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Consolidated Financial Results for the Six Months Ended September 30, 2022 [Japanese GAAP]



October 28, 2022

Company name: KANEMATSU ELECTRONICS LTD.

Stock exchange listing: Tokyo Stock Exchange

Code number: 8096

URL: <https://www.kel.co.jp/english/>

Representative: Akira Watanabe, Representative Director, President & CEO

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Scheduled date of filing quarterly securities report: November 4, 2022

Scheduled date of commencing dividend payments: December 1, 2022

Availability of supplementary explanatory materials on quarterly financial results: Available

Schedule of quarterly financial results briefing session: Scheduled (for institutional investors and securities analysts)

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Six Months Ended September 30, 2022 (April 1, 2022 - September 30, 2022)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended September 30, 2022	39,791	16.8	6,702	10.3	6,735	9.9	4,552	8.7
September 30, 2021	34,064	8.2	6,074	21.3	6,128	19.3	4,187	20.4

Note: Comprehensive income: Six months ended September 30, 2022: ¥4,636 million [11.7 %]

Six months ended September 30, 2021: ¥4,150 million [18.4 %]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2022	159.10	—
September 30, 2021	146.36	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2022	89,458	64,305	71.8
As of March 31, 2022	82,446	61,928	75.1

Reference: Equity: As of September 30, 2022: ¥64,262 million

As of March 31, 2022: ¥61,885 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	—	75.00	—	80.00	155.00
Fiscal year ending March 31, 2023	—	80.00			
Fiscal year ending March 31, 2023 (Forecast)			—	80.00	160.00

Note: Revision to the forecast for dividends announced most recently: Yes

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 - March 31, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	Yen
Full year	77,000	7.9	13,400	5.6	13,500	5.6	9,100	318.00

Note: Revision to the forecast for dividends announced most recently: Yes

* Notes:

- (1) Changes in significant subsidiaries during the period under review: No
(Changes in specified subsidiaries resulting in changes in scope of consolidation)
Newly included: — ()
Excluded: — ()
- (2) Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
 - 1) Changes in accounting policies due to the revision of accounting standards: None
 - 2) Changes in accounting policies other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (4) Total number of shares issued and outstanding (common shares)
 - 1) Total number of shares issued and outstanding at the end of the period (including treasury shares):

September 30, 2022:	28,633,952 shares
March 31, 2022:	28,633,952 shares
 - 2) Total number of treasury shares at the end of the period:

September 30, 2022:	13,344 shares
March 31, 2022:	20,992 shares
 - 3) Average number of shares during the period:

Six months ended September 30, 2022:	28,616,679 shares
Six months ended September 30, 2021:	28,608,752 shares

* These quarterly consolidated financial results are outside the scope of quarterly review by certified public accountants or an audit firm.

* Explanation on the proper use of financial results forecasts and other notes

The financial results forecasts and other forward-looking statements herein are based on information currently available to the Company and certain assumptions deemed reasonable, and are not intended to be a promise by the Company to achieve them. As such, actual results may differ significantly from these forecasts due to a wide range of factors. For the assumptions used as the basis for the financial results forecast and notes on their use, please refer to “1. Qualitative Information on Quarterly Financial Results (3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information” on page 3 of the Attachments.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the six months ended September 30, 2022, the Japanese economy continued to show signs of recovery thanks to the effects of various policies, as social and economic activities proceeded to go back to normal. Meanwhile, with rising concerns for the international situation including the protracted conflict in Ukraine and the constraints on economic activities in China, compounded with the sharply depreciating yen due to a significant rise in the U.S. policy interest rate, as well as rising resource prices, the outlook of the Japanese economy remained uncertain.

In the Japanese IT industry, amid the sense of increasing uncertainty due to the restrictions on supply brought on by the shortage of semiconductors and other components and the disrupted supply chain as well as the impact of the rapidly depreciating yen on procurement costs, the new normal under the COVID-19 pandemic has firmly established itself facilitating changes in lifestyles and work styles, which, in turn, has accelerated corporate efforts toward digital transformation (DX). Furthermore, in addition to the rising demand for security measures to combat increasingly sophisticated and varied cyberattacks, such as those by ransomware, strategic IT investments for promoting operational efficiency and automation amid manpower shortages have acquired added significance.

