

**Consolidated net sales and ordinary
income reach record highs.**

**We will embark on a new growth trajectory
and improve corporate structure, finance,
and culture.**

President
Shigeyuki Washine

Message from the President

To our readers

Ashimori Industry was founded on, and has consistently embodied, a spirit of expanding business by applying superior development capabilities and technical expertise to provide the world with a range of new products. This spirit remains in the DNA that we continue to pass on at Ashimori. We have taken on the challenge of manufacturing products that are one step ahead of our competitors and have created many “firsts in Japan.” Good examples of these include cotton power transmission ropes, latex rubber-lined JET HOSE fire hoses, Auto Friend automotive seatbelts, and PALTEM pipeline rehabilitation.

We also have ties with other industries; for example, PALTEM was co-developed with a gas company. We receive numerous development requests from textile, fire-fighting equipment, car, truck, ship, and truck accessory installation companies. While carefully cultivating and maintaining these ties with numerous industries, we have developed new products that are the result of pushing ourselves to meet ever higher technological standards. We recognize that this is a great asset and we will endeavor to see that it is passed on to the future.

Both consolidated net sales and ordinary income reached record highs for the fiscal year ended March 2023.



Business environment analysis

The business environment surrounding the Ashimori Group for the fiscal year ended March 2023 was significantly affected by pandemic-related supply chain disruptions and soaring resource prices, increased labor costs and interest rates, and exchange rate fluctuations, among other factors.

In the automobile industry, production fluctuations stemming from the semiconductor shortage have not yet fully normalized. The future remains uncertain in industries related to our high performance products business as well, due to raw material prices continuing to soar, the constraints put on public sector demand by public works construction budgets, and the impact of declining investment sentiment on private sector demand.

With regard to geopolitical risks, although the direct impacts of the protracted war in Ukraine are minor, the indirect impacts, such as rising raw material prices, energy costs, and logistics costs due to rising resource prices, are becoming more apparent and warrant adequate attention.

Review of the fiscal year ended March 2023

The first year of the Medium-Term Management Plan (FY2023–FY2025) got off to a good start, as both the consolidated net sales and ordinary income for the fiscal year ended March 2023 reached record highs.

Sales improved significantly in the automotive safety systems business due to a recovery in automobile production volume and the effects of a weaker yen. In the high performance products business, although the disaster prevention and industrial materials segments struggled, PALTEM performed well throughout the year. As a result, net sales, operating income, and ordinary income significantly exceeded planned figures for the first year of the Medium-Term Management Plan. Net income attributable to owners of the parent was as planned.

P.16 Medium-Term Management Plan

For the second year of the Medium-Term Management Plan, the fiscal year ending March 2024, we had planned for consolidated net sales of 57,000 million yen and operating income of 2,000 million yen. As profits are improving steadily, we are aiming to exceed these figures with consolidated net sales of 65,000 million yen and operating income of 2,300 million yen.

Medium-Term Management Plan quantitative targets (Unit: Million yen)

Item	Item	FY ended March 2023	FY ending March 2024	FY ending March 2025
Net sales	Plan	57,000	57,000	60,000
	Result	65,624	(Forecast) 65,000	
Operating income	Plan	1,250	2,000	2,700
	Result	2,152	(Forecast) 2,300	
Ordinary income	Plan	1,000	1,500	2,000
	Result	2,796	(Forecast) 2,200	
Net income	Plan	1,000	1,500	2,000
	Result	1,017	(Forecast) 1,500	

P.24 Financial and capitalization strategies

Medium-Term Management Plan progress and future business strategy

We are currently pursuing our Medium-Term Management Plan under a company-wide strategy of embarking on a new growth trajectory and improving corporate structure, finance, and culture. As part of embarking on a new growth trajectory, we will focus our management resources on the automotive sector and pipeline rehabilitation sector, both of which are growing markets. For structural improvements, in addition to strengthening our financial standing by introducing ROIC (return on invested capital) and increasing our equity ratio, we will enhance our corporate value by improving the quality of our human capital, in accordance with the Ashimori Group HR Vision Statement. Allow me to explain our Medium-Term Management Plan progress and key measures based on these strategies.

Strengthening collaboration with Toyoda Gosei

In May 2021, we entered into a capital and business alliance with Toyoda Gosei Co., Ltd. By leveraging mutual business assets and know-how, our aim has been to build a collaborative system in such areas as technology development, production and purchasing, as well as to improve synergy-driven competitiveness. In July 2023, we announced further strengthening of the alliance, focusing on becoming a safety systems supplier capable of proposing and providing a comprehensive range of safety systems, including airbags, steering wheels, and seatbelts.

With the primary objective being to increase product competitiveness, we will work over the medium to long term to develop and sell safety systems that combine Ashimori seatbelt technology and Toyoda Gosei airbag technology. We will also work to secure new customers and expand orders.

Automotive safety systems business strategy

With the shift to EVs progressing at a rapid pace in the automotive industry, we anticipate that increasingly stringent safety regulations and other factors will increase future demand for automotive safety systems. It is also expected that there will be a greater need for increased safety performance and cost reduction.

▶ P.18 Automotive safety systems business

We will increase corporate value and expand shareholder returns by growing profits and strengthening our financial base.

We will strive to improve productivity, eliminate defective products (zero defects), and further enhance quality. Automotive safety systems require perfection, especially in terms of quality. The Ashimori Group manufactures various products, all in accordance with globally recognized quality control standards, and we take every possible measure to ensure quality control.

