



Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (JGAAP)

May 12, 2023

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 27, 2023
 Scheduled date for dividend payment: June 27, 2023
 Scheduled date for filing consolidated financial statements: June 6, 2023
 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, 2023 (April 1, 2022, to March 31, 2023)

(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, 2023	123,899	3.8%	5,118	27.6	5,355	26.7%	3,521	25.8%
Year ended March 31, 2022	119,316	(0.6%)	4,012	25.3	4,227	25.8%	2,798	19.2%

Note: Comprehensive income was 2,965 million yen (+5.7%) in year ended March 31, 2023; 2,806 million yen (+30.0%) in year ended March 31, 2022.

	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, 2023	197.48	—	10.4%	6.6%	4.1%
Year ended March 31, 2022	158.47	—	8.8%	5.4%	3.4%

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, 2023	83,207	35,387	42.0%	1,950.05
Year ended March 31, 2022	79,226	33,199	41.5%	1,853.68

Reference: Shareholders' equity in year ended March 31, 2023, 34,945 million yen; in year ended March 31, 2022, 32,847 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, 2023	4,263	39	(2,612)	20,845
Year ended March 31, 2022	5,560	(4)	(2,413)	19,130

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, 2022	—	23.00	—	25.00	48.00	894	30.3%	2.7%
Year ended March 31, 2023	—	25.00	—	36.00	61.00	1,137	30.9%	3.2%
Year ended March 31, 2024	—	38.00	—	38.00	76.00		30.6%	

Note:

1. 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.
2. For details of the expected dividend for the year ended March 31, 2024 please refer to attachment page 12 “(5) Dividend policy and dividends for the year under review and coming year”

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

% 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	126,500	2.1%	5,300	3.6%	5,250	(2.0%)	4,450	26.4	248.32

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, 2023	20,177,894	Year ended March 31, 2022	22,177,894
2. Number of shares at year end (treasury stock)	Year ended March 31, 2023	2,257,664	Year ended March 31, 2022	2,457,908
3. Average number of shares over the period	Year ended March 31, 2023	17,830,371	Year ended March 31, 2022	17,656,165

Note: The number of treasury shares includes those held in the Employee Stock Ownership Plan (ESOP) trust account (13,300 in year ended March, 2023; 121,000 in year ended March 2022), Directors' Compensation Board Incentive Plan (BIP) trust account (346,034 in year ended March 2023; 346,034 in year ended March 2022) and Stock-grant ESOP trust account (420,865 in year ended March 2023; 458,056 in year ended March 2022).

(Reference) Overview of Non-consolidated Financial Results

1. Non-consolidated financial results for the fiscal year ended March 31, 2023

(April 1, 2022, to March 31, 2023)

(1)

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

	Net sales		Operating income		Ordinary income		Profit	
Year ended March 31, 2023	82,590	(9.3%)	2,966	24.7	4,077	31.0%	3,168	38.9%
Year ended March 31, 2022	91,045	(14.5%)	2,379	4.5	3,111	1.7%	2,281	(6.7%)
	Earnings per share (yen)		Diluted earnings per share (yen)					
Year ended March 31, 2023	177.68		—					
Year ended March 31, 2022	129.20		—					

(2) Non-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, 2023	54,539	22,333	40.9%	1,246.27
Year ended March 31, 2022	54,523	20,030	36.7%	1,130.37

Reference: Shareholders' equity was 22,333 million yen in year ended March 31, 2023; 20,030 million yen in year ended March 31, 2022.

*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 Friday, May 12, 2023. The briefing materials distributed will be posted on the Company's website promptly before the briefing.

(Attachment)

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1. Overview of results

(1) Earnings

In the fiscal year ended March 31, 2023, the Japanese economy continued to recover gradually amid the ongoing normalization of economic and social activity. Nevertheless, the outlook continued to remain uncertain, as the global economic downturn caused by monetary tightening and other factors weighed on the domestic economy, and as this was further exacerbated by rising prices, supply-side constraints, and fluctuations in financial and capital markets.