In such an environment, KANEMATSU ELECTRONICS LTD. (the “Company”) and its consolidated subsidiaries (collectively, the “Group”) continued to focus on developing its infrastructure construction business pivoting on the technological capability it has accumulated, as well as its solutions business mainly in the areas of virtualization and security, which are the foundation of its business. The Group also worked on building remote working environments for its customers, among others.

Specifically, the Group worked on workstyle reform and COVID-19 countermeasures through the construction of robust environments for virtual desktop infrastructure (VDI) and security solutions in line with the era of zero trust networks. At the same time, the Group further expanded sales of its service-oriented businesses centered on the 3Ks*. Furthermore, in August 2022, the Company entered into a capital and business alliance agreement with Terilogy Co., Ltd. The agreement aims to further expand and deepen security business domains for the sake of increasing corporate value over the medium- to long-term.

As a result of the above, in the six months ended September 30, 2022, net sales increased by 5,727 million yen year on year to 39,791 million yen (up 16.8% year on year). Operating profit increased by 627 million yen year on year to 6,702 million yen (up 10.3% year on year), and ordinary profit increased by 606 million yen year on year to 6,735 million yen (up 9.9% year on year), while profit attributable to owners of parent increased by 365 million yen year on year to 4,552 million yen (up 8.7% year on year).

*3Ks: The service business cluster comprising KEL Briefing Center (KBC); KEL Custom Cloud (KCC); and KEL Managed Service (KMS).

The status of reportable segments was as follows:

(IT Systems Business)

Net sales in the IT Systems Business increased by 5,524 million yen year on year to 29,681 million yen (up 22.9% year on year), mainly due to strong performances in the server-related business for the manufacturing industry.

(Services and Support Business)

Net sales in the Services and Support Business increased by 203 million yen year on year to 10,110 million yen (up 2.1% year on year), mainly due to an increase in sales related to the cloud services for the manufacturing industry.

(2) Explanation of Financial Position for the First Quarter under Review

(Assets)

Current assets increased by 8.5% from the end of the previous fiscal year to 81,389 million yen. This was mainly attributable to increases in notes and accounts receivable – trade of 4,510 million yen and inventories of 1,909 million yen.

Non-current assets increased by 8.8% from the end of the previous fiscal year to 8,068 million yen. This was mainly attributable to an increase in investment securities of 519 million yen.

(Liabilities)

Current liabilities increased by 25.6% from the end of the previous fiscal year to 22,564 million yen. This was mainly attributable to an increase in notes and accounts payable – trade of 5,394 million yen.

Non-current liabilities increased by 1.4% from the end of the previous fiscal year to 2,587 million yen. This was mainly attributable to an increase in asset retirement obligations of 17 million yen.

(Net assets)

Net assets increased by 3.8% from the end of the previous fiscal year to 64,305 million yen. This was mainly attributable to an increase in retained earnings by 2,263 million yen due to the recording of profit attributable to owners of parent of 4,552 million yen and the payment of dividends of 2,289 million yen. As a result, the equity ratio rose to 71.8% from 75.1% at the end of the previous fiscal year.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

As for the consolidated financial results forecast for the fiscal year ending March 31, 2023, the Company has, in light of its recent performance and other factors, revised the financial results forecast announced on April 28, 2022. For details, please refer to the “Notice Regarding the Revision to the Consolidated Financial Results Forecast and the Dividend of Surplus (Interim Dividend)” announced today (October 28, 2022).

