



Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (JGAAP)

May 13, 2022

Company name: Tsuzuki Denki Co., Ltd. Listing Stock Exchange: Tokyo
 Stock code: 8157 URL: <https://www.tsuzuki.co.jp/>
 Representative (title): Isao Emori, Representative Director, President and CEO
 Contact (title): Toshihiro Hirai, Director and Managing Executive Officer
 Tel: +81-50-3684-7780

Scheduled date of general shareholders' meeting: June 28, 2022
 Scheduled date for dividend payment: June 7, 2022
 Scheduled date for filing consolidated financial statements: June 28, 2022
 Preparation of supplemental explanatory materials: Yes
 Results briefing to be held: Yes (for institutional investors and securities analysts)

1. Consolidated financial results for the fiscal year ended March 31, 2022 (April 1, 2021, to March 31, 2022)

(1) Consolidated operating results

Millions of yen (rounded down), % figures are year-on-year change

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Amount	% change	Amount	% change	Amount	% change	Amount	% change
Year ended March 31, 2022	119,316	(0.6%)	4,012	25.3	4,227	25.8%	2,798	19.2%
Year ended March 31, 2021	120,004	(4.3%)	3,202	(28.2%)	3,361	(26.6%)	2,346	(25.6%)

Note: Comprehensive income was 2,806 million yen (+30.0%) in year ended March 31, 2022; 2,157 million yen (+32.1%) in year ended March 31, 2021.

	Earnings per share (yen)	Diluted earnings per share (yen)	Ratio of profit to shareholders' equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
Year ended March 31, 2022	158.47	—	8.8%	5.4%	3.4%
Year ended March 31, 2021	134.06	—	7.7%	4.4%	2.7%

Reference: Equity in earnings affiliates in year ended March 31, 2022, nil; in year ended March 31, 2021, nil.

(2) Consolidated financial position

	Total assets (millions of yen)	Net assets (millions of yen)	Shareholders' equity ratio	Net assets per share (yen)
Year ended March 31, 2022	79,226	33,199	41.5%	1,853.68
Year ended March 31, 2021	76,200	31,171	40.6%	1,760.87

Reference: Shareholders' equity in year ended March 31, 2022, 32,847 million yen; in year ended March 31, 2021, 30,934 million yen.

(3) Consolidated cash flows

Millions of yen

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
Year ended March 31, 2022	5,560	(4)	(2,413)	19,130
Year ended March 31, 2021	749	(1,271)	(2,029)	15,927

2. Dividends

	Dividends per share for the fiscal year (yen)					Total annual dividend payment (millions of yen)	Dividend payout ratio (consolidated)	Ratio of dividend payout to net assets
	End of first quarter	End of second quarter	End of third quarter	Year-end	Total			
Year ended March 31, 2021	—	15.00	—	31.00	46.00	853	34.3%	2.7%
Year ended March 31, 2022	—	23.00	—	25.00	48.00	894	30.3%	2.7%
Year ended March 31, 2023	—	25.00	—	25.00	50.00		32.1%	

Note:

1. The interim dividend for the year ended March 31, 2021 included a commemorative dividend of 5.0 yen per share to mark the transfer of the Company's listing to the first section of the Tokyo Stock Exchange.
2. The interim dividend for the year ended March 31, 2023 included a commemorative dividend of 2.0 yen per share to celebrate 90th Anniversary of its founding.

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

% figures are year-on-year change

	Net sales (millions of yen)		Operating income (millions of yen)		Ordinary income (millions of yen)		Profit attributable to owners of parent (millions of yen)		Earnings per share (yen)
		%		%		%		%	
Full year	120,000	0.6%	4,000	(0.3%)	4,130	(2.3%)	2,760	(1.4%)	155.76

Note: The Company manages earnings on an annual basis, so does not disclose first-half earnings forecasts.

*Notes

(1) Changes in significant subsidiaries (which affected the scope of consolidation) during the fiscal year:
 None
 Newly added ___ companies (names)
 No longer consolidated ___ companies (names)

(2) Changes in accounting policies, changes in accounting estimates, and restatements

1. Changes in accounting policies due to changes in accounting standards:	Yes
2. Changes in accounting policies not due to changes in accounting standards:	None
3. Changes in accounting estimates:	None
4. Restatements:	None

(3) Number of shares outstanding (common stock)

1. Number of shares outstanding at year end (including treasury stock)	Year ended March 31, 2022	20,177,894	Year ended March 31, 2021	22,177,894
2. Number of shares at year end (treasury stock)	Year ended March 31, 2022	2,457,908	Year ended March 31, 2021	2,610,056
3. Average number of shares over the period	Year ended March 31, 2022	17,656,165	Year ended March 31, 2021	17,502,032

Note: The number of treasury shares includes those held in the Employee Stock Ownership Plan (ESOP) trust account (121,000 in year ended March, 2022; 210,100 in year ended March 2021), Directors' Compensation Board Incentive Plan (BIP) trust account (346,034 in year ended March 2022; 380,905 in year ended March 2021) and Stock-grant ESOP trust account (458,056 in year ended March 2022; 486,750 in year ended March 2021).

*The financial information in this report is not subject to audit by certified public accountants or auditing firms.

*Appropriate use of earnings forecast and other special notes.

(Note on forward-looking statements)

The earnings forecasts and other forward-looking statements contained in this document are based on information currently available to the Company, and certain assumptions it considers reasonable, but are not intended to be a promise that the Company will achieve. Actual results may vary materially from forecasts due to a variety of factors.

(How to obtain supplementary explanatory materials for financial results and results briefing materials.)
 The Company plans to hold a results briefing for institutional investors and analysts on Thursday, May 25, 2022. The briefing materials distributed will be posted on the Company's website promptly after the briefing.

