparation for achieving the Ecosystem Social Concept 2030, our business vision for 2030. In 2024, in addition to maintaining our focus on developing and expanding services to support greater corporate and community sustainability, we will promote the construction and operation of a framework to continue acquiring and amplifying management resources (inbound marketing). Through the expansion of our collaboration with citizens, municipalities, universities, and government agencies by promoting the building of strategic partnerships with corporations, co-creation businesses, such and co-creation-type consortiums like J-CEP, we will forge ahead with the laying of the foundation for growth in the Social Systems Design Business, and use this to achieve the Ecosystem Social Concept 2030. The specifics are as follows.

In the “Cyano Project,” which enhances the sustainability of corporate management and supports the creation and business transformation of recycling-oriented businesses (i.e., transition strategies) to enhance the sustainability of corporate management, we will continue to work on rebuilding our product design, such as by strengthening marketing initiatives that are integrated with education, public relations, marketing, and sales, as well as developing and providing such products as solutions to address the TNFD (disclosure of information related to natural risks) and the Factory Support Package, which seeks to help production sites enhance their sustainability. 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. In ICT and BPO services for environmental management operations, which are performing well, we will work to enhance existing services and develop and provide new services through our collaboration with Sumitomo Mitsui Finance and Leasing Co., Ltd. In environmental certification assessment services, we will strengthen the organizational structure in order to enhance our ability to grow new orders. In the overseas business, in order to accelerate our expansion in Asia and Oceania region, we will establish AMITA CIRCULAR DESIGN SDN. BHD. in Malaysia in April 2024 as the supervisory organization for overseas operations to promote the expansion of the recycling business in Malaysia. Furthermore, we will take steps to open up markets associated with the building of frameworks for a recycling-oriented society by leveraging the know-how we have developed in Japan, which will include accelerating our investigations into commercialization in Indonesia.

In the circular materials business, which provides comprehensive solutions for sustainable procurement and resource utilization, we are speeding up the move to business innovation by developing and offering new circulating resources, such as by expanding the provision of coal substitutes that contribute to carbon neutrality and nature positivity, as well as strengthening marketing by generating synergies within the Group, and investing in automation and mechanization of production functions to improve profitability and safety and address labor shortages. In anticipation of a recovery in the semiconductor industry, we will complete the new recycling facilities for silicon slurry waste liquids that we have been preparing at the Kitakyushu Resource Recycling Plant, and begin operation sometime in the summer.

In terms of activities related to the construction of the MEGURU PLATFORM for achieving an ecosystem society, we will build and verify product prototypes, and continue to focus on establishing a business model. Based on the core function of MEGURU STATION®, we will promote the expanded provision of comprehensive solutions for urban development, including the biogas power plant in Minamisanriku Town, and actively invest in building a digital information platform that adds value to consumption trends, traceability, and other resource information. Under the Strategic Innovation Program (SIP), for which we were selected by the Cabinet Office in July 2023, we will continue to verify sophisticated resource circulation models as a national project. Through such activities we aim to build the MEGURU PLATFORM as a means of integrating and solving regional, corporate and social issues.

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 fostering of our corporate culture (improving the operation of new target management methods, taking on the challenge of a 32-hour work week, establishing an environment to enhance well-being), as well as developing organizational and human resources to enhance value creation capabilities, establishing strategic capital policies, and taking measures to strengthen relationships with shareholders and increase social recognition, etc.

Regarding the consolidated results for the year ending December 31, 2024, as a result, the Group forecasts net sales of ¥4,809 million (up 6.0% or ¥272 million YoY), operating profit of ¥540 million (up 14.6% or ¥68 million YoY), ordinary profit of ¥599 million (up 12.8% or ¥68 million YoY), and profit attributable to owners of parent of ¥371 million (up 20.4% or ¥62 million). The Group will pursue these measures above and proactively engage in creating an “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, 2022	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	1,779,633	2,829,579
Notes and accounts receivable - trade	744,972	708,362
Merchandise and finished goods	32,989	26,764
Work in process	18,498	27,117
Raw materials and supplies	10,844	8,893
Other	182,759	237,687
Allowance for doubtful accounts	(70)	-
Total current assets	2,769,627	3,838,404
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	391,446	365,194
Machinery, equipment and vehicles, net	320,266	324,673
Land	752,187	752,187
Construction in progress	17,325	240,711
Other, net	65,717	38,885
Total property, plant and equipment	1,546,942	1,721,652
Intangible assets	36,966	88,413
Investments and other assets		
Investment securities	281,722	320,101
Deferred tax assets	35,136	45,352
Other	153,885	161,783
Total investments and other assets	470,743	527,237
Total non-current assets	2,054,652	2,337,303
Total assets	4,824,280	6,175,708