In addition to reducing the weight of automotive interior parts, such as electric sunshades, we are also working to improve functionality with regard to light shielding, heat shielding, and sound insulation.

We recognize that our future challenges include building a profit structure that is resilient to changes in the external environment, such as fluctuations in exchange rates and raw material market conditions, as well as production fluctuations, and improving profitability at some overseas group companies. In addition, we are reviewing our global production systems.

▶ P.20 High performance products business

High performance products business strategy

We are working on various measures to establish our position as a comprehensive infrastructure disaster prevention manufacturer. Demand in this area is expected to continue increasing, as evidenced by such trends as Japan’s growing awareness of the need for disaster preparedness and mitigation in the face of increasingly severe natural disasters and the replacement of aging pipelines being undertaken as part of the Japanese government’s Fundamental Plan for National Resilience (see Cabinet Secretariat website).

We will contribute to national resilience through the development of new construction methods for PALTEM pipeline rehabilitation, which, along with automotive safety systems, is a growing market. PALTEM’s advantages are that it has a shorter construction period than the open-cut method, it produces less waste, has less of an impact on the environment, and is highly earthquake resistant. We will promote this business as one that contributes to a sustainable society, and we will work to increase our visibility and reputation for reliability in not only the main area of sewerage but in water supply and agricultural water-related areas as well in order to expand sales.

▶ P.44 Human resource strategy

Improving the quality of our human capital

We are reforming our personnel and education systems to cultivate individuals with advanced expertise and a broad perspective who can think logically and solve problems quickly, as described in the Ashimori Group HR Vision Statement. We are also developing and implementing the Ashimori Group Employee Code of Conduct via employee group activities to facilitate our transformation into a corporate group possessed of high ethical standards.

Ever since our founding, we have contributed to society through manufacturing that leverages our superior development capabilities and technical strengths, the foundation for which is our high level of expertise. We will expand our human resource development and training systems to ensure constant improvement in our human capital, emphasizing not just skills development within specialized fields but also adopting a broader, society-wide and future-focused perspective accompanied by an ability to think logically, asking, “Why is this product needed now, and what benefit does it bring society?”

▶ P.39 Addressing climate change

Approach to sustainability management

As part of the Ashimori Code of Conduct, we understand that tackling global environmental problems is an important management issue, and we work positively and earnestly to achieve a sustainable society. In line with this, a Sustainability Committee was established in October 2021 by a resolution of the Board of Directors. As a rule, the committee meets quarterly to share and deliberate on various, relevant issues and to promote management that focuses on sustainability more than ever before.

In line with the TCFD (Task Force on Climate-related Financial Disclosures) framework, we are currently conducting scenario analysis to assess the risks and opportunities that climate change poses to our business.



▶ P.25 Financial and capitalization strategies

As mentioned above, there has been a major shift away from fossil fuels in the automobile industry in recent years. Demand for seatbelts and airbags, the main products of the automobile safety systems business, is expected to grow. Furthermore, in the high performance products business, we intend to further contribute to the realization of a sustainable society by providing sustainable products such as drain hoses and disaster relief tents in addition to environmentally friendly PALTEM systems.

Applying for the Standard Market

As part of our Medium-Term Management Plan, we have sought to meet the Prime Market continued listing criteria. Despite consistently good business results and a strong share price, as of March 31, 2023, we do not meet the requirements for tradable share market capitalization and daily average trading value. Following a revision of the rules of the Tokyo Stock Exchange, which clarifies transitional measures following violation of the continued listing criteria, we are at risk of being delisted if we continue to be listed on the Prime Market.

Thus, we have move to the Standard Market as of October 20, 2023, as our top priority is ensuring an environment in which shareholders can continue to buy, sell, and hold our shares. This selection will not affect our management policies or current Medium-Term Management Plan. Regardless of the market segment, we will increase corporate value and expand shareholder returns by growing profits and strengthening our financial base. We then intend to achieve our long-term vision of 100 billion yen in net sales and over 5 billion yen in operating income, and to be relisted on on the Prime Market.

To our stakeholders

Our company creed says “be creative and contribute to society through our business activities,” and, in line with that, we have been providing products that protect lives and livelihoods since our founding. From before even the adoption of the SDGs as a common theme of the international community, we have pursued business that contributes to solving societal challenges. With this as our foundation, we will continue, as always, to pursue corporate growth potential and earnings stability as our chief priorities.

We are committed to continually enhancing the corporate value of the entire Group in order to meet the expectations of all stakeholders, including providing sustained returns to shareholders and investors. Thank you for your continued confidence in Ashimori.

Ashimori Group Medium-Term Management Plan

(FY2023–FY2025)

Corporate strategy and goals

The current consolidated fiscal year is the first year of the Medium-Term Management Plan (FY2023–FY2025), and it has gotten off to a good start.

In terms of net sales, our automotive safety systems business improved significantly, while, in our high performance products business, PALTEM-related sales remained steady throughout the year. As a result, net sales, operating income, and ordinary income significantly exceeded planned figures for the first year of the Medium-Term Management Plan, and net income attributable to owners of the parent was as planned. For the second year of the Medium-Term Management Plan, the fiscal year ending March 2024, we had planned for consolidated net sales of 57,000 million yen and operating income of 2,000 million yen. As profits are improving steadily, we are aiming to exceed these figures with consolidated net sales of 65,000 million yen and operating income of 2,300 million yen.