(Attachment)

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1. Overview of results

(1) Earnings

During the full year ended March 31, 2022, the Japanese economy showed signs of recovery from the impact of COVID-19, but the outlook is becoming increasingly uncertain due to the growing tension in Ukraine. We are still cautious about downside risks to the economy due to the effects of such factors as rising raw material prices, fluctuations in financial and capital markets, and supply-side constraints.

Our Group belongs to the information and communications services industry. While we expect ICT demand to continue to grow driven by various digital transformation (DX) initiatives, including pandemic-induced changes in work practices, there is no room for optimism as some companies continue to rein in their ICT capex due to deteriorated earnings. The electronic device industry performed well as semiconductor demand grew further due to a shift toward electric vehicles in the automobile industry and growing investment in data centers.

In these circumstances, our Group is carrying out the initiatives outlined in our medium-term management plan ending in the year ending March 2023, Innovation 2023, as part of our aim to support the DX efforts of client companies and to be more competitive by becoming an innovation service provider. We see the COVID-19 pandemic as a turning point, and are continuing with initiatives aimed at sustainable growth and enhancing corporate value by reforming our business structure and strengthening our management base. During the fourth quarter of the current fiscal year, we newly released D-VUE DX Implementation Support Service and D-VUE Cloud Data Lake Platform, which leverage data to promote the DX initiatives of client companies. In addition, we made steady progress in our efforts to help client companies realize DX, including receiving certification as a DX business operator by the Ministry of Economy, Trade and Industry.

In the full year of the fiscal year ended March 31, 2022, which is the second year of the medium-term management plan, the Group posted net sales of ¥119,316 million (down 0.6% year on year), operating income of ¥4,012 million (up 25.3% year on year), ordinary income of ¥4,227 million (up 25.8% year on year), and profit attributable to owners of parent of ¥2,798 million (up 19.2% year on year).

In the Information Network Solutions segment, the service business including cloud services grew substantially. However, orders and net sales were below year-earlier levels as large projects and GIGA School Concept-related orders that contributed in the previous year dropped out and computer orders declined as remote working related demand ran its course. Furthermore, delivery delays caused by semiconductor shortages dragged performance. As for the overall trend, the Group has steadily implemented one of our key priorities in the medium-term management plan, “Reforming our business structure by expanding the service we offer.” As a result, we have made progress in shifting equipment and development construction to the cloud (i.e., converting them to services). Meanwhile, profit grew significantly year on year on improved cost of sales for development and construction projects and equipment orders as well as on profit from growing service sales.

In the Electronic Devices segment, the global expansion of production facilities drove demand in the factory automation (FA) equipment and industrial equipment markets, while demand for in-vehicle products and consumer electronics was robust. Although semiconductor supplies were tight, we

worked to procure sufficient volume. As a result, segment orders, net sales, and operating income all significantly exceeded year-earlier levels.

The following section discusses earnings by segment in the period under review.

*Note regarding quarterly earnings for the Group

Many of the Group's customers have business years from April through March of the following year. Further, fulfillment obligations for many transactions are judged to be satisfied at a certain point, so the Group's sales and profit tend to be concentrated in September and March, the halfway and endpoints of the fiscal year.

Information Network Solutions

In the full year of the fiscal year ended March 31, 2022, the Information Network Solutions business booked orders of ¥95,008 million (down 2.2% year on year), net sales of ¥92,319 million (down 5.7% year on year), and operating income of ¥3,400 million (up 14.9% year on year). While orders and net sales fell from the previous year, operating income significantly exceeded the year-earlier level.

Results by business model

Equipment: In the equipment business, the Group made progress in installing PCs for customers in the distribution, retail, and public sectors. However, the business was affected by the absence of large orders related to the GIGA School Concept seen in the previous fiscal year, lower orders for PCs used for teleworking, and semiconductor shortages causing some delivery delays. As a result, both orders and net sales were down significantly from a year earlier, totaling ¥38,620 million (down 11.7% year on year) and ¥37,127 million (down 16.0% year on year), respectively. As noted above, we have been implementing a shift for some equipment to services by bringing servers, network devices, and PBXs to the cloud.

Development and construction: Although network construction projects and small- and medium-sized system development projects increased, large-scale infrastructure construction and system development projects declined. Consequently, results were flat compared to the previous fiscal year, with net sales of ¥14,501 million (down 0.1% year on year). However, orders significantly increased over the previous year, totaling ¥15,342 million (up 7.3% year on year), as we received new orders for large-scale cloud PBX construction projects and system development projects. In addition, as with equipment, there was a partial decline in development and construction due to their conversion into services.

Service: The service business posted solid results driven by factors such as the growth of cloud services, including cloud-based contact center services, and newly acquired orders for equipment maintenance services. Orders and net sales exceeded the year-earlier results, with orders of ¥41,046 million (up 5.0% year on year) and net sales of ¥40,690 million (up 4.0% year on year).

Profit increased significantly over the previous year. In addition to improved cost of sales in development and construction projects and equipment contracts, increased service sales contributed to profit.

Electronic Devices

The Electronic Devices segment booked orders of ¥35,550 million (up 45.0% year on year), net sales of ¥26,996 million (up 21.8% year on year), and operating income of ¥592 million (up 144.8% year on year). Orders, net sales, and operating income all significantly surpassed year-earlier levels. Orders in particular grew sharply as efforts to secure components continued to accelerate amid a global shortage of semiconductors from the third quarter.