(Thousands of yen)

	As of December 31, 2022	As of December 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	293,290	260,842
Current portion of long-term borrowings	170,000	266,756
Lease liabilities	16,267	10,466
Accounts payable - other	170,395	112,341
Income taxes payable	101,504	151,146
Provision for bonuses	76,848	85,675
Asset retirement obligations	–	4,310
Advances received	151,151	278,393
Deposits received	211,958	314,659
Other	77,590	151,353
Total current liabilities	1,269,005	1,635,945
Non-current liabilities		
Long-term borrowings	1,082,562	1,807,055
Lease liabilities	21,450	10,240
Retirement benefit liability	349,349	358,739
Asset retirement obligations	100,681	97,342
Other	180	180
Total non-current liabilities	1,554,224	2,273,557
Total liabilities	2,823,230	3,909,503
Net assets		
Shareholders' equity		
Share capital	480,680	483,560
Capital surplus	250,443	253,323
Retained earnings	1,225,139	1,480,808
Treasury shares	(482)	(482)
Total shareholders' equity	1,955,781	2,217,210
Accumulated other comprehensive income		
Foreign currency translation adjustment	39,219	42,959
Total accumulated other comprehensive income	39,219	42,959
Share acquisition rights	6,049	6,034
Total net assets	2,001,050	2,266,204
Total liabilities and net assets	4,824,280	6,175,708

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

(Thousands of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Net sales	4,824,795	4,536,499
Cost of sales	2,687,253	2,398,545
Gross profit	2,137,542	2,137,953
Selling, general and administrative expenses	1,527,814	1,665,793
Operating profit	609,728	472,160
Non-operating income		
Interest income	112	121
Share of profit of entities accounted for using equity method	108,901	64,510
Foreign exchange gains	5,825	1,579
Other	13,666	16,239
Total non-operating income	128,505	82,451
Non-operating expenses		
Interest expenses	16,540	18,854
Share acquisition rights issuance costs	2,640	2,391
Other	3,515	2,520
Total non-operating expenses	22,696	23,766
Ordinary profit	715,537	530,844
Extraordinary income		
Gain on sale of non-current assets	2,821	250
Total extraordinary income	2,821	250
Extraordinary losses		
Loss on valuation of shares of subsidiaries and associates	725	–
Impairment losses	–	24,399
Loss on sale and retirement of non-current assets	5,495	3,124
Total extraordinary losses	6,220	27,524
Profit before income taxes	712,138	503,570
Income taxes - current	100,818	205,441
Income taxes - deferred	80,078	(10,216)
Total income taxes	180,896	195,225
Profit	531,242	308,345
Profit attributable to owners of parent	531,242	308,345

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Profit	531,242	308,345
Other comprehensive income		
Foreign currency translation adjustment	2,548	2,040
Share of other comprehensive income of entities accounted for using equity method	29,847	1,699
Total other comprehensive income	32,395	3,740
Comprehensive income	563,637	312,085
Comprehensive income attributable to Comprehensive income attributable to owners of parent	563,637	312,085

(3) Consolidated statements of changes in equity

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

Fiscal year ended December 31, 2023

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	480,680	250,443	1,225,139	(482)	1,955,781
Changes during period					
Issuance of new shares - exercise of share acquisition rights	2,880	2,880			5,760
Dividends of surplus			(52,642)		(52,642)
Profit attributable to owners of parent			308,345		308,345
Decrease by merger			(33)		(33)
Net changes in items other than shareholders' equity					
Total changes during period	2,880	2,880	255,668	-	261,429
Balance at end of period	483,560	253,323	1,480,808	(482)	2,217,210