Corporate strategy

1. Embarking on a new growth trajectory

 - Concentrate management resources in the growth markets of automotive and pipeline rehabilitation
 - Develop new products and boost sales to new customers and new markets
2. Improve corporate structure, finance, and culture

 - Strengthen financial position (introduce ROIC management and increase equity ratio)
 - Increase productivity and quality awareness
 - Foster human resources based on the Ashimori Group HR Vision Statement

Quantitative targets

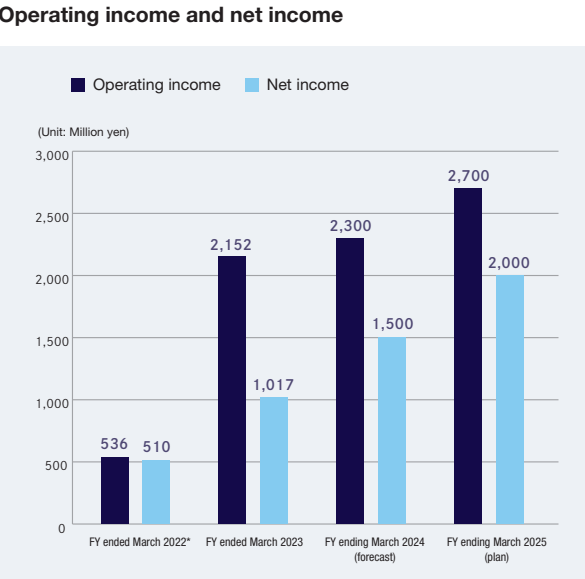
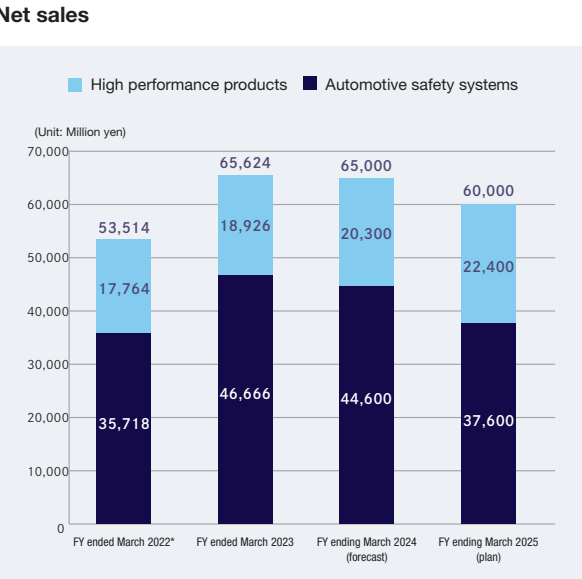
FY ending March 2025

Net sales: **60 billion yen**

Operating income: **2.7 billion yen**

Net income: **2 billion yen**

- Long-term corporate **ROIC of over 7%**
- Reduce borrowing, achieve **equity ratio of 40%**
- Dividend payout ratio of at least 30%, **dividend per share of 100 yen**



*Total sales for the fiscal years ended March 2022 and 2023 include "Other" sales. The category "Other" encompasses those business segments not included in reportable segments.

Automotive Safety Systems Business Division policy

- Aim to be a safety systems supplier by strengthening the capital and business alliance with Toyota Gosei Co., Ltd.
- Improve product competitiveness by:
 - Strengthening quality
 - Increasing cost competitiveness
 - Boosting development and sales capabilities
- Foster human resources based on the Ashimori Group HR Vision Statement

High Performance Products Business Division policy

- Aim to develop products that are sustainable
- Focus on products in growth markets to increase profits
- Pursue the development of new products and the expansion of sales in new fields
- Foster human resources based on the Ashimori Group HR Vision Statement

Technology Management Department policy

Basic policy: Be a technology navigator for the future

- Measures
- Pursue technological R&D that deepens core technologies
 - Create next-generation products that are a step ahead of existing business domains
 - Strengthen the quality assurance system across business domains

Four core technologies

Weaving/assembling

Winding/fixing

Plastic processing (covering)

Inflating

Administrative department policies (Corporate Administration Section, Personnel and General Administration Section)

Basic policy: Build a management system

- Measures
- Activate the organization by clarifying the compensation system and promoting corporate metabolism
 - Utilize diverse human resources (diversity) and pursue work style reforms
 - Enhance business value through ROIC management
 - Utilize data and continuously improve information security
 - Strengthen sustainability initiatives
 - Raise the market's recognition of Ashimori through active information disclosure and dialogue with investors
 - Practice rigorous compliance and strengthen internal control

Automotive Safety Systems Business



Director, Managing Executive Officer
Division Manager of Automotive
Safety Systems Business Division

Kaoru Nagatomi

By further accelerating development, design, sales, procurement, and production-related collaboration with Toyoda Gosei, we aim to maximize the interests of all stakeholders.

The automobile industry is entering a “once in a century” period of transformation, during which we anticipate further advances in electrification and autonomous driving to take place. While the spread of autonomous driving is expected to reduce the number of accidents, that does not mean the need for safety systems will disappear. We are thus working on the development of next-generation safety systems adapted for the anticipated arrival of autonomous driving.

