



Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (JGAAP)

May 13, 2024

Company name: Tsuzuki Denki Co., Ltd. Listing Stock Exchange: Tokyo
 Stock code: 8157 URL: <https://www.tsuzuki.co.jp/>
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Scheduled date of general shareholders' meeting: June 25, 2024
 Scheduled date for dividend payment: June 25, 2024
 Scheduled date for filing consolidated financial statements: June 6, 2024
 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, 2024 (April 1, 2023, to March 31, 2024)

(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, 2024	124,856	0.8%	6,439	25.8%	6,486	21.1%	5,477	55.6%
Year ended March 31, 2023	123,899	3.8%	5,118	27.6%	5,355	26.7%	3,521	25.8%

Note: Comprehensive income was 6,895 million yen (+132.5%) in year ended March 31, 2024; 2,965 million yen (+5.7%) in year ended March 31, 2023.

	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, 2024	304.75	—	14.5%	7.9%	5.2%
Year ended March 31, 2023	197.48	—	10.4%	6.6%	4.1%

Reference: Equity in earnings affiliates in year ended March 31, 2024, nil; in year ended March 31, 2023, 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, 2024	81,066	40,864	49.8%	2,241.85
Year ended March 31, 2023	83,207	35,387	42.0%	1,950.05

Reference: Shareholders' equity in year ended March 31, 2024, 40,401 million yen; in year ended March 31, 2023, 34,945 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, 2024	4,954	15,466	(2,613)	38,684
Year ended March 31, 2023	4,263	39	(2,612)	20,845

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, 2023	—	25.00	—	36.00	61.00	1,137	30.9%	3.2%
Year ended March 31, 2024	—	38.00	—	52.00	90.00	1,684	29.5%	4.3%
Year ended March 31, 2025	—	45.00	—	46.00	91.00		40.0%	

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. The dividend payout ratio for the fiscal year under review was 29.5%. For details of the expected dividend for the year ended March 31, 2025 please refer to attachment page12“(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 31, 2025 (April 1, 2024 to March 31, 2025)

% 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	103,000	(17.5%)	6,250	(2.9%)	6,250	(3.7%)	4,100	(25.1%)	227.51

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:

Yes

Newly added ___ companies (names)

No longer consolidated 1 company (name) TSUZUKI EMBEDDED SOLUTIONS CO., LTD.

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

1. Changes in accounting policies due to changes in accounting standards: None

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, 2024	20,177,894	Year ended March 31, 2023	22,177,894
2. Number of shares at year end (treasury stock)	Year ended March 31, 2024	2,156,334	Year ended March 31, 2023	2,257,664
3. Average number of shares over the period	Year ended March 31, 2024	17,973,054	Year ended March 31, 2023	17,830,371

Note: The number of treasury shares includes those held in the Employee Stock Ownership Plan (ESOP) trust account (0 in year ended March, 2024; 13,300 in year ended March 2023), Directors' Compensation Board Incentive Plan (BIP) trust account (420,447 in year ended March 2024; 290,547 in year ended March 2023) and Stock-grant ESOP trust account (332,632 in year ended March 2024; 420,865 in year ended March 2023).

(Reference) Overview of Non-consolidated Financial Results

1. Non-consolidated financial results for the fiscal year ended March 31, 2024

(April 1, 2023, to March 31, 2024)

(1)

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

	Net sales		Operating income		Ordinary income		Profit	
Year ended March 31, 2024	85,990	4.1%	4,563	53.8	6,846	67.9%	16,967	435.6%
Year ended March 31, 2023	82,590	(9.3%)	2,966	24.7	4,077	31.0%	3,168	38.9%
	Earnings per share (yen)		Diluted earnings per share (yen)					
Year ended March 31, 2024	944.06		—					
Year ended March 31, 2023	177.68		—					

(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, 2024	70,007	38,782	55.4%	2,151.98
Year ended March 31, 2023	54,539	22,333	40.9%	1,246.27

Reference: Shareholders' equity was 38,782 million yen in year ended March 31, 2024; 22,333 million yen in year ended March 31, 2023.