In the devices business, orders and sales both increased significantly over the previous year. Production volume of electric vehicles rose on the back of decarbonization efforts, and demand remained robust for factory automation (FA) equipment and industrial equipment industries. Further, customers made progress in strategically securing components in response to the prolonged semiconductor shortage.

In the systems business, orders and net sales exceeded the previous year. Sales grew for LCD panels and SSD/HDD products on strong demand for onboard automotive information devices and consumer electronics and new orders for industrial equipment increased.

Profit grew sharply from the same period a year ago. In response to the tight supply of components, the Group worked to procure volume for onboard automotive information devices, factory automation (FA) equipment and industrial equipment, and consumer electronics. In addition, the operational efficiency improved as a result of spinning off the device business.

The following tables show sales and orders by segment for the fiscal year ending March, 2022.

Net sales (millions of yen)

	Year ended March 2021	Year ended March 2022		
			Versus previous year	
Information Network Solutions	97,848	92,319	(5,528)	94.3%
Equipment	44,207	37,127	(7,079)	84.0%
Development and construction	14,518	14,501	(17)	99.9%
Service	39,122	40,690	1,568	104.0%
Electronic Devices	22,155	26,996	4,840	121.8%
Total	120,004	119,316	(688)	99.4%

Note: Inter-segment transactions are offset and eliminated.

Orders (millions of yen)

	Year ended March 2021	Year ended March 2022		
			Versus previous year	
Information Network Solutions	97,134	95,008	(2,125)	97.8%
Equipment	43,733	38,620	(5,113)	88.3%
Development and construction	14,296	15,342	1,046	107.3%
Service	39,104	41,046	1,941	105.0%
Electronic Devices	24,521	35,550	11,029	145.0%
Total	121,655	130,559	8,903	107.3%

Note: Inter-segment transactions are offset and eliminated.

Order backlog (millions of yen)

	Year ended March 2021	Year ended March 2022		
			Versus previous year	
Information Network Solutions	14,584	17,274	2,689	118.4%
Equipment	8,825	10,318	1,492	116.9%
Development and construction	3,630	4,472	841	123.2%
Service	2,128	2,484	355	116.7%
Electronic Devices	7,882	16,436	8,554	208.5%
Total	22,467	33,710	11,243	150.0%

Note: Inter-segment transactions are offset and eliminated.

(2) Financial position

Assets totaled ¥79,226 million at the end of the year in review, up by ¥3,025 million from the end of the previous year. The main factor of increase was a ¥3,217 million increase in cash and deposits.

Liabilities totaled ¥46,026 million at the end of the year, up by ¥996 million from the end of the previous year. The main factors behind the increase were a ¥1,026 million increase in income taxes payable and a ¥571 million increase in liabilities for retirement benefits, while the main factor of decrease was a ¥567 million decrease in notes and accounts payable – trade.

Net assets totaled ¥33,199 million at the end of the year, up by ¥2,028 million from the end of the previous year, and the shareholders' equity ratio was 41.5% (40.6% at the end of the previous year). The main factors of increase were profit attributable to owners of parent of ¥2,798 million and the disposal of treasury stock for ¥215 million due to the transfer of shares under the stock-grant schemes for directors and employees, while the main factor of decrease was a reduction in retained earnings of ¥1,006 million due to the payment of dividends from surplus.

Due to the application of the Accounting Standard for Revenue Recognition, retained earnings at the start of the year increased by ¥76 million.

(3) Cash flows

The Company recorded cash inflows of ¥5,560 million from operating activities, cash outflows of ¥4 million from investing activities, and cash outflows of ¥2,413 million from financing activities.

As a result, cash and cash equivalents increased by ¥3,202 million from the end of the previous year, to ¥19,130 million. Cash flows and the main factors influencing them are as described below.

(Cash flows from operating activities)

Cash flows from operating activities came to ¥5,560 million (¥749 million in inflows in year ended March 2021, a increase of 641.5%). Major cash inflows included income before income taxes and others of ¥4,430 million and depreciation and amortization of ¥2,531 million yen, while major cash outflows included a ¥860 million increase in notes and accounts receivable – trade and a ¥621 million decrease in notes and accounts payable – trade.

(Cash flows from investing activities)

Cash flows from investing activities came to ¥4 million (¥1,271 million in year ended March 2021, a decrease of 99.6%). Major cash outflows included ¥1,061 million for the purchase of property, plant, and equipment, while the major cash inflows included proceeds of ¥908 million yen from the sale of property, plant, and equipment.

(Cash flows from financing activities)

Cash flows from financing activities came to ¥2,413 million (¥2,029 million yen in year ended March 2021, an increase of 19.0%). Major cash outflows included ¥1,609 million for repayment of lease obligations and ¥1,006 million yen for payment of dividends.

Reference: Cash flow related indicators

Year ended March	2019	2020	2021	2022
Shareholders' equity ratio (%)	36.4	38.4	40.6	41.5
Market value based shareholders' equity ratio (%)	18.6	24.8	38.2	33.1
Interest bearing debt to cash flow ratio (years)	19.8	1.7	17.1	2.3
Interest coverage ratio (x)	5.3	56.6	6.1	42.5

Notes: Shareholders' equity ratio = Shareholders' equity/total assets

Market value based shareholders' equity ratio = Market capitalization/total assets

Interest bearing debt to cash flow ratio (years) = Interest bearing debt/cash flow

Interest coverage ratio = Cash flow/interest paid

*All calculations are based on consolidated financial data.

*Market capitalization = fiscal year-end closing share price x number of shares outstanding at fiscal year-end (excluding treasury shares and company shares held in ESOP trust account, Directors' Compensation BIP trust account and Stock-grant ESOP trust account).

*Cash flow used in calculations is cash flow from operating activities.