Our company entered into a capital and business alliance with Toyoda Gosei Co., Ltd. on May 14, 2021. We are pursuing a stronger relationship between both parties that will allow us to be safety systems suppliers capable of proposing and providing a comprehensive range of safety systems, including airbags, steering wheels and seatbelts. Towards this end we concluded a new basic agreement with Toyoda Gosei on July 28, 2023.

Overview

Our main products include automotive seatbelts, airbags, rear cargo space covers (tonneau covers), and electric sunshades. These products are manufactured and sold by Ashimori Industry as well as our subsidiaries.

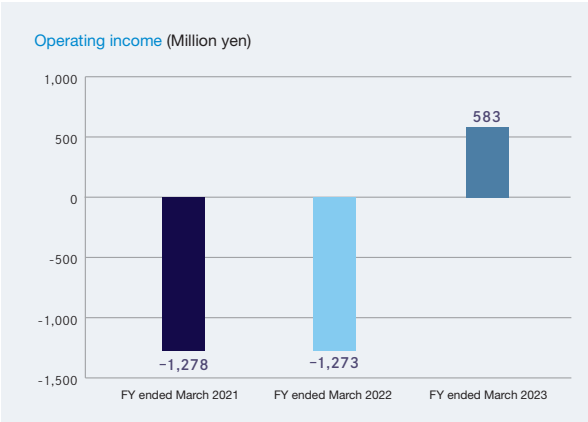
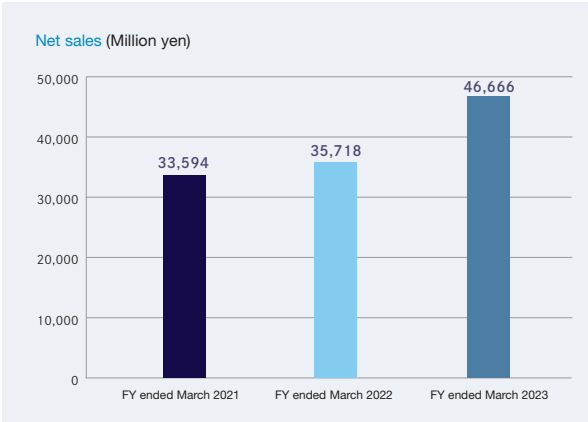


● Automotive seatbelts ● Airbags ● Tonneau covers ● Electric sunshades ● Nonelectric sunshades, others

Source of strength

We have provided the world with a range of products while respecting the company’s founding spirit of focusing on product development that is always one step ahead. This spirit remains in the DNA that we continue to pass on at Ashimori. We have taken on the challenge of manufacturing products that are one step ahead of our competitors and have created many “firsts in Japan.” One example is when, in 1967, we became the first seatbelt manufacturer to receive JIS (Japanese Industrial Standards) certification for automotive seatbelts.

Based on this capacity for product development, we will continue to expand and develop our business by responding attentively to customer needs.



Risks and opportunities

While the automobile industry is increasingly moving away from fossil fuels, demand for seatbelts, airbags, and automotive interior parts, which are our main products, is expected to keep expanding.

The Ashimori Group’s business has a high sales composition ratio of automotive safety systems, with the top two companies in term of net sales accounting for approximately 47% of sales in the fiscal year ended March 2023. One challenge for the future is to cultivate new sales contacts and increase sales from other businesses.

Strategy

● Review of the fiscal year ended March 2023

Although the lockdown in China and the semiconductor shortage had an impact on automobile production, a subsequent recovery in orders and the effect of a weaker yen resulted in net sales of 46,666 million yen. This was an increase of 10,948 million yen compared to the previous fiscal year. In terms of profit and loss, despite the impact of soaring raw material prices and increased logistics costs, operating income was 583 million yen. This was a significant improvement of 1,857 million yen from the previous fiscal year.

With regard to current term net profit or loss, due to the fact that our overseas subsidiary Ashimori Industria de Mexico, S.A. de C.V. has an ongoing operating deficit, there was an impairment loss on the company’s fixed assets of 690 million yen, which was recorded as an extraordinary loss. Along with this, deferred tax assets of 421 million yen were reversed. However, positive results included the fact that we recorded exchange gains on foreign currency-denominated receivables and loans to overseas consolidated subsidiaries.

For capital investment, we spent 1,082 million yen on the automotive safety systems business. Although we have concluded our large-scale investments, such as building factories to expand our production base, we will continue to invest in molds to win new orders and update aging production facilities.

● Measures and outlook for the fiscal year ending March 2024

As supply instabilities caused by supply chain constraints in automobile production are gradually being eased, there is an accelerating shift to electric vehicles worldwide and demand changing for each vehicle model. This is becoming a major factor driving fluctuations in the production of automobile safety systems. Although rising raw material costs and production fluctuations will continue to be risks, we will undertake measures to improve profitability, such as by reducing fixed costs and expenses, and strengthen our capital and business alliance with Toyoda Gosei.

Although overall sales and earnings have improved, we regard improving profitability at some overseas group companies as an important issue, and we will continue to work on addressing it.

News

So that we can be a systems supplier capable of adapting to the ever-changing evolution of cars in order to provide safety, security, and comfort to drivers and passengers around the world, we pursue continuous development that also takes into account the global environment.

For seatbelts and airbags, we are developing systems that provide safety and security and contribute to the realization of a society with zero traffic accident fatalities. For automotive interior parts, we are developing proposal-based products for the global market that deliver comfort with a focus on customer usage and functionality. Research and development expenses for the automotive safety systems business during the 123rd consolidated fiscal year (ended March 2023) were 504 million yen.