*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 Wednesday, May 22, 2024. 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 second half of the fiscal year ending March 2024, the Japanese economy showed signs of a gradual recovery as economic and social activities began to return to normal. However, the risk of a downturn in overseas economies due to global monetary tightening and other factors exerted downward pressure on Japan's economy. This, combined with the effects of rising prices, supply-side constraints, and fluctuations in financial and capital markets, among other issues, rendered the outlook uncertain.

In the information and communications services industry, to which the Group belongs, companies' appetite for investment remained strong, mainly for the maintenance and renewal of aging facilities, which had been restrained by the pandemic. The trend of expanding ICT capital investment continued, including the promotion of digital transformation (DX), which has become increasingly important in recent years. As for the electronic device industry, while the supply-demand balance for semiconductors was moving toward normalization, there was a slowdown in market growth due to uncertainty about the future, including a decline in personal consumption due to rising global prices and geopolitical risks associated with the prolonged Russia-Ukraine conflict.

Under these circumstances, the Group established a long-term vision spanning 10 years from the current fiscal year, and we are currently in the middle of a three-year medium-term management plan, "Transformation 2026," toward achieving the long-term vision. In 10 years' time, we envision ourselves to be Growth Navigator, an organization that navigates growth and creates together with stakeholders, including customers. We aim to be a company that continues to be chosen by customers as an organization that leads the way for growth. Having positioned the next three years as the first stage toward realizing this goal, we will concentrate and transfer resources to growth areas and strive to bolster our earnings capability. Further, to enhance corporate value, the most important theme for the Group, we will promote integrated measures spanning all aspects of business, finance, and non-finance, including management mindful of the cost of capital and strengthening of personnel capital. Based on this strategy, the Company decided to transfer all shares of four Group companies engaged in business in the Electronic Devices segment to Restar Holdings Corporation on January 9, 2024. Going forward, we will concentrate our management resources on the Information Network Solutions segment, which operates in growth areas, to achieve sustainable growth and further enhancement of the Group's corporate value.

In the fiscal year ended March 31, 2024, the first year of the current medium-term management plan, net sales amounted to ¥124,856 million (up 0.8% year on year), operating income was ¥6,439 million (up 25.8% year on year), ordinary income totaled ¥6,486 million (up 21.1% year on year), and profit attributable to owners of parent was ¥5,477 million (up 55.6% year on year).

In the Information Network Solutions segment, orders declined year on year due to the falloff of large projects in the equipment and service businesses. However, sales grew thanks to robust PC sales and network construction projects, as well as contributions from expanded services in the "six growth areas," including cloud-based contact center and cloud communication areas. Profit hit a record high for the second fiscal year in a row. This rise was primarily due to the substantial sales growth and improved cost of sales ratio attributed to thorough pricing and project management, partially offset by an increase in SG&A expenses due to enhanced investment in human capital, such as personnel development, and expenses for an in-house system overhaul.

In the Electronic Devices segment, the Company sold its shares in Tsuzuki Embedded Solutions Co., Ltd. and three other subsidiaries that were in charge of operating the segment to Restar Holdings Corporation on January 9, 2024, excluding them from the scope of consolidation from the fourth quarter of the fiscal year under review. Orders came to ¥19,474 million (down 39.5% year on year), net sales totaled ¥22,333 million (down 25.5% year on year), and operating income was ¥487 million (down 48.9% year on year).

In the second quarter, for the purposes of effective utilization of management resources and improvement of asset efficiency, the Company transferred fixed assets held by our company and a consolidated subsidiary. As a result of this transfer, profit attributable to owners of parent increased significantly year-on-year.

The following section discusses earnings by segment in the third quarter.