In the information and communications services industry where our Group operates, the COVID-19 pandemic triggered the acceleration of digital transformation (DX) in the corporate sector, and capital investment in ICT continued to grow. As for the electronic device industry, while the supply-demand balance for semiconductors was moving toward normalization, the market showed signs of slowing down due to changes in the operating environment, including a decline in personal consumption as prices rose globally.

In these circumstances, our Group carried out the initiatives outlined in Innovation 2023, our medium-term management plan that ran through the fiscal year ended March 31, 2023, as part of our aim to support the DX efforts of client companies and become more competitive as an innovation service provider. We are making steady progress in reforming our business structure and strengthening our management base as we aim to achieve sustainable growth and enhance our corporate value. In the fiscal year under review, we released several new services, such as Cyber Security Management Support Service and TCloud for SCM (vehicle Traffic Management System for the Logistics Industry), and promoted efforts to strengthen our service platform through joint creation with partners, including a business alliance with Digital Platformer Corporation.

In the fiscal year ended March 31, 2023, the final year of our medium-term management plan, we generated net sales of ¥123,899 million (up 3.8% year on year), operating income of ¥5,118 million (up 27.6% year on year), ordinary income of ¥5,355 million (up 26.7% year on year), and profit attributable to owners of parent of ¥3,521 million (up 25.8% year on year).

In the Information Network Solution segment, orders, net sales, and order backlog all rose year on year due to growth in cloud-based contact center services and other services, and an increase in large orders for equipment installation. However, a shift to services led to a decline in orders for development and construction. Profit rose year on year due to increased net sales, improved cost of sales.

In the Electronic Devices segment, although advanced order placements and other arrangements by clients, which had continued from the previous fiscal year, decreased to a degree, sales of semiconductors and other electronic components and power semiconductors for products related to decarbonization and energy saving were robust among factory automation (FA), industrial, and onboard automotive device customers, which are our main markets. As a result, although orders declined year on year, net sales and order backlog increased year on year. Profit rose year on year due to increased sales, despite an increase in SG&A expenses.

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 fiscal year ended March 31, 2023, the Information Network Solutions segment booked orders of ¥102,490 million (up 7.9% year on year), net sales of ¥93,905 million (up 1.7% year on year), and operating income of ¥4,155 million (up 22.2% year on year), so all three indicators rose year on year.

Results by business model

Equipment: Installation of PCs, network equipment, and other equipment progressed for customers in a wide range of industries, including the public sector, distribution and retail, and transportation. We made progress in resolving shipping delays associated with semiconductor shortages that had continued, and sales, especially on large orders, were robust in the fourth quarter. As a result, the business generated orders of ¥45,068 million (up 16.7% year on year) and net sales of ¥37,934 million (up 2.2% year on year). In addition, with revitalized ordering in the fourth quarter, the order backlog grew substantially year on year to ¥17,442 million (up 69.1% year on year).

Development and construction: In the fourth quarter, network enhancement and system development projects, such as network construction for transportation and financial industry clients and electronic medical record system development for medical institutions, proceeded well. However, due to acceleration of the shift to cloud-based services (with development and construction work declining as projects shifted to the service business model), orders and net sales were both lower, at ¥14,039 million (down 8.5% year on year) and ¥13,840 million (down 4.6% year on year), respectively.

Service: Because of strengthening the lineup at TSF various cloud-based services, including cloud-based contact center services, performed well. As a result, orders and net sales were both up year on year at ¥43,382 million (up 5.7% year on year) and ¥42,121 million (up 3.5% year on year), respectively. Order backlog grew to ¥3,744 million (up 50.7% year on year) due to the increase in the order backlog for equipment, which was accompanied by an increase in ancillary maintenance services.

Profit rose year on year due to higher net sales, the increase in service business which had a high profit margin, and improved cost of sales for equipment orders, despite an increase in SG&A expenses due to the activation of sales activities

Electronic Devices

In the fiscal year ended March 31, 2023, the Electronic Devices segment booked orders of ¥32,198 million (down 9.4% year on year), net sales of ¥29,993 million (up 11.1% year on year), and operating income of ¥954 million (up 61.1% year on year). Net sales and operating income rose year on year despite a decline in orders year on year.