	Accumulated other comprehensive income		Share acquisition rights	Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	39,219	39,219	6,049	2,001,050
Changes during period				
Issuance of new shares - exercise of share acquisition rights				5,760
Dividends of surplus				(52,642)
Profit attributable to owners of parent				308,345
Decrease by merger				(33)
Net changes in items other than shareholders' equity	3,740	3,740	(15)	3,724
Total changes during period	3,740	3,740	(15)	265,154
Balance at end of period	42,959	42,959	6,034	2,266,204

(4) Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Cash flows from operating activities		
Profit before income taxes	712,138	503,570
Depreciation	139,734	145,013
Impairment losses	–	24,399
Loss on valuation of shares of subsidiaries and associates	725	–
Loss (gain) on sale and retirement of non-current assets	4,049	2,874
Increase (decrease) in provision for bonuses	(21,540)	8,827
Increase (decrease) in retirement benefit liability	18,363	9,390
Interest and dividend income	(112)	(121)
Interest expenses	16,540	18,854
Foreign exchange losses (gains)	(13,391)	(8,890)
Share of loss (profit) of entities accounted for using equity method	(108,901)	(64,510)
Share acquisition rights issuance costs	2,640	2,391
Decrease (increase) in trade receivables	(41,857)	36,609
Decrease (increase) in inventories	4,347	(442)
Increase (decrease) in trade payables	(60,289)	(32,448)
Increase (decrease) in advances received	(13,137)	127,241
Increase (decrease) in deposits received	157	102,701
Other, net	(50,905)	(34,324)
Subtotal	588,559	841,138
Interest and dividends received	48,373	55,536
Interest paid	(17,230)	(20,918)
Income taxes paid	(34,619)	(150,282)
Net cash provided by (used in) operating activities	585,083	725,473
Cash flows from investing activities		
Purchase of property, plant and equipment	(80,507)	(326,367)
Proceeds from sale of property, plant and equipment	58,383	250
Purchase of intangible assets	(21,855)	(71,757)
Purchase of investment securities	(25,000)	(27,835)
Proceeds from cancellation of insurance funds	7,059	–
Other, net	(7,922)	(15,322)
Net cash provided by (used in) investing activities	(69,841)	(441,033)
Cash flows from financing activities		
Proceeds from long-term borrowings	52,562	1,002,937
Repayments of long-term borrowings	(150,000)	(181,689)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	11,490	5,745
Proceeds from issuance of share acquisition rights	3,440	–
Payments for issuance of share acquisition rights	–	(2,391)
Dividends paid	(33,841)	(53,522)
Other, net	(25,817)	(16,649)
Net cash provided by (used in) financing activities	(142,166)	754,430
Effect of exchange rate change on cash and cash equivalents	16,002	10,805
Net increase (decrease) in cash and cash equivalents	389,077	1,049,675
Cash and cash equivalents at beginning of period	1,390,556	1,779,633
Increase in cash and cash equivalents resulting from merger	–	270
Cash and cash equivalents at end of period	1,779,633	2,829,579

(5) Notes to consolidated financial statements**(Notes on going concern assumption)**

Not applicable.

(Changes in significant subsidiaries during the fiscal year ended December 31, 2023)

The Company changed the trade name of AMITA CORPORATION, a wholly owned subsidiary of the Company, to “AMITA CIRCULAR CORPORATION” effective January 1, 2023, transferred part of the business of AMITA CIRCULAR CORPORATION to a newly established company (trade name: AMITA CORPORATION) by means of a company split (simple incorporation-type company split) effective January 5, 2023, and made the newly established company a wholly owned subsidiary of the Company. As a result, that company has been included in the consolidated results since the fiscal year ended December 31, 2023. The newly established AMITA CORPORATION is a specified subsidiary of the Company.

Although it does not constitute a change in specified subsidiaries, as a result of AMIDAO CORPORATION being newly established on January 5, 2023, that company has been included in the consolidated results since the fiscal year ended December 31, 2023.