*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, 2024, orders were ¥94,560 million (down 7.7% year on year), net sales totaled ¥102,523 million (up 9.2% year on year), and operating income was ¥5,925 million (up 42.6% year on year). While orders declined compared to the previous fiscal year, net sales and operating income grew year on year.

Results by business model

Equipment: Orders dropped year on year in reaction to an increase in large projects in the same period of the previous year. Sales were affected by the same factor. However, the introduction of PCs and network equipment has progressed for customers across a wide range of industries, including public institutions, manufacturing, and logistics and retail sectors. As a result, orders were ¥38,051 million (down 15.6% year on year) and sales were ¥44,925 million (up 18.4% year on year).

Development and construction: Orders fell year on year, due to a slight decline in large development and construction projects compared with the same period of the previous fiscal year. Meanwhile, sales benefited from growth in network and infrastructure construction projects as well as small and medium-sized system development projects. As a result, orders were ¥13,599 million (down 3.1% year on year), and sales were ¥14,786 million (up 6.8% year on year).

Service: Orders declined slightly due to the expiration of major operations service contracts for some customers in the first quarter of the fiscal year under review. However, sales were buoyed by increased monthly service fees, including cloud usage fees, software maintenance fees, and equipment maintenance fees, backed by growth in the equipment and the development and construction businesses. Services in the “six growth areas,” including cloud-based contact center services and cloud communication services, also expanded. As a result, orders were ¥42,909 million (down 1.1% year on year), and sales were ¥42,811 million (up 1.6% year on year).

Profit rose year on year. This rise was primarily due to the substantial sales growth, an improved cost of sales ratio attributed to thorough pricing and project management, and an expansion of high-margin services, including the “six growth areas,” partially offset by an increase in SG&A expenses due to enhanced investment in human capital, such as personnel development, and expenses for an in-house system overhaul.

Electronic Devices

(Reiteration of the previous page) In the Electronic Devices segment, the Company sold its shares in Tsuzuki Embedded Solutions Co., Ltd. and three other subsidiaries that were in charge of operating the segment to Restar Holdings Corporation on January 9, 2024, excluding them from the scope of consolidation from the fourth quarter of the fiscal year under review. Orders came to ¥19,474 million (down 39.5% year on year), net sales totaled ¥22,333 million (down 25.5% year on year), and operating income was ¥487 million (down 48.9% year on year).

The following tables show sales and orders by segment for the fiscal year ending March, 2024.

Net sales (millions of yen)

	Year ended March 2023	Year ended March 2024		
			Versus previous year	
Information Network Solutions	93,905	102,523	8,617	109.2%
Equipment	37,943	44,925	6,981	118.4%
Development and construction	13,840	14,786	946	106.8%
Service	42,121	42,811	689	101.6%
Electronic Devices	29,993	22,333	(7,660)	74.5%
Total	123,899	124,856	957	100.8%

Note: Inter-segment transactions are offset and eliminated.

Orders (millions of yen)

	Year ended March 2023	Year ended March 2024		
			Versus previous year	
Information Network Solutions	102,490	94,560	(7,929)	92.3%
Equipment	45,068	38,051	(7,017)	84.4%
Development and construction	14,039	13,599	(439)	96.9%
Service	43,382	42,909	(472)	98.9%
Electronic Devices	32,198	19,474	(12,723)	60.5%
Total	134,688	114,035	(20,652)	84.7%

Note: Inter-segment transactions are offset and eliminated.

Order backlog (millions of yen)

	Year ended March 2023	Year ended March 2024		
			Versus previous year	
Information Network Solutions	25,858	17,895	(7,963)	69.2%
Equipment	17,442	10,568	(6,874)	60.6%
Development and construction	4,670	3,484	(1,186)	74.6%
Service	3,744	3,842	97	102.6%
Electronic Devices	18,641	—	(18,641)	—%
Total	44,499	17,895	(26,604)	40.2%

Note: 1. Inter-segment transactions are offset and eliminated.

