MEMBERSHIP

May 15, 2024

Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (Under Japanese GAAP)

Company name: IWATSU ELECTRIC CO., LTD.
Listing: Tokyo Stock Exchange
Securities code: 6704
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Scheduled date of annual general meeting of shareholders: June 27, 2024
Scheduled date to commence dividend payments: June 28, 2024
Scheduled date to file annual securities report: June 27, 2024
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: Yes (for institutional investors)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the fiscal year ended March 31, 2024 (April 1, 2023-March 31, 2024)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2024	21,290	(6.9)	(489)	–	(516)	–	526	–
March 31, 2023	22,871	–	(989)	–	(911)	–	(1,196)	–

Note: Comprehensive income For the fiscal year ended March 31, 2024 ¥741 million [–%]
For the fiscal year ended March 31, 2023 ¥(972) million [–%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit/ total assets	Operating profit/ net sales
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2024	45.36	–	2.0	(1.3)	(2.3)
March 31, 2023	(120.15)	–	(4.8)	(2.5)	(4.3)

Reference: Share of profit (loss) of entities accounted for using equity method
For the fiscal year ended March 31, 2024 ¥– million
For the fiscal year ended March 31, 2023 ¥– million

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2024	46,723	29,987	61.2	1,921.77
March 31, 2023	35,304	24,152	68.4	2,422.88

Reference: Equity
As of March 31, 2024 ¥28,596 million
As of March 31, 2023 ¥24,152 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2024	776	(9,395)	11,055	7,125
March 31, 2023	(439)	(467)	(211)	4,668

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2023	–	0.00	–	0.00	0.00	–	–	–
Fiscal year ended March 31, 2024	–	0.00	–	25.00	25.00	373	55.1	1.2
Fiscal year ending March 31, 2025 (Forecast)	–	0.00	–	–	–		–	

Note: The forecast of the fiscal year-end dividend for the fiscal year ending March 31, 2025 is currently undetermined.

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2025 (April 1, 2024-March 31, 2025)

As announced in the "Notice Regarding the Implementation of Structural Reforms (in Japanese)" released today, the Company has decided to implement fundamental structural reforms in order to build a sustainable profit structure. Regarding the forecast of consolidated financial results for the fiscal year ending March 31, 2025, the Company will examine future conditions and other matters and will promptly announce the forecast once it is determined.

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): Yes

Excluded: One company (Iwatsu (Malaysia) Sdn. Bhd.)

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

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: None

(ii) Changes in accounting policies other than (i): Yes

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(Note) For details, please refer to "Notes on changes in accounting policies" on page 13.

(3) Number of issued shares (common shares)

(i) Number of issued shares at the end of the period (including treasury shares)

As of March 31, 2024	14,980,344 shares
As of March 31, 2023	10,080,344 shares

(ii) Number of treasury shares at the end of the period

As of March 31, 2024	100,270 shares
As of March 31, 2023	111,661 shares

(iii) Average number of shares during the period

Fiscal year ended March 31, 2024	11,612,010 shares
Fiscal year ended March 31, 2023	9,958,449 shares

[Reference] Summary of non-consolidated financial results

Non-consolidated financial results for the fiscal year ended March 31, 2024 (April 1, 2023-March 31, 2024)

(1) Non-consolidated operating results (Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Ordinary profit		Profit	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2024	16,286	(1.8)	(878)	–	(752)	–	1,060	–
March 31, 2023	16,588	–	(1,164)	–	(942)	–	(862)	–

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
March 31, 2024	91.31	–
March 31, 2023	(86.58)	–

(2) Non-consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2024	37,115	26,430	71.2	1,776.22
March 31, 2023	33,729	21,352	63.3	2,141.92

Reference: Equity
As of March 31, 2024 ¥26,430 million
As of March 31, 2023 ¥21,352 million

* These financial statements are not subject to audit by a certified public accountant or an auditing firm.