In the devices business, although advanced order placements and other arrangements by clients, which had continued from the previous fiscal year, declined to a degree, sales of semiconductors and other electronic components and power semiconductors for products related to energy saving were robust as the factory automation (FA), industrial equipment, and onboard automotive device markets remained active. As a result, although orders declined year on year, net sales grew significantly.

In the systems business, sales of SSDs for in-vehicle products and HDDs for consumer electronics declined due to production adjustments caused by semiconductor shortages and the end of sales of some products. On the other hand, demand for IT investment in industrial equipment was on the rise and sales of embedded devices and memory storage remained strong. In addition, LCD panels for in-vehicle devices recovered as semiconductor shortages were resolved. As a result, orders declined year on year, but net sales remained flat.

Profit rose year on year due to higher net sales, despite increased expenses related to the securing of personnel accompanying expansion in existing businesses and the establishment of new business models.

The following tables show sales and orders by segment for the fiscal year ending March, 2023.

Net sales (millions of yen)

	Year ended March 2022	Year ended March 2023		
			Versus previous year	
Information Network Solutions	92,319	93,905	1,586	101.7%
Equipment	37,127	37,943	816	102.2%
Development and construction	14,501	13,840	(660)	95.4%
Service	40,690	42,121	1,431	103.5%
Electronic Devices	26,996	29,993	2,996	111.1%
Total	119,316	123,899	4,582	103.8%

Note: Inter-segment transactions are offset and eliminated.

Orders (millions of yen)

	Year ended March 2022	Year ended March 2023		
			Versus previous year	
Information Network Solutions	95,008	102,490	7,481	107.9%
Equipment	38,620	45,068	6,448	116.7%
Development and construction	15,342	14,039	(1,303)	91.5%
Service	41,046	43,382	2,335	105.7%
Electronic Devices	35,550	32,198	(3,352)	90.6%
Total	130,559	134,688	4,128	103.2%

Note: Inter-segment transactions are offset and eliminated.

Order backlog (millions of yen)

	Year ended March 2022	Year ended March 2023		
			Versus previous year	
Information Network Solutions	17,274	25,858	8,584	149.7%
Equipment	10,318	17,442	7,124	169.1%
Development and construction	4,472	4,670	198	104.4%
Service	2,484	3,744	1,260	150.7%
Electronic Devices	16,436	18,641	2,204	113.4%
Total	33,710	44,499	10,789	132.0%

Note: Inter-segment transactions are offset and eliminated.

(2) Financial position

Assets totaled ¥83,207 million at the end of the year in review, up by ¥3,981 million from the end of the previous year. The main factor of increase was a ¥4,199 million increase in inventories.

Liabilities totaled ¥47,820 million at the end of the year, up by ¥1,794 million from the end of the previous year. The main factors behind the increase were a ¥3,958 million increase in Long-term borrowings and a ¥1,836 million increase in Notes and accounts payable - trade, while the main factor of decrease was a ¥4,150 million decrease in current portion of long-term borrowings.

Net assets totaled ¥35,387 million at the end of the year, up by ¥2,187 million from the end of the previous year, and the shareholders' equity ratio was 42.0% (41.5% at the end of the previous year). The main factors of increase was profit attributable to owners of parent of ¥3,521 million, while the main factor of decrease was a reduction in retained earnings of ¥932 million due to the payment of dividends from surplus.

(3) Cash flows

The Company recorded cash inflows of ¥4,263 million from operating activities, cash inflows of ¥39 million from investing activities, and cash outflows of ¥2,612 million from financing activities.

As a result, cash and cash equivalents increased by ¥1,714 million from the end of the previous year, to ¥20,845 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 ¥4,263 million (¥5,560 million in inflows in year ended March 2022, a decrease of 23.3%). Major cash inflows included income before income taxes and others of ¥5,579 million and depreciation of ¥2,124 million yen, while major cash outflows included a ¥4,188 million increase in inventories.