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	49,668,376	49,599,479
Notes and accounts receivable - trade	17,808,143	22,318,542
Inventories	3,146,103	5,055,368
Other	4,409,190	4,415,935
Total current assets	75,031,813	81,389,325
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,089,297	1,093,554
Other, net	749,512	772,965
Total property, plant and equipment	1,838,810	1,866,520
Intangible assets		
Other	758,842	987,158
Total intangible assets	758,842	987,158
Investments and other assets		
Investment securities	2,770,787	3,290,585
Deferred tax assets	1,035,525	917,123
Other	1,018,745	1,015,119
Allowance for doubtful accounts	(7,644)	(7,644)
Total investments and other assets	4,817,413	5,215,184
Total non-current assets	7,415,067	8,068,863
Total assets	82,446,880	89,458,189

(Thousand yen)

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,198,715	13,593,634
Income taxes payable	2,576,420	1,927,019
Contract liabilities	3,463,319	3,775,381
Provision for bonuses	1,235,705	1,130,387
Provision for bonuses for directors (and other officers)	144,200	67,819
Other	2,348,371	2,070,573
Total current liabilities	17,966,731	22,564,816
Non-current liabilities		
Retirement benefit liability	1,947,931	1,957,802
Asset retirement obligations	585,572	603,253
Other	17,887	26,598
Total non-current liabilities	2,551,390	2,587,655
Total liabilities	20,518,122	25,152,471
Net assets		
Shareholders' equity		
Share capital	9,031,257	9,031,257
Capital surplus	7,159,524	7,181,969
Retained earnings	44,439,446	46,703,349
Treasury shares	(20,208)	(12,945)
Total shareholders' equity	60,610,020	62,903,631
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,179,326	1,294,196
Deferred gains or losses on hedges	(512)	(26,976)
Foreign currency translation adjustment	94,998	112,850
Remeasurements of defined benefit plans	1,222	(21,661)
Total accumulated other comprehensive income	1,275,035	1,358,409
Non-controlling interests	43,702	43,677
Total net assets	61,928,758	64,305,717
Total liabilities and net assets	82,446,880	89,458,189

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Six Months Ended September 30

(Thousand yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Net sales	34,064,088	39,791,953
Cost of sales	23,437,132	28,269,106
Gross profit	10,626,956	11,522,846
Selling, general and administrative expenses	4,552,161	4,820,636
Operating profit	6,074,795	6,702,209
Non-operating income		
Interest income	2,755	2,837
Dividend income	13,260	22,055
Subsidy income	19,069	1,362
Compensation for forced relocation	15,649	—
Miscellaneous income	4,572	10,027
Total non-operating income	55,306	36,282
Non-operating expenses		
Interest expenses	0	—
Foreign exchange losses	333	1,877
Miscellaneous expenses	1,284	1,309
Total non-operating expenses	1,618	3,186
Ordinary profit	6,128,483	6,735,305
Extraordinary income		
Gain on sale of non-current assets	871	1,213
Gain on sale of golfclub membership	4,417	—
Total extraordinary income	5,289	1,213
Extraordinary losses		
Loss on retirement of non-current assets	2,985	816
Loss on sale of investment securities	1,113	—
Total extraordinary losses	4,099	816
Profit before income taxes	6,129,673	6,735,702
Income taxes - current	1,924,664	2,086,428
Income taxes - deferred	21,871	97,894
Total income taxes	1,946,535	2,184,322
Profit	4,183,137	4,551,380
Profit (loss) attributable to non-controlling interests	(4,025)	(1,559)
Profit attributable to owners of parent	4,187,163	4,552,940

Quarterly Consolidated Statements of Comprehensive Income

Six Months Ended September 30

(Thousand yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Profit	4,183,137	4,551,380
Other comprehensive income		
Valuation difference on available-for-sale securities	1,120	114,869
Deferred gains or losses on hedges	41	(26,464)
Foreign currency translation adjustment	1,135	19,387
Remeasurements of defined benefit plans, net of tax	(34,837)	(22,884)
Total other comprehensive income	(32,539)	84,908
Comprehensive income	4,150,597	4,636,288
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,158,163	4,636,313
Comprehensive income attributable to non-controlling interests	(7,565)	(24)