* Explanation of appropriate use of earnings forecasts and other special notes

Forward-looking statements in this document, including earnings forecasts, are based on information currently available to the Company and certain assumptions that the Company considers reasonable, and are not intended to be a guarantee that it will achieve these forecasts. Actual results may differ significantly due to various factors. Please refer to “Overview of operating results, etc.” on page 2 of the attached materials for assumptions, etc. underlying the earnings forecasts.

Attached Materials

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1. Overview of operating results, etc.

(1) Overview of operating results, etc.

(i) Operating results

The Japanese economy during the current fiscal year showed a trend of gradual recovery as social and economic activities normalized following the easing of mobility restrictions associated with COVID-19. Meanwhile, the outlook remains uncertain due to the unstable international environment, including the situations in Ukraine and the Middle East, soaring raw material and fuel prices, exchange rate fluctuations, and concerns about a slowdown in consumption and corporate capital investment due to continuous price hikes.

In such circumstances, the Group has been promoting drastic structural reforms to achieve "REBORN," our medium-term management plan announced in May 2022, which lays out the goals "First tier: Thorough reduction of fixed costs," "Second tier: Promote growth strategies through business selection and concentration and alliances," and "Third tier: Promote growth strategies through M&A."

During the current fiscal year, as part of the efforts to promote growth strategies, we concluded a capital and business alliance agreement with Ai Holdings Corporation last December and became its affiliated company accounted for by the equity-method through a third-party allocation with said company acting as the underwriter. In order to enhance the corporate value of both companies by creating synergies based on the relationship with Ai Holdings Corporation, we are building cooperative systems in the sales, development, manufacturing, and management processes. In addition, the Company has specific ongoing discussions regarding the acquisition of the core test and measurement business of Graphtec Corporation, a wholly owned subsidiary of Ai Holdings Corporation, which plans to invest part of the funds raised through the third-party allocation, the implementation of joint research and development with Ai Holdings' group companies, etc.

For the first-tier goal "Thorough reduction of fixed costs," in order to reduce the cost of Kugayama Headquarters, we started operating a new core system last May to improve the efficiency of indirect operations, and last September, we transferred all the shares of the Company's wholly owned subsidiary, Iwatsu (Malaysia) Sdn. Bhd., to Silitech Technology Corporation to consolidate the production system in Japan and reduce costs by improving efficiency. As a result of the efforts to promote digital transformation, we were certified as a "DX Certified operator" under the DX (Digital Transformation) certification program established by the Ministry of Economy, Trade and Industry this April. We will build a promotion system based on the three pillars of "Customer DX," "Factory DX," and "In-House DX," and propose various work styles and cost reduction solutions by providing value to users and collaborating with robots. In addition, we will expand internal resources to maximize the profit by standardizing operations and implementing BI tools, etc. to improve the efficiency of indirect operations.

For the second-tier goal "Promote growth strategies through business selection and concentration and alliances," we transferred all shares of groxi Inc. to ELECOM CO., LTD. last June. We are working to diversify products and services and improve cost competitiveness in our focused area of "Office DX" by selecting and concentrating on businesses and deepening the cooperative relationship with ELECOM CO., LTD., to which the Company transferred the shares. This past February, we underwrote a third-party allocation of new shares by Heimann Industries AG, a German probe manufacturer, to "promote the growth strategy for test and measurement equipment" and made a capital injection. Through collaboration with Heimann Industries AG, we are promoting the strengthening of power electronics-related commercial products, which are expected to grow in the future, and the acceleration of overseas expansion.

As stated above, the initiatives for the second year of the medium-term management plan are progressing steadily. In order to succeed with the above, we will accelerate efforts to achieve the goals of the medium-term management plan by "accelerating decision-making," "visualizing the profitability of each company," and "improving customer satisfaction through integrated development and sales" under the in-house company system we introduced this April, which clarifies the responsibilities and authorities of each company and corporate division.