2. In January 9, 2024, the company had transferred all of the outstanding shares in its consolidated subsidiaries of the Electronic Devices business segment to the corporate group consisting of Restar Holdings Corporation.

(2) Financial position

Assets totaled ¥81,066 million at the end of the year in review, down by ¥2,140 million from the end of the previous year. The main factors of decrease were a ¥8,034 million decrease in inventories and a ¥6,606 million decrease in accounts receivable and a ¥3,841 million decrease in electronically recorded monetary claims and a ¥1,588 million decrease in Land, while the main factor of increase was a ¥17,818 million increase in cash and deposits.

Liabilities totaled ¥40,202 million at the end of the year, down by ¥7,618 million from the end of the previous year. The main factors of the decrease were a ¥5,507 million decrease in notes and accounts payable – trade and a ¥3,263 million decrease in net defined benefit liability.

Net assets totaled ¥40,864 million at the end of the year, up by ¥5,477 million from the end of the previous year, and the shareholders' equity ratio was 49.8% (42.0% at the end of the previous year). The main factors of increase was profit attributable to owners of parent of ¥5,477 million, while the main factor of decrease was a reduction in retained earnings of ¥1,379 million due to the payment of dividends from surplus.

(3) Cash flows

The Company recorded cash inflows of ¥4,954 million from operating activities, cash inflows of ¥15,466 million from investing activities, and cash outflows of ¥2,613 million from financing activities.

As a result, cash and cash equivalents increased by ¥17,839 million from the end of the previous year, to ¥38,684 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 ¥4,954 million (¥4,263 million in inflows in year ended March 2023, a increase of 16.2%). Major cash inflows included income before income taxes and others of ¥8,415 million, while major cash outflows included a ¥4,134 million decrease in net defined benefit liability and assets.

Compared with the previous fiscal year, net cash inflow provided by operating activities increased ¥691 million. This mainly reflected a ¥6,521 million decrease in inventory assets (¥2,333 million yen decrease in the fiscal year under review versus a ¥4,188 million increase in the previous fiscal year), which offset a ¥3,500 million decrease in net defined benefit liability and assets (¥4,134 million decrease in the fiscal year under review versus a ¥633 million decline in the previous fiscal year) and a ¥1,854 million increase gain on sale of non-current assets (none in the previous fiscal year).

(Cash flows from investing activities)

Cash flows from investing activities came to ¥15,466 million (¥39 million in inflows year ended March 2023). Major cash inflows included ¥8,542 million for proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation, ¥3,934 million for proceeds from sales of property, plant and equipment, and ¥3,006 million for proceeds from refund of loans.

Compared with the previous fiscal year, net cash inflow provided by investing activities increased ¥15,426 million. This mainly reflected a ¥8,542 million increase for proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation (none in the previous fiscal year), ¥3,668 million increase for proceeds from sales of property, plant and equipment (¥266 million in inflows year ended March 2023 versus ¥3,934 million in inflows year ended March 2024), and ¥3,002 million increase for proceeds from collection of loans (¥4 million in inflows year ended March 2023 versus ¥3,006 million in inflows year ended March 2024).

(Cash flows from financing activities)

Cash flows from financing activities came to ¥2,613 million (¥2,612 million in year ended March 2023, an increase of 0.0%). Major cash outflows included ¥1,379 million payments of dividends and ¥939 million repayments of finance lease liabilities.

Compared with the previous fiscal year, net cash outflow used in financing activities increased ¥0 million. The main reason for the increase was a ¥4,100 million decrease in inflows of long-term borrowings (¥0 million in the fiscal year under review versus ¥4,100 million in the previous fiscal year) and a ¥447 million increase in payments of dividends (¥1,379 million in the fiscal year under review versus a ¥932 million in the previous fiscal year), which offset a ¥4,150 million decrease in cash outflows from long-term borrowings (¥4,291 million in outflows year ended March 2023 versus ¥140 million in outflows year ended March 2024).