(3) Quarterly Consolidated Statements of Cash Flows

(Thousand yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Cash flows from operating activities		
Profit before income taxes	6,129,673	6,735,702
Depreciation	357,450	335,110
Increase (decrease) in provision for bonuses	(50,082)	(105,318)
Increase (decrease) in retirement benefit liability	32,475	9,823
Interest and dividend income	(16,016)	(24,892)
Interest expenses	0	—
Loss (gain) on sale of non-current assets	(871)	(1,213)
Loss on retirement of non-current assets	2,985	816
Loss (gain) on sale golfclub membership	(4,417)	—
Loss (gain) on sale of investment securities	1,113	—
Decrease (increase) in trade receivables	(613,129)	(4,505,437)
Decrease (increase) in inventories	(1,051,886)	(1,908,493)
Decrease (increase) in other current assets	(142,685)	(320,593)
Increase (decrease) in trade payables	684,111	5,390,491
Increase (decrease) in other current liabilities	89,839	(25,467)
Other	(118,065)	(90,456)
Subtotal	5,300,496	5,490,071
Interest and dividend received	16,010	24,884
Interest paid	(0)	—
Settlement received	—	180,000
Income taxes paid	(1,929,527)	(2,729,840)
Net cash provided by (used in) operating activities	3,386,979	2,965,115
Cash flows from investing activities		
Purchase of investment securities	(480,209)	(354,232)
Proceeds from sale of investment securities	1,136	—
Purchase of property, plant and equipment and intangible assets	(213,483)	(546,229)
Proceeds from sale of property, plant and equipment and intangible assets	871	1,634
Payments of guarantee deposits	(82,129)	(3,225)
Proceeds from refund of guarantee deposits	12,071	151,411
Payments for asset retirement obligations	(13,024)	(13,870)
Decrease (increase) in investments and other assets	(9,803)	5,000
Other	(975)	(345)
Net cash provided by (used in) investing activities	(785,545)	(759,856)
Cash flows from financing activities		
Dividends paid	(2,002,413)	(2,289,036)
Other	(861)	(207)
Net cash provided by (used in) financing activities	(2,003,275)	(2,289,244)
Effect of exchange rate change on cash and cash equivalents	3,431	15,089
Net increase (decrease) in cash and cash equivalents	601,589	(68,896)
Cash and cash equivalents at beginning of period	46,877,658	49,668,376
Cash and cash equivalents at end of period	47,479,247	49,599,479

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in case of significant changes in shareholders' equity)

For the six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)

Not applicable.

(Segment information, etc.)

[Segment information]

I. For the six months ended September 30, 2021 (from April 1, 2021 to September 30, 2021)

1. Information on net sales and profit or loss

(Thousand yen)

	IT Systems Business	Services and Support Business	Total
Net sales			
Net sales to external customers	24,156,480	9,907,607	34,064,088
Inter-segment sales or transfers	74,747	163,293	238,041
Total	24,231,228	10,070,901	34,302,130
Segment profit	3,922,693	2,089,191	6,011,885

2. Reconciliation between the total amount of profit or loss of reportable segments and the amount recorded in the quarterly consolidated statements of income and the main details of adjustments

(Thousand yen)

Profit	Amount
Total of reportable segments	6,011,885
Elimination of inter-segment transactions	62,910
Operating profit in the quarterly consolidated statements of income	6,074,795

3. Information on losses on impairment or goodwill of non-current assets by reportable segment

Not applicable.

II. For the six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)

1. Information on net sales and profit or loss

(Thousand yen)

	IT Systems Business	Services and Support Business	Total
Net sales			
Net sales to external customers	29,681,077	10,110,876	39,791,953
Inter-segment sales or transfers	27,824	182,480	210,305
Total	29,708,902	10,293,356	40,002,258
Segment profit	4,640,061	1,983,777	6,623,839

2. Reconciliation between the total amount of profit or loss of reportable segments and the amount recorded in the quarterly consolidated statements of income and the main details of adjustments

(Thousand yen)

Profit	Amount
Total of reportable segments	6,623,839
Elimination of inter-segment transactions	78,370
Operating profit in the quarterly consolidated statements of income	6,702,209

3. Information on losses on impairment or goodwill of non-current assets by reportable segment

Not applicable.