Compared with the previous fiscal year, net cash inflow provided by operating activities declined ¥1,297 million. This mainly reflected a ¥4,361 million increase in inventory assets (¥4,188 million yen increase in the fiscal year under review versus a ¥173 million decline in the previous fiscal year), which offset a ¥2,439 million increase in notes and accounts payable – trade (¥1,817 million increase in the fiscal year under review versus a ¥621 million decline in the previous fiscal year).

(Cash flows from investing activities)

Cash flows from investing activities came to ¥39 million (¥4 million in outflows year ended March 2022). Major cash inflows included ¥741 million for proceeds from sale of investment securities, while the major cash outflows included ¥807 million for purchase of intangible assets.

Compared with the previous fiscal year, net cash inflow provided by investing activities increased ¥44 million. This was mainly due to a ¥778 million decline in expenditures for the purchase of property, plant and equipment (¥283 million in the fiscal year under review versus ¥1,061 million in the previous fiscal year), which more than covered for a ¥642 million decline in proceeds from sales of property, plant and equipment (¥266 million in the fiscal year under review, versus ¥908 million in the previous fiscal year).

(Cash flows from financing activities)

Cash flows from financing activities came to ¥2,612 million (¥2,413 million in year ended March 2022, an increase of 8.2%). Major cash outflows included ¥4,291 million for repayments of long-term borrowings and ¥1,318 million repayments of finance lease liabilities, while the major cash inflows included ¥4,100 million for proceeds from long-term borrowings.

Compared with the previous fiscal year, net cash outflow used in financing activities increased ¥198 million. The main reason for the increase was a ¥4,130 million increase in repayment of long-term borrowings (¥4,291 million in the fiscal year under review versus ¥161 million in the previous fiscal year) and a ¥535 million decrease in short-term borrowings (¥323 million decline in the fiscal year under review versus a ¥211 million increase in the previous fiscal year), which offset a ¥4,100 million increase in proceeds from long-term borrowings (none in the previous fiscal year).

Reference: Cash flow related indicators

Year ended March	2020	2021	2022	2023
Shareholders' equity ratio (%)	38.4	40.6	41.5	42.0
Market value based shareholders' equity ratio (%)	24.8	38.2	33.1	33.7
Interest bearing debt to cash flow ratio (years)	1.7	17.1	2.3	2.6
Interest coverage ratio (x)	56.6	6.1	42.5	37.2

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

We expect to see a further increase in customers' willingness to invest in ICT amid the ongoing trend toward normalization of economic activity in Japan.

Digital transformation (DX) continues to be an important issue for companies, and to effectively capture such needs, we will implement the three-year medium-term plan, Transformation 2026, formulated based on the newly established long-term vision.

For the fiscal year ending March 31, 2024, we forecast net sales of ¥126,500 million (up 2.1% year on year), operating income of ¥5,300 million (up 3.6% year on year), ordinary income of ¥5,250 million (down 2.0% year on year), and profit attributable to owners of parent of ¥4,450 million (up 26.4% year on year).

The Company will promptly inform our stakeholders if material matters arise due to a change in circumstances or other factors.

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

The Company considers returning profits to shareholders as a management priority. Our basic policy is to continuously distribute profits twice a year in the form of interim and year-end dividends based on our business performance, and to enhance corporate and shareholder value by effectively utilizing retained earnings.

In the fiscal year under review, based on the target consolidated payout ratio of around 30%, we plan to pay a year-end dividend of ¥36.0 per share, which, combined with an interim dividend of ¥25.0 per share, would result in an annual dividend of ¥61.0 per share.

For the next fiscal year, we have decided to target a consolidated payout ratio of 40% and set the minimum DOE (dividend on equity ratio) at 3.5% to enhance profit distribution in line with business performance and ensure stable dividends. Note that profit attributable to owners of parent, which serves as the basis for calculating dividend payments, only includes profit resulting from business activities and excludes extraordinary gains and losses. Based on this, for the next fiscal year, we plan to pay an interim dividend of ¥38.0 per share and a year-end dividend of ¥38 per share, for an annual dividend of ¥76.0 per share.