For the current fiscal year, there was an increase in procurement cost attributable to changes in the external environment such as soaring fuel prices and significant exchange rate fluctuations, one-time expenses incurred for the implementation of the medium-term management plan, and delay in improvement in loss from inventory valuation recorded for the previous fiscal year against the original plan. As a result, the revenue for the current fiscal year amounted to ¥21,290 million (a decrease of 6.9% from the end of the previous fiscal year), with an operating loss of ¥489 million (compared to an operating loss of ¥989 million in the previous fiscal year) and an ordinary loss of ¥516 million (compared to an ordinary loss of ¥911 million in the previous fiscal year). The profit attributable to owners of parent amounted to ¥526 million (compared to a loss of ¥1,196 million attributable to owners of parent in the previous fiscal year), mainly due to a gain of ¥878 million on sale of shares in subsidiaries and associates resulting from the transfer of shares in groxi Inc. and a gain of ¥222 million on sale of investment securities associated with the reduction of the cross-shareholdings, etc.

The following is a breakdown by segment.

Business communication systems

In the business communication systems business, the revenue from sales of cloud solutions mainly for contact centers remained firm due to orders for large projects and an increase in demand associated with the progress of cloud services. However, revenue from contract manufacturing decreased due to shrinking of existing projects and postponement of new projects as well as the impact from the transfer of shares in a consolidated subsidiary. As a result, the overall revenue amounted to ¥15,412 million (a decrease of 12.4% from the end of the previous fiscal year), and segment profit/loss was a profit of ¥718 million (a decrease of 4.3% from the end of the previous fiscal year), primarily due to higher raw material procurement costs and an increase in outsourced work associated with the diversification of network-related equipment, despite a decrease in loss from inventory valuation recorded in the previous fiscal year due to improvement in the parts procurement environment.

Printing systems

In the printing system business, the domestic demand for consumables increased ahead of the price revisions implemented last September and large orders for printing-related commercial products were received. As a result, revenue amounted to ¥1,691 million (an increase of 10.1% from the end of the previous fiscal year), and segment profit/loss resulted in a loss of ¥63 million (a loss of ¥163 million in the previous fiscal year) due to an increase in revenue and a decrease in loss from inventory valuation as a result of the organization of product and product lineup associated with the business restructuring in the previous fiscal year.

Test and measurement equipment

In the test and measurement equipment business, orders mainly for electronic components decreased as a backlog from the increase in demand in the previous fiscal year. However, orders for power electronics-related products increased, reflecting growing awareness of environmental preservation. As a result, overall revenue amounted to ¥3,306 million (an increase of 3.7% from the end of the previous fiscal year), and segment profit/loss recorded a profit of ¥487 million (an increase of 300.0% from the end of the previous fiscal year) due to a better cost-to-sales rate associated with changes in the sales mix.

Property leasing

In the property leasing business, an anonymous association that became the Company’s consolidated subsidiary last March acquired non-current assets (beneficial interests in trust) for three rental apartment properties and started its operation. As a result, sales revenue amounted to ¥879 million (an increase of 60.1% from the end of the previous fiscal year), and segment profit/loss recorded a profit of ¥331 million (an increase of 109.4% from the end of the previous fiscal year), mainly due to improved occupancy rates of rental office buildings and nearly full occupancy of the newly acquired rental apartment properties.

(ii) Financial position

Total assets at the end of the fiscal year under review were ¥46,723 million, an increase of ¥11,418 million from the end of the previous fiscal year.

Current assets were ¥19,166 million, an increase of ¥2,300 million from the end of the previous fiscal year, mainly due to increases of ¥2,456 million in cash and deposits resulting from a third-party allocation of new shares, ¥233 million in electronically recorded monetary claims - operating, and ¥222 million in merchandise and finished goods, respectively, despite a decrease of ¥431 million in raw materials and supplies.

Non-current assets were ¥27,556 million, an increase of ¥9,117 million from the end of the previous fiscal year, mainly due to increases of ¥5,085 million in land and ¥3,055 million in buildings and structures resulting from the acquisition of non-current assets (beneficial interests in trust) by an anonymous association, and an increase of ¥1,121 million in investment securities resulting from investments in Heimann Industries AG, a probe manufacturer in Germany.