High Performance Products Business



Director, Managing Executive Officer
Division Manager of High Performance
Products Business Division

Futoshi Makimoto

We are investing management resources to establish a solid position in the Japanese domestic pipeline rehabilitation market.

We are working on the following measures that will establish our position as a comprehensive infrastructural disaster prevention manufacturer.

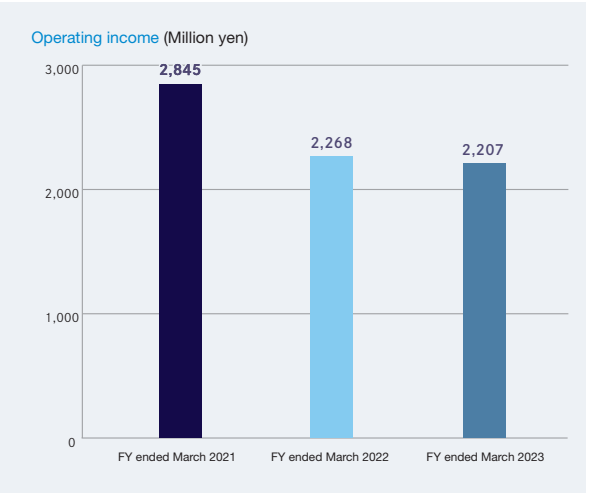
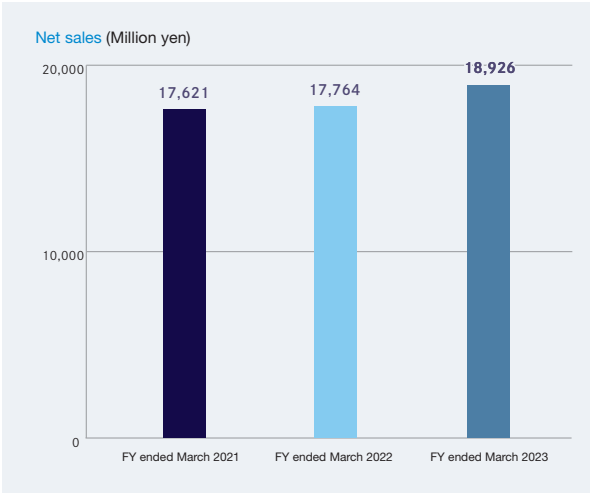
The chief growth department is the PALTEM division, which is currently expanding the scale of its business in response to the Japanese government's Fundamental Plan for National Resilience, a risk management initiative.

As of the end of fiscal 2021, the total length of sewerage pipeline in Japan was approximately 490,000 km. The amount of sewerage pipeline that has exceeded its standard service life of 50 years will rapidly increase over the next 20 years. As of the end of fiscal 2020, the total length of water supply pipeline was approximately 740,000 km. Roughly 150,000 km of this pipeline has exceeded its legal service life of 40 years.

Given all of this, pipeline repair and rehabilitation and earthquake-proofing are required from a long-term perspective. It is thus expected that the market for pipeline rehabilitation will continue to expand. We are improving the technology for existing construction methods and developing new environmentally friendlier construction methods with shorter construction times. The aim is to bolster our profitability so that sales and profits can be increased at a pace at least as fast as that of the market's expansion.

In the area of disaster prevention, we will continue to focus on recovering our market share for fire hoses, expand sales of fire extinguishing system products, such as for large-scale fires at oil complexes, and develop new disaster prevention supplies. Additionally, we will aim to improve profitability by streamlining our production system and reducing sales, general, and administrative expenses.

With regard to industrial materials, we will focus on product selection and concentration. We will work together with group companies to develop and expand sales of labor-saving logistics products that meet the needs of the logistics industry, which is suffering from a serious labor shortage. We will also focus on other areas, like renewable energy-related materials.



Risks and opportunities

The business environment surrounding the Ashimori Group in the 123rd fiscal year (ended March 2023) reveals ongoing uncertainty about the future due to raw material prices continuing to soar, the constraints put on public sector demand by public works construction budgets, and the impact of declining investment sentiment on private sector demand.

I believe that we will have increasing opportunities to contribute to society through the sustainable products/systems we provide. Examples include PALTEM, a method with a lower environmental impact compared with conventional excavation methods; for disaster prevention, drain hoses and disaster tents; and, for industrial materials, labor-saving logistics products.

Strategy

● Review of the fiscal year ended March 2023

In PALTEM business, both sales and profits increased significantly, partly as a result of the smooth progress in work carried over from the previous year in pipeline rehabilitation for essential utilities (sewerage, water supply, gas, etc.). With regard to disaster prevention, although sales of disaster prevention materials and equipment remained steady, sales of fire hydrant hoses and drain hoses were lower than expected, resulting in sales being essentially flat compared to the previous fiscal year and accompanied by a drop in profits. In industrial materials, the impact of a significant reduction in truck production caused the labor-saving logistics sector to be sluggish, resulting in a decline in both sales and profits.

As a result, net sales for the high performance products business were 18,926 million yen, an increase of 1,161 million yen from the previous fiscal year. However, operating income was 2,207 million yen, a slight decrease of 61 million yen from the previous fiscal year.

● Measures and outlook for the fiscal year ending March 2024

Despite a rebound from the large-scale order in PALTEM in the previous fiscal year, I believe that PALTEM-related business continues to be a driving force for Ashimori. We will continue to focus on new product development, capital investment, and other areas in order to expand sales and profits.

