



Consolidated Financial Results for the Fiscal Year Ended March 31, 2021 (JGAAP)

May 14, 2021

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 25, 2021
 Scheduled date for dividend payment: June 7, 2021
 Scheduled date for filing consolidated financial statements: June 25, 2021
 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, 2021 (April 1, 2020, to March 31, 2021)

(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	
Year ended March 31, 2021	120,004	(4.3%)	3,202	(28.2%)	3,361	(26.6%)	2,346	(25.6%)
Year ended March 31, 2020	125,366	5.5%	4,457	34.3%	4,577	31.0%	3,155	42.6%

Note: Comprehensive income was 2,157 million yen (+32.1%) in year ended March 31, 2021; 1,633 million yen (+1.8%) in year ended March 31, 2020.

	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, 2021	134.06	—	7.7%	4.4%	2.7%
Year ended March 31, 2020	182.10	—	10.8%	5.9%	3.6%

Reference: Equity in earnings affiliates in year ended March 31, 2021, nil; in year ended March 31, 2020, 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, 2021	76,200	31,171	40.6%	1,760.87
Year ended March 31, 2020	77,448	29,752	38.4%	1,706.19

Reference: Shareholders' equity in year ended March 31, 2021, 30,934 million yen; in year ended March 31, 2020, 29,752 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, 2021	749	(1,271)	(2,029)	15,927
Year ended March 31, 2020	8,025	(8)	(4,950)	18,456

2. Dividends

	Dividends per share for the fiscal year (yen)					Total annual dividend payment (millions of yen)	Dividend payout ratio (consolidated)	Ratio of dividend payout to net assets
	End of first quarter	End of second quarter	End of third quarter	Year-end	Total			
Year ended March 31, 2021	—	10.00	—	45.00	55.00	1,000	30.2%	3.3%
Year ended March 31, 2020	—	15.00	—	31.00	46.00	853	34.3%	2.7%
Year ended March 31, 2022	—	23.00	—	24.00	47.00		30.6%	

Note: The interim dividend for the year ended March 31, 2021 included a commemorative dividend of 5.0 yen per share to mark the transfer of the Company's listing to the first section of the Tokyo Stock Exchange.

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2022 (from April 1, 2021 to March 31, 2022)

% 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	122,000	1.7%	4,000	24.9%	4,050	20.5%	2,700	15.1%	153.69

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: 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, 2021	20,177,894	Year ended March 31, 2020	22,177,894
2. Number of shares at year end (treasury stock)	Year ended March 31, 2021	2,610,056	Year ended March 31, 2020	4,739,641
3. Average number of shares over the period	Year ended March 31, 2021	17,502,032	Year ended March 31, 2020	17,328,507

Note: The number of treasury shares includes those held in the Employee Stock Ownership Plan (ESOP) trust account (210,100 in year ended March, 2021), Directors' Compensation Board Incentive Plan (BIP) trust account (380,905 in year ended March 2021; 277,431 in year ended March 2020) and Stock-grant ESOP trust account (486,750 in year ended March 2021; 472,650 in year ended March 2020).

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

*Appropriate use of earnings forecast and other special notes.

(Note on forward-looking statements)

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

(How to obtain supplementary explanatory materials for financial results and results briefing materials.)

The Company plans to hold a results briefing for institutional investors and analysts on Thursday, May 27, 2021. The briefing materials distributed will be posted on the Company's website promptly after the briefing.

(Attachment)

Contents

<u>1. Overview of results</u>	5
<u>(1) Earnings</u>	5
<u>(2) Financial position</u>	8
<u>(3) Cash flows</u>	8
<u>(4) Outlook</u>	9
<u>(5) Dividend policy and dividends for the year under review and coming year</u>	9
<u>2. Approach to selection of accounting standards</u>	10
<u>3. Consolidated financial statements and notes</u>	11
<u>(1) Consolidated balance sheet</u>	11
<u>(2) Consolidated statements of income and comprehensive income</u>	13
<u>(3) Consolidated statement of changes in net assets</u>	15
<u>(4) Consolidated statement of cash flows</u>	17
<u>(5) Notes to consolidated financial statements</u>	19
<u>(Notes on premise of going concern)</u>	19
<u>(Additional information)</u>	19
<u>(Segment and other information)</u>	21
<u>(Per share information)</u>	25
<u>(Major subsequent events)</u>	25

1. Overview of results

(1) Earnings

While the Japanese economy continues to recover, conditions remain difficult due to the spread of the novel coronavirus (COVID-19), and the outlook is still uncertain.