(Significant subsequent events)

(Conversion of an entity to an equity method affiliate through acquisition of shares)

The Company, by a resolution of its Board of Directors adopted at a meeting held on September 30, 2022, determined to acquire additional shares of GLOBAL SECURITY EXPERTS Inc. from Business Brain Showa-Ota Inc., and acquired the shares on October 3, 2022. As a result, GLOBAL SECURITY EXPERTS Inc. became an equity method affiliate of the Company.

1. Reasons for the acquisition of shares

The Company and GLOBAL SECURITY EXPERTS Inc. built a capital and business alliance in the field of information security in August 2017. The two companies have since implemented various efforts in close cooperation as important partners under mutual security strategies. As ICT is rapidly changing amid the ongoing digitalization of society, we see signs in our own business of intensifying competition not only with the existing “SIs” (System Integrators), but also with new entrants to the market. Under such circumstances, we determined that the creation of synergy with GLOBAL SECURITY EXPERTS Inc. through a further strengthening of the business alliance and resource sharing was essential, in order to meet the challenges of achieving sustainable growth as the Group, such as consolidating KANEMATSU ELECTRONICS as customers’ strategic partner in their pursuit of efforts for business transformation, so-called DX (Digital Transformation), or enhancing service business competitiveness from cloud to endpoints. Consequently, we converted GLOBAL SECURITY EXPERTS Inc. to our equity method affiliate through the additional acquisition of its shares.

2. Summary of the company that will be converted to an equity method affiliate

(1) Company name	GLOBAL SECURITY EXPERTS Inc.
(2) Type of business	Cyber security-related business
(3) Amount of capital	485 million yen

3. Method of acquisition

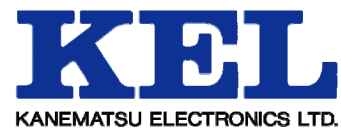
Acquisition of shares through off-market negotiation transaction with Business Brain Showa-Ota Inc.

4. Number of shares acquired, acquisition price, and the number of shares held before and after the acquisition

(1) Number of shares held before the change	300,000 shares (percentage of voting rights: 9.01%)
(2) Number of shares acquired	469,000 shares
(3) Acquisition price	2,324 million yen
(4) Number of shares held after the change	769,000 shares (percentage of voting rights: 23.11%)

5. Method of funding and payment for the acquisition

Paid by own funds.



Highlights of Consolidated Financial Results for the Six Months Ended September 30, 2022 [Japanese GAAP]

■Net sales, operating profit, and ordinary profit all increased.

■Record high half-yearly results.

(% indicates change from the previous corresponding period)

◇Net sales	39,791 million yen	16.8 %
◇Operating profit	6,702 million yen	10.3 %
◇Ordinary profit	6,735 million yen	9.9 %
◇Profit attributable to owners of parent	4,552 million yen	8.7 %

Status of Income						
(Million yen)	FY Mar 2023 2Q	FY Mar 2022 2Q	Year-on-year change	Percentage change (%)	FY Mar 2023 full-year forecast	Progress (%)
Net sales	39,791	34,064	5,727	16.8	77,000	51.7
Gross profit	11,522	10,626	895	8.4	-	-
Selling, general and administrative expenses	(4,820)	(4,552)	(268)	5.9	-	-
Operating profit	6,702	6,074	627	10.3	13,400	50.0
Non-operating income	36	55	(19)	(34.4)	-	-
Non-operating expenses	(3)	(1)	(1)	96.9	-	-
Ordinary profit	6,735	6,128	606	9.9	13,500	49.9
Extraordinary income	1	5	(4)	(77.1)	-	-
Extraordinary loss	(0)	(4)	3	(80.1)	-	-
Profit before income taxes	6,735	6,129	606	9.9	-	-
Income taxes	(2,184)	(1,946)	(237)	12.2	-	-
Profit	4,551	4,183	368	8.8	-	-
Profit attributable to owners of parent	4,552	4,187	365	8.7	9,100	50.0

Basic earnings per share (yen)	159.10	146.36	12.74	8.7
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■ Net sales

Net sales increased by ¥5,727 million year on year to ¥39,791 million (up 16.8% year on year) in an effort that the Group worked on workstyle reform and COVID-19 countermeasures through the construction of robust environments for virtual desktop infrastructure (VDI) and security solutions in line with the era of zero trust networks. At the same time, the Group further expanded sales of its service-oriented businesses centered on the 3Ks*.