Reference: Cash flow related indicators

Year ended March	2021	2022	2023	2024
Shareholders' equity ratio (%)	40.6	41.5	42.0	49.8
Market value based shareholders' equity ratio (%)	38.2	33.1	33.7	51.9
Interest bearing debt to cash flow ratio (years)	17.1	2.3	2.6	2.1
Interest coverage ratio (x)	6.1	42.5	37.2	54.5

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

Due to the sale of shares in four subsidiaries that operated the Electronic Devices segment on January 9, 2024, the Company now has a single reportable segment, Information Network Solutions. We will steadily work to "shift resources to growth areas," a theme for the current medium-term management plan, to expand the Information Network Solutions business and improve profitability with the aim of further enhancing corporate value.

For the consolidated fiscal year ending March 31, 2025, we forecast net sales of ¥103,000 million (down 17.5% year on year), operating income of ¥6,250 million (down 2.9% year on year), ordinary income of ¥6,250 million (down 3.7% year on year), and profit attributable to owners of parent of ¥4,100 million (down 25.1% year on year). We expect net sales to decline year on year due to the exclusion of the four subsidiaries that operated the Electronic Devices segment from the scope of consolidation. Meanwhile, we anticipate profit to stay on par with the level of the consolidated fiscal year ended March 31, 2024, owing to measures to boost the "six growth areas" and efforts to bolster pricing management to improve the profitability of existing businesses.

We will promptly announce any matters resulting from changes in the circumstances that require public

disclosure.

	FY03/24 results	FY03/25 forecast	Change (YoY)
Net sales	124,856	103,000	(17.5%)
Information Network Solutions	102,523	103,000	0.5%
Electronic Devices	22,333	—	—
Operating income	6,439	6,250	(2.9%)
Information Network Solutions	5,925	6,250	5.5%
Electronic Devices	487	—	—
Adjustments	27	—	—
Operating margin	5.2%	6.1%	0.9pt
Information Network Solutions	5.8%	6.1%	0.3pt
Electronic Devices	2.2%	—	—
Ordinary income	6,486	6,250	(3.7%)
Ordinary profit margin	5.2%	6.1%	0.9pt
Profit attributable to owners of parent	5,477	4,100	(25.1%)
Margin of profit attributable to owners of parent	4.4%	4.0%	(0.4pt)

(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 medium-term management plan that commenced in the fiscal year ended March 31, 2024, we revised the dividend policy to pay dividends based on “a target consolidated payout ratio of 40% and a minimum DOE (dividend on equity) of 3.5%,” in accordance with a financial strategy that considers cost of capital, in the aim of fortifying shareholder returns. In this disclosure, the dividend payout ratio for the fiscal year under review was 29.5%. It was because dividends are calculated using profit generated through business activities, excluding extraordinary gains or losses.

For the fiscal year ended March 31, 2024, based on the above policy, we decided to pay a year-end dividend per share of ¥52 (an annual dividend of ¥90, combined with an interim dividend of ¥38).

For the fiscal year ending March 31, 2025, we expect to pay an interim dividend per share of ¥45 and a year-end dividend of ¥46, for an annual dividend of ¥91.