Total liabilities at the end of the fiscal year under review were ¥16,735 million, an increase of ¥5,583 million from the end of the previous fiscal year.

Current liabilities were ¥3,616 million, down ¥512 million from the end of the previous fiscal year, mainly due to decreases of ¥469 million in notes and accounts payable - trade and ¥223 million in contract liabilities.

Non-current liabilities were ¥13,118 million, an increase of ¥6,096 million from the end of the previous fiscal year, mainly because the borrowing by an anonymous association for acquiring non-current assets (beneficial interests in trust) resulted in an increase in long-term borrowings to ¥5,989 million.

Net assets at the end of the fiscal year under review were ¥29,987 million, an increase of ¥5,834 million from the end of the previous fiscal year, due to increases of ¥1,857 million in capital and ¥1,857 in capital surplus resulting from a third-party allocation of new shares, ¥526 million in retained earnings, mainly due to ¥526 million in a profit attributable to owners of parent company, etc., and ¥1,391 million in non-controlling interests resulting from the acquisition of the anonymous association as a subsidiary.

(iii) Cash flows

Cash and cash equivalents at the end of the fiscal year under review were ¥7,125 million, an increase of ¥2,456 million from the end of the previous fiscal year.

<u>Cash flows from operating activities</u>

Net cash provided by operating activities was ¥776 million, an increase of ¥1,216 million from the previous fiscal year. This was mainly due to ¥1,112 million from depreciation and ¥584 million of profit before income taxes for an increase of ¥1,252 million in trade receivables.

<u>Cash flows from investing activities</u>

Net cash used in investment activities was ¥9,395 million, a decrease of ¥8,928 million from the previous fiscal year. This was mainly due to an expense of ¥9,255 million for the purchase of property, plant and equipment by the anonymous association, etc. for an income of ¥443 million from the sale of shares in the subsidiaries associated with the changes in scope of consolidation.

<u>Cash flows from financing activities</u>

Net cash provided by financial activities was ¥11,055 million, an increase of ¥11,267 million from the previous fiscal year. This was mainly due to an income of ¥6,000 million from the long-term borrowings by an anonymous association, an income of ¥1,370 million from proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation, and an income of ¥3,697 million from the issuance of shares in connection with a capital increase through third-party allocation.

(2) Future outlook

The Group has formulated a four-year medium-term management plan, “REBORN,” with fiscal 2022 as the starting point, and is promoting with unwavering resolve bold cost structure reforms with no reservations, growth strategies that contribute to the realization of a carbon-neutral society through energy conservation and efficiency improvements, and ESG management.

Meanwhile, although the Group has been making steady progress on the medium-term management plan as of the second year, changes in external environment such as disruption of the supply chain and soaring raw material and fuel prices triggered by geopolitical risks and continuing depreciation of the yen has resulted in increases in procurement cost and loss from inventory valuation, etc., greatly affecting the Group's profit/loss and causing significant deviation from goals laid out under the medium-term management plan.

In light of this situation, as announced today (May 15, 2024) in the "Notice Regarding the Implementation of Structural Reforms (in Japanese)", we have decided to implement drastic structural reforms in order to build a permanently profitable structure. We will announce the consolidated business results for the next fiscal year as soon as they are finalized after careful examination of future situations and other factors.

2. Basic approach to selection of accounting standards

For the time being, the Group intends to prepare its consolidated financial statements in accordance with Japanese GAAP, taking into account the comparability of the consolidated financial statements between periods and between companies.

With regard to the adoption of IFRS, the Group will take appropriate action after considering the situation in Japan and overseas.