On June 1, 2023, the Company’s consolidated subsidiary AMITA CORPORATION merged with the non-consolidated subsidiary KamiBIO Co., Ltd.

(Changes in accounting policies)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021) from the beginning of the fiscal year ended December 31, 2023, and it has applied the new accounting policy provided for by the Implementation Guidance on Accounting Standard for Fair Value Measurement prospectively in accordance with the transitional measures provided for in paragraph 27-2 of the Implementation Guidance on Accounting Standard For Fair Value Measurement.

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.

(Consolidated balance sheet relationships)

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

	(Thousands of yen)	
	As of December 31, 2022	As of December 31, 2023
Notes receivable - trade	29,736	20,092
Accounts receivable - trade	715,236	688,270

(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, 2022	Fiscal year ended December 31, 2023
Net assets per share	113.69	128.77
Earnings per share	30.29	17.57
Diluted earnings per share	30.22	–

Notes: 1. The Company carried out a 3-for-1 stock split of its common shares as of October 1, 2022. 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. Diluted earnings per share for the year ended December 31, 2023, is omitted, because there are no potentially dilutive shares that have dilutive effects although there are potentially dilutive shares.

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

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Earnings per share		
Profit attributable to owners of parent (Thousands of yen)	531,242	308,345
Amount not attributable to common shareholders (Thousands of yen)	–	–
Profit attributable to owners of parent relating to common shares (Thousands of yen)	531,242	308,345
Average number of common shares during the period (Shares)	17,538,334	17,552,085
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	–	1st Series Share Acquisition Rights (19,850 share acquisition rights/ 1,985,000 common shares)

(Significant subsequent events)

(Purchase and cancellation of 1st series of share acquisition rights through third-party allotment)

At a meeting held on February 13, 2024, in relation to the AMITA HOLDINGS Co., Ltd. 1st Series Share Acquisition Rights issued on December 19, 2022 (the “Share Acquisition Rights”), the Board of Directors of the Company resolved to purchase all of the Share Acquisition Rights on February 28, 2024, and to cancel all the Share Acquisition Rights immediately after their purchase, as follows.

1. Details of the share acquisition rights to be purchased and canceled

(1)	Name of the share acquisition rights to be purchased and canceled	AMITA HOLDINGS Co., Ltd. 1st Series Share Acquisition Rights
(2)	Number of share acquisition rights to be purchased and canceled	19,850 (100 shares for each of the Share Acquisition Rights)
(3)	Purchase price	¥6,034,400 in total (¥304 for each of the Share Acquisition Rights)
(4)	Date of purchase and cancellation	February 28, 2024
(5)	Number of share acquisition rights remaining after cancellation	0

2. Reason for purchase and cancellation

The Company issued the Share Acquisition Rights to (1) finance the setting up of MEGURU STATION® (projected funding amount of ¥1,534 million), to (2) finance the development of a system based on blockchain (projected funding amount of ¥300 million), and to (3) finance loans and investments to a subsidiary (projected funding amount of ¥450 million).

20,000 of the Share Acquisition Rights were issued in total (2,000,000 shares), of which 150 have been completely exercised (15,000 shares), raising a total of ¥17,235,000. Of the funds raised by the exercise of the Share Acquisition Rights, ¥17,235,000 were allocated to (2) above, to finance the development of a system based on blockchain. However, after forming a comprehensive judgment based on the market environment going forward, share price trends, and the exercise situation, although exercise may be possible in future, depending on the share price, we have made the decision, as a result of considering our capital policy, to purchase and cancel all the remainder of the Share Acquisition Rights in accordance with the issuance requirements for the Share Acquisition Rights.

Moreover, to address the financing of loans and investments to our subsidiary AMITA CIRCULAR CORPORATION for the silicone-related recycling facilities at its Kitakyushu Resource Recycling Plant, we have borrowed the funds from a financial institution, and the facilities are expected to be completed in July 2024. With regard to the remaining uses of funds, we expect to be able to cover them from funds at hand or through borrowings.

3. Business outlook

The impact of the purchase and cancellation of the Share Acquisition Rights on the results of the Company is negligible.