*Interest bearing debt includes all liabilities on the consolidated balance sheets that incur interest.

(4) Outlook

The Japanese economy is likely headed for a gradual recovery from the impact of COVID-19. But the outlook is still uncertain, as the worsening situation in Ukraine casts a shadow on the global economy. Some of our customers may be hit hard by the evolving situation, and continued monitoring is warranted. On the other hand, we expect corporate demand for digital transformation (DX) and investment appetite for ICT to remain strong.

Against this backdrop, for the fiscal year ending March 31, 2023, we forecast net sales of ¥122,000 million (up 1.7% year on year), operating income of ¥4,000 million (up 24.9% year on year), ordinary income of ¥4,050 million (up 20.5% year on year), and profit attributable to owners of parent of ¥2,700 million (up 15.1% year on year). We revised our targets from those announced on May 15, 2020 (net sales of ¥126 billion and operating income of ¥4.6 billion) as the underlying conditions have changed materially since formulating the medium-term management plan due to such factors as the prolonged spread of COVID-19 and uncertainty linked to the worsening situation in Ukraine.

In the coming fiscal year ending March 31, 2023, which is also the final year of the plan, we aim to increase earnings by focusing on sales expansion to ensure that we meet customers' ICT needs, and by further promoting the structural transformation of the electronic devices segment. We look to do so while taking advantage of our service infrastructure (our new DX service system called the Total SolutionService Framework (TSF), consisting of DagreeX, TCloud for Voice, CT-e1, and other services), which we have built and maintained from the previous fiscal year through the current fiscal year.

In the fiscal year ending March 31, 2023, the final year of our medium-term management plan, we will focus on expanding earnings to ensure that we can meet customers' ICT needs by leveraging the service infrastructure that we have built and maintained from the previous fiscal year through the current fiscal year (our new DX service system called the Total SolutionService Framework (TSF), consisting of DagreeX, TCloud for Voice, CT-e1, and other services). We aim to strengthen the business foundation to withstand changes in the environment by further promoting structural transformation of the Electronic Devices segment.

Should any matters arise that must be disclosed concerning changes in the business situation due to the spread of COVID-19 or the conflict in Ukraine, we will do so promptly.

(5) Dividend policy and dividends for the year under review and coming year

The Company views shareholder returns as a key management priority, and aims to continue expanding earnings and increasing dividends, targeting a consolidated payout ratio of about 30%. The Company also aims to share profit via consistent interim and year-end dividend payments linked to consolidated earnings and to grow and effectively utilize retained earnings to boost corporate and shareholder value.

Note: The Company plans to deploy retained earnings to enhance its technological capabilities and fund R&D, invest in business areas that have high growth potential and profitability, develop its human resources by spending on education, and strengthen its financial position by reducing interest-bearing debt.

In line with the above policy, the Company increased its year-end dividend per share forecast by ¥1 from ¥24 for an ordinary dividend of ¥25 (bringing the annual dividend to ¥48, including ordinary interim dividend of ¥23).

The Company plans to pay an annual dividend per share of ¥50 in the year ending March 2023.

2. Approach to selection of accounting standards

The Group uses Japanese generally accepted accounting principles (JGAAP) to facilitate comparisons with other Japanese companies in our sector.

3. Consolidated financial statements and notes

(1) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	15,944	19,162
Notes and accounts receivable – trade	27,948	—
Notes	—	380
Accounts receivable – trade	—	26,870
Electronically recorded monetary claims	3,817	4,645
Contract assets	—	862
Inventories	7,619	7,483
Income taxes receivable	98	—
Other	1,390	1,861
Allowance for doubtful accounts	(77)	(70)
Total current assets	56,740	61,195
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	1,696	2,145
Accumulated depreciation	(891)	(933)
Buildings and structures (net)	805	1,212
Machinery, equipment and vehicles	7	7
Accumulated depreciation	(6)	(6)
Machinery, equipment and vehicles (net)	1	1
Land	1,769	1,804
Lease assets	5,777	5,150
Accumulated depreciation	(3,240)	(3,330)
Lease assets (net)	2,536	1,820
Construction in progress	821	126
Other	1,006	1,177
Accumulated depreciation	(676)	(713)
Other (net)	329	463
Total property, plant and equipment	6,264	5,428
Intangible assets		
Goodwill	226	135
Lease assets	549	883
Other	2,191	2,053
Total intangible assets	2,967	3,072
Investments and other assets		
Investment securities	4,766	4,096
Long-term loans receivable	34	32
Deferred tax assets	4,131	4,204
Other	1,377	1,247
Allowance for doubtful accounts	(81)	(52)
Investments and other assets	10,228	9,528

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Total noncurrent assets	19,460	18,030
Total assets	76,200	79,226

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable – trade	15,875	15,307
Contract liabilities	—	1,976
Short-term loans payable	4,894	5,137
Current portion of long-term loans payable	161	4,291
Lease obligations	1,428	1,267
Income taxes payable	241	1,268
Provision for bonuses	2,415	2,303
Other	5,020	3,333
Total current liabilities	30,037	34,886
Noncurrent liabilities		
Long-term loans payable	4,443	152
Lease obligations	1,921	1,658
Deferred tax liabilities	7	7
Net defined benefit liability	7,959	8,531
Long-term accounts payable – other	26	29
Other provision	548	629
Other	82	130
Total noncurrent liabilities	14,991	11,139
Total liabilities	45,029	46,026
Net assets		
Shareholders' equity		
Capital stock	9,812	9,812
Capital surplus	2,581	2,581
Retained earnings	21,150	23,018
Treasury stock	(2,472)	(2,257)
Total shareholders' equity	31,072	33,155
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,485	1,343
Deferred gains or losses on hedges	(3)	(37)
Foreign currency translation adjustment	52	145
Remeasurements of defined benefit plans	(1,672)	(1,760)
Total accumulated other comprehensive income	(137)	(307)
Noncontrolling interests	236	352
Total net assets	31,171	33,199
Total liabilities and net assets	76,200	79,226