In the Information Network Solutions segment, orders were solid from the third quarter onward, with the growth in demand for remote working arrangements under work-style reforms, GIGA School Concept-related orders, and cloud-based contact center solutions. However, over the year, the COVID-19 pandemic curtailed sales activities, and some customers reduced or postponed their ICT investments. Orders, net sales, and operating income declined from a year earlier, due to the absence of elevated replacement demand for servers and PCs that existed in the year ended March 2020, as technical support for some Microsoft products ended.

The year under review was the first in our medium-term management plan. Tsuzuki Denki Co., Ltd. and its subsidiaries (the “Group”) launched initiatives aimed at becoming an innovation service provider to assist digital transformation (DX) and boost competitiveness of our customers. We focused on developing data use/application services and services to completely digitize all contract processes to support DX of our customers, which is accelerating as society enters the “new normal” era. ComDesign Inc., our subsidiary since September 30, 2020, began contributing to results in the third quarter in line with our goal of “reforming our business structure by expanding the services we offer,” one of the key priorities in our medium-term business plan.

In the Electronic Devices business, net sales declined. Sales of LCD panels for onboard automotive information devices and SSDs increased and orders were above year-earlier levels, but HDD and embedded server business declined due to the pandemic, and there were also adjustments to factory automation (FA) equipment production amid a tight supply situation for components. However, operating income increased as costs declined.

As a result, the Group posted net sales of ¥120,004 million, down 4.3% from the previous year, operating income of ¥3,202 million, down 28.2%, ordinary income of ¥3,361 million, down 26.6%, and profit attributable to owners of parent of ¥2,346 million, down 25.6%.

Consolidated results by segment are as follows.

Information Network Solutions

In the equipment business, orders and net sales in the fourth quarter were solid due to large orders for lightweight PCs suitable for remote work and GIGA School Concept-related orders. Over the full year, despite contributions from large smartphone deals for sales personnel in the financial and insurance industry and server and storage equipment deals for public-sector customers, orders, net sales, and order backlog were below previous year levels due to the absence of elevated replacement demand for servers and PCs that existed in the year ended March 2020, as technical support for some Microsoft products ended.

In the development and construction business, despite progress on projects that had been delayed in the third quarter due to COVID-19, projects mainly for customers in the healthcare, travel, apparel, and railway industries were delayed and development and installation work was postponed. As a result, orders, net sales, and order backlog were down from the previous year.

In the service business, there was ongoing growth in maintenance and operation services for newly sold equipment. In addition, ComDesign Inc. benefited from growing demand for new and expanded installation of its cloud-based contact center solutions due to COVID-19. Therefore, orders, net sales, and order backlog were all up from the previous year.

Income was below year-earlier levels. In addition to lower sales, large equipment installation deals and lower engineer utilization rates due to delayed development and construction projects resulted in higher expense ratios.

As a result, net sales in the Information Network Solutions segment were ¥97,848 million, down 4.2% from the previous year, and operating income was ¥2,960 million, down 31.0%.

Electronic Devices

In the devices business, orders increased as the factory automation equipment and automobile markets recovered, but net sales declined due to the tight supply of components.

In the system business, demand for HDDs used in consumer electronics and embedded servers for the distribution market declined due to COVID-19, and the segment was also impacted by production adjustments for FA equipment due to the tight supply of components. However, significant growth in sales of LCD panels used in onboard automotive information devices, SSDs, and appliance server for GIGA School Concept projects resulted in solid increases in orders and net sales.