3. Consolidated financial statements and significant notes thereto

(1) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	4,890	7,347
Notes receivable - trade	386	313
Electronically recorded monetary claims - operating	567	800
Accounts receivable - trade	4,064	3,928
Merchandise and finished goods	1,830	2,052
Work in process	1,097	1,203
Raw materials and supplies	3,692	3,260
Other	337	261
Allowance for doubtful accounts	(1)	(1)
Total current assets	16,865	19,166
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	5,052	8,107
Machinery, equipment and vehicles, net	485	613
Tools, furniture and fixtures, net	544	551
Land	9,963	15,049
Other, net	5	–
Total property, plant and equipment	16,051	24,322
Intangible assets	548	197
Investments and other assets		
Investment securities	1,456	2,577
Other	414	491
Allowance for doubtful accounts	(31)	(31)
Total investments and other assets	1,838	3,037
Total non-current assets	18,438	27,556
Total assets	35,304	46,723

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,582	1,113
Accounts payable - other	710	774
Contract liabilities	635	411
Income taxes payable	77	185
Provision for bonuses	540	463
Provision for product warranties	76	109
Other	506	557
Total current liabilities	4,129	3,616
Non-current liabilities		
Long-term borrowings	35	6,025
Deferred tax liabilities	3,286	3,377
Provision for share awards	42	42
Retirement benefit liability	3,097	3,078
Other	560	594
Total non-current liabilities	7,022	13,118
Total liabilities	11,151	16,735
Net assets		
Shareholders’ equity		
Share capital	6,025	7,882
Capital surplus	6,948	8,805
Retained earnings	10,523	11,049
Treasury shares	(112)	(104)
Total shareholders’ equity	23,384	27,633
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	483	775
Foreign currency translation adjustment	124	–
Remeasurements of defined benefit plans	160	186
Total accumulated other comprehensive income	768	962
Non-controlling interests	–	1,391
Total net assets	24,152	29,987
Total liabilities and net assets	35,304	46,723

(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
Revenue	22,871	21,290
Cost of sales	16,072	14,308
Gross profit	6,799	6,981
Selling, general and administrative expenses	7,788	7,471
Operating loss	(989)	(489)
Non-operating income		
Interest income	20	8
Dividend income	48	59
Rental income from land and buildings	36	34
Commission income	2	14
Other	59	11
Total non-operating income	167	127
Non-operating expenses		
Interest expenses	3	43
Share issuance costs	–	17
Foreign exchange losses	41	43
Loss on retirement of non-current assets	23	30
Other	21	19
Total non-operating expenses	90	154
Ordinary loss	(911)	(516)
Extraordinary income		
Gain on sale of investment securities	3	222
Gain on sale of shares of subsidiaries and associates	–	878
Subsidy income	15	–
Insurance claim income	–	26
Total extraordinary income	18	1,127
Extraordinary losses		
Impairment losses	270	–
Loss on disaster	–	26
Total extraordinary losses	270	26
Profit (loss) before income taxes	(1,163)	584
Income taxes - current	67	117
Income taxes - deferred	(34)	(81)
Total income taxes	32	36
Profit (loss)	(1,196)	548
Profit attributable to non-controlling interests	–	21
Profit (loss) attributable to owners of parent	(1,196)	526

(Consolidated statement of comprehensive income)

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Profit (loss)	(1,196)	548
Other comprehensive income		
Valuation difference on available-for-sale securities	179	291
Foreign currency translation adjustment	124	(124)
Remeasurements of defined benefit plans, net of tax	(79)	26
Total other comprehensive income	223	193
Comprehensive income	(972)	741
Comprehensive income attributable to		
Owners of parent	(972)	720
Non-controlling interests	–	21

(3) Consolidated statements of changes in equity

Fiscal year ended March 31, 2023

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,025	6,948	11,977	(135)	24,815
Cumulative effects of changes in accounting policies			(8)		(8)
Restated balance	6,025	6,948	11,968	(135)	24,806
Changes during period					
Loss attributable to owners of parent			(1,196)		(1,196)
Dividends of surplus			(248)		(248)
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares				23	23
Net changes in items other than shareholders' equity					
Total changes during period	–	–	(1,444)	23	(1,421)
Balance at end of period	6,025	6,948	10,523	(112)	23,384

