

Translation

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Summary of Consolidated Financial Results for the Year Ended March 31, 2023 (Based on Japanese GAAP)

May 9, 2023

Company name: Net One Systems Co., Ltd.
 Stock exchange listing: Tokyo
 Stock code: 7518 URL <https://www.netone.co.jp/>
 Representative: President & CEO Takafumi Takeshita
 Director, Finance & Accounting
 Inquiries: Department Hiroyuki Tazaki TEL 03-6256-0615
 Scheduled date of ordinary general meeting of shareholders: June 23, 2023
 Scheduled date to file Securities Report: June 26, 2023
 Scheduled date to commence dividend payments: June 26, 2023
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2023	209,680	11.2	20,635	22.9	20,660	22.7	14,458	28.8
Year ended March 31, 2022	188,520	(6.7)	16,790	(14.7)	16,832	(7.6)	11,225	(8.9)

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended March 31, 2023	175.95	175.76	20.1	12.1	9.8
Year ended March 31, 2022	134.15	133.98	15.8	10.6	8.9

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2023	178,651	75,764	42.3	920.08
As of March 31, 2022	161,713	68,547	42.3	832.48

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2023	34,183	(1,654)	(17,332)	35,509
Year ended March 31, 2022	(10,874)	(1,515)	233	20,281

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2022	–	36.00	–	36.00	72.00	5,994	53.7	8.5
Year ended March 31, 2023	–	37.00	–	37.00	74.00	6,082	42.1	8.4
Year ending March 31, 2024 (Forecast)	–	43.00	–	43.00	86.00		40.4	

3. Forecast of consolidated financial results for the year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2023	93,000	0.3	8,500	2.2	8,400	(3.3)	5,800	12.1	71.61
Full year	220,000	4.9	24,600	19.2	24,400	18.1	17,000	17.6	213.03

4. Notes

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

(changes in specified subsidiaries resulting in the change in scope of consolidation): No

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

Changes in accounting policies due to revisions to accounting standards and other regulations: No

Changes in accounting policies due to other reasons: Yes

Changes in accounting estimates: No

Restatement of prior period financial statements: No

(3) Number of issued shares (common shares)

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

As of March 31, 2023	83,267,300 shares	As of March 31, 2022	83,267,300 shares
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Number of treasury shares at the end of the period

As of March 31, 2023	1,077,321 shares	As of March 31, 2022	1,147,475 shares
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Average number of shares during the period

Year ended March 31, 2023	82,173,581 shares	Year ended March 31, 2022	83,680,177 shares
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Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	20,281	35,509
Notes and accounts receivable - trade, and contract assets	51,362	51,383
Lease receivables and investments in leases	16,051	21,394
Merchandise	11,172	7,373
Goods in transit	310	230
Costs on uncompleted construction contracts	32,419	30,274
Supplies	26	25
Prepaid expenses	13,701	14,242
Other	4,009	674
Allowance for doubtful accounts	(1)	(0)
Total current assets	149,334	161,106
Non-current assets		
Property, plant and equipment		
Buildings	3,531	3,582
Accumulated depreciation and impairment	(2,669)	(2,860)
Buildings, net	861	721
Tools, furniture and fixtures	19,850	20,417
Accumulated depreciation and impairment	(16,542)	(16,656)
Tools, furniture and fixtures, net	3,308	3,760
Construction in progress	559	5,015
Total property, plant and equipment	4,728	9,497
Intangible assets		
Other	1,070	1,523
Total intangible assets	1,070	1,523
Investments and other assets		
Investment securities	147	146
Long-term loans receivable	1	1
Deferred tax assets	2,955	3,216
Other	3,475	3,159
Total investments and other assets	6,579	6,523
Total non-current assets	12,378	17,545
Total assets	161,713	178,651