Income grew year over year. In addition to a solid performance from the onboard automotive information device business, costs declined as sales activities were curtailed during the pandemic.

In addition, net sales declined due to the transfer of shares in former consolidated subsidiary Mitsuki Tsuzuki System Co., Ltd. on March 31, 2020.

As a result, net sales in the Electronic Devices segment were ¥22,155 million, down 4.8% from the previous year and operating income was ¥242 million, up 48.2%.

Sales and orders by segment for the year ended March 31, 2021, are as described below.

Note: During the year under review, the Group revised its business classifications (including subsidiaries) to gain a more accurate understanding of prevailing conditions. From the second quarter, the Group has changed classifications of the Information Network Solutions segment from the previous “network integration,” “system integration,” and “service business” as follows.

Revised classifications

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, etc., and provision of monthly cloud and other subscription services

Net sales by segment (millions of yen)

	Year ended March 2020	Year ended March 2021		
			Versus previous year	
Information Network Solutions	102,104	97,848	(4,256)	95.8%
Equipment	44,790	44,207	(582)	98.7%
Development and construction	19,668	14,518	(5,150)	73.8%
Service	37,645	39,122	1,476	103.9%
Electronic Devices	23,261	22,155	(1,105)	95.2%
Total	125,366	120,004	(5,362)	95.7%

Note:

1 Inter-segment transactions are offset and eliminated.

2 The above figures do not include consumption tax.

Orders by segment (millions of yen)

	Year ended March 2020	Year ended March 2021		
			Versus previous year	
Information Network Solutions	99,697	97,134	(2,563)	97.4%
Equipment	44,557	43,733	(823)	98.2%
Development and construction	17,995	14,296	(3,698)	79.4%
Service	37,145	39,104	1,958	105.3%
Electronic Devices	21,528	24,521	2,993	113.9%
Total	121,226	121,655	429	100.4%

Note:

1 Inter-segment transactions are offset and eliminated.

2 The above figures do not include consumption tax.

Order backlog by segment (millions of yen)

	Year ended March 2020	Year ended March 2021		
			Versus previous year	
Information Network Solutions	15,298	14,584	(714)	95.3%
Equipment	9,299	8,825	(473)	94.9%
Development and construction	3,853	3,630	(222)	94.2%
Service	2,146	2,128	(17)	99.2%
Electronic Devices	5,516	7,882	2,365	142.9%
Total	20,815	22,467	1,651	107.9%

Note:

1 Inter-segment transactions are offset and eliminated.

2 The above figures do not include consumption tax.

(2) Financial position

Assets totaled ¥76,200 million at the end of the year in review, down by ¥1,247 million from the end of the previous year. The main factor of decline was a ¥2,528 million decrease in cash and deposits and the main factor of increase was a ¥1,410 million increase in notes and accounts receivable – trade.

Liabilities totaled ¥45,029 million at the end of the year, down by ¥2,666 million from the end of the previous year. The main factors were a ¥1,987 million decline in trade notes and accounts payable and a ¥919 million decline in lease obligations.

Net assets totaled ¥31,171 million at the end of the year, up by ¥1,418 million from the end of the previous year, and the shareholders' equity ratio was 40.6% (38.4% at the end of the previous year). The main factor in net asset growth was ¥2,346 million in profit attributable to owners of parent, and the main factor in decreasing net assets was a decline of ¥1,097 million in remeasurements of defined benefit plans.

(3) Cash flows

The Company recorded cash inflows of ¥749 million from operating activities, cash outflows of ¥1,271 million from investing activities, and cash outflows of ¥2,029 million from financing activities.

As a result, cash and cash equivalents declined by ¥2,528 million from the end of the previous year, to ¥15,927 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 ¥749 million (¥8,025 million in inflows in year ended March 2020; -90.7% on the year earlier). The main factors in variation were a ¥1,653 million increase in trade receivables (¥2,438 million decrease in previous year) and ¥2,057 million decrease in notes and accounts payable – trade (¥74 million decrease in previous year).