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, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	19,162	20,877
Notes	380	120
Accounts receivable – trade	26,870	26,867
Electronically recorded monetary claims	4,645	4,383
Contract assets	862	878
Inventories	7,483	11,683
Income taxes receivable	–	14
Other	1,861	2,377
Allowance for doubtful accounts	(70)	(5)
Total current assets	61,195	67,196
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	2,145	2,122
Accumulated depreciation	(933)	(1,003)
Buildings and structures (net)	1,212	1,118
Machinery, equipment and vehicles	7	7
Accumulated depreciation	(6)	(6)
Machinery, equipment and vehicles (net)	1	1
Land	1,804	1,804
Lease assets	5,150	4,367
Accumulated depreciation	(3,330)	(3,260)
Lease assets (net)	1,820	1,106
Construction in progress	126	124
Other	1,177	1,217
Accumulated depreciation	(713)	(868)
Other (net)	463	349
Total property, plant and equipment	5,428	4,504
Intangible assets		
Goodwill	135	45
Lease assets	883	632
Other	2,053	1,933
Total intangible assets	3,072	2,610
Investments and other assets		
Investment securities	4,096	3,471
Long-term loans receivable	32	28
Deferred tax assets	4,204	4,265
Other	1,247	1,180
Allowance for doubtful accounts	(52)	(49)
Investments and other assets	9,528	8,896
Total noncurrent assets	18,030	16,011

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Total assets	79,226	83,207

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable – trade	15,307	17,144
Contract liabilities	1,976	2,780
Short-term loans payable	5,137	4,853
Current portion of long-term loans payable	4,291	141
Lease obligations	1,267	888
Income taxes payable	1,268	968
Provision for bonuses	2,303	2,513
Other	3,333	3,769
Total current liabilities	34,886	33,060
Noncurrent liabilities		
Long-term loans payable	152	4,111
Lease obligations	1,658	998
Deferred tax liabilities	7	7
Net defined benefit liability	8,531	8,826
Long-term accounts payable – other	29	28
Provision for share awards	629	637
Other	130	149
Total noncurrent liabilities	11,139	14,760
Total liabilities	46,026	47,820
Net assets		
Shareholders' equity		
Capital stock	9,812	9,812
Capital surplus	2,581	2,581
Retained earnings	23,018	25,607
Treasury stock	(2,257)	(1,979)
Total shareholders' equity	33,155	36,022
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,343	1,132
Deferred gains or losses on hedges	(37)	2
Foreign currency translation adjustment	145	193
Remeasurements of defined benefit plans	(1,760)	(2,405)
Total accumulated other comprehensive income	(307)	(1,076)
Noncontrolling interests	352	441
Total net assets	33,199	35,387
Total liabilities and net assets	79,226	83,207

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

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net sales	119,316	123,899
Cost of sales	96,804	99,720
Gross profit	22,511	24,178
Selling, general, and administrative expenses	18,498	19,060
Operating income	4,012	5,118
Non-operating income		
Interest income	8	5
Dividend income	104	98
Insurance income	59	42
Dividends income of insurance	74	73
Foreign exchange gains	43	56
Other	73	93
Total non-operating income	364	370
Non-operating expenses		
Interest expenses	130	114
Other	19	18
Total non-operating expenses	150	133
Ordinary income	4,227	5,355
Extraordinary income		
Gain on sales of investment securities	219	423
Total extraordinary income	219	423
Extraordinary loss		
Loss on retirement of noncurrent assets	3	172
Loss on sales of investment securities	2	3
Loss on valuation of investment securities	6	22
Other	5	—
Total extraordinary losses	16	198
Income before income taxes and others	4,430	5,579
Income taxes – current	1,436	1,545
Income taxes – deferred	17	299
Total income taxes	1,453	1,844
Profit	2,976	3,734
Profit attributable to noncontrolling interests	178	213
Profit attributable to owners of parent	2,798	3,521

(Consolidated statement of comprehensive income)