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, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	20,877	38,696
Notes	120	110
Accounts receivable – trade	26,867	20,261
Electronically recorded monetary claims	4,383	541
Contract assets	878	667
Inventories	11,683	3,649
Income taxes receivable	14	–
Other	2,377	2,005
Allowance for doubtful accounts	(5)	(2)
Total current assets	67,196	65,929
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	2,122	1,580
Accumulated depreciation	(1,003)	(706)
Buildings and structures (net)	1,118	874
Machinery, equipment and vehicles	7	7
Accumulated depreciation	(6)	(6)
Machinery, equipment and vehicles (net)	1	1
Land	1,804	215
Lease assets	4,367	2,343
Accumulated depreciation	(3,260)	(1,634)
Lease assets (net)	1,106	708
Construction in progress	124	17
Other	1,217	1,235
Accumulated depreciation	(868)	(865)
Other (net)	349	369
Total property, plant and equipment	4,504	2,187
Intangible assets		
Goodwill	45	–
Lease assets	632	521
Other	1,933	1,765
Total intangible assets	2,610	2,286
Investments and other assets		
Investment securities	3,471	4,092
Long-term loans receivable	28	20
Retirement benefit asset	–	2,221
Deferred tax assets	4,265	3,450
Other	1,180	917
Allowance for doubtful accounts	(49)	(39)
Investments and other assets	8,896	10,663

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Total noncurrent assets	16,011	15,137
Total assets	83,207	81,066

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable – trade	17,144	11,637
Contract liabilities	2,780	2,251
Short-term loans payable	4,853	4,747
Current portion of long-term loans payable	141	7
Lease obligations	888	605
Income taxes payable	968	1,726
Provision for bonuses	2,513	2,416
Other	3,769	5,070
Total current liabilities	33,060	28,462
Noncurrent liabilities		
Long-term loans payable	4,111	4,104
Lease obligations	998	726
Deferred tax liabilities	7	—
Net defined benefit liability	8,826	5,563
Long-term accounts payable – other	28	535
Provision for share awards	637	617
Other	149	192
Total noncurrent liabilities	14,760	11,739
Total liabilities	47,820	40,202
Net assets		
Shareholders' equity		
Capital stock	9,812	9,812
Capital surplus	2,581	2,756
Retained earnings	25,607	29,705
Treasury stock	(1,979)	(2,043)
Total shareholders' equity	36,022	40,230
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,132	1,944
Deferred gains or losses on hedges	2	—
Foreign currency translation adjustment	193	—
Remeasurements of defined benefit plans	(2,405)	(1,773)
Total accumulated other comprehensive income	(1,076)	171
Noncontrolling interests	441	462
Total net assets	35,387	40,864
Total liabilities and net assets	83,207	81,066

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

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Net sales	123,899	124,856
Cost of sales	99,720	99,548
Gross profit	24,178	25,308
Selling, general, and administrative expenses	19,060	18,868
Operating income	5,118	6,439
Non-operating income		
Interest income	5	11
Dividend income	98	90
Insurance income	42	3
Dividends income of insurance	73	10
Foreign exchange gains	56	27
Other	93	61
Total non-operating income	370	203
Non-operating expenses		
Interest expenses	114	90
Loss on termination	—	17
Facility move out expenses	—	34
Other	18	14
Total non-operating expenses	133	157
Ordinary income	5,355	6,486
Extraordinary income		
Gain on sale of non-current assets	—	1,854
Gain on sales of investment securities	423	545
Gain on sale of shares of subsidiaries and associates	—	39
Gain on sales of golf club membership	—	0
Gain on redemption of golf memberships	—	4
Total extraordinary income	423	2,443
Extraordinary loss		
Loss on retirement of noncurrent assets	172	455
Loss on sales of investment securities	3	—
Loss on valuation of investment securities	22	—
Loss on termination of retirement benefit plan	—	57
Loss on valuation of golf club membership	—	1
Total extraordinary losses	198	514
Income before income taxes and others	5,579	8,415
Income taxes – current	1,545	2,923
Income taxes – deferred	299	(155)
Total income taxes	1,844	2,768
Profit	3,734	5,647
Profit attributable to noncontrolling interests	213	170

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Profit attributable to owners of parent	3,521	5,477

(Consolidated statement of comprehensive income)