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	18,988	17,581
Short-term borrowings	18,002	8,000
Lease liabilities	8,642	9,977
Accounts payable - other	2,036	4,971
Income taxes payable	1,461	4,200
Advances received	18,858	20,805
Asset retirement obligations	–	191
Provision for bonuses	2,474	2,859
Provision for bonuses for directors (and other officers)	59	32
Other	7,394	11,462
Total current liabilities	77,918	80,084
Non-current liabilities		
Lease liabilities	14,392	18,574
Asset retirement obligations	814	2,172
Long-term accounts payable - other	–	2,054
Other	41	–
Total non-current liabilities	15,247	22,802
Total liabilities	93,165	102,887
Net assets		
Shareholders' equity		
Share capital	12,279	12,279
Capital surplus	19,453	19,453
Retained earnings	38,888	47,312
Treasury shares	(3,214)	(3,017)
Total shareholders' equity	67,406	76,029
Accumulated other comprehensive income		
Deferred gains or losses on hedges	978	(408)
Foreign currency translation adjustment	(22)	–
Total accumulated other comprehensive income	956	(408)
Share acquisition rights	168	143
Non-controlling interests	15	–
Total net assets	68,547	75,764
Total liabilities and net assets	161,713	178,651

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net sales	188,520	209,680
Cost of sales	136,734	159,312
Gross profit	51,786	50,367
Selling, general and administrative expenses	34,995	29,731
Operating profit	16,790	20,635
Non-operating income		
Interest income	0	0
Dividend income	–	89
Contract research revenue from subsidiaries and associates	188	–
Sales Incentive	24	9
Dividends income of group insurance	60	69
Insurance claim income	70	–
Foreign exchange gains	–	10
Other	273	128
Total non-operating income	616	308
Non-operating expenses		
Interest expenses	157	240
Foreign exchange losses	192	–
Commission for purchase of treasury shares	135	–
Commission expenses	–	29
Other	90	14
Total non-operating expenses	574	283
Ordinary profit	16,832	20,660
Extraordinary income		
Gain on sale of investment securities	92	11
Gain on sale of shares of subsidiaries	–	110
Gain on liquidation of subsidiaries	–	75
Total extraordinary income	92	197
Extraordinary losses		
Loss on retirement of non-current assets	24	14
Impairment losses	581	–
Loss on liquidation of business	–	476
Total extraordinary losses	605	490
Profit before income taxes	16,319	20,366
Income taxes - current	4,428	5,970
Income taxes - deferred	713	(110)
Total income taxes	5,142	5,859
Profit	11,176	14,506
Profit (loss) attributable to non-controlling interests	(49)	47
Profit attributable to owners of parent	11,225	14,458

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit	11,176	14,506
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	–
Deferred gains or losses on hedges	530	(1,386)
Foreign currency translation adjustment	(23)	44
Total other comprehensive income	506	(1,342)
Comprehensive income	11,682	13,164
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	11,743	13,094
Comprehensive income attributable to non-controlling interests	(61)	69

Consolidated statements of changes in equity

Fiscal year ended March 31, 2022

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	12,279	19,536	42,247	(987)	73,075
Cumulative effects of changes in accounting policies			(638)		(638)
Restated balance	12,279	19,536	41,608	(987)	72,436
Changes during period					
Dividends of surplus			(6,427)		(6,427)
Profit attributable to owners of parent			11,225		11,225
Purchase of treasury shares				(10,000)	(10,000)
Cancellation of treasury shares		(7,656)		7,656	–
Disposal of treasury shares		55		117	172
Transfer from retained earnings to capital surplus		7,518	(7,518)		–
Net changes in items other than shareholders' equity					
Total changes during period	–	(82)	(2,720)	(2,226)	(5,029)
Balance at end of period	12,279	19,453	38,888	(3,214)	67,406