(Cash flows from investing activities)

Cash flows from investing activities came to ¥1,271 million in outflows (¥8 million in outflows in year ended March 2020). The main factors in variation were proceeds of ¥791 million from the sale of property, plant, and equipment (proceeds of ¥1,297 million in previous year) and proceeds of ¥113 million from the sale of investment securities (¥413 million in previous year).

(Cash flows from financing activities)

Cash flows from financing activities came to ¥2,029 million in outflows (¥4,950 million in outflows in year ended March 2020; -59.0% on the year earlier). The main factor in variation was an ¥87 million increase in short-term borrowings (¥2,810 million decrease in previous year).

Reference: Cash flow related indicators

Year ended March	2018	2019	2020	2021
Shareholders' equity ratio (%)	36.2	36.4	38.4	40.6
Market value based shareholders' equity ratio (%)	19.6	18.6	24.8	38.2
Interest bearing debt to cash flow ratio (years)	8.4	19.8	1.7	17.1
Interest coverage ratio (x)	12.8	5.3	56.6	6.1

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

Looking ahead, we expect that the current uncertainty surrounding the Japanese economy will persist as the COVID-19 pandemic continues to affect consumption behavior and corporate activities.

In these circumstances, companies in some sectors are making moves to reduce their ICT investment, while others are using digital technologies to reinvent their businesses with the advent of the "new normal" era. In particular, transforming work styles, including teleworking, has become a must for many companies.

The Group is embracing the latest technology to foster innovation and remain our customers' trusted partner. To that end we launched a new medium-term business plan this year, entitled Innovation 2023. Key priorities in our plan include reforming our business structure by expanding the service we offer; promoting data-driven businesses*¹; and strengthening our management base to significantly improve the value we provide our customers.

Our initiatives focus on developing remote working environments, building zero trust security infrastructure, and rolling out electronic contract services to support customers' work-style transformation. We also aim to upgrade cloud services for contact centers, which have become increasingly vital during the pandemic. We will also step up our efforts to enhance the profitability of the Electronic Devices business.

We forecast year ended March 2022 net sales of 122,000 million yen (+1.7% YoY), operating income of 4,000 million yen (+24.9% YoY), ordinary income of 4,050 million yen (+20.5% YoY), and profit attributable to owners of parent of 2,700 million yen (+15.1% YoY).

Note: It is impossible to forecast when the COVID-19 pandemic will come under control. Depending on its scope, sales activities may be constrained due to restrictions in going out, impacting earnings. If any material matters arise, we will promptly inform our stakeholders.

*¹ Data-driven businesses: We plan to create new data-centric businesses to support strategic planning and decision-making by comprehensively analyzing and using all forms of data.

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

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

Note: The Company plans to deploy retained earnings to enhance its technological capabilities and fund R&D, invest in business areas that have high growth potential and profitability, develop its human

resources by spending on education, and strengthen its financial position by reducing interest-bearing debt.

In line with the above policy, the Company increased its year-end dividend per share forecast by ¥10 from ¥21 for an ordinary dividend of ¥31 (bringing the annual dividend to ¥46, including ordinary interim dividend of ¥10 and commemorative dividend of ¥5).

The Company plans to pay an annual dividend per share of ¥47 in the year ending March 2022.