■ Profit

Operating profit increased by ¥627 million year on year to ¥6,702 million (up 10.3% year on year). Ordinary profit increased by ¥606 million year on year to ¥6,735 million (up 9.9% year on year). Profit attributable to owners of parent increased by ¥365 million year on year to ¥4,552 million (up 8.7% year on year).

* 3Ks: The service business cluster comprising KEL Briefing Center (KBC); KEL Custom Cloud (KCC); and KEL Managed Service (KMS).

Segment Information						
(Million yen)	Net sales			Segment profit		
	FY Mar 2023 2Q	FY Mar 2022 2Q	Year-on-year change	FY Mar 2023 2Q	FY Mar 2022 2Q	Year-on-year change
IT Systems Business	29,708	24,231	5,477	4,640	3,922	717
Services and Support Business	10,293	10,070	222	1,983	2,089	(105)
Total	40,002	34,302	5,700	6,623	6,011	611
Other (including adjustments)	(210)	(238)	27	78	62	15
Total	39,791	34,064	5,727	6,702	6,074	627

■ IT Systems Business

Net sales increased ¥5,477 million year on year (up 22.6% year on year), mainly due to strong performance in the server-related business for the manufacturing industry.

■ Services and Support Business

Net sales increased ¥222 million year on year (up 2.2% year on year), mainly due to an increase in sales related to cloud services for the manufacturing industry.

Status of assets, liabilities and net assets				
(Million yen)	As of September 30, 2022	As of March 31, 2022	Change from end of FY Mar 2022	Percentage change (%)
Total Assets	89,458	82,446	7,011	8.5
Current assets	81,389	75,031	6,357	8.5
Non-current assets	8,068	7,415	653	8.8
Liabilities	25,152	20,518	4,634	22.6
Current liabilities	22,564	17,966	4,598	25.6
Non-current liabilities	2,587	2,551	36	1.4
Net assets	64,305	61,928	2,376	3.8
Equity (Note 1)	64,262	61,885	2,376	3.8
Equity ratio (Note 2)	71.8%	75.1%	Down 3.3pt	-

■ Assets

Current assets increased ¥6,357 million (8.5%) from the end of the previous fiscal year, mainly due to increases of ¥4,510 million in notes and accounts receivable-trade and ¥1,909 million in inventories.

Non-current assets increased ¥653 million (8.8%) from the end of the previous fiscal year, mainly due to an increase of ¥519 million in investment securities.

■ Liabilities

Current liabilities increased ¥4,598 million (25.6%) from the end of the previous fiscal year, mainly due to an increase of ¥5,394 million in notes and accounts payable-trade.

Non-current liabilities increased ¥36 million (1.4%) from the end of the previous fiscal year, mainly due to an increase of ¥17 million in asset retirement obligations.

■ Net assets

Net assets increased ¥2,376 million (3.8%) from the end of the previous fiscal year, mainly due to an increase from recording ¥4,552 million in profit attributable to owners of parent and a decrease from the payment of ¥2,289 million in dividends.