Overview

Our main products include high-performance fabrics, synthetic ropes, wide-woven textiles, fire hoses, fire hydrant hoses, industrial/civil engineering hoses, disaster prevention supplies, pipe repair hoses and construction materials, and other related products and materials. These products are manufactured and sold by Ashimori as well as our subsidiaries. The subsidiaries, Ashimori Engineering Co., Ltd. and Paltem Technical Service Co., Ltd., primarily purchase construction materials from us which they then use to do PALTEM-related construction.

PALTEM division	Disaster prevention division	Industrial materials division
		
<ul style="list-style-type: none">● Materials and equipment for PALTEM pipeline rehabilitation● Construction materials, others	<ul style="list-style-type: none">● Fire hoses● Industrial/civil engineering hoses● Disaster prevention materials and equipment, others	<ul style="list-style-type: none">● Industrial fiber materials (synthetic ropes, canvas, others)● Labor-saving logistics systems● Personal fall-arrest equipment, others

Source of strength

We have taken on the challenge of manufacturing products that are one step ahead of our competitors and have created many “firsts in Japan.” Some of these many firsts include cotton power transmission ropes, followed by black ropes and, in the 1950s, latex rubber-lined fire hoses, automotive seatbelts, and PALTEM pipeline rehabilitation. We also have connections with a number of different industries, such as were leveraged in jointly developing PALTEM with a gas company.

We receive numerous development requests from companies in not only the textile industry but also the fire-fighting equipment industry, automotive industry, ship and truck industry, and accessory installation industry, among others. We carefully cultivate and maintain these connections with numerous industries, all while continuing to develop new products that are the result of pushing ourselves to meet ever higher technological standards.

News

The disaster prevention division is expanding business with the aim of making us into a comprehensive disaster prevention manufacturer able to meet the various needs of the industry.

In recent years in Japan, heavy rains and other natural disasters have been a frequent occurrence. Drainage systems using lightweight, large-diameter hoses are required at sites affected by flooding. Also, large-diameter hoses are required to extinguish industrial complex fires caused by disasters like earthquakes.

One of our strengths is our large-diameter hose manufacturing technology. In anticipation of extinguishing large-scale fires that cannot be accessed by people, such as warehouse or nuclear power plant accident-related fires, we have developed an automatic water discharge fire-extinguishing system, an unmanned water cannon vehicle, equipped with a large-diameter shape-retaining hose, which utilizes our proprietary technology.



Research and Development, Quality Control, Intellectual Property

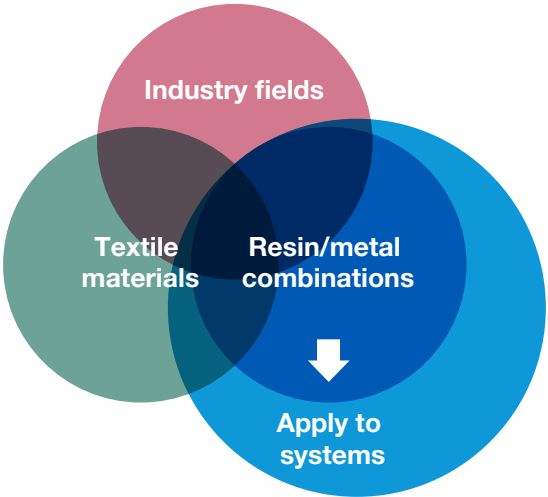
Research and Development

R&D Policy

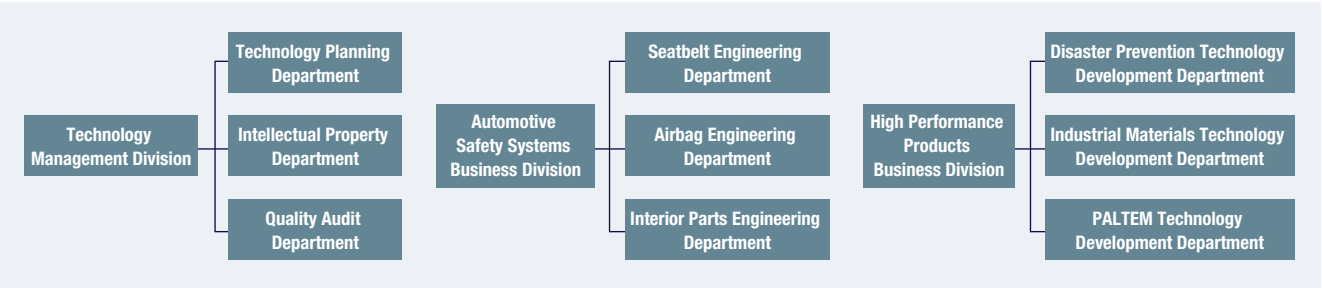
By deploying and combining our four core technologies of braiding/weaving, resin (coating) processing, winding/fastening, and inflating, we have developed products ranging from fiber/resin/metal composite components to complete systems. We are engaged in ongoing R&D with the aim of expanding our business in the safety and renewal market.

R&D Areas

We have established an R&D system that allows us to contribute to society through manufacturing driven by cutting-edge technologies and ideas. We continue to advance this system in targeting the fields of automotive safety systems and high-performance products, including disaster prevention products, industrial materials, and PALTEM.