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, 2020	As of March 31, 2021
Assets		
Current assets		
Cash and deposits	18,473	15,944
Notes and accounts receivable – trade	26,537	27,948
Electronically recorded monetary claims	3,390	3,817
Inventories	8,485	7,619
Income taxes receivable	1	98
Other	1,428	1,390
Allowance for doubtful accounts	(77)	(77)
Total current assets	58,239	56,740
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	1,753	1,696
Accumulated depreciation	(924)	(891)
Buildings and structures (net)	829	805
Machinery, equipment and vehicles	7	7
Accumulated depreciation	(5)	(6)
Machinery, equipment and vehicles (net)	1	1
Land	2,221	1,769
Lease assets	5,712	5,777
Accumulated depreciation	(2,402)	(3,240)
Lease assets (net)	3,310	2,536
Construction in progress	267	821
Other	951	1,006
Accumulated depreciation	(700)	(676)
Other (net)	250	329
Total property, plant and equipment	6,882	6,264
Intangible assets		
Goodwill	—	226
Lease assets	640	549
Other	2,417	2,191
Total intangible assets	3,057	2,967
Investments and other assets		
Investment securities	3,770	4,766
Long-term loans receivable	35	34
Deferred tax assets	4,182	4,131
Other	1,339	1,377
Allowance for doubtful accounts	(58)	(81)
Investments and other assets	9,269	10,228
Total noncurrent assets	19,208	19,460
Total assets	77,448	76,200

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable – trade	17,863	15,875
Short-term loans payable	4,802	4,894
Current portion of long-term loans payable	20	161
Lease obligations	1,443	1,428
Income taxes payable	806	241
Provision for bonuses	2,536	2,415
Provision for losses on orders received	98	—
Other	5,880	5,020
Total current liabilities	33,449	30,037
Noncurrent liabilities		
Long-term loans payable	4,170	4,443
Lease obligations	2,825	1,921
Deferred tax liabilities	7	7
Net defined benefit liability	6,805	7,959
Long-term accounts payable – other	27	26
Other provision	366	548
Other	43	82
Total noncurrent liabilities	14,245	14,991
Total liabilities	47,695	45,029
Net assets		
Shareholders' equity		
Capital stock	9,812	9,812
Capital surplus	2,581	2,581
Retained earnings	21,021	21,150
Treasury stock	(3,785)	(2,472)
Total shareholders' equity	29,629	31,072
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	690	1,485
Deferred gains or losses on hedges	(1)	(3)
Foreign currency translation adjustment	10	52
Remeasurements of defined benefit plans	(575)	(1,672)
Total accumulated other comprehensive income	123	(137)
Noncontrolling interests	—	236
Total net assets	29,752	31,171
Total liabilities and net assets	77,448	76,200

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

	(Millions of yen)	
	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Net sales	125,366	120,004
Cost of sales	102,290	98,538
Gross profit	23,075	21,465
Selling, general, and administrative expenses	18,618	18,263
Operating income	4,457	3,202
Non-operating income		
Interest income	4	2
Dividend income	98	97
Dividends income of insurance	124	150
Foreign exchange gains	18	—
Other	71	62
Total non-operating income	316	312
Non-operating expenses		
Interest expenses	141	123
Foreign exchange losses	—	8
Other	54	22
Total non-operating expenses	196	154
Ordinary income	4,577	3,361
Extraordinary income		
Gain on step acquisitions	—	13
Gain on sales of noncurrent assets	—	2
Gain on sales of investment securities	32	36
Total extraordinary income	32	52
Extraordinary loss		
Loss on sales of noncurrent assets	—	55
Impairment loss	—	44
Loss on retirement of noncurrent assets	—	4
Loss on sales of investment securities	—	69
Loss on sales of subsidiaries' stocks	101	—
Special retirement expenses	185	—
Loss on valuation of investment securities	6	—
Total extraordinary losses	293	174
Income before income taxes and others	4,317	3,238
Income taxes – current	1,270	617
Income taxes – deferred	(109)	200
Total income taxes	1,161	818
Profit	3,155	2,419
Profit attributable to noncontrolling interests	—	72
Profit attributable to owners of parent	3,155	2,346

(Consolidated statement of comprehensive income)

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Profit	3,155	2,419
Other comprehensive income		
Valuation difference on available for sale securities	(345)	795
Deferred gains or losses on hedges	(1)	(2)
Foreign currency translation adjustment	(26)	42
Remeasurements of defined benefit plans	(1,148)	(1,097)
Other comprehensive income	(1,522)	(261)
Comprehensive income	1,633	2,157
Breakdown		
Comprehensive income attributable to owners of parent	1,633	2,084
Comprehensive income attributable to noncontrolling interests	—	72