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans, net of tax	Total accumulated other comprehensive income	
Balance at beginning of period	304	0	239	544	25,359
Cumulative effects of changes in accounting policies					(8)
Restated balance	304	0	239	544	25,350
Changes during period					
Loss attributable to owners of parent					(1,196)
Dividends of surplus					(248)
Purchase of treasury shares					(0)
Disposal of treasury shares					23
Net changes in items other than shareholders' equity	179	124	(79)	223	223
Total changes during period	179	124	(79)	223	(1,198)
Balance at end of period	483	124	160	768	24,152

Fiscal year ended March 31, 2024

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,025	6,948	10,523	(112)	23,384
Changes during period					
Profit attributable to owners of parent			526		526
Issuance of new shares	1,857	1,857			3,714
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares				9	9
Net changes in items other than shareholders' equity					
Total changes during period	1,857	1,857	526	8	4,249
Balance at end of period	7,882	8,805	11,049	(104)	27,633

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans, net of tax	Total accumulated other comprehensive income		
Balance at beginning of period	483	124	160	768	–	24,152
Changes during period						
Profit attributable to owners of parent						526
Issuance of new shares						3,714
Purchase of treasury shares						(0)
Disposal of treasury shares						9
Net changes in items other than shareholders' equity	291	(124)	26	193	1,391	1,585
Total changes during period	291	(124)	26	193	1,391	5,834
Balance at end of period	775	–	186	962	1,391	29,987

(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		
Profit (loss) before income taxes	(1,163)	584
Depreciation	1,061	1,112
Impairment losses	270	–
Interest and dividend income	(69)	(67)
Interest expenses	3	43
Loss (gain) on sale of shares of subsidiaries and associates	–	(877)
Decrease (increase) in trade receivables	638	(1,252)
Decrease (increase) in inventories	(1,065)	(446)
Increase (decrease) in trade payables	(202)	3
Other, net	133	1,599
Subtotal	(392)	700
Interest and dividends received	69	67
Interest paid	(2)	(44)
Income taxes paid	(129)	26
Other, net	15	26
Net cash provided by (used in) operating activities	(439)	776
Cash flows from investing activities		
Purchase of property, plant and equipment	(293)	(9,255)
Purchase of investment securities	(63)	(817)
Proceeds from sale of investment securities	6	328
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	–	968
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	–	(524)
Payments into time deposits	(190)	(150)
Proceeds from withdrawal of time deposits	140	150
Other, net	(65)	(94)
Net cash provided by (used in) investing activities	(467)	(9,395)
Cash flows from financing activities		
Proceeds from long-term borrowings	50	6,000
Proceeds from issuance of shares	–	3,697
Dividends paid	(247)	(0)
Proceeds from share issuance to non-controlling shareholders	–	1,370
Other, net	(14)	(11)
Net cash provided by (used in) financing activities	(211)	11,055
Effect of exchange rate change on cash and cash equivalents	31	19
Net increase (decrease) in cash and cash equivalents	(1,086)	2,456
Cash and cash equivalents at beginning of period	5,755	4,668
Cash and cash equivalents at end of period	4,668	7,125

(5) Notes to consolidated financial statements

Notes on going concern assumption

Not applicable.

Notes on changes in accounting policies

1. Changes in inventory valuation method

   Previously, the Company principally used the moving average cost method for inventory valuation, but the Company has switched to principally using the weighted average cost method, starting in the fiscal year under review. This change has been made in connection to the update of the valuation method following a change in the core system. As the impact of this change is negligible, retrospective application has not been performed.

2. Changes in revenue recognition standards

   Previously, revenue was recognized at the time of shipment for domestic sales of goods and products when the period from the time of shipment to the time when control of the goods or products is transferred to the customer is a normal period of time, but starting in the fiscal year under review, the Company has switched to the method where revenue is recognized at the time of delivery. This change has been made to more appropriately reflect economic realities following the changes to the core system. This change in accounting policy has been applied retrospectively, and the consolidated financial statements for the previous fiscal year have been prepared on a retrospective basis.