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Profit	3,734	5,647
Other comprehensive income		
Valuation difference on available for sale securities	(211)	811
Deferred gains or losses on hedges	39	(2)
Foreign currency translation adjustment	47	(193)
Remeasurements of defined benefit plans	(645)	632
Other comprehensive income	(769)	1,248
Comprehensive income	2,965	6,895
Breakdown		
Comprehensive income attributable to owners of parent	2,752	6,725
Comprehensive income attributable to noncontrolling interests	213	170

(3) Consolidated statement of changes in net assets
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
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 the 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
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
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

Fiscal year ended March 31, 2024

(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	25,607	(1,979)	36,022
Changes during the year					
Dividend from surplus			(1,379)		(1,379)
Profit attributable to owners of parent			5,477		5,477
Purchase of treasury stock				(275)	(275)
Disposal of treasury stock		174		210	385
Net changes of items other than shareholders' equity					
Total changes during the year	—	174	4,097	(64)	4,208
Balance at end of year	9,812	2,756	29,705	(2,043)	40,230

	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	1,132	2	193	(2,405)	(1,076)	441	35,387
Changes during year							
Dividend of surplus							(1,379)
Profit attributable to owners of parent							5,477
Purchase of treasury stock							(275)
Disposal of treasury stock							385
Net changes of items other than shareholders' equity	811	(2)	(193)	632	1,248	21	1,269
Total changes during year	811	(2)	(193)	632	1,248	21	5,477
Balance at end of year	1,944	—	—	(1,773)	171	462	40,864

(4) Consolidated statement of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Cash flows from operating activities		
Income before income taxes and others	5,579	8,415
Depreciation and amortization	2,124	1,576
Goodwill amortization	90	45
Increase (decrease) in provision for doubtful accounts	(68)	(10)
Increase (decrease) in provision for bonuses	209	(17)
Increase decrease in net defined benefit liability and asset	(633)	(4,134)
Increase (decrease) in provision for share awards	7	(20)
Interest and dividend income	(104)	(102)
Interest expenses	114	90
Loss (gain) on sale of non-current assets	—	(1,854)
Loss (gain) on sale of investment securities	(419)	(545)
Loss (gain) on valuation of investment securities	22	—
Gain on sale of shares of subsidiaries and associates	—	(39)
Loss on disposal of noncurrent assets	172	455
Loss on termination of retirement benefit system	—	57
Other non-operating loss (gain)	(176)	(2)
Decrease (increase) in trade receivables	587	(476)
Decrease (increase) in inventories	(4,188)	2,333
Decrease (increase) in other assets	(444)	(47)
Increase (decrease) in notes and accounts payable – trade	1,817	(1,305)
Increase (decrease) in accrued consumption taxes	113	935
Increase (decrease) in long-term accounts payable - other	—	506
Increase (decrease) in other liabilities	1,144	1,025
Subtotal	5,947	6,885
Interest and dividends received	104	102
Interest paid	(114)	(90)
Other	176	2
Income taxes paid	(1,855)	(1,979)
Refund of income taxes	4	33
Cash flows from operating activities	4,263	4,954

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Cash flows from investing activities		
Outflows from transfers to time deposits	(0)	—
Purchase of property, plant and equipment	(283)	(424)
Proceeds from sale of property, plant and equipment	266	3,934
Purchase of intangible assets	(807)	(522)
Proceeds from sale of intangible assets	52	158
Purchase of investment securities	(24)	(162)
Proceeds from sale of investment securities	741	1,249
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	—	8,542
Proceeds from collection of loans receivable	4	3,006
Other	88	(317)
Cash flows from investing activities	39	15,466
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(323)	(114)
Proceeds from long-term borrowings	4,100	—
Repayment of long-term borrowings	(4,291)	(140)
Repayment of lease obligations	(1,318)	(939)
Acquisition of treasury stock	(5)	(275)
Proceeds from disposal of treasury stock	283	385
Dividend payments	(932)	(1,379)
Dividends paid to noncontrolling interests	(124)	(149)
Cash flows from financing activities	(2,612)	(2,613)
Effect of exchange rate changes on cash and cash equivalents	24	31
Net increase (decrease) in cash and cash equivalents	1,714	17,839
Cash and cash equivalents at beginning of the period	19,130	20,845
Cash and cash equivalents at end of the period	20,845	38,684

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

(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.