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit	2,976	3,734
Other comprehensive income		
Valuation difference on available for sale securities	(142)	(211)
Deferred gains or losses on hedges	(33)	39
Foreign currency translation adjustment	93	47
Remeasurements of defined benefit plans	(87)	(645)
Other comprehensive income	(170)	(769)
Comprehensive income	2,806	2,965
Breakdown		
Comprehensive income attributable to owners of parent	2,627	2,752
Comprehensive income attributable to noncontrolling interests	178	213

(3) Consolidated statement of changes in net assets
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
Net changes of items other than shareholders' equity					
Total changes during the year	—	—	1,791	214	2,006
Balance at end of the 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)

	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		
Disposal of treasury stock							215
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

Fiscal year ended March 31, 2023

(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	23,018	(2,257)	33,155
Cumulative effect of change in accounting policy					—
Balance at beginning of fiscal year reflecting change in accounting policy	9,812	2,581	23,018	(2,257)	33,155
Changes during the year					
Dividend from surplus			(932)		(932)
Profit attributable to owners of parent			3,521		3,521
Purchase of treasury stock				(5)	(5)
Disposal of treasury stock				283	283
Net changes of items other than shareholders' equity					
Total changes during the year	—	—	2,588	278	2,867
Balance at end of year	9,812	2,581	25,607	(1,979)	36,022

	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	1,343	(37)	145	(1,760)	(307)	352	33,199
Cumulative effect of change in accounting policy							—
Balance at beginning of fiscal year reflecting change in accounting policy	1,343	(37)	145	(1,760)	(307)	352	33,199
Changes during year							
Dividend of surplus							(932)
Profit attributable to owners of parent							3,521
Purchase of treasury stock							(5)
Disposal of treasury stock							283

	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		
Net changes of items other than shareholders' equity	(211)	39	47	(645)	(769)	89	(679)
Total changes during year	(211)	39	47	(645)	(769)	89	2,187
Balance at end of year	1,132	2	193	(2,405)	(1,076)	441	35,387

(4) Consolidated statement of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities		
Income before income taxes and others	4,430	5,579
Depreciation and amortization	2,531	2,124
Goodwill amortization	90	90
Increase (decrease) in provision for doubtful accounts	(36)	(68)
Increase (decrease) in provision for bonuses	(111)	209
Increase (decrease) in net defined benefit liability	531	(633)
Increase (decrease) in provision for share awards	81	7
Interest and dividend income	(113)	(104)
Interest expenses	130	114
Loss (gain) on sale of investment securities	(217)	(419)
Loss (gain) on valuation of investment securities	6	22
Loss on disposal of noncurrent assets	3	172
Other non-operating loss (gain)	(180)	(176)
Decrease (increase) in trade receivables	(860)	587
Decrease (increase) in inventories	173	(4,188)
Decrease (increase) in other assets	(445)	(444)
Increase (decrease) in notes and accounts payable – trade	(621)	1,817
Increase (decrease) in accrued consumption taxes	(354)	113
Increase (decrease) in other liabilities	750	1,144
Subtotal	5,789	5,947
Interest and dividends received	113	104
Interest paid	(130)	(114)
Other	180	176
Income taxes paid	(619)	(1,855)
Refund of income taxes	226	4
Cash flows from operating activities	5,560	4,263

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from investing activities		
Outflows from transfers to time deposits	(17)	(0)
Proceeds from withdrawal of time deposits	5	—
Purchase of property, plant and equipment	(1,061)	(283)
Proceeds from sale of property, plant and equipment	908	266
Purchase of intangible assets	(812)	(807)
Proceeds from sale of intangible assets	290	52
Purchase of investment securities	(98)	(24)
Proceeds from sale of investment securities	765	741
Outflows from payment of loans receivable	(2)	—
Proceeds from collection of loans receivable	4	4
Other	14	88
Cash flows from investing activities	(4)	39
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	211	(323)
Proceeds from long-term borrowings	—	4,100
Repayment of long-term borrowings	(161)	(4,291)
Repayment of lease obligations	(1,609)	(1,318)
Acquisition of treasury stock	(0)	(5)
Proceeds from disposal of treasury stock	215	283
Dividend payments	(1,006)	(932)
Dividends paid to noncontrolling interests	(62)	(124)
Cash flows from financing activities	(2,413)	(2,612)
Effect of exchange rate changes on cash and cash equivalents	61	24
Net increase (decrease) in cash and cash equivalents	3,202	1,714
Cash and cash equivalents at beginning of the period	15,927	19,130
Cash and cash equivalents at end of the period	19,130	20,845