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

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net sales	120,004	119,316
Cost of sales	98,538	96,804
Gross profit	21,465	22,511
Selling, general, and administrative expenses	18,263	18,498
Operating income	3,202	4,012
Non-operating income		
Interest income	2	8
Dividend income	97	104
Insurance income	—	59
Dividends income of insurance	150	74
Foreign exchange gains	—	43
Other	62	73
Total non-operating income	312	364
Non-operating expenses		
Interest expenses	123	130
Foreign exchange losses	8	—
Other	22	19
Total non-operating expenses	154	150
Ordinary income	3,361	4,227
Extraordinary income		
Gain on step acquisitions	13	—
Gain on sales of noncurrent assets	2	—
Gain on sales of investment securities	36	219
Total extraordinary income	52	219
Extraordinary loss		
Loss on sales of noncurrent assets	55	—
Impairment loss	44	—
Loss on retirement of noncurrent assets	4	3
Loss on sales of investment securities	69	2
Loss on valuation of investment securities	—	6
Other	—	5
Total extraordinary losses	174	16
Income before income taxes and others	3,238	4,430
Income taxes – current	617	1,436
Income taxes – deferred	200	17
Total income taxes	818	1,453
Profit	2,419	2,976
Profit attributable to noncontrolling interests	72	178
Profit attributable to owners of parent	2,346	2,798

(Consolidated statement of comprehensive income)

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Profit	2,419	2,976
Other comprehensive income		
Valuation difference on available for sale securities	795	(142)
Deferred gains or losses on hedges	(2)	(33)
Foreign currency translation adjustment	42	93
Remeasurements of defined benefit plans	(1,097)	(87)
Other comprehensive income	(261)	(170)
Comprehensive income	2,157	2,806
Breakdown		
Comprehensive income attributable to owners of parent	2,084	2,627
Comprehensive income attributable to noncontrolling interests	72	178

(3) Consolidated statement of changes in net assets
Fiscal year ended March 31, 2021

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Shareholders' equity
Balance at beginning of fiscal year	9,812	2,581	21,021	(3,785)	29,629
Cumulative effect of change in accounting policy					
Balance at beginning of fiscal year reflecting change in accounting policy	9,812	2,581	21,021	(3,785)	29,629
Changes during the year					
Dividend from surplus			(1,093)		(1,093)
Profit attributable to owners of parent			2,346		2,346
Purchase of treasury stock				(664)	(664)
Disposal of treasury stock		411		442	854
Cancellation of treasury stock		(411)	(1,122)	1,534	—
Net changes of items other than shareholders' equity					
Total changes during the year	—	—	129	1,313	1,443
Balance at end of the year	9,812	2,581	21,150	(2,472)	31,072

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available for sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Other comprehensive income		
Balance at beginning of fiscal year	690	(1)	10	(575)	123	—	29,752
Cumulative effect of change in accounting policy							—
Balance at beginning of fiscal year reflecting change in accounting policy	690	(1)	10	(575)	123	—	29,752
Changes during year							
Dividend of surplus							(1,093)
Profit attributable to owners of parent							2,346

Purchase of treasury stock							(664)
Disposal of treasury stock							854
Cancellation of treasury stock							—
Net changes of items other than shareholders' equity	795	(2)	42	(1,097)	(261)	236	(24)
Total changes during year	795	(2)	42	(1,097)	(261)	236	1,418
Balance at end of year	1,485	(3)	52	(1,672)	(137)	236	31,171

Fiscal year ended March 31, 2022

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Shareholders' equity
Balance at beginning of fiscal year	9,812	2,581	21,150	(2,472)	31,072
Cumulative effect of change in accounting policy			76		76
Balance at beginning of fiscal year reflecting change in accounting policy	9,812	2,581	21,227	(2,472)	31,149
Changes during the year					
Dividend from surplus			(1,006)		(1,006)
Profit attributable to owners of parent			2,798		2,798
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock				215	215
Cancellation of treasury stock					—
Net changes of items other than shareholders' equity					
Total changes during the year	—	—	1,791	214	2,006
Balance at end of year	9,812	2,581	23,018	(2,257)	33,155

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available for sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Other comprehensive income		
Balance at beginning of fiscal year	1,485	(3)	52	(1,672)	(137)	236	31,171
Cumulative effect of change in accounting policy							76
Balance at beginning of fiscal year reflecting change in accounting policy	1,485	(3)	52	(1,672)	(137)	236	31,248
Changes during year							
Dividend of surplus							(1,006)
Profit attributable to owners of parent							2,798
Purchase of treasury stock							(0)
Disposal of treasury stock							215

Cancellation of treasury stock							—
Net changes of items other than shareholders' equity	(142)	(33)	93	(87)	(170)	115	(54)
Total changes during year	(142)	(33)	93	(87)	(170)	115	1,951
Balance at end of year	1,343	(37)	145	(1,760)	(307)	352	33,199