   As a result, compared to before the retrospective application, the consolidated balance sheet for the previous fiscal year shows an increase of ¥33 million in merchandise and finished goods and a decrease of ¥50 million and ¥23 million in accounts receivable and retained earnings, respectively. The consolidated statement of income for the previous fiscal year shows a decrease of ¥32 million in revenue, an increase of ¥6 million in operating loss, ordinary loss, and loss before income taxes, respectively, and an increase of ¥14 million in loss and loss attributable to owners of parent. The consolidated statement of cash flows for the previous fiscal year shows an increase of ¥6 million in loss before income taxes, an increase of ¥35 million in trade receivable, and a decrease of ¥25 million in inventories. Net assets per share decreased ¥2.39 and net loss per share increased ¥1.51 for the previous fiscal year.

   The beginning balance of retained earnings in the consolidated statements of changes in equity after retrospective application decreased by ¥8 million due to the cumulative effect of the changes in accounting policy reflected in the carrying amount of beginning balance of net assets for the previous fiscal year.

Segment information

1. Reportable segments

   (1) Method of determining reportable segments

   Reportable segments of the Company are determined as segments which separate financial information is accessible from among the constituent units of the Company and are subject to periodic examinations to enable the Company’s Board of Directors to decide how to allocate management resources and assess performance.

   The Company has business divisions or business subsidiaries for each product or service, formulates comprehensive strategies for products and services that they handle in domestic and overseas, and conducts business activities.

   Accordingly, the Company consists of segments based on product and service, and are divided into four reportable segments: “Business communication systems,” “Printing systems,” “Test and measurement equipment,” and “Property leasing.”

(2) Types of products and services that belong to each reportable segment

"Business communication systems" manufactures and sells communication equipment. "Printing systems" manufactures and sells printing and plate-making equipment. "Test and measurement equipment" manufactures and sells electronic measurement equipment. "Property leasing" engages in the leasing, etc. of real estate.

2. Method for calculating revenue, profit or loss, assets, liabilities and other items by reportable segment

The accounting methods for the reportable segments are, in general, the same as those used to prepare consolidated financial statements.

As described in the notes to changes in accounting policies, previously, the Company principally used the moving average cost method for inventory valuation, but the Company has switched to principally using the weighted average cost method, starting in the fiscal year under review. This change has been made in connection to the update of the valuation method following a change in the core system. The impact of this change is negligible.

As described in the notes on changes in accounting policies, previously, revenue was recognized at the time of shipment for domestic sales of goods and products when the period from the time of shipment to the time when control of the goods or products is transferred to the customer is a normal period of time, but starting in the fiscal year under review, the Company has switched to the method where revenue is recognized at the time of delivery. This change has been made to more appropriately reflect economic realities following the changes to the core system. The segment information for the previous fiscal year is presented based on the calculation method of profit or loss adopted after the change.

3. Information on revenue, profit or loss, assets, liabilities and other items by reportable segment

Fiscal year ended March 31, 2023

(Millions of yen)

	Reportable segment				Adjustment	Carrying amount
	Business communication systems	Printing systems	Test and measurement equipment	Property leasing		
Revenue						
Revenues from external customers	17,596	1,536	3,189	549	—	22,871
Transactions with other segments	—	—	—	—	—	—
Total	17,596	1,536	3,189	549	—	22,871
Segment profit (loss)	749	(163)	121	158	(1,855)	(989)
Segment assets	13,504	1,432	2,459	12,493	5,414	35,304
Other items						
Depreciation	716	38	61	157	87	1,061
Increase in property, plant and equipment and intangible assets	239	11	34	0	78	364

Notes: 1. Adjustments made are as follows:

(1) Adjustments of ¥(1,855) million in segment profit (loss) include ¥(1,855) million in corporate expenses not allocated to reportable segments. Corporate expenses are mainly general administrative expenses that are not attributable to reportable segments.