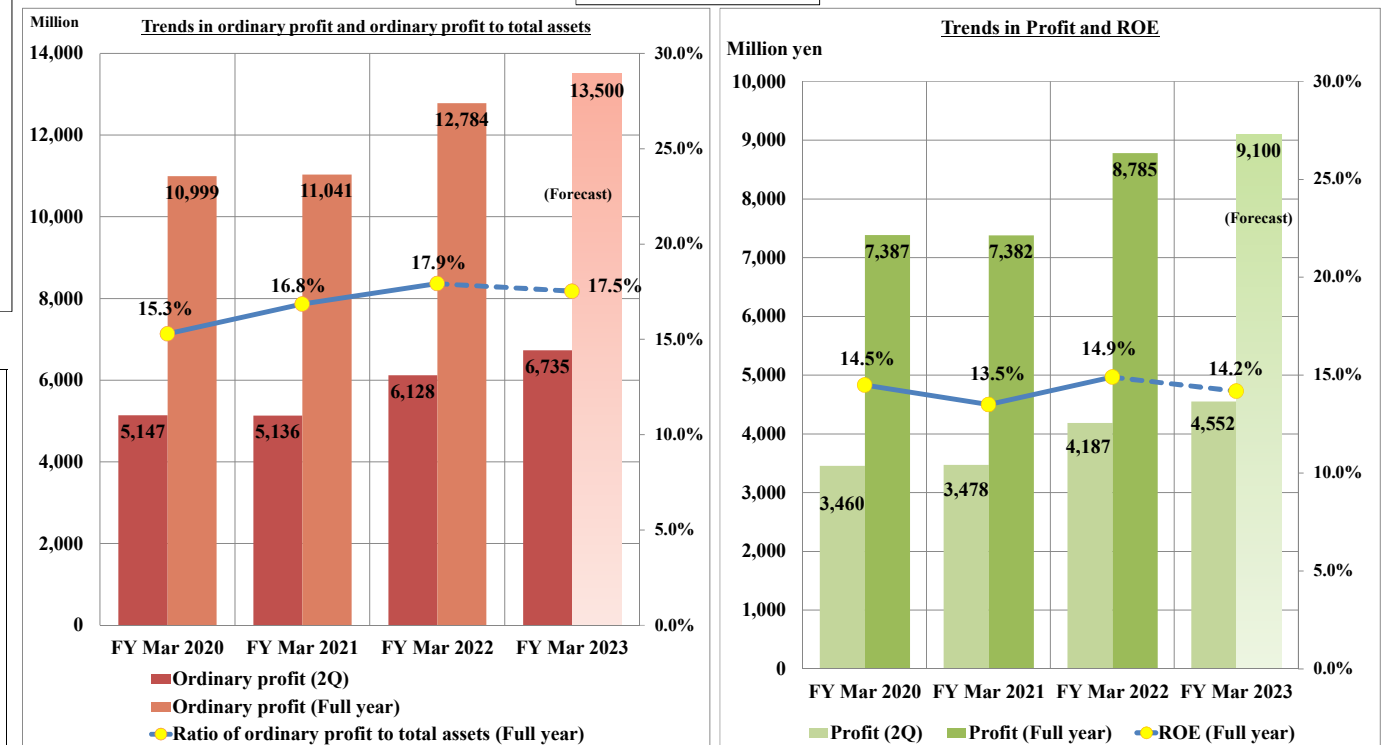
As a result, the equity ratio stood at 71.8%, down 3.3pt from the end of the previous fiscal year.

(Note 1) Equity = "Total shareholders' equity" + "Total accumulated other comprehensive income" of net assets

(Note 2) Equity ratio = Equity capital / Total assets

Cash flows			
(Million yen)	FY Mar 2023 2Q	FY Mar 2022 2Q	
CF from operating activities	2,965	3,386	■CF from operating activities Cash inflow of ¥2,965 million, mainly due to an increase in operating revenue and the collection of trade receivables.
CF from investing activities	(759)	(785)	■CF from investing activities Cash outflow of ¥759 million, mainly due to the purchase of property, plant and equipment, intangible assets, and investment securities.
Free cash flows	2,205	2,601	
CF from financing activities	(2,289)	(2,003)	■CF from financing activities Cash outflow of ¥2,289 million, mainly due to payment of dividends.
Net increase (decrease) in cash and cash equivalents	(68)	601	
Cash and cash equivalents at end of period	49,599	47,479	

Dividends		
	FY March 2023	FY March 2022
Interim dividend (Yen)	80.00	75.00
Year-end dividend (Yen)	80.00 (Forecast)	80.00
Annual dividend (Yen)	160.00 (Forecast)	155.00
Equity (Million yen)	-	61,885
Payout ratio (%)	50.3 (Forecast)	50.5



*The financial results outlook and other forward-looking statements herein are based on information currently available to the Company and on certain assumptions deemed reasonable, and do not represent a promise by the Company to achieve them. Actual results may differ significantly from these forecasts due to a wide range of factors.