(4) Consolidated statement of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from operating activities		
Income before income taxes and others	3,238	4,430
Depreciation and amortization	2,408	2,531
Impairment loss	44	—
Goodwill amortization	45	90
Increase (decrease) in provision for doubtful accounts	23	(36)
Increase (decrease) in provision for bonuses	(133)	(111)
Increase (decrease) in net defined benefit liability	(171)	531
Increase (decrease) in provision for losses on orders received	(98)	—
Increase (decrease) in other provisions	181	81
Interest and dividend income	(99)	(113)
Interest expenses	123	130
Foreign exchange loss (gain)	8	—
Loss (gain) on step acquisitions	(13)	—
Loss (gain) on sale of noncurrent assets	53	—
Loss (gain) on sale of investment securities	33	(217)
Loss (gain) on valuation of investment securities	—	6
Loss on disposal of noncurrent assets	4	3
Other non-operating loss (gain)	(190)	(180)
Decrease (increase) in trade receivables	(1,653)	(860)
Decrease (increase) in inventories	891	173
Decrease (increase) in other assets	73	(445)
Increase (decrease) in notes and accounts payable – trade	(2,057)	(621)
Increase (decrease) in accrued consumption taxes	(332)	(354)
Increase (decrease) in other liabilities	(566)	750
Subtotal	1,811	5,789
Interest and dividends received	99	113
Interest paid	(123)	(130)
Other	190	180
Income taxes paid	(1,234)	(619)
Refund of income taxes	5	226
Cash flows from operating activities	749	5,560

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from investing activities		
Outflows from transfers to time deposits	(0)	(17)
Proceeds from withdrawal of time deposits	—	5
Purchase of property, plant and equipment	(1,245)	(1,061)
Proceeds from sale of property, plant and equipment	791	908
Purchase of intangible assets	(945)	(812)
Proceeds from sale of intangible assets	255	290
Purchase of investment securities	(38)	(98)
Proceeds from sale of investment securities	113	765
Purchase of shares in subsidiary resulting in change in scope of consolidation	(148)	—
Outflows from payment of loans receivable	(3)	(2)
Proceeds from collection of loans receivable	5	4
Other	(54)	14
Cash flows from investing activities	(1,271)	(4)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	87	211
Proceeds from long-term borrowings	400	—
Repayment of long-term borrowings	(23)	(161)
Repayment of lease obligations	(1,590)	(1,609)
Acquisition of treasury stock	(664)	(0)
Proceeds from disposal of treasury stock	854	215
Dividend payments	(1,093)	(1,006)
Dividends paid to noncontrolling interests	—	(62)
Cash flows from financing activities	(2,029)	(2,413)
Effect of exchange rate changes on cash and cash equivalents	22	61
Net increase (decrease) in cash and cash equivalents	(2,528)	3,202
Cash and cash equivalents at beginning of the period	18,456	15,927
Cash and cash equivalents at end of the period	15,927	19,130

(5) Notes to consolidated financial statements
(Notes on premise of going concern)
Not applicable.

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition)

The Company began applying the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020, “revenue recognition standard” below) from the start of the first quarter. The Company recognizes revenue when control of promised goods or services is transferred to the customer, in the amount expected to be received in exchange for the goods or services.

Previously, the Company applied the percentage of completion method for systems development contracts when the outcome was deemed certain. However, the Company has changed its revenue recognition method. Now, when control over goods or services is transferred to the customer over a certain period, the Company recognizes revenue for that period as its obligation to transfer the goods or services to the customer is satisfied. To measure the progress toward fulfilling obligations for each reporting period, costs incurred until the last day of the period as a percentage of total expected costs are calculated. Also, when it is not possible to reasonably estimate progress in the initial phase of a contract, but the Company expects to recover costs incurred, the Company recognizes revenue under the cost recovery method. For contracts with a very short period from the start of the transaction until the obligation is expected to be fully satisfied, the Company applies an alternative treatment under which revenue is not recognized for a set period but only when the obligation is fully satisfied.

The Company has applied the revenue recognition standard in accordance with transitional treatment prescribed in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of retroactively applying the new accounting policy prior to the beginning of the first quarter was added to or deducted from retained earnings at the beginning of the first quarter, and the new accounting policy was applied from the opening balance at the start of the first quarter. However, the Company has followed the treatment prescribed in paragraph 86 of the Accounting Standard for Revenue Recognition, and did not retrospectively apply the new accounting policy to contracts for which almost all of the revenue was recognized under the previous treatment before the start of the first quarter. In addition, the Company has applied the treatment prescribed in proviso 1 of paragraph 86 of the Accounting Standard for Revenue Recognition and accounted for contract changes made before the beginning of the first quarter based on the contract terms after reflecting all contract changes, and added or subtracted the cumulative effect of such changes to retained earnings at the beginning of the first quarter.

As a result, net sales in the period increased by ¥602 million, cost of sales increased by ¥486 million, and operating income, ordinary income, and income before income taxes each increased by ¥115 million. Retained earnings at the start of the year increased by ¥76 million. Because the Company applied the revenue recognition standard, what was displayed as “Notes and accounts receivable – trade” under the current assets section of the previous year’s balance sheet is “Notes and accounts receivable – trade, and contract assets” in the current year. Further, in accordance with the transitional treatment prescribed in paragraph 89-2 of the Accounting Standard for Revenue Recognition, the prior year’s consolidated financial statements have not been reclassified to conform to the new presentation.

(Application of Accounting Standard for Fair Value Measurement)

The Company applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019, “fair value standard” below) from the start of the first quarter. In accordance with the transitional treatment prescribed in paragraph 19 of the fair value standard and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the new

accounting policy prescribed in the fair value standard will be applied prospectively. There is no impact on the quarterly consolidated financial statements.