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	0	448	(10)	438	222	60	73,795
Cumulative effects of changes in accounting policies							(638)
Restated balance	0	448	(10)	438	222	60	73,156
Changes during period							
Dividends of surplus							(6,427)
Profit attributable to owners of parent							11,225
Purchase of treasury shares							(10,000)
Cancellation of treasury shares							–
Disposal of treasury shares							172
Transfer from retained earnings to capital surplus							–
Net changes in items other than shareholders' equity	(0)	530	(12)	518	(53)	(44)	420
Total changes during period	(0)	530	(12)	518	(53)	(44)	(4,608)
Balance at end of period	–	978	(22)	956	168	15	68,547

Fiscal year ended March 31, 2023

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	12,279	19,453	38,888	(3,214)	67,406
Changes during period					
Dividends of surplus			(5,997)		(5,997)
Profit attributable to owners of parent			14,458		14,458
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		(36)		197	160
Transfer from retained earnings to capital surplus		36	(36)		–
Net changes in items other than shareholders' equity					–
Total changes during period	–	–	8,424	197	8,622
Balance at end of period	12,279	19,453	47,312	(3,017)	76,029

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	978	(22)	956	168	15	68,547
Changes during period						
Dividends of surplus						(5,997)
Profit attributable to owners of parent						14,458
Purchase of treasury shares						(0)
Disposal of treasury shares						160
Transfer from retained earnings to capital surplus						–
Net changes in items other than shareholders' equity	(1,386)	22	(1,364)	(24)	(15)	(1,404)
Total changes during period	(1,386)	22	(1,364)	(24)	(15)	7,217
Balance at end of period	(408)	–	(408)	143	–	75,764

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	16,319	20,366
Depreciation	2,446	2,291
Impairment losses	581	–
Share-based payment expenses	51	136
Increase (decrease) in provision for bonuses	(2,391)	414
Increase (decrease) in provision for bonuses for directors (and other officers)	25	(22)
Increase (decrease) in allowance for doubtful accounts	(1)	2
Interest and dividend income	(0)	(90)
Commission expenses	–	29
Interest expenses	157	240
Loss (gain) on sale of shares of subsidiaries	–	(110)
Loss on liquidation of business	–	476
Loss (gain) on liquidation of subsidiaries	–	(75)
Loss (gain) on sale of investment securities	(92)	(11)
Loss on retirement of non-current assets	24	14
Decrease (increase) in trade receivables and contract assets	12,554	1,262
Decrease (increase) in inventories	(26,332)	5,763
Decrease (increase) in other current assets	537	257
Increase (decrease) in trade payables	(2,159)	(761)
Increase/decrease in consumption taxes payable/consumption taxes refund receivable	(3,843)	5,493
Increase (decrease) in other current liabilities	(718)	1,762
Other, net	(717)	32
Subtotal	(3,558)	37,473
Interest and dividends received	0	90
Interest paid	(156)	(218)
Commission fee paid	–	(29)
Income taxes refund (paid)	(7,758)	(3,315)
Other, net	599	183
Net cash provided by (used in) operating activities	(10,874)	34,183
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,149)	(911)
Purchase of intangible assets	(595)	(813)
Payments for asset retirement obligations	(172)	–
Proceeds from sale of investment securities	115	11
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	–	(583)
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	–	358
Proceeds from liquidation of subsidiaries	–	69
Loan advances	(4)	(3)
Proceeds from collection of loans receivable	4	9
Payments of leasehold deposits	(44)	(11)
Proceeds from refund of leasehold deposits	276	219
Other, net	54	(0)
Net cash provided by (used in) investing activities	(1,515)	(1,654)

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from financing activities		
Proceeds from short-term borrowings	18,000	47,000
Repayments of short-term borrowings	–	(57,000)
Repayments of lease liabilities	(1,348)	(1,342)
Purchase of treasury shares	(10,000)	(0)
Dividends paid	(6,415)	(5,987)
Other, net	(1)	(1)
Net cash provided by (used in) financing activities	233	(17,332)
Effect of exchange rate change on cash and cash equivalents	7	32
Net increase (decrease) in cash and cash equivalents	(12,148)	15,228
Cash and cash equivalents at beginning of period	32,429	20,281
Cash and cash equivalents at end of period	20,281	35,509