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

(Changes in accounting policies)

(Application of Accounting Standard for Fair Value Measurement)

The Company applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 31, June 17, 2021, “fair value standard” below) from the start of the first quarter. In accordance with the transitional treatment prescribed in paragraph 27-2 of the fair value standard, 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 ¥195 million yen and 121,000 respectively for the year ended March 2022, and ¥21 million yen and 13,300 respectively for the year ended March 2023.

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

¥266 million in the year ended March 2022, and ¥133 million in the year ended March 2023.

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 ¥421 million and 346,034 respectively in the previous fiscal year and ¥353 million and 290,547 in the year under review. The book value of treasury stock and number of shares held by the Stock-grant ESOP trust were ¥463 million and 458,056 respectively in the previous fiscal year and ¥427 million and 420,865 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.

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

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 income statements.

Fiscal year ended March 2023

(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	93,905	29,993	123,899	—	123,899
Intersegment sales and transfers	24	173	197	(197)	—
Total	93,930	30,166	124,096	(197)	123,899
Segment profit	4,155	954	5,109	8	5,118
Segment assets	64,719	21,860	86,579	(3,372)	83,207
Segment liabilities	41,944	8,967	50,912	(3,091)	47,820
Other					
Depreciation	2,097	27	2,124	—	2,124
Goodwill amortization	90	—	90	—	90
Increase in tangible and intangible fixed assets	1,266	28	1,294	—	1,294

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 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 net sales in the consolidated statement of income.

Fiscal year ended March 2023

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, 2021, to March 31, 2022)

Not applicable

Fiscal year under review (April 1, 2022, to March 31, 2023)

Not applicable

Information on amortization of goodwill and unamortized balance by reportable segment

Fiscal year ended March 2022

(Millions of yen)

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

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

Fiscal year ended March 2023

(Millions of yen)

	Reporting segment			Adjustments	Total Information Network Solutions
	Information Network Solutions	Electronic Devices	Total		
Balance at end of year	45	—	45	—	45

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, 2021, to March 31, 2022)

Not applicable

Fiscal year under review (April 1, 2022, to March 31, 2023)

Not applicable

(Per share information)

Fiscal year ended March 2022		Fiscal year ended March 2023	
Net assets per share (yen)	1,853.68	Net assets per share (yen)	1950.05
Basic earnings per share (yen)	158.47	Basic earnings per share (yen)	197.48
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 121,000 shares held in the Employee Stock Ownership Plan (ESOP) trust account in the year ended March 2022, and 13,300 shares in the year ended March 2023; 346,034 shares in the Directors' Compensation BIP trust account in the year ended March 2022 and 290,547 shares in the year ended March 2023; and 458,056 shares held in the Stock-grant ESOP trust account in the year ended March 2022 and 420,865 shares in the year ended March 2023.

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 162,192 shares in the year ended March, 2022 and 63,208 shares in the year ended March 2023 in the Employee Stock Ownership Plan (ESOP) trust account; 355,751 shares in the year ended March 2022 and 311,721 shares in the year ended March 2023 in the Directors' Compensation BIP trust account; and 471,152 shares in the year ended March 2022 and 439,727 shares in the year ended March 2023 in the Stock-grant ESOP trust account.

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

	Fiscal year ended March 2022	Fiscal year ended March 2023
Profit attributable to owners of parent (millions of yen)	2,798	3,521
Amounts not attributable to ordinary shareholders (millions of yen)	—	—
Profit attributable to owners of parent (millions of yen) related to common stock	2,798	3,521
Average number of shares (thousands)	17,656	17,830

(Major subsequent events)

Not applicable.