(Additional information)

1 Transactions to deliver the Company's shares to employees via a trust
(Employee Stock Ownership Plan (ESOP) trust)

To provide benefits to its employees, the Company enters transactions to deliver its own shares to the Employee Stock Ownership Plan via a trust. For accounting treatment of the relevant trust agreements, the Company applies Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts (Practical Issues Task Force (PITF) No. 30, March 26, 2015). The Company recognizes the difference on disposal when treasury shares are disposed of to the trust, and the gains or losses on sales of shares sold by the trust to the ESOP, dividends from the Company on its shares held by the trust, and trust-related expenses are recognized as liabilities.

(1) Overview of transactions

The Company has set up a trust whose beneficiaries are employees who are members of the ESOP fulfilling certain conditions. Over a three-year period, the trust purchases the number of shares the ESOP is expected to purchase by third-party allocation, and subsequently, on a certain day every month, it sells the shares to the ESOP. Upon termination of the trust, if there are trust earnings due to share price appreciation, beneficiaries receive money in proportion to their contributions. If a loss on transfer arises due to a decline in the share price and there are liabilities associated with trust assets, the Company will reimburse the bank in a lump sum under guarantee provisions of the loan agreement. Therefore, there will be no additional burden for employees.

(2) Company shares owned by the trust

The Company's shares in the trust are recorded as treasury stock under net assets at the trust's book value (excluding incidental expenses). The book value of treasury stock and number of shares were ¥340 million yen and 210,100 respectively for the year ended March 2021, and ¥195 million yen and 121,000 respectively for the year ended March 2022.

(3) Book value of borrowings applying the gross value method

¥400 million in the year ended March 2021, and ¥266 million in the year ended March 2022.

2 Stock-grant schemes for directors, executive officers, and employees
(Directors' Compensation BIP trust and Stock-grant ESOP trust)

The Company has established a Directors' Compensation Board Incentive Plan (BIP) trust for directors and executive officers (excluding outside directors and nonresidents of Japan, "directors and others" below). The purpose is to improve the Company's medium to long-term earnings and corporate value, and raise awareness of shareholder-oriented management.

It has also enhanced employee benefits with the establishment of a stock-grant ESOP trust for employees. The purpose is to improve the Company's medium- to long-term corporate value by raising awareness of improvements in earnings and share price appreciation.

(1) Overview of transactions

The Directors' Compensation BIP trust is a stock-based remuneration plan. The trust uses remuneration of directors and others contributed by the Company as funds to acquire the Company's shares and provides directors and others with the shares and cash equivalent to the shares' conversion value.

The Stock-grant ESOP trust is an incentive plan. The trust acquires the Company's shares and delivers them to employees who fulfil certain conditions in accordance with the stock-grant rules.

(2) Company shares owned by the trusts

The Company's shares in the trusts are recorded as treasury stock under net assets at the trusts' book value (excluding incidental expenses). The book value of treasury stock and number of shares held by

the Directors' Compensation BIP trust were ¥463 million and 380,905 respectively in the previous fiscal year and ¥421 million and 346,034 in the year under review. The book value of treasury stock and number of shares held by the Stock-grant ESOP trust were ¥492 million and 486,750 respectively in the previous fiscal year and ¥463 million and 458,056 in the year under review.

(Segment and other information)

Segment information

1. Overview of reporting segments

The Group's reporting segments are the constituent units of the Group for which separate financial statements are available, and are periodically reviewed by the Board of Directors to decide on the allocation of business resources and evaluate performance.

The Group is engaged in information network systems business. The Company and its consolidated subsidiaries operate businesses as independent management units. It has grouped its businesses into two segments, Information Network Solutions and Electronic Devices, based on similarities in economic characteristics such as the services and product line-up they provide to customers. Segment businesses are as follows.

Information Network Solutions segment

- ◆ Equipment: Sales of information and communication equipment
- ◆ Development and construction: Provision of technical services in consulting, design, development, and system construction
- ◆ Service: Operation and maintenance of information and communication equipment and software, and provision of monthly cloud and other subscription services

Electronic Devices segment

- ◆ Provision of device solutions and contract design and development

2. Calculation of segment sales, profit or loss, assets, liabilities, and other items

The accounting treatment for the reporting segments is generally the same as that used when preparing consolidated financial statements.

Operating income figures are used for reporting segment profit.

Intersegment net sales and transfers are based on third-party transaction prices.

As noted in the section on accounting policy changes, the Company began applying the Accounting Standard for Revenue Recognition and other accounting standards beginning with the consolidated income statements for the year ended March 2022, and has changed its accounting method for revenue recognition, and segment profit and loss calculation methods have changed accordingly.

Due to the above change, compared with the previous accounting treatment, Information Network Solutions net sales increased by ¥602 million and segment profit by ¥115 million.

3. Segment sales, profit or loss, assets, liabilities, and other items

Fiscal year ended March 2021

(Millions of yen)

	Reporting segment			Adjustments (Note 1, 2, 3)	Amount recorded in consolidated financial statements (Note 4)
	Information Network Solutions	Electronic Devices	Total		
Sales					
Sales to external customers	97,848	22,155	120,004	—	120,004
Intersegment sales and transfers	10	207	218	(218)	—
Total	97,858	22,363	120,222	(218)	120,004
Segment profit	2,960	242	3,202	0	3,202
Segment assets	45,182	19,258	64,440	11,691	76,131
Segment liabilities	37,904	7,058	44,963	(2)	44,960
Other					
Depreciation	2,385	22	2,408	—	2,408
Goodwill amortization	45	—	45	—	45
Impairment loss	44	—	44	—	44
Increase in tangible and intangible fixed assets	2,162	4	2,167	—	2,167

Notes:

- 1 Adjustments to segment profit are elimination of intersegment transactions.
- 2 Adjustments to segment assets are elimination of intersegment transactions and assets related to operating funds, long-term investment funds, and management divisions at submitting company.
- 3 Adjustments to segment liabilities are elimination of intersegment transactions.
- 4 Segment profit is adjusted with operating income in the consolidated income statements.