R&D Organization Chart

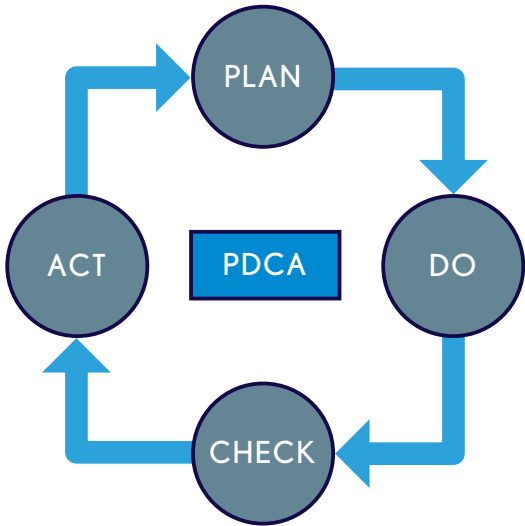


Establishing a Quality Control System

We have established quality-assurance departments in all of our business divisions. In addition to complying with relevant standards and statutes, we regularly and strictly review how well we are complying with the requirements demanded by our customers. A quality control structure incorporating a PDCA cycle is established, maintained, and improved throughout every business process, including product planning, design, development, manufacturing, and shipment.

Quality Management Structure

ISO 9001 is a widely recognized international standard for quality management systems. It governs the management and supervision of the quality of services and manufactured products, with a view to ensuring customer satisfaction and promoting continuous improvement. IATF 16949, another international quality management standard, was formulated specifically for organizations in the automotive industry. Based on ISO 9001, this standard includes additional industry-specific requirements. The IATF 16949 standard was developed with the purpose of globally unifying automotive standards in the United States, Germany, France, and Italy. Ashimori has succeeded in continuously meeting the stringent requirements of this certification.



Intellectual Property

Basic Approach

Under a policy of being a supplier possessing intellectual property that gives a competitive edge, our main jobs are conducting intellectual property activities including applying for patents, and supporting our business divisions by carrying out intellectual property clearance.

Management of Intellectual Property and Technologies

To protect our own IP rights and respect those of other companies, we do more than simply apply for patents as we have always done. Other efforts include striving for confidentiality through combination with design patents, trademarks, and knowhow; systematic training to improve the expertise of our IP employees; and the collection and analysis of IP information that strengthens our business.

News

We develop products combining our core technologies with an eye to future markets.

1. Tapping new markets, developing new products
We are using environmentally friendly materials to develop disaster mitigation products. We are also developing products that make work easier for nursing care and other physically demanding jobs. In the environmental field, we are in the process of developing systems that help prevent global warming.
2. Developing products and systems that use tubular fabrics
Our efforts include using innovative looms and extrusion molding technologies to develop light and smooth low-recoil hoses, and building and disseminating water-supply systems.
3. Production innovation
We are developing hose production technologies that utilize atmospheric pressure plasma, and automating looms.

A photograph of a large, red industrial machine, likely a hose production loom, with a large yellow circular component. The machine is outdoors, and a white truck is partially visible in the background.

Working to achieve the targets of the Medium-Term Management Plan by strengthening our financial position and reducing interest-bearing liabilities

Capital policy in line with the Medium-Term Management Plan

Currently, in line with the Medium-Term Management Plan, we have designated the period up to the fiscal year ending March 2025 for pursuing a capital policy centered on expanding business, enhancing public relations and IR activities, and increasing the liquidity of our stock. Achieving the targets of the Medium-Term Management Plan will improve our PBR (price book-value ratio). We are also implementing measures to improve our management efficiency and enhance financial strength for the sake of introducing ROIC (return on invested capital) as an indicator for business evaluation and increasing equity ratio.

Another specific capital policy measure to improve profitability is to strengthen the administration departments in the automotive safety systems business and high performance products business to ensure that costs, including those of group companies, are clearly visible and work on total cost reduction.

Financial status for the fiscal year ended March 2023

Total assets at the end of the fiscal year ended March 2023 were 51,552 million yen, an increase of 1,268 million yen compared to the end of the fiscal year ended March 2022 due to increased sales. However, tangible fixed assets decreased by 893 million yen due to factors such as impairment losses at our Mexican subsidiary.

For the fiscal year ended March 2023, we have made capital investments of 1,513 million yen and have worked to strengthen our financial structure and reduce interest-bearing liabilities by keeping depreciation costs within 1,885 million yen. Of these capital investments, 1,082 million yen was spent on automotive safety systems. Although we have concluded our large-scale investments such as building factories to expand our production base, we will continue to invest in molds to win new orders and update aging production facilities.

Interest-bearing liabilities at the end of the fiscal year ended March 2023 was 14,299 million yen, including long-term and short-term debt, which accounts for 28% of total assets of 51,552 million yen. Our policy is to strictly evaluate and select each investment project based on its profitability and not to raise new funds. Reducing interest-bearing liabilities is one of the challenges we face, and, as a result of our efforts to reduce short-term and long-term debt in the fiscal year ended March 2023, it decreased by 2,258 million yen compared to the end of the fiscal year ended March 2022. Additionally, our equity ratio increased from 34.3% in the fiscal year ended March 2022 to 35.7% in the fiscal year ended March 2023.