(2) Adjustments of ¥5,414 million in segment assets include ¥5,414 million in corporate assets not allocated to reportable segments. Corporate assets are mainly surplus funds that are not attributable to reportable segments.

(3) Adjustments of ¥78 million in increase in property, plant and equipment and intangible assets are capital investments for headquarter departments.

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

Fiscal year ended March 31, 2024

(Millions of yen)

	Reportable segment				Adjustment	Carrying amount
	Business communication systems	Printing systems	Test and measurement equipment	Property leasing		
Revenue						
Revenues from external customers	15,412	1,691	3,306	879	—	21,290
Transactions with other segments	—	—	—	—	—	—
Total	15,412	1,691	3,306	879	—	21,290
Segment profit (loss)	718	(63)	487	331	(1,963)	(489)
Segment assets	12,970	1,124	2,589	20,833	9,206	46,723
Other items						
Depreciation	690	37	60	229	94	1,112
Increase in property, plant and equipment and intangible assets	461	90	38	8,562	106	9,257

Notes: 1. Adjustments made are as follows:

(1) Adjustments of ¥(1,963) million in segment profit (loss) include ¥(1,963) million in corporate expenses not allocated to reportable segments. Corporate expenses are mainly general administrative expenses that are not attributable to reportable segments.

(2) Adjustments of ¥9,206 million in segment assets include ¥9,206 million in corporate assets not allocated to reportable segments. Corporate assets are mainly surplus funds that are not attributable to reportable segments.

(3) Adjustments of ¥106 million in increase in property, plant and equipment and intangible assets are capital investments for headquarter departments.

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

Notes on per share information

1. Net assets per share

(Yen)

	As of March 31, 2023	As of March 31, 2024
Net assets per share	2,422.88	1,921.77

Note: The Company’s own shares that remain in the stock-granting ESOP trust and are recorded as treasury shares in shareholders’ equity are included in the number of treasury shares deducted from the total number of issued shares at the end of the fiscal year for the purpose of calculating net assets per share. The number of treasury shares at the end of the fiscal year was 72,900 shares for the previous fiscal year and 60,900 shares for the current fiscal year.

2. Basic earnings (loss) per share

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Basic earnings (loss) per share	(120.15)	45.36
(Basis of calculation)		
Profit (loss) attributable to owners of parent (Millions of yen)	(1,196)	526
Amount not attributable to common shareholders (Millions of yen)	–	–
Profit (loss) attributable to owners of parent related to common share (Millions of yen)	(1,196)	526
Average number of common shares during the period (Shares)	9,958,449	11,612,010

Notes: 1. Diluted earnings per share is not presented because there are no potential shares.

2. The Company's own shares that remain in the stock-granting ESOP trust and are recorded as treasury shares in shareholders' equity are included in the treasury shares deducted in the calculation of the average number of shares during the fiscal year for the purpose of calculating basic earnings per share. The average number of treasury shares during the fiscal year was 83,600 shares for the previous fiscal year and 62,567 shares for the current fiscal year.

Notes on significant subsequent events

Determination to implement structural reforms

At the meeting of the Board of Directors held on May 15, 2024, the Company decided to implement structural reforms in the Group in order to accelerate the selection of and concentration on businesses to achieve "thorough reduction of fixed costs" and "promotion of growth strategies" as set forth in "REBORN," the medium-term management plan.

To strengthen human capital and improve labor productivity, we will shift human resources to the promotion of digital transformation and high value-added operations, while rationalizing the entire Group's workforce. The planned scope of the workforce rationalization, including staff downsizing, is approximately 200 employees across the Group, which will be implemented around September 2024. In addition, in order to consolidate the Group's human resources and further improve the efficiency of the group management, the Company is planning to integrate the Group by acquiring the Company's subsidiaries and other means, which will be implemented around the fiscal year ending March 31, 2026.

The amount of expenses and other costs arising in connection with the implementation of these structural reforms has not yet been determined.