(3) Consolidated statement of changes in net assets
Fiscal year ended March 31, 2020

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Shareholders' equity
Balance at beginning of fiscal year	9,812	3,100	19,973	(5,816)	27,070
Changes during the year					
Dividend from surplus			(709)		(709)
Profit attributable to owners of parent			3,155		3,155
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock				113	113
Cancellation of treasury stock		(519)	(1,398)	1,918	—
Net changes of items other than shareholders' equity					
Total changes during the year	—	(519)	1,047	2,031	2,558
Balance at end of the year	9,812	2,581	21,021	(3,785)	29,629

	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	1,036	—	36	572	1,646	—	28,716
Changes during year							
Dividend of surplus							(709)
Profit attributable to owners of parent							3,155
Purchase of treasury stock							(0)
Disposal of treasury stock							113
Cancellation of treasury stock							—
Net changes of items other than shareholders' equity	(345)	(1)	(26)	(1,148)	(1,522)	—	(1,522)
Total changes during year	(345)	(1)	(26)	(1,148)	(1,522)	—	1,036
Balance at end of year	690	(1)	10	(575)	123	—	29,752

Fiscal year ended March 31, 2021

(Millions of yen)

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

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available for sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Other comprehensive income		
Balance at beginning of fiscal year	690	(1)	10	(575)	123	—	29,752
Changes during year							
Dividend of surplus							(1,093)
Profit attributable to owners of parent							2,346
Purchase of treasury stock							(664)
Disposal of treasury stock							854
Cancellation of treasury stock							—
Net changes of items other than shareholders' equity	795	(2)	42	(1,097)	(261)	236	(24)
Total changes during year	795	(2)	42	(1,097)	(261)	236	1,418
Balance at end of year	1,485	(3)	52	(1,672)	(137)	236	31,171

(4) Consolidated statement of cash flows

(Millions of yen)

	Fiscal year ended March 31, 20210	Fiscal year ended March 31, 2021
Cash flows from operating activities		
Income before income taxes and others	4,317	3,238
Depreciation and amortization	2,247	2,408
Impairment loss	—	44
Goodwill amortization	—	45
Increase (decrease) in provision for doubtful accounts	(96)	23
Increase (decrease) in provision for bonuses	(24)	(133)
Increase (decrease) in net defined benefit liability	(235)	(171)
Increase (decrease) in provision for losses on orders received	(56)	(98)
Increase (decrease) in other provisions	187	181
Interest and dividend income	(102)	(99)
Interest expenses	141	123
Foreign exchange loss (gain)	(18)	8
Loss (gain) on step acquisitions	—	(13)
Loss (gain) on sale of noncurrent assets	—	53
Loss (gain) on sale of investment securities	(32)	33
Loss (gain) on valuation of investment securities	6	—
Loss on disposal of noncurrent assets	—	4
Loss (gain) on sale of subsidiaries' stocks	101	—
Other non-operating loss (gain)	43	(190)
Decrease (increase) in trade receivables	2,438	(1,653)
Decrease (increase) in inventories	(447)	891
Decrease (increase) in other assets	534	73
Increase (decrease) in notes and accounts payable – trade	(74)	(2,057)
Increase (decrease) in accrued consumption taxes	615	(332)
Increase (decrease) in other liabilities	(98)	(566)
Subtotal	9,448	1,811
Interest and dividends received	102	99
Interest paid	(141)	(123)
Special retirement expenses paid	(185)	—
Other	151	190
Income taxes paid	(1,351)	(1,234)
Refund of income taxes	0	5
Cash flows from operating activities	8,025	749