Responding to financial risks

Foreign exchange rate fluctuations

In addition to foreign currency-denominated transactions by Ashimori Industry itself, we manufacture and sell automotive safety systems at overseas group companies in China, Thailand, India, South Korea, and Mexico. We expect that the ratio of overseas production, including production transfers, will increase in the future. Although the Ashimori Group reduces the risk of foreign exchange fluctuations by conducting foreign exchange forward transactions to mitigate risk in import/export transactions in the normal course of business, fluctuations in foreign exchange rates can still affect the Group’s financial status, operating results, and cash flows.

Possible impairment risk

Due to the fact that our overseas subsidiary Ashimori Industria de Mexico, S.A. de C.V. has an ongoing operating deficit as a result of a slump in orders, there was an impairment loss on the company’s fixed assets of 690 million yen, which was recorded as an extraordinary loss. Along with this, deferred tax assets of 421 million yen were reversed.

Dependency on specific business partners or suppliers

The Ashimori Group’s business has a high sales composition ratio of automotive safety systems, with the top two companies in term of net sales accounting for approximately 47% of sales in the fiscal year ended March 2023. We recognize the need to develop new sales contacts and further increase sales in other businesses.

Listing criteria for the Standard Market

As already mentioned in the Message from the President (p.10–15), Ashimori Industry applied to be moved from the Tokyo Stock Exchange Prime Market to the Standard Market in August 2023. This transition to the Standard Market was carried out on October 20, 2023. As shown in the table below, as of March 31 of the same year, we met all the listing criteria for the Standard Market. Therefore, it is not necessary to disclose a plan for compliance with the listing criteria for the Standard Market, and we will not disclose the status of progress.

Status of compliance with listing criteria for the Standard Market

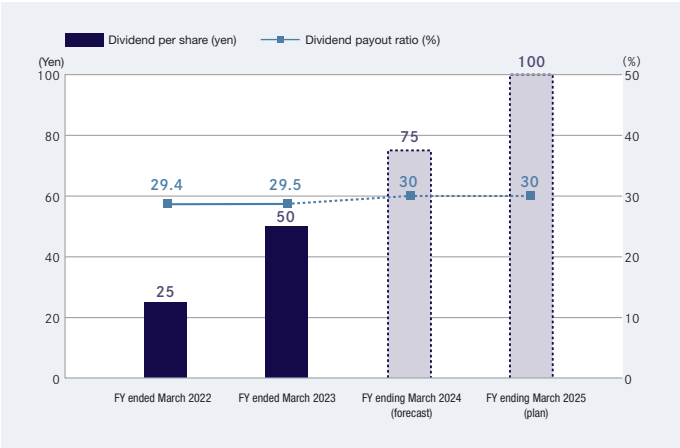
	Number of shareholders	Tradeable shares	Tradeable share market capitalization	Tradeable share ratio	Monthly average trading volume*2	Net assets*3
Compliance status of Ashimori Industry (as of March 31, 2023)*1	5,360	37,047 units	5.25 billion yen	61.1%	5,007 units	11.818 billion yen
Listing criteria for the Standard Market	400	2,000 units	1 billion yen	25%	10 units	Positive

*1 Calculated based on factors such as the distribution of Ashimori Industry’s stock certificates known by the Tokyo Stock Exchange as of each reference date.
*2 Calculated by Ashimori Industry as a monthly average by dividing the total trading volume for the most recent half-year (October 2022 to March 2023) by 6 (months).
*3 Non-consolidated figures announced in the financial results for the fiscal year ended March 2023.

Shareholder returns

We recognize that the return of profits to our shareholders is of the utmost importance, and we place great emphasis on the continued payment of stable dividends. We will perform a phased increase in dividends according to profit growth in our Medium-Term Management Plan. The dividend for the fiscal year ended March 2023 was 50 yen per share, with a consolidated dividend payout ratio of 29.5%. Moving forward, our focus will be on establishing a stable business foundation and improving return on equity. We will work to achieve a consolidated dividend payout ratio of 30% or more, with a dividend of 75 yen per share in the fiscal year ending March 2024 and a dividend of 100 yen per share for the fiscal year ending March 2025, which is the final year of the Medium-Term Management Plan.

Change in dividend per share and consolidated dividend payout ratio



Strengthening information dissemination to shareholders and investors

As a measure to enhance public relations and IR activities for shareholders and investors, we published our first integrated report in the fall of 2022, as well as held individual investor seminars and online company briefings. We will continue working to raise our stock price and further awareness of the Ashimori Group by sharing a variety of information, such as through this *Integrated Report 2023*.

Sustainable Management and Materiality

Sustainability Committee

On October 22, 2021, the Board of Directors approved the establishment of the Sustainability Committee, which has since met approximately every three months. The committee formulates a basic policy on sustainable management and deliberates on sustainability-related issues. It also identifies risks and business opportunities related to climate change, and comes up with measures and policies to deal with these, which it reports to the Board of Directors.

The Board of Directors monitors progress on relevant management strategies and makes appropriate recommendations to business divisions. We have the following sustainability implementation structure covering all Ashimori divisions and group companies for the purpose of thoroughly informing and executing sustainability policy and action throughout the Group.

Overview of Sustainability Committee

Purpose	Promote management from the viewpoint of sustainability
Role	Formulate a basic policy on sustainable management, deliberate on sustainability-related issues, risks, and opportunities, and submit reports and recommendations to the Board of Directors
Meeting frequency	Quarterly (as a rule)
Chair	President
Members	Inside directors, executive officers, full-time Audit & Supervisory Board members, general managers of related departments, General Administration Department SDGs Promotion Unit

Sustainability Implementation Structure