This system has ended in May 2023.

(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 ¥21 million yen and 13,300 respectively for the year ended March 2023.

(3) Book value of borrowings applying the gross value method
¥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 ¥353 million and 290,547 respectively in the previous fiscal year and ¥628 million and 420,447 in the year under review. The book value of treasury stock and number of shares held by the Stock-grant ESOP trust were ¥427 million and 420,865 respectively in the previous fiscal year and ¥337 million and 332,632 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.

For the Electronic Devices segment, the Company sold its shares in Tsuzuki Embedded Solutions Co., Ltd. and three other subsidiaries that were in charge of operating the segment to Restar Holdings Corporation on January 9, 2024. As a result of this sale, the four subsidiaries were excluded from the scope of consolidation from the fourth quarter of the fiscal year under review.

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 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 income statements.

Fiscal year ended March 2024

(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	102,523	22,333	124,856	—	124,856
Intersegment sales and transfers	24	93	118	(118)	—
Total	102,548	22,427	124,975	(118)	124,856
Segment profit	5,925	487	6,412	27	6,439
Segment assets	81,066	—	81,066	—	81,066
Segment liabilities	40,202	—	40,202	—	40,202
Other					
Depreciation	1,557	18	1,576	—	1,576
Goodwill amortization	45	—	45	—	45
Increase in tangible and intangible fixed assets	945	2	947	—	947

Notes:

1 Adjustments to segment profit are elimination of intersegment transactions.

2 Segment profit is adjusted with operating income in the consolidated statement of income.

Related information

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 net sales in the consolidated statement of income.

Fiscal year ended March 2024

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, 2022, to March 31, 2023)

Not applicable

Fiscal year under review (April 1, 2023, to March 31, 2024)

Not applicable

Information on amortization of goodwill and unamortized balance by reportable segment

Fiscal year ended March 2023

(Millions of yen)

	Reporting segment			Adjustments	Total
	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.

Fiscal year ended March 2024

(Millions of yen)

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

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, 2022, to March 31, 2023)

Not applicable

Fiscal year under review (April 1, 2023, to March 31, 2024)

Not applicable

(Per share information)

Fiscal year ended March 2023		Fiscal year ended March 2024	
Net assets per share (yen)	1,950.05	Net assets per share (yen)	2,241.85
Basic earnings per share (yen)	197.48	Basic earnings per share (yen)	304.75
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 13,300 shares held in the Employee Stock Ownership Plan (ESOP) trust account in the year ended March 2023, and 0 shares in the year ended March 2024; 290,547 shares in the Directors' Compensation BIP trust account in the year ended March 2023 and 420,447 shares in the year ended March 2024; and 420,865 shares held in the Stock-grant ESOP trust account in the year ended March 2023 and 332,632 shares in the year ended March 2024.

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 63,208 shares in the year ended March, 2023 and 1,608 shares in the year ended March 2024 in the Employee Stock Ownership Plan (ESOP) trust account; 311,721 shares in the year ended March 2023 and 333,847 shares in the year ended March 2023 in the Directors' Compensation BIP trust account; and 439,727 shares in the year ended March 2023 and 379,647 shares in the year ended March 2024 in the Stock-grant ESOP trust account.

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

	Fiscal year ended March 2023	Fiscal year ended March 2024
Profit attributable to owners of parent (millions of yen)	3,521	5,477
Amounts not attributable to ordinary shareholders (millions of yen)	—	—
Profit attributable to owners of parent (millions of yen) related to common stock	3,521	5,477
Average number of shares (thousands)	17,830	17,973

(Major subsequent events)

Not applicable.