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Cash flows from investing activities		
Outflows from transfers to time deposits	(0)	(0)
Proceeds from withdrawal of time deposits	30	—
Purchase of property, plant and equipment	(917)	(1,245)
Proceeds from sale of property, plant and equipment	1,297	791
Purchase of intangible assets	(1,258)	(945)
Proceeds from sale of intangible assets	314	255
Purchase of investment securities	(43)	(38)
Proceeds from sale of investment securities	413	113
Purchase of shares in subsidiary resulting in change in scope of consolidation	—	(148)
Outflows accompanying sale of shares in subsidiary resulting in change in scope of consolidation	(133)	—
Outflows from payment of loans receivable	—	(3)
Proceeds from collection of loans receivable	8	5
Other	281	(54)
Cash flows from investing activities	(8)	(1,271)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(2,810)	87
Proceeds from long-term borrowings	4,180	400
Repayment of long-term borrowings	(4,098)	(23)
Repayment of lease obligations	(1,625)	(1,590)
Acquisition of treasury stock	(0)	(664)
Proceeds from disposal of treasury stock	113	854
Dividend payments	(709)	(1,093)
Cash flows from financing activities	(4,950)	(2,029)
Effect of exchange rate changes on cash and cash equivalents	(19)	22
Net increase (decrease) in cash and cash equivalents	3,046	(2,528)
Cash and cash equivalents at beginning of the period	15,409	18,456
Cash and cash equivalents at end of the period	18,456	15,927

(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.

(2) Company shares owned by the trust

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

(3) Book value of borrowings applying the gross value method
¥400 million in the year ended March 2021.

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 ¥267 million and 277,431 respectively in the previous fiscal year and ¥463 million and 380,905 in the year under review. The book value of treasury stock and number of shares held by the Stock-grant ESOP trust were ¥456 million and 472,650 respectively in the previous fiscal year and ¥492 million and 486,750 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 2020

(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	102,104	23,261	125,366	—	125,366
Intersegment sales and transfers	20	220	241	(241)	—
Total	102,124	23,482	125,607	(241)	125,366
Segment profit	4,289	163	4,452	4	4,457
Segment assets	46,471	18,636	65,107	12,341	77,448
Segment liabilities	40,685	7,020	47,705	(10)	47,695
Other					
Depreciation	2,220	27	2,247	—	2,247
Increase in tangible and intangible fixed assets	2,861	2	2,864	—	2,864

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 2021

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

Notes:

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

Related information

Fiscal year ended March 2020

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 2021

1. Information by product and service

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

2. Information by region

(1) Net sales

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

(2) Property, plant, and equipment

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

3. Information by major customer

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

(Per share information)

Fiscal year ended March 2020	Fiscal year ended March 2021
Net assets per share (yen) 1,706.19	Net assets per share (yen) 1,760.87
Basic earnings per share (yen) 182.10	Basic earnings per share (yen) 134.06
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:

1. Treasury shares held in the Employee Stock Ownership Plan (ESOP) trust account, Directors' Compensation BIP trust account, and Stock-grant ESOP trust account are deducted from the total number of shares outstanding at the end of the year for calculating net assets per share. This comprised 210,100 shares held in the Employee Stock Ownership Plan (ESOP) trust account in the year ended March 2021; 277,431 shares in the year ended March 2020 and 380,905 shares in the year ended March 2021 in the Directors' Compensation BIP trust account; and 472,650 shares in the year ended March 2020 and 486,750 shares in the year ended March 2021 in the Stock-grant ESOP trust account.

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 99,000 shares in the year ended March, 2020 and 93,133 shares in the year ended March 2021 in the Employee Stock Ownership Plan (ESOP) trust account; 284,440 shares in the year ended March 2020 and 335,853 shares in the year ended March 2021 in the Directors' Compensation BIP trust account; and 476,613 shares in the year ended March 2020 and 482,896 shares in the year ended March 2021 in the Stock-grant ESOP trust account.

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

	Fiscal year ended March 2020	Fiscal year ended March 2021
Profit attributable to owners of parent (millions of yen)	3,155	2,346
Amounts not attributable to ordinary shareholders (millions of yen)	—	—
Profit attributable to owners of parent (millions of yen) related to common stock	3,155	2,346
Average number of shares (thousands)	17,328	17,502

(Major subsequent events)

Not applicable.