Fiscal year ended March 2022

(Millions of yen)

	Reporting segment			Adjustments (Note 1, 2, 3)	Amount recorded in consolidated financial statements (Note 4)
	Information Network Solutions	Electronic Devices	Total		
Sales					
Sales to external customers	92,319	26,996	119,316	—	119,316
Intersegment sales and transfers	31	165	197	(197)	—
Total	92,350	27,162	119,513	(197)	119,316
Segment profit	3,400	592	3,993	18	4,012
Segment assets	63,868	20,920	84,789	(5,563)	79,226
Segment liabilities	42,767	8,541	51,308	(5,282)	46,026
Other					
Depreciation	2,506	25	2,531	—	2,531
Goodwill amortization	90	—	90	—	90
Increase in tangible and intangible fixed assets	3,722	79	3,802	—	3,802

Notes:

- 1 Adjustments to segment profit are elimination of intersegment transactions.
- 2 Adjustments to segment assets are elimination of intersegment transactions and assets related to operating funds, long-term investment funds, and management divisions at submitting company.
- 3 Adjustments to segment liabilities are elimination of intersegment transactions.
- 4 Segment profit is adjusted with operating income in the consolidated statement of income.

Related information

Fiscal year ended March 2021

1. Information by product and service

This is omitted because it is disclosed in the segment information.

2. Information by region

(1) Net sales

This is omitted because net sales to external customers in Japan exceed 90% of the net sales in the consolidated statement of income.

(2) Property, plant, and equipment

This is omitted because property, plant, and equipment located in Japan exceeds 90% of the property, plant, and equipment on the consolidated balance sheet.

3. Information by major customer

This is omitted because none of the Company's customers account for more than 10% of net sales in the consolidated statement of income.

Fiscal year ended March 2022

1. Information by product and service

This is omitted because it is disclosed in the segment information.

2. Information by region

(1) Net sales

This is omitted because net sales to external customers in Japan exceed 90% of the net sales in the consolidated statement of income.

(2) Property, plant, and equipment

This is omitted because property, plant, and equipment located in Japan exceeds 90% of the property, plant, and equipment on the consolidated balance sheet.

3. Information by major customer

This is omitted because none of the Company's customers account for more than 10% of the net sales in the consolidated statement of income.

Information on impairment loss on fixed assets by reportable segment

Previous fiscal year (April 1, 2020, to March 31, 2021)

This information is omitted because the same information is disclosed in the segment information.

Fiscal year under review (April 1, 2021, to March 31, 2022)

Not applicable

Information on amortization of goodwill and unamortized balance by reportable segment

Fiscal year ended March 2021

(Millions of yen)

	Reporting segment			Adjustments	Total
	Information Network Solutions	Electronic Devices	Total		
Balance at end of year	226	—	226	—	226

Note: Information on amortization of goodwill is omitted because the same information is disclosed in the segment information.

Fiscal year ended March 2022

(Millions of yen)

	Reporting segment			Adjustments	Total Information Network Solutions
	Information Network Solutions	Electronic Devices	Total		
Balance at end of year	135	—	135	Balance at end of year	135

Note: Information on amortization of goodwill is omitted because the same information is disclosed in the segment information.

Information on gain on negative goodwill by reportable segment

Previous fiscal year (April 1, 2020, to March 31, 2021)

Not applicable

Fiscal year under review (April 1, 2021, to March 31, 2022)

Not applicable

(Per share information)

Fiscal year ended March 2021		Fiscal year ended March 2022	
Net assets per share (yen)	1,760.87	Net assets per share (yen)	1,853.68
Basic earnings per share (yen)	134.06	Basic earnings per share (yen)	158.47
Note: Diluted earnings per share is not stated because there are no dilutive shares.		Note: Diluted earnings per share is not stated because there are no dilutive shares.	

Notes:

- Treasury shares held in the Employee Stock Ownership Plan (ESOP) trust account, Directors' Compensation BIP trust account, and Stock-grant ESOP trust account are deducted from the total number of shares outstanding at the end of the year for calculating net assets per share. This comprised 210,100 shares held in the Employee Stock Ownership Plan (ESOP) trust account in the year ended March 2021, and 121,000 shares in the year ended March 2022; 380,905 shares in the Directors' Compensation BIP trust account in the year ended March 2021 and 346,034 shares in the year ended March 2022; and 486,750 shares held in the Stock-grant ESOP trust account in the year ended March 2021 and 458,056 shares in the year ended March 2022.

Treasury shares held in the Employee Stock Ownership Plan (ESOP) trust account, Directors' Compensation BIP trust account, and Stock-grant ESOP trust account are deducted in the calculation of average number of shares outstanding during the year for calculating basic earnings per share. This comprised 93,133 shares in the year ended March, 2021 and 162,192 shares in the year ended March 2022 in the Employee Stock Ownership Plan (ESOP) trust account; 335,853 shares in the year ended March 2021 and 355,751 shares in the year ended March 2022 in the Directors' Compensation BIP trust account; and 482,896 shares in the year ended March 2021 and 471,152 shares in the year ended March 2022 in the Stock-grant ESOP trust account.

- The basis for calculation of basic earnings per share is as follows:

	Fiscal year ended March 2021	Fiscal year ended March 2022
Profit attributable to owners of parent (millions of yen)	2,346	2,798
Amounts not attributable to ordinary shareholders (millions of yen)	—	—
Profit attributable to owners of parent (millions of yen) related to common stock	2,346	2,798
Average number of shares (thousands)	17,502	17,656

(Major subsequent events)

Not applicable.